

**19**

**STANDING COMMITTEE ON FINANCE  
(2019-20)**

**SIXTEENTH LOK SABHA**

**MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)**

*[Action taken by the Government on the recommendations contained in Eighth Report of the Standing Committee on Finance on 'Demands for Grants (2020-21)']*

**NINETEENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**September, 2020 / Bhadrapada, 1942 (Saka)**

# **NINETEENTH REPORT**

**STANDING COMMITTEE ON FINANCE  
(2019-2020)**

**(SEVENTEENTH LOK SABHA)**

**MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)**

***[Action taken by the Government on the recommendations contained in Eighth Report of the Standing Committee on Finance on 'Demands for Grants (2020-21)]***

*Presented to Hon'ble Speaker on 9 September, 2020*

*Presented to Lok Sabha on \_\_\_\_\_, 2020*

*Laid in Rajya Sabha on \_\_\_\_\_, 2020*



**LOK SABHA SECRETARIAT  
NEW DELHI**

**September, 2020 / Bhadrapada, 1942 (Saka)**

## CONTENTS

PAGE

COMPOSITION OF THE COMMITTEE.....	
INTRODUCTION .....	
CHAPTER I Report .....	
CHAPTER II* Recommendations/Observations which have been accepted by the Government .....	
CHAPTER III* Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies .....	
CHAPTER IV* Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee .....	
CHAPTER V* Recommendations/Observations in respect of which final reply of the Government is still awaited .....	

### ANNEXURE

Minutes of the Sitting of the Committee held on 08 September, 2020.

### APPENDIX

Analysis of Action Taken by the Government on the Recommendations Contained in the Eighth Report (Seventeenth Lok Sabha) of the Standing Committee on Finance on 'Demands for Grants (2020-21)

---

\* Not appended in the cyclostyled copy

**COMPOSITION OF STANDING COMMITTEE ON FINANCE (2019-2020)**

***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 Bikash Ranjan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. 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 Preetam Prabhakar - Committee Officer

## INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Nineteenth Report on action taken by Government on the Observations / Recommendations contained in the Eighth Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).

2. The Eighth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 12 March, 2020. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 16 July, 2020.

3. The Committee considered and adopted this Report at their sitting held on 08 September, 2020.

4. An analysis of the action taken by the Government on the recommendations contained in the Eighth Report of the Committee is given in the Appendix.

5. For facility of reference, the observations / recommendations of the Committee have been printed in bold in the body of the Report.

**NEW DELHI**  
**08 September, 2020**  
**17 Bhadrapada, 1942 (Saka)**

**SHRI JAYANT SINHA,**  
**Chairperson,**  
**Standing Committee on Finance**

## REPORT

### CHAPTER I

This Report of the Standing Committee on Finance (Seventeenth Lok Sabha) deals with action taken by the Government on the recommendations/ observations contained in their Eighth Report of Seventeenth Lok Sabha on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha / Laid in Rajya Sabha on 12th March, 2020.

2. Action taken notes have been received from the Government in respect of all the 8 recommendations/observations contained in the Report. These have been analyzed and categorized as follows:

- (i) Recommendations/Observations that have been accepted by the Government:  
Recommendation Nos. 1, 2, 3, 5, 6, 7 and 8  
(Total- 7)  
(Chapter- II)
  
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:  
Recommendation No. NIL  
(Total :NIL)  
(Chapter- III)
  
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:  
Recommendation No. 4  
(Total : 1)  
(Chapter -IV)
  
- (iv) Recommendations/Observations in respect of which final replies by the Government are still awaited:  
Recommendation No. NIL  
(Total : NIL)  
(Chapter- V)

3. The Committee desire that the replies to the observations / recommendations contained in Chapter-I may be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

### **Recommendation (Sl. No. 2)**

#### Revenue Collection Targets and Tax Buoyancy

5. 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 noted 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, desired that the Government should formulate a focused 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 believes 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.

6. The Ministry in their Action Taken Reply stated as under :-

**“CBDT:**

I. Over the past few years, the Indian economy has witnessed a significant growth in overall tax collection. The direct tax to GDP ratio has increased over the recent years. It is important to note that in recent years, the Indian Economy has displayed high tax buoyancy with a buoyancy factor greater than 1, i.e. the rate of growth of direct taxes has been greater than the rate of growth of GDP. This has been possible due to various tax reforms and other efforts undertaken by the Income-tax Department.

*Table 1 Tax to GDP Ratio*

	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b> (Provisional)
<b>Direct Tax GDP Ratio</b>	5.53	5.86	5.98
<b>Direct Tax Buoyancy Factor</b>	1.10	1.59	1.21

Source: Income Tax Department Time Series Data Financial Year 2001 to 2018-19

II. With increased liberalisation and reforms in the economy, direct taxes have become prominent sources of tax revenue for the Government. In FY 2000-01, the contribution of direct taxes in overall tax collection was only 36.3%, however, this ratio has increased to about 55 % in FY 2018-19.

*Table 2 Direct Taxes as a % of Total Taxes*

	<b>Direct Taxes</b>	<b>Indirect Taxes</b>	<b>Total Taxes</b>	<b>Direct Tax as % of Total Taxes</b>
<b>2000-01</b>	68,305	1,19,814	1,88,119	36.3%
<b>2018-19</b> (Provisional)	11,37,685	9,39,018	20,76,703	54.8%

\*Source: Income Tax Department Time Series Data Financial Year 2001 to 2018-19

III. The Government has consistently been making efforts to widen and deepen the tax base. However, with regard to FY 2019-20, it may be noted that the tax collection figures and GDP figures for FY 2019-20 have seen a decline from the projected estimates which will in turn lead to a fall in tax buoyancy.

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.



During FY 2019-20, 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 provided 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 shares 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 reductions has been estimated to be Rs 1.45 lakh crore.

The above reduction in corporate tax rates along with reduction in GDP growth projections for FY 2019-20 will have dampening effect on the tax buoyancy for FY 2019-20. However, as is being discussed in following paragraphs several measures have been taken to boost the tax buoyancy in the recent years including several measures taken in the Finance Act, 2020.

For the domestic companies opting for the concessional taxation regime, it is expected that reduced taxes will lead to increase in earnings and hence further investments in new ventures or expansion of existing ventures leading to increase in jobs and wages. This will further stimulate direct tax revenues in the medium to long run. New manufacturing companies opting for the concessional taxation regime are required to commence manufacturing or production by 31.03.2024. Thus, the impact of concessional corporate tax rates is expected to be visible in revenue collections and hence tax buoyancy in future.

IV. As regards the recommendation “.... **the Government should formulate a focussed policy to increase tax buoyancy and the Tax/GDP ratio in the economy...**”, some of the tax- reforms undertaken in order to widen and deepen the tax net resulting in increased buoyancy over the last few years have been summarised below:

**A. Widening the net of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS), Equalisation Levy in the recent years.**

(i) **TDS on E-commerce transactions**: In order to widen and deepen the tax net, section 194-O has been inserted in the Income-tax Act, 1961 (the Act) vide Finance Act, 2020 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 individual and HUF e-commerce participants who receive less than Rs. 5 lakh and furnish PAN/Aadhaar.

(ii) Enlarging the scope of TDS on interest: Section 194A of the Act has been amended vide Finance Act 2020 in order to extend 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 Tax Collection at Source (TCS): Through the Finance Act, 2020, section 206C has been amended to:

a. provide for collection of tax at the rate of 5% — (1) by an authorised dealer for remittance out of India under the Liberalised Remittance Scheme of the Reserve Bank of India for a purpose other than purchase of overseas tour package on the amount of remittance exceeding Rs. 7 lakhs during the financial year; (2) by a seller of overseas tour programme package from the buyer of such package on the total amount of such package during the financial year.

In case if the remittance made abroad is in relation to a loan taken from a financial institution for the purpose of pursuing any education, then TCS is to be deducted at the rate of 0.5% on the amount of remittance exceeding Rs. 7 lakhs during the financial year. Moreover, exception has been made in case of a person, who is a buyer and is required to deduct tax under any other provision of the Act and has deducted the same on the said amount.

b. provide for collection of tax at the rate of 0.1% by a seller on sale of goods (other than those mentioned in sub-section (1) or sub-section (1F) or sub-section (1G) of the said section) of the value or aggregate of such value exceeding Rs. 50 lakhs in a previous year. The above provision will not be applicable on any goods exported out of India. Further, if a person being the buyer of goods is liable to deduct TDS under any other provision of the Act on the goods so purchased by him from the seller and has deducted TDS on the same, then the above provision will not be applicable.

