58

STANDING COMMITTEE ON FINANCE
(2017-18)

SIXTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2018-19)

FIFTY-EIGHTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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(SIXTEENTH LOK SABHA)

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Presented to Lok Sabha on 09 March, 2018

Laid in Rajya Sabha on 09 March, 2018

LOK SABHA SECRETARIAT
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CONTENTS

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2017-18

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Kunwar Pushpendra Singh Chandel
3. Shri Bandaru Dattatreya
4. Shri Nishikant Dubey
5. Shri Venkatesh Babu T.G.
6. Shri P.C. Gaddigoudar
7. Shri C. Gopalakrishnan
8. Shri Shyama Charan Gupta
9. Shri Rattan Lal Kataria
10. Shri Chandrakant B. Khaire
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Rajiv Pratap Rudy
16. Shri Jyotiraditya M. Scindia
17. Shri Gopal Shetty
18. Dr. Kiritbhai P. Solanki
19. Dr. Kirit Somaiya
20. Shri Dinesh Trivedi
21. Shri Shivkumar Udasi

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Shri A. Navaneethakrishnan
25. Shri Mahesh Poddar
26. Dr. Mahendra Prasad
27. Shri C.M. Ramesh
28. Shri T.K. Rangarajan
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1. Smt. Abha Singh Yaduvanshi - Joint Secretary
2. Shri Rajesh Ranjan Kumar - Director
3. Shri Ramkumar Suryanarayanan - Additional Director
4. Shri Vivek Pandey - Executive Assistant

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Fifty-Eighth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2018-19)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2018-19) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 09 February, 2018 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 16 February, 2018. 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 (2018-19).

4. The Committee considered and adopted this Report at their Sitting held on 8 March, 2018.

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

New Delhi;
09 March, 2018
18 Phalguna, 1939 (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 UTILISATIONS

2.1 The detailed Demands for Grants (2018-19) of the Ministry of Finance were presented to Lok Sabha on 9 February, 2018. The details of the Revenue Section and Capital Section of the Demands for Department of Revenue, Direct Taxes and Indirect taxes for the year 2018-19 are as follows :-

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	33 - Department of Revenue	180941.24	8.44	**180949.68**
2.	34 - Direct Taxes	6728.00	254.00	**6982.00**
3.	35 - Indirect Taxes	7418.00	407.00	**7825.00**

2.2. Summary of Budgetary Provisions under Demand Nos. 33, 34 and 35 for 2015-16, 2016-17, 2017-18 and 2018-19 is as under :

DEMAND NO. 33
DEPARTMENT OF REVENUE

Financial Year	BE	RE	Expenditure (up to 31st March)	Amount Surrendered
2015-16	16187.69	17082.25	17035.16	47.09
2016-17	11925.01	11108.36	11026.70	919.78
2017-18	837.28	124096.55	25032.72 (upto December 2017)	-
2018-19	180949.70			

Explanation:

2017-18

The BE for the year 2017-18 was Rs. 837.28 crore. However, the RE was Rs. 124096.55 Crore primarily due to provisions made for payment of compensation to the States as has been provided under Goods and Services Tax (Compensation to States) Act, 2017 on account of introduction of GST. This Act provides for creation of a Compensation Fund in Public Account in which all revenues raised through imposition of Cess under the Act shall be credited. The cess imposed through the Act is first credited into the Consolidated Fund of India (CFI) and thereafter transferred to Public Account. Whenever compensation is released to the States, it shall be done from the Head 3601 for States and 3602 for Union territories with legislature. The compensation thus released shall be recouped from the Compensation Fund in the Public Account. Provisions thus have to be made in relevant Head in R.E of 2017-18 and B.E. for release of grant-in-aid to States/UTs for revenue losses on roll out of GST and also for transfer of amount collected as cess from CFI to Public Account. The compensation amount released to States shall be recouped entirely from the Public Account.

As explained above, thus, provisions have been made for releasing grant-in-aid to States/UTs for revenue losses on roll out of GST (Rs. 60500 Crore) and for transfer to GST compensation Fund (Rs. 61331 Crore) which will be transferred from Consolidated Fund of India to Public Account (out of the proceeds of GST Compensation Cess). Besides this, provision of Rs. 1384.61

crores has also been made for release of compensation to States/UTs for the period 2012-13 on account of reduction of Central Sales tax rate. The net expenditure in this demand is thus Rs. 63396.62 crores.

2018-19

I. Out of total BE of Rs. 180949.70 Crore, Rs. 90000 Crore has been provided as grant-in-aid to States/UTs for revenue losses on roll out of GST. Rs. 90000 Crore has been provided for transfer to GST compensation fund, which will be transferred from Consolidated Fund of India to Public Account (out of the proceeds of GST Compensation Cess). The net expenditure in this demand is Rs. 90736.44 crores.

II. Rest of the provision under RE is towards meeting the expenditure of Revenue Headquarters & its Secretariat and its various attached offices (Central Economic Intelligence Bureau; Financial Intelligence Unit of India; Goods & Service Tax Council Secretariat; Enforcement Directorate; Appellate Tribunal for Forfeited Property; CESTAT; Pr. CCA, CBDT; Pr. CCA, CBEC; Competent Authorities, Committee of Management, Pay & Accounts Office (Revenue); National Institute of Public Finance & Policy (NIPFP), Central Bureau of Narcotics, Special Investigation Team (SIT) and Contributions to International Organizations.

III. A provision of Rs.353.47 crore (approx.) has been provided in 2018-19 for Government Opium & Alkaloid Works, which are responsible for processing of raw opium for exports, manufacturing of opiate alkaloids and other related functions through its two factories at Ghazipur (UP) and Neemuch (Madhya

Pradesh).

IV. As CST/VAT has already been discontinued w.e.f. 1st July, 2017 on implementation of GST, some compensation claims of States/UTs for revenue loss due to phasing out of CST/VAT is still under settlement in the FY 2017-18. A token provision has been kept in BE 2018-19 to settle such claims, if still remains pending or arise in future.

Major Head wise allocation of Funds and reasons for variation:

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2052	252.98	303.97	317.42

This provision is for Revenue Headquarters including TPRU, Pay & Accounts Office (Revenue), Competent Authorities under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act and Narcotics Drugs & Psychotropic Substances Act, Income Tax Overseas Units (ITOUs) in various countries, Central Economic Intelligence Bureau, Financial Intelligence Unit (FIU-IND), Principal Chief Controller of Accounts, CBDT, Principal Chief Controller of Accounts, CBEC & Goods and Service Tax Council Secretariat. A token provision has also been kept for settlement of outstanding claims related to implementation of Value Added Tax (VAT)/phasing out of Central Sales Tax (CST)/setting up of Tax Information Exchange System (TINSXYS), and grant-in-aid to the Empowered Committee (EC) of State Finance Ministers for meeting administrative/miscellaneous expenses if arises in the FY 2018-19.

(In crore of Rupees)

Major Head	BudgetEstimates2017-18	RevisedEstimates2017-18	BudgetEstimates2018-19
2020	0.35	0.25	0.25

This provision is for meeting the expenses of the National Committee for Promotion of Social and Economic Welfare set up under the Income Tax Act.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2047(1)	125.32	168.87	165.14

This provision is for expenditure of the Enforcement Directorate, which has been assigned the responsibility of enforcement under Foreign Exchange Management Act and the Prevention of Money Laundering Act.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2047(2)	11.16	11.51	12.72

This provision is for grant-in-Aid to National Institute of Public Finance & Policy (an autonomous body) for meeting recurring expenditure on salaries and allowances of the core staff of the Institute.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2047(3)	1.26	1.30	1.34

This provision is for contribution by India as a Member of Asia/Pacific Group on Money Laundering and EGMONT Group and OECD Committee on Fiscal Affairs (CFA).

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2047(4)	37.39	38.72	40.62

This includes provision for Appellate Tribunal under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and for Customs, Excise & Service Tax Appellate Tribunal and Adjudicating Authority under Prevention of Money Laundering Act (PMLA).

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates2017-18	Budget Estimates 2018-19
2070(1)	40.25	40.67	42.48

This provision is for Central Bureau of Narcotics and Expenditure on Control of Drug Abuse. Central Government exercises exclusive control over the cultivation

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2070(2)	2.26	3.09	2.76

This provision is for meeting the expenditure of Special Investigation Team (SIT).

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2070(3)	4.64	4.86	5.03

This provision is for contributions to Customs Council, United Nations Fund for Control of Drug Abuse, Commonwealth Association of Tax Administrators and Drug Advisory Programme of Colombo Plan Bureau, Inter-American Centre of Tax Administration (CIAT), Global Forum on Transparency and Exchange of Information and OECD.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
2875	359.19	305.27	353.47

This provision is for expenditure of the Opium Factories and Alkaloid

Works at Ghazipur and Neemuch including purchase of opium produce. Central Government purchases the entire opium produce for processing and sale for medicinal and scientific needs. The provision also includes import of Codeine Phosphate for medicinal and scientific needs of the country.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3601(1)	0.01	0.00	0.01

This provision is for compensation to States for revenue loss due to introduction of Value Added Tax (VAT) and for VAT related expenditure.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3601(2)	0.01	1384.60	0.01

This provision is for compensation to States for revenue loss due to phasing out of CST.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3601(3)	0.01	59000.00	87500.00

This provision is for compensation for loss of revenue arising out of implementation of Goods and Service Tax to State Governments in form of Grant-in-aid.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3601(4)	0.00	59831.00	87500.00

This provision has been made for transfer to GST Compensation Fund created in Public Accountfrom the Cess collected under Goods and Service Tax (Compensation to States Act, 2017) and credited to Consolidated Fund of India.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3602(1)	0.01	0.01	0.01

This provision is for compensation to Union Territories Government for revenue loss due to phasing out of CST.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3602(2)	0.01	1500.00	2500.00

This provision is for compensation for loss of revenue arising out of implementation of Goods and Service Tax to Union Territory Governments with Legislature in form of Grant-in-aid.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
3602(3)	0.00	1500.00	2500.00

This provision has been made for transfer to GST Compensation Fund created in Public Accountfrom the Cess collected under Goods and Service Tax (Compensation to States Act, 2017) and credited to Consolidated Fund of

India.

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
4059	0.01	0.01	2.79

This provision is for construction of office buildings of Department of Revenue (Rajaswa Bhawan at New Delhi etc.).

(In crore of Rupees)

Major Head	Budget Estimates 2017-18	Revised Estimates 2017-18	Budget Estimates 2018-19
4875	2.42	2.42	5.65

The provision is for capital expenditure in respect of Opium Factories and Alkaloid Works at Ghazipur and Neemuch.

DEMAND NO. 34
DIRECT TAXES

Grant No. 34 - Direct Taxes has no Central Sector Schemes and Centrally Sponsored Schemes. The entire budget is for salaries/administrative expenses.

(Rs. in crore)

Financial Year	BE	RE	Total Expenditure (up to 31st march)	% of RE Utilized	Amount Surrendered
2015-16	5408.56	4752.00	4720.84	99.34	669.95
2016-17	5389.00	5704.00	5677.73	99.54	65.19
2017-18	6110.64	6502.00	4717.70 (up to Dec. 2017)	72.56	
2018-19	6982.00				

<u>Explanation:-</u>

<u>2015-16</u>

BE of Rs. 5408.56 crore was reduced to Rs. 4752.00 crore at RE stage in view of Economy Instructions in force. Under Revenue Section, RE was reduced to Rs. 4610.00 crore against BE of Rs. 4832.36 crore which shows a reduction of Rs. 222.36 crore. Under Capital Section, RE provision was reduced to Rs. 142.00 crore against BE of Rs. 576.20 crore due to non-completion of some projects and enforcement of economy cut. Actual expenditure incurred upto 31.03.2016 was Rs. 4720.84 crore (Rs. 4623.66 crore under Revenue Section and Rs. 97.18 crore under Capital Section). It shows that 99.34% of the budget as per RE was utilized upto March, 2016. Utilisation under Revenue Section was 100.30 % of RE whereas it was 68.44 % under Capital Section. The total amount surrendered in F.Y. 2015-16 was Rs. 669.95 crore.

2016-17

BE of Rs. 5389.00 crore was enhanced to Rs. 5704.00 crore at RE stage. Under Revenue Section, RE was enhanced to Rs. 5567.17 crore against BE of Rs. 5187.00 crore. The enhancement was primarily under the Heads 'Salaries' and 'Advertising and Publicity' to meet the expenditure on implementation of 7th CPC recommendations and towards advertisement for Income Tax Declaration Scheme 2016 & Tax Dispute Resolution Scheme 2016 respectively. Under Capital Section, RE was kept at Rs. 136.83 crore against BE of Rs. 202.00 crore. Actual expenditure incurred upto 31.03.2017 was Rs. 5677.73 crore (Rs. 5543.95 crore under Revenue Section and Rs. 133.78 crore under Capital Section). It shows that 99.54% of the budget as per RE was utilized upto March, 2017. Utilisation under Revenue Section was 99.58 % of RE whereas it was 97.77 % under Capital Section. The total amount surrendered in F.Y. 2016-17 was Rs. 65.19 crore.

