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STANDING COMMITTEE ON FINANCE
(2020-21)

SEVENTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

[Action taken by the Government on the recommendations contained in Twenty-sixth Report of the Standing Committee on Finance on 'Demands for Grants (2021-22)]

THIRTY-SIXTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2021 / Sravana, 1943 (Saka)

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(DEPARTMENT OF REVENUE)

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Presented to Lok Sabha on 3 August, 2021
Laid in Rajya Sabha on 3 August, 2021

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2021 / Sravana, 1943 (Saka)

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* *Not appended in the cyclostyled copy*

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2020-2021)

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. Vacant
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. Vacant
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 V.K. 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 authorized by the Committee, present this Thirty-sixth Report on action taken by Government on the Observations / Recommendations contained in the Twenty-sixth Report of the Committee (Seventeenth Lok Sabha) on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue).

2. The Twenty-sixth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 16 March, 2021. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 5 July, 2021.

3. The Committee considered and adopted this Report at their sitting held on 29 July, 2021.

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

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

NEW DELHI
29 July, 2021
7 Sravana, 1943 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

REPORT

CHAPTER I

This Report of the Standing Committee on Finance (Seventeenth Lok Sabha) deals with action taken by the Government on the recommendations/ observations contained in their Twenty-Sixth Report of Seventeenth Lok Sabha on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha / Laid in Rajya Sabha on 16th March, 2021.

2. Action taken notes have been received from the Government in respect of all the 8 recommendations/observations contained in the Report. These have been analyzed and categorized as follows:

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

Recommendation Nos. 1, 2, 4, 5, 6, 7 and 8

(Total- 7)
(Chapter- II)

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

Recommendation No. NIL

(Total :NIL)
(Chapter- III)

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

Recommendation No. 3

(Total : 1)
(Chapter -IV)

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

Recommendation No. NIL

(Total : NIL)
(Chapter- V)

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

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

Recommendation (Sl. No. 1)

Budgetary Allocations and Utilisations

5. 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 noted 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 had 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 noted 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 was only 43.40% of RE. Now for the current fiscal (2021-22) budgetary provision of Rs.201512.64 crore had been made at BE stage, which was substantial decrease from BE and RE of FY 2020-21. The Committee had been taking note of the fluctuating budgetary figures of the Department and were concerned with the erratic trend of utilization of allocated funds. The Committee had been pointing out this recurrent flaw in budgetary formulation of the Department in their previous Reports. For financial prudence, it was 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, desired that concrete mitigating action be taken so that the malady of surrendering huge amount of allocated funds is cured once and for all.

6. The Ministry in their Action Taken Reply have stated as thus:-

"In pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016, the Goods and Services (Compensation to States) Act, 2017 was enacted by Parliament for providing compensation to the States on account of Revenue loss due to implementation of GST w.e.f. 01.07.2017 for a period of five years.

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. Accordingly, in Budget Estimates 2018-19, total provision was kept at Rs.180949.70 crore under the demand of Department of Revenue. At that time, it was estimated that the requirement of payment of Goods and Service Tax (GST) Compensation in 2018-19 may be around Rs.90,000 crore. Further, the total BE provision also included the amount of Rs.90,000 crore, which was to be transferred to GST Compensation Fund and also establishment related expenditure of Department of Revenue. However, at RE 2018-19 stage, it was revised to Rs.119396.96 crore. Out of which Rs.118470 crore was for GST Compensation (Rs.66735 crore for payment of GST Compensation and Rs.51735 crore for transfer to GST Compensation Fund). However, at the close of the financial year (FY), it was found that due to variation in revenue collection of Government of Union Territories with Legislatures, the amount of GST compensation claim got increased marginally, and the actual expenditure for the FY 2018-19 went upto Rs.124424.97 crore which was higher than the Revised Estimates but within the Budget Estimates 2018-19.

