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**STANDING COMMITTEE ON FINANCE
(2015-16)**

SIXTEENTH LOK SABHA

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

[Action taken by the Government on the recommendations contained in Eleventh Report of the Standing Committee on Finance on 'Demands for Grants (2015-16)']

TWENTY-THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2015 / Agrahayana, 1937 (Saka)

TWENTY-THIRD REPORT

**STANDING COMMITTEE ON FINANCE
(2015-2016)**

(SIXTEENTH LOK SABHA)

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

[Action taken by the Government on the recommendations contained in Eleventh Report of the Standing Committee on Finance on 'Demands for Grants (2015-16)]

Presented to Lok Sabha on 03 December, 2015

Laid in Rajya Sabha on 03 December, 2015



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2015 / Agrahayana, 1937 (Saka)

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(Sixteenth Lok Sabha) of the Standing Committee on Finance
on 'Demands for Grants (2015-16)

* *Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2015-16

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Prataprao Jadhav
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Shri Satish Chandra Misra
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri P.C. Tripathy | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Twenty-third Report on action taken by Government on the Observations / Recommendations contained in the Eleventh Report of the Committee (Sixteenth Lok Sabha) on “Demands for Grants (2015-16)” of the Ministry of Finance (Department of Revenue).

2. The Eleventh Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 24 April, 2015. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 07 July, 2015.

3. The Committee considered and adopted this Report at their sitting held on 19 November, 2015.

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

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

NEW DELHI
01 December, 2015
10 Agrahayana, 1937 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance.

REPORT

CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 11th Report (Sixteenth Lok Sabha) on Demands for Grants (2015-16) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha / Laid in Rajya Sabha on 24 April, 2015.

2. The Action Taken Notes have been received from the Government in respect of all the 16 recommendations contained in the Report. The Government have noted and accepted in principle almost all the recommendations of the Committee. These have been analyzed and categorized as follows:

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

Recommendation Nos. 1,2,3,4,5,6,7,8,9,10,11,13, 14,15 & 16

(Total 15)
(Chapter- II)

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

Recommendation No. NIL

(Total NIL)
(Chapter- III)

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

Recommendation Nos. 12

(Total 1)
(Chapter -IV)

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

Recommendation No. NIL

(Total - NIL)
(Chapter- V)

3. The Committee desire that the replies to the observations/recommendations contained in Chapter-I may be furnished to them expeditiously.

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

Recommendation (Para No. 5)

Widening of tax Base

5. The Committee noted with concern that the number of tax payers in the country has not increased proportionate to the increase in direct tax collections over the years. It is very strange that the taxpayers in the lowest income slab of upto Rs. 5 lakh constitute roughly 98% of the total taxpayers, while they contribute only about 10% of the tax revenues. This obviously indicates an extremely narrow tax base, which clearly calls for systematic data capture and monitoring thereof. The recommendations of the Tax Administration Reforms Commission (TARC) (constituted in August, 2013) should be considered and implemented towards this direction. The Committee believed that if we had a broad tax base, a simpler system with moderation in tax rates can be put in place and administered. The Committee desired that in order to further expand and broaden the tax base, the Government should bring the vast and spawning unorganised sector under the tax net, while continuing to tap the high-spending /high net worth categories. Extensive use of Information Technology, banking platform and third party data should be resorted to for this purpose.

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

"It is respectfully submitted that the observation of the Committee that the taxpayers in the lowest income slab of upto Rs.5.00 lakh constitute roughly 98% of the total taxpayers, while they contribute only about 10% of tax revenues, is at variance with data submitted by the Department. For A.Y. 2013-14, the lowest income slab of upto Rs.5.00 lakh constitutes roughly 83.67% of the total taxpayers, and for A.Y. 2014-15, the lowest income slab of upto Rs.5 lakh constitutes roughly 76.84% of the total taxpayers.

Widening of tax base has been a constant endeavour of the Income Tax Department (ITD). The ITD has developed a comprehensive strategy for widening of tax-base consisting of devising and pursuing region specific strategies, effective collection of information about high value transactions, efficient handling of information without valid PAN, improving compliance of TDS/TCS provisions, promoting voluntary compliance and ensuring compliance from identified non-filers through various methods. Besides the above, emphasis is also laid on penalizing and prosecuting appropriate cases in order to create credible deterrence against tax evasion with an objective to improve voluntary compliance of direct tax laws.

