

STANDING COMMITTEE ON FINANCE
(1999-2000)

(THIRTEENTH LOK SABHA)

SEVENTH REPORT

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

**DEMANDS FOR GRANTS
(2000-2001)**

Presented to Lok Sabha on 25 April, 2000

Laid in Rajya Sabha on 25 April, 2000

LOK SABHA SECRETARIAT
NEW DELHI

April, 2000/Chaitra, 1922(Saka)

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19 APRIL, 2000

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 Rashtupal
19. Shri Ram Singh Rathwa
20. Shri G. Ganga Reddy
21. Shri S. Jaipal Reddy
22. Shri T.M. Selvaganpathi
23. Mohammad Shahabuddin
24. Shri Ajit Singh
25. Shri C.N. Singh
26. Shri Kirit Somaiya
27. Shri Kharebela 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 Narendra Mohan
35. Shri M. Venkaiah Naidu
36. Shri P. Prabhakar Reddy
37. Shri Ranjan Prasad Yadav
38. Prof. M. Sankaralingam
39. Shri Amar Singh
40. Shri Vijay Darda
41. Shri Suresh A. Keswani #
42. Vacant@
43. Vacant@
44. Vacant@
45. Vacant@

SECRETARIAT

- | | | | |
|----|------------------------|---|----------------------------|
| 1. | Dr. A.K. Pandey | - | Additional Secretary |
| 2. | Shri Harnam Singh | - | Joint Secretary |
| 3. | Dr. (Smt.) P.K. Sandhu | - | Director |
| 4. | Shri S.B. Arora | - | Under Secretary |
| 5. | Shri L.V.Ramana | - | Senior Executive Assistant |

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

Nominated w.e.f. 24 February, 2000

@Vacant consequent upon the retirement of S/Shri K. Rahman Khan, Dr. Biplab Dasgupta, Prafull Goradia, Gurudas Das Gupta from Rajya Sabha w.e.f. 2 April, 2000.

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 Seventh Report on Demands for Grants (2000-2001) 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 10 March, 2000. 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 (Deptt. of Revenue) at their sitting held on 30 March, 2000 in connection with examination of the Demands for Grants.

4. The Committee Considered and adopted the Report at their sitting held on 19 April, 2000.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance 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, 2000
30 Chaitra, 1922(Saka)

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

REPORT

Demand No. 36
Deptt. of Revenue

Revenue Collection and fall in the tax – GDP ratio

The data regarding the budget estimates, revised estimates, the actuals and the shortfall of actuals over BE and RE (year-wise) of the (i) Income Tax, (ii) Corporation tax, (iii) Customs and (iv) Union Excise duties since 1995-96 onwards are given below :

(i) Income Tax

(Rs. in crore)

Year	BE	RE	Actual Collections	Shortfall over BE	Shorfall over RE
1995-96	13500	15100	15592	(+) 2,092	(+) 492
1996-97	17843	18843	18231	(+) 388	(-) 612
1997-98	21700	18700	17101	(-) 4,599	(-) 1,599
1998-99	20930	21430	20235	(-) 695	(-) 1,195
1999-2000	26910	26684	24326*		
2000-2001	31590				

Note:VDIS collection of 1997-98 (REs & Actuals) are not included

(ii) Corporation Tax

(Rs. in crore)

Year	BE	RE	Actual Collections	Shortfall over BE	Shorfall over RE
1995-96	15500	16250	16487	(+) 987	(+) 237
1996-97	19600	19010	18567	(-)1,033	(-) 443
1997-98	21860	21306	20016	(-)1,844	(-) 1,280
1998-99	26550	27050	24529	(-) 2,021	(-) 2,521
1999-2000	30850	29915	29947*		
2000-2001	40040				

* collections upto 31 March, 2000

(iii) Union Custom Duties

(Rs. in crore)

Year	BE	RE	Actual Collection	Shortfall over BE	Shorfall over RE
1995-96	29500	35352	35757	(+) 6,257	(+) 405
1996-97	44435	44135	42851	(-) 1,584	(-) 1,284
1997-98	52550	41000	40193	(-) 12,357	(-) 807
1998-99	48148	42648	40668	(-) 7,480	(-) 1980
1999-2000	50369	47800	43173#		
2000-2001	53572				

(iv) Union Excise Duties

(Rs. in crore)

Year	BE	RE	Actuals Collections	Shortfall over BE	Shorfall over RE
1995-96	42780	41000	40187	(-)2,593	(-) 813
1996-97	46884	46190	45008	(-)1,876	(-)1,182
1997-98	52200	47700	47962	(-)4,238	(+) 262
1998-99	57690	53200	53246	(-)4,444	(+) 46
1999-2000	63865	61000	53770#		
2000-2001	71252				

figures upto February, 2000

2. When asked about the details of the parameters taken into consideration prior to fixing the Budgetary Estimates of Direct taxes and Indirect taxes since 1995-96 and the reasons for downward/upward revision of the Estimates at Revised Estimates stage, the Deptt. of Revenue in their written communication has inter- alia informed that :

“The Budget Estimates are fixed, taking into account the trend of collection of taxes over the past few years, the economic scenario which is likely to prevail in the country during the year, such as growth of industrial production, exchange rate, rate of inflation etc., and changes in the provisions of the relevant Acts, such as Income tax Act, Customs Act, etc. Revised Estimates are finalised, based on an analysis of the trend of collection, and economic growth during the year.”

3. While explaining the reasons for the shortfall in the collection of revenue vis-à-vis the BEs and REs the Ministry of Finance (D/o Revenue) in their written note submitted to the Committee has stated as under :

“Direct Taxes

During the year 1995-96, there has been no shortfall in collection vis-à-vis Budget Estimates/Revised Estimates. Further during 1996-97, shortfall is just marginal. During the year 1997-98, the shortfall in collection is mainly on account of general recession in the industry, particularly manufacturing sector and lower rates of taxes. Further, VDIS collection during 1997-98 are Rs. 9554 crores. Taking this also into account, Budget Estimates are even exceeded. VDIS collections have affected the liquidity in the market having adverse implications on regular collections.

So far as the year 1998-99 is concerned, the main reasons for shortfall in actual collections are subdued industrial growth/industrial production and unexpected lower collection under Kar Vivad Samadhan Scheme.

As regards 1999-2000, the collection of Corporation Tax and Income Tax upto 31st March, 2000 are Rs. 29947 crores and 24326 crores respectively. It is expected that the figures of Revised Estimates will be achieved after the final figures of collections for the year are finalised.

Indirect Taxes

In the case of Customs, fall in revenue during 1996-97 to 1998-99 is attributable to fall in import. Further, its actual composition of dutiable and non-dutiable, POL/non POL as also exogenous factor like international prices, are the other factors that induce fluctuation in revenue collection.

In the case of excise, though the growth in manufacturing sector was higher in 1995-96, the inflation declined sharply affecting the revenue. Thereafter, a long spell of industrial decline prevailed until recent past. This explains the shortfall in excise revenue during 1996-97 to 1998-99. The industry though started recouping, it was crippled to some extent with unusual and low inflation rate during 1999-2000.

4. In the written reply to a query whether the Government has fixed any targets commissionerate-wise regarding the collections of direct and indirect taxes, the Ministry has stated as follows:

“Monthly targets for each of the 15 regions of Chief Commissioners of Income Tax in respect of Corporation Tax/Income Tax, and actual collection made so far during the year 1999-2000 are at Annexure ‘I’. The Commissionerate-wise targets for collection of Customs & Excise Duties along-with the revenue collected by these Commissionerates and achievement/shortfall thereon, are at Annexures II & III respectively.

The shortfall is monitored periodically. Since the collection depends on so many extraneous factors, the shortfall in revenue collection in a particular Commissionerate cannot necessarily be attributed to any slackness of the officials. Unless, the shortfall can be identified due to negligence, slackness or casual attitude of the officials, it will be unjust to penalise the officials only on account of shortfall. However, while judging the overall performance of the officials, the reasons of shortfall, if not adequately explained, are also taken into account by their superiors.”

Fall in the tax – GDP ratio

5. Statement showing the total tax revenue as a percentage of Gross Domestic Product is given below:

	1990-91	1995-96	1996-97	1997-98	1998-99@	1999-2000 (BE)
Gross Tax Revenue	10.8	9.4	9.5	9.2	8.2	9.2
@ Tax data based on Provisional unaudited tax figures as per Controller General Accounts						

6. Elaborating the reasons for the downward trend of the centre’s tax-GDP ratio since 1995-96 onwards the Ministry of Finance (Deptt. of Revenue) has stated that :

- (i) There has been a reduction in direct as well as indirect tax rates, without phasing out of exemption and deductions.
- (ii) A number of exemptions and concessions in income tax have been given to the infrastructure sectors, such as telecom, power, etc.

- (iii) There has been a decline in the contribution of the manufacturing sector to overall GDP.
- (iv) Tax exemptions for the unorganised manufacturing sector are continuing.
- (v) Service sector, which has grown faster than the other sectors, contributes a relatively meagre amount towards direct and indirect tax collections. The export sector and knowledge-based industries contribute little by way of taxes.
- (vi) Considerable decline in the unit price of imports, unstable crude oil prices and lower levels of actual imports compared to estimates, have led to lower customs collections.
- (vii) Low inflation rate and low growth of industries are responsible for low excise revenue.

