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**STANDING COMMITTEE ON FINANCE
(2014-15)**

SIXTEENTH LOK SABHA

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

THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2014 / Agrahayana, 1936 (Saka)

THIRD REPORT

STANDING COMMITTEE ON FINANCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2014-15)

Presented to Lok Sabha on 16 December, 2014

Laid in Rajya Sabha on 16 December, 2014



LOK SABHA SECRETARIAT
NEW DELHI

December, 2014/ Agrahayana, 1936 (Saka)

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ANNEXURE

Minutes of the Sitzings of the Committee held on 16 October, 2014 and
11 December, 2014

COMPOSITION OF COMMITTEE ON FINANCE – 2014-15

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. Vacant*
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Vacant**
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. | Shri R.K. Jain | - | Joint Secretary |
| 2. | Shri P.C. Koul | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora | - | Deputy Secretary |

* Shri Jayant Sinha, MP ceased to be Member of the Committee w.e.f. 09.11.2014 consequent upon his induction to the Union Council of Ministers

** Shri Brajesh Pathak, MP ceased to be the Member of the Committee w.e.f. 25.11.2014 consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Third Report (Sixteenth Lok Sabha) on 'Demands for Grants (2014-15)' of the Ministry of Finance (Department of Revenue).

2. Due to impending elections to the Sixteenth Lok Sabha, Parliament had passed Vote on Accounts for the first four months of the Fiscal 2014-15 (April to July, 2014). The Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue) were laid on the Table of the Lok Sabha on 18 July, 2014. The consolidated Demands for Grants were passed by the Lok Sabha on 21 July, 2014 after suspension of Rule 331 G of the Rules of Procedure and Conduct of Business in Lok Sabha. After the Demands were passed, Hon'ble Speaker observed that although the Demands have been passed by the House, they stand referred to the Standing Committees after they are constituted for examination and Report so that their Recommendations are utilized in the preparation of Demands for Grants for the next Fiscal. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 16 October, 2014. The Committee wish to express their thanks to the representatives of the Department of Revenue for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2014-15).

3. The Committee considered and adopted this Report at their Sitting held on 11 December, 2014.

4. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end of the Report.

**New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)**

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

REPORT

PART – I

CHAPTER- I

IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The Sixty-eighth Report (Fifteenth Lok Sabha) of Committee on Finance on Demands for Grants (2012-13) of the Ministry of Finance (Department of Revenue) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 22 April, 2013. The Report contained 16 Observations/Recommendations.

1.2 On the basis of the Action Taken Replies received from the Ministry of Finance (Department of Revenue) in respect of the above Report, the Committee presented their Seventy-sixth Report (Fifteenth Lok Sabha) to the Hon'ble Speaker on 18 October, 2013. The Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 9 December, 2013. 75% (12 Recommendations) of the Recommendations contained in the Sixty-eighth Report were accepted by the Government while in case of the remaining 25% (4 Recommendations) the Committee did not accept the Action Taken Replies of the Government.

1.3 The Minister concerned is required to make a Statement under Direction 73-A of Directions by the Speaker, Lok Sabha about the status of the implementation of Recommendations contained in the Original Report of the Committee within six months of the presentation of the Report to the Parliament. However, the Statement under Direction 73-A in the context of Sixty-eighth Report is yet to be made by the Minister of Finance.

1.4 The Committee note that in pursuance of Direction 73-A of Directions by the Speaker, Lok Sabha, the Minister concerned is required to make a Statement on the status of implementation of Recommendations contained in the Original Reports of the Committee within six months of their presentation to the Parliament. The Committee are deeply perturbed to note that the Minister of Finance is yet to make the Statement under Direction 73-A in the context of Sixty-eighth Report (Fifteenth Lok Sabha) of the Committee although more than one and a half year has elapsed. The Committee take strong exception to the failure of the Ministry to adhere to stipulations laid down in Direction 73-A and the inordinate delay in the making of the Statement by the Minister concerned. They expect that there will not be a repeat of such lapses in future.

CHAPTER-II

Background Analysis

I. INTRODUCTORY

1.1 The Department of Revenue exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct Taxes are looked after by the CBDT whereas those relating to levy and collection of Customs and Central Excise duties, Service Tax and other Indirect taxes fall within the purview of the CBEC. The two Boards were constituted under the Central Board of Revenue Act, 1963. At present, the CBDT and CBEC has six Members each.

1.2 The Department of Revenue administers the following Acts: -

- i. Income Tax Act, 1961;
- ii. Wealth Tax Act, 1957;
- iii. Expenditure Tax Act, 1987;
- iv. Benami Transactions (Prohibition) Act, 1988;
- v. Super Profits Act, 1963;
- vi. Companies (Profits) Sur-tax Act, 1964;
- vii. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
- viii. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
- ix. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)
- x. Chapter V of Finance Act, 1994 (relating to Service Tax)
- xi. Central Excise Act, 1944 and related matters;
- xii. Customs Act, 1962 and related matters;
- xiii. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
- xiv. Central Sales Tax Act, 1956;

- xv. Narcotic Drugs and Psychotropic Substances Act, 1985;
- xvi. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;
- xvii. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
- xviii. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);
- xix. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and,
- xx. Prevention of Money Laundering Act, 2002.

1.3 The administration of the Acts mentioned at Sl. Nos. iii, v, vi and vii is limited to the cases pertaining to the period when these laws were in force. The Prevention of Money Laundering (Amendment) Bill, 2012 has been passed by both the Houses of Parliament and the same has also received assent of the President.

1.4 The Department looks after the matters relating to the above-mentioned Acts through the following attached/subordinate offices:

- i. Commissionerates/Directorates under Central Board of Excise and Customs;
- ii. Commissionerates/Directorates under Central Board of Direct Taxes;
- iii. Central Economic Intelligence Bureau;
- iv. Directorate of Enforcement;
- v. Central Bureau of Narcotics;
- vi. Chief Controller of Factories;
- vii. Appellate Tribunal for Forfeited Property;
- viii. Income Tax Settlement Commission;
- ix. Customs and Central Excise Settlement Commission;
- x. Customs, Excise and Service Tax Appellate Tribunal;
- xi. Authority for Advance Rulings for Income Tax;
- xii. Authority for Advance Rulings for Customs and Central Excise;
- xiii. National Committee for Promotion of Social and Economic Welfare; and

- xiv. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985;
- xv. Financial Intelligence Unit, India (FIU-IND);
- xvi. Income Tax Ombudsman;
- xvii. Appellate Tribunal under Prevention of Money Laundering Act; and
- xviii. Adjudicating Authority under Prevention of Money Laundering Act.

II. BUDGETARY ALLOCATIONS AND UTILISATION

2.1 The detailed Demands for Grants (2014-15) of the Ministry of Finance were presented to Lok Sabha on 23 July, 2014. The details of the voted portion of the Demands for Department of Revenue, Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) for the year 2014-15 are as follows :-

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	42 - Department of Revenue	726.88	106.01	832.89
2.	43 - Direct Taxes	4,342.89	752.00	5,094.89
3.	44 - Indirect Taxes	4,884.52	271.31	5,155.83

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

2011-12

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	13,356.90	--	5,382.79	--	5,260.52
Demand No. 43	--	3,881.55	--	3,315.78	--	3,239.85
Demand No. 44	--	3,378.89	--	3,351.79	--	3,240.84

2012-13

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	1,178.59	--	864.15	--	802.38
Demand No. 43	--	3,880.46	--	3,735.51	--	3,710.04
Demand No. 44	--	3,600.58	--	3,570.11	--	3,486.38

2013-14

(Rs. in crore)

	BE		RE		Actual	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
Demand No. 42	--	10,217.90	--	2,713.87	--	2,620.12
Demand No. 43	--	4,361.89	--	4,179.54	--	4,081.31
Demand No. 44	--	3,979.00	--	3,943.56	--	3,753.88

2.3 Moreover, relevant revenue receipts figures as stated in the Budget 2014-15 are as follows :

Revenue Receipts

(In crore of Rs.)

	2012-13 Actuals	2013-14 Budget Estimates (BE)	2013-14 Revised Estimates (RE)	2014-15 Budget Estimates (BE)
Tax Revenue				
Gross Tax Revenue	1036234.26	1235870.08	1158905.60	1364524.41
Corporation Tax	356326.00	419520.00	393677.00	451005.00
Taxes on Income	201486.45	247639.00	241691.00	284266.00
Wealth Tax	845.60	950.00	950.00	950.00
Customs	165346.22	187308.00	175056.00	201819.00
Union Excise Duties	176535.40	197553.95	179537.34	207110.00
Service Tax	132600.94	180141.00	1164927.00	215973.00
Taxes on Union Territories	3093.65	2758.13	3067.26	3401.41

Under-utilisation of allocated funds

In respect of Demands No. 42, 43 & 44, substantial amount of allocated funds have been surrendered during the years 2011-12, 2012-13 & 2013-14. When asked about the steps taken to project-realistic budgetary figures so as to avoid large surrendering of funds. The Ministry of Finance (Department of Revenue) in a written reply furnished the following information :

Demand No.42

(Rs.in crore)

Year	Amount Surrendered	Remarks
2011-12	8096.39	This mainly includes Rs.7827.42 crore under CST Compensation to the States, Rs.184.18 crore under VAT Compensation to States and Rs.103.64 crore under Grants to States for VAT related expenditure.
2012-13	366.17	This mainly includes Rs.300 crore under CST Compensation to the States, Rs.11.33 crore under Grants to States for VAT Compensation, Rs.15.93 crore under VAT related expenditure, Rs.14.23 crore under Income Tax Overseas Units, Rs.8.58 crore under Enforcement Directorate and Rs.4.13 crore under Tax Information Exchange System.
2013-14	7611.91	This mainly includes Rs.7369.49 crore under CST Compensation to the States, Rs.87 crore under construction of Rajaswa Bhawan, Rs.97.22 crore under GSTN:SPV and Rs.10 crore under Grants to States for VAT related expenditure.

Demand No.43

(Rs.in crore)

Year	Amount Surrendered	Remarks
2011-12	644.86	The saving was due to non-finalization/non-clearance of some proposals for purchase of properties.
2012-13	375.97	The saving was due to postponing the payment of Rs.300 crore to MCD pertaining to Civic Centre and due to less scope for expenditure and non-finalization of some proposals for purchase/construction of residential properties.
2013-14	238.88	The saving was due to less number of medical claims, foreign visits, training programmes and less purchase of computers etc. There were also savings due to non-finalization of some proposals for purchase of properties and less acquisition of immovable properties.

Demand No.44

(Rs.in crore)

Year	Amount Surrendered	Remarks
2011-12	95.81	The saving was due to (i) non-fulfilment of the contractual obligations by the boat suppliers, delay in finalization of the agreement for purchase of four X-Ray container scanners; and (ii) non-settlement of issue of stamp duty to MCD and the conversion of leasehold to freehold in case of purchase of office building of NBCC Plaza, Saket, UTI building at Mumbai and non-finalization of the proposal for purchase of office accommodation at Guwahati and purchase of other residential accommodation.
2012-13	111.06	The saving was mainly due to (i) non-finalization of the technical specifications of boats by the boat supplier and delay in import of 18 Gamma ray scanners and two X-ray scanners; and (ii) non-finalization of issues regarding payment of stamp duty on registration and conversion of leasehold to freehold and non-materialization of proposal of office accommodation/ residential accommodation.
2013-14	146.57	The saving was due to (i) non-payment of different category of vessels and non-procurement of spare parts; and (ii) non-commissioning of projects of container scanner by March 2014.

“From the table above, it may be seen that most of the surrenders were on account of non-utilization of the provision meant for Compensation to the States for phasing out of CST/introduction of VAT. The large amount was surrendered as no decision could be taken about providing CST Compensation to the States beyond 2011-12 and VAT Compensation claims of all the States were settled. As the matter for providing CST Compensation to the States for the period beyond 2011-12 is still under consideration of the Government, only a token provision of Rs.0.01 crore has been kept in BE

2014-15, to avoid large surrender of funds at the close of the financial year. Further, to avoid recurrence of such instances in future, it has been decided to include only such provision in the Demand as is likely to be fully utilized”.

