सत्यमेव जयते

Annual Report

2007-08

Ministry of Finance
Government of India

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Introduction

The report reviews the activities of the Ministry of Finance during the year 2007-08. The Ministry is responsible for the administration of the finances of the Central Government. It is concerned with economic and financial matters affecting the country as a whole, including mobilization of resources for development. It regulates the expenditure of the Central Government, including the transfer of resources to States. This chapter gives a synoptic view of the important activities of the Ministry during the year 2007-08.

The Ministry comprises of the five Departments namely:

- Department of Economic Affairs;
- Department of Expenditure;
- Department of Revenue;
- Department of Disinvestment; and
- Department of Financial Services.

I. DEPARTMENT OF ECONOMIC AFFAIRS

Economic Growth

The economy continued to show high growth momentum during 2006-07 and 2007-08. As per the Quick estimates of National Income for 2006-07 released by CSO, the Gross Domestic Product (GDP) at factor cost (at constant 1999-2000 prices) grew at 9.6 per cent in 2006-07 compared to 9.4 per cent in 2005-06 and 7.5 per cent in 2004-05. The agriculture and allied, industry and services sectors grew by 3.8 per cent, 11.0 per cent and 11.1 per cent respectively during 2006-07.

The real growth of 9.6 per cent in GDP during 2006-07 has been achieved mainly due to growth in manufacturing (12.0 per cent), Construction (12.0 per cent), trade, hotels & restaurant (8.5 per cent), Finance, insurance, real estate & business services (13.9 per cent), and transport, storage and communications (16.6 per cent).

The Advance estimates of National Income for 2007-08 (at constant 1999-2000 prices), released by the Central Statistical Organisation indicate that the real growth of GDP is likely to be of the order of 8.7 per cent in 2007-08. The growth of agriculture and allied, industry and service sectors are estimated at 2.6 per cent, 8.9 per cent and 10.7 per cent respectively.

The savings rate as percentage of GDP at current market prices was estimated to be 34.8 per cent in 2006-07 as compared to 34.3 per cent in 2005-06 while the gross domestic capital formation was 35.9 per cent in 2006-07 as compared to 35.5 per cent in 2005-06. The increase in the investment rate has sustained the industrial performance and reinforces the outlook for growth.

Development in Prices and Inflation

Inflation, measured by variations in the Wholesale Price Index (WPI) on a year-on-year basis, eased from its peak of 6.4 per cent on April 07, 2007 to 3.9 per cent by January 19, 2008. On an average basis (52 weeks average), annual WPI inflation at 4.6 per cent was lower than 4.9 per cent a year ago.

At a disaggregated level, prices of primary articles (weight: 22.0 per cent in the WPI basket) and manufactured products (weight: 63.8 per cent) increased by 3.8 per cent and 3.9 per cent, respectively, by January 19, 2007 as compared to an increase of 10.2 per cent and 5.9 per cent a year ago. An analysis of constituents of price movement indicates that the rise in prices of edible oils, oilseeds and oilcakes, which together have a weight of 6.9 per cent in the WPI, contributed nearly 27 per cent of the headline inflation. Primary food items especially rice, milk and vegetables contributed 14.8 per cent to the headline inflation. Excluding food items, headline WPI inflation was 4.1 per cent as against 6 per cent a year ago. Other items that contributed significantly to headline inflation included beverages (zerda, pan masala and bidi), wood products, drugs & medicines, cement and iron & steel.

Annual inflation of the ‘fuel, power, light and lubricants’ group (weight: 14.2 per cent) increased to 3.9 per cent as on January 19, 2007 as against 3.6 per cent a year ago. Excluding the fuel group, inflation was at 3.9 per cent (7.1 per cent a year ago). The increase in the international price of crude oil (Brent) from an average of US$ 38/bbl in 2004, to US$ 54/bbl in 2005 and further to US$ 70/bbl during April-June 2006 necessitated an upward revision in the prices of petrol and diesel in the domestic market. The price of petrol and diesel were raised by Rs. 4 per litre and Rs. 2 per litre, respectively, with effect from June 6, 2006. However, the pass through to the consumers was restricted to 12.5 per cent with the rest being absorbed by the Government and the oil marketing companies. With softening of the international price of petrol in the later months of 2006 and early 2007, domestic price of petrol and diesel were reduced in two stages in November 30, 2006, and February 16, 2007, to bring it to their pre-June 6, 2006 price levels.

Inflation, based on the Consumer Price Index (CPI) for industrial workers, showed an increase to 5.5 per cent on a year-on-year basis in December 2007 from 6.9 per cent a year ago. Year-on-year inflation based on the CPI, for urban non-manual employees, agricultural labourers and rural labourers, in December 2007, decelerated to 187, 304 and 268 basis points, respectively, as compared to December 2006. A major portion of the difference between inflation rate based on the WPI and CPIs is explained by price of food items which have a higher weight in the CPIs than in the WPI. Year-on-year CPI inflation for industrial workers was 7 per cent for food items and 4.2 per cent for non-food items in November, 2007. In December 2007, the CPI inflation of food items for urban non-manual employees, agricultural and rural labourers, remained at 6.2 per cent, respectively.

High inflation hurts the poor. Putting pressure on interest rates adversely affects both savings and investment. Thus, containment of inflation is high on the Government's agenda. The anti-inflationary policies of the Government include strict fiscal and monetary discipline, rationalization of excise and import duties of essential commodities to lighten the burden on the poor; effective supply-demand management of sensitive items through liberal tariff and trade policies; and strengthening the public distribution system.

Agriculture

For the country as a whole, the seasoned rainfall from 1st June to 30th September 2007 was 5 per cent above normal of its long period average (LPA). The regional distribution of total rainfall, however, was not uniform. South Peninsula experienced maximum rainfall followed by Central India and North East India. The North West India was deficient in rainfall by 15 per cent. The distribution of rainfall was uniform over the time except for minor deficiencies in the first week of June, third and fourth week of July and third week of August.

The overall kharif foodgrains production during 2007-08 is estimated at the level of 115.9 million tonnes (Second Advance Estimate) compared to last year's production of 110.6 million tonnes (Final Estimates). Rice production is expected to be 94.1 million tonnes. Total production of kharif coarse cereals is estimated to be 28.6 million tonnes.

Development in Industry

During April-December 2007, the industrial sector grew at 9 per cent compared to 11.2 per cent during the corresponding period in the previous year. This slowdown was mainly on account of the manufacturing sector, which carries 79.4 per cent weight in the Index of industrial Production. During April-December 2007, manufacturing sector grew at a rate 9.6 per cent. The growth of the sector during the same period last year was 12.2 per cent. Mining & quarrying and electricity, the other two segments of the industrial sector, registered growth rates of 4.9 per cent and 6.6 per cent respectively during April-December 2007 against the corresponding figures of 4.4 per cent and 7.5 per cent in the last Year.

Capital goods sector has maintained an impressive growth of 20.2 per cent during the current fiscal till December 2007 on top of 18.6 per cent growth achieved during the comparable period of the last fiscal. The growth of basic goods slowed down from 9.8 per cent during April-December 2006 to 7.8 per cent during April-December 2007. In the case of intermediate goods too, there was deceleration in the rate of growth from 11.3 per cent to 9.6 per cent. The consumer goods sector showed a significant dip in the rate of growth from 9.9 per cent during April-December 2006 to 5.8 per cent during April-December 2007. This was largely due to the downslide in consumer durables, the growth rate of which fell to (-)1.3 per cent during April-December 2007 as compared to 11.2 per cent during the same period last year. The rate of growth in consumer non-durables too declined from 9.5 per cent to 8.4 per cent during the period.

At the disaggregated level, one out of the 17 two-digit industrial groups – metal products and parts – recorded a negative growth during April-December 2007. Out of the remaining 16 industry groups, five groups recorded growth rate less than 5 per cent, two groups registered growth rates between 5 to 10 per cent and seven between 10 to 15 per cent. The remaining two industry groups, namely Other Manufacturing industries and Wood and Wood Products, Furniture and Fixtures recorded growth rates in excess of 15 per cent.

Infrastructure

Infrastructure generates considerable backward and forward linkages, and hence its development is central to the growth of the other sectors of the economy. The overall index of six core industries having a direct bearing on infrastructure registered a growth of 5.7 per cent during April-December 2007. This is lower than the 8.9 per cent growth registered during April-December 2006. All the core sectors except coal - crude petroleum, petroleum refinery products, electricity, cement and finished (carbon) steel – recorded lower rates of growth of 0.3,7.5,6.6, 7.2 and 5.6 per cent during April-December 2007 as compared to 6,13.2,7.5,10.3 and 11.4 per cent respectively during the corresponding period of previous year. However the there is acceleration in growth of coal of 4.9 per cent during the April-December 2007 as compare to 4.6 per cent in the corresponding period of previous year.

Monetary Trends and Developments

Broad money (M_3) at end-March 2007 grew at 21.3 per cent. During the current financial year 2007-08 (up to January 4, 2008), M_3 grew at a higher rate of 13.3 per cent as compared with 12.2 per cent in the corresponding period of the previous year. On a year-on-year basis, as on January 4, 2008, M_3 growth was 22.4 per cent, as compared with 20.8 per cent on the corresponding date of the previous year. The growth of M_3 up to January 4, 2008 is also higher than the projected growth of 17-17.5 per cent for the full year indicated in the

Annual Policy Statement of the Reserve Bank of India (RBI) for 2007-08. Also, the major components of M_3, on year-on-year basis on January 4, 2008, i.e. currency with the public and demand deposits with banks grew at a lower rate of 15.1 per cent and 15.6 per cent, respectively, compared to 16.8 per cent and 19.9 per cent, respectively, on the corresponding date of the previous year. Time deposits with banks registered a higher growth of 25.3 per cent on this date as compared to 21.8 per cent on the corresponding date of the previous year. Among the sources of M_3 in the current year, the growth was largely driven by increase in net foreign exchange assets of the banking sector by 32.1 per cent on January 4, 2008 compared to 28.0 per cent on the corresponding date of the previous year.

During the current financial year (up to January 4, 2008), reserve money (M_O) also grew at a higher rate of 13.6 per cent as compared with 9.1 per cent in the corresponding period of the previous year. The year-on-year growth of reserve money as on January 4, 2008 was also higher at 28.7 per cent compared with 19.3 per cent on the corresponding date of the last year. In recent years, there has been a significant shift in the relative importance of sources of reserve money. With surge capital in flows into the country, net foreign exchange assets (NFA) of RBI have emerged as a major determinant of reserve money growth. In the current financial year, so far (up to January 4, 2008) NFA of RBI grew by 25.2 per cent compared to 15.9 per cent during the corresponding period of the previous year. On year-on-year basis as on January 4, 2008 NFA grew by 39.1 per cent as against the growth of 26.1 per cent on the corresponding date of the last year.

With the continuing surge in capital flows during 2007-08 there was need to regulate the domestic liquidity . The MSS limits were periodically revised by RBI in consulation with the Central Government. The MSS ceiling which was Rs. 80,000 crore as on March 30, 2007 was successively revised in April, August, October 2007. On November 11, 2007 it was revised upwards to Rs.2,50,000 crore with threshold limit at Rs. 2,35,000 crore. During April-February, 2008 liquidity absorbed under MSS was Rs.1,12,114 crore with outstanding balances rising to Rs.1,75,089 crore at end February, 2008.

The current financial year 2007-08 started with some tight liquidity situation in the system; But gradually liquidity situation improved which was also reflected in the softening of the call money rates to 3.27 per cent on April 12, 2007. The RBI announced a 25 basis points hike in the CRR effective from April 14, 2007, and April 28, 2007, raising thereby CRR rates to 6.25 per cent and 6.50 per cent, respectively, on these dates. The liquidity situation in the system started becoming tighter, which was reflected in net injection into the system under LAF by the RBI and call money rate concomitantly moving upward in the range of 7.36-15.01 per cent. Some gradual smoothening of rates was subsequently observed owing to comfortable liquidity position in the system which eventually led to call money rates falling to the lowest level of 0.13 per cent on August 2, 2007. With the withdrawal of the ceiling of Rs. 3,000 crore on the daily reverse-repo under LAF and discontinuation of the second LAF with effect from August 6, 2007, the call money rate had moved within the informal corridor of the reverse-repo and repo rates of 6.00-7.75 per cent. During the later part of the year, LAF facility has been used flexibly to manage short-term liquidity, on average being in injection mode in September, November and December and absorption mode in October. As on March 7, 2008, with the comfortable liquidity situation, call money rates softened to 5.71 per cent.

Bank Credit

Gross bank credit by scheduled commercial banks (SCBs), comprising food and non-food credit, increased by 11.3 per cent in the current year (up to January 4, 2008) compared with 17.2 per cent in the corresponding period last year. Food credit declined by 11.3 per cent in the current year (up to January 4, 2008), compared to an increase of 5.9 per cent during the same period of the previous year. On year-on-year basis as on January 4, 2008, food credit declined by 4.2 per cent compared to the corresponding date of the previous year, when growth was stagnant.

Non-food credit by SCBs during April 2007-January 4, 2008, period grew by a slower rate of 11.8 per cent compared to 17.5 per cent during the corresponding period of 2006-07. On y-o-y basis, as on January 4, 2008 growth at 22.2 per cent was substantially low not only to 31.9 per cent achieved on the corresponding date of the previous year but has actually undershoot the target of 24-25 per cent envisaged in the Annual Policy Statement 2007-08 of the RBI.

In the current financial year (up to January 4, 2008), investment by Scheduled Commercial Banks (SCBs) in Government and other approved securities grew by 20.8 per cent as compared to 6.7 per cent in the corresponding previous year. On year-on-year basis, on January 4, 2008 growth was even more higher at 24.7 per cent compared to 5.9 per cent on the corresponding date of the previous year.

External Sector

India's merchandise exports (in US dollar terms and on customs basis), grew by 22.6 per cent in 2006-07. Keeping with the global trend, the growth rate of merchandise exports since 2002-03 has been more than twice the growth rate of real GDP with exports reaching US$124.2 billion in April-January, 2007-08 with a growth of 21.6 per cent. For the year 2007-08, an export target of US$160 billion has been set and during the first ten months of the year 77.6 per cent of the export target has been achieved, despite the appreciating rupee. India's share in world merchandise exports, after remaining unchanged at 0.8 per cent between 2003 and 2004, reached 1.0 per cent in 2005, and remained at the same level in 2006 and in the first six months of 2007, as well.

