

FIFTY SECOND REPORT  
STANDING COMMITTEE ON FINANCE  
(2011-2012)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS  
(2012-2013)

*Presented to Lok Sabha on 24.04.2012*

*Laid in Rajya Sabha on 24.04.2012*



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2012 / Vaisakha, 1934 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE ON  
FINANCE—2011-2012

Shri Yashwant Sinha — *Chairman*

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4. Shri Harishchandra Deoram Chavan
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1. Shri A.K. Singh — *Joint Secretary*
2. Shri Ramkumar Suryanarayanan — *Deputy Secretary*
3. Smt. Meenakshi Sharma — *Deputy Secretary*

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\* Ceased to be the Member of the Committee consequent upon their retirement from Rajya Sabha *w.e.f.* 2 April, 2012.

## INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Fifty-second Report (15th Lok Sabha) on the 'Demands for Grants (2012-13)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 23 March, 2012. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 28 March, 2012.

4. The Committee considered and adopted this Report at their sitting held on 20 April, 2012. Minutes of the sittings of the Committee are given in appendix to the Report.

5. 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 (2012-13).

NEW DELHI;  
20 April, 2012  
31 Chaitra, 1934 (Saka)

YASHWANT SINHA,  
Chairman,  
Standing Committee on Finance.





# REPORT

## PART-I

### Background Analysis

#### I. INTRODUCTORY

The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It 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). Each Board is 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, Service Tax 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 and the CBEC has six Members each.

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 Act, 2005 (Relating to 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 above mentioned 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);
16. Income Tax, Ombudsman;
17. Appellate Tribunal under Prevention of Money Laundering Act; and
18. Adjudicating Authority under prevention of money laundering Act.

## II. BUDGETARY ALLOCATIONS

1.5 The detailed Demands for Grants (2012-13) of the Ministry of Finance were presented to Lok Sabha on 23 March, 2012. 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) for the year 2012-13 are as follows:—

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	41 - Department of Revenue	1167.03	11.54	1178.57
2.	42 - Direct Taxes	3071.18	809.28	3880.46
3.	43 - Indirect Taxes	3481.38	119.20	3600.58

1.6 The Budget Estimates (BE), Revised Estimates (RE) and Actuals for Demand Nos. 41, 42 and 43 from the year 2009-10 to 2012-13 are as follows:-

**2009-10** (Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 41	—	9,647.87	—	12,404.57	—	12,347.33
Demand No. 42	—	3,502.00	—	2,840.40	—	2,735.15
Demand No. 43	—	3,385.00	—	3253.07	—	3,128.579

**2010-11** (Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 41	—	11,122.89	—	15,509.81	—	15,473.89
Demand No. 42	—	4,524.00	—	4,345.31	—	4,270.23
Demand No. 43	—	3,007.50	—	3,116.66	—	3,102.52

**2011-12** (Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 41	—	13,356.90	—	5,382.79	—	—
Demand No. 42	—	3,881.55	—	3,315.78	—	—
Demand No. 43	—	3,378.89	—	3,351.79	—	—

**2012-13** (Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 41	—	1178.57	—	—	—	—
Demand No. 42	—	3,880.46	—	—	—	—
Demand No. 43	—	3,600.58	—	—	—	—

1.7 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.

1.8 Apart from examining the Demands for Grants (2012-13), in the present Report, the Committee have examined the following issues:-

1. Collection of Direct Taxes/Indirect Taxes
2. Evasion of Service Tax
3. Tax-GDP Ratio
4. Revenue Foregone under Central Tax System
5. Refund Cases and interest paid on refunds
6. Pendency of appeals
7. Arrears of revenue
8. Man-Power Shortage
9. Harassment of tax payers

## CHAPTER II

### ISSUES RELATING TO DEMANDS FOR GRANTS

#### POSITION OF SAVINGS

On being asked about the details regarding cases of savings of more than Rs. 100 crore and the cases where major portion of savings were surrendered on 31st March, the Ministry furnished the following details:—

- (i) The position with regard to savings under Grant No. 41- Department of Revenue during the years 2009-10 to 2011-12 is as under:—

Year	(Rs. in crore)		
	Budget Estimates	Revised Estimates	Actual Expenditure
2009-10	9647.87	12404.57	12348.74
2010-11	11122.89	15509.81	15473.90
2011-12	13356.90	5382.79	5284.78

From the above Table, it may be seen that as compared to Budget Estimates, there were no savings in 2009-10 & 2010-11. However, as compared to Revised Estimates, there were some savings, which were less than Rs. 100 crore. As regards 2011-12, there are savings of more than Rs. 100 crore.

- (ii) The savings amounting to Rs. 8072.11 crore under Grant No. 41-Department of Revenue were surrendered on 23rd March, 2012 and 30th March, 2012. The details of the major portion of savings and the reasons therefore as explained by the Ministry are given, as under:—

Sl.No.	Item of Exp.	Amount (Rs. in crore)	Reasons for Surrender
1	2	3	4

#### Revenue Section

1.	CST Compensation	7827.42	CST Claims upto 2010-11 have already been settled and no decision has been taken to provide compensation for subsequent period.
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1	2	3	4
2.	VAT Compensation	90.77	VAT compensation claims of all States have been settled and no further claim is pending.
3.	VAT related expenditure	113.63	Due to slow progress of implementation of MMP-CT projects, further instalments of grant not released.
4.	Setting up of TINXSYS	9.04	Due to non-release of further grants for implementation of HP & JK VAT Computerization projects.
5.	Exp. on control of drug abuse	3.00	Non-receipt of proposals from NGOs and other Government Departments for funding under the programme.
6.	Transfer to National Fund for Control of Drug Abuse	2.00	Due to availability of sufficient funds with the National Fund for Control of Drug Abuse (NFCDA), no further amount was transferred to the Fund.
7.	Government Opium & Alkaloid Works	10.89	Most of the savings are on Inter Account Transfers, which is a non-cash item.
8.	Misc.	2.10	These savings are due to non-functioning of all the Income Tax Overseas Units, less requirement of funds for Project FINnet of FIUIND, non-finalization of reward cases/investigations, etc.
Total		8058.85	

#### Capital Section

1.	Construction of Rajaswa Bhawan	6.06	Due to less release of funds to DRDO for construction of Rajaswa Bhawan.
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1	2	3	4
2.	Acquisition of ready-built accommodation by Enforcement Directorate	7.04	Due to dropping of the proposal for purchase of ready-built accommodation for the Zonal Offices of the Enforcement Directorate.
3.	Government Opium & Alkaloid Works	0.16	Non-purchase of various equipments etc.
Total		13.26	
Grand Total		8072.11	

**(B) The position in respect of Demand No. 42 – Direct Taxes is as under:—**

“The BE 2011-12 is Rs. 3881.55 crore (Revenue: Rs. 2975.85 crore, Capital: Rs. 905.70 crore). The expenditure under Revenue Section upto Dec. 2011 was Rs. 2188.38 crore which was 73.54% of BE and under Capital Section it was Rs. 162.91 crore which is 17.99% of BE. The lower percentage of expenditure is due to the reason that out of the BE allocation under Capital Section Rs. 680.00 crore pertained to one project (Civic Centre, Delhi) for which expenditure could be made only after completion of finishing work which was planned to be completed in March, 2012. It was decided in the Budget Meeting with Secretary (Expenditure) at RE stage that Rs. 600.00 crore will be withdrawn. The utilization with respect to RE under the grant is 70.91%.

- (i) During the year 2011-12 no unnecessary Supplementary Grants has been obtained. Only an amount of Rs. 15.72 crore has been obtained as Supplementary Grant for meeting the additional requirement of Directorate of Income Tax (System) under Office Expenses (Information Technology) for comprehensive computerization programme. The BE provision under OE (IT) is Rs. 225.00 crore which has been enhanced to Rs. 270.00 crore at RE stage. The expenditure upto February 2012 is Rs. 251.89 crore. It is expected that the full amount (including the Supplementary) under OE (IT) will be utilised in 2011-12.
- (ii) Savings amounting to Rs. 644.86 crore (Rs. 3.13 crore in Revenue Section and Rs. 641.73 crore in Capital Section) have been surrendered to Budget Division on 31st March, 2012

after releasing Final Requirement (FR) to the tune of Rs. 3252.41 crore. Actual figures of expenditure as on 31st March, 2012 are yet to be received”.

2.2 On being asked about the savings of more than Rs. 100 crore under Grant No. 42 for the years 2009-10 to 2011-12, the Ministry furnished the following details:—

**“2009-10**

- (I) Major Head 2020—Collection of tax on income and expenditure  
 Minor Head 00.101—Collection charges—income tax  
 Sub Head 2020.00.101.01—Commissioners and their offices

	(Rs. in lakhs)
Original Grant	2734,51.58
Supplementary Grant	0
Total Grant	2734,51.58
Actual Expenditure	2568,69.10
Savings	165,82.48

The provision under this grant is for establishment related expenditure to enable various units of Commissioners and their offices of Income Tax Department spread all over India to run their offices. The original grant was Rs. 2734,51,58 (thousand). It was, however, reduced to Rs. 2659,82,23 (thousand) at RE stage. No supplementary grant was taken. Against this, the actual expenditure was Rs. 2568,6910 (thousand) resulting a saving of Rs. 165,82,48 (thousand). This saving was the combined effect of field formations and was mainly due to the reason of non-filling up of vacant posts, less receipts of claims of overtime allowance, medical reimbursement, foreign travel expenses, receipt of less debits on advertising & publicity of IT department, less expenditure on RRT owing to pending of rent revision case and economy measures.

- (II) Major Head 4059—Capital outlay on public works  
 Sub Major Head 01—Office buildings  
 Minor Head 01.800—Other Expenditure  
 Sub Head 4059.01.800.01 Acquisition of Ready built Accommodation (00.54—Investments)



<b>Capital Section</b>	(Rs. in Lakhs)
Original Grant	602,00.00
Supplementary Grant	0
Total Grant	602,00.00
Actual Expenditure	7,41.99
Savings	594,58.01

The BE provision of Rs. 602.00 crore included an amount of Rs. 575.00 crore for purchase of office space accommodation for the Income Tax Department at Civic Centre, Minto Road, New Delhi. However, while reviewing the expenditure trend in October 2009, the said project was deferred to the next year in view of resource constraints of the Government and physical progress of the building. Full expenditure in respect of the remaining provision could not materialise due to non-finalisation of proposals under consideration, hence the savings.

With a view to ensure full utilisation of funds the Central Board of Direct Taxes (CBDT) set up a Directorate of Infrastructure which is entrusted with the task of centrally examining, scrutinising, finalisation of all proposals for acquisition of office accommodation and implementation and monitoring of all such projects. The Directorate has been advised to undertake a Zero-Base review before submitting the estimates to avoid saving/surrender at a later stage.

#### **2010-11**

- (I) Major Head 2020—Collection of tax on income and expenditure  
 Minor Head 00.101—Collection charges—income tax  
 Sub Head 2020.00.101.01—Commissioners and their offices.

	(Rs. in lakhs)
Original Grant	2694,59.75
Revised Grant	2543,61.49
Supplementary Grant	015
Total Grant	2543,61.49
Actual Expenditure	2502,43.61
Savings	192,16.14

The provision under this grant is for establishment related expenditure to enable various units of Commissioners and their offices of Income Tax Department spread all over India to run their offices. The original grant was Rs. 2694,59,75 (thousand). It was, however, reduced to Rs. 2543,61,49 (thousand) at RE stage. No supplementary grant was taken. Against this, the actual expenditure was Rs. 2502,43,61 (thousand) resulting a saving of Rs. 192,16,14 (thousand). This saving was the combined effect of field formations and was mainly due to the reason of non-filling up of vacant posts, less number of daily wage workers, less receipts of claims of OTA/medical reimbursement, less foreign travel expenses, less tours and transfers of officers and staff and less expenditure on RRT owing to non-settlement of rent revision of cases, less expenditure on hospitality, procurement of publications, less expenditure towards repairs/minor works/court's/lawyers' fee and non-completion of some of the IT related projects.