When asked as to how without approval funds sought under the head 3601(1) and thereafter surrendered. The Department of Revenue in a written reply stated that it may be mentioned that Rs.51.00 crore had been earmarked to enable introduction of the “Scheme for IT enablement of stamp & registration administrations of States/UTs and for promoting e-stamping”. However, the scheme could not receive approval of the Committee for Non-Plan Expenditure (CNE). Thus, entire budget amount had to be surrendered. Further, Rs.10.00 crore was reduced at RE stage keeping in view utilization pattern of the scheme on Mission Mode Project for Computerization of Commercial Tax Departments of States/UTs (MMP-CT). As such, under the Head 3601(1), the net utilization was of Rs.70.00 crore only on MMP-CT scheme. Now, this scheme has ended on 31st March, 2014. Therefore, no budget amount has been kept for this scheme. However, only a token amount of Rs.1.01 crore has been kept under this Head to meet unforeseen outstanding balance of VAT compensation or MMP-CT scheme.

Apart from examining the Demands for Grants (2014-15) the Committee have examined the following issues in the succeeding paragraphs of the Report.

I. Tax Base :

- (i) Tax Collection slab-wise;
- (ii) New Assesseees Added;
- (iii) Tax Collections under various heads;
- (iv) Targets and Tax Collection;
- (v) Tax Buoyancy;

II. Tax Refunds and interest on refunds;

III. Tax Arrears;

IV. Tax Litigation;

V. Revenue Foregone;

VI. Searches, Seizures and Surveys;

VII. Unearthing of Black Money / unaccounted money;

VIII. Rationalization of Manpower Requirements.

(i) Tax Collection slab-wise

“ On the issue of tax collected slab-wise, the Ministry vide their written reply have furnished the following details :

Slabs	No. of assesses (individuals/HUFs){based on the returns for A.Y. 2013-14 ,received in F.Y. 2013-14}	% of the total assesses falling under this slab
Upto 5 lakh	2,71,97,669	80.06
>5 to 10 lakh	47,88,887	14.10
>10 to 20 lakh	14,20,964	4.18
Above 20 lakh	5,65,064	1.66
Total	3,39,72,584	100
Assumptions for the above data: The slabs are on the basis of gross total income. The number of assesseees greater than GTI 5 lacs is actual figures. The assesseees less than 5 lacs are extrapolated by a multiplier depending on e-filed returns.		

(ii) New Assesseees Added

As per the written reply of the Ministry, the number of new assesseees added each year during the last three years is as under:

Financial Year	New assesseees added
2011-12	7,21,709
2012-13	2,85,126
2013-14	6,96,245

Source: CAP-II

*Based on data of First time filers for A.Y 2013-14 till 29.9.2014

On the issue of steps taken to augment the tax base and curb tax evasion, the Ministry stated that the Income-tax Department (ITD) takes several steps to unearth unaccounted money and curb tax evasion. These include scrutiny of returns, surveys, search and seizure, imposition of penalty and launching of prosecution in appropriate cases. Information Technology is also being increasingly used for collection, collation and dissemination of taxpayer information. Tax Information Network (TIN) has been set up as a depository of important tax related information which can be accessed by the Department. The basic components of TIN are information relating to Tax Deduction at Source (TDS), payment of taxes and high value transactions reported in Annual Information Return (AIR). Information relating

to certain specified high value transactions is collected by ITD through the mechanisms of AIR and Central Information Branch (CIB). The Department has also set up an Integrated Taxpayer Data Management System (ITDMS) to electronically collate information collected from various sources including TDS, electronic filing of return, AIR, CIB, etc., to create 360 degrees profile of target groups which is, *inter alia*, utilized for various follow-up actions under the Income-tax Act, 1961 (the Act) which may ultimately result into collection of taxes and other consequences under the Act. Information received from Financial Intelligence Unit, Department of Revenue regarding suspicious transactions from various banks, insurance companies etc., are also investigated by the ITD. Further, the ITD has implemented Computer Assisted Selection of Scrutiny (CASS) wherein returns are selected for scrutiny on the basis of the information gathered from different sources with the information available and declarations made by the taxpayers in the return of income.

Investigations conducted including through search & seizure and surveys in various cases also results in determination of taxes after completion of assessments following the quasi-judicial process as per the Act. Such assessments /re-assessments are subject to appeals before different authorities including High Courts, Supreme Court, and reach finality only after the decision of the highest authority. Completion of such appellate proceedings may takes years together.

(iii) Tax Collections under various heads

When asked about tax collected under various heads, the Department of Revenue in a written reply stated that CBDT does not maintain data of direct tax collections in terms of business classification like MNCs, Big Corporations, Mid Corporations, MSME, etc. It also does not maintain data on the basis of taxes collected from the various sources/heads of income like Salaries, Income from Business & Profession, Income from House Property, etc.

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

(in Rs. crore)

Financial Year	Corporate Tax	Wealth Tax	Securities Transaction Tax
2009-10	244725	505	7394
2010-11	298688	687	7155
2011-12	322816	787	5656
2012-13	356326	845	4997
2013-14*	394677	1007	5017

Source: Pr.CCA, CBDT

*Provisional.

Dividend Distribution Tax is reported under the major head Corporate Tax. However, out of the total Corporate taxes collected, the contribution of Dividend Distribution Tax for past five years is as under :

(in Rs. crore)

Financial Year	Dividend Distribution Tax
2009-10	12787
2010-11	19297
2011-12	17076
2012-13	21639
2013-14*	26674

Source: Pr. CCA,CBDT

*Provisional

(iv) Targets and Tax Collections

Regarding targets fixed for tax collections, the Department of Revenue furnished the following details :-

CBDT

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

(Rs. in crore)

Financial Year	Budget Estimates of Direct taxes	Revised Estimates of Direct taxes	Actual Collections of Direct taxes	Growth Rate of Actual Collns over last year	%age of Budget Estimates Achieved	%age of Revised Achieved
1	2	3	4	5	6	7
2009-10	370000	387008	377546	13.10%	102.04%	97.56%
2010-11	430000	446000	445962	18.12%	103.71%	99.99%
2011-12	532651	500651	493947	10.76%	92.73%	98.66%
2012-13	570257	565835	558658	13.10%	97.97%	98.73%
2013-14*	668109	636318	638591	14.31%	95.58%	100.36%

* Source : Pr CCA CBDT (Provisional)

The budgetary target of Direct Taxes collection is set before the beginning of the relevant financial year on the basis of the GDP forecast and expected buoyancy in direct taxes. These estimates are revised before the end of the financial year on the basis of the growth achieved up to that period. This Revenue forecasting is inexact in nature and is impacted by unanticipated changes in the economic scenario and limitations in measuring the impact of legislative changes. Actual direct taxes collection should therefore be seen in this perspective. The shortfall/excess if any, are within limits of statistical estimation of such revised targets.

During FY 2009-10 and 2010-11 the Direct taxes collection exceeded the Budgetary Estimates. However, during the FY 2011-12 the direct tax collections were only 92.73% of the Budgetary Estimates that were made on the basis of estimation of GDP growth of 9% during the Budgetary Exercise. However, the economy grew only by 6.2% due to a variety of reasons including the fiscal crisis in the Euro-zone impacting global economy adversely, high crude prices resulting in fluctuation of exchange rate, slow growth in the manufacturing and trade sectors, high inflation rates to control which the RBI adopted high interest rates that affected investment. This affected the profitability and incomes resulting in direct taxes collection which was lower than estimated. However, the direct taxes collection was 98.66% of the Revised Estimates set before the end of the Financial year.

During FY 2012-13, Direct taxes collection stood at 97.97% of the Budgetary estimates. For FY 2013-14, the Direct taxes collection exceeded the Revised estimates of Rs 636318 crore and stood at Rs 638591 crore”.

CBEC

Last five years targets and collections with respect to Indirect taxes (Customs, Central Excise, Service tax) along with the reason for shortfall are tabulated below;

Indirect tax targets and actual collections (amount in Rs. crore)

Financial Year	Budget Estimate	Revised Estimate	Indirect tax collections	Broad reason(s) for shortfall (if any)
2009-10	269477	244477	245367	Global Economic Recession, Change in duty rates (Central Excise from 10% to 8% &

				Service tax from 12% to 10%)
2010-11	315000	338978	345127	No shortfall,
2011-12	397816	398696	392444	Duty cut on petroleum and products under Customs & Central Excise in June, 2011
2012-13	505044	469546	474482	Low level of GDP growth (4.5% over 2011-12).
2013-14	565003	519520	*496231	Economic slowdown and low level of industrial output.

*Provisional

CBDT

The revenue collection targets are fixed on the basis of earlier year's collection, the projected GDP growth rate, projected buoyancy of taxes and the net revenue effect of the budget proposals. The targets are not unrealistic and any adjustment which is required to be made in the Budget Estimates is done in the fixing of revised estimates.

It has always been the endeavour of CBDT to curb tendency of framing high pitched scrutiny assessments by the Assessing Officers without having proper and cogent evidence at their disposal. In this regard, in recent years, CBDT has taken following initiatives:

- a) Board has laid emphasis on improving the quality of assessments by incorporating the strategy for ensuring quality in scrutiny assessment cases in the Central Action Plan document during the last few years and post-assessment, practice of review and inspection has been standardized. Each CCIT/DGIT is required to forward analysis of 50 quality assessments of his charge along with suggestions for improvement to the concerned Zonal Member. Further, quality cases are being compiled and published annually which provides valuable guidance to Assessing Officers to strive upon to improve quality of orders being framed.
- b) To discourage Assessing Officers from making high-pitched assessments, Member (IT) issued a communiqué to all CCsIT /DGsIT where-in it was emphasized upon that in cases of deliberate omission or commission on part of AO in making frivolous additions, the supervisory officer may bring the matter to the notice of Competent Authority for administrative action. Supervisory officers were also advised to play effective role in this regard.
- c) Range Heads are required to effectively monitor cases during the progress of scrutiny assessment and in appropriate cases; they may invoke provisions of section 144A of the IT Act to issue suitable directions to the Assessing Officer to enable him to frame a judicious order.

- d) System of Review and Inspection by the supervisory officers, post-assessment, is also used as an effective tool to check the tendency of making frivolous assessments.
- e) Of-late, lot of emphasis is being laid on capacity building of Assessing Officer(s). This is achieved through regular training and interaction with Commissioners (Appeals) and Commissioners posted in Income-tax Appellate Tribunal at regular intervals. The newly promoted Assistant Commissioners from existing Cadre of Income-tax Officers are being provided rigorous training to suitably equip them to handle complex cases”.

CBEC

“No, indirect tax revenue collections in a year mainly depend up-on the factors viz. tax policy, growth in nominal GDP, likely demand of goods and services in the country, level of outgo on account of indirect tax refund and drawback, revenue forgone and other administrative measures etc. As the actual behavior of these factors is not known in advance, so the actual tax collections may fall/rise vis-a-vis the estimates (BE/RE) made prior to the commencement of the financial year”.

(v) Tax Buoyancy

On the issue of tax buoyancy, the Ministry furnished the following details :

CBDT

“In respect of direct taxes, the following legislative and administrative measures have been taken to boost tax buoyancy in the country:

(A) Legislative Measures

A number of legislative measures have been taken to boost tax buoyancy in the country. Some such measures taken in the last three years are as under:-

1. Section 56 of the Income-tax Act under which income from other sources is taxed has been amended over the last couple of years to include the following:-
 - (i) Transactions of movable property and immovable property which are made for a consideration which is less than Fair Market Value (FMV). The section provides that where any immovable or moveable property is received by an individual or HUF for consideration which is less than FMV, then the difference between the FMV and the consideration (if any) shall be treated as income in the hands of the recipient of the property.
 - (ii) Consideration for shares, which is in excess of fair market value for shares received by a company, other than public limited company, is charged to tax in the hands of recipient.

