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STANDING COMMITTEE ON FINANCE
(2002)

(THIRTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS (2002-2003)

सत्यमेव जयते

TWENTY EIGHTH REPORT

Presented to Lok Sabha on 23 April, 2002
Laid in Rajya Sabha on 24 April, 2002

LOK SABHA SECRETARIAT
NEW DELHI

April, 2002/ Chaitra, 1924 (Saka)

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INTRODUCTION

I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Twenty Eighth Report on Demands for Grants (2002-2003) of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants of the Ministry of Finance were laid on the Table of the House on 20 March, 2002. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under its jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) at their sitting held on 02 April, 2002 in connection with examination of the Demands for Grants.

4. The Committee considered and adopted the Report at their sitting held on 17 April, 2002.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance (Department of Revenue) for co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

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

NEW DELHI;
19 April, 2002
29 Chaitra, 1924(SAKA)

(N. JANARDHANA REDDY)
Chairman,
STANDING COMMITTEE ON FINANCE

REPORT

Demand No. 36
Deptt. of Revenue

1. Short fall in Revenue Collections

The Data pertaining to the Budget Estimates, Revised Estimates, Actuals and the shortfall of actuals over the BE and REs of Direct taxes and Indirect taxes are detailed below in the following tables :

Total Direct Taxes

(Rs. in crores)

Year	B.E.	R.E.	Actuals Collections	Shortfall over BE	Shortfall over RE
1996-97	38693	39853	38513	(-) 180	(-) 1340
1997-98	45360	40860	38322	(-) 7038	(-) 2538
1998-99	48400	49400	46033	(-) 2367	(-) 3367
1999-00	58760	57599	57559	(-)1201	(-) 40
2000-01	71630	73992	67490	(-) 4140	(-) 6502
2001-02	84800	73497	49420		
(Actuals are upto Feb.)					

Total Indirect Taxes

(Rs. in crore)

Year	B.E.	R.E.	Actuals Collections	Shortfall over BE	Shortfall over RE
1996-97	92048	91022	88867	(-) 3181	(-)2155
1997-98	106615	89964	89960	(-) 16655	(-) 4
1998-99	107440	97523	95689	(-) 11751	(-) 1834
1999-00	116234	110531	112209	(-) 4025	(+) 1678
2000-01	1266739	122380	118865	(-) 7874	(-) 3515
2001-02	139870	120992	101770		
(Actuals are upto Feb.)					

2. The Deptt. in its written note, while elaborating the reasons for shortfall in revenue collections for 2001-2002 has stated as under :

"Direct Taxes

> The Total Budget Estimate of Corporation tax and Income tax for the financial year 2001-2002 is Rs. 84800 crore. The Revised estimate has been fixed at Rs. 73497 crore due to lesser actual

collections. The Revised estimate is 13.33% less than the Budget Estimate. The shortfall of net collection is due to higher amount of refunds than those in the previous year and low collection due to recession in the economy and subsequent terrorist attack on World Trade Centre in USA, slow growth of GDP, all time low rate of inflation, ban on LTC to the employees and the repercussions of the Gujarat earthquake. It has badly hit the capital investment industry, the hotel industry, the tourism, the tourism industry and the air-lines industry and other sections of the economy.

Indirect Taxes

As regards customs and excise duties, while the B.E. for 2001-2002 was estimated at Rs. 136542 crore, the R.E. has been revised downwards to Rs. 117690 crore, i.e., a decline of 13.8% with the approval of the Finance Minister.

The main reasons for shortfall in indirect tax collection is attributable to the economic and industrial slow down which has lead to sluggishness in imports and industrial production. As against an assumed industrial growth of 6.5%, the actual growth during April – December 2001 has been only 2.3%. Further, the inflation rate also registered its lowest growth of about 1.3% (upto week ending 19 January, 2002) and inflation rate (manufactured products) registered a growth of 0.1% (upto week ending 19 January 2002) which adversely affected the buoyancy in indirect tax revenue."

3. Reacting to the issue of shortfalls in revenue collections (Commissionerate-wise) the Chairman CBEC has deposed as under :

"We have been reviewing the performance of every Commissioner with regard to the realisation of revenue. When the target is fixed, then on the basis of each Commissioner's performance during that particular year, we are distributing targets to them. What happens is that very often we have not been able to realise that kind of target from those concerned areas. In customs, particularly, what we have noticed in Mumbai during the last several years is this. First of all Mumbai Customs was falling because in Nava Sheva, a customs house has come. The traffic has been diverted to Nava Sheva. The Mumbai Customs that used to be the most important Commissionerate from the point of view of Customs and Central Excise, from there the traffic shifted to Nava Sheva. The revenue growth in Nava Sheva went up. There have been large scale ICDs that have come in the hinterland with that. Because of this, even from Nava Sheva, now the containers are going to all parts of the country. They are coming to Delhi, and other places. So, the traffic has moved from one place to another. So,

on the basis of Commissionerate, we are fixing the target, we are fixing the performance during a particular year. What will happen if the traffic shifts to different area? Therefore, our monitoring on annual basis is there. When we monitor the performance of that particular Commissionerate, next year again, we take into consideration how much he has achieved in Central Excise. Now industries from Mumbai have been shifted to different areas. That is why Aurangabad was giving good results. So for the last few years Mumbai Customs has not been able to achieve the desired target. But there has been corresponding growth in different areas. When we come to Delhi or Lucknow, there was not very much here from the customs point of view. For the last few years, suddenly they have become important because the traffic is shifting. When we are reviewing the performance, we go on an All India basis.
Take for example Delhi. Last year and before last, there was an order that all the industries will shift from Delhi. So, there was a development in Haryana, and Chandigarh. But the Delhi revenue fell. So, actually, we are not able to maintain the same position for each Commissionerate. It keeps on changing."

4. Answering to a query whether the Govt. have evolved any mechanism to identify the assessing officers who have been repeatedly resorting to under assessment (commissionerate-wise), the Deptt. has stated as under :-

"Direct Taxes

The Government has not devised any mechanism to identify the assessing officers who are repeatedly resorting to under assessment. No instance has come to light where a particular assessing officer has been repeatedly under assessing the income.

However, Internal Audits are conducted regularly to ascertain that income is correctly assessed to tax. Revenue Audit of assessment orders is also carried out by C&AG. If any short fall in tax assessment is found after such Audits then, remedial action is taken as per the provisions of law to recoup the loss of revenue.

Customs Duty

This para appears to pertain to cases of direct tax assessment as assessing officers are assigned the responsibility of assessing fixed assessees in the Income Tax Department. On the Customs side, assessment is done by appraising officers, and it involves checking the correct classification of goods and value of the goods. Classification and application of exemption notifications are scrutinised by the Concurrent Audit after the documents have been assessed by the assessing officers. The System, thus, provides for double check. On the Valuation front, the high value Bills of Entry i.e., value exceeding Rs. 1 lakh are checked by the Assistant Commissioners/Deputy Commissioners after they have been passed by the Appraising Officers. Further, a series of measures have been undertaken to check under valuation of imported goods, some of the important ones are as under:

1. The Directorate of Valuation has been set up which carries out inter-alia study about valuation trends of sensitive items.
2. Special Valuation Branches in the Customs Houses have been activated.
3. Alerts, circulars and instructions are issued from time to time to maintain vigil against under valuation.
4. Tariff values have been fixed in respect of some commodities considered sensitive from valuation angle.
5. Customs Valuation (Determination of Price of Imported Goods) Rules, 1988 have been amended to strengthen the Department's hands considerably in questioning under invoicing and enable greater recourse being taken to the provisions of Rule 10(A) for rejecting transaction values in doubtful cases.
6. An electronic valuation data-base called the National Import Data Base has been developed."

5. Responding to a query whether the Govt. have identified any Commissionerate (direct & indirect taxes) that has repeatedly fallen short of its target of revenue collections since 1996-97 onwards the Deptt. in its written notes submitted to the Committee has stated that :

"Actual collection of revenue vis-à-vis the estimates/targets depends upon various factors, which include industrial growth, volume of imports, inflation rate and fluctuation in the prices of commodities. It is not always feasible to identify any specific reason for shortfall in the collection of revenue vis-à-vis targets. The estimates are based upon certain parameters which, if not achieved in the economy, may result in not achieving the estimates. The Ministry of Finance continuously monitors the revenue collection in respect of different Commissionerates on a periodical basis. The revenue collection is also monitored closely by the Chief Commissioners and the Commissioners. The reasons for shortfall in revenue collection vis-à-vis the targets are analysed and necessary action taken to make good the shortfall if the same is within the administrative control of the departmental officers. It has not been found feasible to identify any particular Commissionerate which has shown negligence in monitoring of revenue collection or defaulted in taking steps that were necessary to augment the collection of revenue. It has also been not found feasible to fix responsibility on any particular officer for the shortfall in revenue collection."

6. While perusing the revenue targets fixed since 1996-97 Commissionerate wise, the Committee found that the Customs Commissionerates of Mumbai, Aurangabad, Ahmedabad – I, Surat-II, Vishakhapatnam, Calcutta, Chennai Zone and the excise Commissionerates of Mumbai have not been able to achieve the yearly targets since 1997-98 onwards (Statements showing the said data are given at Annexure –I).

7. The Department while responding to a query on the restructuring of Income Tax Department during the examination of Demands for Grants (2001-2002) has inter alia stated as under:

> "….. Consequent to restructuring, Income Tax Department will be well placed to deal with key areas of non-compliance and therefore there will be estimated increase of Rs. 2800 crores in revenues due to enhanced ability to deal with stop filers, Rs. 6000 crores due to disposal of pending assessment, Rs. 7500 crores due to expeditious disposal of appeals. In the long run, the revenue gain is expected to show up through increase in tax buoyancy.
> Subsequent to the restructuring exercise, the number of personnel in the Income tax department shall be reduced by 2752."

8. When further asked regarding the additional revenue that has been mobilised with the implementation of the said restructuring, the department in its written note has submitted as under :-

> "The restructuring process is not complete fully and the impact on the collection will be realisable in the coming Budgets. The shortfall of collection during the current financial year is due to the existing general recession and the terrorist attack on World Trade Centre in USA, slow growth of GDP, all time low rate of inflation and repercussions of Gujarat earthquake badly hit the Indian industries especially hotel industry, tourism industry, capital investment industry and airlines industries. The shortfall has not been assessed so far and it will be assessed after the closing of the financial year. The collection of the respective area is one of the important criteria for evaluation of the performance of an Officer. However, poor performance in the area of collection in itself does not attract disciplinary proceedings until some instance of omission or commission comes to notice.

The detailed break up of the number of officers (rank and category-wise) enhanced/reduced as a result of restructuring plan is at Annexure II.

The plan for restructuring of Customs and Central Excise Department has been approved by the Cabinet. The rank/category wise enhancement/reduction in the number of officers and staff is indicated below : -

Group 'A'	-	(+) 0700
Group 'B'	-	(+) 5486
Group 'C'	-	(-) 7785
Group 'D'	-	(-) 2001

The rationale behind the increase/decrease is to provide effective supervisory control, introduction of Information Technology in Customs clearance of cargo, re-orienting and re-training the staff to increase their existing level of productivity and providing appropriate incentive in terms of promotion, upgradations.

After approval of the Cabinet, steps have been initiated for implementation of the cadre-restructuring plan. Since restructuring plan has not yet been implemented, targets have not been fixed in the context of restructuring, and therefore, furnishing of figures of revenue collected and reasons for shortfall, if any, against the targeted figures, does not arise at this stage."

ANNEXURE I

COMMISSIONERATE-WISE TARGET AND ACTUAL REVENUE REALISATION

POSITION OF CUSTOMS DURING 1997-1998 TO *2000-2001*

51.No.	Name of the Commissionerate	1997-98				1998-99			
		Target	Actual	Excess 1 shortfall (4)-(3)	%Excess/shortfall *(5)1* (3)100	Target	Actual	Excess 1 shortfall (6H7)	%Excessl shortfall *(9)/(7)100* - 10 .
I. Mumbai Customs									
1.	Mumbai	12796.90	9078.67	- 3898.23	-30.4%	10858	9077.45	-1780.55	-16.40%
2.	Sahar Air Port	392.53	371.61	-20.92	-533%	434	105.18	-328.82	-75.76%
3.	Sahar Air Cargo	3211.42	2676.29	-535.13	-16.66%	3124	2922.05	- 201.95	-6.46%
4.	J.N. Port	2979.52	2445.82	-533.70	-17.91%	3007	2815.68	-19132	-6.36%
	Total	19560.37	14572.39	-4987.98	-25.50%	17423	1492036	- 2502.64	-14.36%
II. Mumbai C. Exc. Zone									
5.	Mumbai-II	38.21	37.09	-1.12	-2.93%	27	15.73	-11.27	-41.74%
6.	Mumbai-ill	32.76	44.83	12.07	36.84%	43	4031	-2.69	-6.26%
7.	Mumbai-VII	73.55	73.76	0.21	0.29%	87	29.04	-57.96	-66.62%
	Total	14452	155.68	11.16	7.72%	157	85.08	- 71.92	-45.81%

SI.No.	Name of the	1999-00	2000-01

	Commissionerate	Target	Actual	Excess/shortfall (12)-(11)	%Excess/shortfall (13)/(11)100	Target	Actual	Excess/shortfall (16)-(15)	%Excess/ shortfall (17)/(16)100
	2	11	12	13	14	15	16	17	18
I. Mumbai Customs									
1.	Mumbai	10917	8763.79	-215311	-19.72%	9660	7344.48	-231552	-23.97%
2.	S1\har Air Port	125	121.98	-3.02	-2.42%	150	119.34	-30.66	-20.44%
3.	Sahar Air Cargo	3645	2810.31	-834.69	-22.90%	3060	3015.61	-44.39	-1.45%
4.	J.N. Port	3495	4054.05	559.05	16.00%	5080	4320.85	-759.15	-14.94%
	Total	18182	15750.13	-2431.87	-13.38%	17950	14800.28	-3149.72	-1755%
II.	Mumbai C. Exc. Zone								
5.	Mumbai-II	18	22.99	4.99	27.72%	20	40.24	20.24	10110%
6.	Mumbai-Ill	49	2152	-27.48	-56.08%	25	9.68	-15.32	-6118%
7.	Mumbai-VII	36	27.36	-8.64	-24.00%	30	2856	-1.44	-4.80%
	Total	103	71.87	-31.13	-3012%	75	78.48	3.48	4.64%
III. Pune Zone									
8.	Pune Customs	343.67	391.33	47.66	13.87%	467	348.94	-118.06	-25.28%
9.	Goa	288.62	242.63	-45.99	-15.93%	301	338.09	37.09	12.32%
10.	Nagpur	147.14	173.72	2658	18.06%	207	68.71	-138.29	-66.81%
11.	Aurangabad	177.84	121.31	-5653	-31.79%	144	10751	-36.49	-25.34%
	Total	95717	928.99	-2818	-2.95%	1119	86315	-255.75	-22.86%
Dr. Vadodara Zone									
12.	Kandla	5901.10	3601.04	-2300.06	-38.98%	4491	3126.81	-1364.19	-30.38%
13.	Ahmedabad (Prey)	1011.82	128152	269.70	26.65%	1591	185154	260.14	16.35%
14.	Vadodara	63415	549.67	-8458	-13.34%	637	357.04	-279.96	-43.95%
15.	Rajkot	60614	442.66	-16358	-26.98%	530	647.48	117.48	22.17%
16.	Ahmedabad-I	33.74	8.93	-24.81	-73.53%	11	9.35	-1.65	-15.00%
17.	Ahmedabad-II	1.35719		5.94	44.00%	14	4.35	-9.65	-68.93%
18.	Surat-I	129.93	70.16	-59.77	-46.00%	84	17.06	-66.94	-79.69%