The ITD has embarked upon several initiatives to augment availability of information as a measure to develop information driven approach to improve compliance. Some of the methods currently being focused upon to systematically capture data with a view to take appropriate action thereon in respect of more vulnerable sectors including unorganized sector are:

- (a) Electronic filing of IT returns and forms (e-filing)
- (b) Submission of TDS/TCS statements by deductors/collectors in electronic form (e-TDS)
- (c) Making it mandatory for designated agencies including banks to furnish Annual Information Return (AIR) for specified financial transactions which are generally high value financial transactions
- (d) Collection of information from third parties under Central Information Branch (CIB) mechanism
- (e) Compulsory quoting of Permanent Account Number (PAN) for certain specified transactions

As mentioned above, the banking sector plays a significant role in expansion of tax base by providing following types of information to the Income Tax Department:

- (i) Reporting of high value financial transactions in AIR of following types:
 - ✓ Cash deposits aggregating to INR 10,00,000/- or more in a year in any savings account of a person
 - ✓ Payments made by any person against credit card bills raised aggregating to INR 2,00,000/- or more in the year.

- (ii) The CIB also collects large quantity of data of financial transactions under compulsory and optional code including following information from banking sector:
- ✓ Time Deposit exceeding Rs. 2,00,000/- with a Banking Company,
 - ✓ Payment made against bills raised in respect of a Credit Card aggregating to Rs. 1,00,000/- or more in a year,
 - ✓ Payment in Cash for purchase of Bank Drafts Or Bankers Cheques of an amount aggregating Rs. 1,00,000/- or more,
 - ✓ Deposit In Cash aggregating Rs. 2,00,000/- or more, with a banking company,
 - ✓ Interest earned by depositor,
- (iii) Reporting of interest payments in Tax Deduction at Source (TDS) return.

Steps have also been taken to improve the quality of information being collected by the Income Tax Department (ITD) under AIR and CIB mechanism with a view to facilitate its effective utilization through extensive use of Information Technology. ITD has also initiated 'Project Insight' on Data Warehousing and Business Intelligence (DW & BI) platform. Information Technology is also being increasingly used to augment the capabilities of the ITD in populating PAN in non-PAN information so that the same could be timely and effectively utilized by field authorities. Besides, the ITD has undertaken / is undertaking certain Special Projects to collect information in respect of certain areas, which are more prone to tax evasion, in an organized manner.

Availability of information in electronic form has provided an opportunity to the Department to develop information driven approach to improve compliance. With a view to monitor and take focussed action on non-filers with potential tax liabilities; the Non-filers Monitoring System (NMS) was implemented by CBDT from 2013. Data analysis was carried out to identify non-filers about whom specific information was available in AIR, CIB data and TDS/TCS Returns. NMS cycle 1 (2013) and NMS Cycle 2 (2014) identified 12.19 lakh and 22.09 lakh non-filers with potential tax liabilities. Following steps were taken in this regard :

- i) Rule based algorithms were applied to classify the cases as P1, P2, P3, P4 and P5 priority ratings (P1 being the highest priority) for graded monitoring.

- ii) Compliance Management Cell (CMC) was set up for sending letters and capturing responses from the non-filers.
- iii) Bulk letters were sent to PAN holders communicating the information summary and seeking to know the submission details of Income tax return.
- iv) An online monitoring system was implemented to ensure that information related to non-filers is effectively used by the field formation.
- v) Standard Operating Procedures (SOP) was issued to ensure that the field formations maintain consistency in their approach.
- vi) 'Compliance' module was developed on the e-filing portal and information related to NMS cycle 2 non-filers was made available to the specific PAN holder. SMSs and emails were sent to the target segment asking them to access e-filing portal. The PAN holder is able to provide details electronically and keep a printout of the submitted response for record purposes.

The NMS Cycle 3 (2015) identified 44.07 lakh non-filers with potential tax liabilities for AY 2013-14. The information relating to the non-filers has been made available on the existing 'Compliance Module'. As a result of this initiative, 30.68 Lakh returns have been filed and self-assessment tax of Rs. 4,733 crore has been paid by the identified target segment upto 31.03.2015.

7. The Committee note that in the past, a number of approaches have been ideated by the Government with respect to broadening of the tax base. They strongly believe that time has come to reinvent the tax collection approach i.e. to move towards the untapped or lesser tapped brackets of income which mostly comprise the unorganised sector and the cash economy. For this purpose, the Committee would expect the Ministry to diligently use their manpower and other resources with a strict vigil over non-TDS income group and which are lying above Rs. 5 lakh annual income bracket. This becomes more important in the light of the submission made by the Ministry that presently more than three out of four tax payers is from the sub - five lakh bracket, while tax collection from this bracket is merely around 12% of the total tax collection.