The major sectors with high growth in 2006-07 are engineering goods and petroleum products. During April-September 2007, the major drivers of export growth were petroleum products, engineering goods, and gems & jewellery. The sustained growth of engineering goods exports was supported by machinery & instruments, manufacturers of metals and transport equipment.

Sectors such as textiles and handicrafts, which have low import intensity, have experienced lower export growth while sectors with high import intensity, like POL have witnessed higher export growth. Since appreciation of the rupee has a stronger effect on export sectors with low import intensity, the Government announced various relief measures, to mitigate the effect on select sectors.

Merchandise imports grew by 24.5 per cent to US$185.7 billion in 2006-07 due to the high growth of both POL (30.0 per cent) and non-POL imports which grew by 22.2. per cent. POL import growth was due to both volume growth of POL imports by 13.8 per cent and increase in price of the Indian crude oil import basket by 12.1 per cent. Non-POL non-bullion imports grew by 21.4 per cent reflecting the growing imports needed for industrial activity and inputs for exports. Trade deficit reached a high of US$59.4 billion (as per customs data) in 2006-07 and US$67.4 billion in the first ten months of the current year.

The acceleration in the pace of capital inflows, steady accretion to reserves, moderate levels of current account deficit, changing composition of capital inflows, flexibility in exchange rate movements and sustainable external debt levels with elongated maturity profile provide testimony to the fact that the country's external sector has gained considerable strength, resilience and stability. This was reflected in the levels of net capital flows at 3.1 percent of GDP in 2005-06 and 5.1 per cent of GDP in 2006-07 exceeding the financing requirement as measured by current account deficits at 1.2 per cent of GDP and 1.1 per cent of GDP, respectively; the country's foreign exchange reserves at US$ 15.1 billion and US$ 36.6 billion, respectively in 2005-06 and 2006-07; external debt at 17.2 per cent of GDP and 17.9 per cent of GDP, respectively, in 2005-06 and 2006-07.

As a proportion of GDP, on BoP basis, exports rose from a level of 5.8 per cent in 1990-91 to reach a level of 14.0 per cent in 2006-07. The average annual growth in the last five years has been placed at a high of 23.5 per cent. However, imports have grown even faster in the last five years at an annual average of 28.2 per cent. As a proportion of GDP, on BoP basis, imports in 2006-07 were placed at 21.0 per cent. Thus, trade deficit widened to 6.9 per cent of GDP in 2006-07. The higher trade deficit could be attributed to rise in petroleum, lubricants and oil (POL) and non-POL components in imports. The higher levels of surplus arising from non-factor services, helped moderate the overall goods and services balance. As a proportion of GDP, goods and services deficit was placed at 3.4 per cent in 2006-07, which was lower than the level of 3.6 per cent in 2005-06. With the continuance of robust growth in private transfers (mainly remittances), current account deficit was 1.2 per cent of GDP in 2005-06, which declined marginally to 1.1 per cent of GDP in 2006-07.

There has been some deceleration in growth in exports from a level of 24.8 per cent in 2006-07 (April-September) to 19.9 per cent in 2007-08 (April-September). Simultaneously, growth in imports in the first half of 2007-08 fell to 21.9 per cent from 24.7 per cent in 2006-07 (April-September). Thus, on BoP basis, merchandise trade deficit rose to US$42.4 billion in 2007-08 (April-September), equivalent of 8.1 per cent of GDP from a level of US$33.8 billion in 2006-07 (April-September), equivalent of 8.3 per cent of GDP. A deceleration in software services exports to 15.2 per cent from 37.2 per cent during the same period led to a lower growth in net invisibles surplus, which decelerated to 17.5 per cent from 35.2 per cent. Receipts from business services also declined from US$ 8 billion in 2006-07 (April-September) to US$ 6.4 billion in 2007-08 and with payments rising marginally, there was a decline of 91 per cent in 2007-08 in net terms. As a proportion of GDP, goods and services deficit rose to 5.3 per cent in 2007-08 (April-September) from a level of 4.7 per cent in 2006-07 (April-September). Private transfers receipts (mainly remittances) shot up, year-on-year, by 49.2 per cent as against 19.2 per cent in the corresponding period previous year. The higher invisible surplus was able to moderate somewhat the rising deficits on trade account and current account deficit was placed at US$ 10.7 billion in 2007-08 (April-September), equivalent of 2.0 per cent of GDP.

Even as the external environment remained conducive to the nation's growth, the problems of managing a more open capital account came to the fore with the economy approaching the limits of its absorptive capacity and the pace of adjustment becoming somewhat difficult in the short run. The pace of net capital inflows into India, which accelerated in the three year period from 2002-03 to 2004-05, after briefly falling in 2005-06, shot up in 2006-07. The recent torrid pace began in the second half of 2006-07 and continued in the first half of the current financial year. Net capital flows rose from a level of US$ 25.0 billion in 2005-06 to reach US$ 46.4 billion in 2006-07, which implies a growth of 85.8 per cent. The major developments in 2006-07 include: a quantum jump in external commercial borrowings (net); significant rise in foreign direct investment inflows with a similar rise in outward investment; and large inflows in the form of Non-Resident Indian (NRI) deposits; and an initial fall in portfolio investment, which was somewhat compensated by a recovery in the latter half of the year.

The above trend continued in the current financial year with gross FDI flows at US$ 11.2 billion in the first six months. Portfolio investment inflows was US$ 83.4 billion and outflows was US$ 65.0 billion leaving a net inflow of US$ 18.3 billion. Gross ECBs rose, year-on-year, by 81.1 per cent to reach US$ 14.0 billion.

Foreign exchange reserves, denominated in US dollars, rose from a level of US$ 151.6 billion in end-March 2006 to reach a level of US$ 199.2 billion at end March 2007 implying a reserve increase of the order of US$ 47.6 billion. As per the BoP data released by the RBI for the current financial year (April-September), reserves rose by US$ 48.6 billion including a valuation gain of US$ 8.2 billion.

The rupee appreciated by 9.8 per cent against the US dollar during the current financial year between April 3, 2007 and January 16, 2007. The rupee appreciation against the US dollar over the past twelve months, on year-on-year basis (December 2007 over December 2006), was a higher 13.2 per cent. While the rupee appreciated against other major currencies as well for most parts of the year, it was modest as compared to the rise against US dollar. The bout of appreciation of the rupee against the US dollar in evidence since the second half of 2006-07 could be attributed to the effect of depreciation of the US dollar against all major currencies and the surge in capital flows. The appreciation of major currencies against the US dollar was highest in the period March 2006 –November 2007. The Euro appreciated by 22.16 per cent; UK pound appreciated by 18.8 per cent; and Japanese Yen appreciated by 5.49 per cent. The levels of appreciation were lower on a longer time frame (March 2005-November 2007).

The NEER of the Indian rupee (6 currency trade based weights), which is the weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies, of the RBI depreciated by 4.6 per cent in 2006-07 – higher than the levels indicated by headline exchange rate of the rupee against US dollar. In the current financial year (as on December 20, 2007), the NEER appreciated by 6.8 per cent. The NEER (36 currency, Base 1993-94) as per the export based weighted index also evinced a similar pattern. The REER (6 currency, trade based weights) that indicates the real competitiveness by factoring the relative price levels of competitors, after depreciating in 2006-07, appreciated by 7.2 per cent in 2007-08.

At end-March 2007, India's total external debt outstanding was US$ 169.6 billion (Rs. 740,099 crore), reflecting an increase of US$ 31.5 billion over the year. Of this increase, US$ 3 billion was on account of the valuation change arising out of the weakening of the US dollar against major international currencies and Indian Rupee. As at the end of the first half of the current year (2007-08), the external debt stock stood at US$ 190.5 billion (Rs. 757,967 crore). In terms of constituent elements, long-term debt continued to account for the major share. Long-term debt in total external debt at end-September 2007 was 83.8 per cent (US$ 159.7 billion) and short term debt at US$ 30.8 billion accounted for 16.2 per cent of total debt. US dollar denominated external debt accounted for 52.8 per cent of total external debt at end-September 2007. The foreign exchange reserves cover for external debt rose from 117.4 per cent at end-March 2007 to 130.0 per cent at end-September 2007, debt servicing as a proportion of gross external current receipts (debt-service ratio) declined from 9.9 per cent in 2005-06 to 4.8 per cent in 2006-07 and further to 4.5 per cent during April-September 2007. In terms of debt sustainability indicators and cross-country experience, India's external debt stock is considered to be within manageable limits.

To provide for a comprehensive coverage of various elements of external debt (i) Non-Resident Ordinary (NRO) Rupee Account Deposits; (ii) suppliers' credits up to six months and (iii) investment by Foreign Institutional Investors (FII) in short-term debt instruments were included in the data compilation. While NRO deposits have been included under external debt from 2005-06 onwards by revisions effected in June 2007, suppliers' credits up to 180 days and FII investment in short-term debt instruments were included under short-term external debt since 2004-05 by revisions effected in September 2007.

Social Sector Development

Expenditure of the Central Government on social services including rural development increased from Rs.39,736 crore in 2001-02 to Rs.86,334 crore in 2006-07 (RE) and Rs.1,11,733 crore in 2007-08 (BE). The total expenditure on social sectors of the general government (combined Centre and State Governments) as a percentage of GDP also increased from 5.77 per cent in 2002-03 to 6.27 per cent in 2007-08 (BE).

II. DEPARTMENT OF EXPENDITURE

The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with State finances. The principal activities of the Department include pre-sanction appraisal of major schemes/projects (both Plan and non-Plan expenditure), handling the bulk of the Central budgetary resources transferred to States, implementation of the recommendations of the Finance and Central Pay Commissions, overseeing the expenditure management in the Central Ministries/Departments through the interface with the Financial Advisors, and the administration of the Financial Rules/Regulations/Orders through monitoring of Audit comments/observations, preparation of Central Government Accounts, managing the financial aspects of personnel management in the Central Government, assisting Central Ministries/Departments in controlling the costs and prices of public services, assisting organizational re-engineering through review of staffing patterns and O&M studies, reviewing systems and procedures to optimize outputs and outcomes of public expenditure. The Department is also coordinating matters concerning the Ministry of Finance including Parliament-related work of the Ministry. The Department has under its administrative control the National Institute of Financial Management (NIFM), Faridabad.

The agenda for the Department was guided by the framework provided by the (i) Thrust Areas set for Department of Expenditure by the Prime Minister, including 5-planks of institutional reforms, viz., Decentralisation, Simplification, Transparency, Accountability and e-Governance. (ii) Initiatives on Expenditure Management announced by the Finance Minister in the Fiscal Policy Strategy Statement presented with the Budget under the Fiscal Responsibility and Budget Management Act. (iii) The recommendations of the 12th Finance Commission concerning fiscal reforms.

The business allocated to the Department of Expenditure is carried out through its Establishment Division, State Finances Division and Plan Finance II Division, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch, Controller General of Accounts and the Central Pension Accounting Office.

III. DEPARTMENT OF REVENUE

The Department of Revenue exercises control in respect of revenue matters relating to Direct and Indirect Union taxes. The Department is also entrusted with the administration and enforcement of regulatory measures provided in the enactments concerning Central Sales tax, Stamp duties and other relevant fiscal statutes. Control over production and disposal of opium and its products, is also vested in this Department.

The Department is also facilitating taxation reforms in the indirect taxes sector for goods and services in coordination with the States. These cover an extended ambit, encompassing the switch-over from erstwhile State Sales tax to Value Added tax, phasing-out of Central Sales tax and rationalization of Additional Excise duties on goods of special importance, and eventual evolution of a road-map for an integrated national level Goods and Service tax.

Tax policies are formulated in order to mobilize financial resources for the nation, achieve sustained growth of the economy, macro-economic stability and promote social welfare by providing fiscal incentives for investments in the social sector. Suitable changes were made in the Budget 2007-08 to achieve these objectives.

During the financial year 2007-08, the drive against smuggling, tax evasion, etc., continued throughout the country in view of Government's firm resolve to take strict action against socio-economic offenders. The year also witnessed continued efforts at better coordination with the intelligence/ enforcement agencies of other countries.

The Central Economic Intelligence Bureau acts as a nodal agency for economic intelligence for interaction & coordination among the concerned regulatory agencies in the area of economic offences. The Bureau has also been charged with the responsibility of overall administration of COFEPOSA Act, 1974 (Conservation of Foreign Exchange and Prevention of Smuggling Activities Act) and monitoring of actions taken by the State Governments. It functions as the Secretariat for the Economic Intelligence Council set up to improve coordination among the enforcement agencies dealing with the economic offences and the Departments under Ministry of Finance.

The Income Tax offices throughout the country continued their drive against tax evaders. During the financial year 2007-08 (upto Dec. '07), a total number of 2478 Search Warrants were executed leading to the seizure of assets worth Rs.305.03 crore. During the same financial year (upto Sept.'07), a total number of 1887 Surveys (prov.) were conducted, which yielded a disclosure of additional income of Rs. 1310.79 crore(prov.). As regards assessees, a total number of 7.36 lakh new assessees were added during the same financial year (upto Dec.'07).

The Customs and Central Excise offices also continued their drive vigorously against duty evasion. During the financial year 2007-08 (upto Dec.'07), a total number of 4,033 cases of evasion of Central Excise involving duty effect of Rs.4881 crore were detected in which duty amount of Rs. 836 crore was recovered. Regarding evasion of Customs duty, 4,061 cases involving duty effect of Rs. 788.71 crore were detected in the FY (upto Dec.'07). The drive against smuggling continued unabated. All Commissionerates along the coast, land borders and, in charge of international airports, remained fully alert to prevent smuggling of contraband, both into and out of the country. As a result, during the FY (upto Dec.'07), in 2,91,83 outright smuggling cases, contraband worth the value of Rs. 816.28 crore were seized.

IV. DEPARTMENT OF DISINVESTMENT

The Ministry of Disinvestment was converted into a Department under the Ministry of Finance with effect from 27th May 2004 and was assigned all the work relating to disinvestment, which was earlier being handled by the Ministry of Disinvestment. In January 2006, the Department of Disinvestment has also been assigned the work relating to financial policy in regard to utilization of the proceeds of disinvestment channelised into the National Investment Fund.

