26

STANDING COMMITTEE ON FINANCE
(2020-21)

SEVENTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2021-22)

TWENTY SIXTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2021 / Phalguna, 1942 (Saka)

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Presented to Lok Sabha on 16 March, 2021

Laid in Rajya Sabha on 16 March, 2021

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March, 2021 / Phalguna, 1942 (Saka)

CONTENTS

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2020-21)

Shri Jayant Sinha - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sukhbir Singh Badal
4. Shri Subhash Chandra Baheria
5. Shri Vallabhaneni Balashowry
6. Shri Shrirang Appa Barne
7. Dr. Subhash Ramrao Bhamre
8. Smt. Sunita Duggal
9. Shri Gaurav Gogoi
10. Shri Sudheer Gupta
11. Smt. Darshana Vikram Jardosh
12. Shri Manoj Kishorbhai Kotak
13. Shri Pinaki Misra
14. Shri P.V Midhun Reddy
15. Prof. Saugata Roy
16. Shri Gopal Chinayya Shetty
17. Dr. (Prof.) Kirit Premjibhai Solanki
18. Shri Manish Tewari
19. Shri Parvesh Sahib Singh Verma
20. Shri Rajesh Verma
21. Shri Giridhari Yadav

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri A. Navaneethakrishnan
24. Shri Praful Patel
25. Dr. Amar Patnaik
26. Shri Mahesh Poddar
27. Shri C.M. Ramesh
28. Shri Bikash Ranjan
29. Shri G.V.L Narasimha Rao
30. Dr. Manmohan Singh
31. Smt. Ambika Soni

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Director
3. Shri Kulmohan Singh Arora - Additional Director
4. Shri Preetam Prabhakar - Committee Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorised by the Committee, present this Twenty-Sixth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2021-22)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 11 February, 2021 under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 23 February, 2021. The Committee wish to express their thanks to the representatives of the Department of Revenue for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2021-22).

4. The Committee considered and adopted this Report at their Sitting held on 10 March, 2021.

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

New Delhi;
10 March, 2021
19 Phalguna, 1942 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

REPORT

PART – I

Background Analysis

I. INTRODUCTORY

1.1 The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control in respect of matters relating to all the Direct and Indirect Taxes through two Statutory Boards, namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all the Direct Taxes are looked after by CBDT whereas those relating to levy and collection of Good and Services Taxes (GST), Customs and Central Excise duties, Service Tax and other indirect taxes fall within the purview of the CBIC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Each Board has a sanctioned strength of 6 (six) Members.

1.2 The Department of Revenue administers the following Acts:-

- Income Tax Act, 1961
- Black Money (Undisclosed Foreign Income & Assets) Imposition of Tax Act, 2015
- Benami Transactions (Prohibition) Act, 1988
- Chapter - VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
- Chapter - VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)
- Chapter V of Finance Act, 1994 (relating to Service Tax)
- Central Excise Act, 1944 and related matters
- Customs Act, 1962 and related matters
- Central Sales Tax Act, 1956
- Custom Tariff Act, 1975
- Central Excise Tariff Act 1985
- Narcotic Drugs and Psychotropic Substances Act, 1985
- Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988

- Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976
- Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union)
- Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974
- Prevention of Money Laundering Act, 2002
- Foreign Exchange Management Act, 1999.
- Union Territory Goods & Services Tax Act, 2017
- Goods & Services Tax (compensation to States) Act, 2017
- Central Goods & Services Tax Act, 2017
- State Goods & Services Tax Act, 2017
- Integrated Goods & Services Tax Act, 2017

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

- Commissionerates/Directorates under Central Board of Indirect Taxes and Customs
- Commissionerates/Directorates under Central Board of Direct Taxes
- Central Economic Intelligence Bureau
- Directorate of Enforcement
- Central Bureau of Narcotics
- Chief Controller of Factories
- Appellate Tribunal under SAFEMA
- Income Tax Settlement Commission
- Customs and Central Excise Settlement Commission
- Customs, Excise and Service Tax Appellate Tribunal
- Authority for Advance Rulings
- National Committee for Promotion of Social and Economic Welfare
- Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985
- Financial Intelligent Unit, India (FIU-IND)
- Adjudicating Authority under Prevention of Money Laundering Act
- Revision Application Unit.

II. REVENUE HEADQUARTERS ADMINISTRATION

2.1 Administration

The Department of Revenue looks after matters relating to all administration work pertaining to the Department, coordination between the two Boards (CBIC and CBDT), the administration of the Indian Stamp Act 1899 (to the extent falling within the jurisdiction of the Union), the Central Sales Tax Act 1956, Goods and Services Tax (GST), the Narcotic Drugs and Psychotropic Substances Act 1985 (NDPS), the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (SAFEMA), the Foreign Exchange Management Act 1999 (FEMA), the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA), the Prevention of Money Laundering Act, 2002 (PMLA) and matters relating to the following attached/ subordinate offices of the Department:

a. Enforcement Directorate
b. Central Economic Intelligence Bureau (CEIB)
c. Competent Authorities appointed under SAFEMA and NDPS
d. Chief Controller of Factories
e. Central Bureau of Narcotics
f. Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
g. Appellate Tribunal under SAFEMA
h. Customs and Central Excise Settlement Commission (CCESC)
i. Income Tax Settlement Commission (ITSC)
j. Authority for Advance Ruling for Income Tax and Central Excise, Customs & Service Tax
k. National Committee for Promotion of Social and Economic Welfare
l. Financial Intelligence Unit, India (FIU-IND)
m. Adjudicating Authority under Prevention of Money Laundering Act
n. National Institute of Public Finance and Policy (NIPFP)

The following items of works are also undertaken by the Headquarters:

Appointment of –

- ✓ Chairman and Members of CBIC and CBDT
- ✓ Chairman, Vice Presidents and Members of CESTAT
- ✓ Chairman, Vice Chairman and Members of CCESC and ITSC
- ✓ Chairman, Vice-Chairman and Members of AARs for Customs./ Central Excise and Income Tax
- ✓ Director General of CEIB
- ✓ Director of Enforcement
- ✓ Competent Authorities (SAFEMA and NDPS)
- ✓ Director (FIU-IND)
- ✓ Chairperson and Member of Adjudicating Authority set up under PMLA
- ✓ Chairman and Members of "Appellate Tribunal" established under SAFEMA, 1976.
- ✓ Appointment of CVO, CBDT/ CBIC/ ED

2.2 STATE TAXES

There are two State Taxes Sections in the Department of Revenue
a) State Taxes-I
b) State Taxes-II

State Taxes - I Section

State Taxes -I Section of the Department of Revenue deals with legislative work relating to Central Acts having significant interface with the States like the Indian Stamp Act, 1899 and the Constitution (One Hundred and First Amendment) Act, 2016 for implementation of Goods and Services Tax (GST) as well as administrative and budgetary matters in respect to Goods and Services Tax Network (GSTN) - Special Purpose Vehicle incorporated for providing IT platform for the GST. Apart from the above, Union Territories Goods and Services Tax (UTGST) Act, 2017 and GST Settlement of Funds Rules, 2017 are other subject matters of the Section. Brief description of the same is as under:

2.2.1 Goods and Services Tax (GST):

The introduction of Goods and Services Tax (GST) regime in the country was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or Department of Revenue III 121 double taxation in a major way and pave the way for a common national market. Before implementation of the GST regime in the country, the issue was deliberated in detail by the Empowered Committee of State Finance Ministers, Select Committee of Rajya Sabha and Parliamentary Standing Committee on Finance. After detailed and prolonged deliberation, the Constitution (One Hundred and First Amendment) Act, after ratification by 50% of the States, was assented to by the President on 8 th September, 2016. Thereafter, Central Goods and Services Tax (CGST) Act, Integrated Goods and Services Tax (IGST) Act, Union Territory Goods and Services Tax (UTGST) Act, and Goods and Services Tax (Compensation to States) Act were enacted in order to achieve a successful roll-out of the GST regime in the country from 1st July, 2017.