Recommendation (Para No. 10)

Tax Arrears

8. The Committee noted that the huge and ever-increasing pendency of tax arrears, including undisputed and uncollected tax both in direct and indirect taxes is becoming perennial and unmanageable. In 2012-13, direct tax arrears were Rs. 5,80,326 crore, which substantially increased to Rs. 6,74,916 crore in 2013-14. Similarly, in indirect taxes in 2012-13, the tax arrears were Rs. 1,09,681.47crore, which increased to Rs. 1,49,128.56 crore. The quantum of undisputed /uncollected taxes in direct taxes in 2012-13 was Rs. 1,06,610 crore, which rose to Rs. 1,32,055 crore in 2013-14 and in indirect taxes, undisputed tax arrears in 2012-13 was Rs. 63,139 crore, which also increased to Rs. 76,159 crore. This huge pendency of tax arrears clearly shows failure of tax policy and administration. The Department owes an explanation in this regard as to how such huge demand arrears were first created in the books, which they were not able to realize later. The Committee had been pointing out in their earlier Reports on the assessing officer raising unrealistic tax demands without accompanying responsibility for recovery, leading to a situation of staggering tax arrears. The Committee, therefore, reiterated their Recommendation that there is an urgent need for a time-bound action plan for realising tax arrears particularly which are undisputed and collectible and failure to do so should invite stringent action and accountability of concerned officials should be fixed on this count.

9. In their action taken reply, the Ministry have stated as under :

CBDT

While it is true that there is huge and ever increasing pendency of tax arrears, it should be viewed in the context of increase in number of assesseees and overall revenue collection.

The Assessing Officer (AO) is under statutory obligation to determine income on the basis of facts available on record. The demands raised by the AO are also subject to appeal and audit.

There are several reasons due to which arrear demand remains uncollected:

- (i) Demand has to be collected as per prescribed procedure under section 156 of the I.T. Act after service of notice of demand.
- (ii) In several cases, the assessee file stay applications before I.T. Authorities which have to be decided in view of CBDT's Instruction No. 1914.
- (iii) There are several quasi- judicial and judicial remedies which are available to assessee before he can be compelled to pay all his outstanding taxes. Usually in big cases, the assessee exhausts all levels of appeal before the demand becomes final e.g. CIT(A), ITAT, HC & SC. The rate of collection of arrears is slow compared to raising of demand because collection of arrears involves time consuming litigation and until the appeals are decided all the arrears cannot be collected.
- (iv) No recovery is possible in scam cases and cases where due to joint investigation of multiple agencies, either the assets are attached by the Court or there are no matching assets. The demands in the cases of Hassan Ali Khan, Harshad Mehta Group, Ketan Parekh Group, BC Dalal Group, Satyam Group, MadhuKoda Group are examples in this regard.

An undisputed tax demand does not necessarily imply that it is collectible. The undisputed and uncollected taxes may be difficult to recover due to a variety of reasons, some of which are enumerated below:

- ❖ Company is under liquidation.
- ❖ Case is before BIFR.
- ❖ There are none or inadequate assets available for recovery.
- ❖ Assessee-in-default is a notified person under the Special Court (Trial of Offences Relating to Securities) Act 1992.
- ❖ Assessee is not traceable.
- ❖ Demand is not enforceable due to Bank Guarantee.
- ❖ Demand relates to Protective assessments.
- ❖ Demand arises due to mismatch in prepaid taxes.

The Central Board of Direct Taxes (hereinafter referred to as the 'CBDT') ensures accountability of assessment procedure as well as collection/recovery of taxes by providing detailed action plan, strategies and targets in the Central Action Plan issued by CBDT every year to the field formations. The performance of field officers is monitored closely by the hierarchy of supervisory authorities and the CBDT. Regular monitoring of net collectible demand is also continuously done by the CBDT.

CBEC

During the year 2014-15, target for recovery of arrears of revenue was Rs. 5000 crore (B.E), against which the actual recovery was Rs. 3467.41crore, which constitute 69.35 % of the total target.

