

१५

THIRD REPORT  
STANDING COMMITTEE ON FINANCE  
(1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS  
(1999-2000)

*[Action taken by the Government on the recommendations contained  
in the Twenty First Report (Twelfth Lok Sabha) of the Standing  
Committee on Finance on Demands for Grants (1999-2000)  
of Ministry of Finance (Department of Revenue)]*

*Presented to Lok Sabha on 16.3.2000*

*Laid in Rajya Sabha on 16.3.2000*



LOK SABHA SECRETARIAT  
NEW DELHI

*March, 2000/Phalguna, 1921 (Saka)*

## CONTENTS

COMPOSITION OF THE COMMITTEE .....	
INTRODUCTION .....	(v)
CHAPTER I Report .....	1
CHAPTER II Recommendations/Observations which have been accepted by the Government .....	9
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies .....	18
CHAPTER IV Recommendation/Observation in respect of which reply of the Government has not been accepted by the Committee .....	24
CHAPTER V Recommendation/Observation in respect of which final reply of the Government is still awaited.....	27
Minutes of the Fourth Sitting of the Committee held on 28 February, 2000 .....	30
<b>APPENDIX</b>	
Analysis of action taken by Government on the recommendations contained in the Twenty First Report of the Standing Committee on Finance (Twelfth Lok Sabha) .....	32

COMPOSITION OF STANDING COMMITTEE ON FINANCE  
(1999-2000)

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Rattan Lal Kataria
6. Shri Krishnamraju
7. Shri Brahmanand Mandal
8. Shri M.V. Chandrashekhara Murthy
9. Shri M.V.V.S. Murthy
10. Shri Kamal Nath
11. Shri Rupchand Pal
12. Shri M. Padmanabham
13. Shri Prakash Paranjpe
14. Shri Raj Narain Passi
15. Dr. Sanjay Paswan
16. Shri Annasaheb M.K. Patil
17. Shri Varkala Radhakrishnan
18. Shri Pravin Rashtrapal
19. Shri Ram Singh Rathwa
20. Shri G. Ganga Reddy
21. Shri S. Jaipal Reddy
22. Shri T.M. Selvaganpathi
23. Shri Mohammad Shahabuddin
24. Shri Ajit Singh

(iv)

25. Shri C.N. Singh
26. Shri Kirit Somaiya
27. Shri Kharabela Swain
28. Shri Narayan Dutt Tiwari
29. Shri Braja Kishore Tripathy
30. Smt. Renuka Chowdhury\*

*Rajya Sabha*

31. Dr. Manmohan Singh
32. Shri N.K.P. Salve
33. Shri Krishna Kumar Birla
34. Shri K. Rahman Khan
35. Shri Narendra Mohan
36. Shri M. Venkaiah Naidu
37. Shri Prafull Goradia
38. Dr. Biplab Dasgupta
39. Shri P. Prabhakar Reddy
40. Shri Ranjan Prasad Yadav
41. Prof. M. Sankaralingam
42. Shri Gurudas Das Gupta
43. Shri Amar Singh
44. Shri Vijay Darda
45. Shri Suresh A. Keswani#

SECRETARIAT

- |                           |                             |
|---------------------------|-----------------------------|
| 1. Dr. A.K. Pandey        | <i>Additional Secretary</i> |
| 2. Shri Harnam Singh      | <i>Joint Secretary</i>      |
| 3. Dr. (Smt.) P.K. Sandhu | <i>Director</i>             |
| 4. Shri N.S. Hooda        | <i>Assistant Director</i>   |

---

\*Nominated *w.e.f.* 14 February, 2000

#Nominated *w.e.f.* 24 February, 2000

## INTRODUCTION

I, the Chairman of the Standing Committee on Finance (1999-2000), having been authorised by the Committee to submit the Report on their behalf present this Third Report on action taken by Government on the recommendations contained in the Twenty First Report of the Committee (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Finance (Department of Revenue).

2. The Twenty First Report was laid in Rajya Sabha/presented to Lok Sabha on 19 and 22 April, 1999 respectively. The Government furnished the replies indicating action taken on all the recommendations on 20 September, 1999. The updated replies were furnished by the Government in January, 2000. The Draft Action Taken Report was considered and adopted by the Standing Committee on Finance at their sitting held on 28 February, 2000.

3. An analysis of action taken by Government on recommendations contained in the Twenty First Report (Twelfth Lok Sabha) of the Committee is given in the Appendix.

4. For facility of reference observation/recommendation of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;  
15 March, 2000  
25 Phalgun, 1921 (Saka)

SHIVRAJ V. PATIL,  
Chairman,  
Standing Committee on Finance.

## CHAPTER I

### REPORT

This report of the Standing Committee on Finance deals with action taken by Government on the recommendations contained in their Twenty first Report (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of Ministry of Finance (Department of Revenue) which was presented to Lok Sabha on 22 April, 1999.

2. Action Taken Notes have been received from the Government in respect of all the 12 recommendations contained in the Report. These have been categorised as follows:

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

Rec. Sl. Nos. 5, 6, 7, 9, 10 and 12

(Chapter II-Total 6)

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

Rec. Sl. Nos. 1, 2, 4 and 11

(Chapter III-Total 4)

- (iii) Recommendation/Observation in respect of which reply of the Government has not been accepted by the Committee:

Rec. Sl. No. 3

(Chapter IV-Total 1)

- (iv) Recommendation/Observation in respect of which final reply of the Government is still awaited:

Rec. Sl. No. 8

(Chapter V-Total 1)

3. The Committee desire that the reply to the recommendation contained in Chapter I and final reply in respect of the recommendation contained in Chapter V for which only interim reply has been given by the Government should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

#### A. Infrastructure for Revenue Collection

##### Recommendation (SL No. 3, Para No. 14)

5. The Committee had observed that despite their earlier recommendation to expedite the process of computerisation of Income Tax Operations, no concrete measures were taken to remove the bottlenecks and the process was not completed. The Department continued to reel under the problem of inter-connectivity of procured computer terminals. Though the matter was taken up at higher levels, the desired results were not achieved. The Department had issued Personal Account Numbers (PAN) only to 1,00,21,366 applicants out of a total number of 1,70,73,861 applications. The main constraints that came in the way while issuing the PAN were the shortage of technical personnel and the problem of inter-connectivity. The Committee were of the considered view that the Department should identify and redeploy the existing work force by providing them suitable training. They also desired that to overcome the problem of inter-connectivity of computer terminals, alternative to 64 Kbps dedicated leased data-circuits, such as ISDN, based on fibre optic cables of MTNL/DoT should be seriously pursued without any loss of time. They had further recommended that the entire work pertaining to computerisation should be accorded a top priority making the same a time bound programme.