2017-18

BE of Rs. 6110.64 crore has been enhanced to Rs. 6502.00 crore at RE stage. Under Revenue Section, the allocation under 'Salaries' head has been enhanced from Rs. 3603.76 crore to Rs. 3740.00 crore to meet the additional expenditure under the Head. Actual expenditure incurred upto 31.12.2017 is Rs. 4717.70 crore (Rs. 4603.79 crore under Revenue Section and Rs. 113.91 crore under Capital Section). It shows that 72.56% of the budget as per RE has been utilized upto December, 2017. Utilisation under Revenue Section works out to 73.39% of RE whereas it is 49.78 % under Capital Section.

2018-19

The Budget Estimates 2018-19 have been proposed at Rs. 6982.00 crore out of which Rs. 6728.00 crore is under Revenue Head and Rs. 254.00 crore is under Capital Head. On Revenue Side, the expenditure on 'Salaries' is estimated at Rs. 3927.00 crore, which is 56.24% of the total grant. There has been an increase of 5% over RE 2017-18 (Rs. 3740.00 crore) in 'Salaries' Head to accommodate annual increment, two instalments of DA, enhanced rate of HRA and filling up of vacant posts in CBDT. On Revenue Side, the other major expenditure is under heads 'Offices Expenses', 'Rent, Rates and Taxes' and 'Information Technology'. Brief of these heads is as under:

- Office Expenses:-The expenditure under 'Office Expenses' is estimated at Rs. 1064.24 crore, which is 15.24% of the total grant. There has been an increase of 2.47% over RE 2017-18 (Rs. 1038.54 crore) in 'Office Expenses' Head to cater to the regular activities of the Department including setting up of new offices, setting up of Aayakar Seva Kendras (ASKs), additional expenditure on account of cadre restructuring, committed liabilities etc.
- Information Technology:-The expenditure under 'Information Technology' is estimated at Rs. 704.27 crore, which is 10.09% of total grant. There has been an increase of 10.03% over RE 2017-18 (Rs. 640.09 crore) in 'Information Technology'. A lot of projects have been going on in Information Technology Sector of IT Department. A majority of IT driven programmes have already been implemented and are ongoing.

- The expenditure under ‘Rent, Rates & Taxes’ is estimated at Rs. 464.76 crore which is 6.66% of total grant. There has been an increase of 18.10% over RE 2017-18 (Rs. 393.54 crore) in ‘Rent, Rates & Taxes’ to accommodate the requirement of office space pursuant to cadre restructuring and increase in annual rent rates.

On Capital side, out of the total provision of Rs. 254.00 crore, a portion amounting to Rs. 174.37 crore is for Capital Outlay on Public Works – Office Buildings (Rs. 163.92 crore is for Acquisition of Land & Construction of Office building for Income Tax Department and Rs 10.45 crore is for Acquisition of Ready Built Office Accommodation). Further Rs. 77.63 crore is for Capital Outlay on Housing – Residential Buildings for Income Tax Employees (Rs. 1.00 crore for Acquisition of Ready Built Flats and Rs. 76.63 crore for Acquisition of Land & Construction of Residential Building for Income Tax Department). Under Capital Head, there has been an increase of 11.00% over RE 2017-18 (Rs. 228.82 crore).

Salient Features:-

(A) Revenue Section

1. The Allocation under Salaries Head has been increasing continuously. Since 2015-16 the allocation under this head has increased by 40.38% up to F.Y. 2018-19.

2. The Allocation under Rent, Rate & Taxes has also increased considerably since 2015-16. There has been an increase of 121.31% up to 2018-19 since 2015-16.

3. The Allocation under Office Expenses has been continuously increasing. Since 2015-2016 there has been an increase of 22.65% up to 2018-19.

4. Allocation under Information technology has also been increasing since

2015-16, there has been an increase of 34.15% up to F.Y 2018-19. In the last few years a number of initiatives have been undertaken by harnessing latest technology to enable a System driven business environment in the Department. Some of the important measures are e-filling of Income Tax Returns, Centralized Processing of IT Returns, Centralized Processing of TDS Returns, Automatic Payment of IT Refund through the Refund Banker Scheme, New Application for Business Process of ITD, Taxnet for connectivity among all Income Tax Offices etc. These measures have ensured qualitative improvement in the Tax Payers Services and also introduced objectivity leading to reduction in interface between the Taxpayer and the Department, to minimize grievances.

(B) Capital Section

Under Capital Section, in F. Y. 2015-16, the pace of completion of projects was slow and due to this, many of the projects have been delayed. A large amount of allocated funds under Capital Segment have been surrendered in F.Y. 2015-16. To complete the projects which are underway BE 2018-19 has been marginally enhanced in comparison to RE 2017-18.

DEMAND NO. 35
INDIRECT TAXES

(Rs. in crore)

Financial Year	BE	RE	Total Expenditure (upto 31/3 of each FY)	% of RE Utilized	Amount Surrendered
2015-16	5665.10	4600.50	4540.30	98.69 %	1025.00
2016-17	5340.50	5830.52	5802.43	99.52%	-

2017-18	6090.01	7850.50	5300.01 (upto 31.12.2017 as per E-lekha)	67.51% (upto 31.12.2017)	-
2018-19	7825.50				

Explanation:

2015-16

BE of Rs. 5665.10 crore was reduced to Rs.4600.50 crore at RE stage. Under *Revenue* Section, RE was reduced to Rs.4471.70 crore {i.e. (-) Rs.529.79 crore against BE of Rs.5001.49 crore}. Under *Capital* Section, RE provision was reduced to Rs.128.80 crore {i.e. (-)Rs. 534.81 crore against BE of Rs.663.61 crore}. The Actual expenditure incurred upto 31.03.2016 was Rs. 4540.30 crore (Rs. 4444.90 crore under Revenue Section and Rs. 95.40 crore under Capital Section). Therefore, 98.69% of the RE was actually utilized upto March, 2016 {99.40 % from Revenue Section and 74.07 % from the Capital Section}. Thus the *total amount surrendered in F.Y. 2015-16 was 1.31%* only *from RE.*

2016-17

BE of Rs. 5340.50 crore was enhanced to Rs. 5550.52 crore at RE stage. Under *Revenue* Section, RE was enhanced to Rs.5340.50 crore {i.e. (+) Rs.210.00 crore as supplementary) against BE of Rs.5140.50 crore}. Under *Capital* Section, RE provision was enhanced to Rs.200.02 crore {i.e. (+)Rs. 0.02 crore as token supplementary) against BE of Rs.200.00 crore. The Actual expenditure incurred upto 31.03.2017 was Rs. 5802.43 crore (Rs. 5611.23 crore under Revenue Section and Rs.191.20 crore under Capital Section). Therefore, 99.52% of the RE (including supplementary of Rs. 280.00 crore under Revenue Section) was actually utilized upto March, 2017 {99.83 % from

Revenue Section and 95.59 % from the Capital Section}. Thus the *total amount deemed to be surrendered in F.Y. 2016-17 was 0.50%* only *from RE.*

2017-18 (as on 31.12.2017)

The Budget Estimates in 2017-18 were proposed at Rs.6090.01 crore (under *Revenue* Head: Rs.5861.94 crore & under *Capital* Head: Rs.228.07 crore). On Revenue Side, decrease of 4.58% over RE of previous FY 2016-17 (Rs.4130.81 crore) has been proposed in 'Salaries' Head to accommodate annual increment, two instalments of DA and filling up of new posts on account of cadre restructuring in CBEC. The expenditure on 'Salaries' is estimated to be of Rs.4700.00 crore, which is 59.87% of the total grant. The Actual expenditure incurred upto 31.12.2017 was Rs.5300.01crore (Rs. 5012.55 crore under Revenue Section and Rs.287.46 crore under Capital Section) against B.E of Rs.6090.01 crore + supplementary grant of Rs.550.00 crore (total B.E of Rs.6640.01 crore inclusive of supplementary grant of Rs.386.43 crore under Revenue Section and Rs.163.57 crore under Capital Section) obtained in 1st batch of Supplementary Demands for Grants (2017-18). In addition, supplementary grant of Rs.1210.49 crore (under Revenue Section) has also been sought in 2nd batch of Supplementary Demands for Grants (2017-18). The other major expenditure on Revenue Side is under 'Offices Expenses', ‘Rent, Rates and Taxes' and 'Information Technology' etc.

2018-19

The Budget Estimates 2018-19 have been proposed at Rs. 7825.50 crore (Rs. 7418.50 crore under *Revenue* Head and Rs. 407.00 crore under *Capital* Head). On Revenue Side, the expenditure on 'Salaries' is estimated to be 62.94% of the total grant (Rs.4925.00 crore). The increase of 4.79% over

RE of previous FY2017-18 (Rs.4700.00 crore) in 'Salaries' Head is to accommodate annual increment, two instalments of DA, filling up of new posts in CBEC. The other major expenditure on Revenue Side is expected to be on four Major Heads i.e. 'Offices Expenses', 'Rent, Rates and Taxes', 'Information Technology', and “Advertising and Publicity” to the tune of Rs. 2009.20 crores, which is 27.08% of total “Revenue Section” of BE 2018-19. Brief of these heads is as under:

a. Office Expenses: The expenditure under 'Office Expenses' (including Swachhta Action Plan) is estimated at Rs.679.00 crore, which is 8.68% of the total grant. The increase of 1.87% over RE 2017-18 (Rs.666.55 crore) in 'Office Expenses' Head is due to additional expenditure on account of GST related works including outreach programme & the integrated GST Trainings for State Govt. & CBEC officials in the field formations all over India before implementation of GST as also the 1% Incentive scheme, Swachhta Action Plan, besides the regular activities of the Department including setting up of new offices. Since 2015-16 there has been an increase of 60.02% upto F.Y. 2018-19 as compared to BE of 2015-16.

b. Information Technology: The expected expenditure under 'Information Technology' (including user charges to be paid to GSTN) is estimated at Rs.750.00 crore, which is 9.58% of total grant. This is decrease of 8.88% over RE 2017-18 (Rs. 823.05 crore) due to the fact that adequate infrastructure IT support system before GST roll out besides the on-going IT driven programmes already being implemented. Additional funds, however, shall be required for payment of ‘User Charges’ of Rs. 240.00 cr. as the Central Government share for GST Network. There is an increase of 206.12% upto F.Y. 2018-19 (as compared to FY2015-16), as a number of initiatives have been undertaken by harnessing latest technology to enable a System driven business environment in the Department for facilitating the trade and for ease of doing business. The IT measures have ensured qualitative improvement in the Tax Payers Services and also introduced objectivity leading to reduction in interface between the Taxpayer and the Department, to minimize grievances.

c. 'Rent, Rates & Taxes' : The expenditure under this head is estimated to be of Rs.410.20 crore which is 5.24% of total grant. This is decrease of 7.82% (Rs.445.00 crore) over RE of FY 2017-18 in 'Rent, Rates & Taxes' due to fact that the committed expenditure towards the pending liability such as Services Charges payable to the local Municipal Authorities; rents for new office spaces hired for Service tax formations and payment of periodic rent revisions has been proposed to address through funds provided in RE of FY 2017-18.

d. 'Advertising and Publicity': The expenditure under head is estimated to be of Rs. 170.00 crore which is 2.17% of total grant. This is decrease of 55.50% over RE 2017-18 (Rs.382.00 crore) as requirement of additional funds was provided in RE of FY 16-17 for meeting the expenditure by Directorate General of Tax Payer Services (DGTPS) for carrying out advertising and publicity campaigns prior to implementation of GST in addition to other routine and ongoing activities. As compared to BE of 2015-16, there is an increase of 233.33% upto F.Y. 2018-19 because of more "Advertising and Publicity" campaigns and rising costs of publicity.

e. Under Capital Head, there is an increase of 3.92% proposed over RE 2017-18 (Rs. 391.64 crore). A major portion amounting to Rs.105.00 crore is for acquisition of anti-smuggling equipment/ marine fleet while Rs.181.00 crore is for acquisition of Office accommodation and Rs.121.00 crore allocated for acquisition of residential accommodation. In F.Y. 2018-19, the allocation under Capital Section has decreased by 38.67% as compared to FY2015-16.