(iv) Broadening Scope of Equalisation Levy : The scope of Equalisation Levy (EL) has been enlarged *vide* the Finance Act, 2020, to provide that EL shall be paid by an e-commerce operator at 2%, from 1st April 2020, on consideration received or receivable for e-commerce supply or services, if the consideration is two crore rupees or more during the previous year, made or provided or facilitated by it to a person resident in India or a non-resident in specified circumstances or a person buying such goods or services or both using internet protocol address located in India.

(v) TDS on certain cash withdrawals- Finance Act, 2020 amended section 194N of the Act to provide for deduction of tax on payment in cash by a banking company or co-operative society engaged in the business of banking or post office at the rate of 2% on the sum exceeding Rs. 1 crore in aggregate from one or more accounts maintained by the recipient. Further, in case of a person who has not filed income tax return for any of the three assessment years relevant to the previous year preceding the previous year in which such amount is withdrawn,

TDS is to be deducted at the rate of 2% on amount of cash withdrawn exceeding Rs. 20 lakhs but less than Rs.1 crores; and 5% on the amount of cash withdrawn exceeding Rs 1 crores in aggregate from one or more account maintained by such recipient during the financial year.

- (vi) TDS to be deducted by individual/HUF on contractual work/professional fees- Section 194M was also introduced vide Finance (No.2) Act, 2019 to provide for levy of TDS at the rate of five per cent. on the sum, or the aggregate of sums, paid or credited in a year on account of contractual work or professional fees or commission by an individual or a Hindu undivided family, not required to deduct tax at source under section 194C, 194H and 194J of the Act, if such sum, or aggregate of such sums, exceeds Rs. 50 lakh in a year. However, in order to reduce the compliance burden, it is proposed that such individuals or HUFs shall be able to deposit the tax deducted using their PAN and shall not be required to obtain TAN.
- (vii) TDS on transfer of immovable property- TDS at the rate of one per cent on transfer, by a resident, of immovable property (other than rural agricultural land), having value Rs. 50 lakh or more, has been introduced under section-194-IA of the Act.
- (viii) Tax collection at source (TCS) on sale of motor vehicle- TCS has been introduced, at the rate of one percent, by the seller from buyer of a motor vehicle, where the value exceeds ten lakh rupees [Section 206C (1F)].
- (ix) TDS on rental income- TDS on payment by specified individual and HUF to a resident of rental income exceeding fifty thousand rupees for a month or part of the month, at the rate of five percent has been introduced (Section 194-IB).

## **B. Other Measures for widening of tax base:**

- (i) Deemed resident in India- Section 6 of the Act has been amended vide Finance Act, 2020 to provide that an Indian citizen or a person of Indian Origin who comes on a visit to India in any previous year and whose total Indian income exceeds Rs 15 lakh, shall be considered a resident, if his stay in India is 120 days or more. Also, a citizen of India who is not liable to tax in any other country shall be deemed to be a resident in India, if his Indian income exceeds Rs. 15 lakhs during the previous year. However, in view of the COVID-19 pandemic, Circular 11/2020 dated May 8, 2020 has been issued to provide that for previous year ending 2019-20, certain period shall also not be taken into account for determination of residency status in certain cases. Also, a press release has been issued which, *inter alia*, states that for previous year 2020-21, Circular providing for exclusion of certain period shall be issued in due course.
- (ii) Mandatory furnishing of Income Tax Return (ITR)- It has been provided that persons entering into high value transactions such as having a deposit of an amount/aggregate of the amounts exceeding one crore rupees in one or more current account, incurring expenditure of an amount/aggregate of the amounts exceeding two lakh rupees for himself or any other person's foreign travel, having

paid an electricity bill of an amount/aggregate of the amounts exceeding one lakh rupees or fulfilling any other prescribed condition shall be mandatorily required to file ITR.

- (iii) Inter-changeability of PAN and Aadhaar – It has been provided that in case of a person who does not have PAN but has Aadhaar, PAN will be allotted to such person on the basis of Aadhaar if the person enters into certain reportable transactions. Further, a person who has linked his Aadhaar to his PAN can use Aadhaar instead of his PAN wherever required.
- (iv) Pre-filling of return by enlarging scope of SFT: Pre-filled Income tax Returns (ITR) have been provided to individual taxpayers with income from salary, house property, capital gains from securities, bank interest, dividends and various tax deductions. Information regarding these incomes and deductions are being collected from concerned sources such as banks, mutual funds, EPFO etc. to enable pre-filling. The scope of furnishing of Statement of Financial Transactions (SFT) has been widened by requiring more organisations/institutions to submit information in respect of financial transactions facilitated or undertaken by them.

**C. Measures undertaken to promote digital transactions in the economy leading to more reportable transactions-**

- (i) Finance (No.2) Act, 2019 introduced Section 269SU in the Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.
- (ii) Section 269ST has been inserted in the Act to prohibit cash receipt of rupees two lakh or more. Further, in order to enforce restriction on cash transactions, a new section 271DA has been inserted in the Act so to provide that if a person contravenes the provisions of section 269ST, he shall be liable to pay penalty of a sum equal to the amount of such receipt.
- (iii) The limit of cash donation to charitable organisation and scientific research or rural development has been reduced from ten thousand to two thousand.
- (iv) The existing rate of deemed profit under section 44AD of the Act has been reduced from 8% to 6% in respect of the amount of total turnover or gross receipts received through banking channel / digital means.
- (v) In order to expand the scope of section 269SS and section 269T of the Act an amendment has been made so as to cover payment/advance in relation to transfer of immovable property under said sections.
- (vi) To bring transparency in the source of funding to political parties the provisions of section 13A of the Act have been amended to inter alia, provide that no donations of Rs.2000/- or more shall be received otherwise than by an

account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.

- (vii) Section 194N is tax on cash withdrawal which is also intended to promote digital transactions.

V. As regards the recommendation of “... ***Taxation of all taxable entities/transactions/services, and rationalisation of exemptions would pave the way for this purpose. At the enforcement level, a strict view should be taken of tax evasion***” some of the tax-reforms undertaken in recent years in order to improve effectiveness of tax administration and prevent tax abuse have been summarised as follows:

**A. Rationalisation of provisions:**

- (i) Section 56 of the Act has been amended to widen the scope of deeming of income for the receipt of property for inadequate or without consideration. Further, the said section has been amended to levy tax on any forfeiture of advance received by the seller in relation to transfer of a capital asset.
- (ii) Section 43CA has been inserted in the Act to provide that where the stamp duty value on transfer of immovable property held as stock in trade is greater than the sale consideration, the stamp duty value will be considered as full value of consideration.
- (iii) Chapter XII-DA has been inserted in the Act vide Finance Act, 2013 to provide that the consideration paid by the company for purchase of its own unlisted shares in excess of the sum received by the company at the time of issue of such shares will be charged to tax.
- (iv) Section 50CA has been inserted in the Act so as to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".
- (v) Keeping in view aggressive tax planning with the use of sophisticated structures; statutory provisions, namely, General Anti-Avoidance Rules (GAAR), codifying the doctrine of “substance over form”; where the real intention of the parties and effect of transactions and purpose of an arrangement are taken into account for determining the tax consequences; irrespective of the legal structure superimposed thereupon to camouflage the real intent and purpose; were brought in through the Finance Act, 2012 and have been applicable from Assessment Year 2018-19.

- (vi) In order to check creation of shell companies which are incorporated outside but controlled from India, the concept of 'Place of effective management' (POEM) for determination of residence of a company incorporated in a foreign jurisdiction, has been introduced.
- (vii) In order to check the avoidance of payment of Dividend Distribution Tax by companies which were opting for buyback of shares from their shareholders rather than distributing dividends, a tax on the amount distributed by the company on account of buy back of shares of unlisted companies was introduced through the Finance Act, 2013. The scope of buyback tax was broadened vide Finance (No.2) Act, 2019 wherein the provisions of buy-back tax were extended to the buy-back of shares of listed companies as well.

