

21

**STANDING COMMITTEE
ON FINANCE
(1998-99)**

TWELFTH LOK SABHA

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

**DEMANDS FOR GRANTS
(1999-2000)**

TWENTY-FIRST REPORT



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**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1999/Chaitra, 1921 (Saka)

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STANDING COMMITTEE ON FINANCE
(1998-99)

(TWELFTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(1999-2000)

Presented to Lok Sabha on 22.4.1999

Laid in Rajya Sabha on 19.4.1999



LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE
(1998-99)

Shri Murli Deora — *Chairman*

MEMBERS

Lok Sabha

2. Shri Dharendra Agarwal
3. Shri Mohanbhai Sanjibhai Delkar
4. Shri Haribhai Parathibhai Chaudhary
5. Shri Uttam Singh Pawar
6. Shri Girdhari Lal Bhargava
7. Shri Chetan Chauhan
8. Shri Bhagwan Shanker Rawat
9. Shri Rayapati Sambasiva Rao
10. Shri T. Subbarami Reddy
11. Shri Kavuru Sambasiva Rao
12. Shri Sandipan Bhagwan Thorat
13. Shri Praful Manoharbai Patel
14. Shri Prithviraj D. Chavan
15. Shri R. L. Jalappa
16. Shri Magunta Sreenivasulu Reddy
17. Shri Rupchand Pal
18. Shri Varkala Radhakrishnan
19. Shri Beni Prasad Verma
20. Shri S. Murugesan
- *21. Shri M. Sahabuddin
22. Dr. S. Venugopalachary

*Ceased to be the Member of the Committee w.e.f. 12.4.1999.

23. Shri Tathagata Satpathy
24. Kum. Kim Gangte
25. Dr. Bikram Sarkar
26. Shri S. Jaipal Reddy
27. Shri Joachim Baxla
28. Shri P. Chidambaram
29. Shri Buta Singh
30. Shri Ch. Vidyasagar Rao

Rajya Sabha

31. Dr. Manmohan Singh
32. Shri Krishna Kumar Birla
33. Shri N.K.P. Salve
34. Shri M. Rajsekara Murthy
35. Shri Narendra Mohan
36. Shri O. P. Kohli
37. Shri Raghavji
38. Dr. Biplab Dasgupta
39. Shri C. Ramachandraiah
40. Shri Amar Singh
41. Shri Prem Chand Gupta
42. Shri R. K. Kumar
43. Shri Gurudas Das Gupta
44. Shri Satishchandra Sitaram Pradhan
45. Shri Suresh A. Keswani

SECRETARIAT

1. Dr. A. K. Pandey — *Additional Secretary*
2. Dr. (Smt.) P. K. Sandhu — *Director*
3. Shri N.S. Hooda — *Assistant Director*
4. Shri L.V. Ramana — *Reporting Officer*

INTRODUCTION

I, the Chairman of the Standing Committee on Finance (1998-99), having been authorised by the Committee to submit the Report on their behalf present this Twenty First Report on Demands for Grants (1999-2000) of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants of the Ministry of Finance were laid on the Table of the House on 12 March, 1999. Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha provides that the Standing Committees shall consider the Demands for Grants of the concerned Ministries/Departments and make a Report on the same to the Houses.

3. The Committee took oral evidence of the representatives of Ministry of Finance (Department of Revenue) at their sittings held on 23 March and 9 April, 1999 in connection with the examination of Demands for Grants (1999-2000) of Ministry of Finance (Department of Revenue).

4. The Committee considered and adopted the Report at their sitting held on 9 April, 1999.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance for cooperation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6: For facility of reference, the observations/recommendations of the Committee have been printed in thick type.

NEW DELHI;
15 April, 1999
25 Chaitra, 1921 (Saka)

MURLI DEORA,
Chairman,
Standing Committee on Finance.

REPORT

Demand No. 35
Department of Revenue
Major Head : 2875
Minor Head : 01.107
Detailed Head : 01.02.21

Ghazipur Opium Factory

Supplies and Materials

The outlay under this head is meant to meet the expenditure relating to packing material required for export of opium, purchase of plastic containers required for bringing opium from fields and its storage in the factory and consumable stores like chemicals, wooden trays, etc. are booked. The following table shows the utilisation of the budgetary resources allocated under this head:—

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1994-95	45,00	92,20	92,80
1995-96	50,20	50,20	72,75
1996-97	50,20	70,00	39,23
1997-98	60,00	64,14	59,78
1998-99	70,00	1,00,00	65,00
1999-2000	70,00		

2. Replying to a query regarding the reasons for over-utilisation during 1994-95, 1995-96 and under utilisation since 1996-97 onwards the Ministry in their written reply has stated as under:—

“Since 1994-95 Government decided to change the system of bringing of opium from the fields by substituting plastic containers for canvas/gunny bags, during 1994-95, 31000 plastic containers were purchased. During 1995-96 there was a bumper crop of opium in Rajasthan due to which 5000 additional containers were purchased on an emergent basis which was not estimated at the time of submitting Revised Estimates for 1995-96.

During 1996-97 the provision was made for purchase of steel trays for drying of opium which was not purchased later leading to under-utilisation of funds. During 1997-98, there was a provision for purchase of plastic containers, but due to crop failure intimated after submission of Revised Estimates, the containers were not purchased. The higher Budget Estimates for 1998-99 was on account of provision of purchase of equipments worth Rs. 10 lakhs for a project on “Impact of Opium on the health of workers employed at GOAW, Ghazipur”. The study is being conducted by AIIMS. The additional provision was also made in Revised Estimates of 1997-98 to purchase electric oven required for testing of opium at the weighment centres and also for modernisation of laboratory at Ghazipur Opium Factory.”

3. The Committee find that though it was decided to change the system of bringing of opium from the fields by substituting plastic containers for canvas/gunny bags as far back as in 1994-95, the Government failed to accurately assess the emerging demand for additional plastic containers during the subsequent year *i.e.* 1995-96 as a result of which there was over-utilisation. The reason advanced for over-utilisation has been stated to be on account of bumper crop of opium in Rajasthan which necessitated purchase of additional containers on an emergent basis. It has further been stated that the demand for additional containers could not be estimated at the time of submitting Revised Estimates. The Committee are not inclined to accept such a flimsy reply in view of the very fact that the crop of the opium becomes mature in the month of March, whereas the Revised Estimates are formulated normally in the month of October-

November every year. They therefore feel that there was, ample time for the Department to assess the actual requirement of the containers. What further dismays the Committee is very fact that during the next year *i.e.* 1996-97, the Revised Estimates were again revised upwards substantially but the actual expenditure was even less than the Budget Estimates. The reasons given in support of under-utilisation this year are that the provision had been made for purchase of steel trays for drying of opium which were not purchased. No reasons have been advanced on account of which the trays could not be purchased. Again during 1996-97 additional provision was made in the Revised Estimates but the actual expenditure remained far less than even the Budget Estimates. The reasons are stated to be on account of crop failure which was intimated after the Revised Estimates were made. Similar phenomenon has been noticed for the next year.

4. Taking above facts into consideration, the Committee are of the view that there is a total lack of seriousness and planning in the Department for making the Budget Estimates/Revised Estimates as well as in utilising the allocations made in a meaningful manner. The figures for all the years show complete adhocism prevailing in the Department. They, therefore, recommend that there is a need not only to make correct and realistic estimates but also to ensure that the money is spent for the purpose for which it was originally allocated.