(II) Major Head	4059—Capital outlay on public works
Sub Major Head	01—Office buildings
Minor Head	01.800—Other Expenditure
Sub Head	4059.01.800.01.00.54—Investments

Capital Section	(Rs. in lakhs)
Original Grant	1663,00.00
Revised Grant	1561,59.00
Supplementary Grant	0
Total Grant	1561,59.00
Actual Expenditure	1527,22.54
Savings	135,77.46

The BE provision of Rs. 1663,00,00 (thousands) crore included an amount of Rs. 1450,00,00 (thousand) for acquisition of office space at Civic Centre, Minto Road, New Delhi for the Income Tax Department. However, while reviewing the expenditure trend in October 2010, the said provision was reviewed at Rs. 1220,00,00 (thousand) in view of the pace of works.

With a view to ensure full utilisation of funds the Central Board of Direct Taxes (CBDT) set up a Directorate of Infrastructure which is entrusted with the task of centrally examining, scrutinising, finalisation of all proposals for acquisition of office accommodation

and implementation and monitoring of all such projects. The Directorate has been advised to undertake a Zero-Base review before submitting the estimates to avoid saving/surrender at a later stage.

## 2011-12

(I) Under Capital Section of Grant No. 42 – Direct Taxes of 2011-12, the original grant was Rs. 905.70 crore. The grant was, however, reduced to Rs. 324.21 crore at RE stage. Against this, the Final Requirement was 263.97 crore resulting in a saving of Rs. 641.73 crore. The sub-head under which saving of Rs. 100.00 crore and above occurred and reasons therefor are explained as under:—

	(Rs. in lakhs)
Original Grant (BE)	87,770.00
Revised Grant (RE)	31,751.00
Supplementary Grant	0
Total Grant	87,770.00
F.R.	25,938.00
Savings	61,832.00
Surrender	61,790.00

(II) Major Head 4059 – Capital outlay on public works  
 Sub Major Head 01 – Office buildings  
 Minor Head 01.800 – Other Expenditure  
 Sub Head 4059.01.800.01. Acquisition of Ready Built Office Accommodation [00.54 – Investments].

The BE provision of Rs. 877.70 crore. The grant was however reduced to Rs. 317.51 crore at RE Stage. Against this the Final Requirement was Rs. 259.38 crore. At BE the major chunk of provision included an amount of Rs. 680.00 crore for purchase office space accommodation for the Income Tax Department at Civic Centre, Minto Road, New Delhi. However in the month of November, 2011 itself in the budget meeting with Secretary, allocation of Rs. 600 crore was withdrawn, considering the pace of execution of the project hence the savings.

**(C) The position in respect of Demand No. 43 – Indirect Taxes is as under:**

- (i) During 2011-12, third Supplementary amounting to Rs. 7.5 crore was obtained. Out of this an amount of Rs. 1.27 crore could not be spent under object head "Rewards" due to inability to disburse consolidated amount to the Informer as balance funds were not available.
- (ii) During the year 2011-12, Savings amounting to Rs. 95.81 crore (Rs. 25.22 crore under Revenue and Rs. 70.59 crore) have been surrendered to the Budget Division on 31st March 2012, after releasing Final Requirements to the tune of Rs. 3290.58 crore. Actual figures of expenditure as on 31st March 2012 are yet to be received. The major reasons for savings are as under:

**Reasons for Savings (Revenue Section)**

- (i) The Budget Estimates 2011-12 under object head "Salary" was Rs. 2521.00 crore and the same was reduced to Rs. 2500.00 crore in Revised Budget Estimates, 2011-12 resulting savings under the head "Salary".
- (ii) Saving under object head "M&E" is due to delay in finalization of process for purchase of equipments for laboratories under CRCL and less expenditure on the maintenance of machine & equipments.
- (iii) Saving under object head "Grant-in-Aids" are very nominal.
- (iv) Saving under object head "Rewards" are due to inability to disburse consolidated amount to the Informer as balance funds were not available.
- (v) Saving under object head Other Charges (Charge) is due to less requirement of funds from the field formations.

**Reasons for Savings (Capital Section)**

**(1) Major Head 4047**

**Acquisition of Ships & Fleets**

- (a) Due to non-fulfilment of the contractual obligations by the Boat Suppliers, the full budget amount could not be disbursed.

### **Acquisition of anti-smuggling equipments**

- (b) Due to time taken in finalizing the agreement for purchase of 4 axis container scanners, the full amount anticipated for payment while framing the budget estimates could not be paid.

### **Major Works**

- (c) No proposal for construction of pre-fabricated premises at border check-posts of customs cleared during the year.

### **(2) Major Head 4059**

#### **Acquisition of ready built office accommodation**

- (d) Issue of payment of stamp duty to Municipal Corporation of Delhi and the issue of conversion of leasehold to free-hold in case of purchase of office building of NBCC Plaza, Saket could not be decided. Similarly, in case of purchase of UTI building at Mumbai, the issue of conversion of leasehold to free-hold could not be finalized. Further, the proposal for purchase of office accommodation at Guwahati could not be materialized.

### **(3) Major Head 4216**

#### **Acquisition of ready built flats**

- (e) No proposal for purchase of residential accommodation anticipated at the time of framing of budget's estimated has materialized during the year".

### **"Object Head-Advertising and Publicity"**

2.3 It is seen from the following table that under the "object head-Advertising and Publicity" the actual expenditure till December, 2011 is less than 50% under all the grants operated by the Department of Revenue :

No. and Name of Grant	Budget Estimates	Revised Estimates	Actual Expenditure (upto Dec., 2011)	% of Revised Estimates
41-Department of Revenue	0.49	0.48	0.04	8.4%
42-Direct Taxes	80.00	100.00	30.39	30.39%
43-Indirect Taxes	26.00	26.96	8.99	30%

### CHAPTER III

#### OTHER RELATED ISSUES

##### COLLECTION OF DIRECT TAXES

The details of the target fixed for collection of revenue in respect of Direct Taxes during the years 2008-09 to 2011-12 and achievement made there against as furnished by the Ministry are as under:—

(Rs. in crore)

Financial Year	Budget Estimates (Rs. in Crore)	Revised Estimates (Rs. in Crore)	Actual Collections (Rs. in Crore)	Growth rate of actual collections over last year	%age of Budget Estimates Achieved	%age of Revised Estimates Achieved
2008-09	365000	345000	333828	6.92%	91.46%	96.76%
2009-10	370000	387008	378063	13.25%	102.18%	97.69%
2010-11	430000	446000	446935	18.22%	102.94%	100.21%
2011-12	532651	500660	493868	10.50%	92.71%	98.64%

\*Figure is provisional

3.2 Further, the break-up of the tax collected from each category of assesses, during the year 2009-10 to 2011-12, as furnished by the Ministry is given below:—

(Rs. in crore)

Financial Year	Corporate Tax Collection	Personal Income Tax Collection*	Wealth Tax Collection	Total
2009-10	244725	132833	505	378063
2010-11	298688	147560	687	446935
2011-12#	322878	170202	788	493868

\*includes STT, etc.

#Flash Figures, provisional

3.3 The figures for percentage of tax collection in the Month of March to total tax collections during the years 2008-09 to 2011-12 are as below:—

(Rs. in crore)

Financial Year	Total Collection during the Month of March*	Total Direct tax Collection for the FY	% of Collection in month of March to Total Collection for the year
2008-09	71695	333818	21.48%
2009-10	99040	378063	26.20%
2010-11	113798	446935	24.45%
2011-12**	125334	493868	25.38%

\*Based on difference between annual collection as provided by Pr CCA

\*\*OLTAS figure, flash figure, provisional

3.4 Explaining the reasons for decrease in growth rate of direct tax collections during the year 2011-12, the Ministry in their written replies, stated as follows:—

“The Direct Tax collection during the year 2010-11 was Rs. 4,46,935 crore. It is expected that the collection for the year 2011-12 will be in the Range of Rs 4,85,000 crore to Rs. 4,90,000 crore. Thus growth in the collections would be about 8.95%. The Budgetary target for Direct tax collections was fixed in February 2011 on the basis of projected GDP growth of 9%. However, during FY 2011-12 the economy grew slower than the projected growth. The Quarterly growth rate of GDP enumerating declining growth rate for the year 2011-12 is shown below:

Period	FY 2010-11	FY 2011-12
First Quarter	8.5%	7.7%
Second Quarter	7.6%	6.9%
Third Quarter	8.3%	6.1%
Fourth Quarter	7.8%	Not Available
Overall	8.4%	6.9% (Projected)

This slowdown has been due to variety of factors. The Gross Capital formation has weakened during the year as compared to previous year and its growth rate has declined from 11.1% in FY 2010-11 to 5.8% (estimated) FY 2011-12. Global economic and financial situation especially fiscal crises in certain European economies, steep rise in commodity prices especially crude oil, mineral and food items put domestic inflationary pressures and volatility in international currency and equity market resulted in sluggish stock market. Indian Rupee slid from Rs 44 per \$ in April 2011 to Rs 52 per \$ in March 2012. The NPAs of banks have risen over this period. Banks have raised the Repo rate to increase savings and curb inflation. High Interest rates have also impacted asset creation adversely. The growth in Index of Industrial Production (IIP) during the current year has been subdued in comparison with the last year and has even dipped to (-) 5.1% in October 2011. Although the manufacturing sector sales have grown during the year, however the expenditure has outgrown this increase, resulting in lower net profits. All this has collectively impacted the economic growth which is reflected in growth of Direct tax collection.

Further the improved tax administration reduced the turnaround time of dealing with Returns of income especially those claiming refunds, leading to higher outgo of refunds during the year thereby affecting the net collection. The flash figures indicate that total amount of refunds issued during FY 2011-12 has shown a growth of about 35% over the preceding year."

3.5 Again, as regards the income tax collected at pre-assessment and post-assessment stage, during the last four years, the Ministry furnished the following details:—

(Rs. in crore)

Financial year	Pre-assessment collection			Post-Assessment Collection		Gross Collection	Refund	Net Collection
	TDS	Adv. Tax	Self-assessment	Regular Receipt	Other			
2008-09	128230	143332	30779	21337	49247	372925	39097	333828
2009-10	145736	173417	32507	33274	50229	435163	57101	378062
2010-11	168669	212538	36887	51838	52171	522103	75169	446935
2011-12*	207273	252344	44616	63240	23473	590946	97078	493868

#TDS figures include Central TDS

\*Provisional



3.6 The above figures indicate that Post-assessment collections under the Head 'Others' have shown a sharp decline during the year 2011-12.

## II. COLLECTION OF INDIRECT TAXES

3.7 The break-up of collection of Indirect Tax revenue during the years 2008-09 to 2011-12 (upto February, 2012) is given as under:—

### Indirect Tax Revenue : Target Vs. Actual

Sl.No.	HEAD	2008-09	2009-10	2010-11	*April-February 2010-11	2011-12
1	2	3	4	5	6	7
<b>I. CUSTOMS</b>						
	BE	118,930	98,000	115,000	115,000	151,700
	RE	108,000	84,477	131,800	131,800	153,000
	Actuals	99,879	83,324	135,813	121,588	136,214
	% achievement of BE	83.98	85.02	118.10	105.73	89.79
	% achievement of RE	92.48	98.63	103.04	92.25	89.03
	% growth over last year	-4.07	-16.58	62.99		12.03
<b>II. UNION EXCISE</b>						
	BE	137,874	106,477	132,000	132,000	164,116
	RE	108,359	102,000	137,778	137,778	150,696
	Actuals	108,613	103,621	138,299	122,315	129,926
	% achievement of BE	78.78	97.32	104.77	92.66	79.17
	% achievement of RE	100.23	101.59	100.38	88.78	86.22
	% growth over last year	-12.13	-4.60	33.47		6.22
<b>III. SERVICE TAX</b>						
	BE	64,460	65,000	68,000	68,000	82,000
	RE	65,000	58,000	69,400	69,400	95,000
	Actuals	60,941	58,422	71,016	60309	82,562
	% achievement of BE	94.54	89.88	104.44	88.69	100.69
	% achievement of RE	93.76	100.73	102.33	86.90	86.91
	% growth over last year	18.79	-4.13	21.56		36.90

1	2	3	4	5	6	7
<b>IV. INDIRECT TAX</b>						
	BE	321,264	269,477	315,000	315,000	397,816
	RE	281,359	244,477	338,978	338,978	398,696
	Actuals	269,433	245,367	345,127	304,212	348,702
	% achievement of BE	83.87	91.05	109.56	96.58	87.65
	% achievement of RE	95.76	100.36	101.81	89.74	87.46
	% growth over last year	-3.44	-8.93	40.66		14.62

Source: Receipts Budget.

