

14

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

SEVENTEENTH LOK SABHA

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

[Action taken by the Government on the recommendations contained in Second Report of the Standing Committee on Finance on 'Demands for Grants (2019-20)]

FOURTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

September, 2020 / Bhadrapada, 1942 (Saka)

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MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

[Action taken by the Government on the recommendations contained in Second Report of the Standing Committee on Finance on 'Demands for Grants (2019-20)']

Presented to Hon'ble Speaker on 09 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

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 Second Report (Seventeenth Lok Sabha) of the Standing Committee on Finance on 'Demands for Grants (2019-20)

* *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 Fourteenth Report on action taken by Government on the Observations / Recommendations contained in the Second Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2019-20) of the Ministry of Finance (Department of Revenue).

2. The Second Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 10 December, 2019. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 15th April, 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 Second 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 Second Report of Seventeenth Lok Sabha on Demands for Grants (2019-20) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha / Laid in Rajya Sabha on 10th December, 2019.

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. 1,4, 5, 6, 7 and 8
(Total- 6)
(Chapter- II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:
Recommendation No. 2, 3
(Total : 2)
(Chapter- III)

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:
Recommendation No. NIL
(Total : NIL)
(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)

Tax-base

5. The Committee noted that the number of taxpayers for Assessment Year (AY) 2018-19 is 8.45 crore, out of which 8.04 crore are individual taxpayers. Assuming the total population of the country to be 130 crore, the percentage of taxpayers in India works out to be a mere 6.2%. The Committee would, therefore, urge the Department to reformulate their policies/strategies so as to have a wider tax base, which would help the country move towards a truly comprehensive direct tax regime. The Committee, therefore, desire to be apprised of the road map for harnessing the tax potential of different sectors of the economy including the vibrant informal sector, that would bring it in league with comparable economies with regard to tax-GDP ratio. The Committee would like the Department to conduct extensive media campaign, awareness conferences and outreach programmes to make citizens aware of their tax obligations and consequences of non-compliance. The Committee further desire that in order to broaden the tax-base, the Government should bring the new Direct Tax Code in line with global best practices, keeping in view the country's economic needs.

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

“With a view to augment revenue through widening of tax base, the following measures have been taken by the Government:

- Quoting of Permanent Account Number (PAN) has been made mandatory for specified transactions relating to property, shares, bonds, insurance, foreign travel, demat account etc. The list of specified transactions has been expanded to seed high value transactions with PAN.
- The scope of TDS/TCS has been expanded by bringing more taxable transactions within their ambit. The TDS assessing officers take various compliance activities for timely and accurate reporting of information in TDS/TCS Statements.
- Reporting obligation under Statement of Financial Transactions (SFT) has been expanded to collect a wide range of high value transactions from specified reporting entities (including banks, financial institutions, and registrar

of property). A dedicated reporting portal has been implemented for seamless collection, processing and data quality management of third-party information. Directorate of Intelligence and Criminal Investigation (I&CI) takes various capacity building and compliance-based outreach programmes for timely and accurate reporting of information under SFT.

- The information collected under TDS/TCS statement is displayed to the taxpayer in Form 26AS to promote voluntary filing of IT return.
- Regular e-mail campaigns are undertaken to nudge potential filers for filing of IT Return on time.
- “Insight” Data Warehouse is used for collation, enrichment and analysis of internal databases and information received under Statement of Financial Transaction (SFT), Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) statements.
- Non- Filer Monitoring System (NMS) has been implemented to identify persons/entities who have undertaken high value financial transactions but have not filed their returns.
- A dedicated compliance portal has been created to capture response on compliance issues in a structured manner for effective compliance monitoring and evaluation. Compliance Management Central Processing Centre (CMCPC) has also been operationalized for leveraging campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance and resolution of compliance issues.
- The details of high-risk non-filers are pushed to the field formations for further action. An online portal has been developed to enable verification and monitoring of actionable information by the field formation.

The recommendations of the Hon’ble Committee regarding conducting of extensive media campaigns, awareness conferences and outreach programmes to make citizens aware of their tax obligations and consequences of non-compliance are noted. The Government has already undertaken several measures such as setting up Taxpayers’ Lounges at various events, trade fairs and exhibitions to raise tax awareness among the general public and school going children. The Taxpayers’ Lounges launched since 2012-13 have helped to raise awareness on how Income Tax paid by the public contributes to nation building. In the current FY 2019-20, the Government has set up Taxpayers’ Lounges at Delhi, Patna, Bengaluru and Kolkata. During the period January-March 2020, the Department has proposed setting up Tax Lounges at Ahmedabad and Ranchi. Publicity campaigns have been launched on TV channels, Radio, Print Media, Cinema Halls and Facebook page of the Department to raise awareness on due dates for filing advance tax, filing of Income Tax Returns, TDS and PAN-Aadhaar linkage. Publicity campaigns are also run through SMS, You Tube and Twitter handle of the Department.

Apart from the above measures, the Department has published more than 25 brochures covering various topics on Income-tax and other allied laws which can be downloaded on Android and iOS phones and are also distributed through *AayakarSewaKendras* (ASK) and Taxpayers' Lounges.

The Department has also published a comic book titled "*Ek Kahani-Dada kiJubani*" with the aim of educating children on the importance of paying taxes and its contribution to nation building, Virtual Reality games called 'VR Nation Builders' has been created at Taxpayers' Lounges and made available to the field offices for use in outreach programmes in schools and colleges.

The Government is committed in its endeavour to broaden the tax base and continue its media and awareness campaigns in the future.

In order to review the existing Income-tax Act, 1961 and to draft a new direct tax law in consonance with the economic needs of the country and to submit report in this regard, the Government had constituted a Task Force vide Office Order in F.No.370149/230/2017-TPL dated 22.11.2017. Subsequently, the Task Force was reconstituted vide orders of even number dated 26.11.2018 and 24.06.2019. The Task Force so constituted has submitted its report to the Government on 19.08.2019. The recommendations of Task Force have not been made public. Further, no decision as yet has been taken on the recommendations of the Task Force."

7. The Committee note that the Government has taken various measures to augment revenue through widening of tax base, especially quoting of PAN has been made mandatory for specified transactions relating to property, shares, bonds, insurance, foreign travels, demat account etc. Besides the list of specified transactions has been expanded to seed high value transactions with PAN. The Committee also note the efforts undertaken by the Government in setting up Taxpayers' Lounges at various events, trade fairs and exhibitions to raise tax awareness among the general public and school going children. Nevertheless, the Committee believe that greater efforts are needed for widening the tax base to reach the desirable level of tax collection. The Committee, therefore, reiterate their earlier recommendation that the Government may work in the direction of

expanding existing narrow tax base in the country so that it corresponds to the tax potential.

Recommendation (Sl. No. 3)

Goods and Services Tax (GST)

8. The Committee note that two years after its launch, the Government has begun the review of Goods and Services Tax (GST), including a possible resetting of rates along with the slabs, In this connection, the Committee are constrained to observe that GST collections have somewhat slowed down in recent months as compared to the target. The Committee would therefore expect the Government to resolve all the troubling issues relating to GST at the earliest to achieve the desired revenue buoyancy. The Committee would also urge the Department of Revenue to remain vigilant so as to prevent misuse of provisions such as input tax credit and enhance monitoring of overall compliance. Systematic reports as well as feedback surveys should also be collected from tax payers to evaluate whether GST is operating smoothly.