**B. Measures for strengthening information networks for widening and deepening of tax base:**

- (i) The scope of rule 114B of the Income Tax Rules, 1962 (the Rules) has been widened vide Notification No 95/2015 dated 30<sup>th</sup> December, 2015. The amended Rule *inter-alia* makes quoting of PAN for transactions of sale or purchase of goods or services of any nature above Rs 2 Lakh, mandatory. Also, Rule 114 E has been amended vide said notification to strengthen the third-party reporting mechanism. In order to tackle splitting of transactions, it has been provided that besides the single transaction value the annual aggregate of the transaction values shall also trigger reporting of transactions. Receipt from any person for sale of foreign currency including any credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument of an amount aggregating to ten lakh rupees or more during a financial year has been made a reportable transaction. Also, cash receipt exceeding two lakh rupees for sale of goods or services of any nature by any person who is liable for audit u/s 44AB of the Act has been made a reportable transaction. Finance (No. 2) Act, 2019 has further broadened the scope of statement of financial transactions to be furnished under 285BA of the Act by requiring certain more persons to submit information in respect of financial transactions facilitated or undertaken by them.
- (ii) In order to eliminate bogus/multiple permanent account number (PAN), a new section 139AA has been inserted in the Act, which *inter alia* mandates quoting of Aadhaar number for filing of Return of Income and in PAN application Form.
- (iii) An effective monitoring mechanism for reporting of foreign remittances to identify cases where taxes have not been paid on certain remittances has been provided by expanding the scope of reporting in case of foreign remittances to cover payments which are taxable or non-taxable for certain category of non-residents.

- (iv) The Centralised Verification Scheme, 2019 has been notified to enable centralised processing of information and making outcome of the same available to the Assessing Officer.
- (v) An Inter-Governmental Agreement between India and USA was signed for implementation of Foreign Account Tax Compliance Act (FATCA). The Government of India has also joined the Multilateral Competent Authority Agreement (MCAA) for Automatic Exchange of Information as per Common Reporting Standards (CRS). For implementation of FATCA and CRS, necessary legislative changes have been made in the Act and the Rules 114F, 114G & 114H and Form 61B have been inserted to provide legal basis for the Reporting Financial Institutions (RFIs) for maintaining and reporting information about the Reportable Accounts.

### **C. Measures undertaken to curb Tax Evasion**

- (i) In order to curb the flow of black money stashed abroad, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) has been enacted. A total of 648 declarations involving undisclosed foreign assets worth Rs. 4164 crore were filed under the one-time compliance window provided by the department.
- (ii) The Benami Transactions (Prohibition) Act, 1988 was amended by the Benami Transactions (Prohibition) Amendment Act, 2016 to enable confiscation of Benami Property and prosecution of *benamidar* and the beneficial owner. As on 30.09.2019, 2145 cases of provisional attachment have been made under the Prohibition of Benami Properties Transactions Act (PBPT Act). The value of properties under attachment is more than Rs.10,840 crore. *Provisional attachment of benami properties under PBPT Act, 1988 has been confirmed by the Adjudicating Authority in 1282 cases as on 30.09.2019.*

VI. Regarding the recommendation “***The Committee believe that revenue estimates and underlying assumptions are somewhat opaque...***”, it is submitted that revenue estimates are prepared during the Budgetary process and are, therefore, secret in nature. However, the Central Board of Direct Taxes publishes direct tax time-series data on regular basis containing the details of number of income-tax returns (ITRs) for an assessment year, total direct tax collection over the years, tax buoyancy, direct tax to GDP ratio etc. which are laid in the public domain for further analysis.

It is also pertinent to note that most of the income-tax returns (ITRs) are filed electronically. The data in the ITRs are analysed at macro level for framing of policy. Outcome of such detailed analysis can be observed in the Statement of Revenue Impact of Tax Incentives under the Central Tax System which forms part of the Receipt budget of the Central Government and is laid on the table of both Houses of the Parliament. The said statement provides details of revenue impact

due to various incentives and exemptions provided under the Income-tax Act, 1961 (the Act). Further, a sectoral analysis of various business activities undertaken by corporate taxpayers is also presented in the said statement.

It is important to note that whenever an additional revenue raising measure is imposed or any incentive is extended, the potential revenue implications are estimated and the same are informed accordingly. For example, while presenting the budget speech for FY 2018-19, the Hon'ble Finance Minister informed Parliament that rationalisation of the LTCG taxation framework will lead to marginal revenue gain of Rs. 20,000 crores during the first year. Similarly, while announcing the historical tax reform in the form of reduction in corporate tax rates for domestic companies, it was announced that the said reforms will lead to an estimated revenue foregone amounting to Rs. 1.45 lakh crores per annum. Thus, it can be observed that the necessary analysis is carried out by the Government for estimating the revenue implication of various proposals made.

#### **CBIC:**

The indirect tax collection/buoyancy in particular financial year is mainly dependent on factors such as; GDP growth (nominal), change in tax policy, additional resource mobilization measures (though annual budget), rate of exchange of leading international currencies against INR and prices of the imported goods & mix of commodities in the international market etc. the actual tax receipts may fall/ rise with regard to tax targets set during the annual budget due to variations in the aforesaid macroeconomic indicators.”

**7. The Committee, while recognizing all the measures undertaken thus far to set the tax buoyancy and Tax-GPD ratio in a trajectory of growth, also note that the BE of Rs. 13.35 Lakh crore was based on, *inter-alia*, the projected nominal GDP Growth of 11% for FY 2019-20, and that 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. The Committee believe it would thus remain a huge challenge augmenting direct tax collections this fiscal in the present scenario.**



## **Recommendation (Sl. No. 4)**

### Goods and Services Tax (GST)

8. The Committee noted that system-based analytical tools and systems generated intelligence by Directorate General of Analytics and Risk Management (DGARM) were 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 ensure compliance, in addition to acting upon specific tax evasion related intelligence. The committee noted 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 desired that the grievances of the States, if any, be duty addressed under the aegis of GST Council so as to keep the states in a sound financial health. The committee expected 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.

9. The Ministry in their Action Taken Reply stated as under :-

“In this regard, it is submitted that the prescribed date of 20th of subsequent month for the purpose of filing GST returns has been fixed on the basis of recommendations of GST Council, which is constitutional body established under Article 279A of the Constitution of India. The GST council has been entrusted with the task of making recommendations to the Union of India and States on all matters related to GST. However, to facilitate small taxpayers having annual aggregate turnover up to Rs.5 Crores, the Government has introduced a system of staggered filing of return from the month of February 2020 ( January 2020 return) wherein the date of filing or return would be either 22nd or 24th depending upon the State of UT where the taxpayer is registered.”

**10. The Committee in its recommendation with respect to Goods and Services Tax (GST) had earlier observed that the monthly revenue collection from GST**

were yet to fully stabilize and that the States have been reporting losses in collection which would only increase the compensation burden of the Union Government. The Committee had desired that the grievances of the States be duly addressed under the aegis of the GST Council. The Committee would, therefore, urge the Government to sort out all the lingering issues pertaining to GST at the earliest while addressing the concerns/grievances of the States.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (SI No. 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 finalized. 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 Rs. 8258.50 crore. The Committee recommends 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.

## **Reply of the Government**

I. In pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services (Compensation to States) Act, 2017 was enacted by Parliament for providing compensation to the States on account of Revenue loss due to implementation of GST w.e.f. 01.07.2017 for a period of five years. In this regard, it is also submitted that as per GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis. Thus, the quantum of the GST compensation required is based upon collection trends of SGST/IGST and the subsumed tax collection by States. Therefore, it is always difficult to assess the actual budget requirement, as the same is dependent upon variable data being received from States on bimonthly basis. However, efforts are made mid-way, at RE stage, for course correction based on variable data being received from States on bimonthly basis.

It is also true that 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. 1<sup>st</sup> July, 2017. During 2018-19, it was estimated that the requirement on payment of GST compensation may be around Rs.90,000 crore and cess collection will be of an equal amount of Rs.90,000 crore. Thus, total budget provision of Rs.180949.70 crore was made for 2018-19, which included the amount of Rs.90,000 crore to be transferred to GST Compensation Fund and 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. This 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 BE.