6. The Ministry of Finance (Department of Revenue) in their reply have stated:

"Only limited computerisation had been in existence in the Income Tax Department since 1985. The application systems, then implemented, were running in standalone batchmode without any interaction and without creation of any databases. The comprehensive computerisation programme of the Income-tax Department; which is now being implemented in stages all over

the country, was started in 1995 only. There are nine application systems integrated with each other. Regional as well as national data bases are being created which are essential and will be of enduring benefit to the Department. Benefits of these integrated computerised applications will be visible in the near future.

All the buildings in the three cities of Delhi, Mumbai and Chennai are connected to their respective Regional Computer Centres and to the National Computer Centre at Delhi through 64 Kbps dedicated leased data circuits of the MTNL/Department of Telecommunication. There are 17 intracity and 3 inter-city data circuits. As stated earlier, the matter regarding poor performance of these data circuits has been taken up at various levels with the Department of Telecommunications. Suitable alternatives to the 64 Kbps dedicated leased data circuits, such as ISDN, have been under consideration. Applications for 11 nos. of ISDN connections have been made to MTNL/Department of Telecommunication, to begin with. Based on performance, further ISDN connections will be taken.

As against the total number of 1,76,36,474 applications received for allotment of Permanent Account Number as on 30.04.1999, PAN has been allotted to 1, 19, 92, 972 applicants as on 30.04.1999. The balance applications are proposed to be cleared by 31.08.1999.

As already stated earlier, there is an acute shortage of technical manpower in the Income-tax Department. Though the work has increased manifold there has not been a commensurate increase in the number of technical personnel for handling the additional work. The proposal for creation of additional 1080 technical posts is still under consideration of the Department of Expenditure.

Training is being imparted to officers and staff of the Income-tax Department to enable them to work on computers. Out of 51,914 employees (excluding Group D) 22,251 employees have been trained upto 30.04.99. It may not be out of place to mention that as many as 4,53,457 PANs have been allotted by the Income-tax staff after they were trained. However the requirement for EDP personnel for hard core technical work and high intensity data entry work, which cannot be handled by Income-tax employees even after training, will remain and therefore, such additional EDP personnel will still need to be sanctioned.



As intimated earlier in the Action Taken Note on the Recommendation No. 23 of Chapter 1 of the Ninth Report of the Action Taken by the Government on the recommendations contained in the Tenth Report (10th Lok Sabha) of the Standing Committee on Finance 1994-95 on the working of the CBDT, the Board had decided to constitute a multi-disciplinary team to recommend redeployment of work force after conducting scientific study.

The computerisation programme of the Department is being given top priority. This will be evident from the fact that certain areas of work relating to computerisation were made part of the Central Action Plan of the CBDT for the year 1998-99 with specific targets. This is proposed to be taken further by taking up more applications on computers. This will form part of current year's Central Action Plan of the CBDT."

7. Supplementing on the allotment of PAN, the Ministry of Finance (Department of Revenue) in their updated action taken reply furnished to the Committee have stated as under:—

"As against the total number of 1,86,55,825 applications received for allotment of PAN as on 31.12.1999, PAN has been allotted to 1,52,06,832 applicants as on 15.1.2000. All out efforts are being made to complete the allotment to all the applicants at the earliest. However, in cases where the PAN applications contain core deficiencies, such as, not giving the date of birth in the case of individuals or date of incorporation in the case of companies, the applicants have been approached more than once to have these deficiencies removed. Only after the receipt of their replies the PAN could be allotted to such persons."

8. The Committee are constrained to note that the Department has not made any significant progress in completing the process of computerisation of Income Tax Operations. The implementation of alternatives to 64 Kbps dedicated leased data circuits, such as ISDN, for instance is still at a rudimentary stage and the existing manpower is yet to be trained fully. The constitution of a multi-disciplinary team to recommend deployment of the existing workforce also does

not seem to have taken off. The Committee are of the considered view that unless concrete and expeditious measures are taken, the comprehensive computerisation programme which is now being implemented in nine stages all over the country, may get badly delayed. The Committee therefore desire that every effort should be made in order to overcome the existing bottlenecks, so that the targets fixed under the Central Action Plan are achieved on time. They also recommend the backlog pertaining to the allotment of PAN to the applicants should be cleared on priority basis.

#### Revenue Collection

##### Recommendation (Sl. No. 8, Para No. 33)

9. As regards the revenue collections on account of corporation tax and income tax, the Committee had recommended as under:

“The Committee are deeply concerned to note that the revenue collections on account of corporation tax and income tax have fallen short of the Budget Estimates as well as the Revised Estimates during 1996-97 and 1997-98. During 1996-97 the total amount projected on account of corporation tax at the Budget Estimates stage was Rs. 19600 crores which was revised to Rs. 19010 crores at the revised estimates stage against which the actual collections were to the tune of Rs. 18,567 crores. Similarly for the same year the figures given at the Budget Estimates stage in the case of income tax was Rs. 17843 crores which was revised to Rs. 18843 crores and the actual amount realised was Rs. 18234 crores. During 1997-98 the projected figures at BE stage was Rs. 21860 crores for the corporation tax which was revised to Rs. 21360 crores at the Revised Estimates stage and the actual collection was of Rs. 20016 crores. Similarly, during the same year the amount mentioned at BE stage for income tax was Rs. 21700 crores which was revised downwards to Rs. 18700 crores and the actual collections were to the tune of Rs. 17101 crores. Though claim has been made by the Department that the targets fixed both for corporation tax and income tax during 1998-99 will be achieved but the figures pertaining to actual collection upto February, 1999 do not seem to promise the same. The dismal performance of the Department on this account requires that the area of recovery of tax collection needs a special attention.”

10. The Ministry of Finance in their reply have stated as follows:-

"As already submitted to the Committee in reply to point No. 17(b) on Demands of Grants of Ministry of Finance for the year 1999-2000, it is again stated that the Budget targets are fixed after taking into consideration various factors prevalent at a given time. These factors undergo changes in the course of time, which may adversely affect the achievement of such target. For example, the Department could not achieve the Budget Targets fixed for 1997-98 mainly on account of the general recession in the economy, lower tax rates and General Elections during the year and impressive collection of taxes under VDIS. The shortfall of taxes during 1996-97 *vis-a-vis* Revised Estimates is just marginal.