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

“In this regard, it is stated that GST has been implemented successfully in India and further improvements including collection in GST are being made continuously based on inputs received from stakeholders, as examined and recommended by GST council. For strengthening monitoring tools to prevent GST evasion, emphasis has been laid on system based analytical tools and system generated intelligence. In this connection, the Directorate General of Analytics and Risk Management (DGARM) has been set up by the CBIC. Further, E- way bill squads have been activated for the purposes of random verification of the goods in transit.

GSTN generates and shares red flag reports with Central and State/UT tax authorities showing comparison of GSTR-1 & GSTR-3B for liability analysis, GSTR-2A & GSTR-3B for comparison of ITC being claimed by taxpayers, and analysis regarding taxpayers who have generated e-way bill but not filed tax returns. It is further submitted that as per rule 138E of the CGST Rules, 2017, when a taxpayer fails to file his or her GST returns (GSTR-3B) for two continuous months, he or she will get blocked from generating an e-way bill. The said provision has come into

effect w.e.f. 21/11/2019 vide notification No. 36/2019-Central Tax, dated 20/08/2019.

A new rule 36(4) has been inserted in CGST Rules, 2017 which puts a restriction that the ITC availed by a taxpayer shall not exceed 20 per cent of the eligible credit available in respect of invoices or debit notes, the details of which have been uploaded by the suppliers under subsection (1) of Section 37 of CGST Act, 2017. The capping of ITC would lead to reduction in cases of fraudulent ITC availment as well as increase in payment of tax through cash thereby boosting GST collection.

A Group of Ministers (GoM) on Analysis of Revenue from GST has also been constituted on the recommendation of GST Council to suggest suitable measures/policy intervention for course correction for revenue augmentation, particularly for the States suffering high revenue shortfall. It is further submitted that the Government has also constituted a Committee of Officers (CoO) in October, 2019 to suggest measures to augment GST revenue. The Committee will look into issues such as systemic changes in GST to prevent misuse, measures to expand tax base, improved compliance monitoring and anti-evasion measures using better data analytics and better administrative coordination.”

10. The Committee note that a Group of Ministers (GoM) on Analysis of Revenue from GST has been constituted on the recommendation of GST Council to suggest suitable measures and policy interventions for revenue augmentation, particularly for the States suffering high revenue shortfall. However, the Committee would reiterate their recommendation that the Department of Revenue remain vigilant so as to prevent misuse of provisions such as input tax credit and enhance monitoring of overall compliance. In this regard, the Committee would suggest that the mechanism of ‘invoice matching’ should be implemented as that would go a long way in curtailing cases of input tax credit frauds. Besides, a robust reporting system should be put in place to generate real time alerts on detection of any suspicious and fraudulent transactions.

Recommendation (Sl. No. 8)

Tax litigation

11. The Committee note with the concern that the Department of Revenue is a significant contributor to litigation in terms of number of appeals filed before the Tribunals and Courts, albeit with a low success rate. Since efficacy is a critical aspect of any modern tax management regime, the Committee are of the opinion that systemic changes in tax administration needs to be effected to address the lacunae in the dispute resolution mechanism. For this purpose, the monetary limit of 'tax effect' for filing of cases by the Income Tax Department should be revised significantly upwards in different appellate fora/High Courts/Supreme Courts so as to minimize litigation, enabling the appellate fora and judiciary to focus on high value litigation and clear the massive backlog of pending cases. The Committee believe that an inclusive and constructive dialogue between the taxpayer and tax administration is crucial to create an environment of trust and transparency between the tax payer and the Department. Appeals should be filed judiciously after weighing pros and cons not as a matter of routine, burdening the already burdened system with consequential loss of efficiency.

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

“CBDT:

- **Revision of Monetary limits** for filing departmental appeals at various judicial fora was done vide CBDT circular 3/2018 dated 11.07.2018 which were further enhanced vide Circular 17 of 2019 dated 08.08.2019 as per following table:

Appellate Forum	Monetary limit as per Circular 3/2018 (Rs)	Revised Monetary limit as Per Circular 17/2019 (Rs)
ITAT	20lakhs	50lakhs
High Court	50lakhs	1crore
Supreme Court	1crore	2crore

Consequently, pending departmental appeals were withdrawn in consequence of above circulars as per table below:

Appellate Forum	Withdrawals as per Circular 3/2018	Withdrawals as per Circular 17/2019
ITAT	6985	6127
High Court	7093	6156
Supreme Court	959	1104
Total	15,037	13,387

Further, it has been clarified to the field that appeals should not be filed merely because the tax effect in a case exceeds the prescribed monetary limits. It has been clarified that filing of appeals should be decided on the merits of the case.

- **‘Vivad se Vishwas’ Scheme**

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

Tax disputes consume copious amount of time, energy and resources both on the part of the Government as well as taxpayers. Moreover, they also deprive the Government of the timely collection of revenue. Therefore, there is an urgent need to provide for resolution of pending tax disputes. This will not only benefit the Government by generating timely revenue but also the taxpayers who will be able to deploy the time, energy and resources saved by opting for such dispute resolution towards their business activities.

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

CBIC:

I. Enhancement of monetary limit for filing appeal before the courts/ appellate authority

(a) Monetary Limits for filing Appeals w.r.t. legacy Central Excise and Service Tax matters were enhanced in 2018 vide instruction F. No. 390/Misc./116/2017-JC dated 11.07.2018. The enhanced monetary limits, below which appeals cannot be filed in various appellate fora, were as under: -

Sl. No.	Appellate Forum	Monetary Limit
1.	Supreme Court	Rs. 1,00,00,000
2.	High Court	Rs. 50,00,000
3.	CESTAT	Rs. 20,00,000

(b) Monetary Limits for filing Appeals w.r.t. legacy Central Excise and Service Tax matters were further enhanced in 2019 vide instruction F. No. 390/Misc./116/2017-JC dated 22.08.2019. The existing monetary limits are as under: -

Sl. No.	Appellate Forum	Monetary Limit
1.	Supreme Court	Rs. 2,00,00,000
2.	High Court	Rs. 1,00,00,000
3.	CESTAT	Rs. 50,00,000

(c) Instruction vide F. No. 390/Misc./390/2017-JC dated 15.05.2018 has been issued introducing monetary limit of Rs. 2.5 Lakhs at the level of Commissioner (Appeals) below which appeals shall not be filed with the Commissioner (Appeals). This limit is to apply for legacy Central Excise and Service Tax matters only and would also be applicable to cases currently pending at the level of Commissioner (Appeals).

II. Pre-show cause notice (SCN) consultancy with the assessee

Instruction F.No.1080/09/DLA/Misc/15 dated 21.12.2015 was issued whereby pre show cause notice consultation by the Principal Commissioners and Commissioners was made mandatory prior to issue of SCN in case of demand of duty above 50 lakhs (except preventive/offence related SCN's).

III. Sabka Vishwas (legacy/dispute resolution) Scheme, 2019

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, a one-time measure for liquidation of past disputes of Central Excise and Service Tax has been launched by the CBIC vide Notification No. 04/2019 Central Excise-NT dated 21.08.2019. This scheme is aimed at liquidating the legacy cases locked up in litigation at various forums as well as it gives an opportunity to those who have failed to correctly discharge their tax liability to pay the tax dues.

IV. Constitution of grievance redressal committee for redressal of GST related grievances of taxpayers

CBIC has constituted grievance redressal committees at Zonal/ State level for redressal of GST related grievances of taxpayers vide instruction No. 20/10/16/2018-GST(Pt.1) dated 24.12.2019. The Committee shall examine and resolve grievances and issues being faced by the tax payers, including procedural difficulties and IT related issues pertaining to GST. It shall also refer any issue requiring a change in the Act/Rules/Notification/ Form/ Circular/ Instruction to the GST Council and Policy wing of CBIC.

