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**STANDING COMMITTEE
ON FINANCE
(2006-2007)**

FOURTEENTH LOK SABHA

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

*[Action taken by the Government on the recommendations contained in the
Thirty-Third Report of the Standing Committee on Finance on the subject
'Widening of Tax Base and Evasion of Tax']*

FORTY-SECOND REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 2006 / Agrahayana, 1928 (Saka)

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(DEPARTMENT OF REVENUE)

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'Widening of Tax Base and Evasion of Tax']*

Presented to Lok Sabha on 28.11.2006

Laid in Rajya Sabha on 28.11.2006



LOK SABHA SECRETARIAT
NEW DELHI

November, 2006/Agrahayana, 1928 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON
FINANCE (2006-2007)

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

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21. Shri Bhal Chand Yadav

*Nominated to this Committee *w.e.f.* 31.8.2006 *vice* Shri Raosaheb Danve Patil.

Rajya Sabha

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- | | | |
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| 4. Shri T.G. Chandrasekhar | — | <i>Under Secretary</i> |
| 5. Shri M.L.K. Raja | — | <i>Committee Officer</i> |

INTRODUCTION

I, the Chairman, Standing Committee on Finance, having been authorized by the Committee to submit the Report on their behalf, present this Forty-Second Report on the action taken by the Government on the Recommendations contained in the Thirty-Third Report of the Committee (Fourteenth Lok Sabha) on the subject 'Widening of Tax Base and Evasion of Tax'.

2. The Thirty-Third Report was presented to Lok Sabha/laid in Rajya Sabha on 17 February, 2006. The Government furnished the replies indicating action taken on all the recommendations on 26 May, 2006. The Draft Action Taken Report was considered and adopted by the Committee at their sitting held on 27 October, 2006.

3. The Committee authorised the Chairman to make consequential changes arising out of factual verification and finalise the Report.

4. An Analysis of the action taken by the Government on the recommendations contained in the Thirty-Third Report (Fourteenth Lok Sabha) of the Committee is given in the Appendix.

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

NEW DELHI;
16 November, 2006
25 Kartika, 1928 (Saka)

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

CHAPTER I

REPORT

This report of the Standing Committee on Finance deals with action taken by the Government on the recommendations/observations contained in their Thirty-Third Report on the subject 'Widening of Tax Base and Evasion of Tax' which was presented to Lok Sabha/Laid in Rajya Sabha on 17th February.

2. The Report contained 16 recommendations. Action taken notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/Observations which have been accepted by the Government:

Recommendation No. 1 (Para Nos. 148-150), 2. (Para Nos. 151-154), 3. (Para Nos. 155-159), 4. (Para No. 160), 5. (Para Nos. 161-162), 7. (Para Nos. 165-166), 10. (Para No. 171), 11. (Para No. 172-176), 12. (Para No. 177-179), 13. (Para Nos. 180-183), 14. (Para Nos. 184-185) & 15. (Para Nos. 186-187)
(Total 12)

(Chapter-II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Recommendation No. 9. (Para Nos. 169-170) & 16. (Para No. 188)
(Total 2)

(Chapter-III)

- (iii) Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee:

Recommendation Nos. 6. (Para Nos. 163-164) & 8. (Para Nos. 167-168)
(Total 2)

(Chapter-IV)

- (iv) Recommendations/Observations in respect of which the final replies of the Government are still awaited:

(Total Nil)

(Chapter-V)

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

4. The Committee also desire that going by the thrust and tenor of the recommendations, the Government gives focused attention on cantering the long term tax policy on broadening of the tax base and checking evasion of tax.

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

Tax Deducted at Source (TDS)

Recommendation Sl.No. 6 (Para No. 163-164)

(Para No. 163-E-filing of TDS Returns)

6. The Committee observed from the data furnished by the Government that the number of electronic TDS returns received from the Corporates had gone down in the year 2004-05. This was in spite of the increase registered in the number of transactions that were covered under the scheme over the years. This being indicative of lower compliance with the provisions of electronic filing of TDS returns, the Committee wanted the Government to probe into the matter and furnish a note on the issue at the earliest.

7. The figures pertaining to the number of electronic TDS returns filed by corporates in the last three years, as furnished to the Committee, and on the basis of which, the afore-mentioned observation/recommendation was arrived at read as under:

F.Y.	No. of electronic TDS returns received from corporates
2002-03	1,28,762
2003-04	3,27,434
2004-05	3,09,475

8. While furnishing the action taken notes, however, the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) replied as follows:

“CBDT:

For the tax deducted during F.Y. 2004-2005, 2,86,148 annual e-TDS returns have been filed by corporate deductors as against

2,38,350 for the F.Y. 2003-2004. Therefore it is not correct that number of e-TDS returns has gone down. However, a regular procedure for identifying non-filers, sending reminders to them, and initiating penalty proceedings in appropriate cases in being initiated.”

9. The Committee feel constrained to note that the figures pertaining to the number of electronic TDS returns received from the corporates in 2003-04 and 2004-05 as furnished in the action taken reply are in variance with the figures furnished earlier. It was only on the basis of the information furnished at the stage of examination of the subject that the Committee had noted that the number of electronic TDS returns received from the corporates had witnessed a downward trend in 2004-05, which was indicative of poor compliance with the provisions pertaining to e-filing of TDS returns. The Committee take serious exception to the Government having retracted from their own data at the stage of furnishing the action taken notes. The Committee, therefore, desire the Government to furnish in clear terms, at an early date, the reasons for the variation in the data on the number of electronic TDS returns filed by the corporates during 2003-04 and 2004-05. They may also be apprised of the number of e-TDS returns received from the corporates during the year 2005-06.

Service Tax

Recommendation (Sl.No. 8, Para Nos. 167-168)

(Para No. 167—Comprehensive Coverage of Services in the Tax Net)

10. The Committee observed that the contribution of the service sector to the tax revenues was disproportionate to the contribution of this sector to the country's GDP. While the service sector contributed to more than 50% of the GDP, the tax revenue generated from the sector had ranged between 3.1% and 4.6% of the Gross Tax Revenues from 2003-04. The Committee noted that while the service sector had to be encouraged for its contribution to the economy as well as the society at large, other sectors of the economy too needed to be given an equal amount of encouragement. The unanimous view expressed before the Committee was that the time had come to bring all the services barring the basic and essential ones in the tax net. The Committee, therefore, reiterated their earlier recommendation that all the services, barring the essential or basic ones, should be brought under the tax net in one go. With the facility of availing CENVAT

credit paid on the manufactured input utilised in a service and *vice-versa*, the Committee felt that comprehensive extension of tax on all services, though might be difficult, may not be an impossible task to achieve.

11. While furnishing the Action Taken notes, the Ministry of Finance, Department of Revenue (Central Board of Excise and Customs) replied as follows:

“CBEC

In the budget for 2006-07, considerable widening of service tax base has been undertaken. 15 services have been specifically included in the list of taxable services and in respect of 26 services, the scope has been expanded. With the proposed amendments, total number of taxable service is 99.”

12. Mainly on the basis of the tenor of the recommendations of various expert groups and the depositions made before them, the Committee had emphasized on extending service tax to cover all services barring the basic or essential ones. Instead of viewing the thrust of the Committee’s recommendation in the right perspective, the action taken reply of the Government merely recounts the fact that additional services have been included in the list of taxable services in the budget for 2006-07. It was only after being convinced of the need and desirability of transiting from selective taxation of services to general taxation of all services, barring the essential ones, that the Committee had recommended for the same. The Committee, therefore, expect the Government to view their recommendation in the right perspective and prepare and pursue a road map for transiting to comprehensive coverage of all services in the tax net by specifically exempting basic or essential ones, which would be in the interest of the revenue.

Stamp Duty

Recommendation (Sl.No. 11, Para No. 172–176)

(Para No. 176—Uniformity in Stamp Duty Charges)

13. The Committee observed that real estate transactions were a major area for creation of black money. The high rate of stamp duty levied by the States was also perceived to be a reason for restoring to undervaluation of property transactions. The Committee, therefore, urged the Government to impress upon the State Governments to bring

in rationalized and uniform rates of Stamp Duty on lines similar to the one that paved the way for arriving at uniform VAT system in the States.

14. While furnishing the action taken notes, the Ministry of Finance, Department of Revenue replied as follows:

“The Committee has emphasized the need for rationalization and uniformity of rates of stamp duty on real estate transactions in the manner similar to State VAT. Since it is a State subject, the matter requires consultation with the States, with a view to evolve a consensus on this issue. To start the process, it has been decided to place the matter in the next meeting of the Standing Committee of State Secretaries of stamps & Registration, likely to be held shortly. Further plan of action will be decided based on deliberations in the meeting of the Committee.”

15. The Committee note that in response to their recommendation for working towards rationalising and bringing about uniformity across the States in the rates of stamp duty applicable on real estate transactions, the matter has been proposed to be placed for consideration in the next meeting of the Standing Committee of State Secretaries of Stamps & Registration. Differential and especially high rates of stamp duty levied on real estate transactions by some of the State Governments are perceived to be a major reason for undervaluation of property transactions. The Committee desire to be apprised of the deliberations of the Standing Committee of State Secretaries of Stamps & Registration on the issue of rationalising and bringing about uniformity in the application of stamp duty on real estate transactions. The Committee also reiterate the need for preparing and vigorously pursuing a plan of action for coordinating with the State Governments, as in the case of the VAT System to bring uniformity in the application of stamp duty on real estate transactions.

Appeals/Legal Issues

Recommendation (Sl.No. 12, Para No. 177-179)

(Para No. 177-178—Representation of Cases)

16. In their interim report on the subject, the Committee had, *inter-alia* expressed concern on the manner in which Government cases were represented at various judicial for a and called for overhauling the processes involved in appointment of Government counsels. Form the

information furnished, the Committee were deeply concerned to note that the success rate of both the CBDT and CBEC in pursuing cases, particularly at the higher levels of the judiciary do not speak well of the departments. For instance, in the case of CBDT, 42.69% of the appeals filed in the High Court and 77.50% of appeals filed in the Supreme Court were informed to have been decided against the department. Similarly, the success rate in representing cases pertaining to customs and excise duties was only to the extent of 23% and 28% in the Supreme Court in the year 2003-04. These figures gave credence to the opinion often expressed that Government cases were represented in a routine manner in the higher levels of the judiciary. The Revenue Secretary too admitted before the Committee that there were problems at the departmental level in enabling effective pursuance of cases, for overcoming which, appropriate steps were said to have been taken. These, as informed to the Committee, included, putting in place a system for ensuring expeditious movement of data to the law officers; and identification and selection of lawyers with proven expertise in taxation matters for representing the Government. The Committee expected the Government to address the problems relating to representing its cases in various judicial for a expeditiously.

17. The Committee also noted, from the information furnished, that though the field formations of the CBDT had been empowered to engage special counsels to represent important cases involving complex legal issues, similar powers had been denied to the CBEC. The Committee expected the Government to resolve the matter expeditiously, so as to enable the field formations of CBEC also to engage special counsels for representing complex cases in the Tribunals, High Courts and the Supreme Court.

18. While furnishing the action taken notes, the Ministry of Finance, Department of Revenue, Central Board of Excise & Customs (CBEC) replied as follows:

“CBDT

The department is taking due care for proper representation of its cases at various judicial fora and for expeditious flow of information. At the level of ITAT, Sr. Departmental officers of the rank of Commissioners and Additional Commissioners are deputed to represent while before the High Courts, Standing Counsels with proven track record are being selected for handling the cases. Matters before the Supreme Court are represented by Law Officers appointed by the Government of India, including the Solicitor

General and the Attorney General. Compliance with CBDT's norms for selection of standing counsels is being ensured. Further, performance of counsels is also monitored by the Chief Commissioners/Commissioners of Income Tax concerned specially at the time of renewal of engagement. Further, in cases involving complex legal matters, Revenue engages the services of Ld. Law Officers as special counsels before the High Courts. For expeditious filing of appeals/SLPs before Supreme Court and regular monitoring of cases and liaisoning, a Directorate of Legal Research has been created which is headed by an officer of the rank of Chief Commissioner.

