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**STANDING COMMITTEE ON FINANCE
(2009-10)**

FIFTEENTH LOK SABHA

**MINISTRY OF FINANCE
(Department of Revenue)**

**Demands for Grants
(2010-11)**

TWELFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2010/Chaitra, 1932 (Saka)

TWELFTH REPORT

STANDING COMMITTEE ON FINANCE
(2009-2010)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE
(Department of Revenue)

Demands for Grants (2010-11)

Presented to Lok Sabha on 19 April, 2010
Laid in Rajya Sabha on 19 April, 2010



LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/Chaitra, 1932 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2009-2010

Dr. Murli Manohar Joshi - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri C.M. Chang
5. Shri Harishchandra Chavan
6. Shri Bhakta Charan Das
7. Shri Gurudas Dasgupta
8. Shri Khagen Das
9. Shri Nishikant Dubey
10. Smt. Jayaprada
11. Shri Bhartruhari Mahtab
12. Shri Mangani Lal Mandal
13. Shri Rayapati Sambasiva Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Y.S. Jagan Mohan Reddy
16. Shri N. Dharam Singh
17. Shri Sarvey Sathyanarayana
18. Shri Manicka Tagore
19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav
21. Shri G.M. Siddeshwara*

RAJYA SABHA

22. Shri Raashid Alvi
23. Dr. K.V.P. Ramachandra Rao
24. Shri Vijay Jawaharlal Darda
25. Shri S.S. Ahluwalia
26. Shri Moinul Hassan
27. Shri Mahendra Mohan
28. Shri S. Anbalagan
29. Dr. Mahendra Prasad
30. Shri Y.P. Trivedi
31. Shri Rajeev Chandrasekhar

SECRETARIAT

- | | | |
|-----------------------------|---|---------------------|
| 1. Shri A.K. Singh | - | Joint Secretary |
| 2. Shri T.G. Chandrasekhar | - | Additional Director |
| 3. Shri R.K. Suryanarayanan | - | Deputy Secretary |

* Nominated to this Committee w.e.f. 09.03.2010 vice Shri Gopinath Munde, MP

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Twelfth Report (15th Lok Sabha) on the 'Demands for Grants (2010-11) of the Ministry of Finance (Department of Revenue)'.

2. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 29 March, 2010.

3. The Committee considered and adopted this Report at their sitting held on 15 April, 2010. Minutes of the sittings of the Committee are given in appendix to the Report.

4. The Committee wish to express their thanks to the representatives of the Ministry of Finance (Department of Revenue) for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2010-11).

New Delhi;
15 April, 2010
25 Chaitra, 1932 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Standing Committee on Finance.

REPORT

Part – I

Background Analysis

1. INTRODUCTORY

The Department of Revenue exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes. (CBDT) and the Central Board of Excise and Customs (CBEC). The Boards are headed by a Chairman who is also *ex-officio* Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct taxes are looked after by the CBDT whereas those relating to levy and collection of Customs and Central Excise duties and other Indirect taxes fall within the purview of the CBEC. The two Boards were constituted under the Central Board of Revenue Act, 1963. At present, the CBDT has six Members and the CBEC has five Members.

1.2 The Department of Revenue administers the following Acts:—

1. Income Tax Act, 1961;
2. Wealth Tax Act, 1957;
3. Expenditure Tax Act, 1987;
4. Benami Transactions (Prohibition) Act, 1988;
5. Super Profits Act, 1963;
6. Companies (Profits) Sur-tax Act, 1964;
7. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
8. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax);
9. Chapter VII of Finance (No. 2) Act, 2005 (Relating to Levy of Banking Cash Transaction Tax)
10. Chapter V of Finance Act, 1994 (Relating to Service Tax);
11. Central Excise Act, 1944 and related matters;
12. Customs Act, 1962 and related matters;
13. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;

14. Central Sales Tax Act, 1956;
15. Narcotic Drugs and Psychotropic Substances Act, 1985;
16. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;
17. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
18. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union)
19. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
20. Prevention of Money Laundering Act, 2002.

1.3 The administration of the Acts mentioned at Sl.Nos. 3, 5, 6 and 7 is limited to the cases pertaining to the period when these laws were in force.

1.4 The Department looks after the matters relating to the abovementioned Acts through the following attached/subordinate offices:-

1. Commissionerates/Directorates under Central Board of Excise and Customs;
2. Commissionerates/Directorates under Central Board of Direct Taxes;
3. Central Economic Intelligence Bureau;
4. Directorate of Enforcement;
5. Central Bureau of Narcotics;
6. Chief Controller of Factories;
7. Appellate Tribunal for Forfeited Property;
8. Income Tax Settlement Commission;
9. Customs and Central Excise Settlement Commission;
10. Customs, Excise and Service Tax Appellate Tribunal;
11. Authority for Advance Rulings for Income Tax;
12. Authority for Advance Rulings for Customs and Central Excise;
13. National Committee for Promotion of Social and Economic Welfare;

14. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and Narcotic Drugs and Psychotropic Substances Act, 1985;
15. Financial Intelligence Unit, India (FIU-IND); and
16. Ombudsman, Income Tax;
17. Appellate Tribunal under Prevention of Money Laundering Act; and
18. Adjusting Authority under prevention of money laundering Act.

2. BUDGETARY ALLOCATIONS

2.1 The detailed Demands for Grants (2010-11) of the Ministry of Finance were presented to Lok Sabha on 12 March, 2010. The details of the voted portion of the Demands for Department of Revenue, Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) are as under:-

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	41-Department of Revenue	11122.10	0.77	11122.87
2.	42-Direct Taxes	2844.98	1679.00	4523.98
3.	43-Indirect Taxes	2742.80	264.20	3007.00

2.2 The Budget Estimates (BE), Revised Estimates (RE) and Actuals for the Demand Nos. 41,42 and 43 from the years 2007-08 to 2010-11 are as follows:-

2007-08

(Rs. in crore)

	<u>BE</u>		<u>RE</u>		<u>Actual</u>	
	Plan	Non-plan	Plan	Non-Plan	Plan	Non-Plan
Demand No. 41	-	5875.86	-	6413.90	-	6383.27
Demand No. 42	-	1532.00	-	1752.42	-	1723.08
Demand No. 43	-	1831.00	-	1829.70	-	1698.57

2008-09

(Rs. in crore)

	<u>BE</u>		<u>RE</u>		<u>Actual</u>	
	Plan	Non-plan	Plan	Non-Plan	Plan	Non-Plan
Demand No. 41	-	6197.82	-	6721.67	-	6692.60
Demand No. 42	-	1975.00	-	2517.63	-	2331.89
Demand No. 43	-	2121.00	-	2962.00	-	2499.63

2009-10

(Rs. in crore)

	<u>BE</u>		<u>RE</u>		<u>Actual</u>	
	Plan	Non-plan	Plan	Non-Plan	Plan	Non-Plan
Demand No. 41	-	9647.87	-	12404.57	-	-
Demand No. 42	-	3502.00	-	2840.40	-	-
Demand No. 43	-	3385.00	-	3253.07	-	-

2010-11

(Rs. in crore)

	<u>BE</u>		<u>RE</u>		<u>Actual</u>	
	Plan	Non-plan	Plan	Non-Plan	Plan	Non-Plan
Demand No. 41	-	11122.89	-	-	-	-
Demand No. 42	-	4524.00	-	-	-	-
Demand No. 43	-	3007.50	-	-	-	-

2.3 During the course of scrutiny of Demands for Grants (2010-11) of the Ministry of Finance (Department of Revenue) following shortcomings have been noticed under various heads:

1. Over estimation of requirement of funds at the Budget as well as revised estimates.
2. Recurrent under-utilisation of funds.
3. Large budgeted estimates despite having upspent provisions.
4. Variations in the budget estimates and revised estimates.
5. Sharp upward / downward revision of budget estimates
6. Low expenditure of funds upto December,2009

2.4 Some of the heads of account under the Grants operated by the Ministry of Finance (Department of Revenue) are discussed in detail in the succeeding paragraphs of the Report.

2.5 Apart from examining the Demands for Grants (2010-11), in the present Report, the Committee have examined the following issues :-

1. Collection of Direct Taxes & Revenue Foregone
2. Fall in Indirect tax Collection
3. Arrears of Revenue and Appeals
4. Outstanding Audit observations of internal audit
5. Manpower Shortage
6. Lack of data base in CBEC

Demand No. 41
Department of Revenue

Major Head : 2052
Minor Head : 00.090
Detailed Head : 11.03.31

3. Setting up of TINXSYS – Grants-in-Aid

(Rs. in Crore)

Year	BE	RE	Actuals
2007-08	9.00	6.50	4.00
2008-09	15.00	15.00	3.89
2009-10	26.65	13.29	-
2010-11	15.84	-	-

3.1 It has been noticed from the Demands for Grants that there were substantial under-utilization of funds allocated during the year 2007-08 to 2008-09 under this Head. The budgetary allocations were also revised upwards during 2009-10 and 2010-11.

3.2 Explaining the reasons for this, the Ministry in their written replies stated that the finally proposed outlay for 2009-10 is Rs.8.50 crore as the Central share for computerization of VAT Administrations of Himachal Pradesh and Jammu & Kashmir could not be released. The release could not be made as the formal work order is yet to be issued by the Empowered Committee. This requirement has therefore been pushed to 2010-11.

