

68

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

FIFTEENTH LOK SABHA

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

**Demands for Grants
(2013-14)**

SIXTY EIGHTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2013, Vaisakha, 1935 (Saka)

SIXTY EIGHTH REPORT

**STANDING COMMITTEE ON FINANCE
(2012-2013)**

(FIFTEENTH LOK SABHA)

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

**Demands for Grants
(2013-14)**

Presented to Lok Sabha on 22 April, 2013

Laid in Rajya Sabha on 22 April, 2013



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2013, Vaisakha, 1935 (Saka)

CONTENTS

	Page
Composition of the Committee	(iii)
Introduction	(v)
PART I	
I. Introductory	1
II. Budgetary Allocations and Utilization	4
III. Augmenting Tax Collection and Broadening Tax Base	
(i) Tax Collection slab-wise	7
(ii) Presumptive Tax	10
(iii) Corporation Tax	12
(iv) New Assessees added	13
(v) Tax Collection under various heads	13
(vi) Targets and Collections	14
(vii) Green Tax	16
IV. Tax Deducted at Source / Tax Collection at Source / Advance Tax	17
V. Revenue Foregone- Justification for Incentives and Exemptions	18
VI. Action Plan for Tax Arrears	
(i) Time-bound action plan	19
(ii) Untraceable assets / assesses	20
(iii) Functioning of Settlement Commission	21
VII. Outcome of Appeals	22
VIII. Searches, Seizures and Surveys – Revenue Realization therefrom	25
IX. Efficacy of Rajiv Gandhi Equity Savings Scheme (RGESS)	27
X. Manpower Requirements and Computerization of Processes	32
XI. Tracing Unaccounted Money	34
XII. Provisions in Finance Bill making certain Offences relating to Customs and Excise Duty Non-Bailable	38
PART II	
Observations/Recommendations of the Committee	39
APPENDICES	
Minutes of the sittings of the Committee held on 2 April, 2013 and 16 April, 2013.....	51

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2012-13)

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri Suwendu Adhikari
3. Dr. Baliram
4. Shri Sudip Bandyopadhyay*
5. Shri Udayanraje Bhonsle
6. Shri Nishikant Dubey
7. Shri Gurudas Dasgupta
8. Shri Rahul Gandhi
9. Shri Deepender Singh Hooda
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Dr. Chinta Mohan
13. Shri Sanjay Brijkishorlal Nirupam
14. Shri Prem Das Rai
15. Shri S.S. Ramasubbu
16. Dr. Kavuru Sambasiva Rao
17. Shri Adv. A. Sampath
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

*Nominated as Member of the Standing Committee on Finance w.e.f 13th December, 2012

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Sixty-Eighth Report (15th Lok Sabha) on the 'Demands for Grants (2013-14)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2013-14) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 15 March, 2013.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 2 April, 2013.

4. The Committee considered and adopted this Report at their sitting held on 16 April, 2013. 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 (2013-14).

**New Delhi;
16 April, 2013
26 Chaitra, 1935 (Saka)**

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

REPORT

PART – I

Background Analysis

I. INTRODUCTORY

1.1 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 abovementioned Acts through the following attached/subordinate offices:-

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

14. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and Narcotic Drugs and Psychotropic Substances Act, 1985;
15. Financial Intelligence Unit, India (FIU-IND); and
16. 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 AND UTILISATION

2.1 The detailed Demands for Grants (2013-14) of the Ministry of Finance were presented to Lok Sabha on 15th March, 2013. 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 2013-14 are as follows :-

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	42 - Department of Revenue	10,117.17	100.71	10,217.88
2.	43 - Direct Taxes	3,771.91	589.98	4,361.89
3.	44 - Indirect Taxes	3,829.75	149.25	3,979.00

2.2 The Budget Estimates (BE), Revised Estimates (RE) and Actuals for Demand Nos. 42, 43 and 44 from the year 2011-12 to 2013-14 are as follows :-

2011-12

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	13,356.90	--	5,382.79	--	5,260.51
Demand No. 43	--	3,881.55	--	3,315.78	--	3,239.85
Demand No. 44	--	3,378.89	--	3,351.79	--	3,240.84

2012-13

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	1,178.57	--	864.13	--	--
Demand No. 43	--	3,880.46	--	3,735.51	--	--
Demand No. 44	--	3,600.58	--	3,570.11	--	--

2013-14

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	10,217.88	--	--	--	--
Demand No. 43	--	4,361.89	--	--	--	--
Demand No. 44	--	3,979.00	--	--	--	--

2.3 Moreover, relevant revenue receipts figures as stated in the Budget 2013-14 are as follows :

Revenue Receipts

(In crore of Rs.)

	2011-12 Actuals	2012-13 Budget Estimates (BE)	2012-13 Revised Estimates (RE)	2013-14 Budget Estimates (BE)
Tax Revenue				
Gross Tax Revenue	889176	1077612	1038037	1235870
Corporation Tax	322816	373227	358874	419520
Taxes on Income	170343	195786	206095	247639
Wealth Tax	788	1244	866	950
Customs	149328	186694	164853	187308
Union Excise Duties	145608	194350	171996	197554
Service Tax	97509	124000	132697	180141
Taxes on Union Territories	2785	2310	2656	2758

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

2.5 Apart from examining the Demands for Grants (2013-14), in the present Report, the Committee have examined the following issues :-

1. Augmenting Tax Collection and Broadening Tax Base

- (i) Tax Collection slab-wise
- (ii) Presumptive Tax
- (iii) Corporation Tax
- (iv) New Assessees Added
- (v) Tax collection under various heads
- (vi) Targets and collections
- (vii) Green Tax

2. Tax Deducted at Source (TDS) / Tax Collection at Source (TCS) / Advance

Tax

3. Revenue Foregone – Justification for Incentives and Exemptions
4. Action Plan for Tax Arrears
 - (i) Time-bound action plan
 - (ii) Untraceable assets / assesses
 - (iii) Role of Settlement Commission
5. Outcome of Appeals
6. Searches, Seizures and Surveys – Revenue realization therefrom
7. Efficacy of RGESS (Rajiv Gandhi Equity Savings Scheme)
8. Manpower Requirements and Computerization of processes
9. Tracing Unaccounted Money
10. Provisions in Finance Bill making certain offences relating to Customs and Excise Duty non-bailable

III. Augmenting Tax Collection and Broadening Tax Base

(i) Tax Collection slab-wise

3.1 On the point of details regarding amount of tax collected under the existing percentage of tax collected in each of the slabs, the Ministry in their earlier communication sent during the examination of the Direct Taxes Code Bill, 2010, have furnished the following details :

Tax Collection in each slab (FY 2011-12)

Slab	(Rs. in crores)	Percentage of tax collected
0-5 lakh	15,010	10.1%
5-10 lakh	21,976	14.8%
10-20 lakh	17,858	12.1%
>20 lakh	93,229	63.0%
	1,48,073	100%

3.2 Moreover, on the issue of income tax collected slab-wise, the Ministry in their latest replies have furnished the following details :

CBDT

Slabs	2011-12	
	No. of assesses	% of total assesses falling under this slab
Upto 5 Lakh	33,840,792	98.30
5 to 10 Lakh	316,258	0.92
10 to 20 Lakh	140,510	0.41
Above 20 Lakh	130,040	0.38
Total	34,427,600	

3.3 Further, the Ministry have furnished following details in their latest replies :

During the previous 3 years direct tax collections have regularly shown growth in collections as enumerated in the table below:-

Financial Year	Direct Tax Collections (Rs. In cr)	Growth vis-à-vis previous F.Y.
2009-10	378063	13.25%
2010-11	446935	18.22%
2011-12	493946	10.52%
2012-13(as on 1.04.2013*)	554562	12.27%

*Figures for FY 2012-13 is not final and subject to change. (Source Pr CCA CBDT Flash figures)

CBEC

The actual collection for the last five years in respect of indirect taxes (head-wise) is given below :

	F.Y 2007-08	F.Y 2008-09	F.Y 2009-10	F.Y 2010-11	F.Y 2011-12
Customs	1,04,119.0	99,879.0	83,323.7	1,35,812.5	1,49,327.5
Central Excise	1,23,611.0	1,08,613.0	1,03,621.2	1,38,299.0	1,45,607.2
Service Tax	51,301.0	60,941.0	58,422.1	71,015.9	97,508.9

Moreover, the information in respect of Tax collected in the specified slabs are in Table – A (Customs), Table – B (Central Excise) and Table – C (Service Tax).

It may be noted that :

- In case of Customs, the figures relate to the payment of customs duty paid in cash by the importers and do not contain figures for payment made through scrips which form part of duty foregone.
- In Central Excise, the data on assesseees has been taken out from NSDL/EASIEEST data which relate only to the cash component of the Central Excise duty (including all modes of duty payment such as Cash, Cheque, Internet and transfer) deposited in the respective banks. The figures do not relate to payments made through availment of CENVAT .
- For Service Tax, the data on assesses relates to the cash component of the Service Tax (including all modes of duty payment such as Cash, Cheque, Internet and transfer) which have been taken out from NSDL/EASIEEST. The figures do not relate to payments made through availment of CENVAT

Table - A

Customs Import							
Sr No	Slab	Number of IECs who paid in Cash FY:2010-11	Percentage of Total Assesseees falling under this slab for FY 2010-11	Number of IECs who paid in Cash FY:2011-12	Percentage of Total Assesseees falling under this slab for FY 2011-12	Number of IECs who paid in Cash FY:2012-13	Percentage of Total Assesseees falling under this slab for FY 2012-13
1	IEC who paid upto 5 Lakhs	65696	54.9%	65564	52.4%	58471	49.2%
2	IEC who paid between 5 Lakh and 10 Lakh	14197	11.9%	15063	12.0%	14778	12.4%
3	IEC who paid between 10 Lakh and 20 Lakh	11969	10.0%	13365	10.7%	13244	11.1%
4	IEC who paid more than 20Lakh	27869	23.3%	31148	24.9%	32391	27.2%