Similarly keeping in view the past trend and available bi-monthly data, in the first half of FY 2018-19, a budget provision of Rs. (101200+101200= 202400) crore was

made for BE 2019-20. (Out of this Rs.101200 crore was kept to meet the expenditure on payment of GST compensation to States/UTs with legislature. And further, an equal amount of compensation cess i.e. Rs.101200 crore was kept for transfer to GST Compensation Fund, in terms of GST Act, 2017). However, as stated above, at the close of the FY2018-19, 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. Thus, the estimates for FY 2019-20 were revised to Rs.(121200 +121200= 242400) crore, at RE stage, based on actual expenditure of Rs.124424.97 crore for the FY 2018-19. (Again in terms of GST Act, 2017, a sum of Rs.121200 was kept to meet the expenditure on payment of GST compensation to States/UTs with legislature, and an equal amount of Rs.121200 crore was kept for transfer to GST Compensation Fund). And against the RE 2019-20, a sum of Rs.120498.29 crore [Rs.112200 crores to States (under Major Head 3601) and Rs.8298.29 crore to UTs with legislature (under Major Head 3602)] has been paid as provisional GST Compensation. It is also submitted that a sum of Rs.701.71 crore, under Major Head 3602 could neither be utilized nor re-appropriated to other Major Head , due to closure of offices on account of out-break of Corona virus and other administrative reasons.

For the FY 2020-21, the total Budget provision of Rs.272250.83 crores has been kept under Demand No 31 for Department of Revenue. This includes Capital expenditure of Rs.91.21 crores. On the Revenue expenditure side, a budget provision of Rs.135368.03 crore has been kept to meet the expenditure on payment of GST compensation to States/UTs with legislature. Similarly, an equal amount of compensation cess (Rs.135368.03 crore) has also been kept for transfer to GST Compensation Fund, in terms of GST Act 2017. This estimate is again based on past trend and available bi-monthly data on trend of collection of revenue, in the first half of FY 2019-20. Apart from above, it is also submitted, that, 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 the Compensation Cess collected through the GST (Compensation to States) Act, 2017, forms part of the Public Account of India through transfer of proceeds of the GST Compensation Cess to GST compensation Fund, which is a non-lapsable fund.

*Lastly as regards the observation of the Standing Committee 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, it is once again stated that the quantum of the GST compensation required is totally based upon collection trends of SGST/IGST and the subsumed tax collection by States. Therefore, the actual budget requirement cannot be assessed accurately before the data is received from States about bimonthly GST Compensation. As these figures are variable and depend upon bi-monthly estimates from States/UTs, there is always an element of estimation involved. However, as desired by the Committee, further efforts will be made to ensure that the Budgetary Estimates, taking into account the monthly trends of revenue collection by States/UTs, is more closer to real time revenue collection of States/UTs.*

In this regard, it is submitted that 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 w.e.f. 01.07.2017 for a period of five years. Accordingly, budgetary provision of Rs. 1,01,200 crore has been made under Head 3601 & 3602 (Rs. 96,000 cr in 3601 and 5,200 cr in 3602) in BE 2019-20, to compensate States/ UTs on account of revenue loss to states due to implementation of GST, based upon the initial trends of GST collection as well as subsumed tax collected by States/ UTs. Further, the budgetary provision under Head 3601 & 3602 has been revised to Rs. 1,21,200 crore (Rs. 1,12,200 cr in Head 3601 & Rs. 9,000 cr in Head 3602) as per the requirement of GST Compensation to be paid to States/UTs. Accordingly, provisional GST Compensation of Rs. 1,20,498.29 crore (Rs. 1,12,200 cr to States and Rs. 8,298.29 cr to UTs with legislature) has been paid to the States/ UTs on bimonthly basis for the period of Feb-March, 2019 (released in FY 2019-20) to September, 2019 and part payment for period Oct-Nov, 2019. Therefore, fund provided in RE 2019-20 under Head 3602 for GST compensation has not been utilized to the tune of Rs. 701.71 cr and could not be re-appropriated into

other Heads due to closure of offices as per direction of Central Government due to outbreak of Corona virus and other administrative reasons.

In this regard, it is further submitted that as per the GST (Compensation to States) Act, 2017, the provisional GST compensation is being released on bi-monthly basis. Further, the quantum of the GST compensation required is totally based upon the subsumed tax collection by States and collection trends of SGST/IGST. Therefore, the actual budget requirement cannot be assessed before the data is received from States about bimonthly GST compensation. Therefore, it is not possible to estimate the exact budgetary requirement for the purpose of GST compensation. However, the budgetary estimate made by this division in BE/RE 2019-20, are correct and would be utilized fully, if offices had not been closed due to Corona pandemic.

Further, it will be ensured in future to make budgetary estimates under this Demand more accurately and realistically, taking into account the monthly trends of revenue collection by States/ UTs to avoid surrender of fund.

II. With regard to Demand No. 32 (Direct Tax), it is stated that Grant for BE 2019-20 was Rs. 7338.44 crore, which was revised to Rs. 7520.44 crore after additional grant was received under the Second Supplementary Demand for Grant. Out of which 244.80 crore has been surrendered, which has been accepted by the Budget Division of Department of Economic Affairs as per Audit order dated 31.03.2020.

III. With regard to Demand No. 33 (Indirect Tax), Central Board of Indirect Taxes and Customs (CBIC) has been disbursing funds amongst its Budgetary Authorities on the basis of a harmonious balance between the availability of funds and the utilization pattern of the previous financial year. Further, additional Allocation is also made through reallocations, re-appropriations etc. after due approval by the competent authority.

At present, CBIC has been maintaining manual monthly expenditure records in respect of Budgetary Authorities. However, CBIC is in process of putting in place a mechanism, in which the whole process including receipt of demand for funds from various Budgetary Authorities and subsequent issuance of sanction order to Budgetary

authorities will be made online. In the process, all this information would be maintained online so that necessary reports including expenditure on day to day basis can be extracted as required. The proposed online processing of budget would help in realistic Budgetary formulation followed by proper utilization of allocated funds. This would also help in fixing accountability and elimination of over estimation of requirement/ underutilization of funds.

At the beginning of the financial year, the budget allocated to the CBIC is disbursed amongst its 68 Budgetary Authorities. This allocations is made on the basis of a harmonious balance between the availability of funds, as detailed object head-wise in the detailed Demands for Grants (DDG) and the utilization pattern of the previous financial year.

After the initial allocations are done, at various times, the BCA may require certain additional funds in the Revenue or Capital Accounts. These additional funds may be provided by way of additional Allocation, Reallocations and Re-appropriations respectively after due approval by the competent authority. In order to keep track of the Expenditure, the practice at present, in EMC, DGHRD is to maintain manual Monthly Expenditure Records in respect of 68 Budgetary Authorities.

DGHRD, CBIC is in process of putting in place a mechanism, in which the whole process including receipt of demand for funds from various Budgetary authorities and subsequent issuance of sanction order to Budgetary authorities will be made online. In the process, all this information would be maintained online so that necessary reports including expenditure on day to day basis can be extracted as required. The proposed online processing of budget would help in realistic Budgetary formulation followed by proper utilizations of allocated funds. This would also help in fixing accountability so that the budgetary exercise is not rendered infructuous by such persistent over estimation followed by under-utilization of varying degrees.

**[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]**



## **Recommendation (SI No. 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 focused 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 believes 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.

## Reply of the Government

### CBDT:

I. Over the past few years, the Indian economy has witnessed a significant growth in overall tax collection. The direct tax to GDP ratio has increased over the recent years. It is important to note that in recent years, the Indian Economy has displayed high tax buoyancy with a buoyancy factor greater than 1, i.e. the rate of growth of direct taxes has been greater than the rate of growth of GDP. This has been possible due to various tax reforms and other efforts undertaken by the Income-tax Department.