- (iii) Any advance received by the seller during the course of negotiations for transfer of capital asset if the transfer does not take place and such amount is forfeited.
2. In order to collect tax at the earliest point of time and also to have a reporting mechanism of transactions in the real estate sector, Tax Deduction at Source at the rate of 1 per cent on transfer of immovable property (other than rural agricultural land) by a resident having value of Rs. 50 lakh or more has been introduced.
 3. Similarly, Tax Deduction at Source at the rate of 2 percent at the time of payment of maturity amount(1 lakh rupees or more) on Life Insurance Policies which are not exempt has been introduced.
 4. In order to reduce a quantum of cash transaction in bullion and jewellery sector and for curbing the flow of unaccounted the money in the trading system of bullion and jewellery, tax collection at source on purchase in cash of bullion in excess of Rs.2 lakh and jewellery in excess of Rs. 5 lakh has been introduced.
 5. Section 43CA has been introduced in the Income-tax Act to provide that where the stamp duty value on transfer of immovable property held as stock in trade is greater than the sale consideration, the stamp duty value will be considered as full value of consideration.
 6. In order to collect tax at the earliest point of time and also to improve reporting mechanism on transactions in mining sector, tax collection at source has been introduced at the rate of 1 per cent by the seller from the buyer of coal, lignite and iron ore.
 7. Section 2(22) provides the definition of dividends for the purpose of Income-tax Act. Further, Section 115-O provides for levy of Dividend Distribution Tax (DDT) on the company at the time of distribution to its shareholders. Consequent to the levy of DDT, the dividend received by shareholder is exempt in his hands. Unlisted companies as part of tax avoidance scheme were resorting to buy back of shares instead of payment of dividends in order to avoid payment of tax by way of DDT particularly where the capital gains arising to shareholders are either not chargeable to tax or chargeable at a lower rate. In order to curb such practices chapter XII-DA was introduced in the Income-tax Act to provide that the consideration paid by the company for purchase of its own unlisted shares in excess of the sum received by the company at the time of issue of such shares (distributed income) will be charged to tax at the rate of 20 per cent of the distributed income paid to the shareholder.
 8. In view of the aggressive tax planning with the use of sophisticated structure statutory provisions were introduced to codify the doctrine of “substance over form“ where the real intention of the parties and effect of transactions and purpose of an arrangement is taken into account for determining the tax consequences, irrespective of the legal structure that has been super

- imposed to camouflage the real intent and purpose. Accordingly, General Anti-Avoidance Rules were introduced by the Finance Act, 2013 which would enable the tax authorities to neutralize the tax advantage sought to be obtained through shell companies/companies in tax havens.
9. The provisions of section 94A were introduced in the Income-tax Act to provide for a tool box of counter measures against a non-co-operative jurisdiction once such a jurisdiction is notified. This also involves an undertaking to be given by the resident taxpayer which would waive any secrecy law and enable tax authority to seek information from financial institutions located in such jurisdictions. Failure to do so may have adverse consequence in respect of deduction of expenditure etc.
 10. Due to difference in the base of the income distributed or the dividend on which the distribution tax is calculated, the effective tax rate is lower than the rate provided in the respective sections. In order to ensure that tax is levied on proper base, the Income-tax Act has been amended to levy dividend distribution tax on the gross amount of surplus to be distributed as dividend by a company instead of only the actual amount paid to shareholders. Similarly, the income distribution tax to be paid by mutual funds has to be on gross amount of surplus to be distributed.
 11. Commodities Transaction Tax has been levied on sale of commodity derivative (other than agricultural commodities) at the rate of 0.01 per cent.
 12. In order to ensure that every person participating in the economy must contribute to the exchequer, MAT@18.5% has been levied on companies. The concept of alternate minimum tax has been extended in the case of persons other than companies also.
 13. Compulsory reporting requirement in case of assets held abroad has been introduced.
 14. Section 68 of the Act provides that if any sum is found credited in the books of an assessee and such assessee either does not offer any explanation about nature and source of money; or the explanation offered by the assessee is found to be not satisfactory by the Assessing Officer, then, such amount can be taxed as income of the assessee. The onus of satisfactorily explaining such credits remains on the person in whose books such sum is credited. However, certain judicial pronouncements created doubts about the onus of proof and the requirements of this section, particularly, in cases where the sum which is credited as share capital, share premium etc. Judicial pronouncements, while recognizing that the pernicious practice of conversion of unaccounted money through masquerade of investment in the share capital of a company needs to be prevented, have advised a balance to be maintained regarding onus of proof to be placed on the company. Section 68 of the Act was accordingly amended to provide that the nature and source of any sum credited, as share capital, share premium etc., in the books of a closely held company shall be treated as explained only if the source of funds

is also explained by the assessee company in the hands of the resident shareholder.

(B) Administrative measures

Extensive use of technology is being made for collection of information without intrusive methods. 360 degree profiling of taxpayers and potential taxpayers is being done for gathering information regarding their sources of income and spending habits. Information technology tools are being developed for exhaustive collection of information and maintenance of database. Information collected from returns of income and other sources is collated so that specific targeted action can be taken against the tax evaders. Data Ware house and Business Intelligence project has been undertaken for developing a comprehensive platform for effective utilization of information to enhance voluntary compliance and deter non-compliance”.

CBEC

“India’s Tax-GDP ratio (based on central taxes) during the financial year, 2013-14 was around 10.0% (GDP taken at current market prices). Higher buoyancy in tax collections during a financial year is a function of higher economic growth and tax policy initiatives. However a number of steps have been taken to increase the tax-GDP ratio like widening the tax base by comprehensive taxation of all services (introduction of negative list approach to taxation of services w.e.f 1st July 2012) and reduction of exemption in Central Excise and Customs wherever possible”.

II. Tax Refunds and interest on refunds

When asked about the Tax Refunds and interest on refunds made by the Department during the last five years, the Ministry furnished the following details :

CBDT

“Details of gross tax refunds and interest on refunds issued during the last five years is as under:

Financial Year	Gross Refund amount (in Rs. crores)	Interest on refund (in Rs. crores)
2009-10	57101	6876
2010-11	75189	10499
2011-12	93813	6486
2012-13	83766	6666
2013-14	89060	Under compilation

CBEC

Details of Indirect Tax Refunds are as below: –

(Rs. in crore)

Year	Central Excise	Custom Duty	Service Tax
2010-11	16347.61	3473.95	33325.23
2011-12	27624.35	3201.97	58913.96
2012-13	21799.53	3033.93	67698.41

On the issue of Parliamentary approval on payment of interest on tax refunds, the Ministry furnished the following information :

CBDT

“Interest on refund has always been netted off along with refund from the gross tax collection. In a solitary instance in the Budget Estimates for F.Y. 2001-02, Rs.92 crores was provided in the Demand of ‘Direct Taxes’ towards Interest on Belated Refunds of Excess Tax. However the same was withdrawn at the Revised Estimates stage for F.Y. 2001-02 itself.

Article 265 of the Constitution of India provides that taxes cannot be imposed save by authority of law. Refund under the provisions of Income tax Act constitutes excess tax paid by the taxpayer. The said excess tax paid by the taxpayer is the amount which is received in excess of the tax which can be levied under law. The said amount being an excess of tax liability duly computed under the provisions of Income Tax Act is required to be refunded as per the procedure under the Income tax Act along with the interest arising thereon. Interest paid on refunds is not an operational expenditure like salary, office expenses etc. but a **statutory obligation which is non-discretionary in nature** and is very much an **integral part of the refund/outgo** to the tax payers. Excess tax received by the Central Govt. which is required to be refunded along-with interest is hence netted off from receipts and only the balance is the tax as mentioned in Article 265 of the Constitution and only this tax is the receipt for the purposes of Article 266 of the Constitution. Consequently, the stipulation in Article 114 stating that no appropriation can be made out of Consolidated Fund of India (CFI) without the approval of the Parliament does not apply to the refund loaded with interest which is netted off from receipts and does not form part of the CFI”.

CBEC

“The approval of Parliament has not been taken so far because interest payments on refunds are payable by the Department under Section 11BB of the Central Excise Act, 1944 and therefore, the same is legislatively sanctioned under the Act. The current practice is that interest on refunds is

accounted as part of refunds. The practice of treating interest on refunds as reduction in revenue has been consistently followed by the Department.

When asked as to whether Government is contemplating to make explicit provision of estimates of expenditure on interest liability in tax refunds in the Central Budget, the Ministry in a written reply furnished the following details :

CBDT

“No, the Government is not contemplating to make explicit provision of estimates of expenditure on interest liability in tax refunds in the Central Budget. The procedure followed by the Department of netting off interest on refund along-with refunds from the gross tax collections is in conformity with the Constitutional provisions and the Financial Rules as discussed in reply to para 14(ii) above.

CBEC

“No, Government is not contemplating such action. In this regard opinion of Hon’ble AG was also sought by the Department of Revenue. Hon’ble AG was also of the opinion that the interest paid on refunds is a statutory obligation which is non-discretionary in nature and is very much an integral part of the refund/outgo to the taxpayer. Excess tax received by the Central Government which is required to be refunded along with interest is netted off from receipts and only the balance is the tax as mentioned in Article 265 of the Constitution and only this tax is the receipt for the purposes of Article 266. Consequently, the stipulation in Article 114 stating that no appropriation can be made out of CFI does not apply to the refund loaded with interest which is netted off from receipts and does not form part of the CFI. It, therefore, does not qualify to be called expenditure for the purposes of grants or appropriation to which Article 114 of the Constitution applies.

Since the excess tax and interest to be paid on the refund is a statutory non-discretionary obligation of the Department, it cannot qualify as tax for the purposes of receipt under Article 266. It is only the tax duly chargeable which can form receipts for the purposes of Article 266 to which Article 114 applies. In view of the aforesaid, and having regard to the provisions of Articles 114, 265, 266 of the Constitution, Section 237 and 244A of the Income Tax Act 1961, Rule 270 (4) of the General Financial Rules, the following conclusions emerge:-

- (i) Interest on refund of excess tax has to be included in refund under Rule 270 (4).
- (ii) Refund on excess tax is not expenditure and such outgo cannot be considered with other operational expenses.

- (iii) Interest on refund of excess tax is not expenditure under Article 112 (1).

III. Tax Arrears

On being asked about the year-wise position of tax arrears for the last five years in respect of both Direct and Indirect Taxes, the Ministry furnished the following details :

CBDT

Year wise position of arrears for last five years is as under:

Year (As on 1st April)	Arrear demand (in Rs. crore)
2010-11	248927
2011-12	333079
2012-13	482027
2013-14	580325
2014-15	675431

[Source: As per CAP-I]

CBEC

Pendency of arrears (Indirect Taxes) –Year-wise position for last five years is as under:-

YEAR (As on 31 st March)	(Rs. in crore)			
	Central Excise	Customs	Service Tax	Total
2009-10	26629.43	8067.28	9515.52	44212.23
2010-11	31739.41	9679.51	15470.70	56889.62
2011-12	37050.32	9677.85	22012.85	68741.02
2012-13	50344.60	12103.40	47233.47	109681.47
2013-14	59884.69	17986.38	71257.49	149128.56

The details of measures initiated to reduce tax arrears and increase the recovery are as under:-

- (i) Wherever substantial amount of arrears has been locked up in various courts/appellate fora, early hearing petitions are filed; efforts are made to vacate stay orders by pursuing the cases vigorously. Cases of similar nature are being bunched for expeditious disposal by the appellate authorities.
- (ii) Active follow up of the matters pending before Board of Industrial Finance and Reconstruction (BIFR)/Debt Recovery Tribunal (DRT)/ Official Liquidator (OL) is undertaken.

- (iii) Wherever revenue arrears are free from all legal encumbrances, action for speedy implementation of favourable decisions passed by courts and wherever no stay has been granted or where stay granted has lapsed, quick action for realization of arrears by attachment of movable/immovable assets or recovery from sums due to the defaulting assessee elsewhere are implemented. The provisions of Section 142 of the Customs Act, 1962; Section 11 of the Central Excise Act, 1944; and Section 87 of the Finance Act, 1994 are being invoked.
- (iv) Creation of computerized data base of arrears of revenue, regular updation and review of the same is being done.
- (v) Regular inspection of the case of arrears of revenue of the field formations is being undertaken.
- (vi) Dedicated team of officers for recovery of arrears has been created. Expeditious action for disposal of cases fit for write- off is being undertaken.
- (vii) Legislative amendment has been introduced in the relevant Acts in the Finance (No.2) Bill 2014 to increase pre-deposit amount in the 1st & 2nd stage of appeals. This will result in the increase of revenue to the Government.
- (viii) For the guidance of the field formations, a “Hand Book on Recovery of Arrears of Revenue of Customs, Excise & Service Tax” has been compiled, published and circulated among all the zones.

When asked about the measures initiated to reduce tax arrears and increase the recovery, the Ministry furnished the following information :

CBDT

Raising of demand and recovery of outstanding dues is a continuous process. The position of unrealized revenue is monitored regularly and the collections are constantly evaluated to ensure recovery. Cases of large demand are also monitored at CBDT level on quarterly basis.