The following mechanisms for realistic budgetary formulation have been devised by DG, HRD:

i. The Chief Commissioner/Director General of Customs & Central Excise have been notified as 68 independent Budgetary Authorities. This enables a realistic analysis and clear projections consequent to prioritisation of only such budgetary proposals which are likely to be utilised fully. Thus the allotment of budgetary provisions to the field formation is such that the Grants are fully utilised and the surrender of funds is avoided. *Thus the total amount surrendered in F.Y. 2015-16 was merely 1.31% from RE while the total amount deemed to be surrendered in F.Y. 2016-17 was only 0.50%.* from RE.

ii. All Budgetary Authorities furnish the Monthly Expenditure Report (MER) by 20th of the following month, duly verified by the local Pay and Accounts Office. This enables Expenditure Management Wing to closely monitor the trend of expenditure as per monthly expenditure plan so that the funds are utilised optimally or need to be redistributed to any other Budgetary Authority.

iii. Periodic meetings are held for better coordination with other concerned authorities like CPWD, land owning agencies, local PWD, State Government, Municipal Authorities etc. to get the proposals approved and fund utilisation well within the financial year to avoid surrender of funds under the "Capital" Section.

III. Other issues relating to Demands for Grants (2018-19)

(i) Tax Base

DIRECT TAX:

The details of total tax collection made during last three financial years (including current financial year) for the following heads is given in the table below:

(Rs. In crore)

Direct Taxes	Financial Years			
	2014-15	2015-16	2016-17	2017-18 (Up to January, 2018)*
(a) Income Tax #	258335	280287	355606	285221
(b) Corporate Tax #	428925	453228	484924	389980
(c) Securities Transaction Tax (STT) #	7398	7350	8998	8899
(d) Dividend Distribution Tax (DDT) ^	39264	47033	51642	35814
(e) Wealth Tax ^	1085	1079	184	39
(f) Gift Tax #	0.49	-	-	-
(g) Capital Gain Tax $	Not maintained separately			
Others				
(a) Tax from Tax Deduction at Source (TDS) ^	259106	315131	360631	319526
(b) Advance Tax ^	326525	356601	411118	319760
(c) Tax Collected at Source (TCS)	Collection under TCS is included in TDS			
(d) Regular Assessment Tax	81450	65986	75919	43253
(g) Tax from amnesty schemes				
Pre-demonetisation (i) Income Declaration Scheme (ii) PMGKY	- -	- -	- -	- -
Post-demonetisation (i) Income Declaration Scheme (ii) PMGKY	- -	- -	8192 @ 1906 @	10,873** 9.75**

* Provisional/unaudited

Source: Receipt Budget of various years

^ Source: Pr. CCA, CBDT & OLTAS

$ Income Tax is charged on the total income of a person at the rate in force during the relevant financial year. Income under the capital gains, if, any, is part of its total income of that financial year. Data with respect of tax specifically attributable to capital gains is not maintained separately.

** Source: Pr.CCA, CBDT. Figures is up to December 2017.

@ Source: Receipt Budget. The figures represent total collection during the FY 2016-17. The bifurcation of collection for the period before and after the demonetisation is not available.

Slab-wise Income Tax Collected and number of assesses under various heads:

INDIRECT TAX:

Indirect Tax Revenue [In Rs. Crore]			
Tax Head	FY 2015-16 (Actuals)	FY 2016-17 (Actuals)	FY 2017-18 (RE)
Customs	2,10,338	2,25,370	1,35,242
Central Excise	2,88,073	3,81,756	2,76,995
Service Tax	2,11,414	2,54,499	79,507
GST [CGST+IGST]	-	-	3,83,300

During the Oral Evidence, the Secretary, Ministry of Finance (Department of Revenue) deposed before the Committee as under :

> "One figure which has been mentioned in the Finance Minister's Budget speech is that in the personal income tax space because of the extra buoyancy which has come – buoyancy is a factor which measures the tax collection *vis-à-vis* the nominal GDP growth rate – higher the buoyancy the better it is for the economy. Normally, our buoyancy is supposed to be around one in case of personal income tax. But because of the extra measures that we have taken, in the last two years itself, 2016-17 and 2017-18 so far, the increase in the personal income tax has been to the tune of Rs.90,000 crore. This is the rich amount that we have got out of the efforts."

Further, on LTCG (Long Term Capital Gain) tax, he made following oral submission before the Committee :

> "We have got different classes of assets on which the treatment of capital gain taxation is different. If you buy a house today and sell it before two years, then you have to pay 30 per cent tax if you are in 30 per cent slab of tax in short term capital gain on the housing. If you sell it after two years, you have to pay 20 per cent. If you buy a debt instrument, then again if it is below two years, then you have to pay 30 per cent or whatever is your tax rate. Above two years, you pay 20 per cent. In case of unlisted equity, and if you make any capital gain out of it, short term is again the normal rate and long term is 20 per cent. If you put your money in a bank deposit, and if you earn 8 per cent rate of interest, and if you are in a 30 per cent slab, you virtually pay 30 per cent tax on whatever interest you are getting. There is no appreciation there. In case of a listed equity, although you are saying that there is a

distribution tax, but that dividend distribution tax is in lieu of tax in the hand of receiver of the dividend. So, the receiver gets complete dividend income free of tax. So, there is a tax on dividend which is a recurring income that he is earning. There is no tax which he has to pay on that.

So, in lieu of that 30 per cent of tax which you would have otherwise paid, there is a dividend distribution tax of approx. 20 per cent which he pays. But the capital gains tax is not with respect to the dividend which he earning. Dividend is separate. If I buy a share and I keep on getting dividend for three years, that is a separate thing on which I do not pay any tax as an investor. But if I sell it after three years and if I get an appreciation of 40 per cent after three years, then there will be no tax so far. What we have done is, upto one year, there is a concessional short term capital gains tax of 15 per cent on listed equity and for above one year, it is now ten per cent. That is the only change we have made. This is such a small change and we have given the figures in the budget that 3.67 lakh crores of capital gain income was earned by people in the last year. If this is the big chunk which people have received and stock market is really buoyant. If you take average return on equity in the listed stocks from 2004 till date, the average is about 14 to 15 per cent return on the equity investment. So, it is one class of investment which is no doubt highly risky but because the risk is high, there is a return also which is very high and on that return, we are only saying that we will charge you ten per cent tax only if you make profit. If you make some losses in the capital market, you are also allowed a set off of that. That ten per cent tax is not going to harm the stock market at all. The volatility in the stock market recently is more on global factors rather than LTCG. It has nothing to do with LTCG. In fact, the impact of LTCG would have already been registered in the first day itself when it was announced."

DIRECT TAX:

The total number of individual taxpayers as on 30.9.2017 was 6.08 crore which constituted 4.86% of the total population of 125 crore. Widening/ Deepening of tax base and increasing the tax-GDP ratio is a continuous process. In this direction, the following steps have been stated to have been taken by the Department of Revenue:

Legislative Measures:

(a) Vide Finance Act, 2012, TCS at the rate of 1% was introduced on sale of minerals being Coal, Lignite, and Iron ore for trading purpose; and sale in cash of bullion in excess of Rs. 2 Lakhs and jewellery in excess of Rs. 5 Lakhs.

(b) Vide Finance Act, 2013, TDS was introduced at the rate of 1% on payment for acquisition of immovable property (other than rural agricultural land) having value of Rs. 50 lakh or more.

(c) For expanding the ambit of the TDS provisions, the scope of TDS on interest on bank deposits was expanded vide Finance Act, 2015 by bringing the interest on recurring deposits within the ambit of TDS and also providing that for the purpose of TDS, a bank having core banking solution shall aggregate the interest customer-wise at the bank level to discourage the practice of splitting the deposits among various branches of the bank to avoid TDS.

(d) The scope of TCS has been expanded vide Finance Act, 2016 by providing for TCS at the rate of 1% on sale of motor vehicle of the value exceeding Rs. 10 lakh.

(e) The scope of presumptive taxation for small businesses has also been expanded vide Finance Act, 2016 by providing for new presumptive taxation regime in case of professionals to bring small tax payers and the unorganized sector within the tax fold by reducing the compliance burden of maintenance of books of accounts in case of small business and professionals covered in the presumptive taxation regime thereby widening the tax base also.

(f) A new tax in the form of "Equalisation Levy" (inserted vide Chapter VIII to the Finance Act, 2016) at the rate of 6% of the amount paid was imposed on e-commerce transactions. The Central Government vide Notification. No 37 [SO 1904(E)] dated 27th May, 2016 appointed 1st of June, 2016 as the date from which the provisions of the said Chapter will come into force. The revenue accrued for the Government exchequer through the equalization levy amounts to Rs. 508 crore from 1st June, 2016 to the latest 12th February 2018.

(g) A new section 115BBDA was inserted in the Income-tax Act, 1961 (the Act) to provide for additional chargeability of tax on income exceeding Rs. 10 lakh by way of dividends @10% in the hands of shareholders being individuals/Hindu Undivided Family (HUF)/ Firms.

(h) The Finance Act, 2016 amended the Act to provide that the non-compete fee received/receivable in relation to not carrying out any profession will be chargeable to tax as an income from business or profession.

(i) Through the Finance Act, 2016 many incentives (Profit linked Deductions/ weighted deduction) available under the Act were phased out which in turn shall enhance tax collection in future.

(j) Through the Finance Act, 2017, the tax rate for the slab of income from Rs. 2.5 lakh to Rs. 5 lakh was reduced from 10% to 5% in order to encourage voluntary compliance and promote people to file tax returns.

(k) Through the Finance Act, 2017, a new section 194-IB has been inserted in the Act to provide that individuals or HUF (other than those covered under 44AB of the Act) responsible for paying to a resident any income by way of rent exceeding Rs. 50,000 for a month or part of month during the previous year shall make TDS at the rate of 5% of such income as income-tax thereon.

(l) The scope of section 115BBDA of the Act was expanded through the Finance Act, 2017, so as to include all resident assessee except domestic company and certain funds, trusts, institutions etc. within the ambit and impose tax at the rate of 10% on dividend income exceeding Rs. 10 lakhs earned by such assessees.

Various measures have also been taken to increase the number of tax payers by not only bringing new tax payers into the tax net, but also to encourage non-filers to file their tax returns. In order to achieve this, information is being collected in a non-intrusive manner. The scope of information collection under the Statement of Financial Transactions (SFT) to be furnished under the amended rule 114E of the Income-tax Rules, 1962 (the Rules) has been widened. Keeping in view the economic framework of the country and policy intent to curb generation and circulation of black money, the threshold limit for reporting specified transactions under rule 114E have also been rationalised. quoting of Permanent Account Number (PAN) has been made mandatory for all transactions above Rs.2 Lakh and for specified transactions in respect of property, shares, bonds, insurance, foreign travel, demat account etc. Moreover, non-intrusive data collection has also been introduced vide insertion of section 139AA in the Act which mandates quoting of AADHAR – the unique identity number – in the Return of Income and PAN application Form. Further, rule 114B of the Rules has been amended to inter alia link specified bank account of an account holder, maintained with a banking company or co-operative bank with the PAN or Form No. 60, as the case may be.

(m) Vide successive Finance Acts; filing of returns has been made mandatory for some of the entities taking tax exemption/deduction including, inter alia, Mutual Funds, Securitisation Trusts, Venture Capital Companies/ Funds, trade unions/ associations, infrastructure debt funds, etc. as referred to in Section 10 of the Act. Similarly, filing of returns has been made mandatory for a resident individual having an asset or financial interest in an entity located outside India, even if he or she may not be earning income chargeable to tax in India.

(n) Important statutory provisions introduced in last few years also include reducing the time frame for filing a revised return, introduction of compulsory fee for delayed filing of income-tax return after the due date instead of earlier provision of levying penalty at the discretion of the Assessing Officer, linkage of PAN with Aadhaar etc.

II. Besides the above, following proposals have been made in Finance Bill, 2018 in order to widen/deepen the tax base and increase the direct tax-GDP ratio:

(a) In order to use PAN as Unique Entity Number (UEN) for non-individual entities, it is proposed that every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs. 2.5 lakhs or more in a financial year, and the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such person shall be required to apply for allotment of PAN.

(b) With a view to prevent abusive arrangements in order to escape liability of paying tax on distributed profits, it is proposed to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

(c) With a view to bringing clarity and certainty in the taxation of deemed dividends, it is proposed to bring deemed dividends also under the scope of dividend distribution tax under section 115-O of the Act and to tax such deemed dividend at the rate of 30% (without grossing up) in order to prevent camouflaging dividend in various ways such as loans and advances.

(d) In order to minimize economic distortions and curb erosion of tax base, it is proposed to withdraw the exemption under section 10(38) of the Act and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding one lakh rupees. Foreign Institutional Investors (FIIs) will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding one lakh rupees.

(e) With a view to providing a level playing field between growth oriented funds and dividend paying funds, in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to provide that where any income is distributed by an equity-oriented Mutual Fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

(f) In order to check cash transactions by charitable or religious trusts or institutions and to reduce the generation and circulation of black money, it is proposed to provide that for the purposes of determining the application of income under the provisions of section 10(23C) or section 11, the provisions of section 40(a)(ia) and section 40A(3) or (3A) of the Act shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

(g) In line with the provisions of OECD's Multilateral Instrument (MLI), it is proposed to widen the scope of 'Permanent Establishment' to provide that "business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident, subject to certain conditions specified in section 9 of the Act.