III. Pune Zone

8.	Pune Customs	425	669 .76	244.76	5759%	630	642.65	12.65	2.01%
9.	Goa	423	396.65	-2635	-613%	450	30114	-148.76	-33.06%
10.	Nagpur	85	32.67	-5233	-6158%	45	27.91	-17.09	-37.98%
11.	Aurangabad	135	97.71	-3719	-27.62%	100	61.60	-38.40	-38.40%
	Total	1068	1196.79	128.79	12.06%	1225	1033.40	-191.60	-15.64%
IV.	Vadodara Zone								
12.	Kandla	3848	299835	-849.65	-22.08%	2250	1639.68	-61032	-27.13%
13.	Ahmedabad (Prev)	2355	2167.66	-18734	-7.95%	2400	2753.75	353.75	14.74%
14.	Vadodara	433	654.45	221.45	51.14%	720	710.75	-9.25	-118%
15.	Rajkot	830	174631	91631	110.40%	2400	2438.10	38.10	159%
16.	Ahmedabad-l	15	4.03	-10.97	-73.13%	5	431	-0.69	-13.80%
17.	Ahmedabad-II	10	7.08	-2.92	-29.20%	8	755	-0.45	-5.63%
18.	Surat-l	25	16.72	-818	-33.12%	20	13.11	-6.89	-34.45%
19.	Surat-II	113.85	61.48	-5237	-46.00%	73	30.70	-4230	-57.95%
	Total	843218	6022.75	-240953	-2858%	7431	6043.93	-1387.07	-18.67%
	W. Zone Total	29094.44	21679.81	-7414.63	-25.48%	26130	21912.62	-421738	-16.14%
V.	Bangalore Zone			-60.68					
20.	Bangalore	985.40	1019.07	33.67	3.42%	1219	1480.32	26132	21.44%
21.	Mangalore	912.63	762.81	-149.82	-16.42%	912	675.64	-23636	-25.92%
22.	Cochin (ciEus)	101358	839.60	-173.98	-17.16%	1039	841.60	-197.40	-19.00%
23.	Cochin(I)	58.88	61.35	2.47	4.19%	73	48.99	-24.01	-32.89%
24.	Cochin (II)	277.98	232.68	-4530	-1630%	278	60.85	-217.15	-78.11%
	Total	3248.47	2915.51	-332.96	-10.25%	3521	3107.40	-413.60	-11.75%
VI.	Hyderabad Zone								
25.	Visakhapatnam (Cus)	1813.90	1055.60	-758.30	-41.80%	1263	704.21	-558.79	-4414%
26.	Viskakhapatnam (Ex)	10651	77.75	-28.76	-27.00%	131	103.44	-2756	-21.04%
	Hyderabad-I	11.13		-11.13	-100.00%				
27.	Hyderabad-II	166.83	149.43	-17.40	-10.43%	199	338.75	139.75	70.23%
28.	Guntur	6.05	3833	32.28	53355%	8	93.72	85.72	1071.50%
	Total	2104.42	1321.11	-78331	- 37.22%	1601	1240.12	-360.88	-22.54%

VII. Chennai Zone

29.	Chennai Port	527 0.77	3831.85	-1438.92	-2730%	4502	4189.05	-312.95	-6.95%
30.	Chennai Airport/Cargo	112031	831.77	-288.54	-25.76%	1077	1009.14	-67.86	-6.30%
31.	Chennai-II	24.53	18.43	-6.10	-24.87%	21	32.49	11.49	54.71%
32.	Chennai-III	14.63	7.14	-7.49	-51.20%	9	12.06	3.06	34.00%
33.	Tlfuchirapalli	259.10	193.10	-66.00	-25.47%	238	253.64	15.64	6.57%
34.	Coimbatore	25151	2.48	-23.03	-90.28%	2	-12.55	-14.55	- 727 .50%
35.	Madurai	-	-	-	-	-	-	-	
	Total	6714.85	4884.77	-1830.08	-27.25%	5849	5483.83	-365.17	-6.24%
	S. Zone Total	12067.74	912139	-294635	-24.42%	10971	983135	-1139.65	-1039%
VIll. Kanpur Zone									
36.	Kanpur	23.00	2434	132	5.83%	30	11.97	-18.03	-60.10%
37.	Lucknow	1195.03	1019.82	-175.21	-14.66%	1222	579.42	-642.58	-52.58%
38.	raffia	26.54	1.47	-25.07	-94.46%	40	48.24	8.24	20.60%
39.	Meerut-I	47.76	17.28	-30.48	-63.82%	22	20.59	-1.41	-6.41%
40.	Meerut-II	89.34	42.35	-46.99	-52.60%	82	-6.71	-88.71	-108.18%
41.	Allahabad	29.19	42.94	13.75	47.11%	52	16.77	-3513	-67.75%
42.	Jarnshedpur	4.42	2.21	-2.21	-50.00%	3	1.95	-1.05	-35.00%
43.	Lucknow [ee (P)]		0.29	0.29		10	3.47	-6.53	-6530%
	Total	1415.28	1150.70	-264.58	-18.69%	1461	675.70	-78530	-53.75%
IX. Delhi Zone									
44.	Delhi	4149.14	383713	-311.91	-7.52%	3947	4397.58	450.58	11.42%
45.	Arnritsar +Chandigarh - I	252.10	224.75	-2735	-10.85%	228	275.85	47.85	20.99%
	Total	4401.24	4061.98	-33916	-7.71%	4175	4673.43	498.43	11.94%
VIII. Kanpur Zone									
36.	Kanpur	30	-10.71	-40.71	-135.70%	5	-7.82	-12.82	-256.40%
37.	LllCknOW	713	785.77	72.77	10.21%	890	704.44	-185.56	-20.85%
38.	Palla	59	80.67	21.67	36.73%	90	135.77	45.77	50.86%
39.	Meerut-I	18	17.60	-0.40	-2.22%	10	16.00	6.00	60.00%
40.	Meerut-II	30	-6.01	-36.01	-120.03%	10	14.76	4.76	47.60%
41.	Allahabad	34	6.70	-27.30	-8019%	5110		-3.80	- 76.00%

42.	Jamshedpur	4	2.78	-1.22	-30.50%	3	1.77	-1.23	-41.00%
43.	Lucknow	4	1.84	-2.16	-54.00%	2	7.79	5.79	28950%
	Total	892	878.64	-13.36	-1.50%	1015	873.91	-141.09	-13.90%
IX.	Delhi Zone								
44.	Delhi	5055	5482.20	42710	8.45%	6100	5904.78	-195.22	-310%
45.	Amritsar+Chandigarh-I	338	229.79	-108.21	-32.01%	275	197.92	- 77.08	-28.03%
	Total	5393	5711.99	318.99	5.91%	6375	6102.70	- 272.30	-417%

X. Jaipur Zone

46.	Jodhpur (Including Jaipur I & IT)	102.75	27.75	-75.00	-72.99%	32	35.02	3.02	9.44%
47.	Indore	5854	40.85	-17.69	-30.22%	49	63.23	14.23	29 .04 %
48.	Bhopal	6.75	2.62	-4.13	-61.19%	2	2.35	0.35	1750%
	Total	168.04	71.22	-96.82	-57.62%	83	100.60	17.60	2110%
	N. Zone Total	598456	5283.90	-700.66	-11.71%	5719	5449.73	-269.27	-4.71%
XI.	Calcutta Zone								
49.	Calcutta	5170.39	4212.63	-957.76	-1852%	5040	3930.81	-1109.19	-22.01%
50.	Bhubaneswar	227 .82	232.60	4.78	2.10%	279	148.39	-130.61	-46.81%
51.	Shillong	5.05	6.44	1.39	27.52%	9	4.87	-4.13	-45.89% -
	E. Zone Total	540316	4451.67	-951.59	-17.61%	5328	4084.07	-1243.93	-23.35%
	All India Total	52550.00	40536.77	-12013.23	-22.86%	48148	41277.77	-6870.23	-1417%
		11	12	13	14	15	16	17	18

X. Jaipur Zone

46.	Jodhpur (Including Jaipur I & ll)	42	49.52	7.52	17.90%	55	78.40	23.40	42.55%
47.	lndore	71	10611	3511	49.59%	115	86.77	-28.23	-24.55%
48.	Bhopal	5	1.86	-3.14	-62.80%	2	1.91	-0.09	-4.50%
	Total	118	157.59	39.59	33.55%	172	167.08	-4.92	-2.86%
	N. Zone Total	6403	6748.22	34512	5.39%	7562	7143.69	-418.31	-5.53%

XL Calcutta Zone

49.	Calcutta	4833	4300.66	-532.34	-11.01%	4800	3694.70	-1105.30	-23.03%
50.	Bhubaneswar	192	187.19	-4.81	-2.51%	220	125.10	-94.90	-43.14%
51.	Shillong	8	4.52	- 3.48	-43.50%	5	4.39	-0.61	-12.20%
	E. Zone Total	5033	4492.37	-540.63	-10.74%	5025	3824.19	-1200.81	-23.90%
	All India Total	50369	4833414	-2034.76	-4.04%	53572	47615.77	-595613	-11.12%

COMM:ISSIONERATE-WISE BUDGET ESTIMATE AND ACTUAL REVENUE REALISATION POSITION OF CENTRAL EXCISE DURING 1997-1998 TO 2000-2001

SINo.	Name of the Commissionerate	1997-98				1998-99			
		Target	ActuaJ	Excess/shortfall (4)-(3)	%Excess/ shortfall (5)/(3)100	Target	ActuaJ	Excess/shortfall (6H7)	%Excess/shortfall (9)/(7)100
		4		5	6	7	8	9	10
I. Mumbai-Zone									
1.	Mumbai-I	2244.81	2152.75	-92.06	*-4.10%*	2525	2009.43	-51557	-20.42%
2.	Mumbai-II	1514.15	1374.93	-139.22	-9.19%	1643	1682.31	39.31	2.39%
3.	Mumbai-III	749.18	762.13	12.94	1.73%	899	682.83	-216.17	*-24.05%*
4.	Mumbai-IV	828.66	75055	-76.11	-9.43%	899	655.84	-243.16	*-27.05%*
5.	Mumbai- V	56753	550.75	-16.78	-2.96%	657	587.13	-69.87	-10.63%
6.	Mumbai-VI	108958	963.35	-12613	-11.59%	1170	959.49	-210.51	17.99%
7.	Mumbai VII	156714	1241.01	-32613	-20.82%	1576	1186.08	-389.92	-24.74%
	Total	8561.15	7795.47	-765.68	-8.94%	9369	7763.11	-1605.89	-17.14%

S1.No.	Name of the Comrnissionerate	1999-00				2000-01			
		Target	Actual	Excess/shortfall (12)-(11)	%Excess/ shortfall (13)/(11)'100	Target	Actual	Excess/shortfall (16H15)	%Excess/ shortfall (17)/(15)'100
		11 12		13	14	15	16	17	18
I.	Mumbai-Zone								
1.	Mumbai-I	2245	1983.13	-261.87	-11.66%	2100	201338	-86.62	-4.12%
2.	Mumbai-II	2045	839.63	-1205.37	-58.94%	1025	1086.65	61.65	6.01%
3.	Mumbai-ill	752	534.03	-217.97	-28.99%	560	486.69	-73.31	-13.09%

4.	Mumbai-IV	793	581.69	-211.31	-28.65%	650	538.77	-111.23	-17.11%
5.	Mumbai-V	673	534.80	-138.20	-20.53%	540	393.42	-146.58	-27.14%
6.	Mumbai-VI	1153	1003.66	-149.34	-12.95%	1100	92112	-178.78	-16.25%
7.	Mumbai-VII	1440	1296.22	-143.78	-9.98%	1410	1297.14	-112.86	-8.00%
	Total	9101	6773.16	- 2327.84	-25.58%	7385	6737.27	-647.73	-8.77%

II.	rune-Zone								
8.	Pune-I	1909.23	1771.07	-138.16	-7.24%	2120	1986.27	-133.73	-6.31%
9.	rune-II	721.70	628.00	-93.70	-12.98%	750	683.91	-66.09	-8.81%
10.	Aurangabad	1392.50	1213.14	-179.36	-12.88%	1455	1448.83	-6.17	-0.42%
11.	Nagpur	822.95	641.67	-181.28	-22.03%	774	696.84	-77.16	-9.97%
12.	Goa	333.07	348.61	15.54	4.67%	424	41612	-7.76	-1.83%
	Total	5179.45	4602.49	-576.96	-11.14%	5523	5232.07	-290.93	-5.27%
III.	Vadodara-Zone								
13.	Vadodara-Zone	2499.48	2491.18	-8.30	0.33%	2848	2704.54	-143.46	-5.04%
14.	Surat-I	1640.96	1811.85	170.89	10.41%	2350	2269.95	-80.05	-3.41%
15.	Surat-II	738.61	751.75	13.14	1.78%	888	944.66	56.66	6.38%
16.	Ahmedabad-I	727.76	698.19	-29.57	-4.06%	835	736.02	-98.98	-11.85%
17.	Ahmedabad-II	483.81	452.67	-31.14	-6.44%	532	523.18	-8.82	-1.66%
18.	Rajkot	916.13	939.70	23.57	2.57%	1132	1226.71	94.71	8.37%
	Total	7006.75	7145.34	13859	1.98%	8585	8405.06	-179.94	-2.10%
	W. Zone Total	20747.35	19543.30	-1204.05	-5.80%	2377	21400.24	- 2076.76	-8.85%

II.	rune-Zone								
8.	Pune-I	2395	2526.51	13151	5.49%	2725	2622.21	-102.79	-3.77%
9.	rune-II	833	74538	-87.62	-10.52%	815	692.73	-122.27	-15.00%
10.	Aurangabad	1822	2273.17	451.17	24.76%	2525	2344.83	-180.17	-7.14%
11.	Nagpur	865	71556	-149.44	-17.28%	820	729.77	-90.23	-11.00%
12.	Goa	515	521.05	6.05	1.17%	60S	627.19	22.19	3.67%
	Total	6430	6781.67	351.67	5.47%	7490	7016.73	-473.27	-6.32%
III.	Vadodara-Zone								
13.	Vadodara	3290	3105.83	-184.17	-5.60%	3400	3281.15	-118.85	-3.50%
14.	Surat-I	2938	2305.37	-632.63	-21.53%	2500	1984.04	-515.96	-20.64%

15.	Surat-II	1136	1210.24	7414	6.54%	1325	140815	83.25	6.28%
16.	Ahmedabad-I	901	880.77	-20.23	-2.25%	975	856.46	-11854	-12.16%
17.	Ahmedabad-II	637	61817	-18.73	-2.94%	700	627.90	- 72.10	-10.30%
18.	Rajkot	1575	1091.58	-483.42	-30.69%	1900	2036.26	13616	7.17%
	Total	10477	9212.06	-1264.94	-12.07%	10800	10194.06	-605.94	-5.61%
	W. Zone Total	26008	22766.89	-3241.11	-12.46%	25675	23948.06	-1726.94	-6.73%