Demand No. 35
Department of Revenue
Major Head : 4875
Minor Head : 01.108
Detailed Head : 01.00.53

Major Works

5. This head is meant for various construction works in the staff residential colony and Neemuch Opium Factory premises. The Budget Estimates, Revised Estimates and the Actuals of this head is given below:—

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1994-95	1,60,50	60,00	25,88
1995-96	2,78,00	70,00	25,00
1996-97	1,36,00	15,00	03,20
1997-98	15,00	47,00	81,77
1998-99	2,31,00	1,80,00	1,80,00
1999-2000	1,50,00		

6. Replying to a query regarding the gross under-utilisation of the budgetary allocation during 1994-95, 1995-96 and 1996-97 and over utilisation under this head during 1997-98 the Ministry in their written communication stated that:—

“The amount spent during 1994-95, 1995-96 and 1996-97 were minuscule compared to the Budgetary allocation made for the respective years due to non-utilisation of funds by the CPWD for construction of staff quarters for employees of Neemuch Opium.

There was an over-utilisation of funds during 1997-98 as compared to Revised Estimates due to the demand raised by CPWD for undertaking the construction work of 116 staff quarters which was intimated only after submission of Revised Estimates for 1997-98.

The higher amount at Budget Estimates 1998-99 and 1999-2000 in comparison of previous years is because of construction of 116 new quarters for the employees of Neemuch Opium Factory, which is as per their demand intimated by the CPWD."

7. Supplementing on the same issue, in response to an another query, the Department inter-alia stated that:—

"Initially, the provision was made for construction of 258 quarters during the year 1994-95 and later on it was decided to construct 116 staff quarters in the first phase at a total cost of Rs. 3.85 crores. There was a delay in finalising the construction agency. Ultimately, Government decided to entrust the construction work to CPWD which stated construction work during April, 1997 only".

8. The Committee note that though funds were allocated for the construction of staff quarters for employees of Neemuch Opium Factory in 1994-95, it was only during 1997-98 that a beginning in this direction was made. The reasons adduced for under-utilisation are stated to be on account of non-finalisation of the construction agency for all these years, when ultimately it was decided to entrust the construction work to CPWD which started the work during April, 1997 only. The Committee take a serious note of the fact that while substantial amount was allocated for the construction of staff quarters at the stage of making Budget Estimates it was substantially reduced at the time of revised estimates and the actual expenditure incurred was no where close to the Revised Estimates. They are also surprised to find as to why a simple decision regarding the agency which was to be entrusted the work could not be taken all these years. It is also not clear as to when the agency was not finalised on what account the expenditure was incurred during all these years. Moreover, it is noticed that during 1997-98 there was substantial over-utilisation of the funds and the reasons given on this account are that the CPWD did not intimate to the Department with regard to the funds required by them at the time of Revised Estimates.

Taking into account the fact that it is the responsibility of the Department to monitor the progress of the works entrusted to different agencies, the reply given by the Department is hardly convincing and is rather indicative of the fact that casual approach is being adopted while formulating the Budget and Revised Estimates and there is lack of total seriousness. The Committee, therefore, desire that in future at least the exercise pertaining to budget should be undertaken with due care and greater scrutiny. They also desire that the details with regard to the expenditure incurred during 1994-95 to 1996-97 may also be intimated to them.

Demand No. : 36
Direct Taxes

Infrastructure for Revenue Collection

9. At present there are 36 Computer Centres of the Income Tax Department spread all over the country. These centres cater to the requirements of the entire Income Tax Department. Smaller computer set ups are there for specific requirements of some of the offices. The computer hardware and software are being modernised in a phased manner. The Computer Systems are utilised to allot Permanent Account Number under new series, a process which is under implementation across the country through 36 Computer Centres. In addition to the allotment of Permanent Account Number, the systems are also operational for other applications namely; (a) Assessee Information System, (b) Tax Accounting System, (c) Manpower Management System (Bio-data & Employee Number Module), (d) Judicial Reference System (Tax expert) and (e) Individual Running Ledger Account System (capturing of Arrear Demand on Computer module).

10. Of late, however, it has been reported that, due to the dearth of data entry operators and lack of inter connectivity of the procured computer terminals the allotment of PAN is in a mess and the department is unable to derive full efficiency of comprehensive computerisation of Income Tax Operations.

11. When asked about the steps that are being taken to overcome the shortage of data entry personnel, the measures that are being envisaged to quicken the pace of inter connectivity of computer terminals and the time schedule by which the Ministry of Finance would be clearing the backlog regarding the allotment of PAN, the Ministry of Finance (Department of Revenue) in their written note has submitted that:

“There has been tremendous increase in work of computer centres since 1988 when bulk of the technical posts were created

as will be evident from the following:

	1988-89	1997-98	% increase
(a) No. of tax payers	73.45 lakhs	170.73 lakhs*	232%
(b) Collections (Rs.)	8828 crores	48280 crores	546%
(c) Challans	14.71 lakhs**	173 lakhs	1178%

*Figures relate to PAN applications received upto February 1999.

**Mofussil Challans were not being processed on computers during that period.

Though the workload has increased manifold there has been no commensurate increase in the number of technical personnel. Thus, there is an acute shortage of technical manpower including Data Entry Operators. The existing sanction strength of technical personnel is only 956. A proposal for creation of additional 1080 technical posts is under consideration of Department of Expenditure.

Inter-connectivity problem

All the buildings in the three cities of Delhi, Mumbai and Chennai are connected to their respective Regional Computer Centres and to National Computer Centre at Delhi through 64 kbps dedicated leased data circuits of the MTNL and Department of Telecommunications (DoT). There are 17 intra-city and 3 inter-city data circuits.

Since very beginning, either the lines remained down frequently or when the lines were up the quality of the lines have been poor. These issues have been continuously taken up with the MTNL/DoT by the respective Regional Computer Centres as well as the Directorate of Income-Tax (Systems). This has also been taken up at the level of Member, CBDT, Secretary (Revenue) and the then Hon'ble Finance Minister with their respective counterparts. Recently also, Member, CBDT has taken up the issue with CMD, MTNL and Secretary (Revenue) with Secretary, DoT, Secretary, DoT has now assured to look into the matter.

Alternatives to 64 Kbps dedicated leased data circuits, such as ISDN, based on fibre optic cables, of MTNL/DoT, are being considered and the proposal is at an advanced stage."

12. Supplementing regarding the time schedule by which the Department would be clearing the backlog of the allotment of PAN, the Ministry has *inter-alia* stated that:—

"Allotment of PAN against 1,70,73,861 applications received upto February, 1999 is expected to be completed by 30.8.1999."

13. Regarding restructuring of the income tax administration for increasing effectiveness, the Ministry has submitted a document which *inter-alia* states;—

"It proposes right-sizing the workforce by abolishing about 2750 posts (5% of the total workforce)..."

14. The Committee are dismayed to note that despite their earlier recommendation that computerisation of income tax operations which was initiated almost a decade ago, be completed expeditiously, by taking appropriate steps to remove the bottlenecks, the process is still not complete. The Department continues to reel under the problem of inter-connectivity of the procured computer terminals. Though the matter has reportedly been taken up at the higher levels yet the desired results are yet to be achieved. Against the total number of 1,70,73,861 applications received for the issue of Personal Account Numbers (PAN) these have been issued only to 1,00,21,366 applicants with the remaining backlog of 70,52,495 applicants. The main constraint coming in the way of issue of Personal Account Numbers are stated to be those of shortage of technical personnel and the problem of inter-connectivity. The Committee have been informed that a proposal for creation of an additional 1080 technical posts has already been forwarded to the Ministry which is pending consideration with the Department of Expenditure. They have also been told that there is a proposal to abolish about 2750 posts. Though the Committee has not gone into the merits of these proposals, they are of the considered opinion that efforts need to be made by the

Department to identify and redeploy the existing work force by giving them suitable training so that they are able to undertake the work of at least data entry which is not a very skilled job. They also desire that to overcome the problem of inter-connectivity of computer terminals permanently, alternative to 64 Kbps dedicated leased data circuits, such as ISDN, based on fibre optic cables of MTNL/DoT should be seriously pursued without further loss of time. The entire work pertaining to computerisation needs also to be accorded a top priority by making it a time bound programme.

