8

STANDING COMMITTEE ON FINANCE
(2019-20)

SEVENTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2020-21)

EIGHTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2020 / Phalguna, 1941 (Saka)

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DEMANDS FOR GRANTS

(2020-21)

Presented to Lok Sabha on 12th March, 2020

Laid in Rajya Sabha on 12th March, 2020

LOK SABHA SECRETARIAT
NEW DELHI

March, 2020 / Phalguna, 1941 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE (2019-20)

Shri Jayant Sinha - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Vallabhaneni Balashowry
5. Shri Shrirang Appa Barne
6. Dr. Subhash Ramrao Bhamre
7. Smt. Sunita Duggal
8. Shri Gaurav Gogoi
9. Shri Sudheer Gupta
10. Smt. Darshana Vikram Jardosh
11. Shri Manoj Kishorbhai Kotak
12. Shri Pinaki Misra
13. Shri P.V Midhun Reddy
14. Prof. Saugata Roy
15. Shri Gopal Chinayya Shetty
16. Dr. (Prof.) Kirit Premjibhai Solanki
17. Shri Manish Tewari
18. Shri P. Velusamy
19. Shri Parvesh Sahib Singh Verma
20. Shri Rajesh Verma
21 Shri Giridhari Yadav

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Shri Amar Patnaik
26. Shri Mahesh Poddar
27. Shri C.M. Ramesh
28. Shri T.K. Rangarajan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

1.	Shri. Vinod Kumar Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Preetam Prabhakar	-	Executive Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorised by the Committee, present this Eighth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2020-21)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 7 February, 2020 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 25 February, 2020. 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 (2020-21).

4. The Committee considered and adopted this Report at their Sitting held on 06 March, 2020.

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

New Delhi;
<u>06 March, 2020</u>
16 Phalguna, 1941 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

REPORT

PART – I

Background Analysis

I. INTRODUCTORY

1.1 The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control 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 Indirect Taxes and Customs (CBIC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. 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 Good and Services Taxes (GST), Customs and Central Excise duties, Service Tax and other indirect taxes fall within the purview of the CBIC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Each Board has a sanctioned strength of 6 (six) Members.

1.2 The Department of Revenue administers the following Acts:-

- Income Tax Act, 1961
- Black Money (Undisclosed Foreign Income & Assets) Imposition of Tax Act, 2015
- Benami Transactions (Prohibition) Act, 1988
- 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

- Central Sales Tax Act, 1956
- Custom Tariff Act, 1975
- Central Excise Tariff Act 1985
- Narcotic Drugs and Psychotropic Substances Act, 1985
- Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988
- Smugglers and Foreign Exchange Manipulators (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
- Prevention of Money Laundering Act, 2002
- Foreign Exchange Management Act, 1999.
- Union Territory Goods & Services Tax Act, 2017
- Goods & Services Tax (compensation to States) Act, 2017
- Central Goods & Services Tax Act, 2017
- State Goods & Services Tax Act, 2017
- Integrated Goods & Services Tax Act, 2017

1.3 The Department looks after the matters relating to the above-mentioned Acts through the following attached/subordinate offices:

- Commissionerates/Directorates under Central Board of Indirect Taxes and Customs
- Commissionerates/Directorates under Central Board of Direct Taxes
- Central Economic Intelligence Bureau
- Directorate of Enforcement
- Central Bureau of Narcotics
- Chief Controller of Factories
- Appellate Tribunal under SAFEMA
- Income Tax Settlement Commission
- Customs and Central Excise Settlement Commission
- Customs, Excise and Service Tax Appellate Tribunal

- Authority for Advance Rulings
- National Committee for Promotion of Social and Economic Welfare
- Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985
- Financial Intelligent Unit, India (FIU-IND)
- Adjudicating Authority under Prevention of Money Laundering Act
- Revision Application Unit.

II. BUDGETARY ALLOCATIONS AND UTILISATIONS

2.1 The detailed Demands for Grants (2020-21) of the Ministry of Finance were presented to Lok Sabha on 7 Feb, 2020. The details of the Revenue Section and Capital Section of the Demands for Department of Revenue, Direct Taxes and Indirect taxes for the year 2020-21 are as follows:

(Rs.in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	31 - Department of Revenue	272159.60	91.21	272250.81
2.	32 - Direct Taxes	7733.39	332.00	8065.39
3.	33 - Indirect Taxes	7820.00	438.00	8258.00

2.2 Summary of Budgetary Provisions under Demand Nos. 31, 32 and 33 for 2017-18, 2018-19, 2019-20 and 2020-21 is as under:

Demand for Grant No.31 - Department of Revenue

Grant No 31 of Department of revenue does not have any Central Sector or Centrally Sponsored Schemes. The entire Budget provision is for GST Compensation to States/UTs and for establishment related expenditure of Secretariat and its attached and subordinate offices. The year wise allocation and utilization for last three years w.e.f. FY 2017-18 are as follows:

(Amount in Crore)

Financial Year	BE	RE	Expenditure up to 31st March	% of RE Utilized	Saving/ surrender
2017-18	837.28	124096.55	99492.64	80.17	24548.51
2018-19	180949.70	119396.96	124424.97	104.21	56479.80
2019-20	203466.73	243505.77	101225.03***(provisional) till 31.12.2019)**	41.57*	
2020-21	272250.83				

***Out of Rs.101225.03 crore, a sum of Rs.100548.49 crore is for release of GST Compensation to States/UTs. An equal amount of GST compensation released is to be transferred to GST Compensation Fund as per GST Compensation Act. As such the expenditure after taking into account transfer of Rs.100548.49 crore upto December, 2019, the expenditure as on 31st December, 2019 would be approx. 82.86% of RE and 99.16% of BE.**

Explanations:

FY 2017-18

In FY 2017-18, a budget provision of Rs.837.28 crore was kept for establishment related expenditure. As there was no clarity on actual date of implementation of GST, therefore, only a token provision was kept. As the GST was implemented w.e.f. 1st July, 2017 and it was decided to settle outstanding CST compensation in the FY 2017-18, the budget provision was revised to Rs.124096.55 crore at RE stage to meet the expenditure on payment of compensation to States/UTs due to implementation to GST. However, the actual release remained lower than the estimated amount, the actual expenditure was only Rs.99492.64 crore. The total surrendered in FY 2017-18 was Rs.24548.51 crore.

FY 2018-19

The major component of the Budget provision of Department of Revenue is for payment of Compensation to States/UTs to protect the revenue loss due to implementation of Goods and Service Tax in India w.e.f. 1st July, 2017, therefore it was estimated that the requirement on payment of GST compensation in 2018-19 may be around Rs.90,000 crore and cess collection will be of an equal amount of Rs.90,000 crore. Total budget provision of Rs.180949.70 crore also for 2018-19 included establishment related expenditure of Department of Revenue. However, at the RE stage, it was **revised to Rs.119396.96 crore** keeping in view the release of apportionment of IGST component to States/UTs, which reduced the liability of

Central Government on payment of GST compensation which resulted in savings against Budget Estimate. At the close of the FY, it was found that due to fluctuation in revenue collection of Government of Union Territories with Legislatures, the amount of GST compensation claim got increased significantly, and the actual expenditure for the FY 2018-19 went up to Rs.124424.97 crore, which was higher than the Revised Estimates but within the Budget provision.

FY 2019-20

Total Budget provision for the FY 2019-20 is Rs.203466.73 crores including a Capital Expenditure of Rs.8.73 crores. On the revenue side, the major component of Budget under Grant No.31- Department of Revenue is for providing GST Compensations to the State Govts/UTs due to revenue loss on tax reforms. A budget provision of **Rs.101200 crores** was kept for the year 2019-20 to meet the expenditure on **payment of compensation to States/UTs** with legislatures. This estimate is based on trend of collection of revenue and compensation is to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. An equal amount of compensation cess **(Rs.101200.00 crore)** was also kept for transfer to GST Compensation Fund. However, compensation of Rs.100548.49 crore has already been released against the Budget Estimate of Rs.101200.00 crore to the States/UTs as GST Compensation till December, 2019. Keeping in view the expenditure trend, the RE provision in this regard has been enhanced by Rs.20000.00 crore in RE 2019-20 and kept at Rs.121200.00 crore. Overall the RE provision has been kept at Rs.243505.77 crore against the BE of Rs.203466.73 crore which includes the establishment related expenditure of Department of Revenue. The excess requirement under RE will be met through supplementary.

FY 2020-21

Total Budget provision under the Demand No 31 of Department of Revenue for the FY 2020-21 is Rs.272250.83 crores. Capital Expenditure forms a small part of the total budget grant and is Rs 91.21 crore. On the revenue side, major expenditure are proposed as below:

The major component of Budget under Grant No.31- Department of Revenue is for providing GST Compensations to the State Govts/UTs due to revenue loss on tax reforms. A budget provision of **Rs.135368.03 crores** has been kept for the year 2020-21 to meet the expenditure on **payment of compensation to States/UTs** with legislatures. This estimate is based on trend of collection of revenue and compensation is to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. The provision kept for release of compensation to States/UTs due to loss of revenue collection, is actually fiscal neutral as there will be no cash outgo from the Consolidated Fund of India as compensation cess is already being collected through the GST (compensation to States) Act, 2017, which shall form part of the Public Account of India through Transfer of Proceeds of the GST Compensation Cess to GST compensation Funds a non-lapsable fund. It has been proposed to transfer an equal amount of compensation cess **(Rs.135368.03 crores) to GST compensation Fund**.