Further, in FY 2019-20, against the BE provision of Rs.203466.73 crore under Demand No.31- Department of Revenue, amount of Rs.101200 crore was kept for GST Compensation to States/UTs with legislature and equal amount of Rs.101200 crore was for transfer to GST Compensation Fund. However, at RE stage, the Budget provision was revised to Rs.243505.77 crore, which included 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. Against this, an expenditure of Rs.275429.93 crore has been incurred in FY 2019-20. The excess expenditure has been incurred under Demand No.31, due to the reason that centre had transferred Rs.33412 crore 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 based on the recommendations of the Council.

In FY 2020-21, against the total BE provision of Rs. 272250.83 crore for Demand No. 31 -Department of Revenue, an amount of Rs. 1,35,368.03 crore was kept for GST Compensation to States/UTs with legislature and equal amount of Rs. 1,35,368.03 crore was for transfer to GST Compensation Fund. However, at RE 2020-21 stage, the Budget provision was revised to Rs.272454.75 crore keeping in view the transfer of States/UTs portion of unapportioned IGST of previous years. In the FY 2020-21, a provisional GST Compensation of Rs.136988.47 crore has been paid to States/UTs. Further, compensation cess to the tune of Rs.106317 crore has also been transferred to GST Compensation Fund taking into account the compensation cess collected in FY 2020-21 and unutilized compensation cess collected & retained in CFI in previous FY 2017-18 & 2018-19.

For the FY 2021-22, the total Budget provision of Rs.201512.64 crore has been kept under Demand No 33 for Department of Revenue. This includes Capital expenditure of Rs.13.02 crore. On the Revenue expenditure side, a budget provision of Rs.100000 crore has been kept to meet the expenditure on payment of GST compensation to States/UTs with legislature. Similarly, an equal amount of compensation cess (Rs.100000 crore) has also been kept for transfer to GST Compensation Fund, in terms of GST Act 2017.

It is submitted that the budgetary provision is being made for GST in every financial year, to compensate States/Union Territories with legislature on account of revenue loss to states/UTs due to implementation to GST, based upon the initial trends of GST collection as well as subsumed tax collected by States/UTs with legislature. The provisions are also being made for transfer of the cess collected to the GST Compensation Fund. It is difficult to estimate the exact budgetary requirement for the purpose of GST compensation in a particular financial year"

7. The major component of the Budget provision of the Department of Revenue is for payment of compensation to States/UTs for revenue loss owing to the implementation of Goods and Service Tax in India with effect from 1st July, 2017. Budgetary provision is made every financial year for GST compensation to States/Union Territories with legislature and provisions are also being made for transfer of cess collected to the GST Compensation Fund. The Committee take note of the contention of the Department of Revenue that it is difficult to estimate the exact budgetary requirement for the purpose of GST compensation in a particular financial year. Nonetheless, the Committee are concerned about the fluctuating budgetary figures of the Department and erratic trend of utilization of allocated funds. The Committee would, therefore, reiterate their earlier recommendation that for financial prudence it is imperative that the sought amount are premised on realistic projections and that the budgeted funds are judiciously spent and accounted for.

Recommendation (Sl. No. 3)

8. The Committee noted 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 was concerned, in the FY 2018-19 Rs.9.09 crore was surrendered and in the FY 2019-20 Rs.244.80 crore had 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 up to 31st December,2020 was Rs. 5102.99 crore which was 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 of Rs. 7582.47 crore at RE stage (Rs. 8258.50 crore was the BE).

The Committee, therefore, recommended that the Ministry should peruse for realistic budgetary formulation so that overestimation and underutilization of budgetary allocations did not become recurrent. The Committee were of the view that optimal utilization of allocated funds through prudent financial management with close monitoring was the need of the hour.

9. The Ministry in their Action Taken Reply have stated as under :-

"In this regard it is to submit that during the Financial Year 2018-19 the utilization of funds was to the extent of Rs. 7319.93 crore against the allocated funds of Rs. 7382.00 crore which comes to 99.28%. The unutilized funds were therefore only a miniscule percentage of allocated funds. As such there is neither over estimation nor under estimation.