(h) In order to bring a large segment of compensation receipts in connection with business and employment within the purview of taxation and thereby prevent base erosion and revenue loss, it is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.

Administrative Measures:

1. For widening/deepening tax base and increase the tax-GDP ratio, techniques like data mining and data analytics are being used to monitor defaults in filing income-tax return by assessees having potential tax liability under the Non-filers Monitoring System **(NMS).** The list of such cases is generated on the basis of information available from various sources such as Annual Information Return (AIR) *(High Value Financial Transactions information report),* Centralized Information Branch (CIB), TDS/TCS Statements etc., The cases are thereafter pushed to the concerned Assessing Officer after prioritization for further necessary action as per provisions of Income-tax Act.

2. The Income Tax Department Launched 'Operation Clean Money' on 31st January 2017 for collection, collation and analysis of information on cash transactions, extensive use of information technology and data analytics tools for identification of high risk cases, expeditious e-verification of suspect cases and enforcement actions in appropriate cases, which include searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable. On the basis of data analytics and information gathered during the first phase of online verification under 'Operation Clean Money', in cases where tax-payer had deposited substantial cash in bank account(s) during the demonetization period (8th November, 2016 to 30th December, 2016) but did not file Income-tax return for Assessment Year 2017-2018, further follow up action is being taken.

3. In the first batch, around 18 lakh persons have been identified in whose case, cash transactions do not appear to be in line with the tax payer's profile. More than 20,500 I-T returns were selected for scrutiny in 2017 on the basis of cash deposits in their bank account during demonetization. The Department has also issued more than 1.9 lakh notices to such persons in whose bank

accounts cash of amount exceeding Rs.15 lakh was deposited during demonetization but they have not filed any return of income.

4. A detailed Instruction (3/2017 dated 21.02.2017) was issued to the field formations for electronic verification of cash deposited in bank accounts during the demonetization phase. This measure has led to a significant increase in number of income-tax filers, post demonetization.

5. The Income Tax Department has initiated Project Insight to strengthen the non–intrusive information driven approach for improving tax compliance and effective utilization of information in tax administration. A new Compliance Management Centralized Processing Centre (CMCPC) will also be setup as part of the Project for handling preliminary verification, campaign management, generation of bulk letters/notices and follow-up. The new CPC will not only promote voluntary compliance but also enable taxpayers to resolve simple compliance related issues online without visiting the Income tax office.

The Income Tax Department has also set a target of adding 1.25 crore new return filers during F.Y. 2017-18. Till December, 2017, 63.86 lakh new ITR filers have already been added and further efforts are underway.

INDIRECT TAX:

Details of steps initiated including policy/ statutory changes to widen/ deepen tax base and increase the tax GDP ratio during the last three years are:

<u>Steps initiated including policy/ statutory changes to widen/ deepen tax base and increase the tax GDP ratio during the last three years:</u>

A. <u>Changes in Excise duty rates</u>

1. Basic Excise Duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) was imposed on readymade garments and made up articles of textiles falling under Chapters 61, 62 and 63 (heading Nos. 6301 to 6308) of the Central Excise Tariff, except those falling under 6309 00 00 and 6310, of retail sale price (RSP) of Rs. 1000 and above when they bear or are sold under a brand name.

2. Basic Excise Duty of 1% (without Cenvat Credit) and 12.5% (with Cenvat Credit) was imposed on Articles of Jewellery [excluding articles of silver jewellery, other than those studded with diamonds, ruby, emerald or sapphire].

3. Excise duty of 4% without CENVAT credit / 12.5% with CENVAT credit was prescribed for the following Consumer Premise Equipments (CPEs) namely, Routers, Broadband Modems, Set-top boxes for gaining access to internet,

Reception apparatus for television but not designed to incorporate a video display, Digital Video Recorder (DVR)/Network Video Recorder (NVR), CCTV Camera/IP Camera and Lithium-ion batteries, other than those for mobile handsets including cellular phones.

4. Excise duty exemption in respect of Ordnance Factories and Defence PSUs was withdrawn with effect from 01.06.2015 in order to provide level playing field to private sector in defence supplies.

5. Excise duty of 2% without CENVAT credit or 6% with CENVAT credit was levied on condensed milk put up in unit containers. It was also notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price with an abatement of 30%.

6. Excise duty of 2% without CENVAT credit or 6% with CENVAT credit was levied on peanut butter.

7. Excise duty exemption on solar tempered glass for use in the manufacture of (a) solar photovoltaic cells or modules, (b) solar power generating equipment or systems, (c) flat plate solar collectors, or (d) solar photovoltaic module and panel for water pumping and other applications withdrawn, and 6% concessional excise duty imposed on such solar tempered glass. [valid till 30th June, 2017].

8. Infrastructure Cess, as a duty of excise, was imposed on motor vehicles falling under heading 8703.

9. Excise duty exemption on 5 specified items for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators was withdrawn and concessional excise duty of 6% was levied.

10. The excise duty exemption under the then existing area based exemptions for production of gold and silver from gold dore, silver dore or any other raw material was prospectively withdrawn. Further, exemption to the existing units [as on 01.03.2016] undertaking substantial expansion or installing fresh plant and commences commercial production from such expanded capacity was also withdrawn.

B. <u>Changes in Customs duty rates</u>

1. Exemption from BCD, CVD and SAD in respect of direct imports of specified goods by Government of India or State Governments for defence purposes was withdrawn with effect from 01.04.2016. Similarly, BCD exemption in respect of imports other than by Government of India or State Governments for supply to defence where there was no corresponding excise duty exemption was withdrawn with effect from 01.04.2016 while the CVD and SAD exemption on the same was withdrawn with effect from 01.06.2015.

2. Basic customs duty exemption was withdrawn on preform of silica [Chapter

70] for use in manufacture of telecommunication grade optical fibre/cables and 5% BCD was levied.

3. Exemption from BCD on specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Product/Switch (POTP/POTS), Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products] was withdrawn.

4. Basic Customs Duty exemption on LCD (Liquid Crystal Display), LED (Light Emitting Diode) or OLED (Organic LED) panels was restricted to imports for manufacture of TVs, subjected to actual user condition.

C. <u>Implementation of GST</u>

1. GST has been implemented from 01.07.2017.

2. While introducing GST, most of the exemptions from central excise duty(including the following) have been reviewed, and withdrawn/not carried forward in the GST regime:-

a) Area based exemptions
b) Textile sector
c) Precious metals including Gold and Silver
d) Ships and Vessels
e) Aircrafts
f) Edible oils

3. In addition, 5% GST has been imposed on foodgrains, pulses, flours put up in unit containers and bearing a brand name.

<u>Tax - GDP Ratio</u>:

The data, as downloaded from World Development Indicators published by the World Bank, is as under:

It may be noted that for India, the data is available only up to 2013. Therefore, for Financial Years 2014-15, 2015-16, 2016-17 and 2017-18, the direct tax-GDP and total tax-GDP ratios have been separately computed and are as under:

(ii) <u>Non-tax Revenue</u>

Details of Non-tax Revenue of Government Opium & Alkaloid Works during the last three financial years:

Year	Budget Estimate (Rs. In crores)	Revenue Realised (Rs. In crores)
2015-16	400.43	237.38
2016-17	312.70	219.03
2017-18	262.79	113.53 (upto 31.12.2017) Likely revenue for full FY 17-18 is Rs. 160 crores.

The amount of Penalties realized under FEMA and FERA for the last three financial years including current year (upto 31.12.2017) is as follows:

Financial Year	Penalties realized under FEMA during the period (Rs. In lakhs)	Penalties realized under FERA during the period (Rs. In lakhs)
2015-16	2819.22	120.25
2016-17	747.12	61.92
2017-18 (upto 31.12.2017)	1038.43	230.80

(iii) <u>Tax Exemptions and Benefits:</u>

(a) For promotion of R&D activities in India, the Act, w.e.f. 01.04.2017 has put in place a concessional tax regime towards 'Tax on income from patent' vide new section, 115BBF. The aim of the concessional taxation regime is to provide an additional incentive for all assessees to retain and commercialise existing patents and to develop new innovative patented products. Section 115BBF provides that where the total income of the eligible assessee's income includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxable at the rate of ten per cent (plus applicable surcharge and cess) on the gross amount of royalty at the option of the assessee.

(b) Finance (No 2) Act, 2014, inter alia, extended the benefit of section 32AC of the Act, which provides for additional 15% investment allowance in respect of new asset of value exceeding Rs 25 crore acquired and installed by a company engaged in the business of manufacture or production of any article or thing, for a period up to 31st March, 2017.

(c) Section 32 also provides for higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new specified machinery or plant acquired and installed by a manufacturing undertaking/ enterprise which is set up in the notified backward area of Telangana/ Bihar/ AP and West Bengal on or after 1st April, 2015. This higher additional depreciation shall be available in respect of any new machinery or plan acquired and installed for the purposes of the aforesaid undertaking or enterprise during the period 1st April, 2015 to 31st March, 2020.

(d) Further, Section 32AD of the Act provides for additional investment allowance of 15% on the cost of specified plant and machinery acquired and installed by any person during the period 1st April, 2015 to 31st March, 2020 to set up a manufacturing/production undertaking/ enterprise after 1st April, 2015 in any notified backward area of State of Telangana/ Bihar/ AP and West Bengal

(e) To encourage employment generation and provide incentive to all sectors, section 80JJAA, which provides for weighted deduction of 130% of the cost incurred on any employee was widened by reducing the number of days of eligible employment from 300 to 240 for general businesses and to 150 days for the business of manufacturing of apparel.

(f) Finance Bill, 2018 has proposed to rationalize the deduction of 30% under this section by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year. The minimum period of employment of 150 days has been proposed to be extended to footwear and leather industry.

(g) In order to incentivise affordable housing sector as a part of larger objective of 'Housing for All', deduction of hundred per cent deduction of the profits is available under section 80IBA of the Act to an assessee developing and building affordable housing projects if the housing project is approved by the competent authority before the 31st March, 2019 subject to certain conditions specified therein.

(h) To provide an impetus to start-ups and facilitate their growth in the initial phase of their business, a deduction of one hundred percent of the profits and gains has been provided under section 80-IAC of the Act to an eligible start-up from a business involving innovation development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. This deduction can be claimed by an eligible start-up for any three consecutive assessment years out of seven years beginning from the year in which such eligible start-up is incorporated.

(i) Further, Finance Bill, 2018 has proposed to make following changes in the taxation regime for the start-ups under section 80IAC:

(i) The benefit would also be available to start ups incorporated on or after the 1st April 2019 but before the 1st April, 2021;

(ii) The requirement of the turnover not exceeding Rs 25 Crore would apply to seven previous years commencing from the date of incorporation;

(iii) The definition of eligible business has been expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

Administrative ministries are requested time to time to provide an impact assessment study in respect of tax concessions provided for the sectors under their jurisdiction and provide a detailed cost-benefit analysis on, *inter alia*, the following aspects:

(i) additional investment made and resultant increase in manufacturing/economic activity in case of both greenfield and brownfield projects;
(ii) additional employment generated;
(iii) additional exports made;
(iv) improved affordability and resultant increase in demand of the concerned products made in the country.

The Ministry of Shipping has confirmed that the presumptive taxation scheme called “Tonnage Tax” for calculating shipping related profits has led to increase in the fleet of ships by 100% and a growth of 60% in the gross tonnage between 2004 and 2016. Moreover, there have been several indirect benefits to the economy through generation of additional employment and increase in foreign direct investment.

INDIRECT TAX:

The total exemptions / incentives provided for Services in Indirect taxes are as follows:

<u>Negative List</u> -The changes made in the Negative List in Section 66 D are as follows:

The Negative List entry in respect of the “services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption”, was omitted. However, the same activity was exempted by way of an exemption notification.

<u>Other Legislative provisions:</u>

(a) Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, made effective from 10th day of September, 2004.

(b) Benefit of the exemption notification No.41/2016-ST dated 22.09.2016 was extended with effect from 1.6.2007, the date when the services of renting of immovable property became taxable. Notification No.41/2016-ST dated 22.09.2016, exempted one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/ undertakings to industrial units was exempted.

(c) Rule 2 A of Service Tax (Determination of Value) Rules, 2006 was amended with effect from 01.07.2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land.

New Exemptions

(a) Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government was exempted from service tax.

(b) The exemption vide S. No. 9B of notification No. 25/2012-ST dated 20.06.2012, was amended **so as to omit the word "residential" appearing in the notification. S. No. 9B of notification No.** 25/2012-ST exempted services provided by Indian Institutes of Management (IIMs) by way of two year full time <u>residential</u> Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM.

(c) Under the Regional Connectivity Scheme (RCS), exemption from service tax provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) as notified by Ministry of Civil Aviation.