In the establishment related expenditure of Revenue Headquarters & its Secretariat and various attached offices (Central Economic Intelligence Bureau; Financial Intelligence Unit of India; Goods & Service Tax Council Secretariat; Pr. CCA, CBDT; Pr. CCA, CBIC; Competent Authorities, Tax Policy Research Unit, Pay & Accounts Office (Revenue) a provision of Rs.437.70 crore has been estimated for 2020-21 against the RE 2019-20 of Rs.387.69 crore. Further, due to increase of staff strength and infrastructural development, the BE provision for Enforcement Directorate has gone up at Rs259.31 crore in comparison to BE of Rs234.54 Crore and RE of Rs.248.00 crore for 2019-20. There is some other expenditure like continued financial support to National Institute of Public Finance & Policy (NIPFP), an autonomous body under the Department of Revenue, Contributions to International Organizations in which India is an active participant and establishment related expenditure of Central Bureau of Narcotics, Special Investigation Team (SIT) and various tribunals (Appellate Tribunal for Forfeited Property; CESTAT; AAPMLA) functioning under the department.

The other major expenditure under this Grant is on operating of Government Opium & Alkaloid Works, which are responsible for import of alkaloids for medicinal use by domestic pharma companies, processing of raw opium for exports, manufacturing of opiate alkaloids and other related functions through its two factories at Ghazipur (Uttar Pradesh) and Neemuch (Madhya Pradesh). A provision of Rs**.368.21 crore** (approx.) has been kept for 2020-21.

Further Budget Division has conveyed the shifting of provision of funds (Rs.242.00 crore) towards payments of User Charges to GSTN under the Demand No. 31- Department of Revenue from Demand No. 33- Indirect Taxes, which also increased the BE 2020-21 provision by Rs.242.00 crores.

Under the Capital Section the major requirement is for Construction of Rajaswa Bhawan. A provision of Rs.81.00 crore has been kept in BE 2020-21 for this purpose. The other requirement under Capital Section is for acquisition of ready built accommodation/flats (Rs.3.00 crore) and for Capital expenditure of Government Opium and Alkaloid works (Rs.7.20 crore).

Demand for Grant No. 32 - Department of Revenue

Grant No.32 -Direct Taxes has no Central Sector Schemes and Centrally Sponsored Schemes. The entire budget is for Salaries/Administrative expenses pertaining to field offices of CBDT (Central Board of Direct Taxes).The year wise allocation and utilization for last three years w.e.f. FY 2017-18 are as follows:

(Figure in Rs. crore)

Financial Year	**BE**	**RE**	**Total Expenditure (Up to 31st March of respective financial year)**	**% of RE Utilized**	**Amount Surrendered**
2017-18	6110.64	6502.00	6269.32	98.68	62.41
2018-19	6982.00	7382.00	7319.94	99.28	9.09
2019-20	7338.44	7343.44	5247.71*	71.51*	Yet to be Finalized
2020-21	8065.39	Yet to be finalized			

*upto 31/12/2019

Brief Summary year – wise starting from F.Y. 2017-18

2017-18

BE of Rs. 6110.64 crore was enhanced to Rs. 6502.00 crore at RE stage. Under Revenue Section, the allocation under 'Salaries' head was enhanced from Rs. 3603.76 crore to Rs. 3740.00 crore to meet the additional expenditure on DA and annual increments. Actual expenditure incurred upto 31.03.2018 was Rs. 6269.33 crore (Rs. 6087.65 crore under Revenue Section and Rs. 181.68 crore under Capital Section). It shows that 98.68% of the budget as per RE was utilised upto March 2018. Utilisation under Revenue Section was 98.73% of RE whereas it is 97.00 % under Capital Section. The total amount surrendered in F.Y. 2017-18 was Rs. 62.41 crore.

2018-19

BE of Rs. 6982.00 crore was enhanced to Rs. 7382.00 crore at RE stage. Under Revenue Section, the allocation under 'Salaries' head was reduced to Rs. 3902.96 from Rs. 3927.00 i.e. a decrease of Rs. 24.04 crore. The enhancement was primarily under the Heads 'Rent Rates & Taxes' and 'Information Technology(OE)'. Actual expenditure incurred upto 31.03.2019 is Rs. 7319.94 crore (Rs. 7075.89 crore under Revenue Section and Rs. 244.05 crore under Capital Section). It shows that 99.28% of the budget as per RE has been utilized upto March 2019. Utilisation under Revenue Section is 99.34% of RE whereas it is 97.74 % under Capital Section. The total amount surrendered in F.Y. 2018-19 is Rs. 9.09 crore.

2019-20

BE of Rs. 7338.44 crore has enhanced to Rs. 7343.44 crore at RE stage. Under Revenue Section, the allocation under 'Salaries' head has been enhanced to Rs. 4198.11 from Rs. 4098.11 crore i.e. an increase of Rs. 100.00 crore over BE. Actual expenditure incurred upto 31.12.2019 is Rs. 5247.71 crore (Rs. 5088.15 crore under Revenue Section and Rs. 159.56 crore under Capital Section). It shows that 71.51% of the budget as per BE has been utilized upto December 2019. Utilisation under Revenue Section is 72.31% of BE whereas it is 52.84 % under Capital Section.

2020-21

The Budget Estimates 2020-21 have been proposed at Rs. 8065.39 crore out of which Rs. 7733.39 crore is under Revenue Head and Rs.332.00 Crore is under Capital Head. On Revenue side, the expenditure on 'Salaries' is estimated at Rs.4534.97 crore, which is 56.23% of the total grant. There has been an increase of 8.02 % over RE 2019-20 (Rs. 4198.11 Crore) in 'Salaries' Head to accommodate annual increment of 3%, two installments of DA, and consequent effect on transport allowance etc, anticipating filing up of posts of on account of new appointments in IRS of fresh batch as well as posts of Inspector, Stenos, Tax Astts and MTS. On Revenue Side, the other major expenditure is under heads "Office Expenses(General)", 'Minor Works' & 'Secret Service Expenditure', 'Rent, Rates & Taxes', 'Information Technology(Office Expenditure)'. Brief of these heads is as under:

- Office Expenditure: - The expenditure under this head is estimated at Rs 1114.29 crore, which is 13.82% of total grant. There has been decrease of 8.63% of R.E. 2019-20 (Rs. 1025.80 cr.).

- Minor Works: The expenditure under this head is estimated at Rs.81.30 crore, which is 1.01 % of total grant. There has been increase of 28.27 % as compared to R.E. 2019-20(Rs. 63.38 cr.). The increase in expenditure due to inflationary trends. There are several Government owned buildings both residential and official in respect of which repairs are urgently required. Funds are also required for routine maintenance of the Lifts and office & residential building.

- Secret Service Expenditure: The expenditure under this head is estimated at Rs 28.50 crore, which is 0.35% of total grant. There has been increase of 10.29% of R.E. 2019-20. The increase in expenditure is projected on account of anticipated general increase in expenditure.

- Rent, Rates & Taxes: The expenditure under this head is estimated at Rs 555.96 crore, which is 06.92% of total grant. There has been increase of 14.77% of R.E. 2019-20 (Rs. 484.43 Cr.). The increase in expenditure is projected on account of various rent & taxes proposals are revision of BCAs are pending for approval/ clearance of IFU with their arrear.

- Information Technology (Office Expenditure): The expenditure under this head is estimated at Rs 874.22 crore, which is 10.84 % of total grant. There has been increase of 10.30% of R.E. 2019-20 (Rs. 792.59 Cr.). 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-filing of Income-tax Returns, Centralized Processing of IT Returns, Centralized Processing of TDS Returns, Automatic Payment of I T Refund through the Refund Banker Scheme, and New Application for Business Process of ITD Tax net for connectivity among all Income Tax Offices etc. filing of on-line appeals, new system for department ITBA has been developed. Further the department has initiated for faceless assessment therefore setup NeAC/ReAC. 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. Administrative work has also speedily been working under HRMS.

On Capital side, out of the total provision of Rs. 332.00 crore, Rs. 223.84 crore is for Capital Outlay on Office Accommodation and another Rs.106.16 crore is for Capital Outlay on Residential Accommodation. Under Capital Head, there has been an increase of 09.03 % over RE as well BE/RE 2019-20 (Rs. 302.02 crore).

<u>Salient Features:-</u>

(I) Revenue Section

1. The Allocation under “Salaries” Head has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 21.26 % upto F.Y. 2020-21.

2. The Allocation under Wages has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 37.55 % upto F.Y. 2020-21.

3. The Allocation under head ‘Medical Treatment’ has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 27.56 % upto F.Y. 2020-21.

4. The Allocation under head ‘Domestic Travel Expenses’ has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 54.62% upto F.Y. 2020-21.

5. The Allocation under ‘Office Expenses (Gen.)’ Head has been increased by 7.29% in F.Y. 2020-21 in compare to F.Y. 2017-18.

6. The Allocation under head ‘Rent, Rates & Taxes’ has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 41.28% upto F.Y. 2020-21.

7. The Allocation under ‘Publication’ Head has been increased by 14.33% upto F.Y. 2020-21 since F.Y. 2017-18.

8. The Allocation under head ‘Other Administrative Expenses’ has been increasing continuously. Since F.Y. 2017-18 the allocation under this head has increased by 33.53% upto F.Y. 2020-21.

9. The Allocation under head ‘Advertising & Publicity’ has been decreased by 11.91% upto F.Y. 2020-21, since 2017-18.

10. The Allocation under ‘Minor Works’ Head has been increasing continuously. In compare to F.Y. 2017-18 it has increased 122.74 % upto F.Y. 2020-21.

11. The Allocation under ‘Professional Services’ has been increased by 37.67 % upto F.Y. 2020-21, since 2017-18. However, it increased 11.41% only in compare to F.Y. 2019-20.

12. The Allocation under ‘Information Technology (OE)’ has been increased by 50.89 % upto F.Y. 2020-21, since 2017-18.

(II) Capital Section

Under Capital Section, in F. Y. 2017-18, the pace of completion of projects was slow and due to this, many of the projects have been delayed. Some amount of allocated funds under Capital Segment have been surrendered in F.Y. 2017-18 & F.Y.2018-19. However, to complete the projects which are underway, some new approved projects and some waiting for approval of revalidation, BE 2020-21 has significantly been enhanced.