\*Actual revenue figures are provisional and exclusive of clean energy cess and cesses not administered by CBEC, D/o Revenue.

3.8 It is seen from above figures that percentage growth of indirect tax collections which has shown an increase of 40.66% during the year 2010-11 has decreased to 14.62% only during the year 2011-12. Similarly, whereas the collections from Customs and Service Tax have shown an increase of 12.03% and 36.90% respectively over the last year, the percentage growth of tax collections from Union Excise is 6.22% only.

3.9 Explaining the reasons for decrease in percentage growth over the last year in collection of Indirect Taxes during the year 2011-12, the Ministry in their written replies stated as follows:—

“(i) During the year 2010-11, a good part of the fiscal stimulus was rolled back by hiking the rate of excise duty from 8% to 10% and restoring the duties on petroleum to the pre-June, 2008 level. As a result, growth in revenue was in excess of 40%.

During 2011-12, the existing rates of duty were retained. On the contrary, the duties in petroleum sector were reduced *w.e.f.* 25.06.2011. As a result, the buoyancy in the revenue is not expected to be sustained at the same level during 2011-12.

(ii) As already stated *w.e.f.* 25.06.2011, customs duty on crude petroleum was reduced from 5% to Nil, on petrol and diesel from 7.5% to 2.5% and on other products from 10% to 5%. Moreover, Diesel sold without a brand name was exempted from basic excise duty of Rs. 2.60 per litre. As a result, the growth in customs and central excise revenue has come down to 12% and 6.2% respectively upto February, 2012.”

## CHAPTER IV

### EVASION OF SERVICE TAX

4.1 On being asked about the details of number of cases of Service Tax booked, amount of service tax collected but not deposited and amount of tax realized during the years 2007-08 to 2010-11, the Ministry in their written replies furnished as follows:—

(Rs. in crore)

YEAR	Service providers who have collected the service tax from consumers but not deposited with exchequer		Recovery during the period		No. of service providers against whom punitive action taken and demand cum SCN issued	
	No.	Amount involved	No.	Amount involved	No. of SCN issued	Amount involved in the SCNs issued. Details of other action taken, if any
2007-08	307	130.79	152	51.64	170	147.52
2008-09	386	259.40	263	132.74	207	223.11
2009-10	548	294.55	374	130.36	290	431.21
2010-11 (upto Dec. 10)	870	450.08	554	245.32	398	241.36
<b>Total</b>	<b>2111</b>	<b>1134.82</b>	<b>1343</b>	<b>560.07</b>	<b>1065</b>	<b>1043.20</b>

4.2 Specifying the reasons for not depositing a huge amount of service tax with the exchequer, the CBEC in their written submissions stated that non-compliance can be attributed to a propensity for ill-gotten gains amongst section of the business community. However, with the introduction of stringent penalty provisions including prosecution, it is expected that voluntary compliance will improve. The data on habitual offenders is not maintained separately. However, some such offenders are from the airline sector including Air India and Kingfisher.

4.3 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-a-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.”

4.4 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.”

4.5 Further, upon finding the similar instances during the year 2008-09, the Committee in para 10 of their 12th Report had recommended the department to take punitive action against such defaulters.

4.6 In their action taken reply, the Ministry have submitted as follows:—

“Directions of the Hon’ble Committee have been noted for compliance and instructions are being issued to the field officers to be vigilant in ensuring timely deposit of service tax and take prompt punitive action against defaulters.”

4.7 Having observed that the above said reply of the Ministry is routine in nature, the Committee in para 28 of their 27th Report (15th Lok Sabha) had desired the Ministry to submit a more deliberated and detailed response.

4.8 The Ministry in their further action taken reply have submitted as follows:—

“The total number of ST-3 returns scrutinized as per the guidelines/ instructions contained in the Service Tax Scrutiny Manual were 149137 during the period April to August 2010. In 2302 cases, total short payment amounting to Rs. 77.55 crore was detected after the scrutiny.

The details of cases of service tax evasion booked by the department during the last three years are as under. These figures reflect the increased efforts by the department for identifying defaulters.

Period	Number of cases	Amount of Service tax in Rs. crore
2007-08	2317	3085.45
2008-09	2783	5154.94
2009-10	2642	5714.57

Section 73A of the Finance Act, 1994, provides that any person who is liable to pay service tax and has collected any amount in excess of the tax payable from the receiver of such taxable services, in any manner as representing service tax, shall forthwith pay the amount so collected to the Central Government. If any instance is noticed where a service tax payer has collected amounts as Service Tax but has not paid the same to the Government action is taken to recover the same. To detect whether the service tax collected by the service providers is being paid to the credit of the Central Government, it is stated that the collection and development of intelligence, receipt of specific complaints and audit verification are the major sources of detections. Wherever such instances are noticed, action for recovery under Section 73A is coupled with the offence of tax evasion. The provisions of Section 75, 76 and 78 of the Finance Act, 1994, provide for imposition of interest and penalty. If any defaulter service providers are identified, then cases are booked against them, followed by show cause notice and adjudication proceedings. As per information provided by field formations during the financial year 2010-2011 (upto 31.08.2010) a

total of 609 service providers were detected who collected Service Tax amounting to Rs. 194.57 crore from consumers but did not deposit with the exchequer. During that period, an amount of Rs. 146.06 crore was recovered from 409 service providers and 176 demand-cum-show cause notices have been issued.”

4.9 As regards the pendency of service tax arrears, the Ministry furnished the following details:

“In Service Tax, the number of cases pending as on 31.01.2012 was 55332 involving arrears of Rs. 20172 crore. Out of these, 5050 cases involving arrears of Rs. 8366 crore are stayed by CESTAT/HC/SC. Remaining unstayed cases fall under following categories:—

Category	No. of cases	Arrears (Rs. in crore)
Restrained arrears (BIFR/OL/DRT) not possible to recover at present	12256	10156
Recoverable arrears under active follow-up	31041	1386
Arrears fit for write off	6985	262

4.10 C&AG during their audit on working of Commissionerates, Divisions and Ranges have pointed out the following shortcomings in their 25th Report for the year 2011-12:

- (i) 17 Commissionerates had not carried out the procedures as prescribed by DGST in its action plan for broadening the tax base.
- (ii) Out of 1959 service providers identified by the C&AG in the last 5 years, who were unregistered, but *prime facie*, were liable to register and pay service tax, the Department had verified only 337 and consequently 151 service providers were made to register.
- (iii) There were instances of delays in issuing registration certificates and conducting post-verification, non-conversion of temporary registration numbers and delays/shortcomings in the proceeding of applications for surrender of registrations.
- (iv) Detailed scrutiny of Central Excise and Service Tax Returns were being done only in few ranges or divisions.

- (v) There were no centralized record of all the cases which required issue of Show Cause Notices (SCN) in 46 Commissionerates for Central Excise and Service Tax.

4.11 While furnishing their comments on each of the abovesaid audit observations, the Ministry in their written information stated as follows:

“It is submitted that the field formations have been instructed to complete the verification of unregistered service providers pointed out by C&AG in Performance Audit Report 25 of 2011-12 on Working of Commissionerates, Divisions and Ranges and report compliance to the Directorate General of Service Tax who would intimate CBE&C about the result thereof. As far as instances of delays in grant & surrender of registration certificates, post-verifications & non-conversion of temporary registrations into PAN based registration numbers is concerned, it is submitted that all these processes have been e-enabled & time limits imposed for submission of all the requisite documents by the assesseees. Further, a comprehensive MIS which is under development, which would enable monitoring of delays with respect to registrations and conversion of temporary registrations. A revised Scrutiny Manual, which would be incorporated in ACES with new risk parameters for selection of assesseees returns for detailed scrutiny and better monitoring, is under way. All cases detected are mentioned in 335-J Register and all other SCNs issued are mentioned in unconfirmed demand Register. Both these Registers are maintained and monitored at Division and Commissionerate level. All cases detected by Internal Audit/CERA/Preventive need not necessarily lead to issuance of SCNs. However, CBEC is consulting field formations on the extant monitoring mechanism and based on feedback would take appropriate action if found necessary.”

## CHAPTER V

### TAX-GDP RATIO

5.1 On being asked about the overall tax collections as a percentage of GDP, the Ministry in their written replies furnished the following details:

#### Direct Taxes-GDP ratio

5.2 Overall Direct tax collection as a percentage of GDP for the last three years is as below:

Financial Year	Net Collections of Direct Taxes (Rs. in crore)	GDP at Current Market Prices* (Rs. in crore)	Direct Tax-GDP Ratio
2008-09	333828	5630063	5.93%
2009-10**	378063	6457352	5.85%
2010-11***	446935	7674148	5.82%
2011-12	478393^	8912178+	5.37%

\* GDP figures as per Economic Survey 2011-12

\*\* Figure of 2009-10 are Provisional Estimates

\*\*\* Figure of 2010-11 are based on Quick Estimates

^ Figure is provisional

+ Figure of 2011-12 are based on Advanced Estimates

#### Indirect Taxes-GDP ratio

##### CBEC

5.3 Overall indirect tax collection as a percentage of GDP for the last three years is as under:

Financial Year	Indirect Tax Collection	GDP at current market prices	Indirect tax/GDP ratio in (%)
2008-09	269433	5582623	4.83
2009-10	245368	6457352	3.80
2010-11	345127	7674148	4.50

Source: Receipts Budget/CSO



5.4 On being asked about the tax-GDP ratio and percentage share of total tax (direct and indirect) are given below:—

<b>India's Tax-GDP ratio</b>						(Rs. in crore)
Financial Year	Total Tax Revenue	Indirect tax-% share of total tax	Direct tax-% share of total tax	Indirect tax-GDP ratio (in %)	Direct tax-GDP ratio (in %)	
2008-09	603810	44.6	55.4	4.83	5.99	
2009-10	622914	39.4	60.6	3.80	5.85	
2010-11	791089	43.6	56.4	4.50	5.81	
2011-12 (RE)	899347	44.3	55.7	4.47	5.62	

Source: Receipts Budget Document; RE—Revised Budget Estimate (Direct/Indirect Tax).

5.5 Asking about the data of tax-GDP ratio for developing countries where GDP per capita is similar to the level of income in India, the CBDT in their written information stated that no such data is maintained with them. However, in case of CBEC, tax-GDP ratio (as percentage of GDP) of other developing countries *viz.*, Pakistan, Bhutan, Philippines, Sri Lanka and Bangladesh are found to be 10.2%, 10.7%, 14.4%, 15.3% and 8.5% respectively.