Demand No. : 36
Direct Taxes
Major Head : 2020
Minor head : 00.001
Detailed Head : 02.00.13

Office Expenses

15. The monies allocated under this head is meant to meet the expenditure on stamps, telephones, office equipments, vehicles, printing of forms, stationery etc. The following table shows the Budget Estimates, the Revised Estimates and the Actuals of this head.

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1994-95	12,05,00	12,05,00	12,04,33
1995-96	12,05,50	11,86,00	12,07,02
1996-97	12,05,50	11,87,00	11,09,91
1997-98	12,06,50	11,87,00	11,85,52
1998-99	12,07,50	11,57,50	
1999-2000	12,08,00		

16. In their reply while explaining the reasons for under-utilisation to the tune of 77 lakhs during 1996-97 and while responding to an another query regarding the justification to continue with a higher Budgetary allocation for 1998-99 & 1999-2000 despite the under-utilisation during 1996-97 and 1997-98, the Ministry of Finance has informed as under:—

“Few bills from Government presses for printing of forms etc. were not received in time resulting in under-utilisation of the provision in 1996-97.”

“There is marginal increase in the Budget Estimates for 1998-99 and 1999-2000 in comparison to the provision for previous years.”

17. The Committee find that the under-utilisation of the Budget Estimates under this head during 1996-97 and 1997-98 spanned to the tune of Rs. 95,59,000 and Rs. 20,98,000 respectively. The reasons forwarded for the under-utilisation were that the bills which were due for payment were not received during 1996-97 hence the shortfall in the actuals. The Committee observe that despite the under-utilisation for two consecutive years the Government rather pruning the Budget Estimates has resorted to an upward revision of the same for the years of 1998-99 and 1999-2000. The Committee feel that the upward revision under this head for these two years is uncalled for. Hence, they desire that the Government henceforth should take greater care while fixing the Budget Estimates and Revised Estimates to make them realistic.

Demand No. 36
Direct Taxes
Major Head : 2020
Minor Head : 00.001
Detailed Head : 01.00.14

Rent, Rates and Taxes

18. The Budget Estimates, Revised Estimates and the Actuals under this head are given below:—

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1994-95	2,85	4,25	3,19
1995-96	4,25	4,25	8
1996-97	4,25	5,74	—
1997-98	7,81	9,30	4,48
1998-99	7,81	16,30	
1999-2000	9,52		

19. It is seen from the above table that no actuals have been recorded during the year 1996-97. When asked to forward the reason for not registering any expenditure under this head during this period the Ministry has replied that:—

“An expenditure of Rs. 3.49 lakhs was incurred during the year 1996-97. However, this amount was booked under the head ‘Office Expenses’, instead of ‘Rent, Rates & Taxes’.”

20. The Committee take serious note of the fact that the expenditure incurred under the head of ‘Rent, Rates and Taxes’ was

booked under the head 'Office and Expenses'. They are of the view that such practices go against the sanctity of the correct accounting norms and procedures. They, therefore, desire that the Department should invariably ensure that the accounting practices/norms are strictly adhered to while recording and posting the transactions.

Demand No. 36
Direct Taxes
Major Head : 2020
Minor Head : 00.101

Advertising and Publicity

21. This Head is meant for advertising & publicity of various Schemes by the field officers of Income Tax Department. The Budget Estimates, Revised Estimates and Actuals of this head is given below:—

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	2,29,60	2,10,00	1,07,94
1996-97	1,50,00	1,50,00	77,67
1997-98	1,50,00	1,20,00	27,73
1998-99	1,00,00	2,00,00	
1999-2000			

22. Clarifying their stance for not down sizing the Budget Estimates and Revised Estimates despite steep under-utilisation since 1995-96, the Ministry of Finance (Department of Revenue) has stated that this provision for Advertising & Publicity caters to the needs of 70 authorities and that prevents the authorities to project the requirement with accuracy.

23. The Committee find that when compared with Budget Estimates, the Actuals were grossly under-utilised under this head to the tune of Rs. 1,21,66,000, Rs. 72,33,000 and Rs. 1,22,27,000 during 1995-96, 1996-97 and 1997-98 respectively. The explanation given to

the effect that since this provision caters to the needs of 70 authorities it, therefore, prevents the authorities to project the requirement with accuracy is far from convincing. The Committee are of the considered opinion that the existence of even multiple authorities should not at all come in the way of making realistic estimates. The reasons adduced for under-utilisation only point to the indifferent attitude and lack of coordination in the Department. The Committee, therefore, desire that proper and timely measures should be initiated with a view to inculcate objectivity and precision in making realistic budgetary estimates. They also desire that the Department should strive for proper scrutiny of the demands well in time taking into account the expenditure incurred in the previous years and the current needs with a view to avoid large scale variations in the Budget Estimates, Revised Estimates and the actuals.

Demand No. 36
Direct Taxes
Major Head : 2020
Minor Head : 00.101
Detailed Head : 01.00.28

Professional Services

24. This head is meant for the charges for legal services, consultancy fees and payment for service rendered by police. The details regarding the Budget Estimates, Revised Estimates and the Actuals are given below:—

(Rupees in '000)

Year	Budget Estimates	Revised Estimates	Actuals
1994-95	1,63,47	1,95,80	1,50,56
1995-96	1,85,25	1,83,97	1,30,34
1996-97	2,09,97	2,13,70	1,60,10
1997-98	2,01,30	2,04,97	1,84,67
1998-99	2,06,47	2,74,72	
1999-2000	2,74,27		

25. When asked about reasons to enhance the outlay except during 1995-96 at Revised Estimates stage since 1994-95 onwards and steep under-utilisation during these years, the Ministry in their written reply have stated that:—

“Payment for legal service to advocates engaged for court cases is made as and when a case is heard in a court. It cannot be projected accurately as to how many cases will be heard/cleared

by the courts in a year. The provisions in Revised Estimates were revised upwardly by taking into account the position of pending cases in the courts.

As all the expected cases did not come for hearing by the end of the year, there has been under-utilisation of budgetary provisions."

26. The Committee note that despite steep under-utilisation under this head since 1994-95 onwards, which ranges from Rs. 20 lakhs to Rs. 53 lakhs, the Government continued to opt for an upward provision of allocations except during 1995-96, at Revised Estimates stage. The only reason adduced by the Ministry for under-utilisation on the ground that the expected number of cases did not come up for hearing, smacks of administrative indifference and failure on the part of the Department year after year in assessing precisely the exact number of cases that might come up for hearing in a year. The Committee are confident that had the Government undertaken a serious exercise at the time of making Budget Estimates and Revised Estimates it would not have been difficult for them to make realistic estimates. They, therefore, recommend that the Government should evince greater interest and care while making the Budget Estimates and Revised Estimates under this head.