Grant No. 33 – Indirect Taxes

Demand for Grant No. 33 - Department of Revenue

The **Grant No.33 - Indirect Taxes** (erstwhile Grant No.35 in FYs 2017-18 and 2018-19}. The provision under this grant is for establishment related expenditure for the field offices of CBIC (Central Board of Indirect Taxes & Customs). There are no Central Sector and Centrally Sponsored Schemes under this Grant. The Year-wise allocation and utilisation for last 3 years w.e.f. F.Y. 2017-18 is as follows:

(Rs. In Cr.)

Financial Year	BE	RE	Total Expenditure (upto 31/3 of each FY)	% of RE Utilized	Amount Surrendered
2017-18	6090.01	7850.50	7390.39	94.13%	260.47
2018-19	7825.50	7625.66	7181.71	94.18 %	490.00
2019-20	7900.50	7900.50	5620.19 (upto Dec., 2019)	71.14%	
2020-21	8258.50				

2017-18

The Budget Estimates in 2017-18 were enhanced from Rs.6090.01 crore (under RevenueSection: Rs.5861.94 crore & under Capital Section: Rs.228.07 crore) to Rs.7850.50 crore (Revenue Section Rs.7458.86 crore and Capital Section Rs.391.64 crore). The provisions under the Salaries were enhanced from Rs.3941.53 crore to Rs.4700.00 crore under RE to accommodate annual increment, two instalments of DA and filling up of new posts on account of cadre restructuring in CBIC. The other major increases under the Revenue Section under RE were under Object Heads Office Expenses, RRT and Advertising & Publicity.

The total Actual expenditure incurred upto 31.03.2018 was Rs.7390.39 crore (Rs.7041.39 crore under Revenue Section and Rs. 349.00 crore under Capital Section).It shows that 94.13% of the budget as per RE was utilized upto March, 2018. Utilization under Revenue Section was 94.40% of RE whereas it is 89.11% under Capital Section. The total amount surrendered in FY 2017-18 was Rs.260.47 crore.

2018-19

The Budget Estimates in 2018-19 were reduced from Rs.7825.50crore (under RevenueSection: Rs.7418.50 crore & under CapitalSection: Rs.407.00 crore) to Rs.7625.66 crore in RBE 2018-19 (Revenue Section Rs.7218.65 crore and Capital Section Rs.407.01 crore). The reductions were primarily under the RRT, Advertisement and Publicity and Other Charges.

The total provisional expenditure upto 31.03.2019 was Rs.7187.79 crore (Rs. 6935.63 crore under Revenue Section and Rs. 252.16 crore under Capital Section). It shows that 94.26% of the budget as per RE was utilized upto March, 2019. Utilization under Revenue Section was 96.08% of RE whereas it is 61.95% under Capital Section. The total amount surrendered in FY 2018-19 was Rs.490 crore.

2019-20 (as on 31.12.2019)

The Budget Estimates 2019-20 wereproposed at Rs. 7900.50 crore (Rs. 7493.65 crore under RevenueSection and Rs. 406.85 crore under CapitalSection). On Revenue Side, there has been anincrease of 3.81% over RE of previous FY 2018-19 (Rs. 7218.65 crore) and provisioning in Capital Section has been kept at the same level of previous year. The expenditure on ‘ Salaries’ is estimated to be of Rs. 5157.76 crore, which is 65.28% of the total grant, The Actual expenditure incurred upto 31.12.2019 was Rs. 5620.19 crore (Rs. 5520.27 crore under Revenue Section and Rs. 99.92 crore under Capital Section) against B.E. of Rs. 7900.50 crore . The other major expenditure on Revenue Side is under ‘Office Expenses’, Rent, Rates and Taxes’and Information Technology’ etc.

2020-21

The Budget Estimates 2020-21 have been proposed at Rs. 8258.50 crore (Rs. 7820.50 crore under RevenueSection and Rs. 438.00 crore under CapitalSection). On Revenue Side, the expenditure on 'Salaries’ (Rs.5581.75 crore) is estimated to be 65.66% of the total grant. The increase of 6.00% over RE of previous FY2019-20 (Rs.5265.80 crore) in 'Salaries' Head is to accommodate annual increment, two instalments of DA, filling up of new posts in CBIC.The major expenditure other than Salary on Revenue Side is under Four Major Heads i.e. 'Offices Expenses', 'Rent, Rates and Taxes', 'Information Technology', and “Advertising and Publicity” to the tune of Rs. 1670.25 crores, which is 21.36% of total “Revenue Section” of BE 2020-21. Brief of these heads is as under:

(a) **Office Expenses**: The expenditure under 'Office Expenses' is estimated at Rs.655.25 crore, which is 7.93% of the total grant. The increase of 7.90% over RE 2019-20 (Rs. 607.30 Cr.). This increase is because of increase in expenditure on Motor Vehicles, OE 1% Scheme and more funds requested by Customs Preventive Commissionerates for sea patrolling etc and also related GST works, besides the regular activities of the Departmental including setting up of new offices. Since 2017-18 there has been an increase of 24.83 % upto FY 2020-21 as compared to BE of 2017-18(524.93 Cr.).

(b) **Information Technology**: The expected expenditure under 'Information Technology' is estimated at Rs.511.00 crore, which is 6.19% of total grant. This is decrease of 30% over RE 2019-20 (Rs. 730.00 crore)There is decrease of 10.71% upto F.Y. 2020-21as compared to FY 2017-18 (Rs. 572.32 Cr.), as a number of initiatives has 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. The decrease is due to transfer of funds towards payment of User Charges to GSTN from Grant No.33-Indirect Taxes to Grant No.31-Department of Revenue.

(c) **'Rent, Rates & Taxes'** : The expenditure under this head is estimated to be of Rs. 399.00 crore which is 4.83% of total grant. This is an increase of 11.02% (Rs.359.40 crore) over RE of FY 2019-20 in 'Rent, Rates & Taxes'. The committed expenditure towards the pending liability such as Services Charges payable to the local Municipal Authorities, rents for new office spaces hired for Goods and Service tax formations and payment of periodic rent revisions has been proposed to address through funds provided in the BE of FY 2020-21. Since 2017-18, there has been an increase of 53.46% upto FY 2020-21 as compared to BE of FY 2017-18(260.00Cr.)

(d) **'Advertising and Publicity'**: The expenditure under head is estimated to be of Rs. 105.00 crore which is 1.27% of total grant. This is an increase of 453.00% over RE 2019-20 (Rs.19.00 crore), because of more “Advertising and Publicity” campaigns and rising costs of publicity and for meeting the expenditure by Directorate General of Tax Payer Services (DGTPS) for carrying out advertising and publicity campaigns of GST in addition to other routine and ongoing activities. Further as compared to BE of 2017-18 (132.00 crore) there is a decrease of 20.45% up to F.Y. 2020-21.

(e) Under Capital Head, Budget Estimate is 438.00 crore which is increase by 7.66% with comparison to RE 2019-20 (Rs. 406.85 crore). A major portion amounting to Rs.105.00 crore is for acquisition of anti-smuggling equipment/ marine fleet while Rs.150.00 crore is for acquisition of Office accommodation and Rs.183.00 crore allocated for acquisition of residential accommodation. In F.Y. 2020-21, the allocation under Capital Section has increased by 92.05% as compared to FY2017-18 (Rs. 228.07 crore), because of more office construction, residential projects and more acquisition of anti smuggling equipments.

NOTE:

The following mechanisms for realistic budgetary formulation have been devised by EMC,DGHRD under CBIC as follows;

The Chief Commissioner/Director General of Central Board of Indirect Taxes & Customs has 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. Further,

i. All Budgetary Authorities furnish the Monthly Expenditure Report (MER) by 20th of the following month, duly verified by the local Pay and Accounts Office and this office also develop a program on PFMS link given by Pr, CCA Office from which we can see day to day approximate expenditure of all 68 Budgetary Authority. 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.

ii. 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 (2020-21)

(i) Trends in Direct Tax Collection

The Revised Estimate (RE) of direct tax collection for FY 2019-20 has been revised downward to Rs 11.70 lakh crore from the earlier assessment of Rs 13.35 lakh crore. The Budget estimate of Rs 13.35 lakh crore was based on, *inter-alia*, the projected nominal GDP growth of 11 % for FY 2019-20. The downward assessment for FY 2019-20 has been estimated based on the actual nominal GDP growth rate of 7.5 % for FY 2019-20 as well as the actual trends in direct tax collection.

II. During the current financial year, the actual direct tax collection has seen a decline as compared to the collection figures of last financial year. In this regard it may be mentioned, that the Taxation Laws (Amendment) Act, 2019 (TLAA), *inter-alia*, reduced corporate tax rates by providing for a concessional taxation regime of 22% for existing domestic companies and a concessional taxation regime of 15 % for new manufacturing companies given that they do not avail of any specified incentive or deductions. Further, the prevailing rate of Minimum Alternate Tax (MAT) was also reduced from 18.5% to 15% for companies which do not opt for the concessional taxation regimes. Further, TLAA also withdrew the enhanced surcharge introduced through the Finance (No.2) Act, 2019 on capital gains arising on account of transfer of listed equity share or certain units which are liable to securities transaction tax and on capital gains income of Foreign Portfolio Investors (FPIs) arising from transfer of any security including derivatives, having concessional tax regime. The revenue forgone on account of the said reduction has been estimated to be Rs 1.45 lakh crore.