The National Common Minimum Programme adopted by the Government outlines the policy of the Government with respect to the Public Sector, including disinvestment of Government's equity in Central Public Sector Enterprises (CPSEs).

The Government has constituted a "National Investment Fund"(NIF) into which the proceeds from disinvestment of CPSEs would be channelised. NIF is being maintained outside the Consolidated Fund of India and is professionally managed by the selected Public Sector Mutual Funds to provide sustainable returns without depleting its corpus. Seventy five percent of the annual income of NIF will be used to finance selected social sector schemes, which promote education, health and employment. The residual twenty five percent of the annual income of NIF would be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/diversification.

V. DEPARTMENT OF FINANCIAL SERVICES

The erstwhile Banking and Insurance Division of the Department of Economic Affairs, Ministry of Finance has become a separate Department namely Department of financial Services (DFS) with effect from 28.6.2007. The mandate of the Department is to look after issues relating to Public Sector Banks, Financial Institutions, Public Sector Insurance Companies and Pension reforms.

Reforms in the financial services sector effected in recent years and envisaged in the coming months encompass a range of measures to strengthen the foundations of the banking system, streamline procedures, upgrade technology and usher in institutional, supervisory and legislative changes. With a view to enhancing efficiency and productivity of banks, reform measures during the current year were directed at providing additional options for augmentation of capital of banks for smooth transition to Basel II norms, ensuring smooth and risk free functioning of payment and settlements system, and encouraging use of advance technology in banking. One of the areas of primary focus was to ensure adequate flow of credit to agriculture, small and medium industries, minorities and weaker sections, with a view to bringing about greater financial inclusion. Towards this end a series of initiatives were taken during 2007-08 to strengthen the rural credit structure and to enhance the flow of credit to the agricultural sector.

■■

Department of Ecnomic Affairs

Chapter-I

Department of Economic Affairs

1. Economic Division

1.1 The Economic Division tenders expert advice to the Government on important issues of economic policy. The Division monitors economic policies and advises on policy measures relating to macro management of the economy and on reforms.

1.2 As part of its regular activities, the Economic Division brings out the Annual Economic Survey which is placed in Parliament prior to the presentation of the Central Government Budget. The Economic Survey provides a comprehensive overview of important developments in the economy. It also analyses recent economic trends and provides an in-depth appraisal of policies. Over the years, the Economic Survey has acquired the status of an authoritative source and a useful compendium of the annual performance of the Indian economy. Further the Fiscal Responsibility and Budget Management(FRBM) Act, 2003 requires the Ministry of Finance to review every quarter the trends in Receipts and Expenditure in relation to the Budget and place it before both Houses of Parliament. As part of this exercise, the Economic Division prepares the Mid-Year Review in the second quarter of each year for placing it before Parliament. At the end of first quarter and third quarter a Macro-Economic backdrop statement is prepared and provided to the Budget Division to incorporate in the review of quarterly receipts and expenditure.

1.3 The Division also brings out the Economic and the Functional Classification of the Central Government's Budget which is also presented to the Members of both the Houses of Parliament. The publication presents an estimate of the savings of the Central Government and its departmental undertakings, gross capital formation and the magnitude of the development and consumption expenditure broken up under broad functional heads.

1.4 The Division's Report on State of Economy provides a synoptic view of the current economic situation and helps in monitoring the performance of the economy. This is circulated to the Cabinet and senior officers of the Government and Indian Mission abroad. The Division also brings out every month an abstract entitled "Selected Economic Indicators" which gives the latest available data on the key sectors of the economy. The Division prepares, from time to time briefs on the performance of the infrastructure sector, agriculture and industrial production , the price situation, trends in tax collection, the balance of payments and the monetary situation. The Division also undertakes short-term forecasting of key economic variables.

1.5 As part of its advisory functions, the Economic Division prepares analytical notes and background papers on important policy issues and also provides briefs for meetings of the Consultative Committees and Working Groups set up by the Government. The officers of the Economic Division participate in consultations with various missions from international institutions, such as, International Monetary Fund (IMF), the World Bank & WTO etc. The Division works in close cooperation with the Reserve Bank of India, the Planning Commission, the Central Statistical Organisation, the Ministry of Commerce and Industry and the Economic and Statistical Wings of their Ministries.

1. 6 The work of the Economic Division is organised under the following units:

1. External Sector (Trade and BOP)
2. Public Finance & Fiscal Policy
3. Industry and Infrastructure
4. Prices and Agriculture
5. Macro Economic and Coordination
6. Social Sector
7. Money and Financial Markets

1.7 The External Sector (Trade and BOP) Units monitor and review the emerging trends in India's foreign trade and balance of payments position, respectively. External Sector (Trade) Unit is associated with the Department of Commerce in various consultations and discussions relating to Import & Export Policy of the Government, multilateral trade negotiations, trade liberalization and economic cooperation. External Sector (BOP) Unit is concerned with International economic issues of the IMF, IBRD, WTO and other international agencies. It is responsible for monitoring and effective management of external debt and planning for sustainable future borrowing levels. External Sector (BOP) Unit also assists in the preparation of the Working Group Report on Balance of Payments for the five year plans. External Sector(BOP) provides periodic short-term assessment on BOP parameters through the short-term BOP Monitoring Group. The External Sector (Trade) Unit also monitors and reviews the emerging trends in India's foreign trade. It is associated with the different departments and institutions like Department of Commerce and RBI on issues related to trade performance & policy, impact of rupee appreciation, export & import policy of the Government, multilateral trade negotiations, Regional Trade Agreements, trade liberalization and economic cooperation etc., It is also closely associated with the DGCI&S and Department of Commerce on trade data issues. It prepares notes/policy papers related to trade in goods and services and examines Cabinet Notes, Note for COS etc on issues related to Foreign Trade and Trade Policy.

1.8 The External Debt Management Unit (EDMU) of Department of Economic Affairs is the apex unit for monitoring and managing the external debt of the country. EDMU collects, compiles, analyses and publishes the external debt data for the quarters ending September and December of each year in compliance with IMF's Special Data Dissemination Standards (SDDS), while Reserve Bank of India releases the external debt statistics for the other two quarters. EDMU is the nodal agency for supplying data for the World Bank's centralised database system 'Quarterly External Debt Statistics' (QEDS). The Unit publishes annually *India's External Debt: A Status Report* covering detailed analyses of external debt statistics together with international comparison. EDMU also handles work relating to the co-ordination of CS-DRMS sites (Commonwealth Secretariat Debt Recording and Management System) in the Ministry of Finance and in Reserve Bank of India in terms of training, workshops and upgradation of the CS-DRMS package.

1.9 The Public Finance and Fiscal Policy Unit deals with matters relating to public finance and budgetary operations of the Central Government. Statistics relating to finances of the Centre and States are compiled in this Unit. This Unit furnishes Government Finance Statistics (GFS) as per prescribed standards to the IMF. The Unit brings out annually two important public documents: "An Economic and Functional Classification of the Union Budget", which facilitates a cross-referencing of the two types of classifications for evaluating the budgetary transactions and "Indian Public Finance Statistics" which presents trends in revenue and expenditure of the Central and State Governments, classified by economic categories. Notes on various aspects of public finance are prepared in the Unit for the meetings of the Standing Committee, the Consultative Committee and the Estimates Committee of Parliament. It is also associated with the estimation of resources for the Central Sector Plan. The Unit is involved in the process of formulation of tax policies of the Government. In particular, it coordinates various pre-budget memoranda received from associations representing trade and industry regarding tax matters. These representations are examined from broader economic perspective by the concerned units, keeping in view the issues of the equity and efficiency, in the formulation of tax policies. Besides, this Unit also maintains a close liaison and collaborates with institutions engaged in applied economic research, outside the Government in the sphere of macro economic modeling, policy and analysis of economic issues. The Unit monitors the performance of macro economic aggregates and deals with policy matters arising therefrom.

1.10 Industry Unit advises the Government on policy issues relating to Industry at both macro and sectoral levels. The unit also monitors and reviews on a continuous basis the trends in industrial production and its performance. It also analyses the investment climate both domestic and international, industrial sickness and industrial relations.

1.11 The Prices and Agriculture Unit monitors and reports on price situation and advises on general price policy matters relating to supply management especially in respect of essential commodities and advises on policy matters relating to agriculture sector. This unit also examines proposals from other Ministries regarding price policy issues such as, fixation of minimum support price for crops and selected commodities and the impact of price changes on general price level and other policy matter relating to Agriculture sector. The unit assists Committee of Secretaries on Monitoring of Prices. The unit produces weekly report on price situation followed up by a monthly summary that include movement in consumer price indices to serve as a feed back for policy. The unit also advises the Government on pricing policies relating to food and agriculture commodities.

1.12 The Macro Economic and Coordination Unit is entrusted with macro-economic policies, economic reforms, coordination, management information system, computerisation and internal administration of Economic Division . It is the nodal agency for implementing Special Data Dissemination Standards, established by the IMF, to which India subscribed w.e.f. 1.1.1997. It coordinates the production of Economic Survey and also arrange pre-budget meetings. The unit also produces from time to time notes on various aspects of the Indian Economy for use of Senior officers, PMO, President's Secretariat etc. The unit also prepares and monitors the annual action plan of the Division.

1.13 The Social Sector Unit prepares analytical notes on poverty, employment, rural development and other topics concerning social sectors like health, education labour matters etc. The unit also advises the Government on specific policy issues in social sectors. It examines reports, draft policy papers /Cabinet Notes, budget proposals concerning issues on social sectors.

1.14 Money and Financial Market Unit advises the Ministry on Money and Credit Policy and deals with issues relating to Capital & Financial Market developments. The unit periodically reviews and monitors money supply (M3), bank credit to the Government , bank credit to the commercial sectors, deposits and credit growth of the scheduled commercial banks that influence the liquidity level in the economy and developments in the capital market both primary and secondary.

2. Budget Division

2.1.1. Budget Division is responsible for preparation of and submission to Parliament the Annual Budget (Excluding

Railways) as well as Supplementary and Excess Demands for Grants of the Central Government and of States under President's Rule. The Division is also responsible for dealing with issues relating to Public Debt, market loans of the Central Government and State Government's borrowing and lending, guarantees given by the Government of India and the Contingency Funds of India. The responsibility of the Division also extends to regulate the flow of expenditure by processing proposals from other Ministries/Departments for re-appropriation of savings in a Grant where prior approval of the Ministry of Finance is required. The Division also deals with National Savings Institute (NSI) and Small Savings Schemes, National Defence Fund and Burma and Sterling Pensions. The work relating to Treasurer Charitable Endowment is also handled in the Budget Division.

2.1.2 The Division also deals with matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India, submission of the reports of the Comptroller and Auditor General of India relating to the accounts of the Union to the President for being laid before Parliament. Twentyfive re-entrustment of audit of various bodies to the C&AG of India are also handled by this Division. During the calendar year 2007, twentyfive reports of the C&AG of India were laid before the Parliament.

2.1.3 The Budget Division is also responsible for administration of 'Fiscal Responsibility and Budget Management Act, 2003' which was brought into force w.e.f. 5th July, 2004. The Rules made under the Act were also made effective from that date. Quarterly Review including Mid-term Review were presented in Parliament in accordance with the requirements of the FRBM Act.

Budget Division is also facilitating the implementation of 'Gender Budgeting' in various Ministries/Departments.

2.2 Public Debt & liabilities and Cash Management

2.2.1 Public debt of the Central Government has witnessed continuous growth due to persistent recourse to deficit financing, albeit at a moderated pace during last few years. Other internal liabilities have shown growth mainly on account of small savings collections, which mostly get passed on to the State/UT Governments. As per Revised Estimates, 2007-08, total outstanding liabilities, including external debt at current exchange rate, as percentage of GDP, is estimated to decline to 63.80 per cent and further to 59.60 per cent in BE 2008-09.

2.2.2 Over time, the pattern of financing fiscal deficit has undergone a significant change. More than 90 per cent of deficit is being financed through domestic resources and within domestic resources, greater reliance is being placed on market loans with market determined rates of interest rather than on instruments with administered rates of interest.

2.2.3 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit has been budgeted at Rs.1,56,000 crore (Gross) and Rs.1,10,671 crore (net of repayment of Rs. 45,329 crore) as per RE 2007-08. During the year, Government has continued with the policy of announcement of half yearly indicative market borrowing calendar based on its core borrowing requirements. It has also continued with passive consolidation of Government securities, with all issues during the year, other than one new issue (10-year security) for Rs. 6,000 crore on July 9, 2007, being re-issues of securities. In order to build on the benefits of passive consolidation being pursued, the Government, in consultation with RBI, has also finalized a scheme for active debt consolidation.

2.2.4 The weighted average cost of Central Government market borrowings through issue of dated securities has witnessed an increase to 8.12 per cent during the current financial year 2007-08 as compared to 7.89 per cent during the previous year. The weighted average maturity of dated securities issued during the current year works out to a higher 14.90 years, as against 14.72 years during the previous year. The increase in the weighted average cost of market borrowing has a bearing on the interest payment expenditure of the Central Government.

2.2.5 The Ways & Means Advance (WMA) ceiling for the Central Government was fixed at Rs. 20,000 crore for the first half of current year and Rs. 6,000 crore for the second half. Commencing the year 2007-08 with the surplus cash balance of Rs. 50,092 crore, the Central Government took recourse to WMA during the greater part of the first quarter of the year on account of higher than anticipated spending coupled with decline in investment in Treasury Bills by the states. The Central Government also resorted to overdraft during this period. A surplus was, however built up in June, 2007, ahead of Governments acquisition of Reserve Bank of India's stake in SBI, which was used up by the month-end to meet this expenditure amounting to Rs. 35,531 crore. RBI transferred a surplus of Rs. 34,309 crore from the said transaction, to the Government on August, 9, 2007, after which Centre's cash balance returned to surplus mode and has remained so thereafter.

2.2.6 During the year, Central Government has, in addition to the normal market borrowing programme, issued special securities to Oil Marketing Companies (OMCs) for an amount of Rs. 11,257 crore on January, 18, 2008. Government has also issued special securities for an amount of Rs. 7,500 crore to Fertilizer Companies in two tranches as compensation towards fertilizer subsidy.

2.2.7 Government of India has also converted the remaining Recapitalization Bonds of Rs. 12,100.76 crores issued to nationalized banks, into SLR dated securities in two tranches in August and September 2007.

