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TAX ADMINISTRATION

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Eighty-seventh Report (15th Lok Sabha)]

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

**PUBLIC ACCOUNTS
COMMITTEE
2014-2015**

TENTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

TENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2014-15)

(SIXTEENTH LOK SABHA)

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[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Eighty-seventh Report (15th Lok Sabha)]

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

*Presented to Lok Sabha on 11 December, 2014
Laid in Rajya Sabha on 11 December, 2014*



LOK SABHA SECRETARIAT
NEW DELHI

December, 2014/Agrahayana, 1936 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2014-15)

Prof. K.V. Thomas — *Chairperson*

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3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmputra
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- †12. Shri Shiv Kumar Udasi
13. Dr. Kirit Somaiya
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Rajya Sabha

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SECRETARIAT

- | | | |
|----------------------|---|----------------------------|
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| 2. Shri Jayakumar T. | — | <i>Additional Director</i> |
| 3. Smt. Anju Kukreja | — | <i>Under Secretary</i> |

* Elected *w.e.f.* 3rd December, 2014 *vice* Shri Rajiv Pratap Rudy who has been appointed as Minister *w.e.f.* 9th November, 2014.

† Elected *w.e.f.* 3rd December, 2014 *vice* Shri Jayant Sinha who has been appointed as Minister *w.e.f.* 9th November, 2014.

†† Elected *w.e.f.* 3rd December, 2014 *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2014-15), having been authorized by the Committee, do present this Tenth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Eighty-seventh Report (Fifteenth Lok Sabha) on 'Tax Administration' relating to Ministry of Finance (Department of Revenue).

2. The Eighty-seventh Report was presented to Lok Sabha/laid in Rajya Sabha on 29.08.2013. Replies of the Government to the Observations/Recommendations contained in the Report were received on 1.05.2014. The Public Accounts Committee considered and adopted this Report at the sitting held on 02.12.2014. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Eighty-seventh Report (Fifteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
8 December, 2014

17 Agrahayana, 1936 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

Chapter I

REPORT

PART I

Introductory

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Eighty-seventh Report (15th Lok Sabha) on "Tax Administration" based on C&AG Report No. 27 of 2011-12, Union Government (Direct Taxes), relating to Ministry of Finance (Department of Revenue).

2. The Eighty-seventh Report (15th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 29th August, 2013, contained 19 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Finance (Department of Revenue) and are broadly categorized as under:—

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

Para Nos. 1, 2, 4, 5, 6, 9—19

Total: 16
Chapter-II

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

Para No. Nil

Total: Nil
Chapter-III

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

Para No. Nil

Total: Nil
Chapter-IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para Nos. 3, 7 and 8

Total: 3
Chapter-V

3. The Committee's examination of Tax Administration by the Ministry of Finance (Department of Revenue) revealed the following shortcomings:

- Tax-GDP ratio increased marginally from 5.6 per cent in 2006-07 to 5.7 per cent in 2010-11 through 6.6 per cent in 2007-08 and 6.1 per cent in 2009-10.
- The effective tax rate for companies was 23.5% in 2009-10 which was substantially lower than the statutory tax rate of 33.9%. Effective tax rate of companies with Profits Before Taxes (PBT) of ₹500 crore and above was 22.6% while the effective tax rate for companies having PBT of upto ₹ one crore was 25.7%.
- The revenue foregone on account of tax exemptions has increased by 111.8% from ₹ 65, 587 crore in 2006-07 to ₹ 1,38,921 crore in 2010-11.
- The growth in assessee base over the last five years registered an increase of 7.3% with an average annual rate of growth of 1.8%. However, the assessee base declined from 340.9 lakh taxpayers in 2009-10 to 335.8 lakh taxpayers in 2010-11.
- Voluntary compliance by assessees (pre-assessment stage) accounted for 81.4 per cent of the gross collections in 2010-11.
- Out of total 8.5 lakh scrutiny assessment cases, the Department had disposed of 4.6 lakh (43.7 per cent) cases in 2010-11. The pendency of scrutiny assessments increased from 2.8 lakh in 2006-07 to 3.9 lakh in 2010-11.
- In 2010-11, only 64.1% of the total demands cumulatively raised in assessments upto that year had been collected. At the end of 2010-11, as much as ₹ 2.9 lakh crore remained uncollected. Certified demand remaining uncollected increased to ₹ 1,06,990.8 crore (96.3%) in 2010-11 from ₹ 26,703.9 crore (75.8%) in 2006-07.
- Out of total 59.9 lakh direct refund claims, the Department had disposed of 40.4 lakh (67.4) claims in 2010-11. The pendency rate increased to 32.6% in 2010-11 from 24.1% in 2006-07.
- CsIT(A) were required to dispose of 2,57,656 appeal cases during 2010-11. Out of this, only 70,474 appeals (27.4%) were disposed of and the average annual disposal per CIT(A) during 2010-11 was only 479 appeals.
- Internal Audit Wing had planned 2,62,000 cases for audit during 2010-11. Out of which, 1,73,040 cases were completed thereby achieving 66% of the target. Internal Audit had raised 13,494 observations in the audited assessments with money value of ₹ 5,466.9 crore during the year 2010-11. Out of which, the Internal Audit had settled 7,996 cases with money value of ₹ 921.9 crore.
- Only 1905 cases (14.9 per cent) having tax effect of ₹ 904.6 crore out of 12,792 cases having tax effect of ₹ 9,335.1 crore of the major findings raised by Internal Audit were acted upon by the assessing officers in 2010-11.

The Committee had accordingly given their Observations/Recommendations in their Eighty-seventh Report (15th Lok Sabha).

4. The Action Taken Notes furnished by the Ministry of Finance (Department of Revenue) in respect of all the Observations/Recommendations of the Committee have been reproduced in the relevant chapters of this Report. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the Eighty-seventh Report, which need reiteration or merit comments.

5. The Committee desire that Government should furnish final/conclusive action taken replies to the Recommendations for which interim replies have been furnished.

Growth of Taxpayers

Recommendation (Para No. 4)

6. The Committee had observed that the assessee base grew from 313 lakh taxpayers in 2006-07 to 335.8 lakh taxpayers in 2010-11, registering an increase of 7.3% with an average annual rate of growth of 1.8% only. Further, the assessee base had declined from 340.84 lakh taxpayers in 2009-10 to 335.08 lakh taxpayers in 2010-11. Surprisingly when the number of corporate assessees had increased from 3.67 lakh in 2009-10 to 4.96 lakh in 2010-11, the number of non-corporate assessees had decreased from 337.17 lakh in 2009-10 to 332.42 lakh in 2010-11. Furthermore, the number of new assessees added had reduced from 17.84 lakh assessees in 2008-09 to 14.82 lakh assessees in 2010-11. Again the targets for addition of new assessees were also not achieved during the years 2007-08 to 2010-11. Keeping in view the aforesaid shortcomings in maintaining the growth of taxpayers, the Committee had urged the Government to focus on non-intrusive but penetrating methods of tax collections for being able to widen the tax base and tax evaders should be dealt with strictly. The Committee had also desire the Department to suitably augment with staff strength so that the work of widening the tax base does not suffer on this count.

7. In this regard, the Ministry of Finance (Department of Revenue) in their Action Taken Note, submitted as under:

"With reference to the observation of the Hon'ble Committee to adopt non-intrusive but penetrating methods of tax collections to widen the tax base, it is submitted that a business intelligency project has been undertaken by the Department to take focused action against non-filers. Data analysis identified target segments of around 12 lakh potential non-filers for whom specific information was available in Annual Information Return (AIR), Central Information Branch (CIB) data, TDS/TCS Returns and Cash Transaction Reports (CTRs). Based on specific criteria/rule based algorithms, high priority cases were identified for follow-up and close monitoring.

A pilot project named 'Non-filers Monitoring System' (NMS) was undertaken by the Department in February 2013 to undertake verification in such cases. Letters containing the summary of information available with the Department along-with a customized response sheet were sent in such monitored cases. A nodal cell was set up to capture the response. Preliminary result of the pilot project is very encouraging and many taxpayers have paid self-assessment tax and filed returns after the receipt of such letters. After initiation of the project, growth of

about 25 per cent. was seen in overall e-filing of returns during February-March 2013 as compared to the same period in the immediately preceding year. Further action in the matter including issuance of letter to the remaining persons in the target group is in progress in the current financial year.

A comprehensive online monitoring system has been implemented to ensure that information related to non-filers is effectively used by the Assessing Officer or designated field office. The Monitoring system displays comprehensive profile of the non-filer and enables monitoring of actions taken by the designated field office.

The Central Action Plan of the Department for FY 2013-14 further specifies timelines for the field officers in respect of action to be taken on potential non-filers and stop-filers identified by Directorate of Systems and Directorate of Investigation and Criminal Intelligence and disseminated to the field officers.

As recommended by the Hon'ble Committee to take strict action against tax evaders, the Central Action Plan envisages that action under section 271F (penalty for non-filing of return of income) and 276CC (prosecution for non-filing of return of income) be taken in appropriate cases. It further lays that every case of high income non-filer should be examined for launching of prosecution under section 276CC as it will help in conveying a strong message to such errant entities and help in improving overall compliance to Direct Tax laws.

To augment the staff strength of the Income Tax Department so that the work of widening the tax base and other collection of revenue does not suffer on this count, the Cadre Restructuring of the Income Tax Department has been approved Order issued by JS (Admn.), CBDT on 31.05.2013 by the Cabinet and the process for its expeditious implementation is underway. The Union Cabinet has approved of creation of 20751 additional posts at various grades (both IRS and non-IRS) in the Income Tax Department. The creation of the additional posts of the IRS cadre and Non-IRS Cadre has been notified by way of Sanction Order No. HRD/CM/102/3/2009-10/110167 both dt. 19.07.2013."

8. The Committee note that in pursuance of their recommendation the cadre restructuring of the Income Tax Department has been approved by the Cabinet and the process for its expeditious implementation is underway in the Department. Since the implementation of cadre restructuring would bring greater efficiency in the functioning of the tax machinery, as a whole, the Committee would urge the Ministry to implement it expeditiously. The Committee desire that a report indicating the present position of the implementation of the cadre restructuring at all the levels in the Department be submitted to them at the earliest. Further, keeping in view the large scale computerization of various aspects of tax administration and resultant efficient functioning of the Department, the Committee recommend that the surplus staff may also be redeployed so that the operational efficiency of the Department is maximized.

Recommendation (Para No. 5)

9. The Committee had felt that considering the growth rate being witnessed in the economy and the resultant spurt in both corporate and individual incomes, the number of tax assesseees should have been much higher than the existed number. The Committee had, therefore, urged upon the Government to undertake a focused study to augment the number of new assesseees so that the tax base remains wide and dispersed, reflecting truly the increase in per capita income as also the diversified nature of our economy. The Ministry had also been asked to devise an analytical model for widening of tax base, based on the increase in per capita income, both in nominal and real terms.

10. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:

"The Department of Revenue, Central Board of Direct Taxes had entered into an MoU (Memorandum of Understanding) with National Institute of Public Finance & Policy (NIPFP) to undertake a study on 'Development of an Analytical Model for Widening of the Taxpayers' Base'. The MoU has come into force *w.e.f.* 01.10.2013. It specifies that NIPFP shall submit a report on the study conducted within a period of twelve months from 1st October 2013 *i.e.* by 30.09.2014. In order to develop this analytical model, the study shall undertake time series analysis of evolution of number of taxpayers in relation to macro-economic & policy variables, cross-section analysis by quantifying the number of non-filers using taxpayer data & income distribution data and profiling of non-filers from data available in the form of Income tax returns & income or consumer expenditure surveys. The study shall use different databases and offer policy suggestions on how to expand the taxpayer base."

11. The Committee note that the Government have responded positively to the emphasis paid by them to devise an analytical model for widening of tax base, based on the increase in per capital income, both in nominal and real terms. The Ministry had entered into an MoU with National Institute of Public Finance and Policy (NIPFP) to undertake a study on "Development of an Analytical model for widening of the Tax Payers Base" which was likely to be completed by 30.09.2014. The Committee would like to be specifically apprised about the findings of the study, if completed, observations made by them and the proposed action taken thereon by the Department.

Uncollected demands

Recommendation (Para No. 7)

12. The Committee were appalled to note that at the end of FY 2011-12, as much as ₹ 4.0 lakh crore remained uncollected. Further, the uncollected demands which had been decreased from 61.96% in 2008-09 to 13.79% in 2009-10 had again increased to 40.04% in 2011-12. While expressing their concern over the lack of sustained follow up by the Ministry towards such a vital area of tax recovery, the Committee had recommended for taking urgent steps to depute adequate staff strength so that the recovery work does not suffer on that account. Suitable arrangements should also be

made to impart training to the personnel deployed in the field of tax recovery with a view to optimizing their level of efficiency. As regards the pendency of demand due to assesseees not being traceable the Committee had desired the Government to further strengthen their institutional and procedural safeguards so that traceability of assesseees could be managed well and revenue due to the Government could be recovered. The Committee had also expressed the need for publishing the names of defaulters in the media so as to reduce the number of assesseees not traceable.

13. In their Action Taken Note, the Ministry of Finance (Department of Revenue) submitted as under:

"Raising of demand and recovery of outstanding dues is a continuous process but there are many factors on account of which the department is not able to realize the demand raised and arrears accumulated over the year. The cash collection out of arrear demand as per CAP-I of August 2013 is ₹ 10286 cr. (which is 13% higher than last year) while cash collection out of arrear demand as per CAP-I of August 2012 was ₹ 8893 cr.

Regular follow up of all dossier cases above ₹10 cr. are done on quarterly basis by the concerned CCsIT and DIT (Recovery). To address the issue a comprehensive TRO's action plan was issued on 08.08.12 and the progress is being monitored regarding the collections made. Recently Member (Revenue), CBDT reviewed the position regarding collections and issued instructions for comprehensive improvement of TRO's office and infrastructure. In line with PAC's suggestions, a Committee has been constituted to suggest modern methods for improvement in tax administration; including computerization of tax record and assessment work and look into the possibilities of providing training, operational vehicle and special pay for TRO post. Further inputs for posting of TRO was already included in the Central Action Plan to ensure that:

'TROs are posted in substantive capacity in all charges throughout the year on priority basis. The Chief Commissioners of Income tax shall ensure that no post of TRO is vacant, and if there is shortage of ITOs then the additional charge may preferably be given to one of the experienced ITO in the Range. Further the TRO must be provided with the necessary staff, so as to enable him to perform his duties and in case of shortage may devise any matrix of posting Sr. TAs/TAs in the Office of the TROs from the available staff in the Range.

Progressive disposal of the certificates by TRO has to be monitored and achievements projected quarterly for status review by the CBDT.

In respect of non-compliant defaulters, the provisions of arrest and detention as per the provisions of rules 73 to 81 of Schedule II should be invoked by the TRO'.

As per detailed Action Plan, all parameters of collection out of arrear demand are monitored. It was instructed to keep track of the dossier cases where the demand is reported to be not collectible by the field authorities due to pendency of the

case before BIFR. In the year 2012-13 outstanding demand of ₹ 1026 crore and during the year 2013-14 demand of ₹ 100.46 crore have been taken out of the purview of BIFR and SICA. In these cases intimation has been sent to the field authorities to take necessary action of recovery.

The Special Cell formed has been monitoring the demand under head 'Assessee not traceable' on quarterly basis. Till date collection of ₹ 100.6 cr. has been done from the information provided by this Cell. The Cell is also coordinating information from NSE, CIBIL and other data resources available with the department or outside to strengthen the overall situation. After substantial efforts regular inputs are being provided by FIU-IND to the Directorate of Recovery. The field was requested to send the information after legal vetting in accordance with the procedure laid down by Board for putting up the names of tax defaulters in public domain. The list of names of defaulters is under process of finalization."

14. The Committee note that at the end of FY 2011-12, total demand of ₹ 4,08,418 crore remained uncollected. However, it had increased to ₹ 4,86,180 crore during the FY 2012-13. Out of which total demand of ₹ 247,80,324 crore pertains to 25 top defaulters only. The Committee have been informed that the cash collection out of arrear demand as per CAP-I of August 2013 is ₹ 10286 crore which is only 2.13% of the total outstanding demand. The situation clearly suggest that the amount collected is rather meager in comparison to the outstanding demand. It is also revealed from the list of 25 top defaulters that most of the cases are pending with various judicial fora. The Committee in their recommendation had desired the Department of Revenue to vigorously pursue such cases. However, Ministry have furnished the routine reply that these cases are being persistently followed up by them. Keeping in view the pendency of such cases in various courts for a long period of time, the Committee would reiterate that the Department of Revenue should take concrete measures to realize revenue in a time bound manner by pursuing these cases vigorously. The Committee are also constrained to observe that demand of ₹ 8872.94 crore was pending with public sector units such as LIC of India, State Bank of India and Bharat Sanchar Nigam Limited. Further with regard to recovery of demand of ₹ 7027.09 crore in case of LIC, the Department has lost on the major issues in the ITAT. The Committee thus cannot but conclude that this only proves the inefficiency of the Department in handling such cases which ultimately quashed at higher fora apart from flawed assessments. The Committee would like to be apprised of the present status of all the 25 cases.

The Committee note that in pursuance of their recommendation, a committee has been constituted by the Department to suggest modern methods for improvement in tax administration including computerization of tax record and assessment work and look into the possibilities of providing training operational vehicle and special pay for TRO Post. The Committee would like to be apprised of the date when the said committee had been constituted, time-frame within which the Committee would be able to give their suggestions and the tangible outcome of the suggestions made by that Committee.

Need for Engaging Proven Counsels

Recommendation (Para No. 13)

15. The Committee found that during the last five years more than 35-40% of the appeals filed in the ITAT/High Court/Supreme Court had been decided against the Department. Noting the poor success rate of cases decided in favour of the Department, the Committee had expressed serious concern over the manner in which Government cases were represented at various judicial fora. In order to increase the success rate of settlement of cases in favour of the Department, the Committee had desired the Department to be more cautious while filing their appeals and also urged the Department to engage special counsels with proven expertise in taxation matters to represent the complex cases in the Tribunals, High Courts and the Supreme Court.

16. The Ministry of Finance (Department of Revenue) in their Action Taken Notes made the following submission:

"Income Tax Department aims at reducing unnecessary/frivolous litigation. Efforts are made to ensure that appeals are not filed in a routine manner. In this regard, Standard Operating Procedures (SOPs) have been laid down for filing of appeals before various appellate authorities, including Income Tax Appellate Tribunal, High Courts and Supreme Court. Guidelines are issued to the field functionaries from time to time ensuring that these SOPs are strictly followed, which will reduce filing of appeals in a routine manner.

The Department is further making use of electronic media and various decisions of the Courts/Judicial Authorities having wide ramifications are circulated amongst the officers to prevent any frivolous litigation.

Further, the Department has laid down guidelines for engagement of panel of counsels to represent the Department in tax matters. These counsels are appointed on recommendation of the Screening Committee consisting of officers of the rank of Chief Commissioner of Income Tax and Commissioner of Income Tax. The appointment goes through a strict process of evaluation at the level of field officers followed by examination at the level of the Central Board of Direct Taxes. Thereafter, the proposal is sent for approval of the Minister of State (Revenue). Finally, the proposal for engagement of panel of counsels is concurred upon by the Ministry of Law & Justice.

In complex cases, however, special counsels with proven expertise in taxation matters are engaged on a case to case basis, to represent the Department. Recommendations for engagement of special counsels are received from the field in cases where:

- (i) important/complex question of law having wide ramification is involved, or
- (ii) any statutory provision of law is under challenge, or
- (iii) large quantum of revenue is at stake, or
- (iv) other important issue is involved necessitating such engagement.

Proposals so received from the field are examined by the Central Board of Direct Taxes on a case to case basis. The proposal is then approved by the Minister of State (Revenue). Finally, the proposal for engagement of panel of counsels is concurred upon by the Ministry of Law & Justice. Around 55-60 special counsels are engaged in a year, confirming that they are appointed only in exceptional and extraordinary circumstances.