III. All out efforts are being made to boost direct tax revenues during the current financial year. The Direct Tax Vivad se Vishwas Bill, 2020 has been introduced in the Lok Sabha on 05.02.2020 in order to provide that a tax payer which has a tax dispute pending at any appellate level shall be eligible to pay 100 % of the disputed tax amount, in order to get complete waiver of interest and penalty if the assessee avails of the Scheme by 31st March, 2020.

IV. In addition to the above, several amendments to the Income-tax Act, 1961(the Act) have been proposed in the Finance Bill, 2020 to widen and deepen the tax net and increase revenue collections in financial year 2020-21. The main proposals in order to widen and deepen the tax base are as follows:

(i) <u>TDS on E-commerce transactions</u>**:** In order to widen and deepen the tax net, it is proposed to insert section 194-O in the Act to provide that an e-commerce operator shall deduct TDS on all payments or credits to e-commerce participants at the rate of 1% in PAN/Aadhaar cases and 5% in non-PAN/Aadhaar cases. In order to provide relief to small businessman, it is proposed to provide exemption to an individual and HUF who receives less than Rs. 5 lakh and furnishes PAN/Aadhaar.

(ii) <u>Enlarging the scope of TDS on interest</u>: It is proposed to amend section 194A of the Act in order to extend the TDS on interest paid by certain large co-operative societies whose gross receipts exceeds fifty crore rupees during the last financial year.

(iii) Widening the scope of TCS: It is proposed to amend section 206 of the Act to provide for tax collection at source (TCS) at the rate of 5 % on remittance under Liberalized Remittance Scheme of Reserve Bank of India exceeding seven lakh rupees in a year and on sale of overseas tour package. Further, TCS at the rate of 0.1% is also proposed on sale of goods in excess of fifty lakh rupee in a year by a seller whose turnover is more than 10 crore rupees.

(iv) Limit on exemption of Employer's contribution to certain funds: It is proposed to amend section 17 of the Act to put an upper cap of seven lakh and fifty thousand rupees in a year on tax exempt aggregate employer's contribution in recognized provident fund, superannuation fund and NPS in the accounts of an employee.

(v) Deemed resident in India- It is proposed to amend section 6 of the Act to provide that an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India. It has also been clarified vide Press Release dated 02.02.2020 that the new provision is not intended to include in the tax net those Indian citizens who are bonafide workers in other countries. In case of an Indian citizen who becomes deemed resident of India under this proposed provision, income earned outside India by him shall not be taxed in India unless it is derived from an Indian business or profession. Further, the Bill has proposed reduction in number of days of stay of an India citizen or person of Indian origin from 182 days to 120 days for him to become resident in India.

Non-Tax Revenue

Non-Tax Revenues for BE 2020-21 has been estimated to be Rs.3,85,017.30 crore compared to Rs.3,13,179.12 crore in BE 2019-20 and Rs.3,45,513.44 crore in RE 2019-20. The above increase is estimated to be realised through the three following sources:

i. Dividends and Profits of Public Sector Enterprises and other investments- Rs. 65,746.96 crore in BE 2020-21 compared to Rs.57,486.88 crore in BE 2019-20. The increase will be actualised by better performance of the PSEs in the key dividend providing sectors.

ii. Increased revenues on account of License Fees and Spectrum user charges in respect of the Telecom sector is estimated to be Rs.1,33,027.20 crore in BE 2020-21 compared to Rs.50,519.81 crore in BE 2019-20.
iii. Revision of user charges is periodically undertaken.

(ii) Concessional Taxation Regime

In line with option of a concessional taxation regime provided to domestic companies under the TLAA, the Finance Bill, 2020 has proposed to insert section 115BAC to the Act to provide an option to individual and Hindu Undivided Family (HUFs) to pay taxes at reduced rates provided that they do not avail of specified incentives or deductions and meet certain conditions.

II. A comparison of the rates applicable to individuals and HUFs in the old regime and the new regime has been tabulated below:

Total Income (Rs)	Rate (%) (Old Regime)	Rate (%) (New Regime)
Up to 2,50,000	Nil	Nil
From 2,50,001 to 5,00,000	5	5
From 5,00,001 to 7,50,000	20	10
From 7,50,001 to 10,00,000	20	15
From 10,00,001 to 12,50,000	30	20
From 12,50,001 to 15,00,000	30	25
Above 15,00,000	30	30

III. Further, the option is required to be exercised for every year where the individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years. Further, if the Individual or HUF fails to satisfy the stipulated conditions, the option exercised shall become invalid for a previous year/years and other provisions of the Act shall apply.

IV. The individual/HUF opting for the concessional taxation regime shall not be entitled to claim the following incentives/deductions under the Act:

(i) Leave travel concession as contained in clause (5) of section 10;
(ii) House rent allowance as contained in clause (13A) of section 10;

(iii) Allowance as contained in clause (14) of section 10 except the following:
   a. Transport Allowance granted to an employee to meet expenditure for the purpose of commuting between place of residence and place of duty;
   b. Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
   c. Any Allowance granted to meet the cost of travel on tour or on transfer;
   d. Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty;

(iv) Allowances to MPs/MLAs as contained in clause (17) of section 10;

(v) Allowance for income of minor as contained in clause (32) of section 10;

(vi) Exemption for SEZ unit contained in section 10AA;

(vii) Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16;

(viii) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23 (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law);

(ix) Additional deprecation under clause (iia) of sub-section (1) of section 32;

(x) Deductions under section 32AD, 33AB, 33ABA;

(xi) Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;

(xii) Deduction under section 35AD or section 35CCC;

(xiii) Deduction from family pension under clause (iia) of section 57

(xiv) Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc.). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.

(xv) Exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising the option.

V. The Finance Bill, 2020 has also proposed that an individual/HUF opting for the concessional taxation regime shall not be required to pay any Alternate Minimum Tax (AMT).

VI. The proposed concessional tax regime will provide significant relief to taxpayers and more so to those in the middle class. For example, a person earning Rs 15 lakh and not claiming any exemption or deduction in a year will pay only Rs, 1,95,000 as compared to Rs, 2,73,000 in the old regime. Thus, his tax burden shall be reduced by Rs 78,000 in the new regime. Even if he was claiming exemption/deduction of Rs 2 lakh, his tax liability in the old regime would be Rs 2,10,600 as compared to Rs 1,95,000 in the new regime. Thus, his tax burden would be reduced by Rs 15,600.

VII. As of now, there is no proposal as such to move to a completely exemption free low tax regime.

When asked whether the government has evaluated the impact of withdrawal of exemptions on the household savings, which are already on a declining curve and will it not disincentivise growth of financial savings in the economy, the Ministry in a written reply have stated as thus:

"In any economy household savings provide long term funds which can be invested. During the current financial year, certain historical and bold fiscal measures have been undertaken in order to boost investment. The TLAA was enacted in order to attract investment, create jobs and stimulate the economy. With the reduction in corporate tax rates, India has now, one of lowest corporate tax rates in the world and has become an attractive destination for foreign investment.

II. The existing companies, which were paying tax at the highest rate of 30 % (effective rate of tax 34.94%) and have opted for the concessional tax regime of 22% (effective tax rate of 25.17%) will see an increase in their earnings by ~9 %. The increased earnings are expected to leave more surplus in the hands of the corporates which can either be reinvested for expansion of existing units, setting up of new units or be distributed as dividends. While the expansion of existing units or setting up of new units will lead to creation of jobs and new wage earners, dividends distributed will lead to more income in the hands of the shareholder leading to a boost in demand. The results of these measures are expected to be visible in the medium to long run.

III. As the rate of MAT has been reduced even for existing companies which do not avail of the concessional tax regime (from 18.5% to 15%), they will also get the benefit of increased surplus which can be reinvested or distributed.

IV. In case of new manufacturing companies, the concessional tax rate of 15% (effective tax rate of 17.16%) is expected to boost fresh investment in manufacturing which will also stimulate demand. The new manufacturing companies are required to be set up or registered on or after 01.10.2019 and need to commence manufacturing or production by 31.03.2023, in order to avail of the concessional tax regime of 15%. As there is a certain gestation lag between setting up of manufacturing projects and the actual increase in output, it is expected that the impact of this policy initiative should be visible towards the end of the next financial year and coming financial years.

V. In addition to the above, on the lines of the reduction in corporate tax rates, the Finance Bill, 2020 has also proposed to provide a concessional taxation regime for co-operative societies, wherein they can opt to pay tax at the reduced rate of 22 % if they do not avail of any specified incentives or deductions. The proposed reduction is also expected to lead to increasing earnings in the hands of the co-operative societies which can be reinvested.

VI. Further, in order to attract foreign investment in infrastructure, the Finance Bill, 2020 has also proposed to grant tax exemption to interest, dividend and capital gains income of certain Sovereign Wealth Funds, subject to fulfilment of certain conditions, in respect of investment made in the infrastructure sector or other deserving notified sectors before 31.03.2024 and with a minimum lock-in period of 3 years.

VII. Hence as is evident from the above, several initiatives have been undertaken or proposed to boost investment in the economy. With regard to the impact of the new concessional tax regime for individuals/HUF on the household savings, it may be noted that, the exemptions and deductions available to individuals/HUF under the Act have not been withdrawn.

VIII. As has already been mentioned earlier, the proposed new concessional tax regime shall be optional for the taxpayers. An individual who is currently availing several deductions and exemption under the Act may choose to avail them and continue to pay tax in the old regime.

IX. The new concessional taxation regime will not disincentivize growth of financial savings in the economy, as the individual/HUF who prefer to save and invest can continue to pay taxes in the old regime. For those individuals/HUF who do not have a significant saving portfolio and fall in the middle-income level, the new concessional taxation regime shall be beneficial as the new proposed concessional taxation regime has simplified and rationalized the personal income tax structure.