(iv) <u>Refunds</u>

DIRECT TAX:

The quantum of refunds made in direct taxes for last three financial years (including the current financial year) is as under:

(Rs. In crore)

Direct Taxes Refunds	Financial Years			
	2014-15	2015-16	2016-17	2017-18 (Up to January, 2018)*
	112135	122424	162688	126257

** Provisional/Unaudited*
Source: Pr. CCA, CBDT

The quantum of refunds made in direct for the last three financial years (including the current financial year) is as below:

Time taken in of processing of E-filed returns (including returns with claim of refunds) by CPC-ITR, Bangalore (up to 31.12.2017):

Avg. time for processing (days) *{Time taken to process the returns u/s 143(1)}*	FY 2015-2016	**61**
	FY 2016-2017	**50**
	FY 2017-2018	**67#**

 # Slight increase is because of change in law relating to prima facie adjustment for A.Y. 2017-18 returns that delayed processing of certain impacted ITRs

Note: Above does not include ITRs processed or refunds issued by Assessing Officers.

Data of interest paid on refunds (u/s 244A of the Income Tax Act, 1961), for last three financial years is as under:

S. No.	Financial Year	Amount of Interest Paid *on Refunds (in ₹Crore)*
1.	2014-15	5,332
2.	2015-16	6,889
3.	2016-17	10,312

Source: Reports of C&AG

INDIRECT TAX:

The Indirect Tax Refund (exclusive of GST refund for 2017-18) during last three financial years (including current FY) is mentioned below. Other parts of this question do not pertain to CBEC.

Indirect Tax Refunds (including duty drawbacks)	FY 2015-16	FY 2016-17	FY 2017-18 (April to January- Prov. Figure)
Amount in Rs. Crore.	72,836	71,702	47,218

Source: PrCCA, CBEC

(v) <u>Tax Arrears</u>

DIRECT TAX:

The details regarding quantum of outstanding taxes under the category of collectible and non-collectible, their recoveries and pendency for the last three financial years (including the current financial year) is as per the table below:

(Rs. In crores)

Financial Year	**Total Outstanding Demand (as on 31st March of the financial Year)**	**Demand difficult to recover**	**Net Collectible Demand**	**Cash collection during the year**
2014-15	700148	673032	27116	81451
2015-16	824211	802256	21955	65986
2016-17	1044688	1029725	14964	75849
2017-18 (up to Dec. 2017)	930741	877391	53350	33848

Source: CAP-I Report, CBDT

Due to several reasons including assesse not traceable, no or inadequate assets, demand stayed by Court/ITAT/IT Authorities, companies under liquidation, etc., only a small portion of total arrears is actually collectible. Several measures are taken to make recoveries from the collectible demand including attachment of bank account, attachment and sale/ auction of movable and immovable property, attachment of debtors, recovery surveys, prosecution for willful failure to pay tax, etc.

INDIRECT TAX:

TAR has come into existence since 2004 to monitor Tax Arrear Recovery cases.

(A) Details regarding quantum of arrears whether collectible or non collectible, their recoveries and pendency for the last three financial years are as follows:-

Pendency of arrears for the last three financial years							
(provisional) Rs. In crore							
Pendency					Realisation		
Year	Arrears at the beginning of the year	Arrears at the end of the year	Accretion of arrears	% of accretion of arrears	Arrears realised during the year	Accretion of arrears realisation	% of accretion of arrears realisation
2015-16	1,65,599	1,88,368	22,769	13.75%	4,080	613#	17.68%
2016-17	1,88,368	2,28,530	40,162	21.32%	5,256	1,176	28.82%
2017-18 **(Provisional upto Dec)**	2,28,530	2,33,680	5,150	2.25%	2610**	-54*	-1.02%
* Figures of arrears realisation for the year 2017-18 is available provisionally only upto December 2017; hence it has been compared with the the arrears realisation till December 2016 which was Rs.2,664.13 crore.							
# Compared with arrears realisation for year 2014-15 which was Rs.3,467 crore.							
** **Arrears realisation figures increase substantially during Jan-March every year. Hence it is likely to reach 6000 cr. by March 2018.**							

(B) Following table shows the quantum of cases fit for recovery but not yet recovered:-

Year	Recoverable Arrears (Amount) (Rs. in crore)	Accretion of Recoverable Arrears (Amount) (Rs. in crore)	% of accretion of Recoverable Arrears
2015-16	14,977	1,682#	12.65%
2016-17	17,474	2,497	16.67%
2017-18 (Provisional upto Dec)	23,538	4,925##	20.92%
# Compared with recoverable arrears for year 2014-15 which was Rs.13,296.			
## Figures of recoverable arrears for 2017-18 is available only upto December 2017;			
hence it has been compared with the recoverable arrears till December 2016 which was Rs.18,613 crore.			

(i) Some of the critical points with regard to recovery of arrears are as follows:

(a) More than 80% of the arrears are locked in litigation (Supreme Court /

High Court / CESTAT etc) or under restrained category (BIFR / Debt Recovery Tribunal / Official Liquidators). These are judicial / statutory bodies over which the department has no control. These fora also do not entertain any interference in their working from the department.

(b) More than 80% of pendency is locked up in litigation / restraint, which are not recoverable till the judicial fora takes a final decision which takes considerable time. Hence the department's efforts are focused on the recoverable arrears which is less than 20%. The percentage of actual recovery to the recoverable arrears is as below:

Success Percentage of Arrears Recovery Vis-à-vis Pending Clearly Recoverable arrears

(Rs. In crore)

	2014-15 (As on 31.03.2015)	**2015-16 (As on 31.03.2016)**	**2016-17 (As on 31.03.2017)**	**2017-18 (As on 31.12.2017)**
(I) CLEARLY RECOVERABLE (other than units closed / defaulters not traceable**)**	**6,161**	**6,957**	**8,251**	**10922**
(II) RECOVERY (ARREARS REALISED) excluding spot recovery	**3,468**	**4,080**	**5,256**	**2493**
(III) % of Recovery (II) as compared to **Clearly Recoverable (I)**	56%	59%	64%	22.84%

(a) Out of this remaining 5.3% of cases relate to defaulters who are not traceable/closed units. In such cases field formations have taken up the matter with other Departments like Income Tax, DGFT, Registrar of Companies, Commercial Tax Deptts., State Revenue Deptts. etc. to gather details of such defaulters available with them in respect of movable and immovable properties, (if any), owned by such defaulters, and to ensure close follow-up and persuasion by senior officers for recovery of arrears.

(b) Arrears are not amenable to automatic 10% - 20% annual increase like revenue increase. Hence there is no automatic increase.

(c) Arrear recovery is a 50:50 combination of effort by the department as well as luck / chance & circumstances. Hence fixing a target is only a notional goalpost and it cannot be a hard fixed target which can be achieved / exceeded.

Action taken to realise these arrears:

DIRECT TAX:

Income Tax defaulters are dealt with as per the procedure/ mechanism laid down in the Income Tax Act and Income Tax Rules. Strategies and targets for recovery of arrears of taxes are also laid down as part of the annual Central Action Plan document of the Department. Efforts of the assessing officer to recover the outstanding demands are regularly reviewed and monitored by the superior authorities. Databases like Individual Transaction Statement and those maintained by other agencies like FIU-IND have also been made available to the field units for identification of assets for recovery. Guidelines for Tax Recovery Officers for recovery and guidelines to assessing authorities for dealing with stay petitions have been issued. A new reward scheme for information leading to recovery of arrears has also been notified. The names of confirmed defaulters are placed in public domain.

INDIRECT TAX:

CBEC has taken several steps viz., formulation of yearly action plan which are disseminated to zonal offices for taking effective actions so that arrears could be realized. Following efforts are made to maximize the recovery of tax arrears and reduce the pendency:

I. Zonal Chief Commissioners have been directed to intensify efforts in the areas of audit, anti evasion and adjudication as a targeted approach to realize the recoverable arrears.

II. All arrears case files are thoroughly scrutinized at the Commissionerate level so as to confirm that all appropriate possible action has been initiated. The process for review / scrutiny of arrears recovery case files where huge amounts are locked up to be initiated at the Chief Commissioners level.

III. Where the defaulters are not traceable, field formations have taken up the matter with other Departments like Income Tax, DGFT, Registrar of Companies, Commercial Tax Deptts., State Revenue Deptts. etc. to gather details of such defaulters available with them in respect of movable and immovable properties,(if any), owned by such defaulters, and to ensure close follow-up and persuasion by senior officers for recovery of arrears in such cases.

IV. Field formations have been directed to identify cases involving large revenue and to meet the assessees to explain the legal position and where appropriate persuade them to go to the Settlement Commission. Commissionerates to make all possible efforts for early hearing by the Tribunal, in respect of cases involving large revenue.

V. The field formations have been identified the cases where either stay application is pending or stay granted has expired or condition of stay application have not been fulfilled and to take suitable action for recovery as per the Board's instructions. The field formations to intensify their efforts towards recovery of realizable arrears, especially cases where no stay has been granted and also in cases where stay granted has lapsed and also by getting the stay orders by CESTAT / Courts vacated by filing early hearing applications, particularly in matters involving high revenue and also to vigorously pursue cases before BIFR/Debt Recovery Tribunal/Official Liquidator etc.

VI. All cases where decision is in favour of the department and whose ratio is applicable to all cases in hand, has been reviewed and bunched up for filing an appeal before CESTAT for immediate disposal. Review of all cases where the decision is likely to be in favour of revenue and immediate filing of early hearing applications in all such cases.

VII. All arrears more than 2 years old which have attained finality and all efforts have not resulted into realization, have been examined as per existing instructions regarding write off.

(vi) Pendency of Appeal Cases

As per data available, the pendency of appeals with various appellate fora is as under:

Pendency of appeals for the last three years and for the current F.Y.				
F.Y.	**CIT (A)**	**ITAT**	**HC**	**SC**
2014-15	2,32,126	Data not available	34,281	5,661

2015-16	2,58,898	91,971	32,138	5,399
2016-17	2,90,227	92,388	38,481	6,357
2017-18	341,623 (as on 31.01.2018)	91,551(as on 30.09.2017)	38,334(as on 30.09.2017)	6,330(as on 30.09.2017)

No data w.r.t the quantum of tax assessed, that had been upheld/quashed by appellate authorities is maintained. However, the following table gives the tax effect locked before various appellate authorities:

Tax effect locked up for the last three years and for the current F.Y. (in Rs. Crores)			
F.Y.	**CIT (A)**	**HC**	**SC**
2014-15	3,83,797	37,683	4,654
2015-16	5,16,250	1,61,417	7,091
2016-17	6,11,227	2,87,817	8,047
2017-18	4,74,762 (as on 30.11.2017)	3,09,874 (as on 30.11.2017)	9,450 (as on 30.09.2017)

Source: As per the data compiled by Research & Statistical(R&S) Wing

Note:

No data of tax effect locked up in appeal is maintained by ITAT registry.

The Department has taken the following specific steps towards ligation management:

a. The Department has initiated several measures for reducing litigation with the Tax-payer. One of such measures is the creation of a platform in the form of Central Technical Committee (CTC) to formulate Departmental view on contentious issues. The CTC examines contentious issues and suggests for issue of circulars or amendments in the Act. From August 2012 to December 2017, 30 circulars clarifying the Departmental view on contentious issues have been issued by the CBDT on the basis of inputs provided by the CTC. Further, up to December 2017, 27 references have been submitted to the TPL Division of CBDT, suggesting amendments. Further, the Department is taking steps to identify issues, which have been accepted by the Department and also to give wide publicity of these issues so that the officers of Department, as well as the Tax-payers, will be aware, which will reduce the litigation.

b. Standard procedure for applying provisions u/s 14A and 68 of the Income Tax Act which were generating substantial litigation have been issued. The standard procedure for recording satisfaction u/s 147 has also been issued. It is expected that these will go a long way in minimizing litigation.

c. Two broad categories of appeals pending before CIT (A) are those having tax effect locked in appeals below and above Rs.10 lakh. 66% of the appeals in numbers where tax effect is below Rs. 10 lakh account for only 1.6% of tax effect, whereas 34% of the high demand appeals involving tax effect of more than 10 lakh account for 98.4% of the total tax effect locked in all appeals before CIT (A). Taking cognizance of the high tax effect locked in appeals, the Board had issued directions in F.Y 2016-17 for disposal of appeals having tax effect of more than Rs.100 crore. This resulted in disputed demands of Rs.1.92 lakh crore being unlocked in 362 appeals. This Financial Year also, the CsIT(A) have been directed to dispose of all appeals involving tax effect of above 50 cr. which are pending on 31.03.2017 latest by 31.3.2018. In F.Y. 2017-18, 440 such appeals have already been disposed of and a tax effect of Rs. 1.55 lakh crore has been unlocked in the said appeals.