It was further analysed that special counsels were mainly being engaged for the cases pertaining to International Taxation/Transfer Pricing, as these were emerging areas of taxation and departmental counsels were not found to be competent enough to argue these cases well. Thus, with a view to further streamline the process of engagement of special counsels, a proposal has been prepared for formation of panel of special counsels on the lines of "Senior Counsel-Special Engagement" as engaged by the Ministry of Law & Justice, to deal with cases related to International Taxation/Transfer Pricing. The proposal has been approved by this Ministry and is pending with the Ministry of Law & Justice for approval/concurrence."

17. The Committee had in their recommendation expressed unhappiness over the poor success rate of cases decided in favour of Department at various levels of judiciary. Upon noticing that during the last five years more than 35-40% of the appeals filed in the ITAT/High Court/Supreme Court had been decided against the Department, the Committee had recommended that the Department should engage special counsels with proven expertise in taxation matters to represent the complex cases in various judicial fora. The Committee note that in pursuance of their recommendation a proposal has been prepared by the Ministry of Finance (Department of Revenue) for formation of Panel of Special Counsels on the lines of "Senior Counsel-Special Engagement" as engaged by the Ministry of Law and Justice, to deal with cases related to International Taxation/Transfer Pricing. However, the proposal is pending with the Ministry of Law and Justice for approval/concurrence. Appreciative of the proposal of the Ministry, the Committee desire to be apprised of the present status of the proposal.

Internal Audit

Recommendation (Para No. 14)

18. The Committee were concerned to note that only 14.9% of major fundings raised by internal Audit were acted upon by the Assessing Officers during the year 2010-11. Thereafter, total pendency had increased from 6,688 cases having tax effect of ₹ 412.9 crore in 2006-07 to 34,940 cases having tax effect of ₹ 8,516.4 crore in 2010-11. The Committee were also surprised to note that only 14.71% of the pending cases were disposed of in the 'Audit Fortnight' (first fortnight of August 2012) which was declared to take up a special drive to settle maximum number of internal audit objections. As on 30th September, 2012, 26,068 cases were lying pending for settlement. Keeping in view the substantial amount of revenue locked up in these cases, the Committee had recommend the Ministry to exercise more effective supervision over the CCsIT to ensure disposal of these cases expeditiously and the progress be monitored on a monthly basis.

19. While submitting the Action Taken Notes, the Ministry have stated as under:

“The Ministry is very concerned with the increasing pendency of internal audit objections, but is bound to reiterate the circumstances for the same mentioned in the above observation:

Sl. No.	F.Y.	Op. Bal.	Raised	Settled	Cl.Bal. (₹ Crores)	Tax Effect Op. Bal.	% of Op. Bal. Settled	% of Raised, Settled
1.	2007-08	6,688	8,770	361	15,097	1,786.96	5.40	2.33
2.	2008-09	15,097	9,068	2,866	21,299	3,404.15	18.98	11.86
3.	2009-10	21,299	14,577	6,434	29,442	3,971.37	30.20	17.93
4.	2010-11	29,442	13,494	7,996	34,940	8,516.40	27.15	18.62
5.	2011-12	34,940	13,771	14,148	34,563	9,277.76	40.49	29.04
6.	2012-13	34,563	18,275	16,626	36,212	10,677.12	48.10	31.46
7.	1.4.13							
	to	36,212	11,666	19,042	28,836	9,550.55	52.58	39.77
	31.1.14							

Though there is an increase in disposal of internal audit objections both in numbers and as a percentage of the opening balance, simultaneously there has been an increase in the audit objections raised every year leading to a marginal increase in pendency at the end of every year.

This increase can be ascribed to the inherent difference in the process of audit objections being raised and settled and the relative time periods involved. Once an objection is raised, the settlement of the same involves arriving at the correct remedial action, taking prior approval if necessary, issuing notices, conducting hearings and finally passing the relevant order. Hence, the time frame of settlement takes much longer than the prescribed period of three months.

Keeping in view the adverse view taken by the PAC on slow disposal of Internal Audit Objections, several measures have been taken to improve the performance of settlement of Internal Audit Objections in the F.Y. 2011-12. As a result of these measures, as against 18.62% cases of Internal Audit Objections disposed during the F.Y. 2010-11, the disposal during the year ending 2012 had reached 29.04% of workload. The above chart reflects that the settlement of brought forward audit objections has steadily gone up from 5.40% in F.Y. 2007-08 to 48.10% in F.Y. 2012-13. Similarly the settlement of total objections at the beginning of the year and those raised during the year has steadily risen to 31.46% for the F.Y. 2012-13. During the current financial year, up to 31.01.2014, 52.58% of the opening balance as on 01.04.2013 has been settled.

In order to further improve the position of the disposal of pending Internal Audit Objections, a Revised Instruction No. 15/2013 dated 18.10.2013 has been issued by the CBDT, wherein the role of CCIT (CCA) & role of jurisdictional CCIT/DGIT has been defined for proper monitoring mechanism for desired improvement. In order to streamline the system, the roles of supervisory authorities have been enhanced and strengthened.

The Revised Instruction has now prescribed a role to the CCIT (CCA) to review the performance of Internal Audit Wing on a monthly basis and to monitor the conformity to the Action Plan drawn for audit. The CCIT (CCA) has also to assess the progress in settlement of audit objections in terms of targets prescribed through Central Action Plan and submit report to the DIT (Audit) by the 10th of the succeeding month with a copy to the CBDT.

The Revised Instruction also prescribes a role to the Jurisdictional CCIT to review the performance of settlement of Audit objections of his region, including reconciliation of pendency reported by the CIT (Audit) & the CIT (Admn.), on a monthly basis and submit report to CCIT (CCA) by the 5th of the succeeding month.

The Department is therefore taking all necessary steps to ensure timely finalization of all the Internal Audit Objections in future and to recover the revenue locked in.”

20. The Committee find that in order to further improve the position of the disposal of pending Internal Audit Objections the CBDT had issued revised instructions on 18.10.2013 wherein the role of CCIT (CCA) & Jurisdictional CCIT/DGIT has been defined for proper monitoring mechanism for desired improvement. The Committee feel that mere issuing of instructions would not serve the purpose unless the progress of finalization of all internal objections is strictly monitored to ensure timely settlement of such cases. They therefore, desire the Ministry of Finance to thoroughly review the monitoring mechanism so that necessary corrective action wherever warranted, could be taken to overcome the systemic lacunae/loopholes for elimination of the problem of increasing pendency of internal audit objections. The Committee further find that in line with the Committee's recommendation to exercise more effective supervision over the CCsIT to ensure disposal of these cases expeditiously and the progress be monitored on a monthly basis, the revised instructions issued by the Department also prescribed a role to the jurisdictional CCIT to review the performance of settlement of Audit Objections of his region, including reconciliation of pendency reported by the CIT (Audit) & CIT (Admin.), on a monthly basis and submit report to CCIT(CCA) by the 5th of the succeeding month. The Committee would like to be apprised of the number of review meetings held so far, outcome thereof and the number of Audit paras settled as a result thereof. The Committee would also desire the Department to conduct a 'Special Monthly Drive' on the lines of 'Audit Fortnight' to settle maximum number of internal audit objections.

CHAPTER II
OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN
ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

Tax-GDP ratio and tax buoyancy: The Committee note that though the total direct tax collections have registered an increase in the preceding six years *i.e.* from ₹ 2,30,181 crore in 2006-07 to ₹ 494,799 crore in 2011-12, the tax-GDP ratio has decreased from 6.26% in 2007-08 to 5.59% in 2011-12. As a result, the tax buoyancy, which is a key indicator of efficiency of revenue mobilization in relation to growth in GDP, has decreased during these years and during the financial year 2011-12, it is only 0.70 (less than one). This clearly indicates that the rate of growth of tax collection has fallen below the rate of growth of GDP. While conceding the decline in tax buoyancy, the Ministry attributed the economic meltdown, that took place in 2008-09 as the main reason therefor. The Ministry further stated that the inflation was affecting the corporate profitability which in turn affected the Corporate tax collections. The Committee, however, are not inclined to accept these pleas of the Ministry, which gives a pessimistic reflect on the Tax-GDP ratio. In their considered view the revenue realized is nowhere near the revenue potential of the country and much remains to be done to improve the horizontal equity of the tax system by extending the tax net to hard-to tax groups. In order to increase the tax buoyancy by way of augmenting the tax-GDP ratio, the Committee recommend that the Department of Revenue should re-orient their efforts for widening of tax base by bringing in the potential and high net worth assesseees into the tax net from specific sectors/channels/categories responsible for tax evasion. A concerted action plan both for widening tax net through innovative means and targeting high net worth assesseees should be evolved. The exercise should be done in transparent manner and involving all stakeholders.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 1]

Action Taken

It is the continuous endeavour of the Department to widen tax base and bring the potential taxpayers into the tax net. In order to achieve the said objective, a business intelligence project was undertaken by the Department to take focused action against non-filers. Data analysis identified target segments of around 12 lakh potential non-filers for whom specific information was available in Annual Information Return (AIR), Central Information Branch (CIB) data, TDS/TCS Returns and Cash Transaction Reports (CTRs). Based on specific criteria/rule based algorithms, high priority cases were identified for follow-up and close monitoring.

A pilot project named 'Non-filers Monitoring System' (NMS) was undertaken by the Department in February 2013 to undertake verification in such cases. Letters

containing the summary of information available with the Department along with a customized response sheet were sent in such monitored cases. A nodal cell was set up to capture the response. Preliminary result of the pilot project is very encouraging and many tax payers have paid self-assessment tax and filed returns after the receipt of such letters. After initiation of the project, growth of about 25 per cent was seen in overall e-filing of returns during February-March 2013 as compared to the same period in the immediately preceding year. Further action in the matter including issuance of letter to the remaining persons in the target group is in progress in the current financial year.

A comprehensive online monitoring system has been implemented to ensure that information related to non-filers is effectively used by the Assessing Officer or designated field office. The Monitoring system displays comprehensive profile of the non-filer and enables monitoring of actions taken by the designated field office.

The Central Action Plan of the Department for FY 2013-14 further specifies timelines for the field officers in respect of action to be taken on potential non-filers and stop-filers identified by Directorate of Systems and Directorate of Investigation and Criminal Intelligence and disseminated to the field officers.

A Memorandum of Understanding has been entered into by the Department with National Institute of Public Finance to conduct a study on Development of any analytical model for widening of taxpayers base. The study proposes to use different databases and offer policy suggestions on how to expand tax-payer base through time series analysis, cross section analysis and profiling of non-filers using income tax returns and income or consumer expenditure surveys.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M. F. No. 246/2/2012-A&
PAC-II (Vol.-IV) dated 01.05.2014]

Observation/Recommendation

Effective rate of taxation: The Committee find that the effective tax rate for the companies was lower than the statutory tax rate. Further, the effective tax rate for the companies having Profit Before Taxes (PBT) of ₹500 crore and above was 22.6% only while the effective tax rate for the companies having PBT of upto ₹ 1 crore was 25.7%.

The Committee were informed that this difference was mainly on account of various direct tax incentives which reduce the amount of tax payable thereby lowering the effective rate of tax. The Committee observe that the growth of corporate sector has increased manifold during these years but, the growth of revenue from this sector has not increased proportionately as the statute is still riddled with so many tax exemptions/incentives to this sector. According to the Ministry this issue is now being taken care of in the Direct Taxes Code (DTC), which proposes phasing out the profit-linked deductions and substitute it by investment-linked deductions. The Committee hope that with the proposed transition of profit-linked deduction to investment-linked deduction, the anomaly in the tax rate to corporate sector would be removed. The Committee, therefore, urge the Government to implement the DTC expeditiously.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 2]

Action Taken

The Direct Taxes Code Bill, 2010 (Bill No. 110 of 2010) was introduced in Lok Sabha on 30th August, 2010. The Bill was referred to the Standing Committee on Finance by Lok Sabha for its examination. After examination of the Bill, the Committee submitted its report/recommendations to the Lok Sabha Speaker on 9th March, 2012. Having considered the recommendations of the Standing Committee on Finance, a Note for the Cabinet for withdrawal of DTC Bill, 2010 and introduction of DTC Bill, 2013 was sent on 20th August, 2013 to the Cabinet Secretariat for placing it before the Cabinet. Approval of the Cabinet is awaited.

As regards the issue of transition of profit-linked deduction to investment linked deduction, it is the considered and conscious policy of the Government to phase out profit linked deductions. Hence, the Direct Taxes Code Bill, 2013 does not provide for profit linked deductions. Profit linked deductions that are available under the Income-tax Act, 1961 have been grandfathered in the Bill. The Bill contains investment linked incentives in place of the existing profit linked incentives.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments

Sd/-

(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M. F. No. 246/2/2012-A&
PAC-II (Vol.-IV) dated 01.05.2014]

Observation/Recommendation

Growth of taxpayers: The Assessee base, being composed of an incredible small number, has been a cause for serious concern to the Committee. Considering the growth in economy and an increase in the number of persons filing their returns, the Committee feel that the number of tax assessees could be much higher than the existing number. The Committee are constrained to observe that over the last five years, the assessee base grew from 313.0 lakh taxpayers in 2006-07 to 335.8 lakh taxpayers in 2010-11, registering an increase of 7.3% with an average annual rate of growth of 1.8% only. Further, from the latest figures provided by the Ministry it is seen that the assessee base has declined from 340.84 lakh taxpayers in 2009-10 to 337.38 lakh taxpayers in 2010-11. Surprisingly, when the number of corporate assessees has increased from 3.67 lakh in 2009-10 to 4.96 lakh in 2010-11, the number of non-corporate assessees has decreased from 337.17 lakh in 2009-10 to 332.42 lakh in 2010-11. It is a matter of concern that the Department which is otherwise aiming towards widening the tax base could not manage to retain the existing tax base. Furthermore, the number of new assessees added has reduced from 17.84 lakh assessees in 2008-09 to 14.82 lakh assessees in 2010-11. Again the targets for addition of new assessees have also not been achieved during the years 2007-08 to 2010-11. While seeking to justify this, the Ministry stated that the targets could not be achieved because of emphasis of voluntary compliance by the taxpayers, consistent acute shortage of manpower at all levels, increase in basic exemption limit and increase in deductions admissible. The Committee feel that either the targets were unrealistic or there is something lacking in the efforts of the Department. Keeping in view that the Department has been laying emphasis on voluntary compliance by the taxpayers, the target of putting new assessees has also not undergone any significant change and has thus been pegged at a meager growth of 15% over the new assessees added in the preceding five years. The Committee feel that as reliance on voluntary tax compliance has not yielded the desired results, Government should focus on non-intrusive but penetrating methods of tax collections for being able to widen the tax base. The Committee also recommend that the tax evaders should be dealt with strictly. The Committee would also like the Department to suitably augment their staff strength so that the work of widening the tax base does not suffer on this count. If required, additional posts may also be created for this purpose and as an *ad interim* measure certain percentage of retired Government employees having relevant experience could be hired pending filling up the posts in due course.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 4]

Action Taken

With reference to the observation of the Hon'ble Committee to adopt non-intrusive but penetrating methods of tax collections to widen the tax base, it is submitted that a business intelligence project has been undertaken by the Department to take focused action against non-filers. Data analysis identified target segments of around 12 lakh potential non-filers for whom specific information was available in Annual Information Return (AIR), Central Information Branch (CIB) data, TDS/TCS Returns and Cash Transaction Reports (CTRs). Based on specific criteria/rule based algorithms, high priority cases were identified for follow-up close monitoring.

A pilot project named 'Non-filers Monitoring System' (NMS) was undertaken by the Department in February 2013 to undertake verification in such cases. Letters containing the summary of information available with the Department alongwith a customized response sheet were sent in such monitored cases. A nodal cell was set up to capture the response. Preliminary result of the pilot project is very encouraging and many tax payers have paid self-assessment tax and filed returns after the receipt of such letters. After initiation of the project, growth of about 25 per cent was seen in overall e-filing of returns during February-March 2013 as compared to the same period in the immediately preceding year. Further action in the matter including issuance of letter to the remaining persons in the target group is in progress in the current financial year.

A comprehensive online monitoring system has been implemented to ensure that information related to non-filers is effectively used by the Assessing Officer or designated field office. The Monitoring system displays comprehensive profile of the non-filer and enables monitoring of actions taken by the designated field office.

The Central Action Plan of the Department for FY 2013-14 further specifies timelines for the field officers in respect of action to be taken on potential non-filers and stop-filers identified by Directorate of Systems and Directorate of Investigation and Criminal Intelligence and disseminated to the field officers.

As recommended by the Hon'ble Committee to take strict action against tax evaders, the Central Action Plan envisages that action under section 271F (penalty for non-filing of return of income) and 276CC (prosecution for non-filing of return of income) be taken in appropriate cases. It further lays that every case of high income non-filer should be examined for launching of prosecution under section 276CC as it will help in conveying a strong message to such errant entities and help in improving overall compliance to Direct Tax laws.

To augment the staff strength of the Income Tax Department so that the work of widening the tax base and other collection of revenue does not suffer on this count, the Cadre Restructuring of the Income Tax Department has been approved [Order issued by JS (Admn.), CBDT on 31.05.2013 *vide* F. No. A-11013/1/2013-ADVII (copy enclosed)] by the Cabinet and the process for its expeditious implementation is underway. The Union Cabinet has approved of creation of 20751 additional posts at various grades (both IRS and non-IRS) in the Income Tax department. The creation of the additional posts of the IRS cadre and non-IRS grades has been notified by way of Sanction Order No. HRD/CM/102/3/2009-10/110167 both dt. 19.07.2013 (Copy enclosed).

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments

Sd/-

(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M. F. No. 246/2/2012-A&
PAC-II (Vol.-IV) dated 01.05.2014]

F. No. A-11013/1/2013-Ad. VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 31st May, 2013

All the Chief Commissioners of Income tax
All the Directors General of Income tax

Subject: *Additional Manpower for the Income Tax Department.*

Sir/Madam,

I am directed to state that the Government has approved, as per decision taken in Cabinet Meeting held on 23rd May, 2013 (Minutes issued on 27th May, 2013), additional manpower for the Income Tax Department in various cadres as per **Annex. A** of this communication. These posts are created in addition to the existing posts as per restructuring of the Department *vide* F. No. A-11013/3/98-Ad. VII dated 24th October, 2000 and 7051 additional posts created *vide* order F. No. A-11013/3/2006-Ad. VII dated 20.11.2006.

2. All the additional posts at different levels as per **Annex. A** stand created with effect from 23rd May, 2013 (the date of the Cabinet Meeting). These posts shall be filled up in accordance with the Cabinet approval in the following manner:—

- (i) The 166 additional regular posts and 620 additional reserve posts at the level of Assistant Commissioner of Income Tax and 563 vacancies arising in this grade due to promotions to higher grade will be filled up equally by promotion and direct recruitment. Therefore the additional 1349 posts created at this level will be filled over a period of 5 years with 270 posts per year being filled in the next four years and 269 posts being filled in the fifth year. Every year these posts will be filled by promotion and by direct recruitment in equal proportion.
- (ii) The Cabinet has permitted, as a one-time measure, filling up of the additional posts that are to be filled by promotion immediately, without awaiting amendments in the recruitment rules on the basis of the model recruitment rules issued by DOPT. Accordingly, the process of filling up of all the additional posts that are to be filled by promotion shall be initiated immediately on the basis of the model recruitment rules issued by the DoPT without awaiting amendment in the recruitment rules of the relevant post(s).
- (iii) The Cabinet has also approved the filling up of the additional posts in the HAG+ with all the existing CCsIT being placed in the HAG+ directly and thereafter a DPC being conducted to place 26 of these CCsIT in the Apex grade. Instructions regarding promotions/placements of the officers in the posts in HAG+ and Apex scales shall be issued separately.

3. The region-wise/charge-wise distribution of the posts at various levels will be intimated separately. Revised sanctioned strength will be notified in the recruitment rules in due course.