7. On the measures taken to arrest the fall in the tax/GDP ratio and the steps taken to augment the revenues, the Ministry has stated that the following steps were taken :

Direct Taxes

- (i) Widening of tax base.
- (ii) Gradual phasing out of concessions.
- (iii) Levy of minimum alternative tax on Zero tax companies.
- (iv) Ensuring better tax compliance by increasing computerisation, creation of wider tax bases, and more effective administrative measures.

Indirect Taxes

- (i) Rationalisation of tax rates to minimise classification disputes and to improve tax administration.
- (ii) Extension of MRP-based assessment to more commodities, to ensure growth in revenue and to prevent under-declaration of values.
- (iii) Creation of smaller Commissionerates, with a view to have more effective tax administration.
- (iv) Setting up of an expert group on service tax.

8. On the issue of widening of tax base, while replying to a query about statistics of new assesseees added under 1/6 scheme and the revenue accrued thereon, the Deptt. inter-alia stated that :

“Slab-wise break-up and revenue generated of the new assesseees added after the introduction of the scheme is not available or feasible since it would not indicate the new assesseees filing returns u/s 139(1) and the income generated from such filing of returns. However, the year wise break-up of new assesseees added after the introduction of proviso to S.139(1) is as under :

F.Y.	No. of new assesseees added (in lakhs)
1997-98	15.24
1998-99	41.00
1999-2000	23.61
<i>(upto 31.1.2000)</i>	

9. Delving on the declining gross tax-GDP ratio, the Finance Secretary while deposing before the Committee has inter-alia stated that :-

“There are figures that show that there was a decline in the tax GDP ratio for the last two years. It was steady then. But it has been an uneven journey. Of late, there has been a marginal increase. But the point is that our tax GDP ratio has remained at eight to nine per cent for a long time to come and it has not gone up to, what some say, the international standards of developing economy. To make it more fair, we must add taxation at the State level. At the Federal level, the GDP should be higher than what we indicate. But even then, it would stay below 15 per cent. It is a moot point whether the tax GDP ratio in our economy should go as high as it prevails in some other countries.....

It is fair enough to say that it need not be comparable to the United States. The other issue is about the possibility of imposing more taxation on certain schemes of the economy. In the short run at least, the options for increasing taxation are relatively limited. In that sense, to expect or to speak of increasing the tax GDP ratio does not appear to be feasible.”

10. Reacting to a recent phenomenon noticed in the slippage in the collection of Excise duty in Mumbai he stated that :

“That was about less revenue in custom and excise in Mumbai. They need to be tightened.”

11. The Committee are concerned to note that the ratio of Gross tax to GDP is still hovering at 9.2% despite the concerted efforts by the Government inter-alia to widen the tax base, phasing out concessions, levying Minimum Alternate tax (MAT) on zero tax companies and creation of smaller Commissionerates for effective tax administration. They feel that the persistent shortfall of actual tax collections of Corporation tax, Income tax and Union Custom Duties vis-à-vis their respective BEs and REs in 1997-98 and 1998-99 and the shortfall over BE of Excise duties since 1995-96 call for a more sincere endeavour on the part of the Ministry to project realistic Budgetary estimates. They are of the view that the slippages in the revenue collections of direct & indirect taxes which have occurred recently in Bhopal and Mumbai Commissionerates respectively, are causes of concern. They are also of the view that the maintenance of the income statistics of the new assesseees slab-wise and the revenue accrued thereon is of critical importance and the same should be available with a view to ascertaining the additional revenue generated by introduction of one by six scheme.

12. In the light of above facts, the Committee expect that the Ministry of Finance, henceforth, shall make concerted efforts to project realistic estimates both at the Budget as well as Revised Estimate stage after taking into consideration economic scenario both in the domestic and international arena. They also desire that the pace of ongoing computerisation of tax operations may be speeded up to make the maintenance of income statistics of the assesseees slab-wise feasible, which in the long run would be a prime input for fixing realistic budgetary estimates. The Committee also recommend that the targets fixed at Commissionerate levels are required to be closely monitored for the desired expected results.

Demand No. 36
Deptt. of Revenue

Pendency In Appeals And The Uncollected Tax Demands

13. The direct tax laws and the customs and Central excise laws provide for an elaborate appeal system to protect the interests of the taxpayers. Briefly the structure is as follows:

- a. First appeal against the order of the assessing officer lies, in customs and Central excise matters, to the Collector (Appeals) and in the case of direct tax matters, to Deputy Commissioner (Appeals) or Commissioner (Appeals) depending on the quantum of taxable income as well as the form of organisation of the taxpayer.
- b. First appeal against the order-in-original of Collectors or Commissioners, as the case may be, lies to Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) or Income tax Appellate Tribunal (ITAT).
- c. The disputed questions of law, if any, arising from the order of the Tribunal are referred to the High Court for decision. Appeals against the decisions of the High Courts lie to the Supreme Court.
- d. However, in respect of classification and valuation matters under the customs and Central excise laws, appeal against the orders passed by the Benches of the CEGAT lie to the Supreme Court directly.

Pendency of cases before various tribunals/courts

14. The statement showing the pendency of cases till the year 1999 before (i) Commissioners of Income Tax (Appeals), (ii) Appellate Tribunal for Forfeited Property, (iii) Income Tax Settlement Commission (iv) Customs, Excise & Gold (Control) Appellate Tribunal and (v) Authority for Advance Rulings are given below :

Institution	Opening Pendency	No. of cases added during the year	No. of Cases Disposed of during the year
Commissioner of Income Tax (Appeals)* <i>*upto 30.9.1999</i>	214865	36863	44739
Appellate Tribunal for Forfeited Property (ATFP)	253	69	150
Income Tax Settlement Commission	1802	286	393
Customs, Excise & Gold (Control) Appellate Tribunal (CEGAT)	33351	13816	15542
Authority for Advance Rulings	53	28	47

15. The amount locked up in appeals before Commissioners of Income Tax (Appeals) (yearwise) is as under :

F.Y	Amount locked up in Appeals (Rs. in crores)
1997-98	5590.82
1998-99	6501.06
1999-2000	12971.29
(upto 29.2.2000)	

16. The Committee have been informed that the number of cases pending in High Court and Supreme Court in respect of ATFP are 195 and 30 respectively and as regards the other Tribunals, the figures of cases pending before the High Court and Supreme Court are not maintained by them. The records showing the actual amount involved in pending cases are not maintained by the Settlement Commission and by Central Excise Gold (Control) Appellate Tribunal.

17. Delving on the systematic/structural changes that can be brought about in order to liquidate the mounting pendency of cases before various appellate bodies, the Finance Secretary has inter-alia deposed that :

“We need two or three types of changes. We recognise the importance and the gravity of the issue. There is no dispute with that. What we need is certain changes at the structural level. I do not have any ready solution but one of the possibilities could be to look at the levels of appellate jurisdiction available and to see whether that can be compressed or rationalised. That could be one of the possibilities. The other is to provide more people or more Benches. We do find

within the Department when the review of the functions is done from time to time, that with more people handling appeals and adjudication, it should be possible to have better disposal on that side.”

18. Supplementing on the same issue the Ministry in their written reply has stated that :

“Action is being taken to set up two additional benches of the Income Tax Settlement Commission. As regards Central Excise Gold (Control) Appellate Tribunal, A proposal to shift two Benches of the Tribunal along-with staff, from Delhi to Mumbai is under consideration.”

19. Reacting to a suggestion made for the reduction of the accumulating pendency of cases before the Tribunals that the party on whom the notice has been served should be asked to deposit 30% of the amount involved before a further appeal is allowed, the Ministry in their written reply has stated as under :

“For direct taxes, it may be worthwhile to consider making it compulsory for the tax payers to pay a certain percentage of demand before preferring a appeal, as is the practice in various countries. For this, an amendment in the Income Tax Act will be required, once a policy decision is taken.”

The uncollected demands of Direct Taxes & Excise duties

20. The reason-wise analysis of arrears that have remained uncollected during the year 1999-2000 are given below :-

The total outstanding demand of Corporation Tax and Income Tax as on 31st January, 2000 is Rs. 44476.86 crores. The reason-wise analysis of the total outstanding demand is given below :-

1.	Unrealisable Demand.	(Rs. in crore)
(i)	Demand not fallen due	: 3177.99
(ii)	Demands paid but pending verification	: 1612.82
(iii)	Demands stayed by Courts/ Settlement Commission & ITAT	: 13426.84
2.	Net Realisation Demand	
(i)	Demands stayed by Income-tax Authorities	15122.71
(ii)	Demands where recovery is Difficult	6765.64

3.	Net Collectible demand	4370.86
	Total outstanding demand	44476.86

Figures of arrears of central excise duties as on 31-1-2000:

<u>No. of cases</u>	<u>Amount involved (in crores)</u>
103745	8483.2

Reason-wise analysis of the arrear position viz-viz excise duties :-

No. & amount involved in various categories of the cases :

<u>Category</u>	<u>No.</u>	<u>Amount</u>
Supreme Court	358	492.02
High Court	1781	488.90
CEGAT	7592	4245.5
Commr. (A)	18266	1975.6
Lower Court	851	50.93
Persuasive Action	13562	960.66
Certificate Action	61335	269.64

Out of the total number of 103745 cases involving an amount of Rs. 8483.2 crores, an amount of Rs. 4295.3 crores against 14950 cases has been stayed by various courts / CEGAT.

21. Explaining about steps that are being taken to realise the arrears at the faster rate, Department of Revenue in their written note submitted that :

“DIRECT TAXES

Collection out of arrears demand has always been the priority item of work for the Department. However, the scheme of the Act is such that arrears have been increasing despite strict monitoring at various levels in this regard.