3.3 On being asked as to whether the Ministry feel that funds obtained under this head would not remain under-utilized during the year 2010-11, the Ministry stated as under :

“The formal sanction order was issued by the Department on 3.7.2009. This project is being executed by the Empowered Committee. Due to certain technical reasons, the formal work order could not be issued by the Empowered Committee till date. States have released a part of their share. This is now expected to happen in 2010-11. So the funds provided in BE 2010-11 are expected to be utilized.”

3.4 Apprising the Committee of the present position of implementation of this project, the Ministry submitted the following details:

“The project of Tax Information Exchange System (TINXSYS) is fully operational. However, in some cases the Managed Service Provider has to provide interface between the State VAT System and TINXSYS. This has not been done as some States have not yet computerized their VAT Departments. Even some of the computerized States are not facilitating smooth transfer of data. The progress is constantly being reviewed by the

EC itself. The decision of extension for the contract for a period of one year starting from 1.11.2009 has recently been taken.”

3.5 While noticing the seeking upward budgetary allocations under this head year after year, despite these allocations having remained unspent in the preceding years, the Committee in Para 4 of 2nd Report on Demands for Grants (2009-10) had desired the Ministry to apprise of the corrective action taken in the matter. They had also desired that hindrances in computerisation / networking will be ironed out early for smooth transition to the proposed Goods and Service tax (GST) regime. In their action taken reply, the Ministry have stated as follows:

“The Project of computerization of VAT Administrations of Himachal Pradesh and Jammu & Kashmir has been sanctioned by the Department in July 2009. Out of the total Central share of Rs.25.33 crore, an amount of Rs.9.79 crore is proposed to be released during the current financial year. With the sanction of this project, it is expected that the funds budgeted under this Head will be fully utilized as planned. The Department assures the Committee that regular review of the project activities would be done to ensure that project activities are implemented as per the scheduled envisaged. The Department is making efforts to iron-out the problems related to computerization of VAT administrations and networking. It has now been agreed that the inter-State supplies in the GST regime will be handled through IGST model, wherein a centralized agency will act as a clearing house to settle accounts with the States on a periodic basis. All inter-State sellers and purchasers under this model, would be required to file returns electronically. The possibility of using the system developed under TINXSYS for meeting the requirement of IT infrastructure for the purpose is being examined. A decision in this regard would be taken by the Department as soon as this feasibility analysis is completed.”

Demand No. 41
Department of Revenue
Revenue Section

4. Information Technology

(Rs. in Crore)

Year	BE	<u>RE</u>	Actuals
2007-08	10.75	7.11	3.76
2008-09	10.07	6.98	4.66
2009-10	15.17	7.88	1.77
2010-11	24.12	-	-

4.1 During the scrutiny of this head it has been noticed that there is sharp upward revision of budget estimates during the year 2010-11 when there is

substantial under-utilization of funds during the preceding years. Explaining the reasons for this, the Ministry stated as follows :

“Besides the provision for various field/constituent units under the Department of Revenue, a budget provision was also being made for the Project for development of software and linkages with financial institutions and other concerned agencies titled “FINnet” (Financial Intelligence Network) of Financial Intelligence Unit –India (FIU-IND) since 2006-07. The process of selecting suitable consultant and System Integrator could not be finalized in these years. Hence, the provision made for the purpose could not be utilized. The Project has now been finally approved by the competent authority at an estimated cost of Rs.60.01 crore in 2009-10 and System Integrator (SI) has also been appointed for implementation of the project. An amount of Rs.19 crore is required to be released during 2010-11. Therefore, there is sharp increase in BE 2010-11.”

4.2 While furnishing actuals for 2009-10 under this head the Ministry stated that the actual expenditure till January 2010 is Rs. 1.77 crore.

4.3 During the course of examination of Demands for Grants (2009-10), the Committee sought to know the reasons for under-utilisation of allocations consecutively during 2005-06 to 2007-08 despite revising it downward and again projecting higher BE for the year 2009-10 under this Head. While submitting their justification for the same, the Ministry in their written replies stated as follows :

“Besides the provision for various field/constituent units under the Department of Revenue, a budget provision of Rs. 5.00 crore was made for Project for development of software and linkages with financial institutions and other concerned agencies titled “FINnet” (Financial Intelligence Network) for Financial Intelligence Unit-India (FIU-IND) in 2006-07. The process of selecting suitable consultant and vendor could not be finalized in that year. Hence, a major part of the allocation was surrendered in that year and a provision of Rs. 5.00 crore was again made in 2007-08. However, as the project could not be implemented during 2007-08 also, the allocation was further reduced to Rs. 1.50 crore at the RE stage.

The allocations made in the BE were reduced at RE stage keeping in view the progress of the project FINnet. However, FIU-NID is in the process of setting up IT infrastructure for receiving and disseminating information on secured network. The Consultant has submitted its report and part payments have been made in 2007-08. FIU-IND has issued a Request for Proposal (RFP) in October 2008 for selection of System Integrator for Project-FINnet. The higher projection in 2008-09 was on account of estimated payments to the System Integrator. The proposal for appointment of the System Integrator is under active consideration of the

Government. Since an amount of about Rs. 9 crore will have to be provided to the System Integrator in 2009-10, the allocation has been enhanced.”

Other Issues

5. Collection of Direct Taxes & Revenue Foregone

5.1 The Committee sought to know the break-up of tax collected from each category of assessee indicating the rate of increase for each category. In response, the Ministry in their written replies furnished the following details :

DIRECT TAX COLLECTION (Upto Dec.09 with Corresponding Last Year.) (Rs. in crore)			
HEAD OF TAX	2009-10	2008-09	% age Increase/Decrease
Corporate Income Tax	166503	146737	13.47%
Personal Income Tax (including FBT, STT, BCTT)	83178	83524	-0.41%
Other Taxes	551	337	63.60%
TOTAL	2,50,232	2,30,598	8.51%

5.2 It is seen from the above table that the direct tax collection has registered an increase of only 8.51% in 2009-10 as compared to the collection in 2008-09. However, out of this increase, the contribution of other taxes is 63.6%, whereas the contribution of corporate tax and personal income tax is only 13.47% and – 0.41% respectively.

5.3 While noticing that the percentage increase in the direct tax revenue is only 8.51 percent, the Committee wanted to know whether the Ministry have planned for 8.51 percent increase or more. In response, Chairman CBDT during evidence stated that as per the target, it should be much more, almost 15 percent and as on date it has been grown by 10 percent.

5.4 Further, on the question as to how this gap will be filled, Chairman CBDT replied during evidence that they are making all attempts.

5.5 On the issue of fall of 0.41 percent in collection of personal income tax, the Chairman CBDT replied during evidence as follows :

“This position has been taken as on 2009-10 compared to 2008-09. There is a fall of 0.41 per cent. Now, as we analyse the position afterwards, that is during the end of the year, because of the higher TDS payment, instalments of these arrears to be paid and also perquisites which are

assessed in individual hands, there is an increased collection of individual tax also.”

5.6 On being asked that TDS should have come to the deptt. every quarter at least upto December, 2009 instead of getting it in the last quarter between December and 31 March, the Chairman CBDT during evidence stated as under :

“The problem is, perhaps, there may be some delay in accounting by the various authorities.”

5.7 While specifying the reasons for reduction in personal income tax, the Chairman, CBDT during evidence stated that there was a slashing of the surcharge on personal income tax in the Budget 2009. So, there was a slight shortfall in collection because of the reduction.

5.8 Further, on being asked about the details of direct tax collected at the pre-assessment stage and post-assessment stage during the last three years, the Ministry furnished the following details.

(Rs. in crore)			
Financial Year	2008-09	2007-08	2006-07
Pre-assessment collection*	3,06,079 (84.5%)	2,83,986 (84.3%)	2,06,040 (80.3%)
Post-assessment collection #	56,198	52,864	50,593
Gross Collection	3,62,277	3,36,850	2,56,633

* The pre-assessment collection includes collection from tax deduction at source, advance tax and self-assessment tax.

The collection from post-assessment includes collection from regular assessment, surcharge, cess and other receipts.

5.9 The details of pre-assessment and post-assessment direct taxes collection indicate that the total pre-assessment collection was to the tune of 84.5% in 2008-09 and 84.3% in 2007-08. On the other hand, post-assessment collection was very marginal.

5.10 As regards the augmentation of revenue on the direct taxes side in the coming year i.e. 2010-11, the Secretary Revenue deposed before the Committee that:

“For 2010-11, we have projected an overall growth of 18 per cent in our Budget Estimates for the total revenue collections at Rs. 7,45,000 crore against Rs. 6,31,000 that we expect to do in this year.”

He further added:

“We expect the signs of economic recovery to consolidate in accordance with the available trends as we go through the next year, and we expect the higher consequent tax buoyancy to allow us to achieve this target. This will be an important measure for consolidating fiscal discipline that is accorded a high priority by the Finance Ministry in the coming year.”

5.11 Upon noting the fall in collection of corporate tax, the Committee in their 2nd Report on demands for Grants (2009-10) had desired to be apprised of the loss of revenue arising out of (a) non-payment of tax due to exemptions given and tax avoidance thereof (b) non-payment of tax due to evasions, so that a clear picture emerges on the extent of avoidance as well as evasion of tax. The Committee had also desired the Department to evaluate the extent of tax gains registered from different categories/classes of tax payers and formulate their exemptions policy accordingly.

5.12 In their action taken reply to above said recommendation, the Ministry stated as follows :

“The Government has been moving toward pruning tax deductions and exemptions and also capping them in the case of corporate through the Minimum Alternate Tax on profits of companies so that they pay a minimum amount of tax based on the book profits reported to their shareholders.