4. The issues in pursuance to the approval of the Cabinet conveyed *vide* Cabinet Secretariat Note No. 20/CM/2013(i) dated the May 27th, 2013.

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Fin.)/MOS (E, B&I)
4. PPS to Secretaries—Finance/Revenue/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries—Finance/Revenue
8. JS (Pers.)/FA(F)/JS(E), DoPT
9. All Joint Secretaries in the Department of Revenue and CBDT
10. All CITs
11. Principal Chief Controller of Accounts, CBDT
12. All Zonal Accounts Offices, CBT
13. President, IRS Association
14. President, ITGOA
15. Secretary General, ITEF.

ANNEXURE A

F. No. A-11013/1/2013-Ad. VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Additional Posts to be Created in Various Grades in the Income Tax Department

Sl. No.	Name of the Post	Pay Scale	Additional Posts created
1	2	3	4
1.	Principal Chief Commissioner of Income Tax	Rs. 80,000 (fixed)	26
2.	Chief Commissioner of Income Tax	Rs. 75,500-80,000	91
3.	Principal Commissioner of Income Tax	Rs. 67,000-79,000	184 [@]
4.	Commissioner of Income Tax	Rs. 37,400-67,000+grade pay of Rs. 10,000	-(96)*
5.	Additional/Joint Commissioner of Income Tax	Rs. 37,400-67,000+grade pay of Rs. 8700/Rs. 15600-39100+grade pay of Rs. 7600	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100+grade pay of Rs. 6600	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100+grade pay of Rs. 5400	166
8.	Reserve (Group 'A')	Rs. 15600-39100+grade pay of Rs. 5400	620
9.	Income Tax Officer	Rs. 9300-34800+grade pay of Rs. 4800/Rs. 5400	1494
10.	Principal Administrative Officer	Rs. 15600-39100+grade pay of Rs. 6600	16
11.	Administrative Officer Grade II	Rs. 9300-34800+grade pay of Rs. 4800	393

@ 116 existing posts of CCIT in Hag will also be redesignated as Principal CIT, The total posts of Principal CIT will therefore be 300.

* These posts stand abolished.

1	2	3	4
12.	Administrative Officer Grade III	Rs. 9300-34800+grade pay of Rs. 4200	161
13.	Senior Private Secretary	Rs. 9300-34800+grade pay of Rs. 4800	300
14.	Private Secretary	Rs. 9300-34800+grade pay of Rs. 4200	-(72)*
15.	Inspector of Income Tax	Rs. 9300-34800+grade pay of Rs. 4600	3803
16.	Executive Assistants#	Rs. 9300-34800+grade pay of Rs. 4200	5932
17.	TA/Steno III/Driver	Rs. 5200-20200+grade pay of Rs. 2400	2895
18.	Notice Server/LDC/Driver	Rs. 5200-20200+grade pay of Rs. 1900	267
19.	Other posts in Group C	Rs. 5200-20200+grade pay of Rs. 1800	3773
20.	Deputy Director (EDP)	Rs. 15600-39100+grade pay of Rs. 6600	42
21.	Assistant Director (EDP)/Additional Assistant Director (EDP)	Rs. 15600-39100+grade pay of Rs. 5400 Rs. 9300-34800+grade pay of Rs. 5400	8
22.	DPA Grade 'B'	Rs. 9300-34800+grade pay of Rs. 4200	112
23.	DPA Grade 'A'	Rs. 9300-34800+grade pay of Rs. 4200	127
24.	Assistant Director (OL)	Rs. 15600-39100+grade pay of Rs. 6600	13
25.	Assistant Director (OL)	Rs. 15600-39100+grade pay of Rs. 5400	28
26.	Senior Hindi Translator	Rs. 9300-34800+grade pay of Rs. 4600	66
27.	Junior Hindi Translator	Rs. 9300-34800+grade pay of Rs. 4200	44

* These posts stand abolished.

The Post comprises the existing grades of Senior Tax Assistant, Office Superintendent, Stenographer Grade I and DEO which stand merged.

F. No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 19th July, 2013

Sanction Order for Creation of Posts

Subject: *Additional Manpower for grades other than the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th, 2013 following additional posts in various cadres in the Income Tax Department other than the Indian Revenue Service as indicated in the table below are hereby created *with effect from* 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing posts	Additional posts approved
1.	Income Tax Officer	Rs. 9300-34800+grade pay of Rs. 4800/Rs. 5400	4448	1494
2.	Posts in AO Cadre	Rs. 15600-39100+grade pay of Rs. 6600/Rs. 9300-34800+grade pay of Rs. 4800/4200	814	570
3.	Posts in PS Cadre	Rs. 9300-34800+grade pay of Rs. 4800/4200	823	228
4.	Inspector of Income Tax	Rs. 9300-34800+grade pay of Rs. 4600	9490	3803
5.	Executive Assistants	Rs. 9300-34800+grade pay of Rs. 4200	13905	5932
6.	TA/Steno-III/Driver	Rs. 5200-20200+grade pay of Rs. 2400	11886	2895
7.	Notice Server/ LDC/Driver	Rs. 5200-20200+grade pay of Rs. 1900	3707	267
8.	Group-C	Rs. 5200-20200+grade pay of Rs. 1800	7365	3773
9.	Posts in EDP Cadre	Rs. 15600-39100/Rs. 5200-20200	321	289
10.	Posts in OL Cadre	Rs. 15600-39100/Rs. 9300-34800	203	151
11.	Other Posts		939	0

2. This issues with the concurrence of the IFU *vide* FTS 200503.

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MoS (Finance)/MoS (F, B & I)
4. PPS to Secretaries—Finance/Revenue/Expenditure/Personal/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries—Finance/Revenue
8. All CCsIT/DGsIT
9. JS (Pers.)/FA(F)/JS(E), DoPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, IT G.O.A.
16. Secretary General, ITEF.

F. No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Sanction Order for Creation of Posts

New Delhi, 19th July, 2013

Subject: *Additional Manpower for the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th 2013, following additional posts in various grades of the Indian Revenue Service as indicated in column 5 of the table below are hereby created *with effect from* 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts created
1.	Principal Chief Commissioner of Income Tax	Rs. 80,000 (fixed)	0	26*
2.	Chief Commissioner of Income Tax	Rs. 75500-80000	0	91*
3.	Principal Commissioner of Income Tax	Rs. 67000-79000	116	184*
4.	Commissioner of Income Tax	Rs. 37400-67000+ grade pay Rs 10000	731	(96)
5.	Additional/Joint Commissioner of Income Tax	Rs. 37400-67000+ grade pay of Rs. 8700 Rs. 15600-39100+ grade pay of Rs. 7600	1253	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 6600	1358	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 5400	734	166
8.	Reserves (Group 'A')	Rs. 15600-39100+ grade pay of Rs. 5400	0	620

*2. 26 posts of CCsIT have been upgraded to the posts of Principal Chief Commissioner of Income Tax in the Apex Scale of Rs. 80,000 (fixed).

3. Remaining 90 Posts of Chief Commissioners of Income Tax have been upgraded from HAG Scale of Rs. 67000-79000/- to HAG+scale of Rs. 75,500-80,000/ and one new post has been created at HAG+scale

4. 300 posts of Commissioners of Income Tax have been upgraded from SAG scale of Rs 37400-67000/ (Grade pay Rs. 10,000) to Principal Commissioner of Income Tax in HAG Scale of Rs. 67000-79000/

5. This issues with the concurrence of the IFU *vide* FTS200503.

Yours Sincerely

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MoS (Finance)/MoS (F,B & I)
4. PPS to Secretaries Finance/Revenue/Expenditure/Personal/Economic Affairs.
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries—Finance/Revenue
8. All CCsIT/DGsIT
9. JS (Pers.)/FA (F)/JS (E). DoPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, I.T.GO.A
16. Secretary General, ITEF

Observation/Recommendation

The Committee note that in order to identify new assesseees the Department has been taking several steps such as collection of information from Banking Companies and Registrar/Sub-registrar of properties, expanding the ambit of TDS, issuing instructions to field authorities to initiate action against non-filers of ITRs, compulsory quoting of PAN, technological improvements, collection of information from third parties by Central Information Branch, etc. However, the results of increase in assessee base have been far from encouraging. As the increase in collection of direct taxes largely depends upon the growth of taxpayers, the Committee feel that considering the growth rate being witnessed in the economy and the resultant spurt in both corporate and individual incomes, the number of tax assesseees should have been much higher than the existing number. The Committee, therefore, urge upon the Government to undertake a focused study to augment the number of new assesseees so that the tax base remains wide and dispersed, reflecting truly the increase in per capita income as also the diversified nature of our economy. For this, the Ministry should also devise an analytical model for widening of tax base, based on the increase in per capita income, both in nominal and real terms as assured by the Secretary (Revenue) during the evidence.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 5]

Action Taken

It is submitted that as suggested by the Hon'ble Committee, the Department of Revenue, Central Board of Direct Taxes had entered into an MoU (Memorandum of Understanding) with National Institute of Public Finance & Policy (NIPFP) to undertake a study on "Development of an Analytical Model for Widening of the Taxpayers' Base". The MoU has come into force *w.e.f.* 01.10.2013. It specifies that NIPFP shall submit a report on the study conducted within a period of twelve months from 1st October, 2013 *i.e.* by 30.09.2014. In order to develop this analytical model, the study shall undertake time series analysis of evolution of number of tax payers in relation to macro-economic & policy variables, cross-section analysis by quantifying the number of non-filers using taxpayer data and income distribution data and profiling of non-filers from data available in the form of income tax returns & income or consumer expenditure surveys. The study shall use different databases and offer policy suggestions on how to expand the taxpayers base.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments

Sd/-

(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India.

[M/o Finance Department of Revenue, O.M.F. No. 246/2/2012-A&
PAC-II (Vol.-IV) dated 01.05.2014]

Observation/Recommendation

Processing of returns and scrutiny Assessments: Another disquieting trend observed by the Committee is the increase in number of pendency of cases selected for summary/scrutiny assessment. The Committee observe that out of total 8.5 lakh scrutiny assessment cases for disposal, the Department had disposed of only 4.6 lakh (53.7 per cent) cases in 2010-11. Therefore, the pendency of cases of scrutiny assessment had increased from 2.8 lakh in 2006-07 to 3.9 lakh in 2010-11. Again, out of 2,87,953 cases of scrutiny assessments, the disposal of the same in Financial year 2012-13 upto June, 2012 is merely 8165. Further, with regard to disposal of summary assessment cases, the Committee find that out of 5.2 crore summary assessment cases for disposal, the Department had disposed of 3.1 crore cases only in 2010-11. As a result the pendency of summary assessment cases had also significantly increased from 33.2 per cent, in 2006-07 to 41.4 per cent in 2010-11. The Committee are further constrained to find that the targets of cases to be disposed of had also not been changed for the years 2008-09 to 2010-11. The Ministry have tried to explain such a pendency on shortage of Assessing Officers. The Committee have been apprised that in order to clear the pendency and timely disposal of such cases, targets as per Central Action Plan were fixed for financial year 2012-13 wherein 100% cases had been proposed to be disposed of upto March, 2013. According to the Ministry out of total pendency of 2,87,953 scrutiny cases, as in June, 2012, a large number of cases would be time-barred in the year ending 31.3.2013 and would necessarily be completed by March, 2013. The committee would like to be apprised about the current position with regard to disposal of time barred cases as well as achievement of target as stipulated in Central Action Plan for disposal of scrutiny/summary assessment cases. Also keeping in view the increasing number of returns being filed, the Committee strongly express the urgency for increasing the number of Assessing Officers for this purpose, by simultaneously enhancing the disposal target for each Assessing Officer, which should be finalized and completed within a stipulated time-frame.

[Report of Public Accounts Committee (15th Lok Sabha)
PAC No. 2014, Part-II, Para No. 6]

Action Taken

Out of total of 5,71,667 scrutiny cases available for disposal in the Financial Year 2012-13, 3,06,400 cases were disposed by 31st March, 2013. The remaining cases, most of which are getting barred by limitation during the subsequent Financial Year's were carried forward to Financial Year 2013-14 for disposal.

Regarding summary assessments *i.e.* processing of returns, it may be stated that out of total of 2.43 crores (approx.) returns available for processing in the Financial Year 2012-13, 1.62 crores (approx.) returns were processed by 31.03.2013. In Central Action Plan for Financial Years 2013-14, it has been laid down that all the carried-forward returns as on 01.04.2013 should be processed by 31.08.2013. In June, 2013, the position was reviewed and Board in July, 2013 issued instruction to all field authorities to ensure achievement of specified targets on this issue.

Regarding the suggestion to increase number of Assessing Officers and subsequent redistribution of targets for disposal of cases, it may be mentioned that Cadre restructuring of Income-tax Department which is under implementation would yield the desired results on this issue.

To augment the number of Assessing Officers in the Income Tax Department so that the work of processing of returns and scrutiny assessments does not suffer on this count, the Cadre Restructuring of the Income Tax Department has been approved [Order issued by JS (Admn.), CBDT on 31.05.2013 *vide* F. No. A-11013/1/2013-AdvII (copy enclosed)] by the Cabinet and the process for its expeditious implementation is underway. The Union Cabinet has approved of creation of 20751 additional posts at various grades (both IRS and non-IRS) in the Income Tax department. The creation of the additional posts of the IRS cadre and non-IRS grades has been notified by way of Sanction Order No. HRD/CM/102/3/2009-10/110167 both dated 19.07.2013 (Copy enclosed).

In the cadre restructuring exercise of the Department, the number of assessment units will be increased by 1080 from 3420 to 4500 for strengthening the tax administration. Net additional revenue of Rs. 25756.04 crores per annum is expected to be generated against expenditure of Rs. 449.71 crores per annum. Each Range will have one more Assessing Officer. Besides, 114 Special Ranges are to be created with adequate supporting manpower. All these measures will go a long way in liquidation of pendency in processing of returns and disposal of scrutiny Assessments.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India.

[M/o Finance Department of Revenue, O.M.F. No. 246/2/2012-A&
PAC-II (Vol.-IV) dated 01.05.2014]

F.No.A-11013/1/2013-Ad.VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 31st May, 2013

All the Chief Commissioners of Income tax

All the Directors General of Income tax

Subject: *Additional Manpower for the Income Tax Department.*

Sir/Madam,

I am directed to state that the Government has approved, as per decision taken in Cabinet Meeting held on 23rd May, 2013 (Minutes issued on 27th May, 2013), additional manpower for the Income tax Department in various cadres as per Annex A of this communication. These posts are created in addition to the existing posts as per restructuring of the Department *vide* F.No.A-11013/3/98-Ad. VII dated 24th October, 2000 and 7051 additional posts created *vide* order F.no.A-11013/3/2006-Ad.VII dated 20.11.2006.

2. All the additional posts at different levels as per Annex A stand created with effect from 23rd May, 2013 (the date of the Cabinet Meeting). These posts shall be filled up in accordance with the Cabinet approval in the following manner:—

- (i) The 166 additional regular posts and 620 additional reserve posts at the level of Assistant Commissioner of Income Tax and 563 vacancies arising in this grade due to promotions to higher grade will be filled up equally by promotion and direct recruitment. Therefore the additional 1349 posts created at this level will be filled over a period of 5 years with 270 posts per year being filled in the next four years and 269 posts being filled in the fifth year. Every year these posts will be filled by promotion and by direct recruitment in equal proportion.
- (ii) The Cabinet has permitted, as a one-time measure, filling up of the additional posts that are to be filled by promotion immediately, without awaiting amendments in the recruitment rules on the basis of the model recruitment rules issued by DOPT. Accordingly, the process of filling up of all the additional posts that are to be filled by promotion shall be initiated immediately on the basis of the model recruitment rules issued by the DOPT without awaiting amendment in the recruitment rules of the relevant posts(s).
- (iii) The Cabinet has also approved the filling up of the additional posts in the HAG+ with all the existing CCsIT being placed in the HAG+ directly and thereafter a DPC being conducted to place 26 of these CCsIT in the Apex grade. Instructions regarding promotions/placements of the officers in the posts in HAG+ and Apex scales shall be issued separately.

3. The region-wise/charge-wise distribution of the posts at various levels will be intimated separately. Revised sanctioned strength will be notified in the recruitment rules in due course.

4. The issues in pursuance to the approval of the Cabinet conveyed *vide* Cabinet Secretariat Note No. 20/CM/2013(i) dated the May 27th, 2013.

Yours sincerely,

Sd/-
(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS(Fin)/MOS(E,B&I)
4. PPS to Secretaries — Finance/Revenue/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Member, CBDT
7. PS to Additional Secretaries — Finance/Revenue
8. JS(Pers)/FA(F)/JS(E), DOPT
9. All Joint Secretaries in the Department of Revenue and CBDT
10. All CITs
11. Principal Chief Controller of Accounts, CBDT
12. All Zonal Accounts Offices, CBDT
13. President, IRS Association
14. President, ITGOA
15. Secretary General, ITEF

ANNEXURE A

F.No. A-11013/1/2013-Ad. VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Additional posts to be created in various grades in the Income Tax Department

Sl. No.	Name of the Post	Pay Scale	Additional Posts created
1	2	3	4
1.	Principal Chief Commissioner of Income Tax	Rs. 80,000 (fixed)	26
2.	Chief Commissioner of Income Tax	Rs. 75,500-80,000	91
3.	Principal Commissioner of Income Tax	Rs. 67,000-79,000	184 [@]
4.	Commissioner of Income Tax	Rs. 37,400-67,000 + grade pay of Rs. 10,000	-(96)*
5.	Additional/Joint Commissioner of Income Tax	Rs. 37,400-67,000 + grade pay of Rs. 8700/- Rs. 15600-39100 + grade pay of Rs. 7600	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 6600	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 5400	166
8.	Reserve (Group 'A')	Rs. 15600-39100 + grade pay of Rs. 5400	620
9.	Income Tax Officer	Rs. 9300-34800 + grade pay of Rs. 4800/ Rs. 5400	1494
10.	Principal Administrative Officer	Rs. 15600-39100 + grade pay of Rs. 6600	16
11.	Administrative Officer Grade II	Rs. 9300-34800 + grade pay of Rs. 4800	393
12.	Administrative Officer Grade III	Rs. 9300-34800 + grade pay of Rs. 4200	161

[@] 116 existing posts of CCIT in Hag will also be redesignated as Principal CIT. The total posts of Principal CIT will therefore be 300.

* These posts stand abolished.

1	2	3	4
13.	Senior Private Secretary	Rs. 9300-34800 + grade pay of Rs. 4800	300
14.	Private Secretary	Rs. 9300-34800 + grade pay of Rs. 4200	-(72)*
15.	Inspector of Income Tax	Rs. 9300-34800 + grade pay of Rs. 4600	3803
16.	Executive Assitants [#]	Rs. 9300-34800 + grade pay of Rs. 4200	5932
17.	TA/Steno III/Driver	Rs. 5200-20200 + grade pay of Rs. 2400	2895
18.	Notice server/LDC/Driver	Rs. 5200-20200 + grade pay of Rs. 1900	267
19.	Other posts in Group C	Rs. 5200-20200 + grade pay of Rs. 1800	3773
20.	Deputy Director (EDP)	Rs. 15600-39100 + grade pay of Rs. 6600	42
21.	Assistant Director (EDP)/Additional Assistant Director (EDP)	Rs. 15600-39100 + grade pay of Rs. 5400/- Rs. 9300-34800 + grade pay of Rs. 5400	8
22.	DPA Grade 'B'	Rs. 9300-34800 + grade pay of Rs. 4200	112
23.	DPA Grade 'A'	Rs. 9300-34800 + grade pay of Rs. 4200	127
24.	Assistant Director (OL)	Rs. 15600-39100 + grade pay of Rs. 6600	13
25.	Assistant Director (OL)	Rs. 15600-39100 + grade pay of Rs. 5400	28
26.	Senior Hindi Translator	Rs. 9300-34800 + grade pay of Rs. 4600	66
27.	Junior Hindi Translator	Rs. 9300-34800 + grade pay of Rs. 4200	44

* These posts stand abolished.