During the financial year 2019-20 B.E allocation was Rs. 7338.44 Crore which was subsequently increased to Rs. 7343.44 Crore in the R.E. Thus, there was an increase of Rs. 5 Crore only. Further, an amount of Rs. 176.9 Crore was received in the Second Supplementary Demand for Grants. Against the total allocation, the fund utilized was Rs. 7182.72 Crore and surrender amount was Rs. 244.80 Crore. Utilization of funds thus amounted to 97.81%.The reason for lesser expenditure is that notification for second Supplementary Demand for Grant from the Parliament was received only on

25.03.2020 and, therefore, funds could be allocated to various Budget Controlling Authorities (BCAs) on 25.03.2020/26.03.2020. Thus, total additional funds amounting to Rs. 181.96 Crore were received and allocated on 25.03.2020. It is also a fact that due to spread of pandemic Covid-19, nationwide lockdown was imposed by the Government w.e.f. 24.03.2020. A number of bills which were already submitted to Zonal Account Offices could not be cleared by them too, due to a paucity of time and manpower because of unexpected situation of Covid-19. Thus it was an extraordinary situation which was beyond human control. Therefore, the unutilized funds were surrendered.

During Financial Year 2020-21 allocation of funds under B.E. at Rs. 8065.39 Crore and the R.E 2020-21 has been reduced to Rs. 7694.00 Crore, by Budget Division. Further Budget Division also imposed ceiling on expenditure of 20% of B.E. 2020-21, during the first two quarters of the financial Year. The ceiling of 20% was imposed in the third quarter also by the Budget Division; however, it was substantially raised to the level of R.E. ceiling after pre-budget meeting in the first week of November, 2020. The low expenditure during the current financial year is thus, because of limit on expenditure imposed by the Budget Division.

The Department is regularly monitoring the allocation/expenditure of the various BCAs and quarterly reports in this regard are being submitted to the higher authorities also. Department remains vigilant and checks the figures of expenditure on monthly basis after obtaining e-lekha statement from the office of the Pr. Chief Controller of Accounts, CBDT, New Delhi. As a result of this exercise, the various Re-appropriation orders (5 in number) were issued during F.Y. 2020-21, withdrawing funds from the object heads where funds remained unutilized to the object heads where funds were required. In addition, letters were issued from time to time to the BCAs, directing them to surrender the un-utilized funds well in time so that either the same may be utilized by the other BCAs where funds were in deficit or the same may be reported as surrender in time to IFU/Budget Division. Besides, BCAs have been sensitized about sending accurate estimates of funds and also to ensure optimum utilization of allocated funds.

Indirect Taxes:

I. In this regard, it is to submit that during FY 2018-19 the BE was Rs. 7825.50 crore. The utilization of the funds was to the extent of Rs. 7187.79 crore against the RBE of Rs. 7625.66 crore which comes to 94.26%. There was saving of Rs. 283.02 crore (Revenue) and Rs. 154.85 crore (Capital) under Grant No. 35-Indirect Taxes against the RBE of Rs. 7625.66 crore. The budget estimate is being framed on the basis of requirement projected by the field formations/Directorates as well as considering the trend of expenditure of previous years. However, due to the following reasons the funds of grants remained un-utilized: -

(i) Out of the funds of Rs. 240.00 crore provided to Directorate General of System and Data Management towards payment to GSTN, funds to an extent of Rs 121.00 crore were surrendered. It is because GSTN had claimed the second installment for adjustment of advance user charges for the year 2018-19 in Financial Year 2019-20 depending upon their cash position.

(ii) Similarly, Directorate of Tax payer Services utilized funds to the extent of Rs. 83.73 crore as against the allocated estimate of Rs. 165.00 crore under object head "Advertising & Publicity" during the FY 2018-19. The reason being that all the Central Government Ministries/Departments need to release its advertisements through DAVP at DAVP rates but due to non-empanelment of major news/business channels, advertisements could not be undertaken resulting in surrender of funds under this object head.