CBEC

CBEC has already created a Directorate of Legal Affairs for monitoring the Supreme Court cases on day-to-day basis. One of the major problems relating to monitoring of the cases is the delay in procurement of certified copies of the order of the High Court by advocates who are required to apply for the same either on the date of the order or within reasonable time. The same could not be successfully reduced in spite of best efforts. As the CBEC is conducting litigations through the counsels appointed by the Ministry of Law, a rule to enforce timely supply of certified copies for filing appeals is not being enforced in true spirit. Law Ministry has been advised to instruct the counsels for timely delivery of certified copies with the condition that non-compliance of same shall render deduction of 30% of fee to the advocates, as being enforced by the CBDT in respect of counsels representing their cases before the High Courts. As regards other measures such as speeding up of the communications between both the Ministries and the advocates and also to enhance the quality of litigations, the decisions taken in the meetings held between the law officers and the officers of both the Ministries are being implemented."

19. Further replying on the aspect of enabling the field formations of CBEC also to engage special counsels, the Ministry of Finance, Department of Revenue stated as follows:

"The provisions for engagement of Special Counsels for representing complex cases in the Tribunals, High Courts and the Supreme Court is being exercised by the CBEC. The issue which was addressed before the Committee relates to empanelment and maintenance of a panel of advocates for conducting the cases through the Office of the Chief Commissioners akin to the option

exercised by the CBDT for conducting direct tax cases before the High Courts. Though a proposal for empanelment of advocates to represent before all the High Courts on similar lines of the panel being maintained by CBDT was addressed in the year 2001, the Law Ministry did not concur with the proposal. It is proposed to address the issue afresh in the light of the recommendation of the Committee.”

20. The Committee observe from the reply that one of the major problems faced by the Central Board of Excise and Customs (CBEC) in monitoring of the Court cases is the delay in procurement of certified copies of the orders of the High Court by advocates. The Committee note that this situation is prevalent mainly because unlike the case of the other arm of the Department of Revenue viz., the Central Board of Direct Taxes (CBDT), who maintain a panel of advocates for representing cases in the High Courts through the Offices of the Chief Commissioners, and are, therefore, able to strictly enforce the rule of ensuring timely delivery of certified copies of the Court orders on the part of the Advocates, the CBEC is solely dependent on the Law Ministry’s panel of Advocates for representing cases in the High Courts. It is also noted from the information furnished by the Ministry that the Law Ministry had not concurred with the Ministry of Finance’s proposal for empanelment of advocates to represent CBEC’s cases before the High Courts on lines similar to the panel maintained by the CBDT. The Committee are surprised that an option already available with CBDT is being denied to CBEC by the Law Ministry. The Committee wish to be apprised of the reasons for not providing the CBEC with the option of maintaining a panel of advocates for representing cases as is the case with the CBDT. They also wish to be apprised whether the issue has been addressed afresh by the Ministry as stated, and if so, the outcome of the effort.

21. The Committee also desire to be apprised of the Law Ministry’s response to the advice reportedly tendered by the Ministry of Finance (CBEC) to instruct the counsels to ensure timely delivery of certified copies of the Court orders and also enforce the situation of deducting 30% of the fee dues in cases of non-compliance, as is being done by the CBDT in respect of counsels representing their cases in the High Courts.

National Tax Tribunal (NTT)

Recommendation (Sl.No. 12, Para No. 177-179)

(Para No. 179—Operationalisation of NTT)

22. The National Tax Tribunal (NTT) Bill had been passed by the Parliament. The Committee desired that the Government expedite the process of setting up of the NTT and frame the related rules.

23. While furnishing the action taken notes, the Ministry of Finance, Department of Revenue replied as follows:

“National Tax Tribunal is administered by Department of Legal Affairs, Ministry of Law and Justice. The comments received from that Department in this regard are as under:

...National Tax Tribunal has been established on 06.01.2006. The National Tax Tribunal (Salary, Allowances and other Conditions of Service of the Officers and Employees) Rules, 2005 have been notified on 9th January, 2006. However, it has not been made functional in view of the court cases pending in various High Courts. Transfer Petition has already been filed in the Supreme Court. SLPs filed in the Hon’ble Supreme Court for annulment of stay granted by various High Courts have been tagged to the Transfer Petition. The matter will be taken up by the Hon’ble Supreme Court when the Transfer Petition comes up for hearing.”

24. The proposal to establish the National Tax Tribunal has been necessitated owing to the large number of cases pending in various High Courts. The Committee however, feel dismayed to note that though the National Tax Tribunal has been established and the related rules and regulations notified, it is yet to be made functional on account of cases pending in various High Courts. The Committee would like to be apprised of the contentions relating to the Tribunal as made in the petitions filed in the High Courts. The Committee also wish to emphasise on the need for ensuring close co-ordination between the Ministry of Finance and the Ministry of Law to pursue the matter in the Supreme Court so that the National Tax Tribunal becomes functional at the earliest.

Survey-Ostentatious Display of Wealth

Recommendation (Sl.No. 14, Para Nos. 184-185)

(Para No. 184—Number of Searches and quality thereof)

25. The Committee, upon taking note of the fact that ostentatious display of wealth was done through extravagant spending of money on personal functions like marriages and high value luxury articles, recommended that the same has to be followed up effectively to detect concealment of wealth and evasion of tax. However, from the data furnished by the Government it was seen that only 75 enquiries into such spending have been conducted from the year 2001-02 to 2003-04 which resulted in disclosure of Rs. 43.58 crore. Further, it was also

observed from the data on searches that the number of searches in the years 2003-04 and 2004-05 had gone down by more than half of that conducted in the year 2002-03 with the value of seizures during the years also going down by more than fifty per cent. Reduction in the number of searches had actually resulted in greater reduction in the value of seizures made. The Committee did not agree with the policy of the Government to merely reduce the number of searches. Instead, they were of the view that the number of searches should be enhanced with added emphasis on the quality of searches. They, therefore, recommended that the number of searches conducted should be increased which should be of high quality and based on solid evidences of evasion.

26. While furnishing the action taken notes, the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes) replied as follows:

“CBDT

The observations of the Committee have been noted and communicated to the Directors General of Income Tax (Inv.) for necessary compliance so as to increase the number of searches as well as the quality thereof.”

27. Instances of large scale evasion of taxes are often unearthed on account of measures such as the banking Transaction Tax (BTT) and Annual Information Returns (AIRs). Such instances of unearthing of unaccounted income have the affect of giving credence to the perception about the existence of a huge amount of tax evasion, particularly in the metropolitan cities. Though it is has been informed that the recommendation for increasing the number of searches and also improving the quality thereof has been accepted and appropriate instructions issued to the field formations, the Committee feel that the Government could do well by analyzing the trends of evasion as well as ostentatious display of wealth and huge spending in different regions/cities of the Country. The Committee, therefore, expect the Government to carry out a detailed analysis of the entire nature of pay-outs on personal functions, which involve ostentatious display of wealth and huge spending on the basis of which a region/city specific plan of action could be formulated for unearthing unaccounted income.

28. The Committee would also like to be kept apprised of the details of the searches carried out and the seizures/disclosures made as a result thereof on a regular basis at six monthly intervals.

Scrutiny

Recommendation (Sl.No. 15, Para Nos. 186-187)

(Para No. 186-Percentage of Returns scrutinized)

29. The Committee observed from the data furnished by the Government that the demands raised and the corresponding realisation had been increasing by a huge percentage even though the number of scrutiny of tax returns had been maintained at 2 per cent. Leaving a large percentage of tax returns left unassessed, might prompt the assesseees to take a calculated risk in concealing their actual income. Hence, a need arose to ensure a fair percentage of assessment with a view to, on the one hand, increase the detection of evasion, and on the other hand, to act as a deterrent to reduce such risk taking by those who file their tax returns. In view of the above as well as the large scale computerization of various aspects of tax administration and the resultant efficient functioning of the department, the Committee recommended that the percentage of scrutiny should be raised suitably.

30. While furnishing the action taken notes, the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes, replied as follows:

“CBDT

Although the overall percentage of cases selected for scrutiny has remained below 2%, in absolute terms there has been steady increase in the number of cases selected for scrutiny every year. Figures of cases scrutinized in the last few years are as under:—

Sl.No.	Financial Year	No. of Cases Scrutinized
1.	2001-02	168010
2.	2002-03	172410
3.	2003-04	197390
4.	2004-05	210866

In view of the recommendation of the Committee, the issue of increasing the ceiling of 2% will be considered.”

31. The Committee note that the Government have responded positively to the suggestion for raising the 2% ceiling applicable on the percentage of tax returns taken up for scrutiny in a year. Mainly in view of the comprehensive computerization of the Department of

Revenue that has already taken place and the perceived increase in the ability of the assesseees, particularly the corporates, to file the returns electronically, the Committee re-emphasize on the need to consider raising the ceiling limit on the percentage of cases taken up for scrutiny immediately without any delay. The Committee also feel that as a step towards increasing the overall percentage of the returns taken up for scrutiny, the Government could initially consider increasing the percentage of scrutiny of tax returns filed by the corporates.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl.No. 1, Para No. 148)

The Committee note that though the total tax revenue collections registered significant increases in the preceding three years—from Rs. 2,14,372 crore in 2002-03 to Rs. 2,52,382 crore in 2003-04 and Rs. 3,03,169 crore in 2005-06, the corresponding impact on the tax-GDP Ratio has only been marginal. The Tax-GDP Ratio which is reported to have risen to 9.75% in 2004-05, continues to be low, and as pointed out by the Committee in their earlier report, does not compare well even with the developing countries. The strategy being pursued for augmenting tax resources mainly centres on proposed usage of the benefits of computerization, prominent of which are the Annual Information Reports (AIRs), and the Tax Information Network (TIN). Added emphasis is being paid on plugging loopholes in the tax provisions, monitoring conspicuous consumption, streamlining tax administration, and rationalising tax laws and rules. While these measures are expected to yield positive results in augmenting the tax revenues, the Committee are of the view that the long term tax policy of the Government should essentially centre on expanding the tax base *inter-alia* by limiting and rationalising the exemption provisions and factoring the changing sector profile of the GDP growth in the tax base.

Reply of the Government

CBDT:

It is the long-term policy of the Government to expand the tax base, *inter-alia*, by limiting and rationalizing the exemption provisions. To this end, *vide* Finance Act, 2006, the following measures have been taken:

- Exemption under section 10(23G) of income by way of dividends, interest, and long-term capital gains of infrastructure capital companies, infrastructure capital funds and Cooperative Banks from investments in approved eligible businesses has been withdrawn.

- The rate for Minimum Alternate Tax (MAT) has been increased from 7.5% to 10% of profits.
- The base of MAT has been expanded by not excluding long-term capital gains on transfer of securities on which Securities Transactions Tax (STT) has been paid from book profits and by adding depreciation claimed on account of revaluation of assets.
- Tax benefits under section 80P for cooperative banks other than Primary Agricultural Credit Societies and Primary Cooperative Agricultural and Rural Development Banks have been withdrawn.
- Exemption under section 10(23EA) available to income of notified investor protection funds has been restricted to income by way of contributions received from recognised stock exchanges and the members thereof.

With a view to minimize tax avoidance and increase tax base, Finance Act, 2005 has inserted a new section 206A in the Income Tax Act requiring Banking Companies, Co-operative Societies and Public Companies referred to in section 194A(3) to furnish quarterly return in respect of payment of interest less than Rs. 5,000/-to residents without deduction of tax. As a first step, every Branch of Banking Company is required to keep and maintain the particulars of non-deduction of tax on computer media and such Banking Company is required to furnish quarterly returns as per the procedure notified by the Board in March, 2006.

CBEC:

On the basis of a comprehensive review, a number of exemptions (broadly, exemptions that were end-use based or had outlived their utility or needed certification or give rise to disputes) that were granted through notifications have been removed in the 2006-07 Budget. Some more notifications which need to be removed have been identified. However, before taking a final view, it has been decided to put a list of such notifications on the Finance Ministry's website and invite comments.

Recommendation (Sl.No. 1, Para No. 149)

The assessee-base being composed of an incredibly small number has been a cause for serious concern to the Committee. Though there has been an increase in the number of persons filing their returns in

the year 2005-06, considering the growth rate being witnessed in the economy and the resultant spurt in both corporate and individual incomes, the Committee feel that the number of tax assessees should be much higher possibly 5 times the existing number. The Committee, therefore, urge upon the Government to bring a larger number of people in the assessee base. For the specific purpose of formulating the ways and means of bringing in a larger number of people under the tax net, the Committee feel that it would be essential to undertake a focused study, preferably with the involvement of a specialized institutions/bodies like reputed business schools.