[#] The Post comprises the existing grades of Senior Tax Assistant, Office Superintendent, Stenographer Grade I and DEO which stand merged.

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India.

F.No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 19th July, 2013

Sanction Order for Creation of Posts

Subject: *Additional Manpower for the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th 2013, following additional posts in various grades of the Indian Revenue Service as indicated in column 5 of the table below are hereby created with effect from 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts Created
1.	Principal Chief Commissioner of Income Tax	Rs. 80,000 (fixed)	0	26*
2.	Chief Commissioner of Income Tax	Rs. 75,500-80,000	0	91*
3.	Principal Commissioner of Income Tax	Rs. 67,000-79,000	116	184*
4.	Commissioner of Income Tax	Rs. 37,400-67,000+ grade pay of Rs. 10,000/-	731	(96)
5.	Additional/Joint Commissioner of Income Tax	Rs. 37,400-67,000+ grade pay of Rs. 8700/- Rs. 15600-39100+ grade pay of Rs. 7600/-	1253	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 6600/-	1358	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 5400/-	734	166
8.	Reserves (Group 'A')	Rs. 15600-39100+ grade pay of Rs. 5400/-	0	620

* 2. 26 posts of CCsIT have been upgraded to the posts of Principal Chief Commissioner of Income Tax in the Apex Scale of Rs. 80,000 (fixed).

3. Remaining 90 Posts of Chief Commissioners of Income Tax have been upgraded from HAG Scale of Rs. 67000-79000/ to HAG + scale of Rs. 75,500-80,000/- and one new post has been created at HAG + scale.

4. 300 posts of Commissioners of Income Tax have been upgraded from SAG scale of 37400-67000/(Grade pay 10,000) to Principal Commissioner of Income Tax in HAG Scale of 67000-79000/-.

5. This issues with the concurrence of the IFU *vide* FTS200503.

Yours Sincerely

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India.

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS(Fin)/MOS(E,B&I)
4. PPS to Secretaries — Finance/Revenue/Expenditure/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Member, CBDT
7. PS to Additional Secretaries — Finance/Revenue
8. All CCsIT/DGsIT
9. JS(Pers)/FA(F)/JS(E), DOPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, I.T.G.O.A.
16. Secretary General, ITEF

F.No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 19th July, 2013

Sanction Order for Creation of Posts

Subject: Additional Manpower for grades other than the Indian Revenue Service in the Income Tax Department.

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th 2013, following additional posts in various cadres in the Income Tax Department other than the Indian Revenue Service as indicated in the table below are hereby created with effect from 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional posts approved
1	2	3	4	5
1.	Income Tax Officer	Rs. 9300-34800 + grade pay of Rs. 4800/Rs. 5400	4448	1494
2.	Posts in AO cadre	Rs. 15600-39100 + grade pay of Rs. 6600/Rs. 9300-34800 + grade pay of Rs. 4800/4200	814	570
3.	Posts in PS cadre	Rs. 9300-34800 + grade pay of Rs. 4800/4200	823	228
4.	Inspector of Income Tax	Rs. 9300-34800 + grade pay of Rs. 4600	9490	3803
5.	Executive Assistants	Rs. 9300-34800 + grade pay of Rs. 4200	13905	5932
6.	TA/Steno-III/Driver	Rs. 5200-20200 + grade pay of Rs. 2400	11886	2895
7.	Notice server/ LDC/Driver	Rs. 5200-20200 + grade Rs. 1900	3707	267
8.	Group-C	Rs. 5200-20200 + grade pay of Rs. 1800	7365	3773

1	2	3	4	5
9.	Posts in EDP cadre	Rs. 15600-39100/ Rs. 5200-20200	321	289
10.	Posts in OL cadre	Rs. 15600-39100/ Rs. 3900-34800	203	151
11.	Other posts		639	0

2. This issues with the concurrence of the IFU *vide* FTS 200503

Yours Sincerely

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS(Fin)/MOS(F, B&I)
4. PPS to Secretaries — Finance/Revenue/Expenditure/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries — Finance/Revenue
8. All CCsIT/DGsIT
9. JS(Pers)/FA(F)/JS(E), DoPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, IT.G.O.A.
16. Secretary General, ITEF

Observation/Recommendation

Refunds: Another shortcoming the Committee noticed in the functioning of the Income Tax Department is increase in pendency rate of disposal of refund claims. It is seen from the data available that out of total 59.9 lakh direct refund claims, the Department had disposed of 40.4 lakh (67.4%) claims in 2010-11. Therefore, the pendency rate for disposal of refund claims had increased to 32.6 per cent in 2010-11 from 24.1 per cent in 2006-07. Further, the Government had refunded Rs. 75,169 crore including interest of Rs. 10,499.4 crore (13.9 percent) out of gross collection of corporation and Income Tax in 2010-11. While justifying the reasons for the same, the Ministry have attributed this to increase in processing of pending returns of income claiming refunds, increase in processing of e-returns at CPC Bengaluru, increase in the ambit of Refund Banker Scheme, giving effect to the appellate orders etc. The Committee observe that the department needs to carefully monitor the issue of refunds although several steps have been initiated by the Ministry to ensure completion of assessments having refunds as soon as possible. The steps taken by the Department so far have not been fruitful in tackling effectively the backlog of such claims together with consequent heavy interest burden. They, therefore, desire that in addition to these steps the Department should fix targets in respect of each charge for quick disposal of refund cases and fix responsibility on those officials who fail to fulfil the same. Simultaneously, a special Cell may also be set up in the Department to ensure that refund claims once received are positively settled within the prescribed time limit thereby reducing the interest burden thereon.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 9]

Action Taken

Refunds arise mainly on account of processing of returns or on account of giving effect to the appellate orders.

So far as the processing of returns is concerned, as per the provisions of Income Tax Act 1961, Return of Income (ROI) pertaining to a particular financial year can be filed up to one year from the end of the relevant assessment year or before completion of assessment, whichever is earlier, and ROI received in a particular financial year can be processed upto one year from the end of the financial year in which Return is received. Accordingly, the tax returns are filed over a period of time and taxes are paid by taxpayers on their own judgement on which Department exercise no control. Similarly, in cases of refunds arising out of giving effect to the appellate orders, the quantum and value of refunds is dependent on the court order.

The Department has specified best endeavour timelines in its Citizen's Charter as under:

Sl. No.	Key Services	Time lines (From the end of the month in which return/application is received/cause of action arise)
1.	Issue of refund along with interest u/s 143(1) of the I.T. Act (a) in cases of electronically filed return (b) other returns	6 months 9 months
2.	Issue of refund including interest from proceedings other than section 143(1) of the I.T. Act	1 month
3.	Giving effect to the appellate/revision order	1 month

Besides, the Central Board of Direct Taxes (CBDT) from time to time issues guidelines and instructions to field offices to expedite the pending refund claims. CBDT in August 2013 directed the field authorities to immediately issue refunds in all pending cases pertaining to A. Y. 2011-12. It was further directed to issue all the refunds amounting upto Rs. 50,000 for A. Y. 2013-14 on priority and on immediate basis.

It is submitted that issuance of refunds is being monitored by the Chief Commissioners and Commissioners of Income Tax with respect to cases falling in their jurisdiction. Setting up of Special Cell for the purpose may not be feasible owing to the fact that refund cases arise with each Assessing Officer spread across the country. Besides complaints regarding delay in issue of refunds can be filed with Ombudsman appointed in terms of Income Tax Ombudsman Guidelines 2010. Further, Aayakar Seva Kendras (ASK) have been set up by the Department at various locations which promptly deal with the refund related grievance of the assesseees. The Aayakar Seva Kendras receive and register grievance of the assesseees and issue system generated acknowledgement for the same. The grievance is then forwarded to the respective officers electronically and physically. The officer concerned processes the said grievance under intimation to the assessee and updates the status on system.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II (Vol.-IV)

dated: 01-05-2014]

Observation/Recommendation

Appeals: The Committee observe that CsIT(A) were required to dispose of 2,57,656 cases during 2010-11. Out of this, only 70,474 appeals (27.4 percent) were disposed off and the average annual disposal per CIT(A) during 2010-11 was only 479 appeals. The Committee are shocked to find that the amount locked up in appeal cases with CIT(A) was Rs. 2.9 lakh crore in 2010-11 which is equivalent to 108.8 per cent of the revised revenue deficit of Government of India. It is further seen that the amount locked up in appeals at ITAT/High Court/Supreme Court was Rs. 2.1 lakh crore in 72,196 cases as on 31 March, 2011. The factors as stated by the Ministry for huge pendency of appeals with the CIT(A) are shortage of manpower at the level of CsIT(A) and support staff, complexities involved in the appeals, requirement of further enquiry, delay in representation of case by the assessee etc. The Committee desire the Ministry to plan any viable strategy to clear this pendency and to augment the staff requirement in the Department.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 10]

Action Taken

The C&AG has taken the above mentioned total available workload of 2,57,656 appeals as the target to be disposed by CsIT(A) during the F.Y. 2010-11. It is submitted in this regard that the total workload includes appeals instituted during the year from time to time majority of which get instituted during the later part of the year. As per the Central Action Plan issued by the Central Board of Direct Taxes for disposal of appeals by CsIT(A) in F.Y. 2010-11, 96,267 appeals were expected to be disposed off by 245 CsIT(A). Against this expectation, disposal was of 70,474 appeals. Considering the fact that during F.Y. 2010-11, there were only 220 officers posted against 245 posts, **achievement comes to 82% of the target.** The correct figure of amount locked up in appeals as on 31.3.2011 is Rs. 1.98 lakh crores as against Rs. 2.9 lakh crores reported by the C&AG. Average disposal of appeals per CIT(A) during F.Y. 2010-11 was about 290 appeals considering the number of posts of CIT(A) at 245.

Updated position for F.Y. 2011-12

Total available workload of appeals at the end of F.Y. 2011-12 was 3,06,134 appeals including 1,16,809 appeals instituted during the year. Total disposal of appeals made by CsIT(A) during F.Y. 2011-12 was 75,518 appeals. Considering the number of posts of CIT(A) at 242, average disposal of appeals per CsIT(A) during F.Y. 2011-12 was about 312 appeals.

Position for F.Y. 2012-13

Pendency of appeals at the end of the year	:	1,99,390
Appeals instituted during the year	:	52,536
Total amount disputed in appeals at the end of the Year	:	Rs. 2.6 lakh crores (in Lakhs)
Disposal made during the year	:	85,049
No. of CsIT(A) Charges	:	243
Average disposal per CsIT(A)	:	350

As regards strategy to clear the pendency of appeals and to augment the staff requirement in the Department, it is submitted that the Cadre Restructuring of the Department has been approved by the Union Cabinet. In the Cadre Restructuring, number of posts of CsIT(A) was proposed to be increased by 150 *i.e.* from 243 to 393. However, exact number of posts of CsIT(A) is being considered by the Sub-Committee assigned with the task, and therefore exact number of posts could be submitted after the same is finalized. These additional posts, after the implementation of Cadre Restructuring, will enable the Department to expeditiously clear the pendency of appeals.

This has been vetted by Audit *vide* letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments. However, the figures reported in the Audit Report were based on the information provided by L&R division of the department.

Counter Comments of Ministry

No further comments.

Sd/-
(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, 3 O.M.F. No. 246/2/2012-A&PAC-II (Vol. IV)
dated 01.05.2014]

Observation/Recommendation

Targets for disposal of Appeals: The Committee take note of the particular efforts taken by the Department in minimizing the number of appeals like formulating central Action Plan, setting up targets of disposal of appeals by CsIT(A), proposing to get additional posts of CsIT(A) in the restructuring plan, increasing monetary limits for filing of appeals before Appellate Tribunal, High Courts and Supreme Court etc. The Committee urge the Government to follow these steps vigorously to get the cases settled. Revision in the monetary limits may also be reviewed after a period of every three years.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 11]

Action Taken

Monetary limits for filing of appeals before Income Tax Appellate Tribunal, High Courts and Supreme Court are reviewed after a period of every three years. The last time the limits were reviewed was *w.e.f.* 09.02.2011 by issue of Instruction No. 3/2011. The process of review of the limits has commenced.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II

(Vol.IV)

dated 01.05.2014]

Observation/Recommendation

Avoidance of adventurous assessments: The Committee again perturbed to find that in the year 2009-10, 21.81 percent cases, in 2010-11, 20% cases and in 2011-12, 32.33 per cent cases were went in appeal to CIT (Appeal). This confirmed the Committee's belief that a very large percentage of assessee remained dissatisfied with the outcome of assessment order made by the Assessing Officer. As the huge amount of revenue is locked up in these appeals and causing undue harassment to the tax payers, the Committee desire the Ministry to take remedial steps to discourage the assessing officers for making an adventurous assessment orders which result into arbitrary additions leading to appeals. The problem of huge pendency cannot be effectively tackled unless generation of too many appeals is resolved. The Assessing Officers responsible should be held accountable for wastage of time and resources of the Department by making frivolous assessments which ultimately resulted into piling of appeals at various levels.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 12]

Action Taken

CBDT has been aware of the grievances arising to the taxpayers and subsequent filing of appeals before Commissioner (Appeals) in a large number of cases due to framing of high pitched scrutiny assessments by the Assessing Officers without having proper and cogent evidence at their disposal. The Board has taken following steps to curb this tendency.

- (a) In this financial year, Board has again 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. Post-assessment, practice of review and inspection has been standardized therein. Each CCsIT/DGsIT 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. These steps have been initiated from F.Y. 2011-12 onwards.

- (b) To discourage Assessing Officers from making high-pitched assessments, Member (IT) issued a communique to all CCsIT/DGsIT wherein 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 Commissioner (Appeals) and Commissioners posted in Income-tax Appellate Tribunal at regular intervals. The newly promoted Asst. Commissioners from existing Cadre of Income-tax Officers are being provided rigorous training to suitably equip them to handle complex cases.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-
Arun Kumar Jain
Member, CBDT

Special Secretary to the Government of India

[M/o Finance, Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II
(Vol.-IV)
dated 01.05.2014]

Observation/Recommendation

Need for engaging proven counsels: The Committee are seriously concerned over the manner in which Government cases were represented at various judicial fora. From the information furnished, the Committee note that the success rate of cases decided in favour of Department at various levels of judiciary does not speak well of the Department. It is revealed from the information provided by the Department for the last five years, that more than 35-40% of the appeals filed in the ITAT/High Court/Supreme Court had been decided against the Department. These figures give credence to the

opinion that Government cases are represented in a routine manner at the higher levels of the judiciary. In order to increase the success rate of settlement of cases in favour of the Department, the Committee desire the Department to be more cautious while filing their appeals, which should not be filed in a routine manner. At the same time, the Department should engage special counsels with proven expertise in taxation matters to represent the complex cases in the Tribunals, High Courts and the Supreme Court.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 13]

Action Taken

Income Tax Department aims at reducing unnecessary/frivolous litigation. Efforts are made to ensure that appeals are not filed in a routine manner. In this regard, Standard Operating Procedures (SOPs) have been laid down for filing of appeals before various appellate authorities, including Income Tax Appellate Tribunal, High Courts and Supreme Court. Guidelines are issued to the field functionaries from time to time ensuring that these SOPs are strictly followed, which will reduce filing of appeals in a routine manner.

The Department is further making use of electronic media and various decisions of the Courts/Judicial Authorities having wide ramifications are circulated amongst the officers to prevent any frivolous litigation.

Further, the Department has laid down guidelines for engagement of panel of counsels to represent the Department in tax matters. These counsels are appointed on recommendation of the Screening Committee consisting of officers of the rank of Chief Commissioner of Income Tax and Commissioner of Income Tax. The appointment goes through a strict process of evaluation at the level of field officers followed by examination at the level of the Central Board of Direct Taxes. Thereafter the proposal is sent for approval of the Minister of State (Revenue). Finally, the proposal for engagement of panel of counsels is concurred upon by the Ministry of Law & Justice.

In complex cases, however, special counsels with proven expertise in taxation matters are engaged on a case to case basis, to represent the Department. Recommendations for engagement of special counsels are received from the field in cases where:

- (i) important/complex question of law having wide ramification is involved, or
- (ii) any statutory provision of law is under challenge, or
- (iii) large quantum of revenue is at stake, or
- (iv) other important issue is involved necessitating such engagement.

Proposals so received from the field are examined by the Central Board of Direct Taxes on case to case basis. The proposal is then approved by the Minister of State (Revenue). Finally, the proposal for engagement of panel of counsels is concurred upon by the Ministry of Law & Justice. Around 55-60 special counsels are engaged in a year, confirming that they are appointed only in exceptional and extra-ordinary circumstances.

It was further analysed that special counsels were mainly being engaged for the cases pertaining to International Taxation/Transfer Pricing, as these were emerging areas of taxation and departmental counsels were not found to be competent enough to argue these cases well. Thus, with a view to further streamline the process of engagement of special counsels, a proposal has been prepared for formation of panel of special counsels on the lines of "Senior Counsel-Special Engagement" as engaged by the Ministry of Law & Justice, to deal with cases related to International Taxation/Transfer Pricing. The proposal has been approved by this Ministry and is pending with the Ministry of Law & Justice for approval/concurrence.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

Arun Kumar Jain
Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-A &
PAC-II (Vol. IV) dated 01.05.2014]

Observation/Recommendation

Internal Audit: The Committee are perturbed to find that only 14.9% of major findings raised by internal audit were acted upon by the Assessing Officers during the year 2010-11. Therefore, total pendency increased from 6,688 cases having tax effect of ₹ 412.9 crore in 2006-07 to 34,940 cases having tax effect of ₹ 8,516.4 crore in 2010-11. However, there is a time limit of 3 months from the receipt of audit para for settlement thereof. Specifying the reasons for acting upon only 14.9% cases of major findings by the Assessing Officers, the Ministry have attributed it mainly to acute shortage of officers and staff in the Department and overriding priorities in other key areas which receives very high priority. The Committee is deeply concerned by the absence of sustained effort by the Ministry. Now, as a remedial measure to clear such pendency, first fortnight of August 2012 was declared as 'Audit Fortnight' to take up a special drive to settle maximum number of internal audit objections. It is quite evident that Ministry have become alive to the problem rather late and only when the facts were brought to light by the C&AG and issue taken up by the Public Accounts Committee for detailed examination. Moreover, the Committee are surprised to find that only 14.71% of the pending cases were disposed of in the Audit Fortnight. Still, 26,068 cases are lying pending for settlement as on 30.9.2012. With a view to disposing the pending cases, the Department has given a timeframe of 4 months in the FY 2012-13 and the CCsIT from the entire country have given assurance of completing this work

expeditiously. The Committee would like to be apprised of the latest position in this regard. Since a substantial amount of revenue is locked up in these cases, the Committee recommend that the Ministry should exercise more effective supervision over the CCsIT to ensure disposal of these cases expeditiously and the progress may be monitored on a monthly basis.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 14]

Action Taken

The Ministry is very concerned with the increasing pendency of internal audit objections, but is bound to reiterate the circumstances for the same mentioned in the above observation.

Sl. No.	F.Y.	Op.Bal.	Raised	Settled	Cl.Bal.	Tax Effect (Rs. Crores)	% of Op. Bal. Settled	% of Op. Bal.+Raised, Settled
1.	2007-08	6,688	8,770	361	15,097	1,786.96	56.40	2.33
2.	2008-09	15,097	9,068	2,866	21,299	3,404.15	18.98	11.86
3.	2009-10	21,299	14,577	6,434	29,442	3,971.37	30.20	17.93
4.	2010-11	29,442	13,494	7,996	34,940	8,516.40	27.15	18.62
5.	2011-12	34940	13771	14148	34563	9277.76	40.49	29.04
6.	2012-13	34,563	18,275	16,626	36,212	10,677.12	48.10	31.46
7.	1.4.2013 to 31.1.2014	36,212	11,666	19,042	28,836	9,550.55	52.58	39.77

1.2 Though there is an increase in disposal of internal audit objection both in numbers and as a percentage of the opening balance, simultaneously there has been an increase in the audit objections raised every year leading to a marginal increase in pendency at the end of every year.