X. Also, in the current economic scenario, there is an urgent need for providing a boost to demand in the economy in order to give impetus to growth. In this regard it may be noted that the middle-class segment, which is likely to benefit the most from the reduced rates in the new regime, also has the highest propensity to consume, which will eventually lead to a boost in demand in the economy."

(iii) Refunds

Direct Taxes

In so far as CBDT is concerned, the total amount of refunds made to the taxpayers and the amount of interest thereon during the period under reference are as under:

Financial Year	Amount of Refund (Rs. Crore)	Amount of interest paid (Rs. Crore)
2016-17	1,62,661	14,235
2017-18	1,51,602	17,063
2018-19	1,61,458	20,566
2019-20 (up to Jan 2020)	1,71,450	# 22,856

Estimated/ provisional

Indirect Taxes

Details of the refund made in indirect taxes for last three financial years (including the current Financial Year) is as under:

(Rs. in crore)

Financial Year	Custom	Central Excise	Service Tax	GST	Total
2017-18	26314.23	26765.61	6712.88	14802.30	**74595.02**
2018-19	20761.25	6106.75	2666.54	92638.80	**122173.34**
2019-20 (upto Jan. 2020)	17006.01	3462.36	1980.48	93991.60	**116440.45**

*source PrCCA

(iv) GST Regime

The advent of GST with effect from 1st July, 2017 has ushered in an era of indirect taxation in India which is unprecedented both in its focus on taxpayer facilitation and in its self-policing character. All compliance, returns, payments are being made through online mode on the common GST portal. This has ensured transparency, reduced human interface and intervention and has provided a one stop solution for indirect tax compliance. There is free movement of goods throughout the country (no check posts), reinforcing the concept of one nation one tax. Further, due to seamless flow of credit between Central and State taxes, cascading of taxes has reduced, which has decreased cost of doing business for all businesses. Therefore, businesses are able to offer their goods and services, both in the domestic and international market at competitive prices. All exports are zero rated.

Further, by amalgamating a large number of Central and State taxes into a single tax, the entire indirect tax structure has been greatly simplified not just for the consumers, but also for businesses from a compliance point of view. Under GST there is a very simple, progressive tax structure with most of the goods and services falling under one of four tax slabs, i.e. 5%, 12%, 18% and 28%. Even after the introduction of GST, the process of rationalization of tax structure has continued with the tax rate of several items being reduced from 28% to 18%. A cess over the peak rate of 28% on certain specified luxury and demerit goods, like tobacco and tobacco products, pan masala, aerated waters, motor vehicles, has been imposed for compensating States for any revenue loss on account of implementation of GST in next 5 year of implementation of GST.

When asked whether a more simplified GST return mechanism is set to be introduced soon as to move towards an improved return pre-filing, ITC flow and overall simplification of tax regime, the Ministry in their written reply have stated as under:

"Yes, as per the GST Council's recommendations made in its 37th meeting held on 20.09.2019, simplified new return system is proposed to be implemented w.e.f. 01.04.2020."

When asked about the initiatives taken to crack down on tax evaders and plug Goods and Services Tax revenue leakages particularly misuse of ITC and IGST, the Ministry in their written reply have stated as thus:

"Details of initiatives taken to crack down on tax evaders and plug Goods and Services Tax revenue leakages particularly misuse of ITC and IGST are as under:

a. Generation of E-way Bill is blocked under Rule 138E of CGST Rules 2017 in case of non-submission of 2 consecutive GSTR-3B returns w.e.f. 21.11.2019 vide Notification No. 22/2019-CT dated 23.04.2019.

b. Further, blocking of generation of e-way bill has been extended in case of non-filing of GSTR-1 of 2 consecutive months or quarters w.e.f. 11.01.2020 vide Notification No. 75/2019-CT dated 26.12.2019.

c. Rule 36(4) of CGST Rules 2017 has been amended to restrict the availment of ITC in GSTR-3B returns in excess of 10% of that populated in GSTR-2A w.e.f. 01.01.2020 vide Notification No. 75/2019-CT dated 26.12.2019.

d. Standard Operating Procedures (SoPs) have been issued for verification of exporters identified on the basis of certain risk parameters.

e. Directorate General of Analytics and Risk Management (DGARM) has been continuously generating various reports regarding non-filing of returns, mismatch in GSTR-1 and GSTR-3B returns, mismatch in GSTR-3B and GSTR-2A, mismatch in e-way bill data and GSTR-1 etc. which are forwarded to the field formations for appropriate action.

Details of overall GST Cases booked. (**Amt. in Rs. Cr**)

Period	No.	Quantum	Recovery
2017-18	424	1216.02	416.05
2018-19	7368	37946.41	18959.49
2019-20 (up to Jan 2020)	8335	29881.58	14895.25
Grand Total (July 17- Jan	16127	69044.01	34270.79

Details of ITC frauds based on fake invoice(s). (Amt. in Rs. Cr)

Period	No.	Quantum	Recovery	Arrest
2017-18	04	9.75	12.05	02
2018-19	2211	13120.40	544.47	144
2019-20 (up to Dec 2019)	5986	10389.83	817.97	128
Grand Total (July 17-Dec 2019)	8201	23519.98	1374.49	274

System-based analytical tools and systems generated intelligence by Directorate General of Analytics and Risk Management (DGARM) are being used to curb evasion in GST.

The Directorate General of GST Intelligence (DGGI) and Central GST field formations are initiating various measures in this regard including checking of E-way bill mechanism for ensuring compliance, in addition to acting upon specific tax evasion related intelligence.

Further, data of fraudulent ITC cases based on fake invoices booked by CGST formations and Modus-Operandi Circulars, is being shared with Goods and Service Tax Council (GSTC) for sharing in turn with State GST authorities for strengthening State GST enforcement, as well. Data of ITC frauds is also being shared with Financial Intelligence Unit (FIU) and Central Board of Direct Taxes (CBDT). The purpose of Data sharing is to ensure compliance and curb tax evasion.

From the data given in the table above, it is evident that intensive Anti-Evasion efforts are being undertaken specifically in context to Input Tax Credit (ITC) frauds based on fake invoice(s), and substantial recovery is also being made through Anti-Evasion efforts. These Anti-Evasion measures besides curbing evasion are having a positive impact on revenue collection.

State Taxes Division

Various administrative steps have been taken by the Government to achieve the target to crack down on tax evaders and plug Goods and Services Tax revenue leakages including GST rate rationalization to improve tax compliance, mandatory e-filing and e-payment of taxes, penalty for delayed payment, extensive use of third party sources such as State VAT Department, Income Tax etc. for compliance verification, regular enforcement & compliance verification of tax returns, taxpayer education and media campaign etc. The following steps have been taken up to improve compliance mechanism under GST thereby increasing revenue collection in the country:

i. Vide notification no. 75/2019 – Central Tax dated 26.12.2019, rule 86A has been inserted in CGST Rules, 2017 to empower tax officer, not below the rank of Assistant Commissioner, to block Input Tax Credit (ITC) available in the electronic credit ledger of a taxpayer if he has reason to believe that such ITC is ineligible or it has been fraudulently availed.

ii. Rule 138E to CGST Rules, 2017 has been inserted which provides for blocking of the facility for generation of e-way bills for those taxpayers who have not filed return in FORM GSTR-3B for two consecutive months.

iii. Sub-rule (4) to Rule 36 of the CGST Rules has been inserted vide Notification No. 49/2019-Central Tax dated 09.10.2019 to provide restriction in availment of Input Tax Credit (ITC) in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers under sub-section (1) of Section 37 of the CGST Act, 2017."

When asked as to what extent tax payer base/number of assesses has increased with the implementation of GST, the Ministry in their written reply stated as thus:

64,42,325 taxpayers migrated into GST from the previous law. As on 13th Feb 2020, there are 1,21,98,302* active GST registrations.

This includes all kinds of GST registrations. Figures are net of cancellations and net of revocation of cancellations.

When asked to furnish details of funds transferred from the consolidated fund of India to the GST compensation Cess Fund during the last fiscal to States to compensate for the revenue loss on account of GST rollout, the Ministry have stated as thus:

"As per provisions in Section 7 of the GST (Compensation to States) Act, 2017 compensation payable to a State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures as audited by the Comptroller and Auditor General of India, for 5 years. For providing such compensation to the States, compensation cess is being levied on certain luxury and demerit goods as per provisions in Section 8 of the GST (Compensation to States) Act, 2017, and compensation cess is being credited into a non-lapsable fund known as Goods and Services Tax Compensation Fund which forms part of the Public Account of India. Accordingly, detail of GST compensation cess collected and GST compensation released to the States so far are as follows: -

(Rs. in crore)

GST Compensation Cess	2017-18	2018-19	2019-20
Target	61331	90000	109343
Net Collection in CFI	62612	95081	70534*
GST compensation cess transferred to Public Account Fund	56148	54275	--
GST compensation released as per budget provision and actual requirement of States	48785.35	81141.14	81043#

*provisional [for April-December, 2019]

#For April-September, 2019"

(v) Pendency of Appeal Cases

CBDT

The required data in respect of direct taxes is given below: -

Year	CIT(A)		ITAT		HC		SC	
	Pendency (Nos.)	Tax effect (in cr.)	Pendency (Nos.)	Tax effect (in cr.)	Pendency (Nos.)	Tax effect (in cr.)	Pendency (Nos.)	Tax effect (in cr.)
2016-17	2,90,227	6,11,226	92,388	Data not maintain ed by ITAT registry	38,481	2,87,817	6,357	8,047
2017-18	3,21,400	6,37,897	92,766		39,066	1,96,053	6,224	11,773
2018-19	3,41,484	5,71,056	92 ,205		38,758	1,36,465	6,354	23,560