V. Following steps have been taken by the CBIC to file the appeals judiciously

- Field formations have been sensitized to forward only those SLP proposals wherein the issue involves Substantial Questions of Law.
- Field formations have also been instructed that in matters where Department has lost in two consecutive previous stages of appeal, the proposal for any further appeal at a higher-fora has to be accompanied with a certificate of satisfaction by the concerned Chief Commissioner that the Department has a strong case on merits.”

13. The Committee note that the Government has revised upwardly the monetary limits for filing departmental appeals at various judicial fora/High Courts/Supreme Court with respect to Income Tax and legacy Central Excise and Service Tax matters. The Committee further note that in the Union Budget, 2020 the 'Vivad se Vishwas' scheme was announced to provide for dispute resolution in respect of pending income tax litigation; besides, Sabka Vishwas (legacy dispute resolution) scheme, 2019, as a one-time measure for liquidation of past disputes of Central Excise and Service Tax has already been launched by CBIC. While commending the measures/steps undertaken by the Government with regard to tax litigation, the Committee would like to be apprised of the progress made by the Government thus far and whether the big tax payers have availed these schemes rolled out by the Government. The Committee believe that an inclusive and constructive dialogue between the taxpayers and tax administration is crucial to create an environment of trust and transparency between the taxpayers and the Department.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI No. 1)

Budgetary Allocations and Utilisations

For Demand No. 31 pertaining to Department of Revenue, the Committee have taken note of substantial decrease in budgetary provisions from Rs.180949.70 crore at BE stage for the FY 2018-19 to Rs.119396.96 crore at RE stage and finally Rs.56479.80 crore have been shown as saving/surrender. Again, for the FY 2019-20 budgetary provision of Rs.203466.73 has been made despite substantial saving/surrender during the previous fiscals. The Committee are, therefore, constrained to observe that the Department has been regularly increasing the allocation figures under this head and then eventually surrendering the same at the end of the fiscal. For Demand No. 32 (Direct Taxes) for FY 2018-19, the allocation had been enhanced from Rs.6982 crore at BE stage to Rs.7382 crore at RE stage. As regards Demand No. 33 (Indirect Taxes) for FY 2018-19 allocation of Rs.7825.50 crore was made at BE stage which got reduced to Rs.7625.66 at RE stage and the final expenditure for the fiscal was Rs.7181.71 with surrender amount of Rs.490 crore. Therefore, the Committee urge the Ministry to review and streamline the mechanism for assessing fund requirements at BE as well as RE stage. Further, there is also need for fixing accountability for estimation as well as execution processes carried out in this regard, so that the practice of over-estimation and under-utilization is curbed comprehensively.

Reply of the Government

I. The major component of the Budget provision of Department of Revenue (Demand No. 31) is for payment of Compensation to States/UTs to protect the revenue loss due to implementation of Goods and Services Tax in India w.e.f 1st July, 2017, therefore it was estimated that the requirement on payment of GST compensation in 2018-19 may be around Rs.90,000 crore and cess collection will be of an equal amount of Rs.90,000 crore. Total budget provision of Rs.180949.70 crore for 2018-19 also included the amount of Rs.90,000 crore which was 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.

For the FY 2019-20, the total Budget provision under the Demand No 31- Department of Revenue was kept at Rs.203466.73 crores including a Capital expenditure of Rs.8.73 crores. On the Revenue side, a budget provision of Rs.101200.00 crore was kept to meet the expenditure on payment of GST compensation to States/UTs with legislature. An equal amount of compensation cess (Rs.101200.00 crore) was also kept for transfer to GST Compensation Fund. This estimate was based on trend of collection of revenue and compensation to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. The provision kept for release of compensation to States/UTs due to loss of revenue collection, is actually fiscal neutral as there will be no cash outgo from the Consolidated Fund of India. 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 a non-lapsable fund. The actual compensation on account of GST to States/UTs released was Rs.100548.49 crore till end of December, 2019.

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. 90,000 crore has been made under Head 3601 & 3602 (Rs. 87500 cr in 3601 and 2500 cr in 3602) in BE 2018-19, 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. Accordingly, provisional GST Compensation of Rs. 69275 crore has been paid to the States/ UTs on bimonthly basis for the period of March, 2018 (released in FY 2018-19) to January, 2019. Therefore, fund provided in BE 2018-19 under Head 3601 & 3602 for GST compensation has not been utilized fully in FY 2018-19 and RE 2018-19 has been restricted to Rs. 69275 cr (Rs. 64501 cr under Head 3601 & Rs. 4774 cr under Head 3602).

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 2018-19, are correct and would be utilized fully, if the IGST settlement of Rs. 64517 crore had not been adjusted against the GST Compensation in FY 2018-19 as per 25th GST Council decision.

As regards the observation of the Standing Committee that the Department has been regularly increasing the allocation figures under this head and then eventually surrendering the same at the end of the fiscal, it is stated that the actual release of compensation to State/UT Government depends upon shortfall in revenue projected after taking into account revenue collection of the States and amount received from apportionment of IGST component. As these figures are variable and depend upon the tax slab and distribution of IGST component decided by GST Council, there is an element of estimation involved.

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 utilization of funds was to the extent of Rs. 7319.93 crores which comes to Rs. 99.28% of total allocated

funds in RE 2018-19. The unutilized funds were therefore only a miniscule percentage of allocated funds. As such there is neither over estimation nor under utilization of funds.

III. The total allocation under Demand Grant No. 33- Indirect Taxes for FY 2018-19 at Budget Estimates stage was Rs.7825.50 crore, which was later reduced to Rs.7625.66 crore at Revised Estimates stage. The final actual expenditure during FY 2018-19 was Rs.7187.80 crore. The total amount surrendered was for an amount of Rs.490.00 crore, out of which Rs.357.35 crore was under Revenue Section and Rs.132.65 crore was under Capital Section. Utilization of funds was to the extent of 94.26% of total allocated funds in Revised Estimates and surrender of funds was 6.43% of revised Estimates 2018-19.

Savings under Revenue Section and Capital Section were mainly on account of the fact that funds were surrendered since Goods and Services Tax Network did not claim the second installment for adjustment of Advance User Charges in the year 2018-19. Further, funds were surrendered under Advertising & Publicity due to non-empanelment of major news/business channels with DAVP. Moreover, funds released to the CPWD and other budgetary authorities could not be utilized by them due to non-completion of certain formalities/tender process etc.

However, for better assessment of fund requirement at Budget Estimates as well as Revised Estimates stage and for fixing accountability for estimation as well as execution processes, CBIC has carried out the following mechanism:

- The Chief Commissioner/Director General/Commissioner of Customs & Central Goods & Service Tax have been notified as 68 independent Budgetary Authorities. This enables a realistic analysis and clear projections consequent to prioritisation of only such budgetary proposals which are likely to be utilised fully. Thus, the allotment of budgetary provisions to the field formation is such that the Grants are fully utilised and the surrender of funds is avoided.
- All Budgetary Authorities furnish the Monthly Expenditure Report (MER) by 20th of the following month, duly verified by the local Pay and Accounts Office. The Monthly trend is also followed closely through the monthly report

on “Cash Management System” in Central Government- modified exchequer control based expenditure management during the financial year. This enables Expenditure Management Wing to closely monitor the trend of expenditure as per monthly expenditure plan so that the funds are utilised optimally or need to be redistributed to any other Budgetary Authority.