2.2.2 Union Territories Goods and Services Tax (UTGST):

Like State Goods and Services Tax (SGST) Act, which is enacted by the respective States/ UTs with legislature to levy and collect on all transactions within the respective State/ UT, Union Territories Goods and Services Tax (UTGST) Act, 2017 is enacted to levy and collect GST specifically in the Union Territories without legislature i.e. Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Chandigarh and Ladakh.

2.2.3 Goods and Services Tax Settlement of Funds Rules, 2017:

The Goods and Services Tax Settlement of Funds Rules, 2017 have also been notified on 27th July, 2017, which, provide the procedure to be followed for the settlement of funds between the Centre and the States on account of cross-utilisation of input tax credit between IGST and SGST / UTGST, and apportionment of IGST. A total amount of ` 3,06,011 crore have been settled from IGST between April, 2019 and November, 2019 and distributed among Centre and States/ UTs. This included ` 1,28,653 crore IGST amount released to States/ UTs (SGST/UTGST) and ` 1,77,358 crore to Centre (CGST).

2.2.4 Special Purpose Vehicle for Goods & Services Tax Network (GSTN):

Goods and Services Tax Network (GSTN) was set up as a non-government, not-for-profit private limited company on 28th March, 2013, in order to provide IT infrastructure and services to the Centre and State governments, tax payers and other stakeholders. With the approval of Union Cabinet and the recommendations of GST Council, GSTN has been converted into a fully owned Government company.

2.2.5 Indian Stamp Act, 1899:

The Indian Stamp Act, 1899 (2 of 1899) is a fiscal statute laying down the law relating to tax levied in the form of stamps on instruments recording transactions. Briefly, the scheme relating to stamp duties, provided for in the Constitution is as follows: - i. Under Article 246, stamp duties on documents specified in Entry 91 of the Union List in Schedule VII of the Constitution (viz. bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union but under Article 268, each State, in which they are levied, collects and retains the proceeds (except in the case of Union Territories in which case the proceeds form part of the

Consolidated Fund of India). At present duty is levied on all these documents except cheques. ii. Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of Entry 63 in the State List in the 7th Schedule of the Constitution. iii. Provisions other than those relating to rates of duty fall within the legislative power of both the Union and the States under Entry 44 of the Concurrent List in the Schedule-VII of the Constitution.

III. BUDGETARY ALLOCATIONS AND UTILISATIONS

3.1 The detailed Demands for Grants (2021-22) of the Ministry of Finance were presented to Lok Sabha on 11 February, 2021. The details of the Revenue Section and Capital Section of the Demands for Department of Revenue, Direct Taxes and Indirect taxes for the year 2021-22 are as follows:

(Rs.in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	33 - Department of Revenue	201499.60	13.02	201512.62
2.	34 - Direct Taxes	8180.34	352.00	8532.34
3.	35 - Indirect Taxes	20906.77	452.00	21358.77

3.2 Summary of Budgetary Provisions under Demand Nos. 33, 34 and 35 for 2018-19, 2019-20, 2020-21 and 2021-22 is as under:

<u>Demand for Grant No. – 33 - Department of Revenue(HQ)</u>

The Grant No 33 of Department of Revenue (erstwhile Grant No.31 in FY 2019-20 & FY 2020-21) does not have any Central Sector or Centrally Sponsored Schemes. The entire Budget provision is for GST Compensation to States/UTs and for establishment related expenditure of Secretariat and its attached and subordinate offices. The year wise allocation and utilization for last three years w.e.f. FY 2018-19 is as follows:

(Amounts in Crore)

Financial Year	BE	RE	Expenditure up to 31st March	% of RE Utilized	Saving/Excess/ surrender
2018-19	180949.70	119396.96	124424.97	104.21	5028.01
2019-20	203466.73	243505.77	275429.93	113.11	31924.16
2020-21	272250.83	272454.75	118229.61 (exp. upto December, 2020)		Yet to be Finalized
2021-22	201512.64				

Explanations:

FY 2018-19

The major component of the Budget provision of Department of Revenue is for payment of Compensation to States/UTs to protect the revenue loss due to implementation of Goods and Service Tax in India w.e.f. 1st July, 2017. It was estimated that the requirement on payment of GST compensation in 2018-19 may be around Rs.90,000 crore and cess collection will be of an equal amount of Rs.90,000 crore. Total budget provision of Rs.180949.70 crore for 2018-19 also included establishment related expenditure of Rs.949.70 crore of Department of Revenue. However, at the RE stage, it was **revised to Rs.119396.96 crore** keeping in view the release of apportionment of IGST component to States/UTs, which reduced the liability of Central Government on payment of GST compensation which resulted in savings against Budget Estimate. At the close of the FY, it was found that due to fluctuation in revenue collection of Government of Union Territories with Legislatures, the amount of GST compensation claim got increased significantly, and the actual expenditure for the FY 2018-19 went up to Rs.124424.97 crore, which was higher than the Revised Estimates but within the Budget provision.

FY 2019-20

Total Budget provision under the Demand No 31 of Department of Revenue for the FY 2019-20 was Rs.203466.73 crore including a Capital Expenditure of Rs.8.73 crore. On the revenue side, the major component of Budget under Grant No.31- Department of Revenue was for providing GST Compensations to the State Govts/UTs due to revenue loss on introduction of GST. A budget provision of **Rs.101200 crore** was kept for the year 2019-20 to meet the expenditure on **payment of compensation to States/UTs** with legislatures. An equal amount of **Rs.101200.00 crore** was also kept for transfer to GST Compensation Fund. This estimate was based on trend of collection of revenue and compensation is to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. However, at RE stage, the Budget Provision under Demand No.31 was revised to Rs.243505.77 crore, which included the additional budget provision amounting to Rs.20000 crore towards payment of compensation to States/UTs with legislature and also Rs.20000 crore for transfer to GST Compensation Fund.

However, for FY 2019-20, excess expenditure has been incurred under Demand No.31, due to the reason that centre had transferred Rs.33412 crore (Rs.31697 crore under MH 3601 and Rs.1715 crore under MH 3602) from CFI to Compensation Fund as part of an exercise to apportion balance IGST pertaining to FY 2017-18 for purpose of release of admissible GST Compensation to states/UTs with Legislature for FY 2019-20.

FY 2020-21

Total Budget provision under the Demand No 31 of Department of Revenue for the FY 2020-21 is Rs.272250.83 crore. Capital Expenditure forms a small part of the total budget grant and is Rs 91.21 crore. On the revenue side, the major component of Budget under Grant No.31- Department of Revenue is for providing GST Compensations to the State Govts/UTs due to revenue loss on tax reforms. A budget provision of **Rs.135368.03 crore** has been kept for the year 2020-21 to meet the expenditure on **payment of compensation to States/UTs** with legislatures. An equal amount of compensation cess **(Rs.135368.03 crore)** was also kept for transfer to GST Compensation Fund. This estimate is based on trend of collection of revenue and compensation to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. An amount of Rs.106239.47 crore has already been released against the Budget Estimates of Rs.135368.03 crore to the States/UTs Government with legislature as GST compensation till December, 2020.

However, at RE stage, the Budget Provision has now been enhanced to 272454.75 crore against the BE 2020-21 provision of Rs.272250.83 crore, which is mainly due to provision of additional fund amounting to Rs.58470crorerelating to transfer of States/UTs portion of un-apportioned IGST of previous years. The RE 2020-21 provision of Rs.272454.75 crore also includes the establishment related expenditure of Department of Revenue. The excess requirement under RE will be met through supplementary.