(iii) As regards, saving of Rs. 154.85 crore under Capital Section of the grant, it is stated that the provision made under Major Head 4047 (Capital Outlay on Fiscal Services) for payment of 50% cost of spare parts in respect of CAT I & CAT II vessels in the said financial year was to be paid after resolution of outstanding issues. However, the outstanding issues were not settled during the said Financial Year resulting in saving under acquisition of Ships & Fleets as submitted by Directorate of Logistics. Further, the saving under Major Head 4059 (Capital Outlay on Public Works) and Under Major Head 4216- (Capital Outlay on Housing) was occurred due to non-completion of projects for (i) acquisition of land for construction of office building for DRI Zonal Unit, Ahmedabad (ii) construction of NACIN at Attapur, Hyderabad (iii) construction of office building and staff quarters at Jam Nagar and (iv) construction of additional office building at Custom House, Ahmedabad under MH-4059 as well as non completion of projects for construction of residential quarters at (i) Land Customs Station, Jogbani/Raxual as CPWD informed that start of work was delayed as site was low lying and there was need for construction of approach road, which could be constructed only after rainy season, (ii) construction of residential quarters at Chennai and (iii)construction of departmental quarters at Kharghar, New Mumbai under MH-4216. Thus, it is evidence that the saving occurred during the FY 2018-19 was beyond the control of Department.

(iv) Hence, the projected funds could not be utilized fully by the field formations/ Directorates during the FY 2018-19.

II. During the FY 2019-20, B.E allocation was Rs. 7900.50 crore, against the total allocation, the funds utilized was Rs. 7535.26 crore and there was saving of Rs. 365.24 crore i.e. saving of Rs. 233.84 crore (Revenue) and Rs. 131.40 crore (Capital) under Grant No. 33-Indirect Taxes. It is worthwhile to mention that the Government has revised the ceiling of expenditure for last quarters of 2019-20 from 33% to 25% vide Office Memorandum date 27.12.2019. After 3rd quarter expenditure of CBIC was Rs. 5617.69 crore (71.11%) out of total grant Rs. 7900.50 crore and the amount unspent was Rs. 2282.81 crore (28.89%), the permission for expenditure was 25% which is equal to Rs. 1975.13 crore, hence Rs. 307.68 crore (Revenue+Capital) has to be surrendered as per Government Economic Measures. In other words fund actually at disposal under Grant No. 33 was Rs. 7592.80 crore (Rs. 7900.50 crore - Rs. 307.70 crore) and expenditure for the financial year 2019-20 was Rs. 7535.26 crore which is 99.24% of the actual available budget and saving is only Rs. 57.54 crore which is less than Rs.100 crore. The unutilized funds were therefore only a miniscule percentage of allocated funds and as such there is neither over estimation nor under estimation.

III. During the FY 2020-21, B.E allocated was Rs. 8258.50 crore which was subsequently reduced by Rs 676.03 crore in RBE and expenditure was Rs. 7368.37 crore out of the RBE of Rs 7582.47 crore. The total utilization of funds was 97.18%. There was saving of Rs. 214.10 crore i.e. saving of Rs. 152.21 crore (Revenue) and Rs. 61.89 crore (Capital) under Grant No. 33-Indirect Taxes only. Out of the total surrender amount of Rs. 762.11 crore, Rs. 676.03 crore was amount reduced from allocation in RBE 2020-21. Due to the expenditure ceiling in the first two quarters and subsequent cut in Budget by Rs. 676.03 crore, field formations could not utilize the funds & faced restriction even in discharging committed liabilities. However, BCAs have been sensitized about sending accurate estimates of funds and also to ensure optimum utilization of allocated funds."