Expenditure Management Cell, CBIC has already developed software with the help of e-lekha link taken from Pr.CCA office which shall enable monitoring of day to day expenditure of all 68 Budgetary Authorities. Further CBIC has requested NIC to develop software for allocating Budget Estimates, Revised Estimates, Additional Demand etc online. This software will help monitor estimated Budget Estimates, Revised Estimates, etc. more efficiently and avoid human and clerical errors.

- Chairman, CBIC has started monthly video conference with all Budgetary Authorities for better utilization of funds allocated to them and to avoid surrender of funds.
- Periodic meetings are held for better coordination with other concerned authorities like CPWD, land owning agencies, local PWD, State Government, Municipal Authorities etc. to get the proposals approved and fund utilisation well within the financial year to avoid surrender of funds under the “Capital” Section.
- The advise/ observations of the Standing Committee on Finance on Demand for Grants (2019-20) (2nd Report) of Ministry of Finance, Department of Revenue have also been circulated to all Budgetary Authorities under CBIC advising them to keep a close watch on expenditure trend and prevent under/over utilisation of funds provided to them.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

Recommendation (SI No. 4)

Tax Refunds and Interest on Refunds

The Committee are constrained to note that the Department have made large amount of tax refunds along with the accruing interest on refunds. In respect of direct taxes for the financial year (FY) 2017-18, the amount of refund was Rs. 1,51,602 crore and interest paid was Rs. 17,603 crore, while the corresponding figures for FY 2018-19

stood at Rs. 1,61,458 crore and Rs. 20,566 crore, respectively. Taking note of available figures, the Committee would suggest that the processes are revisited so as to dispense with the need for raising unrealistic demands as also payment of disproportionately large advance tax by assesseees.

In this context, the Committee would reiterate their recommendation in their previous Report (3rd Report of the 16th Lok Sabha) that the interest component involved in tax refunds be reflected in the Union Budget itself so that it passes through Parliamentary scrutiny and thus also has a deterrent effect.

Reply of the Government

Processing, determination, issuance and encashment of Income-tax refunds is an ongoing and computer-driven process, largely operated by the Centralized Processing Centres at Bangalore and Ghaziabad. It does not involve any direct interface with the taxpayer. All refunds, even refunds determined by the Assessing Officer, are processed through computer systems and issued by the Refund Banker (State Bank of India), mostly directly to the bank account of the taxpayer through ECS.

Out of the total interest paid on refunds, only a small part is on account of advance tax or self-assessment tax paid by the taxpayers, while the bulk of the refunds is due to excess TDS and orders of Courts/Tribunals.

For minimizing excess deduction of tax at source, the taxpayers have been provided with the option of obtaining a certificate for NIL or lower deduction under section 197 of the Income-tax Act. The entire process of applying for, processing and issue of such certificates has been computerized by the Department and the certificates are issued within 30 days of applying without any interface with the tax authorities.

While it is not correct to generalize all the demand raised by Income tax authorities as a result of assessment as per provisions of Income tax Act, 1961 as unrealistic demands because the appellate authorities, Tribunal or Courts may pass orders in appeal making amendments in the assessment order, due to difference of opinion on legal issues or on different appraisal of facts of the cases resulting in reduction of demand; several steps have been taken to contain high-pitched

assessments resulting in unrealistic demands, which are not sustainable at the appellate stages. The scrutiny selection process itself has been made more scientific and discretion free, which aims to select revenue potential cases after conducting thorough risk-assessment of the cases available for scrutiny selection by Computer selection process. Further, apart from several advisories having been issued to the field authorities to desist from making high-pitched assessments, High-level Committees comprising very senior supervisory officers have been instituted in all regions, which can be approached by the taxpayer against any disproportionate additions proposed to be made by the assessing officer. Reviews of the assessment orders are also conducted by the jurisdictional supervisory officers and adverse note of any gross over-assessment of income is recorded. Administrative action is also taken against the officer involved in a case of high-pitched assessment.

Guidelines have been issued to the field authorities to grant stay of demand on payment of 20% of the amount where appeal before Commissioner (Appeals) is lying. This results in less pay-out of refunds and interest thereon if the taxpayer wins in appeal. Very high monetary thresholds for filing appeal before Tribunal, High Court and Supreme Court have been fixed by the Department, which not only reduces litigation but also contains the amount of future refund and interest thereon.

As a result of the measures taken by the Government, the outgo of refunds as a ratio of total collections has been reducing over the years and the entire process of determination and issue of refund has been made faster. In the current financial year till 03.02.2020, refunds in 2.39 crore cases involving an amount of Rs.1.71 lakh crore have been issued.

As regards the recommendation of the Hon'ble Committee that the interest component involved in tax refunds be reflected in the Union Budget itself, it may be submitted that interest on refund is an integral part of the refund paid to the taxpayer. The interest paid along with refund of excess tax, is a statutory obligation of Government and the same is automatic and non-discretionary in nature. Excess tax deposited by the taxpayer in the Government account or collected by the Central Government is required to be refunded to the taxpayer **along with statutory interest**. Therefore, the excess tax along with interest so refunded is netted off from the revenue

receipts and only the balance amount is treated as “tax” within the meaning of Article 265 of the Constitution. Thus, excess tax together with interest does not form part of Consolidated Fund of India (CFI) in terms of Article 266 of the Constitution. Therefore, the same can be refunded to the taxpayer by netting of from the gross revenue receipts, and as such there is no need to make an appropriation from the CFI as per Article 114 of the Constitution.

It may be appreciated that interest on refund of excess tax is also not in the nature of ‘expenditure’ within the meaning of Delegation of Financial Power Rules (DFPR), 1978 but in the nature of “refunds of revenues” within the meaning of the term in rule 270(4) of General Financial Rules (GFR), 2005. Interest on refund is an integral part of the refund outgo to the taxpayer and so needs to be governed by the provisions of rules 269 and 270 of GFR, 2005 relating to “Refund of Revenue”. In view of the above, the Ministry does not consider it to be feasible to classify ‘interest on refund of excess tax’ as a charged and voted expenditure and, accordingly, it is not feasible to make budgetary provisions for interest on direct tax refunds.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

Recommendation (SI No. 5)

Undisputed/ Uncollected Tax

The Committee note that the quantum of undisputed and uncollected tax in respect of both direct and indirect taxes has assumed alarming proportions during the last five years. The Committee are not convinced with the routine reply of the Department that tax arrears recovery has been restrained by authorities or that the assesseees are not traceable or they have inadequate assets. When the Government is exploring all avenues including disinvestment, etc. to mobilize revenue, it is necessary that tax arrears which can be legally recovered should be given utmost priority and realized in a stipulated time-frame under a concrete action plan.

Reply of the Government

CBDT:

As regards the quantitative approach suggested by the Hon'ble Committee, apart from employing various provisions for collection and recovery of tax demand as stipulated under the statutes relating to Direct Taxes (including attachment/sale of movable and immovable properties), the Income-tax Department has also devised a framework of focused action by field formations in this area of work.

The targets for collection of arrear demand are assigned to field formations in Central Action Plan by CBDT every year and progress is monitored closely. The collection of demand is also an important parameter for evaluation of any officer's performance. To collect the undisputed demand, all the data such as individual transaction statements available with Banks and other agencies FIU-IND etc. are made available to field formations. Dossiers of high demand cases are regularly monitored at various levels. Recovery Surveys are conducted by field authorities. Auction of property/ assets of defaulters is also carried out by field formations. Arrear demand is pending in the cases where no asset is available or the entity is closed or not traceable.