Further, with regard to tax buoyancy relating to both the direct and indirect taxes, the Ministry furnished the following details:

Financial Year	Total Collection	% age growth over last year	GDP at current market prices	Growth rate of GDP	Buoyancy Factor
2006-07	230181	39.32%	4294706	16.28%	2.42
2007-08	314330	36.56%	4987090	16.12%	2.27
2008-09	333818	6.20%	5630063	12.89%	0.48
2009-10	378063	13.25%	6457352	14.69%	0.90
2010-11	446935	17.99%	7674148	18.84%	0.95
2011-12 <sup>^</sup>	493868 <sup>^</sup>	To be finally computed on receipt of final data	8912178*	To be finally computed on receipt of final data	To be finally computed on receipt of final data

\*Figure for 2011-12 is based on advanced estimates

<sup>^</sup>Flash Figures, provisional

5.6 Having asked about the additional resource mobilization through taxation during the last five years budget, the Ministry in their written replies stated as under:—

**CBDT**

Financial Year	Total collection (Rs. in crore)	Increase in Direct Tax collections over previous year (in absolute terms) (Rs. in crore)
2007-08	3,14,330	84,149
2008-09	3,33,818	19,488
2009-10	3,78,063	44,245
2010-11	4,46,935	68,872
2011-12	4,78,393*	31,458*

\*Flash Figures, provisional

**CBEC**

The ARM figures for the last five years on the indirect taxes side are as under:

Budget 2008	(-) Rs. 5900 crore
Budget 2009	Rs. 2000 crore
Budget 2010	Rs. 46500 crore
Budget 2011	Rs. 11300 crore
Budget 2012	Rs. 45940 crore

## CHAPTER VI

### REVENUE FOREGONE UNDER CENTRAL TAX SYSTEM

The figures of revenue foregone for the Financial years 2009-10 to 2011-12 in respect of both direct and indirect taxes are given below:—

	Revenue Foregone in 2008-09	Revenue Foregone in 2009-10	Revenue Foregone in 2010-11	Projected Revenue Foregone in 2011-12
Corporate income tax	66,901	72,881	57,912	51,292
Personal income tax	37,570	45,142	36,826	42,320
<b>Total Direct Taxes</b>	<b>1,04,471</b>	<b>1,18,023</b>	<b>94,738</b>	<b>93,612</b>
Excise Duty	1,28,293	1,69,121	1,92,227	2,12,167
Customs Duty	2,25,752	1,95,288	1,72,740	2,23,653
<b>Total Indirect Taxes</b>	<b>3,54,045</b>	<b>3,64,409</b>	<b>3,64,967</b>	<b>4,35,820</b>
<b>Total revenue foregone</b>	<b>4,58,516</b>	<b>4,82,432</b>	<b>4,59,715</b>	<b>5,29,432</b>

6.2 It is seen from the above table that whereas the Revenue foregone in case of Corporate Income tax has decreased from the years 2009-10 to 2011-12, it has shown increase in case of Personal Income Tax, Excise Duty and Customs Duty.

<b>Revenue foregone on corporate taxpayers</b>		(Rs. in crore)
Financial Year	Revenue foregone for Corporate Taxpayers	Corporate tax collection
2005-06	34,618	1,01,277
2006-07	45,034	1,44,318
2007-08	62,199	1,92,911
2008-09	66,901	2,13,395
2009-10	72,881	2,44,725
2010-11	57,912	2,99,176
2011-12	51,292 (Projected)	

6.3 Explaining the reasons for revenue foregone in case of corporate income tax, the Ministry in their written replies stated as under:—

“The major source of revenue foregone in the case of Corporate Income Tax is profit-linked deductions and higher rate of depreciation. The revenue foregone under these heads for 2010-11 and 2011-12 (projected) in the case of corporates is as follows:

(Rs. in crore)		
Corporate Income Tax	2010-11	2011-12 (projected)
Profit linked deductions	19,881	9,572
Accelerated depreciation	33,243	36,468

As a result, the revenue foregone on account of incentives to corporate sector has declined from Rs. 57192 crore in 2010-11 to Rs. 51292 in 2011-12. The major reasons for reduction in the revenue foregone in the case of Corporate Income Tax is the phasing out of profit linked deductions and the levy of Minimum Alternate Tax (MAT) on all corporate taxpayers. This has resulted in moderating revenue foregone in the case of corporate taxpayers. As a result, the effective tax rate in the case of companies has gone up over the last five years from 19.26% in 2005-06 to 24.1% in 2010-11 despite the reduction in the corporate tax rate (inclusive of surcharge and cess) from 33.99% in 2005-06 to 33.2% in 2010-11 as shown below”:

Financial Year	Effective tax rate # (%)
2005-06	19.26
2006-07	20.55
2007-08	22.24
2008-09	22.78
2009-10	23.53
2010-11	24.1

#Total taxes payable to total profits before taxes.

6.4 Further, as regards the revenue foregone in the case of Personal Income Tax, the Ministry explained the following reasons:—

“The major source of revenue foregone in the case of Personal Income Tax is deduction allowed under section 80C to individual

taxpayers for investments in various savings instruments like provident funds, pension funds etc. This is a deliberate policy decision of the Government in order to encourage savings in the taxpaying population various savings instruments. The revenue forgone under this head for 2010-11 and 2011-12 (projected) is as follows”—

(Rs. in crore)

Personal Income Tax	2010-11	2011-12 (projected)
Deduction on account of certain investments and payments (Section 80C)	24,359	28,37134

6.5 The Committee in their Report on Demands for Grants (2011-12) recommended that Government should review their exemptions/incentives policy for the corporate sector as a whole so that the effective tax yield from corporates significantly improves. In their Action Taken Notes the Ministry have informed that in order to moderate the revenue foregone due to exemptions and incentives they have proposed to phase out profit linked deductions and introduced Minimum Alternate Tax (MAT) on book profits. Besides exemption from payment of Dividend Distribution Tax (DDT) available to SEZ Developers has been withdrawn.

## CHAPTER VII

### REFUND CASES AND INTEREST PAID ON REFUNDS

#### Refund cases in CBDT

The details as furnished by the Ministry about the number of refunds paid, the relevant refund amount and interest included therein are given hereunder:—

Financial Year	No. of refunds paid	Total refund amount (Rs. in crore)	Interest paid on Refunds u/s 244A etc. (Rs. in cr.)
2008-09	45.67 lakhs	41,447.32	5800
2009-10	48.84 lakhs	58,037.21	6876
2010-11	80.45 lakhs	74,302.41	10195
2011-12 (as on Feb., 2012)	100.58 lakhs	85,143.67	Compilation to be made in the next year

7.2 On being asked about the details of the refunds in Corporate Tax cases and personal Income Tax cases, the Ministry furnished the following details:—

(Rs. in crore)

F.Y.	Refund of Corporate Income Tax	Refund of Personal Income Tax
2008-09	28909	10246
2009-10	43317	13897
2010-11	56579	18580

(source: principal CCA, CBDT).

7.3 Further, with regard to refunds as a percentage of gross collections, the Ministry provided the details as follows:—

(Rs. in crore)

F.Y.	Gross Collection	Refund	Refund as a % of gross collection
2007-08	353497	41284	11.67
2008-09	372925	39097	10.48
2009-10	435412	57349	13.17
2010-11	519511	73441	14.13
2011-12**	590946	97078	16.42

\*\*Flash figures, provisional.

7.4 Furnishing details about the position of refunds in other developing countries, the Ministry stated as follows:—

“The outgo of refund as percentage to the gross collections is comparable/much less than most of the developed economies of the world, as is evident from the published OECD data of participating countries for year 2008. The tabular representation is as under”:

Country	Refunds as % of gross collection
Australia	15.14
Canada	15.60
France	20.53
Ireland	18.9
The Netherlands	30.60
Spain	20.89
USA	16.85

7.5 Asking about the pendency of disposal of refund cases as on date, the Ministry in their written replies stated as under:—

“The number of returns claiming refund brought forward as on 1st April 2011 were 38.26 lakhs. With the improved focus upon processing of the returns claiming refund during the beginning of the current financial year, the number of returns processed during April-May 2011 was 37.32 lakhs considering the returns filed during April-May 2011. With the filing of returns for the current year in July-September 2011, the number increased and as on 30.09.2011, overall 23.41 lakh returns of income, in which refund was claimed, was pending processing”.

7.6 On being enquired by the Committee during evidence about the drastic increase in the refund cases during 2011-12 the Ministry in their written replies specified the following reasons thereof:—

“It is submitted that the Hon’ble Standing Committee on Finance on Demands for Grants (2011-12) had drawn attention towards the large pendency of refund cases and huge interest outgo on that account. It was also desired by the Standing Committee to take urgent steps to reduce this pendency. In the light of these recommendations, a special drive was launched by the Department during the beginning of the current financial year to expedite the

processing of pending refund cases. This exercise resulted into disbursement of refunds of about Rs. 47,000 crore during April-June, 2011 (as against the corresponding figure for the April-June 2010 of about Rs. 15,000 cr.).”

7.7 Having asked by the Committee the reasons for quick refunds in the first week of April every year, the Ministry clarified as follows:—

FY (data for the month of April)	(Rs. in crore)
2009-10	7095
2010-11	6617
2011-12	25099

7.8 On being asked about the amount that has been taken from Government to pay this huge amount of refunds, the Ministry stated as follows:—

“It is submitted that refund is paid out of the gross revenues/receipts of the Government of India. The receipts of the government from various sources are merged and various expenses/outgo are made out of it.”

#### **Refund cases in CBEC**

7.9 As regards the cases of refunds in CBEC, the Ministry provided the following details:—

“There is no concept of “quick refund” in Central Excise/Customs. However, the details in respect of refund cases for the month of April for the financial years 2009-10, 2010-11 and 2011-12, for both Central Excise and Customs are given below:

#### **Central Excise**

Sl. No.	Year	Opening Balance	Receipt	Disposal	Closing Balance	Cases pending more than 3 months
1.	April, 2009	30593	11261	14417	27437	2240
2.	April, 2010	33394	13968	18627	28735	3475
3.	April, 2011	37909	13446	18908	32447	4337



**Customs**

Sl. No.	Year	Opening Balance	Receipt	Disposal	Closing Balance	Cases pending more than 3 months
1.	April, 2009	6795	47032	44052	9775	2226
2.	April, 2010	9775	54197	54670	9302	1461
3.	April, 2011	9302	38055	39501	7856	706

**Service Tax**

Figures are not readily available with the department and are being collected.”

## CHAPTER VIII

### DISPOSAL OF APPEALS

Details of Appeals pending with CIT (A), ITAT, High Court and Supreme Court, as received from the Ministry, are as under:—

#### **CBDT:**

8.2 Details of appeals pending with CIT (A), ITAT, HC and Supreme Court are as under:

	Disposal of appeals by				Pendency of appeals before			
	CIT (A)	ITAT	HC	SC	CIT (A)	ITAT	HC	SC
2010-11	70474	20517	7063	682	187182	31121	35272	5803
2009-10	79079	26151	10087	480	180991	24693	30544	5009
2008-09	66351	29356	7397	564	158031	31384	34986	3984

8.3 Further, with regard to the amount involved in pending appeals, the Ministry has submitted the following figures:—

*(Amount in crore)*

F.Y.	CIT(A)	ITAT	HC/SC	Settlement Commission
31.03.2009	49388	14769	5096	2790
31.03.2010	62525	17116	11533	2769
31.03.2011	77304	95788	6997	2602

\*Source-Cap-I statement for 31.03.2009, 31.03.2010 and 31.03.2011.

8.4 It is seen from above that pendency of appeals at CIT (A) level has increased from 1,58,031 in 2008-09 to 1,87,182 in 2010-11 and the amount locked up therein is increased from Rs. 49,388 crore in 2008-09 to Rs. 77,304 crore in 2010-11. It is further seen that maximum number of amount that is Rs. 95,788 crore locked up in appeals at ITAT level.