CBIC

<u>Central Board of Indirect Taxes & Customs (CBIC)</u>

<u>All Pendency of Appeals – as on 31st March, 2017</u>

Overall

S. No.	Forum	Department Appeal		Party Appeal		Total	
		No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)
1.	Supreme Court	1844	1388198.19	1102	619365.59	2946	2007563.78
2.	High Court	5529	1519171.8	8585	2230946.86	14114	3750118.66
3.	CESTAT	16451	3011959.72	66887	16202714.48	83338	19214674.2
4.	Commissioner (Appeals)	5736	104212.94	39427	1100226.7	45163	1204439.64
	Total	29560	6023542.65	116001	20153253.63	145561	26176796.28

<u>All Pendency of Appeals – As on 31st March, 2018</u>

Overall

S. No.	Forum	Department Appeal		Party Appeal		Total	
		No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)
1.	Supreme Court	2023	1761662.28	1057	1189466.04	3080	2951128.32
2.	High Court	5877	1676244.09	8549	2420312.11	14426	4096556.2
3.	CESTAT	12326	2765568.46	52820	14480971.95	65146	17246540.41
4.	Commissioner (Appeals)	5180	154276.88	28634	932455.4	33814	1086732.28
	Total	25406	6357751.71	91060	19023205.5	116466	25380957.21

All Pendency of Appeals – As on 31st March, 2019

Overall

S. No.	Forum	Department Appeal		Party Appeal		Total	
		No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)
1.	Supreme Court	1845	2047352.89	1264	1271989.37	3109	3319342.26
2.	High Court	5748	1858231.36	9878	2562873.88	15626	4421105.24
3.	CESTAT	9867	2893097.31	53748	16083302.57	63615	18976399.88
4.	Commissioner (Appeals)	2534	111941.71	20872	702339.43	23406	814281.14
	Total	19994	6910623.27	85762	20620505.25	105756	27531128.52

All Pendency of Appeals – As on 31st December, 2019

Overall

S. No.	Forum	Department Appeal		Party Appeal		Total	
		No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)	No.	Amount (Rs. in Lakhs)
1.	Supreme Court	1934	2366487.62	1234	1294279.66	3168	3660767.28
2.	High Court	5020	1983937.23	10188	3399352.15	15208	5383289.38
3.	CESTAT	8688	3087165.25	57398	17339844.45	66086	20427009.7
4.	Commissioner (Appeals)	2564	113535.7	24033	797497.88	26597	911033.58
	Total	18206	7551125.8	92853	22830974.14	111059	30382099.94

(vi) 'Vivaad se Vishwas' Scheme

CBDT

In so far as CBDT is concerned, over the years, the pendency of appeals filed by taxpayers as well as Government has increased due to the fact that number of appeals that are filed is much higher than the number of appeals that are disposed. As a result, a huge amount of disputed tax arrears is locked-up in these appeals. As on 30th November, 2019, the amount of disputed tax arrears is Rs. 9.32 lakh crores. Considering that the actual direct collection in the financial year 2018-19 was 11.37 lakh crores, the dispute tax arrears constitute nearly one-year's direct tax collection.

II. During the Union Budget, 2020 presentation, the ‘Vivad se Vishwas’ Scheme was announced to provide for dispute resolution in respect of pending income tax litigation. Direct Tax Vivad se Vishwas Bill, 2020 (DTVSV) has been introduced in the Lok Sabha on 5th February, 2020. After introduction of the Bill, suggestions from various stakeholders have been received. Based on these representations, certain amendments to the provisions of the Bill have been approved by the Cabinet in its meeting dated 12.02.2020. The salient features of the bill with the amendments proposed in notice are as below:

(i) DTVSV will commence on the date on which it comes into force and will extend up to the date which shall be notified by the Government.

(ii) The following cases shall be eligible under DTVSV:

   a. Pending appeals/writs/ special leave petition (SLP) as on 31.01.2020.
   b. Cases where time-limit for filing appeal or SLP against orders passed in appeal or writ has not expired on 31.01.2020
   c. Case pending before Dispute Resolution Panel (DRP) on 31.01.2020
   d. Cases where order has not been passed by the Assessing Officer on or before 31.01.2020 in pursuance of directions issued by DRP
   e. Cases where revision application filed by assessee under section 264 is pending on 31.01.2020
   f. Search cases where the disputed demand is not more than five crore rupees.

(iii) All disputes, subject to certain exclusions, that are related to disputed tax, penalty, interest, fee, tax deducted at source (TDS) or tax collected at source (TCS) shall be covered by DTVSV. It may be noted that the appeals/ writs filed by taxpayers or the department and cases where the payment of disputed tax, penalty, fee, TDS or TCS, as the case may be, has already been made by the taxpayer shall also be eligible under DTVSV.

(iv) The terms of payment for the taxpayers who opt for DTVSV shall be as follows:

   a. If the appeal or objections are filed by the taxpayer on issues which have been decided in favour of taxpayer by a higher appellate forum in earlier years or in cases where department is in the appeal –

      (i) and the payment under DTVSV is made by 31.03.2020 -

A. 50% of the disputed tax (62.5% of disputed tax in search cases) and;
B. 12.5% of the disputed penalty, interest or fee or.

(ii) and the payment under DTVSV is made after 31.03.2020-

A. 55% of the disputed tax (67.5% of disputed tax in search cases) and;
B. 15% of the disputed penalty, interest or fee.

b. If the appeal or objections is filed on issues other than (a) –

(i) and the payment under DTVSV is made by 31.03.2020 -

A. 100% of the disputed tax (125% of disputed tax in search cases) and;
B. 25% of the disputed penalty, interest or fee or.

(ii) and the payment under DTVSV is made after 31.03.2020-

A. 110% of the disputed tax (135% of disputed tax in search cases) and;
B. 30% of the disputed penalty, interest or fee.

(v) The following cases shall not be covered under the scheme:
a. Search cases if disputed tax is more than Rs. 5 crores.
b. Prosecution cases under the Income-tax Act or IPC filed by the Department
c. Cases relating to undisclosed foreign income and assets
d. Cases completed on the basis of information from foreign countries
e. Cases covered under Narcotic Drugs and Psychotropic Substances Act, Special Courts Act, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974, the Prevention of Money Laundering Act, 2002 or the Prohibition of Benami Property Transactions Act, 2016.

III. Consequent to filing of declaration and fulfillment of conditions, appeals/writs/objections of taxpayers and department in respect of the disputed income, disputed interest or disputed penalty or disputed fee pending before the Commissioner (Appeals), DRP, ITAT, High Court or Supreme Court shall be withdrawn. If there is any arbitration pending, that is also required to be withdrawn. Further, immunity will be granted from institution of any proceeding for prosecution for any offence under the Income-tax Act in respect of matters covered in the declaration and immunity will also be provided from imposition of penalty and levy of interest. However, filing of declaration will not set any precedent and neither the Department nor the taxpayer can claim in any other proceedings that the taxpayer or the Department has conceded its tax position by settling the dispute.

CBIC

Dispute resolution component was aimed at liquidating the legacy cases of Central Excise and Service Tax that are subsumed in GST whereas the amnesty component could bring the non-compliant tax payer/tax evaders under the tax net. A total number of 1,89,215 applications amounting to Rs. 89,823.32 Cr. were received under the Scheme. Under the Dispute Resolution category, the department has received 161824 applications amounting to Rs. 87,827.74 cr. Under Amnesty category, department has received 27,391 applications amounting to Rs. 1995.5 Cr. Application received under the Dispute Resolution Category are around 89% of the expected cases.

Till 17.02.2020, a total number of 62,409 applications amounting to Rs 34,017.04 Cr of tax dispute have been resolved.

(vii) Faceless Appeals

On lines of the e- assessment scheme which has already been notified, the Finance Bill, 2020 has proposed to introduce e-appeal in order to eliminate the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible. Further, this will also lead to optimal utilisation of resources through economies of scale and functional specialization. The proposed e – appeal will be based on an appellate system with dynamic jurisdiction in which appeal will be disposed by one or more Commissioner (Appeals).

II. The proposed e- appeal will impart greater efficiency, transparency and accountability to the appellate process at the level of Commissioner (Appeals).

III. The intent of introduction of e-appeal is to simplify tax administration and reduce compliance cost. Enabling the tax payer to file all his submissions and engage with the appellate process electronically will help in reducing his transaction costs. Further the appellate system with dynamic jurisdiction will help in expeditious disposal of appeals in a transparent and efficient manner through optimal utilization of resources.

(viii) 'Taxpayers Charter'

The Finance Bill, 2020 has proposed to insert new section 119A in the Act to provide for a 'Taxpayers Charter', which will be adopted and declared by the CBDT. The objective of introducing this provision is to enhance the efficiency of the delivery system of the Department and strengthen the trust between the taxpayers and Department by enumerating the taxpayer's rights.

(ix) Tax Arrears

CBDT

In so far as CBDT is concerned, the details regarding total demand for collection, net collectible demand and demand difficult to recover for the last three financial years (including the current financial year) are as per the table below:

(Rs. In Crores)

Financial Year	Total Demand outstanding	Total Demand Difficult to Recover	Total Net Collectible Demand	Recovery made during the Financial Year
2016-17	1044688	1029725	14963	75849
2017-18	1114183	1094023	20160	97170
2018-19	1234078	1219485	14593	100259
2019-20 (upto Dec, 2019)	1299319	1246025	53294	22025

The quantum of arrear demand is maintained centrally but not the number of cases. Certain arrear demands become difficult to recover due to several reasons including assessee not traceable or inadequate assets, demand stayed by Court/ITAT/IT Authorities, companies under liquidation, demand raised as protective demand etc.

Though the department is taking requisite steps to collect the net collectible demand, there are certain reasons which impede the collection of demand, like in some cases ex-parte assessments are made based on information received and assessee is not traceable, or there are inadequate assets to enforce recovery. Demand could be categorized as net collectible as on 1st April, but later on during the financial year, assessees may face bankruptcies due to financial crisis which adversely affects collection of demand. Non-payment of instalments granted by the department for payment of tax by the assessees also happens due to deterioration of financial condition of assessees later on.