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IV.	Bangalore-Zone								
19.	Bangalore-I	58618	429.47	-156.81	-26.75%	504	444.01	-59.99	-11.90%
20.	Bangalore-II	2176.41	2011.66	-164.75	-7.57%	2418	2295.97	-122.Q3	-5.05%
21.	Bangalore-III	505.71	51853	12.82	2.54%	622	201.16	-420.84	-67.66%
22.	Belgaum	574.68	497.1	-77.57	-13.50%	597	49218	-104.72	-17.54%
23.	Cochin-I	1031.73	1014.74	-16.99	-1.65%	1205	1205.97	0.97	0.08%
24.	Cochin-II	28917	258.66	-30.61	-10.58%	306	22637	-79.63	-26.02%
25.	Mangalore						457.89	457.89	
	Total	5164.08	4730.14	-433.91	-8.40%	5652	5323.65	-32835	-5.81%
V.	Hyderabad-Zone								
26.	Hyderabad-I	798.91	827.07	28.16	3.52%	990	929.41	-6059	-6.12%
27.	Hyderabad-II	220.43	205.01	-15.42	-7.00%	250	22316	-26.74	-10.70%
28.	Hyderabad-III	1221.13	1112.23	-108.90	-8.92%	1331	1152.24	-178.76	-13.43%
29.	Vizag	956.48	962.61	6.13	0.65%	1141	101736	-123.62	-10.83%
30.	Guntur	331.44	348.12	16.68	5.03%	419	410.48	-852	-2.03%
	Total	352839	3455.04	-7335	-2.08%	4131	3732.77	-39813	-9.64%
IV.	Bangalore-Zone								
19.	Banalore-I	477	536.89	59.89	12.56%	900	905.91	5.91	0.66%
20.	Bangalore-II	2811	2365.68	-445.32	-15.84%	2500	2043.42	-456.58	-18.26%
21.	Bangalore-III	260	262.86	2.86	1.10%	475	612.32	137.32	28.91%
22.	Belgaum	550	521.63	-28.37	-5.16%	585	501.73	-83.27	-14.23%
23.	Cochin-I	1515	1730.18	215.18	14.20%	1925	1838.43	-86.57	-4.50%
24.	Cochin-II	254	253.14	-0.86	-0.34%	285	261.39	-23.61	-8.28%
25.	Mangalore	600	567.97	-32.03	-5.34%	690	778.58	88.58	12.84%
	Total	6467	6238.35	-228.65	-3.54%	7360	6941.78	-418.22	-5.68%
V.	Hyderabad-Zone								
26.	Hyderabad-I	1136	1049.80	-86.20	- 7.59%	1180	1037.03	-142.97	-12.12%
27.	Hyderabad-II	260	287.13	27.13	1Q.43%	335	331.22	- 3.78	-1.13%

28.	Hyderabad-III	1325	1188.41	-136.59	-10.31%	1300	1208.87	-91.13	-7.01%
29.	Vizag	1230	1476.20	246.20	20.02%	1720	1759.78	39.78	2.31%
30.	Guntur	515	626.58	111.58	21.67%	760	824.02	64.02	8.42%
	Total	4466	4628.12	162.12	3.63%	5295	5160.92	-134.08	-2.53%

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VI.	Chennai-Zone								
31.	Chennai-I	930.40	84554	-84.86	-9.12%	1014	99216	-21.74	-2.14%
32.	Chennai-II	530.04	463.04	-67.00	-12.64%	544	59916	55.26	10.16%
33.	Chennai-ill	758.48	707.48	-51.00	-6.72%	850	804.99	-45.01	-5.30%
34.	Coimbatore	616.82	603.81	-13.01	-2.11%	711	66910	-41.80	-5.88%
35.	Madurai	530.30	48558	-44.72	-8.43%	603	501.42	-101.58	-16.85%
36.	T. Palli	589.94	601.79	11.85	2.01%	686	771.75	85.75	12.50%
	Total	3955.98	3707.24	- 248.74	-6.29%	4408	4338.88	-69.12	-1.57%
	S. Zone Total	12648.45	11892.45	-756.00	-5.98%	14191	13395.30	-795.70	-5.61%
VII.	Kanpur-Zone								
37.	Meerut-I	1402.75	1379.95	-22.80	-1.63%	1653	1513.07	-139.93	-8.47%
38.	Meerut-II	818.44	75613	-62.21	- 7.60%	898	845.81	-52.19	-5.81%
39.	Jamshedpur	1681.42	1550.96	-130.46	-7.76%	1859	1367.79	-491.21	-26.42%
40.	Kanpur	449.33	490.10	40.77	9.07%	582	548.46	-33.54	-5.76%
VI.	Chennai-Zone								
31.	Chennai-I	1287	150734	22034	17.12%	1700	1781.63	81.63	4.80%
32.	Chennai-II	801	95159	15059	18.80%	1085	112957	4457	4.11%
33.	Chennai-ill	928	89813	-29.77	-3.21%	1030	123111	20111	19.53%
34.	Coimbatore	797	859.69	62.69	7.87%	950	953.71	3.71	039%
35.	Madurai	595	62436	2936	4.93%	710	641.06	-68.94	-9.71%
36.	T. rani	948	90737	-40.63	-4.29%	1025	1011.71	-13.29	-130%
	Total	5356	574858	39258	7.33%	6500	6748.89	249.89	3.83%
	S. Zone Total	16289	16615.05	326.05	2.00%	19155	1885159	-303.41	-1.58%
VII.	Kanpur-Zone								
37.	Meerut-I	1913	1903.29	-9.71	0.51%	2250	1958.00	-292.00	12.98%
38.	Meerut-II	1033	1107.08	74.08	7.17%	1335	1324.79	-10.21	-0.76%

N

VI

39.	Jamshedpur	1541	160911	6811	4.43%	1910	1825.46	-84.54	-4.43%
40.	Kanpur	671	603.19	-67.81	-10.11%	675	670.93	-4.07	-0.60%

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41.	Lucknow	511.04	605.63	9459	1851%	738	757.69	19.69	2.67%
42.	Allahabad	59119	664.02	72.73	1230%	778	712.79	-65.21	-8.38%
43.	raffia	818.49	858.62	40.13	4.90%	1026	870.77	-155.23	-15.13%
	Total	6272.76	630551	32.75	0.52%	7534	6616.38	-917.62	-12.18%
VIII.	Delhi-Zone								
44.	Delhi-I	825.04	728.94	-96.10	-11.65%	871	94810	77.20	8.86%
45.	Delhi-II	583.86	493.11	-90.75	-15.54%	579	52116	-57.74	-9.97%
46.	Delhi-III	2344.68	2248.16	-9652	-4.12%	2682	241519	-266.71	-9.94%
47.	Chandigarh-I	96413	797.94	-166.29	-17.25%	959	891.75	-67.25	-7.01%
48.	Chandigarh-II	723.91	668.15	-55.76	- 7.70%	800	848.15	48.15	6.02%
	Total	5441.72	4936.30	-505.42	-9.29%	5891	5624.65	-26635	-4.52%
IX.	Jaipur Zone								
49.	Jaipur-I	517.40	40736	-110.04	-21.27%	478	436.11	-41.89	-8.76%
50.	Jaipur-II	788.49	722.19	-16.30	-2.07%	920	87432	-45.68	-4.97%

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51.	Raipur	1548.64	1365.59	-183.05	-11.82%	1626	142655	-199.45	-12.27%
52.	Indole	99853	806.00	-192.53	-19.28%	951	82254	-128.46	-1351%
53.	Bhopal	646.43	523.34	-123.09	-19.04%	624	50859	-115.41	-18.50%
	Total	4499.49	3874.48	-625.01	-13.89%	4599	4068.11	530.89	-11.54%
	N. Zone Total	16213.97	15116.29	-1097.68	-6.77%	18024	16309.14	-1714.86	-951%
X.	Calcutta-Zone								
54.	Calcutta-I	574.49	525.94	-21.55	-3.94%	619	58113	-37.77	.-6.10%
55.	Calcutta-II	545.04	490.89	-54.15	-9.94%	564	493.64	-70.36	-12.48%
56.	Calcutta-III	552.49	581.39	28.90	5.23%	716	648.77	-67.23	-9.39%
57.	Calcutta-N	401.31	309.63	-91.68	-22.85%	336	248.70	-87.30	-25.98%
58.	Bhubaneshwar-I	39813	334.44	-63.79	-16.02%	400	290.Q1	-109.99	-27.50%
59.	Bhubaneshwar-II	461.87	397.83	-64.04	-13.87%	472	364.79	-107.21	-22.71%
60.	ShiJlong	841.68	764.03	- 77 .65	-913%	886	836.94	-49.06	-5.54%
61.	Bholpur	556.98	533.76	-2312	-4.17%	631	623.90	-7.10	-1.13%
	E. Zone Total	4305.09	3937.91	-367.18	-853%	4624	4087.98	-536.02	-11.59%
Drawback by Cus. comm.		2000.00	2653.18	653.15	32.66%	2891	2738.60	-152.40	-5.27%

All India Total		51914.86	47836.80	-4078.06-7.86%		57425	52454.06	-4970.94	-8.66%
		11	12	13	14	15	16	17	18
51.	Raipur	1692	1545.84	-146.16	-8.64%	1775	165311	-121.79	-6.86%
52.	Indore	941	871.74	-69.26	-736%	975	895.69	-7931	-8.13%
53.	Bhopal	584	461.93	-122.07	-20.90%	510	48010	-29.80	-5.84%
	Total	4817	4523.77	-29313	-6.09%	5165	4870.65	-29435	-5.70%
	N. Zone Total	19937	20148.27	21117	1.06%	23430	22497.03	-932.97	-3.98%
X.	Calcutta-Zone								
54.	Calcutta-I	715	625.36	-89.64	-12.54%	725	720137	-4.13-057%	
55.	Calcutta-II	575	67357	98.57	17.14%	770	869.79	99.79	12.96%
56.	Calcutta-III	793	67317	119.73	-15.10%	782	686137	-95.13	-12.16%
57.	Calcutta-IV	261	237.68	- 23.32	-8.93%	270	235.05	-34.95	-12.94%
58.	Bhubneshwar-I	335	337.89	2.89	0.86%	395	404.91	9.91	251%
59.	Bhubneshwar-II	427	47455	4755	11.14%	550	519,45	-3055	-5.55%
60.	Shillong	1061	1081,47	20,47	1.93%	1230	1498.93	268.93	21.86%
61.	Bholpur	757	771.13	14.13	1.87%	885	92215	37.25	411%
	E. Zone Total	4924	4874.92	-49.08	-1.00%	5607	5858.12	251.12	4.48%
Drawback by Cus. comm.		3593	2658.16	-934.84	-26.02%	2900	2518.80	-381.20	13.14%
All India Total		63585	61746.97	1818.03	-2136%	70967	68636.00	-2331.00	-318%

ANNEXURE II

The total sanctioned manpower of the Income Tax Department before restructuring was 62562. In the restructuring proposal of the Income Tax Department 61093 posts were considered and 58377 posts were retained. The detailed break up of the number of officers (rank and category-wise) enhanced/reduced as a result of restructuring plan is given below:

COMPOSITION OF OFFICERS AND STAFF AT DIFFERENT LEVELS IN THE INCOME TAX DEPARTMENT

	Post Re-Designated as	Pay Scale as recommended by Vth CPC	Existing Strength	Proposed Strength	Increase in Strength	Decrease in Strength
CCIT	CCIT	22400-600-26000	36	116	80	
CIT	CIT	18400-500-22400	402	698	296	
ADDL. CIT	ADDL. CIT	14300-450-18300	339	469	130	
JCIT	JCIT	12000-375-16500	453	647	194	
DCIT	DCIT	10000-325-15200	1033	1240	207	
ACIT	ACIT	8000-275-13500	648	734	86	

1		23	4	5	6	7	8
7.	ITO	ITO	6500-200-10500	3261	4204	943	
	Sub Total			6172	8108	1936	
1.	ITI	IT!	5500-175-9000	8106	9490	1384	
2.	Supr. I	SRAO	10000-325-15200	5	5		
3.	Supr. I	AO-II	7500-250-12000	35	35		
4.	Supr. I	AO-III	6500-200-10500	280	774	494	
5.	Supr. II	Office Supdt.	5500-175-9000	710	2468	1758	
6.	HC/ Asstt.	Sr. Tax Asstt.	5000-150-8000	2240	8030	5790	
7.	TA	-	*4500-125-7000*	5609			5609
8.	UDC	Tax Asstt.	4000-100-6000	9408	8931		477
9.	LDC	LDC	3050-75-3950-80-4590	6947	311		6636
10.	RC	RC	2750-70-3800-75-4400	223			223
11.	Sr. PA	Sr. PA	6500-200-10500	364	814	450	

1	2	3	4	5	6	7	8
12.	Steno-I	Steno-I	5500-175-9000	1255	1000		255
13.	Steno-II	Steno-II	5000-150-8000	2510	2002		508
14.	Steno-III	Steno-III	4000-100-6000	2511	2002		509
15.	DPA Gr. B	DPA Gr. B	6500-200-10500	55	55		
16.	DPA Gr. A	DPA Gr. A	5500-175-9000	81	104	23	
17.	DEO Gr. D	-	5500-175-9000	23			23
18.	DEO Gr. C	Sr. Tax Asstt.	5000-150-8000	35	35		
19.	DEO GR. B	Sr. Tax Asstt.	4500-125-7000	264	264		
20.	DEO Gr. A	Tax Asstt.	4000-100-6000	394	394		
21.	NS	NS	2650-65-3300-70-4000	3172	3172		
22.	GES. OP	GES. OP	2650-65-3300-70-4000	23	23		
23.	Jamadar	Jamadar	2610-60-3150-65,3540	144	144		
24.	Daftry	Daftry	2610-60- 3150-65,3540	695	3108	2413	
25.	Peon	Peon	2550-55-2660-60-3200	6692	3968		2724
26.	Watchman	Watchman	2550-55- 2660-60,3200	2322	2322		
27.	Sweeper	Sweeper	2550- 55- 2660-60,3200	435	435		
28.	Frash	Frash	2550-55-2660-60,3200	276	276		
29.	Mali	Mali	2550-55-2660-60-3200	45	45		
30.	Others	Others	2550- 55- 2660-60,3200	62	62		
	Sub Total			54921	50269	12312	16964
	Total			61093	58377	14248	
					DECREASE		2716

The manpower of the Department has been right-sized in the light of the current needs to induct skill and technology. The ratio of staff to total strength has gone down marginally from 0.88 to 0.86 but significant additional promotional prospects have been provided for the staff.

10. The Committee express concern at the continuous shortfall over BE and REs of Direct and Indirect Tax collections since 1996-97 except at the RE stage of Indirect Taxes during 1999-2000. They are of the view that the persistent shortfalls despite steep downward revision of Budgetary Estimates at RE stage in majority of years confirm the fact that the Ministry of Finance have been myopic in its assumptions and the parameters have been selected without weighing the pros and cons of the existing economic scenario in detail and assessing the levels of tax bouyancy. Such continuous shortfall in actual receipts over the Budget estimates reduces the credibility of Budget preparing institution in particular and the Finance Ministry in general. The Committee also find that the department uptill now has not evolved any structural mechanism to identify Income Tax officers who have repeatedly been resorting to under assessment and have been contributing to the shortfalls.

11. The Committee while disagreeing with the contention of the Ministry regarding the shifting of Customs traffic from one Commissionerate to another and subsequently leading to shortfall in revenue collections Commissionerate-wise, are of the view that the said shifting contributes more revenues in other Commissionerate and hence should not lead to overall shortfall as deposed before the Committee. In the light of above they seriously view the repeated shortfall of collections in the Customs Commissionerates of Mumbai, Aurangabad, Ahmedabad – I, Surat-II, Vishakhapatnam, Calcutta, Chennai Zone and the Excise Commissionerates of Mumbai since 1997-98 and the failure of the department for fixing the responsibility for the said shortfalls.

12. The Committee are also apprehensive about the utility of ongoing plans for restructuring the Income Tax, Central Excise and Customs Departments and their utility in mopping up additional revenues and achieving the set targets of revenue collections. They are of the opinion that the restructuring plans which have enhanced a total of 1693 Group 'A' posts

can burden the exchequer if the desired results fail to keep trickling in the years to come.

13. The Committee in view of the above feel that the Ministry should analyse the economic parameters meant for projecting the realistic estimates in greater detail taking into consideration the relevant economic scenario of the domestic and international arena. They also recommend that responsibility for the repeated shortfall in revenue collections Commissionerate-wise should be fixed to ensure that direct and indirect taxes are collected as per the envisaged action plan.

Demand No. 36
Deptt. of Revenue

2. Tax GDP ratio and Widening of Tax Base

Tax Revenue as a percentage of Gross Domestic Product*

	190-91	1995-96	1997-98	1998-99	1999-00	2000-01	2001-02
Direct (a)	1.9	2.8	3.2	2.7	3.0	3.3	3.7
PIT	0.9	1.3	1.1	1.2	1.3	1.5	1.8
CIT	0.9	1.4	1.3	1.4	1.6	1.7	1.9
Indirect(b)	7.9	6.5	5.9	5.5	5.8	5.7	6.1
Customs	3.6	3.0	2.6	2.3	2.5	2.3	2.4
Excise	4.3	3.4	3.2	3.1	3.2	3.3	3.6
Total	10.1	9.4	9.1	8.3	8.9	9.0	9.9

- Refers to gross domestic product at current market prices. The ratios to GDP for 2001-2002 are based on CSO's Advance Estimates.