8.5 On being asked about the figures for appeals filed by the CBDT, the Ministry submitted as follows:

	Appeals filed by Department				Total pendency			
	CIT(A)	ITAT	HC	SC	CIT(A)	ITAT	HC	SC
2010-11	N/A*	15362	6684	1036	187182	31121	35272	5803
2007-08	N/A*	20022	10968	762	130358	34667	31590	3344
% age increase in last four years	N/A*	-23.27	-39.06	35.96	43.59	-10.23	11.66	73.53

\*As no appeal is filed by Department before CsIT(A).

8.6 On being asked about the steps being taken by the Government for early disposal of the pending appeals, the Ministry in their written appeals stated, as under:—

“All disputed Demand is diligently pursued for recovery. CIT(A)'s are time and again instructed for early disposal of pending appeals. Every effort is made for getting early decisions in cases pending with ITAT and Settlement Commission. Cases with substantial demands, pending at HC/SC are being pursued through the standing counsels for fixing early hearings for disposal of cases.”

#### CBEC

2008-09	Opening Balance	12669	31186	12396	2325
	Receipt	24123	12712	4439	634
	Disposal	20790	9277	2758	568
	Closing Balance	16002	34621	14077	2391
2009-10	Opening Balance	16002	34621	14077	2391
	Receipt	31860	13480	4471	664
	Disposal	26871	9270	3413	565
	Closing Balance	20991	38831	15135	2490
2010-11	Opening Balance	20991	38831	15135	2490
	Receipt	34268	16245	5129	743
	Disposal	31377	8982	5053	558
	Closing Balance	23882	46094	15211	2675
2011-12 (upto July 11)	Opening Balance	23882	46094	15211	2675
	Receipt	11085	3423	882	155
	Disposal	9682	1677	1464	131
	Closing Balance	25285	47840	14629	2699

(b) The details of revenue involved in pending appeals, as on 31.7.2011, are as follows:

(Amount in Rs. crore)

	Department's appeal		Party's appeal		Total	
	No.	Amt.	No.	Amt.	No.	Amt.
1. Supreme Court	1954	6623	745	1169	2699	7792
2. High Court	7315	5925	7314	5090	14629	11015
3. CESTAT	16843	9735	30997	32940	47840	42675
4. Commissioner Appeals	3644	659	21641	3766	25285	4425

8.7 Similarly, the specific reasons for pendency of appeals at the level of Commissioner (Appeals), the CBEC submitted as follows:—

- (i) Shortage of manpower at Commissioner level. As a result, it is an administrative exigency that the posts of Commissioner (Appeal) are manned, at times, on additional charge basis.
- (ii) Even though the volume of work has increased over the years, the sanctioned strength of posts at the level of Commissioner (Appeal) has not increased.
- (iii) Ambit of tax regime, particularly service tax levy, has increased manifold over the years. However, cadre restructuring to cope up with this increased workload is awaited.
- (iv) Frequent adjournments sought by the parties in litigation.

8.8 On enquiring as to whether any threshold limit has been fixed for filing appeals by both the Departments, the Ministry in their written replies stated as follows:—

#### **CBDT**

“Yes, Department from time to time analyses the pendency of appeals at various levels, reason thereof, the actual cost of litigation to department in terms of legal and professional expenses, alternative cost in form of human resources and quality time which could be engaged in other productive or important matters *vis-a-vis* possible gain through litigation. On the basis of same monetary limits for filing of appeals by the Department before

various forums are prescribed. Income Tax Department through Instruction No. 3/2011 dated 09.02.2011 has raised the monetary limits for filing of appeals before ITAT, High Court and Supreme Court to Rs. 3 lacs, 10 lacs and 25 lacs from earlier limits of Rs. 2 lacs, 4 lacs and 10 lacs respectively.”

#### **CBEC**

“On indirect tax side, the following threshold limits were prescribed, for the first time, with effect from 1.11.2010, for filing of appeals by the department:

Supreme Court	:	Rs. 5 lakh
High Court	:	Rs. 2 lakh
CESTAT	:	Rs. 1 lakh

These threshold limits were reviewed by the Board and have been revised, as follows, w.e.f. 1.9.2011:

Supreme Court	:	Rs. 25 lakh
High Court	:	Rs. 10 lakh
CESTAT	:	Rs. 5 lakh

These revised threshold limits are significant. The impact of revised limits would be visible in near future. As the threshold limits have been revised recently, it is felt that further review of these limits may not be necessary immediately.”

## CHAPTER IX

### ARREARS OF REVENUE

#### CBDT

The break-up of tax arrears due and collection made there against during the year 2006-07 to 2010-11, is given as under:—

Year	Arrear demand brought forward as on March 31		Cash Collection		(Rs. in crore)	
					Source Pr CCA	
	Personal Income Tax	Corporate Tax	Personal Income Tax	Corporate Tax	Personal Income Tax	Corporate Tax
2006-07	47,456.00	69,310.00	1,506.00	10,779.00	3.17%	15.55%
2007-08	52,944.00	67,718.00	1,574.00	7,497.00	2.97%	11.07%
2008-09	56,598.00	74,135.00	1,896.00	8,120.00	3.34%	10.95%
2009-10	1,38,137.00	75,509.00	2,191.00	9,748.00	1.58%	12.90%
2010-11	1,57,995.00	90,933.00	4,723.00	7,288.00	2.98%	8.01%

9.2 As regards the figures for 2011-12, the Ministry stated that it is not currently available as statistical statements for the last quarter are yet to be compiled. A sum of Rs. 15,176 crore has been collected till December, 2011 and a sum of Rs. 51,659 crore has been reduced due to appeal effects, rectifications, etc.

9.3 Further, the details about the cases of more than Rs. 10 crore but less than 25 crore and more than Rs. 25 crore as furnished by the Ministry are given as under:—

	(As on 30.09.2011)	
	No. of cases	Amount of outstanding demand
More than 10 crore but less than 25 crore	876	13,595 cr.
More than 25 crore	834	2,51,965 cr.

9.4 The details about the pendency of arrears upto 10 years as furnished by the Ministry are as under:—

(Rs. in crore)

Year	>1 yr & <=2yrs	>2 yrs & <=5yrs	>5 yrs & <=10yrs	>10 yrs	Total
2008-09	35981	31243	21016	2542	90781
2009-10	50240	33980	23029	2236	109484
2010-11	66497	111749	23750	2331	204327
2011-12 (upto Dec. 2011)	127199	122360	29090	4903	283553

9.5 The figures of total demand of arrears and demand under dispute is given below:—

(Rs. in crore)

F.Y.	Total Demand (a)	Disputed (b)	% of b to a
2011-12 (upto Dec. 2011)	648933	264991	41%
2010-11	594442	186664	31.40%
2009-10	475005	95791	20.17%
2008-09	258811	71430	27.60%

9.6 Similarly the target for cash collection out of arrear demand for the last 3 years *vis-a-vis* achievements is as under:—

(Rs. in crore)

Year	Target	Collection %	% Collection
2008-09	12404	10016	81%
2009-10	13153	11939	91%
2010-11	13906	12011	86%

#### CBEC

	Central Excise	Customs duty	Service Tax	Total
No. of cases pending	44656	23419	55332	123407
Amount of arrears (Rs. in crore)	35573	9893	20172	65639
Amount of arrear realized (Rs. in crore)	1638	1322	2390	5351

9.7 Similarly, the figures of total arrears and current demand and disputed arrear and current demand for the last three years are as follows:—

**CBDT**

(Rs. in crore)

F.Y.	Total Arrear Demand	Total Current Demand raised	Total Demand	Disputed Arrear Demand	Disputed Current Demand	Disputed Demand
2010-11	248928	345514	594442	153019	33645	186664
2009-10	213646	261359	475005	74163	21628	95791
2008-09	130732	128079	258811	52741	18689	71430

**CBEC**

9.8 Details of total arrears pending and recovered as on 31.01.2012 are as under:—

	Central Excise	Customs duty	Service Tax	Total
No. of cases pending	44656	23419	55332	123407
Amount of arrears (Rs. in crore)	35573	9893	20172	65639
Amount of arrear realized (Rs. in crore)	1638	1322	2390	5351

9.9 Explaining the reasons for huge pendency of tax dues both in Direct and Indirect Taxes, the Ministry stated as under:—

**CBDT**

“Raising of demand and recovery of outstanding dues is a continuous process but there are many factors on account of which the department is not able to realize the demand raised and arrears accumulated over the arrears. The position of unrealized revenue is monitored regularly to identify the causes in each case and the possibility of collections is regularly evaluated to ensure recovery, wherever feasible. Cases of large demand are even monitored at



CBDT level on quarterly basis. Some of the significant factors which influence the pendency are listed below:

- (1) The taxpayer has no assets or income flows from which recovery could be made. Further the arrears relating to such tax payers keep increasing as interest is regularly loaded.
- (2) Taxpayer is not traceable.
- (3) Recovery of demand is stayed by the court or ITAT considering the facts of the case or the legal points involved. Sometimes the tax authority also stay the recovery on grounds of equity as a tax demand pertains to issues similar to those decided in earlier years in favour of the tax payers by the appellate authorities but the issue is kept alive as the department is pursuing appeal before higher courts.
- (4) The demand is covered by installments for tax-payments granted by the income tax authorities considering genuine financial constraints of the tax payer.
- (5) At times, protective demand is created which is not enforceable till the matter is finally decided in appeal.
- (6) Demand pertains to persons notified under the Special Court (Torts) Act, 1992, and no recovery can be made directly from such persons.
- (7) Case is before BIFR and so recovery cannot be enforced.
- (8) Company is under liquidation.
- (9) Case is before Settlement Commission and so the income tax authorities cannot proceed with recovery proceedings.
- (10) Sometimes the demand raised has not fallen due or is under verification.

Thus, recovery in such cases is not entirely in the control of the Department”.

9.10 The Ministry further added that:—

“In order to liquidate long standing arrears, the Department has recently focused on arrear which is blocked under demand difficult to recover due to reasons ‘assessee not traceable’ and ‘no assets/ inadequate assets’. Comprehensive measures have been taken to explore all possibilities of collection even in such cases. Special attention has been paid to the cases where assesses are not traceable or assets do not appear sufficient to effect recovery. A pilot study was done to strategize recovery in such cases by utilizing data

available with FIU-IND, departmental data bases and other information available in public domain. Pursuant to the recommendations following the pilot, a wide-ranging exercise has been initiated at field level. In the category 'assessee not traceable', 112 assessees have now been traced. In the category 'No assets/ Inadequate assets', 357 bank accounts pertaining to 120 such assessees have also been located upto Dec. 2011. Further efforts to make recovery based on these clues are on.

A methodology for putting the names of chronicle defaulters in public domain seeking information from public has also been devised. Besides a Reward scheme for informants giving specific and credible information which results in collection of taxes is being formulated.

Field has also been advised to pursue cases of companies in liquidation with official liquidator on priority and take all possible steps to speed-up the process in the courts.

As regards, arrear demand of Notified persons, each individual case is regularly monitored and follow up maintained with the Custodian appointed under the Special Court (Torts) Act who is responsible for disposal of the assets of the notified persons in favor of various creditors including the tax department.

In Central Action Plan for CsIT(A) for 2011-12, the old cases having demand of more than Rs. 10 lacs were given the highest priority for disposal.

The recovery of arrear has thus been accorded a special focus and the cash collection out of arrear demand upto December 2011 is Rs. 15176 crore which includes recovery of undisputed demand, as against the recovery of Rs. 12000 crore (approx.) each in the entire year 2009-2010 and 2010-11 and Rs. 10016 crore in the year 2008-2009.

Augmentation of manpower through cadre restructuring, use of improved technology to locate assets and institutionalization of better information flow, may further improve the recovery position."