CBIC:

Board has already issued two circulars No.1062/2017-CX dated 12/12/2017 and Circular No.1066 /5/2018-CX dated 26/06/18 regarding "non- transfer of cases to recovery cell". Board has reiterated that all Commissionerates should constitute a Recovery cell and ensure that only those cases where recovery is not made by Departmental efforts and action needs to be taken for recovery by attachment and sale of property of the defaulter, in terms of Section 11 of the Central Excise Act, 1944 read with section 142 of the Customs Act, 1962, and the Customs (Attachment of Property of Defaulters for Recovery of Government Dues) Rules, 1995 should be transferred to the Recovery Cell; Commissionerate should also take necessary steps to revamp the Recovery Cell, to review and monitor the tax arrears cases and take expeditious action towards their liquidation.

Besides, 80% of total arrears is locked up in litigation at various legal fora (including CESTAT) over which the department has no control. All necessary steps such as bunching of cases on similar issues, filing of petition for early hearing in high revenue cases, vehemently opposing adjournments/ stay etc. are being undertaken by the department for expeditious disposal of cases but legal fora including CESTAT are independent and outside the purview of the department. Therefore, maximum efforts are concentrated on the remaining 20% cases which are recoverable / clearly recoverable even in these, more than 50% of the cases relate to untraceable defaulters/units closed. Hence actual recoverable arrears are very less.

It is also to inform that this office prepares an Action Plan every year after Board fixes a target for recovery of arrears on all India basis and issues guidelines/ monitors the Zones for speedy recovery of arrears target fixed.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

Recommendation (SI No.6)

Search, Seizures and Surveys

The searches and surveys are amongst the main evidence collecting mechanisms that are used in cases where tax evasion is involved. The evidence collected through searches and surveys is used for determination of the liability, if any, through the quasi-judicial process of assessment of income. The Committee note that there is an avoidable time-lag between the search/survey operation and passing of the assessment orders and disposal of all the appeals relating to the same, which defeats the intended purpose of these operations. The Committee further note that due to time-lag between the search/survey and passing of assessment orders, the Department is not able to maintain centrally data of actual tax yield of searches and surveys. The Committee, therefore, desire that the Department should strive to curtail this time-lag and also maintain centralised data on actual tax yield of searches and surveys, so as to judge the efficacy of this process. In addition, the Committee would like the Department to consider appropriate grievance tracking and redressal mechanism during this process.

Further, the Committee are constrained to note that with respect to Direct Taxes, 'Demand difficult to recover' as on 31.08.2019 is Rs.12,17,749 crore, which is a vast amount that seems to be difficult to obtain by the Government. The Committee are desirous of knowing whether this is on account of unreasonable demands or because of other reasons beyond the control of Government. In any case, the Committee would like to stress that tax authorities act with caution and balance on 'Search, Seizure and Surveys'.

Reply of the Government

In this regard, it is submitted that the scheme of completion of assessment orders in cases involving searches/ surveys and disposal of appeals relating to the same is implemented as per the provisions of Income Tax Act, 1961. It is worthwhile to mention here that as per the amendment inserted by the Finance Act, 2017 w.e.f. 01.04.2017 in section 153B of the IT Act 1961, the time limit for completing of assessment under section 153A has been reduced to 18 months for the cases where Search & Seizure action has been carried out after 01.04.2018 and where Search & Seizure action has been carried out after 01.04.2019, the time limit has been further reduced to 12 months. This is a significant reduction as compared to the present time limit of 21 months which is available for completing such assessments.

Also, before the finalization of Assessment Order, adequate opportunity of being heard needs to be given, following the principle of natural justice, to the assessee so that the Assessment Orders are objective and may also stand the test of appeals. These assessments are subject to further appeals at various stages which may include Income Tax Appellate Tribunal, jurisdictional High Courts and Supreme Court of India. These are judicial proceedings regarding which the Income tax Department has no control.

Further, CBDT also issues instructions/ guidelines from time to time with regard to strict adherence to timelines for completion of post search investigations and preparation of Appraisal Report. However, post-search investigations include conducting of extensive enquiries including third party enquiries, collection of evidence, analysis of digital records, etc. In several cases, reference to foreign jurisdictions is

made by the Income Tax Department in connection with the investigations in foreign income and assets found during the course of search and seizure operations.

With regard to grievance redressal, it is submitted that there are already various options available for the tax payers to register their grievances like CPGRAMS, e-Nivaran, help line numbers etc to address any hardship faced by the taxpayer in a time bound manner. The Directorate of Tax Payer Service – II of CBDT has been assigned the duties of monitoring of disposal of public grievances on CPGRAMS. All grievances are downloaded from the website pgportal.gov.in and after examination, action taken by the offices subordinate to CBDT are monitored by the Directorate to ensure timely resolution of the grievances. Information about redressal action taken in such cases, is uploaded on the website by the subordinate offices. The Directorate constantly monitors the resolution of the grievances throughout the country.

'E-Nivaran' is an electronic grievance redressal system integrated with the ITBA application (the Department's internal online working system). Paper grievances received through ASK Centres are also digitized and integrated with E-Nivaran module. Grievances are also received manually or through e-mail in the offices of PM/FM/MOS/Chairman/Members, CBDT, uploaded on E-Nivaran module according to PAN jurisdiction and their pendency and redressal monitored by the Directorate of Income-tax (TPS-I & TDS).

Regarding demand difficult to recover, it is submitted that certain arrear demands become difficult to recover due to several reasons including cases where assessee is not traceable or cases of no/ inadequate assets, companies under liquidation, demand raised as protective demand, etc. The targets for collection of arrear demand assigned to field formations in the Central Action Plan by CBDT every year also include some percentage of the demand classified as difficult to recover on account of no/ inadequate assets, assessee not traceable or for any other reason because experience has shown that in at least few such cases, the assessees could be traced with concerted efforts, including internet search, use of ITS data and enquiries through banks.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

Recommendation (SI No.7)

Maintenance of Data

The Committee note with concern that the Department does not maintain sector/category-wise data-base on important areas of revenue operations. Therefore, in the view of the Committee, a comprehensive database will strengthen the existing Management Information Systems (MIS) in the Department with visible outcomes for tax monitoring, compliance and enforcement. Therefore, the Committee would suggest that the Department should become more pro-active by maintaining complete data-base, which is not a difficult proposition in this era of information technology which the Department has started applying in their processes.

Reply of the Government

CBDT:

Income Tax Department has implemented an integrated data warehouse and Business Intelligence Platform (Insight Platform) which has strengthened the existing Management Information Systems (MIS) in the Department with visible outcomes for tax monitoring, compliance and enforcement. In the Data Warehouse and Business Intelligence system, the taxpayer-base (PAN holders) have been classified using a wide range of attributes such as taxpayer type, source of income, nature-of-business, taxpayer size, pin code category etc.

Income Tax Transaction Analysis Centre (INTRAC) has also been operationalized for handling data integration, data warehousing, data quality management, data enrichment and data analytics.

CBIC:

Budgetary Allocation and Utilizations: - Budget Position under different Object Heads for the F.Y. 2018- 19 in respect of Director General of Systems is illustrated below, wherein, it could be observed that the only Object Head under which considerable amount remained unutilized is the Object Head Information Technology under which the amount of Rs. 3.19 Crores could not be utilized. For IT projects, the payments are milestones based and are made only after completion of each module.

Since in many cases delay in achieving the milestones and deliverables are from the Vendor side, the payments are delayed and the expenditure are cut down at the end of the financial year.