As regards estimated revenue loss due to tax evasion is stated that detection of tax evasion is a continuous process. The department takes several measures for curbing tax evasion which include Search and Seizure action, Survey action, Scrutiny proceedings, penalty and prosecution. The result of investigations conducted in a case are utilized in the assessment proceedings to bring to tax the undisclosed income. The findings of assessment proceedings are subject to appeal before various Appellate Authorities and Courts. The final amount of tax evasion in a particular case only be quantified after conclusion of all pending appeals, which may take considerable time. Therefore, estimating revenue loss on the account of tax evasion in a particular year becomes difficult. Moreover, the recommendation of the Standing Committee to conduct a thorough assessment/survey of unaccounted income/wealth is under consideration of the Government”.

Revenue foregone under the Central tax system

5.13 The main objective of any tax system is to raise revenues to fund Government expenditures. The amount of revenue raised is determined to a large extent by tax bases and tax rates. It is also a function of a range of measures – special tax rates, exemptions, deductions, rebates, deferrals and credits – that affect the level and distribution of tax. These measures are sometimes called “tax preferences”. They have an impact on Government revenue (i.e. they have a cost) and reflect the policy choices of the Government.

5.14 Tax preferences may be viewed as subsidy payments to preferred taxpayers. Such implicit payments are referred to as “tax expenditures” and it is often argued that they should appear as expenditure items in the Budget. In this context, the basic issue is not one of tax policy but one of efficiency and transparency – programme planning requires that the policy objectives be addressed explicitly; and programme budgeting calls for the inclusion of such outlays under their respective programme headings. Tax expenditures are spending programmes embedded in the tax statute.

5.15 The revenue foregone figures for financial years 2008-09 and 2009-10 in respect of both direct and indirect taxes is presented below:

	Revenue Foregone in 2008-09	Revenue Foregone as a percent of Aggregate tax collection in 2008-09	Revenue Foregone in 2009-10	Revenue Foregone as a per cent of Aggregate Tax collection in 2009-10
Corporate Income-tax	66901	11.08%	79554	12.60%
Personal Income-tax	37570	6.22%	40929	6.48%
Excise Duty	128293	21.25%	170765	27.04%
Customs duty	225752	37.39%	249021	39.43%
Total	458516	75.95%	540269	85.56%
Less Export credit related	44417	7.36%	37970	6.01%
Grand Total	414099	68.59%	502299	79.54%

Notes: (1) Aggregate Tax Collection refers to the aggregate of net direct and indirect tax collected by the Central Government.

(2) The figure of Aggregate Tax collection for 2008-09 is based on actuals and that for 2009-10 is based on revised estimates.

5.16 Explaining the term 'revenue foregone' the Secretary, Revenue stated during evidence that:

"The revenue foregone is revenue we have lost due to various exemptions and concessions that we have given over time"

5.17 The Secretary, Revenue further added that:

"The area based exemptions, other concessions that we have including the complete tax holidays that we have in the SEZs and other such organisations, which were designed at one point of time for promotion of trade and exports, all of these taken together have created a lot of problems for us. So, the overall policy thrust has been to narrow down these exemptions to the extent possible. Even in the Budget this year we have tried to demonstrate that by reducing the exemptions and consolidating the items."

5.18 On being asked about the break-up of revenue foregone by way of tax exemptions and deductions to industry, business, corporates, registered bodies including high profile bodies like BCCI, IPL, etc. and tax assessed/collected from BCCI/IPL and their franchises for the last 3 years, the Ministry furnished the following details:

“Revenue foregone by way of Income Tax exemptions and deductions to Industry, Business, Corporate, Registered bodies etc. are aggregated under the following heads:-

(1) Corporate Tax payers-	Rs. 79,554 crore
(2) Non Corporate taxpayers (firms/AOPs/BOIs)-	Rs. 4743 crore
(3) Individual tax payers-	Rs. 36,186 crore

(ii) (b) : Till assessment year 2006-07 (F.Y. ending 31.3.2006) benefit of exemption u/s 11 was given to BCCI. The DIT (Exemptions), Mumbai vide letter No. DIT(E)/u/s 12A/2009-10 dated 28.12.2009 has informed BCCI that the registration u/s 12A granted to BCCI does not survive from the date on which the objects of BCCI were charged **i.e. 1.6.2006** in view of the decision of the Hon'ble Allahabad High Court in Agricultural Institute Vs. Union of India, 291 ITR 116, 119 (All). In view of the communication from the DIT(E), the assessment order for A.Y. 2007-08 was passed treating BCCI as **Association of Persons (AOP)** without allowing exemption u/s 11 (1) and 12 (2) of the I.T. Act. In A.Y. 2007-08 the taxable income of BCCI has been determined as Rs. **314,47,00,898/-** and the tax payable including interest at Rs. **118,03,75,711/-**. The assessment proceedings are pending in subsequent years.

The Indian Premier League (IPL) started in 2008-09 and therefore the income of franchisee owners has been shown in the Income Tax Returns for the Assessment year 2009-10 onwards. Since the income of franchise of IPL is yet to be assessed, therefore, the total tax assessed and collected from IPL and their franchise for the last three years cannot be provided at this stage. However, it is submitted that during the current year total tax deduction at source till 1st week of March, 2010 by BCCI and IPL franchisees is close to Rs. 200 crore for the IPL-3 tournament only. The tournament is still continuing so the total tax deducted at source on the activities of IPL can be ascertained only a month after the end of the IPL tournament. Total income from such activities can be assessed after 21 months from the end of the assessment year in which the income from the IPL activities is assessable.

(ii) As regards break-up of revenue foregone by way of tax exemptions and deductions to industry, business, corporates, registered bodies including high profile bodies like BCCI, IPL; and tax assessed and collected from BCCI / IPL and their franchises for the last 3 years, it is submitted that as far as the customs, central excise and service tax are concerned, tax exemptions are given in public interest to goods manufactured in specific areas and specific industrial sectors or to specified goods and services. No tax exemptions and deductions are extended to specific corporates, registered bodies including high profile bodies like BCCI, IPL etc. as such.”

5.19 The Committee further sought to know about the Revenue foregone by way of various incentives including those given to export promotion schemes and SEZs. In response, the Ministry stated as follows:

“Revenue foregone on account of direct taxes incentives/deductions given to export promotion schemes and SEZs:-

(a) On account of deduction in respect of export profits of newly established undertakings in trade free zones, etc. (*Section 10A of Income Tax Act, 1961*)
= Rs. 14,695 crore

(a) Deduction in respect of export profits of newly established units in Special Economic Zones (SEZs) (*Section 10AA of Income Tax Act, 1961*)
= Rs. 3,574 crore

(b) Deduction in respect of export profits of newly established hundred per cent export-oriented undertakings (*Section 10B of Income Tax Act, 1961*)
= Rs. 8,437 crore

(c) Deduction in respect of export profits of units manufacturing items of artistic value (*Section 10BA of Income Tax Act, 1961*)
= Rs. 36 crore

(d) Deduction in respect of profits of undertakings engaged in development of SEZs in pursuance to the SEZ Act, 2005 (*Section 80-IAB of Income Tax Act, 1961*)
= Rs. 1,692 crore

(iii) As regards, Revenue foregone by way of various incentives including those given to export promotion schemes and SEZs, it is submitted that besides exemptions/concessions to specific goods and services including goods manufactured in specified areas and sectors, many schemes like Duty Free Entitlement Credit Certificate, Target Plus, Vishesh Krishi and Gram Udyog Yojana (VKGUY), Served from India and Focus Market are incentive schemes. The remaining are either exemption schemes or input tax neutralization schemes, which primarily accord input tax credit so as to offer a level playing field to our exporters in the international markets. Revenue Foregone including revenue foregone on account of Export Promotion Concessions for the last three (3) years is as under:

Revenue Foregone on account of Export Promotion Concessions (in Rs. crore)				
S. No.		2007-08	2008-09	2009-10
1	Central Excise Duty	87468	128293	170765
2	Customs	97328	181335	211051

As regards the revenue foregone on account of exemptions from payment of service tax, it is clarified that the service tax is levied at a uniform rate and there are very few exemptions from payment of service tax. As such, presently, the revenue foregone on account of service tax exemptions is not being computed. Customs Revenue Foregone as indicated above includes the following amounts foregone on account of incentives under export promotion schemes and SEZs.”

(in Rs. Crore)

	2007-08	2008-09	2009-10
Revenue foregone on account of Export Promotion Concessions other than SEZ's	57345	46729	40418
Revenue foregone on account of SEZ's	1804	2324	3204
Total	59149	49053	43622

It is clarified that the revenue foregone, as above, is computed as the difference between the Tariff rate and the rate applicable in terms of the exemption/concessional rate notification. As such, in case of the export promotion schemes and SEZs, these amounts do not indicate the revenue which would have been collected but for the concession/exemption granted as an export promotion measure.”

5.20 In respect of revenue foregone by way of exemptions/deductions under the head “salary’, the Ministry submitted that it is Rs. 33,855 crore (approx.).

5.21 Further, while informing about the total income tax collected under the head ‘salaries’, the Ministry in their written information submitted the following details :

“Total income tax collected on the head ‘ salary’ is not available centrally. However, as per the figures of CGA, the total collection from the tax deducted at source under the head ‘salary’ for the last three years is as given below in **Table 1**. The comparative figures of Corporate income tax and Personal income tax with growth rate is given in **Table 2** .