10. In respect of Indirect Taxes, the Committee is given to understand that the budget estimate is framed on the basis of requirement projected by the field formations/Directorates as well as considering the trend of expenditure of previous years. However, the Committee observe that out of the fund of Rs. 240 crores provided to the Directorate General of System and Data Management towards payment of GSTN, funds to an extent of Rs. 121 crore were surrendered, which is almost 50% of the allocated budgetary fund. Similarly, Directorate of Tax Payer Services utilized funds to the extent of Rs. 83.73 crore as against the allocation of Rs. 165 crore under object head "Advertising & Publicity" during the FY 2018-19. During the FY 2019-20, against the total allocation of Rs. 7900.50 crore, there was saving of Rs. 365.24 crore under grant no. 33 – Indirect Taxes. And during the FY 2020-21there was saving of Rs. 214 crore. The various reasons put forth by the Department for the saving/surrendered amount seems plausible

especially in the light of revised ceiling of expenditure propounded by the Government and as per Government's economic measures. Nevertheless, the Committee are of firm belief that realistic budgetary formulation should be a norm, so that overestimation and underutilization of budgetary allocations, which are obviously limited, do not become a recurrent phenomenon and financial prudence be the defining theme of budget formulation. The Committee, therefore, recommend that the Budget Controlling Authorities (BCAs) be suitably sensitized about sending accurate estimates of funds and also to ensure optimum utilization of allocated funds.

Recommendation (Sl. No. 6)

11. The committee observed that the GST compliance figures furnished by the Ministry suggested detections of fake invoices cases by CBIC which was 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 had been arrested and 9497 fake entities had been detected. As on 17th February, 2021 number of arrests done by the centre was 744 and that done by the states was 126. In this regard, the committee urged the department of Revenue to remain alert and vigilant so that the menace of fake dealers and fake invoices was curbed comprehensively and the possibility of revenue leakage was eliminated. Further, the committee desired that greater awareness about the GST structure and punitive action in case of non-compliance needed to be created amongst the assessees on a wider scale.

12. The Ministry in their Action Taken Reply have stated as under :-

"Insofar as remaining alert and vigilant is concerned so as to address the menace of fake dealers/invoices and the possibility of revenue leakage comprehensively the following measures have been initiated by Central Board of Indirect Taxes and Customs [CBIC]:

Administrative Measures:

i. Central GST field formations have made consistent efforts, to detect cases involving substantial tax evasion, through the use of intelligence and extensive data analytics.

ii. Nationwide special drive is being carried out against unscrupulous entities for availing and passing on Input Tax Credit (ITC) fraudulently on the strength of fake/bogus invoices. CBIC has detected major cases of fraudulent ITC involving arrest of kingpins/masterminds, during the period from 09.11.2020 to 31.05.2021. The details of detection/recovery from 09.11.2020 to 30.05.2021 are mentioned below:

Special Drive against GST Invoice Fraudsters				
Period	**No. of cases booked**	**Number of persons arrested**	**Fake ITC/GST Amount Detected (In Cr.)**	**Amount Recovered (In Cr.)**
9th Nov 20 to 31st May 21	4274	410	27506.58	1435.51

iii. In order to ensure comprehensive deterrent measure against fake dealers/invoice, the information of cases booked by CBIC is also shared with SGST authorities through the GST Council Secretariat and with FIU (Financial Intelligence Unit) also for tracking suspicious transaction records, and CBDT for initiating action related to bogus expenditures, etc.

iv. Further, with the help of data analysis, bogus/fake dealers are identified by the Directorate of DGARM.

v. The data sharing of toll movement as a consequence of FASTag being made mandatory for payment of toll, with GSTN (Goods and Services Tax Network), now allows correlation of EWB with that of FASTag data, which would help identify fraudulent misuse of EWB and help detect dealers of fake invoices and curb evasion as well.