1.3 This increase can be ascribed to the inherent different in the process of audit objections being raised and settled and the relative time periods involved. Once an objection is raised, the settlement of the same involves arriving at the correct remedial action, taking prior approval if necessary, issuing notices, conducting hearings and finally passing the relevant order. Hence, the timeframe of settlement takes much longer than the prescribed period of three months.

1.4 Keeping in view the adverse view taken by the PAC on slow disposal of Internal Audit Objections, several measures have been taken to improve the performance of settlement of Internal Audit Objections in the F.Y. 2011-12. As a result of these measures, as against 18.62% cases of Internal Audit Objections disposed during the F.Y. 2010-11, the disposal during the year ending 2012 had reached 29.04% of workload. The above chart reflects that the settlement of brought forward audit objections has steadily gone up from 5.40% in F.Y. 2007-08 to 48.10% in F.Y. 2012-13. Similarly the settlement of total objections at the beginning of the year and those raised during the year has steadily risen to 31.46% for the F.Y. 2012-13. During the current financial year, upto 31.10.2014, 52.58% of the opening balance as on 01.04.2013 has been settled.

2.1 In order to further improve the position of the disposal of pending Internal Audit Objections, a Revised Instruction No. 15/2013 dated 18.10.2013 has been issued by the CBDT, wherein the role of CCIT (CCA) and role of jurisdictional CCIT/DGIT has

been defined for proper monitoring mechanism for desired improvement. In order to streamline the system, the roles of supervisory authorities have been enhanced and strengthened.

2.2 The Revised Instruction has now prescribed a role to the CCIT (CCA) to Review the performance of Internal Audit Wing on a monthly basis and to monitor the conformity to the Action Plan drawn for audit. The CCIT (CCA) has also to assess the progress in settlement of audit objections in terms of targets prescribed through Central Action Plan and submit report to the DIT (Audit) by the 10th of the succeeding month with a copy to the CBDT.

2.3 The Revised Instruction also prescribes a role to the Jurisdiction CCIT to Review the performance of settlement of Audit objections of his region, including reconciliation of pendency reported by the CIT (Audit) and the CIT (Admn.), on a monthly basis and submit report to CCIT (CCA) by the 5th of the succeeding month.

2.4 The Department is therefore taking all necessary steps to ensure timely finalization of all the Internal Audit Objections in future and to recover the revenue locked in.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

Arun Kumar Jain
Member, CBDT

Special Secretary to the Government of India

[M/o Finance Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II (Vol.-IV)
dated 01.05.2014]

Observation/Recommendation

Sanctioned and Working Strength of Officers: The Committee observe that there has been shortage of manpower to a large extent over the year in the Income Tax Department. Shortage of staff is stated to be affecting the entire administration of revenue collection by this Department. The Committee are perturbed to find that as on 31.3.2012 there was an overall shortage of 17,037 posts in the staff strength of the Department. Out of which 1151 posts at Group 'A' level, 971 posts at Group 'B' level and 14,915 posts at Group 'C' level remained unfilled. The Committee are deeply concerned about such a large number of posts remaining unfilled for such a long period. The Committee are shocked to know that no cadre restructuring has been done in the Department during the period from 2002 to 2013. The last restructuring was done in the year 2001, and as testified by the Secretary (Revenue) before the Committee, it should have been done periodically. As staff shortage in the Income Tax Department over the years had created manifold problems such as increase in arrears of taxes, increase in uncollected demands, delay in issue of refunds, decrease in tax buoyancy, decline in assessee base etc., the Committee recommend that the Ministry should take up the matter with DoPT for expeditious approval of the cadre restructuring of the Department. The Committee want the Government to earnestly implement the same when it is approved. Staff may also be deployed efficiently after the approval of the

proposed restructuring so that the operational efficiency of the Department is maximized. Opportunity cost in terms of inter-se deployment of personnel between different activities of the Department may also be considered. Further, the vacancies that exist in the various cadres may also be filled up at the earliest either by promotions or recruitments.

The Committee is concerned that a delay in the cadre restructuring of the Department particularly at senior levels is a serious handicap in the realization of the revenue target. The Committee recommend that the Committee of Secretaries under the Cabinet decision. The present situation is untenable.

[Report of Public Accounts Committee (15th Lok Sabha), PAC No. 2014, Part-II, Para No. 15]

Action Taken

The Sanctioned and Working strength as on 31.3.2013, that is sourced from Ad. VII Section of CBDT is Annexed and it can be observed that since then the situation has marginally improved. The overall shortage of officers/staff has come down from 17037 to 16063 as on 31.03.2013. The direct recruitment vacancies are filled by the Union Public Service Commission and Staff Selection Commission. Many candidates have since been nominated for filling up the pre-restructuring direct recruitment vacancies. The direct recruitment done at the level of ITI and TA are placed as **Annexure-1**. This does not include posts filled up at Stenographers Grade-II and MTS level, which is done at CCIT (CCA) level. Further, since then, on 23.05.2013 the Cadre Restructuring of the Income Tax Department has been approved [Order issued by JS (Admn), CBDT on 31.05.2013 vide F. No. A-11013/1/2013-ADVII (copy enclosed as **Annexure-2**)] by the Cabinet and the process for its expeditious implementation is underway. The vacancies are in the process of being filled up. However, to rectify the situation where promotion vacancies are concerned, in the ongoing exercise of implementing Department Restructuring, various feeder cadres are proposed to be merged into a common cadre of 'Executive Assistants' which will ensure that sufficient officials are available in the feeder grades for filling up the vacancies that are to be filled through promotion.

Further pursuant to the approval of the Cadre Restructuring of the Income Tax Department, various sub-committees have been formed for efficient and smooth implementation of the cadre restructuring exercise of the Department. Sub-Committee No. 1 looks into the matter pertaining to the jurisdiction and efficient deployment of post in various cadres so that the operational efficiency of the Department is maximised.

This has been vetted by Audit vide their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Govt. of India

Ministry of Finance (Dept of Rev.) New Delhi

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-A&PAC-II (Vol.-IV) dated]

Direct Recruitment into Group "C"

VACANCY YEAR 2012

Combined Graduate Level Examination 2012, conducted by Staff Selection Commission	Requisition to Staff Selection Commission	Vacancy Alloted by Staff Selection Commission	Total Dossier of Successful Candidates received from Staff Selection Commission
Income Tax Inspector	524	466	412
Tax Assistant	1891	1817	1426

ANNEXURE-II

F.No.A-11013/1/2013-Ad.VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 31st May, 2013

All the Chief Commissioners of Income tax

All the Directors General of Income tax

Subject: *Additional Manpower for the Income Tax Department.*

Sir/Madam,

I am directed to State that the Government has approved, as per decision taken in Cabinet Meeting held on 23rd May 2013 (Minutes issued on 27th May, 2013), Additional Manpower for the Income Tax Department in various cadres as per **Annexure A** of this Communication. These posts are created in addition to the existing posts as per restructuring of the Department *vide* F.No. A 11013/3/98- Ad.VII dated 24th October, 2000 and 7051 additional posts created *vide* order F.No. A-11013/3/2006-Ad. VII dated 20.11.2006.

2. All the additional posts at different levels as per **Annexure A** stand created with effect from 23rd May, 2013 (the date of the Cabinet Meeting). These posts shall be filled up in accordance with the Cabinet approval in the following manner:—

- (i) The 166 additional regular posts and 620 additional reserve posts at the level of Assistant Commissioner of Income Tax and 563 vacancies arising in this grade due to promotions to higher grade will be filled up equally by promotion and direct recruitment. Therefore the additional 1349 posts created at this level will be filled over a period of 5 years with 270 posts per year being filled in the next four years and 269 posts being filled in the fifth year. Every year these posts will be filled by promotion and by direct recruitment in equal proportion.
- (ii) The Cabinet has permitted, as one-time measure, filling up of the additional posts that are to be filled by promotion immediately, without awaiting amendments in the recruitment rules on the basis of the model recruitment rules issued by DOP&T. Accordingly, the process of filling up of all the additional posts that are to be filled by promotion shall be initiated immediately on the basis of the model recruitment rules issued by the DOP&T without awaiting amendment in the recruitment rules of the relevant post (s).
- (iii) The Cabinet has also approved the filling up of the additional posts in the HAG+ with all the existing CCsIT being placed in the HAG+ directly and thereafter a DPC being conducted to place 26 of these CCsIT in the Apex grade. Instructions regarding promotions/placements of the officers in the posts in HAG+ and Apex scales shall be issued separately.

3. The region-wise/charge-wise distribution of the posts at various levels will be intimated separately. Revised sanctioned strength will be notified in the recruitment rules in due course.

4. The issues in pursuance to the approval of the Cabinet conveyed *vide* Cabinet Secretariat Note No.20/CM/2013(i) dated the May 27th, 2013.

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Fin.)/MOS(E,B&I)
4. PPS to Secretaries—Finance/Revenue/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries—Finance/Revenue
8. JS(Pers.)/FA(F)/JS(E), DOP&T
9. All Joint Secretaries in the Department of Revenue and CBDT
10. All CITs
11. Principal Chief Controller of Accounts, CBDT
12. All Zonal Accounts Officers, CBDT
13. President, IRS Association
14. President, ITGOA
15. Secretary General, ITEF

F.No. A-11013/1/2013-Ad.VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Additional posts to be created in various grades in the Income Tax Department

Sl. No.	Name of the Post	Pay Scale	Additional Posts created
1	2	3	4
1.	Principal Chief Commissioner of Income Tax	Rs.80,000 (fixed)	26
2.	Chief Commissioner of Income Tax	Rs.75,500-80,000	91
3.	Principal Commissioner of Income Tax	Rs. 67,000-79,000	184 [@]
4.	Commissioner of Income Tax	Rs.37,400-67,000+grade pay of Rs. 10,000	-(96)*
5.	Additional/Joint Commissioner of Income Tax	Rs. 37,400-67,000+grade pay of Rs. 8700/Rs. 15,600-39100+grade pay of Rs. 7600	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100+grade pay of Rs. 6600	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100+grade pay of Rs. 5400	166
8.	Reserve (Group 'A')	Rs. 15600-39100+grade pay of Rs. 5400	620
9.	Income Tax Officer	Rs. 9300-34800+grade pay of Rs. 4800/Rs. 5400	1494
10.	Principal Administrative Officer	Rs. 15600-39100+grade pay of Rs. 6600	16
11.	Administrative Officer Grade II	Rs. 9300-34800+grade pay of Rs. 4800	393
12.	Administrative Officer Grade III	Rs. 9300-34800 + grade pay of Rs. 4200	161

[@] 116 existing posts of CCIT in Hag will also be redesignated as Principal CIT, The total posts of Principal CIT will therefore be 300.

* There posts stand abolished.

1	2	3	4
13.	Senior Private Secretary	Rs. 9300-34800 + grade pay of Rs. 4800	300
14.	Private Secretary	Rs. 9300-34800 + grade pay of Rs. 4200	-(72)*
15.	Inspector of Income Tax	Rs. 9300-34800 + grade pay of Rs. 4600	3803
16.	Executive Assitants [#]	Rs. 9300-34800 + grade pay of Rs. 4200	5932
17.	TA/Steno III/Driver	Rs. 5200-20200 + grade pay of Rs. 2400	2895
18.	Notice/Server/LDC/Driver	Rs. 5200-20200 + grade pay of Rs. 1900	267
19.	Other posts in Group C	Rs. 5200-20200 + grade pay of Rs. 1800	3773
20.	Deputy Director (EDP)	Rs. 15600-39100 + grade pay of Rs. 6600	42
21.	Assistant Director (EDP)/Additional Assistant Director (EDP)	Rs. 15600-39100 + grade pay of Rs. 5400/Rs. 9300-34800 + grade pay of Rs. 5400	8
22.	DPA Grade 'B'	Rs. 9300-34800 + grade pay of Rs. 4200	112
23.	DPA Grade 'A'	Rs. 9300-34800 + grade pay of Rs. 4200	127
24.	Assistant Director (OL)	Rs. 15600-39100 + grade pay of Rs. 6600	13
25.	Assistant Director (OL)	Rs. 15600-39100 + grade pay of Rs. 5400	28
26.	Senior Hindi Translator	Rs. 9300-34800 + grade pay of Rs. 4600	66
27.	Junior Hindi Translator	Rs. 9300-34800 + grade pay of Rs. 4200	44

* There posts stand abolished.

The Post comprises the existing grades of Senior Tax Assistant, Office Superintendent, Stenographer Grade I and DEO which stand merged.

Sd/-
(S.K. Lohani)
Joint Secretary to the Government of India

Observation/Recommendation

Drive for filling vacancies: The Committee are dismayed to find that besides Cadre restructuring of the Income Tax Department, the position of filling up of the vacancies in the Department is also very critical. No sincere efforts seem to have been made by the Department to fill up the same. Although, 11,000 shortages are stated to be filled up through the direct recruitment by the Staff Selection Commission, a large number of vacancies are still lying vacant. Ministry have, however, reportedly been assured by the Staff Selection Commission for early replenishment of the same. The Committee would like to be apprised of the present position of filling the vacancies in the Department and urge the Ministry to come out with a clear cut policy in so far as filling of vacant posts in future.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 16]

Action Taken

The direct recruitment vacancies are filled by the Union Public Service Commission (for Group 'A') and Staff Selection Commission (for Group 'C'). The pre-restructuring vacancies are in the process of being filled up. A Special Recruitment drive for filling up the vacancies arising due to cadre restructuring exercise of the Department is also proposed to be undertaken by the Staff Selection Commission pursuant to the region-wise distribution of the posts in the wake of cadre restructuring exercise of the Department.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No Comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-A&PAC-II
(Vol.-IV) dated 01.05.2014]

Observation/Recommendation

Restructuring overdue: The Committee are shocked to find that the restructuring of Income Tax Department was overdue, the Department of Personnel & Training (DoPT) failed to remind the Income Tax Department to send their Cadre review proposal at the end of five year after the previous cadre review. However, as late as in 2009, DoPT has issued a communication to this effect. The Committee cannot but deprecate the casual approach displayed by the DoPT. The Committee are again concerned to note that the approval of the proposal was still pending at various stages with the

DoPT. The DoPT has now shifted the onus for delay in approval of the same to the economy instructions issued by the Department of Expenditure. The Committee feel that the purpose of any economy instruction should be to ensure that the outgo from the Government's non-plan expenditure is minimised. Such restrictions do not hold good for a department like the Department of Revenue which is designed to augment the revenue for the Government. The Committee, therefore, desire that the DoPT should take up the matter of restructuring the Income Tax Department vigorously and get the same approved at the earliest.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-III Para No. 17]

Action Taken

The Union Cabinet has already approved of creation of 20751 additional posts at various grades (both IRS and non-IRS) in the Income Tax department. The creation of the additional posts of the IRS cadre and non-IRS grades has been notified by way of Sanction Order No. HRD/CM/102/3/2009-10/110167 both dated 19.07.2013 (Copy enclosed).

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No Comments.

Sd/-
(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-A&PAC-II
(Vol.-IV) dated 01.05.2014]

F. No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Sanction order for creation of posts

New Delhi, July 19th, 2013

Subject: *Additional Manpower for the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th 2013, following additional posts in various grades of the Indian Revenue Service as indicated in column 5 of the table below are hereby created with effect from 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts Created
1.	Principal Chief Commissioner of Income Tax	Rs. 80000 (fixed)	0	26*
2.	Chief Commissioner of Income Tax	Rs. 75500-80000	0	91*
3.	Principal Commissioner of Income Tax	Rs. 67000-79000	116	184*
4.	Commissioner of Income Tax	Rs. 37400-67000 + grade pay of Rs. 10,000	731	96
5.	Additional/Joint Commissioner of Income Tax	Rs. 37400-67000 + grade pay of Rs. 8700/ Rs. 15600-39100 + grade pay of Rs. 7600	1253	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 6600	1358	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 5400	734	166
8.	Reserves (Group 'A')	Rs. 15600-39100 + grade pay of Rs. 5400	0	620

*2. 26 posts of CCsIT have been upgraded to the posts of Principal Chief Commissioner of Income Tax in the Apex Scale of Rs. 80,000 (fixed).

3. Remaining 90 Posts of Chief Commissioners of Income Tax have been upgraded from HAG Scale of Rs. 67000-79000/ to HAG+scale of Rs. 75,500-80000/ and one new posts has been created at HAG+scale.

4. 300 posts of Commissioners of Income Tax have been upgraded from SAG scale of 37400-67000/ (Grade pay 10,000) to Principal Commissioner of Income Tax in HAG Scale of 67000-79000/.

5. This issues with the concurrence of the IFU *vide* FTS200503.

Yours Sincerely

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:—

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Fin.)/MOS(E,B&I)
4. PPS to Secretaries Finance/Revenue/Expenditure/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries — Finance/Revenue
8. All CCsIT/DGsIT
9. JS(Pers.)/FA(F)/JS(E), DOPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, ITGOA
16. Secretary General, ITEF

F.No. HRD/CM102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, July 19th, 2013

Sanction Order for Creation of Posts

Subject: *Additional Manpower for grades other than the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the May 27th, 2013 following additional posts in various cadres in the Income Tax Department other than the Indian Revenue Service as indicated in the table below are hereby created with effect from 23.05.2013.

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts approved
1	2	3	4	5
1.	Income Tax Officer	Rs. 9300-34800+ grade pay of Rs. 4800/Rs. 5400	4448	1494
2.	Posts in AO cadre	Rs. 15600-39100+ grade pay of Rs. 6600/Rs. 9300-34800+grade pay of Rs. 4800/4200	814	570
3.	Posts in PS cadre	Rs. 9300-34800+ grade pay of Rs. 4800/4200	823	228
4.	Inspector of Income Tax	Rs. 9300-34800+ grade pay of Rs. 4600	9490	3803
5.	Executive Assistants	Rs. 9300-34800+ grade pay of Rs. 4200	13905	5932
6.	TA/Steno-III/Driver	Rs. 5200-20200+ grade pay of Rs. 2400	11886	2895
7.	Notice server/LDC/Driver	Rs. 5200-20200+ grade pay of Rs. 1900	3707	267

1	2	3	4	5
8.	Group-C	Rs. 5200-20200+ grade pay of Rs. 1800	7365	3773
9.	Posts in EDP cadre	Rs. 15600-39100/ Rs. 5200-20200	321	289
10.	Posts in OL cadre	Rs. 15600-39100/ Rs. 9300-34800	203	151
11.	Other posts		639	0

2. This issues with the concurrence of the IFU *vide* FTS 200503

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Finance)/MOS (F, B & I)
4. PPS to Secretaries—Finance/Revenue/Expenditure/Personal/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries-Finance/Revenue
8. All CCsIT/DGsIT
9. JS. (Pers.)/FA(F)/JS(E), DoPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, ITGOA.
16. Secretary General, ITEF

Observation/Recommendation

Audit Para: The Committee note several cases of errors committed by the Assessing Officers during the assessment of Corporation tax. The major mistakes in the assessments were on account of arithmetical errors in computation of income and tax, irregularities in allowing depreciation/business losses/capital losses, income not/under assessed, mistakes in assessment while giving effect to appellate orders etc. These cases of incorrect assessment point towards the weaknesses in the internal controls on the assessment process being exercised by the Income Tax Department. The Committee are constrained to observe that the said irregularities were incurred despite the fact that in most of the cases, the assessments were completed under scrutiny assessment. The Committee are surprised to find the claim of the Department that most of the mistakes were bonafide in nature and had been committed inadvertently by the Assessing Officers. The Committee are perturbed to note the even the Internal Audit Wing in the Department had failed to detect such irregularities. The Committee would like to be apprised of the reasons for the failure on the part of Internal Audit to detect these omissions and steps proposed to be taken to avoid the recurrence of such lapses in future.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 18)]

Action Taken

The Ministry has always paid special attention to the quality & coverage of internal audit. However, the shortage of officers and staff in core areas of work resulted in an enhanced shortage in Audit. At the level of IAP's as against the sanctioned strength of 272, only 192 officers were deployed during the year. In some audit charges the officers were holding additional charge of Audit and at times less experienced officers were deployed in Internal Audit as experienced officers were required elsewhere. To a large extent this has been the reason for failure on the part Internal Audit to detect the omissions that were subsequently pointed out by C & AG.

