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**STANDING COMMITTEE ON FINANCE
(2012-13)**

FIFTEENTH LOK SABHA

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

*(Action taken by the Government on the recommendations contained in Fifty
Second Report on Demands for Grants (2012-13) of the Ministry of Finance
(Department of Revenue)*

SIXTY FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2012/ Agrahayana, 1934 (Saka)

SIXTY FIRST REPORT

STANDING COMMITTEE ON FINANCE
(2012-2013)

(FIFTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

***(Action taken by the Government on the recommendations contained in
Fifty Second Report on Demands for Grants (2012-13) of the Ministry of
Finance (Department of Revenue)***

*Presented to Lok Sabha on 6 December, 2012
Laid in Rajya Sabha on 6 December, 2012*



LOK SABHA SECRETARIAT
NEW DELHI

December, 2012/ Agrahayana, 1934 (Saka)

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* *Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2012-13)

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri Suwendu Adhikari
3. Dr. Baliram
4. Shri Udayanraje Bhonsle
5. Shri Nishikant Dubey
6. Shri Gurudas Dasgupta
7. Shri Rahul Gandhi
8. Shri Deepender Singh Hooda
9. Shri Chandrakant Khaire
10. Shri Bhartruhari Mahtab
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12. Shri Sanjay Brijkishorlal Nirupam
13. Shri Prem Das Rai
14. Shri S.S. Ramasubbu
15. Dr. Kavuru Sambasiva Rao
16. Shri Adv. A. Sampath
17. Vacant*
18. Shri Thakur Anurag Singh
19. Dr. M. Thambidurai
20. Shri Shivkumar Udasi
21. Shri Dharmendra Yadav

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Smt. Renuka Chowdhury
25. Shri Piyush Goyal
26. Shri Satish Chandra Misra
27. Dr. Mahendra Prasad
28. Shri Ravi Shankar Prasad
29. Shri P. Rajeeve
30. Shri Praveen Rashtrapal
31. Dr. Yogendra P. Trivedi

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Additional Director
3. Shri Kulmohan Singh Arora - Under Secretary

* Shri Sarvey Sathyanarayana, MP ceased to be the Member of the Committee w.e.f 28.10.2012 consequent upon his induction to the Union Council of Ministers

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorised by the Committee, present this Sixty First Report on action taken by Government on the recommendations contained in the Fifty Second Report of the Committee (Fifteenth Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue).

2. The Fifty Second Report (15th Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 24 April, 2012. Replies indicating action taken on all the recommendations contained in the Report were furnished by the Government on 4 August, 2012.

3. The Committee considered and adopted this report at their sitting held on 29 November, 2012.

4. An analysis of action taken by Government on the recommendations contained in the Fifty Second Report of the Committee is given in the Appendix.

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

New Delhi;
04 December, 2012
13 Agrahayana, 1934 (Saka)

YASHWANT SINHA
Chairman,
Standing Committee on Finance

REPORT

CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 52nd Report (Fifteenth Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha / Laid in Rajya Sabha on 24th April, 2012.

2. The Action Taken Notes have been received from the Government in respect of all the 21 recommendations contained in the Report. These have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3,4,5,6,7,8,9,10,13,15,16,17,19,20,21.

(Chapter II)

(Total -17)

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

Recommendation Nos. Nil

(Chapter III)

(Total - Nil)

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

Recommendation Nos. 11,12,14,18.

(Chapter IV)

(Total- 4)

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

Recommendation No. Nil

(Chapter V)

(Total -Nil)

3. The Committee desire that the replies to the recommendations contained in Chapter I may be furnished to them expeditiously.
4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Collection of Direct Taxes

Recommendation (Para no. 5)

5. The Committee found 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 was 15.3%, the percentage increase in collection of corporate taxes was 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 were 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 was evident from the facts cited that there was 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 seemed to have come about due to Corporate and Personal Income Tax collections, yet the revenue realized was 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. The Ministry in their action taken reply have stated as follows :-

“The figures of direct tax collection for FY 2011-12 are updated as below:

(in Rs. crore)

Head of Collection	Net Direct Tax Collection 2011-12*	Net Direct Tax Collection 2010-11	Increase/decrease of Net collection over previous year.
Corporate Income Tax	323224*	298688	8.21%
Personal Income Tax (Including FBT, STT, etc)	170788*	147560	15.74%
Other Taxes (WT)	787*	687	14.56%
Total	494799*	446935	10.71%

(Source: Pr CCA, CBDT Supplementary Accounts figures for FY 2011-12)

* Provisional

The fall in GDP growth rate from 8.4% in FY 2010-11 to 6.5% in FY 2011-12 impacted the Direct Taxes Collection and therefore adversely affecting Additional Resource Mobilization. It may be submitted that despite these factors, as against a Revised Estimate target of Rs. 500,651 crore, direct tax collected was Rs 4,94,799 crore (Provisional) which is 98.83% of the Targeted amount.