*Table 3 Tax to GDP Ratio*

	FY 2016-17	FY 2017-18	FY 2018-19 (Provisional)
<b>Direct Tax GDP Ratio</b>	5.53	5.86	5.98
<b>Direct Tax Buoyancy Factor</b>	1.10	1.59	1.21

Source: Income Tax Department Time Series Data Financial Year 2001 to 2018-19

II. With increased liberalisation and reforms in the economy, direct taxes have become prominent sources of tax revenue for the Government. In FY 2000-01, the contribution of direct taxes in overall tax collection was only 36.3%, however, this ratio has increased to about 55 % in FY 2018-19.

Table 4 Direct Taxes as a % of Total Taxes

	Direct Taxes	Indirect Taxes	Total Taxes	Direct Tax as % of Total Taxes
<b>2000-01</b>	68,305	1,19,814	1,88,119	36.3%
<b>2018-19</b> (Provisional)	11,37,685	9,39,018	20,76,703	54.8%

\*Source: Income Tax Department Time Series Data Financial Year 2001 to 2018-19

III. The Government has consistently been making efforts to widen and deepen the tax base. However, with regard to FY 2019-20, it may be noted that the tax collection figures and GDP figures for FY 2019-20 have seen a decline from the projected estimates which will in turn lead to a fall in tax buoyancy.

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.

During FY 2019-20, 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 provided 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 shares 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 reductions has been estimated to be Rs 1.45 lakh crore.

The above reduction in corporate tax rates along with reduction in GDP growth projections for FY 2019-20 will have dampening effect on the tax buoyancy for FY 2019-20. However, as is being discussed in following paragraphs several measures have been taken to boost the tax buoyancy in the recent years including several measures taken in the Finance Act, 2020.

For the domestic companies opting for the concessional taxation regime, it is expected that reduced taxes will lead to increase in earnings and hence further investments in new ventures or expansion of existing ventures leading to increase in jobs and wages. This will further stimulate direct tax revenues in the medium to long run. New manufacturing companies opting for the concessional taxation regime are required to commence manufacturing or production by 31.03.2024. Thus, the impact of concessional corporate tax rates is expected to be visible in revenue collections and hence tax buoyancy in future.

IV. As regards the recommendation **“.... the Government should formulate a focussed policy to increase tax buoyancy and the Tax/GDP ratio in the**

**economy...**, some of the tax- reforms undertaken in order to widen and deepen the tax net resulting in increased buoyancy over the last few years have been summarised below:

**A. Widening the net of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS), Equalisation Levy in the recent years.**

(i) TDS on E-commerce transactions: In order to widen and deepen the tax net, section 194-O has been inserted in the Income-tax Act, 1961 (the Act) vide Finance Act, 2020 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 individual and HUF e-commerce participants who receive less than Rs. 5 lakh and furnish PAN/Aadhaar.

(ii) Enlarging the scope of TDS on interest: Section 194A of the Act has been amended vide Finance Act 2020 in order to extend 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 Tax Collection at Source (TCS): Through the Finance Act, 2020, section 206C has been amended to:

- a. provide for collection of tax at the rate of 5% — (1) by an authorised dealer for remittance out of India under the Liberalised Remittance Scheme of the Reserve Bank of India for a purpose other than purchase of overseas tour package on the amount of remittance exceeding Rs. 7 lakhs during the financial year; (2) by a seller of overseas tour programme package from the buyer of such package on the total amount of such package during the financial year.
- b. In case if the remittance made abroad is in relation to a loan taken from a financial institution for the purpose of pursuing any education, then TCS is to be deducted at the rate of 0.5% on the amount of remittance exceeding Rs. 7 lakhs during the financial year. Moreover, exception has been made in case of a person, who is a buyer and is required to deduct tax under any other provision of the Act and has deducted the same on the said amount.
- c. provide for collection of tax at the rate of 0.1% by a seller on sale of goods (other than those mentioned in sub-section (1) or sub-section (1F) or sub-section (1G) of the said section) of the value or aggregate of such value exceeding Rs. 50 lakhs in a previous year. The above provision will not be applicable on any goods exported out of India. Further, if a person being the buyer of goods is liable to deduct TDS under any other provision of the Act on the goods so purchased by him from the seller and has deducted TDS on the same, then the above provision will not be applicable.

(iv) Broadening Scope of Equalisation Levy : The scope of Equalisation Levy (EL) has been enlarged *vide* the Finance Act, 2020, to provide that EL shall be paid by an e-commerce operator at 2%, from 1st April 2020, on consideration received or

receivable for e-commerce supply or services, if the consideration is two crore rupees or more during the previous year, made or provided or facilitated by it to a person resident in India or a non-resident in specified circumstances or a person buying such goods or services or both using internet protocol address located in India.

(v) TDS on certain cash withdrawals- Finance Act, 2020 amended section 194N of the Act to provide for deduction of tax on payment in cash by a banking company or co-operative society engaged in the business of banking or post office at the rate of 2% on the sum exceeding Rs. 1 crore in aggregate from one or more accounts maintained by the recipient. Further, in case of a person who has not filed income tax return for any of the three assessment years relevant to the previous year preceding the previous year in which such amount is withdrawn, TDS is to be deducted at the rate of 2% on amount of cash withdrawn exceeding Rs. 20 lakhs but less than Rs.1 crores; and 5% on the amount of cash withdrawn exceeding Rs 1 crores in aggregate from one or more account maintained by such recipient during the financial year.

(vi) TDS to be deducted by individual/HUF on contractual work/professional fees- Section 194M was also introduced vide Finance (No.2) Act, 2019 to provide for levy of TDS at the rate of five per cent. on the sum, or the aggregate of sums, paid or credited in a year on account of contractual work or professional fees or commission by an individual or a Hindu undivided family, not required to deduct tax at source under section 194C, 194H and 194J of the Act, if such sum, or aggregate of such sums, exceeds Rs. 50 lakh in a year. However, in order to reduce the compliance burden, it is proposed that such individuals or HUFs shall be able to deposit the tax deducted using their PAN and shall not be required to obtain TAN.

(vii) TDS on transfer of immovable property- TDS at the rate of one per cent on transfer, by a resident, of immovable property (other than rural agricultural land), having value Rs. 50 lakh or more, has been introduced under section-194-IA of the Act.

(viii) Tax collection at source (TCS) on sale of motor vehicle- TCS has been introduced, at the rate of one percent, by the seller from buyer of a motor vehicle, where the value exceeds ten lakh rupees [Section 206C (1F)].

(ix) TDS on rental income- TDS on payment by specified individual and HUF to a resident of rental income exceeding fifty thousand rupees for a month or part of the month, at the rate of five percent has been introduced (Section 194-IB).

## **B. Other Measures for widening of tax base:**

(i) Deemed resident in India- Section 6 of the Act has been amended vide Finance Act, 2020 to provide that an Indian citizen or a person of Indian Origin who comes on a visit to India in any previous year and whose total Indian income exceeds Rs 15 lakh, shall be considered a resident, if his stay in India is 120 days or more. Also, a citizen of India who is not liable to tax in any other country shall be deemed to be a resident in India, if his Indian income exceeds Rs. 15 lakhs during the previous year. However, in view of

the COVID-19 pandemic, Circular 11/2020 dated May 8, 2020 has been issued to provide that for previous year ending 2019-20, certain period shall also not be taken into account for determination of residency status in certain cases. Also, a press release has been issued which, *inter alia*, states that for previous year 2020-21, Circular providing for exclusion of certain period shall be issued in due course.

- (ii) Mandatory furnishing of Income Tax Return (ITR)- It has been provided that persons entering into high value transactions such as having a deposit of an amount/aggregate of the amounts exceeding one crore rupees in one or more current account, incurring expenditure of an amount/aggregate of the amounts exceeding two lakh rupees for himself or any other person's foreign travel, having paid an electricity bill of an amount/aggregate of the amounts exceeding one lakh rupees or fulfilling any other prescribed condition shall be mandatorily required to file ITR.
- (iii) Inter-changeability of PAN and Aadhaar – It has been provided that in case of a person who does not have PAN but has Aadhaar, PAN will be allotted to such person on the basis of Aadhaar if the person enters into certain reportable transactions. Further, a person who has linked his Aadhaar to his PAN can use Aadhaar instead of his PAN wherever required.
- (iv) Pre-filing of return by enlarging scope of SFT: Pre-filled Income tax Returns (ITR) have been provided to individual taxpayers with income from salary, house property, capital gains from securities, bank interest, dividends and various tax deductions. Information regarding these incomes and deductions are being collected from concerned sources such as banks, mutual funds, EPFO etc. to enable pre-filing. The scope of furnishing of Statement of Financial Transactions (SFT) has been widened by requiring more organisations/institutions to submit information in respect of financial transactions facilitated or undertaken by them.