CBIC

Comprehensive data regarding the quantum of tax arrears, whether collectible or non-collectible, their recoveries and pendency for the last three financial years (including the current financial year) is enumerated in the following table:

Central Board of Indirect Taxes & Customs (CBIC)

Quantum of Indirect Tax arrears, non-collectible, collectible and actual recovery from 2016-17 to 2019-20 (up to 31st December, 2019)

Provisional

Year	Total pending arrears	Non-Collectible				Collectible		
		Litigation	Restrained (BIFR/DRT/OL etc.)	Appeal period is not over	Write-Off	Recoverable		Actual Recovery
						Units closed/ Defaulters not Traceable	Clearly Recoverable	
2016-2017	2,28,530	1,82,157	7,256	21,276	368	9,228	8,245	5,256
2017-2018	2,37,653	1,94,528	8,267	12,871	189	11,618	10,181	5,216
2018-2019	2,66,906	1,98,548	20,544	23,608	195	14,758	9,253	6,374
2019-20 (up to 31 Dec. 19)	2,75,811	2,08,693	23,898	11,556	204	19,620	11,839	2,818

Number of cases fit for recovery but not yet recovered and reasons for the same are as under:

Cases fit for recovery but not yet recovered		
	No of cases	Amount (In Crore)
2019-20 (upto Dec)	43,796	11,839

(a) As per Monthly Performance Report format recoverable arrears includes “units closed/Defaulters not traceable”. Since there is no separate sheet for units closed/Defaulters not traceable. In the table above for the year 2019-20 the cases fit for recovery are excluding cases where defaulter is not traceable and units are closed.

(b) Out of total arrears more than 80% is locked up in litigation at various legal fora over which the department has absolutely no control hence treated as non-collectable. All necessary steps such as bunching of cases on similar issues, filing of petition for early hearing in high revenue cases, vehemently opposing adjournments/ stay etc. are being undertaken by the department for expeditious disposal of cases but legal fora including CESTAT are independent and outside the purview of the department. Therefore, TAR is concentrating its efforts on the remaining 20% cases which are considered as collectable. Even in these, approx 70% of the cases relate to untraceable defaulters/units closed. Hence actual recoverable arrears are very less. Thus, if we compare the recoveries with actually recoverable arrears, the success percentage is fair.

(c) Tax Arrear Recovery office is meant for monitoring of the arrear cases on all India basis. The onus of actual recovery lies with the functional Zones/Commissionerate. In the previous two financial years the annual recovery targets were set on the basis of the pending clearly recoverable arrear of the zone at the end of previous financial year, the recovery monitored by this office.

In this regard Central Board of Indirect Taxes and Customs (CBIC) have issued two circulars No.1062/2017-CX dated 12/12/2017 and Circular No.1066 /5/2018-CX dated 26/06/18 regarding non-transfer of cases to recovery cell. The Board has reiterated that all Commissionerates should constitute a Recovery cell and ensure that only those cases where recovery is not made by Department efforts and action needs to be taken for recovery by attachment and sale of property of the defaulter, as laid down in section 142 of the Customs Act, 1962. Such cases should be transferred to the Recovery Cell and concerned Commissionerate should also take necessary steps to revamp the Recovery Cell, who would review and monitor the tax arrears cases and take expeditious action towards its liquidation.

(x) Tax Deducted at Source (TDS) default

The details of TDS default are as given below:

Count and amount of default for last three years:

Financial year	Count of Tax Deduction Account Numbers (TANs) Defaults (Nos.)	Default amount (In Rs. Crore)
2016-17	5,17,727	2804.26
2017-18	6,36,291	2509.34
2018-19	6,36,506	3767.62

Steps taken to monitor TDS default and action taken against the defaulters during last three years are as under:

a) Spot verifications and TDS surveys are conducted to ensure the compliance of TDS by the deductors.
b) Penalty and prosecution proceedings under Income Tax Act are initiated in deserving cases.
c) TDS workshops and awareness programs are conducted to educate various deductors about the provisions of TDS.
d) Meetings are also conducted with TDS consultants regarding the preparation, submission and correction of TDS statements and payments.
e) Monitoring of TDS payment by the top deductors including Govt. deductors is carried out by the field formations.

PART II

OBSERVATIONS/RECOMMENDATIONS

1. Budgetary Allocations and Utilisations

The Committee note that for Demand for Grants No. 31 pertaining to Department of Revenue, budgetary provision of Rs.180949.70 crore was made at BE stage for the FY 2018-19 which was revised downwards to Rs.119396.96 at RE stage and finally Rs.56479.80 crore was shown as surrender/saving. Then again in FY 2019-20 a provision of Rs.203466.73 was made despite substantial saving/surrender during the last fiscal. Again at RE stage (FY 2019-20) the allocation was increased to Rs.243505.77 crore of which Rs.101225.03 crore have been utilized upto 31 Dec. 2019 which is 41.57% of RE utilized. For the current fiscal 2020-21, a budgetary provision of Rs.272250.83 crore has been made which is a substantial upward revision. The Committee desire that the budgetary estimates under this Demand should be more accurately formulated and realistically projected, factoring in the monthly trends of net GST collections - both for Centre and States - and quantum of revenue losses incurred by each state as the majority of budget provision in respect of Demand No. 31 is for GST compensation to States/UTs. As regards Demand No. 32 relating to Direct Taxes for the fiscal 2019-20 an amount of Rs.7338.44 was allocated at BE stage which was revised to Rs.7343.44 at RE Stage and the amount surrendered is yet to be finalised. The budgetary allocation of Rs.8065.39 crore has been made for the current fiscal. With respect to Demand No. 33 pertaining to Indirect Taxes while an amount of Rs.7900.50 crore was made at BE stage for the FY 2019-20, the corresponding

allocation for FY 2020-21 has been pegged at 8258.50 crore. The Committee recommend that the Ministry devise a coherent mechanism for realistic budgetary formulation, followed by proper utilization of allocated funds through effective management and close monitoring. The Committee also desire that mechanism for fixing accountability be developed so that the budgetary exercise is not rendered infructuous by such persistent over estimation followed by under-utilisation of varying degrees.

2. Revenue Collection Targets and Tax Buoyancy

The budgetary target of collection of taxes is set before the beginning of the financial year on the basis of GDP forecast and expected buoyancy in direct taxes. The Revised estimate of direct tax collection for FY 2019-20 has been revised downward to Rs.11.70 lakh crore from the earlier assessment of Rs.13.35 lakh crore. During the current financial year, the actual direct tax collection has seen a decline as compared to the collection figures of last financial year. The Committee note that although all out efforts are being made to boost direct tax revenues during the current financial year and several amendments to the Income Tax Act, 1961 have been proposed in the Finance Bill, 2020, tax buoyancy remains below par. The Committee, therefore, desire that the Government should formulate a focussed policy to increase tax buoyancy and the Tax-GDP ratio in the economy. Taxation of all taxable entities/ transactions/ services, and rationalization of exemptions would pave the way for this purpose. At the enforcement level, a strict view should be taken of tax evasion.

The Committee believe that revenue estimates and underlying assumptions are somewhat opaque. Once revenue estimates are prepared for the Budget, their underlying assumptions could be made available to the Committee, the public, and various research centers in granular detail. For example, what is the revenue collection expected from Long-Term Capital Gains (LTCG)? How is that likely to change under different market conditions? What are the various different sources of LTCG – how much is likely to come from public and private markets? Similar analysis should be done for Dividend Distribution Tax, Corporate Taxes, and Individual Income Tax. These assumptions can then be factored into various models, transparency improved, and better forecasts developed for revenue sources, implications on expenditure, and the overall fiscal deficit. Currently, these assumptions are known only to the Department of Revenue making it very difficult to know the risks and uncertainties associated with the revenue forecasts in the Budget.

3. <u>New Personal Income Tax Regime</u>

The Committee note that in line with option of a concessional taxation regime provided to domestic companies under the Taxation Law Amendment Act (TLAA), 2019, the Finance Bill, 2020 has proposed to insert Section 115 BAC to the Act to provide an option to individual and Hindu Undivided Family (HUFs) to pay taxes at reduced rates provided that they do not avail of specified incentives or deductions and meet certain conditions. The proposed concessional tax regime intends to provide significant relief to taxpayers and more so to those in the middle class. Currently the Income Tax Act is riddled with various exemptions and deductions which make compliance by the

taxpayer and administration of the Income Tax Act by the tax authorities a cumbersome process. It is almost impossible for a taxpayer to comply with the income-tax law without taking help from professionals. However, the Committee believe that this reduction in rate should be correspondingly matched with gradual phasing out of various exemptions, as too many exemptions make tax compliance and tax administration difficult. Hence, these exemptions should be continually revisited, rationalised and eventually scrapped in tandem with moderation of tax rates. However, the Committee are of the view that terminal benefits available to retiring employees should not be taxed with a view to ensuring social security to senior citizens.

4. <u>Goods and Services Tax (GST)</u>

The Committee note that system-based analytical tools and systems generated intelligence by Directorate General of Analytics and Risk Management (DGARM) are being used to curb evasion in GST. The Directorate General of GST intelligence (DGGI) and Central GST field formations are initiating various measures in this regard including checking of E-way bill mechanism for ensuring compliance, in addition to acting upon specific tax evasion related intelligence. The Committee also note that intensive Anti-Evasion efforts are being undertaken specifically with respect to Input Tax Credit (ITC) frauds based on fake invoice(s). However, the Committee are constrained to observe that the monthly revenue collections from GST are yet to fully stabilize. The States have been reporting losses in collection, which will only increase the compensation burden of the Union Government. The Committee desire that the grievances of the states, if any, be duly addressed under the aegis of GST Council so as to keep the states in

a sound financial health. The Committee expect the Government to sort out all the festering issues pertaining to GST at the earliest. The Committee would also urge the Ministry of Finance (Department of Revenue) to extend the monthly due date for filing GST returns to 25th of every month.