Reply of the Government

CBDT:

It has been the constant endeavour of the Government to widen the tax base through various schemes and measures. Persons are required to file their return of income voluntarily. Only on the basis of concrete information a person may be asked to file his return of income. Further, non-intrusive techniques like public awareness campaigns through print and electronic media are regularly being undertaken to make the persons aware of their various tax related obligations.

The number of PAN cardholders has already crossed 4 crore mark, which may be taken as a reasonable projection for short term. The tax base has been steadily increasing and presently consists of more than 3 crore assessees, which is 3% of the total population. Further, the direct tax-GDP ratio has also crossed the level of 4% for the first time in FY 2004-05.

On the issue of relatively narrow tax base, it may be appreciated that there are a number of specific reasons which contribute to the relatively small tax base. A large percentage of urban as well as rural population is below poverty line, and still a larger percentage is below the threshold limit of taxation. Moreover, about 75% of Indian population is rural and mostly dependent on agriculture for their livelihood and presently, agricultural income is not subject to taxation. Further, the average size of households is about 5 and in most of the households, not more than one person may be the earning member. In addition, various exemptions and deductions are allowed to different category of taxpayers which also reduces the tax base. Taking into account the above facts, it is felt that the maximum tax base would not be more than 5% of the population.

Concerted efforts are already underway to increase the tax base. Recent initiatives like comprehensive computerization of the Income Tax Department and implementation of various measures like Annual Information Return (AIR), Tax Information Network (TIN), compulsory quoting of PAN in various high value transactions, introduction of Banking Cash Transaction Tax etc. are expected to yield further sharp increase in the tax base. In view of the above, the focused study may not be required at present. However, if need arises, study may be undertaken in due course.

CBEC:

This suggestion is aimed at increasing the tax base in Income Tax/Corporation Tax.

Recommendation (Sl.No. 1, Para No. 150)

Fiscal Responsibility and Budget Management Act, 2003, as amended in 2004 envisages reduction of Fiscal Deficit by 0.5% each year starting from 2004-05, and Revenue Deficit by 0.3% so as to eliminate the revenue deficit by the end of the financial year, 2009 and there after build up adequate revenue surplus. Mainly on account of the recommendations of the Twelfth Finance Commission, the Finance Minister, in his Budget Speech, 2004-05 announced the press of the 'pause' button *vis-a-vis* FRBM Act. The Committee hope that the objective of eliminating the deficits as envisaged under the FRBM Act would be put back on track by reclaiming the ground lost in reducing the fiscal deficit due to pressing of the 'pause' button.

Reply of the Government

CBDT:

Despite the fact that the Government paused the operation of the guidelines under the FRBM Act for the year 2005-06, there has been significant improvement on the front of both revenue deficit and fiscal deficit. According to the revised estimates, the revenue deficit for the year 2005-06 will be only 2.6% and the fiscal deficit will be only 4.1% of the GDP as against 2.7% and 4.3%, respectively, estimated at the time of the presentation of the Union Budget for 2005-06.

The process of fiscal correction has been put back on track in 2006-07 and consequently, revenue deficit is estimated to be 2.1% and fiscal deficit is estimated to be only 3.8% of the GDP for 2006-07.

Department of Economic Affairs:

The FRBM Act is administered by Department of Economic Affairs. The comments received from DEA in this regard is as follows:

“The Medium Term Fiscal Policy Statement presented along with the Budget for 2006-07 indicate that the medium term fiscal projections are in line with the commitment made in Budget 2005-06 to resume the process of fiscal correction with effect from 2006-07 and achieve the FRBM goal by 2008-09. The deficit indicators in Budget Estimates of 2006-07, with Revenue Deficit at 2.1% and Fiscal Deficit at 3.8%, compared to RE 2005-06 with Revenue Deficit at 2.6% and Fiscal Deficit at 4.1%, are consistent with the FRBM roadmap which envisages an annual reduction of at least 0.5 percentage points in Revenue deficit and 0.3 percentage points in Fiscal deficit.

Government continues to follow comprehensive policy of fiscal rectitude, aimed at revenue mobilization based on reasonable tax rates, better compliance and wider coverage, as well as moderation in the growth on non-plan expenditure while adequately providing for social and infrastructure needs.”

Recommendation (Sl.No. 2, Para No. 151)

Committee note that as recommended by them in their preliminary report on the subject, the proposal of compulsory filing of returns by trusts/institutions as well as educational institutions and hospitals entitled for exemptions under the Income Tax Act has been included in the Taxation Laws (Amendment) Bill, 2005. As per the proposals of the Bill, which has been examined and recommended for enactment by the Committee in the related report presented to Parliament, institutions, inclusive of those engaged in scientific research are to compulsorily file their returns of income. The enactment of the proposed legislation is expected to plug loopholes in the provisions and aid in monitoring and processing the income of the institutions. Yet, the Committee also feel that a lot more needs to be done to bring in credibility in this area which is entitled for exemptions under the Income Tax Act. With specific reference to the role of the tax department in this regard, the Committee wish to emphasise on the need for ensuring an effective system of scrutiny of the tax returns filed by the institutions so as to enable the Department in effectively tackling cases of misuse of the provisions, which result in loss of revenue.

Reply of the Government

CBDT:

In the scrutiny guidelines issued by the Board for the preceding financial year, specific clauses for selecting such cases having annual receipts above specified limits had been incorporated.

Recommendation (Sl.No. 2, Para No. 152)

The Committee note that various exemptions and concessions extended under the Tax Laws are to serve a number of social and economic objectives. They, however, feel that prolonged continuance of such exemptions may turn detrimental to the economy as they deplete considerable portion of tax base, which, in their opinion is badly needed to be strengthened in order to meet the developmental objectives. It has been brought to the notice of the Committee that continuance of the exemption provisions in the tax statute not only leaves tremendous scope for evading tax but also promotes people to resort to unwarranted tax planning. One such issue is exemptions applicable to educational institutions, hospitals, charitable trusts etc. which are registered as trusts/societies, but in reality, are run on commercial lines and in spite of earning huge income are exempted under the Tax Law. The Government too have admitted that loopholes relating to the exemption provisions are a major means of evading tax, particularly by the high income groups.

Reply of the Government

CBDT:

The issue of misuse of exemptions available to charitable trusts and institutions (including educational and medical institutions) under the Income-tax Act was examined during the budgetary exercise for the Finance Bill, 2006. One such misuse i.e., channelising of unaccounted money to these trusts and institutions by way of anonymous donations, has been sought to be addressed. A new section has been inserted by the Finance Act, 2006 to provide that anonymous donations made to wholly charitable trusts and institutions (including educational and medical institutions) shall be taxed at the rate of 30% (plus surcharge and education cess). Anonymous donations to party charitable and partly religious trusts and institutions will be taxed only if donations are made for any educational or medical institutions run by them. Such donations to wholly religious institutions are not to be taxed.

Recommendation (Sl.No. 2, Para No. 153)

So far as indirect taxes are concerned the Committee agree that exemptions are necessary but prolonging the exemptions indirectly encourage incompetence and makes domestic industry shy away from competition and growth. Further, they erode a major part of the revenue base. The Committee feel that with the rapid globalization and opening of the economy, the country and its industry should be better prepared to stand on their own without any substantial fiscal assistance from the Government. This gets further necessitated by the international treaties and agreements.

Reply of the Government

CBEC:

On the basis of a comprehensive review, a number of exemptions (broadly, exemptions that were end-use based or had outlived their utility or needed certification or gave rise to disputes) that were granted through notifications, have been removed in the 2006-07 Budget. Some more notifications which need to be removed have been identified. However, before taking a final view, it has been decided to put a list of such notifications on the Finance Ministry's website and invite comments.

Recommendation (Sl.No. 2, Para No. 154)

The Committee understand that the tenor of the recommendations of the Expert Groups/Institutions such as the Task Force of Direct Taxes (Kelkar Committee, Advisory Group on Tax Policy and Tax Administration for the Tenth Plan (Schome Committee) and National Institute of Public Finance and Policy (NIPFP) has been that most of the exemption provisions have not served the purpose of meeting the objectives envisaged and should, therefore, be withdrawn. In view of the foregoing, the Committee reiterate the need for urgently reducing the exemption provisions under the Tax Laws and rationalizing the same.

Reply of the Government

CBDT:

The tax-GDP ratio of the Centre has improved substantially in the last few years and is projected to reach 11.2 per cent in financial year 2006-07. One of the reasons, among others, for this increase in the

rationalization/removal of tax exemptions and concessions laid down in the Income-tax Act.

The Government is moving towards a taxation system having moderate tax rates and minimum exemptions which otherwise cause distortions. Sunset provisions have been introduced in various exemption/deduction provisions of the IT Act. On the other hand, certain exemption provisions have been sought to be removed altogether from the tax statute from time-to-time. One significant measure taken in this regard is the removal of tax concessions that has been available under sections 80HHC, 80HHD & 80HHE to exporters of various goods and services.

In continuance of the Government's policy to minimize exemptions, the following legislative steps have been taken by the Finance Act, 2006: (i) section 10(23G) which granted tax exemption to income of an infrastructure capital company or infrastructure capital fund or cooperative banks has been deleted from the financial year 2006-07, (ii) withdrawal of tax concession under Section 80P available to all Cooperative Banks other than Primary Agricultural Credit Societies (PACS) and Primary Co-operative Agricultural and Rural Development Bank (PCARD). Further, tax concessions available to 100% Export Oriented Units (EOUs) and to Units operating from Software Technology Parks (STPs), Export Processing Zones (EPZs), etc. have been covered by a sunset clause *i.e.* no tax benefits would be available to such units after assessment year 2009-10. Besides, general area-based tax deductions have already been phased out. The only area-based concessions that are available now are those which have been provided for certain select States like Sikkim, Uttaranchal, Himachal Pradesh and the North-Eastern States. These concessions have been provided pursuant to the new industrial policy framed by the Ministry of Commerce & Industry. However, even these concessions are covered by a sunset clause.

As can be inferred from above, tax concessions available under the Income-tax Act are being removed/rationalized on a continuous basis. The Department of Revenue is continuously reviewing all deductions/concessions and wherever such concessions are found to have outlived their utility and economic rationale, they would be either removed or rationalized. Therefore, the recommendation of the Standing Committee on Finance is already under implementation.

CBEC

The position in respect of Indirect Tax has been explained in reply to the recommendation contained in Paragraph No. 154.

Recommendation (Sl.No. 3, Para No. 155)

The Committee, considering the wide and far reaching benefits that would accrue to the entire tax administration, have all along been advocating for comprehensive computerization of the tax departments. The approach of the Government in trying to integrate the entire tax administration and synergise it with the other financial systems of the country is in consonance with the views of the Committee.

Reply of the Government

CBDT

The implementation is being monitored by an Empowered Committee. All efforts are being made to adhere to the stipulated time frame and to complete the setting up of National Computer Centre on time.

CBEC

The Committee has agreed with the approach of the Government in trying to integrate the entire tax administration and synergise it with the other financial systems of the country. It may be submitted that the CBEC would pursue the ongoing projects as per the timelines.

Recommendation (Sl.No. 3, Para No. 156)

The Committee observe that the computerization efforts of both CBDT and CBEC have been brought under the purview of an Empowered Committee on Computerization, and exchange of information between the two arms of the revenue department will be a reality once the consolidation of regional databases taken up for the Boards is completed. The PAN and PAN-based taxpayer identification by the CBDT and CBEC respectively, is to form the basis for mutual exchange of information.

Reply of the Government

CBEC

The Committee has observed that after the consolidation of regional database of the two Boards (CBEC and CBDT), the information between them would freely flow. It may be submitted that the efforts would continue to meet the timeline in this regard.

Recommendation (Sl.No. 3, Para No. 157)

As regards the computerization efforts of the CBDT, the Committee note that the proposal seeks to create a National Computer Centre at the apex level, through a System Integrator, with the objective of consolidating and migrating 36 regional databases into one single National Data base. As for the CBEC, a Data Centre is being set up with consolidated servers and a Wide Area network, linking all the field formations under the Board upto the level of Division with further connectivity upto the Ranges. The expected timeline for completion of the project is 30th April 2007. The Committee expect the Government to ensure completion of the CBEC project within the projected timeline and also synchronise completion of the CBDT project with that of the CBEC, so that the benefits accruing from the programme are reaped at the earliest.