Table – B

Central Excise							
Sr No	Slab	Number of Assesses who paid in Cash) FY:2010-11	Percentage of Total Assesseees falling under this slab for FY 2010-11	Number of Assesses who paid in Cash FY:2011-12	Percentage of Total Assesseees falling under this slab for FY 2011-12	Number of Assesses who paid in Cash FY:2012-13	Percentage of Total Assesseees falling under this slab for FY 2012-13
1	Assessee who paid upto 5 Lakhs	51734	55.7%	52810	50.8%	52880	48.4%
2	Assessee who paid between 5 Lakh and 10 Lakh	10530	11.3%	12886	12.4%	13539	12.4%
3	Assessee who paid between 10 Lakh and 20 Lakh	10048	10.8%	12180	11.7%	13330	12.2%
4	Assessee who paid more than 20Lakh	20525	22.1%	26046	25.1%	29435	27.0%

Table – C

Service Tax							
Sr No	Slab	Number of Assesses who paid in Cash FY 2010-11	Percentage of Total Assesseees falling under this slab for FY 2010-11	Number of Assesses who paid in Cash FY:2011-12	Percentage of Total Assesseees falling under this slab for FY 2011-12	Number of Assesses who paid in Cash FY:2012-13	Percentage of Total Assesseees falling under this slab for FY 2012-13
1	Assessee who paid upto 5 Lakhs	421017	81.8%	434090	77.1%	466519	75.9%
2	Assessee who paid between 5 Lakh and 10 Lakh	40467	7.9%	54779	9.7%	62270	10.1%
3	Assessee who paid between 10 Lakh and 20 Lakh	24204	4.7%	33494	5.9%	38879	6.3%
4	Assessee who paid more than 20Lakh	29174	5.7%	40745	7.2%	46790	7.6%

(1) No. of returns filed requiring scrutiny

(2) This captures only payment in PLA

(ii) **Presumptive Tax**

3.4 Businesses have grown over the period of time due to general growth of the economy and varied other reasons. But at the same time a number of business and service providers, irrespective of their area of operations, earning substantial income are outside the tax net. Presumptive income scheme has been introduced to bring such business & service providers within tax net and at the same time, there is lower compliance cost for such tax payer and lower administrative burden on revenue too. From the A.Y. 2011-12 various schemes of presumptive taxation as applicable to small business has been consolidated under substituted section 44AD of Income Tax Act, 1961 and section 44AF (applicable to retail trade) has been deleted. Now scheme of presumptive taxation (other than presumptive taxation scheme applicable to non-resident) for small businesses is operated by two sections 44AD and 44AE of Income Tax Act, 1961.

Section 44 AD

Applicable : Any business except plying, hiring or leasing goods carriages referred in S. 44AE and whose turnover is less than Rs. 60 lakhs during the previous year.

Applicable to class of taxpayer : Any resident, individual, HUF, partnership firm excluding LLPs and has not claimed deductions u/ss 10A, 10AA, 10B, 10BA, 80HH to 80RRB in the relevant assessment year

Presumptive or estimated income : Sum equal to 8% of the total turnover or gross receipt of the assessee.

Higher or Lower Income : Assessee at his option can claim such higher/lower amount earned by him. Assessee can also claim to have earned income lower than specified amount, subject to fulfilment of conditions as to maintenance of books of account etc.

Maintenance of books of account: Unlike provision contained in Ss. 44AD(4) (as stood prior to its replacement) & 44AE(4), no specific provision exempting from maintenance of books of account and other documents as prescribed u/s 44AA, when income is offered on presumptive basis. However in case assessee claims that he has earned income lower than specified percentage and such income is more than maximum amount not chargeable to tax, Ss. 44AD(5) and 44AA(2)(iv),

mandates him to maintain books of accounts and other documents as specified u/s 44AA, get them audited from the

Deduction from presumptive income : No deduction is allowable under provisions of sections 30 to 38. However in case of partnership firm remuneration to partner and interest on partner's capital is allowable. For the computation of allowable partner's remuneration, book profits would be deemed income less interest on capital. Further written down value of any depreciable asset of such business shall be calculated as if depreciation has been actually allowed.

Advance Tax : Assessee offering income on presumptive basis provisions of Chapter XVII-C pertaining to Advance tax is not applicable to such assessee. Hence such assessee is not required to pay advance. However S. 44AE(4) may give rise to various peculiar unintended issues.

Section 44 AE

Applicable : Assessee engaged in business except plying, hiring or leasing goods carriages and who owns not more than 10 goods carriages anytime during the previous year. However unlike s. 44AD, there is no condition of maximum turnover of the assessee. Assessee shall be deemed to owner of goods vehicles taken on higher purchase or on instalment, whether whole or part of the amount is payable, when such vehicles are in possession of such assessee.

Applicable to class of taxpayer : Any assessee.

Presumptive or estimated income : Presumptive or estimated income is dependable on the nature of goods vehicle :

Heavy goods vehicle : Rs. 5,000 per heavy goods vehicle for every month or part of the month;

Other than Heavy goods vehicle : Rs. 4,500 per such goods vehicle for every month or part of the month.

Terms goods carriage and heavy goods vehicle shall have meaning as per Motor Vehicles Act, 1988.

Higher or Lower income : Assessee at his option can claim such higher/lower amount earned by him. Assessee can also claim to have earned income lower than specified amount, subject to fulfilment of conditions as to maintenance of books of

account etc. and assessment of such assessee would be made u/s 143(3) i.e. scrutiny assessment.

Maintenance of books of account : Assessee offering income on presumptive basis is not required to maintain books of account & other documents as prescribed u/s 44AA and audit u/s 44AB. However in case assessee claims that he has earned income lower than specified amount, Ss. 44AE(7) and 44AA(2)(iii), mandates him to maintain books of account and other documents as specified u/s 44AA, get them audited from the accountant and furnish report as required u/s 44AB.

Deduction from presumptive income : No deduction is allowable under provisions of sections 30 to 38. However in case of partnership firm remuneration to partner and interest on partner's capital is allowable. For the computation of allowable partner's remuneration, book profits would be deemed income less interest on capital. Further written down value of any depreciable asset of such business shall be calculated as if depreciation has been actually allowed.

Advance tax : No specific provision exempting assessee's from payment of advance tax.

(iii) **Corporation Tax**

3.5 As per the Union Budget 2013-14, only 21% of the total revenue comes in form of corporation tax. This figure is in light of present system of greater emphasis on profit linked deductions in place of investment linked deductions, which eventually becomes a hindrance in raising the effective yield from this head.

3.6 Moreover, on the point of details in respect of corporation tax-payers on the basis of data for the FY 2008-09, the Ministry in an earlier reply sent during the examination of the Direct Taxes Code Bill, 2010 to the Committee have the furnished the following details :

SLAB (1)	Number of Tax Payers (2)	Tax Payable as per return* (Rs. in crores) (3)	Total Exemptions/Deductions (U/s 10, 10A, 10AA, 10B, 10BA and Ch VIA) (Rs. in crores) (4)	App. Revenue foregone (Rs in crores) ((30% of (4)) (5)
0 to 100 Cr	463,507	44,016	68,430	23,200

100 Cr to 500 Cr	590	23,421	34,746	11,779
Above 500 Cr	186	54,558	82,287	27,895

**Sum of prepaid taxes and self assessment tax as reduced by refund.*

(iv) **New Assesseees added**

3.7 Around 90% of the tax-payers belong to the lowest slab and mere 1.3% belong to the highest income slab.

3.8 Moreover, on the point of new assesseees added slab-wise, the Ministry have furnished the following details :

The data of number of new assesseees added in last 5 years is as under:

Financial Year	New assesseees added
2008-09	17,84,709
2009-10	16,75,069
2010-11	14,82,229
2011-12	7,21,709
2012-13	Under compilation

(v) **Tax collection under various heads**

3.9 On the issue of tax collected under various heads in the last 3 years, the Ministry furnished the following details :

CBDT

Data with respect to major heads, viz Corporate tax, Wealth tax and Securities Transaction tax for last three years and current year is given in the table below. Gift tax has been abolished w. e. f. **01.10.1998** :

(Rs. in crores)

Financial Year	Corporate tax	Wealth Tax	Securities transaction Tax
2009-10	244725	499	7424
2010-11	298688	687	7155
2011-12	322816	787	5656
2012-13 (up to Feb. 2013)*	258060	714	4251

Source: Pr CCA CBDT; * Provisional

Dividend Distribution Tax is included in the Corporate Tax. However out of the corporate taxes collected, the contribution of Dividend Distribution Tax is as under:

Financial Year	Under Major Head Corporate Tax (Rs. in crores)
2009-10	12787

2010-11	19297
2011-12	17076
2012-13 (up to Feb. 2013)#	24165

Source: Pr CCA, CBDT; Data for 2011-12 is Provisional; # Data for FY 2012-13 is from OLTAS.

(vi) **Targets and collections**

3.10 On the point of last 5 years targets and collections with respect to Direct and Indirect Taxes, the Ministry have furnished the following details :

CBDT

“The data of last five years targets and collections with respect to direct taxes is as under:-

(Rs. In Crore)						
Financial Year	Budget Estimates	Revised Estimates	Actual Collections	Growth Rate of Actual Collections over last year	%age of Budget Estimates Achieved	%age of Revised Achieved
2007-08	267490	304760	312213	35.64%	116.72%	102.45%
2008-09	365000	345000	333818	6.92%	91.46%	96.76%
2009-10	370000	387008	378063	13.25%	102.18%	97.69%
2010-11	430000	446000	446935	18.22%	103.94%	100.21%
2011-12	532651	500651	493946	10.52%	92.73 %	98.66%

The target for Direct Tax collections is set before the beginning of the Financial Year in case of Budgetary Estimates and subsequently revised on the basis of the trends of collections a couple of months before the FY closes. The estimates are made on the basis of the expected economic growth and the effect of legislative amendments that impact the revenue collections. However revenue forecasting is inexact in nature and is impacted by unanticipated changes in the economic scenario and limitations in measuring the impact of legislative changes. Therefore Direct tax collections may or may not exceed the Budgetary Estimates and/or Revised Estimates. From the data available, the Direct tax collections when compared to Revised estimates were lowest in 2008-09, i.e. 96.76% of the estimates which can be said to be fairly close to the target estimated.