(Rs. in thousand)

Sl. No.	Object Head	BE Proposed	BE Allocated	RE Proposed	RE Allocated	FR Proposed	FR Allocated	FR Utilized	Amount Unutilized
•	Salary	18,88,00	18,00,00	19,07,00	19,00,00	19,30,00	19,30,00	19,18,72	11,28
•	Medical	16,00	13,00	13,00	13,00	14,00	13,00	12,24	76
•	D.T.E	1,23,00	70,00	1,10,00	90,00	97,50	95,00	93,01	1,99
•	F.T.E	15,00	14,00	12,00	12,00	12,60	12,60	11,85	75
•	O.E (Gen.)	7,78,34	7,50,00	8,29,00	7,75,00	7,65,00	7,75,00	7,68,30	6,70
•	O.E. (M.V)	1,43,75	1,00,00	1,46,52	1,40,00	1,43,00	1,40,00	1,38,39	1,61
•	O.E (Swachhta)	30,00	30,00	30,00	30,00	30,00	30,00	29,05	95
•	Other Charges (Voted)	0	240,00,00	240,00,00	119,00,00	118,76,00	118,76,00	118,76,00	0
•	R.R.T.	21,50,00	21,50,00	21,10,00	21,10,00	21,10,00	21,10,00	21,10,00	0
•	O.A.E	14,45	10,00	18,63	12,00	15,00	15,00	14,35	65
•	I.T.	954,71,00	410,74,80	479,37,00	428,92,00	408,10,00	408,10,00	404,91,44	3,18,56
•	Total	1006,29,54	700,11,80	771,13,15	598,74,00	578,03,20	578,06,60	574,63,35	3,43,25

Goods and Service Tax (GST): - In order to plug the leakage of revenue various functionalities have been developed under the modules developed by DG Systems. The module wise details are given as below:

a) Registration module - The following functionalities are in place to eliminate/prevent unscrupulous elements from joining the GST dispensation:

- i. Verification of other registrations linked to a single PAN as provided under CBIC Circular 95/14/2019-GST dated 28.03.2019. It helps to prevent a person from obtaining another registration after cancellation of his earlier registration without complying with the requirements leading to the cancellation.
- ii. Physical verification of the place of business of the taxpayers to verify their genuineness.

iii. Suo motu cancellation as per the CGST Rules 2017.

b) Returns Module - To prevent misuse of provisions such as input tax credit and enhancement, monitoring of overall compliance, the following reports are available/underway in Returns Module. By providing these reports, field formations can initiate action accordingly to augment/supplement revenue under GST.

Sl. No.	Report Type	Name of the report	Available/Underway
1	MIS	Tax paid Offset Report	Available
2	MIS	ITC Report	Available
3	MIS	Turn Over Report	Available
4	MIS	List of Taxpayers who have filed GSTR 3B	Available
5	MIS	HSN Report	Available
6	MIS	Nil Return Filers	Available
7	MIS	Due Filers Filers / Non-Filers	Available
8	MIS	Issue Of GSTR 3A notices to Non-Filers	Available
9	MIS	GSTR 3B Filers Vs. GSTR 1	Underway
10	MIS	GSTR 3B Vs. GSTR 2A	Underway
11	MIS	Export Report	Underway
12	MIS	New Tax paid Offset Report	Underway
13	Ad hoc	Taxpayers filed GSTR 1 but not filed GSTR 3B Taxpayers whose ITC ratio is >95% but not filed their Annual Returns for the Financial Year 2017-18	Underway
14	Ad hoc	filed their Annual Returns for the Financial Year 2017-18	Underway
15	Ad hoc	Non-Filers for a certain period whose ITC ratio is >95%	Underway
16	Ad hoc	Non-Filers of GSTR 3B who has filed GSTR-I for a certain period	Underway

Apart from the above reports, the facility to generate GSTR 2A return is made available to the officers for checking the ITC. Further, the GST Council's in its 39th Meeting held on 14/03/2020 had recommended for amending the section 75(12) of the CGST Act, 2017 to provide for treating the liability on outward supply declared in GSTR-1 as declared/confirmed liability and once this amendment is made effective, linking of GSTR 2A with GSTR 3B would start.

c) Refund Module - In the refund module, following functionalities are available to plug the loopholes and leakages of GST revenue: -

- i. In the online refunds module, the entire workflow has been automated to process the refund claimed which will result in substantial reduction in the processing time of the refunds thereby reducing the chances of delay and interest liability to the Department.
- ii. Further the process of sanctioning of interest is also captured in the application itself for the purpose of effective monitoring.
- iii. Adhoc daily reports regarding pending refund applications at different stages with age wise break up and reasons for delay if any (including system related issues) along with Adhoc daily reports regarding disposal and action taken on refund claims are captured and shared with the Zonal Chief Commissioners for effective monitoring of timely disposal to avoid interest liability. MIS reports for the same are under development.
- iv. A functionality to disable the facility of LUT (ENABLE/DISABLE LUT) to the tax payer is provided. The Jurisdictional officers can make use of this functionality to disable /enable / re-enable the facility as the case may be to the Taxpayers.
- v. A functionality to view Ledger is made available in the (RFD-O 1 A) screen to ensure that amount claimed as refund has been debited in the ledger of the Tax Payer. The same is being developed in the online refund as well.
- vi. In the manual refund module (RFD-O 1 A), before bifurcation of Tax Payer between Centre and State, the Tax Payers were free to approach the Centre or State Governments for claiming their refund. When this was automated, there were many cases where the ARN did not reach the CBIC System and a request was received from the Jurisdictional Officers to fetch the ARN and make it available in the dashboard of the officer. A SOP dated 15.10.19 was issued wherein the Jurisdictional Officers were directed to forward their request along with a confirmation report from the State authorities that no refund has been processed in respect of these ARNs to ensure there is no double benefit to the tax payer and loss to the exchequer.

Under development-

- vii. For effective monitoring of the refund applications processed and pending by Senior Management a Refunds dashboard with analytical charts is developed. SMS alerts to jurisdictional officers and escalation matrix to Supervising officers regarding the pending applications to alert the officers regarding the pendency is also under development.
- viii. MIS Report on Interest Paid is also under development.

Maintenance of Data: - Enterprise Data Warehouse (EDW) in DG Systems has sector specific revenue reports up to 8-digit Customs Tariff Headings (CTH). DG Systems, CBIC already has a unified database known as EDW which was operationalized in 2010. EDW is centralized repository of most of the business data of CBIC. EDW serves the data and analytical requirements of agencies like Prime Minister's Office, Tax Research Unit (TRU), RBI, Directorate General of Revenue Intelligence, Directorate General of Goods & Service Tax Intelligence, Directorate General of Audit, ED, GST Policy wing etc. It also caters to the data requests from the Board, field formations, various ministries. CBIC is already pro-active to maintain complete data base in this era of information technology. Moreover, CBIC is in the process to develop more advance systems like ADVAIT to enhance the capability for tax monitoring, compliance and enforcement.