CUSTOMS DUTIES

The provisions of Section 142 of the Customs Act have recently been amended in 1995, incorporating the Customs (Amendment of Property of defaulters for recovery of Government dues) Rules, 1995. These provisions need to be widely used to recover the arrears of customs duty.

With the introduction of EDI and Computerisation of all the major Custom houses it is now possible to monitor and follow-up of all provisional assessment cases/confirmed demand cases.

CENTRAL EXCISE

The Government has recently made following structural changes to realise the arrears at a faster rate :

- (i) Provisions have been made for charging of interest on delayed payment of duty.
- (ii) With a view to settling duty disputes and consequent recoveries, Settlement Commission has been set up.”

22. The Committee are deeply concerned to note that the outstanding tax demand/arrears of direct taxes and excise duties have reached an astronomical figure of more than Rs. 52000 crore. It is also found that a major portion of the arrears are locked up in the cases pending in various appellate bodies within the Deptt, Tribunals, High Courts and the Supreme Court. The Committee also observe that steps taken/initiated to liquidate the pending cases before various Tribunals/ Courts have not resulted into any marked progress. Thousands of cases involving crores of confirmed tax demands are still pending for years.

The Committee strongly feel that concerted measures must be taken for efficacious recovery of such a huge amount which is locked up.

23. The Committee therefore recommend that setting up two additional benches of the Income Tax Settlement Commission and the proposal to shift two benches of Customs, Excise and Gold (Control) Appellate Tribunal (CEGAT) from Delhi to Mumbai may be taken up expeditiously. With a view to keeping a tab particularly on the rising levels of pendency of direct tax cases, the Committee desire that the proposal for making it compulsory for the tax payers to pay a certain percentage of demand before preferring a second appeal before Income tax Appellate Tribunal (ITAT), may be given a serious thought. For closely monitoring the progress of the cases, it is but essential that the data pertaining to the number of cases pending before various Tribunals/Courts and the demand locked therein should be maintained. The Committee expect that necessary steps in this regard shall be taken urgently by the Ministry. They also desire that necessary

structural/systematic reforms in consultation with Ministry of Law should be carried out without further delay.

Demand No. : 36

Department of Revenue

Major Head : 2052

Minor Head : 00.800

Detailed Head : 01.00.63

Inter Account Transfer

24. The above head is meant for accounting adjustments in the National Fund for control of Drug Abuse. The budgetary estimates, the revised estimates and the actuals since 1995-96 onwards are given below:

		(Non-plan)	(Rs. in 000's)
Year	Budget Estimates	Revised Estimates	Actuals
1995-96	40,00	10,00	10,00
1996-97	40,00	10,00	10,00
1997-98	40,00	10,00	--
1998-99	40,00	10,00	--
1999-2000	40,00	10,00	
2000-2001	40,00		

25. Replying to a query regarding the reasons for downsizing the allocations at RE stage and for not recording any figures in the actuals column of 1997-98 and 1998-99 the Deptt. has stated that:

“The National Fund for Control of Drug Abuse was set-up by the Central Government vide Notification dated 29.05.1989 in accordance with the provisions of Section 7(a) of the NDPS Act. As per provisions of this Act, one of the sources of the fund is

“An amount which the Central Government may after due appropriation made by Parliament by law in this behalf provide.”

As such, the budgetary provision is made for this purpose in the budget relating to Narcotics Control Bureau. However, due to accounting procedure not being finalised, the allocations were down sized at the RE stage. No expenditure has been incurred during 1997-98 and 1998-99.”

26. Supplementing on the reasons for not standardising the accounting procedures well in time the Deptt. in their written reply informed that:

“The First meeting of the Governing Body was held in February, 92 wherein it was decided that the Rules for governing the Fund may be drafted. The draft Rules, namely, Rules for National Fund for Control of Drug Abuse were prepared in August, 1992 and circulated amongst the Members of the Governing Body. Thereafter, the Draft Rules were considered in consultation with Legislative Deptt. and Deptt. of Legal Affairs of Ministry of Law & Justice. The same were sent to C& AG in May, 1994 who decided that the Deptt. may draft a detailed accounting procedure for the operation of the Fund and forward along-with Draft Rules to C&AG through CCA. The Deptt. had, in the meantime, already taken up the matter for allocation of Budget Head and drafting of Accounting Procedure with the concerned agencies i.e. Integrated Finance, Budget Division of Deptt. of Economic Affairs and CCA. The Deptt. was also informed by Ministry of Law that the NDPS Act (Section 7 A) needed certain amendments to enable the Deptt./the Governing Body to sanction grants from the Fund to the NGOs. The NDPS (Amendment) Bill was introduced in the Rajya Sabha on 9th July, 1998. The Standing Committee on Finance which examined the Bill has submitted its report, which is under process. The Amendment Bill also includes changes to Section 7A of the NDPS Act. The matter was also taken up with the Budget Division of the Department of Economic Affairs for allocation of Budget Head and whether the fund may be kept in or outside the Consolidated Fund of India. As per advice received, it was decided to keep the fund out of the Consolidated Fund on the analogy of National Fund for Calamity Relief. The Governing Body however agreed with the view of CCA and CGA for keeping the money in interest bearing accounts so as to make the Fund self-supporting. The Draft Accounting Procedure was prepared by the O/o CCA in May, 1997 and after vetting by the Ministry of Law, forwarded to the C&AG in 1998. Efforts are being made to finalise the Accounting procedure in consultation with the CCA, CGA, Budget Division, Ministry of Law and C&AG.”

27. The Committee note that the need to standardise the accounting procedure for the operation of the National Fund for Control of Drug Abuse which had emanated from the reference of C&AG to the Deptt. of Revenue way back in 1994 is yet to be finalised. The Committee are not inclined to accept the reply given by the Deptt. that efforts are being made to finalise the accounting procedure in consultation with CCA, CGA, Budget Division, Ministry of Law and C&AG. In view of the inordinate delay the Committee desire that the issue of finalising the accounting procedure should be resolved at the earliest.

Demand No. : 36
Department of Revenue
Major Head (Total) : 2070

Other Administrative Services

28. The provision made under this major head is meant to meet the expenditure relating the Narcotics Control and for contribution under international co-operation. The budgetary Estimates, Revised Estimates and the actuals are given below :

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

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	7,57,00	7,82,00	7,90,89
1996-97	8,26,00	8,92,00	9,10,42
1997-98	9,40,00	12,25,00	11,89,76
1998-99	13,73,00	17,09,00	15,05,31
1999-2000	15,51,00	16,01,00	
2000-2001	16,71,00		

29. When asked about the reasons for under utilisation of allocation made to the tune of more than Rs. 2 crore in 1998-99 the Ministry of Finance (Department of Revenue) in their written communication to the Committee submitted that :

“During the year 1998-99 less utilisation of funds was due to :-

- (i) Savings in salaries because the posts remained vacant and less expenditure under Domestic Travel Expenses and Foreign Travel Expenses.
- (ii) The payment claims in respect of vehicles for which necessary provision was kept in R.E. 1998-99 were not received and the provision kept for the purchase of some vehicles could not be utilised.
- (iii) Saving occurred under “Machinery and Equipment” on account of less numbers of purchase of Hot Air Oven, Electronic Balance, Aluminium Trays, Dissociating cabinets etc. as the same were purchased on experimental basis in the first instance.”

30. The Committee note that the budgetary provisions made under this head at RE stage have been underutilised during 1997-98 and 1998-99. The reasons given for gross underutilisation to the tune of more than Rs. 2 crore in 1998-99 are of less expenditure incurred to meet the domestic travel expenses, foreign travel expenses, the provision set aside to purchase some vehicles and also the purchase of less number of Hot Air Ovens, Electric Balances, Aluminium trays etc. The Committee are of the view that the Deptt. failed to accurately assess the needs under this head even at RE stage which are normally finalised during September/October every year. The Committee take note of the casual approach followed by the Deptt. in formulating the Estimates under this head. They, therefore, recommend that henceforth closer scrutiny of the proposals should invariably be undertaken with regard to each and every proposal so that realistic estimates are projected under this head.

Demand No. 37

Direct Taxes

Surveys, Seizures and prosecutions under the Income Tax Act

(a) Surveys

31. The results of surveys conducted as per the Income Tax Act are given below:

Year	No. of Premises surveyed
1994-95	7,92,006
1995-96	7,83,295
1996-97	8,18,982

1997-98	4,59,741
1998-99	1,95,136
1999-2000 (upto November '99)	67,384

32. When asked about the total amount accrued form the surveys conducted by the Deptt. as per the Income tax Act (year-wise), the Ministry in their written communication stated that :

“After the surveys are conducted by the Department, the results of such surveys are passed on to the assessing officers for making the assessments. The taxes accrued as a result of the surveys are determined only after the assessments are completed. Since these surveys have been conducted at different parts of the country and the persons concerned are assessed with large number of assessing officers spread out all over India, it is difficult at this stage to compile the information.”