During the Financial Year 2007-08 the Indian economy was robust due to the reforms/measures taken in the previous years. This resulted in healthy growth of direct tax collections. But during the FY 2008-09, the sub-prime crises in USA resulted in a global economic meltdown, which the Indian economy resisted initially, but could not remain completely unaffected by. Up to the first half of FY 2008-09, direct tax collections grew at a rate of 32.5% over the corresponding collection during the previous year, but subsequently they slipped sharply. The economic meltdown resulted in a subdued stock market activity, severely dented

profits of the companies and reduced personal incomes. Hence actual direct tax collections grew only by 6.92%.

During FY 2009-10 and 2010-11 the Direct tax collections exceeded the Budgetary Estimates. However during the FY 2011-12 the direct tax collections were 92.73% of the Budgetary Estimates that were made on the basis of estimation of GDP growth of 9% during the Budgetary Exercise. However, the economy grew only by 6.2% due to a variety of reasons including the fiscal crisis in the Euro zone impacting global economy adversely, high crude prices resulting in fluctuation of exchange rate, slow growth in the manufacturing and trade sectors and high inflation rates to control which the Central Bank adopted high interest rates that affected investment. This affected profitability and incomes and resulted in lower than estimated direct tax collections.

CBEC

The targets, actual collection and reason for shortfall (if any) for the last five years in respect of indirect taxes (head-wise) are given below :

1. Customs (Amount Rs. in crore)

Customs	F.Y: 2007-08	F.Y:2008-09	F.Y: 2009-10	F.Y: 2010-11	F.Y:2011-12
Budget Estimate(BE)	98,770.0	118,930.0	98,000.0	115,000.0	151,700.0
Revised Estimate(RE)	100,766.0	108,000.0	84,477.0	131,800.0	153,000.0
Actual collection	104,119.0	99,879.0	83,323.7	135,812.5	149,327.5

Note: 2008-09 & 2009-10: In view of global economic recession and slowdown the basic custom duty was reduced in June 2008 on crude petroleum (from 5% to Nil), petrol/diesel (from 7.5% to 2.5%) and petroleum products (from 10% to 5%) and the same duty structure continued till February, 2010 and again it was restored back to old duty structure in 2010-11.

2011-12: Basic custom duty was reduced w.e.f. 25th June 2011 on crude petroleum (from 5% to Nil), petrol/diesel (from 7.5% to 2.5%) and petroleum products (from 10% to 5%).

2. Central Excise (Amount Rs. in crore)

C. Excise	F.Y: 2007-08	F.Y:2008-09	F.Y: 2009-10	F.Y: 2010-11	F.Y:2011-12
Budget Estimate(BE)	130,220.0	137,874.0	106,477.0	132,000.0	164,115.7
Revised Estimate(RE)	127,947.0	108,359.0	102,000.0	137,777.5	150,696.0
Actual collection	123,611.0	108,613.0	103,621.2	138,299.0	145,607.2

Note: 2008-09 & 2009-10: In view of global economic recession and slowdown, the general Cenvat rate was reduced from 14% to 10% in December, 2008 and from 10% to 8% in February 2009 and the same rate was maintained till February 2010. Further the basic duty on unbranded petrol and diesel was also reduced from June 2008 on account of inflationary measures against the spiraling of international crude oil prices.

2011-12: Basic Excise duty was reduced on unbranded diesel from Rs. 2.60/litre to 'NIL' w.e.f 25th June 2011.

3. Service Tax (Amount Rs. in crore)

Service tax	F.Y: 2007-08	F.Y:2008-09	F.Y: 2009-10	F.Y: 2010-11	F.Y:2011-12
Budget Estimate(BE)	50,200.0	64,460.0	65,000.0	68,000.0	82,000.0
Revised Estimate(RE)	50,603.0	65,000.0	58,000.0	69,400.0	95,000.0
Actual collection	51,301.0	60,941.0	58,422.1	71,015.9	97,508.9

Note: 2008-09 & 2009-10: Service tax was reduced from 12% to 10% with effect from 24th February, 2009, as part of stimulus package, in view of global economic slowdown and recession. The rate again became 12% with effect from 1st April, 2012.

(vii) Green Tax

3.11 On being enquired about application of Green tax as an endeavour in the direction of environmental sustainability, the Ministry furnished the following reply :

CBEC

“In Budget 2013-14, excise duty on sports utility vehicles (SUVs) including utility vehicles has been increased from 27% to 30%. Practically, all of the SUVs are diesel run vehicles.

IV. TAX DEDUCTED AT SOURCE / TAX COLLECTION AT SOURCE / ADVANCE TAX

4.1 On being asked about the issue of widening the ambit of Tax Deducted at Source (TDS) / Tax Collection at Source (TCS) in light of the observations made in the course of discussions held during study visits of the Committee that more than ninety percent of the tax is coming by way of advance tax and Tax Deducted at Source (TDS), the Ministry furnished the following reply :

CBDT

“Tax Deduction at Source (TDS)/Tax collection of Source (TCS) is an effective and efficient tool for collection of direct taxes. It leaves behind an audit trail that acts as deterrence to tax evasion. It also results in early collection of tax as soon as any transaction takes place. Hence expanding the coverage of TDS/TCS is always prudent and tax yielding. Expansion of TDS/TCS coverage is done through legislative amendments regularly; e.g. as per the Finance Act 2012 legislative amendments were made to include TDS on remuneration to Directors and to include TCS on sale of bullion and jewelry as well as certain minerals.

Search (and seizure) and survey operations are mechanisms to gather evidence that are used in cases where credible information about tax evasion is in possession of the Income-tax Department and the provisions of sections 132 [search and seizure] or 133A [survey] respectively of the Income-tax Act, 1961 are satisfied. Evidence gathered through such operations, which is not possible to gather otherwise, generally leads to unearthing of undisclosed transactions / incomes which ultimately translate into deepening and widening of tax base. Further, such evidence/ information also leads to identification of new assesseees and stop filers which ultimately result in widening of tax base. These operations also help in detecting failure to make TDS by persons responsible for doing so; failure by deductors to pay the TDS to the Government’s account and failure to furnish returns and statements by persons who are statutorily obliged to do so.

Therefore, while the mechanism of TDS is required for tax collection, widening and deepening of tax base; search (and seizure) and survey operations are essential not only for reinforcing the above but also for gathering critical evidences, which is otherwise not possible, ultimately leading to improvement in the overall compliance of Direct Taxes laws including the TDS related provisions. Thus, in the present circumstances, the non-intrusive methods of TDS/TCS mechanism and intrusive methods like search, survey etc supplement each other to enhance the efficiency of tax administration, detect tax evasion and boost tax collections”.

V. REVENUE FOREGONE- JUSTIFICATION FOR INCENTIVES AND EXEMPTIONS

5.1 On being asked about the quantum of revenue foregone in both Direct and indirect Taxes by way of various incentives and exemptions to different categories of assesses in the last three years with a quest for justification for incentives and exemptions, the Ministry have furnished the following details :

CBDT

The category-wise details of revenue forgone for Direct taxes during the period 2009-10 to 2011-12 are as under:-

Financial Year	Revenue Forgone category – wise (Rs. in crore)		
	Corporate*	Firms/Association of persons/Body of Individuals	Individuals
2009-10	72881	4845	40297
2010-11	83328	6173	30653
2011-12	81214.3	7145.4	32230

*the figures are exclusive of net additional tax liability on account of MAT.
The figures have been taken from the Receipts Budget for 2011-12, 2012-13 & 2013-14 respectively.

VI. ACTION PLAN FOR TAX ARREARS

(i) Time-bound action plan

6.1 On being enquired about any time-bound action plan prepared to realize revenue arrears the Ministry furnished following reply :-

CBDT

“In Central Action Plan targets have been given for recovery of arrears to separate CCIT charges throughout India. These CCIT charges further allocate the targets to the level of CIT who in turn allocates targets to Range heads and Assessing Officers. These targets are regularly monitored. The dossier cases having arrear demand of Rs. 10 cr. and above are monitored by CBDT through Directorate of Recovery”.

CBEC

“Action Plan to realize the arrears of revenue in time bound manner has been prepared by the CBEC. The action plan is monitored Centrally by the Chief Commissioner TAR and at the level of Zone by the Zonal Chief Commissioners. The salient features of the action plan are as follows:-

- a. Board has issued a broad action plan for multi pronged action for realization/ liquidation of arrears. The Chief Commissioner, Tax Arrear Recovery (TAR) has prepared a detailed action plan for obtaining time bound results in this direction.
- b. In all cases where favourable orders have been made by the appellate authorities and the Court, same are implemented immediately. In cases where no stay has been granted or the same has lapsed prompt action is taken for the recovery of the amounts due to government. A computerized data base has been created to identify all such cases where stay applications has been filed, in order to pursue all such cases where stay has not been granted for quick recovery.
- c. In the cases which are locked up on account of stay granted by the appellate authority or courts, field formations have been instructed to make an application for early hearing in the matter for vacation of the stay orders.
- d. Instructions have been issued to get the cases of similar nature bunched together for speedy disposal of the same. (D O F No 278A/33/2012-Legal dated 21st September 2012).

- e. Instructions have been given to field formations to pursue the tax defaulter to get the matters settled through the Settled Commission wherever possible.
- f. In every Commissionerate a dedicated team of officers have been constituted to monitor and effect the recovery of the realizable arrears immediately. This team of officers is responsible for identification of the assets, immovable or movable of the defaulters, so that suitable action under Section 142 of the Customs Act, 1962 can be initiated for recovery of dues.
- g. The lists of tax defaulters/ closed units are being published and forwarded to Financial Intelligence Unit(FIU) for location and identifying the present whereabouts of the such persons”.

(ii) Untraceable assets / assessees

6.2 On being asked about the details regarding number of cases including revenue involvement in which the assets / assessees are not traceable or assets are insufficient for recovery, the Ministry furnished the following details :

CBDT

The information regarding number of cases where **the assessees are not traceable or assets are insufficient** has been obtained from the Dossier cases above Rs. 10 crore for Quarter ending December, 2012 and is given below :

Category	No. of cases	Amount Involved (in crore)
No assets for recovery	379	194073.00
Assessee not traceable	102	3657.33

CBEC

Number of cases which are non-recoverable (fit for write-off) as on 31.01.2013 is as below :

(Rs. in crore)

Tax Component	Non-recoverable	(Fit for write-off)
	No. of cases	Revenue involved
Central Excise	3519	2812.48
Customs	7058	1450.88
Service Tax	4923	506.21
Total	15500	4769.57

(iii) Functioning of Settlement Commission

6.3 On being enquired about the functioning of Settlement Commission, the Ministry furnished following details :

Number of cases settled by Income Tax Settlement Commission and revenue involved.