In regard to observation of the Committee that “*much remains to be done to improve horizontal equity of the tax system by extending the tax net to hard-to-tax groups*” it is submitted that the Department is pursuing the widening of tax base with its limited resources. The Department is facing manpower constraint at all the levels.

Some of further measures should be taken to improve the horizontal equity of tax system by extending the tax net to hard-to-tax groups are as under :-

- (a) Mandating compulsory quoting of PAN for certain specified transactions. These typically include sale and purchase of immovable property valued at Rs. 5 lac or more; sale of purchase of motor vehicle; time deposit / fixed deposit exceeding Rs. 50,000 with any Banking Company / Post Office; etc.

- (b) Collection of information from certain class of persons specified depending upon the nature and value of transactions in the form of Annual Information Return (AIR).
- (c) Expanding the areas within the ambit of Tax Deduction at Source / Tax Collection at Source. Further mandating compulsory furnishing of PAN by the deductee to the tax deductor failing which tax shall be deducted at a higher rate.
- (d) Instructions have been issued to the field authorities to take against non-filers of AYs 2008-09 to 2010-11, in cases where TDS deductor had made payments of Rs. 5 lac and above and deducted tax at source but recipients of payments or deductees have not filed their income tax returns.

7. On the question of augmenting revenue from direct taxes, the Department of Revenue have cited shortage of manpower as a constraint. The Committee, however, believe that with increased computerization of processes, if only the Department redeploys their personnel in a judicious and focussed manner, better results could be achieved on the revenue front.

Collection of Indirect Taxes

Recommendation (Para no.8)

8. The Committee noted that the performance in respect of collection of indirect taxes during the year 2011-12 was not very encouraging. The percentage growth of overall indirect taxes collection during 2011-12 over the last year was only 14.62% whereas it was 40.66% during the year 2010-11. While the percentage growth collection of services tax improved from 21.56% in 2010-11 to 36.90%, the growth in collections from Customs and Union Excise 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 suggested 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 Ministry in their action taken reply have stated as follows :-

“Field formations, i.e., all the Customs and Central Excise Zones, Directorate General of Revenue Intelligence, Directorate General of Central Excise Intelligence and Directorate of Audit have been asked to launch a special drive to identify the indirect tax evaders and tap new areas to increase the indirect tax collections.

Further, in Service Tax, special drive has been launched including creation of Special Cells to identify tax evaders and to tap new areas to increase indirect tax collection, which could result in identification of non-filers/stop-filers, besides getting more service providers registered.

On the issue of tapping new areas to increase the indirect tax collections, the periodic review of existing exemptions from Central Excise and Customs duties on commodities are done from time to time. In budget 2011-12, the list of goods which were exempted from Central Excise duty but attracted state VAT were examined and 130 items from such categories were brought into the excise tax net. Moreover, in service tax, all areas have been brought into the tax net but for services in the negative list and exempted category.”

10. The Committee has noted in their earlier Report that the percentage growth of overall indirect tax collection particularly customs and central excise duty during 2011-12 was only 14.62%, whereas it was 40.66% during 2010-11. In response to the Committee’s recommendation, the Ministry have submitted that field formations have been asked to launch a special drive to identify indirect tax evaders. The Committee would like the Department to apprise them in specific terms about the number of tax evaders detected and revenue outcomes arising out of this special drive. The Committee would also like to know the extent to which new areas of taxation and rationalization of exemptions have yielded higher revenue.

Evasion of Service Tax

Recommendation (Para no.11)

11. The Committee further noted 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 expressed their anguish over the fact that in spite of the assurance of initiating penal measures no concerted efforts was made by the Department in this regard. The increasing trend of such cases showed that there has been hardly any fear of detection and punishment in the minds of such service providers. The Committee therefore, reiterated that the Department should remain vigilant in such cases and take stringent penal measures in order to inculcate fear among the defaulters.