Reply of the Government

CBEC

The Committee expect the Government to ensure completion of the CBEC project relating to Data Centre being set up with consolidated servers and a Wide Area Network by the expected time-line *i.e.* 30.4.2007. It is submitted that efforts would continue to meet the timeline in this regard.

Recommendation (Sl.No. 3, Para Nos. 158 & 159)

The Committee also expect the Government to prepare a roadmap for arriving at a larger scenario that could unfold with the possible integration of these projects, when completed with that of State tax departments and ultimately, with the financial systems in the country. To achieve this larger objective, the Committee understand that, at first, a synergy is to be created between State VAT, CENVAT and Customs, which necessitates having a PAN-based State tax identification number, adoption of Harmonised System of Nomenclature (HSN) and automation of VAT systems by the States. The Committee reiterate their earlier recommendation that the Government should take up the matter in right earnest and convince the Empowered Committee of State Finance Ministers about the importance and expeditious implementation of the same. Simultaneously, the Committee want the Government to take up, with the concerned Government departments and financial regulatory authorities like RBI, SEBI the case for common use of PAN at the earliest.

The Committee, in particular, emphasise on ensuring that the computerization programmes are implemented as per the time-frame stipulated and also provide for an inbuilt mechanism for upgrading the systems in the light of technological advancements. The processes involved in implementing the Computerisation programmes should ensure that delays are avoided. The Committee also wish to be kept apprised of the progress of the computerization programmes on a six monthly basis.

Reply of the Government

CBDT

The department is striving to adhere to the timelines for implementation of the computerization programmes. The system is also being upgraded from time-to-time as a result of technological advancements.

CBEC

The Committee desire that computerisation programmes are implemented as per the timeframe stipulated and there is an inbuilt mechanism for upgrading the systems in the light of technological advancements. The Committee desire a progress report on a 6-monthly basis (progress as on 30th June and 31st December of the year). The observations of the Committee have been noted for compliance.

Recommendation (Sl.No. 4, Para No. 160)

The Committee note that filing of Annual Information Returns has commenced and the data would be available to the authorized officers of the field formations for selecting scrutiny cases and for detection of evasion from April 2006 onwards. However, it is seen from the information furnished that unlike the other entities, the sub-registrars are either not compliant or are slow in filing the returns. This, being an area where a lot of concealment of actual transaction money is perceived to take place, the Committee urge upon the Government to pursue the matter with State Governments, so as to ensure that the sub-registrars file the AIRs in a time bound manner.

Reply of the Government

CBDT

Only those Sub-registrars who have registered transactions of purchase and sale of immovable property valued at Rs. 30 lakhs or

more are required to furnish AIRs. The matter has been taken up with the State Governments to ensure that AIRs are filed by all registrars/sub-registrars who are required to do so. Commissioners of Income-tax (CIB) are following up the matter with the Inspector General (Registration) of State Governments. As a result of measures taken the number of Registrars/Sub-registrars who have filed AIRs has risen to 1170 as on 15.3.06 from 372 as on 7.12.05 against total number of 3626 Registrars/Sub-registrars in the country.

Recommendation (Sl.No. 5, Para No. 161)

The Committee observe that in cases where an applicant makes changes in any of the key parameters, it is possible for a second PAN to be generated. The Committee are particularly concerned to note that as per the Government's own admission, at least 27 lakh cases of issue of multiple PAN involving 11 lakh entities have been detected. What is worrisome in this regard is that holding multiple PANs may be used as a means for evading tax and also lead to scams or irregularities such as the one relating to IPOs witnessed recently where multiple PANs were reported to have been used for opening a number of Demat Accounts by the same individuals. The Committee, therefore, urge upon the Government to give focused attention in overcoming this problem and ensure a foolproof system of allotment/issue of PAN to the applicants. The Committee also expect the Government to ensure strong punitive action against persons identified to have wilfully obtained multiple PANs.

Reply of the Government

CBDT

The existence of duplicate PANs in the database is due to reasons given below:

- In the initial stages, the allotment of PAN was handled by the Assessing Officers (AOs). Due to teething problems of acceptability, compliance by taxpayers, applications for PAN in the statutory Form 49A were not forthcoming.
- In the absence of applications in Form 49A, the AOs were advised to allot PAN based on the particulars in the return of income. Due to the fact that in the returns, the taxpayers did not fill particulars in fields, which were 'core' fields for PAN, in a disciplined way, more than one PAN got allotted.

- As the allotment process was slow, many assesses applied more than once to different Assessing officers. In some of these cases more than one PAN did get allotted due to variations in the data in core fields.
- Even though there was a software facility for detecting duplicates, due to rush of work and long queues, the signals from the system warning a possible duplicate were ignored by AOs and this resulted in allotment of multiple PANs.

In order to overcome the deficiencies in the PAN process, a part of the process has been outsourced to UTITSL and NSDL. Under the new procedure following steps have been introduced to ensure that more than one PAN is not allotted to one person:

- The applicants are required to submit proof of 'identity' and 'address' along with the application.
- It is the responsibility of the UTITSL and NSDL to ensure that applications are complete in all respects.
- Five fields are treated as core fields: name, date of birth, father's name, status and sex. As per the agreement with these service providers, their front offices have to check whether core fields in the application which ensure detection of duplicates are filled correctly.
- In any new request for PAN the system checks if a PAN has already been allotted for the given core fields, throws up a message of existence of duplicates, promoting a manual decision.
- The stipulated procedure for resolving such cases is strictly adhered to at the Regional Computer Centers of Department in co-ordination with NSDL and UTITSL.

Removal of Duplicates

In order to remove duplicate PANs that exist in the database the following two-pronged approach has been adopted:

- Voluntary surrender by holders of duplicate PANs
- Assesseees have been given the facility to surrender duplicates through the website or by calling Aakyar Sampark Kendra (ASK)
- Identification and deletion of duplicates by the department

- Through a well defined algorithm, a computer based clubbing of likely duplicates has been done.
- The identified list of likely duplicates has been forwarded to the respective charges.
- A software program has been developed to enable assessing officers to delete the identified duplicates.
- AO's have been given detailed instructions to proceed with deletion after issuing notice to the PAN holders to make sure that the identified duplicates correspond to the PAN holder.
- Such clubbing of PANs belonging to the same person, makes it difficult to misuse the duplicate PAN.

It is clarified that investigations have confirmed that in the recent I.P.O. scam there was no instance of use of duplicate PAN, as PAN is not required to be quoted in applications for allotment of shares for less than Rs. 50,000/-.

International possession of more than one PAN is an offence liable for penalty under section 272 B read with section 139 A of the Income Tax Act. Further, if any applicant has intentionally furnished incorrect particulars or false documents he is liable for prosecution under the Income Tax Act. Appropriate legal action will be taken as and when such cases come to notice.

Recommendation (Sl.No. 5, Para No. 162)

It is also seen that about 61 per cent of the financial transactions are to compulsorily include PAN and the rest are not required to meet this stipulation. This, the Committee feel warrants attention as tracing of such non-PAN transactions may not be easy. The Committee therefore, feel the need to impress on the Government to consider making it compulsory to quote PAN in all types of financial transactions.

Reply of the Government

CBDT

61 percent of the transactions reported in Annual Information returns do not have PAN. This is also because this is the first year of implementation of AIRs. Realising the difficulty in pursuing non-PAN

data, the Government has introduced the following amendments the Finance Act, 2006:

- (a) A new sub-section (1B) in section 139A has been inserted so as to provide that for the purpose of collecting any information which may be useful for or relevant to the purposes of the Income-tax Act, 1961, the Central Government may by way of notification specify any class or classes of persons, and such persons shall within the prescribed time apply to the Assessing Officer for allotment of a Permanent Account Number;
- (b) Sub-section (2) of section 139A has been amended so as to provide that the Assessing Officer may, having regard to the nature of transactions as may be specified by the rules made by the Central Board of Direct Taxes, also allot a permanent account number to any person (whether any tax is payable by him or not), in accordance with the procedure as may be specified by such rules.

Rule 114B of Income-tax Rules 1962 read with sub-section (5) of Income-tax Act 1961 requires quoting of PAN in specified financial transaction covered by AIR. However, certain exceptions are provided for persons who have either no taxable income or who have agricultural income. The aforesaid provisions of the Finance Act, 2006 will enable the Government to require all persons who enter into specified financial transactions to apply for and obtain PAN. Even where PAN is not quoted in any transactions, the Government will be able to allot PAN based on information in its possession.

These provisions would go a long way in addressing the problems of processing non-PAN data.

Recommendation (Sl.No. 7, Para No. 165)

The Committee note that the Government have responded positively to the emphasis paid by them on improving the environment in tax offices and reducing the interface between the taxpayer and tax officials. In addition to the proposals of the department to undertake construction of 'modern, intelligent tax office buildings' etc. the Committee feel that there is a need to consider introducing measures such as Business Process Reengineering, which would be more userfriendly and also act as a more effective mechanism in dealing with problems of tax evasion. They feel that the introduction of other measures like Help Centres and Risk Management Systems would further ease the tax compliance procedures.

Reply of the Government

CBDT

A task force on **Business Process Reengineering** has been constituted. Tender process for hiring a Management Consultant for this purpose has been initiated.

Help Centres or Aayakar Sahayata Kendras were set up at 43 stations across the country as a facilitation measure for small taxpayers through a collaboration between the Income Tax Department and non-governmental organizations, trade/industry associations, professional bodies on PUBLIC-PRIVATE PARTNERSHIP model on a voluntary basis. The Help Centres were set up as a result of the announcement made by the Finance Minister in his Budget Speech 2005. The Help Centres facilitated taxpayers in preparing the returns of income and filling up *challans*, computing taxable income, calculating tax payable, rendering tax related advice and to accept application forms for Permanent Account Number (PAN).

In order to make the public aware of this facility, wide publicity was given to this programme through TV advertisement on DD/Satellite channels and vernacular/English press as well as contact meetings of Chief Commissioners of Income Tax with Trade bodies/local market bodies highlighting the purpose and details of the scheme of the help centers and the conveniences it offers to the small taxpayers.

These help centres for small Income Tax payers functioned from 1st July, 2005 to 30th Sept., 2005 (a period of three months). These were re-energized in the last week of October, 2005 to enable late filers and non filers to file the returns of income. Feedback and suggestions from the field offices as well as from general public have been obtained for improving the effectiveness of help centers. These have been examined. Guidelines for increasing the effectiveness of the help center programme in the financial year 2006-07 have been communicated to the field formations for implementation. The help centers will function from 1.6.2006 to 31.8.2006.

Risk Management in the form of Computer Assisted Selection of Cases for Scrutiny (CASS) was introduced in November 2004. First cycle of selection of cases through CASS was introduced in Nov.' 04 while the second round was done in July '05. Second phase of CASS, which would include information from the Tax Audit Reports and AIR data, is being developed and will be implemented in April-May 2006.

CBEC

The Directorate of Housing & Welfare in CBEC has been entrusted with the work to monitor and coordinate with the field formations to identify shortcomings in each of the offices in their jurisdiction on the basis of recommendations of the Infrastructure Task Force which was constituted to bring about improvement in office infrastructure and to standardise the requirement of a 'Modern Customer Friendly Office.' The pre-requisites of a 'Model Open Office' in short as recommended by the 'Task Force' are as under:—

- Provision of New Modular Furniture suitable for "Open Modular Office System" e.g. Work Stations etc.
- Up gradation of existing reception, visitors' lounge and/or waiting room.
- Preparation of new layout of office viz. construction of cabins in halls and bigger rooms, providing false ceiling and wall panelling, replacement of flooring with vitrified tiles.
- To provide Waiting Bays at each floor for visitors.
- To provide for 'Modern Record Room' for in-built storage system.
- Facilitation counters for providing forms/departmental publications etc.
- Fixing of illuminated signage indicating directions of various sections.
- Fully-furnished Conference Room with audio-visual system in Commissionerate Hqrs.
- Upgradation of existing library.
- Upgradation of centralised receipt system.
- Using of smart card for entry/exit for ensuring punctuality.
- Adequate power backup system for computers, lifts, essential light and fans.
- Adequate recreation facilities and canteen facilities.