Further, the Directorate General of Analytics and Risk Management (DGARM) is an Apex body of CBIC for data analytics on GST, Customs and erstwhile Central Excise and Service Tax data to identify risky tax payers for targetted enforcement action by CBIC field formations. These risky tax payers are shared through a web application with the field formation for improving compliance and revenue augmentation.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

Recommendation (SI No.8)

Tax litigation

The Committee note with the concern that the Department of Revenue is a significant contributor to litigation in terms of number of appeals filed before the Tribunals and Courts, albeit with a low success rate. Since efficacy is a critical aspect of any modern tax management regime, the Committee are of the opinion that systemic changes in tax administration needs to be effected to address the lacunae in the dispute resolution mechanism. For this purpose, the monetary limit of 'tax effect' for filing of cases by the Income Tax Department should be revised significantly upwards in different appellate fora/High Courts/Supreme Courts so as to minimize litigation, enabling the appellate fora and judiciary to focus on high value litigation and clear the massive backlog of pending cases. The Committee believe that an inclusive and

constructive dialogue between the taxpayer and tax administration is crucial to create an environment of trust and transparency between the tax payer and the Department. Appeals should be filed judiciously after weighing pros and cons not as a matter of routine, burdening the already burdened system with consequential loss of efficiency.

Reply of the Government

CBDT:

- **Revision of Monetary limits** for filing departmental appeals at various judicial fora was done vide CBDTcircular3/2018 dated 11.07.2018 which were further enhanced vide Circular17 of 2019 dated 08.08.2019 as per following table:

Appellate Forum	Monetary limit as per Circular 3/2018 (Rs)	Revised Monetary limit as per Circular 17/2019 (Rs)
ITAT	20lakhs	50lakhs
High Court	50lakhs	1crore
Supreme Court	1crore	2crore

Consequently, pending departmental appeals were withdrawn in consequence of above circulars as per table below:

Appellate Forum	Withdrawals as per Circular 3/2018	Withdrawals as per Circular 17/2019
ITAT	6985	6127
High Court	7093	6156
Supreme Court	959	1104
Total	15,037	13,387

Further, it has been clarified to the field that appeals should not be filed merely because the tax effect in a case exceeds the prescribed monetary limits. It has been clarified that filing of appeals should be decided on the merits of the case.

- **‘Vivad se Vishwas’ Scheme**

In so far as CBDT is concerned, over the years, the pendency of appeals filed by taxpayers as well as Government has increased due to the fact that number of appeals that are filed is much higher than the number of appeals that are disposed. As a result, a huge amount of disputed tax arrears is locked-up in these appeals. As on 30th

November, 2019, the amount of disputed tax arrears is Rs. 9.32 lakh crores. Considering that the actual direct collection in the financial year 2018-19 was 11.37 lakh crores, the dispute tax arrears constitute nearly one-year's direct tax collection.

Tax disputes consume copious amount of time, energy and resources both on the part of the Government as well as taxpayers. Moreover, they also deprive the Government of the timely collection of revenue. Therefore, there is an urgent need to provide for resolution of pending tax disputes. This will not only benefit the Government by generating timely revenue but also the taxpayers who will be able to deploy the time, energy and resources saved by opting for such dispute resolution towards their business activities.

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

CBIC:

I. Enhancement of monetary limit for filing appeal before the courts/ appellate authority

(a) Monetary Limits for filing Appeals w.r.t. legacy Central Excise and Service Tax matters were enhanced in 2018 vide instruction F. No. 390/Misc./116/2017-JC dated 11.07.2018. The enhanced monetary limits, below which appeals cannot be filed in various appellate fora, were as under: -

Sl. No.	Appellate Forum	Monetary Limit
1.	Supreme Court	Rs. 1,00,00,000
2.	High Court	Rs. 50,00,000
3.	CESTAT	Rs. 20,00,000

(b) Monetary Limits for filing Appeals w.r.t. legacy Central Excise and Service Tax matters were further enhanced in 2019 vide instruction F. No. 390/Misc./116/2017-JC dated 22.08.2019. The existing monetary limits are as under: -

Sl. No.	Appellate Forum	Monetary Limit
1.	Supreme Court	Rs. 2,00,00,000
2.	High Court	Rs. 1,00,00,000
3.	CESTAT	Rs. 50,00,000

(c) Instruction vide F. No. 390/Misc./390/2017-JC dated 15.05.2018 has been issued introducing monetary limit of Rs. 2.5 Lakhs at the level of Commissioner (Appeals) below which appeals shall not be filed with the Commissioner (Appeals). This limit is to apply for legacy Central Excise and Service Tax matters only and would also be applicable to cases currently pending at the level of Commissioner (Appeals).

II. Pre-show cause notice (SCN) consultancy with the assessee

Instruction F.No.1080/09/DLA/Misc/15 dated 21.12.2015 was issued whereby pre show cause notice consultation by the Principal Commissioners and Commissioners was made mandatory prior to issue of SCN in case of demand of duty above 50 lakhs (except preventive/offence related SCN's).

III. Sabka Vishwas (legacy/dispute resolution) Scheme, 2019

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, a one-time measure for liquidation of past disputes of Central Excise and Service Tax has been launched by the CBIC vide Notification No. 04/2019 Central Excise-NT dated 21.08.2019. This scheme is aimed at liquidating the legacy cases locked up in litigation at various forums as well as it gives an opportunity to those who have failed to correctly discharge their tax liability to pay the tax dues.

IV. Constitution of grievance redressal committee for redressal of GST related grievances of taxpayers

CBIC has constituted grievance redressal committees at Zonal/ State level for redressal of GST related grievances of taxpayers vide instruction No. 20/10/16/2018-GST(Pt.1) dated 24.12.2019. The Committee shall examine and resolve grievances and issues being faced by the tax payers, including procedural difficulties and IT related issues pertaining to GST. It shall also refer any issue requiring a change in the Act/Rules/Notification/ Form/ Circular/ Instruction to the GST Council and Policy wing of CBIC.

V. Following steps have been taken by the CBIC to file the appeals judiciously

- Field formations have been sensitized to forward only those SLP proposals wherein the issue involves Substantial Questions of Law.
- Field formations have also been instructed that in matters where Department has lost in two consecutive previous stages of appeal, the proposal for any further appeal at a higher-fora has to be accompanied with a certificate of satisfaction by the concerned Chief Commissioner that the Department has a strong case on merits.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

(For Comments of the Committee Please refer para No. 13 of Chapter I)

CHAPTER III

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

Recommendation (SI No.2)

Tax-base

The Committee note that the number of taxpayers for Assessment Year (AY) 2018-19 is 8.45 crore, out of which 8.04 crore are individual taxpayers. Assuming the total population of the country to be 130 crore, the percentage of taxpayers in India works out to be a mere 6.2%. The Committee would, therefore, urge the Department to reformulate their policies/strategies so as to have a wider tax base, which would help the country move towards a truly comprehensive direct tax regime. The Committee, therefore, desire to be apprised of the road map for harnessing the tax potential of different sectors of the economy including the vibrant informal sector, that would bring it in league with comparable economies with regard to tax-GDP ratio. The Committee would like the Department to conduct extensive media campaign, awareness conferences and outreach programmes to make citizens aware of their tax obligations and consequences of non-compliance. The Committee further desire that in order to broaden the tax-base, the Government should bring the new Direct Tax Code in line with global best practices, keeping in view the country's economic needs.

Reply of the Government

With a view to augment revenue through widening of tax base, the following measures have been taken by the Government:

- Quoting of Permanent Account Number (PAN) has been made mandatory for specified transactions relating to property, shares, bonds, insurance, foreign travel, demat account etc. The list of specified transactions has been expanded to seed high value transactions with PAN.
- The scope of TDS/TCS has been expanded by bringing more taxable transactions within their ambit. The TDS assessing officers take various compliance activities for timely and accurate reporting of information in TDS/TCS Statements.