12. The Ministry in their action taken reply have stated as follows :-

“With a view to provide for deterrent penal action against service providers collecting service tax but not depositing the same with the government exchequer, prosecution in Court of Law has been specifically provided for by introducing Section 89(1)(d) through Finance Act, 2011 w.e.f. 08.04.2011. The guidelines for launching prosecution have been issued vide CBEC circular No. 140/09/2011-ST, dated 12.05.2011.

Further, Anti-evasion wing of the Department i.e. Directorate General of Central Excise Intelligence has been taking regular steps to improve anti-evasion performance. These include, strengthening of Intelligence network, identification of evasion prone commodities / services, issuing Modus Operandi Circulars regarding evasion of Central Excise & Service tax to field formations, coordination and sharing of information about tax evasion with other enforcement agencies like CEIB, Income Tax, Sales Tax, Enforcement Directorate and FIU.

Details of the cases booked by the DGCEI during the last 4 year are as under:-

Year	No. of Service tax cases detected	Amount involved (Rs. in crore)
2008-2009	362	2565.73
2009-2010	485	4226.78
2010-2011	459	4352.12
2011-2012	452	4919.03

13. The Committee note that guidelines for launching prosecution against service providers collecting service tax but not depositing the same with Government exchequer have been issued by the CBEC, Department of Revenue. The Committee would like to be apprised about the number of cases in which prosecution has been launched since the issuance of guidelines and the amount of service tax collected therefrom. The Committee would also expect the Department to tighten up their enforcement mechanism so as to prevent and control service tax evasion in general.

Tax-GDP Ratio

Recommendation (Para no.12)

14. The Committee was 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 increased during the years 2008-09 to 2011-12, yet the tax-GDP ratio not increased proportionately. It remained stagnant during these years. As a result thereof, the tax buoyancy relating to both the Direct and Indirect Taxes has 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, it was noted that it 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, were of the opinion that in order to increase the aggregate tax buoyancy and augment the tax-GDP ratio, there was 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 was also urged to keep an eye on very high spending individuals and bring them to the tax net.

15. The Ministry in their action taken reply have stated as follows :-

“The comments of the Hon’ble Standing Committee as regard the imperative need to enlarge the tax net by way of bringing in high net worth assesseees and potential tax payers and that Income Tax Department should keep an eye on very high spending individuals and bring them to tax net so as to increase the tax buoyancy and augment Direct Tax-GDP ratio have been noted.

It has been the endeavour of the Department to bring more and more assesseees into the tax net. Various measures to bring the potential tax payers in the tax net have been listed in reply to para 5 above. Moreover, it may be noted that drive against tax evasion is a continuous and ongoing process. Information is gathered from varied sources, including tax records, third party information and information from other agencies both within and outside the country. These are appropriately utilized in tax investigations and assessments. Modern information technology tools are being developed and used in a systematic way for collection, collation and utilization of information for anti-evasion action against tax evaders / high-net worth individuals. These include search and seizures, surveys and tax assessments. The information is also used for Computer Aided Selection of cases for scrutiny.

It is further submitted that net worth in common parlance includes immovable assets like land, building etc; movable wealth like car, yacht, plane etc. and financial wealth like shares, bonds, debentures, bank deposits, investments, jewellery etc. However, financial assets like shares, bonds, debenture, bank deposits are not taxable under Wealth Tax Act, 1957. Moreover, land or building, motor car, jewellery, cash etc. are subject to certain exemptions provided in the Wealth Tax Act. Hence, the concept of high net worth persons in common parlance does not necessarily reflect into high net worth assesseees.”

Recommendation (Para no.14)

16. The data as furnished by the CBEC indicated that whereas the indirect tax-GDP ratio in India is stagnant at about 4% only, it ranged between 10 to 16% in other

developing countries viz. Pakistan, Bhutan, Phillipines, Sri Lanka and Bangladesh etc. The Committee noted 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 felt that this distortion was largely due to the fact that still there is large scale tax evasion in the country. As India has been growing faster than the other developing countries, the Government should make earnest efforts to achieve higher tax-GDP ratio.