In order to enhance the Post Assessment Tax Recovery a two pronged strategy is adopted by the Department: -

- I. At pre assessment stage: Steps have been taken by the department to ensure that the nature and quality of assessments made by the department is high to facilitate collection.
- II. At post assessment stage: A number of pro active steps are being taken by the department to enhance recovery: -

In order to maximize recovery of arrear demand, a focused approach has been adopted by the CBDT. The strategy/program outlined in the Central Action Plan 2012-13 for the field authorities is as under:

- To dedicate entire year for recovery work.

- For a focused approach the cases are bifurcated into actionable and non-actionable cases.
- Non actionable cases are those having large amounts or major amounts of demand in the following categories:
 - Companies under Liquidation
 - Cases before BIFR
 - Demand on protective basis
 - Cases before Income Tax Settlement Commission (ITSC)
 - Cases where there are no assets for recovery
 - Assessee being Notified persons
 - Cases where demand is pending write off
 - Assessee not traceable
- Actionable cases are those wherein there is no non-actionable demand or a very small amount of non-actionable demand. The actionable cases are being taken up for constant monitoring during the year. Steps are to be taken to collect the arrear demand applying all the possible recovery modes laid down under the Act. Not merely the collectible portion of demands in actionable cases, but also the difficult to recover portion i.e. the amounts under installment plan/demands wherein stay petitions have been filed by the assessee are to be focused on. In cases where there is a default in payment of installments a review of the installments granted must be done.
- In the case of a company, the Supreme Court had directed that the company to pay 25% of the taxes and balance 75% by the bank guarantee before even admitting the appeal. The underlying principle is that the Government needs funds in public interest and there should be no impediments in recovery of taxes. The field authorities have been asked to brief the Standing Counsels to take up the matter of vacation of the stay before the High Courts/Supreme Court on such lines. The Standing Counsels are advised to explore the possibility of filing caveats in cases where taxpayer is likely to seek stay from High Court for preventing granting of stays in large number of cases. Similarly, the Departmental Representatives are advised to plead for payment of taxes in the cases of stay before the ITAT.
- In the case of non-actionable demands, at least twice a year, an in-depth review in each of these cases is done to determine the status of the case and make efforts to convert these from the non-actionable to the actionable category.
- Cases of 'assessee not traceable' or 'No assets' be reviewed urgently to see whether further efforts can locate the assessee or assets. All avenues of information should be explored. In these cases action to be taken as per the

detailed procedure laid down in instruction dated 29.9.2011 and revised instruction dated 27.12.2011.

- In the category of 'Demand not Under dispute' identification of the amount 'recoverable' and 'difficult to recoverable' is being done, by placing them in separate baskets and communicated to the field authorities. Thereafter, the recoverable portion of the demand is to be collected.
- For BIFR cases, the website to be checked as wherever cases have been abated/discharged from the BIFR, where rehabilitation period has expired; there is no bar on the recovery. In Liquidation cases claims should be promptly lodged with the official liquidator.
- AOs have been instructed to maintain a recovery folder containing the details of assessee's all bank accounts, debtors, details of assets (movable and immovable) and immediately after the demand has fallen due start the recovery proceedings.
- Access to Individual Transaction Statement (ITS) has been provided to all Range Heads. The ITS can be used especially in cases where demands are difficult to recover. Attachments of movable assets u/s 226(3) of the IT Act 1961 and of immovable property under Rule 48 of Schedule II should be resorted to.
- For proper delineation of the work of the TROs and sustained monitoring of their performance specific action plan has been drawn vide instruction dated 08.08.12 with time bound objectives which covers the following areas:
 - (i) Issue of Tax Recovery Certificate (TRC).
 - (ii) Disposal of TRC.
 - (iii) Cash Collection Target for recovery as per Tax recovery Certificates.
 - (iv) Monitoring of TRCs at various levels by JCsiT/CsiT/CCsiT and the CBDT.

Besides fixing the yearly target for certain key and other areas, where department has to respond to the concerns of outside agencies and stakeholders such as taxpayer public, C&AG etc., quarterly and other periodical targets have also been fixed.

AOs should ensure that the operational bank accounts are attached so that there is effective recovery of cash from the bank accounts.

- Assets of partners/Directors of defaulter Firm/companies may be ascertained and considered for attachment.
- Recovery surveys to be mounted to enforce collection.
- The help of the Investigation Wing can be taken in important cases for recovery by secret enquiries regarding the identification of assets. Mechanism for making field enquiries, enquiries from the Directors/Partners/Promoters/ Legal heirs/ Legal Representatives/ Authorized representatives etc. should be

activated. This practice should be effectively continued and enquiries made should cover the office of the ROC and the sub registrar office also.

- Files may be examined for use of provisions of sections 281(1) of IT Act 1961 to declare transfers of properties as void if made to avoid claims in respect of taxes or sums payable on account of pendency of any proceeding under the IT Act or after completion thereof but after service of notice under rule 2 of the Second Schedule.
- Stringent action to be taken in suitable cases including use of the provisions for prosecution u/s 276C(2).
- For tax defaulters who have expired, legal heirs should be located and in case of firms/ private companies efforts to be made to traced the partner/Directors for further recovery.
- Identification of high demand cases pending before the Commissioners (Appeals), particularly the ones where recovery of substantial demand is likely on disposal of appeal. The Commissioners (Appeals) are requested for early disposal of such cases.
- Remand Report to be sent on time to CIT(A) so that there is no delay in disposing off the appeal. ITAT Benches may also be requested for early disposal.
- Special attention to be given to pass rectification orders (for removing TDS mismatches), to pass appeal effect orders, so that arrear can be collected /reduced straight away.
- Write-off of outstanding dues has been included in the Central Action Plan.

CBEC

- i. Field formations are being sensitized to reduce the litigation and are discouraged to file frivolous litigation.
- ii. Instructions have been issued to the field formations to discourage inter-Ministerial/Departmental disputes in Court of Law.
- iii. Threshold limit for filing Departmental Appeals has been prescribed as Rs. 25 lakh, Rs. 10 lakh and Rs. 5 lakh before Supreme Court, High Court and CESTAT respectively. This is expected to reduce future appeals and help in de-clogging of indirect tax matters in Courts and CESTAT.
- iv. A Standing Committee has been constituted by the Board to review and suggest the measures to reduce the litigation with the tax payers.
- v. Measures suggested in the National Litigation Policy are being implemented to reduce the litigation”.

When asked about the quantum of undisputed uncollected tax during each of the last five years and steps taken to collect this undisputed uncollected tax, the Ministry vide their post-evidence furnished the following information:

CBDT

The undisputed demand as per the Central Action Plan-I report of March 2014 (Rs. in crore)

F.Y	Undisputed Demand Arrear demand	Undisputed demand Current demand	Undisputed demand (Net Collectible Demand)	Cash Collection out of Arrear + Current Demand)
2009-2010	5288	10985	16274	36229
2010-2011	7349	13138	20486	53715
2011-2012	7006	13699	20804	55020
2012-2013	9750	9576	19325	63812
2013-2014	11033	11769	22801	74582

Steps taken:

Apart from the dossiers of arrear demand cases which are regularly monitored on quarterly basis at various levels of CIT/CCIT/CBDT, the concern regarding rising arrear demand has been addressed by the CBDT by setting up a Special Cell under the Directorate of Recovery which is working on following points:

- a) Cases in the categories 'Assessee not traceable' and 'Assessee having no/inadequate assets' are referred by the Special Cell to FIU-IND for data mining.
- b) From the Dossier cases referred to FI U-IND for identifying bank accounts for the purpose of recovery, based on feedback received till date, nearly Rs. 207 cr. has been recovered.
- c) Under Sub-head "Demand not under dispute", recoverable demand is being identified for immediate recovery in order to focus on collection of recoverable undisputed arrear demand.

Detailed strategies to collect the Arrear demand have been prescribed in the beginning of the year in the Central Action Plan 2014-15. Standard Operating Procedures have been issued in April 2014 for effective implementation by the field formations leading to reduction of arrear demand entries.

DGIT(Systems) has been specifically directed to carry out verification and de-duplication of demand.

CBEC

The information regarding undisputed uncollected tax pendency of arrears (Indirect Taxes) – Year- wise position for the last five years is as under:-

(Figure in Rs. crore)

YEAR	Unstayed Arrears (As on 31 st March)			
	Restrained Arrears (BIFR /DRT/OL) including where appeal period not over	Unrestrained Arrears		
		Recoverable	Non- recoverable arrears (Fit for write –off)	
2009-10	14022.04	10371.40	1439.81	
2010-11	17245.18	15986.70	1873.02	
2011-12	33131.80	5791.23	4285.99	
2012-13	50146.69	7663.49	5328.89	
2013-14	50647.10	20210.60	5301.68	

It is stated that as on **31.03.2014**, Indirect tax arrears amounting to **Rs. 51,000 crore** (approx.) is involved in cases where the **recovery has been restrained** by authorities e.g. , Board for Industrial and Financial Reconstruction, Debt Recovery Tribunal and Official Liquidator appointed etc. and cases in respect of which the initial appeal period is not yet over. Further, arrears amounting to **Rs. 5,300 crore** (approx) **are not recoverable**, as in those cases, the assesses are either not traceable or they do not have assets from which arrears can be recovered. Thus, **arrears amounting to Rs. 20,000 crore (approx) only are recoverable.**

The following measures have been taken to reduce the undisputed tax arrears and increase the recovery :-

- a) Filing of departmental claims of pending amounts, before Board for Industrial Financial Reconstruction (BIFR), Debts Recovery Tribunal (DRT) and Official Liquidator (OL) timely. Thereafter, follow up action is being taken for obtaining orders from these authorities. Special attention is being given to cases involving large amounts of revenue.
- b) Regular inspection of the cases of arrears of revenue of the field formations is being undertaken. While conducting inspection, special attention is given to ensure that timely and proper follow up is done with the concerned authorities, especially in the cases of BIFR/DRT/OL.
- c) Wherever there is no legal restraint quick action for realization of arrears by attachment of movable/ immovable assets or recovery from sums due from the defaulting assessee elsewhere is taken. The provisions of Sections 142 of the Customs Act, 1962, Section 11 of the Central Excise Act, 1944, and Section 87 of the Finance Act, 1944 are being invoked. Creation of computerized database of arrears of revenue, regular updation and review of the same is being done.

- d) A dedicated team of officers for recovery of arrears has been created in the Commissionerates. Expedious action for disposal of cases fit for write –off is being undertaken. Where the defaulters are not traceable, Chief Commissioner Zones have been requested to send the list of defaulters, so that the matter can be taken up with FIU to obtain the details of assets etc. if any, for the field formations to help in recovery measures.
- e) A timeline for the action plan for recovery of Indirect taxes has been formulated for the field formations for realization /liquidation of revenue arrears.

IV. Tax Litigation

When enquired about the measures initiated to reduce litigation before the Appellate Forums, the Ministry furnished the following details :

CBDT

- a) Standing Committee has been constituted to deal with rising litigation with tax payers as well as with employees. The Committee holds meeting once every two months to discuss litigious issues and probable solutions.
- b) An institutional mechanism has been developed with a view to provide clarity on contentious legal issues, to promote consistency of approach on a given issue and to reduce litigation by way of formation of a Central Technical Committee (CTC) in the CBDT and Regional Technical Committees (RTC) at the local level. After extensive discussions on any subject, and after taking CBDT’s approval, Departmental View is circulated amongst field officers to ensure uniformity in approach.
- c) Monetary limits for filing appeals before ITAT have been revised after detailed analysis of the number of appeals pending, number of appeals being filed, revenue implications, resources available and desirability of focusing attention on high revenue cases. Brief highlights of the new Instruction and its impact are as follows:

Appeals to	Old limits of tax effect for filing appeals	New limits of tax effect for filing appeals	Expected reduction in litigation
ITAT	Rs. 3 Lakhs	Rs. 4 Lakhs	15%

- d) National Judicial Reference System (NJRS) is expected to go live by November 2014 end. NJRS is expected to benefit in reducing litigation by avoiding appeals on decided issues and by bunching and overall improvement in litigation management.
- e) While filing SLPs in Supreme Court, rigorous vetting is done as to the merits of the case at the level of DGIT (L&R) and CBDT.

- f) A Committee headed by Chief Commissioner of Income tax has been constituted to appraise the efficacy of the existing system of filing appeals and suggest suitable measures. The Report of the Committee is due in October, 2014.