Table 1: TDS under the head Salaries

(Rs in Crore)

Financial Year/Head	2008-09	2007-08	2006-07
Salary	35,593	33,553	23,120

Table 2 : COMPARISON OF COLLECTION AND GROWTH RATE OF INCOME TAX AND PERSONAL INCOME TAX

(Rs. in crore)

Head wise / Financial Year	2006-07	2007-08	2008-09	Growth of 06-07 over 05-06	Growth of 07-08 over 06-07	Growth of 08-09 over 07-08
Corporation Tax	144318	192911	213395	42.50%	33.67%	10.62%
**Personal Income Tax	85863	119302	120433	34.31%	38.94%	0.95%
TOTAL	230181	312213	333828	39.33%	35.64%	6.92%

**Figure of Personal Income Tax in the table above includes tax on non-corporate income, STT, BCTT, FBT, Wealth Tax & other taxes.”

Loss of Revenue from Special Economic Zones (SEZs)

5.22 During the course of examination of Demands for Grants, the Government have furnished the following regarding the estimated Loss of Revenue/Duty Foregone due to the various tax exemptions extended to Special Economic Zones (SEZs), which are as under:-

“The estimated loss of revenue on account of development of SEZs during 2005 – 2010 has been tabulated as per the following tables. The estimated loss of revenue on account of Indirect Taxes is Rs. 48881 Crores and Direct Taxes is Rs. 57,531 Crores, during the above period. Thus the total estimated loss of revenue is Rs. 106412 Crores.

Total Projected Revenue Loss on SEZs for the period 2005-2010

	Export									
	Base year	Incremental Growth	Amount of exports from SEZs	profit rate	Estimated deduction		Revenue Loss on Development of SEZ	Total Revenue loss		
	I (Rs. In crs.)	II (Rs. In crs.)	III (Rs. In crs.)	IV (Rs. In crs.)	V (Rs. In crs.)	VI Direct Taxes	VII Customs	VIII Excise	IX Service Tax	X
2004-05	361879		18309	20%	3662	1340	0	0	0	1340
2005-06	434255	72376	36403	20%	7281	2451	0	0	0	2451
2006-07	521106	86851	61734	20%	12347	4156	9075	3168	2693	19092
2007-08	625327	104221	148585	20%	29717	10003	9900	3456	2938	26297
2008-09	750392	125065	247596	20%	49519	16668	5775	2016	1714	26173
2009-10	900471	150078	340352	20%	98070	22913	4950	1728	1468	31059
GRAND TOTAL						57531	29700	10368	8813	106412

Major assumptions for calculation of total projected revenue loss on SEZs for the period 2005-2010.

Column III: The total exports from SEZ for the next 5 years have been derived through the following assumption: 25% of the incremental exports will shift to the SEZ in the 1st year, 50% in the 2nd year, 75% in the 3rd Year and 100% in the 4th year and 10% of the base year export in 2007-08, 20% in 2008-09, 33% in 2009-10 (Base year = 2006-07).

Column IV: Total average margin of profit on exports has been assumed at 20% to arrive at the estimated deduction in column V. The corresponding direct tax loss has been derived in column VI from the estimated deduction in column V.

Column VII: Detailed assumptions and calculations attached in Annexure - B.

Column VIII: Detailed assumptions and calculations attached in Annexure - B.

Column X: The total revenue loss has been calculated by taking the sum total of direct tax revenue loss, Customs and Excise duty loss on materials used in the development of SEZ from green field stage.

72. The Detail of projected indirect revenue loss are as given below:-

Total indirect revenue loss projected in the next 5 years for development of SEZ (2005-2010)

Year	Total Projected Investment in Cns.	Total land cost component (Assuming land cost to be 20% of the total capital investment)	Service cost component of the projected investment (Assuming service component to be 20% of the total capital investment)	Net capital goods cost component of the project	Customs Revenue loss on SEZ development (Assuming 50% import component in the total capital cost and 10% average customs duty and 16% CVD)	Excise Revenue loss on SEZ development (Assuming 50% import component in the total capital cost and 16% average Central Excise duty and assuming 60% capital investment by SEZ developer and 40% investment in capital goods by SEZ units)	Service Tax	Total Indirect Revenue Loss on SEZ Development
	I	II	III	IV	V	VI	VII	VIII
2006-07	110000	22000	22000	66000	9075	3168	2693	12243
2007-08	120000	24000	24000	72000	9900	3456	2938	13356

	I	II	III	IV	V	VI	VII	VIII
2008-09	70000	14000	14000	42000	5775	2016	1714	7791
2009-10	60000	12000	12000	36000	4950	1728	1468	6678
Total	360000	72000	72000	216000	29700	10368	8813	48881

Major Assumptions for calculation of indirect revenue loss projected in the next 5 years for development of SEZ (2005-2010)

Column-I: The total projected investment lined up to the first BOA meeting is around 175000 crores. Taking a conservative estimate and assuming the total gestation and development period to be 4 years, the total projected investment has been calculated at Rs. 360000 assuming that maximum investment will be in the first 2 years and subsequently in the next two years the investments will reduce due to a saturation point being achieved between the demand and supply position of SEZs.

Column-II: The total land cost component has been assumed to be 20% of the total cost of the projected investment in SEZ.

Column-III: The service cost component consisting of engineering consultancy, and other services has been taken at 20% of the total cost of the projected investment in SEZ.

Column-IV: The net total cost of Capital goods have been arrived at by deducting the land cost and the service cost component from the total cost of the projected investment in SEZ.

Column-V: Customs revenue loss has been calculated assuming 50% import component in the project and assuming an average customs duty rate of 10% on capital goods since the customs duty on capital goods range from 12.5% to 5%. Therefore an average customs duty rate of 10% and 16% CVD has been taken on capital goods. Though customs duty rate on capital goods may reduce in future, the rise in service tax collection is likely to compensate the fall on account of reduction in customs duty rates.

Column-VI: Excise duty revenue loss has been calculated assuming 50% indigenous components in the project and assuming 60% of the material procured for SEZ will go into the development of the SEZ by the developer and in the infrastructure of the SEZ units and an average excise duty rate of 16% on capital goods has been taken since the excise duty on capital goods are mostly at 16%.

5.23 During the course of examination of Demands for Grants (2007-08) of the Ministry of Finance (Department of Revenue) the Ministry furnished a note on tax expenditure of the Central Government. As regards the loss of revenue in respect of Special Economic Zones, the Ministry in the said note furnished as under :

“There will be substantial revenue loss on account of numerous Special Economic Zones. Revenue loss on account of development of SEZs alone for the period 2006-07 to 2009-10 has been estimated at about Rs. 53740 crore for direct taxes, Rs. 48881 crore for indirect taxes. Year-wise details of revenue loss are given in the table below :

(Rs in crore)

Year	Direct Taxes	Customs	Excise	Service Tax	Total
2006-07	4156	9075	3168	2693	19092
2007-08	10003	9900	3456	2938	26393
2008-09	16668	5775	2016	1714	26173
2009-10	22913	4950	1728	1469	31060
Total	53740	29700	10368	8813	102621

The above revenue loss estimates are based on the projected investment lined up for about 70 SEZs approved by Board of Approval (BOA) initially. Since then BOA has approved more than 300 SEZs and a number of applications are under consideration for approval. Taking into account the number of approvals which have been already granted and pending SEZ proposals for approvals, revenue loss on account of development of SEZs alone could increase substantially.

On SEZs, the Approach Paper to the 11th Five Year Plan, while mentioning that the SEZ programme has generated good response and that a large number of applications have been approved in-principle, has observed, “However, there are concerns that SEZs primarily focus on real estate, that there is lack of a level playing field between manufacturing units within SEZs and those in the domestic tariff area, and that there can be large loss of revenue on account of tax concessions for exports of goods and services that are already been

exported without such concessions. These concerns would need to be addressed and where necessary adequate safeguards put in place.”

5.24 A press Report in the Business Standard dated 28 January, 2010, has indicated that the Central Board of Excise and Customs (CBEC) has recommended overhaul of the Special Economic Zone (SEZ) Act, 2005 and that the Board has detected gross violations of duty and tax concessions, resulting in revenue loss of Rs. 1,75,000 crore till date.

5.25 Broadly, the CBEC report has sought the removal of exemptions and concessions that have turned SEZs into tax-avoidance conduits for importers and exporters without any genuine business to back them.

5.26 While submitting their justification in this regard, the representative of the Ministry of Finance (department of Revenue) during evidence stated as under :

“as far as cases of misuse are concerned, what we have got is that certain cases were booked against SEZs, major cases only by DRI and DG, CEI. That was to the tune of Rs.448 crores till February this year. This does not include the figures or cases which have been booked by other field formations, which would be slightly more.”

5.27 While commenting on the afore-mentioned press report the department of Commerce in their written replies submitted that there is no study done by CBEC in the recent past as stated in the above press report. No calculation of revenue loss to the tune of Rs.1,75,000 crore on account of gross violations of duty and tax concessions, as stated in the press report, has been communicated by CBEC.

5.28 The Department of Commerce, Ministry of Commerce & Industry, which is the administrative Ministry in respect of all matters concerned with Special Economic Zones, have stated that it is not in a position to comment on the points raised in the press report as it is not in possession of calculations on revenue loss.