9.11 On being asked about the steps being taken by the Government to reduce the unnecessary litigation, the Ministry in their written submission, have stated as under:—

**"National Judicial Reference System (NJRS)** has been put on fast track. Standing Finance Committee has approved the project and the RFP document has been vetted by the Ministry of Law. Tender

process is being initiated. It will enable the department to have online complete judicial database (reported and unreported orders/ judgments of ITAT, High Courts and Supreme Court on direct taxes) with a powerful search engine. It will also have appeal tracking system facilitating timely action and effective monitoring of cases under litigation. On implementation, the NJRS would help the department in taking more judicious decisions, adopting uniform approach on an issue and manage the litigation more efficiently.”

- **Vide Instruction of the CBDT No. 3 of 2011 dated 9.2.2011, monetary limits for filing appeals have been increased from Rs. 2 lakh, 4 lakh and 10 lakh for filing appeals to ITAT, High Court and Supreme Court respectively to Rs. 3 lakh, 10 lakh and 25 lakh respectively. This is likely to reduce litigation at ITAT level by about 13% and at High Court and Supreme Court level by 25-30%.**
- With a view to streamline the litigation management of the department with reference to **timely filing of appeals to Supreme Court, High Courts and ITAT and their proper monitoring, Standard Operating Procedures** have been prepared and issued.
- Meeting was held with Hon’ble judges of Delhi High Court who are dealing with the cases of the department on 5th May 2011 to explore ways and means to **speed up disposal of pending cases**. In order to facilitate **bunching of cases issue-wise**, efforts are on to compile the pending cases in Delhi High Court. The data has been computerised and further action is in progress. Similar exercise is being undertaken at other High Courts.

9.12 C&AG during their audit of the arrears of tax demand have pointed out the following shortcomings in their 23rd Report for the year 2011-12:—

- (a) Data being maintained by different wings of the Income Tax Departments (Department) are widely divergent. The controls are scattered to the extent as different sets of data are being monitored within the different functional wings of the Department.
- (b) Age-wise analysis revealed that 31% of the demand was between 2 to 5 years old and 23% was more than five years old.

- (c) Analysis of the demand locked in appeals at various stages revealed that most of the cases were pending in appeal with the Departmental Appellate Authorities.
- (d) The Department is not maintaining a centralized database of the sanctioned strength *vis-à-vis* deployment of Tax Recovery Officers.
- (e) The flow of information from Assessing Officers to the TROs is far from satisfactory.
- (f) Departmental mechanism to monitor the progress of assessment work and collection through Demand and Collection Register (D&CR) and Arrear Demand and Collection Register (ADCR) maintained at the level of AOs was weak.
- (g) The increase in arrears was mainly due to reasons such as inaction and protracted delays on part of the AOs in referring the arrear cases to the TROs, lack of coordination between the AOs and TROs subsequent to the referral, lack of adequate efforts to collect the demand, failure to recover undisputed demand, failure to invoke special powers for recovery by TROs and disputed cases pending in appeals.
- (h) Despite the Department having an all encompassing computerized package in the form of 'TTD systems', the data contained therein is not being reconciled to ensure reliability. Adequate efforts are not being made to trace the defaulting assessees. Analysis of high value demand cases revealed that the irrecoverability of demand was caused by delay in liquidation/insolvency proceedings, no assets for recovery, assessee not being traceable, demand covered by stay etc.

9.13 While submitting their comments on the above said audit observations, the Ministry stated as follows:—

- “(a) There is need for preparation of a robust and reliable database of arrear demand by reconciling the data maintained by different wings of the Department, towards effective monitoring and follow up of arrears. Various steps are being taken in this regard.
- (b) There is no separate cadre of TROs in the Income Tax Department. The Income Tax officers are posted in different wings of the department depending upon the availability

and requirement. The data of manpower is maintained for different level of officers irrespective of their placement in different wings. There are certain statutory timebarring functions such as assessments which have to be accorded priority. The placement of officers in a region is done by a committee of Chief Commissioners after taking into consideration the availability and requirement.

- (c) However Income Tax Department as per its vision 2020 document intends to consider separation of assessment & collection function and a study is being conducted to look into the feasibility of separating Asstt. & Recovery functions. Although instructions exist for transfer of arrear demand to TROs and also for the TROs to draw Tax Recovery Certificates, the existing shortage of manpower, particularly support staff, has adversely affected this process."

## CHAPTER X

### MANPOWER SHORTAGE

On the issue of huge cases pending for disposal, the representatives of both the Boards (CBDT and CBEC) replied during evidence that there is an acute shortage of officers and staff at all levels. There is also stagnation in promotions at various levels.

10.2 Specifying the factors leading to delay in promotions in various cadres in the Department and steps taken by them to expedite the cadre re-structuring, the Ministry in their written replies stated as follows:—

“The main factor that leads to delay in promotions in various cadres is shortage of posts in higher grades. In the Department of Customs & Central Excise, the Group ‘B’ Gazetted Executive grades of Superintendent of Central Excise, Superintendent of Customs (Preventive) and Group ‘B’ Non-gazetted Executive grades of Inspector Central Excise and Preventive Officer are the most stagnated grades. In fact, majority of direct recruit Inspectors Central Excise and Preventive Officers (almost 98%) get only one functional promotion during average service span of 35 years. Main reason for such acute stagnation is the ratio (1:15) between the strength at Assistant Commissioner (Group ‘A’) level and the same at Group ‘B’ Gazetted Executive level. In other departments of the Government of India, the said ratio varies from 1 : 2 to 1 : 4.

The proposal for cadre restructuring of CBEC was submitted to the Department of Personnel & Training in June, 2011, after approval of the Department of Expenditure and the Finance Minister. The same is presently under examination in the Department of Personnel & Training. For expediting approval of the cadre restructuring proposal, which has been formulated strictly on the basis of the bare minimum functional requirements of the Department, the CBEC has had several rounds of discussions with DoP&T.

Main constraint being faced by the Department in cadre restructuring is to immediately address the legitimate aspirations of the stagnated cadres within the functional requirements of the Department. Though, the queries raised by DoP&T on various

personnel issues have been duly addressed and several meetings with DoP&T held at senior level including the Chairman, CBEC, the proposal is yet to be approved.”

10.3 Having observed the problem of manpower shortage in CBDT, during the examination of Demands for Grants 2010-2011, the Committee in para 13 of their 12th Report (15th Lok Sabha) had recommended that urgent steps should be taken to assess manpower requirements at all levels so that work does not suffer on that account.

10.4 In their action taken reply on the above-said recommendation, the CBDT stated as under:—

- I. Regarding the recruitment of IRS officers, the number of officers being recruited has been increasing over the two years, and the level of recruitment is likely to remain high in the near future until the shortages come down. However, a balance would need to be drawn to ensure that there is no stagnation for these officers at higher level. Sudden increase in off take also cannot be resorted to.
- II. Regarding shortages at Group-C level, the recruitment process of 7051 posts sanctioned by Government in 2006 is ongoing. There have been some problems encountered in the process including the non-availability of candidates for the posts of Stenos, because of the waning popularity and relevance of shorthand-training facilities. A special drive is proposed for recruiting people adept in data entry and organize requisite shorthand training for them so that they can be considered for induction as stenographers if they qualify.”

## CHAPTER XI

### HARASSMENT OF TAX-PAYERS

The Committee observed that there is a general perception of fear among the tax payers about the 'Inspector Raj' wherein officers of the tax department are visiting the premises of the assesseees for inspecting their accounts and harassing them unnecessarily.

11.2 During evidence, the Committee desired to know about the steps taken by the Ministry in order to alleviate the fear of 'Inspector Raj' among the assesseees and to make the tax collection regime as taxpayer-friendly. In their written reply to the above said observations, the Ministry stated as follows:—

'There are clear instructions stating that the Inspectors cannot visit the factory premises without written permission from the Assistant Commissioners. Accounts are inspected only during the periodical audit carried out by the audit teams. The department is following a transparent system of audit (EA-2000) since 2000. The details of the assesseees are kept with the department in assesseees' Master File. The units are selected for audit on the basis of certain risk parameters. Audit is carried out in a transparent manner at the premises of the assesseees and all the audit objections are first discussed with the assessee. If the explanation of the assessee are found acceptable, the audit objections are dropped. In case, these are not found satisfactory, the matter is further examined in the Commissionerate. All audit objections are discussed in a Monthly Audit Committee meeting headed by a Commissioner. It is only after the Committee approves, that further follow up action on audit objections is to be taken. It may be mentioned that the units paying more than Rs. 3 crore duty are audited once in a year. Units paying duty between 1 crore and 3 crore are audited once in two years. Units paying duty between Rs. 50 lakhs to 1 crore are audited once in five years. For other units, 10% units are to be audited every year.

As per Rule 5A of the Service Tax Rules 1994, only an officer authorized by the Commissioner is allowed to visit the premises of the assessee for the purpose of carrying out any scrutiny, verification and checks as may be necessary to safeguard the interest of revenue. For this purpose, Service Tax Audit Manual 2011 and Service Tax Return Scrutiny Manual 2010 has been prescribed by the Board, which lay down the details of the checks to be carried out and the codification of the same."



## PART II

### RECOMMENDATIONS/OBSERVATIONS

#### *Position of Savings*

1. The Committee note that under Grant No. 41–Department of Revenue unspent provisions of Rs. 8,072.11 crore were eventually surrendered on 23rd March, 2012. The Committee find that major chunk of the unspent provisions amounting to Rs. 7,827.42 crore were surrendered from the Head, Central Sales Tax (CST) compensation. The Ministry have explained that CST claims upto 2010-11 were already settled and no decision was taken to provide compensation for subsequent period. The Committee are extremely concerned about keeping huge amount of Rs. 7,827.42 crore under this Head till the last month of the financial year. The States have complained bitterly against non-payment of compensation due to them on account of reduction in rates of Central Sales Tax. The Committee are surprised that instead of meeting the demand of the States, the Government has chosen to surrender this huge amount. Further, Rs. 113.63 crore were surrendered from the Head VAT related expenditure as further instalments of grant were not released due to slow progress of implementation of Mission Mode Project for Computerisation of Commercial Taxes Administration of the State Governments (MMP-CT project). The Committee express their unhappiness at the tardy progress of implementation of MMP-CT Project resulting in surrendering of Rs. 113.63 crore in 2011-12. The Committee desire the Ministry to speed up the process of implementation of the projects by taking up corrective measures with sustained monitoring.

The Committee take a serious view of keeping the unspent provisions of more than Rs. 8,000 crore till the close of the financial year 2011-12, despite reducing the budgetary provisions at RE stage in flagrant disregard of the provisions of General Financial Rules requiring that unspent provisions in a grant to be surrendered to the Government as soon as these are foreseen without waiting for the last day of the year. The Committee deprecate such a casual approach of the Ministry of Finance which is supposed to be a model for others to emulate in adhering to financial procedures. The Committee desire the Ministry to gear up their monitoring mechanism so as to avoid such serious lapses in future and ensure timely and realistic assessment of budgetary requirements and utilization thereof.

2. The Committee further find that under Demand No. 42, Direct Taxes savings of Rs. 644.88 crore occurred during 2011-12 have been surrendered to the Budget Division on 31st March, 2012. Again, the Committee have observed that there were savings of more than Rs. 100 crore under the Sub-Head "Commissioners and their Offices" during the years 2009-10 and 2010-11. Similarly, savings of more than Rs. 100 crore have occurred under the Sub Head "Acquisition of Ready-Built Accommodation" for the years 2009-10 to 2011-12. While noting that the Ministry have not given any cogent reasons for these unspent balances, the Committee believe that these instances can certainly be minimized to a great extent if a multi-pronged strategy of budgetary control like sound internal audit mechanism, periodic reviewing and monitoring of the trends of expenditure is adopted. The Committee, therefore, desire the Ministry to make sincere efforts to find out the exact reasons responsible for the persisting trend of unrealistic budgetary assumptions by devising definite yardsticks to be adhered to scrupulously.