17. The Ministry in their action taken reply have stated as follows :-

“In this regard, several fiscal measures like partial roll back of stimulus by bringing standard rate of excise duty and service tax to 12% has been announced in the Budget 2012-13. The broadening of service tax has been effected by introducing negative list concept. The duties on demerit goods, like, Cigarettes and pan masala and gutkha have also been increased and periodical review of existing exemption of Customs and Central Excise duty on commodities are also being taken from time to time so as to enhance indirect tax collection and achieve a higher tax-GDP ratio.”

18. **Since the fiscal measures stated to have been taken thus far seemed to have had limited impact on tax buoyancy over the years, the Committee reiterate their recommendation that in order to increase the aggregate tax buoyancy and to augment the tax-GDP ratio, there is a need to plug tax evasion as well as avoidance. Further, the Revenue Department should also keep a close watch over high spending individuals and large monetary transactions and bring them into the tax net.**

Arrears of Revenue

Recommendation (Para no.18)

19. The Committee were 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 were locked up with various adjudicating authorities. The Committee noted that arrears of revenue amounting to Rs. 2,48,928 crore were pending for realization during the year 2010-11 in CBDT. Out of which Rs. 1,57,995 crore were pending in case of Personal Income Tax and Rs. 90,933 crore were pending

in case of Corporate Tax. The Committee were further perturbed to find that during the years 2006-07 to 2010-11, the percentage collection out of arrear demand from personal income tax varied from 3.17% in 2006-07 to 2.98% in 2010-11. Similarly, the collections from corporate tax varied from 15.55% in 2006-07 to 8.01% in 2010-11. The Committee further observed that an amount of Rs. 13,595 crore was outstanding from 876 cases of more than Rs. 10 crore but less than Rs. 25 crore and Rs. 2,51,965 crore was outstanding from 834 cases of more than Rs.25 crore. The Committee wished to be apprised of the progress of these cases and efforts made by the Department to recover the arrears thereupon on quarterly basis.

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

20. The Ministry in their action taken reply have stated as follows :-

“The matter of litigated demand has received special attention in the last couple of years. As stated earlier, CsIT (A) have been advised to ensure expeditious disposal of cases involving substantial revenue. To prioritize disposal of appeals, the appeals have been divided into 4 baskets (B-1, B-2, B-3 & B-4) ; indicating the order of priority of disposal. In the Central Action Plan, for this year 2012-13, the numerical target of each of the baskets of each CCIT(CCA) Region has been fixed. The CsIT (A) have been advised to dispose off at least 90% of the B-1 Category appeals, during the year. Targets of other than B-1 Category appeals is to be met by disposing at least 80% of B-2 categories. Group appeals of same assesseees for different years or different assesseees for the same year/different years are to be disposed off irrespective of the basket, if one or more such appeals fall within the priority of baskets. Such groupings will result in speedy disposal and therefore collection/reduction of demand.

Requests are also made to ITAT and the Settlement Commission to dispose off high demand cases on priority. An amendment had been made in section 254(2A) w.e.f. 01.10.2008 whereby the ITAT can give the stay now with all its extensions up-to 365 days and such stay gets vacated automatically on expiry of this period even if delay in disposing off the appeal is not attributable to the assessee. Stay of recovery given by the I.T. Authorities is also reviewed from time to time. The field authorities have also been advised in recent meetings to try in consultation with the Standing Counsels, to get the stays granted by the courts vacated, wherever possible and also explore the possibility of filing caveats in cases where taxpayer was likely to seek stay from High Court for preventing granting of stays in large number of cases.

Out of the total arrear of Rs. 2,48,927 crore, Rs.1,30,500 crore approximately pertains to money laundering and Securities Scam cases (Hassan Ali Khan group – Rs.91859 crore, Harshad Mehta Group- Rs.20244 crore, Ketan Parekh Group- Rs.4017 crore and Dalal Group – Rs.14379 crore). In Hassan Ali Group, the recovery is not possible though all known immovable and moveable assets belonging to the group have been attached. As per the existing guidelines, recovery through sale of attached properties can be made only after the decision of appeal filed before ITAT. Further, the attached assets are inadequate to recover the entire dues.

In Securities Scam cases also the recovery is not possible as it pertains to persons notified under the Special Court (TORT Act 1992) and no recovery can be made directly from these persons.