5.29 Department of Commerce have further stated, as follows:

“As regards the issues of revenue loss, it is presumed that this is in reference to the duty exemptions provided in respect of infrastructure, as otherwise inputs used by Domestic Tariff Area (DTA) units and SEZ units are more or less at par keeping in view the various provisions such as duty drawback, Duty Entitlement Pass Book

(DEPB) etc., which are available for DTA units and not to SEZ units. As compared to the hypothetical loss of revenue in respect of infrastructure, SEZs have contributed tremendously in terms of investments, employment and exports. The fact sheet as on 31.12.2009 provide that the total investment in SEZs is Rs.1,28,390.44 crores, the employment is 4,89,831 persons and exports till 31.12.2009 is Rs. 1,52,092.685 crores. This kind of investment would not have happened but for the tax exemptions.

Department of Commerce has again stated that the press report is factually incorrect in reporting the division of processing and non-processing areas in an SEZ. In terms of existing guidelines, at least 50% of the SEZ must be declared as processing zone. The press report indicates a figure of 25% which is incorrect.”

5.30 As regards the move to overhaul the SEZ Act, 2005, the Ministry of Finance (Department of Revenue) submitted that CBEC has not made any recommendation of overhaul of the SEZ Act, 2005. CBEC, however, got the procedures and rules examined in a study of SEZ Scheme to plug loopholes. Recommendations to Department of Commerce were made for amending certain provisions in the SEZ Rules, 2006. Department of Commerce have stated that there is no cause to overhaul the SEZ Act only because of some procedural matters.

5.31 On being asked as to whether the SEZs have generated more profit as real estate ventures rather than genuine export-oriented productive enterprise, the Ministry of Commerce in their written information submitted as follows :

“Social infrastructure in the SEZs are permitted with the approval of Board of Approval (BOA) where Department of Revenue is a Member. The quantum of social infrastructure is approved by the BOA in terms of the decisions of Empowered Group of Ministers (EGoM). Further, no sale of property in the SEZs have been reported to the Department of Commerce, hence, to presume that in the non-processing areas of SEZs, real estate activity is being carried out, may not be accurate. In the current system, SEZs are private sector driven and each SEZ has to determine its own viability. Department of Commerce is not aware of diversion of SEZs into real estate ventures. But, it can be seen that the exports from SEZs have considerably gone up.”

6. Fall in Indirect Tax Collection

6.1 Indirect Tax Collection during the period April to December, 2009 has declined by 18.1% as compared to the previous year. The duty wise break-up is as follows :

Revenue realised during April to December

(Rs. in Crore)

Tax / Duty	Revenue realised during April to December (Provisional)		Growth (%)
	2008-09	2009-10	
Customs Duty	82942	59402	-28.4
Central Excise Duty	80383	69747	-13.2
Service Tax	39354	36785	-6.5
Total	202679	165934	-18.1

6.2 The duty-wise reasons as stated by the Ministry for the above-said shortfall are given below :

Customs duty

The decline in imports and exports were caused due to global economic slowdown which has also affected domestic production. Further as a result of reduction in customs duty rates the collection rates went down during the year 2008-09 from June onwards and during the whole period in 2009-10.

Central Excise

“As a part of the fiscal stimulus to stimulate domestic demand and growth, the Central Excise duty rates for non-petroleum products carrying ad valorem duties were reduced across the board by 4 percentage points on 7th December, 2008. As a result, the mean CENVAT rate of ad valorem duty came down to 10%. Further, the rate of 10% was reduced to 8% on 24th February, 2009.

These reduced rates of excise duty continued during the whole year 2009-10. As a result, the revenue collection on account of central excise duty came down very significantly in case of most of the products.”

Service Tax

“With regard to Service Tax, the rate was reduced from 12% to 10% on 24th February, 2009, which continued throughout the year 2009-10. Besides, due to slowdown in the economy, the growth in services was reduced during the year 2009-10. The Service Tax revenue collection during 2009-10 declined as compared to the previous year. The quarter-wise position are given below:

Quarter-wise Service Tax revenue

(Rs. in Crore)

Period	Service Tax revenue during April to December		Growth rate (%)
	2008-09	2009-10	
April-June	9815	9549	-2.7
July-Sept.	14286	13641	-4.5
Oct.-Dec.	15253	13595	-10.9
April to December	39354	36785	-6.5

6.3 While submitting their justification in regard to fall in indirect tax collection, the Secretary, Revenue during evidence stated as follows:

“The global slowdown that occurred in 2008-09 was countered with the strategy of fiscal interventions through stimulus package that we have introduced in December 2008 to February, 2009. While these helped in arresting the decline in economic growth, they have negatively impacted our revenue collections in 2008-09 and also this year, particularly, in the indirect tax sides.”

6.4 On being asked about the efforts made by the Department to augment indirect tax collections, the Ministry in their written submission replied as under :

- (i) Regular monitoring of revenue collection at various levels.
- (ii) A watch on production and clearance trends of important revenue-yielding units and commodities.
- (iii) Systematic working of anti-evasion units with better cultivation of informers, collection of intelligence and third-party information and proper use of available resources
- (iv) Effective internal audit
- (v) Recovery of arrears of revenue free from any restraint, and implementation of favourable orders of Court / Tribunal
- (vi) Regular interaction with important assesseees and trade associations
- (vii) Expeditious finalization of provisional assessments, adjudication cases and appeals pending with Commissioner (Appeals).
- (viii) Increased use of automation
- (ix) Extensive publicity for public awareness and taxpayer's education and surveys to identify potential taxpayers, particularly in Service Tax.
- (x) The Government has also taken other measures such as risk based assessment of imported goods, expeditious clearance of import goods, and verification of declared values of import with national import database on valuation, in order to augment Customs duty collection.

6.5 In order to augment the Indirect Tax Collection during the year 2010-11, the Secretary, Revenue during evidence stated as under:

“in our proposals in the Budget for 2010-11, we have sought an increase in the standard rate of excise duty from eight per cent to 10 per cent. The rate of excise duty on petrol and diesel has been restored to June, 2008 level and duty has been increased on cigarette and other tobacco products. Full or partial excise duty exemptions available to some items have been withdrawn and duties imposed on them at the rate of either four per cent or 10 per cent. A cess of five per cent has been imposed on coal to build up a corpus for promoting green energy.

On the customs side, there is no change in the peak rate of customs duty on non-agricultural items. It remained at 10 per cent. In the petroleum sector, the customs duty on crude petroleum, petrol, diesel and other specific petroleum products have been restored to the June, 2008 level. The service tax base has been widened by bringing in eight new services under the tax net. In addition, scope of a few existing services has been modified to block loopholes and check the evasion of tax.

These measures on the indirect tax side will result, in the next year, in additional resource mobilisation of around Rs. 47,000 crore after adjusting for relief given in indirect taxes. A net revenue gain to the extend of Rs. 47,500 crore is expected.”

6.6 With regard to the criteria adopted for evaluation of service tax by registered service providers, the Ministry informed that a Service Tax Return Scrutiny manual has been prepared under the aegis of ADB Project. The manual has been circulated to the field formation vide Circular No. 113/07/2009–ST dated 23.04.2009, whereby guidelines have been issued for checking / verifying the ST3 returns submitted by the service providers. It inter-alia entails checking and verifying the details of service tax paid by them.

6.7 During the course of examination of Demands for Grants (2009-10), the Ministry were asked to furnish details of the investigations in respect of collection and deposit of service tax, if any, done by them. In response, the Ministry had submitted the details and stated that realization details of the said amounts are being collected and will be supplied later.

6.8 While submitting the details in this regard, the Ministry have now stated as under:

Details of investigations undertaken in cases where service tax is being collected by the service providers and not deposited with the exchequer for the past three years alongwith amount of service tax recovered is as under:

Period	Number of cases booked	Amount of service tax collected but not deposited (Rs. in crore)	Amount of service tax realised (Rs. in crore)
2006-07	42	20.09	12.13
2007-08	71	34..15	12.07
2008-09	69	48.06	27.62

6.9 While noticing the instances of service tax evasion and related offences, the Committee in para 21 of the 2nd Report (15th Lok Sabha) had recommended as under :

“The Committee would expect the Department to initiate penal measures in all these cases and realize forthwith the dues along with penalty from the delinquent service providers. As Service tax is now a well-entrenched levy, the Committee believe that the Department should not remain in a fostering or promotional mode any longer vis-à-vis collection of service tax. Instead, orientation must now shift to anti-evasion and enforcement aspects, particularly in view of large number of offences reported. The online systems should also be geared up to identify such offences and to pre-emptive action.

6.10 The Government in their action taken reply to the above said recommendation stated as under :

“Cases where amounts are collected by the service providers as service tax, but are not paid to the exchequer are viewed seriously. In such cases notices are issued for imposition of penalty, in addition to recovery of the amount so collected.

The suggestions of the Committee for laying greater emphasis on anti-evasion and enforcement aspect have been noted for compliance. The department is already introducing a system where the service tax payment can be viewed by officers on the computer. This would assist the officer in better monitoring of the tax payment by an assessee.

Further, the system of audit would be strengthened by building up a strong risk assessment system based on information gathered from

independent sources. Another important project being undertaken is to develop 'service profile' of service providers, where-under the business process followed by various types of service providers would be documented. This would help in identifying the vulnerable points in the business process."

6.11 As regards the paying of service tax the Committee sought to know following details from the Ministry :

- (i) Data in regard to service providers who had escaped the tax net by not registering and not paying the applicable service tax.
- (ii) Instances of decline in revenue from a particular service despite increase in the registered tax base.
- (iii) Details of the incorrect and excess availment of service tax.