Years	No. of cases settled	Income settled u/s 245D (4) (Rs. in crore)
2008-09	798	N.A.
2009-10	196	381.76
2010-11	400	595.00
2011-12	342	275.02
2012-13	279	2529.98

Number of cases settled by Customs & Central Excise Settlement Commission and revenue involved .

Year	No of applications disposed	Duty Settled in Rs. Crore	Duty / Case in Rs lakhs
2007-08	2643	507.92	19.2
2008-09	693	125.43	18.1
2009-10	682	67.36	9.9
2010-11	873	114.33	13.1
2011-12	871	462.48	53.1
2012-13 (Upto Jan 2013	943	124.62	13.2

From the table above it is seen that since 2007-08 onwards settlement commission have been used to settle the cases as specified in the Custom Act, 1962 and Central Excise Act,1944. From the data as above it is quite evident that in the year 2007-08, the number of applications disposed of by the settlement commission is about 2643 involving revenue of about Rs 507.92 crores. However the provisions as per which the person could approach the settlement commission for settlement of case was amended to check the misuse of provisions relating to settlement. This resulted in the reduction of the cases being settled by the settlement commission to 693 in 2008-09. However the same has started increasing gradually and in the current financial year till January 2013, about 943 cases have been settled.

VII. OUTCOME OF APPEALS

7.1 On being enquired about the number of assessments and tax involvement during the last 3 years in respect of appeals decided in favour of the department and against the department of appellate authorities or tribunals or courts in both Direct and Indirect Taxes in order to deduce the success rate of the Department, the Ministry furnished the following details :-

A. ANALYSIS OF APPEALS FILED BY ASSESSEE AS DECIDED BY ITAT, HIGH COURT AND SUPREME COURT

JUDICIAL FORUM	ITAT			HIGH COURT			SUPREME COURT			
	FY	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Decided in favour of deptt.		1530 (23%)	1519 (26%)	2507 (35%)	172 (26%)	177 (30%)	267 (36%)	26 (40%)	40 (42%)	10 (14%)
Decided against deptt.		3050 (46%)	2324 (40%)	2594 (36%)	276 (41%)	282 (48%)	284 (38%)	13 (20%)	32 (34%)	24 (33%)
Set aside		634 (9%)	581 (10%)	572 (8%)	71 (11%)	67 (11%)	60 (8%)	5 (8%)	0 (0%)	10 (14%)
Partially Allowed		983 (15%)	995 (17%)	921 (13%)	39 (6%)	32 (5%)	23 (3%)	3 (5%)	23 (24%)	15 (21%)
others		477 (7%)	339 (6%)	634 (9%)	108 (16%)	34 (6%)	114 (15%)	18 (28%)	0 (0%)	13 (18%)
Total appeals disposed off		6674	5758	7228	666	592	748	65	95	72

B. ANALYSIS OF APPEALS FILED BY THE DEPARTMENT AS DECIDED BY ITAT, HIGH COURT AND SUPREME COURT

JUDICIAL FORUM	ITAT			HIGH COURT			SUPREME COURT			
	FY	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Decided in favour of deptt.		4038 (21%)	2795 (19%)	2595 (19%)	1484 (16%)	1177 (18%)	1364 (20%)	61 (15%)	81 (14%)	94 (10%)
Decided against deptt.		10382 (53%)	7985 (54%)	7048 (52%)	6211 (66%)	3954 (61%)	4190 (62%)	230 (55%)	353 (60%)	378 (39%)

Set aside	1415 (7%)	1226 (8%)	1195 (9%)	441 (5%)	469 (7%)	357 (5%)	69 (17%)	56 (10%)	76 (8%)
Partially Allowed	2458 (13%)	2063 (14%)	2276 (17%)	468 (5%)	394 (6%)	338 (5%)	12 (3%)	33 (6%)	86 (9%)
others	1184 (6%)	690 (5%)	542 (4%)	817 (9%)	477 (7%)	546 (8%)	43 (10%)	64 (11%)	324 (34%)
Total appeals disposed off	19477	14759	13656	9421	6471	6795	415	587	958

No data is maintained in respect of tax amount involved in various categories of appeals as decided by different appellate authorities and therefore, it cannot be provided.

CBEC

Information regarding Department appeal and party appeal before the appellate authorities or Tribunals or Court is as under:-

Supreme Court								
Year	Departmental Appeals				Party Appeals			
	Number		In Percentage		Number		In Percentage	
	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed
2009-10	267	30	89.9	10.1	121	6	95.3	4.7
2010-11	216	16	93.1	6.9	144	12	92.3	7.7
2011-12	206	30	87.3	12.7	134	24	84.8	15.2
High Court								
Year	Departmental Appeals				Party Appeals			
	Number		In Percentage		Number		In Percentage	
	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed
2009-10	841	210	80	20	950	544	63.6	36.4
2010-11	1189	238	83.3	16.7	1358	731	65	35
2011-12	900	336	72.8	27.2	995	2976	25.1	74.9
CESTAT								
Year	Departmental Appeals				Party Appeals			
	Number		In Percentage		Number		In Percentage	
	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed	Rejected	Allowed
2009-10	1913	482	79.9	20.1	2265	1922	54.1	45.9
2010-11	1708	383	81.7	18.3	1829	1762	50.9	49.1
2011-12	1386	238	85.3	14.7	1482	1903	43.8	56.2

From the table above, it is quite evident that the quality of litigation from the side of department is improving. The success rate before the Supreme Court has gone upto 12.7% from 10.1% and in case of High Courts from 20% to 27.2%. However, in case of CESTAT, the success rate of Department appeals has gradually reduced from 20.1% to 14.7%, which is a positive indication of improved quality of the orders passed by the lower formation. The increase in success rate and better quality of adjudication orders is a positive sign and is in accordance with the National Litigation Policy which envisages reducing the government litigation.

VIII. SEARCHES, SEIZURES AND SURVEYS – REVENUE REALIZATION THEREFROM

8.1 On being enquired about the quantum of searches, seizures and surveys made during the last three years and whether the revenue realized /collected matched with the estimated revenue collection, the Ministry furnished the following reply :-

CBDT

During F.Ys. 2009-10; 2010-11 and 2011-12, search warrants were executed in 3,454; 4,852 and 5,260 cases, respectively. Further, surveys were conducted during F.Ys. 2009-10; 2010-11 and 2011-12 in 4,680; 3911 and 3,706 cases, respectively. In the searches conducted during F.Ys. 2009-10; 2010-11 and F.Y.2011-12, undisclosed income of about Rs. 8,101.35 crore, Rs 10,649.16 crore and Rs.14,017 crore respectively were admitted by the persons searched and undisclosed assets of about Rs. 963.50 crore, Rs 774.98 crore and Rs. 905.61 crore respectively were seized. Further, in the surveys conducted during F.Ys. 2009-10; 2010-11 and 2011-12, undisclosed income of about Rs. 4,857.10 crore, Rs. 5,894.44 crore and Rs.6,572.75 crore respectively were detected. Pursuant to search & seizure operation or survey operation, assessments of income are made as per the statutory process. These assessment proceedings are quasi-judicial proceedings subject to the due process of law and further appeals to the courts i.e. ITAT, High Courts, Supreme Court, etc. Finality about the quantum of undisclosed income is reached only after conclusion of the due process of law including appeals. In view of the processes involved, the data pertaining to revenue realized/collected out of the search & seizure operations or survey operations is not maintained in the Ministry.

CBEC

Service Tax

Year	Searches	Number of Seizures	Surveys	(Rs. in crore)
				Revenue Realized (for the FY)
2009-10	519	27	2585	668.95
2010-11	433	20	2764	857.84
2011-12	806	68	4690	1411.58

Customs Duty

Year	Number of seizures	Value of Goods	Duty involved/ detected	(Rs. in crore)
				Revenue Realized (for the FY)
	Total	Total	Total	Total
2009-10	32924	1400.50	771.10	287.91
2010-11	36359	2506.70	1297.06	611.60
2011-12	25537	4522.89	2198.20	610.63

Central Excise Duty

Year	Number of cases detected	Number of searches*	Amount involved in respect of column (2)	(Rs. in crore)
				Revenue Realized (for the FY)
2009-10	3085	442	5393.14	1152.76**
2010-11	2978	393	5356.03	848.50
2011-12	3327	506	3927.61	1120.40

*Conducted by offices of Directorate General of Central Excise Intelligence only

** Include Central Excise & Service Tax

2. No targets are fixed for duty realized as a result of search/seizures. However, the activity relating to Search and Seizures also acts as a deterrent against the evasion of and under-valuation of goods/services resulting in better voluntary tax compliance.

IX. EFFICACY OF RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

9.1 On being enquired about the efficacy of Rajiv Gandhi Equity Savings Scheme (RGESS) with a motto of widening the ambit of the Scheme so that it becomes a key savings stimulant, the Ministry furnished the following details :-

“Pursuing the Union Budget announcement of 2012-13, Government on 23rd November 2012 notified the new tax saving scheme called “Rajiv Gandhi Equity Saving Scheme“(RGESS), exclusively for first time retail investors in the securities market. This Scheme would give tax benefits on their investments to new investors whose annual income is less than or equal to Rs. 10 lakh, up to a maximum investment of Rs. 50,000. The investor would get a deduction of 50% of the amount invested from the annual income for that year. Vide Finance Bill, 2013, it is proposed to provide that investment in listed units of an equity oriented fund shall also be eligible for deduction and that the deduction shall be allowed for 3 consecutive assessment year to a new retail investor whose gross total income does not exceed 12 lakh rupees. The scheme has been only recently notified and is in a nascent stage and the efficacy can be commented upon only at a later stage.

Objectives of the Scheme

- (i) The Scheme is expected to encourage the flow of savings into and improve the depth of domestic capital markets. It aims to promote an ‘equity culture’ in India. It is also expected to widen the retail investor base in the Indian securities markets.