**C. Measures undertaken to promote digital transactions in the economy leading to more reportable transactions-**

- (i) Finance (No.2) Act, 2019 introduced Section 269SU in the Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.
- (ii) Section 269ST has been inserted in the Act to prohibit cash receipt of rupees two lakh or more. Further, in order to enforce restriction on cash transactions, a new section 271DA has been inserted in the Act so to provide that if a person contravenes the provisions of section 269ST, he shall be liable to pay penalty of a sum equal to the amount of such receipt.

- (iii) The limit of cash donation to charitable organisation and scientific research or rural development has been reduced from ten thousand to two thousand.
- (iv) The existing rate of deemed profit under section 44AD of the Act has been reduced from 8% to 6% in respect of the amount of total turnover or gross receipts received through banking channel / digital means.
- (v) In order to expand the scope of section 269SS and section 269T of the Act an amendment has been made so as to cover payment/advance in relation to transfer of immovable property under said sections.
- (vi) To bring transparency in the source of funding to political parties the provisions of section 13A of the Act have been amended to inter alia, provide that no donations of Rs.2000/- or more shall be received otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.
- (vii) Section 194N is tax on cash withdrawal which is also intended to promote digital transactions.

V. As regards the recommendation of “... ***Taxation of all taxable entities/transactions/services, and rationalisation of exemptions would pave the way for this purpose. At the enforcement level, a strict view should be taken of tax evasion***” some of the tax-reforms undertaken in recent years in order to improve effectiveness of tax administration and prevent tax abuse have been summarised as follows:

**A. Rationalisation of provisions:**

- (i) Section 56 of the Act has been amended to widen the scope of deeming of income for the receipt of property for inadequate or without consideration. Further, the said section has been amended to levy tax on any forfeiture of advance received by the seller in relation to transfer of a capital asset.
- (ii) Section 43CA has been inserted in the Act to provide that where the stamp duty value on transfer of immovable property held as stock in trade is greater than the sale consideration, the stamp duty value will be considered as full value of consideration.
- (iii) Chapter XII-DA has been inserted in the Act vide Finance Act, 2013 to provide that the consideration paid by the company for purchase of its own unlisted shares in excess of the sum received by the company at the time of issue of such shares will be charged to tax.
- (iv) Section 50CA has been inserted in the Act so as to provide that where consideration for transfer of share of a company (other than quoted share)

is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".

- (v) Keeping in view aggressive tax planning with the use of sophisticated structures; statutory provisions, namely, General Anti-Avoidance Rules (GAAR), codifying the doctrine of "substance over form"; where the real intention of the parties and effect of transactions and purpose of an arrangement are taken into account for determining the tax consequences; irrespective of the legal structure superimposed thereupon to camouflage the real intent and purpose; were brought in through the Finance Act, 2012 and have been applicable from Assessment Year 2018-19.
- (vi) In order to check creation of shell companies which are incorporated outside but controlled from India, the concept of 'Place of effective management' (POEM) for determination of residence of a company incorporated in a foreign jurisdiction, has been introduced.
- (vii) In order to check the avoidance of payment of Dividend Distribution Tax by companies which were opting for buyback of shares from their shareholders rather than distributing dividends, a tax on the amount distributed by the company on account of buy back of shares of unlisted companies was introduced through the Finance Act, 2013. The scope of buyback tax was broadened vide Finance (No.2) Act, 2019 wherein the provisions of buy-back tax were extended to the buy-back of shares of listed companies as well.

**B. Measures for strengthening information networks for widening and deepening of tax base:**

- (i) The scope of rule 114B of the Income Tax Rules, 1962 (the Rules) has been widened vide Notification No 95/2015 dated 30<sup>th</sup> December, 2015. The amended Rule *inter-alia* makes quoting of PAN for transactions of sale or purchase of goods or services of any nature above Rs 2 Lakh, mandatory. Also, Rule 114 E has been amended vide said notification to strengthen the third-party reporting mechanism. In order to tackle splitting of transactions, it has been provided that besides the single transaction value the annual aggregate of the transaction values shall also trigger reporting of transactions. Receipt from any person for sale of foreign currency including any credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument of an amount aggregating to ten lakh rupees or more during a financial year has been made a reportable transaction. Also, cash receipt exceeding two lakh rupees for sale of goods or services of any nature by any person who is liable for audit u/s 44AB of the Act has been made a reportable



transaction. Finance (No. 2) Act, 2019 has further broadened the scope of statement of financial transactions to be furnished under 285BA of the Act by requiring certain more persons to submit information in respect of financial transactions facilitated or undertaken by them.

- (ii) In order to eliminate bogus/multiple permanent account number (PAN), a new section 139AA has been inserted in the Act, which inter alia mandates quoting of Aadhaar number for filing of Return of Income and in PAN application Form.
- (iii) An effective monitoring mechanism for reporting of foreign remittances to identify cases where taxes have not been paid on certain remittances has been provided by expanding the scope of reporting in case of foreign remittances to cover payments which are taxable or non-taxable for certain category of non-residents.
- (iv) The Centralised Verification Scheme, 2019 has been notified to enable centralised processing of information and making outcome of the same available to the Assessing Officer.
- (v) An Inter-Governmental Agreement between India and USA was signed for implementation of Foreign Account Tax Compliance Act (FATCA). The Government of India has also joined the Multilateral Competent Authority Agreement (MCAA) for Automatic Exchange of Information as per Common Reporting Standards (CRS). For implementation of FATCA and CRS, necessary legislative changes have been made in the Act and the Rules 114F, 114G & 114H and Form 61B have been inserted to provide legal basis for the Reporting Financial Institutions (RFIs) for maintaining and reporting information about the Reportable Accounts.

### **C. Measures undertaken to curb Tax Evasion**

- (i) In order to curb the flow of black money stashed abroad, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) has been enacted. A total of 648 declarations involving undisclosed foreign assets worth Rs. 4164 crore were filed under the one-time compliance window provided by the department.
- (ii) The Benami Transactions (Prohibition) Act, 1988 was amended by the Benami Transactions (Prohibition) Amendment Act, 2016 to enable confiscation of Benami Property and prosecution of *benamidar* and the beneficial owner. As on 30.09.2019, 2145 cases of provisional attachment have been made under the Prohibition of Benami Properties Transactions Act (PBPT Act). The value of properties under attachment is more than Rs.10,840 crore. *Provisional attachment of benami properties under PBPT Act, 1988 has been confirmed by the Adjudicating Authority in 1282 cases as on 30.09.2019.*

VI. Regarding the recommendation “*The Committee believe that revenue estimates and underlying assumptions are somewhat opaque...*”, it is submitted that revenue estimates are prepared during the Budgetary process and are, therefore, secret in nature. However, the Central Board of Direct Taxes publishes direct tax time-series data on regular basis containing the details of number of income-tax returns (ITRs) for an assessment year, total direct tax collection over the years, tax buoyancy, direct tax to GDP ratio etc. which are laid in the public domain for further analysis.

It is also pertinent to note that most of the income-tax returns (ITRs) are filed electronically. The data in the ITRs are analysed at macro level for framing of policy. Outcome of such detailed analysis can be observed in the Statement of Revenue Impact of Tax Incentives under the Central Tax System which forms part of the Receipt budget of the Central Government and is laid on the table of both Houses of the Parliament. The said statement provides details of revenue impact due to various incentives and exemptions provided under the Income-tax Act, 1961 (the Act). Further, a sectoral analysis of various business activities undertaken by corporate taxpayers is also presented in the said statement.

It is important to note that whenever an additional revenue raising measure is imposed or any incentive is extended, the potential revenue implications are estimated and the same are informed accordingly. For example, while presenting the budget speech for FY 2018-19, the Hon'ble Finance Minister informed Parliament that rationalisation of the LTCG taxation framework will lead to marginal revenue gain of Rs. 20,000 crores during the first year. Similarly, while announcing the historical tax reform in the form of reduction in corporate tax rates for domestic companies, it was announced that the said reforms will lead to an estimated revenue foregone amounting to Rs. 1.45 lakh crores per annum. Thus, it can be observed that the necessary analysis is carried out by the Government for estimating the revenue implication of various proposals made.