(b) Seizures

33. The details of the total number of seizures made and the amount accrued thereon since 1995-96 onwards are given below :-

Financial Year	No. of Warrants	Value of Assets seized			(Rs. In Crores)
		Cash	Jewellery	Others	
1995-96	4612	79.85	59.58	318.71	458.14
1996-97	4299	97.94	61.57	216.13	405.63
1997-98	3653	78.75	46.47	181.62	306.85
1998-99	5764	99.35	46.66	154.53	300.54
1999-2000	5469	82.39	54.33	247.16	384.18

34. **(c) Prosecutions under the Income tax Act**

Financial Year	No. of prosecution launched	No. of prosecution decided	No. of prosecution convicted	No. of prosecution compounded	No. of prosecution acquitted
1995-96	288	2158	79	1592	487
1996-97	393	1300	20	643	637
1997-98	801	1239	93	143	1003
1998-99	184	688	77	184	407
1999-2000 (upto Dec' 99)	66	73	03	21	49

35. Explaining the reasons for low conviction rate vis-à-vis no. of prosecutions decided, the Deptt. in their written reply has stated that :

“The number of prosecutions in which conviction has been obtained may kindly be seen along-with the number of cases in which prosecutions have been compounded in taking a view on the rate of success in respect of the cases of prosecution decided. The prosecution guidelines have been framed to reduce the pendency before the courts and removal of unintended hardship in deserving cases.

In regard to covering the loopholes, it is submitted that prosecutions are launched mostly after the penalties prescribed under the law have been levied and have stood the test of appeal. This process delays the initiation of prosecution proceedings. Efforts are being made to quicken the process of finalisation of appeals so that a decision on the launching of prosecutions can be expedited.”

36. The Committee observe that though there was a hike in the number of warrants issued during 1998-99 and 1999-2000 compared to the year 1995-96, the amount accrued from the seizures effected during the said years have not been commensurate with the achievements made in 1995-96. Though the Committee have not gone into the merits of the warrants issued and their revenue yielding capacity, the downward trend in the amount accrued from such seizures calls for further explanation. The Committee would like to be enlightened on this account.

37. Potential tax-evasion has not been checked because of several factors including the lesser number of prosecutions launched over a period of time under the Income tax Act. This is reported to be on account of the delay involved in the process of finalisation of appeals only after which the prosecution can be launched. Besides, on perusal of the given figures it is also found that there has been a high rate of acquittals under the Income tax Act and the conviction rate stands far too low to work as an effective deterrent for potential tax evasion. The Committee, therefore, recommend that greater attention should be paid for speeding up the process involving finalisation of appeals and towards exercising proper scrutiny before launching prosecutions so that the success rate is high.

Demand No. : 37
Direct Taxes
Major Head : 2020
Minor Head : 00.001
Detailed Head : 03.00.13

Office Expenses

38. The Budgetary provisions under the Head 'Office Expenses' covers expenditure on postage stamps, telephones, office equipments, vehicles, printing of forms, Stationery, purchase of hardware and software or computerisation etc. The Budgetary Estimates, REs and actuals are given below :

Year	(Non-plan)		(Rs. in 000's)
	Budget Estimates	Revised Estimates	Actuals
1995-96	5,15,00	9,20,00	6,62,30
1996-97	5,23,00	10,26,00	9,73,74
1997-98	10,25,50	44,26,15	39,41,55
1998-99	44,27,50	59,32,80	20,97,10
1999-2000	45,29,50	45,29,00	
2000-2001	35,31,00		

39. The Computerisation of Income tax operations was started a decade ago and is still in progress. On the basis of the recommendations of the working Group set up for implementing comprehensive Computerisation in the Deptt. and approved by the Government in October, 1993, in the First Phase, Regional Computer Centres were set up and commissioned during January/February, 1995 at Delhi, Mumbai and Chennai.

40. While explaining the rationale behind the higher demands at RE stage year after year despite steep underutilisation of funds since 1995-96 onwards the Deptt. has stated as under :

“Major portion of the Budget provision under this head is meant for implementation of the comprehensive computerisation programme being implemented in the Income Tax Department. Keeping in view the progress of computerisation, the requirement of funds are reviewed at the RE stage. However, some of the proposals for purchase of hardware/software and other related equipment could not be finalised before the close of the financial year.”

41. On the state of computerisation of Income Tax Operations, the Member CBDT, while answering to a query during the course of oral evidence before the Committee has deposed that :

“The computerisation programme, as developed by the CBDT side in the Department of Revenue, the comprehensive computerisation programme, was started some time back in 1995 in three centres by starting the allotment of Permanent Account Numbers. So that was started in 1995 in Mumbai, Delhi and Chennai. We extended the allotment of PAN to other parts of the country only in 1998. We have just not yet finished two years of getting applications from tax payers or would be tax payers and allotting them the PAN. I am very happy to inform the august Committee that we have today received about 1,86,000 applications of PAN all over the country. Out of this, we have already allotted PAN to a number of people. As the Hon’ble Chairman has mentioned, the system is going to take up to 2005. The first thing is to make the complete assessment on computers and for doing this we would need a data base. To collect the data base, we would need to have all the inputs to develop the system. As our Secretary has mentioned, hardware is already in position. There is no problems of lack of funds. The only problem is about training. Training has been going on. We have already trained about 26,000 out of 55,000 and odd. But this is an on-going process. As far as installing the hardware is concerned, it is taking a little time. The ground reality is that in the centres all over the country, we are having difficulties in getting these things installed. Then, the creation of data base will take some time. That is why, we take a view that by 2005, with two-year data base already collected, we would be able to do assessments, as the Hon’ble Chairman has said. We will be having a back record also and we will make a proper assessment.”

42. Enumerating the details of the bottlenecks that the Deptt. is encountering during its effort to implement the comprehensive computerisation programme, the Finance Secretary inter-alia has stated that :

“The relatively easy part is the hardware. Purchasing hardware and installing it is a relatively quick exercise and so long as we have the budgetary provision, it is not very difficult to do. But at a practical level, we need to provide three things which take time. First is software which is not off the shelf software which we can put and install. It has to be dedicated or especially developed software on both sided.

The second is training of personnel. These are large departments and the efficacy only as good as the weakest link in the chain. Training is something which takes time for various reasons.

Third is the transition. We are switching from a manual mode to computer. Unless it is done very carefully, it can lead to break down of the manual system, without computers replacing the existing system. We debated why 2003, why not 2002 or why not 2005. Now, this is the time frame which has emerged after very careful discussion between the technical people and the tax authorities.”

43. Earlier, deposing on the same issue in 1998, the then Secretary of Deptt. of Revenue, has inter-alia stated that :

“The computerisation of the income-tax department has been an on-going process for over a decade or so. We have so far succeeded in the allotment of Permanent Account Numbers to three major metropolitan cities,

which we hope to extend in the course of the next twelve months or so to cover the other 33 important tax paying centres.

In respect of computerisation of some of the other elements particularly accessing of data, processing of income-tax returns themselves and utilisation of the software developed for minimising the incidence of evasion, the Tata Consultancy Services who have worked closely with the CBDT have evolved a software programme.”

44. Further when asked about the progress made in resolving the problems concerned to software the Member, CBDT stated that :

“We started with TCS. We are also developing software.”

45. The Committee are unhappy to observe that the ongoing programme of computerisation of income tax operations appears to be having too many bottlenecks and are yet to be addressed fully even after a lapse of more than a decade since the inception of the programme. The funds allocated for the purpose of procuring the computer hardware and software are grossly underutilised since 1995-96 onwards and the underutilisation of budgeted resources has reached an alarming level of Rs. 28.35 crore during 1998-99. The reason adduced for non-utilisation of funds is that the proposals for purchase of hardware/software and other related equipment could not be finalised before the close of the financial year. This is totally unacceptable to the Committee.

46. It is also found that more than 29,000 employees of the Income tax Department still need to be trained in computers. The teething problems of the software in accessing the data, processing the income tax returns and minimising the incidence of evasion through cross checking the data, yet need to be resolved. The Committee are of the view that the proposal to extend the one-by-six scheme to 79 more cities would further intensify the urgency to accelerate the computerisation of Income Tax operations to a much greater extent. They are of the opinion that if the nagging problems of this key ingredient of the infrastructure for revenue collection are not tackled immediately, the same will have adverse revenue

implications in the near future. They also feel that in order to bring in greater acceptance of the ongoing computerisation programme within the organisation, the training curriculum aiming at bringing about attitudinal change among the personnel also needs to be accelerated.

47. In the light of above facts, the implementation of the Computerisation of Income Tax Operations calls for closer monitoring and strict adherence of the set targets. They, therefore, recommend that sincere and concrete measures should be taken to standardise the software and the yearly action plans should be reviewed at the level of Secretary, Revenue, at least once in each quarter with a view to achieving tangible results without any further loss of time.

Demand No. : 37

Direct Taxes

Major Head : 2020

Minor Head : 00.101

Detailed Head : 01.00.14

Rent, Rates & Taxes

48. This head is meant for payment of rent for hired buildings, municipal rates and taxes, lease charges for land etc. The Budgetary Estimates, Revised Estimates and the actuals are given below :

(Non-Plan)

(Rs. in 000's)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	20,74,57	32,78,28	32,31,58
1996-97	28,51,28	28,44,39	31,70,41
1997-98	29,44,51	34,42,67	31,76,82
1998-99	34,43,51	44,42,02	35,05,22
1999-2000	43,69,80	43,73,20	
2000-2001	49,67,08		

49. The Deptt. while informing the Committee regarding the steps that are being undertaken to minimise the recurring expenses under this head has stated that :

“With a view to minimise the recurring expenses under this head, necessary steps have been taken to purchase ready-built accommodation at various places. For this purpose, separate Major Head has already been opened under this Demand.”