2.2.8 To enable RBI to better manage liquidity situation in the economy arising largely on account of large foreign exchange inflows, RBI & GOI have signed a Memorandum of Understanding (MOU) regarding Market Stabilization Scheme, which basically entails that GOI, on the advice of RBI, borrowing funds through dated securities and treasury bills and sequestering the same in a separate account. These funds are not to be used by GOI for any purpose other than for redemption of the instruments. The borrowings under the Scheme would impact the fiscal deficit to the extent of interest/ discount liabilities on the borrowings, reflecting the direct fiscal cost of monetary sterilization. However, the principal amount itself would not affect the fiscal deficit, as funds raised are not going to be utilized by GOI. The Scheme came into effect from April 1, 2004. The annual ceiling under MSS for 2007-08 has been fixed, after revisions, at Rs. 2,50,000 crore with threshold level of Rs. 2,35,000 crore as against Rs.70,000 crore and Rs. 60,000 crore respectively in 2006-07. The ceiling and threshold limit for FY 2008-09 have been retained at Rs. 2,50,000 crore and Rs.2, 35,000 crore, respectively.

2.2.9 Upto January 18, 2008, the States raised Market Loans amounting to Rs. 39,671 crore (51.0 percent of gross allocation) through auctions, as compared with Rs. 12,989 crore (48.8 per cent of gross allocation) during the corresponding period of the previous year. The cut-off yield ranged between 8.00-8.90 per cent. The weighted average interest rate on market loans firmed up to 8.35 per cent during 2007-08 (up to January 18, 2008) from 7.99 per cent in the corresponding period of the previous year.

2.2.10 The Government Securities Act, 2006 has been brought into force w.e.f. December 1, 2007. The Government Securities Regulations, 2007 have also been notified with effect from the said date.

2.2.11 With the objective to improve the Cash Management System in the Central Government, a modified cash management system, including exchequer control based expenditure management system was introduced in fifteen demands for grants with effect from April 1, 2006, which was further extended to nine more Demands from April 1, 2007, taking the total number of demand for grants covered under the system to twenty three after merger of demand for grants pertaining to Department of Health and Department of Family Affairs. The revised guidelines provide that the Monthly Expenditure Plans may be drawn up to ensure greater evenness in expenditure and further reduce the problem of rush of expenditure at the end of the year or parking of funds.

2.2.12 The guidelines also provide that the expenditure in the last quarter of the financial year may not exceed 33 per cent of the budget estimate. It has also been provided that the expenditure in the month of March may not exceed 15 per cent of budget estimate within the overall quarterly ceiling.

2.3 National Small Savings

2.3.1. Small Savings Schemes

The small savings schemes currently in force are: Post Office Savings Account, Post Office Time Deposits (1, 2, 3 & 5 years), Post Office Recurring Deposits, Post Office Monthly Income Account, Senior Citizens Savings Scheme, National Savings Certificate (VIII-Issue), Kisan Vikas Patra and Public Provident Fund.

In order to make the small savings schemes more attractive and investor friendly, the Government has made the following amendments in these schemes:-

(i) the restriction of not opening more than one account during a calendar month under the Senior Citizens Savings Scheme, has been removed with effect from 24th May, 2007,

(ii) all categories of pensioners have been allowed to open and maintain 'Pension Account' under Post Office Savings Account Rules, with effect from 11th July, 2007,

(iii) with effect from 10th February, 2006, the penalty on pre-mature withdrawal of deposits under the Post Office Monthly Income Account (POMIA) scheme has been rationalised from 3.5% to 2% on withdrawal after one year but on or before expiry of three years and 1% on withdrawal after expiry of three years,

(iv) with effect from the 1st August, 2007, the maximum deposit ceilings of Rupees 3.00 lakh and Rupees 6.00 lakh under the Post Office Monthly Income Account (POMIA) scheme have been enhanced to Rupees 4.5 lakh and Rupees 9.00 lakh in respect of single and joint accounts respectively,

(v) maturity bonus @ 5% of the deposits has also been introduced in respect of the deposits made under POMIA scheme on or after the 8th December, 2007; and

(vi) the deposits made with effect from 1st April, 2007 under the Post Office Time Deposits(5 years) and the Senior Citizens Savings Scheme shall qualify for rebate under section 80-C of the Income Tax Act,1961 within the specified ceilings.

2.3.2. National Small Savings Fund

In order to account for all the monetary transactions under small savings schemes of the Central Government under one umbrella, "National Small Savings Fund" (**NSSF**) was set up in the Public Account of India w.e.f. 1st April, 1999. The net accretions under the small savings schemes are invested in the special securities of various State/Union Territory (with legislature)/Central Governments. The minimum obligation of States to borrow from the National Small Savings Fund (NSSF) has been brought down to 80 per cent of net collections w.e.f. the 1st April, 2007.

In implementation of the announcement of the Finance Minister in the Parliament, made while presenting the Union Budget: 2007-08 on 28th February, 2007, the National Small Savings Fund (Custody & Investment) Rules, 2001 have been amended suitably to allow reinvestment of the redemption values of special Government securities in instruments other than special Government securities. A sum of Rupees 1500 crore is proposed as a loan investment @ 9% per annum(payable annually), to India Infrastructure Finance Company Limited(**IIFCL**) for financing infrastructure development projects/schemes. The loan will be repaid by IIFCL in lump sum after a period of 15 years.

2.3.2.1. Implementation of the Recommendations of the NDC Sub-Committee on NSSF

Pursuant to the recommendations of the Sub-Committee of the National Development Council, set up on 16th September, 2005 in respect of the "Debt Outstandings of the States against the National Small Savings Fund" under the Chairmanship of Union Finance Minister, the Government has:-

(i) allowed the State/Union Territory (With Legislature) Governments to opt the percentage of their share of net small savings collections between 80 per cent to 100 per cent from the current year onwards,

(ii) reduced and reset the rates of interest payable on the special securities issued by the State/Union Territory(with legislature) Governments to the National Small Savings Fund (NSSF) during 1999-2000 to 2001-02 from 13.5%, 12.5% and 11% per annum to 10.5% per annum with effect from the 1st April, 2007; and

(iii) allowed the State/Union Territory(With Legislature) Governments to prepay a part of their liabilities towards NSSF. The requests of the Governments of Tamil Nadu, Orrisa and National Capital Territory of Delhi to prepay a part of their liabilities to the NSSF, have been acceded to.

2.3.2.2 Small Savings Collections

The gross deposits under various small savings schemes during 2007–08 (upto December, 2007) were Rs. 98,854 crore as against the deposits of Rs. 1,28,855 crore during the same period last year. An amount of Rs. 16000 crore (approx.) is proposed to be transferred as share of net small savings collections to the States and Union Territories (with legislature) during the current fiscal, as against the sum of Rs. 63,746 crore transferred last year.

2.3.3 Measures for Improved Interface with the Public

Central and State Governments take various measures from time to time to promote and popularise small savings schemes through print and electronic media as well as holding seminars and meetings, providing training to various agencies involved in mobilizing deposits under small savings schemes.

National Savings Institute, a subordinate organisation under the Department of Economic Affairs (Budget Division) also maintains its website, i.e. **nsiindia.gov.in**, in collaboration with National Informatics Centre to facilitate interface with the public through wider dissemination of information on small savings. The service also offers on-line registration and settlement of investors' grievances.

2. 4 Hindi Branch

2.4.1 All Budget documents are presented to Parliament in Hindi and English. Besides Budget documents Hindi Branch has also prepared Hindi versions of Economic Classificatory and Status Report on External Debt, which were laid before the Parliament.

2.4.2 The translation of other documents as envisaged in the Official Language Act, 1963 and Rules made there under was also undertaken by the Hindi Branch during the year under report. These include agreements with Foreign Government and International Agencies, Cabinet Notes, Parliament question/assurances, notifications, Standing Committee papers, monthly summary for the Cabinet, External Assistance Report, and Twelfth Finance Commission Report , etc. During 2007-08 Hindi Branch translated 12 agreements.

3. Capital Markets Division

3.1 Functions/working of Organization and set up of the Division including its various Advisory Boards and Councils:

The principal subjects dealt with in various sections in the Capital Markets Division are the following:-

3.1.1 Securities Markets Section

- Policy relating to the regulation and development of the securities markets and investor protection;
- Policy relating to the primary and secondary securities markets;
- Policy relating to domestic mutual funds and other market participants;
- The Acts/Rules being administered by this section are:-
- Securities and Exchange Board of India Act, 1992 and Rules made there under;
- Securities Contracts (Regulation) Act, 1956 and rules made there under;
- Depositories Act, 1996 and Rules made there under;

3.1.2 External Markets Section

- Administration of Foreign Exchange Management Act (FEMA), 1999.
- Foreign visits on official account by the functionaries of State/UT Governments.
- Proposals relating to setting up of Liaison Office/ Branch Office in India by foreign entities.
- All matters relating to Combating the Financing of Terror (CFT), India's membership of Financial Action Task Force (FATF), etc.
- Issues relating to International Capital Market,
- The Report of High Powered Expert Committee on Making Mumbai as an International Finance Centre.
- High-Level Coordination Committee on Financial Markets.
- Sectoral work pertaining to Ministry of Parliamentary Affairs, Department of Legislative Affairs.

3.1.3 External Commercial Borrowings Section

- Periodical review and formulation of ECB Policy & procedures;

- Policy relating to FCCBs, ADR / GDR;
- FIIs Portfolio Investment policy;
- Coordination with International Credit Rating Agencies on issues relating to sovereign credit rating of India.
- To provide input for future borrowings decisions including annual cap for the short-term balance of payments (STBOP) review exercise.
- Policy issues relating to risk and liability management and derivative products for interest rate / foreign currency and commodity price risk management.

3.1.4 Pension Reforms Section

- Initiating and coordinating pension reforms:
- Formulating policy in regard to investment of fund moneys by non-government provident, superannuation and gratuity funds;
- Policy matters related to the Special Depository Scheme.
- Matters related to the Employees' Provident Fund Organizations (EPFO) and agenda items for meetings of the Central Board of Trustees of EPFO, of which JS(CM) is a member.
- Sectoral charge of Department of Pension and Pensioner's Welfare and Ministry of Consumer Affairs.
- Territorial Charge of Bihar and Jharkhand.

3.1.5 UTI & Investor Grievances Section

- Investor Grievances
- Specified Undertaking of Unit Trust of India (SUUTI)
- Indian Trusts Act
- Nizam's Trust
- Unit Trust of India(Transfer of Undertaking & Repeal) Act 2002.

3.1.6 Regulatory Establishment & Coordination Section

- Deals with regulatory and establishment issues relating to Securities and Exchange Board of India (SEBI), Securities Appellate Tribunal (SAT) and Pension Fund Regulatory Development Authority (PFRDA).
- Coordination within Capital Markets Division and RTI matters.
- Sectoral Charge of all Departments of the Ministry of Finance.

3.2 Performance/achievements of the Division upto last year

3.2.1 Securities Markets

The Indian stock markets have witnessed remarkable uptrend in this financial year. Between April, 2007 and January, 2008, the benchmark indices recorded a rise of about 35%. The market capitalization crossed Rs. 70-trillion mark for the first time in history with an average increase of over Rs. 40 crore in every minute of trading during 2007. This marks a ten-fold surge in the total market value in just about four and a half years. The strength of India's economy, stock markets, corporate profits and private equity fuelled Initial Public Offerings (IPOs) with over $8.3 billion worth of IPOs in 2007. India was the fifth largest market in terms of number of IPOs and seventh largest in terms of the proceeds for the year 2007 proved a fabulous year for mutual funds in general, and diversified equity funds in particular. Net mobilisation of resources by mutual funds stood at Rs. 1,05,868 crore.

3.2.2 Policy initiatives taken during the year under review

- **Corporation and Demutualization of Stock Exchanges**

  Out of the 23 erstwhile stock exchanges, 18 have since been corporatized and demutualised in 2007-08. One stock exchange, i.e. Hyderabad Stock Exchange, failed to demutualise by the due date and has therefore been de-recognized. Saurashtra Kutch Stock Exchange, Mangalore Stock Exchange and Magadh Stock Exchange have been de-recognized for various irregularities/non compliances. As regards Coimbatore Stock Exchange which had sought voluntary withdrawal of recognition, the matter is sub-judice.

- **Corporate Bond Markets**

  The Government had set up a High-Level Expert Committee on Corporate Bonds and Securitisation (Patil Committee) to look into legal, regulatory, tax and market design issues in the development of the corporate bond market. The Committee submitted its report to the Government in December, 2005. The Budget of 2006-07 announced that the Government has accepted the recommendations of the Report and that steps would be taken to create a single, unified exchange-traded market for corporate bonds. The measures already taken in respect of implementation of the recommendations of the Patil Committee include:

  - The Securities Contracts (Regulation) Act, 1956 has been amended to include securitized instruments within the ambit of "securities".
  - The RBI Act has been amended to empower RBI to develop and regulate market for Repos in corporate bonds.
  - The limit of FII Investment in corporate debt has been increased from US$ 0.5 billion to US$ 1.5 billion.
  - The trade reporting platform for corporate bonds has been operationalised since 1st January, 2007.
  - The trading platforms for corporate bonds at the major exchanges has been operationalised from July 1, 2007.

- **Securities Contracts (Regulation) Amendment Act, 2007**

  The Securities Contracts Regulation Act, 1956 has been amended to include securitisation instruments under the definition of "securities" and provide for disclosure based regulation for issue of the securitized instruments and the procedure thereof. This has been done keeping in view that there is considerable potential in the securities market for the certificates or instruments under securitisation transactions. The development of the securitised debt market is critical for meeting the humungous requirements of the infrastructure sector, particularly housing sector, in the country. Replication of the securities markets framework for these instruments would facilitate trading on stock exchanges and in turn help development of the market in terms of depth and liquidity.

- **PAN as the sole identification number**

  PAN has been made the sole identification number for all transactions in securities market. This is an investor friendly measure as he does not have to maintain different identification numbers for different kinds of transactions/different segments in financial markets. Further, identification through PAN would help the authorities in enforcement action.

- **Equity Finance for the Small and Medium Enterprises (SMEs)**

  SMEs in India have traditionally relied on debt financing from banks and non-bank financial institutions. In order to develop the equity market for SMEs, SEBI has decided to create a separate exchange for the SMEs. It has decided that, to begin with there should be a single exchange for the SME sector for around 2-3 years to enable successful development of the market for SMEs.