Policy and Legal measures:

i. To curb cases of wrongful claims of input tax credit, sub-rule (4) of rule 36 has been inserted to Central Goods and Services Tax Rules, 2017 vide notification No. 49/2019 – Central Tax dated 09.10.2019. Vide notification No. 75/2019 – Central Tax dated 26.12.2019, rule 86A has been inserted to CGST Rules, 2017 which empowers tax officer, not below the rank of Assistant Commissioner, to block input tax credit available in the electronic credit ledger of a taxpayer if he has reasons to believe that such credit is ineligible or has been availed fraudulently.

ii. Aadhaar authentication for new applicants has been made mandatory from 21.08.2020. If Aadhaar authentication is not done or if the authentication fails, then registration will be granted after physical verification of business premises within 30 days of submission of application for registration. (Rule 8 (4A) of the CGST Rules)

iii. Additional grounds for cancellation of registration has been introduced, w.e.f. 22.12.2021, such as where provisions of Section 16 or Rule 86B are contravened or where there is mismatch between FORM GSTR1 and FORM GSTR 3B. (Rule 21);

iv. Rule 138E has been inserted to the Central Goods and Services Tax Rules, 2017 which restricts generation of e-way bill by those taxpayers who have not furnished returns for a consecutive period of two months. Furthermore, in order to avoid misuse of an e-way bill for multiple times for transportation of goods, the e-way bill validity has now been restricted w.e.f. 01.01.2021 to one day for distances up to 200 Kms (from 100kms per day earlier). [Rule 138 (10)]

v. To prevent fake dealers and shell companies to pass on fake credit, without filing their GSTR3B returns and paying taxes, a provision has been made to block furnishing of outward supply statement in FORM GSTR-1 by a taxpayer, if 2 or more GSTR 3B returns are not filed by the said taxpayer. [Rule 59 read with Notification No. 94/2020 – Central Tax dated 22.12.2020]

vi. Provision for centralized (system based) suspension of registration has been introduced, w.e.f. 22.12.2020, where there is mismatch between FORM GSTR1 and FORM GSTR 3B or between inward supplies and FORM GSTR 3B or based on other analysis conducted on recommendations of the GST Council. (Rule 21A)

vii. Provisions restricting the usage of input tax credit (ITC) have also been introduced as anti-abuse provisions targeting mainly the fake dealers and shell companies. Restrictions have been imposed on availment of input tax credit by recipient of supplies in cases where details of outward supplies are not furnished by the suppliers in their outward supply statement. Initially, the limit to avail such credit by a taxpayer was restricted to 1.2 times of the credit available as per details furnished by the suppliers in their outward supply statements. However, the same has now been reduced to 1.05 times of such credit w.e.f 1st January, 2021. Availment of Input tax credit for those invoices (whose details have not been furnished by the suppliers) has been restricted to 5 percent of the eligible credit in respect of invoices the details of which have been furnished by the supplier's w.e.f. 01.01.2021. (Rule 36 (4)).

viii. With effect from 1st January 2021, E-invoices have been made mandatory for all B2B transactions with turnover above Rs 100 crore. This would significantly help tax authorities in combating the menace of tax evasion by issuance of fake invoices. Further, this would also ensure seamless flow of credit & invoice matching as envisaged in the GST regime.

ix. Amendment in Section 132 - Offence of fraudulent availment of ITC without invoice or bill is now cognizable and non-bailable offence under Section 69 and the person who retains the benefit of certain transactions and at whose instance such transactions are conducted is also liable for punishment.

x. Amendment in Section 122 - Beneficiary who retains benefit or at whose instance a supply has been made without the issuance of an invoice, or invoice has been issued without supply, or excess ITC has been availed/distributed is liable for penalty similar to that of actual supplier/recipient.

<u>Awareness of GST structure and non-compliance</u>

While DGTPS (Publicity Wing) regularly carries out outreach efforts w.r.t GST related measures and developments. As per the recommendation of the standing committee, DGTPS is being suggested to carry out awareness campaign which specifically highlighting the punitive action in case of non-compliance."