50. In response to a query regarding the details of the funds that are being spent in procuring the ready built accommodation, the Deptt. has stated that :

“Funds provided for and utilised to procure ready built accommodation are given below :-

Year	<u>OFFICE ACCOMODATION</u>		<u>RESIDENTIAL FLATS</u>	
	Funds Allocated	Utilised	Funds Allocated	Utilised
1995-96	36,53,00	55,25	13,00,00	45,70,73
1996-97	16,00,00	28,07,19	40,00,00	29,37,78
1997-989	20,00,00	---	36,00,00	34,87,85
1998-1999	19,80,00	16,80,00	35,50,00	8,65,28
1999-2000	80,00,00	15,43,00*	50,00,00	26,99,00*
* Provisional				

The overall expenditure under ‘Rent, Rates and Taxes’ would have been higher, had the ready built accommodation not been acquired by the Department.

51. The Committee note that the funds earmarked to meet the expenses of rent, rates and taxes and the money set aside to procure ready built office accommodation and residential flats have been grossly under-utilised since 1997-98. The poor utilisation under both the said heads reflects the indifferent attitude within the Department in resolving effectively the issue of rising recurring expenses under this head. In order to avoid locking of huge budgetary demands, the Committee desire that every effort should be made to utilize the amount within the financial year itself and steps should be taken to inculcate financial prudence within the Department for fixing realistic estimates.

Demand No. 38
Indirect Taxes

Anti Smuggling Measures

65. The drive against smuggling and duty evasion has continued unabated during the year 1999-2000. All the Commissionerates along the coast, the land borders and in-charge of the international airports remained fully alert to prevent smuggling of contraband both into and out of the country. A number of remarkable seizures of contraband were effected during the year by various Commissionerates and the Directorate of Revenue Intelligence (DRI). The success of the anti-smuggling efforts is clearly reflected by the fact that contraband goods worth over Rs. 1677.36 crores were seized during the year 1999-2000 (upto November, 1999). In addition, cases of duty evasion to the tune of Rs. 513.30 crores were detected, (upto Nov., 99), out of which an amount of Rs. 111.20 crores was recovered even before completion of investigations/issue of Show Cause Notices. The pressure on the organised syndicates engaged in the smuggling was kept up by promptly attending to post – seizure activities like investigation prosecution as well as detention under COFEPOSA ACT. Steps were also taken to update existing dossiers and opening new dossiers of fresh gangs which had come to notice of various field formations involved in the anti-smuggling activities. Timely action was also initiated for disposal of the contraband goods as well as forfeiture of properties acquired with the funds generated by smuggler.

66. The total number of persons arrested and convicted under Customs Act since 1995-96 onwards are given below :

Year	No. of persons arrested	Prosecuted	Convicted	Conviction rate (col.3 as % of Col.2)	Acquitted
1995-96	1332	461	153	33.18%	105
1996-97	1077	597	181	30.31%	187
1997-98	1190	451	207	45.89%	201
1998-99	905	327	113	34.55%	54
1999-2000	539	126	72	57.14%	35
(Upto November, 1999)					
	5043	1962	726	37%	582

67. Explaining the reasons behind the low conviction rate under the Customs Act the Ministry of Finance (Deptt. of Revenue) has stated that :

“It has been stated that number of convictions is very low vis-à-vis the total number of persons arrested. If comparison of the number of convictions to the number of arrest is made, the conviction rate works out to 11.48%, 16.80%, 17.39%, 12.48% and 13.35% for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 (upto November, 1999 respectively). However, it is felt that a more appropriate comparison would be between the number of persons prosecuted and number of persons convicted, as all persons arrested are not prosecuted and decision to prosecute is taken only after completion of investigation, when full evidence and complete picture is available – which is not possible at the time of arrest. (Further, arrest also becomes often necessary to ensure that the person involved does not destroy/tamper with evidence).

It would be seen from above that if correlation is made between number of persons actually prosecuted and those convicted, the conviction rate works out to 33.18%, 30.31%, 45.89%, 34.55%, 57.14% for the above mentioned years respectively. The average conviction rate for the above period would work out to 37%. It may also be stated that as prosecutions launched in a year are hardly concluded within the same year, even this comparison does not give an accurate picture. However, even if this basis is adopted for arriving at the conviction rate, the rate of conviction vis-à-vis prosecutions launched is not low.

It is felt that the conviction rate can be further improved if the delays in judicial processes can be cut down, by inter-alia increasing number of special courts, Courts discouraging adjournments, public witnesses being more helpful during the prosecution etc. Many acquittals are awarded by courts taking a very strict view of not following some laid down procedural requirements. To the extent deficiencies in investigations are noticed or there are delays in finalising investigations, various departmental instructions are issued and these are reiterated from time to time so that conviction rate improves.”

68. On the measures that are being implemented to contain the smuggling of contraband, the Ministry inter-alia has informed that :

“Smuggling is a clandestine activity and the geographical vastness of the country with long borders extending to more than 15,000 kms. And a coast line of over 7,000 kms. Makes the task of completely stopping the smuggling extremely difficult. The open borders with Nepal and Bhutan through which the residents of the two countries can enter at any point without any passport/visa restrictions further adds to difficulties. It is also becoming increasingly difficult to detect and prevent all attempts of smuggling through regular import and export consignments or by international incoming and outgoing passengers – considering the growing international trade and passenger traffic and the limited resources provided to the Enforcement agencies. However, appropriate legislative and administrative measures have been put in place to check smuggling of Contraband into and out of country through different possible routes.”

Measures taken to contain Narcotics Trade

69. While elaborating the growing concern of the Government in tackling the drug menace, the representative of Ministry of Finance inter-alia has stated that :

“As the Hon’ble Members may be knowing, India has normally been used in the last few years as a transit country for the smuggling of the narcotics because we are sandwiched between two old facets of the golden triangle area and on our Eastern side, we have Laos, Thailand and Burma border. They imposed unauthorised cultivation of opium, from which heroin is produced, and this is smuggled into and through India. But fortunately, there is not much of smuggling through India from that route. Sometimes, somebody infiltrates into the North-East area and the quantity of drugs brought by him is consumed by some of the younger generation there. There are intelligence reports that apart of that is ultimately smuggled to Calcutta and Bangladesh and it might be coming into other parts of the country also. The narcotic, of which either small part is consumed within the country or major part gets out through Indian route, is coming from the Western front, what is called the Golden Crescent, of Pakistan, Iran and Turkey. As the Hon’ble Members know, the unauthorised cultivation is done in the North-West Pakistan and Iran. That is one of our major concerns.”

70. The total quantum of major narcotic drugs seized since 1995-96 onwards and the share of seizures made by the Narcotics Control Board (NCB) is given below:

“Seizure figures of major Narcotic Drugs and Psychotropic Substances as per reports received from Central and State law enforcement agencies in the country as on 31.03.2000 from 1995 to 1999 (year-wise) and the share of seizures made by Narcotics Control Bureau (NCB) are as under :-

		Figures of total seizures (includes that of NCB) (in Kgs.)					Share of NCB (in Kgs.)				
		1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
1	Opium	1349	2876	3316	2031	1635	40	11	37	18	16
2	Morphine	4	4	128	19	36	--	--	--	--	--
3	Heroin	1681	1257	1332	655	861	75	104	86	66	301
4	Ganja	121873	62992	80886	68221	40113	462	650	3022	651	3362
5	Hashish	3629	6520	3281	10106	3391	27	135	157	896	101
6	Cocaine	40	3	24	1	1	--	2	--	--	--
7	Methaqualone	20485	2212	1740	2257	474	1064	--	--	268	50
8	L.S.D.(Sq. Paper)	113	1285	--	45	240	--	--	--	--	--
9	Acetic Anhydride (in ltrs.)	9282	4627	8311	6197	2963	880	--	2214	35	2890

71. On the steps taken to sensitise the enforcement agencies regarding the growing menace of drug trafficking in the country, the Ministry has replied that:

“ Various measures taken to sensitise Central and State Enforcement Agencies include vesting of powers in BSF and Coast Guard under the Customs Act to interdict narcotic drugs on the border (land and coastal borders), imparting of training programmes in India and abroad to officers of Central and State Enforcement Agencies to improve effectiveness, earnest implementation of reward scheme for enforcement officers, holding of a Quarterly Co-ordination Meeting in NCB, New Delhi attended by Central and State Enforcement Agencies at the highest level. NCB seized about 35% of total seizures of Heroin and about 98% of the total seizures of Acetic Anhydride in the country in 1999. The three main agencies of the Department of Revenue in the field of narcotics, namely, Narcotics have played the most important role in sensitising various Central Bureau of Narcotics have played the most important role in sensitising various Central and State law enforcement agencies in terms of creation of awareness of the immense danger of the drug trafficking to the national and international well being, and consequently awareness of the need to combat it effectively. While in the early 80’s, combating drug trafficking was almost on the periphery of the law enforcement agencies, today it is a major priority.”

72. The Committee are deeply concerned to observe that despite the sincere efforts made by the Deptt. and the Coast guard, the contraband is still finding its way into the country. They are of the considered view that in order to check the smuggling of contraband into the country, in addition to the removal of various restrictions on imports/exports, rationalisation and reduction of customs duties on sensitive items, the Government should conduct a review of the men and material provided to the enforcement agencies particularly the Directorate of Revenue Intelligence (DRI), preventive commissionerates and customs formations stationed at various places. This is particularly essential in the light of growing international trade, passenger traffic and sophisticated methods adopted by the smugglers. Provision of trained manpower and modern equipment may go a long way in evolving a fool proof mechanism to detect the smuggling and other related crimes.