- **IPO grading**

  SEBI has made it compulsory for companies coming out with IPOs of equity shares to get their IPOs graded by at least one credit rating agency registered with SEBI from May 1, 2007. This measure is intended to provide the investor with an informed and objective opinion expressed by a professional rating agency after analyzing factors like business and financial prospects, management quality and corporate governance practices etc. Till January 2008 45 IPOs have been graded by credit rating agencies.

- **Permitting Indian mutual funds to invest in overseas securities**

  SEBI has fixed the aggregate ceiling for overseas investments at US$ 5 billion. Within the overall limit of US$ 5 billion, mutual funds can make overseas investments subject to a maximum of US$300 million per mutual fund. Further different regulations that allow individuals and Indian mutual funds to invest in overseas securities by permitting individuals to invest through Indian mutual funds has been converged.

- **New derivative products**

  Mini derivative contract on Index (Sensex and Nifty) having a minimum contract size of Rs. 1 lakh have been introduced. It has been found that globally overall market liquidity and participation generally increases with introduction of mini contracts. Since January 11, 2008 SEBI has also allowed trading on options contracts on indices and stocks with a longer life/tenure of upto five years. These contracts are expected to provide liquidity at the longer end of the market. Since January 15, 2008 SEBI has permitted introduction of volatility index on futures and options contracts. An openly available and quoted measure of market volatility in the form of an index will help market participants.

- **Short selling**

  In pursuance to budget announcement, SEBI has issued a circular on 20th December, 2007 to permit short selling by institutional investors and securities lending and borrowing to support settlement of short sales.

- **Investment options for Navaratna and Miniratna Public Sector Enterprises**

  The Navaratna and Miniratna Public Sector Enterprises have been allowed to invest in public sector mutual funds subject to the condition that they would not invest more than 30% of the available surplus funds in equity mutual funds and the Boards of PSEs would decide the guidelines, procedures and management control systems for such investment in consultation with their administrative Ministries.

- **Investor Protection and Education Fund (IPEF)**

  SEBI has set up the Investor Protection and Education Fund (IPEF) with the purpose of investor education and related activities. SEBI has contributed a sum of Rs.10 crore toward the initial corpus of the IPEF from the SEBI General Fund. In addition following amounts will also be credited to the IPEF namely: (i) Grants and donations given to IPEF by the Central Government, State Governments or any institution approved by SEBI for the purpose of the IPEF;(ii) Interest or other income received out of the investments made from the IPEF; and (iii) Such other amount that SEBI may specify in the interests of the investors.

3.2.3 Efforts at Combating of Financing of Terrorism and Membership of FATF

- After 9/11, India has also joined the world in its aim of ***Combating the Finance of Terror*** (CFT). India's efforts on CFT include committing to membership of International fora that tackles CFT, implementation of UN Security Council Resolutions (UNSCRs) participating in the UN Counter Terrorism Committee, setting up a Financial Intelligence Unit (FIU), exchanging information relating to terrorist financing with other countries and enacting laws to stem the spread of terrorism. India has been involved in adoption of international standards and norms, mutual evaluation surveillance. Groups include the Financial Action Task Force (FATF), the ***Egmont Group*** (an informal grouping of countries with Financial Intelligence Units - FIUs. India has ***Observer*** status here)

- India is actively pursuing membership of the Financial Action Task Force (FATF), which is engaged in establishing global standards and measures for countering money laundering and terrorist financing. India has been granted an Observer status by the FATF. Full membership of FATF has inter-alia considerable advantages for Indian financial institutions in their international operations. In furtherance of its objectives, the FATF has issued 49 recommendations providing comprehensive plan of action to prevent abuse of financial system for money laundering and set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts. The technical requirements for getting the membership of FATF are being processed.

3.2.4 High Powered Expert Committee on making Mumbai an International Financial Centre (HPEC on MIFC)

The HPEC on MIFC submitted its report to Government in February 2007. The report recommends complete overhaul of financial sector governance in India. This would start the process of the next generation financial reforms and would require broad consensus among economists, politicians and the regulators. A series of workshops and seminars have been organised for wider dissemination and public debate on the report. Comments from various Ministries/Departments, State Governments and public at large were invited on the Report and have been received, which are being examined.

Meanwhile, certain recommendations have been identified for early implementation on which follow up action is being taken.

3.2.5 Pension Reforms

The New Pension System (NPS) was introduced for newly recruited Central Government employees (except the Armed Forces) with effect from 1st January, 2004. The New Pension System (NPS) has been in place for over four years. Over 1.8 lakh employees of Central Government are under this system. 19 State Government have also notified defined contribution pension systems based on the NPS. The Union Territory of Pondicherry and the National Capital Territory of Delhi have also done so.

The Pension Fund Regulatory and Development Authority Bill, 2005 is currently before Parliament and amendments to the Bill, based on the recommendations of the Standing Committee on Finance, are under Government's consideration.

The main features of the NPS are as follows:

- It is based on defined contribution. New entrants to Central Government service contribute 10 per cent of their salary and dearness allowance (DA), which is matched by the Central Government.
- Once the NPS architecture is fully in place, employees will have the option of a voluntary tier-II withdrawable account in the absence of the facility of General Provident Fund (GPF). Government will make no contribution to this account.
- Employees will normally exit the system at or after the age of 60 years. At the time of exit, it is mandatory for them to invest 40 per cent of the pension wealth to purchase an annuity to provide for life time pension of the employee and his dependant parents and spouse. Remaining 60 per cent of pension wealth will be paid to the employees in lump sum at the time of exit.
- The new system will have a central record keeping and accounting infrastructure and several fund managers to offer investment options with varying proportions of investment in fixed income instruments and equity.

The Pension Fund Regulatory and Development Authority has appointed NSDL as the CRA (Central Recordkeeping Agency).

Three sponsors of pension funds viz. State Bank of India, Life Insurance Corporation of India and UTI Asset Management Company have been selected by PFRDA (Pension Fund Regulatory and Development Authority), through a process of competitive bidding, to manage the pension corpus of Government employees under the New Pension System (NPS). The selection was based on the criteria which included technical as well as commercial parameters such as experience of fund management, track record, technological platforms, management fee etc.

A conference of Chief Ministers and State Finance Ministers was held on 22nd January 2007 on the subject of pension reforms, including the Bill and other related issues. The conference was presided over by the Prime Minister. A workshop of the Chief Secretaries and Finance Secretaries was held on 22nd January 2008 on the subject of state level pension reforms.

3.2.6 External Commercial Borrowings

ECBs are permitted by the Govt. as an additional source of funds to Indian Corporate for expansion of their existing capacity as well as for fresh investment to augment the resources available domestically. A prospective borrower can access ECB under two routes, namely the automatic route and the approval route. A corporate, other than a financial intermediary, registered under the Companies Ac, 1956, can access ECB under the automatic route up to US$ 500 million in a financial year for investment (deployment of resources on import of capital goods, new projects, modernization / expansion of existing production units) in real sector (industrial sector including small and medium enterprises and infrastructure sector). Infrastructure sector includes power, telecommunication including manufacturing of telecom equipment, railways, roads including bridges, ports including airport and seaport, industrial parks, and urban infrastructure (water supply, sanitation and sewage projects). The ECB, which is not covered by the automatic route, is considered under the approval route on a case-by-case basis by RBI, that is, ECB by a financial intermediary, ECB beyond US$ 500 million in a financial year, and ECB for purposes other than investment in real sector are considered under the approval route. The same liberation made for ECB has been extended to the Foreign Currency Convertible Bonds (FCCBs) with regard to spreads, procedures etc.

2. The Government in consultation with Reserve Bank of India periodically reviews ECB policy in order to enable Indian corporates to have greater access to international capital market while keeping prudent debt management objective in view. Based on review undertaken in consultation with RBI in August, 2007, henceforth ECB of more than USD 20 million both under automatic and approval route would be permitted only for foreign currency expenditure for permissible end-uses of ECB. ECB up to US$ 20 under the automatic route will also be permitted for foreign currency requirement. However, if company desires to bring the money into India for rupee cost requirement, they may do so with prior approval of RBI. . (Press Release issued on **7th August, 2007**).

3. As announced in Budget 2006-07, the limit on FII investment in Government securities was increased from $ 1.75 billion to $ 2 billion and the limit on FII investment in corporate debt from $ 0.5 billion to $ 1.5 billion. Subsequently in pursuance of Committee on Fuller Capital Account Convertibility (CFCAC) recommendations and in terms of mid-term review of the annual policy, RBI announced the enhancement of existing FII limit of USD 2 billion in phased manner to USD 2.6 billion by December 31, 2006 and further to USD 3.2 billion by March 31, 2007 keeping the extant limit of USD 1.5 billion for investment in corporate debt unchanged. Further, taking this into account and likely demand for ECBs particularly for infrastructure projects, overall approval ceiling for 2007-08 was fixed at USD 22 billion as recommended by RBI

3.2.7 ADR / GDR, FCCBs

Government had set up an Expert Committee under the Chairmanship of Mr. Saumitra Choudhury, Member Economic Advisory Council to Prime Minister to review the extant ADR / GDR / FCCB policy. The committee has recently submitted its report to the Government. The recommendations of the Committee are under consideration.

3.2.8 India's Sovereign Rating

Presently India is rated by five international credit rating agencies namely, Standard and Poor's (S&P), Moody's Investor Services, FITCH, the Japanese Credit Rating Agency (JCRA) and the Rating and Investment Information Inc., Tokyo (R&I). The current ratings by these agencies are summarised below:

Moody's upgraded their outlook last year. Moody's foreign currency rating for India is **Baa3** (investment grade) with a stable outlook while Fitch's current rating is **BBB-** with a stable outlook.

Standard & Poor's (S&P) have also upgraded India's rating to investment grade (BBB-) with stable outlook as on 31st January, 2007.

Japan Credit Rating Agency (JCRA) has revised its ratings of Foreign Currency Long-Term Senior Debts: as well as Domestic Currency Long-term Senior Debts from **"BBB" to "BBB+"** (Triple 'B' Plus) with rating outlook from Positive to Stable, as on August 02, 2007. Their revision is based on their judgement that India has become stable both politically and economically.

3.2.9 Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002

The restructuring of the erstwhile UTI was undertaken with the objective to ring-fence the liability of the Government of India through the redemption and foreclosures of different Assured Returns Schemes (ARSs) of the erstwhile UTI and to ensure that the investors receive their rightful claims without this process having any adverse impact on the Indian capital market.

The Government signed an agreement on 15th January 2003 with the State Bank of India, Punjab National Bank, Bank of Baroda and the Life Insurance Corporation of India for transfer of undertaking viz. UTI-II effective from 1st February, 03.

Investors of US-64 were given an option of Government guaranteed five years tax-free bonds with a coupon of 6.75% p.a. payable semi-annually. US-64, which had been drawing public attention for over 5 years have now been addressed in a manner that investors have received their claims without any adverse impact on the capital market.

All the ARSs, have been closed/foreclosed by paying the investors in cash or through issuance of Government guaranteed five years tax-free bonds with a coupon of 6.60% p.a. payable semi-annually issued by Specified Undertaking of UTI (SUUTI) and guaranteed by GOI.

SUUTI sold its 100% stake in UTI Securities to STCI for Rs.265 crore and completed the sale of its 8% stake in Investment Credit Rating Agency (ICRA) Ltd through IPO route. During the period 1st April 2007 to 31st January 2008, recovery of Non Performing Assets/Debt Settlement of an amount of Rs.319.18 was done by SUUTI from 57 companies.

4. Infrastructure Division (Including ADB, C&C and POL)

4.1 Infrastructure Section

Infrastructure Section is headed by Joint Secretary(Infra & ADB) and is assisted by Director(Infra) and Deputy Director(Infra). The functions include the following:

I. Providing inputs on cabinet notes and other policy related issues concerning roads, ports, shipping, inland water transport, urban development, new and renewable energy, railways and telecommunication sector referred to the Department of Economic Affairs (DEA) by the concerned Administrative Ministries.

II. Analysing the investment proposals in these infrastructure sectors requiring the approval of EFC/PIB/CCEA for their viability and justification.

III. Promoting investments in infrastructure sectors by encouraging public private partnerships.

IV. Servicing High Level Committees, GOMs, etc. constituted to deal with policy issues in these sectors and providing inputs for formulation of DEA's view on such issues.

V. Preparing briefs for the use of Finance Minister/Finance Secretary.

VI. Handling VIP references and Parliament Questions on these sectors.

VII. Providing inputs on these sectors to other Divisions/ Departments/Ministries.

VIII. Participating in meetings/discussions held by the Ministries/Planning Commission/ Associations in these sectors.

4.1.2 Achievements

Infrastructure Section provided substantial policy inputs on the following issues discussed in the Cabinet/CCEA or other high level committee.

- Use of Foreign Exchange Reserves in building Infrastructure-Formation of overseas subsidiary of IIFCL for the purpose.
- Shipping Trade Practices Act, 2006
- Formulation of Cruise Shipping Policy for India
- Issue of setting up of port at Colachel
- Amendment of Carriage by Air Act, 1972
- Accession to Cape Town Convention, 2001.
- Signing of Air Services Agreement with various countries.
- Policy of Greenfield Airport
- Modernisation of Kolkata Airport
- Reduction of dwell time at Airports
- Plan for city connectivity for 10 selected airports
- Construction of Greater Noida and Kannur Airport
- Development of hydro projects in NE Region and Himalayan States
- Rajiv Gandhi Grameen Vidyutikaran Yojana
- Placement of bulk order of the first lot of 10 units of 800 MW supercritical thermal power plant on BHEL by the utilities.
- Formulation of SPV for setting up of manufacturing units for rolling stock and critical components.

Besides the above, Infrastructure Section organised several meetings, the notable ones being that of Discussion on Deepak Parekh Report on Infrastructure Financing, discussion on use of forex reserves for infrastructure, and discussion on upgradation of 1396 ITIs in PPP mode.

4.2 Public Private Partnership (PPP) Cell

The PPP Cell is headed by Joint Secretary (Infra) who is assisted by Joint Director (PPP), Deputy Director (PPP) and Section Officer (PPP). The PPP Cell is responsible for matters concerning Public Private Partnerships, including policy, schemes, programmes and capacity building.