d. In order to increase disposal by CIT(A) the target for disposal has been increased and the following target has been given in the Central Action Plan for FY 2017-18:

Each CIT (A) shall dispose of a minimum number of 500 appeals or earn 700 units during the year, which must include disposal in ratios as below:

- Disposal of at least 30% of appeals that involve demand of Rs.10 lakhs and above, and 100% of appeals pending as on 01.04.2017 that involve demand of Rs.50 crore and above.
- Disposal of at least 70% of appeals that involve demand of less than Rs.10 lakhs

e. The monetary limits for filing appeals have been enhanced with retrospective effect and with the directions to withdraw appeals covered by the new monetary limits.

f. Extensive workshops are held by the Directorate of Income Tax (Legal & Research) at various field stations and Training Institutes to sensitise/train officers about improving quality of litigation.

g. Field formations have been directed to move applications for early hearings, in consultation with the Counsel, in cases which are pending before various appellate forums. Instructions have been issued that Departmental Representatives before ITAT should desist from taking adjournments, particularly in the cases where demand has been stayed. It has also been directed that proper representation must be ensured before ITAT.

h. To expedite the process of dispute resolution at the level of ITAT, vide Finance Act, 2016, the provision of sub-section (3) of section 255 of the Act has been amended w.e.f. 1st June, 2016, increasing the income limit for SMC Bench from 15 lakh to 50 lakh.

i. Department has introduced a new functionality of CIT(A) on the Income Tax Business Application platform for e-filing of the appeals before CIT (A). The same ensures transparency and enhances ease of doing business. About

85% of the 1.42 lakh appeals filed in FY 2016-17 were e-filed on ITBA. Filing of appeals and their disposal of the same is recorded on ITBA. ITBA has enabled generation of MIS for effective monitoring of appeals.

j. The Central Board of Direct Taxes has taken an initiative to create an electronic database containing all appeals and decisions of the ITATs, High Courts and the Supreme Court of India, in Direct Tax matters. This project is titled as "National Judicial Reference System"(NJRS) and is a repository of appeals and judgments. It will help in identifying issues, that have already attained finality avoiding litigation on settled issues, bunching of similar cases, prioritization of important cases, capacity building and in tax policy analysis.

k. The Central Board of Direct Taxes has entered into several Advance Pricing Agreements (APAs) to avoid disputes relating to transfer pricing and international taxation. A total number of 189 APAs have been signed by CBDT till December, 2017 which includes 173 Unilateral APAs and 16 Bilateral APAs.

l. Disputes relating to transfer pricing and international taxation are also resolved through the mechanism of Mutually Agreed Procedure (MAP).

INDIRECT TAX:

Pendency of cases of arrears at tribunals / courts		
		Provisional (Rs. in crore)
Years	Legal Fora	Arrears at the end of the year (Amount)
2015-16	Supreme Court	2,025
	High Court	6,089
	CESTAT	1,39,937
	Commr(A)	4,763
	JS(RA)	114
	Total	1,52,926
2016-17	Supreme Court	4,056
	High Court	9,116
	CESTAT	1,62,939
	Commr(A)	5,928
	JS(RA)	118
	Total	1,82,156
2017-18 (Provisional upto Dec)	Supreme Court	4,385
	High Court	17,649
	CESTAT	1,61,895
	Commr(A)	9,087
	JS(RA)	95
	Total	1,93,112

Quantum of tax assessed Upheld/Quashed by Appellate (Rs. In Crores)						
Appellate Fora	FY 2015-16					
	Total		Upheld		Quashed	
	No	Amt	No	Amt	No	Amt
Supreme Court	1191	4085.89	196	271.79	823	2704.73
High Court	4504	10355.78	1594	3472.32	2137	2899.90
CESTAT	12527	39475.18	2650	11249.77	6981	11222.91
Commissioner Appeals	29216	5360.82	13304	4080.97	11360	1869.55
	FY 2016-17					
	Total		Upheld		Quashed	
	No	Amt	No	Amt	No	Amt
Supreme Court	463	2855.96	97	456.39	280	830.56
High Court	4451	14178.17	1446	4668.38	2339	3006.30
CESTAT	21141	25209.71	7441	3235.64	13333	12453.61
Commissioner Appeals	33875	8805.95	14263	3436.57	14194	3559.41
	FY 2017-18					
	Total		Upheld		Quashed	
	No	Amt	No	Amt	No	Amt
Supreme Court	517	2599.15	120	272.23	213	836.37
High Court	3338	11453.47	930	2281.22	1270	3689.20
CESTAT	27678	32426.52	4159	3944.43	8719	8122.85
Commissioner Appeals	32657	8577.77	12791	3120.88	14644	3260.62
NOTE: The information for FY 2017-18 is furnished till December, 2017 as available on DDM website on date.						

(vii) Detection of Unaccounted Income & Tax Evasion

As part of the on-going drive against black money, the Income Tax Department (ITD) post demonetization conducted more than 1100 searches and surveys during the period from 9th of November to 10th of January, 2017. These actions led to seizure of valuables of more than Rs 610 crore, which includes cash of Rs. 513 crore. New currency of more than Rs 110 crore is part of the cash seizure. The total undisclosed income detected in these actions till 10th of January, 2017 is more than Rs. 5400 crore. More than 400 cases have been referred to ED/CBI. Determination of tax liability in all cases of search/survey conducted by ITD in the context of demonetization is being done as per the quasi-judicial process of income tax assessment as provided by the law. Such assessments are also subject to statutory appeals and other legal remedies.

A comprehensive process of **e-verification** of cash deposits in banks by those persons in whose case the deposits were not in line with their existing profile based upon filings with the Income Tax Department has been initiated under **'Operation Clean Money'** on 31st January, 2017. This includes collection of information on cash transactions, collation and analysis of such information, extensive use of information technology and data analytics tools for identification of high risk cases and expeditious verification of suspect cases in a non-intrusive manner. The taxpayer had to give his response on-line and was not required to visit the Income Tax office. Notices u/s 142(1) of the Income Tax Act, 1961 are being issued to those persons who had deposited cash amounting to Rs 15 lacs or more but had not filed their return of income till the due date for filing the same. Efforts are being made to persuade the remaining non-filers to file their returns by sending them emails and messages.

Under existing provisions of the Income-tax Act, 1961, no tax is payable if total income of a person is below Rs. 2.5 Lakh in an Assessment Year. For senior citizens (above 60 years), the limit is Rs. 3 Lakh and for very senior citizens (above 80 years), the same is Rs. 5 Lakh.

There has been significant improvement in the buoyancy of direct tax collections. There was a growth of 12.6% in direct taxes in FY 2016-17 and in the current year, the growth in direct taxes up to 15th January, 2018 is 18.7%. The average buoyancy in personal income tax of seven years preceding these two years comes to 1.1. (Tax buoyancy of 1.1 means that if nominal GDP growth rate of the country is 10%, the growth rate of personal income tax is 11%.) However, the buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is 1.95 and 2.11 respectively. This indicates that the excess revenue collected in the last two financial years from personal income tax compared to the average buoyancy pre 2016-17 amounts to a total of about Rs.90,000 crores and the same can be attributed to the strong anti-evasion measures taken by the Government.

Data regarding TDS surveys carried out and the evasion detected is being obtained and maintained centrally w.e.f. F.Y. 2017-18. The data is furnished below for F.Y. 2017-18:

F.Y.	**No. of TDS/ TCS survey**	**Evasion detected in survey during the month (Rs. In Crore)**
2017-18 (till December, 2017)	5143	1135.55

On this subject, Secretary (Revenue) deposed as under :

> "As you know, our main focus has been curtailing the cash economy and curbing the black economy and that is why a number of steps were taken in the last two years. That include demonetization, income declaration scheme and there were a lot of other legislative changes in which the purpose was to curb the cash economy in the country. We

have got some rich dividends out of the efforts which have been made."

(viii) <u>Non-filers</u>

The Income Tax Department has implemented the Non - Filer Monitoring System (NMS) which analyses and assimilates all in-house information as well as transactional data received from third-parties to identify such persons/entities who have undertaken high value financial transactions but have not filed return. About 2.40 Crore non-filers with potential tax liability have been identified under NMS as under:

(a) Cycle 1 (2013): 12.19 Lakh
(b) Cycle 2 (2014): 22.09 Lakh
(c) Cycle 3 (2015): 44.07 Lakh
(d) Cycle 4 (2015): 58.95 Lakh
(e) Cycle 5 (2016): 67.54 Lakh
(f) Cycle 6 (2017): 35.10 Lakh

Under NMS Cycle 6 (AY 2016-17), 35.10 lakh cases were identified adopting the thematic risk assessment approach, where income, investment, nature of transaction and type of business criteria has been applied. Cases with priority P1 to P3 identified under NMS Cycle 6 have been pushed on compliance portal for identified non-filers to submit online response.

It may be mentioned that various measures have also been taken to broaden the mechanism for collection and verification of financial information. These include collecting data in respect of various types of high-value transactions from banks and financial institutions and high-value expenditure from commercial establishments in the form of Statement of Financial Transaction (SFT), expanding the scope of TDS and TCS by bringing more taxable transactions within their ambit, making quoting of Permanent Account Number (PAN) mandatory for all transactions above rupees two lakh and for specified transactions in respect of property, shares, bonds, insurance, foreign travel, demat account etc.

Following measures have been taken to ensure filing of returns by the persons identified under NMS:

(i) Rule based algorithms have been applied to classify the cases under different risk categories for graded monitoring.

(ii) 'Compliance' module has been developed on the income tax e-filing portal and information related to NMS cases has been made available to the potential non-filers to respond. SMS and email were sent to the target segment asking them to access e-filing portal and submit their response.

(iii) Media campaign has been launched and Press Notes have been issued to make target segment aware about identification of non-filers and requirement of submission of information by them on e-filing portal.

(iv) Compliance Management Cell (CMC) has been set up for sending letters and capturing responses from the non-filers centrally without interface with the field officers.

(v) Actionable Information Monitoring System (AIMS) has been developed to enable verification and monitoring of actionable information by the field formation. This functionality enables field officers to generate letters, view online response and update the case status.

(vi) Statutory notices for filing of return are issued in appropriate cases.

(vii) Under the Project Insight, a new Compliance Management Central Processing Centre (CMCPC) has been operationalized for leveraging campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance.

(viii) The Income Tax Department has also set a target of adding 1.25 crore new return filers during F.Y. 2017-18. Till December, 2017, 63.86 lakh new ITR filers have already been added.

Due to constant and intensive follow-up of NMS data, more than 1.72 Crore returns have been filed by the target segment and self-assessment tax of about ₹26,425 Crore has been paid till December, 2017.

(ix) Goods and Services Tax (GST)

1. The month-wise details of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and Cess collected by the Government since July 1, 2017 is as follows:

(Amount in Rs. Crores)

Month	Collection
August, 2017	93,590
September, 2017	93,029
October, 2017	95,132
November, 2017	85,931
December, 2017	83,716
January, 2018	88,929
TOTAL	**5,40,327**

2. The settlement of funds between the Centre and the States on account of cross-utilisation of input tax credit between IGST and SGST/UTGST, and apportionment of IGST are being done on monthly basis. A total amount of Rs. 1,20,568/- crore have been settled from IGST between July, 2017 to January, 2018 and distributed among Centre and States/ UTs as per details given below:

(Amount in Rs. Crores)

Month	Centre	State
August, 2017	3297	7680
September, 2017	5081	10852
October, 2017	7855	13289
November, 2017	10145	13882
December , 2017	10348	14488
January 2018	8583	15068
TOTAL	**45309**	**75259**

No GST revenue target has been fixed by the Government.

3. Total GST Refunds month-wise are as follows:

Month	IGST Amt. Sanctioned by Customs System (Rs. Crores)	Refund Sanctioned by Central Tax officers against applications in RFD01A (Rs. In Crore)
July, 2017	410	NA
August, 2017	397	NA
September, 2017	526	NA
October, 2017	542	NA
November, 2017	697	NA
December , 2017	281	425*
January,2018	16	1048**
TOTAL	**2869**	**1473**

*** Data from introduction of manual filing on 15/11/2017 till 07/01/18**
****Data from 08/01/18 to 29/01/18**

Revenue loss and compensation to the States:-

Consequent to Constitution (One hundred and First Amendment) Act, 2016 various taxes being levied and/ or retained by State Governments have been subsumed into GST. After implementation of GST w.e.f. 01.07.2017 three taxes CGST & IGST, SGST are applicable on all goods except Taxes on the sale or petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption as mentioned in amended Entry 54 of List II (State List) of VII Schedule of the Constitution. All other indirect taxes like VAT, Service Tax, Sales Tax, CST etc. has been subsumed into GST. Therefore, there is net shortfall of revenue collected by the State Government.