Salient Features of the Scheme

- (ii) Salient features of the Scheme are as under:

A. Exclusively for the first time retail investors

- a. The Scheme is open for all New Retail Investors who have gross total income less than or equal to Rs. 10 lakh. A new retail investor is one:
- who is a resident individual (the benefit cannot be availed by corporate entities / trusts etc)
 - who has not opened a Demat account and has also not done any trading in the derivative segment till RGESS account opening date.
 - those who have opened a Demat account and have not made any transactions in equity and /or in the derivatives segment prior to designating such an account as an RGESS account.

- b. In case of joint demat accounts, only the first account holder will be considered as an existing demat account holder. All those existing account holders other than the first demat account holder (eg. second / third account holders or other joint holders) or nominees of the existing account holders will be considered to not have a demat account for the purposes of the Scheme.

B. Tax related provisions

- c. The Scheme gives tax benefits on their investments to new investors whose annual income is less than or equal to Rs. 10 lakh, up to a maximum investment of Rs. 50,000. The investor gets a deduction of 50% of the amount invested from the annual income for that year.
- d. The tax deduction allowed under the Scheme u/s 80CCG is over and above the Rs. 1 Lakh limit permitted under Section 80C of the Income Tax Act.

C. Eligible instruments under the Scheme.

- e. Stocks listed under the BSE 100 or CNX 100, or stocks of public sector undertakings which are Navratnas, Maharatnas and Miniratnas are eligible under the Scheme. Follow-on Public Offers (FPOs) of these companies are also be eligible under the Scheme. IPOs of PSUs, which are scheduled to get listed in the relevant financial year and whose annual turnover is not less than Rs. 4000 cr for each of the immediate past three years, are also eligible.
- f. In addition, Exchange Traded Funds (ETFs) and Mutual Funds (MFs) that have RGESS eligible securities as their underlying and are listed and traded in the stock exchanges and settled through a depository mechanism have also been made eligible under RGESS, to provide the advantage of diversification and consequent risk minimization.

D. Lock in provisions under the Scheme

- g. The total lock-in period for investments under the Scheme is three years including an initial blanket lock-in period of one year, commencing from the date of last purchase of securities under RGESS in the first year.
- h. After the first year, investors are allowed to trade in the securities held, in furtherance of the goal of promoting an equity culture and allowing flexibility to manage their portfolio in their best interest. Investor is free to trade / churn the portfolio in each of the two years following the first year of investment. However, investors would be required to maintain their level of investment during these two years (known as the flexible lock-in period) at the amount for which they have claimed income tax

benefit or at the value of the portfolio before initiating a sale transaction, whichever is less, for at least 270 days in a year.

- i. In case of any sale during the flexible lock-in period by which the value of the RGESS portfolio goes below the amount for which tax benefits have been claimed, the account would be deemed to be RGESS compliant only from the day on which the value of the RGESS portfolio becomes at least equivalent to the amount for which tax benefits have been claimed or any different value of the RGESS portfolio purely on account of market movements before such sale, whichever is less. Such compliance would be required for each sale transaction carried out by the investor in the flexible lock-in period. However, if the required level is reached on its own through market movements, the investor need not make any additional investments, or make a lower investment to the extent there is a shortfall from the required level. The maximum amount that an investor needs to bring back is what he sold off, if the market movement does not benefit him.
- j. If the account has become compliant once, then it will be deemed to have complied for the rest of the time period until the next sale transaction happens that takes the value of portfolio below the tax claimed amount.
- k. Thus, the investor is allowed to take benefits of the appreciation of his RGESS portfolio.
- l. For the purpose of valuation of shares during the flexible lock-in period, the closing price as on the previous day of the date of trading will be considered so that investors are certain about their debits and credits into the account and their compliance status.
- m. In case the investor fails to meet the conditions stipulated, the tax benefit would be withdrawn.

E. Specific provisions benefitting the small retail investor

- n. To benefit small investors, investments are allowed to be made in installments in the financial year in which tax benefits are desired.
- o. For investments upto Rs.50,000 in the designated RGESS demat account, if the investor opts for the Basic Service Demat Account, annual maintenance charges for the demat account are zero. For investments upto Rs. 2 lakh, it is stipulated at Rs 100 per annum.

Rationale of the Scheme

- (iii) Like other financial products which have been significantly subscribed to by retail investors (post office savings, life insurance policies etc) on account of tax incentives, this tax break for direct investment in equity is expected to encourage retail participation in the securities market and enable their participation in the growth of Indian industry. The Scheme draws inspiration

from such tax incentives allowed in European countries like France, Belgium and Germany which led to significant improvement in retail participation. While incentivization of risk taking is not desirable in general, RGESS makes a limited and reasoned departure in this regard to encourage low / moderate income individuals to consider moderate and balanced equity investments at the margin in a set of relatively less risky investments, with a long term objective of benefitting from the upside returns associated over the long term with equity markets.

Implementation of the Scheme

- (iv) The broad provisions of the Scheme and the income tax benefits under it have already been incorporated as a new Section -80CCG- of the Income Tax Act, 1961, as amended by the Finance Act, 2012. The operational guidelines were issued by the market regulator, Securities and Exchange Board of India (SEBI) on 6 December 2012. Subsequent to this, to make investors aware about the Scheme, dedicated web-pages were created by the implementing institutions – Depositories and Exchanges- and also by SEBI. The awareness campaign on RGESS was inaugurated on 9th February 2013 with the launch of RGESS logo, the FAQs on RGESS, and the RGESS eligible Mutual Fund Schemes. The scheme is being popularized by the implementing institutions through advertisements in media, focused Investor Awareness Programmes, dedicated website /pages etc.

Progress made on RGESS

- (v) The Scheme was notified on 23.11.12 and operational guidelines were issued by SEBI on 6.12.12. As the operationalization could be completed somewhat late in the financial year, the available time period for spreading awareness amongst investors, and for them to invest in RGESS securities, was limited. With the liberalization and extension of the scheme in Budget 2013-14, significantly enhanced interest is expected to be felt in the next financial year.
- (vi) However, in this short period, the amount invested through designated demat accounts for Rajiv Gandhi Equity Savings Scheme (RGESS), as on 8 March 2013, at Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) are Rs. 75.11 lakhs and Rs. 79.87 lakhs respectively”.

9.2 Moreover, in supplementary replies sent to the Committee the Ministry have *inter alia* furnished following details :

In addition, in the Budget 2013-14, RGESS is proposed to be liberalized to enable the first time investor to invest in mutual funds as well as listed shares and she can do so, not in one year alone, but in three successive years. The income limit is proposed to be raised from Rs. 10 Lakh to Rs.12 Lakh.

However, the details of number of accounts & value of such initial investment made by RGESS Beneficiaries as maintained by depositories (NSDL & CDSL) as on 31st March 2013 is given below:-

(Value in Rs. Lakhs)

Sl. No.	Item	CDSL	NSDL	Total
1.	Total Number of RGESS Accounts	10,830	9,982	20,812
2.	Total value of initial investments made by RGESS Beneficiaries (when valued at the actual cost of acquisition)	1,968.34	3,210.28	5,178.62

Source: NSDL and CDSL

X. MANPOWER REQUIREMENTS AND COMPUTERIZATION OF PROCESSES

10.1 On being enquired about the issue of manpower constraints and computerization in light of over-reliance on summary assessments as compared to scrutiny assessments, the Ministry furnished the following reply :

CBDT

“Generally, tax administrations across countries adopt a summary procedure of assessment as a part of risk management strategy in which all tax returns are processed to correct arithmetical mistakes, check internal inconsistency and tax calculation and verify tax payment followed by picking up a small percentage of returns for scrutiny. India follows the same system. Only a small percentage of returns filed annually are scrutinized.

Considering the fact that summary processing of returns also has a vital role in preventing revenue loss it is not possible to dispense with the present system of processing.

However, many categories of taxpayers are compulsorily required to file returns electronically and for processing such returns, Income tax Department has, as a part of massive computerization drive, established a centralized processing cell (CPC) in October, 2009 at Bengaluru to process e-filed returns. Further, CPC-TDS has also been inaugurated in February, 2013 at Ghaziabad to process the e-filed returns which will enable the TDS wing to concentrate on work other than processing.

These steps have made it possible to use the available manpower resources more effectively for making scrutiny assessments & other core activities to tackle tax-evasion, recovery of tax demand etc. However, it is submitted that the Income Tax Department is facing huge manpower constraint since last few years and that the cadre restructuring exercise is also not yet completed in spite of lapse of more than 11 years (since 2001).

Though computerization is an effective tool to rationalize the work load, yet it is clarified that it is incorrect to assume that computerization has resulted in less workload for the Department. Contrary to the belief that computerization reduces the workload, in fact, while enhancing the effectiveness of the Department, computerization has actually increased the workload. This is also because the availability of information through usage of technology throws up more areas of investigation for preventing revenue leakage which leads to higher collections and widening of Tax base”.

10.2 Some of the factors which exemplify the increase in workload due to computerization are as follows :

- The Department is receiving 40 lakh pieces of information involving Rs. 106 Lakh crores (F.Y. 2009 – 10) of suspected unreported income through AIR returns. Out of the same, in nearly 30% of the cases, the transactions reported do not contain valid PAN. The required follow up, even in cases of AIR- High Value Transaction, is not possible for paucity of manpower.
- Analysis reveals that in approx. 1 Lakh cases, companies have not filed Income Tax Returns even though they are live and TDS has been deducted in such cases. Similar analysis reveals that though data is available in the Department that can throw up cases where returns are not being filed though such entities are deriving income during the relevant year, however, consequential appropriate action could not be taken in view of paucity of manpower.
- PAN has been allotted to more than 11 crore entities while Income Tax Returns have been filed by 3.5 crores entities. Moreover, there is a huge gap between numbers of entities to whom the TAN has been allotted vis-à-vis number of deductors filing TDS statements. The Parliamentary Standing Committee for Finance has pointed out such gaps and has advised the Department to take suitable action which is possible only when manpower is available.