13. The Committee observe that the Central Board of Indirect Taxes and Customs (CBIC) has initiated many Administrative as well as Policy and Legal measures to address the menace of fake dealers & fake invoices. The Committee have also noted the data with respect to Special Drive against GST Invoice Fraudsters, which delineate that during the period between 9th November, 2020 to 31st May, 2021 number of cases booked was 4274 while 410 persons were arrested and fake ITC/GST amount detected was Rs. 27506.58 crore, while amount recovered was only Rs. 1435.51 crore. The furnished data, therefore, bring forth the severity of the menace of fake dealers/invoices and revenue leakage inspite of the requisite policies. In light of the foregoing, the Committee would, therefore, reiterate and urge the Department to scale up the awareness ecosystem about

GST structure, its importance in economic development of the country and punitive regime for non compliance. Besides, a robust system should be put in place for real time alerts on detection of any suspicious and fraudulent transactions.

Recommendation (Sl. No. 7)

Tax Buoyancy

14. 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 noted that although some transformative changes had been made by the Government to augment tax collections in the country, tax buoyancy as such had 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 had been pegged at Rs.11,02,000 crore with growth rate of 11% and percentage of RE achieved was 87.4%. The Committee further noted that in the developed countries, the Tax to GDP ratio ranged 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 percent. Given the constraints in raising tax rates including its counter-productive economic impact, the Committee expected higher revenues to be generated through tighter enforcement and higher compliance.

15. The Ministry in their Action Taken Reply have stated as thus:-

Direct Taxes:

"The Direct Tax Revenue Collection for F.Y. 2019-20 stood at Rs. 10,50,711 crore (as per Receipt Budget 2021-22). Direct Tax Collection for F.Y. 2020-21 is Rs. 9,45,379 crore (Provisional) against the Revised Estimate of Rs. 9,05,000 crore.

Tax buoyancy depends on the efficiency of tax administration and measures for additional resource mobilization through legislative changes. To improve tax buoyancy, the Income Tax Department has taken various initiatives including technological interventions, changes in business processes etc so as to improve the efficiency of the tax administration. In order to further mobilize revenue, various measures are taken including identifying potential tax payers and increasing tax base using data mining and data analytics; encouraging voluntary compliance specially in Tier- II and Tier-III cities by conducting awareness meetings and outreach programs; monitoring of top advance taxpayers; laying emphasis on collection/recovery of outstanding demand; monitoring of tax deduction at source (TDS), organizing awareness programs regarding TDS provisions for proper compliance; faceless assessment scheme to improve the quality of scrutiny assessment, utilizing the information received from different sources including Project Insight, I&CI, Investigation Wing, FATCA (Foreign Account Tax Compliance Act) etc. for identifying potential tax evaders; enforcement action by way of Surveys and searches in potential large tax evasion cases; and multi-media campaigns to encourage voluntary compliance of tax provisions. Further, "Faceless Assessment Scheme" has been launched to improve the quality of scrutiny assessment and bring better tax compliance.

Indirect Taxes:

As per flash report of Pr. CCA, Central Net Indirect Tax collection for FY 2020-21 stood at Rs.10,70,814 crore which is 108.2% of RE 2020-21. The indirect tax collection for FY 2020-21 shows 12.3% growth when compared to the FY 2019-20 and Indirect tax to GDP ratio turns out to be 5.5% for the Centre.

As per the recommendation/observation of committee, several enforcement and policy measures were implemented to achieve the higher tax revenue which inter-alia includes nationwide special drive against unscrupulous entities for timely payment of tax and curbing the menace of fake dealers/ fake invoices, implementation of E-invoicing in GST, Aadhaar based authentication for new GST applicants, some legal amendments which were aimed at improving compliance w.r.t. return filing, availment of ITC etc., extensive application of deep analytics and artificial intelligence using various data sources available with CBIC, GST and external data sources to generate outputs for targeted and focused action by field formation and investigation wings of CBIC. Also, as regards customs, a number of exemptions have been rationalized".