Demand No. 36
Direct Taxes

Revenue Collections

27. The Detailed break-up of Budget Estimates, Revised Estimates and Actuals of Direct Taxes since 1996-97 onwards is given below:—

(Rupees in Crores)

Financial Year	Budget Estimates				Revised Estimates				Actual Collections			
	Corp. Tax	I. Tax	Int. Tax	Total	Corp. Tax	I. Tax	Int. Tax	Total	Corp. Tax	I. Tax	Int. Tax	Total
1996-97	19600	17843	1250	38693	19010	18843	2000	39853	18567	18234	1712	38513
1997-98	21860	21700	1800	45360	21360	18700	800	40860	20016	17101	1205	38322
1998-99	26550	20930	920	48400	27050	21430	920	49400	17418*	15196*	648*	33262*

*[Collections upto February, 1999]

[Corp. Tax: Corporation Tax, I. Tax: Income Tax, Int. Tax: Interest Tax]

28. The Ministry of Finance (Department of Revenue) while replying to a query regarding the number of cases detected in which there has been an under assessment of Income Tax since 1995-96 onwards has inter-alia stated that:—

“No separate statistics has been maintained for under-assessment/over-assessment in income. However, the number of mistakes involving over-assessment is very small. Therefore, the number of audit objections, by and large, represents the number of cases involving under-assessment of income. The year-wise break up of mistakes detected by the Internal Audit is as follows:—

Financial Year	Number of objections	Amount of tax involved (Rs. in crores)
1995-96	12,631	518.6
1996-97	12,950	340.4
1997-98	13,228	414.5
1998-99 (upto Dec. 1998)	10,092	397.8

In addition to Internal audit, C&AG carries out independent audit of the Income-Tax Department and mistakes pointed are promptly corrected.

The Income Tax Act has got more than 300 sections. No section-wise break-up of such cases is maintained. Broadly the nature of mistakes committed by the Assessing Officers is as follows:—

- (a) arithmetical mistakes;
- (b) application of lower rate of tax;
- (c) irregular/wrong allowance of exemptions, *e.g.*, exemption for charitable trusts, schools, foreign currency loans and various allowances paid to the salaried employees etc.;
- (d) mistakes regarding legal interpretation. Sometimes, conflicting judgments of various High Courts results in judicial controversy and ambiguity. Such ambiguities sometime lead to mistakes in assessment of income;
- (e) excess set off unabsorbed losses/depreciations.”

29. When asked which commissionerates contributed towards the majority of the under-assessments, the Department has stated that no commissionerate-wise statistics were maintained. While responding to an another query, whether any adverse remarks have been entered into the Annual Confidential Report of the Assessing Officer/Commissioner, the Ministry has replied that:—

“All the cases of audit objections are looked into by the Commissioner of Income Tax and if it is found that a particular officer is committing mistakes frequently suitable administrative action is taken after calling explanation of the officer.”

30. The particulars regarding cases of gazetted officers taken up for investigation and disciplinary action taken is as under:—

	1.10.94 to 30.9.95	1.10.95 to 30.9.96	1.10.96 to 30.9.97	1.10.97 to 30.9.98
1. No. of complaints received against gazetted officers of income-tax Department.	538	757	1188	811
2. No. of complaints taken up for investigation out of (1) above.	120	124	135	113
3. No. of cases referred to CVC.	81	48	45	60
4. No. of cases where penalty proceeding were initiated against gazetted officers.	37	17	23	25
5. No. of cases where proceedings were finalised against gazetted officers.	49	30	20	27
6. No. of gazetted officers against whom prosecution was sanctioned.	1	4	1	1
7. No. of cases where Vigilance clearance granted.	16010	18941	21479	19590

31. Responding to an observation made in the light of the above given facts (*i.e.* from 1.10.97 to 30.9.98) and a recent case of reported leniency by the Department towards a corruption tainted Deputy Commissioner of Income Tax, the Ministry *inter-alia* submitted that:—

“The above statistics reflect various stages, and various aspects, of vigilance process. The figures quoted in the observation relate to a specific span of time (1.10.97 to 30.09.98). However, these statistics do not reflect a one-to-one relationship amongst the seven categories quoted above. For instance, the 60 cases referred during this period to CVC need not be out of 811 complaints received during the period but could well relate to a complaint received during an earlier period. Therefore, it is not, for instance, accurate to conclude that only 60 cases out of 811 complaints were referred to CVC. The same applies to all the other categories from 2 to 7 *vis-a-vis* No. of complaints received as reflected in category 1.

Secondly, while all the complaints go through scrutiny, many are filed if they are found to be anonymous, pseudonymous, very general in nature, or if they involve administrative misconduct. Cases of administrative misconduct do not call for vigilance process and therefore, are forwarded to the concerned administrative heads for administrative correction. The complaints received also include Tax Evasion Petitions which do not involve any vigilance angle. Some complaints are also repetitive in nature and thus contribute to the numbers.

However, those complaints which do have substance are picked up for further investigation, enquiry, and disciplinary proceedings which lead to levy of penalty if the accusations are proved. The disciplinary proceedings are initiated by the concerned department and are to be distinguished from prosecution. While the concerned department may and does levy penalty, it does not prosecute.

The concerned Department/Ministry issue sanctions for prosecution only in cases of criminal offences where the CBI makes a specific request.”

32. Supplementing on the issue of corruption charges levelled against a Deputy Commissioner of Income Tax of Delhi the Ministry has stated as under:—

“It is true that the anti-corruption wing of the Delhi Police arrested Deputy Commissioner of Income-Tax on corruption charges. It is also true that the officer was released on bail...

In fact, within an hour of being granted bail, on the same day, the officer was transferred from the post of Deputy Commissioner to the post of Officer on Special Duty, with no assessment powers whatsoever. The time-barring assessments of the Charge have been distributed amongst four other officers for completion. From the above facts it is abundantly clear that the Department is not lenient in punishing the officers who are tainted with corruption charges.”

33. The Committee are deeply concerned to note that the revenue collections on account of corporation tax and income tax have fallen short of the Budget Estimates as well as the Revised Estimates during 1996-97 and 1997-98. During 1996-97 the total amount projected on account of corporation tax at the Budget Estimates stage was Rs. 19600 crores which was revised to Rs. 19010 crores at the revised estimates stage against which the actual collections were to the tune of Rs. 18,567 crores. Similarly for the same year the figures given at the budget Estimates stage in the case of income tax was Rs. 17843 crores which was revised to Rs. 18843 crores and the actual amount realised was Rs. 18234 crores. During 1997-98 the projected figures at BE stage was Rs. 21860 crores for the corporation tax which was revised to Rs. 21360 crores at the Revised Estimates stage and the actual collection was of Rs. 20016 crores. Similarly, during the same year the amount mentioned at BE stage for income tax was Rs. 21700 crores which was revised downwards to Rs. 18700 crores and the actual collections were to the tune of Rs. 17101 crores. Though claim has been made by the Department that the targets fixed both for corporation tax and income tax during 1998-99 will be achieved but the figures pertaining to actual collection upto February, 1999 do not seem to promise the same. The dismal performance of the Department on this account requires that the area of recovery of tax collection needs a special attention.