6.12 In response to all the above said queries, the Ministry in their written information stated that the details are not readily available centrally with the Department and the same will be provided to the Committee soon after they are collected from the field formation.

6.13 With regard to the service providers who has escaped the tax net by not registering and not paying the applicable service tax, the Ministry stated that it is difficult to derive reliable data on the number of service providers who have deliberately not registered with the department as these are not empirically observable data.

6.14 Further, with regard to the information about the instances of decline in revenue from a particular service despite increase in the registered tax base and cases of incorrect/excess availment of service tax by providers noticed by the department during the last 3 years, the Ministry stated that the details are not readily available centrally with the department and the same will be provided to the Hon'ble Committee soon after they are collected from the field formations.

7. Arrears of Revenue & Appeals

7.1 On being asked about the details of arrears of Indirect Taxes realized and outstanding as on 31.12.2009, the Ministry furnished the following position:

(Rs. in crore)

	Arrears realized in 2009-10 (upto 31.12.2009)	Outstanding arrears as on 31.12.2009
Central Excise	796.64	25047.39
Customs	708.87	8236.83
Service Tax	1421.27	7591.56
Total	2926.78	40875.78

7.2 While giving justification for the large amount of arrears outstanding, the Ministry stated that:

“The important reasons for non-realization of arrears of revenue include: stay orders by the Courts, CESTAT; Cases relating to Public Sector Units pending with COD; case pending with BIFR / DRT / OL; assets not available or defaulters not traceable; cases within appeal period or stay application pending; cases pending with district administration under certificate action.”

7.3 The Ministry further added :

“The strategy adopted for effective action in the area of faster realization of arrears include: immediate realization of unfettered arrears; filing of applications for vacation of stay / prayer for early hearing of Courts/CESTAT cases; regular follow up of cases pending in BIFR/DRT/OL/COD; implementation of favourable orders of CESTAT/Courts, and close monitoring and timely disposal of all adjudication cases pending with Commissioners and officers below the rank of Commissioner.”

7.4 While observing burgeoning revenue arrears pending for realization in respect of Indirect taxes, the Committee in their second report on Demands for Grants (2009-10) had expected that the Department of Revenue and the Central Board of Excise and Customs to specially monitor these pending cases with a view to disposing them in a specified timeframe. They had also desired the Department of Revenue to initiate dedicated measures to realize revenue arrears in a time-bound manner by pursuing cases vigorously with Tribunals/Courts.

7.5 In this regard, the Government in their action taken reply, stated as follows:

“The position of outstanding tax arrears and the realisation of arrears as on 31.10.2009 is as under:

	Outstanding arrears as on 30.04.09	Arrears realized as on 31.05.09 (Rs. in crore)	Outstanding arrears as on 31.10.09 (Rs. in crore)	Arrears Realized April to October,2009(Rs. in

	(Rs. In crore)			crore)
Central Excise	22,990.51	132.12	24789.72	524.72
Customs	7,089.05	76.00	8029.87	454.44
Service Tax	4,699.51	185.04	6689.48	1022.74
Total	34,779.07	393.16	39689.06	2001.90

The following steps are being taken to realize the arrears of revenue :-

(a) Sensitization at the level of Commissioners/Chief Commissioners by holding meeting at Nodal/Zonal Level.

(b) Filing of applications for vacation of stay / early hearing in Court/ CESTAT:

Arrears amounting to Rs.15896.90 crore as on 31.10.2009 are locked up in various courts/ CESTAT as stayed arrears. The field formations have been sensitized to file application for vacation of stay / early hearing in such cases.

(c) Follow up of cases pending in BIFR/DRT/OL/COD:

Arrears amounting to Rs.13573.31 crore as on 31.10.2009 are locked up in BIFR/DRT/OL/COD proceedings which is another area of concern. Steps have been taken for closely monitoring and proper defence of such cases before the BIFR/DRT/OL/COD authorities.

(d) Quick implementation of favourable orders of CESTAT/ Courts:-

Close monitoring is done of all the cases of favourable orders from CESTAT, High Courts, and the Supreme Court. The field formations have been directed to implement the favourable orders of CESTAT/ various courts quickly and all possible steps should be taken to realize the arrears of revenue in such cases.

(e) Defaulters on CBEC Website:- The list of defaulters against whom Section 142 notices have been issued and those which have not been stayed by the Courts have been displayed on CBEC website. All the Commissioners have been directed to take necessary action for recovery of arrears from such cases at their end.

(f) In cases where defaulters are not traceable / factory closed, necessary action for recovery of arrears from such assessee are being taken by giving media exposure/ reward to informers, who provide information about such defaulters.

(g) Write-off of irrecoverable cases of arrears:

As regards irrecoverable arrears which are being carried forward from year to year without any possibility of realization of arrears, all the Chief

Commissioners/ Commissioners have been directed to initiate action towards write-off in those cases where they are of the considered view that the arrears are not recoverable even after taking all possible steps”.

7.6 Apprising the Committee of the steps taken to liquidate the high pendency in adjudication, the Ministry in their action taken reply stated as under:

“CBEC has created a Special Cell in the Directorate General of Inspection (DGI) to monitor high value cases as well as the cases pending over one year on a regular basis. Pendency of adjudication cases pending for over one year is closely monitored by the Chief Commissioners and the Commissioners. The Special Cell in DGI receives the zone-wise pendency details on a monthly basis. The reports are analyzed, and followed up with the Chief Commissioners of zones showing high pendencies to undertake special drive to liquidate the pendency. The DGI also monitors the progress in the liquidation of pendency. Inspections of the field formations on pending adjudication cases are also carried out. A concerted drive is on in order to reduce the pendency. The Board also reviews the pendency regularly. Instructions have been issued to formulate time bound programme to liquidate pendency.

Further, while analyzing adjudication pendency, the zones are identified having least / maximum pendencies of over one year old cases. In this regard, communications have been addressed to the Chief Commissioners having high pendencies and have already been requested for quick disposal of the cases in a time-bound manner.”

The Ministry have further stated that:

“While old cases are disposed off, new cases are constantly added Adjudication proceedings being quasi-judicial in nature, have to follow the principles of natural justice such as granting opportunity of hearing to the parties, cross examination of witnesses etc.”

Delays in filing appeals

7.7 The Press News as appeared in the Financial Express dated 30 January, 2010 indicated that inordinate delays in filing appeals for recovery of tax dues by the Govt. have often attracted the attention of the apex Court. These delays are caused by the lapses on the part of the revenue officials at Centre and States.

7.8 While specifying the reasons for this, the Ministry stated as under:

“The primary reason for delay for filing of the appeals before the Hon'ble Supreme Court is the lengthy process involved in processing of files between the Commissionerates, the Board and the Ministry of Law & Justice, with a centralized mechanism of filing of appeals of all departments through Law Ministry. Many a times delay in applying for certified copies by the counsels handling cases in the High Courts result in delayed processing / filing of appeals before the Apex Court. During the year 2008 and 2009, 64 (42 matters arising out of a common order) and 11 Civil Appeals/SLPs were dismissed on grounds of delay for which the concerned Chief Commissioners have been asked to enquire into the matter to ascertain if there was any case of intentional delay in the filing of appeal/SLP and take appropriate action against the erring officials.”

7.9 On the issue of losing revenue on account of not properly representing the Departments case in the courts, the Chairman, CBEC while accepting the same have stated during evidence that they will take action and report back as to how they are going to manage the situation.

8. Outstanding audit observations of internal audit

8.1 According to departmental instructions, internal audit observations are to be attended to by the assessing officers within three months. However, as on 31 March, 2008, 8,409 audit observations of internal audit raised during 2007-08 involving a tax effect of Rs. 1,374.06 crore were pending (C&AG Report No. CA 21 of 2009).

Information of major observations of internal audit and their settlement is given below.

Financial year	No. of cases for disposal	No. of cases settled	Percentage of total cases disposed	No. of pending cases
2003-04	5,151 (1,936.90)	1,466 (275.63)	28	3,685 (1,661.26)
2004-05	5,333 (941.02)	2,296 (485.17)	43	3,037 (455.85)
2005-06	3,592 (2,130.19)	1,533 (170.78)	43	2,059 (1,959.41)
2006-07	2,779 (702.35)	1,015 (299.24)	37	1,764 (403.11)
2007-08	2,229 (1840.44)	39 (484.49)	17	2,190 (1,355.95)

(Figures in brackets indicate money value in rupees crores)

8.2 While submitting their justification in view of the above said audit observations, the Ministry stated as under:

“The above statistics represent the period during which the chain Audit System was functioning. This system was found to be ineffective and the matter drew adverse criticism from the Public Accounts Committee. Consequently the CBDT has issued comprehensive guidelines No. 03 of 2007 introducing the New Internal Audit System.”

Due compliance with the instructions would ensure timely submission of initial replies/ATNs to the C&AG. However, strict compliance with the instructions has suffered from certain constraints/difficulties. These issues are being addressed and the position is expected to improve.”