As regards the collection of taxes during 1998-99, the latest figures collection upto March 1999 are furnished below:—

(Rs in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	26,550	27,050	24,404	2,146	2,646
Income Tax	20,930	21,430	20,102	828	1,328
Interest Tax	920	920	,217	+) 297	(+) 297
<b>Total</b>	<b>48,400</b>	<b>49,400</b>	<b>45,723</b>	<b>2,677</b>	<b>3,677</b>

It is seen from the above figures of collection for 1998-99 that there has been a shortfall in collection to the tune of Rs. 2677 crores as against Budget Estimates and Rs. 3677 crores as against the Revised Estimates. The final figures of collections after preparation of detailed account will be received only by August-September 1999. Keeping in view the economic scenario prevailing in the country, with sluggish industrial growth it appears creditable that the Department was able to collect 19.80% more than the actual collection during corresponding period of 1997-98 along-with these is shortfall *vis-a-vis* BE/RE.

In this regard the Ministry wants to assure that it is attaching top priority in the matter of revenue collection.

11. The detailed break-up of direct taxes (year-wise) and their shortfall over Budget Estimates and Revised Estimates since 1996-97 onwards as per the up-dated reply furnished by the Ministry of Finance (Department of Revenue) is given below:

**Collection of Direct Taxes during 1996-97**

(Rs. in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	19600	19010	18567	1033	443
Income Tax	17843	18843	18234	(+)391	609
Interest Tax	1250	2000	1712	(+)462	288
<b>Total</b>	<b>38693</b>	<b>39853</b>	<b>38513</b>	<b>180</b>	<b>1340</b>

**Collection of Direct Taxes during 1997-98**

(Rs. in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	21860	21360	20016	1844	1344
Income Tax	21700	18700	17101	4599	1599
Interest Tax	1800	800	1205	595	(+)405
<b>Total</b>	<b>45360</b>	<b>40860</b>	<b>38322</b>	<b>7038</b>	<b>2538</b>

## Collection of Direct Taxes during 1998-99

(Rs. in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	26,550	27,050	24,529	2,021	
Income Tax	20,930	21,430	20,240	690	
Interest Tax	920	920	1,264	(+) 344	(+) 344
<b>Total</b>	<b>48,400</b>	<b>49,400</b>	<b>46,033</b>	<b>2,367</b>	<b>3,67</b>

12. The Committee, on perusal of the given figures note that there has been a shortfall in collection of taxes to the tune of Rs. 3367 crores as against the Revised Estimates during 1998-99. They also find that the shortfall in collection of taxes *vis-a-vis* Revised Estimates has been going up steeply since 1996-97 onwards. The Committee are of the view that the existing trend of widening gap between the actual collection of taxes and the Budgeted figures is not a healthy trend and gives the impression that either the Ministry are not serious in fixing realistic estimates even at the Revised Estimates stage or are not making sincere efforts to achieve the targets. In the light of the above, the Committee reiterate their earlier recommendation and desire that henceforth all possible measures should be taken to arrest the increasing shortfall of taxes *vis-a-vis* Revised Estimates and relentless efforts should be made to collect the targeted revenue.

**Chapter – II**  
**RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN**  
**ACCEPTED BY GOVERNMENT**

Recommendation (Sl. No. 5, Para No. 20)

2.1 The Committee take serious note of the fact that the expenditure incurred under the head of 'Rent Rates and Taxes' was booked under the head 'Office Expenses'. They are of the view that such practices go against the sanctity of the correct accounting norms and procedures. They therefore desire that the Department should invariably ensure that the accounting practices/norms are strictly adhered to while recording and posting the transactions.

Reply of the Government

2.2 Main reason of booking the expenditure of 'Rent, Rates and Taxes' under the head 'Office Expenses' was improper reconciliation of two sets of figures viz. the figures maintained by heads of Department with those compiled by Zonal Accounts Officers. To avoid recurrence of wrong booking of expenditure, detailed instructions regarding reconciliation of expenditure figures have been issued to the concerned field offices with clear direction that the accounting practice/norms should be strictly followed while recording and posting the transactions.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

Recommendation (Sl. No. 6, Para No. 23)

2.3 The Committee find that when compared with Budget Estimates, the actuals were grossly under-utilised under this head to the tune of Rs. 1,21,66,000, Rs. 72,33,000 and Rs. 1,22,27,000 during 1995-96, 1996-97 and 1997-98 respectively. The explanation given to the effect that since this provision caters to the needs of 70 authorities it, therefore, prevents the authorities to project the requirement with accuracy is far from convincing. The Committee are of the considered opinion that the existence of even multiple authorities should not at all come in the way of making realistic estimates. The reasons adduced for under-utilisation only point to the indifferent attitude and lack of co-ordination in the Department. The Committee, therefore, desire that proper and timely measures should be initiated with a view to inculcate objectivity and precision in making realistic budgetary estimates. They also desire that the Department should strive for proper scrutiny of the demands well in time taking into account the expenditure incurred in the previous years and

the current needs with a view to avoid large scale variations in the Budget Estimates, Revised Estimates and the actuals.

### Reply of the Government

2.4 The provision under the head in question is made on the basis of projection of estimates furnished by more than 70 Budgetary Authorities spread all over India. Even though, every care is taken to do it on realistic basis, provisions have been under-utilised due to factors not anticipated at the time of framing the Estimates.

Budgetary Authorities under Direct Tax Organisation are advised, from time to time, to frame their budget proposals in most realistic and accurate manner. In view of the observation of Standing Committee on Finance, instruction regarding need for framing Budget Estimates on realistic basis have again been issued on 10.05.99 (copy enclosed).

With a view to avoid large scale variations in the Estimates and the actuals, proper scrutiny of the provisions made under this head will be done at the time of consideration of Revised Estimates.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

**MOST IMMEDIATE**  
**Parliament Matter**

F.No.7/4/99-IFU(B&A)  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
IFU(B&A)

New Delhi, 10<sup>th</sup> May, 1999.

To

All Budgetary Authorities,  
Central Board of Direct Taxes.

**Subject:- Observation of Standing Committee on Finance – Framing of Budgetary Estimates.**

Sir,

I am directed to say that the Standing Committee on Finance, while examining the Demands for Grants of Ministry of Finance for 1999-2000, has expressed concern over the under-utilisation of budgetary provisions made under the object-head 'Professional Services' and 'Advertising and Publicity' for last few years. This shows that the estimates are not being made on realistic manner. The Committee has recommended that greater interest and care should be evinced, henceforth, while preparing the Budget Estimates and Revised Estimates under these heads.