5. <u>Tax Refunds and Interest on Refunds</u>

The Committee are constrained to observe that in direct taxes Rs.1,71,450 crore has been paid as refunds upto January 2020 (for FY 2019-20) with estimated/provisional interest outgo of Rs.22,856 crore, while the corresponding figures for FY 2018-19 stood at Rs.1,61,458 crore and 20,566 crore, respectively. 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 automatically results in large amount of tax refunds along with accruing interest on refunds, which is avoidable. Similarly, in case of Indirect taxes, the amount of refund upto Jan. 2020 for the fiscal 2019-20 stands at Rs.116440.45 crore. The Committee, therefore, desire that the Department should look into the reasons behind such large amount of refunds and take corrective measures, accordingly.

6. <u>Faceless Appeals</u>

The Committee note that the Finance Bill, 2020 has proposed to introduce e-appeal in order to eliminate human interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible. The Committee note and appreciate that the IT law has been amended, wherein any notice that doesn't have a Document Identification Number (DIN) would be 'Non est'. The

Committee hope that the proposed e-appeal system with dynamic jurisdiction would impart greater efficiency, transparency and accountability to the appellate process and would also lead to optimal utilization of resources through economies of scale, functional specialization and adoption of global best practices. This would help instill confidence and trust in the minds of tax payers. While recognizing the transformational changes initiated by the Ministry of Finance, the Committee would urge the Department of Revenue to extensively publicize the enabling provisions proposed in the Income Tax law through print and electronic media and even through the dynamic social media.

7. 'Vivaad se Vishwas Scheme' - No Dispute but trust scheme

The Committee anxiously note that over the years the pendency of appeals filed by taxpayers as well as the Government has increased, resultantly, a huge amount of disputed tax arrears are locked up in these appeals. There are 4,83,000 direct tax case disputes pending at various appellate fora - Commissioner (appeals), Income-Tax Appellate Tribunal (ITAT), High court and Supreme Court. As on 30th November, 2019, the amount of disputed tax arrears is a staggering Rs.9.32 lakh crores. Considering that the actual direct tax collection in the financial year 2018-19 was Rs.11.37 lakh crores, the disputed tax arrears constitute nearly one-year's direct tax collection. Tax disputes consume copious amount of time, energy and resources both on the part of the Government as well as taxpayers and they also deprive the Government of timely collection of revenue. While acknowledging the introduction of an immunity scheme - 'Vivaad se Vishwas'

- during the Union budget 2020 for citizens to settle disputes on income tax, offering relief from a vexatious litigation process, the Committee hope that this amnesty scheme would not only benefit the Government by unlocking revenue blocked in long-drawn litigation at various fora but also enable the taxpayers to deploy their time, energy and resources towards their regular business activities. As the final contours of the scheme are awaited, the Committee would urge the Government to make it completely web-based and easily accessible to ensure better success.

8. <u>Taxpayer's Charter</u>

The Committee note that the Union Budget 2020 has proposed a charter for taxpayers and having it enshrined in the Income Tax Act. Any tax system requires trust between taxpayers and the tax administration. This trust can be harnessed when taxpayer's rights are clearly enumerated. The Committee recognize that taxpayer's charter is an enabling legislation that shall enhance the efficiency of the delivery mechanism of the Income Tax Department. The Committee hope that the intended Charter will strengthen the trust between the taxpayers and the Department by enumerating the taxpayer's rights. The Committee would therefore recommend that the Ministry may incorporate the best international practices with respect to the Charter. Besides, the Department should publicize the Charter extensively through mass media. In this regard, while sending tax notices, a related link should also be sent so that tax payers are clearly able to know their rights and duties.

The Taxpayer’s Charter is a game-changing concept. Many jurisdictions around the world have implemented similar charters and these charters have

been successful in reducing friction between taxpayers and the tax collection authorities. The Committee believes that the Charter should be formulated taking into consideration three important aspects. First, the draft Charter should be released into the public domain for wide consultation. Second, workshops should be conducted across the country with all stakeholders to get their detailed inputs in writing. Finally, the Taxpayer's Charter should be introduced as a bill and passed in Parliament to ensure that it has statutory authority.

New Delhi;
06 March, 2020
16 Phalguna, 1941 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

Minutes of the Tenth sitting of the Standing Committee on Finance (2019-20)
The Committee sat on Tuesday, the 25 February, 2020 from 1100 hrs. to 1715 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Shri Shrirang Appa Barne
5. Dr. Subhash Ramrao Bhamre
6. Smt. Sunita Duggal
7. Shri Gaurav Gogoi
8. Shri Manoj Kishorbhai Kotak
9. Shri Pinaki Misra
10. Prof. Saugata Roy
11. Shri Gopal Chinayya Shetty
12. Shri Manish Tewari
13. Shri Rajesh Verma
14. Shri Giridhari Yadav

RAJYA SABHA

15. Shri Rajeev Chandrasekhar
16. Shri Praful Patel
17. Shri Amar Patnaik
18. Shri T.K. Rangarajan
19. Dr. Manmohan Singh
20. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Tenzin Gyaltsen	-	Under Secretary
5.	Shri Kh. Ginlal Chung	-	Under Secretary

PART I
(1100 hrs - 1230 hrs)

WITNESSES

Department of Expenditure

1. Dr. T.V. Somanathan, Secretary
2. Ms. Soma Roy Burman, Controller General of Accounts
3. Ms. Annie George Mathew, Additional Secretary (Pers.)
4. Shri Rajeev Ranjan, Additional Secretary
5. Ms. Meera Swarup, AS & FA (Finance)
6. Shri Subodh Kumar Mathur, Addl. CGA

Department of Investment and Public Asset Management (DIPAM)

1. Shri Tuhin Kanta Pandey, Secretary
2. Shri Dheeraj Bhatnagar, Additional Secretary

Department of Financial Services

1. Shri Debasish Panda, Special Secretary (Secretary Designate)
2. Shri Pankaj Jain, Additional Secretary
3. Shri Amit Agrawal, Joint Secretary

Department of Revenue

1. Dr. Ajay Bhushan Pandey, Secretary
2. Shri Anil Kumar Jha, Addititional Secretary
3. Shri P. C. Mody, Chairman, CBDT
4. Shri M. Ajit Kumar, Chairman, CBIC
5. Dr. John Joseph, Member (CBIC)
6. Shri Prasana Kumar Dash, Member (IT & R), CBDT
7. Shri Prabhash Shankar, Member (TPS & S) & Admin, CBDT
8. Ms. Seema Khorana Patra, Member (A & J), CBDT
9. Shri Sandeep M. Bhatnagar, Member (Inv.), CBIC

2. At the outset, the Chairperson welcomed the Members and the witnesses to the sitting of the Committee. After the customary introduction of the witnesses, the Committee took oral evidence of the representatives of Ministry of Finance (Departments of Expenditure, Financial Services, Investment and Public Asset Management and Revenue) on the Demands for Grants (2020-21) and related issues of the Ministry of Finance. The major issues discussed with Departments of Expenditure, Financial Services and Investment and Public Asset Management include prompt procurement of software and hardware for upgradation of PFMS, avoidance of lumpiness in budget expenditure, timeliness of payments with respect to Central schemes and subsidies, measures to boost credit off take, effort to enhance Rupay Card's domain globally, measures to alleviate MSMEs' woes, steps to remove Credit-Deposit Ratio's disparity among the States, governance reforms in the banking sector, preparation of White Paper on FinTech/Blockchain/Cryptocurrency transactions, modalities for strategic disinvestment and so on.

With respect to the Department of Revenue, the issues discussed, *inter-alia,* included GST compensation to States and UTs, direct taxes, indirect taxes, reduction in personal Income tax rates, Dividend Distribution Tax (DDT), measures to widen tax net, faceless appeals, Vivaad Se Vishwas scheme, revenue collection target, Corporate tax cut, refunds, GST input tax credit and taxpayer's charter. The witnesses responded to the queries raised by the Members on the subject. As many of the queries of Members remained unanswered, the Chairperson directed the representatives of Ministry of Finance (Departments of Expenditure, Financial Services, Revenue and Investment and Public Asset Management) to furnish written replies to the points raised by the Members during the discussion within 07 days to the Secretariat.

The witnesses then withdrew.

PART II
(1400 hrs – 1715 hrs)

3. XX XX XX XX XX XX

XX XX XX XX XX XX.

The witnesses then withdrew.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

Minutes of the Twelfth sitting of the Standing Committee on Finance (2019-20)The Committee sat on Friday, the 6th March, 2020 from 1500hrs. to 1545 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Dr. Subhash Ramrao Bhamre
3. Smt. Sunita Duggal
4. Shri Manoj Kishorbhai Kotak
5. Shri Gopal Chinayya Shetty
6. Dr. (Prof.) Kirit Premjibhai Solanki
7. Shri Manish Tewari

RAJYA SABHA

8. Shri Rajeev Chandrasekhar
9. Shri A. Navaneethakrishnan
10. Shri Amar Patnaik
11. Shri Mahesh Poddar
12. Shri T.K. Rangarajan
13. Shri G.V.L. Narasimha Rao
14. Dr. Manmohan Singh
15. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Kh. Ginlal Chung	-	Under 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) Seventh Report on Demands for Grants (2020-21) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).

(ii) Eighth Report on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).

(iii) Ninth Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

(iv) Tenth Report on Demands for Grants (2020-21) of the Ministry of Planning.

(v) Eleventh Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.

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

The Committee then adjourned.