Note: (a)also includes taxes pertaining to expenditure, interest, wealth, gift, estate duty and VDIS for 1997-98 & 1998-99; (b) also includes service tax;

Service Tax

	1994-95	**1995-96**	**1996-97**	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**
No. of tax payees	3942	4865	13981	45991	90455	114358	N.A.	N.A.
Revenue (Rs.crore)	407	862	1059	1586	1957	2128	2585	3600
Service tax as per cent of service sector GDP*	0.12	0.21	0.22	0.29	0.31	0.29	0.33	0.41

Note: *Service sector GDP (at factor cost) at current prices comprises of trade, hotels & restaurant, transport, storage & communications, financial services, real estate & business services and community, social and personal services excluding public administration, defence and quasi-government bodies.

14. It is seen that during the past decade the tax reforms have induced a structural shift in the composition of tax revenue. From the above given data, it is seen that the enhancement in Direct tax to GDP ratio has been outweighed by a decline in Indirect tax to GDP. In this connection in the current Economy Survey it has been observed that :

> "As the share of services sector increase, the tax base becomes narrower, aggregate buoyancy of the tax revenues is eroded and the tax GDP ratio falls. In view of rapid expansion of the services sector it is imperative to enlarge the scope of taxation of services so as to augment the tax GDP ratio."

15. Elaborating on the issue whether the Govt. agrees with the above said contention, the Deptt. has stated that :-

> "The main reason for the fall/stagnancy in the tax-GDP ratio in respect of indirect taxes the fall in the customs duty-GDP ratio. This is inevitable as the peak rate of customs duty particular

and the general customs duty rates have been gradually reduced over the last decade. The Government has taken significant measures to improve the indirect tax collections by bringing into the tax net the services sector. From three services in the tax net in 1994-95, the coverage has been widened to include forty-one services by 2001-2002. In this year's budget also, the Government has proposed to impose service tax on ten more services. The growth in service tax revenue from Rs. 407 crore in 1994-95 to Rs. 6026 crore (BE 2002-2003) clearly brings out the efforts made by the Government to mobilize revenue from this sector."

16. The Department while enumerating the steps taken to widen the tax base of direct & indirect taxes since 1997-98 onwards has stated as under :

"The major path breaking legal initiative to widen the tax base came with the introduction of the proviso to Section 139(1) which required for the first time, the filing of tax returns based on certain economic criteria (two out of four economic criteria). These measures which were introduced w.e.f 1.4.1997 were extended and expanded by Finance (No.2) Act, 1998 w.e.f. 1.8.1998. These provisions, popularly known as the One by Six Scheme are contained in the proviso to sub-section (1) of Section 139 of Income-tax Act. The One by Six scheme requires furnishing of income tax returns by any person fulfilling any one of the following six economic criteria :-

(i) Occupation of an immovable property of a specified floor area by way of ownership, tenancy or otherwise.
(ii) Ownership/lease of a motor vehicle not being a two wheeled motor vehicle.
(iii) Subscription of a telephone
(iv) Foreign travel
(v) Holding of a credit card not being an add-on card.
(vi) Membership of a club charging entrance fee of Rs. 25,000 or more.

The provisions of the proviso to Section 139(1) were extended in a phased manner over a period of four years. The first phase (FY 1997-98) extended the scheme to 12 cities, the second phase (FY 1998-99) to another 23 cities, the third phase (FY 1999-2000) to 19 more cities and fourth phase (FY 2000-2001) to 79 additional cities in India.

The one by Six Scheme is at present applicable to 4989 urban areas having population of more than 5,000 as per the 1991 census.

The underlying idea of the One by Six scheme is the presumption that a person who fulfills any one of the six economic criteria should normally have a taxable income. It has been our experience that after the introduction of the One by Six scheme, a large number of people have been motivated to file their tax returns. This has not only resulted in the widening of the tax net, but has also contributed to the increase in the direct tax collections.

Statistics showing the increase in the number of assesses and the increase in the tax collections over the last few years.

	Financial Year	Number of new assesses added during the FY (in lakhs)	Total Number of assesses as on 31st March of FY (in lakhs)	No. of new assesses out of Col.3, filling returns under One by Six scheme (in lakhs)	Total Direct Tax collections (in Rs. crores)
	2.	3.	4.	5.	6.
	1995-1996	10.90	116.58	--	32,074
	1996-1997	15.04	125.15	--	36,801
	1997-1998	23.32	143.23	--	37,117
	1998-1999	41.68	182.26	*Not available	44,769
	1999-2000	32.99	211.81	6.47	56,347
	2000-2001	36.29	248.00	6.16	67,135
	2001-2002	33.95 (upto 31/1/02)	281.95 (upto 31/1/02)	21.58 (upto 31/1/02)	46,781 (upto 31/1/02)

(* One by Six Scheme became operative w.e.f. 1st August, 1998)

<u>Other efforts made by the Income Tax Department to widen the tax base</u>

Apart from the One by Six scheme, the Government has also initiated several other measures to widen the tax base. Some of these are:-

a. Compulsory quoting of Permanent Account Number in certain high value transactions.
b. Carrying out selective surveys and searches
c. Extending the applicability of TDS provisions to cover various financial activities
d. Efforts to educate the tax payers by holding camps in different areas.
e. Compulsory filing of tax returns by companies.

<u>Indirect Taxes</u>

Details of the steps taken/proposed to be taken for widening up of tax base in respect of Indirect taxes since 1997-98 (year-wise) are given below :

<u>Budget 1997-98</u>

Customs: Special Additional duty of Customs increased from 2% to 5% on all imported goods except petroleum products and specified project imports.

Excise: Excise rates were rationalized and three new rates of 8%, 13% and 16% were introduced. Specific duty on cigarettes raised. Excise duty of 8% imposed on starch, lac, gums, resins and other vegetable saps and extracts manufactured with the aid of power, branded jams, jellies, sauces and soups, unrecorded/recorded audio cassettes and specified recorded video cassettes.

Service Tax: The coverage of service tax was widened to cover 12 more services such as transporters of goods by roads, consulting engineers, customs house agents, steamer agents, air travel agents, cleaning and forwarding agents, outdoor caterers, etc.

Budget 1998-99

Customs: A Special Additional Duty @4% imposed on imports to provide a level playing field for the domestic producers, with certain exemption.
An additional duty of Customs on Motor Spirit (Petrol) imposed @ Rs 1/litre.

Excise: Tax base widened by imposing new levies. Rationalisation of duty rates. Increase in the specific rates of duty on Cigarettes Imposition of additional excise duty @ Rs. 1 per litre on motor spirit.
Excise duty at a nominal rate of 8% adv. Was imposed on a number of items which were hitherto exempt from duty. The goods covered include packaged tea, tractors of engine capacity not exceeding 1800cc, generic allopathic medicine, slide fasteners, milking and dairying machinery, roasted chicory and coffee substitutes and certain branded food and dairy products.

Service Tax: The coverage of service tax ;was widened to cover 12 more services such as services rendered by architects, interior decorators, management consultants, chartered accountants, cost accountants, company secretaries, credit rating agencies, market research agencies, under-writers, private security/detective agencies, real estate agents and consultants, and mechanised slaughter houses.

Budget 1999-2000

Customs: Imposition of additional duty of customs (CVD) on project import.
A basic duty of 5% imposed on a number of items.

Power of the government to grant ad-hoc exemption curtailed.

Excise: Rationalisation of excise duty structure to three ad valorem rates, namely, 8%, 16% and 24%.
Imposition of special excise duty @6%, 8% and 16% on select commodities of conspicuous consumption.
Imposition of excise duty @ Rs. 2 per kg duty on bulk tea.
Curtailing the power of the Government to grant ad-hoc exempiont.

Budget 2000-01

Customs: Rationalisation of customs tariff structure with 4 major rates of 5%, 15%, 25% and 35%.
Increase in the import duty rates on a number of agricultural products such as wheat (from 0 to 50%), rice (from 0% to 70-80%), maize from 0 to 50%, milk powder from 0 to 15% under Tariff rate quota and to 60% on other milk powder and frequent upward revision in the import duty rates on vegetable oils.

Excise: Rationalisation of the duty structure with a uniform cenvat rate of 16% adv. Along with special excise duty of 8%, 16% and 24% on very few commodities, Extension of MRP based levy on 24 categories of excisable goods.
Introduction of transaction value concept for excise duty assessment purposed.

Budget 2001-02

Rationalisation of Excise and Customs duty structure;
Extension of MRP based assessment to more commodities,
Imposition of a nominal excise duty of 4% adv. On 8 categories of excisable goods,
Imposition of excise duty on woven ready garments,
Withdrawal of SSI exemption on cotton yarn, arms and ammunitions and ball bearings
Extension of the coverage of service tax to 15 new services.
National calamity contingency duty imposed on tobacco products.

Budget 2002-03

Review of full exemption from import duty,
Imposition of minimum duty of 5% on a number of commodities,

Review of full exemption from excise duty
Imposition of a nominal duty of 4% adv. On 42 specified categories of goods which were hitherto exempt from excise duty
Withdrawal of duty exemption on cotton hank yarn and handprocessing sector, optional levy on a number of textile products such as grey textile fabrics, grey and processed knitted fabrics of cotton, knitted or crocheted ready made garments,
Extension of MRP based excise levy on a number of items, etc.

As regards the break up of total revenues accrued on account of the above proposals or the number of assesses brought under the tax net, etc. the revenue implications on account of these proposals have been included in the budget estimates for the respective years and no separate break-up of figures is available."

17. Deposing before the Committee on the issue of falling rates of direct & indirect taxes the Revenue Secretary stated as under :

"…. I must submit to the Committee, because this is the only opportunity I have, of the serious situation in revenue collection that the Government of India will face in the next few years. We have already taken a decision on customs duties which are going to come down to 20 and 10 per cent in another two years. On excise duty it is 16 per cent and people are already complaining that 16 percent is on a higher level and that this has to come down. If the economy grows may be it will also come down. Out income-tax levels are 30-20-10 which are lower than most of the developed countries. The incremental marginal rate even in the U.S. goes up to 38 to 40 percent or so.

So, we are amongst the lowest tax countries. Our corporate tax rates are 30 percent. After the deductions which are available in the Income Tax Act, it works out to an effective rate of taxation of only 27 to 28 per cent. If we take the last 10 or 15 years' average, the growth of tax revenues is coming between the lowest of about 10 percent and the maximum of 16 or 17 per cent. So, where is the Centre going to collect its revenue from, in the future? What is the scope?"

18. While delving on the issue of widening and deeping of the tax base the Revenue Secretary has stated as under :

" Our concern is not only for widening the tax base but also for deepening it. The word deepening I would define by saying that today the number of assessees who are declaring incomes of

> more than Rs. 2 lakh is only 3,65,000. Assessees who are declaring income of more than Rs. 10 lakh in the whole country are hardly 50,000. Rs. 10 lakh of personal income converts to, even in a salaried income, Rs. 70 thousand to Rs. 75 thousand per month. Surely there are more than 50,000 people in the country who would fall in this category. So, it is very important that we should get after the high income people."

19. On the issue of broad basing the Service tax the Revenue Secretary stated as under :-

> "On the question of Service tax I would like to submit that we would definitely want such professional services to be taxed. But here there is a question of statistical enumeration of all the doctors, lawyers and such other people. We need a data base. Otherwise, we would be collecting tax from some and not from others. So, we need a data base before we levy service tax on them."

20. The Department in an earlier written note submitted to the Committee during the examination of Demands for Grants (2001-2002) had stated that though the service tax was imposed on the service providers such as transport operators, tent/house/pandal or shamiana contractors and outdoor caterers in 1997 but after considering the administrative difficulties encountered in collecting service tax, the levy of service tax on such services was withdrawn.

21. The Department in its written reply while forwarding the rationale for not including the said three services under the tax net stated as under :

> "Only after a final decision is taken on the sharing of proceeds of taxation of services between the Centre and the States, it would be possible to take a view on this matter. For the present, the Government has not found it feasible to re-impose the levy of service tax on these specified services."

22. The Committee are unhappy to observe that the on going tax reforms during the past decade which inter alia reduced the peak and general Customs rates and rationalised the Central Excise rates, have led to the fall/stagnancy in gross tax to GDP ratio. The enhancement of the Direct tax to GDP ratio has been out weighed by the decline in the Indirect tax to GDP, is an undesirable phenomenon in the light of rapid expansion of Service sector. The Committee are of the opinion that to induce requisite levels of aggregate tax bouyancy and augment the tax GDP ratio there is an urgent and imperative need to enlarge the scope of taxation of services. They therefore recommend that the Ministry should press in Central Information Branches (CIBs) to conduct statistical enumeration within one year of the presentation of this report to further assess the feasibility of bringing lawyers, doctors and such other professionals rendering services within the tax net.

23. The Committee with a view to address the concerns expressed regarding the falling rates of indirect taxes, low effective rate of income tax and incidence of large scale tax evasion, are in agreement with the Secretary, Revenue regarding the need to widen and deepen the tax base. They, therefore desire that sincere efforts be made to undertake informed surveys which can be instrumental in bringing more people with income levels of Rs. 10 Lakhs and more within the tax net and should beef up the existing mechanism to identify the tax evaders.

Demand No. 36
Deptt. of Revenue

3. Pendency before appellate bodies and outstanding Tax demands

24. The details with respect of cases relating to direct taxes pending since 1996-97 are given below :

Year-wise pendency institutions and disposals of Cases before CIT(A)

Year	Workload for Disposals	Disposals	Pendency
1996-97	228559	82831	145728
1997-98	216157	67033	149124
1998-99	298837	83841	214996
1999-2000	297225	107624	189601
2000-2001	270537	98568	171969

Year-wise pendency, institutions and disposals of Cases before Supreme Court, High Court & ITAT

	SUPREME COURT			HIGH COURT			ITAT		
Year	Workload for Disposals	Disposal	Pendency	Workload for Disposals	Disposal	Pendency	Workload for Disposals	Disposal	Pendency
1996-97	7926	160	7766	57320	2000	55320	138952	11919	127033
1997-98	7914	126	7788	57042	2646	54396	135246	8378	126868
1998-99	8031	92	7939	49250	1259	47991	122247	12135	110112
1999-00	9088	24	9064	57863	607	57256	116639	9239	107400
2000-01	7037	155	6882	39765	10592	29173	114452	30210	84242

Total Demand and Amount in Rs. Crore locked in by Courts and appellate bodies of the department

			Amount in Rs. Crore locked in by				
Year	As on	Total Demand	Courts	Settlement Commission	ITAT	By IT Authorities due to appeal/revision	Total demand locked
1996-97	31st March 97	33585	3830	306	382	5723	10241
1997-98	31st March 98	41230	1913	359	6464	5412	14148
1998-99	31st March 99	44143	11819	604	1094	5756	19273
1999-00	31st March 2000	52970	1192	534	13285	10102	25113
2000-01	31st March 2001	56131	12239	655	1886	11661	26441

Statement showing the number of pending cases (Central Excise) before the High Courts and the Supreme Court

	High Courts					Supreme Court				
Year	No. of cases pending at the beginning of the year	No. of cases filed during the year	No. of cases disposed during the year	No. of cases pending at the end of the year	Revenue involved Rs (Crores)	No. of cases pending at the beginning of the year	No. of cases filed during the year	No. of cases disposed during the year	No. of cases pending at the end of the year	Revenue involved Rs (Crores)
1998 (Jan-Dec)	4078	1995	1313	4760	1621.69	2102	409	608	1903	692.33
1999 (Jan-Dec)	4760	1677	1740	4697	2164.14	1093	411	498	1816	928.60
2000 (Jan-Dec)	4697	1328	1376	4649	1364.06	1816	719	451	2084	1201.96
2001 (Jan-Nov)	4649	1248	1239	4658	1509.97	2084	600	975	1709	1475.26

The break-up regarding the cases relating to customs duty pending before the Supreme Court, High Courts, CEGAT and Chief Commissioner (Appeals) is given below :-

Arrears at the end of Financial years	Supreme Court		High Court		CEGAT		CC (A)	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1997-98	27	1.82	99	225.58	169	48.69	54	4.68
1998-99	35	9.07	97	60.01	118	60.97	56	7.03
1999-00	23	7.84	77	98.63	222	131.83	95	5.90
2000-01	23	7.63	69	70.20	185	227.07	278	31.31
2001-02 (upto Feb, 2002	31	100.05	72	79.35	248	781.45	914	68.73

25. The Department while elaborating in its written note on the reason-wise analysis of outstanding tax demands of Direct and Indirect Taxes stated as under :

"Direct Taxes

The reasons-wise analysis of outstanding tax demands of Corporation Tax, Income Tax since 1997-98 (year-wise) upto Jan, 2002 is given in Annexure A.