CBEC

- i. In order to ensure that the appellate authorities viz. Commissioner (Appeals) and the Tribunal concentrate/devote their time in disposal of cases, amendments have been brought in the Finance Act, 2014 to stipulate a mandatory pre-deposit of duty or penalty, as the case may be, thereby removing the provision for filing of stay applications. Disposal of stay applications was consuming lot of time of the appellate authorities. With this amendment, it is expected that the rate of disposal of the two appellate authorities i.e. Commissioner (Appeals) and the Tribunal, would increase significantly.
- ii. The legislative amendment by the Finance Act, 2013, have been introduced to enhance the monetary limit of the cases heard and disposed by Single Member Benches of the CESTAT from Rs. 10 lakh to Rs. 50 lakh.
- iii. In the Finance Act, 2014, power of the Tribunal not to accept appeal up to Rs. 50 thousand has been enhanced to Rs. 2 lakh in order to reduce frivolous and petty litigation.

On the Measures initiated to increase the efficiency of existing dispute resolution forums, the Ministry furnished the following information :

CBDT

- (i) Efforts have been made to improve the quality of representation before ITAT & High Courts. Before ITAT, the Departmental Representatives ensure that the cases of Revenue are properly defended. For representation before HCs and other judicial forums, detailed guidelines for engaging suitable counsels have been laid down.
- (ii) At the CIT (Appeal) level, additional posts have been sanctioned in the on-going Cadre restructuring with sufficient manpower to enhance the effectiveness of the first appellate level.

CBEC

- i. In order to ensure that the appellate authorities viz. Commissioner (Appeals) and the Tribunal concentrate/devote their time in disposal of cases, amendments have been brought in the Finance Act, 2014 to stipulate a mandatory pre-deposit of duty or penalty, as the case may be, thereby removing the provision for filing of stay applications. Disposal of stay applications was consuming lot of time of the appellate authorities. With this

amendment, it is expected that the rate of disposal of the two appellate authorities i.e. Commissioner (Appeals) and the Tribunal, would increase significantly.

- ii. The legislative amendment by the Finance Act, 2013, have been introduced to enhance the monetary limit of the cases heard and disposed by Single Member Benches of the CESTAT from Rs. 10 lakh to Rs. 50 lakh.
- iii. In the Finance Act, 2014, power of the Tribunal not to accept appeal up to Rs. 50 thousand has been enhanced to Rs. 2 lakh in order to reduce frivolous and petty litigation.

On the issue of Time bound disposal of cases in order to arrest protracted litigation, the Ministry furnished the following details :

CBDT

Annual targets are laid down in the Action Plan for disposal of appeals by Commissioners of Income tax (Appeals). However, no such targets can be laid down for disposal at Income tax Appellate Tribunal (ITAT), High Court (HC) and/ or Supreme Court (SC) level as that is beyond the purview of the Income tax Department. Time of disposal of appeals before CsIT (Appeals) will be reduced considerably once all the posts of CsIT (appeals) post-restructuring enhanced to 362 from 243 posts are filled.

CBEC

- i. Field formations have been instructed to make the application for early vacation of stay before the appellate authorities and Courts where huge amount is locked up.
- ii. Appropriate steps in the form of CAVEAT etc., are also taken in cases where the matter has been decided by the lower authority in favour of revenue and the party is expected to move to Supreme Court/ High Court for the stay of such orders.
- iii. Departmental representatives have also been instructed to pursue the matter for early hearing in the cases where the stay has been granted by the CESTAT.
- iv. Instructions have been issued to get the cases of similar nature bunched together for speedy disposal of the same.
- v. Scope of the Settlement Commission and the Authority for Advance Rulings has been further expanded. This would provide alternative mechanism to settle dispute/avoidance of disputes on specific issues.
- vi. Establishment of six Additional Benches of CESTAT has been approved by the Government.

On being enquired about the number of assessments and tax involvement during the last three years in respect of appeals decided in favour of the Department and against the Department by various Appellate Authorities in both Direct and Indirect Taxes in order to deduce the success rate of Department, the Ministry furnished the following details :

CBDT

Year wise analysis of appeals decided by various appellate authorities for the past three years is provided as below:

A. ANALYSIS OF APPEALS AS DECIDED BY CIT (A)

Financial Year		2011-12	2012-13	2013-14
No. of appeals disposed of	Partially confirmed/ partially allowed	30601 (41.3%)	38090 (44.6%)	32706 (37.7%)
	Fully confirmed/ appeals dismissed	21855 (29.5%)	26807 (31.4%)	28023 (32.3%)
	Fully allowed	21214 (28.6%)	19859 (23.2%)	25632 (29.5%)
	Other	432 (0.6%)	717(0.8%)	403 (0.5%)
	Total	74102	85473	86764

B. ANALYSIS OF APPEALS FILED BY ASSESSEE AS DECIDED AT ITAT, HIGH COURT & SUPREME COURT

JUDICIAL FORUM	ITAT			HIGH COURT			SUPREME COURT		
	Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13
Decided in favour of deptt.	2507 (35%)	1868 (31%)	1526 (27%)	267 (36%)	237 (41%)	192 (35%)	10 (14%)	7 (6%)	10 (30%)
Decided against deptt.	2594 (36%)	2336 (39%)	2070 (37%)	284 (38%)	206 (35%)	244 (45%)	24 (33%)	45 (41%)	10 (30%)
Set Aside	572 (8%)	674 (11%)	711 (13%)	60 (8%)	42 (7%)	47 (9%)	10 (14%)	45 (41)	0
Partially Allowed	921 (13%)	858 (14%)	956 (17%)	23 (3%)	46 (8%)	31 (6%)	15 (21%)	1 (1%)	3 (10%)
Others	634 (9%)	325 (5%)	374 (7%)	114 (15%)	52 (9%)	33 (6%)	13 (18%)	13 (11%)	10 (30%)
Total appeals disposed of	7228	6061	5637	748	583	547	72	111	33

C. ANALYSIS OF APPEALS FILED BY DEPARTMENT AS DECIDED AT ITAT, HIGH COURT & SUPREME COURT

Judicial Forum	ITAT			HIGH COURT			SUPREME COURT		
Financial Year	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Decided in favour of deptt.	2595 (19%)	2481 (16%)	2432 (17%)	1364 (20%)	681 (19%)	748 (19%)	94 (10%)	55 (13%)	99 (19%)
Decided against deptt.	7048 (52%)	7648 (50%)	7404 (53%)	4190 (62%)	2262 (63%)	2461 (61%)	378 (39%)	272 (64%)	306 (60%)
Set Aside	1195 (9%)	1055 (7%)	1257 (9%)	357 (5%)	166 (5%)	295 (7%)	76 (8%)	7 (2%)	13 (3%)
Partially Allowed	2276 (17%)	2459 (16%)	2006 (14%)	338 (5%)	267 (7%)	255 (6%)	86 (9%)	21 (5%)	44 (9%)
Others	542 (4%)	1720 (11%)	871 (6%)	546 (8%)	195 (6%)	270 (7%)	324 (34%)	70 (16%)	46 (9%)
Total	13656	15363	13970	6795	3571	4029	958	425	508

Amount of Revenue involved before CIT(A)/ITAT/HC/SC is given below:

(in Rs...crore)

F.Y	CIT(A)	ITAT	HC/SC	Settlement Commission
31.03.2012	127109	105705	22608	2428
31.03.2013	195867	117773	19129	2381
31.03.2014	240337	140866	22085	2971

CBEC

The information in respect of the number of departmental and party appeals decided is as follows:

Year	Departmental Appeal		Party Appeal	
	Rejected	Allowed	Rejected	Allowed
Supreme Court				
2009-10	267	30	121	6
2010-11	216	16	144	12
2011-12	206	30	134	24
2012-13	148	29	17	45
2013-14	102	43	20	77
High Court				
2009-10	841	210	950	544
2010-11	1189	238	1358	731
2011-12	900	336	995	2976
2012-13	595	245	825	1788
2013-14	447	275	638	1944
CESTAT				
2009-10	1913	482	2265	1922
2010-11	1708	383	1829	1762
2011-12*	1386	238	1482	1903
2012-13	1117	689	2030	4423
2013-14	1917	521	2667	4552
Commissioner (Appeal)				
2009-10				
2010-11				
2011-12*	1118	1140	8008	4893
2012-13	1921	1622	8630	18636
2013-14	1728	1586	9693	21262
* Information for the year 2011-12 is for the period July 2011 to March 2012				

The information in respect of the amount involved in the decided departmental and party appeals is being collected and will be submitted in due course.

V. Revenue Foregone

When asked about the quantum of revenue foregone in respect of both direct and indirect taxes by way of various incentives and exemptions to different

categories of assesses during the last four years, the Ministry furnished the following details :

CBDT

“The quantum of revenue foregone in respect of direct taxes during the last three years (along with estimated revenue foregone for F.Y. 2013-14) is as under:-

Financial Year	Revenue Foregone [#] (in Rs. crore), category –wise		
	Corporate*	Firms/Association of persons/Body of Individuals	Individuals
2010-11	83328	6173	30653
2011-12	81214.3	7145.4	32230
2012-13	92636	5908.9	27626.8
2013-14 (estimated)	102606.4	7120.8	33293.2

*The figures are exclusive of net additional tax liability on account of MAT.

[#]The figures have been taken from the Receipts Budget for financial years 2012-13 and 2013-14 and 2014-15.

The revenue foregone is on account of various tax incentives provided under the Income-tax Act,1961.These have been provided to promote savings by individuals; for promotion of exports; balanced regional development; for creation of infrastructure facilities & employment and for encouragement of investments in scientific research and development etc.

CBEC

- (i) The quantum of revenue foregone in indirect taxes (customs and central excise) during the last 3 years in as under:

Revenue foregone (Rs. in crore)			
	2011-12	2012-13	2013-14 (P)
Customs	236852	254039	260714
Central Excise	195590	209940	195679
Total	432442	463979	456393

- (ii) In respect of customs and central excise duties, exemptions / concessions are extended to goods and not to particular assessee. As such, the question of revenue foregone by way of various tax incentives and exemptions to different categories of assesseees does not arise.
- (iii) The justification for incentives and exemptions is as under:
- Tax structures and tax incentives or exemptions reflect the policy choices of the Government.
 - The tax incentives/exemptions offered are normally in line with the economic policy followed by the Government and are revised regularly to accommodate new areas of emphasis.
 - Tax incentives/exemptions are given from time to time in public interest for fulfilment of the various policy objectives which, inter alia, include the following:

- Protection of small scale sector,
- Facilitating small service providers,
- Promoting industrial development of backward areas,
- Exemptions to defence supplies,
- Encouragement of value addition and employment generation,
- Promoting research & development,
- Promotion of exports through various export promotion schemes,
- Calibrating tariffs on essential commodities in the light of indigenous production, supply, demand, price levels, with a view to protect the interests of farmers as well as consumers,
- Implementation of treaty obligations, i.e. bilateral and multilateral agreements (free trade agreements), supplies to UN and international organisations and projects financed by such organizations”.

When asked as to whether revenue foregone should not be treated as tax expenditure requiring Parliamentary Approval, the Ministry in a written reply stated as under :

CBDT

“The tax policy gives rise to tax preferences and such preferences are also referred to as ‘tax expenditures’. Tax expenditures can also be termed as revenue foregone. Tax expenditures per se are spending programs embedded in the tax statute which have already been approved by the Parliament. Revenue forgone is basically due to the claim of deductions or exemptions by the eligible assesseees. The claim is based on the statute which is legislated and amended by the Parliament on an annual basis. In addition to this the quantum of revenue forgone is tabulated as a statement to form an Annexure of the Receipts Budget. A separate approval for the revenue forgone is therefore not required”.

CBEC

- i. At the time of presentation of the Annual Financial Statement i.e. statement of estimated receipts and expenditure of the Government of India before Parliament, a Finance Bill is also presented detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill, and it is accompanied by a Memorandum Explaining the Provisions in the Finance Bill, which includes all the tax measures proposed to be taken by the Government.
- ii. The primary objective of any tax law and its administration is to raise revenue for the purpose of funding Government expenditure. The amount of revenue raised is primarily dependent upon the overall tax base and the effective tax rates. The determinants of these two factors are a range of measures which include special tax rates, exemptions, rebates and credits. These measures

are collectively called 'tax preferences'. While they reflect policy of the Government, they have an impact on Government revenues.