FY 2021-22

The total proposed Budget provision under the Demand No 33 of Department of Revenue for the FY 2021-22 is Rs.201512.64 crore. Capital Expenditure forms a small part of the total budget grant and is Rs 13.02 crore. On the revenue side, major expenditure are proposed as below:-

The major component of Budget under Grant No.33- Department of Revenue is for providing GST Compensations to the State Govts/UTs due to revenue loss on tax reforms. A budget provision of **Rs.100000crore** has been kept for the year 2021-22 to meet the expenditure on **payment of compensation to States/UTs** with legislatures. This estimate is based on trend of collection of revenue and compensation is to be released to States/UTs for revenue loss due to implementation of GST to protect State Govt.'s revenue loss as per GST Act. The provision kept for release of compensation to States/UTs due to loss of revenue collection, is actually fiscal neutral as there will be no cash outgo from the Consolidated Fund of India as compensation cess is already being collected through the GST (compensation to States) Act, 2017, which shall form part of the Public Account of India through Transfer of Proceeds of the GST Compensation Cess to GST compensation Funds a non-lapsable fund. It has been proposed to transfer an equal amount of compensation cess **(Rs.100000crore) to GST compensation Fund**.

In the establishment related expenditure of Revenue Headquarters & its Secretariat and various attached offices [Central Economic Intelligence Bureau; Financial Intelligence Unit of India; Goods & Service Tax Council Secretariat; Principal Chief Controller of Accounts, CBDT; Principal Chief Controller of Accounts, CBIC; Competent Authorities, Tax Policy Research Unit, Pay & Accounts Office (Revenue)] a provision of Rs.452.04 crore has been estimated for 2021-22 against the RE 2020-21 of Rs.411.46 crore. Further, due to increase of staff strength and infrastructural development, the BE provision for Enforcement Directorate has gone up at Rs.311.49 crore in comparison to BE of Rs.259.31 Crore and RE of Rs.265.86 crore for 2020-21. Further, a budget provision of Rs.264.44 crore has been kept towards payment of User Charges to GSTN for the year 2021-22 against the BE 2020-21 provision of Rs.242.00 crore under Demand No.33- Department of Revenue.

There are some other expenditure like continued financial support to National Institute of Public Finance & Policy (NIPFP), an autonomous body under the Department of Revenue, Contributions to International Organizations in which India is an active participant and establishment related expenditure of Central Bureau of

Narcotics, Special Investigation Team (SIT) and various tribunals (Appellate Tribunal for Forfeited Property; Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Adjudicating Authority under Prevention of Money Laundering Act (AA-PMLA) functioning under the department.

The other major expenditure under this Grant is on operating of Government Opium & Alkaloid Works, which are responsible for import of alkaloids for medicinal use by domestic pharma companies, processing of raw opium for exports, manufacturing of opiate alkaloids and other related functions through its two factories at Ghazipur (Uttar Pradesh) and Neemuch (Madhya Pradesh). A provision of Rs.**348.37 crore** (approx.) has been kept for 2021-22.

Under the Capital Section, the major requirement is for capital expenditure of Government Opium and Alkaloid works (Rs.10.00 crore) and for acquisition of ready built accommodation/flats for Enforcement Directorate (Rs.3.00 crore).

Demand for Grant No. – 34– Direct Taxes

Grant No.34 -Direct Taxes has no Central Sector Schemes and Centrally Sponsored Schemes. The entire budget is for Salaries/Administrative expenses pertaining to field offices of CBDT (Central Board of Direct Taxes).

Brief Summary year – wise starting from F.Y. 2018-19 is given in the table below:-

(Rs. In Crore)

Financial Year	BE	RE	Total Expenditure (Up to 31st March of respective financial year)	% of RE Utilized	Amount Surrendered
2018-19	6982.00	7382.00	7320.03	99.16	9.09 crore from RE
2019-20	7338.44	7343.44	7182.72	97.81	244.80 crore from RE/supplementary
2020-21	8065.39	7694.00	5102.99 (upto 31st, December, 2020)		Yet to be Finalized
2021-22	8532.34	-	-	-	-

2018-19

BE of Rs. 6982.00 crore was enhanced to Rs. 7382.00 crore at RE stage. Under Revenue Section, the allocation under 'Salaries' head was reduced to Rs. 3902.96 from Rs. 3927.00 i.e. a decrease of Rs. 24.04 crore. The enhancement was primarily under the Heads 'Rent Rates & Taxes' and 'Information Technology (OE)'. Actual expenditure incurred upto 31.03.2019 is Rs. 7320.03 crore (Rs. 7075.89 crore under Revenue Section and Rs. 244.15 crore under Capital Section). Thus, 99.16% of the budget as per RE has been utilized upto March 2019. Utilisation under Revenue Section is 99.27% of RE whereas it was 96.12 % under Capital Section. The total amount surrendered in F.Y. 2018-19 wasRs. 9.09 crore.

2019-20

BE of Rs. 7338.44 crore was enhanced to Rs. 7343.44 crore at RE stage i.e. a increase of Rs. 5.00 crore. Under Revenue Section, the allocation under 'Salaries' head was enhanced from Rs. 4098.11 crore to 4275.07 crore i.e. a increase of Rs. 176.96 crore over BE (after Supplementary). Actual expenditure incurred upto 31.03.2020wasRs. 7182.72 crore (Rs. 6955.38 crore under Revenue Section and Rs. 227.34 crore under Capital Section). It shows that 97.81% of the budget as per RE has been utilized. Utilisation under Revenue Section is 98.78% of RE whereas it is 75.27 % under Capital Section. The amount surrendered in F.Y. 2019-20 was Rs. 244.80 crore.

2020-21

. BE of Rs. 8065.39 crore has been reduced to Rs. 7694.00 crore at RE Stage.i.e. a decrease of Rs. 371.39 crore. Under Revenue Section, the allocation under "Salaries" head has been reduced to Rs. 4445.03 crore from Rs. 4534.97 crore i.e. a decrease of Rs. 89.94 crore over BE. Actual expenditure incurred upto 31.12.2020 is Rs. 5102.99 crore (Rs. 5057.52 crore under Revenue Section and Rs. 45.46 crore under the Capital Section). It shows that 66.33% of budget as per RE has been utilized upto December, 2020 and utilization under Revenue Section works out to 67.51% of RE whereas it is 22.50% under Capital Section of RE upto 31st Dec, 2020.

2021-22

The Budget Estimates 2021-22 have been proposed at Rs. 8532.34 crore out of which Rs. 8180.34 crore is under Revenue Head and Rs.352.00 Crore is under Capital Head. On Revenue side, the expenditure under 'Salaries' is estimated at Rs.4811.74 crore, which is 56.39% of the total grant. There has been an increase of 8.25% over RE 2020-21(Rs. 4445.03 Crore) in 'Salaries' Head, to accommodate annual increment of 3%, instalments of DA, consequent effect on transport allowance etc, anticipated filing up of posts of on account of new appointments in IRS of fresh batch as well as posts of Inspector, Stenos, Tax Assistants. and MTS. On Revenue Side, the other major expenditure is under heads "Office Expenses(General)" ,'Minor Works' &, 'Rent, Rates & Taxes', 'Information Technology(Office Expenditure)'. Professional Services & Domestic Travel Expenses, Brief of these heads is as under:-

- Office Expenses: - The expenditure under this head is estimated at Rs 1247.68 crore, which is 15.25% of total grant. There has been Increase of 11.97% over R.E. 2020-21(Rs. 1114.29 cr.).