16. The Committee concurs with the postulation of the Department of Revenue that Tax buoyancy depends on the efficiency of tax administration and measures for additional resource mobilization through legislative changes. They also recognize that to improve tax buoyancy, the Income Tax Department has taken various initiatives including technological interventions, changes in business processes etc so as to improve the efficiency of tax administration. The Committee also note that data mining and data analytics are being put to use for identifying potential tax payers and increasing tax base; encouraging voluntary compliance specially in Tier I and Tier II cities by resorting to awareness meetings and outreach programs; and multi-media campaigns to encourage voluntary compliance of tax provisions. However, the Committee are of the view that in our country, a large part of the GDP is contributed by those who cannot afford to pay taxes and that is the reason that we find our tax to GDP ratio hovers around 10 percent while that for the developed countries, it ranges around 25 to 28 percent. The Committee, therefore, reiterate that given the underlying constraints in raising tax rates, they expect higher revenues through stricter enforcement and higher compliance.

NEW DELHI;
29 July 2021
07 Shravana, 1943 (Saka)

SHRI JAYANT SINHA,
Chairperson,
Standing Committee on Finance

ANNEXURE

Minutes of the Fourteenth sitting of the Standing Committee on Finance (2020-21)
The Committee sat on Thursday, the 29th July, 2021 from 1430hrs. to 1500 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Jayant Sinha – Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Vallabhaneni Balashowry
4. Shri Shrirang Appa Barne
5. Shri Manoj Kishorbhai Kotak
6. Shri Pinaki Misra
7. Shri Gopal Chinayya Shetty
8. Dr. (Prof.) Kirit Premjibhai Solanki
9. Shri Manish Tewari
10. Shri Rajesh Verma

RAJYA SABHA

11. Shri A. Navaneethakrishnan
12. Dr. Amar Patnaik
13. Shri Mahesh Poddar
14. Shri C.M. Ramesh
15. 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

3. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the following draft reports for consideration and adoption:

(i) Thirty-second Report on the subject 'Implementation of Insolvency and Bankruptcy Code-Pitfalls and solutions' of the Ministry of Corporate Affairs.

(ii) Thirty-third Report on Action Taken by the Government on Recommendations contained in 68th Report (Sixteenth Lok Sabha) on subject 'Banking Sector in India - Issues, Challenges and the Way Forward with specific reference to NPAs/ Stressed Assets in Banks/Financial Institutions' of the Ministry of Finance (Department of Financial Services).

(iii) Thirty-fourth Report on Action Taken by the Government on Recommendations contained in 12th Report on 'Financing the Startup Ecosystem' of the Ministry of Finance (Departments of Economic Affairs and Revenue) and Ministry of Commerce (Department for Promotion of Industry and Internal Trade).

(iv) Thirty-fifth Report on Action taken by the Government on the recommendations contained in 25th Report on Demands for Grants (2021-22) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, and Investment and Public Asset Management).

(v) Thirty-sixth Report on Action taken by the Government on the recommendations contained in 26th Report on Demands for Grants (2021-22) of the Ministry of Finance (Department of Revenue).

(vi) Thirty-seventh Report on Action taken by the Government on the recommendations contained in 27th Report on Demands for Grants (2021-22) of the Ministry of Corporate Affairs.

(vii) Thirty-eighth Report on Action taken by the Government on the recommendations contained in 28th Report on Demands for Grants (2021-22) of the Ministry of Planning.

(viii) Thirty-ninth Report on Action taken by the Government on the recommendations contained in 29th Report on Demands for Grants (2021-22) of the Ministry of Statistics and Programme Implementation.

After some deliberations, the Committee adopted the above draft Reports with some modifications 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.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-SIXTH REPORT OF SEVENTEENTH LOK SABHA ON DEMANDS FOR GRANTS (2021-22) OF THE MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

		Total	% of total
(i)	Total number of Recommendations	08	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendations at Sl.Nos. 1, 2, 4, 5, 6, 7 & 8)	07	87.5%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendation at Sl.No. 3)	01	12.5%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00