Further, an amount of Rs. 3165.74 crore pertains to cases which are under proceedings related to Mutual Agreement Procedure (MAP) in terms of the Double Taxation Avoidance Agreement where recovery has to await MAP decision.

Therefore, out of the total Arrear Demand of Rs. 248927 crore a demand of Rs.133665 crore pertains to the above mentioned specific cases/ groups and therefore not realizable/recoverable. Out of the balance demand, an amount of Rs.61846 crore is further not recoverable as it falls in the category of demand difficult to recover due to the following reasons: -

- (a) Pending write off.
- (b) Assesseees not traceable (to the extent it is likely to affect recovery).
- (c) No assets/inadequate assets for recovery (to the extent of inadequacy).
- (d) Protective Demand.

- (e) Cases where the Department has lost in appeal but the demand is outstanding for other years or is continuing to be raised to keep the issue alive as the Department is in further appeal.
- (f) Notified persons under the Special Court (Trial of offences relating to Securities) Act, 1992.
- (g) Cases admitted before BIFR.
- (h) Companies in Liquidation.
- (i) Cases before Settlement Commission.
- (j) Demand stayed by Courts/ITAT.
- (k) Demand stayed by I.T. Authorities.
- (l) Demand covered by installments (only to the extent not recoverable during the month).
- (m) Demand, the recovery of which is not being pursued on account of assessee's stay petition pending consideration by I.T. Authorities.
- (n) Any other reason (Like TDS mismatch etc.) for which the demand is considered difficult to recover.

Therefore, out of Arrear Demand of Rs.248927 crore only an amount of Rs. 7348 crore was the net collectible arrear demand. All efforts for recovery of this demand as detailed in reply to Point 6 are being made by the Department.

As per the detailed reply to Point 6 special efforts are being made by the Department to recover the outstanding collectible demand.

The collection out of arrear demand has enhanced substantially over the years. The figures of collection out of arrear vis-à-vis target for last 4 years is as under: -

Year	Arrear Targets	Collection out of Arrear demand	% of collection
2008-09	12404 crs.	10016 crs.	81%
2009-10	13153 crs.	11939 crs.	91%
2010-11	13906 crs.	12011 crs.	86%
2011-12	23683 crs.	21882 crs.	92%

The targets for Cash Collection out of arrear demand have been fixed based on the figures as per the CAP-1 at the beginning of each Financial Year. These targets are based on the figures of "Net Collectible Demand", Demand

Not fallen due, demand covered by installments & stayed demand as per CAP-I. Further, it is expected that the entire “net collectible demand” is collected and that no portion of the net collectible demand reported in the CAP-I remains outstanding without valid reasons.

It is therefore, submitted that the Department is regularly monitoring unrealized revenue and efforts are made to improve the collections out of the arrears.

CBEC

In Indirect Taxes total tax arrears during the financial year 2011-12, stood at Rs. 68,741.02 crores. Out of this, Rs. 25,531.99 crore are stayed arrears pending in Courts and Rs. 33,131,80 crores are restrained arrears. Both of these two categories comprise 85.31% of the total arrears. These arrears are dependent on the decisions of Tribunals and Courts with a view for expeditious settlement of cases pending in various Courts/ Appellate authorities, field formations are advised to file early hearing applications and request for vacation of stay in all cases, especially where revenue stakes are high. Officers from each field office are routinely following up pending cases at various appellate fora.

To realize/liquidate the arrears locked up in courts a broad action plan has been chalked out as discussed hereunder:

- (i) Wherever substantial amount of arrears has been locked up in various courts/appellate fora, early hearing petitions are filed; efforts are made to vacate stay orders by pursuing the cases vigorously. Cases of similar nature are being bunched for expeditious disposal by the appellate authorities.
- (ii) Active follow up of the matters pending before Board of Industrial and Financial Reconstruction/ Debt Recovery Tribunal/ Official Liquidator.
- (iii) Wherever revenue arrears are free from all legal encumbrances, action for speedy implementation of favourable decisions passed by courts and wherever no stay has been granted or where stay granted has lapsed quick action for realisation of arrears by attachment of movable/immovable assets or recovery from sums due to the defaulting assessee elsewhere are implemented. The provisions of Section 142 of the Customs Act, 1962; Section 11 of the Central Excise Act, 1944; and Section 87 of the Finance Act, 1994 are being invoked.
- (iv) Creation of computerized data base of arrears of revenue, regular updation and review of the same is being done.