The Government is seriously concerned about the mounting tax arrears and is making all out efforts to recover these tax dues. However, there are several reasons for increased tax arrears which are summarises as under :

(i) Inordinate delay in the final settlement of tax disputes. There are four layers of appellate authorities upto the

Supreme Court in the absence of finality of disputed point, the Assessing Officer is required to raise further tax demand on the same issue in successive assessment years. Therefore, on account of multiplicity of litigation, demands get locked up.

(ii) A major portion of the demand is stayed by Courts/I.T authorities till finalisation of diputes. Instalments for payment of taxes are also granted to the tax payers who have genuine financial difficulties.

(iii) A sizable portion of the current demands does not become due for payment by 31st March although it is included in the figure of outstanding arrears at the end of the year Demand becomes due only after 30 days of the service of Demand Notice.

(iv) Audit objections raised by the audit which are not accepted by the Department also result in creation of demand since remedial action on the audit objections is variably taken as a precaution.

(v) Recovery becomes difficult in cases where the companies go in liquidation and against whom insolvency proceedings are intiated. Cases where the assessees leave India and who have no known assets, cases of smugglers whose assets have been confiscated sick companies etc.

Central Excise

The arrears of central excise duties outstanding since the year 1997-98 and onwards are as under :-

Year	Amount (Rs. crore)
1997-98	6369.89
1998-99	7906.02
1999-2000	8221.54
2000-2001	8353.90
2001-2002 (upto Dec. 2001)	10079.1

Central Excise duty remains outstanding because of several reasons, such as stays granted by appellate authorities departmental authorities, and cases where recovery is difficult. Most of the cases are being contested by the assesses in Appellate forums/courts and recovery stayed or their stay petitions under consideration. Some of the cases are old and units defunct whereas many cases pending with BIFR/Debt Recovery Tribunal, with Committee on Disputes for public sector units coming in the way of recovery.

Customs duty

The year-wise outstanding duty demand of Customs since 1997-98 are as follows :

Financial year	No. of Cases	Outstanding due (Rs. in Crores)
1997-98	NA	288.44
1998-99	3323	568.36
1999-2000	3281	1034.26
2000-2001	3250	1875.67
2001-2002 (Feb, 2002)	4862	2671.63

A statement showing the categories wise outstanding demand of Customs is enclosed at Annexure- B.

Reasons for pendency relating to customs duty

It has been the experience of the department that the assessees do not pay the tax-arrears until they have exhausted all the legal remedies right upto the Apex Court. When the assessees go in appeal against the adjudication order, stay petition is also filed against the recovery of tax arrears before the Commissioner (Appeals) or CEGAT or even the High Court/Supreme Court. Coercive measures are not taken against the assessees so long as the stay application is pending before the Commissioner (Appeals). In a good number of cases recovery is stayed by the appellate/judicial authorities, subject to part payments and further recovery remains pending till the final decision.

In some cases, the assessees/units, against whom the amount of Customs duty is shown outstanding, are not traceable. In some other cases, the units are closed. In such cases, a certificate (of tax arrears) is prepared under section 142 of the Customs Act, to recover the amount as arrears of land revenue. However, the recoveries in this regard have not been very encouraging.

In case the units are declared sick, the matter is referred to BIFR and recovery of dues remains pending till the final settlement of the case.

In a number of cases of arrears against P.S.Us, the recovery remains pending till COD decides the petition for being permitted to go to CEGAT/Court.

26. In response to a query on the steps taken to liquidate the pendency levels the Deptt. has stated that :

"Direct Taxes

The following steps have been taken to clear the pending cases before the appellate bodies High Courts and Supreme Court in income tax related matters :-

(i) A major legislative decision in this regard was to make it statutorily obligatory for the income Tax Appellate Tribunal to decide such appeals, where stay has been granted, within 180 days of the date on which the stay order was passed, failing which the stay so granted shall automatically be vacated. Another such measure is amendment in the Income Tax Act to take away the powers of the Commissioner of Income Tax (appeals) to set-aside a case or refer it back to the Assessing Officer for fresh orders. These steps are expected to expedite clear-cut decisions by the Commissioner (Appeals) on the appeals filed before them and to prevent misuse by the tax payers of stays granted by the Tribunal by delaying the final disposal of the appeals.

(ii) Targets for disposal of appeals are fixed in the Action Plan Target. One of the factors for evaluation of performance of Commissioners of Income Tax (Appeals) is achievement of the Action Plan Target.

(iii) With effect from 1.10.1998 a new section 260A had been introduced into the Income Tax Act which provides for direct appeals to the High court doing away with earlier system of filing reference applications before the Income Tax Appellate Tribunal. This would considerably reduce unnecessary litigation and also facilitate expeditious disposal of cases.

(iv) Steps are being taken to strengthen the judicial machinery in each chief Commissionerate by setting up High Court Cells to monitor/coordinat matters with the High court. Similarly, a Supreme court Cell is functioning at Delhi to facilitate proper coordination between Judicial Wing of the Department and the Apex Court. Bunching of cases involving similar issues is also being done so that such cases could be heard and decided simultaneously.

(v) Continuous efforts are being made to simplify the law so that there is less and less scope for litigation.

Consequently, presumptive taxation of income (u/s 44 AD and 44 AE) have been enacted.

(vi) Instructions have been issued to the field formations not to engage in unnecessary litigation and accept the appellate decision of the Commissioners of Income Tax (Appeals) unless the findings are perverse or an important question of law is involved.

Indirect Taxes

In order to reduce the pendency in litigations and disputes involving assessments the Government has introduced the following measures :-

Government introduced a one-time settlement scheme called 'Kar Vivad Samadhan Scheme' in the Finance Act, 1998 which was in operation from 1st September, 1998 to 31st January, 1999. During the operation of the scheme 11,102 cases were settled enabling the Government to realise Rs. 618.58 crores.

The tax structure is being consciously reformed and made simple and various exemption notifications which become source of disputed interpretation and litigation are being withdrawn or reworded to bring down the litigation. Administrative instructions are issue wherever necessary and constant monitoring is being done to ensure that unnecessary show cause notices are not issued. Necessary legislative changes have been incorporated for mandatory approval of the Commissioner of the Chief Commissioner as the case may be, for issue of a show cause notice involving demand of duties.

A Settlement Commission for quick and speedy resolution of Customs and Central Excise disputes in more complex cases is being set up and is presently functioning at Delhi, Chennai and Mumbai.

An Authority for Advance Ruling for Customs and Central Excise with a view to facilitate foreign investors including joint venture companies is being set up. Necessary legislation have been incorporated in the relevant Indirect tax Acts in the Budget 1999.

Time-limit for disposal of appeals by the Commissioner (Appeals) have been prescribed and similarly, proposals to reduce the limitation for filing of appeals by the Department and rectification of mistakes before the Tribunal by the Government is under consideration.

Other measures being taken to check tax evasion and expeditious tax recovery include :-

(i) Valuation of excisable goods with reference to retail sale price (MRP) under Section 4A of the Central excise Act, 1944 introduced for certain listed evasion prone commodities, which list is being expanded after appropriate studies;

(ii) A directorate of Valuation has been set up to collect and disseminate information on trend of prices of internationally traded goods to field formations to guard against under-valuation on Customs side;

(iii) Customs computerisation projects being implemented in all major Customs Houses, Air Cargo complexes and even ICDs to facilitate automated customs clearance through EDI and quicker collection of revenues;

(iv) Strengthening and re-orientation of audit system and preventive set up in different Central Excise Commissionerates and Directorate of Central Excise Intelligence to check evasion;

(v) Appropriate review of tariff and various notifications to plug any avenues for leakages of revenue; and

(vi) Strengthening of Revenue Intelligence set up at all India customs formations to detect evasion of customs duties and ensuring quicker recoveries."

27. On the issue of liquidating the pending cases the Secretary, Revenue inter-alia stated as under :

> "…. Rs. 12,500 crore are locked up in Supreme Court and High Court cases. Two improvements have taken place in the last year. The Law Ministry has increased the number of Income Tax Appellate Tribunals. We now have 55 Tribunals against 38 earlier. So, disposal by Tribunals during the last year has been much greater than in previous years. The Tribunals come under the Law Ministry and they have assured that the pendency in the Tribunals would be disposed of within the next two to three years or so.
>
> On appeals, after restructuring, We have 289 Commissioners of Appeals as against about 190 earlier. So, there is an increase of 90. The appellate work in most of the income tax jurisdictions would be completed during the course of this year. We are now watching whether the appeals are going in favour of the Department or against it. If the appeals are going in favour of the Department, the original assessments are correct. If not, we have to examine why. That is our focus. The appellate work is the single work we are monitoring almost on a weekly basis to see how each Appellate Commissioner is performing. These are the kind of steps we are taking. We would definitely have a much greater control over them during the course of this particular year."

Reason-wise Analysis of Total Outstanding Demand for the Four Financial Years

(Rs. in crores)

		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002 uplo Jan.
1.	Amount not fallen due	9973	10809	12521	11170	1085.38
2.	Amount claimed as paid but pending verification	2346	2835	1644	2112	1062.49
3.	Amount for which instalments have been granted	574	537	694	524	838.05
4.	Amount stayed/kept in abeyance which includes amount stayed by Courts, Settlement Commission, ITAT and I.T. Authorities	22516	25718	32330	37928	29662.64
5.	Balance Tax in arrears	5821	4244	5781	4706	28744.76
	Total	41230	44143	52970	56430	61393.32

Figures for the year 2001-2002 is on the basis of CAP-I.

ANNEXURE B

Outstanding Amount of Customs Duties in various Categories of Cases

(Rs. in crores)

F.Y. ending	Supreme Court	High Court	CEGAT	CC (A)	Persuasive Action	Certificate Action	Others'
1998-99	9.07	60.01	60.97	7.03	22.08	28.18	40910
1999-2000	7.84	98.62	131.83	5.89	155.66	56.72	577.70
2000- 2001	7.63	70.20	227.07	31.31	1086.48	85.25	367.73
2001-2002	100.05	79.35	781.45	68.73	84450	315.02	48253

'Includes cases pending in lower courts, Joint Secretary (RA) in the Govt. of India.

28. The Committee are deeply perturbed to observe that the burgeoning outstanding tax demands of Corporation tax, Income tax, Central Excise and Customs have reached an astronomical figure of more than Rs. 74143 crore during 2000-01 and a substantial portion of tax demands have been locked in the cases pending before appellate bodies within the department, High Courts and Supreme Court. They also find that there has been a quantum jump in the tax arrears of direct taxes from Rs. 4706 crore in 2000-01 to Rs. 28744 crore in 2001-02.

29. The Committee in the light of increased number of Income Tax Appellate Tribunal (ITAT) from 38 to 55 and proposed augmentation of Commissioners of Appeals from 190 to 289 after restructuring, feel that the structural changes initiated at appellate levels can bring down the pendency of cases to satisfactory levels in the years to come. They are, however, of the opinion that unless the tax laws are simplified with an aim to reduce the levels of disagreement between the assessee and the assessing officers, the orders will be repeatedly challenged at various levels of appellate bodies. Hence, they desire that sincere efforts also need to be made to simplify the tax laws in the right earnest and assessing officers should be advised to evince due care while passing the orders to avoid unnecessary litigation and locking up huge tax demands in court cases.

Demand No. 36
Deptt. of Revenue

4. Performance of Internal Audit Wings

30. The role of Internal Audit Wing in the Department is to exercise vigilance against the mistakes committed by the assessing officers at assessment stages. Given below are the details pertaining to the performance of Internal Audit Wing of Direct Taxes :

PERFOMANCE OF INTERNAL AUDIT

Total auditable cases	Targets for disposal	Total cases audited	Shortfall
1	2	3	4
416791	198000	190774	7226

SHORTFALL OF INTERNAL AUDIT

Year	Total auditable cases	Targets for disposal	Shortfall	
1	2	3	4	
1997-98	3,71,559	1,98,000	1,73,559	47
1998-99	3,88,234	1,98,000	1,90,234	49
1999-00	3,70,617	1,98,000	1,72,617	47
Total			5,36,410	

31. It is also seen that a majority of the observations of Internal Audit Deptt. which are to be attended by the assessing officer within three months of the reference were pending for settlement. The details of the same are given below

PERFORMANCE OF IAD IN RESPECT OF MAJOR OBJECTIONS

(Rs. in crore)

Financial year	No. of cases for disposal (and amount involved)	No. of cases disposed (and amount involved	Percentage of total cases disposed	No. of pending cases (and amount involved)
1996-97	19,881 (1314.28)	8,080 (363.33)	41	11,801 (950.95)
1997-98	19,097 (1363.05)	6,235 (251.69)	33	12,862 (1111.36)
1998-99	21,909 (1686.06)	6,924 (603.81)	32	14,985 (1082.25)
1999-00	22.943 (1708.09)	8,823 (537.36)	38	14,120 (1170.73)
2000-01	21364 (5975.67)	7738 (576.59)	36	13626 (5399.08)

(source : C&AG Report No. 12 for the year 2002)

32. When asked about the steps taken to streamline the functioning of Internal Audit Department the Ministry have informed as under :

> "The auditable cases could not be disposed of because of acute shortage of staff and the small size of Internal Audit set up which consisted of only 55 Joint Commissioners of Income Tax (JCIT) and around another 300 officers and staff. During the restructuring of the I.T. Department the Internal Audit set up has been strengthened. In the new set up, more than 6000 officers, which includes around 700 JCsIT will be available for Internal Audit work. The CBDT has issued detailed guidelines for creating the new Internal Audit set up and procedure for conducting Internal Audit and maintenance of records vide Instruction 08/2001 dated 6-12-2001. The pending Audit Objections will also be disposed of quickly due to the introduction of the new set up. The new Internal Audit set up has been created by most of the Chief Commissioners/ Commissioners (CIT) and JCsIT, and it has become operational at some of the stations. However w.e.f. 1.4.2002, the new Internal Audit set up will be fully operational and due to the extra manpower available more number of cases will be audited internally and pending audit objections will also be disposed of quickly."

33. In response to a query regarding the mechanism to assess the quality of assessments the department has stated as under :

> "As regards the ACR forms of Group 'A' Indian Customs & Central Excise Service Officers, it may be noted that the ACR forms do not have a separate Part or Column to assess their quality of assessments by Commissioner (Appeals).
>
> Information in respect of the officers of the Income tax department is being compiled and shall be furnished at the earliest."

34. Regarding the annual review on the performance of Internal Audit department of Indirect taxes, the Ministry has stated as under :

> "No separate annual review on the performance of Internal Audit was conducted by this Directorate in the past five years barring inspections of a few Commissionerates."