“Moreover, out of the total pendency of 5.07 crore pending returns, during the year ended March, 2011, only 7.8 lakh returns were in the category of scrutiny, and disposal for the year was 4.47 lakh, which amounts to less than 1% of the returns. This means that over 99% of the returns filed have been accepted without any scrutiny. The reason for this is that there is simply not enough manpower to take up scrutiny in larger numbers. It is also notable that while the Taxpayer base has increased over the years there is a shortfall in the core areas of investigation by the department, e.g. the department executed 5746 search warrants in the year 1998-99 and this figure has come down to 5260 for the year 2011-12”.

XI. TRACING UNACCOUNTED MONEY

11.1 On concern of the Committee regarding tracing the unaccounted money, the Ministry has made some elaborate submissions in the White Paper on Black Money published in May, 2012 which states as follows :-

Strategies to Strengthen Direct Tax Administration

“As the contribution of direct taxes in revenue collections rises, direct tax administration must be strengthened to ensure that it keeps pace with the rising needs of the growing economy. This factor is also important because direct tax databases are one of the largest databases available in the country and being an accounts-based tax, it has the potential of creating appropriate audit trails that can build strong deterrence against evasion as well as help catch evaders and trace black money kept in various forms both within the country and abroad. There are several measures that are likely to form an inherent part of this strategy and they are discussed in the following paragraphs.

Direct Tax Administration has a major role to play in the process of unearthing black money. The personnel manning the Department need to be properly equipped for discharging this role. Scrutiny assessment of the returns of income is an important tool for detecting money on which payment of any taxes is being evaded. However, it needs to be complemented by the ability of the Tax Administration to prosecute the evaders by collecting appropriate evidence against them. In order to achieve this objective, a lot of capacity building will need to be undertaken as the requirements of criminal investigation are quite different from those of civil scrutiny. The Directorate of Criminal Investigation, if provided the right training, infrastructure, powers, and resources, may become a very effective deterrent against tax evasion and black money.

The Large Taxpayer Units (LTU) handles cases of corporates having presence at several locations. This office plays a crucial role in the tax scrutiny of large taxpayers. One crucial aspect of the functioning of the LTU is coordinated functioning of the Income Tax and the Excise Departments. This enables indepth analysis of the finances of big corporates and helps prevent tax evasion. The LTU may become more effective if the audit cycle of the Income Tax, Service Tax and Excise Departments is aligned. Presently these three agencies are under the umbrella of the LTU. However, they scrutinise different accounting periods at the same time. This reduces the scope of the simultaneous scrutiny and examination of the assessee. Further, there is a need for special training of the officers and staff members to make them aware of issues relating to big corporate houses. The officers need to be

trained in the Enterprise Resource Planning (ERP) software implemented by these large taxpayers. The books of accounts of the big corporate houses are generally maintained under this software which requires special skills for verification and unearthing of tax evasion. With the introduction of the GST, VAT may also come under the umbrella of the LTU making it all the more effective.

The Directorate of International Taxation has played a crucial role in unearthing black money by detecting mispricing in international transactions with associated enterprises. The Directorate has unearthed a number of such transactions in the recent past and has brought them to tax. However, the manpower and the technology available to the Directorate need to be improved.

Under the provisions of the Income Tax Act 1961, there is a requirement for specified entities to report high value transactions through AIRs. The department has received significant information involving suspected unreported income through AIRs. In a large proportion of these cases, the transactions do not contain valid PANs. Analysis reveals that in many cases, companies have not filed income tax returns even though they are live and TDS has been deducted in such cases. Similar analysis reveals that though data is available in the Department that can throw up cases where returns are not being filed though such entities are deriving income during the relevant year, appropriate action is sometimes constrained for want of adequate manpower.

Given the importance of TDS in modern tax administration, there is urgent need to both plug the manpower gaps as well as strengthen systems for TDS monitoring and its integration in terms of data with existing databases. On the lines of the Central Processing Centres (CPCs) which are already functional and gradually dealing with the bulk of processing of returns of income, CPCs are envisaged for TDS too, which will make TDS monitoring far more efficient, thereby also collecting more data and creating greater audit trail of transactions in the economy, which itself is a major deterrent against tax evasion and noncompliance of reporting regulations.

Till date, PAN has been allotted to more than 11 crore entities while income tax returns have been filed by 3.5 crore entities. There is thus a huge gap between the number of entities to whom PAN has been allotted vis-à-vis the number of deductors filing income tax returns. The Parliamentary Standing Committee for Finance has pointed to this gap and advised the Department to take suitable action. Such action again needs adequate manpower as well as persistent action towards ensuring that the provisions of PAN are implemented and accurately complied with.

Similarly, around 3 crore pieces of CIB information are uploaded into the system which contains financial data of taxpayers. The data includes substantial percentage of cases where PAN has not been reported by the taxpayer entities. This data needs to be efficiently processed using computerised systems to create meaningful information and actionable intelligence. These involve further sophistication of underlying systems as well as follow up action, both of which require further manpower with adequate expertise. Providing adequately trained manpower can help improve the efficiency of the Department by leaps and bounds.

The data-mining capacities of the Department need to be strengthened with risk-analysis tools. Due to the voluminous data coming for analysis from different sources, the work cannot be done manually and intelligent software needs to be designed to this end. There is also need for setting up a Directorate of Risk Management”.

Strengthening of Indirect Tax Administration

“Indirect Tax Administration has undergone major reforms during the last two decades. Most of these pertain to rationalization of custom duties on international trade and they have indirectly contributed to the economic growth in recent times. Another important development in the field of indirect taxation is the introduction of service tax, which is now contributing significantly to the central government's revenue collections. Liberalization of international trade and dilution of tariff barriers have significantly reduced the incentives for black money generation, but not completely removed them. Future strategies must address this aspect and counter it by strengthening of tax administration and creation of effective deterrence against evasion of indirect taxes.

One of the main thrust in indirect tax administration can be the collection of more data and creation of greater data-processing capacity that can then be integrated with other data and help multiply the system's sensitivity in flagging potential evaders and initiating action against them.

As an example, for curtailing TBML, there should be institutional arrangement for examining cases of mismatch between export and corresponding import data, as done by the Data Analysis and Research for Trade Transparency System (DARTTS) of US Customs. Indian Customs can consider setting up a Trade Transparency Unit (TTU) along these lines for which appropriate legal framework may be introduced. Existing Customs Cooperation Agreements mostly provide for mutual administrative assistance in individual cases under investigation. These agreements should have institutional arrangement for exchange of Harmonised System of Nomenclature (HSN) chapter-wise data of export and import. Similar arrangements can be made for Preferential Trade Agreements (PTA) and Free Trade Agreements (FTA)”.

11.2 Moreover, in the replies furnished to the Committee, the Ministry has also submitted the following reply :-

“It is submitted, that there is no direct correlation between net assets held by a person and the income /wealth disclosed in Income tax Return/ Wealth Tax Return. This is particularly in light of the fact that computation of income is made in accordance with the provisions of the Income tax Act after deducting admissible exemptions and deductions. Likewise, computation of net wealth is made as per the provisions of the Wealth Tax Act, 1957 wherein financial assets like shares, bonds, debenture, bank deposits etc are not included and assets like land, building, motor car, jewellery, cash etc. are subject to certain exemptions provided therein”.

XII. PROVISIONS IN FINANCE BILL MAKING CERTAIN OFFENCES RELATING TO CUSTOMS AND EXCISE DUTY NON-BAILABLE

12.1 In a representation addressed to the Committee, the following aspects relating to customs and excise administration included in the Finance Bill, 2013 have been brought out as follows :

“Government has inserted at least half-a-dozen provisions in the Finance Bill to make certain offences related to customs and excise duty non-bailable, while providing for arrest for violation of these provisions. In case of the Central Excise Act, the Finance Bill has proposed to amend the law to make duty evasion or improper availment of Cenvat credit of over Rs. 50 lakh cognizable offence and also non-bailable. Duty evasion or even “attempted evasion” of over Rs. 50 lakh has now been made non-bailable. Similarly, failure to properly disclose import or export of goods worth over Rs. 1 crore will face the same treatment as will fraudulently claiming drawback or exemptions.

For the industry, the bigger fear is misuse of the provisions by junior officers. The government will have to ensure that the powers are not used to harass taxpayers. But in general, it goes against the intent of ushering in a non-adversarial tax regime. Over the years, when it came to economic offences the government had started shifting to a simple regime but over the last two years the trend seems to be changing.

Interestingly, the powers for prosecution had been removed from the statute several years ago and are now being brought back. The proposed amendment specifies that bail can only be obtained after the public prosecutor gets an opportunity to oppose the application for release in such a case.

The government had revoked the stringent bail provisions against terrorists who are accused under TADA or POTA on the ground that these provisions were onerous. The same provisions have now been introduced in relation to offences under the Customs and Central Excise Act. The Business community as a whole feel that this is a retrograde step and would result into harassing unsuspected businessmen”.

PART-II

RECOMMENDATIONS / OBSERVATIONS

UNDER-BUDGETING OF SOME LEVIES

1. From the figures of revenue receipts, it is noticed that the Budget Estimates (BE) of Union Excise Duties and Customs for 2013-14 have been fixed at Rs. 1,97,554 crore and Rs. 1,87,308 crore respectively, which are only marginally higher (less than about 1%) than the correspondingly BEs for 2012-13. Similarly, the BE projection for Wealth Tax in 2013-14 is only Rs. 950 crore, which is a significant decline from the previous BE of Rs. 1,244 crore. The Committee are of the view that the estimates in respect of union excise duties, customs and wealth tax for 2013-14 are under-budgeted without ostensible reasons. The Committee would therefore like the Ministry to re-work these estimates objectively reflecting the actual revenue and mobilization potential of these levies.