- Minor Works: - The expenditure under this head is estimated at Rs 85.56 crore, which is 1.05 % of total grant. There has been increase of 22.11 % as compared to R.E. 2020-21(Rs.70.07 cr.). The increase in expenditure is due to inflationary trends. There are several Government owned buildings both residential and official in respect of which repairs are urgently required. Funds are also required for routine maintenance of the Lifts and office & residential building.

- Rent, Rates & Taxes: - The expenditure under this head is estimated at Rs 585.46 crore, which is 7.16% of total grant. There has been increase of 5.31% over R.E. 2020-21(Rs. 555.96 Cr.). The increase in expenditure is projected on account of revision of various rent proposals of BCAs pending for approval/ clearance of IFU with their arrear, current and local taxes thereupon.

- Information Technology (Office Expenses):- The expenditure under this head is estimated at Rs 920.64 crore, which is11.25 % of total grant. There has been increase of 5.31% over R.E. 2020-21(Rs.874.22 Cr.). In the last few years a number of initiatives have been undertaken by the CBDT by harnessing latest technology to enable a System driven business environment in the Department. Some of the important measures are e-filing of Income-tax Returns, Centralized Processing of IT Returns, Centralized Processing of TDS Returns, Automatic Payment of IT Refund through the Refund Banker Scheme, and new connectivity among all Income Tax Offices etc. filing of online appeals, new system for department ITBA has been developed. Further the department has initiated faceless assessment/faceless appeals system in this year and appeals therefore various NeAC/ReAC, have come into existence. These measures have ensured qualitative improvement in the Tax Payers Services and also introduced objectivity leading to reduction in interface between the Taxpayer and the Department, to minimize grievances. Administrative work has also improved significantly under HRMS.

- Professional Services:- The expenditure under this head is estimated at Rs 104.76 crore, which is 1.28% of total grant. There has been increase of 5.22% over R.E. 2020-21 (Rs. 99.57 Cr.). The increase in expenditure is projected on account of various bills of legal fees of Standing Counsels for the Departments pending, to clear the pendency of Special Audit fees of the empanelled Auditors, and routine fees for the standing counsels, and guest faculties of the DTRTIs .

- Domestic Travel Expenses: - The expenditure under this head is estimated at Rs 99.71 crore, which is 1.22% of total grant. There has been increase of 38.49% over R.E. 2020-21 (Rs. 72.00 Cr.) The increase in expenditure is projected on account of various transfer posting and tours of officials.

On Capital side, out of the total provision of Rs. 352.00 crore, Rs. 225.11 crore is for Capital Outlay on Office building/ Accommodation and another Rs.124.89 crore is for Capital Outlay on Residential Accommodation. Under Capital Head, there has been an increase of 74.26 % over R.E (Rs.202.00 Cr*.) and 6.02% of B.E 2020-21 (Rs. 332.00 crore). **Reduction in budget under capital section arises at R.E 2020-21 stage.*

Salient Features:-

(A) Revenue Section

1. The Allocation under "Salaries" Head has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 23.28 % upto F.Y. 2021-22.

2. The Allocation under Wages has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 23.83 % upto F.Y. 2021-22.

3. The Allocation under over time Allowances has been decreasing continuously. Since F.Y. 2018-19 the allocation under this head has decreased by 54.37 % upto F.Y. 2021-22.

4. The Allocation under head 'Medical Treatment' has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 16.32 % upto F.Y. 2021-22.

5. The Allocation under head 'Domestic Travel Expenses' has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 5.49 % upto F.Y. 2021-22.

6. The Allocation under head 'Foreign Travel Expenses' has decreased, 57.26% since F.Y. 2018-19,however it has been increased by 400% (Rs.0.50 Cr.) in comparison to R.E 2020-21 (Rs.0.10 Cr. only)

7. The Allocation under 'Office Expenses (Gen.)' Head has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 07.10 % upto F.Y. 2021-22.

8. The Allocation under head 'Rent, Rates & Taxes' has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 2.40 % upto F.Y. 2021-22..

9. The Allocation under 'Publication' Head has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 11.32 % upto F.Y. 2021-22.

10. The Allocation under head 'Other Administrative Expenses' has decreased, 13.38% since F.Y. 2018-19,however it has been increased to 9.15% (Rs.45.00 Cr.) in comparison to R.E 2020-21 (Rs.41.23 Cr. only)

11. The Allocation under head 'Advertising & Publicity' has decreased, 46.99% since F.Y. 2018-19,however it has been increased to 94.12% (Rs.75.00 Cr.) in comparison to R.E 2020-21 (Rs.38.64 Cr. only).

12. The Allocation under 'Minor Works' Head has been increasing continuously. In comparison to F.Y. 2018-19 it has increased 41.43% in F.Y. 2021-22.

13. The Allocation under 'Professional Services' has increased by 32.27 % upto F.Y. 2021-22., since 2018-19. However it increased 5.22% only in comparison to F.Y. 2020-21 (R.E).

14. The Allocation under 'Information Technology (OE)' has increased by 3.80 % upto F.Y. 2021-22. Since 2018-19,However it increased 05.31% in comparison to R.E. 2020-21.

15. The Allocation under head 'Secret Services Expenditure' has increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 25.84 % upto F.Y. 2021-22.

16. The Allocation under head 'Other Charges' has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 6.52 % upto F.Y. 2021-22.

17. The Allocation under head 'Swachhta Action Plan' has been increasing continuously. Since F.Y. 2018-19 the allocation under this head has increased by 20 % upto F.Y. 2021-22.

18. The Allocation under head 'Contribution' has decreased 78.26 % in comparison to F.Y. 2018-19

(B) Capital Section

Under Capital Section, the pace of completion of projects was slow during F.Y 2020-21 and due to this many of the projects have been delayed. Some amount of allocated funds under Capital Segment has been surrendered in F.Y. 2018-19 & F.Y.2019-20. However, to complete the projects which are underway, some new approved projects and some waiting for approval of revalidation, BE 2021-22 has significantly been enhanced.

Direct Tax Revenue Trends: 2020-21

In Rs. Crore

Tax Head	Actuals 2019-20	RE 2020-21	(April-Jan) 2019-20	(April-Jan) 2020-21	(April-Jan) Growth Rate	% RE achieved [till Jan]
Corporation Tax	5,56,876	4,46,000	3,93,249	3,36,008	-14.56%	75.34%
Personal Income Tax (incl STT)+	4,92,654	4,59,000	3,52,427	3,47,598	-1.37%	75.73%
Total	10,49,530	9,05,000	7,45,676	6,83,606	-8.32%	75.54%

Demand for Grant No. – 35–Indirect Taxes

The **Grant No.35 - Indirect Taxes** (erstwhile Grant No.33 in FYs 2019-20 and 2020-21). The provision under this grant is for establishment related expenditure for the field offices of CBIC (Central Board of Indirect Taxes) and provision for Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme. The Year-wise allocation and utilisation for last 3 years w.e.f. F.Y. 2018-19 is as follows:

(Rs. In Cr.)

Financial Year	BE	RE	Total Expenditure	% of RE Utilized	Amount Surrendered
2018-19	7825.50	7625.66	7187.79	94.26 %	490.00
2019-20	7900.50	7900.50	7535.26	95.38%	110.78
2020-21	8258.50	7582.47	5526.45 (upto Dec., 2020)		Yet to be Finalized
2021-22	21359.27 *				

(*) This includes provision of funds for Remission of Duties and Taxes on Exported Products Scheme (Rs. 13000crore).

2018-19

The Budget Estimates in 2018-19 were reduced from Rs. 7825.50 crore (under Revenue Section: Rs.7418.50 crore& under Capital Section: Rs.407.00 crore) to Rs.7625.66 crore in RE 2018-19 (Revenue Section Rs.7218.65 crore and Capital Section Rs.407.01 crore). The reductions were primarily under the RRT, Advertisement and Publicity and Other Charges.