- iii. The tax policy gives rise to tax preferences and such preferences can also be viewed as an indirect subsidy to preferred tax payers. Such implicit subsidy payments are also referred to as 'tax expenditures'. Tax expenditures can also be termed as revenue foregone. The Revenue Foregone Statement in the Receipts Budget seeks to list the revenue impact of tax incentives that are a part of the tax system of the Central Government.
- iv. The Budget making exercise entails an elaborate process that involves consultations and meetings with various Ministries, Governments of the States, trade and industry associations, deliberations in the Ministry of Finance on the suggestions / representations received and their implications on the economy. When the Budget is presented in the Lok Sabha, the Hon'ble Finance Minister in his Budget Speech details the economic, social and political rationale of the various Budget proposals contained in the Budget documents laid in the Parliament. The Notes on Clauses of the Finance Bill also lists out such rationale.
- v. The Budget proposals presented in the Parliament by the Finance Minister are debated in both Houses of the Parliament. In pursuance of the debate and representations received during post-budget consideration stage on the Budget proposals and where the Government considers necessary, the Budget proposals are modified / deleted and new proposals are added to address the concerns from various quarters. The Budget making process culminates with the Finance Minister's reply to the debate in both Houses of the Parliament, and thereafter with the assent to the Finance Bill. Notifications issued under section 25(1) of the Customs Act, 1962 and under section 5A(1) of the Central Excise Act, 1944 extending concessions / exemptions are also laid before both the Houses of Parliament as per prescribed procedure".

VI. Searches, Seizures and Surveys

When asked about the quantum of Searches, Seizures and Surveys made during the last three years alongwith revenue actually realized thereto, the Ministry in a written reply stated as under :

Statistics with regard to search and seizure actions conducted in the last three financial years are as under:

Financial Year	Number of groups searched	Total assets seized (in Rs. crore)	Undisclosed income admitted u/s. 132(4) [in Rs. crore]
2011-12	621	905.6	15070.64
2012-13	422	575.08	10291.61
2013-14	569	807.84	10791.63

Statistics with regard to surveys conducted in the last three financial years are as under:

Financial Year	Number of surveys conducted	Undisclosed income detected (in Rs. crore)
2011-12	3706	6572.75
2012-13	4630	19337.46
2013-14	5327	90390.71*

**Out of this Rs. 71,195 crore pertains to one particular case*

Search, seizure and survey are amongst the main evidence collecting mechanisms that are used in cases wherein credible information about tax evasion is in possession of the ITD. Before initiating a search and seizure operation, the ITD has to arrive at a reasonable belief that a tax-payer/tax-paying entity is not paying the due taxes which is commensurate with his/ its income. Similarly, surveys are tools to undertake on the spot verification of affairs of the business having bearing on income. The Investigating Officer who conducts the search prepares a report appraising the evidences gathered, documents seized, etc., and forwards the same to the Assessing Officer to initiate assessment proceedings. While disclosure, if any, made by the taxpayer is reported in such reports, the appraisal reports being initial reports, generally prepared within a short duration of 60 days, do not estimate the concealment of income. Similarly, such estimates are not available pre-search also. The evidence collected through searches and surveys along with other evidence gathered/collected from various sources by the ITD is used for determination of tax liability, if any, through the quasi-judicial process of assessment of income of the subject person. Such assessment of income is subject to appeals at different stages before various authorities including Hon'ble Supreme Court, as provided by the law. The determination of actual tax liability is done after completion of all the appellate proceedings. 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. The time-lag could spread over several financial years. In view of the processes and time-lag involved therein, the data on actual tax yield of searches and surveys separately is presently not maintained as such. However, the ITD has undertaken a new information technology project – Income Tax Business Application (ITBA) which is expected to capture such information electronically. The project is likely to get implemented by mid-2015.

CBEC

The Quantum of Searches/Seizure/Surveys/Summons (No. of cases booked) by the DGCEI alongwith estimated Revenue (Detection) and actual Realization (during Investigation) for the period of last three years is tabulated as follows:

(Amount in Rs. Crore)

Year	Detections (Estimated Revenue)						Revenue Realization During Investigation		
	Central Excise		Service Tax		Total		Central Excise	Service Tax	Total
	No. of Cases booked	Amount detected	No. of Cases booked	Amount detected	No. of Cases booked	Amount detected	Amount Realized	Amount Realized	Amount Realized
2011-12	450	1140	452	4919	902	6059	255	434	689
2012-13	458	2940	841	4693	1299	7633	1019	880	1899
2013-14	384	1947	1191	8032	1575	9979	363	1489	1852

It is pertinent to mention that the revenue realization figures given in the above table are only the amount of revenue realized during the course of Investigation and do not involve the revenue realized subsequent to issuance of Show Cause Notice on completion of investigation. Further, it may not be possible to compare the actual tax yield from a case with the estimates made at the time of initial searches, etc. since at the time of booking a case, the estimate of evasion of tax/duty is based on preliminary examination and assessment of documents/records/evidences. The final yield of revenue in a case depends on various factors such as availability of evidence during investigation, sustainability of demand in various appellate fora and finally, recoverability of demand from the assessee.

- (b) In respect of para 24 it is informed that after preliminary enquiry, if the need arises then a search is conducted, and details of cases detected for a period, which may be based on both search and summons or either of two, are recorded with an estimate of the duty involved. It is pertinent to state that though care is taken to base the estimates on the preliminary discreet enquiry and documents, however same may be revised during course of investigation, in light of new evidence.

The table below indicates the estimated duty involved for cases detected during a particular period and the recovery made during the period may not necessary same as the recovery in a particular period may also be pertaining to old cases and recovery made subsequently.

The cases detected by DRI during the last three years and duty recovered during the years are as under:

*Value/Duty (Rs. in crore)

S. No.	Description	FY 2011-12		FY 2012-13		FY 2013-14		FY 2014-15 (upto August)	
		Number of cases	Value/ Duty	Number of cases	Value/ Duty	Number of cases	Value/ Duty	Number of cases	Value/ Duty
1	Commercial Fraud Cases Detected (in term of Duty)	527	1841.5	709	4742.66	694	3112.55	148	1123.71
2	Duty Recovered	418	362.04	482	1130.06	617	1246.35	274	366.49
3	Seizures Effected (in terms of Value)	547	3127.69	468	1497.51	602	2466.05	305	10245.77

VII. Unearthing of Black Money / unaccounted money

Regarding unearthing of Black Money, the Ministry furnished the following details:

CBDT

Drive against tax evasion is an on-going process. Appropriate action under direct tax laws including levy of penalty and launching of prosecution in appropriate cases is taken whenever any instance of tax evasion is detected. The Government has taken various steps under a multi-pronged strategy which includes the following:

- i. Creating an appropriate legislative framework;
- ii. Setting up institutions to deal with illicit funds;
- iii. Developing systems for implementation;
- iv. Imparting skills to the workforce for effective action and
- v. Joining the Global crusade against black money

Search, Seizure & Survey :

Search, seizure and survey are amongst the main evidence collecting mechanisms that are used in cases wherein credible information about tax evasion is in possession of the ITD. Before initiating a search and seizure operation, the ITD has to arrive at a reasonable belief that a tax-payer/tax-paying entity is not paying the due taxes which is commensurate with his/ its income. Similarly, surveys are tools to undertake on the spot verification of affairs of the business having bearing on income. The Investigating Officer who conducts the search prepares a report appraising the evidences gathered, documents seized, etc., and forwards the same to the Assessing Officer to initiate assessment proceedings. The evidence collected through searches and surveys along with other material evidence gathered/collected from various sources by the ITD is used for determination of tax liability, if

any, through the quasi-judicial process of assessment of income of the subject person. Such assessment of income is subject to appeals as provided in the law.

Further streamlining and strengthening of the enforcement mechanism with regard to search cases is being done with a view to achieve the desired objectives of creating effective deterrence against tax evasion and improving voluntary compliance of tax laws.

Prosecution :

Apart from the civil consequences (levy of tax, interest and penalty), serious violations under the Income-tax Act, 1961, particularly willful attempt to evade tax etc attract criminal consequences in the form of prosecutions. Prosecution is one of the most important tools for creating requisite deterrence. Various measures have been taken in the recent past to strengthen the prosecution mechanism with a view to identify the prosecutable cases at the earliest and pursue the same with due seriousness. Such measures have led to substantial increase in the number of prosecutions launched in FY 2013-14 as compared to earlier years. Relevant statistics in this regard for last 3 financial years is as follows:

Financial Year	No. of cases in which prosecutions launched	No. of persons convicted	Cases compounded
2011-12	209	14	397
2012-13	283	10	205
2013-14	641	41	561

Strengthening intelligence gathering and analysis mechanism

Various steps have been taken to improve intelligence gathering and analysis mechanism of the Department. Main emphasis in this regard is on leveraging the strength of information technology. Among-others, the ITD has taken up a major project '**Data Warehousing & Business Intelligence**' (DW&BI). The goal of DW&BI project is to develop a comprehensive platform for effective utilization of information to promote voluntary compliance, deter noncompliance and impart confidence that all eligible persons pay appropriate tax.

The data warehouse will facilitate the collation of data from different sources over the time scale in a manner that is easy for reporting and provides a single version of truth to the users. The business intelligence component will leverage advanced reporting and analytics capabilities to utilize the data available in the warehouse to enable the end users to create their own reports and facilitate the required analysis.

Issue of black money stashed abroad:

- A. Issues pertaining to undisclosed foreign bank accounts/assets held by Indian residents abroad have been a serious concern for the Government. The phenomenon has assumed greater significance in the light of considerable public scrutiny in the recent past. Various proactive steps have been taken by the Department in strengthening the legislative and administrative framework with a view to obtain requisite information and take expeditious necessary action in respect of such cases. A brief overview of some of the important investigations and initiatives undertaken in the recent past in this regard is as follows:

Investigations into foreign bank accounts/assets cases:

Information was obtained from a foreign competent authority regarding certain Indians holding bank accounts in a foreign bank in Switzerland. Investigation into such accounts was caused through Directors General of Income-tax (Investigation) across the country and the same has resulted into detection of considerable amount of undisclosed income and payment of additional tax. With a view to collect further information/evidence and take the investigation to a logical conclusion, large numbers of references have been made to competent authorities abroad. However, despite best efforts, the Swiss competent authority has not shared any information on various grounds including treaty limitations and their domestic legal barriers. Alternative methods for obtaining the information and evidence in certain cases are being pursued. So far, these alternative channels have yielded encouraging results and have helped in obtaining information in a good number of cases. A series of video conferences and meetings were conducted by the Member (Investigation), CBDT to sensitize the officers dealing with these cases, to promote uniformity in the manner of handling and to monitor the progress of investigations. As a result of systematic investigations, despite several constraints including non-sharing of critical information by the Swiss competent authority, substantial amounts of undisclosed income are likely to be brought to tax in these cases.

Besides the above, information relating to foreign assets/bank accounts unearthed during the searches are also investigated and appropriate follow-up action under the Act is taken in this regard.

B. *Constitution of Special Investigation Team*

A Special Investigation Team (SIT), Chaired and Vice-Chaired by two former judges of the Hon'ble Supreme Court was set up immediately after taking charge by the new Government. The SIT has very wide Terms of Reference including a responsibility to prepare a comprehensive action plan and creation of necessary institutional structures that can enable and strengthen the country's battle against generation of unaccounted monies and their stashing

away in foreign banks. The Government and all its agencies, including the Reserve Bank of India, are extending all necessary assistance to the SIT. The members of the SIT are as under:

- (a) Hon'ble Mr. Justice M.B. Shah, former Judge of Supreme Court - Chairman
 - (b) Hon'ble Mr. Justice Arijit Pasayat, former Judge of Supreme Court – Vice Chairman
 - (c) Revenue Secretary
 - (d) Deputy Governor, Reserve Bank of India
 - (e) Director (IB)
 - (f) Director, Enforcement Directorate
 - (g) Director, CBI
 - (h) Chairman, CBDT
 - (i) Director General, Narcotics Control Bureau
 - (j) Director General, Revenue Intelligence
 - (k) Director, Financial Intelligence Unit
 - (l) Joint Secretary (FT&TR-I), CBDT
 - (m) Director, Research and Analysis Wing
- JS (Revenue), Department of Revenue, acts as the Member (Secretary) of the SIT.