9. Manpower Shortage

9.1 On being asked as to why the Department fail to dispose of such a huge cases pending for disposal, the Ministry replied that the income tax department is facing acute manpower shortage at almost all the levels. This is evident from the following table giving the position as on 31.03.2009:

S. No.	Designation	Sanctioned Strength	Working Strength	% of shortage
1.	Addl. CIT/JCIT	1253	833	33.51
2.	DCIT/ACIT	2098	1591	24.26
3.	ITOs	4448	4212	05.30
4.	Inspectors	9069	8035	11.40
5.	Sr. TAs	8581	6287	26.73
6.	TA	9792	7222	26.24
7.	Steno Grade-I	1022	727	28.86
8.	Steno Grade-II	2037	912	55.22
9.	Steno Grade-III	1997	248	87.58

9.2 While accepting the problem of under-manning in the Department, the Secretary, Revenue during evidence stated that that would be their biggest problem.

The Secretary, Revenue further explained during evidence that:

“At the level of Additional CIT and DCIT we had a small problem in the last three-four years because the intake of Assistant Commissioners was reduced to 25 or 30 per year which was a mistake. Then we realised the mistake. Now we have enhanced the intake to the original figure of 100 plus. So, those three batches where they were recruited in 2000, 2001, 2002 and 2003 the number was much less. Now they are at the cutting edge level and that is creating a problem. Now we have come out of that. Once these promotions take place we will streamline the workforce. In between we had a problem; we made a mistake and now that is reflecting on our staff strength.”

10. Lack of data-base in CBEC

10.1 In response to the queries regarding non-levy/short levy of excise duty, cases of incorrect allowance of exemptions, cases of non-levy of interest on delayed payment of service tax, cases of short levy of service tax due to undervaluation and incorrect classification of services, the Ministry in their written information stated that the details are not readily available centrally with the department and the same will be provided to the Committee soon after they are collected from the field formation.

PART-II
RECOMMENDATIONS / OBSERVATIONS

Setting up of TINXSYS-Grants-in-Aid

1. The Committee regret to observe that there had been persistent under-utilisation of budgetary provision under the head “Setting up of TINXSYS-Grants-in-Aid” meant for State Value Added Tax (VAT) and other tax reform related support activities undertaken through the Empowered Committee (EC) of State Finance Ministers. The project includes support for effective tracking of inter-state transactions through Tax Information Exchange System (TINXSYS) Project, grant-in-aid for smooth functioning of the Empowered Committee and for computerisation of VAT administrations of Special Category States – Himachal Pradesh and Jammu & Kashmir. The Committee have been informed that huge shortfall in utilization of allocations has occurred due to non-issuing the formal work order by the Empowered Committee till date and non-computerisation of their VAT Departments by some States. The Committee are of the view that no sincere effort has been made by the Department of Revenue to get the interface between the State VAT System and TINXSYS operationalised on time, as evident from the fact that huge allocations made at BE stage were finally surrendered year after year. The Committee, therefore, desire that every effort should now be made to ensure that project activities are implemented as per the schedule by utilizing the budgeted allocations.

2. The Committee had, in their 2nd Report (15th Lok Sabha) on Demands for Grants (2009-10) of the Department of Revenue emphasized that hindrances in computerization/networking should be ironed out early for smooth transition to the proposed Goods and Service tax (GST) regime. In response, the Ministry replied that they are making every effort to address the problems related to computerization of VAT administrations and networking. However, the demands for grants figures submitted to the Committee clearly indicate the department's persistent inability to spend the allocated money, thus establishing their failure to implement such an important programme, timely implementation of which has been repeatedly emphasized upon by the Committee. The Committee, therefore, desire that the Ministry must ensure that project of computerisation/networking of VAT administrations is strictly implemented as per schedule.

Information Technology

3. The Committee are surprised to note that year after year unrealistic Budget Estimates are being projected under the Head "Information Technology." Though the actual utilization of budgeted amount for 2009-10 was only Rs. 1.77 crore as compared to BE of Rs. 15.17 crore, the Ministry has proposed an allocation of Rs. 24.12 crore as Budget Estimates again for this year. The Committee have been informed that the process of selecting Suitable Consultant and System Integrator for the project for development of software and linkages with financial institutions and other concerned agencies titled "FINnet" of Financial Intelligence Unit-India (FIU-

IND) could not be finalized in these years. Hence, the provision made for the purpose could not be utilized. The Committee deprecate such a casual approach towards implementation of this important project, thereby impacting on the efficiency of the Department. The Committee, therefore, desire that the Government should strive to avoid delays in the implementation of the project and utilize the allocated funds in time under this Head. As delays in computerisation has become an endemic problem, the Committee recommend that the Department of Revenue may set up a specially empowered Group or a coordination mechanism to ensure effective monitoring of the project.

Collection of Direct Taxes & Revenue foregone

4. The Committee have been given to understand that the collection of direct tax revenue has registered an increase from Rs. 2,30,598 crore in 2008-09 to Rs. 2,50,232 crore in 2009-10, that is an increase of only 8.51%. However, out of this increase, the contribution of other taxes is 63.6%, whereas the contribution of corporate tax is only 13.47% and that of personal income tax is actually negative, that is, -0.41%. The Committee also find that the percentage increase in direct tax collection has been below the target of 15%. However, as per information furnished by Ministry of Corporate Affairs, there are 8.45 lakh active companies registered in the country, which has been showing a steady increase in recent years. The Committee are dismayed that corporate tax has not been growing commensurate with the growth in number, scale and profits of companies.

The negative growth registered in respect of personal income tax is also inexplicable, considering the large increase that has occurred in corporate salaries. The causes cited by the Department for reduction in revenue like reduction in surcharge etc. could well have been factored in before fixing the target. While expressing concern over the laxity in the matter resulting in such a steep shortfall in collection vis-à-vis targets, the Committee desire that the Ministry should analyse the reasons for the shortfall in collections, while reviewing the performance of Income Tax Department with regard to tax assessments and enforcement.

5. In the context of shortfall in direct taxes collection, the Committee note with concern the huge amount of revenue lost to the exchequer by way of tax exemptions and deductions, which aggregated to more than Rs. 1,50,000 crores. The Department have submitted that the revenue foregone in respect of corporate income tax during the year 2009-10 increased to Rs. 79,554 crores, while the same for personal income tax was Rs. 40,929 crores. Revenue foregone on account of direct tax incentives / deduction given to export promotion schemes etc. amounted to a whopping Rs. 30,000 crores and more during this period. Facts are so evident that it requires no over-stating that tax concessions and exemptions provided in general have been huge and phenomenal, amounting to more than half of the total direct tax collections in 2009-10. If the aggregate exemptions in both direct and indirect taxes is taken into account, it works out to a massive Rs. 5,02,299 crore (2009-10), which is

almost 80% of the total revenue collections. Such exemptions have been increasing, leaving an adverse impact upon revenue buoyancy.

The Committee would, therefore, recommend that while formulating the proposed Direct Taxes Code, the Government should review the present regime of tax exemptions and deductions, which is obviously loaded in favour of corporates and big tax payers at the expense of small tax payers and the salaried class. Thus, keeping in mind the fact that most of these exemptions have outlived their purpose, and in the light of the glaring facts cited above, it would be just and equitable to put in place a Policy on Exemptions, which would substantially reduce the percentage of tax foregone but at the same time encourage household savings, foster social security and is generally favourable to small tax payers. The revenue thus retrieved may be utilized to fund Government's developmental programmes, particularly in agricultural sector.

6. With regard to loss of revenue from Special Economic Zones (SEZs), during the course of examination of Demands for Grants (2007-08), the Ministry of Finance (Department of Revenue) had furnished details of projected revenue loss for the period 2005-2010 as Rs. 106,412 crores; comprising of Rs. 57,531 crores direct tax; Rs. 29,700 customs; Rs. 10,368 excise and Rs. 8813 service tax. The Ministry then further stated that taking into account the number of approvals which have already been granted and pending SEZ proposals, revenue loss on account of development of SEZs alone could increase substantially. However, in the context of examination of Demands for Grants for this year, the Ministry

have tersely stated that no study has been done by CBEC in the recent past to evaluate revenue losses on account of tax concessions to SEZ units. On this issue, the Department of Commerce have now contended that the purported revenue loss is only hypothetical, as SEZs have contributed tremendously in terms of investment, employment and exports. The Committee are surprised that inspite of Ministry's earlier concerns and projections on revenue loss, they have not so far done any appraisal or indepth study on the extent of revenue loss arising out of exemptions allowed to SEZs. Besides, on the related issue of mis-use of exemptions by SEZs and cases booked against them for defaults, the Department of Revenue have informed that till 10 March, 2010, 415 cases involving duty of Rs. 567.48 crore have been booked against units in SEZs. Thus, keeping in view the need for a balanced approach on this issue, the Committee recommend that the Ministry of Finance (Department of Revenue) should set up a Study Group to undertake a comprehensive review on the desirability of tax / duty exemptions to SEZs, which will inter alia bring out the costs of tax / duty exemptions vis-à-vis the benefits. The Department of Revenue should also maintain zone wise data on revenue foregone, revenue generated as well as violations of rules in respect of SEZ units.

Fall in Indirect Tax Collection

7. The Committee note with concern that Indirect Tax Collection during the period April to December, 2009 has declined by 18.1% as compared to the previous year, out of which, central excise duty declined by 13.2% and service tax by 6.5%. The reasons adduced by the Central Board of Excise and Customs (CBEC) for the shortfall in collection of indirect taxes include the global economic slow down and reduction in rates of customs duty, central excise duty and service tax. The Committee cannot fully accept the justification of the Ministry for decline in the indirect tax collection, particularly when the manufacturing sector has registered an impressive growth in the second half of 2009 and range of service tax has also been broadened. The Committee cannot but conclude that the disproportionate fall in collections would be attributable to evasion of duty or laxity on the part of the Department in enforcement.