2. As the final budgetary estimates are fixed keeping in view, inter-alia, the estimates proposed by the budgetary units, the under-utilisation of budgetary provisions is the result of over-estimated requirements projected by the charges in their budget proposals. This led to unnecessary savings which attract adverse comments of the Audit. It is, therefore, essential not only to work out the requirement on a rational basis but also to keep in view the time factor involved in meeting these requirements within the same financial year.

3. All budgetary authorities are, therefore, requested to ensure that henceforth budgetary requirements should be examined with greater care and the estimates may be projected as realistically and accurately as possible with a view to avoid both under-utilisation of funds and excess expenditure.

Yours faithfully,

(R.K. GUPTAN)  
DY. FINANCIAL ADVISER

Copy to: The Principal Chief Controller of Accounts (Central Board of Direct Taxes),  
New Delhi.



## Recommendation (Sl. No. 7, Para No. 26)

2.5 The Committee note that despite steep under-utilisation under this head since 1994-95 onwards, which ranges from Rs.20 lakhs to Rs. 53 lakhs, the Government continued to opt for an upward provision of allocations except during 1995-96, at Revised Estimates stage. The only reason adduced by the Ministry for under-utilisation on the ground that the expected number of cases did not come up for hearing, smacks of administrative indifference and failure on the part of the Department year after year in assessing precisely the exact number of cases that might come up for hearing in a year. The Committee are confident that had the Government undertaken a serious exercise at the time of making Budget Estimates and Revised Estimates it would not have been difficult for them to make realistic estimates. They, therefore, recommend that the Government should evince greater interest and care while making the Budget Estimates and Revised Estimates under this head.

## Reply of the Government

2.6 There are over seventy budgetary authorities whose budget provisions are incorporated in the Demand of Direct Taxes. Looking to the number of budgetary authorities/units involved, it is difficult to fix the Budget Estimates and Revised Estimates accurately. Even though every care is taken to do it on realistic basis, provisions have been under-utilised due to factors not anticipated at the time of framing the Estimates.

In view of the recommendation of the Standing Committee on Finance, instructions regarding the need for examination of budgetary requirements with greater care and projection of estimates on more realistic basis have again been issued on 10.05.99 (copy enclosed).

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

**MOST IMMEDIATE**  
**Parliament Matter**

F.No.7/4/99-IFU(B&A)  
GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
IFU(B&A)

New Delhi, 10<sup>th</sup> May, 1999.

To

All Budgetary Authorities,  
Central Board of Direct Taxes.

**Subject:- Observation of Standing Committee on Finance – Framing of Budgetary Estimates.**

Sir,

I am directed to say that the Standing Committee on Finance, while examining the Demands for Grants of Ministry of Finance for 1999-2000, has expressed concern over the under-utilisation of budgetary provisions made under the object-head 'Professional Services' and 'Advertising and Publicity' for last few years. This shows that the estimates are not being made on realistic manner. The Committee has recommended that greater interest and care should be evinced, henceforth, while preparing the Budget Estimates and Revised Estimates under these heads.

4. As the final budgetary estimates are fixed keeping in view, inter-alia, the estimates proposed by the budgetary units, the under-utilisation of budgetary provisions is the result of over-estimated requirements projected by the charges in their budget proposals. This led to unnecessary savings which attract adverse comments of the Audit. It is, therefore, essential not only to work out the requirement on a rational basis but also to keep in view the time factor involved in meeting these requirements within the same financial year.

5. All budgetary authorities are, therefore, requested to ensure that henceforth budgetary requirements should be examined with greater care and the estimates may be projected as realistically and accurately as possible with a view to avoid both under-utilisation of funds and excess expenditure.

Yours faithfully,

(R.K. GUPTAN)  
DY. FINANCIAL ADVISER

Copy to: The Principal Chief Controller of Accounts (Central Board of Direct Taxes),  
New Delhi.

## Recommendation (Sl. No. 9, Para No. 34)

2.7 Closely linked to the issue of tax recovery is the fact that tax assessments are not carried out carefully and with due seriousness by the concerned assessing officers as a result of which either there is over assessment or under assessment. As the Committee have been informed that the number of mistakes involving over assessments is very small, majority of the cases pertain to under assessments as a result of which the tax which could have otherwise been recovered remains untapped. Auditing is done on random basis by the Internal Audit Wing of the Department to detect the aberrations, wrong entries etc. The total amount of tax involved in such wrong assessments as pointed out by the internal Audit Wing during the past three years is to the tune of Rs. 1272 crores alone, which is yet not a true depiction of the exact amount since the same pertains to random checking. What further dismays the Committee is the fact that the Department does not maintain separate statistics for either under assessments or over assessments. Similarly, no statistics are maintained commissionerates-wise. In addition, proper administrative measures also do not seem to be in place in order to discourage under-assessment by the Assessing Officer. The Committee feels that this area is left unattended can further cause revenue loss in the years to come. Therefore, they recommend that the Department of Revenue should not only maintain statistics separately for over-assessments as well as under-assessments but should also maintain these commissionerates-wise. They also desire that in case any officer is found to be repeatedly committing mistakes and thereby causing revenue loss, the same should get properly reflected in his Annual Confidential Report and departmental action should also be initiated against him. The Committee desire that to begin with, all such cases which have been pointed out either by the Internal Audit or the C&AG should be scrutinized by constituting a departmental committee of senior officers and action should be taken against the defaulting officers. The Committee would like to be informed of the action taken in this regard within a period of one month.

## Reply of the Government

2.8 The Recommendations of the Standing Committee are accepted by the Ministry. Necessary instructions have been issued to all Chief Commissioners of Income Tax for the strict compliance of the same.

## Recommendation (Sl. No. 10, Para No. 35)

2.9 Besides, the Committee are of the considered view that officers with high levels of integrity have to play a vital role in achieving the targets fixed for the recovery of the taxes. However, it is seen that for the past four years though good number of cases have been referred to the Central Vigilance Commission (CVC), and the proceedings in equally good number of cases had been finalised against the officers, yet only in or two cases the prosecution proceedings have been instituted. The Committee also observe that instead of taking stock of the situation with renewed objectivity, there is a tendency on the part of the Department to downplay the omissions and commissions perpetrated by the officials, as is amply evident from the recent case, where even when an officer of the rank of Deputy Commissioner was nabbed red handed taking bribe, the Department was merely content with transferring him to another post instead of taking disciplinary action against him. The Committee, therefore, recommend that strict punitive action should invariably be taken by the Department against the defaulting and corrupt officials so that the punishment meted out works as a deterrant for others also.