The terms of references of the Special Investigation Team will be as per order dated 04.07.2011 of Hon'ble Supreme Court and includes as under:-

- (i) The Special Investigation Team shall function under the guidance and direction of Chairman and Vice Chairman.
- (ii) The said Special Investigation Team shall be charged with the responsibilities and duties of investigation, initiation of proceedings, and prosecution, whether in the context of appropriate criminal or civil proceedings of :-
 - (a) all issues relating to the matters concerning and arising from unaccounted monies of Hassan Ali Khan and the Tapurias;
 - (b) all other investigations already commenced and are pending, or awaiting to be initiated, with respect to any other known instances of the stashing of unaccounted monies in foreign bank accounts by Indians or other entities operating in India; and
 - (c) all other matters with respect to unaccounted monies being stashed in foreign banks by Indians or other entities operating in India that may arise in the course of such investigations and proceedings.
- (iii) It is also the responsibility of SIT to ensure that the matters are also investigated, proceedings initiated and prosecutions conducted with regard to criminality and/or unlawfulness of activities that may have been the source for such monies, as well as the criminal and/or unlawful means that are used to take such unaccounted monies out of and/or bring such monies back into the country, and use of such monies in India or abroad.
- (iv) The Special Investigation Team shall also be charged with the responsibility of preparing a comprehensive action plan, including the creation of necessary

institutional structures that can enable and strengthen the country's battle against generation of unaccounted monies, and their stashing away in foreign banks or in various forms domestically.

The Notification also states the following:

- The said Special Investigation Team should be responsible to the Hon'ble Supreme Court and that it shall be charged with the duty to keep Supreme Court informed of all major developments by filing of periodic status reports and following of any special orders that Supreme Court may issue from time to time
- All organs, agencies, departments and agents of the State, whether at the level of the Union of India, or the State Government, including but not limited to all statutorily formed individual bodies, and other constitutional bodies, extend all the cooperation necessary for the functioning of Special Investigation Team.
- The Union of India and where needed the State Governments will facilitate the conduct of the investigations, in their fullest measure, by the Special Investigation Team and functioning, by extending all the necessary financial, material, legal, diplomatic and intelligence resources, whether such investigations or portions of such investigations occur inside the country or abroad.
- The Special Investigation Team also empowered to further investigate even where charge-sheets have been previously filed; and that the Special Investigation Team may register further cases, and conduct appropriate investigations and initiate proceedings, for the purpose of bringing back unaccounted monies unlawfully kept in bank accounts abroad.

The SIT submitted its first report in a sealed cover to the Hon'ble Supreme Court which was taken on record by the Hon'ble Court in its hearing on 20.8.2014. The Hon'ble Court directed the registry to keep the report in sealed cover and in the custody of the Secretary General of Supreme Court forthwith. The Hon'ble Court requested the learned members of the SIT to proceed with the task assigned to them by their earlier orders keeping in view the earlier order of reference made by the Court. The matter has been listed for hearing on 11th November, 2014 at 4.05 P.M.

VIII. Rationalization of Manpower Requirements

On the issue of shortage of Manpower on rationalization of manpower requirements in CBDT and CBEC, the Ministry of Finance furnished the following information :

CBDT

The issue of manpower shortage face by the Income Tax Department has now been resolved by way of restructuring of the Income Tax Department as approved by the Union Cabinet on 23rd May 2013. The Department is in

process of filling up the vacancies. The Department has rationalized its manpower recruitment and has changed the earlier approved model of manpower projection based on the number of tax payers to a new model based on the expected work load. Due to change in the model of projection of manpower recruitment, the expected additional manpower recruitment of 50,000 employees, has been reduced to 20,751 employees. This has resulted in saving of nearly 30,000 posts.

Rationalization and streamlining of processes and systems relating to tax collection, based upon the past experience and learning and modernisation of the available infrastructure and amenities, including through increasing use of information technology are being undertaken on a continuous basis. The Department is in the forefront of introducing innovative e-governance technologies to serve the tax payers better and to increase the efficiency of the tax administration. Income tax Department has adopted an approach of technology driven business process engineering. Examples of this approach are the Centralized Processing Centre for processing Income tax Returns (CPC ITR) at Bengaluru and Centralized Processing Cell for processing TDS Returns (CPC TDS) at Ghaziabad. Income Tax Department has also initiated Income tax Business application (ITBA) Project for enabling workflow based system for tax administration. In recent times, various steps have been taken to improve intelligence gathering and analysis mechanism of the Department. Main emphasis in this regard is on leveraging the strength of information technology. ITD has also taken up a major project 'Data Warehousing & Business Intelligence' (DW&BI). The goal of DW&BI project is to develop a comprehensive platform for effective utilisation of information to promote voluntary compliance, deter noncompliance and impart confidence that all eligible persons pay appropriate tax. Further, the Data Warehousing and Business Intelligence (DW&BI) is expected to improve the effectiveness of utilization of information for widening and deepening the tax base. These initiatives have now allowed the Department to focus its resources towards revenue collection by improving assessment and investigation tasks. Therefore, rationalization and streamlining of traditional methods is an integral part of the computerization process followed by the Department.

Utilization of information available with the Department has thrown up large number of actionable information which needs verification and investigation at field level. However, successful implementation of these projects requires availability of commensurate skilled manpower at field offices where, presently, there is acute shortage.

CBEC

Various computerization and Information Technology (IT) projects implemented by Central Board of Excise and Customs (CBEC) aim at better tax-payer services, transparency, accountability and efficiency of Indirect Tax administration. E-filing and e-processing are gradually replacing manual filing and handling of paper documents. The computerization and information

technology projects have enabled faster registration and submission of returns by the assesseees, easy and faster tracking of refunds and settlement of disputes by them, and reduced their face-to-face interaction with the Department on day-to-day basis. These automation measures are trade friendly & trade facilitating and have reduced the transaction cost and enhanced the productivity of the trade and industry. However, at the departmental level, the functions such as scrutiny of the details filled in the returns and claims, management of adjudication process, management of risks (such as duty-evasion, misuse by unscrupulous elements in trade, under-invoicing and over-invoicing, mis-declaration, etc.), creation of audit profiles and conduction of audits, reconciliation of accounts, generation and analysis of various reports, examination of goods, implementation of allied laws including wildlife, trafficking in cultural property, Intellectual Property Right, Narcotics and Psychotropic Substances Act, environment related acts, etc., still have to be necessarily attended to manually. Thus, the computerization and IT related projects of CBEC have not per se reduced the requirement of staff at various levels. Keeping this in view, the Union Cabinet in its meeting held on 05.12.2013 approved the Cadre Restructuring Plan, and permitted creation of 18067 additional posts at different levels of mainstream staff cadres. Consequent upon filling up the additional posts sanctioned in cadre restructuring, the shortage of manpower will be effectively addressed.

PART-II

OBSERVATIONS / RECOMMENDATIONS

1. Under-utilisation of allocated funds

The Committee note with concern the persistent under-utilisation of allocated funds in respect of Demands No. 42, 43 and 44 of the Ministry of Finance (Department of Revenue) during the last three years. The amount surrendered during the last three years in respect of Demands No. 42 ranges between Rs. 366.17 crore to Rs. 8,096.39 crore. In respect of Demand No. 43 from Rs. 238.80 crore to Rs. 644.86 crore and in respect of Demand No. 44 from Rs. 95.81 crore to Rs. 146.57 crore. The Committee are not convinced with the routine reply of the Ministry that the large amount was surrendered as no decision could be taken about providing CST Compensation to the States beyond 2011-12 and also due to non-finalisation / non-clearance of some proposals for purchase of properties / equipments / vessels. In respect of the “Scheme for IT enablement of stamp & registration administrations of States / UTs and for promoting ‘e-stamping’, the Ministry had sought funds without approval and, thereafter, entire budget amount had to be surrendered. Such a trend only indicates adhocism in the Ministry in respect of utilization of allocated funds. The Committee, therefore, recommend that the Ministry should devise a coherent mechanism for realistic budgetary formulation, followed by proper utilization of allocated funds through effective management and close monitoring. The Committee also desire that it is high time that mechanisms for fixing accountability be developed at appropriate levels so that the budgetary exercise is not rendered infructuous by such persistent over-estimation followed by under-utilisation of varying degrees.

2. Broadening of Tax Base

The Committee note that during the year 2013-14, 6,96,245 new income tax assesses were added. Although, information technology is being increasingly used for collection, collation and dissemination of taxpayer

information as also those relating to high value transactions, the growth in number of tax payers does not seem to be commensurate with the growth in income and wealth witnessed over the years. The Committee, therefore, desire that the Department of Revenue should make concerted efforts by way of both appropriate policies and strict enforcement measures to widen tax base and augment revenue by pursuing non-filers, using inputs from annual information returns and third-party data tracking, transactions of immovable properties and other high-value spending. Corporate transactions like buy-back of shares mergers acquisitions etc. should also be scrutinized for possible tax-avoidance.

Tax-base should be broadened in a manner that brings in the tax net not just a large number of individuals in the lower income bracket, but a substantial accretion in the number of assesses in qualitative terms in the higher income category.

As the Committee have been recommending in their earlier Reports, widening the tax-payer base can also be undertaken by way of expanding the Tax Deductible at Source (TDS) / Tax Collected at Source (TCS) ambit and enforcing strict compliance from deductors. Once this method is utilized to its potential, the Government will get the necessary elbow-room for moderating tax rates which is being rightly emphasized upon nowadays, at the earliest. This will also enable the Department to re-orient and re-deploy their personnel in more productive and tax-buoyant areas.

3. Revenue Collection Targets and tax buoyancy

The Committee note that budgetary target of taxes collection is set before the beginning of the relevant financial year on the basis of the GDP forecast and expected buoyancy in direct taxes. In 2011-12, the direct tax collection were 92.73% of the Budgetary Estimates and in 2012-13, the direct tax collection were 97.97%. In respect of indirect taxes, the actual tax collection were 98.64% in 2011-12 and 93.94% in 2012-13. In 2013-14, the direct tax collection were 97.97% of Budget Estimates, in respect of indirect

taxes, it was 87.83%. The Committee note that although some measures have been taken by the Government to augment tax collections in the country, tax buoyancy as such has not been commensurate with the growth in income and wealth. The Committee therefore desire that the Government should formulate a holistic policy to increase the tax-GDP ratio in the economy. Taxation of all taxable entities, transactions and services, and rationalization of exemptions would pave the way for this purpose. At the enforcement level, a strict view should be taken of tax evasion.

4. Tax Refunds and interest on Refunds

The Committee note that the Department in respect of both the direct and indirect taxes have made large amount of tax refunds along with interest on refunds without parliamentary approval on the ground that since the excess tax and interest to be paid on the refund is a statutory non-discretionary obligation of the Department, it cannot qualify as tax for the purposes of receipt under Article 266. It is only the tax duly chargeable which can form receipts for the purposes of Article , to which Article 114 applies. The Committee also note that Government is not contemplating to make explicit provision of estimates of expenditure on interest liability in tax refunds in the Central Budget.

The Committee are of the firm opinion that in terms of Article 266 of the Constitution, the Department has no legal authority to withdraw the 'interest' on excess tax collected and make refunds without getting it approved by Parliament. Since it is an appropriation from the Consolidated Fund of India in terms of Article 266 (3). The Committee also concur with the views of Public Accounts Committee contained in their 66th Report (15th Lok Sabha) that there was no valid ground as to why the Department could not make broad estimates of expenditure on interest liability on tax refunds based on the past trends. The Committee, therefore, desire that in the interest of transparency and accountability, the Government should explicitly provide for interest liability of tax refunds in the Central Budget, which has been of the tune of

Rs. 6876 crore, Rs. 10499 crore, Rs. 6486 crore and Rs. 6666 crore respectively during the fiscals 2009-10, 2010-11, 2011-12 and 2012-13 respectively.

5. Tax Arrears

The Committee are constrained to note huge pendency of tax arrears both in direct and indirect taxes, which is increasing year by year. In 2013-14 Rs. 5,80,325 were tax arrears for direct taxes and Rs. 1,09,681.47 crore for indirect taxes. During the year 2014-15, these arrears have spiraled to Rs. 6,75,431 for direct taxes and Rs. 1,49,128.56 crore for indirect taxes. The Committee further note that a substantial amount of arrears has been locked up in various courts / appellate fora. The Committee find that in many cases, lack of accountability of the assessing officer in raising unrealistic tax demands without accompanying responsibility for recovery has led to a situation of staggering tax arrears locked up in long-winding disputes between the tax administration and taxpayers with a low proportion of recovery of tax. This has led to wastage of resources and inefficiency in collections. Thus, the Committee recommend that there is an urgent need for a time-bound action plan for realizing tax arrears and for minimizing litigations. On a larger plane, emphasis should be laid on rationalization and simplification of rules and procedures, while ensuring that the Tax Department plays a non-adversarial role vis-à-vis the honest taxpayer.