2.1 A Revised Instruction No. 15/2013 dated 18.10.2013 has been issued by the CBDT which *inter-alia* increases the responsibility of the Auditing Officers. Appropriate action has been directed against Auditing Officers who fail to point out a mistake but major revenue audit objections are subsequently accepted.

2.2 Addl. CsIT (Audit) and CsIT (Audit) have also been made responsible for vetting proposed audit objections with high tax effect.

2.3 CIT (Audit) is now required to submit a CIT charge-wise list of cases of accepted revenue audit objections compiled from the LAR, to CCIT (CCA), where the internal audit was conducted but had failed to notice the mistake, subsequently pointed out in an audit objection raised by the Revenue Audit.

3. The proposed Income Tax Business Application (ITBA) would start roll-out in April 2015. It has modules for uploading scrutiny assessments, for appeal effect and also for internal audit. Calculation mistakes would be minimized. Internal audit monitoring would be more comprehensive. Though to some extent these functionalities are present

in the current system, the use is not widespread. With ITBA, the use of these functionalities is expected to be mandatory.

4. To augment the staff strength of the Income Tax Department, the Cadre Restructuring of the Income Tax Department has been approved [Order issued by JS (Admn), CBDT on 31.05.2013 *vide* F. No. A-11013/1/2013-AdVII (copy enclosed)] by the Cabinet and the process for its expeditious implementation is underway. The Union Cabinet has approved of creation of 20751 additional posts at various grades (both IRS and non-IRS) in the Income Tax department. The creation of the additional posts of the IRS cadre and non-IRS grades has been notified by way of Sanction Order No. HRD/CM/102/3/2009-10/110167 both dt. 19.07.2013(Copy enclosed). This will result in availability of officers and staff for postings in the Audit and will lead to better performance by the Internal Audit Wing of the Department.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-A&PAC-II
(Vol.-IV) dated 01-05-2014]

F. No. A-11013/1/2013-Ad.VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 31st May, 2013

All the Chief Commissioners of Income tax
All the Directors General of Income tax

Subject: *Additional Manpower for the Income Tax Department.*

Sir/Madam,

I am directed to state that the Government has approved, as per decision taken in Cabinet Meeting held on 23rd May, 2013 (Minutes issued on 27th May, 2013), additional manpower for the Income Tax Department in various cadres as per **Annexure -A** of this communication. These posts are created in addition to the existing posts as per restructuring of the Department *vide* F.No. A-11013/3/98-Ad.VII dated 24th October, 2000 and 7051 additional posts created *vide* order F.No. A-11013/3/2006-Ad.VII dated 20.11.2006.

2. All the additional posts at different levels as per **Annexure- A** stand created with effect from 23rd May, 2013 (the date of the Cabinet Meeting). These posts shall be filled up in accordance with the Cabinet approval in the following manner:—

- i. The 166 additional regular posts and 620 additional reserve posts at the level of Assistant Commissioner of Income Tax and 563 vacancies arising in this grade due to promotions to higher grade will be filled up equally by promotion and direct recruitment. Therefore the additional 1349 posts created at this level will be filled over a period of 5 years with 270 posts per year being filled in the next four years and 269 posts being filled in the fifth year. Every year these posts will be filled by promotion and by direct recruitment in equal proportion.
- ii. The Cabinet has permitted, as a one-time measure, filling up of the additional posts that are to be filled by promotion immediately, without awaiting amendments in the recruitment rules on the basis of the model recruitment rules issued by DOPT. Accordingly, the process of filling up of all the additional posts that are to be filled by promotion shall be initiated immediately on the basis of the model recruitment rules issued by the DOPT without awaiting amendment in the recruitment rules of the relevant post(s).
- iii. The Cabinet has also approved the filling up of the additional posts in the HAG+with all the existing CCsIT being placed in the HAG+directly and thereafter a DPC being conducted to place 26 of these CCsIT in the Apex

grade. Instructions regarding promotions/placements of the officers in the posts in HAG+ and Apex scales shall be issued separately.

3. The region-wise/charge-wise distribution of the posts at various levels will be intimated separately. Revised sanctioned strength will be notified in the recruitment rules in due course.

4. The issues in pursuance to the approval of the Cabinet conveyed *vide* Cabinet Secretariat Note No. 20/CM/2013(i) dated the 27th May, 2013.

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Fin.)/MOS(E, B&I)
4. PPS to Secretaries — Finance/Revenue/Personnel/Economic Affairs
5. PS to Adviser to the Finance Minister
6. Chairman and all Members, CBDT
7. PS to Additional Secretaries — Finance/Revenue
8. JS(Pers.)/FA(F)/JS(E), DOPT
9. All Joint Secretaries in the Department of Revenue and CBDT
10. All CITs
11. Principal Chief Controller of Accounts, CBDT
12. All Zonal Accounts Offices, CBDT
13. President, IRS Association
14. President, ITGOA
15. Secretary General, ITEF.

ANNEXURE-A

F. No. A-11013/1/2013-Ad.VII
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Additional posts to be created in various grades in the Income Tax Department

Sl. No.	Name of the Post	Pay Scale	Additional Posts created
1	2	3	4
1.	Principal Chief Commissioner of Income Tax	Rs. 80000 (fixed)	26
2.	Chief Commissioner of Income Tax	Rs. 75500-80,000	91
3.	Principal Commissioner of Income Tax	Rs. 67000-79,000	184@
4.	Commissioner of Income Tax	Rs. 37400-67,000 + grade pay of Rs. 10,000	-(96)*
5.	Additional/Joint Commissioner of Income Tax	Rs. 37400-67000 + grade pay of Rs. 8700/ Rs. 15600-39100 + grade pay of Rs. 7600	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 6600	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100 + grade pay of Rs. 5400	166
8.	Reserve (Group 'A')	Rs. 15600-39100 + grade pay of Rs. 5400	620
9.	Income Tax Officer	Rs. 9300-34800 + grade pay of Rs. 4800/Rs. 5400	1494
10.	Principal Administrative Officer	Rs. 15600-39100 + grade pay of Rs. 6600	16
11.	Administrative Officer Grade II	Rs. 9300-34800 + grade pay of Rs. 4800	393

@ 116 existing posts of CCIT in HAG will also be redesignated as Principal CIT. The total posts of Principal CIT will therefore be 300.

* These posts stand abolished.

1	2	3	4
12.	Administrative Officer Grade III	Rs. 9300-34800+ grade pay of Rs. 4200	161
13.	Senior Private Secretary	Rs. 9300-34800+ grade pay of Rs. 4800	300
14.	Private Secretary	Rs. 9300-34800+ grade pay of Rs. 4200	-(72)*
15.	Inspector of Income Tax	Rs. 9300-34800+ grade pay of Rs. 4600	3803
16.	Executive Assistant #	Rs. 9300-34800+ grade pay of Rs. 4200	5932
17.	TA/Steno. III/Driver	Rs. 5200-20200+ grade pay of Rs. 2400	2895
18.	Notice Server/LDC/Driver	Rs. 5200-20200+ grade pay of Rs. 1900	267
19.	Other posts in Group-C	Rs. 5200-20200+ grade pay of Rs. 1800	3773
20.	Deputy Director (EDP)	Rs. 15600-39100+ grade pay of Rs. 6600	42
21.	Assistant Director (EDP)/Additional Assistant Director (EDP)	Rs. 15600-39100+ grade pay of Rs. 5400/ Rs. 9300-34800+ grade pay of Rs. 5400	8
22.	DPA Grade 'B'	Rs. 9300-34800+ grade pay of Rs. 4200	112
23.	DPA Grade 'A'	Rs. 9300-34800+ grade pay of Rs. 4200	127
24.	Assistant Director (OL)	Rs. 15600-39100+ grade pay of Rs. 6600	13
25.	Assistant Director (OL)	Rs. 15600-39100+ grade pay of Rs. 5400	28
26.	Senior Hindi Translator	Rs. 9300-34800+ grade pay of Rs. 4600	66
27.	Junior Hindi Translator	Rs. 9300-34800+ grade pay of Rs. 4200	44

* These posts stand abolished.

The Post comprises the existing grades of Senior Tax Assistant, Office Superintendent, Stenographer Grade I and DEO which stand merged.

F. No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, the July 19, 2013

Sanction Order for Creation of Posts

Subject: *Additional Manpower for grades other than the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the 27th May, 2013 following additional posts in various cadres in the Income Tax Department other than the Indian Revenue Service as indicated in the table below are hereby created with effect from 23.05.2013:—

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts approved
1	2	3	4	5
1.	Income Tax Officer	Rs. 9300-34800+ grade pay of Rs. 4800/Rs. 5400	4448	1494
2.	Posts in AO cadre	Rs. 15600-39100+ grade pay of Rs. 6600/ Rs. 9300-34800+ grade pay of Rs. 4800/Rs. 4200	814	570
3.	Posts in PS cadre	Rs. 9300-34800+ grade pay of Rs. 4800/Rs. 4200	823	228
4.	Inspector of Income Tax	Rs. 9300-34800+ grade pay of Rs. 4600	9490	3803
5.	Executive Assistants	Rs. 9300-34800+ grade pay of Rs. 4200	13905	5932
6.	TA/Steno-III/Driver	Rs. 5200-20200+ grade pay of Rs. 2400	11886	2895

1	2	3	4	5
7.	Notice Server/LDC/Driver	Rs. 5200-20200+ grade pay of Rs. 1900	3707	267
8.	Group 'C'	Rs. 5200-20200+ grade pay of Rs. 1800	7365	3773
9.	Posts in EDP cadre	Rs. 15600-39100/ Rs. 5200-20200	321	289
10.	Posts in OL cadre	Rs. 15600-39100/ Rs. 9300-34800	203	151
11.	Other posts		639	0

2. This issues with the concurrence of the IFU *vide* FTS 200503

Yours sincerely,

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Finance)/MOS (F, B & I)
4. PPS to Secretaries—Finance/Revenue/Expenditure/Personal/Economic Affairs
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10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, IT GOA
16. Secretary General, ITEF

F. No. HRD/CM/102/3/2009-10/110167
Government of India/Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 19 July, 2013

Sanction Order for Creation of Posts

Subject: *Additional Manpower for the Indian Revenue Service in the Income Tax Department.*

In accordance with the approval of the Cabinet conveyed *vide* Cabinet Secretariat U.O. No. 20/CM/2013 (Case No. 165/20/2013) dated the 27th May, 2013, following additional posts in various grades of the Indian Revenue Service as indicated in column 5 of the table below are hereby created with effect from 23.05.2013:—

Sl. No.	Cadre	Pay Scale	Existing Posts	Additional Posts approved
1	2	3	4	5
1.	Principal Chief Commissioner of Income Tax	Rs. 80000 (fixed)	0	26*
2.	Chief Commissioner of Income Tax	Rs. 75500-80000	0	91*
3.	Principal Commissioner of Income Tax	Rs. 67000-79000	116	184*
4.	Commissioner of Income Tax	Rs. 37400-67000+ grade pay of Rs. 10000	731	(96)
5.	Additional/Joint Commissioner of Income Tax	Rs. 37400-67000+ grade pay of Rs. 8700/ Rs. 15600-39100+ grade pay of Rs. 7600	1253	322
6.	Deputy Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 6600	1358	36
7.	Assistant Commissioner of Income Tax	Rs. 15600-39100+ grade pay of Rs. 5400	734	166
8.	Reserves (Group 'A')	Rs. 15600-39100+ grade pay of Rs. 5400	0	620

*2. 26 posts of CCsIT have been upgraded to the posts of Principal Chief Commissioner of Income Tax in the Apex Scale of Rs. 80,000 (fixed).

3. Remaining 90 Posts of Chief Commissioners of Income Tax have been upgraded from HAG Scale of Rs. 67000-79000 to HAG+scale of Rs. 75500-80000 and one new post has been created at HAG+scale.

4. 300 posts of Commissioners of Income Tax have been upgraded from SAG scale of Rs. 37400-67000/(Grade pay Rs. 10000) to Principal Commissioner of Income Tax in HAG Scale of Rs. 67000-79000/.

5. This issues with the concurrence of the IFU *vide* FTS200503.

Yours sincerely

Sd/-

(S.K. Lohani)

Joint Secretary to the Government of India

Copy to:

1. PS to Finance Minister
2. PS to Deputy Chairman, Planning Commission
3. PS to MOS (Finance)/MOS (E, B & I)
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8. All CCsIT/DGsIT
9. JS(Pers.)/FA(F)/JS(E), DoPT
10. All Joint Secretaries in the Department of Revenue and CBDT
11. All Commissioners of Income Tax
12. Principal Chief Controller of Accounts, CBDT
13. All Zonal Accounts Offices, CBDT
14. President, IRS Association
15. President, IT GOA
16. Secretary General, ITEF

Observation/Recommendation

Fixing individual responsibility: With regard to fixing responsibility on the officials concerned for their acts of omission and commission, the Committee are concerned to find that in most of the cases explanation of the Assessing Officers concerned had been called for by the CIT. However, the Ministry have not offered any explanation on the role of the various officers higher up in the hierarchy. The Committee are unable to understand as to why the Ministry chose not to seek explanation from the senior officers for their failure to exercise the required supervision. The Committee would like to be informed of the action taken by the Ministry in this regard and the present position of recovery of the amount of tax so short/non-recovered due to such lapses.

The Assessing Officers function as quasi-judicial authority and whose independence and autonomy must not be interfered with. Nonetheless it is obligation of supervisory officers to ensure that there is no miscarriage of justice. Assessing Officers often in order to meet revenue targets make unrealistic assessments knowing that these orders will be set aside in the appellate process. Even if appeals have been upheld this does not adversely impact the service or career prospects of Assessing Officers. Over a period of time dissatisfaction level of assesseees have gone up substantially since a high percentage of appeals are being preferred against the initial assessment order and substantial percentage of appeals preferred by assesseees also succeeded. The department needs to seriously examine and inculcate attitude which will ensure that while no legitimate revenue is failed to be realized, the orders of Assessing Officers are fair and judicious and do not result in a very high percentage of dissatisfaction on the part of the assesseees. The Department need to seriously examine these suggestions and come up with appropriate suggestions and strict instructions to ameliorate the present situation and growing dissatisfaction.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 19]

Action Taken

The Central Board of Direct Taxes (CBDT) has taken action to streamline the process of supervision exercised by the officers of the level of CCIT (CCA), CCIT and CIT (Audit) by issuing necessary instructions covering Revenue Audit and Internal Audit mechanism within the Department.

1.2 CBDT has taken serious note of the comments of the Public Accounts Committee on proper monitoring mechanism for desired improvement in compliance to this, in addition to the existing CBDT Instruction No. 3 of 2007 dated 17.4.2007 on the New Internal Audit System, a Revised Instruction No. 15/2013 has been issued by the CBDT on 18.10.2013 wherein the role of CCIT (CCA) & the role of jurisdictional CCIT/ DGIT and CIT (Audit) has been defined and further strengthened in the Internal Audit mechanism.

1.3 The Board had issued Instruction No. 9 of 2006 dated 7.11.2006 on Receipt/ Revenue Audit Objections. However, it was a matter of concern that despite a comprehensive procedure prescribed through the Instruction for action at different stages of Audit Objections, settlement track record is unsatisfactory and remedial action is delayed. Further, CBDT has taken serious note of the comments of the PAC on the need to have effective monitoring system in place and has, therefore, decided to fine tune the procedure and strengthen the role of supervisory authorities and CIT (Audit). In view of this, Instruction No. 16 of 2013 has been issued by the CBDT on 31.10.2013.

1.4 Regarding 'the present position of recovery of the amount of tax so short/non-recovered due to such lapses', the audit objections in all cases invariably go through a process of a remedial measure under the various sections of the Income Tax Act. Subsequently, in majority of these cases where remedial measures are taken, same are challenged in Appeal and pass through various appellate stages including CIT (Appeal), ITAT, High Court and/or Supreme Court. The demand raised as a result of the audit objection changes at every appeal stage and involves many years. To determine the recovery position of the amount of tax in all such audit objection involving many cases separately in every jurisdiction, involves extensive manpower and resources. At present, data of this kind is not maintained by the Department.

2. The CBDT has been aware of the grievances arising to the taxpayers and subsequent filing of appeals before Commissioner (Appeals) in a large number of cases due to framing of high pitched scrutiny assessments by the Assessing Officers without having proper and cogent evidence at their disposal. The Board has taken following steps to curb this tendency:

- (a) In this financial year, Board has again 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. Post-assessment, practice of review and inspection has been standardized therein. Each CCsIT/DGsIT 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. These steps have been initiated from F.Y. 2011-12 onwards.
- (b) To discourage Assessing Officers from making high-pitched assessments, Member (IT) issued a communique to all CCsIT/DGsIT wherein 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 Commissioner (Appeals) and Commissioners posted in Income-tax Appellate Tribunal at regular intervals. The newly promoted Asst. Commissioners from existing Cadre of Income-tax Officers are being provided rigorous training to suitably equip them to handle complex cases.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II (Vol.-IV)
dated 01.05.2014]

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT**

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation

Revenue Foregone: The Committee note that various tax exemptions and concessions extended under the Tax Law deplete considerable portion of tax collection which is borne out by the fact that the revenue foregone on account of tax exemptions has increased by 22.75% from ₹ 77,177 crore in 2006-07 to ₹ 94,738 crore in 2010-11 and corporate sector alone has accounted for 63.5% of revenue foregone in 2010-11. Further, from the latest figures for the years 2011-12 and 2012-13 as provided in the Budget Statement for the year 2013 it is seen that revenue foregone in respect of corporate income tax has increased to ₹ 67,995 crore in 2012-13 while the same for personal income tax has increased to ₹ 45,480.1 crore in 2012-13. It is so evident from the facts stated above that the revenue foregone which was decreased in 2010-11 in both the sectors has now been increased substantially in the years 2011-12 and 2012-13. This clearly indicates that the tax concessions and exemptions provided in the law are still huge and phenomenal having an adverse impact upon the tax buoyancy. In the considered view of the Committee, continuance of such exemption not only leaves tremendous scope for evading tax but also prompts people to resort to unwarranted tax planning. The Committee would therefore, like to be apprised of the areas where revenue loss has occurred owing to huge revenue foregone during these years. They should also like to be informed about the extent to which these exemptions are contributing to improvement in the savings-investment ratio as spurt to the economic growth process. The Committee note that the matter concerning exemptions had also engaged the attention of various Committees/Advisory Groups such as Shome Committee and Kelkar Committee set up by the Government. The Committee were apprised that as a follow up action on the recommendations of these Committees and Advisory Groups, many deductions which were profit-linked had been allowed to sunset or phased out from the Income Tax Act. The Committee appreciate that though belatedly, the Government have proposed some measures in this direction, but they feel that as the implementation of the recommendations contained in the Report on Direct Taxes Code would take some time, the Government need to consider some interim measures to phase out unwarranted tax exemptions/ deductions.