The total provisional expenditure up to 31.03.2019 was Rs.7187.79 crore (Rs. 6935.63 crore under Revenue Section and Rs. 252.16 crore under Capital Section). It shows that 94.26% of the budget as per RE was utilized up to March, 2019. Utilization under Revenue Section was 96.08% of RE of Revenue Section whereas it was 61.95% under Capital Section of RE under Capital Section. The total amount surrendered in FY 2018-19 was Rs.490 crore.

2019-20

The Budget Estimates 2020-21 and Revised Budget Estimate 2019-20 was same at Rs. 7900.50 crore (under Revenue Section: Rs.7493.65 crore& under Capital Section: Rs.406.85 crore).

The total expenditure up to 31.03.2020 was Rs.7535.26 crore (Rs. 7259.81 crore under Revenue Section and Rs. 275.45 crore under Capital Section). It shows that 95.38% of the budget as per RE was utilized up to March, 2020. Utilization under Revenue Section was 96.88% of RE of Revenue Section whereas it is 67.70% under Capital Section of RE of Capital Section. The total amount surrendered in FY 2019-20 was Rs.110.78 crore. One of the main reasons of savings was that Government had revised the ceiling of expenditure for last quarters of 2019-20 from 33% to 25% vide Department of Economic Affairs Office Memorandum date 27.12.2019. Accordingly, the expenditure was restricted by CBIC in light of the provisions of the said OM.

2020-21 (upto 31.12.2020)

The Budget Estimates in 2020-21 were reduced from Rs. 8258.50 crore (under Revenue Section: Rs.7820.50 crore& under Capital Section: Rs.438.00 crore) to Rs.7582.47 crore in RE 2020-21 (Revenue Section Rs.7304.47 crore and Capital Section Rs. 278.00 crore). The reductions were primarily under the Salary, Reward, Domestic Travel Expenses, Advertisement and Publicity, Other Administrative Expenses, Swachta Action Plan, Minor Work and Capital Section.

The total provisional expenditure up to 31.12.2020 is Rs.5526.45 crore (Rs. 5396.99 crore under Revenue Section and Rs. 129.47 crore under Capital Section). It shows that 72.88% of the budget as per RE has been utilized up to December, 2020. Utilization under Revenue Section is 73.89% of RE whereas it is 46.57% under Capital Section till Dec. 2020.

2021-22

The Budget Estimates 2021-22 have been proposed at Rs. 21359.27 crore (Rs. 20907.27 crore under Revenue Section and Rs. 452.00 crore under Capital Section), this includes a new provision for an amount of Rs.13,000crore for Remission of Duties and Taxes on Exported Products Scheme. On Revenue Side, expenditure on 'Salaries' (Rs.5651.23 crore) is estimated to be 26.46% of the total grant of 21359.27 crore. The increase of 7.91% over RE of previous FY 2020-21 (Rs.5237.01 crore) in 'Salaries' Head is to accommodate annual increment, filling up of new posts in CBIC etc. The major expenditure other than Salary on Revenue Side is under Six Heads viz. "RoDTEP", 'Offices Expenses', 'Information Technology', 'Rent, Rates and Taxes', "Domestic Travel Expenses" and "Advertising and Publicity" to the tune of Rs. 14786.52 crores, which is 70.72% of total "Revenue Section" (20907.27 crore) of BE 2021-22. Brief of these heads is as under:

(a) Remission of Duties and Taxes on Exported Products (RoDTEP): The provision for RoDTEP' is has been made for an amount of Rs. 13000.00 crore, which is 60.86% of the total grant (21359.27 crore).
Taking a major step to boost exports, Government has decided to extent the benefit of the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to all export goods with effect from 1st January, 2021. The RoDTEP scheme would refund to exporters the embedded Central, State and local duties/taxes that were so far not being rebated/refunded and were, therefore, placing our exports at a disadvantage.

(b) Office Expenses: The expenditure under 'Office Expenses' is estimated at Rs.667.52 crore, which is 3.13% of the total grant (21359.27 crore). The increase is of 3.86% over RE 2020-21 (Rs. 642.72 Cr.) which is nominal for adjusting the inflation. Since 2018-19 there has been an increase of 5.96 % as compared to BE of 2018-19 (630 core).

(c) Information Technology: The expected expenditure under 'Information Technology' is estimated at Rs.505.00 crore, which is 2.36% of total grant (21359.27 crore). This is a decrease of 19.68% over RE 2020-21 (Rs. 628.75 crore). There is a decrease of 1.00 % upto FY 2021-22 as compared to FY 2018-19 (510 core)

(d) 'Rent, Rates &Taxes' : The expenditure under this head is estimated to be of Rs. 419.00 crore which is 1.96% of total grant (21359.27 crore). This is increase of 8.10% over RE of FY 2020-21(Rs.387.60 crore) in 'Rent, Rates & Taxes'. Funds proposed in the BE 2021-22 under this object head are for the committed expenditure towards the pending liability such as Services Charges payable to the local Municipal Authorities, rents for new office spaces hired for Goods and Service tax formations and payment of periodic rent revisions of the various CBIC hired premises. Since 2018-19, there has been an increase. of 2.15% as compared to BE of FY 2018-19 (410.20 crore)

(e) Domestic Travel Expenses : The expenditure under this head is estimated to be of Rs. 105.00 crore which is 0.49% of total grant (21359.27 crore). This is increase of 156.09% over RE of FY 2020-21(Rs. 41 crore) in 'Domestic Travel Expenses'. It is to worth mention here that BE 2020-21 in this object head was 110.00 crore but has to be reduced to 41.00 crore due to less tour and travel and less transfer due to spread of COVID-19. The increase in BE 2021-22 over RE 2020-21 is due to normalization of activities due to containment of spread of COVID-19. Since 2018-19, there has been an increase of 16.67% upto FY 2021-22 as compared to BE of FY 2018-19 (90.00 crore).

(f) Advertising and Publicity: The expenditure under this head is estimated to be of Rs. 90.00 crore which is 0.42% of total grant (21359.27 crore). This is increase of 143.24% over RE of FY 2020-21(Rs. 37 crore) in 'Advertising and Publicity'. It is to worth mention here that BE 2020-21 in this object head was 105.00 crore but has to be reduced to 37.00 crore due to less advertisement because of spread of COVID 19 and financial strain of the Government and more impetus on advertising through social media platforms. The increase in BE 2021-22 over RE 2020-21 is due to normalization of activities due to containment of spread of COVID-19. Since 2018-19, there has been a decrease of 47.06% upto FY 2021-22 as compared to BE of FY 2018-19 (170.00 crore)

(g) Under Capital Head, Budget Estimate is 452.00 crore which is increase by 62.59% with comparison to RE 2020-21 (Rs. 278.00 crore). It is to worth mention here that BE 2020-21 in this object head was 438.00 crore but has to be reduced to 278.00 crore due to slow down in construction activities due to spread of COVID-19. A major portion amounting to Rs.105.00 crore is for acquisition of anti-smuggling equipment/ marine fleet while Rs.139.00 crore is for acquisition/construction of Office accommodation and Rs.208.00 crore allocated for acquisition/construction of residential accommodation. In F.Y. 2021-22, the allocation under Capital Section has increased by 11.06% as compared to BE 2018-19 (Rs. 407 crore).