34. Closely linked to the issue of tax recovery is the fact that tax assessments are not carried out carefully and with due seriousness by the concerned assessing officers as a result of which either there is over assessment or under assessment. As the Committee have been informed that the number of mistakes involving over assessments is very small, majority of the cases pertain to under assessments as a result of which the tax which could have otherwise been recovered remains untapped. Auditing is done on random basis by the Internal Audit Wing of the Department to detect the aberrations, wrong entries etc. The total amount of tax involved in such wrong assessments as pointed out by the Internal Audit Wing during the past three years is to the tune of Rs. 1272 crores alone, which is yet not a true depiction of the exact amount since the same pertains to random checking. What further dismays the Committee is the fact that the Department does not maintain separate statistics for either under assessments or over assessments. Similarly, no statistics are maintained commissionerate-wise. In addition, proper administrative measures also do not seem to be in place in order to discourage under-assessment by the Assessing Officer. The Committee feel that this area if left unattended can further cause revenue loss in the years to come. Therefore, they recommend that the Department of Revenue should not only maintain statistics separately for over-assessments as well as under-assessments but should also maintain these commissionerate-wise. They also desire that in case any officer is found to be repeatedly committing mistakes and thereby causing revenue loss, the same should get properly reflected in his Annual Confidential Report and departmental action should also be initiated against him. The Committee desire that to begin with, all such cases which have been pointed out either by the Internal Audit or the C&AG should be scrutinized by constituting a Departmental Committee of senior officers and action should be taken against the defaulting officers. The Committee would like to be informed of the action taken in this regard within a period of one month.

35. Besides, the Committee are of the considered view that officers with high levels of integrity have to play a vital role in achieving the targets fixed for the recovery of the taxes. However, it is seen that for the past four years though good number of cases have been referred to the Central Vigilance Commission (CVC), and the proceedings in equally good number of cases had been finalised against the officers, yet only in one or two cases the prosecution proceedings have been instituted. The Committee also observe that

instead of taking stock of the situation with renewed objectivity, there is a tendency on the part of the Department to downplay the omissions and commissions perpetrated by the officials, as is amply evident from the recent case, where even when an officer of the rank of Deputy Commissioner was nabbed red handed taking bribe, the Department was merely content with transferring him to another post instead of taking disciplinary action against him. The Committee, therefore, recommend that strict punitive action should invariably be taken by the Department against the defaulting and corrupt officials so that the punishment meted out works as a deterrent for others also.

Demand No. 36
Direct Taxes

Refund Claims

36. The following data shows the number of refund claims lodged and the number of claims disposed off since 1993-94 onwards.

	No. of Claims	Disposal
1993-94	90363	72841
1994-95	98452	81730
1995-96	139314	104362
1996-97	157712	107782
1997-98	215546	141877
1998-99	152818	33295
(upto June, 1998)		

37. Where the amount of tax paid exceeds the amount of tax payable, the assessee is entitled to a refund of the excess. If the refund is not granted by the Department within three months from the end of the month in which the claim is made, simple interest at the prescribed rate becomes payable to the assessee on the amount of such refund.

38. The details of interest paid on refunds by the Government under various provisions of Income Tax Act for 1995-96 & 1996-97 is as under:—

(Rs. in crores)

Section under which Interest paid	1995-96		1996-97	
	No. of Assessments	Amount	No. of Assessments	Amount
214	22,067	7.79	20,864	7.42
243	1,274	6.64	9	0.01
244	9,83,633	305.57	1,66,629	100.41
244A	2,99,749	669.36	15,31,464	622.13
Total		989.36		829.97

39. When asked about the reasons why the number of refunds claims disposed off could not keep pace with the claims registered since 1993-94 and the steps mooted to speeden the process of disposal of refunds, the Ministry in their written note have submitted that:

“The number of refund claims disposed off during every financial year has been registering an increase ranging from 12% to 31% from 1994-95 onwards. However, as against increase in the number of claims made every year, the rate of disposal has not kept similar pace. The new initiative for widening the tax base such as 2x4 scheme and the 1x6 scheme have resulted in substantial increase in the number of returns filed and consequent refund claims. However, efforts are being made by the Department to ensure the speedy disposal of refund claims through greater emphasis on computerisation and close supervisory monitoring.”

“Speedy disposal of refunds and redressal of grievances resulting from delay or non issue of fund has been one of the major concerns of the Government and effective steps have been taken for elimination of delays in this matter. Administratively, instructions have been issued to all the Field Formations to ensure that all refunds are issued within 15 days of their determination. Redressal of grievances which also includes refund related grievances is one of the priority areas in the Action Plan-1998-99 of the Income-tax Department. As a matter of fact targets for disposal of such grievances have been fixed and the progress in this regard is regularly monitored at appropriate levels. Besides, steps taken to ensure speedy disposal of refund claims and redressal of grievances in this regard, the Department recognises the need for early computerisation of its operations. With the completion of allotment of Permanent Account Number to all assesseees the process of computerisation of the operations of the Department can be taken up in full measure. The Department has already made sufficient progress in allotment of PAN. With computerisation of the process of Income computation, for which programmes are presently being developed, it is expected that the process of issue of refunds can be vastly expedited.”

40. The Committee are concerned to note that the number of refund claims disposed off has not kept pace with the number of claims registered since 1993-94. They are also shocked to find that an amount to the tune of Rs. 989.36 crore and Rs. 829.97 crore has been paid out of the coffers of the exchequer towards the payment of interest of the refund claims during 1995-96 and 1996-97 respectively. The steps taken by the Department so far towards increasing the disposal rate of refund claims have not been fruitful in tackling effectively the backlog of such claims together with consequent heavy interest burden. Though the Committee are given to understand that targets have been fixed for disposal of grievances received from the tax payers no such targets have been fixed for disposal of the claims. They, therefore, desire that in addition to the emphasis which is being accorded to computerisation and close supervisory monitoring the Department should fix targets in respect of each charge and fix responsibility on those officials who fail to fulfil the same.

Demand No. 37
Indirect Taxes

Evasion of Excise Duty

41. The major purpose of Indirect Taxes *viz* Excise and Customs duties is to raise revenues for the Government on the basis of the consumption of Individuals (households). But the wide spread evasion of taxes in large magnitudes can effectively blunt the edge of the tax system which endeavours to mobilise and augment revenue receipts to the national exchequer.

42 In the sphere of Indirect taxes particularly the Excise duties, it is seen that manufacturers evade duty by resorting to clandestine removals, under valuation and misclassification of excisable goods, wrong availment of MODVAT credit and misuse of certain exemption notifications.

43. When requested to ascertain the veracity of the press reports regarding excise duty evasion by the consumer goods industry during 1997-98 and the measures taken to prevent such occurrences, the Ministry has stated that:

“In Central Excise, 6312 cases of evasion of duty were detected in the year 1997-98 involving an estimated amount of Rs. 1558 crores. The consumer goods industry in general and Textiles and Iron and Steel in particular are considered evasion-prone in nature. The important *modus operandi* are : clandestine removals, under-valuation, misclassifications of excisable goods, wrong availment of MODVAT credit and misuse of certain exemption notifications.

Considering evasion-prone nature of the textiles and Iron and Steel industries, the Government has introduced the capacity-of-

production-based levy on independent processors (1998) and on non-alloy steel ingots manufactured in induction furnaces and re-rolling products (1997).

The cases of misclassifications are likely to be reduced by rationalisation of duty structure which has been done during the Budget 1999-2000. The provisions relating to valuation based on retail sale price have been extended to a large number of commodities, especially the consumer goods, to check the cases of under-valuation. The Government also proposes to appoint a Committee to reduce number of exemptions which will help in reducing evasion through misuse of the exemption notifications.

Clandestine removal, which means illegal removal of excisable goods without payment of excise duty, account for major revenue leakage. Under the Self-Removal Scheme, the assesseees are responsible to assess the duty on the goods manufactured by them and clear such goods on payment of duty on their own—at any point of time of 24 hours—on holidays/Sunday. Normally, the Department checks the accounts of an assessee or stocks in the factory/storeroom. To check this type of evasion, instructions were issued to launch intensive road-checking/nakas, stock-takings and to organise surprise checks in the evasion-prone industrial areas.

Special emphasis is also being laid on in improving the audit system of the Department. There is a proposal for creation of the office of Director General of Audit. This will help in preventing/detecting any short-payments or non-payments by ensuring proper auditing of accounts."