As on 01.04.2014, the total arrears pending recovery was to the tune of Rs. 1.49 lakh crore. The break-up of different categories are as follows:

- (i) Rs. 72,696 crore (approx.) pending in various legal fora.
- (ii) Rs. 50,647 crore (approx.) pending but restrained in other fora such as BIFR/OL/DRT etc.
- (iii) Rs. 20,210 crore (approx.) was in the category of clearly recoverable arrears, for which all out efforts were made to recover the maximum in this category. Primary responsibility of recovery rests with the jurisdictional Commissioner of Customs, Central Excise & Service Tax. However, a nodal office under the Chief Commissioner (TAR) has been created to monitor the progress achieved by the Zones from time to time.
- (iv) As a result of vigorously pursuing with the field formations for recovery of all types of arrears, particularly recoverable arrears, the latter has come down to Rs. 13,295.42 crore (on 31.03.2015) as against Rs. 22,210 crore (on 01.04.2014).

The following measures have been taken during 2014-15 to reduce the undisputed tax arrears:-

- (i) Initiation of recovery where no stay has been granted.
- (ii) Special monitoring of cases where action has been initiated under Section 142 of the Customs Act.
- (iii) Regular Inspections of the zones by TAR officers were under taken and required action for recovery has been pointed out to the field formations.
- (iv) Timelines for recovery of indirect tax arrears for 2014-15 has also been given to the field formations for liquidation of revenue arrears. These timelines include the following;

- (a) Updation of Computerized Database (This is a continuous process).
- (b) Vigorous pursuation of cases pending with Board for Industrial Finance and Reconstruction/Debt Recovery Tribunal/Official Liquidator.
- (c) Locating of Defaulters by sharing data with Financial Intelligence Unit (FIU), Integrated Tax Payer Data Management Systems (ITDMS) etc.
- (d) Identification of Write-off cases.

Further, in addition to the above, Chief Commissioner (TAR) has had meeting with Director (FIU) personally with regard to ensuring that the data received from the field formations is scrutinized early by FIU and details of defaulters, wherever available, are received back from FIU and sent to the field to assist in recovery of arrears.

Chief Commissioner (TAR) also personally took up cases pending with BIFR and requested for a data matching of BIFR cases available with them to enable the pursuing of the cases where there is a possibility of obtaining some arrears. Accordingly, a list of pending cases in BIFR has been obtained and sent to all field formations for data matching and follow up.

Chief Commissioner (TAR) has also recently obtained the break-up of details of cases pending with Debt Recovery Tribunal (DRT) and Official Liquidators (OL). These are dealt by the concerned states. Individual zones are requested to follow up with the local authorities.

10. The Committee are constrained to observe that on the question of tax arrears, the Department of Revenue clearly lacks a coherent vision. The Committee feel that there is an emergent need of a two-pronged approach to tackle the menace of tax arrears - focused quantitative approach to tackle outstanding tax demands and recovering them in a time bound manner; and an enhanced qualitative approach especially at the level of Assessing Officers, who need to be trained and equipped better for quality and realistic assessment, which will also correspondingly help in fixing accountability of concerned officials. This, the Committee hope, will help in minimizing the quantum of tax arrears and also preventing/minimizing further occurrence of tax arrears.

Recommendation (Para No. 12)

Revenue Foregone

11. The Committee noted that Revenue Foregone during the year 2012-13 in Direct Taxes for Corporate was Rs. 92,636 crore, Rs. 5908.9 crore for Firms/Associations and Rs. 27,626.8 crore for individuals. In 2013-14, the corresponding figure was Rs 91,144.2 crore for Corporate, Rs. 4,482.3 crore for Firms / Associations and Rs. 30,771.8 crore for individuals. In 2014-15, Rs. 98,407.6 crore for Corporate, Rs. 5,141 crore for Firms/Associations and Rs. 35,293.6 crore for individuals. In Indirect taxes (both custom and excise duty) Revenue Foregone in 2012-13 was Rs.4,63,979 crore, Rs.4,56,937 crore in 2013-14 and Rs 4,86,452 crore in 2014-15 respectively. According to the Department, Revenue Foregone is provided to promote exports, balanced regional development, creation of infrastructure facilities, employment, rural development, scientific research and development and to encourage savings by individuals and donations for charity etc. With a view to ensuring that tax exemptions actually fulfil the desired objectives, the Committee had time and again in the past recommended that a comprehensive review of revenue foregone be made to find out as to how it has served the intended economic objectives or social purpose during the years so that the Government are able to formulate their tax exemption / incentive policy. The Committee noted with satisfaction from this year's Budget proposals that the Government has finally made some adjustments in the Corporate Tax structure this year with a view to progressively do away with the element of revenue foregone in the coming years. The Committee would like to be apprised of the exact road map for the purpose.