The PPP Cell serves as the Secretariat for the PPP Appraisal Committee (PPPAC), which has been constituted with the approval of Cabinet Committee on Economic Affairs to establish an appraisal mechanism and guidelines for PPP projects in the central sector, on the lines of the PIB. The PPPAC is chaired by Secretary, Economic Affairs as the Chairman, with Secretaries of Department of Expenditure, Legal Affairs, Planning Commission and the sponsoring department as members. Since its constitution in January 2006, PPPAC has granted approval to forty projects, with a total project cost of Rs 27,121.39 crore.

A major scheme to promote public private partnership (PPP) in various infrastructure sectors such as roads, seaports, airports, railways, convention centres etc. with viability gap support from the Government of India was announced in the budget 2005-06. Procedure for approval and institutional mechanism for approval of proposal seeking funding under the 'Scheme for Financial Supports to PPPs in Infrastructure (Viability Gap Funding Scheme)' have been notified. The total Viability Gap Funding to be provided under the Scheme is up to 20% of the capital cost of the project. The Government or statutory entity that owns the project may provide an additional 20% grant out of its own budget. So far, under the Viability Gap Funding Scheme, 23 proposals have been granted 'in-principle' approval by the Empowered Institution with a total project cost of Rs.10,097.45 crore and an estimated viability gap funding of Rs.2,571.97 crore.

The Union Finance Minister in his Budget Speech for 2007-08 announced the setting up of a Revolving Fund with a corpus Rs. 100 crore to accelerate the process of project preparation. To fulfil the commitment, the Scheme and Guidelines for India Infrastructure Project Development Fund have been notified to operationalise financial support for quality project development activities to the States and the Central Ministries. The Scheme would fund potential Public Private Partnership projects' project development expenses including cost of engaging consultants and transaction advisor, thus increasing the quality and quantity of successful PPPs and allowing informed decision making by the Government based on good quality feasibility reports. The IIPDF will assist projects that closely support the best practices in PPP project identification and preparation.

A panel of eleven Transaction Advisers has been short-listed. Panel members have skills and experience to provide both commercial/financial and legal services in support of PPP transactions. However, the sponsoring authorities have been advised to procure financial, legal and technical expertise separately in the case of large projects such as port development or airport development projects where the project cost is very high. A **'Manual on the panel to guide the users'** has also been prepared and circulated.

The PPP Cell is also administering capacity building programmes for PPPs in State Government and Central line Ministries. State Governments and central infrastructure Ministries have been advised to set up PPP Cells to enable each sector/line Ministry using PPP methodology for delivery of public service to prepare action plans and policies for individual sectors, to adopt best practices and follow standard procedures for contracting PPPs. PPP Cells have been established in twenty-four State Governments/ U.Ts. and thirteen Central infrastructure Ministries to enable each sector/line Ministry using PPP methodology for delivery of public service to prepare action plans and policies for individual sectors, to adopt best practices and follow standard procedures for contracting PPPs. Over time, as the PPP Cells mature, it is envisaged that the PPP Cells would become the central core to catalyse PPPs in an efficient and effective manner in their respective sectors/States.

To assess the existing institutional framework and processes for managing PPPs, and identify critical areas in which PPP Cells and other key government entities responsible for implementing PPPs would require support over the next 2-3 years. A study on five representative States and key Central line Ministries was undertaken through *Partnerships United Kingdom (Partnerships UK).* With Technical Assistance from Asian Development Bank, State Governments and Central Ministries are being provided with in-house PPP experts, financial experts, MIS experts and access to a panel of legal firms. Training programmes on public private partnerships and workshops on developing sector specific PPP frameworks were organised. To intensify and deepen the capacity building of public functionaries at the State and municipal level, a curriculum for training at State Administrative Institutes and a 'Training of Trainers' programme are being developed in collaboration from World Bank.

A document titled "**Public Private Partnerships – Creating an Enabling Environment for State projects"** has been developed for dissemination of information on the various schemes and programmes of the Government to facilitate development of infrastructure through public private partnerships.

A website, www.pppinindia.com, has been developed on PPPs which is a one-stop shop on information of PPPs in India including policy guidelines and status of the proposals received by the PPP cells under the VGF scheme and PPP Appraisal Committee. The site carries a link to database on PPP projects in India. The purpose of the database is to provide comprehensive and current information on the status and extent of PPP initiatives in India at the central, state and sectoral levels.

4.3 Asian Development Bank

The Asian Development Bank (ADB), an international Partnership of 67 member countries, was established in 1966 with its headquarters at Manila, Philippines. India is a founder member. The Bank is engaged in promoting economic and social progress of its developing member countries in the Asia and the Pacific region. Its principal functions are as follows: (i) to make loans and equity investments for the economic and social advancement of its developing member countries; (ii) to provide technical assistance for the preparation and execution of development projects and programs and advisory services; (iii) to respond to the requests for assistance in coordinating development policies and plans in developing member countries; and (iv) respond to the requests for assistance coordinating development policies and plans of developing member countries.

India's subscription to the Bank's capital stock as on 31 December, 2007 is 6.32% per cent of all the member countries.

India started borrowing from ADB's Ordinary Capital Resources (OCR) in 1986. During calendar year 2007, ADB Board approved loans of US$ 1,232.1 million for 8 projects to India. Of these, 7 projects are under the MFF facility of the Bank. The loans are in Table 1.1.

The Bank's lending has been mainly in the Energy, Transport and Communications, Finance, Industry, Social/Urban Infrastructure, Multi-sector, Agriculture & Irrigation sectors. As of 31.12.2007, the Bank had cumulatively approved 100 Public Sector loans to India amounting to US$ 17.347 billion. With 54 loans closed, the active portfolio comprises 38 loans. Cumulative disbursements till 31.12.2007 were about US$ 10.01 billion.

India has contributed US$ 3.1 million in convertible currency (upto the end of 2007) to the Technical Assistance Special Fund (TASF) of the ADB.

The Bank has extended technical assistance to India in addition to loans from its OCR window. The Bank's technical assistance support was US$ 0.6 m in 1988. To end 2007 India has received a cumulative amount of US$ 155.2 million for Technical Assistance. The technical assistance provided includes support for institutional strengthening, effective Project implementation and policy reforms as well as for Project preparation.

India's representation at the Bank: There are 60 Indian Professional Staff working in the Bank out of the total of 847 professional staff. Out of these, 15 are holding senior level positions.

In addition to the above, India holds the position of Executive Director on the Board of Directors of the Bank – its Constituency comprises Afghanistan, Bangladesh, Bhutan, India, Lao PDR, Tajikistan and Turkmenistan. The Finance Minister is India's Governor on the Board of Governors of Asian Development Bank and Finance Secretary is the Alternate Governor.

Table 1.1		
Sl. No.	Name of the Project	Amount (US $ million)
1.	Uttarakhand State Road Investment Program	50.00
2.	Uttarakhand Power Sector Investment Program	41.90
3.	M.P. Power Sector Investment Program – 1	106.00
	M.P. Power Sector Investment Program - 2	45.00
	M.P. Power Sector Investment Program - 3	144.00
	M.P. Power Sector Investment Program - 4	90.00
4.	North Karnataka Urban Sector Investment Project	33.00
5.	M.P. State Roads Sector Project II	320.00
6.	J & K Urban Sector Dev. Investment Programme	42.20
7.	Rajasthan Urban Sector Dev. Investment Programme (Subproject 1)	60.00
8.	India Infrastructure Project Financing Facility (Subproject 1)	300.00
	Total	**1,232.10**

4.4 Currency & Coinage Branch

The C&C Division is responsible for formation of policy on printing of currency notes, stamp papers and other security documents passports, visa paper etc. and minting of coins including production planning in consultation with RBI, Introduction of new features in currency notes, stamps papers etc. to abort counterfeiting, issue of commemorative coins on special occasions and administration of the Security Printing & Minting Corporation of India Limited which is responsible for production of currency notes, coins, security paper and other security documents.

1. New Design of Coins

   New series of coins in the denomination of Re. 1/- and Rs. 2/- in ferritic stainless steel (FSS) have been brought in circulation with the theme 'Nritya Mudra' and 'Connectivity & Information Technology'. A new Rs. 5/- coin in FSS with the theme 'Connectivity & Information Technology' has also been issued.

2. Commemorative coins

   In the year 2007-08, Government has issued Commemorative coins on the following occasions :

   a. Shahid Bhagat Singh birth centenary.

   b. 150 years of the First War of Independence.

   c. Golden Jubilee Celebration of Khadi & Village Industries Commission.

   d. 150th birth anniversary of Lokmanya Bal Gangadhar Tilak.

   e. Platinum Jubilee of Indian Air Force (1932-2007).

3. Mints & Presses

   Security Printing and Minting Corporation of India Limited (SPMCIL) was set up to manage the nine Mints/Presses/Mill, which were earlier being managed by the Ministry of Finance. The Company was registered on 13.01.2006 with its headquarters at New Delhi. SPMCIL is headed by Chairman & Managing Director. The company is managed by its Board of Directors comprising Govt. of India nominees and functional Directors. The activities of SPMCIL are managed by the Board of Directors assisted by the General Managers of the respective units of SPMCIL. The Company has four Presses, four Mints and one Paper Mill. Client of two Currency Presses is RBI for currency notes. For another two Security Presses, clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Departmental for postal stationery, stamps, etc. Security Presses also produce various security items like cheques for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs. For Mints, major work relates to minting of coins for RBI, though small payments are received from individuals for commemorative coins, etc.

As per audited accounts for the year 2006-07, Security Printing and Minting Corporation of India Limited has posted net profit of Rs. 268.37 crore. However the revenue includes an amount of Rs. 238.62 crore as price differential on account of sale of security documents for earlier years.

The company has repaid Bharatiya Reserve Bank Note Mudran Private Limited loan and interest thereon amounting to Rs. 398.90 crore during the year. Outstanding loan pertaining to BRBNPL and interest thereon as on 31st March, 2007 is Rs. 11.99 crore.

The total indent of RBI for currency presses of SPMCIL for the financial year 2007-08 has been projected as

5100 million pieces of different denomination. For Mints of SPMCIL, the total indent has been projected as 3635 million pieces of different denomination. The total indent for Security Presses for all variety of security items and financial instrument has been projected as 856.71 million pieces. SPMCIL has entered in export market for supply of bank note and coins for other countries by utilising the expertise available with them. Recently an agreement has been signed between SPMCIL and Nepal Rastra Bank, Kathmandu to supply Rs. 10/- deno bank notes during the period 2008-09.

The Corporation envisages modernisation of security paper mill, capacity enhancement of security paper production, modernisation of currency printing unit, automation of various activities being carried out in traditional manner, modernisation of designing sections and modernization of ink manufacturing facilities. To carry out this modernization, Government will provide financial assistance, if required.

SPMCIL has set up a cell to deal with Right to information (RTI) Act with following officials:

1. Appellate Authority – Sh. Ajay S. Singh, Sr. DGM (F)
2. Public Information Officer – Sh. B.J. Gupta, DGM (HR)
3. Asst. Public Information Officer – Sh. V. Balaji, Manager (P&A)

A decision has been taken by the Government to indigenise the basic raw material required for security printing. In this regard, setting up a Security Paper Mill in joint venture is being actively considered.

4.5 POL Desk

Major Functions: POL Desk has the charge of credits/ assistance from OPEC Fund, Sectoral Charge of the Ministries of Petroleum and Natural Gas, Coal, Chemicals and Petrochemicals and Fertilizers. Main functions are: appraisal of Oil Economy Budget-foreign exchange budget for import of crude oil, appraisal of projects in Petroleum and Natural Gas Sector, Chemicals and Fertilizers Sector and Coal Sector; assistance to Hon. FM for the meetings of Group of Ministers; Cabinet, CCEA, Energy Coordination Committee; assistance to FS, AS (EA) and JS (Infra) for meetings of Empowered Committee of Secretaries (ECS), Project Investment Board (PIB), and various committee and statutory bodies and the Board of Directors of Oil and Natural Gas Corporation (ONGC), and ONGC Videsh Limited (OVL).

Major Policy changes introduced during the last year:

- Various Joint Venture Projects of ONGC Videsh Limited (OVL) already approved will enable OVL to acquire overseas equity oil in confirmed and oil producing blocks abroad. Major investments proposed are in Sudan, Russia, Brazil, Iran and Vietnam. Proposals for investments also include Iraq, Myanmar, Nigeria, Cuba, Qatar, Libya.
- Under Sixth Round of New Exploration Licensing Policy (NELP-VI) global competitive bids were invited for 55 exploration blocks. After evaluation of the bids 52 blocks are being awarded, for exploration and production of petroleum and natural gas in India.
- Regulatory Board to oversee petroleum and natural gas sectors has been set up. The Chairman and Members of the PNGRB have been appointed.
- Energy Coordination Committee has approved the proposal for setting up five Ultra-Mega Power Projects in various parts of India.
- It has been decided by the Govt. to set up the Rajiv Gandhi Institute of Petroleum Technology at Jais, District Rai Bareli, UP as an Institute of National importance.
- Under third round of Coal Bed Methane Policy (CBM-III), 10 blocks have been awarded for exploration and production of coal bed methane in India.
- New Coal Distribution Policy has been approved vide OM dated 18.10.2007.
- Under Emergency Coal Production Plan, 165 coal blocks have been offered for private investment.
- Policy for setting up Petroleum, Chemicals & Petrochemicals Investment Regions in various parts of India has been approved vide notification dated 4.4.2007.

Subsidies to North-East: Subsidies to refineries in the North East has been continued on a rationalized basis. Freight subsidies will continue to be provided for LPG and kerosene to far-flung areas, including the North Eastern region.

5. Fund Bank Division (Including UN Section)

5.1 World Bank Group

India is a member of four constituents of the World Bank Group viz., International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA).

5.2 International Bank for Reconstruction and Development (IBRD)

The total value of assistance extended by IBRD by way of loans to India was US$ 28,139.762 million as on 31.12.2006. During the period from 01.01.2007 to 31.12.2007, new commitment of US$ 1,816.5 million were approved making it US$ 29,956.262 million in all as on 31.12.2007. The sectors for which IBRD assistance has been provided are roads & highways, energy, urban infrastructure (including water & sanitation), rural credit and the financial services sector.