44. The Committee observe that the consumer industry in general and Textiles and Iron and Steel Industry in particular resort to evasion of excise duties and the *modus operandi* lies in the clandestine removals, under-valuation, misclassification of excisable goods and misuse of certain exemption notifications. The Committee feel that

the above said areas of misuse, if left unattended, would result in causing substantial revenue loss. The Committee desire that a multi-pronged strategy should be evolved to check the evasion of excise duty. They are of the strong opinion that the constitution of the Committee to review and to prune the exemptions and the creations of the office of the Director General of Audit to detect short payment/non-payment, at the earliest would greatly improve the compliance on the excise front. They also desire that the Department should be ever vigilant to unearth cases of excise evasion by resorting to intensive use of intelligence information collected and by organising surprise checks in the industrial areas prone to duty evasion.

NEW DELHI;
15 April, 1999

25 Chaitra, 1921 (Saka)

MURLI DEORA,
Chairman,
Standing Committee on Finance.

**STATEMENT OF CONCLUSIONS/RECOMMENDATIONS
OF THE STANDING COMMITTEE ON FINANCE IN
THE TWENTY-FIRST REPORT (1999-2000)**

Sl.No.	Para No.	Conclusions/Recommendations
1	2	3
1.	3	<p>The Committee find that though it was decided to change the system of bringing of opium from the fields by substituting plastic containers for canvas/gunny bags as far back as in 1994-95, the Government failed to accurately assess the emerging demand for additional plastic containers during the subsequent year i.e. 1995-96 as a result of which there was over utilisation. The reason advanced for over utilisation has been stated to be on account of bumper crop of opium in Rajasthan which necessitated purchase of additional containers on an emergent basis. It has further been stated that the demand for additional containers could not be estimated at the time of submitting revised estimates. The Committee are not inclined to accept such a flimsy reply in view of the very fact that the crop of the opium becomes mature in the month of March, whereas the revised estimates are formulated normally in the month of October-November every year. They therefore feel that there was, ample time for the Department to assess the actual requirement of the containers. What further dismays the Committee</p>

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is very fact that during the next year i.e. 1996-97, the Revised Estimates were again revised upwards substantially but the actual expenditure was even less than the budget estimates. The reasons given in support of under-utilisation this year are that the provision had been made for purchase of steel trays for drying of opium which were not purchased. No reasons have been advanced on account of which the trays could not be purchased. Again during 1996-97 additional provision was made in the Revised Estimates but the actual expenditure remained far less than even the budget estimates. The reasons are stated to be on account of crop failure which was intimated after the Revised Estimates were made. Similar phenomenon has been noticed for the next year.

Taking above facts into consideration, the Committee are of the view that there is a total lack of seriousness and planning in the Department for making the budget estimates/Revised Estimates as well as in utilising the allocations made in a meaningful manner. The figures for all the years show complete adhocism prevailing in the Department. They, therefore, recommend that there is a need not only to make correct and realistic estimates but also to ensure that the money is spent for the purpose for which it was originally allocated.

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2.**8**

The Committee note that though funds were allocated for the construction of staff quarters for employees of Neemuch opium factory in 1994-95, it was only during 1997-98 that a beginning in this direction was made. The reasons adduced for under-utilisation are stated to be on account of non-finalisation of the construction agency for all these years, when ultimately it was decided to entrust the construction work to CPWD which started the work during April, 1997 only. The Committee take a serious note of the fact that while substantial amount was allocated for the construction of staff quarters at the stage of making budget estimates it was substantially reduced at the time of revised estimates and the actual expenditure incurred was nowhere close to the revised estimates. They are also surprised to find as to why a simple decision regarding the agency which was to be entrusted the work could not be taken all these years. It is also not clear as to when the agency was not finalised on what account the expenditure was incurred during all these years. Moreover, it is noticed that during 1997-98 there was substantial over-utilisation of the funds and the reasons given on this account are that the CPWD did not intimate to the Department with regard to the funds required by them at the time of revised estimates. Taking into account the fact

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that it is the responsibility of the Department to monitor the progress of the works entrusted to different agencies, the reply given by the Department is hardly convincing and is rather indicative of the fact that casual approach is being adopted while formulating the budget and revised estimates and there is lack of total seriousness. The Committee, therefore, desire that in future at least the exercise pertaining to budget should be undertaken with due care and greater scrutiny. They also desire that the details with regard to the expenditure incurred during 1994-95 to 1996-97 may also be intimated to them.

3.**14**

The Committee are dismayed to note that despite their earlier recommendation that computerisation of income-tax operations which was initiated almost a decade ago, be completed expeditiously, by taking appropriate steps to remove the bottlenecks, the process is still not complete. The Department continues to reel under the problem of inter-connectivity of the procured computer terminals. Though the matter has reportedly been taken up at the higher levels yet the desired results are yet to be achieved. Against the total number of 1,70,73,861 applications received for the issue of Personal Account Numbers (PAN) these have been issued only to 1,00,21,366 applicants with the

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remaining backlog of 70,52,495 applicants. The main constraint coming in the way of issue of Personal Account Numbers are stated to be those of shortage of technical personnel and the problem of inter-connectivity. The Committee have been informed that a proposal for creation of an additional 1080 technical posts has already been forwarded to the Ministry which is pending consideration with the Department of Expenditure. They have also been told that there is a proposal to abolish about 2750 posts. Though the Committee has not gone into the merits of these proposals, they are of the considered opinion that efforts need to be made by the Department to identify and redeploy the existing work force by giving them suitable training so that they are able to undertake the work of at least data entry which is not a very skilled job. They also desire that to overcome the problem of inter-connectivity of computer terminals permanently, alternative to 64 Kbps dedicated leased data circuits, such as ISDN, based on fibre optic cables of MTNL/DoT should be seriously pursued without further loss of time. The entire work pertaining to computerisation needs also to be accorded a top priority by making it a time bound programme.

4.**17**

The Committee find that the under-utilisation of the Budget Estimates

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under this head during 1996-97 and 1997-98 spanned to the tune of Rs. 95,59,000 and Rs. 20,98,000 respectively. The reasons forwarded for the under utilisation were that the bills which were due for payment were not received during 1996-97 hence the short fall in the actuals. The Committee observe that despite the under-utilisation for two consecutive years the Government rather pruning the Budget Estimates has resorted to an upward revision of the same for the years of 1998-99 and 1999-2000. The Committee feel that the upward revision under this head for these two years is uncalled for. Hence they desire that the Government henceforth should take greater care while fixing the Budget Estimates and Revised Estimates to make them realistic.

5.**20**

The Committee take serious note of the fact that the expenditure incurred under the head of 'Rent, Rates and Taxes' was booked under the head 'Office and Expenses'. They are of the view that such practices go against the sanctity of the correct accounting norms and procedures. They therefore desire that the Department should invariably ensure that the accounting practices/norms are strictly adhered to while recording and posting the transactions.

6.**23**

The Committee find that when compared with Budget Estimates, the

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actuals were grossly under-utilised under this head to the tune of Rs. 1,21,66,000, Rs. 72,33,000 and Rs. 1,22,27,000 during 1995-96, 1996-97 and 1997-98 respectively. The explanation given to the effect that since this provision caters to the needs of 70 authorities it, therefore, prevents the authorities to project the requirement with accuracy is far from convincing. The Committee are of the considered opinion that the existence of even multiple authorities should not at all come in the way of making realistic estimates. The reasons adduced for under-utilisation only point to the indifferent attitude and lack of coordination in the Department. The Committee, therefore, desire that proper and timely measures should be initiated with a view to inculcate objectivity and precision in making realistic budgetary estimates. They also desire that the Department should strive for proper scrutiny of the demands well in time taking into account the expenditure incurred in the previous years and the current needs with a view to avoid large scale variations in the Budget Estimates, Revised Estimates and the actuals.