(h) Consumer Welfare Fund (CWF)- After implementation of GST, the Consumer Welfare Fund, Ministry of Consumer Affairs was adopted under Section 57 of the CGST Act, 2017 by incorporating Consumer Welfare Fund in Rule 97 of CGST Act, 2017. GST-CWF component shall be managed by CBIC. The fund has been created under the Department of Consumer Affairs, food and Public Distribution. An amount of Rs.24.00 crore has been provisioned for this fund in FY 2021-22 under this grant.

To a query on buoyancy factor, Secretary Revenue, during his deposition before the Committee had, *inter alia* stated as under:

> "We have applied buoyancy factor differently....... so, this buoyancy factor would not work in the excise, but, yes, the buoyancy factor would work in the GST, direct tax and customs revenue also. All those buoyancy factors will be different."

He further stated "On the one hand we have reduced our tax by almost 30 per cent. What used to be somewhere around 14.9 per cent, has now become 11.8, that is about 30 per cent reduction in the tax rate, whereas the revenue is increasing. But broadly I can say that at least we have achieved more than the buoyancy and the nominal GDP growth rate."

When asked as to what is the goal as far as our tax to GDP ratio is concerned, the Secretary Revenue replied as thus:

"The developed countries are in the range of around 25 or 26 per cent tax to GDP ratio. But in our country, our GDP itself is very skewed. A large part of GDP is contributed by those who cannot afford to pay taxes. I would say that if I am only focused on tax to GDP ratio, I should aspire to do something around 12 per cent. Presently, it is hovering around 10 per cent. An increase of 2 per cent means almost Rs. 4 lakh crore, including the GST, Income Tax and Customs. This is what we should, as a Ministry, aspire during the next few years."

Net Indirect Taxes

In Rs. Crore

Indirect Tax (Net) (Rs. in Crore)	Actual 2019-20	RE 2020-21	BE 2021-22	% Growth	April-January			% of RE achieved [Apr-Jan]
					2019-20	2020-21	% Gr	
Customs	1,09,283	1,12,000	1,36,000	21%	92,504	95,722	3.5	85.5
C. Excise	2,39,452	3,61,000	3,35,000	-7%	1,96,223	3,13,828	59.9	86.9
S Tax [Arrears]	6,029	1,400	1,000	-29%	2,832	1,330	-53.0	95.0
Non-GST (Net)	3,54,764	4,74,400	4,72,000	-1%	2,91,559	4,10,880	40.9	86.6
CGST+IGST	5,03,196	4,31,000	5,30,000	23%	4,18,916	3,86,856	-7.6	89.7
GST-Comp. Cess	95,553	84,100	1,00,000	19%	78,858	67,416	-14.5	80.2
GST [NET]	5,98,749	5,15,100	6,30,000	22%	4,97,774	4,54,272	-8.7	88.2
Total	9,53,513	9,89,500	11,02,000	11%	7,89,333	8,65,152	9.6	87.4

IV GST Compensation Fund

The Goods and Service Tax (Compensation to States) Bill, 2017 was passed by Lok Sabha on 29th March 2017 to provide for compensation to the States for the loss of revenue arising on account of implementation of the Goods and Services Tax in pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016. Accordingly, GST compensation Act, 2017 has been enacted which provides detailed mechanism for compensation to the States for loss on account of implementation of GST. For the purpose of GST compensation to States, a cess known as Compensation cess is being levied on luxury & demerit goods and proceeds of such cess is being credited to a separate Public Account fund known as Compensation Fund.

A separate non-lapsable fund called "Goods and Service Tax Compensation Fund" was created under the Department of Revenue in the financial year 2017-18 under the provision of GST Compensation Act, 2017. The purpose of the fund was for providing compensation to the States/UTs with legislature for loss of revenue arising on account of implementation of the Goods and Services tax with effect from the date from which the provisions of the Central Goods and Services Tax Act is brought into force, for a period of five years or for such period as may be prescribed on the recommendations of the Council.

Keeping in view the earlier recommendations (Sl. No. 1) of the Standing Committee, utmost care has been taken in preparation of the Budget Estimate for 2021-22. Since, the quantum of GST Compensation required is totally based upon collection trends of SGST/IGST and the subsumed tax collection by States. Therefore, the actual budget requirement cannot be assessed exactly before the data is received from States about bimonthly GST Compensation. As these figures are variable and depend upon bi-monthly estimates from States/UTs, there is always an element of estimation involved. However, as desired by the Committee, efforts were made to ensure that the Budgetary Estimates, taking into account the monthly trends of revenue collection by States/UTs, is more closer to real time revenue collection of States/UTs.

V. GST –Compliance management through enforcement

Detections of <u>Fake Invoice</u> Cases by CBIC- Huge magnitude

July 2017 to Nov. 2020- CBIC

No. of Cases	No. of Entities	Recovery (Rs. Cr.)
13,084	17,131	2,849

Total arrests as on 17.02.2021

No. of arrest done by centre	No of arrests by States
744	126

In the recent drive against fake dealers (since 7th Nov, 2020)- 316 persons have been arrested and 9497 fake entities have been detected

VI. Setting up of Dispute Resolution Committee (DRC)

For reducing litigation and to give an impetus to the dispute resolution for small taxpayers, a Dispute Resolution Committee is proposed to be constituted. A taxpayer having taxable income up to Rs.50 lakh and disputed income up to Rs.10 lakh shall be eligible to approach the Committee. For ensuring efficiency, transparency and accountability, the procedure of the Committee will be conducted in a faceless manner.

Consequently, the Settlement Commission shall be discontinued from 01.02.2021. However, the pending cases shall be decided by an Interim Board if opted by the applicant.

VII. Faceless Income Tax Appellate Tribunal (ITAT)

On lines of the e- assessment scheme which has already been notified, the Finance Bill, 2020 had proposed to introduce e-appeal in order to eliminate the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible. This has lead to optimal utilisation of resources through economies of scale and functional specialization. The e – appeal is based on an appellate system with dynamic jurisdiction in which appeal will be disposed by one or more Commissioner (Appeals).

The intent of introduction of e-appeal was to simplify tax administration and reduce compliance cost. Enabling the tax payer to file all his submissions and engage with the appellate process electronically has helped in reducing his transaction costs. Further the appellate system with dynamic jurisdiction has helped in expeditious disposal of appeals in a transparent and efficient manner through optimal utilization of resources.

Taking further Direct Tax Reforms and in order to provide transparent tax appellate mechanism, it is proposed to make the Income Tax Appellate Tribunal faceless and jurisdiction-less. A National Faceless Income-tax Appellate Tribunal Centre shall be established and all the communication between the Tribunal and the appellant shall be made electronically. Wherever personal hearing is needed, it shall be done through video-conferencing.

While deposing before the Committee, Secretary Revenue, in response to the queries pertaining to faceless assessment responded, *inter alia* as thus:

> "From 13th of August, when the Prime Minister launched it, every assessment whether it is an individual or a corporate, will be faceless. Earlier there was this concept of jurisdictional income tax officer.........Here what has happened is, I will be staying in Borivali. If my income tax return is selected for scrutiny, it will randomly get assigned to a team who may be sitting in Chennai. Notice will come and reply will be sent online through the portal, based on which the case will be decided.......it will have to be reviewed by another team which could be located in Jaipur."
>
> Elaborating upon the issue, he further stated that "when this was launched there were a lot of ciritics saying that people will pass all kinds of wrong orders. We took a review about three days back. Out of 1,85,000 cases which we selected for scrutiny this year.......total 59,000 orders have been passed. Out of these 59,000 orders passed, in 5000 cases some significant additions have been made......If 59,000 orders can be passed in

such a manner that only in 5,000 cases adverse orders have been passed, it means that the system has become stable."

Stating further he said "Encouraged by the fact that 59,000 orders, out of 1,85,000 cases, have been passed, from September onwards the faceless appeal was launched under the same segment......People have challenged this faceless appeal in the court because certain interests are getting impacted. We are quite sure that we will be able to convince the court."