12. In their action taken reply, the Ministry have stated as under :

"CBDT

The present policy of the Government on tax incentives is reflected in the Finance Minister's Speech while presenting the Union Budget for the year 2015-16 wherein he has stated that the rate of Corporate Tax is proposed to be reduced from 30% to 25% over the next 4 years. The Finance Minister has also stated that this process of reduction has to be

necessarily accompanied by rationalization and removal of various kinds of tax exemptions and incentives for corporate taxpayers.

CBEC

The broad approach towards levy of customs and central excise duties on goods since the last few Budgets has been to move towards a comprehensive taxation of all goods and services by reviewing and withdrawing tax exemptions, broadening the tax base. It is in this context and with a view to prepare for transition towards the GST regime, in Budget 2011-12, central excise duty exemption was withdrawn on 130 items which are essentially consumer items and are presently chargeable to VAT. Further, this year a comprehensive review of CVD exemption on various commodities has been initiated in the consultation with the line Ministries. In post-Budget 2015-16, excise duty exemption to defence PSUs and Ordnance Factory Board has been withdrawn w.e.f. 01.06.2015. Also, CVD and SAD exemption on imports of certain cases of defence supplies have been withdrawn w.e.f. 01.06.2015".

13. The Committee had found that while the revenue foregone associated with corporate sector seemed to be increasing as a percentage of the total revenue collections, that related to the individual taxpayer, as reflected in personal income tax, was declining. In this regard, while taking note of the Ministry's generalised reply on the issue, the Committee would reiterate their earlier recommendation for a comprehensive road map for a review of "revenue foregone" with an 'impact assessment' study, that would help in making it more effective and targeted.

Recommendation (Para No. 15) Search, Seizures and Surveys

14. The searches and surveys are amongst the main evidence collecting mechanisms that are used in cases where tax evasion is involved. The evidence collected through searches and surveys is used for determination of the liability, if any, through the quasi-judicial process of assessment of income of the subject person. The Committee noted that there is a time-lag between the search / survey and passing of the assessment orders and disposal of all the appeals relating to the same, which defeats the intended purpose of searches and surveys. The Committee further noted that due to time-lag

between the search / survey and passing of assessment orders, the data of actual yield of searches and surveys is not maintained centrally. The Committee, therefore, desired that the Government should strive to curtail this time-lag and also maintain centralised data on actual yield of searches and surveys, so as to judge the efficacy of this process.

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

CBDT

"In the cases of searches and surveys including serious cases of tax evasion, field authorities of the Income Tax Department have been advised to complete the assessment proceedings at the earliest possible without waiting for the statutory time barring dates in this regard.

As per Central Action Plan (F.Y. 2015-16) of the Income Tax Department, certain general guidelines have been issued to the field authorities with respect to search assessments and related penalty and prosecution proceedings which includes the following:

- (i) Initiation of search assessments within one month from the date of receipt of seized material / appraisal report,
- (ii) Pendency of search assessments to be reviewed every month for expeditious completion of assessments,
- (iii) Endeavour to reduce the time gap between search operation and conclusion of search assessments,
- (iv) The practice of keeping assessment proceedings in respect of all the 7 A.Ys. relating to search pending till the time barring date is to be avoided. The assessments, except in respect of the A.Y. related to the F.Y. in which the search was conducted, should be completed in a phased manner without accumulating them till time barring date,
- (v) General tendency of keeping the Penalty and Prosecution proceedings pending till the finalization of all appeal proceedings is to be avoided. Penalty and Prosecution proceedings in respect of issues on which the Assessing Officer has conclusive evidence and which satisfy the ingredients of relevant provisions of the Income-tax Act, 1961 should be taken up immediately without waiting for the outcomes of appeals.

Regarding the Committee's recommendation on maintaining centralized data on actual yield of searches and surveys, it is submitted that the Income Tax Department has undertaken a new information technology driven project – Income Tax Business Application (ITBA), which is expected to capture such information electronically. The ITBA is likely to

be rolled out in phases from FY 2015-16. The Investigation Module of generating requisite information in respect of searches / surveys conducted after 31st August, 2015.