The Commissionerates and the Directorate are making continuous effort to improve the infrastructure to transform the existing offices into Modern Customer-friendly offices and to provide required amenities such as visitors' rooms, waiting bays, toilets, installation of water coolers etc. It is ensured that the new office buildings constructed

and/or under construction incorporate all such ingredients to give an assessee-friendly look and conform to specifications of Model Open Office. However, in Metro cities, there is constraint of acquiring plot of land for construction of offices. Hence, the existing offices are being modified to provide and improve such basic amenities by the concerned field formations. The endeavour of this Directorate is to ensure implementation of such proposals that emphasise on integrated and comprehensive planning with proper amenities for taxpayers.

Help Centres have been set up in all the Customs and Central Excise Commissionerates in public-private partnership in tune with the accepted international practice all over the world. Help Centres are envisaged to provide an institutional mechanism for small tax payers, assesses, importers, exporters and service providers to guide and educate them on all matters relating to Indirect Taxes.

The Committee emphasised the need for introducing measures such as Business Process Re-engineering and Risk Management Systems to further ease the tax compliance procedures. It may be submitted that the observations of the committee would be kept in view while implementing the projects. Risk Management System has started functioning at Air Cargo, Sahar and Jawaharlal Nehru Port, Nhava Sheva, Mumbai Custom House and Mulund CFS and is being extended to other major locations. It is also mentioned that the Directorate General of Systems have taken up a project named ACES (Automation of Central Excise and Service Tax), which is a workflow based application and seeks to cover all the aspects of business in Central Excise and Service Tax.

Recommendation (Sl.No. 7, Para No. 166)

The Committee have also been impressed upon the need for creating an Ombudsman scheme on lines similar to that of Banking Ombudsman, for enabling redressal of the grievances of the tax assesses. The Committee note that though a 'Tax Ombudsman' scheme is presently prevalent in two places, a proposal for strengthening the mechanism has been worked out, which is awaiting approval. The Committee desire that the re-worked and strengthened Tax Ombudsman scheme be made operational at the earliest, which would contribute in redressing the grievances of the taxpayers.

Reply of the Government

The Income Tax Ombudsman Guidelines 2004 have been revised with the approval of the Cabinet. In all 12 Income Tax Ombudsman

have been created across the country at the following places:—

1. New Delhi
2. Mumbai
3. Chennai
4. Kolkata
5. Bangalore
6. Hyderabad
7. Ahmedabad
8. Pune
9. Kanpur
10. Chandigarh
11. Bhopal
12. Kochi.

The Income Tax Ombudsman have the power to receive complaints from taxpayers on any matter alleging deficiency in the working of the Income Tax Department and facilitate their settlement by agreement, through conciliation and mediation between the Income Tax Department and the aggrieved parties. If complaint is not settled by agreement in the stipulated time he may pass an 'award' after affording the parties reasonable opportunity to present their case as per the Income Tax Ombudsman Guidelines 2006.

Recommendation (Sl.No. 10, Para No. 171)

The Committee, considering the fact that focus on the high-end tax payers would result in more tax revenue, advised the Government to give specific focus on them. They note with satisfaction that the Government are taking all possible steps to tap the potential of such sections of the society to enhance the tax collections, like conducting surveys/enquiries in respect of transactions of certain high value items. However, there exist certain general problems like exemptions, and specific problems like lack of information on high-spending and predominant use of cash as a mode of payment for high value items. Moreover, the Government are in agreement with the concept that high income tax payers with greater capacity to pay must pay more. Keeping in mind all the concerns, the Committee advise the Government to bring all such dealers who deal with such high-cost

items as well as the persons with very high regular spending, under Section 285BA of the Income Tax to mandatorily file Annual Information Returns.

Reply of the Government

CBDT:

Section 285A provides for filing of Annual Information Return (AIR) by prescribed persons regarding certain specified high value transactions entered into after 1st April, 2004. The transactions in respect of which the Annual Information Return is required to be filed are the following:

Sl.No.	Class of persons required to file AIR	Nature and value of transactions
1.	Banks	Cash deposits of Rs. 10 lac and above in a year in any savings bank account maintained by a person.
2.	Any company or institution issuing credit card.	Payments made by a person against credit card aggregating Rs. 2 lac and above in a year.
3.	A trustee of a Mutual Fund or person authorized to manage such funds.	Investment in a Mutual Fund of Rs. 2 lacs or more by a person.
4.	A company or institution issuing bonds or debentures.	Investment of Rs. 5 lac or more in bonds or debentures issued by a company or an institution.
5.	A company issuing shares through public or rights issue.	Investment of Rs. 1 lac or more in a public or rights issue of company.
6.	Registrar/Sub-Registrar of Properties.	Purchase or sale by any person of immovable Property valued at Rs. 30 lacs or more.
7.	An officer of the RBI	Investment by a person for an amount aggregating Rs. 5 lacs or more in a year in bonds issued by the RBI.

The Finance Minister has announced in the Budget Speech, 2006 to expand the base of the AIR by prescribing some more transactions to be reported in the same.

Recommendation (Sl.No. 11, Para No. 172)

Evasion of taxes is a major cause for serious concern, which creates a severe dent in the total realizable tax kitty. The Committee note that in response to the concerns raised by them, the Government have taken certain initiatives in this regard. However, the Committee find certain glaring and persistent instances of evasion by misuse of some provisions.

Reply of the Government

Initiatives taken to tackle evasion of Central Excise and Customs duty are as under:

Central Excise:

- Developing intelligence in respect of manufacturers who are suspected of evading the revenue.
- To monitor the revenue on the basis of number of machines installed in respect of manufacturers like Pan Masala/ Gutkha.
- To monitor the input-output ratio in respect of certain evasion prone commodities.
- Issuing modus operandi circulars regarding evasion of Central Excise Duty.
- Studying the price structure, marketing patterns and classification of certain evasion prone commodities.
- Conducting searches to unearth documentary evidence in support of clandestine production and clearance.

Customs:

- The intelligence gathering machinery has been strengthened so as to generate effective intelligence.
- Various equipment, which are essential for an effective anti-evasion set-up such as transport, communication equipment etc. have been augmented.
- Computers with appropriate software and data-links have been put in place to facilitate data analysis to detect cases warranting investigation.
- Database (dossiers) of past offenders has been updated to identify such (new) companies which may have been opened by past offenders.

- Increasing use of Bilateral Customs Mutual Administrative Assistance Agreement and signing of new agreements with important trading partners such as USA and European Community (consisting of 25 countries) so as to assist each other in detection, prevention and investigation of customs offences.
- Positing of customs officers abroad for the purpose of effective coordination with other customs administrations so that evidences could be collected for the purpose of successful completion of investigation.
- Signing WCO Convention on Mutual Administrative Assistance (CMAA), which will help us in procuring evidence from other Customs Administrations, who have also signed CMAA.
- Increasing computerisation of Customs Clearance Procedures and use of electronic data interface (EDI) system for data analysis on a real time basis to identify cases to be investigated.
- Conducting systematic studies of various export-promotion schemes with a view to identify loopholes and to take steps to plug loopholes.
- Increasing use of Non-Intrusive inspection Systems for inspecting container cargo so as to detect any concealment/ mis-declaration of goods.
- Increasing use of X-ray machines at the airport so as to detect any concealment in the baggage.

Recommendation Sl.No. 11 (Para No. 173)

The data furnished on instances of misuse of various export promotion schemes reveals that the amount involved in the show cause notices (SCNs) issued during 2002-03 to 2004-05 totals to an enormous figure of Rs. 3,442 crores. The aspect of blatant misuse of various export promotion schemes resulting in loss of thousands of crores of revenue to the exchequer is evident from the fact that the Government have decided to withdraw the Target Plus Scheme following the advice of a Committee of Secretaries. Further, the Committee also note that as a follow up of the revelations made by the DRI, some of the schemes have been revamped. The Committee are, therefore, of the view that there is an urgent need to review all the existing export promotion schemes, after obtaining necessary inputs from DGFT, DRI, DGCIS etc. so as to make them evasion proof.

Reply of the Government

In pursuance of the directions received from PMO, a two-Member Committee consisting of DGFT and Member (Customs/EP), CBEC was set up to examine the existing export promotion schemes as well as schemes to reward export performance other than the DEPB Scheme, to identify such schemes which are not WTO-compatible or which ought to be discontinued for other reasons.

The two-Member Committee has since submitted its report and has made a number of recommendations to further tighten up various export-promotion schemes. The Committee, in its report, has also recommended that reward schemes like Target Plus, Served from India Scheme and Vishesh Krishi Upaj Yojana (VKUY) need to be revisited. The report of the two-member Committee mentioned above was considered by the Committee of Secretaries in a meeting held on 2.1.2006 and the Committee has given specific recommendations in respect of EOU Scheme, VKUY and Served from India Scheme.

Besides, on the basis of inputs received from DRI/Customs field formations, a number of proposals were forwarded to DOC for implementation in the ensuring Annual Review of the Foreign Trade Policy (FTP). The proposals of DOR and DOC for annual review of FTP were discussed by the Committee of Secretaries in its meeting held on 22.3.2006.

The Annual Supplement to the FTP has since been released on 7.4.2006. As a result of the review of the Target plus Scheme, the scheme has been deleted from the policy. Likewise, the DFRC scheme has been abolished on 30.4.2006. Besides, to help prevent misuse of Export Promotion Schemes, several new provisions have been incorporated in the FTP and Handbook of Procedures. Also, several provisions have been deleted to tighten up the schemes. The new provisions are mentioned below scheme-wise.

Advance Licence Scheme

- (i) A new paragraph dealing with revision of Standard Input Output Norms (SION) by Advance Licence Committee, now called Norms Committee, has been introduced. It is now mandatory for the industry/exporters to provide production and consumption data etc. as may be required by DGFT/Export Promotion Council for revision of SION. (paragraph 4.10.2 of the Handbook)

- (ii) A new sub-para has been added in para 4.24A(a) of the Handbook requiring the exporter to give declaration with regard to technical characteristics, quality and specifications in respect of specified inputs (which are of sensitive nature) in the shipping bills. The objective is to establish a correlation between the exported products and imported inputs.
- (iii) A new provision has been added in para 4.28 of the Handbook requiring the Regional Authorities of DGFT to compare the relevant portion of Appendix 23 (consumption and utilisation register) with that of norms allowed in the Authorization(s) and the actual quantity imported against the Authorization(s) and to recover customs duty along with interest @ 15% when the Authorization holder has consumed lesser quantity of inputs than imported.

EPCG Scheme

- (i) Paragraph 5.11 of Handbook has been amended to provide that extension of export obligation period beyond 8+2 years can be considered for a further extension upto 2 years with a condition that 50% of duty payable in proportion to be unfulfilled export obligation is paid by the license holder to the Customs authorities. Last year the Department of Commerce (DOC) had amended this para to provide for export obligation extension beyond 8+2 years upto 3 years with 50% enhanced export obligation and upto 5 years with 100% enhanced export obligation to make it a total period of 15 years for the purposes of fulfilment of export obligation under EPCG Scheme. This provisions has now been deleted.
- (ii) Paragraph 5.1 of the Policy has been modified to stipulate that the 'duty saved' amount on all EPCG authorizations issued in a licensing year for import of motor cars, sports utility vehicles, all-purpose vehicles shall not exceed 50% of the average foreign exchange earnings from the hotel, travel and tourism and golf tourism sectors in the preceding 3 licensing years.

Vishesh Krishi Upaj & Gram Udyog Yojana

- (i) The entitlement under the scheme has been reduced to 3.5% (from 5%) for all products in cases where the exporter has availed the benefits of duty exemption/duty remission schemes under Chapter 4 of the policy and Duty Drawback.

- (ii) The EOUs and SEZ units have been excluded from the purview of Vishesh Krishi Upaj & Gram Udayog Yojana, meaning thereby that these units will not be eligible for the benefits of the scheme.