[Report of Public Accounts Committee (15th Lok Sabha), PAC No. 2014,
Part-II, Para No. 3]

Action Taken

With reference to the above, the detail of revenue foregone for five sectors where the revenue foregone is maximum in respect of Corporates, Firms/Association of Persons/Body of Individuals and Individuals for the financial years 2010-11, 2011-12 and 2012-13 (estimated) has been tabulated hereunder:—

Revenue Foregone (Rs. in crore), sector-wise

Sl. No.	Sector	Financial Year		Sector	Quantum	2012-13 (estimated)	
		2010-11	Quantum			2011-12	Quantum
1	2	3	4	5	6	7	
Corporates							
1.	Accelerated Depreciation (section 32)	33243	Accelerated Depreciation (section 32)	34320.1	Accelerated Depreciation (section 32)	37831.7	
2.	Deduction of Export profits of STPI units (section 10A)	7839	Deduction of Export profits of units located SEZs (section 10A & 10AA)	10916.2	Deduction of Export profits of units located SEZs (section 10A & 10AA)	12033.1	
3.	Deduction of profits of undertakings engaged in generation, transmission & distribution of power (section 80-IA)	7581	Deduction of profits of undertakings engaged in generation, transmission & distribution of power (section 80-IA)	8301.6	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	9151.0	
4.	Deduction of Export profits of units located in SEZs (section 10A and 10AA)	7432	Deduction of profits of undertakings derived from production of mineral oil and natural gas (section 80-IB)	7999.0	Deduction of profits of industrial undertakings derived from production of mineral oil and natural gas (section 80-IB)	8817.4	
5.	Deduction/ weighted deduction for expenditure on scientific research [section 35(1), (2AA) & (2AB)]	4685	Deduction/ weighted deduction for expenditure on scientific research [(section 35(1), (2AA) & (2AB)]	5747.6	Deduction/ weighted deduction for expenditure on scientific research [(section 35 (1), (2AA) & 2AB)]	6335.7	
Firms/Association of Persons/Body of Individuals							
1.	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	1950	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	2310.1	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	2787.8	

1	2	3	4	5	6	7
2.	Deduction of profits of cooperative societies (section 80P)	685	Deduction of profits of cooperative societies (section 80P)	967.8	Deduction of profits of cooperative societies (section 80P)	1167.8
3.	Accelerated depreciation (section 32)	569	Deduction of export profits of units located in SEZs (section 10A and 10AA)	732.1	Deduction of export profits of units located in SEZs (section 10A and 10AA)	883.5
4.	Deduction of profits of undertakings set up in Sikkim (section 80-1C)	554	Deduction of profits of undertakings set up in Sikkim (section 80-1C)	693.3	Deduction of profits of undertakings set up in Sikkim (section 80-1C)	836.7
5.	Deduction of profits of undertakings set up in Himachal Pradesh (section 80-1C)	473	Accelerated depreciation (section 32)	681.4	Accelerated depreciation (section 32)	822.3
Individuals						
1.	Deduction on account of certain investments and payments (section 80C)	24359	Deduction on account of certain investments and payments (section 80C)	25408.9	Deduction on account of certain investments and payments (section 80C)	30661.7
2.	Higher exemption limit for women	2334	Higher exemption limit for senior citizens	1772	Higher exemption limit for senior citizens	2138
3.	Higher exemption limit for senior citizens	1405	Deduction on account of certain investments in Infrastructure Bonds (section 80CCF)	927.4	Deduction on account of health insurance premium (section 80D)	1059.9
4.	Deduction on account of health insurance premium (section 80D)	579	Deduction on account of health insurance premium (section 80D)	878.3	Higher exemption limit for very senior citizens	753
5.	Deduction on account of certain investments in infrastructure Bonds (section 80CCF)	517	Higher exemption limit for women	759	Deduction of profits of industrial undertakings derived from housing projects production of mineral oil,	406.2

1	2	3	4	5	6	7
					development of scientific research, integrated business of handling, storage and transportation of foodgrains and of industrial undertakings located in Jammu & Kashmir and in other backward areas (section 80-1B)	

The data has been taken from the Receipts Budget document for the years 2012-13 and 2013-14.

On the second issue regarding the extent to which these exemptions are contributing to improvement in the savings-investment ratio as spurt to the economic growth process, it is submitted that the various Ministries which control these sectors are in a position to comment on the same. Accordingly, comments were sought from the Ministries as to how the direct-tax incentives provided for different sectors have served a social or economic purpose. While replies from some Ministries are still awaited, the replies received from other Ministries/Departments are tabulated as under:—

Sl. No.	Name of the Ministry/ Department	Nature of direct-tax incentive	Response of the Ministry/Department
1	2	3	4
1.	Department of Commerce	Deductions granted to units on export profits of Special Economic Zones. Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005	In short span of about seven years since SEZs Act and Rules were notified in February, 2006, formal approvals have been granted for setting up of 577 SEZs out of which 389 have been notified. Out of the total employment provided to 10,74,904 persons in SEZs as a whole 9,40,200 persons is incremental employment generated after February, 2006 when the SEZ Act has come into force. This apart from millions of man days of employment generated by the developers for infrastructure activities. Physical exports from the SEZs has increased from Rs. 3,64,478 crore in 2011-12 to Rs. 4,76,159 crore in 2012-13, registering a growth of 31%. The total investment in SEZs till 31st March, 2013 is Rs. 2,36,717 crore approximately, including

1	2	3	4																																			
			Rs. 2,16,047 crore in the newly notified SEZs set up after SEZ Act, 2005. 100% FDI is allowed in SEZs through automatic route. A total of 170 SEZs are exporting at present. Out of this 96 are IT/ITES, 19 Multi-product and 55 other sector specific SEZs. There are a total of 3,589 units set up in the SEZs.																																			
2.	Department of Industrial Policy & Promotion	Deduction of profits of undertakings set-up in Uttaranchal.	As per the record available in the Department of Industrial Policy and Promotion, impact of package for Special Category States of Jammu and Kashmir, Himachal Pradesh and Uttarakhand is as detailed below:—																																			
		Deduction of profits of undertakings set-up in Himachal Pradesh.																																				
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		Deduction of profits of undertakings set-up in North. Eastern States	2. Implementation of various schemes under North-East Industrial and Investment Promotion Policy (NEIIPP), 2007 and Transport Subsidy Scheme (TSS), 1971 in the States of NER has led to growth of industries in these States. As per the report available in the Department, impact of NEIIPP, 2007 in the States of NER with respect to industrialization in the region is as detailed below:																																			
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1	2	3	4
			Tripura* 52 447.95 1664 Total 9776 14738.08 89522
			N.B.:
			* Data pertains to NEIIPP, 2007 from FY 2007-08 to February, 2013.
			# Data pertains to NEIP, 1997 & NEIIPP, 2007 up to 31st March, 2010.
3.	Department of Financial Services	Deduction on account of health insurance premium under section 80D	<p>(i) Unlike developed countries, India does not have a State sponsored old-age healthcare system or free medical facilities for its citizens.</p> <p>(ii) With increase in longevity and availability of healthcare facilities, there is a need for greater incentive for Health Insurance through direct tax breaks.</p> <p>(iii) The provision in question has made significant contribution in making the Health Insurance more popular and more acceptable to the public at large. This deduction has accelerated the demand for Health Insurance and is keeping it sustained due to the tax savings it brings. It also somewhat compensates the sharp increase in the cost of healthcare. It is suggested that the provision should not only continue but Government should consider increasing the present limit.</p>
4.	Ministry of Power	Deduction of profits of undertakings engaged in generation, transmission and distribution of power	<p>The tax benefit has served the Economic/Social purpose to the enterprises/undertakings operating in of the Power Sector, since in the opted period of ten years, the concerned enterprises/undertakings are subjected to only MAT calculated under Sec. 115JB as the normal Income Tax liability becomes nil.</p> <p>Currently the rate of MAT is 18.5% (effective 20.9605%) on Book Profit computed under explanation 2 of the Section 115JB of the Income Tax Act, 1961 and the normal tax rate is 30.00% (effective 33.99%) on taxable income.</p> <p>When the amount of normal tax is more than that of the MAT, the enterprise gets the benefit of the cash flow to the extent of difference between MAT and normal tax in the opted period of ten years. The cost of funding of such cash flow savings is also an added benefit.</p> <p>However, when there is no impact of normal tax as a result of losses calculated under the other</p>

1	2	3	4
			<p>provisions of the Income Tax Act but the enterprise makes a book profit, MAT needs to be paid and there is no visible benefit of the deduction.</p> <p>Summing up, the enterprises/undertakings are getting a tax as well as cash flow benefit for a period of twenty consecutive years within a period of twenty five years from the starting of the operations as described above.</p> <p>This benefit is ultimately reflected in the tariff of the enterprises/undertakings. The Economic/Social purpose served by the said benefit is the resultant lower cost of production of various industrial products requiring use of electricity and consequent lower price payable by the end user of these products contributing to lower rate of inflation.</p>
5.	Department of Economic Affairs	Deduction of profits of undertakings engaged in development of infrastructure facilities	Whereas Department of Economic Affairs has no input on the actual benefits realized from the Scheme, tax incentives in the capital goods and hi-tech sectors were sought by various industry associations during the run up to the Budget this year, stating that this would re-invigorate investment.

The third issue raised by the Committee is that there is a need to consider some interim measures to phase out unwarranted tax exemptions/deductions. It is stated that the considered policy of the Government is to phase out exemptions and deductions and various deductions and exemptions have already been sunset in the Income-Tax Act, 1961. Some tax incentives/deductions which have been sunset in Act in the last 10 years are tabulated below. Moreover, MAT has also been imposed on all entities meaning thereby that even during the life of the deduction, tax @ 18.5% has to be paid by a business entity.

Section	Nature of deduction	Remarks
1	2	3
10A	Export earnings of units located in FTZs, STPLs and EHTPs	Sunset from assessment year 2012-13 (financial year 2011-12)
10B	Export earnings of 100% Export-oriented undertakings	Sunset from assessment year 2012-13 (financial year 2011-12)

1	2	3
10BA	Export of wooden handicrafts of artistic value, etc.	Sunset from assessment year 2010-11 (financial year 2009-10)
80HHB	Profits and gains from projects outside India	Sunset from assessment year 2005-06 (financial year 2004-05)
80HHBA	Profits and gains from housing projects awarded on the basis of global tender and aided by World Bank	Sunset from assessment year 2005-06 (financial year 2004-05)
80HHC	Profits of export business	Sunset from assessment year 2005-06 (financial year 2004-05)
80HHD	Earnings in convertible foreign exchange	Sunset from assessment year 2005-06 (financial year 2004-05)
80HHE	Profits from export of computer software etc.	Sunset from assessment year 2005-06 (financial year 2004-05)
80HHF	Profits and gains from export or transfer of film software	Sunset from assessment year 2005-06 (financial year 2004-05)
80-IA(4)(ii)	Profits of undertakings engaged in providing telecommunication services.	Not available if the undertaking has started its activity after 31.03.2005.
80-IA(4)(iii)	Profits of an undertaking which develops, develops and operates or maintains and operates an industrial park	Not available to industrial parks notified on or after 01.04.2011
80-IA(4)(iv)	Profits of an undertaking engaged in generation/distribution/transmission of power	Not available if the activity commences on or after 01.04.2014
80-IB(4)	Profits of an industrial undertaking located in Industrially backward States mentioned in Eighth Schedule	Not available to industrial undertakings commencing production or manufacture or starts operating cold storage plant on or after 01.04.2004
80-IB(4)	Profits of industrial undertakings (manufacturing articles other than those mentioned in Thirteenth Schedule) located in Jammu and Kashmir	Not available if the activity commences after 31.03.2012.

1	2	3
80-IB(5)	Profits of an industrial undertaking located in industrially backward districts so notified by the Central Government	Not available to industrial undertakings commencing production or manufacture or starts operating cold storage plant on or after 01.04.2004
80-IB(7A)	Profits from the business of building, owning and operating a multiplex theatre	Not available to multiplex theatres constructed on or after 01.04.2005.
80-IB(7B)	Profits from the business of building, owning and operating a convention centre	Not available to convention centres constructed on or after 01.04.2005.
80-IB(8A)	Profits of a company carrying on scientific research and development approved by the prescribed authority	Not available if approved after 31.03.2007.
80-IB(9)	Profits of an undertaking engaged (i) in commercial production of mineral oil; (ii) in refining of mineral oil	(i) Not available to blocks licensed under a contract awarded after 31.03.2011. (ii) Not available if undertaking commences refining on or after 01.04.2012.
80-IB(10)	Profits of an undertaking engaged in developing and building housing projects	Not available on the housing projects approved by the local authority after 31.03.2008.
80-IB(11)	Profits of undertakings engaged in operating a cold chain facility for agricultural produce	Not available if the facility becomes operational after 01.04.2004.
80-IB(11B)	Profits of undertakings from the business of operating and maintaining a hospital in rural area	Not available if the hospital is constructed after 31.03.2008.
80-IB(11C)	Profits of undertakings from the business of operating and maintaining a hospital anywhere in India other than the excluded area	Not available if the hospital is constructed and starts functioning after 31.03.2013.

1	2	3
80-IC	Profits of undertakings set-up in specified areas in the State of Himachal Pradesh and Uttaranchal.	Not available if the undertaking or enterprise begins manufacture or production (other than the negative list) or undertakes substantial expansion after 31.03.2012.
80-ID	Profits of undertakings engaged in the business of hotels and convention centres in specified areas.	Not available if the hotel/convention centre is constructed after 31.07.2010. In case of business of a hotel located in specified district having a World Heritage Site, the deduction is not available if it starts functioning after 31.03.2013.
80R	Remuneration from certain foreign sources (<i>i.e.</i> remuneration from any foreign university or educational institution) in the case of professors, teachers, etc.	Sunset from assessment year 2005-06 (financial year 2004-05)
80RR	Professional income of an author, playwright, artist, musician etc. from foreign sources	Sunset from assessment year 2005-06 (financial year 2004-05)
80RRA	Remuneration received from an employer for services rendered outside India.	Sunset from assessment year 2005-06 (financial year 2004-05)

This has been *vetted* by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-
(Arun Kumar Jain)
Member, CBDT

Special Secretary to the Government of India
[M/o Finance, Department of Revenue, O.M.F. No. 246/2/2012-A&PAC-II (Vol.-IV)
dated 01.05.2014]

Observation/Recommendation

Uncollected Demands: The Committee are further concerned to note that at the end of FY 2011-12, as ₹4.0 lakh crore remained uncollected. This comprised demand of ₹2.6 lakh crore of earlier years and current Demand (2011-12) of ₹1.4 lakh crore. Further, the trends of percentage increase in uncollected demands indicate that the demand which has decreased from 61.96% in 2008-09 to 13.79% in 2009-10 has again increased to 40.04% in 2011-12. The Committee are further surprised to find that there are as many as 69 cases (51 cases of corporate assesseees and 18 cases of individual assesseees) of demand of above ₹400 crore and above having uncollected demand of ₹2.08 lakh crore. The contributory factors as stated by the Ministry for this huge pendency are that the taxpayer has no assets, taxpayer is not traceable, recovery is stayed by the court or ITAT, company is under liquidation etc. With regard to demand pending against 25 top defaulters, the Committee find that most of the cases were pending with various judicial fora and the proceedings for the same are continuing. The Committee further find that out of these approximately 45% of the demands pertains to Money laundering and security scam cases where according to Department it may not possible to collect huge demands as seized assets were inadequate to meet the demands. The Committee would expect the Department of Revenue to vigorously pursue such cases and apprise the Committee of the outcome thereof. Another reason attributed by the Ministry for slow recovery of uncollected demands is that the Tax Recovery Wing in the Department has been functioning with depleted staff strength. The Committee cannot but express their concern over the lack of sustained follow up by the Ministry towards such a vital area of tax recovery and recommend that urgent steps be taken to depute adequate staff strength so that the recovery work does not suffer on that account. Suitable arrangements should also be made to impart training to the personnel deployed in the field of tax recovery with a view to optimizing their level of efficiency. With regard to the pendency of demand due to assesseees not being traceable, the Committee recommend the Government to further strengthen their institutional and procedural safeguards so that traceability of assesseees could be managed well and revenue due to the Government could be recovered. The Committee also express the need for publishing the names of defaulters in the media so as to reduce the number of assesseees not traceable. The Committee have since been informed that a two-pronged strategy has been adopted by the Department to enhance disposal of pending demands. A special Cell has been constituted in the Directorate of Recovery to monitor undisputed demand. Further, a detailed target is laid out vide Central Action Plan for year 2012-13 to monitor all areas of arrear demand collection. The Committee hope that the Ministry will closely monitor the achievement of these recovery targets in a time-bound manner. The Committee may be apprised about the outcomes achieved as a result of these steps.

[Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 7]

Action Taken

Raising of demand and recovery of outstanding dues is a continuous process but there are many factors on account of which the department is not able to realize the

demand raised and arrears accumulated over the years. The cash collection out of arrear demand as per CAP-I of August 2013 is ₹10286 cr. (which is 13% higher than last year) while cash collection out of arrear demand as per CAP-I of August 2012 was ₹8893 cr. Updated status as on 31.01.2014 of top 25 defaulters is annexed as **Annexure-1.**

Regular follow up of all dossier cases above ₹10 cr. are done on quarterly basis by the concerned CCsIT and DIT (Recovery). To address the issue a comprehensive TRO's action plan was issued on 08.08.2012 and the progress is being monitored regarding the collections made. Recently Member (Revenue), CBDT reviewed the position regarding collections and issued instructions for comprehensive improvement of TRO's office and infrastructure. In line with PAC's suggestions, a Committee has been constituted to suggest modern methods for improvement in tax administration; including computerization of tax record and assessment work and look into the possibilities of providing training, Operational vehicle and special pay for TRO post. Further inputs for posting of TRO was already included in the Central Action Plan to ensure that:

"TROs are posted in substantive capacity in all charges throughout the year on priority basis. The Chief Commissioners of Income tax shall ensure that no post of TRO is vacant, and if there is shortage of ITOs then additional charge may preferably be given to one of the experience ITO in the Range. Further the TRO must be provided with the necessary staff, so as to enable him to perform his duties and in case of shortage may device any matrix of posting Sr. TAs/TAs in the Office of the TROs from the available staff in the Range.

Progressive disposal of the certificates by TRO has to be monitored and achievements projected quarterly for status review by the CBDT.

In respect of non-compliant defaulters, the provisions of arrest and detention as per the provisions of rules 73 to 81 of Schedule II should be invoked by the TRO."

As per detailed Action Plan, all parameters of collection out of arrear demand are monitored. It was instructed to keep track of the dossier cases where the demand is reported to be not collectible by the field authorities due to pendency of the case before BIFR. In the year 2012-13 outstanding demand of ₹1026 crore and during the year 2013-14 demand of ₹100.46 crore have been taken out of the purview of BIFR and SICA. In these cases intimation has been sent to the field authorities to take necessary action of recovery.