6. Undisputed / Uncollected Tax

The Committee note that the quantum of undisputed and uncollected tax in respect of both direct and indirect taxes has assumed alarming proportions during the last five years. The Committee are not convinced with the routine reply of the Government that tax arrears recovery has been restrained by authorities or that the assesses are not traceable or they have inadequate assets. It defies logic, as when the Government is exploring all avenues including disinvestment, etc. to mop up funds, why this captive source has been given a long rope. While taking a serious view of the laxity of the department in collecting even undisputed taxes, the Committee

recommend urgent, time bound and concrete action plan for recovery of the undisputed yet uncollected tax revenue. The Committee should be apprised of the same within a period of one month of presentation of this Report.

7. Tax Litigation

The Committee note that the Department is a significant contributor to litigation in terms of number of appeals filed before the Tribunals and Courts albeit, with low success rate. The number of appeals decided against the department before ITAT during the years 2011-12, 2012-13 and 2013-14 amounted to 52%, 50% and 53% of the total appeals filed by the department, which is a matter of serious concern. Like-wise during these very three years the number of appeals filed by the department in High Courts and decided against them came to a mind boggling 62%, 63% and 61% respectively. Of the appeals filed by the department in the Supreme Court during these three years 39%, 64% and 60% were decided against them. All this, in the opinion of the Committee, is not a very happy state of the affairs. The Committee desire that the Government should conduct a thorough analysis of assessment orders, orders of Appellate Commissioners and the success rate of appeals filed by the Department / Assessee before CESTAT / ITAT. The Department also needs to appraise the efficacy of the existing dispute resolution mechanism of Appellate Bodies in general for both Direct and Indirect Taxes.

In this context, the Committee would like to emphasise that an environment of trust and transparency between the taxpayer and the Department must be created. Appeals should be filed judiciously only after close scrutiny of pros and cons and not as a matter of course. It has become an imperative now that the quality and sustainability of appeals is duly factored in.

8. Revenue Foregone

The Committee note that Revenue Foregone during the year 2011-12 in Direct Taxes for corporate was Rs. 81,214.3 crore and Rs. 32230 crore for individuals. In 2012-13, the corresponding figure was Rs. 92636 crore for

corporate and Rs. 27626.8 crore for individuals. In the year 2013-14 the figure was Rs. 102606.4 crore (corporate) and Rs. 33293.2 crore (individuals). In indirect taxes, the total revenue foregone in 2011-12 was Rs. 432442 crore and was Rs. 463979 crore in 2012-13. In 2013-14 revenue foregone for indirect taxes was Rs. 456393 crore. The Committee also note that the revenue foregone is on account of various tax incentives / exemptions given from time to time in public interest for fulfillment of various policy objectives of the Government. The Committee reiterate their earlier Recommendation that a comprehensive review of the exemption regime involving in revenue foregone of Rs. 500 crore or more in the last 10 years be made, explaining as to how it has served the intended economic objectives or social purpose. Since the matter has lingered on for long, the Committee desire that the outcome of the review be shared with them within three months of presentation of this Report to the Parliament.

9. Search and Seizure Operations

The Committee are of the opinion that Search and Seizure Operations can be an effective deterrence against tax evasion and for improving compliance. However, in view of perceived harassment from such intrusive operations, the Committee desire that these operations should be handled with adequate caution. It is necessary that due diligence is fully carried out before undertaking the operations with a view to pre-empting legitimate complaints and to ensure due realization of tax from these operations. The Department must keep in mind that zealous or high-pitched tax estimates made at the outset do not flounder at later stages. The Committee are of the view that while stepping enforcement action against willful or chronic evaders, the Department should not alienate the honest / genuine taxpayer. As the Committee have been suggesting in their earlier Reports, the Department must identify and zero-in on evasion-prone categories / sectors and proceed in a focused manner. Tax buoyancy can be achieved in the truest sense only by adopting such a well-directed approach.

10. Unearthing black money

The Committee note the Government has taken various steps under a multi-pronged strategy, which includes creating an appropriate framework, setting up institutions to deal with illicit funds, developing systems for implementation, imparting skills to the workforce for effective action and joining the global crusade against black money. The Committee further note that a Special Investigation Team (SIT) has been set up with the responsibility to prepare a comprehensive action plan and for creation of necessary institutional structures that can enable and strengthen the country's battle against generation of unaccounted monies and their stashing away in foreign banks. The Committee hope that the efforts to bring back the black / unaccounted money stashed abroad as also to unearth black money within the country will yield positive results. In this regard, the Committee desire that enforcement of stringent legislations like the Narcotics and Psychotropic Substances Act, Foreign Exchange Management Act and Prevention of Money Laundering Act should also be tightened up. Active coordination among concerned enforcement / regulatory / investigation agencies like the FIU, RBI, SEBI, Income Tax, Central Excise and Customs, Service Tax, Enforcement Directorate, SFIO, CBI etc. should be facilitated under the auspices of the Ministry of Finance. With a view to prevent and curb generation of unaccounted money in the first place, the Committee are of the view that a multi-pronged and balanced approach comprising of policy, legislative as well as enforcement measures needs to be adopted in the long run.

11. Rationalisation of Manpower Requirements

The Committee are happy to note that the perennial problem of shortage of manpower both in CBDT and CBEC has been resolved. The restructuring of the Income Tax Department has been approved by the Union Cabinet on 23 May, 2013. The Department is now in the process of filling up the vacancies. In respect of CBEC, the Union Cabinet in its meeting held on 5 December, 2013 has approved the Cadre Restructuring Plan and permitted creation of 18,067

additional posts at different levels of mainstream staff cadres. The Committee while appreciating the steps initiated by the Government for addressing the acute shortage of manpower both in CBDT and CBEC, reiterate their earlier Recommendation that there is also a need to rationalize the manpower requirements and redeploy the same according to changing work profile / priorities and technological requirements. The Department should also arrange to conduct regular re-orientation and capacity-building workshops for creating a tax payer friendly environment in the Department.

New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)

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

Minutes of the Eighth Sitting of the Committee on Finance
The Committee sat on Thursday, the 16th October, 2014 from 1415 hrs. to 1545 hrs. in
Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Nishikant Dubey
4. Shri P.C. Gaddigoudar
5. Shri Shyama Charan Gupta
6. Shri Rattan Lal Kataria
7. Shri Bhartruhari Mahtab
8. Shri Prem Das Rai
9. Prof. Saugata Roy
10. Shri Gajendra Singh Sekhawat
11. Shri Jayant Sinha
12. Dr. Kirit Somaiya

RAJYA SABHA

13. Shri Naresh Agrawal
14. Shri Brajesh Pathak
15. Shri P. Rajeeve
16. Shri C.M. Ramesh
17. Shri Ajay Sancheti
18. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|-----------------------------|---|---------------------|
| 1. Shri R.K. Jain | - | Joint Secretary |
| 2. Shri P.C. Koul | - | Director |
| 3. Shri R.K. Suryanarayanan | - | Additional Director |

WITNESSES

Ministry of Finance (Department of Revenue)

1. Ms. Rashmi Verma, Additional Secretary
2. Shri H. Pradeep Rao, Addl. Secretary & FA
3. Shri Udai Singh Kumawat, Joint Secretary
4. Shri Balesh Kumar, Spl. Director (ED)

Central Board of Excise and Customs (CBEC)

1. Smt. J.M. Shanti Sundharam, Chairperson
2. Shri Shashi Bhushan Singh, Member
3. Shri Kaushal Srivastava, Member
4. Smt. Mala Srivastava, Member
5. Ms. Joy Kumari Chander, Member
6. Shri Alok Shukla, Joint Secretary
7. Shri M. Vinod Kumar, Joint Secretary
8. Shri Najib Shah, DG (RI)
9. Shri K.K. Sharma, DG (Systems)
10. Ms. Neerja Shah, DG (HRD)

Central Board of Direct Taxes (CBDT)

1. Ms. Anita Kapur, Member
2. Shri A.K. Jain, Member
3. Shri R.L. Rinawma, DG (Admn/HRD)
4. Ms. Promila Bhardwaj, DG (System)
5. Ms. Pragya Saksena, Joint Secretary
6. Shri Rajat Bansal, Joint Secretary

2. At the outset, the Chairperson welcomed the Members and witnesses to the Sitting. After the customary introduction of the witnesses the Committee took their oral evidence in connection with the examination of Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue). The major issues discussed during the Sitting broadly related to large surrender of fund pertaining to Demand Nos. 42,43 and 44 during 2013-14, issue of CST compensation to States, unearthing of black money/unaccounted money, role of Special Investigating Team in unearthing of Black Money/unaccounted money, recommendations of Tax Reform Commission on restructuring of Department of Revenue, shortage of manpower in Income Tax Department and urgent need to fill up vacancies, broadening of tax base, impact of Revenue Foregone on the economy, capacity building of Tax Tribunals, proportion of PAN card holders vis-à-vis tax payers, rejection of high percentage of appeals of Department by ITAT/HC/SC, Transfer Pricing Mechanism, huge tax arrears, protracted tax disputes, steps taken to reduce tax litigations, approval of Parliament for payment of interest on tax refunds and Revenue Foregone, roll out date of GST, taxation issues relating to e-commerce etc. The Chairman directed the representatives of Ministry of Finance (Department of Revenue) to furnish written replies to

the points raised by the Members which could not be answered to/adequately responded to during the discussion within ten days to the Committee Secretariat.

(The witnesses then withdrew)

A verbatim record of proceedings has been kept.

The Committee then adjourned.

Minutes of the Thirteenth Sitting of the Committee on Finance
The Committee sat on Thursday, the 11th December, 2014 from 1500 hrs. to 1630 hrs.
in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. **Shri Venkatesh Babu T.G.**
3. **Shri P.C. Gaddigoudar**
4. **Shri Shyama Charan Gupta**
5. **Shri Rattan Lal Kataria**
6. **Shri Bhartruhari Mahtab**
7. **Shri Gopal Shetty**
8. **Shri Anil Shirole**
9. **Dr. Kirit Somaiya**

RAJYA SABHA

10. **Dr. Mahendra Prasad**
11. **Shri C.M. Ramesh**
12. **Shri Ajay Sancheti**
13. **Dr. Manmohan Singh**

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| 2. Shri P.C. Koul | - | Director |
| 3. Shri R.K. Suryanarayanan | - | Additional Director |
| 4. Shri Kulmohan Singh Arora | - | Deputy Secretary |

WITNESSES

	X	X	X	X	X	X
2.	X	X	X	X	X	X
3.	X	X	X	X	X	X

(The Witnesses then withdrew.)

(The Committee then adjourned for Tea)

(At around 1605 hours the Sitting resumed with the Chairperson in Chair)

4. Thereafter the Committee took up following draft Reports for consideration and adoption: -

- (i) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue);
- (iii) Draft Report on Demands for Grants (2014-15) of the Ministry of Planning;
- (iv) Draft Report on Demands for Grants (2014-15) of the Ministry of Corporate Affairs;
- (v) Draft Report on Demands for Grants (2014-15) of the Ministry of Statistics and Programme Implementation; and
- (vi) Memorandum No. 2 regarding draft Report on Action Taken by the Government on the Observations/Recommendations contained in the Seventy-ninth Report (Fifteenth Lok Sabha) on the Subject 'Policy on New Licences in the Banking Sector'.

5. After some deliberations, the Committee adopted the draft Reports at Sl. Nos. (i), (ii), (iv), (v) and (vi) above without any modification and authorised the Chairperson to finalise them in the light of factual verification from concerned Ministries/Departments.

6. As regards the draft Report at Sl. No. (iii) above some Members pointed out to the Chairperson that due to paucity of time they could not go through it while some others wanted it to be further discussed. The consideration of draft Report at Sl. No. (iii) was accordingly deferred to the next Sitting of the Committee scheduled to be held on 18th instant.

The Committee then adjourned.

A verbatim Record of the proceedings has been kept.