CBEC

The time lag between searches and actual yield of revenue generally depends upon the time taken to complete the investigation, issue of show cause notice, adjudication of the case and subsequent completion of appellate proceedings in various fora. Afterward, the recovery proceedings are initiated, wherever dues are still pending. Various stages are closely monitored administratively to expedite the entire process. Further to curtail time lag between search/survey and passing of assessment orders and disposal of all the appeals relating to the same, the Government has taken many steps which include statutory provisions as well as administrative measures. These include:

- (i) In terms of the provision of the relevant indirect tax law, show cause notices have to be issued within 6 months from date of search in cases where seizures are affected. Though statutory time limit for issuance of SCN in cases involving demand of duty where fraud is suspected is 5 years, there are instructions for expeditious disposal of cases of offences.
- (ii) It is important to mention that provision of personal hearing is an essential requirement of "Principles of natural Justice" and has to be followed. This results in time lag because during such process, many a time, the assesses seeks cross examination of persons whose statements are relied upon. Many a time, adjournments are also being sought. However, to curtail the time lag during adjudication, statutory provisions are made to the effect that the maximum three adjournments can be granted during the Adjudication proceedings. Due to provisions of Principle of natural justice, though it is not possible to fix a binding time limit for adjudication processed a suggestive time limit has been prescribed in each of indirect tax law. As per such provisions duty tax short levied or not levied should be determined with a period of 6 months, as far as possible. In case of short levy or non-levy due to suppression of facts or collusion or wilful misstatement, duty tax should be determined within one year as far as possible.
- (iii) Apart from above, administrative guidelines has also been issued to the effect that Order should normally be issued with five days after the personal hearing is over. If for certain reasons, this is not possible in a particular case, order should be issued within 15 days or at the most, within one month from conclusion of personal hearing.
- (iv) To curtail time lag in appeal process, statutory time limit of 60 days has been prescribed for filing the appeal before Commissioner (Appeals) and three months' time has been fixed for filing the appeal before the tribunal

(CESTAT). Though appellate tribunals are functioning in independent manner, a suggestive time limit has been prescribed for disposal of appeals within 6 months.

- (v) For speedy disposal, CBEC has taken steps like creation of specific post to decide show cause notices cases at Commissioner Level. These officers are being assigned high value and multi-jurisdictional cases booked by DRI/DGCI and other formations. Apart from above, time limits are fixed for officers to adjudicate the cases in a time bound manner.

However, maintenance of a centralized data on actual yield of searches and surveys is not possible as generally a single case involves multiple searches and it is not practically feasible to maintain search wise details. Hence, at present, only case wise details of detection and recovery made during investigation are being maintained".

16. The Committee note from the reply of the Ministry that in order to curtail the time lag between search / survey and passing of assessment orders and disposal of all the appeals relating to the case, the Government has undertaken initiatives under Central Action Plan (FY 2015-16) as also other statutory and administrative measures. However, the Committee believe that maintaining a centralised data-base on actual yield of searches and surveys would help analyse and throw light on the efficacy of these operations, thereby nailing the chronic and wilful tax evaders and safeguarding the interest of honest taxpayers. Such a step will also ensure tax buoyancy in the long run.

**NEW DELHI
01 December, 2015
10 Agrahayana, 1937 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance.**

Minutes of the Fifth sitting of the Committee on Finance

The Committee sat on Thursday, the 19 November, 2015 from 1100 hrs. to 1300 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Shri P.C. Gaddigoudar
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Prem Das Rai
9. Shri Rayapati Sambasiva Rao
10. Shri Gopal Shetty
11. Dr. Kirit Somaiya

RAJYA SABHA

12. Shri Naresh Agrawal
13. Shri Naresh Gujral
14. Shri Digvijay Singh
15. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh | - | Joint Secretary |
| 2. | Shri P.C. Tripathy | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora | - | Deputy Secretary |

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

- I. Draft Report on Action taken by the Government on the recommendations contained in the 10th report on Demands for Grants (2015-16) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Disinvestment).

II. Draft Report on Action taken by the Government on the recommendations contained in the 11th report on Demands for Grants (2015-16) of Ministry of Finance (Department of Revenue).

III. Draft Report on Action taken by the Government on the recommendations contained in the 12th report on Demands for Grants (2015-16) of Ministry of Planning.

3. After some deliberations, the Committee adopted the above draft Reports with minor modification and authorised the Chairperson to finalize them and present these Reports to Parliament.

4. XX XX XX XX XX

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE ELEVENTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2015-16) OF THE MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

	Total	% of total
(i) Total number of Recommendations	16	
(ii) Recommendations/Observations which have been accepted by the Government (vide Recommendation Nos.1,2,3,4,5,6,7,8,9,10,11,13,14, 15 &16)	15	93.75%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendation at Sl. No. 12)	01	6.25%
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	-