Served from India Scheme

- (i) The stand-alone restaurants will be entitled to duty credit equivalent to 10% of the foreign exchange earned by them in the preceding financial year as against 20% allowed earlier. (Para 3.6.4.4. of the Policy)
- (ii) The imports against duty credit scrips shall relate to the service sector business of the applicant. (Para 3.6.4.5 of the Policy) Earlier, imports were relatable to the main line of business.
- (iii) Utilisation of duty credit earned under the scheme shall not be permitted for payment of duty in case of import of vehicles. (Para 3.6.4.5 of the Policy)

Other Miscellaneous Changes

- (i) The provision providing for extension in export obligation period beyond 36 months in respect of advance licence (Para 4.22.1 of Handbook) has been deleted restricting the export obligation period to 36 months even after 12 months extension.
- (ii) The provision providing for extension in export obligation period in respect of advance licence for annual requirement (para 4.24A (e) read with Para 4.22 of FTP) has been deleted from the Handbook.
- (iii) The provision regarding clubbing of EPCG licence under Para 5.18 of Handbook has been amended to make this provision stringent.
- (iv) In case the recognition for grant of One-Star Export House or above is claimed based upon the current year's export performance, the same shall be considered only in case the exporter has export performance of Rs. 15 crore or more during any two years out of the current and preceding three years. (new note 4 in para 3.5.2 of the Policy).

Recommendation Sl.No. 11 (Para No. 174)

With specific reference to import of luxury cars etc. which is, inter alia permitted under the EPCG Scheme, the Committee note that of

the 499 vehicles imported till date, as many as 61 have been identified to have been misused by way of 'Third Party Transfer' of the vehicles in violation of the 'Actual User Condition'. What is particularly disturbing to note is that import licenses have been reported to have been issued to non-existent or fictitious firms. The Committee's examination of the issues relating to instances of misuse of Export Promotion Schemes *inter alia* reveal that there is a strong element of lack of proper co-ordination between the various agencies viz., Department of Revenue, DRI and DGFT. The Committee, therefore, strongly express the need for taking stringent action against the erring parties and also have a re-look at the mechanisms of co-ordination between the agencies/departments with a view to curb instances of misuse of the Schemes.

Reply of the Government

The issue concerning misuse of cars imported under the EPCG Scheme was considered by the Committee of Secretaries (COS) in its meeting held on 22.3.2006. The COS has recommended that the Ministry of Commerce (MOC) would conduct a quick survey of the imports of motor vehicles made during the last three years. To check the misuse of the scheme, the COS has recommended that MOC, Department of Revenue, Ministry of Tourism and the Ministry of Road Transport and Highway may jointly discuss the issue and take suitable measures.

An inter-ministerial meeting was convened by MOC on 3.5.2006 to discuss the subject. It was decided in the meeting that:

- (a) Vehicles imported under the scheme should be registered either as tourist vehicles or an appropriate registration specific to a particular state which enables the vehicle to be used for tourist purposes.
- (b) In selective cases, the import of vehicles under the EPCG Scheme should be randomly verified by a joint team of DRI and DGFT.
- (c) A mechanism may be institutionalised to inform the DRI on monthly basis about the licences issued by the field offices of DGFT for import of vehicles under the EPCG Scheme.
- (d) Regarding confirmation of installation of the imported vehicles, the licensee should be asked to endorse a copy of the Registration Certificate issued by the concerned Regional Transport Authority. This copy may be given to the issuing licensing authority as a confirmation of the vehicle having arrived and having been registered appropriately.

As per information collected from DGFT, 334 licenses have been issued in the three years for import of 499 vehicles under the EPCG Scheme. During the same period, DRI has seized 106 vehicles on account of misuse of the EPCG scheme for service providers.

In order to check duty evasion by means of fraudulent availment of concessional rate of duty under the EPCG Scheme, the DGFT has taken steps to tighten the eligibility and entitlement condition for import of vehicles under the EPCG Scheme by way of Notification dated 17.1.2006. These steps are:

- (i) The number of vehicles which can be imported by a firm has been restricted in such a manner that the "duty saved amount" on all such EPCG licenses issued to that firm in a particular year shall not exceed 50% of the average foreign exchange earnings from the hotel, travel, tourism and golf sectors in the preceding three licensing years;
- (ii) Only those service providers shall be eligible for importing a vehicle under the EPCG Scheme which have a minimum of Rs. 1.5 Crore foreign exchange earnings from the hotel, travel, tourism and golf sectors only, in the current and preceding three licensing years.

Recommendation Sl.No. 11 (Para No. 175)

As regards Central Excise duty, the Committee note that while Pan Masala/Gutka and Iron and Steel are identified as commodities prone to evasion, certain others, including cigaretters, polyester yarn etc., which were earlier considered as evasions prone are no longer perceived to be so. The Committee recommend that the reasons for the proneness of these commodities to evasion be looked into in detail and appropriate remedial measures taken.

Reply of the Government

The products like Pan Masala/Gutkha and Iron & Steel continue to be in the evasion prone list since:

- (a) There is very high duty incidence on Pan Masala and being a consumer item, no CENVAT credit is being availed. Hence the product is prone to evasion.
- (b) For some of the products of Iron & Steel like those used in construction sector, no CENVAT credit is availed. Hence these products are prone to evasion.

As regards POY, after its duty restructuring, the same is not considered to be a sensitive commodity. This is also reflected in the lesser number of cases detected against manufacturers of Polyester Yarn. Similarly, Cigarettes are under physical control of the Department as per Rule 6 of Central Excise Rules, 2002. Hence these products are no longer considered to be sensitive and evasion prone.

Further, following audit and anti-evasion measures are taken to check and detect duty evasion in central Excise.

(i) **Audit:** As part of the strategy to improve the effectiveness of EA 2000 Audit, the following measures were initiated in 2005-06:

- The services of Chartered Accountants/Cost Accountants are being engaged for Desk review in case of audit of very large assesses having complicated accounting systems and voluminous transactions, such as audit of multi-location units. The guidelines for selection of cases for Desk Review by CAs/C&Ws have been laid down.
- The provisions of cost audit under Section 14A/14AA is being invoked in some special cases. Sensitive commodities such as Sponge Iron, Ingots etc have been identified for such audit and the field formations have been directed to carry out audit of such units.
- The filing of ER4 returns (Annual Financial Information Statement) is closely monitored and the auditors are encouraged to use the information therein for preparing Audit Plans. Directorate of Audit has already circulated guidelines for preliminary scrutiny of ER5 return (Annual return containing details of description of the principal inputs used in the manufacture of finished products) and ER6 returns (monthly return containing details of receipt and consumption of principal inputs and finished excisable products). The Directorate is also developing a more detailed scheme for the scrutiny of ER5 and ER6 returns so that critical information about Input-Output ratio and its monthly behaviour can be utilised by audit to check CENVAT utilisation. A booklet of the SION (Standard Input Output Norms) of 45 revenue sensitive commodities has been circulated to all the zones. Efforts are also being made to ascertain the wastage norms for sensitive goods. These norms also aid in audit of the unit.

- Training of the departmental personnel in financial literacy has been organized by NACEN and its regional training institutes.
- Physical verification of units availing the Area based exemption has been initiated to check the claim of substantial expansion in capacity.

(ii) Anti-evasion efforts are being intensified by way of:

- Greater attention on quality cases having large revenue stakes and/or those having recurring effect.
- Replicating cases having distinctive features and revenue potential.
- Strengthening the informer network.
- Developing strategic intelligence for specific units, specific sectors and specific industries.
- Commodity-specific analysis with an anti-evasion perspective to detect evasion by such units.
- Maximize voluntary payments during investigation.
- Greater interaction with Commissionerates, particularly in CENVAT cases.
- Dissemination of intelligence by issue of *Modus Operandi* circulars.

Recommendation Sl.No. 11 (Para No. 176)

Real estate transactions are believed to be a major area for creation of black money. The high rate of stamp duty levied by the States is also perceived to be a reason for resorting to undervaluation of property transactions. The Committee, therefore, urge the Government to impress upon the State Governments to bring in a rationalized and uniform rates of Stamp Duty on lines similar to the one that paved the way for arriving at uniform VAT system in the States.

Reply of the Government

The Committee has emphasized the need for rationalization and uniformity of rates of stamp duty on real estate transactions in the manner similar to State VAT. Since it is a State subject, the matter requires consultation with the States, with a view to evolve a consensus on this issue. To start the process, it has been decided to place the matter in the next meeting of the Standing Committee of State

Secretaries of Stamps & Registration, likely to be held shortly. Further plan of action will be decided based on deliberations in the meeting of the Committee.

Recommendation Sl.No. 12 (Para No. 177)

In their interim report, the Committee had, *inter-alia* expressed concern on the manner in which Government cases were represented at various judicial fora and called for overhauling the processes involved in appointment of Government counsels. From the information furnished, the Committee are deeply concerned to note that the success rate of both the CBDT and CBEC in pursuing cases, particularly at the higher levels of the judiciary does not speak well of the departments. For instance, in the case of CBDT, 42.69% of the appeals filed in the High Court and 77.50% of appeals filed in the Supreme Court are informed to have been decided against the department. Similarly, the success rate in representing cases pertaining to customs and excise duties has only been to the extent of 23% and 28% in the Supreme Court in the year 2003-04. These figures give credence to the opinion often expressed that Government cases are represented in a routine manner in the higher levels of the judiciary. The Revenue Secretary too admitted before the Committee that there were problems at the departmental level in enabling effective pursuance of cases, for overcoming which, appropriate steps are said to have been taken. These, as informed to the Committee, include, putting in place a system for ensuring expeditious movement of data to the law officers; and identification and selection of lawyers with proven expertise in taxation matters for representing the Government. The Committee expect the Government to address the problems relating to representing its cases in various judicial fora expeditiously.

Reply of the Government

CBDT:

The department is taking due care for proper representation of its cases at various judicial fora and for expeditious flow of information. At the level of ITAT, Sr. Departmental officers of the rank of Commissioners and Additional Commissioners are deputed to represent while before the High Courts, Standing Counsels with proven track record are being selected for handling the cases. Matters before the Supreme Court are represented by Law Officers appointed by the Government of India, including the Solicitor General and the Attorney General. Compliance with CBDT's norms for selection of standing counsels is being ensured. Further, performance of counsels is also monitored by the Chief Commissioners/Commissioners of Income Tax

concerned specially at the time of renewal of engagement. Further, in cases involving complex legal matters, Revenue engages the services of Ld. Law Officers as special counsels before the High Courts. For expeditious filing of appeals/SLPs before Supreme Court and regular monitoring of cases and liaisoning, a Directorate of Legal and Research has been created which is headed by an officer of the rank of Chief Commissioner.

CBEC:

CBEC has already created a Directorate of Legal Affairs for monitoring the Supreme Court cases on day-to-day basis. One of the major problems relating to monitoring of the cases is the delay in procurement of certified copies of the order of the High Court by advocates who are required to apply for the same either on the date of the order or within reasonable time. The same could not be successfully reduced in spite of best efforts. As the CBEC is conducting litigations through the counsels appointed by the Ministry of Law, a rule to enforce timely supply of certified copies for filing appeals is not being enforced in true spirit. Law Ministry has been advised to instruct the counsels for timely delivery of certified copies with the condition that non-compliance of same shall render deduction of 30% of free to the advocates, as being enforced by the CBDT in respect of counsels representing their cases before the High Courts. As regards other measures such as speeding up of the communications between both the Ministries and the advocates and also to enhance the quality of litigations, the decisions taken in the meetings held between the law officers and the officers of both the Ministries are being implemented.

Recommendation Sl.No. 12 (Para No. 178)

The Committee also note from the information furnished that though the field formations of the CBDT have been empowered to engage special counsels to represent important cases involving complex legal issues, similar powers have been denied to the CBEC. The Committee expect the Government to resolve the matter expeditiously, so as to enable the field formations of CBEC also to engage special counsels for representing complex cases in the Tribunals, High Courts and the Supreme Court.

Reply of the Government

The provision for engagement of Special Counsels for representing complex cases in the Tribunals, High Courts and the Supreme Court

is being exercised by the CBEC. The issue which was addressed before the Committee relates to empanelment and maintenance of a panel of advocates for conducting the cases through the Office of the Chief Commissioners akin to the option exercised by the CBDT for conducting direct tax cases before the High Courts. Though a proposal for empanelment of advocates to represent before all the High Courts on similar lines of the panel being maintained by CBDT was addressed in the year 2001, the Law Ministry did not concur with the proposal. It is proposed to address the issue afresh in the light of the recommendation of the Committee.