BROADENING TAX BASE

2. The Ministry of Finance (Department of revenue) have stated that in the last 10 years the tax collection in respect of Direct Taxes has increased by more than 700%, while the number of tax-payers has grown by only about 35%. In this regard, while giving slab-wise information, the Department have informed that income slab upto Rs. 5 lakh comprises of 98.38% of total assesses, while above 20 lakh slab comprises of a meager 0.38% of total assesses. In this connection, while furnishing information with respect to the Direct Taxes Code Bill, 2010, the Department had intimated that the

percentage of taxes collected in the 0-5 lakh slab was only 10.1% for the year 2011-12 while the percentage of tax collected in the above 20 lakh slab was 63% for the corresponding year. Similarly, with regard to Corporate Taxes, the Committee note on the basis of facts furnished in the course of examination of Direct Taxes Code Bill, 2010 that for the Financial Year 2008-09, there were 4,63, 507 number of tax-payers in 0-100 crore slab, whereas above Rs. 500 crore slab, it was a mere 186 tax-payers. This situation presented before the Committee clearly suggest that income tax base in revenue terms is rather narrow which has adversely affected tax buoyancy. The Committee also find that Permanent Account Number (PAN) has been allotted to more than 11 crore entities, while income tax returns have been filed by only 3.5 crore entities. Further, a huge gap has also been noticed between number of entities to whom Tax Deduction and Collection Account Number (TAN) has been allotted vis-à-vis number of deductors filing TDS submissions. The Committee therefore desire that strenuous efforts should be made by the Department both in terms of policy as well as enforcement action in widening the tax base, which obviously is not commensurate with the growth in income and wealth witnessed over the years.

PRESUMPTIVE TAX

3. In the context of tax base, the Committee find that presently there are provisions in the Income Tax Act for levying Presumptive Tax, wherein the concept of 'Presumptive Tax' has been introduced to bring a number of business and service providers, irrespective of their area of operations, earning substantial income. The Committee however, observe that the

existing provisions have not been yielding the potential quantum of tax and would therefore recommend that the present presumptive tax regime be reviewed so that substantial tax is generated through this source, as there is evidently a large number of individuals in businesses, trades, services and professions which are still outside the tax net.

WIDENING AMBIT OF TDS / TCS

4. With regard to the widening ambit of tax deducted at source (TDS) / tax collection at source (TCS), the Department have submitted that it is an effective and efficient tool for collection of direct taxes, as it leaves behind an audit trail, acting as deterrence to tax evasion and resulting in early collection of tax as soon as any transaction takes place. They have also stated that expanding the coverage of TDS / TCS is always prudent and tax yielding. The Committee also learnt during their discussions with field officials in the course of their study visits that more than 90% of tax revenue in many zones accrues by way of TDS and Advance Tax without any intervention by the Department. The Committee are thus inclined to recommend that TDS / TCS coverage should be further expanded so as to cover more and more transactions which involved large amount of cash but remained outside tax net. The Committee also believe that TDS / TCS method is not only efficient and revenue buoyant but also non-intrusive in nature, which will minimize discretion and foster better tax compliance.

PROGRESSIVE TAX POLICIES

5. With a view to making the tax base broader as also progressive in nature, the Committee had sought information from the Department on the number of new assesses added each year and percentage of tax collected from them slab-wise for the last 5 years. The Committee have been informed that in the year 2008-09, 17,84,709 new assesses were added, while only 7,21,709 new assesses were added in 2011-12. They have not been able to furnish figures for 2012-13. The Department have also not been able to provide slab-wise information on new assesses. Based on this information as also the information on the number of tax-payers and tax collected slab-wise both for individuals and corporate made available in the context of the examination of Direct Taxes Code Bill, 2010, the Committee cannot but conclude that tax policies presently being pursued are seemingly not as progressive as they ought to be. The Committee would thus like to be apprised of the extent of new assesses added to the tax base each year slab-wise within a period of one month. The Committee would also like to urge the Department to widen the tax base in a genuine manner by adding new assesses to the base at the higher income slabs rather than plateauing it off by way of accretions at the lower income slabs, which will only increase the number of returns without commensurate revenue. The Committee also desire that slab-wise, category-wise data of tax collections should also be maintained so that appropriate policy responses can be formulated.

GREEN TAX

6. In the context of mobilising more revenue and widening the tax base, the Committee also enquired about the feasibility of a Green Tax. The Ministry have stated in their reply that in Budget 2013-14, excise duty of Sports Utility Vehicles (SUVs) including utility vehicles has been increased from 27% to 30% and that practically, all of the SUVs are diesel run vehicles. While noting the budgetary proposal towards levy of what could be termed as a 'Green Tax', the Committee would recommend that in a populous country with scarce resources, it is necessary that such progressive and innovative levies may be imposed not only with a view to mobilizing revenue but also to foster environmentally sustainable policies. The Committee would like the Ministry to explore more such avenues of revenue mobilization which would also be socially desirable.

REVENUE FOREGONE

7. On the question of Revenue Foregone, the Committee found that during the year 2009-10, revenue foregone in Direct Taxes for corporates was to the tune of Rs. 72,881 crore while it was Rs. 40,297 crore for individuals. The corresponding figures for the years 2010-11 and 2011-12 were Rs. 83,328 crore (corporate), Rs. 30,653 crore (individuals) and Rs. 81,214.3 crore (corporate) and Rs. 32,230 crore (individuals) respectively. In the year 2012-13, revenue foregone (Direct Taxes) for corporate was Rs. 67,995 crore and for individuals it was to the tune of Rs. 45,480 crore. In Indirect Taxes, the total revenue foregone in 2011-12 was about Rs. 4,32,442 crore, which increased to Rs. 4,60,155 crore in 2012-13. The Committee desire that a comprehensive review

of exemptions resulting in revenue foregone of Rs. 500 crore or more in last 10 years be made and a report submitted to the Committee within one month, explaining how it has served an economic or social purpose. In this connection, the Committee also reiterate their observation made in their Report on the Direct Taxes Code Bill, 2010 (Para 93, Page 51) that “the general principle of exemptions should be that all incomes and profits are to be taxed; exemptions, if any, should be treated as a dynamic variable, while ensuring that each exemption serves an economic purpose”.

ACTION PLAN FOR TAX ARREARS

8. As regards tax arrears, both direct and indirect taxes, the Committee find that the situation is becoming grimmer by the day, as they find that in direct taxes the arrear demand increased in 2012-13 to Rs. 4,82,027 crore from Rs. 3,33,079 crore in 2011-12 and Rs. 2,48,927 crore in 2010-11; while in indirect taxes it has steeply increased to Rs. 1,03,975 crore in 2012-13 from Rs. 33,791 crore in 2008-09; with service tax arrears registering a tenfold increase in 2012-13. The Ministry in their reply have only stated in a routine and general manner that wherever specific amounts of arrears have been locked up in cases pending before Courts / Appellate fora, early hearing petitions are filed and efforts are made to get stay orders vacated, and that dedicated teams of officers have been created in the field formations for expeditious recovery. The Committee, however, do not find any solace in such generalized submissions, as the steadily mounting arrears in both direct and indirect taxes have assumed alarming proportions. The Committee would therefore recommend urgent, time-bound and concrete action plan to clear the backlog

and realize the revenue dues. This will go a long way in helping the Government to bridge the fiscal deficit. The Committee desire that a status report in the matter be submitted within 3 months of the presentation of the Report to the Committee.

ASSETS NOT AVAILABLE FOR RECOVERY

9. In the context of revenue arrears, the Committee find that there are large number of cases involving tax revenue to the tune of Rs. 1,94,073 crore, wherein no assets are available for recovery and an amount of Rs. 3,657 crore where the assessees are not at all traceable. In CBEC, the corresponding amount involving non-recoverable cases have revenue involvement of about Rs. 4,770 crore. While expressing their concern on such state of affairs in regard to recovery of revenue dues, the Committee would like the Department to enquire into the reasons as to how these cases involving such huge amount of dues from assesses became un-recoverable in the first place. The Committee may be apprised of the action taken in the matter.

ROLE OF SETTLEMENT COMMISSIONS

10. On the question of revenue disputes, the Committee find that Settlement Commissions have been constituted for both direct and indirect taxes. However, the Committee find from the information made available that number of cases and income / duty settled by the Settlement Commissions have been rather insignificant as only 1,222 cases could be settled in 2012-13, which may be non-commensurate with the absolute amount involved in the disputes. The Committee would therefore suggest that the Department of Revenue should

review the functioning of both the Settlement Commissions, while bringing necessary changes in the rules and procedures, so that they are able to play a more substantial and meaningful role in settlement of revenue disputes.

OUTCOME OF APPEALS

11. The Committee also are surprised to note that majority of the appeals / cases filed by the Department have been not allowed / rejected at Appellate fora / Courts. In this connection, the Committee find that as high as 62% of the departmental appeals were decided against the Department in High Courts during the year 2011-12 and 60% of the cases were similarly decided in the Supreme Court during the year 2010-11. As compared to this, in respect of appeals filed by assesses and which were decided in favour of Department, the percentage is much lower. At the ITAT level, only 19% of the cases filed by the Department were decided in their favour during the year 2011-12. The Committee thus cannot but conclude that most of the departmental appeals are not yielding much revenue to the Department; rather they are only leading to avoidable litigation and legal expenses. This also seems to suggest that the original assessment / orders made by the departmental authorities may have been rather high pitched and devoid of merit. The Committee would, therefore, suggest that the Department of Revenue should enquire into the whole issue of large number of departmental appeals failing at higher level, so that assessments / adjudications are made in a judicious manner.

COMBATING BLACK MONEY

12. The Committee have been informed that the Government have constituted an Economic Intelligence Council (EIC) at the Centre and Regional

Committee at different locations as an apex forum of intelligence, enforcement and regulatory agencies. The Ministry of Finance have also presented to Parliament a White Paper on Unaccounted or Black money in May, 2012, wherein strategies to combat black money have been spelt out. However, the Committee are surprised to note that the Ministry in a separate reply have stated that “there is no direct co-relation between net assets held by a person and the income /wealth disclosed in Income Tax Return / Wealth Tax Return in the light of the fact that computation of income is made in accordance with the provisions of the Income Tax Act after deducting admissible exemptions and deductions”. The Committee believe that unaccounted / black money is a menace for the economy and the society at the large and thus appropriate policy measures and deterrent enforcement is called for to not only bring to book unaccounted money but also prevent its generation in the first instance. Tax policies and tax administration will thus have to be accordingly geared up and re-oriented towards focussed action in this direction. The Committee find that action / investigation on the names reported by HSBC on unaccounted money stashed abroad has still not been concluded. The Committee, therefore, desire that expeditious action be taken to finalise the investigation in this matter and a report submitted to the Committee within one month on the outcome thereof. In this context, the Committee also recommend that economic intelligence should be better developed and bipartite agreements concluded with regard to plugging generation of unaccounted money through tax havens.