73. On perusal of the data regarding the number of persons arrested, prosecuted, convicted and acquitted under the Customs Act, the Committee find that the average conviction rate is as low as 37. In order to effect speedy disposal of the cases the Committee feel that there is an imperative need to set up more special courts.

74. The Committee, on perusal of the seizure figures of major narcotic drugs and psychotropic substances, feel that though a small part of the Narcotics is being consumed within the country and a major part of the same goes through the Indian route, it is still a matter of grave concern. The Committee desire that in addition to the measures taken to sensitize the enforcement agencies regarding the growing menace of the narcotics trade, the Government should closely monitor the operation of Narcotics Control Bureau, Central Bureau of Narcotics and the enforcement agencies such as ITBP, BSF, CBI etc. to restrict the illicit trafficking of the narcotic drugs and psychotropic substances into the country and through the Indian route to other countries. The operations of seizures should be taken with greater vigour and no scope for impunity should be left as far as the drug mafias/lords are concerned.

Demand No. : 38

Indirect Taxes

Major Head : 2037

Minor Head : 00.102

Detailed Head : 01.01.14

Rent, Rates & Taxes

75. This head is meant for payment of rent for hired office premises and also Muncipal and other taxes by the customs (preventive) commissionerates. The BEs, REs and actuals since 1995-96 are given below:

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

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	2,43,00	5,08,65	4,29,12
1996-97	3,68,65	3,82,80	3,03,53
1997-98	4,08,50	4,76,00	4,33,72
1998-99	5,16,50	5,44,50	4,37,16
1999-2000	6,17,50	5,22,49	
2000-2001	5,87,10		

76. Replying to a query regarding the monies spent so far under this head since 1995-96 onwards to purchase ready built office premises, the Deptt. has stated that :

“The Govt. has been taking steps to procure ready built office premises at various places since 1995-96. Till the end of 1998-99 a total amount of Rs. 17.70 crores has been spent in purchase of ready built office premises, at various places.”

77. Explaining the resultant savings made under this head due to the purchase of ready built office premises the Deptt. in their written reply informed that :

“ An amount of Rs. 7.57 crores has been provided during 1999-2000 for procurement of ready built flats for office accommodation at various places. The overall impact of these investments on expenses incurred under the head ‘ Rent Rates and Taxes’ is yet to be assessed, since details of actual expenditure are awaited.”

78. The Committee note that the funds earmarked to meet the expenditure under the head ‘Rent, Rates & Taxes’ at RE stage have remained underutilised since 1995-96. The Committee also observe that though the Department has so far invested a total of Rs. 25.27 crore to procure ready built office premises at various places, they have not yet assessed the overall impact of these investments on the recurring expenditure under the head ‘Rent, Rates & Taxes’. The Committee are of the view that there is a pressing need to evince greater interest in projecting realistic estimates. They therefore desire that the Deptt should ensure that thorough scrutiny of the demands are invariably done at the preliminary stage under this head so that realistic estimates are made and the budgetary exercise becomes more meaningful.

Demand No. : 37
Direct Taxes
Major Head : 4075
Detailed Head : 00.00.53
Major Works

Pre-emptive purchase of immovable properties involving
under statement of sale consideration.

52. The head 'Major Works' is meant to meet the expenditure incurred while resorting to pre-emptive purchase of immovable property by the Central Government. The Budgetary Estimates, Revised Estimates and the actuals of this head are given below:

(Non-plan)

(Rs. in 000's)

Year	Budget Estimates	Revised Estimates	Actuals
1995-96	1,20,00,00	120,00,00	73,35,01
1996-97	120,00,00	60,00,00	12,97,65
1997-98	70,00,00	70,00,00	24,02,63
1998-99	70,00,00	25,00,00	5,91,35
1999-2000	35,00,00	10,00,00	
2000-2001	10,00,00		

53. When asked about the reasons for gross underutilisation of the earmarked resources year after year since 1995-96 onwards, the Deptt. in their written communication submitted that:

“Actual expenditure incurred on purchase of properties under Income Tax Act depends on the number of orders passed by the Appropriate Authority which cannot be projected with accuracy. The allocation has been down sized in the R.E. for 1999-2000 and also in the B.E. for 2000-2001.”

54. Under the provisions of chapter XXC of the Income Tax Act, the Central Govt. has been empowered with a pre-emptive right to purchase immovable properties. The provisions of chapter XXC are to be resorted to only when there is a significant under valuation of the immovable property to be sold in the agreement of sale with a view to evade Tax. These provisions were initially applicable to six major cities. Subsequently these were extended to 28 cities.

55. While explaining the rational for extending this scheme to only 28 cities, the Ministry has inter-alia informed that :

“These cities were chosen since the high value real estate transactions are generally concentrated in such cities. The ultimate objective of the Income-tax Department is to gradually extend the provisions of this Chapter to the entire country.”

56. The Scheme of Pre-emptive purchase of immovable property is implemented by a high level body of the Appropriate Authorities, comprising two commissioners of Income Tax and one Chief Engineer on deputation to the Income Tax Department. The power of Pre-emptive purchase is exercised in cases of transactions where the Appropriate Authority is of the view that the consideration for transfer of the properties has been understated in the agreement to transfer.

57. Chapter XXC is applicable in the cases of those properties where the apparent consideration mentioned in the agreement for transfer exceeds the following monetary limits :-

<u>City</u>	<u>Monetary Limits</u>
Mumbai	75 lakhs
Delhi	50 lakhs
Calcutta, Chennai, Bangalore, Ahmedabad, Pune	25 lakhs
Other cities	20 lakhs

58. On the details of the guidelines that are followed by the Valuation Officer for arriving at an objective assessment of the property value, the Ministry of Finance in their written note stated that :

“The following standard guidelines/norms are followed while arriving at the valuation of immovable properties :

- (i) Schedule III of the Wealth Tax Act.
- (ii) CPWD’s guidelines for valuation of immovable properties as per their letter dated 28.10.96.
- (iii) Guidelines for valuation of immovable properties issued by Chief Engineer, Valuation Cell, Delhi.
- (iv) Guidelines for valuation of immovable properties issued by chief Engineer, Valuation Cell, Chennai.”

59. On the measures that are being taken to bring in transparency into the working of valuation cells and to reduce the element of subjectivity to the barest minimum, the Department has submitted that :

“Whenever any property is considered for pre-emptive purchase by the Government, a copy of its valuation report is made available to the transferors and transferees who are free to submit their objections to the said valuation. The objection so filed are examined before any order for pre-emptive purchase is passed. The objections of the parties are also discussed in the order so passed. The prescribed guidelines/norms are also strictly followed during the process of valuation of immovable properties.

60. Enumerating the measures that are in place to check (i) the concealment of the real value of the property and (ii) the understatement of consideration in the sale deed transfer and thereby to curb the proliferation of black money, the Ministry has informed that :

“Chapter XXC was introduced in the Income-tax Act as a measure to check the concealment of the real value of properties. The objective was to induce the transferors and transferees to declare the full amount of consideration in the agreement for transfer. In cases of understatement of consideration in the sale deed, the property is liable to be purchased by the Central Government at the price declared. In this regard, Chapter XXC is an effective tool to curb the proliferation of black money in real estate transactions.

The other measures are surveys and search & seizure operations conducted by the Income-tax Department wherein material evidences are gathered in respect of the sale amount which has actually passed hands in real estate transactions.”

61. While furnishing the details regarding the total pendency of cases before the valuation cell for the last three years and steps taken to reduce the pendency, the Ministry in their written reply stated as under :

Financial Year	Opening balance of references	References received during the year	References disposed during the year	References pending at the end of the year
1996-97	704	2225	2203	726
1997-98	726	2236	2230	732
1998-99	732	1594	1758	568

The Assessing Officer making the reference and the Valuation Cell officer are regularly in touch and the matter is pursued to its logical conclusion. Close monitoring of the progress of disposal of the cases by various units are carried out every month at higher levels and guidelines are issued to remove bottlenecks wherever required.”

62. On a query whether the Ministry, in the recent past, has conducted any study to find the quantum of Black money that is in circulation within the economy, the Ministry in their written reply stated that :

“According to a study made by the National Institute of Public Finance and Policy in 1983-84, the estimated undisclosed money in the country was between Rs. 31584 Crores to Rs. 36786 Crores. The authors of this study had admitted that their estimate was based on numerous assumptions and approximations, each of which could be challenged. In fact most of the transactions generating black money are unrecorded making the credibility of any estimate extremely low. Reliance for estimate of black money is on indirect methods and circumstantial evidence. Therefore, no study has been conducted thereafter. However, the Government have been taking necessary legislative, fiscal and administrative measures from time to time to prevent generation of black money.”

63. The Committee are of the considered opinion that the provisions of chapter XXC of the Income tax Act which empower the Central Govt. with the pre-emptive right to

purchase immovable properties when there is a significant under-valuation of the immovable property to be sold with a view to evading tax, has not achieved its prime objective of curbing the proliferation of black money in the real estate transactions. The gross under utilisation of the funds allocated for meeting the expenditure while resorting to pre-emptive purchase of immovable property by the Central Government year after year since 1995-96 and the pendency of cases before the valuation cell for the last three years confirm the opinion of the Committee to a great extent.

64. The Committee desire that in order to ensure that the scheme of pre-emptive purchase of immovable property functions as an effective tool to control the proliferation of black money, efforts should be made to extend this scheme to other cities as well. Also the functioning of the valuation cell should further be streamlined with a view to reducing the pendency of the cases. The Committee expect that in future the Budgetary as well as Revised Estimates under his head would be projected more realistically.