Recommendation Sl.No. 12 (Para No. 179)

The National Tax Tribunal (NTT) Bill has been passed by the Parliament. The Committee desire that the Government expedite the process of setting up of the NTT and frame the related rules.

Reply of the Government

National Tax Tribunal is administered by Department of Legal Affairs, Ministry of Law and Justice. The comments received from that Department in this regard are as under:

“...National Tax tribunal has been established on 06.01.2006. The National Tax Tribunal (Salary, Allowances and other Conditions of Service of the Officers and Employees) Rules, 2005 have been notified on 9th January, 2006. However, it has not been made functional in view of the court cases pending in various High Courts. Transfer Petition has already been filed in the Supreme Court. SLPs filed in the Hon’ble Supreme Court for annulment of stay granted by various High Courts have been tagged to the Transfer Petition. The matter will be taken up by the Hon’ble Supreme Court when the Transfer Petition comes up for hearing.”

Recommendation Sl.No. 13 (Para No. 180)

The Committee, deeply concerned about the continuance of enormous amounts of tax locked up as arrears of revenue at various levels of the adjudication process, have been emphasizing upon the Government to take concerted efforts to reduce such arrears. It is observed from the data furnished by the Government that though there has been some reduction in the arrears, there is no perceptible difference in the total outstanding dues.

Reply of the Government

CBDT:

The outstanding arrears of direct taxes, which was Rs. 98,614 crore at the beginning of 2005-06 has been reduced to Rs. 83,043 crore as on 31.1.2006. In the process of such reduction of arrears, an amount of Rs. 5,576 crore has been collected in cash by the Government and an amount of Rs. 11,075 crore has been liquidated on account of appeal orders, etc. The proportion of cash collection and reduction in 2005-06 compares favourably with the historical trends.

It is mentionable that recovery from arrear of direct taxes is a continuous process in which old demands are liquidated (by way of collection or reduction) and new demands are added at the same time. The amount of arrears outstanding at a particular point of time cannot be recovered in one go as part of the arrears are contested in appeal before the Courts and other appellate authorities. Moreover, a part of the outstanding demand is also difficult to recover for various reasons including non-traceability of the taxpayer, inadequacy of assets, liquidation of company, stay granted by Courts, etc.

CBEC:

There are a total arrears of Rs. 21578 crore pending recovery as on 28.02.2006. Out of these, a sizable amount of arrears of Rs. 7533 crore are stayed by various Courts, hence not recoverable. There are also substantial unstayed arrears which are reportedly restrained and hence unrecoverable owing to the following reasons:

- The defaulting units were under BIFR and hence no recovery proceeding could be initiated.
- The assets of the defaulting units were taken over by official liquidator.
- Arrears were not recoverable owing to the proceedings initiated by Debt Recovery Tribunal.
- The sale proceeds of the available assets fell far short of the arrears.
- Cases pending for COD clearance.
- Cases within appeal period.

The strategy action plan and comparative performance of the task force for arrears recovery during 2004-05 and 2005-06 are as under:

Strategy

The task force has taken the following important steps for expeditious recovery of arrears:

- Sensitization at the level of Commissioners/Chief Commissioners by holding meeting at Nodal/Zonal levels;
- Filing applications for getting the stay orders vacated;
- Filing early hearing applications in Courts/CESTAT;
- Targeting defaulters with coercive action; and
- Persuading major units to pay outstanding arrears.

Action Plan

Various review meetings have been held and the following action plan finalized to effectively pursue the recovery cases.

(A) Filing of applications for stay vacation/early hearing in Courts/CESTAT.

Total arrear of Rs. 7533 crore (approx.) is locked up in various Courts/CESTAT as stayed arrears. The field formations have been asked to file applications for stay vacation/early hearing in all the cases, particularly in the deserving cases. The Chief Department Representative, CESTAT has also been requested to take up these matter on priority basis.

(B) Follow up of cases pending in BIFR/DRT/OL/COD.

The arrears of units ending up in BIFR/DRT proceedings is another area of concern. Efforts are being made to improve monitoring and defence of such cases. These cases are being closely monitored, as substantial amount of revenue is locked up.

(C) Write-off of Irrecoverable Cases of Arrears

As regards irrecoverable arrears which are being carried forward from year to year without any fruitful realization of arrears, the field formations have been directed to initiate action towards write-off in those cases, where they were of the considered view that the arrears were not recoverable for valid reason.

(D) Faster disposal of all adjudication cases pending at the level of Commissioners

Considering the significant amount of revenue locked up in adjudication cases at the level of Commissioners, Commissioners have been directed to expedite disposal of such cases.

(E) Quick implementation of favourable orders of CESTAT/Courts.

The Task Force is closely monitoring all the cases of favourable orders from CESTAT, High Courts and the Supreme Court. A list of cases collectively decided in favour of Revenue, received from time to time from the CDR, CESTAT, New Delhi are forwarded to all the Nodal officers for effective monitoring and realization of related arrears.

(F) List of Defaulters

The list of defaulters against whom Sec. 143 notices has been issued and the same which have not been stayed by the court, have already been displayed on CBEC website. All Commissionerates are not only required to keep the Directorate of Systems updated in this regard but also browse the website in connection with recovery action at their end.

Performance in Collection of Arrears of Revenue vis-à-vis Target During Last Two Finance Years is as under:

(Rs. in Crore)

Tax components	2004-05		2005-06		2006-07	
	Target	Realization	Target	Realization	Target	Realization
Central Excise	2250	1799.38	1682.4	1657.94	1300	—
Customs	750	843.49	717.6	600.29	650	—
Service Tax	—	—	300	881.42	500	—
Total	3000	2642.87	2700	3139.65	2450	—

Recommendation Sl.No. 13 (Para No. 181)

The data furnished shows that the amount of arrears of revenue relating to the CBDT as on 1.4.2005 stands at a whopping Rs. 98,614 crores, amounting to almost three fourths of the total direct tax revenue realized during the year 2004-05. The Committee are at a loss to find

that, out of this amount, only an amount of Rs. 5,486 crore is reported to be free from any serious difficulty in enabling recovery. The Committee expect that, at least, this amount be recovered at the earliest.

Reply of the Government

CBDT:

Due to various reasons as listed below, only a small portion of the outstanding arrears could be collected immediately:—

1. The demand has been stayed by the Courts/Tribunal.
2. Demand pertains to persons notified under section 3 of Special Court (Torts) Act, 1992 and so no recovery can be made directly from such persons. (Demand in scam cases)
3. Assessee is not traceable and so cannot be proceeded against for recovery or has no assets from which recovery can be made.
4. Case is before B.I.F.R. and so recovery cannot be enforced.
5. Company is under liquidation and the claim of Revenue would be settled as per the orders of the High Court.
6. Case is before Settlement Commission and so the income-tax authorities can not proceed with recovery proceedings.
7. The demand is arising from protective assessment or the Department is in appeal on similar issues in earlier years.
8. The demand has been stayed by the income-tax authorities, as in earlier years the disputes were decided in favour of the assessee.
9. The demand is covered by installments for tax-payments granted by the income-tax authorities.
10. Demand is being processed for write-off as the demand has become irrecoverable beyond doubt.

Till February 2006, an amount of Rs. 5,576 crore has already been collected by the Government out of the arrears, a major part of which has been collected from the net collectible demand outstanding as on 1.4.2005.

Recommendation Sl.No. 13 (Para No. 182)

The Committee also observe from the data furnished by the CBDT that out of the total arrears pending at various levels, around 50 per cent

of the cases are pending at the level of Commissioner (Appeals) and around 46 per cent at the level of the Tribunal. This, in the opinion of the Committee, warrants effective, innovative and quick attention. They feel that the efforts that are being made are not effective enough. The Committee also recommend that the Government should set up a departmental committee to study the cases, concerning specific kinds of offences and other contraventions, that have been regularly decided against the department by the Tribunals, High Courts and the Supreme Court, and prevent further filing of cases of similar nature.

Reply of the Government

CBDT

It is to be mentioned that as a result of the steps taken by the department cases locked in appeal have shown a steady decline. Before the ITAT, the pendency has been reduced to 1,17,350 cases as on 30.11.05 from 2,42,153 cases as on 31.3.01. At the level of CsIT (Appeal), as on 31st December 2005, only 67,642 cases were pending which is a marked reduction from 2,70,531 cases as on 31.3.01. Further, a Committee headed by Chief Commissioner of Income Tax was set up to examine and suggest mechanism for further reduction of appeals at the level of ITAT. The Committee has submitted its recommendations and its suggestions are being examined.

As regards setting up of a committee as suggested by the Hon'ble Standing Committee on Finance, real time gathering of information from all field formation, their processing and analysis presents a massive project if done manually. That is why initial steps have been taken for setting up of a Judicial Grid. A beginning will be made with the four major cities-Chennai, Delhi, Kolkata and Mumbai where CsIT (Judicial) have been put in place. After the national networking of the Income-Tax Department gets underway, judicial networking can be operationalised

Recommendation (Sl. No. 13, Para No. 183)

So far as the CBEC are concerned, the Committee observe that number of appeals pending at the level of Commissioner (Appeals) has reduced over a period of time, which should be continued with more vigour so as to drastically reduce them to reasonable levels. However, it is noted from the data that the cases pending at the Tribunal amount to 55 per cent of the total pending cases. The Committee take serious note of the huge pendency at the Tribunal level and reiterate their earlier recommendation that special focus

should be given to the task of reducing the pendency with the Tribunal along with initiation of immediate efforts to creation of *ad-hoc* benches to clear the huge backlog.

Reply of the Government

Steps have been taken to reduce the pendency of cases and streamline procedures at the Customs, Excise and Service Tax Appellate Tribunal. The steps are as follows:

- Directions have been issued to all concerned to scrupulously follow Section 35C of Central Excise Act, 1944 and Section 129B of the Customs Act, 1962.
- The procedure of Weekly Roster has now been replaced with two months Rosters.
- The cause list of final hearing matters is now prepared subject-wise in respect of 50 cases in chronological order.

As a result of the above steps, the disposal of cases has increased from 15,429 during the complete year 2004-05 to 18,364 during 2005-06.

Recommendation (Sl. No. 14, Para No. 184)

The Committee, taking note of the fact that ostentatious display of wealth is done through extravagant spending of money on personal functions like marriages and high value luxury articles, recommended that the same has to be followed up effectively to detect concealment of wealth and evasion of tax. However, from the data furnished by the Government it is seen that only 75 enquiries into such spending have been conducted from the year 2001-02 to 2003-04 which resulted in disclosure of Rs. 43.58 crore. Further, it is also observed from the data on searches that the number of searches in the years 2003-04 and 2004-05 have gone down by more than half of that conducted in the year 2002-03 with the value of seizures during the years also going down by more than fifty per cent. Reduction in the number of searches has actually resulted in greater reduction in the value of seizures made. The Committee do not agree with the policy of the Government of merely reduce the number of searches. Instead, they are of the view that the number of searches should be enhanced with added emphasis on the quality of searches. They, therefore, recommend that the number of searches conducted should be increased which should be of high quality and based on solid evidences of evasion.

Reply of the Government

CBDT

The observations of the Committee have been noted and communicated to the Directors General of Income Tax (Inv.) for necessary compliance so as to increase the number of searches as well as the quality thereof.

Recommendation (Sl. No. 14, Para No. 185)

It is further recommended that the data obtained through the surveys/enquiries conducted by the department on various forms of luxurious indulgence, should be passed on to the assessing officer within a prescribed timeframe, so as to make the effort and effective deterrent on tax evasion.

Reply of the Government

CBDT

It has been reported by the Directors General of Income Tax (Investigation) that the results of the surveys carried out by them in respect of high lifestyle items have been conveyed to the jurisdictional Chief Commissioners of Income Tax for taking appropriate action in the cases.

Recommendation (Sl. No. 15, Para No. 186)

The Committee observe from the data furnished by the Government that the demands raised and the corresponding realisation have been increasing by a huge percentage even though the number of scrutiny of tax returns has been maintained at 2 per cent. Leaving a large percentage of tax returns left unassessed, may prompt the assesses to take a calculated risk in concealing their actual income. Hence, a need arises to ensure a fair percentage of assessment with a view to, on the one hand, increase the detection of evasion, and on the other hand, to act as a deterrent to reduce such risk taking by those who file their tax returns. In view of the above as well as the large scale computerization of various aspects of tax administration and the resultant efficient functioning of the department, the Committee recommend that the percentage of scrutiny should be raised suitably.