## Reply of the Government

2.10 The number of cases wherein prosecution proceedings are sanctioned indicate only the approval given by the Department for initiation of Criminal proceedings on the basis of investigations carried out by Central Bureau of Investigation and other agencies involving criminal misconduct. This is apart/different from the number of cases where Departmental proceedings were initiated. During the periods (October-September) 1994-95, 1995-96, 1996-97 and 1997-98 there were 47,30,20 and 29 cases respectively in which Departmental proceedings were finalised.

It may be submitted that in the illustrated case after the receipt of the Arrest Report and initial special Report of the Anti Corruption Bureau through the Chief Commissioner of Income-tax, the matter was processed for suspension of the officer and after obtaining the approval of the Finance Minister the officer has been placed under suspension vide Board's order dated 7.5.99. This was not a case of deemed suspension and action has been taken after receiving formal reports from the Anti Corruption Bureau. In case there is sufficient evidence to file criminal proceedings, this Department will be approached for granting sanction for prosecution, otherwise the case will be processed for departmental proceedings.

From the above facts, it may be submitted that there has been no attempt to downplay the omissions and commissions perpetrated by officials of the Department. Instead, suitable action is always taken as expeditiously as possible after complying with the laid down norms and procedures.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

## Recommendation (Sl. No. 12, Para No. 44)

2.11 The Committee observe that the consumer industry in general and Textiles and Iron and Steel Industry in particular resort to evasion of excise duties and the modus operandi lies in the clandestine removals, under valuation, misclassification of excisable goods and misuse of certain exemption notifications. The Committee feel that the above said areas of misuse, if left unattended, would result in causing substantial revenue loss. The Committee desire that a multi-pronged strategy should be evolved to check the evasion of excise duty. They are of the strong opinion that the constitution of the Committee to review and to prune the exemptions and the creations of the office of the Director General of Audit to detect short payment/non-payment, at the earliest would greatly improve the compliance on the excise front. They also desire that the department should be ever vigilant to unearth cases of excise evasion by resorting to intensive use of intelligence information collected and by organising surprise checks in the industrial areas prone to duty evasion.

## Reply of the Government

2.12 Regarding the recommendation that a multi-pronged strategy to check evasion of central excise duty, the Central board of Excise & Customs has drawn a detailed strategy and circulated to the field formations for action. The salient features of the strategy are creation of database and profile of each manufacturing unit, separate action plan for small scale units, emphasis on gathering of intelligence, its process and dissemination, identification of evasion prone commodities and industrial areas, physical verification of the stocks to check modvat misuse, scientific auditing and scrutiny, quick dissemination of any novel modus operandi by the Directorate General of Anti-Evasion. Regarding Constitution of a Committee to review and to prune the exemptions and creation of the office of the Director General of Audit, the suggestion has been noted and necessary action will be taken at the appropriate time.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

**Chapter III**  
**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT**  
**DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**  
Recommendation (Sl. No. 1, Para No. 3)

3.1 The Committee find that though it was decided to change the system of bringing of opium from the fields by substituting plastic containers for canvas/gunny bags as far back as in 1994-95, the Government failed to accurately assess the emerging demand for additional plastic containers during the subsequent year i.e. 1995-96 as a result of which there was over utilisation. The reason advanced for over utilisation has been stated to be on account of bumper crop of opium in Rajasthan which necessitated purchase of additional containers on an emergent basis. It has further been stated that the demand for additional containers could not be estimated at the time of submitting revised estimates. The Committee are not inclined to accept such a flimsy reply in view of the very fact that the crop of the opium becomes mature in the month of March, whereas the revised estimates are formulated normally in the month of October-November every year. They therefore feel that there was ample time for the Department to assess the actual requirement of the containers. What further dismays the Committee is very fact that during the next year i.e. 1996-97, the Revised Estimates were again revised upwards substantially but the actual expenditure was even less than the budget estimates. The reasons given in support of under utilisation this year are that the provision has been made for purchase of steel trays for drying of Opium, which were not purchased. No reasons have been advanced on account of which the trays could not be purchased. Again during 1996-97 additional provision was made in the Revised Estimates but the actual expenditure remained for less than even the budget estimates. The reasons are stated to be on account of crop failure which was intimated after the Revised Estimates were made. Similar phenomenon has been noticed for the next year.

Taking above facts into consideration, the Committee are of the view that there is a total lack of seriousness and planning in the Department for making the budget estimates/Revised Estimates as well as in utilising the allocations made in a meaningful manner. The figures for all the years show complete adhocism prevailing in the Department. They, therefore, recommend that there is a need not only to make correct and realistic estimates but also to ensure that the money is spent for the purpose for which it was originally allocated.

**Reply of the Government**

3.2 During Financial year 1995-96 the sowing of opium crop was done in October 1995 which became mature in March 1996, whereas the Revised Estimates for the Financial year, 1995-96 was submitted during October-November 1995. The correct estimation of the requirement of

plastic containers could therefore be made only during January-February 1996 and the containers were procured during March 1996 only. Therefore, it was not possible to assess the actual requirement of the containers at the time of preparing the revised estimates for the year 1995-96.

As regards the under-utilisation during 1996-97 it is submitted that normally only wooden trays fitted with aluminium sheets are used for drying of opium. The steel trays were to be used for the first time after trial experiments. However, due to non-completion of trial experiments, steel trays could not be purchased during the year 1996-97, which resulted in under-utilisation of funds.

Under utilisation of funds during 1997-98 was due to non-purchase of plastic containers because of the failure of opium crops. Though a tender for purchase of 5000 plastic containers was floated during January 1998. Keeping in view the estimated quantity of 1300 MT Opium. Only 265 MT of Opium could be procured because of which it was decided not to purchase the plastic containers during Financial Year – 1997-98. This resulted in under utilisation of funds during the year 1997-98.