3. The Committee regret to observe that there had always been underutilisation of more than 100 crore under the head, "Acquisition of Ready Built Office" since the year 2009-10 to 2011-12 for purchasing office space accommodation for the Income Tax Department at Civic Centre, Minto Road, New Delhi. The Committee are also unable to understand that since 2009-10 why such a huge amount of allocations had been made at BE stage, without proper assessment of the project, resulting in revising it at RE stage and subsequently surrendering it by the end of the year. The Committee further note that in order to fully utilize the funds during the year 2010-11, the CBDT had set up 'Directorate of Infrastructure' which was specifically entrusted with the task of centrally examining, scrutinizing, finalization of all the proposals and monitoring all such projects. The Directorate has been advised to undertake a zero-base review before submitting the estimates to avoid any saving/surrender, at a later stage. However, the figures for 2011-12 indicate the Department's persistent inability to spend the allocated funds, thus reflecting the failure of the Directorate of Infrastructure to monitor such projects. The Committee would, therefore, desire the Ministry to furnish a report within one month delineating the reasons for the delays in acquisition of office space in various projects and action taken thereon by the Department. The Committee would further recommend that the budgetary exercise is fine-tuned in such a way that realistic proposals are made and allocated sums are utilized productively under this Head.

*Object Head – Advertising and Publicity*

4. The Committee note that during the year 2011-12, the actual expenditure under the Head “Advertising and Publicity” till December 2011 is only 8.4%, 30.39% and 30% of the Revised Estimates under Grant No. 41, 42 and 43 respectively. Further, the Committee regret to observe that in case of Grant No. 42 – Direct Taxes despite 25% of upward revision of Budgetary Estimates under this Head, the actual expenditure till December is 30.39% only. The Committee feel that advertising and publicity can create a lasting impression by enhancing awareness about the filing of returns, punishments that are meted out to tax evaders, widening the tax base and prevention of tax evasion. The failure to spend the budgeted amount on such important activity directly affects the benefits that can be derived from such efforts by the Government. The Committee, therefore, desire that the Ministry should regularly monitor the utilization of funds under this head at higher levels so that the expenditure under this head of account may be spread evenly throughout the year and fully utilized.

*Collection of Direct Taxes*

5. The Committee find that Direct Tax Collections during the year 2011-12 were up by 10.5% only at Rs. 4,93,868 crore as against Rs. 4,46,935 crore during the year 2010-11. However, out of this increase, while the percentage increase from personal income tax is 15.3%, the percentage increase in collection of corporate taxes is only 8.09%. Further, the Post Assessment Collections have also decreased by 24%. Therefore, the Additional Resource Mobilization (ARM) has decreased to Rs. 46,933 crore during the year 2011-12 from Rs. 68,872 crore in 2010-11. The Ministry attributed this low growth mainly to the Global Meltdown. The Committee are constrained to observe that the percentage increase in direct tax collection which was 35.63% before economic slow-down had reduced to 6.92% during the year 2008-09, but after the economic recession period it had increased to 18.22% in 2010-11. Again, during the year 2011-12, it has reduced to 10.5% only. It is evident from the facts cited that there is no healthy growth in direct tax collections during the past three years as it existed in pre-global crisis era. Even though, India has been more resilient to the global crisis, as compared to many other countries, the Government’s efforts to augment the tax resources have not resulted in substantial increase in revenue. Although much increase during the year seems to have come about due to Corporate and Personal Income Tax collections, yet the revenue realized is nowhere near the potential and much remains to be done to improve the horizontal equity of the tax system by extending the tax net to hard-to-tax groups.

6. It is noteworthy that approximately 85% of the collections of direct taxes is through pre-assessment collections (TDS, Advance Tax and SelfAssessment Tax), and post-assessment collection, which is mainly the result of the efforts of the Department, contributing barely 15%. The Committee cannot but conclude that the Department needs to take pro-active steps to increase post-assessment tax collections, even while promoting voluntary compliance of the tax laws and building an environment of mutual trust and confidence.

7. The Committee are also constrained to observe that during the years 2008-09 to 2011-12, the percentage of collection in the month of March to total collections varies from 21% to 26%. The Committee feel that this may be mainly due to the practice of pursuing the tax payers for payment of more tax than due and raising demands on scrutiny assessment which are not confirmed subsequently so as to meet the budget targets at the close of the financial year. The Committee, therefore, recommend that the Ministry should put in place a suitable mechanism for even distribution of tax collections throughout the year instead of collecting more than one fourth of it in the last days of the financial year, so that the revenue could be realized faster without causing undue harassment to the tax-payers. The Ministry may also consider giving incentives to those tax-payers who are paying advance tax on time, as this would encourage those tax-payers who shirk to pay advance tax in time.

#### *Collection of Indirect Taxes*

8. The Committee note that the performance in respect of collection of indirect taxes during the year 2011-12 has not been very encouraging. The percentage growth of overall indirect taxes collection during 2011-12 over the last year is only 14.62% whereas it was 40.66% during the year 2010-11. While the percentage growth collection of services tax has improved from 21.56% in 2010-11 to 36.90%, the growth in collections from Customs and Union Excise has reduced drastically (from 62.99% to 12.03% in case of Customs and from 33.47% to 6.22% in case of Union Excise). The Committee would like the Department of Revenue to launch a special drive to identify the tax evaders and tap new areas to increase the indirect tax collections.

9. The Committee further find that although the service tax collection has increased from 21.56% in 2010-11 to 36.90% in 2011-12, the collection is only 23.67% of the total tax collections during the year 2011-12. The Committee feel that considering the contribution

of service sector, to the tax revenue is far below its potential, there is a need to strengthen its enforcement. On this subject, the Committee had recommended in their 34th Report (15th Lok Sabha) that the Ministry should chalk out an action plan so that the potential of service sector gets commensurately reflected in its fiscal contribution. In their Action Taken Reply, the Ministry have informed that the Government has decided to introduce the comprehensive approach (negative list based approach) to service tax under which barring small list of services, which would be outside the tax net, all other services will be subject to tax. The Committee would now like the Ministry to shift the focus to stricter enforcement by plugging the loopholes and leakages to further enhance the service tax collections.

10. The Committee note that C&AG's audit of working of Commissionerates, Divisions and Ranges have also pointed several shortcomings about the administration of service tax such as non-registration of such service providers who were liable to register and pay service tax, delays in issuing registration certificates, scrutiny of a small number of Central Excise and Service Tax Returns, non-maintaining of centralized record of cases which required issue of Show Cause Notices etc. The Committee cannot understand as to why the internal audit in the Department had not pointed out these shortcomings. The Committee are further constrained to note that out of 1959 Service Providers identified by the C&AG in the last 5 years who were unregistered but *prima facie* were liable to register and pay service tax, the Department had verified only 337 and consequently 151 service providers were made to register. In the light of shortcomings, pointed out by C&AG, the Committee desire the Ministry to strengthen its internal audit system and maintain centralized data base of such cases so as to enable them to take prompt remedial action thereon.

#### *Evasion of Service Tax*

11. The Committee further note that despite earlier recommendation of the Committee, the number of cases where service tax collected by the service providers from the consumers was not deposited with the Exchequer has increased from 152 in 2007-08 to 554 in 2010-11. The Committee express their anguish over the fact that inspite of the assurance of initiating penal measures no concerted efforts seems to have been made by the Department in this regard. The increasing trend of such cases shows that there is hardly any fear of detection and punishment in the minds of such service

providers. The Committee would, therefore, reiterate that the Department should remain vigilant in such cases and take stringent penal measures in order to inculcate fear among the defaulters.

#### *Tax-GDP Ratio*

12. The Committee are concerned to note that Tax-GDP ratio has been very low during the past four years despite the concerted efforts by the Government to widen the tax base, phasing out profit linked deductions and levying Minimum Alternate Tax (MAT). Although the net tax collections (both Direct and Indirect) as well as GDP at current market prices have increased during the years 2008-09 to 2011-12, yet the tax-GDP ratio has not increased proportionately. It has remained stagnant during these years. As a result thereof, the tax buoyancy relating to both the Direct and Indirect Taxes have decreased during these years. Many tax reforms such as broadening of exemption limits, widening of tax slabs, rationalisation of incentives etc. have taken place in the recent past. However, this has not resulted in tax buoyancy which is mainly due to the fact that still a large number of prospective tax payers are yet to be tapped. The Committee, therefore, are of the opinion that in order to increase the aggregate tax buoyancy and augment the tax-GDP ratio, there is an urgent and imperative need to enlarge the tax net by way of bringing in high net worth assesses and potential tax payers. The Tax Department should also keep an eye on very high spending individuals and bring them to the tax net.

13. When the Committee sought the data with regard to tax-GDP ratio for other developing countries, the Ministry informed that the said data has not been maintained in the CBDT whereas it has been maintained in the CBEC. The Committee find it difficult to comprehend as to how in the absence of such data, the CBDT can compare Direct tax-GDP ratio with other countries. The Committee are also surprised that CBDT, even with the rapid growth in computerization of the Department, have not maintained such relevant data. The Committee, therefore, desire the CBDT to maintain such data expeditiously so that the trend of tax-GDP ratio in other countries could be taken into account while finalizing the tax policies for improving tax revenue. The Committee would like to be apprised of the progress made in this regard within a period of one month.

14. However, data as furnished by the CBEC indicates that whereas the indirect tax-GDP ratio in India is stagnant at about 4% only, it ranges between 10 to 16% in other developing countries *viz.*



Pakistan, Bhutan, Philippines, Sri Lanka and Bangladesh etc. The Committee note with grave concern that the tax-GDP ratio in respect of indirect taxes in India continues to be very low, when compared not only with developed countries but many developing countries as well. They feel that this distortion is largely due to the fact that still there is large scale tax evasion in the country. As India is growing faster than the other developing countries, the Government should make earnest efforts to achieve higher tax-GDP ratio.

*Revenue Foregone*

15. The Committee note with concern that revenue foregone has increased from Rs. 4,59,715 crore in 2010-11 to Rs. 5,29,432 crore in 2011-12. Whereas the Revenue foregone in case of Corporate Tax has decreased during the years 2009-10 to 2011-12, it has shown increase in case of Personal Income Tax, Excise Duty and Customs Duty. The Committee have been informed that major reasons for reduction in the revenue foregone in case of Corporate Tax is the phasing out of Profit linked deductions and levy of Minimum Alternate Tax (MAT) on all Corporate Taxpayers. The Committee have also been informed that the effective tax rate in the case of companies has gone up over the last five years from 19.26% in 2005-06 to 24.1% in 2010-11. Considering the substantial growth of Corporate Sector in these five years, the growth in tax rate has not increased proportionately, as the statute is still riddled with many incentives/exemptions. The Committee would, therefore, expect that with the proposed transition of profit-linked deductions to investment-linked deductions and levy of MAT, the extent of revenue foregone would be substantially reduced.

*Refund cases and interest paid thereon*

16. The Committee are surprised to note that there is a sharp increase in the number of refund cases from 45.67 lakh in the year 2008-09 to 100.58 lakh in 2011-12. During the year 2011-12, the amount of refunds paid is Rs. 97,078 crore, which is 16.42% of the gross collection. Specifying the reasons for this increase, the Ministry informed that in pursuance of the Committee's recommendation, a special drive was launched to expedite processing of pending refund cases which resulted into disbursement of refunds to the tune of about Rs. 47,000 crore during April-June 2011. The Committee further find that refunds of corporate as well as personal income tax payers have also increased during the years for the period 2008-09 to 2011-12. The Committee also observe huge pendency of cases at Customs

and Central Excise, whereas the figures for service tax are not available with CBEC. The Committee recommend that the Government should conduct a study on the trends in advance tax payment system and other factors giving rise to huge refunds in order to ascertain as to who are the major claimants for refunds and accordingly further rationalize the procedure for advance tax payments. In this connection, the Committee desire the Department to ensure that there should not be any excessive collection of taxes under duress which is required to be refunded later.