Reply of the Government

CBDT

Although the overall percentage of cases selected for scrutiny has remained below 2%, in absolute terms there has been steady increase

in the number of cases selected for scrutiny every year. Figures of cases scrutinized in the last few years are as under:

Sl. No.	Financial Year	No. of Cases Scrutinized
1.	2001-02	168010
2.	2002-03	172410
3.	2003-04	197390
4.	2004-05	210866

In view of the recommendation of the Committee, the issue of increasing the ceiling of 2% will be considered.

Recommendation (Sl. No. 15, Para No. 187)

Further, in order to avoid the practice of the assessing officer making arbitrary additions in the returns filed without having material evidence, the Committee suggest creation of a mechanism to fix responsibility and accountability on the assessing officers for making such false additions.

Reply of the Government

CBDT

The existing mechanism for checking arbitrary additions is in the form of audit (internal and revenue), inspection and provision for appeal. It does not appear necessary to create additional mechanism in this regard.

CHAPTER III

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

Recommendation (Sl. No. 16, Para No. 169-170)

The Committee are concerned about the reported evasion of tax by persons involved in non-agricultural activities in rural areas. The representatives of the Government too have agreed during submissions to the Committee that income from non-agricultural activities like money lending, trading in agricultural produce etc. was often passed off as agricultural income. The Committee are of the opinion that activities like private money lending need to be discouraged by stronger measures. The Committee, therefore, impress upon the Government to look into the matter and have a focused survey to identify such evaders and take appropriate action. This, the Committee feel, could be done in coordination with the State Governments.

With specific reference to persons having income from both agricultural and non-agricultural sources, the Committee are of the opinion that, perhaps, the time has come for the Government to seriously consider fixing, in consultation with the State Governments, a threshold limit beyond which, the income of such persons from agricultural sources could be brought under the tax net.

Reply of the Government

CBDT

Taxation of agricultural income is within the purview of the State Governments and outside the purview of the Union Government. However, agricultural income is included in the total income for rate purposes. In order to empower the Union Government to impose income-tax on agriculture, 'taxes on agricultural income' will have to be taken out of the State list through a constitutional amendment.

Recommendation (Sl. No. 16, Para No. 188)

The Committee observe that huge amounts are being sanctioned as interest on refunds every year and the same are not treated by the

Government as an expenditure but as reduction in revenue. This procedure of making adjustments to circumvent the need for approval of Parliament to expenditure on interest element is neither correct nor healthy, as it allows for complicity between tax officials and assesses. The Committee are not in agreement with the Government's contention that it is not possible to estimate the refund amount for a year in advance and obtain budgetary sanctions accordingly. In a related matter, the Committee note that budgetary provisions are made for compensation for the loss that may accrue to State Governments in implementing State level VAT, which is similar in nature. Further, the Committee feel that provisioning for the interest paid on refunds in the Demands for Grants will be in the interest of better Parliamentary scrutiny of the Demands of the Government. Therefore, the Committee recommend that the Government should take up the matter by keeping the above concerns of the Committee in view. Further, they desire that complete details of interest paid on refunds involving interest amount of Rupees one lakh and above, *inter-alia* furnishing names of individual/corporate assesses along with the amount of interest paid to each one of them, during the preceding three financial years (year-wise) be furnished to them.

Reply of the Government

CBDT

It is not correct to treat 'interest on refund' as other revenue expenditure items of the Government as interest on refund is mandatory and compensatory in nature and so cannot be made conditional upon availability of financial sanctions. It is not an expenditure in true sense as the excess of tax paid by the taxpayers is used by the Government and so the interest paid to the taxpayers by the Government is only a compensation for depriving the taxpayers of their money for the period of time it was held by the Government as taxes. It may be appreciated that when the principal amount of refund is not an expenditure, how is that the interest paid on refunds, which only compensates the taxpayer for the loss in the real value of the principal amount can be treated as an expenditure.

As regards the comparison made with the budgetary provisions made for compensation given to the States, it is submitted that such provision is a one-time provision made to encourage and assist the States in implementation of VAT. Such compensation is in the nature of expenditure as VAT is a State tax and the Centre has no share in the proceeds of VAT. Moreover, the liability of such compensation for

the Centre is only a contingent liability accruing only if there is a loss of revenue to the States on implementation of VAT. No parallels can be drawn between such a provision for a contingent and one-time liability and a provision for interest on refunds, which is an outgo of firm and regular nature.

The information relating to the consolidated payment of interest in last three financial years is given below:

Finance Year	Amount of Interest on Refund Paid (in Rs. crore)
2004-05	3,865
2003-04	4,701
2002-03	6,268

Case-wise and slab-wise details of interest paid on refunds are not feasible to be provided, as the same are not maintained.

CBEC

The information required has been called for from the field formations and the same will be submitted shortly.

CHAPTER IV

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

Recommendation Sl.No. 6 (Para No. 163)

It is seen from the data furnished by the Government that the number of electronic TDS returns received from the Corporates has gone down in the year 2004-05. This is in spite of the increase registered in the number of transactions that are covered under the scheme over the years. This being indicative of lower compliance with the provisions of electronic filing of TDS returns, the Committee want the Government to probe into the matter and furnish a note on the issue at the earliest.

Reply of the Government

CBDT:

For the tax deducted during F.Y. 2004-2005, 2,86,148 annual e-TDS returns have been filed by corporate deductors as against 2,38,350 for the F.Y. 2003-2004. Therefore it is not correct that number of e-TDS returns has gone down. However, a regular procedure for identifying non-filers, sending reminders to them, and initiating penalty proceedings in appropriate cases is being initiated.

Recommendation Sl.No. 6 (Para No. 164)

An issue brought to the notice of the Committee is the duplication of the work of furnishing of TDS returns, whereby, the assessee, apart from filing quarterly TDS returns, are also asked to furnish separate information on TDS amounts and other details. With the extensive computerisation of the tax departments, the Committee feel that efforts should be made to do away with such requirements, and the returns filed electronically should be made available to the tax officials.

Reply of the Government

CBDT:

There is no requirement to file information twice by deductors. No deductor is required to file any information on TDS amounts or

other particulars to TIN other than quarterly TDS returns. The TDS returns filed with TIN are accessible to TDS Assessing Officers on network which is presently available in 60 cities and is being expanded to the remaining 450 cities.

Recommendation Sl.No. 8 (Para No. 167)

The Committee observe that the contribution of the service sector to the tax revenues is disproportionate to the contribution of this sector to the country's GDP. While the service sector contributes to more than 50% of the GDP, the tax revenue generated from the sector has ranged between 3.1% and 4.6% of the Gross Tax Revenues from 2003-04. While the service sector has to be encouraged for its contribution to the economy as well as the society at large, other sectors of the economy too need to be given an equal amount of encouragement. The unanimous view expressed before the Committee is that the time has come to bring all the services barring the basic and essential ones in the tax net. The Committee, therefore, reiterate their earlier recommendation that all the services, barring the essential or basic ones, should be brought under the tax net in one go. With the facility of availing CENVAT credit paid on the manufactured input utilised in a service and *vice-versa*, the comprehensive extension of tax on all services, though may be difficult, may not be an impossible tax to achieve.

Reply of the Government

CBEC

In the budget for 2006-07, considerable widening of service tax base has been undertaken. 15 services have been specifically included in the list of taxable services and in respect of 26 services, the scope has been expanded. With the proposed amendments, total number of taxable service is 99.

Recommendation Sl.No. 8 (Para No. 168)

The Committee also express the need for coming out with a separate legislation for service tax, with clear definition of what constitutes the service component so as to avoid possible disputes between the Centre and State tax authorities and prevent double taxation of the same instance under State VAT as well as Service Tax.

Reply of the Government

CBEC

Taxable services are specifically defined. Generally goods and services are mutually exclusive. The Hon'ble Supreme Court has laid down clear principles to distinguish between sale of goods and supply of services. Discussions with the States regarding collection of Service tax on certain services and sharing of the service tax collection are in progress.

The recommendations of the Hon'ble Committee are in accordance with the objectives of widening of tax base and have been duly taken note of.

CHAPTER V

RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH
FINAL REPLY OF THE GOVERNMENT IS STILL AWAITED

-Nil-

NEW DELHI;
24 November, 2006
3 Agrahayana, 1928 (Saka)

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

MINUTES OF THE NINTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Friday, 27th October, 2006 from 1030 to 1145 hrs. and 1200 to 1230 hrs.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Vijoy Krishan
4. Shri Bhartruhari Mahtab
5. Shri Madhusudan Mistry
6. Shri Rupchand Pal
7. Shri Prakash Paranjpe
8. Shri P.S. Gadhavi
9. Shri A.R. Shaheen

Rajya Sabha

10. Shri Raashid Alvi
11. Shri Mahendra Mohan
12. Shri Chittabrata Majumdar
13. Shri Mangani Lal Mandal
14. Shri C. Ramachandraiah

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri T.G. Chandrasekhar — *Under Secretary*
3. Smt. Anita B. Panda — *Under Secretary*

Part I
(1030 to 1145 hrs.)

2. **	**	**	**
3. **	**	**	**
4. **	**	**	**

Part II
(1200 to 1230 hrs.)

5. The Committee took up for consideration the draft reports on (i) Action Taken by the Government on the recommendations contained in the 33rd Report on "Widening of Tax Base and Evasion of Tax", and (ii) Introduction of new Income Tax Return Forms. The Committee after deliberation, adopted the reports with the modifications/ amendments shown in *Annexure-I and Annexure-II* respectively.

6. The Committee authorized the Chairman to finalise the reports in the light of the amendments/suggestions made by the Members and also to make consequential verbal changes and present the same to Hon'ble Speaker/both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE I

[MODIFICATIONS/AMENDMENTS MADE BY STANDING
COMMITTEE ON FINANCE IN THEIR DRAFT REPORT ON
THE ACTION TAKEN BY THE GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE 33RD REPORT
ON 'WIDENING OF TAX BASE AND EVASION OF TAX'
AT THEIR SITTING HELD ON 27 OCTOBER, 2006]

Page No. 2
After Para No. 3

Insert New Para 'The Committee also desire that going by the thrust and tenor of the recommendations, the Government gives focused attention on centering the long term tax policy on broadening of the tax base and checking evasion of tax.'

Para No. 6
Para No. 11
Line 8

For the Committee would like to emphasise that it was only after being convinced of the need and desirability of transiting from selective taxation of services to general taxation of all services, baring the essential ones, that the Committee had recommended for the same.

Read It was only after being convinced of the need and desirability of transiting from selective taxation of services to general taxation of all services, baring the essential ones, that the Committee had recommended for the same.

Page No. 6
Para No. 11
Line 3 from below

For "...comprehensive coverage of all services in the tax net with specific exceptions, which would be in the interest of the revenue."

Read

“...comprehensive coverage of all services in the tax net by specifically exempting basic or essential ones, which would be in the interest of the revenue.”

APPENDIX

[Vide Para 3 of the Introduction]

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY-THIRD REPORT OF THE STANDING COMMITTEE ON FINANCE (FOURTEENTH LOK SABHA) ON THE SUBJECT 'WIDENING OF TAX BASE AND EVASION OF TAX'

	Total	% of total
(i) Total number of recommendations	16	
(ii) Recommendations/observations which have been accepted by the Government [Vide Recommendation Nos. 1 (Para Nos. 148-150), 2. (Para Nos. 151-154), 3. (Para Nos. 155-159), 4. (Para No. 160), 5. (Para Nos. 161-162), 7. (Para Nos. 165-166), 10. (Para No. 171), 11. (Para Nos. 172-176), 12. (Para Nos. 177-179), 13. (Para Nos. 180-183), 14. (Para Nos. 184-185) & 15. (Para Nos. 186-187)]	12	75%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies [Vide Recommendation Nos. 9. (Para Nos. 169-170) & 16. (Para No. 188)]	2	12.50%
(iv) Recommendations/Observations in respect of which the replies of the Government have not been accepted by the Committee [Vide Recommendation Nos. 6. (Para Nos. 163-164) & 8. (Para Nos. 167-168)]	2	12.50%
(iv) Recommendation/Observation in respect of which the final replies of the Government is still awaited (Nil)	0	00.00%