Demand No. 38

Indirect Taxes

ANTI-SMUGGLING MEASURES

65. The drive against smuggling and duty evasion has continued unabated during the year 1999-2000. All the Commissionerates along the coast, the land borders and in-charge of the international airports remained fully alert to prevent smuggling of contraband both into and out of the country. A number of remarkable seizures of contraband were effected during the year by various Commissionerates and the Directorate of Revenue Intelligence (DRI). The success of the anti-smuggling efforts is clearly reflected by the fact that contraband goods worth over Rs. 1677.36 crores were seized during the year 1999-2000 (upto November, 1999). In addition, cases of duty evasion to the tune of Rs. 513.30 crores were detected, (upto Nov., 99), out of which an amount of Rs. 111.20 crores was recovered even before completion of investigations/issue of Show Cause Notices. The pressure on the organised syndicates engaged in the smuggling was kept up by promptly attending to post-seizure activities like investigation prosecution as well as detention under COFEPOSA Act. Steps were also taken to update existing dossiers and opening new dossiers of fresh gangs which had come to notice of various field formations involved in the anti-smuggling activities. Timely action was also initiated for disposal of the contraband goods as well as forfeiture of properties acquired with the funds generated by smuggler.

66. The total number of persons arrested and convicted under Customs Act since 1995-96 onwards are given below :

Year	No. of persons arrested	Prosecuted	Convicted	Conviction rate (col. 3 as % of Col. 2)	Acquitted
1995-96	1332	461	153	33.18%	105
1996-97	1077	597	181	30.31%	187
1997-98	1190	451	207	45.89%	201
1998-99	905	327	113	34.55%	54
1999-2000	539	126	72	57.14%	35
Total	5043	1962	726	37%	582

(Upto November, 1999)

67. Explaining the reasons behind the low conviction rate under the Customs Act the Ministry of Finance (Deptt. of Revenue) has stated that :

"It has been stated that number of convictions is very low *vis-a-vis* the total number of persons arrested. If comparison of the number of convictions to the number of arrest is made, the conviction rate works out to 11.48%, 16.80%, 17.39%, 12.48% and 13.35% for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 (upto November, 1999 respectively). However, it is felt that a more appropriate comparison would be between the number of persons prosecuted and number of persons convicted, as all persons arrested are not prosecuted and decision to prosecute is taken only after completion of investigation, when full evidence and complete picture is available—which is not possible at the time of arrest. (Further, arrest also becomes often necessary to ensure that the person involved does not destroy/tamper with evidence).

It would be seen from above that if correlation is made between number of persons actually prosecuted and those convicted, the conviction rate works out to 33.18%, 30.31%, 45.89%, 34.55%, 57.14% for the above mentioned years respectively. The average conviction rate for the above period would work out to 37%. It may also be stated that as prosecutions launched in a year are hardly concluded within the same year, even this comparison does not give an accurate picture. However, even if this basis is adopted for arriving at the conviction rate, the rate of conviction *vis-a-vis* prosecutions launched is not low.

It is felt that the conviction rate can be further improved if the delays in judicial processes can be cut down, by *inter-alia* increasing number of special courts, Courts discouraging adjournments, public witnesses being more helpful during the prosecution etc. Many acquittals are awarded by courts taking a very strict view of not following some laid down procedural requirements. To the extent deficiencies in investigations are noticed or there are delays in finalising investigations, various departmental instructions are issued and these are reiterated from time to time so that conviction rate improves."

68. On the measures that are being implemented to contain the smuggling of contraband, the Ministry *inter-alia* has informed that :

"Smuggling is a clandestine activity and the geographical vastness of the country with long borders extending to more than 15,000 kms. And a coast line of over 7,000 kms. Makes the task of completely stopping the smuggling extremely difficult. The open borders with Nepal and Bhutan through which the residents of the two countries can enter at any point without any passport/visa restrictions further adds to difficulties. It is also becoming increasingly difficult to detect and prevent all attempts of smuggling through regular import and export consignments or by international incoming and outgoing passengers—considering the growing international trade and passenger traffic and the limited resources provided to the Enforcement agencies. However, appropriate legislative and administrative measures have been put in place to check smuggling of Contraband into and out of country through different possible routes."

Measures taken to contain Narcotics Trade

69. While elaborating the growing concern of the Government in tackling the drug menace, the representative of Ministry of Finance *inter-alia* has stated that :

"As the Hon'ble Members may be knowing, India has normally been used in the last few years as a transit country for the smuggling of the narcotics because we are sandwiched between two old facets of the golden triangle area and on our Eastern side, we have Laos, Thailand and Burma border. They imposed unauthorised cultivation of opium, from which heroin is produced, and this is smuggled into and through India. But fortunately, there is not much of smuggling through India from that route. Sometimes, somebody infiltrates into the North-East area and the quantity of drugs brought by him is consumed by some of the younger generation there. There are intelligence reports that apart of that is ultimately smuggled to Calcutta and Bangladesh and it might be coming into other parts of the country also. The narcotic, of which either small part is consumed within the country or major part gets out through Indian route, is coming from the Western front, what is called the Golden Crescent, of Pakistan, Iran and Turkey. As the Hon'ble Members know, the unauthorised cultivation is done in the North-West Pakistan and Iran. That is one of our major concerns."

70. The total quantum of major narcotic drugs seized since 1995-96 onwards and the share of seizures made by the Narcotics Control Board (NCB) is given below:

"Seizure figures of major Narcotic Drugs and Psychotropic Substances as per reports received from Central and State law enforcement agencies in the country as on 31.03.2000 from 1995 to 1999 (year-wise) and the share of seizures made by Narcotics Control Bureau (NCB) are as under :—

	Figures of total seizures (includes that of NCB) (in Kgs.)										Share of NCB (in Kgs.)	
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	1997	1998
1. Opium ,	1349	2876	3316	2031	1635	40	11	37	18	16		
2. Morphine	4	4	128	19	36	—	—	—	—	—		
3. Heroin	1681	1257	1332	655	861	75	104	86	66	301		
4. Ganja	121873	62992	80886	68221	40113	462	650	3022	651	3362		
5. Hashish	3629	6520	3281	10106	3391	27	135	157	896	101		
6. Cocaine	40	3	24	1	1	—	2	—	—	—		
7. Methaqualone	20485	2212	1740	2257	474	1064	—	—	268	50		
8. L.S.D.(Sq. Paper)	113	1285	—	45	240	—	—	—	—	—		
9. Acetic Anhydride (in ltrs.)	9282	4627	8311	6197	2963	880	—	2214	35	2890		

71. On the steps taken to sensitise the enforcement agencies regarding the growing menace of drug trafficking in the country, the Ministry has replied that:

" Various measures taken to sensitise Central and State Enforcement Agencies include vesting of powers in BSF and Coast Guard under the Customs Act to interdict narcotic drugs on the border (land and coastal borders), imparting of training programmes in India and abroad to officers of Central and State Enforcement Agencies to improve effectiveness, earnest implementation of reward scheme for enforcement officers, holding of a Quarterly Co-ordination Meeting in NCB, New Delhi attended by Central and State Enforcement Agencies at the highest level. NCB seized about 35% of total seizures of Heroin and about 98% of the total seizures of Acetic Anhydride in the country in 1999. The three main agencies of the Department of Revenue in the field of narcotics, namely, Narcotics Control Bureau, Director of Revenue Intelligence and Central Bureau of Narcotics have played the most important role in sensitising various Central Bureau of Narcotics have played the most important role in sensitising various Central and State law enforcement agencies in terms of creation of awareness of the immense danger of the drug trafficking to the national and international well being, and consequently awareness of the need to combat it effectively. While in the early 80's, combating drug trafficking was almost on the periphery of the law enforcement agencies, today it is a major priority."

72. The Committee are deeply concerned to observe that despite the sincere efforts made by the Deptt. and the Coast guard, the contraband is still finding its way into the country. They are of the considered view that in order to check the smuggling of contraband into the country, in addition to the removal of various restrictions on imports/exports, rationalisation and reduction of customs duties on sensitive items, the Government should conduct a review of the men and material provided to the enforcement agencies particularly the Directorate of Revenue Intelligence (DRI), preventive commissionerates and customs formations stationed at various places. This is particularly essential in the light of growing international trade, passenger traffic and sophisticated methods adopted by the smugglers. Provision of trained manpower and modern equipment may go a long way in evolving a fool proof mechanism to detect the smuggling and other related crimes.

73. On perusal of the data regarding the number of persons arrested, prosecuted, convicted and acquitted under the Customs Act, the Committee find that the average conviction rate is as low as 37%. In order to effect speedy disposal of the cases the Committee feel that there is an imperative need to set up more special courts.

74. The Committee, on perusal of the seizure figures of major narcotic drugs and psychotropic substances, feel that though a small part of the Narcotics is being consumed within the country and a major part of the same goes through the Indian route, it is still a matter of grave concern. The Committee desire that in addition to the measures taken to sensitize the enforcement agencies regarding the growing menace of the narcotics trade, the Government should closely monitor the operation of Narcotics Control Bureau, Central Bureau of Narcotics and the enforcement agencies such as ITBP, BSE, CBI etc. to restrict the illicit trafficking of the narcotic drugs and psychotropic substances into the country and through the Indian route to other countries. The operations of seizures should be taken with greater vigour and no scope for impunity should be left as far as the drug mafias/lords are concerned.