**CBIC:**

The indirect tax collection/buoyancy in particular financial year is mainly dependent on factors such as; GDP growth (nominal), change in tax policy, additional

resource mobilization measures (through annual budget), rate of exchange of leading international currencies against INR and prices of the imported goods & mix of commodities in the international market etc. the actual tax receipts may fall/ rise with regard to tax targets set during the annual budget due to variations in the aforesaid macroeconomic indicators.

[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]

***(For Comments of the Committee Please refer para No. 7 of Chapter I)***

### **Recommendation (SI No. 3)**

#### **New Personal Income Tax Regime**

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, rationalized 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.

#### **Reply of the Government**

i. The then Hon'ble Finance Minister while presenting the Union budget for financial year (FY) 2015-16 stated that the deductions and incentives given to corporate taxpayers under the Act will be phased out over four years while simultaneously

reducing the tax rates. It was also stated that this will lead to making our industry competitive, reduce tax litigation and prevent revenue loss.

ii. Further, the Finance Act, 2016, *inter-alia*, provided a sunset date for the existing profit linked deductions under the various provisions of the Act.

iii. In continuation of the stated policy, the TLAA inserted section 115BAA and section 115BAB to the Act to provide for a concessional tax rate of 22% for existing domestic companies and of 15 % for companies set up on or after 01.10.2019 engaged in the manufacture or production of article or thing or research or distribution in relation thereto and which commence manufacturing or production by 31.03.2023, subject to certain conditions including that they do not avail of any specified incentive or deductions. It has also been provided that the domestic companies opting for the concessional taxation regime shall not be required to pay any Minimum Alternate Tax.

iv. On the lines of the reduction in corporate tax rates, the Finance Act, 2020 has also proposed to insert section 115BAD to the Act 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 co-operative societies opting for the said concessional taxation regime will also not be required to pay Alternate Minimum Tax (AMT).

v. Further, the Finance Act, 2020 has also inserted section 115BAC to the Act to provide an option to individual and Hindu Undivided Family (HUF) to pay taxes at reduced rates provided that they do not avail of specified incentives or deductions and meet certain conditions. The individuals or HUF opting for the said concessional tax regime will also not be required to pay AMT. However, under this concessional taxation regime, certain exemptions such as benefits available to retiring employees are allowed with a view to ensuring social security to senior citizens.

vi. Hence, as is evident from the above, the policy of the Government is to phase out exemptions and deductions available under the Act and to simplify the taxation regimes. However, certain exemptions are still available under the Act in order to provide safeguards to certain sectors and individuals.

[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]

### **Recommendation (SI No. 5)**

#### **Tax Refunds and Interest on Refunds**

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 assesses may be constrained to pay excess advance tax to fulfill revenue targets of the Department. Such over-estimated automatically result 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 164400.45 crore. The Committee, therefore, desire that the Department should look into the reasons behind such large amount of refunds and take corrective measures, accordingly.

### **Reply of the Government**

#### **CBDT:**

The Returns of Income filed by the assessee are processed by Central Processing Centre (CPC) under section 143(1) of the Act. The Act follows the principle of “pay as you earn” thereby meaning that a taxpayer has to pay the advance tax on the estimated income for a financial year to be earned by the taxpayer. It is pertinent to mention that the books of accounts and the income computation for most entities is finalised in the last month of the financial year in March. In view of this, there may be instances when the estimated income is higher than the actual income as the person may claim deductions and exemptions which had not been anticipated earlier, or due to other external variables. In such a scenario, the taxpayer may be eligible for and claim a refund along with interest on account of higher advance tax paid while filing its return of income. Further, in order to get timely payments, the Government has incentivised payment of advance tax on time as any shortfall in the advance tax has to be paid as self-assessment tax including interest charged under section 234B and 234C of the Act. In view of this several tax payers may prefer paying a higher advance tax on estimated income in order to avoid payment of additional taxes as self-assessment tax along with interest while filing their return of income. However, it may also be noted that there are numerous cases wherein taxpayers also end up paying self-assessment tax on actual income while filing their return of income in order to compensate for short fall in the advance tax payments made on estimated income.

Similarly, on specified payments, tax is deducted at source (TDS) by the payer to payee. The rates of TDS for residents is deducted at flat rates as prescribed under the Act on various kind of gross payments made. The flat rates on gross payments reduce the compliance cost of the deductors as they are not required to estimate the exact income of the deductee while deducting the TDS. However, as the TDS is deducted on

gross payments, in several cases it may result in higher deduction of tax as a person (recipient) may claim several deductions /exemptions leading to a lower actual income level which is ascertained while filing the income-tax return. The higher TDS deducted in such cases is claimed as a refund by the taxpayer while filing his return of income.

Further, while an assessee has an option of obtaining a lower deduction certificate from the Assessing Officer on the basis of lower estimated income out of the said payment, delay in making an application for such certificate leads to higher deduction which is later claimed as refund by the taxpayer.

Apart from the above, an assessee is required to pay demand created by the assessing officer in the course of assessment proceedings (however, Assessing Officers have been directed to collect only 20% of the demand raised if an appeal has been filed before the Commissioner (Appeals), inter-alia, to minimize the outgo of refunds and interest, in the event of an unfavourable appellate order). If the order so passed by the Assessing Officer is reversed by a higher appellate authority subsequently, then refund is generated against the tax demand paid by the taxpayer earlier.

From the above discussion, it can be said that refund arises when taxes paid are higher than actual tax liability (including interest). This arises mainly on account of the following: the difference in the estimated income and the actual income as discussed above in the cases of advance tax; TDS; and assessed income under scrutiny proceedings. However, as has already been stated, there are numerous cases wherein additional taxes in the form of self-assessment tax have to be paid in order to compensate for the shortfall in tax payments in the form of advance tax or TDS. Further, it may be noted that all refunds are being processed and issued speedily minimising the interest outgo on such refunds.

#### **CBIC:**

In this regard it is submitted that Section 16 of the Integrated Goods and Service Tax (IGST) Act, 2017, provides for refund on account of zero-rated supplies (export or supplies made to SEZ) in terms of the provisions of Section 54 of the Central Goods and Service Tax (CGST) Act, 2017. In addition to refund on zero-rated supplies, Section

54 also provides for refund on account or inverted duty structure, wherein the outward supply is taxed at lower rate than inputs used in the manufacturing of Goods and in case of deemed export (Supplies to EOU, EPCG and AA License holders). Further, the law also provides for refunds or excess tax or the tax paid in wrong head to taxpayers. As per the Provisions of CGST Act, 2017 a taxpayer can file for refund within 2 years from the relevant date and the Tax authorities are mandated to sanction the refund within 60 days from the date of filing or refund. In addition to the above, Section 55 of the CGST Act, 2017, provides for refund to UN Organization, International Agencies and Embassies which it to be filed quarterly and with 6 months from the end of the quarter. All these provisions pertaining to refunds under GST have been incorporated in the GST Act and Rules on the Basis or recommendations of the GST Council, which is a constitutional body established under Article 279A of the constitution of India as stated earlier.

As 2019-20 is the financial Year during which the time period of 2 years for claiming refund under Section 54 expires for the supplies made during July 2017 – March 2018, the higher amount of refunds is attributed to filing of refunds of the FY 2017-18 (July 17-March 18) along with the refunds pertaining to 2018-19 and 2019-20. In this regard, as per the date obtained for GSTN, it is informed that total 2,70,849 refund applications (Where tax period is mentioned) involving refund amount of Rs. 2,14,25,54,10,095/- were filed by the taxpayers during the financial Year 2019-20 out of which 1,07,832 applications involving amount of RS. 55,29,28,03,378/- pertained to tax period July, 2017 to March, 2018 and 1,63,017 applications involving amount of Rs. 1,58,96,26,06,716/- pertained to tax period April, 2018 to March, 2019.