5.3 International Development Association (IDA)

As on 31.12.2006, the total value of assistance extended by IDA by way of credits to India for which agreements were

(In US $ million)

Table 1.2: Projects approved in the current year					
S. No.	Project Name	Approval Date	IBRD Comm. Amt.	IDA Comm. Amt.	Total Comm. Amt.
1	Bihar Development Policy Loan	20-Dec-07	150.0	75.0	225.0
2	Himachal Pradesh Development Policy Loan 1	25-Sep-07	135.0	65.0	200.0
3	Karnataka Community Based Tank Management Project (Supplement)	25-Sep-07	32.0	32.0	64.0
4	Rampur Hydropower Project	13-Sep-07	400.0	0.0	400.0
5	AP Rural Poverty Reduction Additional Financing	10-Jul-07	0.0	65.0	65.0
6	Strengthening India's Rural Credit Cooperatives	26-Jun-07	300.0	300.0	600.0
7	Bihar Rural Livelihoods Project - "JEEVIKA"	14-Jun-07	0.0	63.0	63.0
8	Himachal Pradesh State Roads Project	05-Jun-07	220.0	0.0	220.0
9	India Vocational Training Improvement Project	05-Jun-07	0.0	280.0	280.0
10	Mizoram Roads - Additional Financing	22-May-07	0.0	18.0	18.0
11	Third National HIV/AIDS Control Project	26-Apr-07	0.0	250.0	250.0
12	Andhra Pradesh Community-Based Tank Management Project	19-Apr-07	94.5	94.5	189.0
13	Tamil Nadu Irrigated Agriculture Modernization and Water-Bodies Restoration and Management Project	23-Jan-07	335.0	150.0	485.0
14	Third Andhra Pradesh Economic Reform Loan/Credit	11-Jan-07	150.0	75.0	225.0
	TOTAL		**1816.5**	**1467.5**	**3284.0**

signed was US$ 30,210.66 million. During the period from 01.01.2007 to 31.12.2007, new commitment of US$ 1,467.5 million were approved making it US$ 31,678.16 million in all as on 31.12.2007. The major sectors for which IDA assistance is provided are health, education, agriculture, poverty reduction and rural credit sectors.

5.4 India and the International Monetary Fund (IMF)

The International Monetary Fund (IMF) was established along with the International Bank for Reconstruction and Development at the Conference of 44 nations held at Bretton Woods, New Hampshire, USA in July 1944. IMF is the principal International Monetary Institution established to promote a cooperative and stable global monetary framework. At present, 185 nations are members of the IMF.

India is a founder member of the IMF. India has not taken any financial assistance from the IMF since 1993. Repayment of all the loans taken from International Monetary Fund was completed on May 31, 2000.

India's current quota in the IMF is SDR (Special Drawing Rights) 4,158.2 million in the total quota of SDR 217,314.8 million, giving it a share holding of 1.91%. India's relative position based on quota is 13th. However, based on voting share, India (together with its constituency countries viz. Bangladesh, Bhutan and Sri Lanka) is ranked 22nd.

5.5 Article IV Consultations

As part of its mandate for international surveillance under the Articles of Agreement, the IMF conducts what is known as Article IV Consultations to review the economic status of the member countries, normally, once a year. Article IV consultations are generally held in two phases. The latest round of Article IV Consultations for India took place in November 2007.

5.6 Participation by India in Financial Transactions Plan (FTP)

India agreed to participate in the Financial Transaction Plan of the IMF in late 2002. Forty-three countries, including India, now participate in FTP. By participation in FTP, India is allowing

IMF to encash its rupee holdings as part of our quota contribution, for hard currency which is then lent to other member countries who are debtors to the IMF. From 2002 to December 2007, India has made purchases transactions of SDRs 493.230 Million and thirteen repurchase transactions of SDRs 709.245 Million.

5.7 Committee on Financial Sector Assessment (CFSA)

Recognising the need to persevere with the financial sector development and with a view to assessing the financial stability and the status of implementation of financial standards and codes, RBI in consultation with the Government of India has constituted a Committee on Financial Sector Assessment. The Committee is chaired by Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India with Dr. D. Subba Rao, Finance Secretary as its co-chairman. For undertaking the self-assessment, the Committee will use, inter alia, the detailed handbook on Financial Sector Assessment published jointly by the World Bank and the IMF. The committee will review its own status and report the progress to the Government of India / Reserve Bank of India after commencement of its work. Since commencement of its work, six meetings of the Committee on Financial Sector Assessment (CFSA) have been held upto December 2007.

5.8 India and the G 20

This is an international forum of Finance Ministers and Central Bank Governors representing 19 countries, the European Union and the Bretton Woods Institutions (the IMF and World Bank). In the year 2007, the G-20 Ministerial meeting was held at Kleinmond, South Africa on 17th - 18th November, 2007. The sessions in this meeting were on Current Economic and Development Issues; Fiscal Elements of Growth and Development; Commodity Cycles and Financial Stability; Reform of the Bretton Woods Institutions & The Policies of Economic Reform-Implementing the G-20 Accord. In this meeting, Smt. Sindhushree Khullar, Additional Secretary (Economic Affairs) represented India.

5.9 International Finance Corporation(IFC)

India is one of the founder members of the IFC, an affiliate of the World Bank established in 1956 to promote growth in private sector & joint enterprises mostly in manufacturing and infrastructure sectors. India is currently holding 81,342 shares of IFC and ranks 6th along with Italy, Canada and Russia with a voting power of 3.41%. IFC provides, without government guarantee, both equity and loan capital to the private/joint sector enterprises in which it participates. The maturity period for loans ranges from 7 to 12 years and interest rates vary from loan to loan depending upon maturity and currency components of loan and risk perception. IFC investments in India are subject to country clearance from Government of India/Reserve Bank of India as the case may be (unless it is covered by the Automatic Approval Scheme).

Total investment of IFC during the last FY (July 2006-June 2007) was to the tune of US$ 1.13 billion, primarily in manufacturing, financial markets especially housing finance, agri business, power, IT, Oil & Gas and Health Care

5.10 Global Environment Facility(GEF)

The Global Environment Facility (GEF) is a financial mechanism that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local communities. GEF projects address six designated focal areas: - Biodiversity, Climate Change, International Waters, Ozone Depletion, Land Degradation and Persistent Organic Pollutants.

India has been a leading developing country participant in the GEF since its inception in 1991 and has played a major role in shaping GEF. India is both a donor and a recipient of GEF. It had contributed US$ 6 million to the core fund of the GEF Pilot Phase. India has pledged US$ 9 million towards each of the four Replenishments. The total funds pledged so far amounts to US$ 42.0 million, out of which an amount of US$ 33 million has been paid so far.

India has formed a permanent Constituency in the Executive Council of the GEF together with Bangladesh, Sri Lanka, Bhutan, Nepal and Maldives. The Council Meetings are held semi-annually or as frequently as necessary. At each meeting, the Council elects a Chairperson from among its members for the duration of that meeting. India's Executive Director in the World Bank represents the GEF Council from our Constituency.

5.11 International Fund for Agriculture Development(IFAD)

India is one of the original members of the IFAD. The Government of India has committed to contribute US$ 17 million towards the 7th Replenishment of IFAD Resources. Government of India has made the payment of US$ 5 million as 1st Instalment and US$ 6 million as 2nd Instalment to 7th Replenishment of IFAD. Since inception, India has contributed US$ 73 million towards the resources of IFAD till December 2007.

IFAD has so far assisted in 21 projects in the agriculture and rural development sector with the commitment of US$ 564.4 million. Out of these, 13 projects have already closed.

5.12 United Nations Development Programme(UNDP) in India

UNDP has been India's partner in development, with a presence in the country since 1951. The overall mission of the UNDP is to assist the programme countries through capacity development in Sustainable Human Development (SHD) with priority on poverty alleviation, gender equity, women empowerment and environmental protection. All assistance provided by the UNDP is grant assistance.

UNDP derives its funds from voluntary contributions from various donor countries. India's annual contribution to the UNDP is US$ 4.5 million, one of the largest from developing countries.

5.13 Country Cooperation Framework (CCF)

The country-specific allocation of UNDP resources used to be made every five years under the Country Cooperation Framework (CCF) which usually synchronized with India's five-year plans. The last CCF (CCF-II) synchronized with 10th Five-year Plan (2003-07) and focused on thematic areas (i) promoting human development and gender equality, (ii) capacity-building for decentralization, (iii) poverty eradication and sustainable livelihoods and (iv) vulnerability reduction and environment sustainability.

The total resource base of CCF-II was US$ 190 million, of which core resources were US$ 93 million. Twenty six projects worth US$ 84.45 million were approved under CCF-II out of which three projects amounting to US$ 19.20 million were approved during the period January - December, 2007.

5.14 New Country Programme

The Country Programme (CP): 2008-12, adopted in the UNDP Executive Board in September, 2007, was formulated by the GOI and UNDP Country Office based on the United Nations Development Assistance Framework (UNDAF) goal on 'promoting social, economic and political inclusion for the most disadvantaged, especially women and girls'. This is in harmony with the thrust of the 11th Plan on inclusive growth. It will primarily concentrate on the four UNDAF goals, namely, democratic governance, poverty reduction, HIV and development, and disaster risk management. It will focus on the seven economically laggard states - Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh.

The total resource requirement for the new CP is estimated at US$ 200-250 million, out of which one-third would be Core, one-third Non-core and remaining mobilized from UN Trust Funds etc.

6. Foreign Trade Division

6.1 This Division handles issues pertaining to Russia and CIS countries, Technical Assistance, African Development Bank, Investment Commission, Foreign Investment Promotion Board (FIPB) and Lines of Credit and in addition provides advice to the Ministry of Commerce, especially from foreign exchange angle, on policies pertaining to Indian foreign trade including matters connected with WTO and Free Trade Agreement (FTA) etc.

6.2 The detailed performance of each Section in the year 2007-08 is as under:

6.2.1 WTO Section

During the year, several issues pertaining to financial Services under the GATS at WTO and negotiations under Free Trade Agreements, Regional Trade Agreements and Comprehensive Economic Cooperation covering financial services with Japan, Korea, Sri Lanka and EU were taken up.

The Second Meeting of the SAARC Finance Secretaries/ Finance Ministers was held on 14-15th September, 2007 in New Delhi wherein several recommendations were made for strengthening mutual cooperation among SAARC countries. Several meetings on operationalising SAARC Development Fund(SDF) were held under the aegis of SAARC.

The second India-China Financial Dialogue was held in Beijing from 4-5 December, 2007. Finance Secretary led the delegation from the Indian side. Both the sides emphasized the important role the Dialogue has played in strengthening mutual understanding and cooperation in fiscal and financial areas of the two countries, and in promoting bilateral economic relations. The two sides held extensive discussions on macroeconomic issues, fiscal policy for sustainable development, financial sector development, and the ongoing studies on the development experiences of China and India.

6.2.2 CIE-I Section

India was an active participant in the consultative meetings for replenishment of ADF-XI. India also participated in the annual meeting of the African Development Bank held in Shanghai, China during 15-17 May, 2007.

6.2.3 International Cooperation (IC) Section

During the year 2007-2008 (till December 2007), the overseas investment policy was further liberalized. During this period, 1049 approvals were granted for overseas investments worth US$ 10604.97 million.

During the year 2007-08 (till December 2007), Bilateral Investment Promotion and Protection Agreement (BIPA) were signed with Trinidad and Tobago, Hellenic Republic (Greece), Mexico, Libya, Iceland and Ethiopia. BIPAs were ratified with Slovak Republic, China, Trinidad & Tobago and Bahrain. BIPAs with Senegal, DPR Korea, Mozambique, Brunei, Macedonia and Uruguay have been concluded for being signed. The BIPA texts have also been finalized with Bangladesh and Latvia. BIPAs have so far been signed with 68 countries of which 54 have been ratified and others are in various stages of ratification.

6.2.4 IDEAS (CIE-II) Section

GOI supported lines of credit extended to foreign countries

In the year 2007-2008 (since April, 2007 till date i.e. 17.01.2008), following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

(i) US$ 15 million credit line to the Government of Philippines

(ii) US$ 45 million credit line to the Government of Mali

(iii) US$ 10.4 million credit line to the Government of Suriname

(iv) US$ 65 million credit line to the Government of Nepal

(v) US$ 60 million credit line to the Government of Indonesia

(vi) US$ 50 million credit line to the Government of Sudan

(vii) US$ 122 million credit line to the Government of Ethiopia

(viii) US$ 30 million credit line to the Government of Malawi

(ix) US$ 19.5 million credit line to the Government of Vietnam

(x) US$ 64.07 million credit line to the Government of Myanmar

(xi) US$ 15 million credit line to the Government of Cambodia

(xii) US$ 33 million credit line to the Government of Lao PDR

(xiii) US$ 25 million credit line to the Government of Ghana

(xiv) US$ 25 million credit line to the Government of Sudan

6.2.5 TA Section

Matters relating to bilateral relations with Russia

The 4th meeting of Indo-Russian Joint Task Force was held on 10-11 October, 2007, co-chaired by Joint Secretary (FT) from the Indian side to discuss the issues on settlement of Inter-Governmental financial obligations. Representatives of Ministry of Defence, RBI and Shipping Corporation of India were part of Indian delegation.

The following issues were discussed in the meeting:

(i) Utilization of the accumulated rupee funds towards investment in India.

(ii) Settlement of the claims of Indian exporters/shipping companies for deliveries of goods and services to the former USSR and the Russian Federation

(iii) Short payments under State Credit.

Technical Cooperation Scheme (TCS) under Colombo Plan

During the period under review, around 340 scholars of 18 Colombo Plan member countries have attended training in various institutes of India under the TCS of Colombo Plan. The areas of training covered human resource development, audit and accounts, commerce, information technology, computers education, parliamentary matters, rural development, textile, water resources, medical sciences, engineering, financial management, insurance, etc.

6.2.6 Foreign Investment (FI) Unit

FDI policy

Government has put in place a liberal FDI policy and most of the sectors have been placed under the automatic route, except for a small negative list. Amongst others, most of the manufacturing and mining sectors are on the 100% automatic route with only a few exceptions. Highways and roads, ports, inland waterways and transport, urban infrastructure is also on the 100% automatic route. FDI is also permitted in Telecom, Airports, Civil Aviation and Oil and Gas Pipelines within certain equity limits. In April 2007, security conditions for FDI in telecom sector were prescribed.