EFFICACY OF RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

13. The Rajiv Gandhi Equity Savings Scheme was notified on 23rd November, 2012 as the new tax saving scheme which would give tax benefits on their investments to new investors whose annual income is less than or equal to Rs. 10 lakh (Budget 2013-14 has proposed Rs. 12 lakh), upto a maximum investment of Rs. 50,000, allowing a deduction of 50% of the amount invested from the annual income for that year. The Committee understand that this Scheme is expected to encourage the flow of savings and improve the depth of domestic capital markets. However, the Committee find that this scheme has not found much favour with investors, as the amount invested through this scheme, as on 31st March, 2013 was only Rs. 1,968.34 lakhs involving 10,830 accounts [Central Depository Services (India) Ltd.] and Rs. 3,210.28 lakhs involving 9,982 accounts (National Securities Depository Ltd.) respectively. The Committee would thus like the Ministry to review the scheme in its practical utility and accordingly formulate alternative proposals to encourage savings through measures such as raising the exemption limit of Rs. 1 lakh under Section 80 C of the Income Tax Act; as the existing limit in a narrow band subsumes several exemptions under a single umbrella and has proved to be inadequate from the perspective of boosting domestic household savings. In this context, it would also be pertinent to suggest that the TDS limit on Term Deposits with banks may be enhanced to make them an attractive instrument, as a declining trend has been noticed in recent years in these deposits.

13A. On the proposal with regard to Securities Transaction Tax (STT) and Commodities Transaction Tax (CTT), the Committee while reiterating their recommendation made in the 'Direct Taxes Code Bill' Report for phasing out STT, desire that the Ministry may conduct a study on the impact of CTT, especially on food inflation, over a period of one year and the Committee be apprised accordingly.

MANPOWER REQUIREMENTS

14. According to the Department, inspite of extensive computerization, there is still a need for additional manpower. They have submitted in this regard that while enhancing the effectiveness of the Department, computerization has actually increased the workload, as the availability of information through usage of technology throws up more areas of investigation for preventing revenue leakage. The Committee are however of the view that while the existing shortages in field manpower at cutting edge levels in the Department of Revenue (CBDT and CBEC) should be made up forthwith; there is also a need to rationalize and re-deploy manpower according to changing priorities and technological requirements. Out-dated organizational arrangements and staffing patterns should therefore be replaced by more dynamic structures and systems. In the meantime, the Committee would like the Department to expedite the Cadre-restructuring / review proposals of both CBDT and CBEC, particularly with a view to ensuring that field formations are well-staffed and better-equipped to discharge their responsibilities.

SEARCH AND SEIZURE OPERATIONS

15. While justifying the need for search and seizure operations, the Department of Revenue have stated that these operations are essential not only for reinforcing the tax-base and collections, but also for gathering critical evidences. According to the Department, in the present circumstances, non-intrusive methods like TDS / TCS and intrusive methods like search, survey etc. supplement each other to enhance the efficiency of tax administration, detect tax evasion and boost tax collections. However, during the course of discussions with field officials in their study visits, the Committee were informed that it was not possible to correlate the actual tax yield with the estimates made at the time of searches etc. Further, the Department have stated in their reply that the data pertaining to revenue realised / collected out of search & seizure or survey operations is not maintained. The Committee would therefore like the Department to conduct an objective evaluation with a view to ascertaining the actual revenue yield or outcomes of these intrusive methods of tax collection and as to whether the tax estimates made originally at the time of booking a case could be high-pitched or simply zealous.

PREVENTION OF HARASSMENT

16. It has been brought to the notice of the Committee that certain provisions in the Finance Bill with regard to duty evasion or improper availment of cenvat credit of over Rs. 50 lakh have been made cognizable and non-bailable offence. Similarly, failure to properly disclose import or export of goods worth over Rs. 1 crore will face the same consequences. Apprehensions have been expressed in this regard that these stringent

provisions may be misused in a manner which would militate against the spirit of ushering in a non-adversarial tax regime. In order to ensure that this provision does not result in harassment of tax payers/assessees, the Committee suggest that each proposal of such arrest etc. should be scrupulously looked into prior to such arrest at the level of Chief Commissioner.

New Delhi;
16 April, 2013
26 Chaitra, 1935 (Saka)

YASHWANT SINHA,
Chairman,
Standing Committee on Finance

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

The Committee sat on Tuesday, the 2nd April, 2013 from 1130 hrs to 1450 hrs.

PRESENT

Shri Yashwant Sinha – **Chairman**

MEMBERS

LOK SABHA

2. Dr. Baliram
3. Shri Nishikant Dubey
4. Shri Gurudas Dasgupta
5. Shri Deepender Singh Hooda
6. Shri Chandrakant Khaire
7. Shri Bhartruhari Mahtab
8. Shri Sanjay Brijkishorlal Nirupam
9. Shri S.S. Ramasubbu
10. Dr. Kavuru Sambasiva Rao
11. Shri Adv. A. Sampath
12. Shri Thakur Anurag Singh
13. Dr. M. Thambidurai
14. Shri Shivkumar Udasi

RAJYA SABHA

15. Shri Naresh Agrawal
16. Smt. Renuka Chowdhury
17. Shri Satish Chandra Misra
18. Dr. Mahendra Prasad
19. Shri Ravi Shankar Prasad
20. Shri P. Rajeeve
21. Shri Praveen Rashtrapal

SECRETARIAT

- | | | |
|---------------------------------|---|---------------------|
| 1. Shri A.K. Singh | – | Joint Secretary |
| 2. Shri Ramkumar Suryanarayanan | – | Additional Director |
| 3. Shri Sanjay Sethi | – | Deputy Secretary |
| 4. Shri Kulmohan Singh Arora | – | Under Secretary |

Part I

(1130 hrs. to 1340 hrs.)

WITNESSES

Ministry of Finance (Department of Revenue)

1. Shri Sumit Bose, Secretary
2. Ms. Rashmi Verma, Addl. Secretary
3. Shri M.L. Meena, Joint Secretary

Central Board of Excise and Customs (CBEC)

4. Ms. Praveen Mahajan, Chairperson (EC)
5. Ms. Sheila Sangwan, Member (Budget)
6. Ms. J.M. Shanti Sundharam, Member (CX)
7. Ms. Sandhya Baliga, Member (L&J)
8. Ms. Shobha L. Chary, Member (P&V)
9. Ms. L.M. Roy Choudhury, Member (ST)
10. Shri Arun Sahu, DG (Systems)
11. Ms. Neerja Shah, DG (HRD)
12. Shri P.K. Mohanty, Joint Secretary (TRU-I)
13. Shri V.K. Garg, Joint Secretary (TRU-II)
14. Shri Sandeep M. Bhatnagar, Joint Secretary (Cus.)
15. Shri Arun Goel, Joint Secretary (Admn.)

Central Board of Direct Taxes (CBDT)

16. Dr. Poonam Kishore Saxena, Chairperson
17. Dr. Sudha Sharma, Member (L&C)
18. Shri K.V. Chaudhary, Member (Inv.)
19. Ms. Deepa Krishan, Member (R)
20. Shri R.K. Tewari, Member (IT)
21. Ms. Anita Kapur, Member (A&J)
22. Ms. Rani Singh Nair, DG (System)
23. Shri U.K. Shukla, DG (Admn.)
24. Ms. Archana Ranjan, DG (HRD)
25. Ms. Pragya Sahay Saxena, Joint Secretary (TPL-I)
26. Shri Sunil Gupta, Joint Secretary (TPL-II)
27. Shri Nitin Gupta, CIT (IT&CT)
28. Shri Ramesh Kumar Yadav, CIT (Inv.)

Integrated Financial Unit (IFU)

29. Shri H. Pradeep Rao, Joint Secretary and Financial Adviser

2. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) in connection with the examination of Demands for Grants (2013-14). The major issues discussed during the sitting broadly related to shortage of manpower in Income Tax department and urgent need to fill up vacancies; optimum use of Information Technology by officials; need to improve tax refund process, proper scrutiny of returns, steps taken to check black money and tax evasion; variation in Budget Estimates and Revised Estimates; plans to expand tax base and augment revenue,

proportion of PAN card holders vis-à-vis tax payers; reasons for rejection of high percentage of Departmental appeals by Courts; justification for revenue foregone; effect of import of gold on widening CAD; need to place system in place to catch people having lavish lifestyle/spending lavishly on ceremonies etc. The Chairman directed the representatives of Ministry of Finance (Department of Revenue) to furnish written replies to the points raised by the Members during the discussion within a week.

The witnesses then withdrew.

Part II
(1340 hrs. to 1450 hrs.)
WITNESSES

3.	XX	XX	XX	XX
	XX	XX	XX	XX

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned.

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

The Committee sat on Tuesday, the 16th April, 2013 from 1500 hrs to 1705 hrs.

PRESENT

Shri Yashwant Sinha – **Chairman**

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Shri Gurudas Dasgupta
4. Shri Chandrakant Khaire
5. Shri Bhartruhari Mahtab
6. Dr. Chinta Mohan
7. Dr. Kavuru Sambasiva Rao
8. Shri Adv. A. Sampath
9. Dr. M. Thambidurai

RAJYA SABHA

10. Shri Naresh Agrawal
11. Smt. Renuka Chowdhury
12. Shri Piyush Goyal
13. Shri Satish Chandra Misra
14. Dr. Mahendra Prasad
15. Shri P. Rajeeve
16. Shri Praveen Rashtrapal

SECRETARIAT

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

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

- (i) Draft Report on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2013-14) of the Ministry of Finance (Department of Revenue);

- (iii) Draft Report on Demands for Grants (2013-14) of the Ministry of Planning;
- (iv) Draft Report on Demands for Grants (2013-14) of the Ministry of Statistics and Programme Implementation; and
- (v) Draft Report on Demands for Grants (2013-14) of the Ministry of Corporate Affairs.

3. The Committee adopted the draft reports at Sl. Nos. (i), (ii), (iii) and (v) with minor modifications and at Sl. No. (iv) without modification. 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.