During 1998-99 a provision of Rs. 10 lakhs was made for the purchase of equipments for a project conducted by AIIMS, New Delhi on “Impact of opium on the health of workers/employees at GOAW, Ghazipur.” The first instalment of Rs. 7 lakh was released during March 1999 but the remaining amount could not be released during Financial year 1998-99 due to non-submission of utilisation certificate by the AIIMS authority. The provision in revised estimates was also made for modernisation/upgradation of the laboratories at GOAW Ghazipur and Neemuch and could not be implemented due to non-finalisation of list equipments.

The Department has been advised to project correct and realistic estimates in future and also to ensure that the money is spent for the purpose for which it was allocated.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

### Recommendation (Sl. No. 2, Para No. 8)

3.3 The Committee note that though funds were allocated for the construction of staff quarters for employees of Neemuch Opium Factory in 1994-95, it was only during 1997-98 that a beginning in this direction was made. The reasons adduced for under-utilisation are stated to be on account of non-finalisation of the construction agency for all these years, when ultimately it was decided to entrust the construction work to CPWD, which started the work during April, 1997 only. The Committee take a serious note of the fact that while substantial amount was allocated for the construction of staff quarters at the stage of making budget estimates it was substantially reduced at the time of revised estimates and the actual expenditure incurred was no where close to the revised

estimates. They are also surprised to find as to why a simple decision regarding the agency which was to be entrusted the work could not be taken all these years. It is also not clear as to when the agency was not finalised on what account the expenditure was incurred during all these years. Moreover, it is noticed that during 1997-98 there was substantial over-utilisation of the funds and the reasons given on this account are that the CPWD did not intimate to the Department with regard to the funds required by them at the time of revised estimates. Taking into account the fact that it is the responsibility of the Department to monitor the progress of the works entrusted to different agencies, the reply given by the Department is hardly convincing and is rather indicative of the fact that casual approach is being adopted while formulating the budget and revised estimates and there is lack of total seriousness. The Committee, therefore, desire that in future at least the exercise pertaining to budget should be undertaken with due care and greater scrutiny. They also desire that the details with regard to the expenditure incurred during 1994-95 to 1996-97 may also be intimated to them.

### Reply of the Government

3.4 The CPWD has submitted an estimate of Rs. 5.22 crores for construction of 269 staff residential quarters at Neemuch Opium Factory which was later on revised to Rs. 6.90 crores by them. Keeping in view the slow performance of CPWD it was decided to explore the possibilities of engaging other public sector agencies for the construction work. However, the proposal could not be finalised for one reason or the other. Thereafter a fresh proposal for construction of 116 quarters at an estimated cost of Rs. 3.96 crores was mooted. The construction work was entrusted to CPWD finally.

The actual expenditure incurred under the head “Major Works” at “Neemuch Opium Factory” during the year 1994-95 to 1996-97 was Rs. 25.88 lakhs, Rs. 25.00 lakhs and Rs. 3.20 lakhs respectively, which was incurred mainly on the civil work in the premises of Neemuch Opium Factory and on construction of new staff residential colony for the employees/workers of Neemuch Opium Factory commenced since 1997-98. The Department has been advised to prepare the budget proposals in future with due care and scrutiny.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

### Recommendation (Sl. No. 4, Para No. 17)

3.5 The Committee find that the under-utilisation of the Budget Estimates under this head during 1996-97 and 1997-98 spanned to the tune of Rs 95,59,000 and Rs. 20,98,000 respectively. The reasons forwarded for the under-utilisation were that the bills which were due for payment were not received during 1996-97 hence the short fall in the actuals. The Committee observe that despite



the under-utilisation for two consecutive years the Government rather pruning the Budget Estimates has resorted to an upward revision of the same for the years of 1998-99 and 1999-2000. The committee feel that the upward revision under this head for these two years is uncalled for. Hence they desire that the Government henceforth should take greater care while fixing the Budget Estimates and Revised Estimates to make them realistic.

### Reply of the Government

3.6 90% of budget allotted under the detailed head in question is utilised in making payments to Government presses for printing of various types of statutory and non-statutory forms. Bills of substantial amount are generally sent by the Government presses in the last week of financial year. Such bills have to be carried forward and are cleared in the beginning of following year. This results in under-utilisation of provisions in one financial year and increased provisions in following year to accommodate the carried forward bills. Directorate of Printing has been requested to issue necessary instructions to Government Presses all over India so that bills from the presses are received in time.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

### Recommendation (Sl. No. 11, Para No. 40)

3.7 The Committee are concerned to note that the number of refund claims disposed off has not kept pace with the number of claims registered since 1993-94. They are also shocked to find that an amount to the tune of Rs. 989.36 crore and Rs. 829.97 crore has been paid out of the coffers of the exchequer towards the payment of interest of the refund claims during 1995-96 and 1996-97 respectively. The steps taken by the Department so far towards increasing the disposal rate of refund claims have not been fruitful in tackling effectively the backlog of such claims together with consequent heavy interest burden. Though the Committee are given to understand that targets have been fixed for disposal of grievances received from the tax payers no such targets have been fixed for disposal of the claims. They, therefore, desire that in addition to the emphasis which is being accorded to computerisation and close supervisory monitoring the Department should fix targets in respect of each charge and fix responsibility on those officials who fail to fulfil the same.

## Reply of the Government

3.8 Delay and non-issue of refunds are major concerns of Government and certain effective steps have already been taken to eliminate the same. Instructions have already been issued effective steps have already been issued for prompt issue of refund, close supervision and also for sending the refund by registered post. In addition, the Citizens Charter issued by Income-tax Department in November, 1998 includes a mandate as under:-

“WE SEEK – TO BE EFFICIENT – By issuing refunds within 30 days of determination.”

The recommendations of the Standing Committee is expected to strengthen the Department's approach to solve the problem of pending refunds and resultant payment of interest because of such delay. Government fully accepts the recommendations that Department should fix targets in respect of each charge and fix responsibility on those officials who fail to fulfil the same. In this connection, the target in respect of new refund claims is already in place in view of the Citizens' Charter. These claims will have to be disposed off within 30 days of their determination. The Chief Commissioner of Income-tax are being advised to fix a separate time frame for issue of pending refunds.