- Reporting obligation under Statement of Financial Transactions (SFT) has been expanded to collect a wide range of high value transactions from specified reporting entities (including banks, financial institutions, and registrar of property). A dedicated reporting portal has been implemented for seamless collection, processing and data quality management of third-party information. Directorate of Intelligence and Criminal Investigation (I&CI) takes various capacity building and compliance-based outreach programmes for timely and accurate reporting of information under SFT.
- The information collected under TDS/TCS statement is displayed to the taxpayer in Form 26AS to promote voluntary filing of IT return.
- Regular e-mail campaigns are undertaken to nudge potential filers for filing of IT Return on time.
- “Insight” Data Warehouse is used for collation, enrichment and analysis of internal databases and information received under Statement of Financial Transaction (SFT), Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) statements.
- Non- Filer Monitoring System (NMS) has been implemented to identify persons/entities who have undertaken high value financial transactions but have not filed their returns.
- A dedicated compliance portal has been created to capture response on compliance issues in a structured manner for effective compliance monitoring and evaluation. Compliance Management Central Processing Centre (CMCPC) has also been operationalized for leveraging campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance and resolution of compliance issues.
- The details of high-risk non-filers are pushed to the field formations for further action. An online portal has been developed to enable verification and monitoring of actionable information by the field formation.

The recommendations of the Hon’ble Committee regarding conducting of extensive media campaigns, awareness conferences and outreach programmes to make citizens aware of their tax obligations and consequences of non-compliance are noted. The Government has already undertaken several measures such as setting up Taxpayers’ Lounges at various events, trade fairs and exhibitions to raise tax awareness among the general public and school going children. The Taxpayers’ Lounges launched since 2012-13 have helped to raise awareness on how Income Tax

paid by the public contributes to nation building. In the current FY 2019-20, the Government has set up Taxpayers' Lounges at Delhi, Patna, Bengaluru and Kolkata. During the period January-March 2020, the Department has proposed setting up Tax Lounges at Ahmedabad and Ranchi. Publicity campaigns have been launched on TV channels, Radio, Print Media, Cinema Halls and Facebook page of the Department to raise awareness on due dates for filing advance tax, filing of Income Tax Returns, TDS and PAN-Aadhaar linkage. Publicity campaigns are also run through SMS, You Tube and Twitter handle of the Department.

Apart from the above measures, the Department has published more than 25 brochures covering various topics on Income-tax and other allied laws which can be downloaded on Android and iOS phones and are also distributed through *AayakarSewaKendras* (ASK) and Taxpayers' Lounges.

The Department has also published a comic book titled "*Ek Kahani-Dada kiJubani*" with the aim of educating children on the importance of paying taxes and its contribution to nation building, Virtual Reality games called 'VR Nation Builders' has been created at Taxpayers' Lounges and made available to the field offices for use in outreach programmes in schools and colleges.

The Government is committed in its endeavour to broaden the tax base and continue its media and awareness campaigns in the future.

In order to review the existing Income-tax Act, 1961 and to draft a new direct tax law in consonance with the economic needs of the country and to submit report in this regard, the Government had constituted a Task Force vide Office Order in F.No.370149/230/2017-TPL dated 22.11.2017. Subsequently, the Task Force was reconstituted vide orders of even number dated 26.11.2018 and 24.06.2019. The Task Force so constituted has submitted its report to the Government on 19.08.2019. The recommendations of Task Force have not been made public. Further, no decision as yet has been taken on the recommendations of the Task Force.

[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated 15.04.2020]

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

Recommendation (SI No. 3)

Goods and Services Tax (GST)

The Committee note that two years after its launch, the Government has begun the review of Goods and Services Tax (GST), including a possible resetting of rates along with the slabs, In this connection, the Committee are constrained to observe that GST collections have somewhat slowed down in recent months as compared to the target. The Committee would therefore expect the Government to resolve all the troubling issues relating to GST at the earliest to achieve the desired revenue buoyancy. The Committee would also urge the Department of Revenue to remain vigilant so as to prevent misuse of provisions such as input tax credit and enhance monitoring of overall compliance. Systematic reports as well as feedback surveys should also be collected from tax payers to evaluate whether GST is operating smoothly.

Reply of the Government

In this regard, it is stated that GST has been implemented successfully in India and further improvements including collection in GST are being made continuously based on inputs received from stakeholders, as examined and recommended by GST council. For strengthening monitoring tools to prevent GST evasion, emphasis has been laid on system based analytical tools and system generated intelligence. In this connection, the Directorate General of Analytics and Risk Management (DGARM) has been set up by the CBIC. Further, E- way bill squads have been activated for the purposes of random verification of the goods in transit.

GSTN generates and shares red flag reports with Central and State/UT tax authorities showing comparison of GSTR-1 & GSTR-3B for liability analysis, GSTR-2A & GSTR-3B for comparison of ITC being claimed by taxpayers, and analysis regarding taxpayers who have generated e-way bill but not filed tax returns. It is further submitted that as per rule 138E of the CGST Rules, 2017, when a taxpayer fails to file his or her GST returns (GSTR-3B) for two continuous months, he or she will get blocked from generating an e-way bill. The said provision has come into effect w.e.f. 21/11/2019 vide notification No. 36/2019-Central Tax, dated 20/08/2019.

A new rule 36(4) has been inserted in CGST Rules, 2017 which puts a restriction that the ITC availed by a taxpayer shall not exceed 20 per cent of the eligible credit available in respect of invoices or debit notes, the details of which have been uploaded by the suppliers under subsection (1) of Section 37 of CGST Act, 2017. The capping of ITC would lead to reduction in cases of fraudulent ITC availment as well as increase in payment of tax through cash thereby boosting GST collection.

A Group of Ministers (GoM) on Analysis of Revenue from GST has also been constituted on the recommendation of GST Council to suggest suitable measures/policy intervention for course correction for revenue augmentation, particularly for the States suffering high revenue shortfall. It is further submitted that the Government has also constituted a Committee of Officers (CoO) in October, 2019 to suggest measures to augment GST revenue. The Committee will look into issues such as systemic changes in GST to prevent misuse, measures to expand tax base, improved compliance monitoring and anti-evasion measures using better data analytics and better administrative coordination.

**[Ref. Ministry of Finance (Department of Revenue), O.M. No. H-11015/7/2019-Parl., dated
15.04.2020]**

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

CHAPTER IV

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

-NIL-

CHAPTER V

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

-NIL-

**New Delhi;
8 September 2020
17 Bhadrapada, 1942 (Saka)**

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

Minutes of the Sixteenth sitting of the Standing Committee on Finance (2019-20)
The Committee sat on Tuesday, the 8th 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 1st 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 2nd 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 3rd Report on Demands for Grants (2019-20) of the Ministry of Corporate Affairs.
- (v) Draft Action Taken Report on the recommendations contained in 4th Report on Demands for Grants (2019-20) of the Ministry of Planning (NITI)
- (vi) Draft Action Taken Report on the recommendations contained in 5th 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 7th 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 8th 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 9th Report on Demands for Grants (2020-21) of the Ministry of Corporate Affairs.

- (x) Draft Action Taken Report on the recommendations contained in 10th Report on Demands for Grants (2020-21) of the Ministry of Planning (NITI)
- (xi) Draft Action Taken Report on the recommendations contained in 11th Report on Demands for Grants (2020-21) of the Ministry of Statistics and Programme Implementation.
- (xii) Draft Action Taken Report on the 50th Report (16th 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 SECOND REPORT OF SEVENTEENTH LOK SABHA ON DEMANDS FOR GRANTS (2019-20) 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 SI.Nos. 1, 4, 5, 6, 7 & 8)	06	75%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (vide Recommendation at SI.Nos. 2 & 3)	02	25%
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee	Nil	0.00
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00