Probing further, when asked .....Was this actually minimizing government? Secretary, Revenue, stated as thus:

> "Sir, this is Minimum Government, Maximum Governance. So, ITAT has also been made faceless.......In case of an Income Tax appeal or the assessment, they are nameless also. But at the level of ITAT, the scheme that we have envisaged is that it will be a jurisdiction-less plus video conferencing. Physical hearing has been dispensed with."

VIII. Mechanisms for realistic budgetary formulation

The following mechanisms for realistic budgetary formulation have been devised by EMC, DGHRD under CBIC as follows;

The Chief Commissioner/Director General of Central Board of Indirect Taxes & Customs has been notified as 68 independent Budgetary Authorities. This enables a realistic analysis and clear projections consequent to prioritisation of only such budgetary proposals which are likely to be utilised fully. Thus the allotment of budgetary provisions to the field formation is such that the Grants are fully utilised and the surrender of funds is avoided. Further,

i. All Budgetary Authorities furnish the Monthly Expenditure Report (MER) by 20^{th} of the following month, duly verified by the local Pay and Accounts Office and this office also develop a program on PFMS link given by Pr, CCA Office from which we can see day to day approximate expenditure of all 68 Budgetary Authority. This enables Expenditure Management Wing to closely monitor the trend of expenditure as per monthly expenditure plan so that the funds are utilised optimally or need to be redistributed to any other Budgetary Authority.

ii. Periodic meetings are held for better coordination with other concerned authorities like CPWD, land owning agencies, local PWD, State Government, Municipal Authorities etc. to get the proposals approved and fund utilisation well within the financial year to avoid surrender of funds under the "Capital" Section.

iii. CBIC is in process of developing a software with the help of NIC, Pune which is in the final stage of development. This software will help in judicious allocation of budget online and help in monitoring day to day expenditure for better utilization of funds.

PART II

OBSERVATIONS/RECOMMENDATIONS

1. Budgetary Allocations and Utilisations

For Demand No. 33 pertaining to the Department of Revenue (erstwhile Grant No. 31 in Financial Year 2018-19, 2019-20 and 2020-21), the Committee note that for FY 2018-19 budgetary provision of Rs.180949.70 crore was made at BE stage which was substantially reduced to Rs.119396.96 crore at RE stage and Rs.124424.97 crore had been spent upto 31st March, 2019 with Rs.5028.01 crore shown as excess amount. Despite the excess amount of Rs.5028.01 crore spent during the last fiscal (2018-19), BE for the FY 2019-20 was revised to Rs.203466.73 which was further enhanced to Rs.243505.77 crore at RE stage, while expenditure upto 31st March, 2020 has been shown as Rs.275429.93 crore and, thereafter an amount of Rs.31924.16 crore stood again as excess expenditure for FY 2019-20. The Committee note that the corresponding BE and RE for FY 2020-21 were Rs.272250.83 crore and Rs.272454.75 crore and expenditure upto December, 2020 was Rs.118229.61 crore, which is only 43.40% of RE. Now for the current fiscal (2021-22) budgetary provision of Rs.201512.64 crore has been made at BE stage, which is a substantial decrease from BE and RE of FY 2020-21. The Committee have been taking note of the fluctuating budgetary figures of the Department and are concerned with the erratic trend of utilization of allocated funds. The Committee have been pointing out this recurrent flaw in budgetary formulation of the Department in their previous Reports. For financial prudence, it is necessary that the amount sought are premised on realistic projections and budgeted funds, which are obviously limited, are judiciously spent and accounted for. The Committee, therefore, desire that concrete mitigating action be taken so that the malady of surrendering huge amount of allocated funds is cured once and for all.

2. The major component of budget provision of the Department of Revenue is for providing GST compensation to the State Govts/UTs with Legislature to protect them from revenue loss. As per provisions in Section 7 of the GST (Compensation to States) Act, 2017 loss of revenue to the States shall be calculated and released at the end of every two months' period, for 5 years. However, GST Compensation Fund was inadequate to meet the full compensation for period April-May, 2020. The balance GST Compensation for the period April-May, 2020 and GST Compensation for the full period June-Nov 2020 is pending to all States/UTs due to inadequate amount in GST Compensation Fund during current Financial year. The Committee recognize that the Covid-19 pandemic have had severe economic impact on GST collections, as majority of economic activities had come to a grinding halt during this period. Even before the monthly revenue collections from GST could stabilize, the entire process had a setback. Naturally the States have been reporting losses in revenue collection, thereby, leading to much higher compensation requirement. In the light of the prevailing economic scenario, the Committee would, therefore, urge the Government to initiate all possible measures, both structural and enforcement related, to increase GST collection which has in recent months shown an upward trend.

3. The Committee note with concern the persistent underutilization of allocated funds in respect of Demand for Grant No. 34 (Direct Taxes) for Salaries/Administrative expenses pertaining to field offices of CBDT and Demand No. 35 (Indirect Taxes) for establishment related expenditure for the

field offices of CBIC. As far as Demand No. 34 is concerned, in the FY 2018-19 Rs.9.09 crore was surrendered and in the FY 2019-20 Rs.244.80 crore has been shown as amount surrendered. As for the FY 2020-21 budgetary provision of Rs.8065.39 crore was made at BE stage which later at RE stage was reduced to Rs.7694.00 crore and total expenditure upto 31^{st} December, 2020 was Rs.5102.99 crore which is only 66.32% of the allocation at RE stage. Similarly, for Demand No. 35 (Indirect Taxes) for establishment related expenditure for the field offices of CBIC, the amount surrendered in the FY 2018-19 and 2019-20 stood at Rs.490.00 crore and Rs.110.78 crore respectively, while for the FY 2020-21 total expenditure upto December, 2020 was Rs.5526.45 crore which is 72.88% of the allocation of Rs.7582.47 crore at RE stage (Rs.8258.50 crore was the BE). The Committee, therefore, recommend that the Ministry should pursue for realistic budgetary formulation so that overestimation and underutilization of budgetary allocations do not become recurrent. The Committee are of the view that optimal utilization of allocated funds through prudent financial management with close monitoring is the need of the hour.

4. <u>Remission of Duties and Taxes on Exported Products (RoDTEP)</u>

The Committee note that with respect to Demand No.35 pertaining to Indirect Taxes the BE for 2021-22 have been proposed at Rs.21359.27 crore, which is substantial enhancement from BE & RE of last fiscal, which stood at Rs.8258.50 crore and Rs.7582.47 crore, respectively. The Committee also note that the current fiscal's BE of Rs.21359.27 crore includes a new provision for an amount of Rs.13,000 crore for Remission of Duties and Taxes on Exported Products Scheme (RoDTEP) which is 60.86% of the total grant (Rs.21359.27 crore). While appreciating this major initiative of the Government to boost exports, the Committee would urge the Ministry to extensively advertise and publicize the RoDTEP scheme so that it reaches out to maximum beneficiaries and our export sector receives a major boost.

5. <u>GST – Compliance management</u>

The world is facing a serious challenge from the Covid-19 pandemic and its aftershocks. In these challenging times, our economy has doubtlessly exhibited remarkable resilience. In the aftermath of the pandemic, a new world order seems to be evolving, wherein India is poised to play a leading role. Therefore, the Committee hope that the emerging international dynamics will be factored in and accordingly, a stable long term tax regime with a conducive policy environment will remain in place to help businesses to invest and innovate.