[Ministry of Finance (Department of Revenue) File No. – 11017/4/99-Parl dated 20 September, 1999]

## **Chapter – IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Infrastructure for Revenue Collection Recommendation (SI. No.3, Para No. 14)**

4.1 The Committee are dismayed to note that despite their earlier recommendation that computerisation of income tax operations which was initiated almost a decade ago, be completed expeditiously, by taking appropriate steps to remove the bottlenecks, the process is still not complete. The Department continues to reel under the problem of inter-connectivity of the procured computer terminals. Though the matter has reportedly been taken up at the higher levels yet the desired results are yet to be achieved. Against the total number of 1,70,73,861 applications received for the issue of Personal Account Numbers (PAN) these have been issued only to 1,00,21,366 applicants with the remaining backlog of 70,52,495 applicants. The main constraint coming in the way of issue of Personal Account Numbers are stated to be those of shortage of technical personnel and the problem of inter-connectivity. The Committee have been informed that a proposal for creation of an additional 1080 technical posts has already been forwarded to the Ministry which is pending consideration with the Department of Expenditure. They have also been told that there is a proposal to abolish about 2750 posts. Though the Committee has not gone into the merits of these proposals, they are of the considered opinion that efforts need to be made by the Department to identify and redeploy the existing work force by giving them suitable training so that they are able to undertake the work of at least data entry which is not a very skilled job. They also desire that to overcome the problem of inter-connectivity of computer terminals permanently, alternative to 64 Kbps dedicated leased data circuits, such as ISDN, based on fibre optic cables of MTNL/DOT should be seriously pursued without further loss of time. The entire work pertaining to computerisation needs also to be accorded a top priority by making it a time bound programme.

#### **Reply of the Government**

4.2 Only limited computerisation had been in existence in the Income Tax Department since 1985. The application systems, then implemented, were running in standalone batch-mode without any interaction and without creation of any databases. The comprehensive computerisation programme of the Income-tax Department; which is now being implemented in stages all over the country, was started in 1995 only. There are nine application systems integrated with each other. Regional as well as national data bases are being created which are essential and

will be of enduring benefit to the Department. Benefits of these integrated computerised applications will be visible in the near future.

All the buildings in the three cities of Delhi, Mumbai and Chennai are connected to their respective Regional Computer Centres and to the National Computer Centre at Delhi through 64 Kbps dedicated leased data circuits of the MTNL/Department of Telecommunication. There are 17 intra-city and 3 inter-city data circuits. As stated earlier, the matter regarding poor performance of these data circuits has been taken up at various levels with the Department of Telecommunications. Suitable alternatives to the 64 Kbps dedicated leased data circuits, such as ISDN, have been under consideration. Applications for 11nos. of ISDN connections have been made to MTNL/Department of Telecommunication, to begin with. Based on performance, further ISDN connections will be taken.

As against the total number of 1,76,36,475 applications received for allotment of Permanent Account Number as on 30.04.1999, PAN has been allotted to 1,19,92,972 applicants as on 30.04.1999. The balance applications are proposed to be cleared by 31.08.1999.

As already stated earlier, there is an acute shortage of technical manpower in the Income-tax Department. Though the work has increased manifold there has not been a commensurate increase in the number of technical personnel for handling the additional work. The proposal for creation of additional 1080 technical posts is still under consideration of the Department of Expenditure.

Training is being imparted to officers and staff of Income-tax Department to enable them to work on computers. Out of 51,914 employees (excluding Group D) 22,251 employees have been trained upto 30.04.99. It may not be out of place to mention that as many as 4,53,457 PANs have been allotted by the Income-tax staff after they were trained. However the requirement for EDP personnel for hard core technical work and high intensity data entry work, which cannot be handled by Income-tax employees even after training, will remain and therefore, such additional EDP personnel will still need to be sanctioned.

As intimated earlier in the Action Taken Note on the Recommendation No. 23 of Chapter 1 of the Ninth Report of the Action Taken by the Government on the recommendations contained in the Tenth Report (10<sup>th</sup> Lok Sabha) of the Standing Committee on Finance 1994-95 on the working of the CBDT, the Board had decided to constitute a multi-disciplinary team to recommend redeployment of work force after conducting scientific study.

The computerisation programme of the Department is being given top priority. This will be evident from the fact that certain areas of work relating to computerisation were made part of the Central Action Plan of the CBDT for the year 1998-99 with specific targets. This is proposed

to be taken further by taking up more applications on computers. This will form part of current year's Central Action Plan of the CBDT.

Supplementing on the allotment of PAN, the Ministry of Finance (Department of Revenue) in their updated action taken reply furnished to the Committee have stated as under :-

“As against the total number of 1,86,55,825 applications received for allotment of PAN as on 31.12.1999, PAN has been allotted to 1,52,06,832 applicants as on 15.1.2000. All out efforts are being made to complete the allotment to all the applicants at the earliest. However, in cases where the PAN applications contain core deficiencies, such as, not giving the date of birth in the case of individuals or date of incorporation in the case of companies, the applicants have been approached more than once to have these deficiencies removed. Only after the receipt of their replies the PAN could be allotted to such persons.”

### **Comments of the Committee**

Please see para no. 8 of Chapter 1

## **Chapter V**

### **Recommendation/Observation in respect of which final reply of the Government is still awaited**

#### **Recommendation Sl. No. 8 (Para no. 33)**

5.1 The Committee are deeply concerned to note that the revenue collections on account of corporation tax and income tax have fallen short of the Budget Estimates as well as the Revised Estimates during 1996-97 and 1997-98. During 1996-97 the total amount projected on account of corporation tax at the Budget Estimates stage was Rs. 19600 crores which was revised to Rs. 19010 crores at the revised estimates stage against which the actual collections were to the tune of Rs. 18,567 crores. Similarly for the same year the figures given at the Budget Estimates stage in the case of income tax was Rs. 17843 crores which was revised to Rs. 18843 crores and the actual amount realised was Rs. 18234 crores. During 1997-98 the projected figures at BE stage was Rs. 21860 crores for the corporation tax which was revised to Rs. 21360 crores at the Revised Estimates stage and the actual collection was of Rs. 20016 crores. Similarly, during the same year the amount mentioned at BE stage for income tax was Rs. 21700 crores which was revised downwards to Rs. 18700 crores and the actual collections were to the tune of Rs. 17101 crores. Though claim has been made by the Department that the targets fixed both for corporation tax and income tax during 1998-99 will be achieved but the figures pertaining to actual collection upto February, 1999 do not seem to promise the same. The dismal performance of the Department on this account requires that the area of recovery of tax collection needs a special attention.

#### **Reply of the Government**

5.2 As already submitted to the Committee in reply to point no. 17(b) on Demands of Grants of Ministry of Finance for the year 1999-2000, it is again stated that the Budget targets are fixed after taking into consideration various factors prevalent at a given time. These factors undergo changes in the course of time, which may adversely affect the achievement of such target. For example, the Department could not achieve the Budget Targets fixed for 1997-98 mainly on account of the general recession in the economy, lower tax rates and General Elections during the year and impressive collection of taxes under VDIS. The shortfall of taxes during 1996-97 vis-à-vis Revised Estimates is just marginal.