35. The Committee are concerned to observe that the persistent shortfall in disposing the auditable cases by the Internal Audit Wing of Income tax department since 1997-98 onwards and the majority of observations of Internal Audit pending settlement by the assessing

officers show the functioning of the entire vigilance mechanism meant to detect and address the mistakes committed by the assessing officers at assessment stages in poor light. They are also perturbed to find that the Central Excise and Customs department do not conduct any annual review on the performance of Internal audit and the ACR forms of Group 'A' Indian Customs & Central Excise Service Officers do not have a separate column to assess their quality of assessments by Commissioner (Appeals).

36. The Committee are aware that though the restructuring of Income tax department would address some of the concerns expressed above, they are however, of the opinion that a lot depends on the ingenuity of the department and its sincere efforts in ensuring that the internal audit wings adequately cope up with the enhanced work load of auditable cases in the light of enhanced number of new assessees through 1/6 scheme and new service providers under the service tax net. With a view to inculcate quality assessments they desire that earnest steps should be taken up to include a separate column in the ACR form of Group 'A' Central Excise & Customs Service Officers and the preparation of annual review on the performance of Internal Audit of Central Excise & Customs department should be given a serious thought.

Demand No. 36
Deptt. of Revenue

5. Total Capital Section

37. Under this head, the provision is made for various construction and civil works and for acquiring plant and machinery. Provision is also kept for purchase of ready-built accommodation for the employees of the Department

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	5,36,00	2,50,00	1,19,60

1996-97	4,50,00	2,29,00	1,55,80
1997-98	1,25,00	1,25,00	1,03,21
1998-99	3,71,00	3,71,00	3,43,28
1999-2000	1,97,00	1,97,00	1,91,46
2000-2001	8,78,00	5,87,00	2,69,47
2001-2002	7,94,00	3,94,00	
2002-2003	8,13,00		

38. When asked whether the purchase of ready built residential accommodation is complete the Deptt. stated that :

> "It is stated that the budgetary provision was made for the year 2000-01 and 2001-02 for purchase of ready-built residential accommodation for the employees of the Enforcement Directorate. Though it has been proposed to purchase the ready-built flats from Karnataka Housing Board at Bangalore for the employees of Enforcement Directorate, the proposal has not yet been finalised on account of non-completion of procedural formalities. It is anticipated that the proposal may be finalised during the next financial year 2002-03."

39. Replying to a query regarding the reasons for (i) downward revision of BEs during 2000-01 and 2001-02, (ii) the reasons for underutilisation of the outlays during 2001-02 and (iii) pegging up a higher demand at BE stage for the year 2002-03 compared to the outlays of the previous year, the Deptt. through its written notes informed that :

> "The downward revision of BEs during 2000-01 is mainly due to non-procurement of surveillance equipments and non-finalisation of the instruments to be purchased for modernization of CRCL Labs and also non- finalisation for purchase of ready-built residential accommodation for the employees of the Enforcement Directorate. The budgetary grant for the year 2001-02 was again reduced at the time of RE on account of non-finalisation for purchase of ready-built residential accommodation for the employees of the Enforcement Directorate.
>
> The reasons for under-utilisation of the outlays are non-finalisation/non-completion of (1) payment of escalation cost to the CPWD for construction of 116 staff quarters, (2) entrusted work as well as new projects by the CPWD,(3) instruments to be purchased for modernization of CRC/R&D Labs of Govt.

Opium & Alkaloid Works and (4) purchase of ready-built flats for the employees of the Enforcement Directorate.

The higher provision has been made for the year 2002-03 as compared to the outlays of 2001-02 in view of likely completion of civil/construction work by the CPWD and procurement of instruments for modernization of CRCL/R&G Labs and purchase of ready-built flats for employees of the Enforcement Directorate in the next financial year."

40. The Deptt. in an earlier communication while explaining the reasons for under utilisation of funds during 1995-96, 1996-97 stated that :

"During the year 1995-96 and 1996-97, provision was made for construction of 268 staff quarters in the Government Opium & Alkaloid Factories, Neemuch. Subsequently, it was decided to construct only 116 staff quarters which resulted in under-utilisation."

41. The Committee observe that despite gross underutilisation of funds since 1995-96 onwards the department has been pegging up a higher budgetary outlays compared to the previous year at BE stage under this head particularly during 1998-99, 2000-01 and 2002-03. The reasons forwarded for under utilisation of the outlays are non finalisation/non-completion of (i) payment of escalation cost to the CPWD for construction of 116 staff quarters, (ii) entrusted work as well as new projects by the CPWD, (iii) instruments to be purchased for modernization of CRC/R&D Labs of Govt. Opium & Alkaloid Works and (iv) purchase of ready-built flats for the employees of the Enforcement Directorate. In view of the above the Committee feel that the estimates are prepared in a casual way and adequate steps have not been taken for the completion of new projects within the stipulated time which have led to the payment of escalated cost by the department. They therefore, recommend that strict scrutiny of new proposals, granting prior sanctions and close monitoring of the projects initiated at regular time intervals should be diligently followed to avoid persistent underutilisation under this head.

Demand No. 36
Deptt. of Revenue

6. Total provision regarding the object-head Supplies & Material

42. The object head is for expenditure incurred on the purchase of opium, packing material, stores and chemicals and import of codeine phosphate. The BE, REs and actuals are given below :

(Rs. in 000s)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	43,38,20	51,25,29	49,30,84
1996-97	62,69,50	75,52,00	64,33,87
1997-98	85,35,00	1,18,34,14	1,20,03,09
1998-99	1,26,75,00	72,35,45	47,03,95
1999-2000	1,92,58,11	1,57,42,90	1,55,87,51
2000-2001	1,90,70,00	2,50,62,50	2,30,68,60
2001-2002	2,44,51,53	1,81,89,70	
2002-2003	2,11,93,00		

43. When asked about the reasons for (i) steep upward revision of BEs at RE stage during 1995-96,1996-97, 1997-98 and 2000-01, (ii) downward revision of BEs at the Revised Estimates stage in 1998-99, 1999-2000 and 2001-02, (iii) underutilization of outlays earmarked at RE stage during 1995-96, 1996-97,1998-99, 1999-2000 and 2000-01 (iv) overutilization of grants vis-à-vis the funds allocated at RE stage during 1997-98, the Deptt in its written communication submitted that :

> "The Budget Estimates are based on the expected opium production, as well as, quantum of opium received etc. which can not be precisely predicted earlier. The increase at REs/BEs during the year 1995-96, 1996-97, 1997-98 and 2000-01 is due to reasons stated above along-with upward revision in price payable to poppy cultivators. The overutilisation of RE during 1997-98 was due to payment for the import of 4000 kgs. of codeine phosphate in the previous year.
>
> The downward revision of Budget Estimates at the stage of RE during the year 1998-99, 1999-2000 and 2001-02 is mainly an account of purchase of less quantity of opium. There was crop failure in the year 1998-99 which resulted in large scale saving in the estimated expenditure.
>
> The underutilization of outlays earmarked at RE stage during 1995-96, 1996-97, 1998-99, 1999-2000 and 2000-01 was mainly an account of less expenditure incurred on purchase of opium and chemicals and import of codeine phosphate.

The overutilisation of REs during 1997-98 was due to payment for the import of 4000 kgs. Of codeine phosphate in the year 1996-97."

44. From the above data it is seen that the outlays under this head have increased to the tune of about 500 percent within a span of 8 years i.e. since 1995-96 onwards. In this connection, in response to a query regarding the steps taken to bring in economy into the expenditure of this head and steps mooted to project realistic estimates the Deptt. has stated that :

> "The increase of outlays under this head to the tune of about 500 percent within a span of 8 years since 1995-96 is due to increase in the cultivation of opium and upward revision of price payable to cultivators and purchase tax besides other escalation in cost. Before 1995-96 Codeine Phosphate was being imported under barter system. However, the same is being imported on cash basis with effect from 1996-97, the import was in the range of 10 to 14 MT during the period 1996 to 2001. Further variation in the exchange rate and increase in the cost of chemicals also contributed to steep increase.
>
> The rise and decline in the outlays is attributable to the unpredictable circumstances, such as crop failure, quality of opium tendered by the poppy cultivators and other unforeseen reasons such as, exchange rate fluctuations."

45. The Committee observe that though the department resorted to steep upward revision of Budget Estimates at RE stage during 1995-96, 1996-97, 1997-98 and 2000-01 and downward revision of BE at RE stage during 1998-99 and 1999-2000 the actual expenditure was less than the targeted figures except an overutilisation of outlays during 1997-98. The underutilisation was huge particularly during 1996-97, 1998-99 and 2000-01 which spanned to the tune of Rs. 11.18 crore, Rs. 25.31 crore and Rs. 19.9 crore. The reasons forwarded by the department that the said underutilisation was mainly on account of less expenditure incurred on purchase of opium and chemicals and imports of Codeine Phosphate are unacceptable to the Committee. In the light of the fact that the crop of poppy cultivation matures in the month of March and the department has ample time to reformulate their estimates at

RE stage which are finalised during October – November every year, the Committee feel that persistent gross underutilisation under this head amply reflects the lack of seriousness on the part of the department in projecting realistic estimates year after year. They therefore, desire that the sincere efforts should invariably be made at every level to ensure that the Budgetary and Revised Estimates are projected closer to the realistic levels.

Demand No. 37
Direct Taxes

7. Programme of Comprehensive Computerisation of Income Tax Operations

46. The Income Tax department had approved a comprehensive computerisation plan in 1994-95. This envisaged –

- A National Computer Centre (NCC);
- 3 Regional Computer Centres (RCCs) and 33 Computer Centres. Later it was decided to consolidate these into 16 RCCs;
- PCs for all officers in 478 cities having Income-tax offices;
- All PCs to be connected to Local Area Network (LAN) and Wide Area Network (WAN) to respective RCCs and NCC;
- Uniform and integrated application software all over the country;
- Regional databases and processing with decentralised input and output.

The National Computer Centre at Delhi, 36 other Computer Centres are fully functional. These are connected to NCC on leased lines with ISDN lines as back up.

Networking – Networking of offices was divided into three phases. In phase-I Delhi, Mumbai, and Chennai were brought on network. In phase-II networking of offices in 57 cities was taken up. This has been completed in 54 cities. Networking of offices in remaining 418 cities is to be taken up in Phase III.

Departmental application software: Nine integrated application software viz. PAN, TAS. TDS, AST, Individual Running Ledger Account, CIB, and Judicial Reference System have been developed covering major functions of the department.

Training: Out of 51,915 employees expected to work on computers, 29,343 have been given computer training.

Initiatives for induction of new technology

System analysis study : The number of taxpayers, the number of departmental users and the functions to be computerised have increased considerably since the original computerisation plan was approved in 1994. The tax base is projected to double every 4 years while the manpower availability remains constant, making it necessary to automate a large number of activities. Therefore, a system analysis study was carried out for identifying the technology plan and resource needs of the department. A decision was earlier taken to consolidate present 36 Computer centres into 16 RCCs for better management of data base and computer infrastructure. Taking all this into consideration a 'Perspective plan 2002-05' for Phase-III of Computerisation was prepared, which has since been approved by the 'Technical Evaluation & Procurement Committee', and the High powered Committee on computerisation. It is now before the Department of Expenditure for approval of CNE.

Perspective Plan for Phase-III of computerisation 2002-05: The Perspective Plan, for major augmentation of departmental computer resources, included consolidation/enhancements of Server resources, up-gradation of front-end machines, provision of PCs to new officers/staff, expansion of network to remaining 418 cities, provision of security and management related software, etc. Its highlights are –

- **Networking in remaining 418 stations:** Extension of Income Tax network to 418 remaining stations is to be taken up to bring all the officers on TAXNET. This requires cabling, installation of Local Building Servers & Routers etc., and commissioning of inter-city and intra-city leased data circuits.
- **Servers for RCCs and NCC:** The requirement of the configuration of Servers is determined by the number of users, and the nature and volume of processes carried out by the users. Due to the increase in the number of users and in the number of taxpayers the RCCs and NCC require servers of a much higher capacity. Since it is proposed to capture, process, store and match huge volumes of data across the country on real time basis NCC and RCCs are to be provided Servers

with higher technology features to carry out these functions.

- **Software for security and enterprise-wide resource management:** The data available with the Department is of a sensitive nature. The databases have to be protected from unauthorised access and viruses etc. This requires deployment of sophisticated security software of multi-level firewalls for role-based, controlled and authenticated access, and monitoring of the pattern of usage. Optimal utilisation and management of the distributed computer resources has become imperative for a network projected to have over 15000 PCs and related hardware software infrastructure spread over 478 cities. Therefore, it is proposed to deploy enterprise-wide resource management software for automated monitoring, control and management of these systems.

Automated and faster processing of Returns

(i) **Receipt of returns** – Facilities will be made available to ensure that from 1.7.2002 returns are received only after verification of PAN. Basic data of returns (PAN income, and refund) will be captured on computers at receipt stage.

(ii) Processing or returns – It is proposed to discontinue manual processing of returns of income after 1.4.2002. At 60 stations on the network, returns will be processed on networked computers using integrated AST software. At other stations returns will be processed on stand alone PCs using TMS software (already supplied) till these come on the network. Computer Based Training (CBT) programmes have already been supplied. Intensive training effort will be undertaken for this from April, 2002.

(iii) Bulk filing of return – A Scheme for receipt of returns of salaried employees through their employers on electronic medium is being introduced. This will eliminate the interface of these assesses with the department at the stage of filing of return and issue of refunds.

Measures to combat evasion –

(i) **Data Bank of financial transactions** – It is proposed to establish mechanism for information based, and non-intrusive anti-evasion work. This requires setting up and matching of databases of high value financial transactions with information in the return. For this purpose, it is proposed to set up a data bank of transactions where quoting of PAN is mandatory U/R 114B, as also those where tax is liable to be deducted at source will be set up, with CsIT (CIB) as custodian. Collated party-wise information will be made available to AOs through system ensuring that PAN is quoted in TDS Certificates, returns of income, TDS returns, tax payment challans, and all notified transactions.

(ii) Other measures –

Following other anti-evasion measures are at various stages of implementation –

- PAN as Common Business Number – Facility for PAN verification by other departments on proxy servers through leased line/dial up line.
- Electronic exchange of data with other departments
- Development of Software for automated selection of cases for scrutiny.

Introduction of Taxpayer Service Concept

Vision Document – The vision Document, makes simplification, client assistance and easier compliance a primary goal of the Department. Two important measures identified for this in the vision document are –

- "Making business process less complex, inducting computerised data processing and simplifying compliance procedures.
- Setting up mechanisms to educate, guide, inform and help our clients."

"SAMPARK" – A package of services named SAMPARK has been announced by the honourable Finance Minister in his Budget speech for 2002. This is being introduced to enhance taxpayer communications, education and assistance facilities, and will include:

- Interactive Voice Response System (IVRS) with fax back facility at major cities for automated response to standard queries from taxpayers. These systems have already been installed in Kolkata, Chennai, Mumbai and Delhi.
- Self-service information kiosks at major cities. This has already been installed at Chennai on a Pilot basis.
- Web-enabled services or providing taxpayer information, with facilities for down loading standard replies and blank forms and challans etc. with PAN from departmental web site;
- Facility for verification of PAN through Web, and updating of address by the taxpayer on PAN database.
- Facilities for mailing of PAN stickers, which will subsequently be upgraded to mailing of blank returns forms.
- Providing a simple Return Preparation Software (RPS) on Web and through off-line media for generating return of income through a question – answer session.

Eventually, it will be possible to provide facilities for taxpayers to file returns and forms electronically, and to ascertain the status of processing of their returns through systems.

"SUVIDHA" – Finance Bill 2002 has introduced Bulk Filing Scheme under which willing and eligible salaried employees taxpayers will be able to file their returns of income through their employers on computer readable medium. The Scheme named Suvidha will be introduced at 8 major Centres in June, 202. Its main features are –

- Willing/eligible salaried employees will be able to file their completed returns through their employers
- Free software will be given to employers for transcription of data on individual returns
- Employers will file transcribed data along with the returns with the

department

- Acknowledgements will be issued for each return of income and given to the employer for passing on to the concerned taxpayer
- These returns will be processed on priority basis
- Refunds arising will be credited either to the taxpayer's bank account or sent through the employer at assessee's choice.