8. The Committee further find that with regard to evaluation of collection and payment of service tax by registered service providers, the Ministry has prepared a Service Tax Return Scrutiny Manual, which has been circulated to the field formations, wherein guidelines have been issued for checking/verifying the Service tax returns submitted by the service providers. In view of the increasing incidence of service tax evasion, the Committee desire that the Department must subject these returns to strict scrutiny and efforts made to arrest the declining trend of service tax collection inspite of its widening ambit.

9. The Committee are also constrained to observe that the Department has no mechanism to maintain data centrally in respect of (a) the service providers, who have escaped the tax net by not registering and not paying the applicable service tax, (b) instances of decline in revenue from a particular service despite increase in the registered tax base and (c) details of incorrect and excess realisation of service tax by service providers. With regard to the service providers who have escaped the tax net by not registering and not paying the applicable service tax, the Government have expressed their inability to derive and maintain such reliable data, as according to them, these are not empirically observable data. In the light of the Ministry's helplessness, the Committee find it difficult to comprehend as to how the Department proposed to widen the tax net of service tax providers without supporting data-base. The Committee are constrained to point out that the Ministry of Finance, with large resources at their command, have not made any effort to maintain such crucial data centrally, which has inevitably resulted in substantial revenue loss to the exchequer. The Committee, therefore, recommend creation of reliable database of service providers, so as to identify potential tax payers as well as evaders and progressively bridge the gap between taxpaying and tax-evading service providers.

10. The Committee are surprised to find that a substantial amount of revenue collected from the service tax had not been deposited with the exchequer during the last three years. The loss of revenue on this count increased from year to year and stood at Rs. 48.06 crore during the year

2008-09, out of which only Rs. 27.62 crore have been realized so far. The Committee thus find that efforts made by the Department for ensuring timely deposit of service tax, collected from consumers has been far from satisfactory. Considering the reduction in collection of service tax this year, it is imperative that the Department takes punitive action against such defaulters.

Arrears of Revenue and Appeals

11. The mounting arrears of tax demands has repeatedly invited adverse comments against the Department. The total outstanding arrears as on 31.12.2009 were Rs. 40875.78 crore, out of which, the maximum arrears were in respect of Central Excise i.e. Rs. 25047.39 crore, representing about 61% of the total outstanding arrears. The reasons that contributed to the pendency of arrears are stay orders by the courts, CESTAT, pending cases relating to Public Sector Units, cases pending with BIFR/DRT/OL, assets not available or defaulters not traceable, cases pending with district administration under certificate action etc. The Committee would expect the Department of Revenue to have close liaison with the courts/CESTAT to ensure expeditious disposal of the stay petitions. The Committee consider that the reasons advanced for the outstanding arrears are all normal incidents and could well have been foreseen and a viable strategy planned out to meet the eventualities. The Committee recommend that the Ministry should augment the strength of the first-level appellate authorities and also take steps to set up additional benches of the Appellate Tribunal to cope with the increasing workload and step up disposal of cases.

In the context of tax demands and appeals in general, the Committee would like to emphasize that since majority of the departmental appeals get quashed or orders reversed at higher fora, the Department should remain more selective while filing their appeals, which should not be filed in a routine manner. At the same time, the Department should ensure that assessments are also made in a fair manner without causing any harassment to individual assesses.

Outstanding audit observations of internal audit

12. The Committee note that as on 31 March, 2008, 8,409 observations of Internal Audit of Income Tax Department raised during 2007-08, involving a tax effect of Rs. 1,374.06 crore were pending. However, according to the departmental instructions, internal audit observations are to be attended to by the assessing officers within three months. While deprecating the departmental delay in acting upon the internal audit cases promptly, the Committee would like to point out that this delay is also indicative of the inadequate system of monitoring the internal audit objections at various levels, which needs to be remedied.

Manpower Shortage

13. The Committee also note that there is an acute manpower shortage at almost all the levels in the Income Tax Department. The Department obviously has been functioning with depleted strength; the working strength of Addl. CIT/JCIT is 33.51% less than the sanctioned strength, in case of DCIT/ACIT the shortage of working strength is 24.26%, while in

case of Inspectors it is 11.40%. During evidence, the Revenue Secretary, while conceding that it would be their biggest problem, stated that in the last three to four years, the intake of Assistant Commissioners was reduced to 25 or 30 per year, which was a mistake. The Committee cannot but express their concern over the apathetic attitude of the Ministry towards manpower planning in the Income Tax Department. They, therefore, recommend that urgent steps be taken to assess manpower requirements at all levels so that work does not suffer on that account.

Lack of data-base in CBEC

14. The Committee are perturbed to find that there is no system in the Central Board of Excise and Customs (CBEC) at present to maintain centrally the details of the cases of non-levy/short levy of excise duty, incorrect allowance of exemptions, non-levy of interest on delayed payment of service tax, short levy of service tax due to undervaluation, incorrect classification of services etc. The Committee find it incomprehensible as to how in the absence of centralized database, the monitoring of all such cases was being done by the Central Board of Excise and Customs. The Committee are also surprised that the CBEC, even with rapid advancements in information technology, have not succeeded in making any headway in maintaining data crucial to their performance. The Committee, therefore, expect the Ministry to take up this issue seriously and create a comprehensive database expeditiously to deal

with cases of non-compliance. The Committee would like to be apprised about the progress made in this regard within a period of one month.

TDS Collections

15. The Committee, are surprised to find that most of the TDS collections is made by the Income Tax department in the last quarter of the year instead of getting it in every quarter. The reason, as attributed by the Ministry for this is delay in accounting by various authorities. The Committee do not find this plea tenable as a system of e-governance obtains in the department which should have taken care of such problems. The Committee, therefore, recommend that e-governance in the Income Tax Department should be made more effective, so that better coordination could be achieved between different wings of the department to avoid delays in accounting of TDS. This will also help the Department in receiving the TDS uniformly almost every quarter of the year instead of waiting for the last quarter.

New Delhi;
15 April, 2010
25 Chaitra, 1932 (Saka)

DR. MURLI MANOHAR JOSHI,
Chairman,
Standing Committee on Finance.

Minutes of the Fifteenth sitting of the Standing Committee on Finance
The Committee sat on Tuesday, the 29th March, 2010 from 1100 hrs. to 1800 hrs.

PRESENT

Dr. Murli Manohar Joshi - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram (Lalganj)
3. Shri Sudip Bandyopadhyay
4. Shri Bhakta Charan Das
5. Shri Gurudas Dasgupta
6. Shri Nishikant Dubey
7. Shri Mangani Lal Mandal
8. Shri Magunta Sreenivasulu Reddy
9. Shri Manicka Tagore

RAJYA SABHA

10. Shri Raashid Alvi
11. Dr. K.V.P. Ramachandra Rao
12. Shri Vijay Jawaharlal Darda
13. Shri S. Anbalagan
14. Shri Mahendra Prasad
15. Shri Y. P. Trivedi

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri R.K. Suryanarayanan - Deputy Secretary
3. Smt. B. Visala - Deputy Secretary

Part -I
(1100 hrs. to 1300 hrs.)

2. X X X X X X X X X

Part-II

(1315 hrs. to 1425 hrs.)

3. X X X X X X X X X

Part –III

(1530 hrs. to 1700 hrs.)

WITNESSES

Ministry of Finance (Department of Revenue)

1. Shri Sunil Mitra, Secretary
2. Shri K. Jose Cyriac, Additional Secretary
3. Shri A.K. Srivastava, Joint Secretary
4. Shri Vinay Chhabra, Chief Controller of Factories
5. Ms. Jagjit Pavadia, Narcotics Commissioner

Central Board of Direct Taxes (CBDT)

1. Shri S.S.N. Moorthy, Chairman
2. Shri Shaikh Naimuddin, Member (P&V)
3. Shri C.S. Kahlon, Member (L&C)
4. Shri Narindar Singh, Member (A&J)
5. Shri Ramesh Yadav, CIT (A&J)
6. Shri Nitin Gupta, CIT (IT&CT)

Central Board of Excise and Customs (CBEC)

1. Shri V. Sridhar, Chairman
2. Shri P.N. Vittaldas, Member (P&V)
3. Shri S. Dutt. Majumder, Member (CX)
4. Shri Y.G. Parande, Member (Budget/Customs)
5. Ms. Chitra Gouri Lal, Member (L&J)
6. Shri F.M. Jaiswal, D.G. (Systems)
7. Shri Vivek Johri, Joint Secretary (TRU-I)
8. Shri Gautam Bhattacharya, Joint Secretary (TRU-II)
9. Shri P.S. Pruthi, Commissioner (Customs)

Integrated Finance Unit (IFU)

Shri H. Pradeep Rao, Joint Secretary & FA (Finance)

Enforcement Directorate

Shri Arun Mathur, Director (ED)

4. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) in connection with examination of Demands for Grants (2010-11) of the Ministry and issues connected therewith. The major issues discussed during the evidence included, lacunae in the Demands for Grants, trend of Direct/Indirect Tax collection, exemptions and revenue foregone under the central tax system, delays in filing appeals, loss of revenue from Special Economic Zones (SEZs). The Chairman directed the representatives of the Department to furnish written replies on the points raised by Members which could not be answered during the evidence at an early date.

The witnesses then withdrew.

A verbatim record of proceedings was kept.

Part –IV **(1700 hrs. to 1800 hrs.)**

5. X X X X X X X X X

The Committee adjourned at 1800 hours.