As regards the collection of taxes during 1998-99, the latest figures of collection upto March 1999 are furnished below :-

(Rs. in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	26,550	27,050	24,404	2,146	2,646
Income Tax	20,930	21,430	20,102	828	1,328
Interest Tax	920	920	1,217	(+)297	(+)297
Total	48,400	49,400	45,723	2,677	3,677

It is seen from the above figures of collection for 1998-99 that there has been a shortfall in collection to the tune of Rs. 2677 crores as against Budget Estimates and Rs. 3677 crores as against the Revised Estimates. The final figures of collections after preparation of detailed account will be received only by August-September 1999. Keeping in view the economic scenario prevailing in the country, with sluggish industrial growth it appears creditable that the Department was able to collect 19.80% more than the actual collection during corresponding period of 1997-98 along-with these is shortfall vis-à-vis BE/RE.

In this regard the Ministry wants to assure that it is attaching top priority in the matter of revenue collection.

The detailed break up of direct taxes (year wise) and their shortfall over Budget Estimates and Revised Estimates since 1996-97 onwards as per the up-dated reply furnished by the Ministry of Finance (Deptt. of Revenue) is given below :-

#### Collection of Direct Taxes during 1996-97

(Rs. in crore)

Taxes	BE	RE	Actuals	Shortfall over BE	Shortfall over RE
Corporation Tax	19600	19010	18567	1033	443
Income Tax	17843	18843	18234	(+)391	609
Interest Tax	1250	2000	1712	(+)462	288
Total	38693	39853	38513	180	1340

#### Collection of Direct Taxes during 1997-98

(Rs. in crore)

Taxes	BE	RE	Actuals	Shortfall over BE	Shortfall over RE
Corporation Tax	21860	21360	20016	1844	1344
Income Tax	21700	18700	17101	4599	1599
Interest Tax	1800	800	1205	595	(+)405
Total	45360	40860	38322	7038	2538

## Collection of Direct Taxes during 1998-99

(Rs. in crore)

Taxes	BE	RE	Actual Collection	Shortfall over BE	Shortfall over RE
Corporation Tax	26,550	27,050	24,529	2,021	2,521
Income Tax	20,930	21,430	20,240	690	1,190
Interest Tax	920	920	1,264	(+)344	(+)344
<b>Total</b>	<b>48,400</b>	<b>49,400</b>	<b>46,033</b>	<b>2,367</b>	<b>3,367</b>

### Comments of the Committee

Please see para no. 12 of Chapter 1

New Delhi  
March, 2000  
*Phalgun, 1921 (Saka)*

SHIVRAJ V. PATIL  
*Chairman,*  
*Standing committee on Finance*



MINUTES OF THE FOURTH SITTING OF STANDING  
COMMITTEE ON FINANCE (1999-2000)

The Committee sat on Monday, 28 February, 2000 from 1500 hrs.  
to 1545 hrs.

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Kamal Nath
6. Shri Rupchand Pal
7. Shri Varkala Radhakrishnan
8. Shri Ajit Singh
9. Shri C.N. Singh
10. Shri Kirit Somaiya
11. Shri Kharebala Swain
12. Shri Braja Kishore Tripathy
13. Smt. Renuka Chowdhury

*Rajya Sabha*

14. Shri N.K.P. Salve
15. Shri Amar Singh

SECRETARIAT

1. Dr. A.K. Pandey *Additional Secretary*
2. Shri S.B. Arora *Under Secretary*

2. At the outset, the Chairman welcomed the members and requested them to take up for consideration the draft Action Taken Reports on the recommendations contained in the 19th, 20th and 21st reports\* of the Standing Committee on Finance (1998-99) on Demands

for Grants (1999-2000) of (i) Ministry of Planning and Programme Implementation (ii) Ministry of Finance (Department of Economic Affairs & Expenditure) and (iii) Ministry of Finance (Department of Revenue) respectively.

3. The Committee after deliberations decided to take oral evidence of representatives of (i) Ministry of Planning in respect of action taken reply to the Committee's recommendation at Sl. No. 5 on Human Development Report (ii) Ministry of Statistics and Programme Implementation and other relevant Ministries in respect of recommendation at Sl. No. 8 on time and cost overrun in completion of the Mega Projects (iii) Ministry of Finance (Department of Economic Affairs & Expenditure) on action taken reply to the Committee's recommendation on priority sector lending by private sector banks and (iv) Ministry of Finance (Department of Revenue) on action taken reply on the Committee's recommendation on shortfall in revenue collections by the Department of Revenue for seeking further clarifications as they were not satisfied with the replies furnished by the concerned Ministries/Departments.

4. In view of the above decision, the classification of the action taken replies to the above said recommendation is required to be changed from "Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee" to "Recommendations/Observations in respect of which final replies of the Government are still awaited." The Committee then adopted all the above mentioned three draft Action Taken Reports without any other modifications/amendments. Thereafter, the Committee authorised the Chairman to present the Action Taken Reports to both Houses of Parliament.

5. Thereafter, the Chairman, informed the Committee that the following topics were selected for an in-depth examination by the Committee:

1. Time and cost overruns in the completion of Mega projects.
2. Financial Institutions—Objectives, Performance and Future prospects.
3. Issues contained in the 'Report on Currency and Finance—1998-99'.
4. Rationalisation of tax structure.
5. Relevance of planning in the Liberalised Economy.

*The Committee then adjourned.*

## APPENDIX

[Vide Para 3 of the Introduction]

*Analysis of the Action Taken by Government on the Recommendations contained in the Twenty First Report of the Standing Committee on Finance (Twelfth Lok Sabha) on Demands for Grants (1999-2000) of the Ministry of Finance (Department of Revenue)*

	Total	% of Total
I. Total number of recommendations	12	
II. Recommendations/observations which have been accepted by the Government (Vide Recommendations at Sl. Nos. 5, 6, 7, 9, 10 and 12)	6	50.00
III. Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Vide Recommendations at Sl. Nos. 1, 2, 4 and 11)	4	33.34
Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee (Vide Recommendation at Sl. No. 3)	1	
V. Recommendation/observation in respect of which final reply of the Government is still waited (Vide Recommendation at Sl. No. 8)		