The Special Cell formed has been monitoring the demand under head Assessee not traceable on quarterly basis. Till date collection of ₹100.6 cr. has been done from the information provided by this cell. The Cell is also coordinating information from NSE, CIBIL and other data resources available with the department or outside to

strengthen the overall situation. After substantial efforts regular inputs are being provided by FIU-IND to the Directorate of Recovery. The field was requested to send the information after legal vetting in accordance with the procedure laid down by Board for putting up the names of tax defaulters in public domain. The list of names of defaulters is under process of finalization.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M.F. No.246/2/2012-A&PAC-II (Vol.-IV)
dated 01.05.2014]

ANNEXURE I

Updated status of top 25 cases

Sl. No.	CCIT/DGIT	CIT	Name of the assessee	Net demand (Fig. in lacs)	Remarks from Field Authority
1	2	3	4	5	6
1.	MUMBAI (CENT-RAL)-I	MUMBAI (CENT-RAL)-I	HASSAN ALI KHAN	11677398	<p>i. Information was sought from CIBIL regarding the assets belonging to the assessee of this group from which further recovery can be made. However, no new assets could be identified from the reply received from CIBIL.</p> <p>ii. the ITS (Individual Transaction Statement) details have been perused in the case of the assessee of this group to find out any new assets belonging to them from which recovery can be made. However, no new assets could be identified for recovery.</p> <p>iii. The information received from ED has been examined and no new assets could be identified from the same for recovery.</p> <p>iv. Efforts have been made to trace the other assets of assessee belonging to the group. In this regard, Commission u/s. 131(1d) has already been issued to the concerned officer in Kolkata Reply is awaited.</p> <p>v. Communication has been sent to the other authorities including Enforcement Directorate to ascertain any other asset belonging to the assessee of this group, from which action for recovery can be initiated.</p> <p>In regard to other legal proceedings, it is stated that the prosecution proceeding u/s 276CC in the case of Hassan Ali Khan are pending before Addl. Chief Metropolitan Magistrate. 38th Court, Ballard Estate, Mumbai. The matter has reached at the stage of framing of charge.</p>

1	2	3	4	5	6
2.	MUMBAI (CENT- RAL)-I	MUMBAI (CENT- RAL)-I	CHANDRIKA TAPURIAH	4704127	<p>i. Information was sought from CIBIL regarding the assets belonging to the assesseees of this group from which further recovery can be made. However, no new assets could be identified from the reply received from CIBIL.</p> <p>ii. the ITS (Individual Transaction Statement) details have been perused in the case of the assesseees of this group to find out any new assets belonging to them from which recovery can be made. However, no new assets could be identified for recovery.</p> <p>iii. The information received from ED has been examined and no new assets could be identified from the same for recovery.</p> <p>iv. Efforts have been made to trace the other assets of assesseees belonging to the group. In this regard, Commission u/s. 131(1d) has already been issued to the concerned officer in Kolkata Reply is awaited.</p> <p>v. Communication has been sent to the other authorities including Enforcement Directorate to ascertain any other asset belonging to the assesseees of this group, from which action for recovery can be initiated.</p> <p>In regard to other legal proceedings, it is stated that the prosecution proceeding u/s 276CC in the case of Hassan Ali Khan are pending before Addl. Chief Metropolitan Magistrate. 38th Court, Ballard Estate, Mumbai. The matter has reached at the stage of framing of charge.</p>
3.	DELHI DG (INT TAX)	MUMBAI DIT (INT TAX)-I	VODAFONE INTERNATIONAL HOLDING BV	2701787	<p>The Hon'ble Supreme Court <i>vide</i> its order dated 20.01.2012 had quashed the demand raised against the assessee u/s 201(1) & 201(1A) of the Act by holding that the transaction is not taxable in India. The Government has approved conciliation process with the Vodafone Group for tax demand under the Arbitration and Conciliation Act.</p>

1	2	3	4	5	6
4.	MUMBAI (CENT- RAL)-II	MUMBAI (CENT- RAL)-II	HARSHAD SHANTILAL MEHTA (WT)	1712836	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with custodian is being done and assets being sold in disposal Committee meetings are being monitored.</p>
5.	MUMBAI-I	MUMBAI-I	LIFE INSURANCE CORP. OF INDIA	702709	Refunds of Rs. 723.36 cr. for A.Y. 2007-08 and Rs. 3466.83 cr. for A.Y. 2009-10 have been manually issued on 31.12.2013. Further recovery cannot be effected in this case as department has lost on the major issues in the ITAT.
6.	MUMBAI (CENT- RAL)-II	MUMBAI (CENT- RAL)-II	A.D. NAROTTAM (IT)	584534	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with custodian is being done and assets being sold in disposal Committee meetings are being monitored.</p>
7.	MUMBAI-II	MUMBAI-II	STATE BANK OF INDIA	27982	Reduction of Rs. 5474.49 crs. has been made during the quarter ending 31.12.2013. A demand of Rs. 279.82 crs. is stated to the protective demand.

1	2	3	4	5	6
8.	MUMBAI (CENT- RAL)-II	MUMBAI (CENT- RAL)-II	HITEN P DALAL (IT)	425866	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with custodian is being done and assets being sold in disposal committee meetings are being monitored.</p>
9.	HYDERA- BAD-I	HYDRA- BAD-I	ANDHRA PRADESH BEVERAGES CORPORA- TION LTD.	276202	<p>Recovery of Rs. 46.30 cr. for F.Y. 2013-14, Rs. 120 cr. for F.Y. 2011-12 Rs. 40 cr. for F.Y. 2012-13, Rs. 200 cr. for the F.Y. 2012-13 has been made. All the bank accounts of the assessee have been attached. The final hearing on the writ petition on stay is yet to be taken up by the High Court.</p>
10.	MUMBAI (CENT- RAL)-II	MUMBAI (CENT- RAL)-II	BHUPENDRA CHAMPAKLAL DALAL	215132	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with custodian is being done and assets being sold in disposal Committee meetings are being monitored.</p>

1	2	3	4	5	6
11.	MUMBAI (CENT- RAL)-II	MUMBAI (CENT- RAL)-II	ASHWIN SHANTILAL MEHTA	193047	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non-priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with custodian is being done and assets being sold in disposal Committee meetings are being monitored.</p>
12.	PATNA DGIT (INV.)	PATNA (CENTRAL)	MADHU KODA	183631	<p>The assessee has gone in appeal before the CIT (A). Jamshedpur against the demand raised for A Y 2004-05 to 2010-11. There are inadequate assets for recovery of the demand and most of the assets are located outside India. The demand has also been certified and the TRO is taking the steps for recovery through attachment of immoveable property located in India.</p>
13.	MUMBAI (CENT- RAL)-I	MUMBAI (CENT- RAL)-IV	TRIUMPH INTERNA- TIONAL FINANCE INDIA LIMITED	145805	<p>This case is connected with Ketan V. Parekh group. The entire demand is difficult to recover. All known assets including stock exchange card are under attachment. The matter is being pursued with the Custodian of Special Court to take the companies controlled by Shri Ketan V. Parekh (who is a Notified Person under the TORTS, Act) under the ambit of Special Court. The affidavit has been filed before Special Court for lifting the corporate veil. The last hearing had taken place on 06-12-2013 in the special court and the next hearing in 1st week of January, 2014. During the quarter, scrutiny assessment completed for A.Y. 2011-12 demand of Rs. 58.03 lacs raised.</p>

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14.	MUMBAI-V	MUMBAI-IX	MAJESTIC INFRACTION PVT. LTD. (FORMERLY KNOWN AS TIGER TRUSTEES PVT. LTD.)	14482	The assessment in this case was completed for A.Y. 2009-10- raising a demand of Rs. 1448.82 cr Efforts have been made to collect the same by way of bank attachment. FDs etc. and collection of Rs. 2.97 cr. made till date Order u/s 179 is also passed in the case of four Directors of the company. The assessee is in appeal before CIT(A)-20, Mumbai, who has been requested for early disposal. The demand is stayed by CIT-9 Mumbai till 28.02.2014.
15.	MUMBAI (CENTRAL)-I	MUMBAI (CENTRAL)-IV	TRIUMPH SECURITIES LTD.	135229	This case is connected with Ketan V. Parekh Group. The net demand at the end of the quarter is Rs. 1352.28 cr. The entire demand is difficult to recover in the absence of any realizable assets for recovery and in view of the ongoing litigations and prohibitions issued by various authorities. The TRO has attached the stock exchange card along with other assets. The stay petition has been rejected by the TRO.
16.	MUMBAI (CENTRAL)-I	MUMBAI (CENTRAL)-IV	MANOJ KUMAR BABULAL PUNAMIYA	132852	The assessee is connected with the Balaji Group of companies. He has played a crucial role by floating a large number of firms and companies to disguise the laundering of the funds of Sh. Madhu Koda, (ex-CM, Jharkhand) and associates generated from Jharkhand. Out of the total demand raised of Rs. 1328.52 cr. Rs. 1172.13 cr. is protective demand hence not enforceable for collection and the balance demand of Rs. 156.65 cr. is substantive demand. All the bank accounts of the assessee have been attached.
17.	MUMBAI (CENTRAL)-I	MUMBAI (CENTRAL)-IV	RAJAT PHARMA-CHEM LTD.	128647	The assessee, a part of Rajat Pharma Group is a sick company. <ul style="list-style-type: none"> ●The net demand at the end of the quarter is. 1286.47 crores. ●The assessee is in appeal before AAIFR against the decision of BIFR and the AAIFR has reverted the matter back to BIFR for consideration. As such recovery could not be enforced as per section 22(1) of SICA during the pendency of the proceedings.

1	2	3	4	5	6
					<ul style="list-style-type: none"> ● TRO has written a letter to branch officer 1 BIFR, New Delhi regarding the status of appeal pending before BIFR, no reply is received. A reminder has also been sent. ● The prosecution complaints u/s 276CC for non-filing of return of income for AY 2005-06, 2006-07 & 2008-09 have been filed on 31.01. 2011 against the assessee. ● Next date of hearing for prosecution proceedings is scheduled on 14.02.2014. Due to non-availability of assets, and also the fact that the Directors have been searched by CBI/ED, it is difficult to recover the outstanding demand . ● The Lt. CIT(A) has confirmed major additions by the AO. ● The AO is directed to follow the directions of the Addl. CIT to co-ordinate with the Standing Counsel for filling of intervener application before DRT and report the progress in the next quarter.
18.	MUMBAI-IV	MUMBAI-VII	SOUND CRAFT INDUSTRIES LTD.	121272	<p>The company is in liquidation and the department's claim in F. No. 66 <i>i.e.</i> Affidavit of proof of Debt has already been filed with the Official Liquidator. The department has also issued a letter to the Economic Offence Wing-7. Mumbai to lodge the department's claim of arrears. The Registrar, City Sessions Court Mumbai has intimated that the hearing in this case is adjourned for 21.02.2014. The stay granted by the Hon'ble Supreme Court continues. Hence, the recovery in the matter is not possible as on date.</p>
19.	MUMBAI (CENTRAL)-II	MUMBAI (CENTRAL)-II	S. RAMA-SWAMY	112657	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 780 crores).</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and</p>

1	2	3	4	5	6
					these are being persistently followed up.
					4. Regular meeting with Custodian is being done and assets being sold in disposal committee meetings are being monitored.
20.	MUMBAI (CENT-RAL)-I	MUMBAI (CENT-RAL)-I	KASHINATH TAPURIAH	110127	<p>i. Information was sought from CIBIL regarding the assets belonging to the assessee of this group from which further recovery can be made. However, no new assets could be identified from the reply received from CIBIL.</p> <p>ii. The ITS (individual Transaction Statement) details have been perused in the case of the assessee of this group to find out any new assets belonging to them from which recovery can be made. However, no new assets could be identified for recovery.</p> <p>iii. The information received from ED has been examined and no new assets could be identified from the same for recovery.</p> <p>iv. Efforts have been made to trace the other assets of assessee belonging to the group. In this regard, Commission u/s. 131 (id) has already been issued to the concerned officer in Kolkata. Reply is awaited.</p> <p>v. Communication has been sent to the other authorities including Enforcement Directorate to ascertain any other asset belonging to the assessee of this group from which action for recovery can be initiated.</p> <p>In regard to other legal proceedings, it is stated that the prosecution proceedings u/s. 276CC in the case of Hassan Ali Khan are pending before Addl. Chief Metropolitan Magistrate 38th Court, Ballard Estate, Mumbai. The matter has reached at the stage of framing of charge.</p>
21.	DELHI DG (INT TAX)	DELHI DIT (INT TAX)-II	ORACLE SYSTEM CORPORATION	109868	The entire demand is covered under MAP. Thus as per Instruction No. 2/2003 dated 28.04.2003, the demand is not collectible.

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22.	MUMBAI-VI	MUMBAI-X	MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.	72728	<p>For AY 2006-07, Demand stayed by Hon'ble High Court Rectification is also pending.</p> <p>For A.Y. 2007-08 Assessee paid 4 instalments of Rs. 15.00 cr. each Balance demand is covered by Board's Instruction No. 1914.</p> <p>For A.Y. 2008-09 Rs. 12-51 cr. is paid on account of interest u/s 220 of the Act (Jan, 2014).</p>
23.	DELHI DG (INT TAX)	DELHI DIT (INT TAX)-I	ERICSSON RADIO SYSTEMS AB	76627	<p>Demand in this case has been stayed by ITAT and High Court Demand relates to issue which have been decided in favour of assessee for earlier years by the ITAT and High Court. Thus, assessee is covered by Instruction No. 1914 of CBDT. The assessee is under MAP.</p>
24.	MUMBAI (CENT-RAL)-II	MUMBAI (CENT-RAL)-II	JYOTI HARSHAD MEHTA (IT)	58176	<p>1. The entire tax demand of the priority period has been recovered through sale of assets of H.M. Group of cases except in the case of Ashwin Mehta (Bal. Rs. 7.80 crores)</p> <p>2. Now the loans of banks are being disbursed after which the non priority demand <i>i.e.</i> interest and penalty would be recovered. This is as per the the directions of Supreme Court.</p> <p>3. Further these assesseees have filed multiple appeals in various fora and these are being persistently followed up.</p> <p>4. Regular meeting with Custodian is being done and assets being sold in disposal committee meetings are being monitored.</p>
25.	DELHI-I	DELHI-I	BHARAT SANCHAR NIGAM LTD.	156603	<p>The order in the case for the A.Y. 01-02 was received from the Hon'ble High Court in writ. The effect of the same has been given, as a result of which the demand for A.Y. 01-02 has been reduces to Nil. Rather it has resulte into a refund of Rs. 918.75 cr. as regarding demand for 03-04 & 10-11 are concerned, they are pertaining to the same issue which is decided against revenue in A.Y. 2001-02. The consequential effect of the same is to be given which will result into reduction to these two demands also to Nil After giving consequential effect the entire demand in this case will become Nil.</p>
TOTAL				24780324	

Observation/Recommendation

Cases pending with Appellate authorities: The Committee are also given to understand that a sizeable number of demands are pending with IT authorities/Appellate Tribunals/Courts. With a view to reducing litigation at various levels so as to ensure quick settlement of the arrear demand cases several steps are stated to have been taken like increasing the monetary limits for filing appeals, issuing new guidelines for engagement of standing counsels to represent the cases of Income Tax Department before High Courts and other judicial forums, setting up of a National Judicial Reference System (NJRS) to contain judicial pronouncements and data base on all appeals pending before various appellate authorities, etc. The Ministry of Law and Justice is also considering establishing e-benches of ITAT at eight stations which would help in reducing the pendency at small towns. However, the reply of the Ministry is silent regarding the status of creation of these e-Benches. The Committee feel that the belief of the assesseees to approach these benches with a positive attitude is dependent on the extent to which these benches are able to function efficiently and effectively. The Committee would, therefore, like to be informed about the status of establishment of these Benches and, if these Benches are successful in mitigating the pendency, the Ministry may consider requesting Ministry of Law and Justice for establishing of more e-benches at various other stations as and where required.

[(Report of Public Accounts Committee (15th Lok Sabha),
PAC No. 2014, Part-II, Para No. 8)]

Action Taken

Reference was made to the Ministry of Law & Justice to inform about the status of e-Benches of ITAT, their success in mitigating pendency and the feasibility of setting up more e-benches at various stations. It has been informed by the Ministry of Law & Justice (on the basis of response received from ITAT) that initially e-Courts have been set up at two Benches (and not eight) namely, Nagpur and Allahabad. While e-Court at ITAT, Nagpur started functioning, e-Court at ITAT, Allahabad did not start functioning due to reluctance of the Bar Associations. E-Court at ITAT, Nagpur connecting to ITAT, Mumbai has functioned from 10.2.2012. In three separate sittings (spanning over 2 weeks each), e-Courts could hear and dispose a good number of 297 appeals (in comparison to total of 171 appeals during the year 2011-12). Departmental Representatives and Counsels who have participated in the e-Court proceedings have expressed their great satisfaction and appreciation on its functioning. Inspired by the successful functioning of e-Court at Nagpur Bench, ITAT contemplated setting up e-Courts at 11 other stations namely Jabalpur, Patna, Guwahati, Vishakhapatnam, Jodhpur, Cuttack, Ranchi, Raipur, Agra, Rajkot and Panaji Benches. However, cautioned by the reluctance of Bar Associations at Allahabad Bench, ITAT invited suggestions, opinions and/or objections of the Bar Associations and Departmental Representatives at these stations before taking a decision on further setting up the e-Courts. Response received from various Bar Associations, etc. is being analyzed and further decision would be taken subject to availability of funds.

This has been vetted by Audit *vide* their letter No. 178/RADT/PAC/25-2014 dated 06.03.2014.

Vetting Comments of Audit

No further comments.

Counter Comments of Ministry

No comments.

Sd/-

(Arun Kumar Jain)

Member, CBDT

Special Secretary to the Government of India

[M/o Finance/Department of Revenue, O.M. F. No. 246/2/2012-As PAC-II (Vol.-IV)
dated 01.05.2014]

NEW DELHI;
8 December, 2014

17 Agrahayana, 1936 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2014-15) HELD ON 2ND DECEMBER, 2014.

The Committee sat on Tuesday the 2nd December, 2014 from 1500 hrs. to 1710 hrs.
in Committee Room 'A', Parliament House Annexe, New Delhi

PRESENT

Prof. K.V. Thomas — *Chairperson*

MEMBERS

Lok Sabha

2. Shri Janardan Singh Sigriwal
3. Dr. Kirit Somaiya

Rajya Sabha

4. Shri Vijay Goel
5. Dr. Satyanarayan Jatiya
6. Shri Bhubaneswar Kalita
7. Shri Shantaram Naik
8. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh — *Joint Secretary*
2. Shri Jayakumar T. — *Additional Director*
3. Smt. Bharti S. Tuteja — *Deputy Secretary*

Representatives from the Office of the Comptroller and Auditor General of India

1. Smt. Suman Saxena — Dy. C&AG
2. Shri Rajeev Kumar Pandey — Principal Director (Air Force & Navy)
3. Shri L.S. Singh — Principal Director (RC)
4. Shri P.K. Tiwari — Principal Director (Defence)
5. Shri P. Tiwari — Principal Director (PAC)

Representatives of the Ministry of Defence

1. Shri R.K. Mathur — Defence Secretary
2. Shri Ravikant — AS
3. Vice Admiral Anurag G. Thapliyal — DG, ICG

4. Shri Sanjeev Ranjan — JS (O/N)
5. Smt. Devika Raghuvanshi — JS & Addl. FA (DR)
6. Shri Rajendra Singh — ADG, ICG
7. Shri K.R. Nautiyal — IG, ICG, DDG (OPS&CS)
8. Shri V.D. Chafekar — DG, ICG, PD (P&B)
9. Shri Hitesh Kumar Makwana — JS (BM), MHA
10. Dr. Raja Sekhar Vundru — JS (Fisheries), MoA

2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the C&AG of India to the Sitting of the Committee. The Chairperson then apprised the Members that in the first instance the Committee would consider the two draft Reports for adoption. Thereafter, the Committee would take oral evidence of the representatives of the Ministry of Defence on the subject '**Role and Functioning of Indian Coast Guard**'.

3. The Committee, then took the following draft Reports for consideration:

- (i) Draft Report on Action Taken by the Government on the Observations/ Recommendations contained in the Sixty-Fourth Report (15th Lok Sabha) on '**Excesses Over Voted Grants and Charged Appropriations (2010-11)**' and
- (ii) Draft Report on Action Taken by the Government on the Observations/ Recommendations contained in the Eighty-seventh Report (15th Lok Sabha) on '**Tax Administration**'.

4. Giving an overview of the issues contained in the draft Reports and the comments of the Committee thereupon, the Chairperson solicited the views/suggestions by the Members.

5. After some discussions, the Committee adopted the above mentioned draft Reports with minor modifications as suggested by the Members. The Committee, the, authorized the Chairperson to finalise the Reports in the light of the factual verifications, if any, made by the Audit and present them to Parliament on a convenient date.

6. *** *** *** *** ***
7. *** *** *** *** ***
8. *** *** *** *** ***

The witnesses then withdrew.

A copy of the verbatim proceedings of the Sitting was kept on record.

The Committee then adjourned.

APPENDIX II

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR EIGHTY-SEVENTH REPORT (FIFTEENTH LOK SABHA)

(i) Total No. of Observations/Recommendations	19
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	
	Total: 16
Para Nos. 1, 2, 4, 5, 6 and 9-19	Percentage—84.30%
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:	
	Total: 0
-Nil-	Percentage—0%
(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	
	Total: 0
-Nil-	Percentage—0%
(v) Observations/Recommendations in respect of which Government have furnished interim replies:	
	Total: 3
Para Nos. 3, 7 and 8	Percentage—15.70%