The Scheme will facilitate quick disposal of returns and obviate the need for these taxpayers to come to income tax office for filling of returns.

Centralised mass processing of returns – A pilot project is being implemented in Mumbai for salaried taxpayers to ensure disposal of returns within the year of filing. This included a major process reengineering. The main features of the project are –

- Processing of 6 lakh salary returns of income in 6-8 months of their being filed
- Reengineered business process
- Common jurisdiction up to processing stage
- Functional specialisation for faster processing
- Mailing of PAN stickers – later blank returns of income
- Computerised receipt of returns of income
- Electronic clearance of refunds
- Data base generated to be available across system
- New record management system
- Releasing manpower for scrutiny/manual work

Electronic Clearance of Refunds – A Scheme is being introduced for direct credit of refunds to the bank account of willing taxpayers using Electronic Clearance Scheme.

47. The Department in response to a query regarding the number of employees trained in computer has stated as under :

> "The total number of employees in the Department required to work on computers is 51,915. Out of this, 29,343 have received training so far. A training programme for 12000 employees is under way. DG, NADT and RTIs have included training on

departmental software as part of their training calendar for F.Y. 2002-03. A self learning computer based training CD on departmental application software (AST) has been developed internally in the Department and circulated to all Assessing Officers."

48. Elaborating on the details pertaining to the funds/outlays earmarked at BE and RE stages to implement the programme of comprehensive computerisation of income tax operations, the department has stated as under :

"The information relating to funds earmarked at Budget Estimates and Revised Estimates stages and actual expenditure is as under:-

Financial Year	Budget Estimate (in Rupees)	Revised Estimate (Final) (in Rupees)	Expenditure Incurred (in Rupees)	Under Utilisation (in Rupees)
1996-97	50,000,000	100,000,000	94,468,959	5,531,041
1997-98	50,000,000	402,050,000	402,050,000	0
1998-99	150,000,000	389,450,000	206,628,325	182,821,675
1999-2000	200,000,000	410,000,000	399,850,753	10,149,247
2000-01	250,000,000	221,400,000	171,781,000	49,619,000

Reasons for under-utilisation

Financial Year 1996-97

As per contracts, 10% of the payment relating to purchase price of hardware was to be paid after installation/commissioning of the hardware at the respective sites in the various Income-Tax Offices throughout the country, and receipt of acceptance from vendor. Since the vendors could not submit acceptance reports in many cases, the balance payment could not be released as per the contract.

Financial Year 1998-99

Though token provision was made for the computerisation project, additional funds were made available at RE (Revised Estimates) stage within the overall grants of CBDT/Deptt depending upon the progress of work. Actual vis-à-vis RE (Revised Estimates) is almost same except during 1998-99 when an amount of Rs. 18.28 crore had to be surrendered since the same could not be utilised as the Personal Computers ordered, on start of supplies, were found not to be meeting the specifications. As such, no payments were made. Supplies as per specifications were received and payments were made during 1999-2000.

Financial Year 1999-2000, and 2000-2001

The sanctioned funds for Financial Year 1999-2000, and 2000-2001 also remained under-utilised for the same reasons as given in respect of Financial year 1996-97.

A copy of the Action Plan for F.Y. 2001-02 relating to computerisation is enclosed herewith.

<u>Action plan relating to Computerisation for F.Y. 2001-02</u>

Sl. No.	Area	Action	Targets to be Completed by
1.	PAN	(i) Allotment of PAN in all pending cases of applications w/o core deficiency	31.08.2001
		(ii) Printing/dispatch of PAN cards in all	31.08.2001
		(iii) Fresh allotment of PAN new cases	Within 10 working days of application
2.	AIS	(i) Migration from IPAN to AIS in all pending cases	30.09.2001
		(ii) Completion of change in jurisdiction/hierarchy, consequent upon creation of new posts, change in jurisdiction etc.	30.09.2001
3.	IRLA	(i) Transcription of data of Arrear D&CR on floppies.	30.09.2001
		(ii) Uploading of arrear demand on IRLA	
		- Stations where networks are functional	30.09.2001
		- Stations where networks are under installation	to be completed within month of the networks becoming functional
4	TAS	All centers to be brought upto date	On going
5.	AST	Returns to be processed on computers	
		- Stations where networks are functional	On going
		- Stations where networks are under installation	From a record date to be announced by CcsIT on month after the networks become functional

6.	CIB	(ii) Complete standardisation of city, road, street and locality addresses	31.12.2001
		(iii) Processing of CIB information	
		- at stations where networks are functional	On going
		- at stations where networks are under installation	From one month after the networks become functional
7.	TDA	(i) Reformatting TAN Number	31.10.2001
		(ii) Processing of TDS returns on computers	From 01.11.2001

Note: Targets for implementation of 1/6 scheme, have been separately notified under D.O. letter F.No. 310/15/2001-02 dated 30.07.2001 of Member (Revenue), CBDT to Chief CsIT.

49. Replying to a query on the status of Electronic Clearing Service (ECS) scheme, the Department has inter-alia stated that :

> "Earlier, a limited pilot scheme for transferring refunds of selected salaried assesses through Electronic Clearing Service (ECS) Scheme of Reserve Bank of India was carried out at Bangalore, Pune and Chennai at the initiatives of the local Chief Commissioners. Although refunds could be transferred to the concerned employees, but problems arose requiring changes in procedures, accounting rules and departmental software relating to Tax Account System (TAS). It was, therefore, decided to examine the matter centrally. The local pilots at Bangalore, Pune and Chennai had, therefore, to be discontinued. A decision has since been taken to implement ECS scheme for issue of refunds to willing tax payers at 15 stations where this service is being offered by the Reserve Bank of India. The necessary modifications in the form of returns of income have been carried out and those in the departmental application software are in progress. However, the changes in the relevant accounting rules i.e. Central Treasury Rules, and the Receipt and Payment Accounting Rules are still to be carried out. This requires concurrence of Controller General of Accounts and the C&AG. The issue is being examined in consultation with the CCA, CGA and C&AG.
>
> Currently, ECS is not in operation in the Department due to technical difficulties. However, it is proposed to introduce the same as soon as the modifications in the relevant accounting rules are completed."

50. Regarding the allotment of PAN for the year 1.4.2001 to 1 March, 2002, the department in its written note inter-alia has submitted that:

Applications pending on 1st April, 2001	Applications received during the year	Total Applications for allotment	PAN allotted during the year	Balance as on 01.03.2002
1,783,709	**2,553,578**	**4,337,287**	**2,210,686**	**2,126,601**

……. Instructions have been issued to all Chief Commissioners and Commissioners to monitor the disposal of pending PAN applications and get the backlog cleared by 31.3.2002. Grievance redressal fortnights were organised at some stations for removing the grievances of public and for instant allotment of PANs. After studying the utility and effectiveness of these, similar fortnights are planned for other charges all over the country in April, 2003."

51. Supplementing on the same issue the Secretary, Revenue has deposed that :

"We have been giving a special drive on PAN. So I am very happy to report that during the month of March alone, 5,21,000 PANs have been given. The average distribution of PAN was only 1,60,000 or 1,70,000. We have updated the figures, which I will submit to the Committee… Another 5 lakh out of the 21 lakh has been disposed of during the month of March. We are giving a special drive in May. We will call it a PAN month to clear all the arrears and we hope that whatever is remaining beyond May will be only difficult cases."

51.A While replying to a query regarding the break-up pertaining to the total outgo of revenue towards interest payment on refund claims since 1996-97 (year-wise), the department in its written submission to the Committee has stated that :-

"The interest paid under section 244A by the Income tax authorities on refund of excess payment of taxes comes to Rs. 622.13 crore in the financial year 1996-97, Rs. 878.87 crore in the financial year 1997-98, Rs. 1727.12 crore in the financial year 1998-99 and Rs. 1144.39 crore in the financial year 1999-2000."

52. The Committee are deeply pained to note that the Programme of Comprehensive Computerisation of Income Tax Operations which was envisioned in 1994-95 for setting up of national, regional computer centres, networking all the offices with uniform and integrated application of software, creation of regional databases and processing the captured data with decentralised input and output facilities has been bogged down with

inordinate delays. The funds earmarked to procure the required hardware and software are being underutilised year after year since 1996-97 onwards except in 1997-98. The under utilisation of funds ranged from Rs. 5 lakhs to Rs. 18.28 crore during these years. The reasons adduced for under utilisation were that the vendors in majority of cases have not submitted their acceptance reports within the close of the respective financial years.

53. The Committee also find that the nagging problems pertaining to accounting rules and software of the Tax Accounting System (TAS) have been impeding the transfer of refunds expeditiously through the Electronic Clearing Service (ECS) Scheme in Bangalore, Pune and Chennai. Further, the Committee are deeply perturbed to observe that the revenue outgo paid towards the interest payment on refund claims has burdened the exchequer to the tune of Rs. 622.13 crore, Rs. 878.87 crore, Rs. 1727 crore and Rs. 1144.39 crore during the financial year of 1996-97, 1997-98, 1998-99 and 1999-2000, respectively. The backlogs in the allotment of PAN which are more than 21 lakh have been depriving the Department to collate the data of high value financial transactions which are crucial in combating tax evasion. The proposed elimination of interface of the assesses with the tax officials is not complete. The department is yet to train more than 29 thousand employees of its workforce.

54. In the light of above bottlenecks and the perspective plan of phase III which is at a rudimentary stage, the Committee feel that the situation calls for a continuous and close monitoring by a high powered committee under the aegis of the Secretary, Revenue at regular intervals and utmost priority for expeditious disposal of refund claims should be accorded and concerted endeavours be made to reduce the pending refund claims. They therefore, desire that the comprehensive computerisation of Income tax operations should be accorded the status of a fast track project and the pace of implementation of the project be accelerated.

Demand No. – 37
Direct Taxes

8. Working of Valuation Cells

55. The function of the valuation cell is to assist and advise assessing officers in determining the fair market value of assets so as to prevent tax evasion resulting from under valuation of assets. According to the annual quota for valuation of cases fixed by CBDT in 1987, the valuation cell comprising of 12 DVDs 110 VOS & AVOs is to complete 20,880 nos. of valuation cases per annum. It has however been observed that number of cases finalized by the valuation cell have declined significantly during the years 1994-95 to 1998-99 with consequent under utilization of its capacity as follows:

Year	Type of Cases	Total cases Due for disposal (referred cases+ Pending cases)	No. of cases Disposed of during the year	No. of cases required to be disposed as per quota for (12 DVOs + 110 VO/AVOs)	Under utilization of capacity of valuation cell in terms of percentage
1994-95	Income Tax Wealth Tax Gift Tax Estate Duty	7701(10292) 2475 116 -	7170(9211) 1925 116 -	20880	56
1995-96	Income Tax Wealth Tax Gift Tax Estate Duty	6332 1838(8199) 29 NIL	5642 1469(7138) 27 NIL	20,880	66
1996-97	Income Tax Wealth Tax Gift Tax Estate Duty	6698 1528(8282) 36 20	6067 1110(7209) 25 7	20,880	65
1997-98	Income Tax Wealth Tax Gift Tax Estate Duty	5317 1000(6398) 68 13	4580 681(5328) 62 5	20,880	74
1998-99	Income Tax Wealth Tax Gift Tax Estate Duty	4653 496(5176) 26 1	3903 417(4344) 23 -	20,880	79

Delay in disposal of cases by the valuation cell

The Board had in 1991, prescribed a time limit of 180 days for disposal of valuation cases, from the date of receipt of the reference. It has however been noticed that valuation cases were not being finalized by the valuation cell within the prescribed time limit :

Sl No.	Name of the States	Total Delay ranged beyond the admissible Period		No. of valuation cases	Delay ranged for more than one year
		No. of valuation cases	Delay ranged		
1.	Gujrat	25	2 to 43 months	4	16 to 43 months
2.	Punjab	3	1 to 10 months	-	
3.	Tamil Nadu	15	1 to 23 months	6	14 to 23 months
4.	Delhi	69	1 to 22 months	2	17 to 22 months
5.	.Orissa	28	1 to 23 months	4	14 to 23 months
6.	Rajasthan	3	1 to 2-1/2 months	-	-
7.	Karnataka	25	9 to 19 months	1	13 months
8.	Mumbai	435	12 to 24 months	168	12 to 24 months
	Total	603		185	

Details of valuation references received from the Assessing Officers

Financial Year	Opening balance of reference	Reference received during the year	Reference disposed during the year	References pending at the end of the year	Declared value of properties (in Rs. Crores)	Assessed value of Properties (in Rs. Crores)
1995-96	1175	7484	7495	1164	582.16	1834.42
1996-97	1164	7548	7528	1184	592.36	1766.33
1997-98	1184	6286	6209	1261	646.73	1942.64
1998-99	1261	4347	4629	979	659.65	1323.50
1999-00	979	6135	5802	1312	787.36	2434.32
2000-01	1312	5641	5712	1241	1007.24	2189.79
2001-02 (upto Jan.02)	1241	1690	2034	897	332.82	745.84

56. When asked about the measures that have been initiated to utilise the capacity to

the fullest extent and to avoid the said delays the deptt has inter-alia stated that :

> "As per the existing norms, the valuation Cell is being fully utilized. Statistically speaking, the Valuation Cell may appear unutilized. However, the statistics quoted by C&AG in its report have to be appreciated in proper perspective. The fact that a Valuation Officer has not been able to dispose of his required number of cases (despite adequate workload being available with him) does not mean that his capacity remains untilised. The shortfall in reaching the targeted quota of number of cases is attributable to various factors, like the nature of cases being complicated requiring additional time, lack of infrastructure facilities, lack of co-operation on the part of assesses in providing of details, etc.
>
> ……. A time limit of 180 days and 120 days has been prescribed for disposal of normal statuatory and non-statutory cases respectively. However, sometimes a few cases are not able to be finalised within this prescribed time limit.
>
> Some of the reasons for the cases not being finalised within the prescribed time limit are :-
>
> (i) non-cooperation by the assesses
> (ii) incomplete references received from Assessing Officers
> (iii) Delayed submission by the assesses of the details called for, etc.
>
> All efforts are made to ensure that all cases are finalized within the prescribed time limit. Pendency exceeding the time limit is closely monitored by the Chief Engineer (Valuation). Special attention and priority is given to these cases and appropriate action taken to finalise them as expeditiously as possible."

57. The Department while explaining the utility of revised output norms has stated as under:

> "The revised annual output norms have come into operation in the District Valuation Cells only in the current financial year. Therefore, it is too early to categorically point out what improvement has been noticed since the implementation of the new norms."

58. The Committee are perturbed to find that there has been significant decline in the cases referred to Valuation Cells during the period 1994-95 to 1998-99 and 56 to 79 percent capacity of Valuation Cells has remained

unutilised. Delay in finalisation of valuation cases has also been noticed which ranged from one month to 43 months despite 1/3rd workload in the Valuation Cells. The reply of the Department that the shortfall in reaching the targeted quota of number of cases is attributed to factors like the nature of cases being complicated requiring additional time, lack of infrastructure facilities, lack of co-operation on the part of assessees in providing details etc. highlight apathetic attitude of the department in according importance for the efficient functioning of Valuation Cells.

59. They strongly recommend that the valuation cases should be expedited by implementing new output norms which are currently under implementation. They also desire that accountability should be fixed for the inordinate delays and sincere endeavours be made to fine tune the entire operations of Valuation Cells so that they become effective and tools for detecting and preventing tax evasion.