Further to eliminate the refund filing where payment is made in wrong head by the taxpayer, the Government has enabled a provision of single unified cash ledger w.e.f. 21.04.2020. Also, Government has made amendment in CGST Rules, 2017, to provide for refund of tax paid in excess by using ITC in the form of credit of ITC in the electronic credit ledger which would reduce the cash outflow of the Government under the said category of refund.

Unlike Direct Taxes, refund claims under Central Excise & Service Tax (now GST) are filed by the assesses consequent to a particular event entitling them to file

such claim and not as a result of excess payment or advance tax. This is evident from following broad categories in respect of which refund claims are filed and sanctioned, namely:-

- a. Rebate on goods cleared for export prior to 30.06.2017 on payment or Central Excise duty, which has been claimed as rebate.
- b. Refund of PLA balance lying as on 01.07.2017, as the balance of PLA (Personal Ledger Account) is not allowed to be transferred in GST credit balance as either ITC or cash, under GST Law.
- c. Refund arising due to pre-deposit under Section 35F of Central Excise Act, 1944.
- d. Refund of dues paid by taxpayer in cases which are subsequently decided in favour of party by various appellate authorities/ tribunals/ courts.

In respect of export, refund is available as a means of incentivising the taxpayer, enabling him to become competitive in the international market.

[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]

### **Recommendation (SI No. 6)**

#### **Faceless Appeals**

The Committee note that the Finance Bill, 2020 has proposed to introduce e-appeal in order to eliminate human interface between the commissioner (Appeal) 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.



## **Reply of the Government**

Finance Act 2020 amended section 250 of I.T. Act, 1961 to enable the Central Government to notify a scheme in official gazette for faceless appeals. As and when the said scheme is notified, efforts will be undertaken by the department to give it wide publicity in print, electronic and social media, as recommended by the Hon'ble Committee.

**[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]**

### **Recommendation (SI No. 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 dispute 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 30<sup>th</sup> November, 2019 the amount of disputed tax arrears is a staggering Rs. 9.32 lakh crores. Considering that the actual direct tax collection into 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 benefits the Government by unlocking revenue blocking in long-drawn litigation at various for a but also enable the taxpayers to deploy their time, energy and resources towards their regular business actives. 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.

## **Reply of the Government**

Post announcement of *Vivaad se Vishwas* Scheme, the Direct Tax *Vivaad se Vishwas* (DTVSV) Act, 2020 has been enacted. The Direct Tax *Vivaad se Vishwas* Rules, 2020 have also been notified, which provide for submission of declaration, intimation etc. under the Act electronically making it completely web-based. The taxpayers can submit Forms 1 & 2 and Form 4 DTVSV, online on the E-filing portal of the Department. The entire process is completely electronic and the Department also issues Form 3 and Form 5 to the taxpayer electronically.

[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]

## **Recommendation (SI No. 8)**

### **Taxpayer's Charter**

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 right. The committee would therefore recommend that the Ministry of 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 like 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 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, workshop should be conducted across the country with

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.

### **Reply of the Government**

The proposal was incorporated in the Finance Bill, 2020 and has been enacted vide section 64 of the Finance Act, 2020. A new section **119A** has been inserted in the Act which is reproduced below:

*"119A. The Board shall adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of such Charter."*

The notification of Taxpayer's Charter is under process. The Taxpayer's Charter shall be formulated on the basis of feedback / inputs received from stakeholders and best international practices. The Department will provide a link for the Taxpayer charter, after it is notified, on all notices.

**[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]**

### **CHAPTER III**

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE  
TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

**-NIL-**

## **CHAPTER IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Recommendation (SI No. 4)**

##### **Goods and Services Tax (GST)**

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 ensure 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 duty addressed under the aegis of GST Council so as to keep the states in a sound financial health. The committee expect to 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 25<sup>th</sup> of every month.

#### **Reply of the Government**

In this regard, it is submitted that the prescribed date of 20<sup>th</sup> of subsequent month for the purpose of filing GST returns has been fixed on the basis of recommendations of GST Council, which is constitutional body established under Article 279A of the Constitution of India. The GST council has been entrusted with the task of making recommendations to the Union of India and States on all matters related to GST. However, to facilitate small taxpayers having annual aggregate turnover up to Rs.5 Crores, the Government has introduced a system of staggered filing of return from the

month of February 2020 ( January 2020 return) wherein the date of filing or return would be either 22<sup>nd</sup> or 24<sup>th</sup> depending upon the State of UT where the taxpayer is registered.

**[Ref. Ministry of Finance (Department of Revenue),  
O.M. No. H-11015/02/2020-Parl., dated 16.07.2020]**

***(For Comments of the Committee Please refer para No. 10 of Chapter I)***

## **CHAPTER V**

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES  
OF THE GOVERNMENT ARE STILL AWAITED

-NIL-

**Minutes of the Sixteenth sitting of the Standing Committee on Finance (2019-20)**  
**The Committee sat on Tuesday, the 8<sup>th</sup> September, 2020 from 1500hrs. to 1600 hrs**  
**in Main Committee Room, Parliament House Annexe, New Delhi.**

**PRESENT**

**Shri Jayant Sinha – Chairperson**

**LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Vallabhaneni Balashowry
4. Smt. Sunita Duggal
5. Smt. Darshana Vikram Jardosh
6. Shri Manoj Kishorbhai Kotak
7. Shri Gopal Chinayya Shetty
8. Shri Manish Tewari
9. Shri Rajesh Verma

**RAJYA SABHA**

10. Shri Rajeev Chandrasekhar
11. Shri Amar Patnaik
12. Shri G.V.L Narasimha Rao
13. 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 Kh. Ginalal Chung - Under Secretary



**PART I**

**(1500 hrs – 1545 hrs)**

2.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.

**PART II**

**(1545 hrs onwards)**

3. The Committee thereafter took up the following draft reports for consideration and adoption:

- (i) Draft Report on the subject 'Financing the startup ecosystem'.
- (ii) Draft Action Taken Report on the recommendations contained in 1<sup>st</sup> Report on Demands for Grants (2019-20) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).
- (iii) Draft Action Taken Report on the recommendations contained in 2<sup>nd</sup> Report on Demands for Grants (2019-20) of the Ministry of Finance (Department of Revenue).
- (iv) Draft Action Taken Report on the recommendations contained in 3<sup>rd</sup> Report on Demands for Grants (2019-20) of the Ministry of Corporate Affairs.
- (v) Draft Action Taken Report on the recommendations contained in 4<sup>th</sup> Report on Demands for Grants (2019-20) of the Ministry of Planning (NITI)
- (vi) Draft Action Taken Report on the recommendations contained in 5<sup>th</sup> Report on Demands for Grants (2019-20) of the Ministry of Statistics and Programme Implementation.
- (vii) Draft Action Taken Report on the recommendations contained in 7<sup>th</sup> Report on Demands for Grants (2020-21) of the Ministry of Finance (Departments of Economic Affairs, Financial Services, Expenditure and Investment and Public Asset Management).
- (viii) Draft Action Taken Report on the recommendations contained in 8<sup>th</sup> Report on Demands for Grants (2020-21) of the Ministry of Finance (Department of Revenue).
- (ix) Draft Action Taken Report on the recommendations contained in 9<sup>th</sup> Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

- (x) Draft Action Taken Report on the recommendations contained in 10<sup>th</sup> Report on Demands for Grants (2020-21) of the Ministry of Planning (NITI)
- (xi) Draft Action Taken Report on the recommendations contained in 11<sup>th</sup> Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.
- (xii) Draft Action Taken Report on the 50<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) on the subject "Review of NSSO and CSO and Streamlining Of Statistics Collection Machinery in the Country, including Management Information System for Project Monitoring/Appraisal"

After some deliberations, the Committee adopted the above draft Reports and authorised the Chairperson to finalise them and present the Report to the Hon'ble Speaker / Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

## APPENDIX

(Vide Para 4 of the Introduction)

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTH REPORT OF SEVENTEENTH LOK SABHA ON DEMANDS FOR GRANTS (2020-21) OF THE MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

	Total	% of total
(i) Total number of Recommendations	08	
(ii) Recommendations/Observations which have been accepted by the Government (vide Recommendation at Sl.Nos. 1, 2, 3, 5, 6, 7 & 8)	07	87.5%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendation at Sl.No. 4)	01	12.5%
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00