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The Committee note that despite steep under-utilisation under this head since 1994-95 onwards, which ranges from Rs. 20 lakhs to Rs. 53 lakhs, the Government continued to opt for an

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upward provision of allocations except during 1995-96, at Revised Estimates stage. The only reason adduced by the Ministry for under-utilisation on the ground that the expected number of cases did not come up for hearing, smacks of administrative indifference and failure on the part of the Department year after year in assessing precisely the exact number of cases that might come up for hearing in a year. The Committee are confident that had the Government undertaken a serious exercise at the time of making Budget Estimates and Revised Estimates it would not have been difficult for them to make realistic estimates. They, therefore, recommend that the Government should evince greater interest and care while making the Budget Estimates and Revised Estimates under this head.

8.**33**

The Committee are deeply concerned to note that the revenue collections on account of corporation tax and income tax have fallen short of the Budget Estimates as well as the Revised Estimates during 1996-97 and 1997-98. During 1996-97 the total amount projected on account of corporation tax at the Budget Estimates stage was Rs. 19600 crores which was revised to Rs. 19010 crores at the revised estimates stage against which the actual collections were to the tune of Rs. 18,567 crores. Similarly for the same

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Closely linked to the issue of tax recovery is the fact that tax assessments are not carried out carefully and with due seriousness by the concerned assessing officers as a result of which either there is over assessment or under-assessment. As the Committee have been informed that the number

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same should get properly reflected in his Annual Confidential Report and departmental action should also be initiated against him. The Committee desire that to begin with, all such cases which have been pointed out either by the Internal Audit or the C&AG should be scrutinized by constituting a Departmental Committee of senior officers and action should be taken against the defaulting officers. The Committee would like to be informed of the action taken in this regard within a period of one month.

Besides, the Committee are of the considered view that officers with high levels of integrity have to play a vital role in achieving the targets fixed for the recovery of the taxes. However, it is seen that for the past four years though good number of cases have been referred to the Central Vigilance Commission (CVC), and the proceedings in equally good number of cases had been finalised against the officers, yet only in one or two cases the prosecution proceedings have been instituted. The Committee also observe that instead of taking stock of the situation with renewed objectivity, there is a tendency on the part of the Department to downplay the omissions and commissions perpetrated by the officials, as is amply evident from the recent case, where even when an officer of the rank of Deputy Commissioner

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9.

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The Committee are concerned to note that the number of refund claims disposed off has not kept pace with the number of claims registered since 1993-94. They are also shocked to find that an amount to the tune of Rs. 989.36 crore and Rs. 829.97 crore has been paid out of the coffers of the exchequer towards the payment of interest of the refund claims during 1995-96 and 1996-97 respectively. The steps taken by the Department so far towards increasing the disposal rate of refund claims have not been fruitful in tackling effectively the backlog of such claims together with consequent heavy interest burden. Though the Committee are given to understand that targets have been fixed for disposal of grievances received from the tax payers no such targets have been fixed for disposal of the claims. They, therefore, desire that in addition to the emphasis which is being accorded to computerisation and

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close supervisory monitoring the Department should fix targets in respect of each charge and fix responsibility on those officials who fail to fulfil the same.

10.**44**

The Committee observe that the consumer industry in general and Textiles and Iron and Steel Industry in particular resort to evasion of excise duties and the *modus operandi* lies in the clandestine removals, under valuation, misclassification of excisable goods and misuse of certain exemption notifications. The Committee feel that the above said areas of misuse, if left unattended, would result in causing substantial revenue loss. The Committee desire that a multi-pronged strategy should be evolved to check the evasion of excise duty. They are of the strong opinion that the constitution of the Committee to review and to prune the exemptions and the creations of the Office of the Director General of Audit to detect short payment/non-payment, at the earliest would greatly improve the compliance on the excise front. They also desire that the Department should be ever vigilant to unearth cases of excise evasion by resorting to intensive use of intelligence information collected and by organising surprise checks in the industrial areas prone to duty evasion.

MINUTES OF THE THIRTY FOURTH SITTING OF THE
STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 23 March, 1999 from 1000 hrs. to 1330 hrs.

PRESENT

Shri Murli Deora — *Chairman*

MEMBERS

Lok Sabha

2. Shri Girdhari Lal Bhargava
3. Shri Chetan Chauhan
4. Shri Bhagwan Shankar Rawat
5. Shri Rayapati Sambasiva Rao
6. Shri T. Subbarami Reddy
7. Shri Kavuru Sambasiva Rao
8. Shri Sandipan Bhagwan Thorat
9. Shri Praful Manoharbai Patel
10. Shri Prithviraj D. Chavan
11. Shri Magunta Sreenivasulu Reddy
12. Shri Rupchand Pal
13. Shri Varkala Radhakrishnan
14. Shri S. Murugesan
15. Dr. S. Venugopalachary
16. Kum. Kim Gangte
17. Dr. Bikram Sarkar
18. Shri S. Jaipal Reddy
19. Shri Joachim Baxla

Rajya Sabha

20. Dr. Manmohan Singh
21. Shri M. Rajsekara Murthy
22. Shri Narendra Mohan
23. Shri O.P. Kohli
24. Shri Raghavji
25. Dr. Biplab Dasgupta
26. Shri C. Ramachandraiah
27. Shri Prem Chand Gupta
28. Shri R.K. Kumar
29. Shri Gurudas Das Gupta
30. Shri Satish Pradhan
31. Shri Suresh A. Keswani

SECRETARIAT

- | | | |
|---------------------------|---|-----------------------------|
| 1. Dr. A.K. Pandey | — | <i>Additional Secretary</i> |
| 2. Dr. (Smt.) P.K. Sandhu | — | <i>Director</i> |
| 3. Shri N.S. Hooda | — | <i>Assistant Director</i> |

WITNESSES

- | | | |
|---------------------------|---|-------------------------------|
| 1. Dr. Vijay L. Kelkar | — | Finance Secretary |
| 2. Shri J.A. Choudhury | — | Secretary (Revenue) |
| 3. Dr. Shankar N. Acharya | — | Chief Economic Adviser |
| 4. Shri J.S. Mathur | — | Additional Secretary |
| 5. Shri Ravi Kant | — | Chairman (CBDT) |
| 6. Shri S.D. Mohile | — | Chairman (CBEC) |
| 7. Dr. G.C. Srivastava | — | Additional Secretary |
| 8. Shri D.S. Solanki | — | DG (CEIB) |
| 9. Shri Inderjeet Khanna | — | Director (Enforcement) |