Demand No. : 38
Indirect Taxes
Major Head : 2037
Minor Head : 00.102
Detailed Head : 01.01.14

RENT, RATES & TAXES

75. This head is meant for payment of rent for hired office premises and also Municipal and other taxes by the customs (preventive) commissionerates. The BEs, REs and actuals since 1995-96 are given below:

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

Year	Budget Estimates	Revised Estimates	Actuals
1995-1996	2,43,00	5,08,65	4,29,12
1996-1997	3,68,65	3,82,80	3,03,53
1997-1998	4,08,50	4,76,00	4,33,72
1998-1999	5,16,50	5,44,50	4,37,16
1999-2000	6,17,50	5,22,49	
2000-2001	5,87,10		

76. Replying to a query regarding the monies spent so far under this head since 1995-96 onwards to purchase ready built office premises, the Deptt. has stated that :

"The Govt. has been taking steps to procure ready built office premises at various places since 1995-96. Till the end of 1998-99 a total amount of Rs. 17.70 crores has been spent in purchase of ready built office premises, at various places."

77. Explaining the resultant savings made under this head due to the purchase of ready built office premises the Deptt. in their written reply informed that :

" An amount of Rs. 7.57 crores has been provided during 1999-2000 for procurement of ready built flats for office accommodation at various places. The overall impact of these investments on expenses incurred under the head, Rent 'Rates and Taxes' is yet to be assessed, since details of actual expenditure are awaited."

78. The Committee note that the funds earmarked to meet the expenditure under the head 'Rent, Rates & Taxes' at RE stage have remained underutilised since 1995-96. The Committee also observe that though the Department has so far invested a total of Rs. 25.27 crore to procure ready built office premises at various places, they have not yet assessed the overall impact of these investments on the recurring expenditure under the head 'Rent, Rates & Taxes'. The Committee are of the view that there is a pressing need to evince greater interest in projecting realistic estimates. They therefore desire that the Deptt. should ensure that thorough scrutiny of the demands are invariably done at the preliminary stage under this head so that realistic estimates are made and the budgetary exercise becomes more meaningful.

NEW DELHI;
19 April, 2000
30 Chaitra, 1922 (Saka)

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

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

The Committee sat on Thursday, 30 March, 2000 from 1100 hrs. to 1330hrs. and again from 1430 hrs. to 1640 hrs.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Raashid Alvi
3. Shri Sudip Bandyopadhyay
4. Shri Ajoy Chakraborty
5. Shri Krishnamraju
6. Shri Brahmanand Mandal
7. Shri Rupchand Pal
8. Shri Prakash Paranjpe
9. Shri Raj Narain Passi
10. Dr. Sanjay Paswan
11. Shri Annasaheb M.K. Patil
12. Shri Varkala Radhakrishnan
13. Shri Pravin Rashtrapal
14. Shri Ram Singh Rathwa
15. Shri S. Jaipal Reddy
16. Shri T.M. Selvaganpathi
17. Shri Ajit Singh
18. Shri C.N. Singh
19. Shri Kirit Somaiya
20. Shri Kharebela Swain
21. Shri Braja Kishore Tripathy

RAJYA SABHA

22. Shri Narendra Mohan
23. Shri M. Venkaiah Naidu
24. Dr. Biplab Dasgupta
25. Shri P. Prabhakar Reddy
26. Prof. M. Sankaralingam
27. Shri Amar Singh

SECRETARIAT

- | | | |
|---------------------------|---|----------------------|
| 1. Dr. A.K. Pandey | - | Additional Secretary |
| 2. Dr. (Smt.) P.K. Sandhu | - | Director |
| 3. Shri S.B. Arora | - | Under Secretary |
| 4. Shri N.S. Hooda | - | Assistant Director |

WITNESSES

S/Shri

1. P.G. Mankad	Finance Secretary
2. E.A.S. Sarma	Secretary (Eco. Affairs)
3. C.M. Vasudev	Secretary (Expenditure)
4. H.P. Kumar	DG (NCB)
5. S.D. Mohile	Ch. (E.C)
6. B.P. Verma	DG(CEIB)
7. Smt. S.K. Nigam	Acting Ch. (DT)
8. Dr. G.C. Srivastava	A.S. (Admn.)
9. A. Balasubramanian	Member (DT)
10. V.B. Srinivasan	-do-
11. O.P. Srivastva	-do-
12. Sukumar Shankar	Member (EC)
13. D.K. Chakraborty	-do-
14. K.L. Verma	-do-
15. P.N. Malhotra	-do-
16. A.M. Prasad	-do-
17. S.S. Dawra	Dir. (Enforcement)
18. Smt. Reva Nayyar	Joint Secretary(NC&A)
19. T.R. Rustagi	Joint Secretary (TRU)
20. Smt. Charusheela Sohoni	Joint Secretary (Admn.EC)
21. Vijay Mathur	Joint Secretary (FT&TR)
22. A.N. Prasad	Joint Secretary (TPL-I)
23. G.C. Srivastava	Joint Secretary (TPL-II)
24. B.S. Meena	Joint Secretary (Admn. DT)
25. N.R. Rayalu	FA(Fin)
26. Smt. Usha Sehajpal	Pr. (CCA-EC)
27. Smt. Aruna Makhan	Pr. (CCA-Dt)
28. S.K. Goel	CC(F)
29. R. Bhattacharji	NC(Gwalior)
30. S.S. Bajpai	Spl. Dir. (Enforcement)
31. Devendra Dutt	Dy. DG (NCB)
32. J. Lhungdim	Dir. (Fin) (Coast Guard)
33. N. Raja	DG(Vig) Pers., CBE
34. R.R. Singh	DIT (System)

2. At the outset, the Chairman welcomed the Hon'ble Members of the Committee and Secretaries of Ministry of Finance (Departments of Revenue, Economic Affairs and Expenditure) and their colleagues to the sitting of the Standing Committee on Finance and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker, Lok Sabha.

3. The Committee then took the oral evidence of the representatives of Ministry of Finance (Deptt. of Revenue) on Demands for Grants (2000-2001) and other related matters.

4. The Committee then adjourned for lunch to meet again at 1430 hrs.

5. The Committee resumed the discussion on the Demands for Grants (2000-2001) of the Ministry of Finance (Deptt. of Revenue).

6. The Chairman requested the representatives of Ministry of Finance to furnish notes on certain points raised by the Members during the discussion.

7. The evidence was concluded.

8. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(The Committee then adjourned)

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

The Committee sat on Wednesday, 19 April, 2000 from
1500 hrs. to 1700 hrs.

PRESENT

Shri Shivraj V. Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri Rattan Lal Kataria
3. Shri Krishnamraju
4. Shri M.V.V.S. Murthy
5. Shri Kamal Nath
6. Shri Rupchand Pal
7. Shri Prakash Paranjpe
8. Dr. Sanjay Paswan
9. Shri Varkala Radhakrishnan
10. Shri Kirit Somaiya
11. Shri Kharabela Swain †

Rajya Sabha

12. Dr. Manmohan Singh
13. Shri N.K.P. Salve
14. Shri Krishna Kumar Birla
15. Shri P. Prabhakar Reddy
16. Shri Amar Singh
17. Shri Vijay Darda

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 S.B. Arora | — | <i>Under Secretary</i> |
| 5. Shri N.S. Hooda | — | <i>Assistant Director</i> |

2. At the outset, the Chairman welcomed the Hon'ble Members of the sitting of the Committee. The Committee then took up for consideration the following draft Reports:—

- | | | | | |
|-------|--|----|----|----|
| (i) | ** | ** | ** | ** |
| (ii) | Draft Report on Demands for Grants (2000-2001) of the Ministry of Finance (Department of Revenue). | | | |
| (iii) | ** | ** | ** | ** |
| (iv) | ** | ** | ** | ** |

3. The Committee after deliberations adopted the above draft Report subject to the following:—

Subject				Remarks		
(i)	**	**	**	**	**	**
(iii)	Report on Demand for Grants (2000-2001) of the Ministry of Finance (Deptt. of Revenue)			Modifications/change given in Annexure II		
(iii)	**	**	**	**	**	**
(iv)	**	**	**	**	**	**
4.	**	**	**	**	**	**

5. The Committee authorised the Chairman to finalise the draft 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.

ANNEXURE - I

Modification/Amendments made by the Standing Committee on Finance in their draft report on Demands for Grants (2000-2001) of Ministry of Finance (Departments of Revenue) at their sitting held on 19 April, 2000.

Page 7, Para 11, Line 2

Delete *"Concerted"*

Page 7, Para 11, Line 3 and 4

Delete *"Levying Minimum Alternate Tax (MAT) on Zero tax companies"*

Page 25, Para 23, Lines 4 to 8

For *"With a view to keeping a tab particularly on the rising levels of pendency of direct tax cases, the Committee desire that the proposal for making it compulsory for the tax payers to pay a certain percentage of demand before preferring a second appeal before Income tax Apellate Tribunal (ITAT), may be given a serious thought."*

Substitute *"It is also of a paramount importance that concerted efforts should be made for the disposal of pending cases expeditiously."*

Page 27, Para 27, Line 5

For *"inclined to accept"*

Substitute *"able to appreciate"*

Page 26, Para 36, Line 4

Delete *"Though the Committee have not gone into the merits of the warrants issued and their revenue yielding capacity."*

Page 30, Para 45, Line 12

For *"totally unacceptable to"*

Substitute *"not appreciated by"*

Page 31, Para 47, Line 3

Deleted *"sincere and"*