- (v) Regular inspection of the case of arrears of revenue of the field formations is being undertaken.
- (vi) Dedicated team of officers for recovery of arrears has been created. Expeditious action for disposal of cases fit for write-off is being undertaken.
- (vii) For the guidance of the field formations, a “Hand Book on Recovery of Arrears of Revenue of Customs, Excise & Service Tax” has been compiled, published and circulated among all the zones.”

21. **The Committee note with surprise that in direct taxes, out of total arrear demand of Rs. 2,48,927 crore, a demand of Rs. 1,33,665 crore is not realizable and, a tax demand of Rs. 61,846 crore falls under the category of “difficult to recover”, leaving a balance of mere Rs. 7,348 crore as collectible arrears. The Committee are alarmed at such a huge amount of tax due to Government, which cannot be collected at all. The Department of Revenue thus owes an explanation to the Committee as to how such an irretrievable situation arose in the first instance leading to thousands of crores of tax dues remaining unrealizable. The Committee desire a factual report from the Department of Revenue in the matter.**

As regard the recoverable arrears, the Ministry have stated to have initiated a broad action plan to realize / liquidate the arrears locked up in courts. Despite this action plan, the Committee find that the Ministry was far from achieving the targets of recovering the arrears which remains an issue of concern. The arrear figures reflect very poorly on the efficacy of the recovery mechanism devised by the Ministry which requires a review immediately. The Committee, therefore, recommend for immediate and urgent steps in this regard.

**New Delhi;
4 December, 2012
13 Agrahayana, 1934 (Saka)**

**YASHWANT SINHA
Chairman,
Standing Committee on Finance**

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2012-13)

The Committee sat on Thursday, the 29th November, 2012 from 1530 hrs to 1730 hrs.

PRESENT

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram
3. Shri Rahul Gandhi
4. Shri Deepender Singh Hooda
5. Shri Bhartruhari Mahtab
6. Shri Sanjay Brijkishorlal Nirupam
7. Shri Prem Das Rai
8. Shri S.S. Ramasubbu
9. Shri Thakur Anurag Singh
10. Dr. M. Thambidurai
11. Shri Shivkumar Udasi

RAJYA SABHA

12. Shri Piyush Goyal
13. Dr. Mahendra Prasad
14. Shri Praveen Rashtrapal

SECRETARIAT

- | | | |
|---------------------------------|---|---------------------|
| 1. Shri A. K. Singh | - | Joint Secretary |
| 2. Shri Ramkumar Suryanarayanan | - | Additional Director |
| 3. Shri Sanjay Sethi | - | Under Secretary |

2. The Committee took up the following draft Reports for consideration and adoption: -

- (i) Draft Report on action taken by the Government on the recommendations contained in the Fifty First Report (15th Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

- (ii) Draft Report on action taken by the Government on the recommendations contained in the Fifty Second Report (15th Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue);
- (iii) Draft Report on action taken by the Government on the recommendations contained in the Fifty Third Report (15th Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Planning;
- (iv) Draft Report on action taken by the Government on the recommendations contained in the Fifty Fourth Report (15th Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Statistics and Programme Implementation; and
- (v) Draft Report on action taken by the Government on the recommendations contained in the Fifty Fifth Report (15th Lok Sabha) on Demands for Grants (2012-13) of the Ministry of Corporate Affairs.

3. The Committee adopted the draft reports at Sl.no. (iv) without any modification and those at Sl.nos. (i), (ii), (iii) and (v) with modifications. The Committee also authorized the Chairman to present all the Reports to Parliament in the current session.

The Committee adjourned at 1730 hours.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIFTY SECOND REPORT OF THE STANDING COMMITTEE ON FINANCE (FIFTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2012-2013) OF THE MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

	Total	% of Total
(i) Total number of Recommendations	21	
(ii) Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 1, 2, 3, 4,5, 6,7, 8, 9,10, 13,15,16,17,19, 20 & 21)	17	80.95
(iii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies	NIL	0.00
(iv) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 11,12,14 & 18)	04	19.05
(v) Recommendation/observation in respect of which final reply of the Government is still awaited	NIL	0.00