2. Further, in pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services (Compensation to States) Act, 2017 has been enacted by Parliament for providing compensation to the States
on account of Revenue loss due to implementation of GST with effect from 1st July, 2017 for a period of five years. The GST compensation as per GST (Compensation to States) Act, 2017 admissible & paid to the States/UTs is as follows:

GST compensation admissible & Paid

(Rs. In Crore)

Particulars	GST Compensation Admissible (July to Dec 2017)	GST Compensation Paid				Remarks
		July to Aug 2017)	Sept to Oct. 2017	Nov to Dec 2017	Total	Taking into Account apportionment of IGST Share of the concerned States/UTs out of Provisional IGST Settlement Amount.
States/UTs with legislature	42270	10806	13694	3898*	28398	

GST and Tax base:

As on Dec. 31, 2017, total 99,25,220 tax payers are registered under GST including 64,09,292 existing tax payers who have migrated to GST and 35,15,928 tax payers who have taken new registration.

Approximately 37 lakh new taxpayers, who were not registered earlier under either Service Tax, Central Excise or VAT, have been brought into the GST net.

National Anti-Profiteering Authority

Section 171 of the Central Goods and Services Tax Act, 2017 (Act) and Chapter *XV* of the Central Goods and Services Tax Rules, 2017 (Rules) comprising Rules 122 to 137 detail the statutory provisions governing anti-profiteering under GST. These provisions require suppliers of goods and services to pass on the benefit of any reduction in the rate of tax on such supplies or the benefit of input tax credit to the recipient by way of commensurate reduction in prices. It is the responsibility of the National Anti-profiteering Authority to determine whether the reduced rate of tax or the benefit of input tax credit has actually resulted In commensurate reduction in the prices of the goods or services and if not. then pass appropriate orders against the identified supplier who has not passed on such benefits to the recipient of such goods or services.

<u>GST and Inflation</u>

GST was rolled out w.e.f. 01.07.2017. Since it has completed only 7 months no study has been conducted. The Consumer Price Index (CPI) for the month of June 2017 (pre GST) was 132 and for Dec, 2017 (post GST) it was 137, which is only a marginal increase. Most of the items falling under food and beverages group, which has the biggest weightage in CPI basket, are exempted from GST barring few items which are sold in retail packs. Further, in the 23rd GST Council meeting held at Guwahati during Nov. 2017, Goods falling under 178 headings were moved to 18 per cent tax rate from 28 per cent earlier. Any increase in CPI cannot be attributed to GST.

On GST, Secretary (Revenue) submitted as under :

> "The current year is the year of transition to GST. In the indirect tax regime one of the most significant change has taken place in the current year and because of which in the current year our revenues on the indirect tax side are little choppy. But in the next year, of course, we do hope to get a very good and healthy growth rate of 17 per cent in our indirect tax collection. This is what we are estimating."

> "When it comes to revenue loss, these changes which we have made, we have already given those figures in the public domain. When we made the major chunk of changes from 28 per cent to 18 per cent in Guwahati meeting in respect of about 180 items, the revenue loss we had projected was Rs.15,000 crore only which is to be shared between States and the Centre. So it is not a big revenue loss. After reducing it to 18 per cent, in the month of December for which we got our revenue figures, actually the revenue has gone up. In fact, lower the tax the better the compliance. That is why, we do hope that in GST also because of this rate reduction a lot of people will come forward to pay taxes."

(x) Cess and Surcharge

In the Budget Speech for the financial year 2018-19, the Finance Minister has stated as under:

> ".......at present there is a three per cent cess on personal income tax and corporation tax consisting of two per cent cess for primary education and one per cent cess for secondary and higher education. In order to take care of the needs of education and health of BPL and rural families, I have announced programs in Part A of my speech. To fund this, I propose to increase the cess by one per cent. The existing three per cent education cess will be replaced by a four per cent "Health and Education Cess" to be levied on the tax payable. This will enable us to collect an estimated additional amount of Rs.11,000 crores."

Further, during the oral evidence, Secretary (Revenue) submitted as under:

> "There were about 40-50 different types of cesses on commodities and services which were subsumed into GST when it came. The total amount of such cesses was Rs.50,000 crore to Rs.60,000 crore. Then we subsumed all of them into GST. So the different cesses like sugar cess, Krishi Kalyan cess, etc. went away. There were so many cesses. As per the constitutional provision, no cess can be imposed on any commodity or service after GST comes into being except with the approval of GST Council. This is the position legally. So, the Central Government has also surrendered its power virtually to levy any cess on any commodity or service in the common pool of sovereignty which is the GST Council. So, we have to decide jointly if we have to put any cess and then how the income of that cess will be shared between the Centre and the States.
>
> The second issue I want to share is that in cess, in case of income tax and also in the previous excise duty and service tax, whatever cesses were collected, they have been used only for the purpose for which they were levied. In the previous meeting of the Standing Committee some information was asked from the Department of Expenditure and those details of which cess and how much amount was collected and how much is spent on that particular subject whether it is education cess – how much is spent on education, if it is a health cess – how much is spent on health, all this information has been given. There may be temporarily shortage for the time period. But over a period of five years, if you take all the money that is collected, it goes for that purpose only."

(xi) Tax Relief under 'Salaries' head

In the Budget Speech for the financial year 2018-19, the Finance Minister has stated as under:

> "The Government had made many positive changes in the personal income-tax rate applicable to individuals in the last three years. Therefore, I do not propose to make any further change in the structure of the income tax rates for individuals. There is a general perception in the society that individual business persons have better income as compared to salaried class. However, income tax data analysis suggests that major portion of personal income-tax collection comes from the salaried class. For assessment year 2016-17, 1.89 crore salaried individuals have filed their returns and have paid total tax of Rs.1.44 lakh crores which works out to average tax payment of Rs.76,306/- per individual salaried taxpayer. As against this, 1.88 crores individual business taxpayers including professionals, who filed their returns for the same assessment year paid total tax of Rs.48,000 crores which works out to an average tax payment of Rs.25,753/- per individual business taxpayer. In order to provide relief to salaried taxpayers, I propose to allow a standard deduction of Rs.40,000/- in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses. However, the transport allowance at enhanced rate shall continue to be available to differently- abled persons. Also other medical reimbursement benefits in case of hospitalization etc., for all employees shall continue. Apart from reducing paper work and compliance, this will help middle class employees even more in terms of reduction in their tax liability. This decision to allow standard deduction shall significantly benefit the pensioners also, who normally do not enjoy any allowance on account of transport and medical expenses. The revenue cost of this decision is approximately Rs.8,000 crores. The total number of salaried employees and pensioners who will benefit from this decision is around 2.5 crores."

PART II

OBSERVATIONS/RECOMMENDATIONS

1. Budgetary Allocations and Utilisations

The Committee note that the BE under Demand no. 33 of Department of Revenue was Rs. 837.28 crore in 2017-18, which was steeply increased to Rs. 1,24,096.55 crore at the RE stage, primarily due to provisioning for payment of compensation to States, as has been stipulated under the GST (Compensation to States) Act, 2017. This Act provides for creation of a compensation fund in Public Account, in which all revenues raised through imposition of cess shall be credited. The compensation amount released to States shall be recouped entirely from the Public Account. The expenditure incurred under Demand (upto December 2017) has been stated to be Rs. 25,032.72 crore only. For the fiscal 2018-19, an amount of Rs. 1,80,949.70 crore has been provided under this Demand as BE, which is again a substantial increase over the previous year's RE as also the Actual Expenditure (upto December, 2017). The Committee desire that the budgetary estimates under this Demand should be more accurately formulated and realistically projected, taking into account the monthly trends of net GST collections - both for Centre and States - and the quantum of revenue losses incurred by each State. The rate of compensation cess also needs to be determined accordingly.

The Committee note that under Demand no. 33 [Major Head 2047 (I)], which relates to expenditure on the Enforcement Directorate, the RE

for 2017-18 has been substantially increased to Rs. 168.87 crore from BE of Rs. 125.32 crore ; for 2018-19, BE has been pegged at Rs. 165.14 crore. The Committee would like to know the reasons behind this increase at RE stage and whether this was due to expansion of workforce, warranted by a much heavier workload on the organisation and the administrative costs related thereto. In this context, the Committee would like to be apprised within a period of three months about the performance of the Enforcement Directorate, CBEC and CBDT for the last three years in terms of cases booked, investigated, properties attached including the valuation of properties attached in the recent bank frauds and related cases and those cases successfully prosecuted including the time period involved therein.

2. Tax-base

The Committee have taken note of the alarming fact that the total number of individual taxpayers as on September 30, 2017 was 6.08 crore which constitutes only 4.86% of the total population of 125 crore. This fact gets accentuated when we put it in common frame with comparable G-20 countries. This clearly demonstrates the regressive nature of our direct tax regime and the narrow base the Department operates on. Therefore, the Committee would like the Department to review and re-orient their strategies with appropriate tax policy so that we can have a broader as well as deeper tax-base vis-a-vis other comparable and emerging economies. For this, the Government needs to eliminate distortions and inequities embedded in the present system which should

also be seen to be fair and just. The long-awaited Direct Taxes Code should squarely address this issue at the policy level while simplifying / rationalising the process and procedures. The tax slabs/rates in respect of GST may also be rationalised with a view to broadening the tax base and increasing tax compliance so that the objectives of the tax reform can be fully achieved.

The Committee find that the gross tax revenue was budgeted at Rs. 19,11,579 crore in the year 2017-18 (with actuals of Rs. 17,15,822 crore in 2016-17) which was revised to Rs. 19,46,119 crore at the RE stage. This has been now substantially increased for BE 2018-19 and pegged at Rs. 22,71,242 crore. The Committee believe that these revenue targets may prove to be ambitions, as the buoyancy experienced in 2017-18 could be attributable to demonetisation and the tax amnesty scheme. The Committee would thus await the progress of tax collections in the course of the Ministry's action taken replies.

3. Non-tax Revenue

The Committee have taken note of the general trend in non-tax revenue which has shown a declining trend over the years. Non-Tax revenue in 2017-18 (BE) was Rs. 2,88,757 crore, whereas the RE was pegged down to Rs. 2,35,974 crore which has been now revised in the BE for 2018-19 as Rs. 2,45,089 crore. The actuals for the year 2016-17 has been stated as Rs. 2,72,831 crore. No actuals has been provided for the year 2017-18. The Committee would, therefore, suggest that the Department should look into the reasons behind such reduction in

collection of non-tax revenue and take necessary measures for enhanced revenue mobilisation including additional avenues thereof. The Government should think of alternate options, such as utilisation of surplus land for commercial exploitation instead of just depending on disinvestment of PSUs alone, which is akin to selling the family silver.

4. Tax Exemptions and Benefits

The Committee have taken note of the fact that in the budget for FY 2018-19, the corporate tax rate was reduced to 25% from 30% for companies with turnover of upto Rs. 250 crore. The Government has also promised to eventually bring the rate down to 25% for all companies. However, the Committee believe that this reduction in rate should be correspondingly matched with phasing out of various exemptions, which distort the tax structure and significantly lower the effective tax yield. As the quantum of such exemptions / benefits is still more than Rs. 1 lakh crore, these should be constantly reviewed, rationalised and accordingly scrapped, regardless of the terminology used to describe them.

5. Refunds

The Committee are alarmed to observe that in direct tax, more than Rs. 1.26 lakh crore has been paid as refunds upto January, 2018 (for FY 2017-18) with interest outgo of Rs. 10,312 crore (in FY 2016-17), which has substantially increased from Rs. 6889 crore in FY 2015-16. This raises an apprehension that the assessees may be constrained to pay excess advance tax to fulfill revenue targets of the Department. Such over-

estimation naturally results in excess refund of taxes. Also, there is an apprehension that this practice of excess refunds may encourage connivance between tax officials and assessees to the detriment of the Department. The provisional figures of refund in indirect taxes is also alarmingly pegged at Rs. 47,218 crore. Therefore, the Committee desire that the Department must look into the reasons behind such excess refunds and accordingly take corrective measures.

6. <u>Tax Arrears</u>

It is alarming to note that the Department of Revenue seems to be caught up in the vicious cycle of tax arrears, as more than Rs. 11.50 lakh crore (Rs. 9,30,741 crore in direct taxes and Rs.2,28,530 crore in indirect taxes) which is almost the size of an economy are outstanding in the form of tax arrears. Further, as far as arrears in direct taxes are concerned, more than 94% of it has been categorised under 'demand difficult to recover', whereas in indirect taxes, only 22.84% are said to be clearly recoverable. It thus, signifies that a large amount of arrears remain non-recoverable. Considering the fact that tax arrears have been increasing year after year, the Committee would recommend for devising a concrete action-plan and a roadmap to clear the backlog through a time-bound fast track mechanism. Tribunals / Courts should be regularly moved for early / expeditious hearing of cases and particularly for vacation of stay orders. The Committee may be kept abreast of the action plan and the achievements thereof.