Demand No. 37
Direct Taxes
Major Head : 4059
Minor Head : 01.800
Detailed Head : 01.00.54

9. Acquisition of Ready built office accommodation – Investments

60. This head is meant for purchase of ready built office accommodation. The Budget Estimates, Revised Estimates and actuals are given in the following table :

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1996-97	16,00,00	39,37,00	28,07,19
1997-98	20,00,00	14,12,00	--
1998-99	19,80,00	35,80,00	16,80,00
1999-2000	80,00,00	50,00,00	14,79,86
2000-2001	60,00,00	75,00,00	47,01,26
2001-2002	85,00,00	83,74,00	
2002-2003	85,00,00		

61. The Deptt. while explaining the (i) reasons for gross underutilisation of outlays (ii) resultant impact of the investments over the recurring expenditure on Rent, Rates and Taxes and (iii) the break up of actuals has stated that :

"The proposal for purchase of properties are cleared after satisfying various requirements like cost reasonableness, structural soundness, standard specifications, negotiation by nominated committee, approval by Committee on Non-Plan Expenditure etc. At the time of allocation of funds under this head, the provisions are made after a close scrutiny of each project. However, some of the proposals do not fructify as they fail to fulfill one or more requirements laid down. This results under utilisation of funds. It may also be mentioned that the projections of funds for a particular year is made based on the total number of projects available at that point of time, which are expected to be finalized during the year. Since the numbers of proposals and amounts of funds required have increased, the budgetary provisions have also increased accordingly. It may also be relevant to point out that the demand for office space has gone up with a view to cater to the increasing tax base and impact of restructuring. As regards, not spending any fund during 1997-98, no proposal could be cleared resulting in non-utilisation of funds.

The impact of acquisition of ready built office accommodation will have favourable effect on reducing the expenditure under head 'Rent, Rates and Taxes' in the long run after the existing deficiencies are met with.

The break-up amount released under this Head for last 3 years is as under :

(Rupees in thousands)

YEAR	WORK	AMOUNT
1998-99	Partitioning of rooms/cabins in office at Vaishali, New Delhi	16,80,00,000
TOTAL		**16,80,00,000**
1999-2000	Office space in Lok Nayak Bhawan, Patna from Zia Parishad, Patna	1,10,15,000
1999-2000	Office accommodation purchased from Shimla Development Authority	21,87,000
1999-2000	Office from Calcutta Imp. Trust	80,28,000
1999-2000	Office at Vashi Navi Mumbai from CIDCO	6,28,36,000
	Office Vashra Bhawan from UPSTC Ltd.	6,39,20,000
Total		**14,79,86,000**
2000-2001	Balance Payment to CIDCO for office at Vashi, Navi Mumbai	18,50,000

2000-2001	Construction work in Lok Nayak Bhawan, Patna	38,95,000
2000-2001	Purchase of land from MMRDA at Bandra Kurla Complex, Mumbai for office	29,50,00,000
2000-2001	Payment for purchase of Scindia House, Mumbai	16,93,81,000
Total		**47,01,26,000**

62. Regarding the steps taken to project realistic estimates under this head it has been stated that :

> "To ensure that the estimates under this head are projected realistically, the Board has circulated detailed checklist for purchase of ready built accommodation to all Chief Commissioners. It is felt that this will enable better framing of proposals resulting in better utilisation of funds."

63. The Committee are deeply constrained to note that the department has been locking huge budgetary outlays under this head and the same are grossly being underutilised year after year since 1996-97. It has also been observed that the department has not spent any fund during 1997-98. The reason advanced by the Ministry for underutilisation of funds was that some of the proposals could not fructify as they failed to fulfil one or more requirements laid down is unplausible to the Committee and reflect the casual approach followed in selecting and clearing the investment proposals meant for purchase of ready built office premises. Hence, they recommend that the proposals that suitably cater to the requirements of the department should be selected with due care after taking into consideration requirements like cost reasonableness, structural soundness and standard specifications and keen interest should be evinced to ensure that the procedure followed to purchase ready built office accommodation is complete well within the close of the respective financial year. Necessary guidelines in this regard should be issued to field formations to instil required fiscal prudence into the budgetary preparations of the department.

Demand No. : 38
Indirect Taxes
Major Head : 2037

Minor Head : 00.102
Detailed Head : 01.01.52

10. Machinery and Equipment

64. This head is meant for procurement, repair and maintenance of boats and crafts for sea patrolling and also hiring of helicopters for surveillance by various Customs (Preventive) Commissionerates. The Budgetary outlays earmarked at BE and RE stages and the details of the actual expenditure are given below :-

(Non-plan) (Rs. in 000's)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	20,00,00	14,00,00	3,46,18
1996-97	21,79,75	12,02,00	5,53,38
1997-98	11,93,50	10,03,50	4,31,25
1998-99	12,13,50	9,20,50	4,87,46
1999-2000	7,23,50	7,64,00	2,90,39
2000-2001	8,85,50	4,28,50	1,96,17
2001-2002	3,60,00	2,44,20	
2002-2003	2,74,60		

65. When asked about the reasons for gross underutilisation under this head the Department has stated that :

> "The budget estimates for 1995-96 and 1996-97 included provision for procurement of fast interceptor crafts. It was however, decided in 1996-97 to procure these crafts from the Customs Special Fund for acquisition of anti-smuggling equipments. The budgetary provisions for subsequent years were therefore substantially reduced. Inspite of this, there has been under-utilisation of funds under this head due to non-finalisation of procurement proposals of various other crafts and vessels and delay in payment of hiring charges of helicopters."

66. The Committee also found gross undertuilisation under the head Machinery and Equipment (Directorate of Preventive Operations). This Head is meant for procurement of anti-smuggling and telecommunication equipments including equipment required for Communication by the Directorate of Preventive

Operations. The BE, RE and actuals are given below :

Demand No. : 38
Indirect Taxes
Major Head : 2037
Minor Head : 00.102
Sub Head : 04 – Directorate of Preventive Operations
Detailed Head : 04.00.52

Machinery & Equipment

(Non-plan) (Rs. in 000's)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	10,00,00	8,00,00	3,08,13
1996-97	10,00,00	7,00,00	1,17,46
1997-98	7,00,00	5,00,00	3,18,74
1998-99	7,00,00	5,00,00	2,07,97
1999-2000	7,00,00	6,00,00	2,10,62
2000-2001	3,50,00	2,50,00	2,51,54
2001-2002	3,00,00	2,55,00	
2002-2003	2,70,00		

67. The Department in response to a query regarding the reasons for gross underutilisation have been stated as under :

> "The budgetary provisions under this head remained underutilised over the last few years due to procurement of various anti-smuggling equipments. As a result, budgetary provisions under this head have been progressively reduced from Rs. 10 crores in 1995-96 to Rs. 3.00 crores in 2001-2002. Apart from this, the grant also remained un-utilised due to increasing liberalisation and reduction in the rates of duties of items imported to the country. On the Communication side, there are alternative and effective means of communications such as mobile phones, FAX and easy access to STD and ISB which make existing network outmoded. Therefore, much of the obsolete equipment is not being repaired or replaced. Steps have also been taken as the amounts have been reduced to more realistic figures."

68. While explaining the rationale for bringing down the outlays the department has stated as under :

> "The reasons for reduced outlays under this head is also liberalisation and reduction in duties of items imported to the country."

69. Delving on the need for modernisation of coast guard boats the Secretary, Revenue has deposed as under :

> "I and my colleagues would be eminently comfortable if the Standing Committee could recommend modernisation, particularly fleet. Our coast guard boats are in bad shape. Mobile phones are not there. Our guns are in bad shape."

70. The Committee are astonished to observe that on one hand the Secretary, Revenue desires that more funds need to be allocated to modernise the fleet and other key gadgets / equipments used in the preventive operations whereas on the other hand gross underutilisation of outlays have been noticed under the heads meant to modernise and equip the organisation in combating the menace of smuggling. They also find that during the past 8 years the outlays have been significantly brought down. The Committee are constrained to arrive at an objective conclusion in this regard and hence, desire that henceforth the department should prioritise its requirements clearly before approaching the Committee for guidance. They also desire that sincere endeavours should be made to utilise the earmarked allocations to the fullest extent by the end of respective financial years.

NEW DELHI;	N. JANARDHANA REDDY,
18 April, 2002	Chairman,
28 Chaitra, 1924 SAKA)	STANDING COMMITTEE ON FINANCE

MINUTES OF THE SIXTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 02 April, 2002 from 1115 hours to 1415 hours.

PRESENT

Shri. N. Janardhana Reddy – Chairman

MEMBERS

LOK SABHA

2. Dr. Sanjay Paswan
3. Shri Rattan Lal Kataria
4. Shri Kirit Somaiya
5. Shri Kharabela Swain
6. Shri Raj Narain Passi
7. Shri Pravin Rashtrapal
8. Shri Sudarsana E.M. Natchiappan
9. Shri Varkala Radhakrishnan
10. Shri Trilochan Kanungo
11. Shri Sudip Bandyopadhyay
12. Shri Abdul Rashid Shaheen
13. Capt. Jai Narain Prasad Nishad
14. Shri Amir Alam Khan

RAJYA SABHA

15. Dr. Manmohan Singh
16. Shri Suresh A. Keshwani
17. Shri S.S. Ahluwalia
18. Shri Dina Nath Mishra
19. Shri Parmeshwar Kumar Agarwalla
20. Prof. M. Sankaralingam
21. Shri Prem Chand Gupta
22. Shri Sanjay Nirupam

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri R.K. Jain	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

WITNESSES

1. Dr. S. Narayan, Revenue Secretary
2. Shri Anupam Dasgupta, Additional Secretary (Revenue)
3. Shri A.K. Pande, DG, CEIB
4. Shri M.K. Singh, DG, NCB
5. Prashant Mehta, Joint Secretary (Revenue)
6. Shri S.S. Bajpai, Special Director, ED
7. Shri H.V. Chauhan, NC Gwalior
8. Shri Vineet Ohri, CCF, New Delhi
9. Shri K.L. Verma, Chairman (CBEC)
10. Shri U.K. Sen, Member (Personnel)

11. Shri N. Raja, Member (Budget)
12. Shri A.K. Singh, Member (L&J)
13. Shri D.K. Acharya, Member (Cus)
14. Shri Dalbir Singh, DGCEI
15. Shri M.C. Kaul, DG (Audit)
16. Shri Lakhinder Singh, JS (Legal)
17. Shri P.C. Jha, JS (Customs)
18. Shri J.K. Batra, Commissioner (Systems)
19. Smt.Nisha Malhotra, JS (Admn) CBEC
20. Shri Rajendra Prakash ADG (Vig.)
21. Shri P.K. Sharma, Chairman CBDT
22. Shri C.M. Betgiri, Member (L) CBDT
23. Shri A.K. Mohanty, Member (A&J) CBDT
24. Shri A. Mukhopadhyay, Member (IT) CBDT
25. Shri Satrajit Choudhury, Member (Revenue) CBDT
26. Shri D.N.S. Sinha, Member (Personnel) CBDT
27. Shri Raj Narian, Member CBDT
28. Shri A.N. Prasad, OSD (TPL-I) CBDT
29. Shri A.J. Majumdar, JS (TPL-II) CBDT
30. B.S. Meena, JS (Admn) CBDT
31. Shri G.C. Srivastave, JS, CBDT
32. Shri P.L. Singh, Chief Commissioner of Income Tax Delhi

2. At the outset, the Chairman welcomed the representatives of Ministry of Finance (Department of Revenue) to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of Ministry of Finance (Department of Revenue) on Demands for Grants (2002-2003) of the Ministry of Finance (Department of Revenue) and other related matters.

4. Thereafter, the Chairman informed the Committee that S/Shri Suresh A. Keshwani and N.K.P Salve would retire from Rajya Sabha w.e.f 2 April, 2002 and hence would cease to be the Members of the Standing Committee on Finance.

4. Then the oral evidence of the representatives of Department of Revenue was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned to meet again on 3 April, 2002 at 1100 hours)

MINUTES OF THE TENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Wednesday, 17 April, 2002 from 1500 hours to 1640 hours.

PRESENT

Shri. N. Janardhana Reddy – Chairman

MEMBERS

LOK SABHA

2. Shri Ramsinh Rathwa
3. Shri Rattan Lal Kataria
4. Shri Kirit Somaiya
5. Shri Kharabela Swain
6. Shri Sudarsana E.M. Natchiappan
7. Shri Rupchand Pal
8. Shri Varkala Radhakrishnan
9. Dr. Daggubati Ramanaidu
10. Shri T.M.Selvaganapathi
11. Shri Trilochan Kanungo
12. Shri Abdul Rashid Shaheen
13. Shri Jyotiraditya Madhavrao Scindia

RAJYA SABHA

14. Dr. Manmohan Singh
15. Shri S.S. Ahulwalia
16. Shri Palden Tsering Gyamtso
17. Shri Prithviraj D. Chavan
18. Shri Murli Deora

SECRETARIAT

1.	Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2.	Shri R.K. Jain	-	Deputy Secretary
3.	Shri S.B. Arora	-	Under Secretary

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee and informed them regarding the desire of the seven member delegation of the Financial and Economic Committee of the National People's Congress (NPC) of China to call on the Members of the Standing Committee on Finance during their proposed visit to India in mid May, 2002. The Committee then decided to meet the Chinese National People's Congress delegation on 14 May, 2002 afternoon.

3. Thereafter, the Chairman introduced the newly nominated

Members S/Shri Prithviraj D. Chavan, MP, Jyotiraditya Madhavrao Scindia, MP and Murli Deora,MP to the Committee and welcomed them to the sitting of the Committee.

4. Then the Committee took up for consideration the draft report on the Demands for Grants (2002-2003) of Ministry of Finance (Department of Revenue) and adopted the same with the modifications shown in the *annexure I.*

5. XX XX XX XX

6. XX XX XX XX

7. The Committee authorised the Chairman to finalise the Reports in the light of modifications as also to make verbal and other consequential changes arising out of the factual verification and present the same to both the Houses of Parliament.

[*The Committee then adjourned to resume their sitting at 1500 hours on 18 April, 2002 to consider and adopt the draft reports on Demands for Grants (2002-2003) of (I) Ministry of Disinvestment and (II) Ministry of Statistics and Programme Implementation*]

[Modifications/Amendments made by Standing Committee on Finance in their draft Report on Demands for Grants of (2002-2003) of Ministry of Finance (Department of Revenue) at their sitting held on 17 April, 2002]

Page 13, Para 10, Line 8

After *"tax buoyancy."*
Add "Such continuous shortfall in actual receipts over the Budget estimates reduces the credibility of Budget preparing institution in particular and the Finance Ministry in general."

Page 14, Para 13, Line 2

After "taking into consideration the "
Insert "relevant"

Page 22, Para 22, Line 11

After "after statistical enumeration"
Add "within one year of the presentation of this report"

Page 22, Para 23, Line 2

After "indirect taxes"
Delete "and"

Para 23, Line 3

After "tax"
Add "and incidence of large scale tax evasion,"

Para 23, Line 6

After "tax net"
Add "and should beef up the existing mechanism to identify the tax evaders."

Page "52, Para 51, Line 10

At the end of Para
Add "51.A While replying to a query regarding the break-up pertaining to the total outgo of revenue towards interest payment on refund claims since 1996-97 (year-wise), the department in its written submission to the Committee has stated that :-

"The interest paid under section 244A by the Income tax authorities on refund of excess payment of taxes comes to Rs. 622.13 crore in the financial year 1996-97, Rs. 878.87 crore in the financial year 1997-98, Rs. 1727.12 crore in the financial year 1998-99 and Rs. 1144.39 crore in the financial year 1999-2000."

Page 53, Para 53, Line 4

After	"Pune and Chennai."
Add	"Further, the Committee are deeply perturbed to observe that the revenue outgo paid towards the interest payment on refund claims has burdened the exchequer to the tune of Rs. 622.13 crore, Rs. 878.87 crore, Rs. 1727 crore and Rs. 1144.39 crore during the financial year of 1996-97, 1997-98, 1998-99 and 1999-2000 respectively."

Page 53, Para 54, Line 4

After	"at regular intervals"
Add	"and utmost priority for expeditious disposal of refund claims should be accorded and concerted endeavours be made to reduce the pending refund claims."

Para 54, Line 6

For	"should be monitored on monthly basis to achieve tangible results."
Substitute	"the pace of implementation of the project be accelerated."