#### *Pendency of Appeals*

17. The Committee observe that the pendency of appeals both under the Direct as well as the Indirect Taxes is a serious cause of concern. The Committee find that in case of Direct Taxes, pendency of appeals at CIT (A) level has increased from 1,58,031 in 2008-09 to 1,87,182 in 2010-11 and the amount locked up therein has also increased from Rs. 49,388 crore in 2008-09 to Rs. 77,304 crore in 2010-11. It is further seen that maximum number of amount *i.e.* Rs. 95,788 crore is locked up in 31,121 appeals at ITAT level. While justifying the large number of appeals pending with the CIT (A), the Ministry have stated that though the number of disposal of appeals per CIT has increased over the years from 239 in 2006-07 to 292 in 2011-12, the root cause of such huge pendency at this level is filing of more appeals than its disposal and shortage of manpower. The Committee are not inclined to accept this plea put forth by the Ministry, as this only leads one to conclude that the Ministry had failed either to plan any viable strategy to clear this pendency or to augment the staff requirement in the Department. Similarly in case of CBEC as on 31.07.2011, 90,453 appeals involving an amount of Rs. 65,907 crore are pending. Out of which, Department's appeals are 31,710 (Rs. 22,942) and party's appeals are 60,697 (Rs. 42,965 crore). The Committee are surprised to find that most of the appeals relating to indirect taxes are pending at CESTAT level.

The Committee, therefore, urge the Government to formulate a strategy by pursuing the matter with the Ministry of Law to find out a solution to the problem of pendency with the adjudicating and appellate authorities within a time-frame. Further, the Ministry may also take remedial steps to discourage those assesseees who go in for appeals even on a case of 'no hope'. To avoid the practice of the assessing officer making arbitrary additions to appeals without having proper evidence, the Committee would like that the responsibility of such officers may be fixed. The Committee also



desire the Ministry to strengthen those Commissionerates, where higher number of cases are pending for disposal with CIT(A) in CBDT and Commissioner (Appeals) in CBEC and caution those Commissionerates to adhere to the rules/norms of disposal framed by the Ministry.

*Arrears of Revenue*

18. The Committee are concerned to note that the arrears of revenue both in respect of direct as well as indirect taxes have been increasing year after year and substantial portion of such arrears are locked up with various adjudicating authorities. The Committee note that arrears of revenue amounting to Rs. 2,48,928 crore are pending for realization during the year 2010-11 in CBDT. Out of which Rs. 1,57,995 crore are pending in case of Personal Income Tax and Rs. 90,933 crore are pending in case of Corporate Tax. The Committee are further perturbed to find that during the years 2006-07 to 2010-11, the percentage collection out of arrear demand from personal income tax varies from 3.17% in 2006-07 to 2.98% in 2010-11. Similarly, the collections from corporate tax varies from 15.55% in 2006-07 to 8.01% in 2010-11. The Committee further observe that an amount of Rs. 13,595 crore is outstanding from 876 cases of more than Rs. 10 crore but less than Rs. 25 crore and Rs. 2,51,965 crore is outstanding from 834 cases of more than Rs. 25 crore. The Committee would like to be apprised of the progress of these cases and efforts made by the Department to recover the arrears therefrom on quarterly basis.

From the targets of collection out of arrear demand in CBDT for the last 3 years, the Committee are surprised to find that the achievement during the years 2008-09 to 2010-11 varies from 81% to 86% respectively. Keeping in view the large amount of arrears, the Committee conclude that the targets for collections are not being set on a realistic basis because the targets of recovery fixed are very low in comparison to the outstanding amount. Similarly, the realization of arrears in case of CBEC is also very low in comparison to the total pendency. The Committee are thus led to conclude that recovery of arrears is moving at a very slow pace in both the Departments. This, in the opinion of the Committee, warrants effective and pro-active steps by the Government.

19. The scrutiny of arrears of tax demand by the C&AG has revealed that the increase in arrears in Direct Taxes was mainly due to reasons such as inaction and protracted delays on the part of Assessing Officers (AOs) in referring the Arrear Cases to the

Tax Recovery Officers (TROs), lack of coordination between the AOs and TROs subsequent to the referral, lack of adequate efforts to collect the demand, failure to recover undisputed demand, failure to invoke special powers for recovery by TROs, disputed cases pending in appeals and data being maintained by different wings of the Income Tax Department being widely divergent. According to the Ministry although several steps have been taken to avoid the aforesaid cases, as pointed out by the C&AG, the existing shortage of manpower, particularly the supporting staff, has adversely affected this process. Considering the huge pendency causing a substantial loss to the Exchequer, the Committee recommend that the Ministry should augment the strength of TROs besides having separate cadre for them and also take steps to prepare a robust and reliable database of arrear demands to cope with the increasing work load. The mechanism of Regional Economic Intelligence Committee (REIC) also needs to be strengthened to facilitate sharing of information among different revenue collecting agencies.

*Shortage of staff*

20. The Committee observe that there has been shortage of manpower to a large extent over the years in both the Departments *i.e.*, CBDT and CBEC. The Committee have been informed that presently against a total sanctioned strength of 57,793, the working strength of income tax department as on 31st March, 2011 was 41,462. The Committee are again constrained to observe that in CBEC majority of direct recruit Inspectors Central Excise and Preventive Officers (almost 98%) get only one functional promotion during average service span of 35 years. Main reason for such acute stagnation is the ratio (1:15) between the strength at Assistant Commissioner (Group 'A') level and the same at Group 'B' Gazetted Executive level. In other departments of the Government of India, the said ratio varies from 1:2 to 1:4. The Committee express their concern over the pathetic situation of the manpower shortage and desire both CBDT and CBEC to hasten formulation of a policy in this regard, while giving interim relief to stagnating cadres.

According to the Ministry, the Cadre restructuring proposal of both the Departments is under consideration of the Department of Personnel & Training. Since shortage of staff is the main reason for shortfalls in the performance of both the Departments, the Committee desire the Government to pursue the matter of cadre restructuring with the DOPT in a time-bound manner.

*Harassment of tax-payers*

21. The Committee find that on the one hand, there is a need for expanding tax base as well as increasing the tax revenue and on other hand, there is a fear of "Inspector Raj" among the tax payers. While the Committee desire that every effort should be made towards mobilizing additional revenue but at the same time it should be ensured that a genuine tax payer is not harassed in any manner by the income tax authorities. The provisions regarding the checking of accounts or the documents at the premises of the tax-payer may also be suitably amended/revisited in this context, as this can cause undue harassment to the honest tax payers.

NEW DELHI;  
20 April, 2012  
31 Chaitra, 1934 (Saka)

YASHWANT SINHA,  
Chairman,  
Standing Committee on Finance.

## APPENDICES

### MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2011-12)

The Committee sat on Wednesday, the 28th March, 2012 from  
1500 hrs. to 1915 hrs.

#### PRESENT

Shri Yashwant Sinha—*Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Shivkumar Udasi
3. Shri Harishchandra Deoram Chavan
4. Shri Bhakta Charan Das
5. Shri Nishikant Dubey
6. Shri Bhartruhari Mahtab
7. Shri Prem Das Rai
8. Dr. Kavuru Sambasiva Rao
9. Shri Rayapati S. Rao
10. Shri Magunta Sreenivasulu Reddy
11. Shri R. Thamaraiselvan
12. Dr. M. Thambidurai

##### *Rajya Sabha*

13. Shri Piyush Goyal
14. Shri Mahendra Mohan
15. Dr. Mahendra Prasad

#### SECRETARIAT

- |                                 |                           |
|---------------------------------|---------------------------|
| 1. Shri A.K. Singh              | — <i>Joint Secretary</i>  |
| 2. Shri R.K. Jain               | — <i>Director</i>         |
| 3. Shri Ramkumar Suryanarayanan | — <i>Deputy Secretary</i> |
| 4. Smt. Meenakshi Sharma        | — <i>Deputy Secretary</i> |
| 5. Shri Kulmohan Singh Arora    | — <i>Under Secretary</i>  |

**Part I**  
**(1500 hrs. to 1700 hrs.)**

WITNESSES

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

1. Shri R.S. Gujral, Finance Secretary & Secretary (Revenue)
2. Shri A.K. Srivastava, Joint Secretary
3. Shri Vinay Chhabra, Chief Controller of Factories

**Integrated Finance Unit (IFU)**

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

**Central Board of Direct Taxes (CBDT)**

5. Shri Laxman Das, Chairman
6. Shri S.C. Jaini, Member (R)
7. Shri K. Madhvan Nair, Member (Inv.)
8. Shri M.K. Mirani, DG (Systems)
9. Ms Anita Kapur, DG (Admn.)
10. Shri Ashutosh Dikshit, Joint Secretary (TPL-I)
11. Shri Sunil Gupta, Joint Secretary (TPL-II)
12. Shri S.K. Mishra, Joint Secretary (FT&TR-I)
13. Shri K. Ramalingam, Joint Secretary (FT&TR-II)

**Central Board of Excise and Customs (CBEC)**

14. Shri S.K. Goel, Chairman (EC)
15. Shri M.C. Thakur, Member (Budget/Comp.)
16. Shri Praveen Mahajan, Member (P&V)
17. Ms Sheila Sangwan, Member (ST)
18. Ms. Sreela Ghosh, Member (CX)
19. Shri J.M. Shanti Sundharam, Member (L&J)
20. Shri M.S. Badhan, Member (Customs)
21. Shri Vivek Johri, Joint Secretary (TRU-I)
22. Shri V.K. Garg, Joint Secretary (TRU-II)

2. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) in connection with



MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING  
COMMITTEE ON FINANCE (2011-12)

The Committee sat on Friday, the 20th April, 2012 from 1130 hrs.  
to 1400 hrs.

PRESENT

Shri Yashwant Sinha—*Chairman*

MEMBERS

*Lok Sabha*

2. Shri Gurudas Dasgupta
3. Shri Nishikant Dubey
4. Shri Chandrakant Khaire
5. Dr. Kavuru Sambasiva Rao
6. Shri Rayapati S. Rao
7. Shri Sarvey Sathyanarayana
8. Shri Yashvir Singh
9. Dr. M. Thambidurai

*Rajya Sabha*

10. Shri Satish Chandra Misra
11. Dr. K.V.P. Ramachandra Rao

SECRETARIAT

- |                                 |   |                         |
|---------------------------------|---|-------------------------|
| 1. Shri A.K. Singh              | — | <i>Joint Secretary</i>  |
| 2. Shri Ramkumar Suryanarayanan | — | <i>Deputy Secretary</i> |
| 3. Smt. Meenakshi Sharma        | — | <i>Deputy Secretary</i> |
| 4. Shri Kulmohan Singh Arora    | — | <i>Under Secretary</i>  |

**Part I**

**(1130 hrs. to 1300 hrs.)**

WITNESSES

- |    |     |     |     |     |
|----|-----|-----|-----|-----|
| 2. | *** | *** | *** | *** |
|    | *** | *** | *** | *** |

*A verbatim record of proceedings was kept.*

*The witnesses then withdrew.*

**Part II**  
**(1300 hrs. to 1400 hrs.)**

3. The Committee took up following draft Reports for consideration and adoption:—

- (i) Draft Report on Demands for Grants (2012-13) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue);
- (iii) Draft Report on Demands for Grants (2012-13) of the Ministry of Planning;
- (iv) Draft Report on Demands for Grants (2012-13) of the Ministry of Statistics and Programme Implementation; and
- (v) Draft Report on Demands for Grants (2012-13) of the Ministry of Corporate Affairs.

4. The Committee adopted the draft reports at Sl.nos. (iv) and (v) without any modification and those at Sl.nos. (i), (ii) and (iii) with minor modifications. The Committee authorised the Chairman to finalise the Reports in the light of the modifications suggested and present these Reports to Parliament.

*The Committee then adjourned.*