7. <u>Pendency of Appeal cases</u>

The Committee are also extremely concerned about the latest figures of pending appeals, wherein in respect of direct taxes nearly 4.8 lakh appeals are pending at different fora with corresponding tax effect (excluding ITAT) of approx. Rs. 8 lakh crore. As far as indirect taxes are concerned, more than Rs. 1.93 lakh crore is locked in appeals at various fora. Cumulatively thus, more than Rs. 10 lakh crore is locked in appeals at various fora (no tax effect locked up in appeal is maintained by ITAT Registry). Further, a big chunk of appeals are also pending at the level of Tribunal, High Courts and Supreme Court. The Committee are surprised that large number of appeals are still going to the High Courts in spite of the Tribunals being in place, which were created in the first place only to relieve the courts of their burden as also to fast track the process. This purpose does not seem to have been served. The functioning of these Tribunals should therefore be reviewed.

Further, considering that most of the departmental appeals get quashed, the Committee would like to recommend for review and bring out a pragmatic National Litigation Policy to reduce unnecessary litigation from Government side and for reducing the pendency at various fora.

8. <u>Detection of Unaccounted Income and Tax Evasion:-</u>

The Committee would like to point out that we still do not know the quantum of tax realised as a consequence of exchange of notes during the course of demonetisation. The Committee find that the tax collected from the amnesty scheme, Pradhan Mantri Garib Kalyan Yojana (PMGKY)

seems to be very small in the context of the expectation created at the time of its launch. The perception that demonetisation would yield huge benefits in terms of income tax, does not seem to have happened so far. Although, the department has claimed higher tax buoyancy and increase in tax base during the post-demonetisation period, the Committee would still await the final account of tax yield at the end of this fiscal. The Committee would also like to be apprised on the tax yield arising from unaccounted money / wealth stashed abroad including the follow-up on financial information received so far from foreign sources. Details of enforcement action initiated under the Benami Transactions (Prohibition) Act and the various search & seizure operations conducted post - demonetisation and the net revenue yield therefrom may also be furnished to the Committee within three months of the presentation of this Report to Parliament. The Committee would seek to be re-assured in this regard by the Department of Revenue that the quantum of unaccounted money in the economy has become minimal post-demonetisation. The Committee are concerned about the prevalence of black money in the economy by way of virtual currency etc., and would thus like to be apprised about the monitoring by the Department regarding generation of such unaccounted income through these alternate forms such as bitcoins and the extent to which they have been able to contain it. A detailed action taken reply may be furnished to the Committee in the matter.

9. Non-Filers

The Committee note that there has been a huge quantum of non-filers with potential tax liabilities, discovered under the Non-Filer Monitoring System (NMS), in Cycle 6 (2017), 35.10 lakh cases have been identified, with a decline from the figures of Cycle 5 (2016), where 67.54 lakh cases were identified. Therefore, the Committee observe that apart from a comprehensive data collection / mining mechanism along with clearly targeted non-intrusive follow-up action has been yielding some results for the department. While taking cognizance of this initiative of the Government, the Committee would thus expect this momentum to be sustained.

10. Goods and Services Tax (GST)

The Committee are constrained to observe the not-so-encouraging monthly revenue collections from GST, which still have not stabilised with frequent changes in rates and issue of notifications every now and then. Further, the Committee are surprised to learn that no GST revenue targets have been fixed by the Government. The frequent revisions in rates has no doubt affected the regime stability, with adverse impact on trade and business. The States have also been reporting losses in collection, which will only increase the compensation budget of the Central Government. The Committee hope the grievances of the States, if any, will be duly addressed under the mechanism of the GST Council so that the financial health of the States does not suffer. The Committee would expect the Government to sort out all the lingering issues relating to GST soon, including the operational problems/hassles faced by

businesses, particularly the smaller ones. Representations received in this regard should be disposed in a structured manner within a given time-frame. The Committee would also like to caution that the Department of Revenue should ever remain alert and vigilant on the possibility of revenue leakages, evasion and collusion in the course of GST implementation. Greater awareness also needs to be created among the traders about the GST structure, the need for its implementation and the punitive action in case of non-compliance.

11. Cess / Surcharge

The Government has been scrupulously collecting cesses and surcharges from the tax payers in recent years. This has no doubt added to their increasing tax burden. The Committee would now expect these cesses and surcharges to be clearly demarcated and utilised fully and solely for the designated purposes, so that the intended visible outcomes can be seen in those specified developmental areas. The budget should appropriately incorporate a statement in this regard indicating the collection and utilisation details of cess/surcharge.

12. Tax Relief under 'Salaries' head

The Committee note that hardly any tax relief has been provided to the salaried tax payers in this Budget, in spite of their steady and significant contribution to the exchequer by way of 100% TDS on their income earned as salary. The exemption limit and the tax slabs have been left unchanged for past few years, liberalisation of which the honest tax payers had been long expecting from the Government. The relief sought to be provided as standard deduction of Rs. 40,000 from annual income turns out to be an eyewash, as re-imbursement of medical expenses / allowances and exemption under transport allowance are required to be deducted from the standard deduction. The Committee believe that honest and diligent tax payers should be duly rewarded and accordingly provided some concrete and real tax relief in the Budget. The Committee would therefore recommend that the standard deduction proposed in the Budget should be given absolutely without any deductions and preconditions. The consequential deficit / gaps in estimated tax collections, which would be small, can very well be bridged / adjusted by greater efforts by the income tax department to collect more revenue by way of 'presumptive tax' or income tax from buoyant categories, paying tax under the head 'income from business and profession', as tax collection under the head 'salary', by its very nature tends to be inelastic, offering little scope for departmental interventions.**

13. <u>National Academy of Direct Taxes (NADT)</u>

**During their recent study visit to National Academy of Direct Taxes (NADT) in Nagpur on 15th January, 2018, the Committee observed that NADT has the potential to be developed as an apex training cum research institution on financial matters including economic crimes and digital forensics. Keeping in view the ever-increasing need to pre-empt financial and cyber frauds and the focus of the government on capacity building for tackling cyber crime besides training in methods, techniques and strategies of fiscal policy and financial scrutiny vested in prevalent socio-

political context of the country and international environment, the Committee would recommend that for broad-based training, research and analysis in financial / economic and forensic areas NADT may be considered appropriately as an apex training institute, so that their expertise can be further developed and channelised. The Committee feel that such investment by the Government would yield a very high return in terms of higher resource mobilisation and collection of taxes.

14. Rationalisation of Levies in Telecom Sector

Upon taking cognizance of the current plight of our telecom sector, the Committee recommend that taxation issues relating to the debt-ridden telecom sector (which is relatively in nascent stage), with a cumulative levy imposed in the range of 25-29% of revenue, require to be pragmatically addressed, so that telecom/digital network can expand fast, while ensuring service quality to the public. The USFO Fund should be deployed and utilised for strengthening the network/service of telecom PSUs.

15. The Committee note that the proposal to tax long term capital gains exceeding Rs.1 lakh at the rate of 10% without allowing the benefit of any indexation may not serve the interests of small investors, who are now venturing into the stock market for long-term investment. Therefore, it is necessary that a clear distinction be made between the investments of a small/retail investor and the bigger entities like institutions and corporates. Therefore, keeping this equity rationale in mind, the Committee would recommend that the exemption limit for capital gains

may be enhanced to Rs.2 lakh which would reasonably protect the small investors.

16. <u>Members Salary and Allowances</u>

The Committee are of the view that the Salaries and Allowances of Members of Parliament should not be made part of the Finance Bill, as the Constitution clearly stipulates that they should be considered as a separate Bill or an amendment Bill. The Committee desire that while dealing with this issue, the propriety of bringing this in the Finance Bill *vis-a-vis* the Salary Allowances and Pension of Members of Parliament Act, 1954 should be considered in accordance with the provisions of the Constitution.

New Delhi;
<u>8 March, 2018</u>
17 Phaguna, 1939 (Saka)

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

Minutes of the Tenth sitting of the Standing Committee on Finance (2017-18)
The Committee sat on Friday, the 16 February, 2018 from 1100 hrs. to 1330 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Bandaru Dattatreya
3. Shri Nishikant Dubey
4. Shri Venkatesh Babu T.G.
5. Shri P.C. Gaddigoudar
6. Shri Rattan Lal Kataria
7. Shri Chandrakant Khaire
8. Shri Bhartruhari Mahtab
9. Prof. Saugata Roy
10. Shri Gopal Shetty
11. Shri Kiritbhai Solanki
12. Dr. Kirit Somaiya
13. Shri Dinesh Trivedi
14. Shri Shivkumar Udasi

RAJYA SABHA

15. Shri Naresh Agrawal
16. Shri A. Navaneethakrishnan
17. Shri Mahesh Poddar
18. Dr. Mahendra Prasad
19. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

WITNESSES

Ministry of Finance (Department of Revenue)

1. Dr. Hasmukh Adhia, Finance Secretary & Secretary
2. Shri G.C. Murmu, Additional Secretary
3. Shri Udai Singh Kumawat, Joint Secretary

Central Board of Direct Taxes (CBDT)

4. Shri Sushil Chandra, Chairman, CBDT
5. Shri Shri Ajit Kr. Srivastava, Member (R&TPS)

6. Shri Aditya Vikram, Pr. DGIT (Logistics)
7. Ms. Shabri Bhattasali, Member, (A&J)
8. Smt. Rasmi Ranjan Das, JS (TPL-I)
9. Shri Rajesh Kumar Bhoot, JS (TPL-II)
10. Shri Anand Jha, CIT (IT & CT)
11. Shri S.K. Singh, CIT (Investigation)

Central Board of Direct Taxes (CBDT)

12. Smt. Vanaja N. Sarna, Chairperson, CBEC
13. Shri S. Ramesh, Member (Admn)
14. Shri Mahender Singh, Member (GST)
15. Smt. Ameeta Suri, Member (CX/ST/Legal)
16. Shri S.K. Panda, Member (IT)
17. Shri Pranab Kumar Das, Member (Customs)
18. Dr. John Joseph, Member (Budget)
19. Shri Sandeep M. Bhatnagar, DG, Systems
20. Shri Alok Shukla, JS (TRU-I)
21. Shri Amitabh Kumar, JS (TRU-II)
22. Smt. Hemambika R. Priya, Commissioner (Coordination)
23. Shri Devendra Singh, Director General Performance Management
24. Shri Asif Iqbal, Commissioner (TAR)
25. Ms. Harbinder Kaur Prasad, Commissioner (DLA)

Integrated Financial Unit (IFU)

26. Smt. Meera Swarup, JS & FA (Finance)

Enforcement Directorate

27. Shri Devinder Kr. Gupta, Special Director of Enforcement

3. At the outset, the Chairperson welcomed the Members and the witnesses to the sitting of the Committee.

4. After the customary introduction of the witnesses and their introductory remarks, the Committee took their evidence in connection with the examination of Demands for Grants (2018-19) of the Ministry of Finance (Department of Revenue). The major issues discussed during the sitting broadly related to

widening and deepening of tax - base, India's low Tax-GDP ratio, tax buoyancy, quicker resolution of appeals at different fora, conceptualising and creating commercial courts in High Courts for quicker disposal of appeals, collection and utilisation of cesses and surcharges and issues related therewith, tax arrears, tax refunds and interest paid thereupon, other issues arising post-demonetisation, quantum of non-filers, measures for curbing unaccounted / black money, GST targets and collections and other underlying issues, ease of doing business and holistic reforms needed in our tax administration. 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 a week to the Secretariat.

(The witnesses then withdrew)

A verbatim record of the proceedings has been kept

The Committee then adjourned.

Minutes of the Thirteenth sitting of the Standing Committee on Finance
The Committee sat on Thursday, the 8 March, 2018 from 1500 hrs to 1645 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Nishikant Dubey
3. Shri P.C. Gaddigoudar
4. Shri Rattan Lal Kataria
5. Shri Bhartruhari Mahtab
6. Shri Prem Das Rai
7. Prof. Saugata Roy
8. Shri Rajiv Pratap Rudy
9. Shri Gopal Shetty
10. Dr. Kiritbhai P. Solanki
11. Dr. Kirit Somaiya
12. Shri Shivkumar Udasi

RAJYA SABHA

13. Shri Mahesh Poddar
14. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Rajesh Ranjan Kumar	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the following draft reports for consideration and adoption:

(i) Draft Report on Demands for Grants (2018-19) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).

(ii) Draft Report on Demands for Grants (2018-19) of the Ministry of Finance (Department of Revenue).

(iii) Draft Report on Demands for Grants (2018-19) of the Ministry of Corporate Affairs.

(iv) Draft Report on Demands for Grants (2018-19) of the Ministry of Planning (NITI).

(v) Draft Report on Demands for Grants (2018-19) of the Ministry of Statistics and Programme Implementation.

After some deliberations, the Committee adopted the above draft Reports with minor modifications and authorised the Chairperson to finalise them and present these Reports to Parliament.

The Committee then adjourned.