- | | |
|-------------------------------|-------------------------|
| 10. Shrimati S.K. Nigam | — Member (ITJ), CBDT |
| 11. Shrimati Asha Mehra | — Member (R&A), CBDT |
| 12. Shri V.M. Muthuramalingam | — Member (P&V), CBDT |
| 13. Shri A.Balasubramanian | — Member (L), CBDT |
| 14. Shri V.B. Srinivasan | — Member (Inv.), CBDT |
| 15. Shri B.P. Verma | — Member (Budget), CBEC |
| 16. Shri D. Chakraborty | — Member (CX), CBEC |
| 17. Shri Sukumar Shankar | — Member (Custom), CBEC |
| 18. Shri P.N. Malhotra | — Member (AS/L&J), CBEC |
| 19. Shri A.M. Prasad | — Member (P&V), CBEC |
| 20. Shri Jitesh Khosla | — Joint Secretary |
| 21. Shri N.R. Rayalu | — F.A. (Fin.) |
| 22. Mrs. Aruna Makhan | — Pr. C.C.A. (CBDT) |
| 23. Mrs. Usha Sahajpal | — Pr. C.C.A. (CBEC) |
| 24. Mrs. Reva Nayyar | — J.S. (NC&A) |
| 25. Shri A.N. Prasad | — J.S. (TPL-I) |
| 26. Ms. Charusheela Sohani | — J.S. (Adm.-EC) |
| 27. Shri G.C. Srivastava | — J.S. (TPL-II) |
| 28. Shri T.R. Rustogi | — J.S. (TRU) |
| 29. Shri Someshwar | — J.S. (Review) |
| 30. Shri S.P. Srivastav | — J.S. (DBK) |
| 31. Shri P.R.V. Ramanan | — J.S. |
| 32. Shri I.G. Rameshwar Singh | — DDG (Coast Guard) |

2. The Committee resumed the meeting at 1000 hours.

3. The Chairman welcomed the Finance Secretary and other representatives of Ministry of Finance (Department of Revenue) and invited their attention to direction 55 of the Directions by the Speaker, Lok Sabha.

4. The Committee then took the oral evidence of the representatives of Ministry of Finance (Department of Revenue) on Demands for Grants (1999-2000) of Ministry of Finance and other matters relating to the Budget.

5. The Chairman later requested the representatives of the Ministry of Finance (Department of Revenue) to furnish written notes on some of the points raised during the course of oral evidence.

6. The evidence was not concluded.

7. The Committee then decided to meet again on 9 April, 1999 to take further oral evidence of the representatives of the Ministry of Finance on their Demands for Grants (1999-2000).

The witnesses then withdrew.

(A verbatim record of the proceedings was kept)

The Committee then adjourned to meet again at 1500 hrs.

MINUTES OF THE THIRTY-FIFTH SITTING OF THE STANDING
COMMITTEE ON FINANCE

The Committee sat on Friday, 9 April, 1999 from 1100 hours to 1315 hours.

PRESENT

Shri Murli Deora — *Chairman*

MEMBERS

Lok Sabha

2. Shri Dhirendra Agarwal
3. Shri Uttam Singh Pawar
4. Shri Girdhari Lal Bhargava
5. Shri Bhagwan Shankar Rawat
6. Shri Kavuru Sambasiva Rao
7. Shri Sandipan Bhagwan Thorat
8. Shri Magunta Sreenivasulu Reddy
9. Shri Buta Singh
10. Shri Praful Manoharbai Patel
11. Shri. R.L. Jalappa
12. Dr. S. Venugopalachary
13. Shri S. Jaipal Reddy
14. Shri Varkala Radhakrishnan

Rajya Sabha

15. Dr. Manmohan Singh
16. Shri M. Rajsekara Murthy
17. Shri O.P. Kohli

18. Dr. Biplab Dasgupta
19. Shri C. Ramachandraiah
20. Shri R.K. Kumar
21. Shri Gurudas Das Gupta
22. Shri Satish Pradhan
23. Shri Suresh A. Keswani
24. Shri N.K.P. Salve
25. Shri Prem Chand Gupta
26. Shri Narendra Mohan

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Director*
2. Shri S.B. Arora — *Under Secretary*
3. Shri N.S. Hooda — *Assistant Director*

WITNESSES

1. Dr. Vijay L. Kelkar — *Finance Secretary*
2. Shri J.A. Choudhury — *Secretary (Revenue)*
3. Shri E.A.S. Sarma — *Secretary (Expenditure)*
4. Dr. Shankar N. Acharya — *Chief Economic Adviser*
5. Shri C.M. Vasudev — *Special Secretary*
6. Shri B.K. Chaturvedi — *Special Secretary*
7. Shri M. Venkateswaran — *Additional Secretary (Exp.)*
8. Shri V. Govindrajan — *Additional Secretary*
9. Shri J.S. Mathur — *Additional Secretary*
10. Shri Ravi Kant — *Chairman (CBDT)*
11. Shri S.D. Mohile — *Chairman (CBEC)*
12. Dr. G.C. Srivastava — *Additional Secretary*
13. Shri Inderjeet Khanna — *Director (Enforcement)*

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|-------------------------------|---------------------------|
| 14. Shrimati S.K. Nigam | — Member (ITJ), CBDT |
| 15. Shrimati Asha Mehra | — Member (R&A), CBDT |
| 16. Shri V.M. Muthuramalingam | — Member (P&V), CBDT |
| 17. Shri A. Balasubramanian | — Member (L), CBDT |
| 18. Shri V.B. Srinivasan | — Member (Inv.), CBDT |
| 19. Shri B.P. Verma | — Member (Budget), CBEC |
| 20. Shri D. Chakraborty | — Member (CX), CBEC |
| 21. Shri Sukumar Shankar | — Member (Custom), CBEC |
| 22. Shri A.M. Prasad | — Member (P&V), CBEC |
| 23. Shri Arvind Virmani | — Senior Economic Adviser |

2. At the outset the Chairman welcomed the representatives of Ministry of Finance (Departments of Economic Affairs, Expenditure and Revenue) and invited their attention to Direction 55 of the Directions by the Speaker, Lok Sabha.

3. The Committee then resumed the inconclusive evidence of the representatives of the Ministry of Finance (Departments of Economic Affairs, Expenditure and Revenue) on Demand for Grants (1999-2000) of Ministry of Finance.

4. The evidence was concluded.

(A verbatim record of the proceedings was kept)

The witnesses then withdrew.

The Committee then adjourned to meet again at 1530 hours.

MINUTES OF THE THIRTY-SIXTH SITTING OF THE
STANDING COMMITTEE ON FINANCE

The Committee sat on Friday, 9 April, 1999 from 1530 hours to 1600 hours.

PRESENT

Shri Murli Deora — *Chairman*

MEMBERS

Lok Sabha

2. Shri Dharendra Agarwal
3. Shri Chetan Chauhan
4. Shri Bhagwan Shankar Rawat
5. Shri Kavuru Sambasiva Rao
6. Shri Sandipan Bhagwan Thorat
7. Shri R.L. Jalappa
8. Shri Magunta Sreenivasulu Reddy
9. Shri Varkala Radhakrishnan
10. Shri M. Sahabuddin

Rajya Sabha

11. Dr. Manmohan Singh
12. Shri N.K.P. Salve
13. Shri M. Rajsekara Murthy
14. Dr. Biplab Dasgupta
15. Shri C. Ramachandraiah
16. Shri Prem Chand Gupta

17. Shri R.K. Kumar
18. Shri Gurudas Das Gupta
19. Shri Suresh A. Keswani

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu — *Director*
2. Shri S.B. Arora — *Under Secretary*
3. Shri N.S. Hooda — *Assistant Director*

2. The Committee resumed the meeting at 1530 hours.

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

(i)	**	**	**	**
	**	**	**	**
(ii)	**	**	**	**
	**	**	**	**
(iii)	**	**	**	**
	**	**	**	**
(iv)	**	**	**	**
	**	**	**	**
(v)	**	**	**	**
	**	**	**	**

(vi) Draft Report on Demands for Grants of Ministry of Finance (Department of Revenue) for the year 1999-2000.

4. The Committee after deliberations considered and adopted the above mentioned reports without any modification/amendments. The Committee thereafter authorised the Chairman to present the Reports to both the Houses of Parliament.

The Committee then adjourned.