6. The Committee observe that the GST compliance figures furnished by the Ministry suggest detections of fake invoices cases by CBIC which is of alarming magnitude. From July, 2017 to November, 2020, 13,084 cases were registered against 17,131 entities and recovery to the tune of Rs.2,849 crore was made. Further, in recent drive against fake dealers, since 7th November, 2020, 316 persons have been arrested and 9497 fake entities have been detected. As on 17 February, 2021 number of arrests done by the Centre was 744 and that done by the States was 126. In this regard, the Committee would urge the Department of Revenue to remain alert and vigilant so that the menace of fake dealers and fake invoices is curbed comprehensively and the possibility of revenue leakages is eliminated. Further, the Committee desire that greater awareness about the GST structure and punitive action in case of non-compliance needs to be created amongst the assessees on a wider scale.

7. <u>Tax Buoyancy</u>

The budgetary target of tax collection is set before the beginning of the financial year on the basis of the GDP forecast and expected buoyancy in taxes. The Committee note that although some transformative changes have been made by the Government to augment tax collections in the country, tax buoyancy as such has not been proportionate to the growth in income and wealth. The Direct Tax Revenue trends figure reflects that Actuals for FY was Rs.10,49,530 crore and RE for FY 2020-21 stood at Rs.9,05,000 crore with growth rate of -8.32% and percentage of RE achieved till January 2021 was 75.54%. While in the case of Indirect Taxes Actuals for FY 2019-20 was Rs.9,53,513 crore and RE for FY 2020-21 stood at Rs.9,89,500 crore, while BE for FY 2021-22 has been pegged at Rs.11,02,000 crore with growth rate of 11% and percentage of RE achieved was 87.4%. The Committee further note that in the developed countries, the tax to GDP ratio range around 25 to 26 per cent. However, in our country, a large part of GDP is contributed by those who cannot afford to pay taxes and that is why, we find our tax to GDP ratio hovers around 10 per cent. Given the constraints in raising tax rates including its counter-productive economic impact, the Committee would expect higher revenues to be generated through tighter enforcement and higher compliance.

8. <u>Faceless Assessment and Faceless Appeal</u>

The Committee note that the Government has introduced a series of reforms in the Direct tax system for the benefit of our taxpayers and economy. For ease of compliance and to reduce discretion, the Government has introduced faceless assessment and appeal. The Committee also note that for reducing litigation and to give an impetus to dispute resolution for small taxpayers, a Dispute Resolution Committee is proposed to be constituted which will be faceless to ensure efficiency, transparency and accountability. The Committee believe that this faceless system is an improvement in the Income Tax apparatus – an enforcement measure which reduces physical enforcement – a case of Minimum Government and Maximum governance. The Committee further believe that these initiatives of the Government will simplify tax administration, ease compliance and reduce litigation. The Committee hope that the proposed faceless system would instill greater efficiency, transparency and accountability in the tax administration. The Committee would, therefore, urge the Ministry (Department of Revenue) to extensively publicize the proposed faceless system through print and electronic media and even through the dynamic social media. The proposed faceless process being introduced for the appellate tribunals may be reviewed in the light of experience gathered in due course.

New Delhi;
10 March, 2021
19 Phalguna, 1942 (Saka)

SHRI JAYANT SINHA,
Chairperson
Standing Committee on Finance

ANNEXURE-I

Minutes of the Ninth sitting of the Standing Committee on Finance (2020-21)
The Committee sat on Wednesday, the 10th March, 2021 from 1530hrs. to 1745 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Subhash Chandra Baheria
4. Dr. Subhash Ramrao Bhamre
5. Smt. Sunita Duggal
6. Smt. Darshana Vikram Jardosh
7. Shri Manoj Kishorbhai Kotak
8. Shri P.V Midhun Reddy
9. Shri Manish Tewari
10. Shri Rajesh Verma

RAJYA SABHA

11. Shri A. Navaneethakrishnan
12. Shri Praful Patel
13. Dr. Amar Patnaik
14. Shri Mahesh Poddar
15. Shri Bikash Ranjan
16. Shri G.V.L Narasimha Rao

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Director
3. Shri Kulmohan Singh Arora - Additional Director
4. Shri Kh. Ginlal Chung - Under Secretary

PART I

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(The witnesses then withdrew)

PART II

3. The Committee, thereafter, took up the following draft Reports for consideration and adoption :

(i) Twenty-Fifth Report on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Investment & Public Asset Management).

(ii) Twenty-Sixth Report on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue).

(iii) Twenty-Seventh Report on Demands for Grants (2021-22) of the Ministry of Corporate Affairs.

(iv) Twenty-Eighth Report on Demands for Grants (2021-22) of the Ministry of Planning.

(v) Twenty-Ninth Report on Demands for Grants (2021-22) of the Ministry of Statistics and Programme Implementation.

(vi) Thirtieth Report on Action taken by the Government on the recommendations contained in Seventy-First Report (16th Lok Sabha) on the subject 'Central Assistance for Disaster Management and Relief'.

(vii) Thirty-First Report on Action taken by the Government on the recommendations contained in Seventy-Second Report (16th Lok Sabha) on the subject 'Strengthening of the Credit Rating Framework in the Country'.

After some deliberations, the Committee adopted the above draft Reports and authorised the Chairperson to finalise them and present the Report to Parliament.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

Minutes of the Seventh sitting of the Standing Committee on Finance (2020-21)The Committee sat on Tuesday, the 23rd February, 2021 from 1100hrs. to 1700 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Manoj Kishorbhai Kotak
4. Shri Pinaki Misra
5. Prof. Saugata Roy
6. Shri Gopal Chinayya Shetty
7. Shri Manish Tewari
8. Shri Parvesh Sahib Singh Verma
9. Shri Rajesh Verma
10. Shri Giridhari Yadav

RAJYA SABHA

11. Shri Praful Patel
12. Dr. Amar Patnaik
13. Shri G.V.L Narasimha Rao
14. Smt. Ambika Soni

SECRETARIAT

1.	Shri V.K Tripathi	-	Joint Secretary
2.	Shri Ramkumar Suryanarayanan	-	Director
3.	Shri Kulmohan Singh Arora	-	Additional Director
4.	Shri Kh. Ginlal Chung	-	Under Secretary

PART I

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PART II
(1400 hrs - 1530 hrs)

WITNESSES

Department of Revenue

1. Dr. Ajay Bhushan Prasad Pandey, Finance Secretary & Secretary Revenue
2. Shri P. C. Mody, Chairman, CBDT
3. Shri M. Ajit Kumar, Chairman, CBIC
4. Shri S.K. Gupta, Member/Special Secretary, CBDT
5. Shri Vivek Johri, Member/Special Secretary, CBIC
6. Smt. Meera Swarup, AS & FA
7. Shri Ritvik Pandey, Joint Secretary (Revenue)
8. Shri Rajesh Kumar Bhoot, JS(TPL-II), CBDT
9. Shri G.D. Lohani, JS (TRU)

3. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the witnesses, the Secretary, Department of Revenue made a Power Point Presentation (PPT) before the Committee in connection with the examination of Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue) and issues connected therewith. The major issues discussed, *inter-alia,* included Trends in Direct and Union Indirect taxes, GST Compensation Fund, Reforms in Direct Taxes, Tribunal reform, Reforms in GST, GST compliance management, GST revenue collections, systematic action to deal with fake dealers menace in GST, Tax to GDP ratio and buoyancy factor, Faceless Assessment, Faceless appeal, Faceless ITAT and quantum of disputed tax. The witnesses responded to the queries raised by the Members on the subjects. As many of the queries of Members remained unanswered, the Chairperson directed the representatives of the Ministry of Finance (Department of Revenue) to furnish written

replies to the points raised by the Members during the discussion within a week to the Secretariat.

(The witnesses then withdrew)

PART III

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A verbatim record of the proceedings has been kept.