During 2007-08 up to October, 2007 FDI inflows recorded US$ 9277 million as against US$ 6079 million during the corresponding period of the previous year.

Country-wise, Mauritius and Singapore remained the major FDI investors in FDI. FDI flows from Japan and Germany increased sharply during 2007-08. Sector-wise, “Services”, “IT” and “Telecommunications” have attracted the maximum FDI.

Recommendations of the Investment Commission

While the recommendations given by the Investment Commission in the Report of February 2006 titled “Investment Strategy for India” are being pursued with the Ministries/ Departments concerned for their implementation, the Commission in its Report titled “Thrust Areas Strategy and Recommendations” of December 2007, made specific recommendations for the following four Thrust Areas in order to draw in targeted investment and facilitate achievement of the goals identified:-

i. Tourism

ii. Agriculture and Food Processing

iii. Textiles & Garments

iv. Power

These recommendations are also being processed in consultation with the Ministries/Department concerned.

6.2.7 Foreign Investment Promotion Board (FIPB) Unit

The Foreign Investment Promotion Board (FIPB) has been reconstituted vide OM No. 1/3/2003-FIU dated 18-2-03 and transferred to the Department of Economic Affairs(DEA), Ministry of Finance. The Foreign Investment Promotion Board is a single window clearance for FDI proposals and comprises the core Group of Secretaries of Department of Economic Affairs, Department of Industrial Policy & Promotion, M/o Small Scale Industries, D/o Revenue, D/o Commerce, M/o External Affairs and M/o Overseas Indian Affairs. FIPB is chaired by the Secretary of the Department of Economic Affairs and its meetings are normally held twice a month. All proposals/ Papers relating to FIPB are received at the Facilitation Counter at Gate No. 8 of the North Block. FDI Proposals seeking FIPB approval are handled in this Department and proposals of NRI Investment, Foreign Technology transfer trade marks agreement and FDI in 100% EOUs are handled in the Ministry of Commerce & Industries, Department of Industries Policy & Promotion (DIPP). The FDI Policy and FDI Data are also handled in the DIPP.

During the Financial year 2006-07, total 18 meetings were held in which 423 items were considered and 326 proposals were approved. The FDI inflow involved was approximately Rs. 39,622 crore. During the Financial year 2007-08 (upto December 2007) total 16 meetings were held in which 370 items were considered and 241 proposals were approved.

The FDI inflow involved was approximately Rs. 12,011.787 crore.

7. Aid Accounts and Audit Division

7.1 This Division, which is a part of the External Finance Wing of the Department of Economic Affairs, is responsible for various functions relating to external loans/grants obtained by Government of India from various multilateral and bilateral donors. The functions handled by the Division include interaction with Project Implementing Agencies and Donors, processing of claims received from projects and arranging of draw down of funds from various donors, timely discharge of debt service liability of Government of India towards various loans obtained, maintenance of loan records, external debt statistics, compilation of various management information reports, publication of external assistance brochure on annual basis and framing of Budget Estimates of aid receipts and debt servicing. In addition, this Division carries out audit of import licences issued to registered exporters for export promotion by the 40 licensing Offices (including export processing Zones) under DGFT.

7.2 Performance/Achievements upto last year

The external receipts on Government accounts during 2006-2007 in the form of loans/credits were Rs. 15612.08 crore against the Revised Estimates of Rs. 15812.95 crore. Cash Grant Assistance received during 2006-2007 was Rs. 2454.41 crore against RE of Rs. 2,319.09 crore.

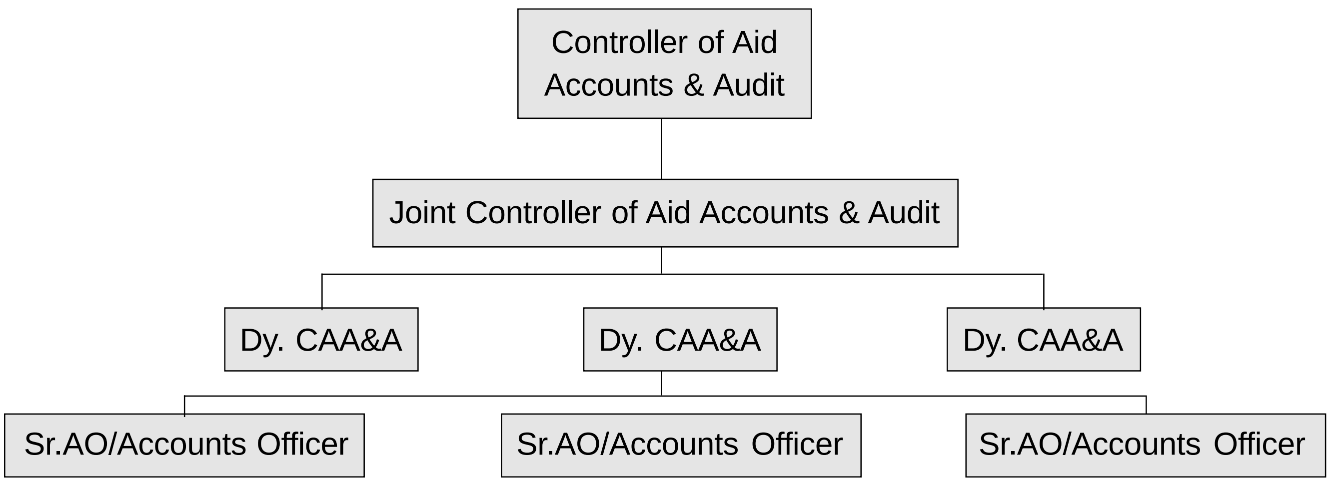
7.3 Performance/Achievements during current financial years

The drawal of external loan/credits during 2007-08 (upto December 31, 2007) is Rs. 10,076.22 crore against RE of Rs. 17,402.60 crore and cash grant assistance received upto December 31, 2007 is Rs.1,670.27 crores against RE of Rs. 2051.16 crore.

7.4 E-Governance

1. Entire work activities of Aid Accounts and Audit Division have been fully computerized since April 1999, based on an on-line system namely "Integrated Computerised System (ICS)". ICS covers all the activities in the loan cycle, preparation of budget for external assistance both for receipt and repayment, preparations of annual external assistance brochure and in maintaining update CS-DRMS. The ICS has been refined/fine-turned to suit the user requirement during last year. The on-line system ICS has contributed to enhance functional efficiency of this office, apart from enabling close monitoring of all the work activities. All the officers and staff members of this Division have been trained for functioning under computerised work environment.
2. A comprehensive Web-site on External Assistance is being maintained by this Division under website address http://finmin.nic.in/caaa for the benefit of all Credit Divisions, State Govts., Project Authorities, and Donors etc. This website contains comprehensive information relating to disbursement status Donors-wise, Loan/Credit/Grant-wise, State-wise, Sector-wise on a monthly, quarterly, and yearly basis. The Website is updated monthly. Website also provides up-to-date status of claim submitted by the Project Implementing Agencies covering the entire claim cycle i.e. from receipt of claim up to ACA release. Apart from this claim cycle, a separate report provides a detailed report of ACA release made by PF-I Division w.e.f. 01-04-2002. Furthermore disbursed outstanding debt in respect of external sovereign borrowing on various parameters can also be quarried from the website. This updated status is made available from the server maintained in this Division. The website also contains Key Statistical

Organisation Chart of the Division



information relating to overall portfolio of External Assistance apart from disbursed Outstanding Debt and Terms and Condition of External Assistance from different donors. Soft copy of External Assistance Brochure is also available at the website for ease of reference by any user.

3. Possibility of receiving the claims with projects through E-submission has been tested and the work is in progress. This will help in early submission of claims to donors.

4. A Dynamic web-site aaadmof.gov.in which would enable any user to generate customised report according to their specific requirements has also been implemented by AAAD. Work of e-processing of claims for arranging disbursement and also for tracking of Audit disallowances recovered by the World Bank from current claims has also been partly started.

5. This Division has also received ISO 9001:2000 certification in the month of May 2006.

8. Administration Division

8.1.1 Functions: Administration Division is responsible for personnel and office administration of the Department and implementation of official language policy of the Government in the Department of Economic Affairs and its attached/ subordinate offices.

8.1.2 Staff Strength: The staff strength and the strength of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) employees and representation of Ex-Servicemen/Persons with Disability in the Department of Economic Affairs (Main) as on 31-3-2008 (tentative) is given in Table 1.3.

8.2 Grants-in-aid

During the year 2007-08 (upto 5-2-2008) the amounts sanctioned as grants-in-aid are given in Table 1.4.

8.3 Complaints Committee on Sexual Harassment of Women Employees.

A Complaints Committee for considering complaints of sexual harassment of women employees in the Department of Economic Affairs has been set up. The composition of the Committee is given in Table 1.5.

8. 4 Use of Hindi in Official Work

During the year under report, progress made in the implementation of various provisions under the Official Language Policy of the Government continued to be reviewed.

All documents required to be presented in Parliament were provided bilingually. Section 3(3) of Official Language Act, 1963, and Rule 5 of Official Language Rules, 1976 made thereunder and other instructions issued by the Department of Official Language were fully complied with. A number of steps were taken in the Department to promote the use of Hindi in official work during the year :

i) Annual programme for the year 2007-08 issued by the Department of Official Language was circulated to all the Attached/Subordinate Offices/ Divisions/ Sections under the Department and all efforts were made to achieve the targets fixed therein.

ii) The Third Sub-Committee of the Committee of Parliament on Official Language visited Govt. of India Mint, Kolkata; Regional office, National Saving Institute, Lucknow and Govt. of India Mint, Mumbai under the control of this Department to assess the progress of use of Hindi in official work. Certain assurances were given to the Committee and steps were taken to fulfill the same.

iii) During the calendar year 2007, two meetings of Hindi Salahkar Samiti of this Department were held on March 21, 2007 and 20th December, 2007 respectively. Compliance of the decisions taken in these meetings was ensured.

iv) Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi Day on 14th September appealed to the officers and staff of the Ministry of Finance as well as the Offices under its control to do their official work in Hindi.

v) In order to remove the hesitation amongst officials to do their official work in Hindi and to acquaint them with the rules and other instructions regarding the Official Language policy of the Government, Hindi workshops were conducted in which 21 officials were trained.

vi) To create a conducive atmosphere in the Department regarding the progressive use of Hindi, *Hindi Fortnight* was celebrated during September 14-28, 2007. On the occasion, various Hindi competitions namely Hindi Noting and Drafting, Essay Writing, Hindi Typing and Shorthand, Poem Recital and Debate etc. were conducted and cash awards were given to the winners on the merits. In compliance of the decision of the Hindi Salahkar Samiti, the amount as well as the numbers of prizes were substantially enhanced.

vii) The amount of first, second and third prizes under the Scheme of Incentive on Original Book writing in Hindi on Economic subjects have been enhanced from Rs. 20,000 to Rs. 50,000, Rs. 15,000 to Rs. 40,000 and Rs. 10,000 to Rs. 30,000 respectively.

viii) The website of the Department was rendered bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English.

8.5 Finance Library and Publication Section

8.5.1 Finance Library & Publication Section was established in 1945. Finance Library functions as the Central Research and Reference Library in the Ministry and caters to the needs of Officers of all the Departments, Ad-hoc Committees and

A. Representation of SCs/STs/OBCs during the year 2007-08

Table 1.3

Group	Total no. of employees	No. of employees belongs to		
		SCs	STs	OBCs
Group "A"	118	9	4	3
Group "B"	312	36	17	5
Group "C"	218	41	11	10
Group "D" (excluding sweeper)	181	70	2	6
Group "D" (sweepers)	13	13	-	-
Total	**842**	**169**	**34**	**24**

B. Representation of Ex-servicemen during the year 2007-08

Group	Total No of employees	Ex-servicemen
Group "C"	218	3
Group "D"	194	-
Total	412	3

C. Representation of Persons with Disability during the year 2007-08

Group	Total No of employees	No of persons with disability		
		VH	HH	OH
Group A	118	-	-	-
Group "B"	312	-	-	1
Group "C"	218	1	1	2
Group "D"	194	-	-	4
Total	842	1	1	7

VH : Visually Handicapped HH : Hearing Handicapped OH : Orthopaedically Handicapped

D. Representation of SCs/STs/OBCs & Ex-Servicemen during the year 2007-08 in the National Savings Institute, Nagpur, the attached/subordinate office under Budget Division of Department of Economic Affairs, is as follows:

Group	Total no. of employees	No. of employees belongs to			
		SCs	STs	OBCs	Ex-Servicemen
Group "A"	21	3	2	3	-
Group "B"	13	2	-	-	-
Group "C"	67	13	2	10	2
Group "D" (excluding sweeper)	24	10	2	3	-
Total	125	28	6	16	2

Table 1.4

S. No.	Name of the Grantee Institution	Purpose	Amount released *(in Rupees)*
i	Indian Economic Association	For holding its 90th annual conference at University of Kashmir, Srinagar	3 lakhs
ii	The Indian Econometric Society	For holding its 44th annual conference at University of Hyderabad,Hyderabad.	2 lakhs
iii	National Council of Applied Economic Research	For meeting part of administrative expenses of NCAER.	50 lakhs
iv	Indian Society of Labour Economics	For holding 49th Conference at Hyderabad.	5 lakhs
v	Indian Council for Research on International Economic Relations	For a block grant assistance for their activities during 2007-08.	15 lakhs
		Total	**75 lakhs**

Table 1.5

S.No.	Name & Designation	Status
i)	Smt L.M. Vas Additional Secretary (Budget) Department of Economic Affairs	Chairperson
ii)	Dr. Jaya Kothai Pillai Secretary General, AIWC	Member (Women representative from NGO)
iii)	Ms. Manisha Sensarma, Deputy Secretary (PMU, PSE & BM) Department of Economic Affairs	Member
iv)	Deputy Secretary (Vigilance) Department of Economic Affairs	Member Secretary (ex-officio).

Commissions set up from time to time and research scholars from the various universities in India as well as abroad. This Library also serves as the Publications Section of the Ministry, coordinating the procurement and distribution of official documents with the various institutions/individuals on demand in India and abroad.

Finance Library has been categorized as Grade III Library on the basis of Department of Expenditure's O.M. No. 19(1)/IC/85 dated 24.07.1990. All the posts in the library are ex cadre posts.

8.5.2 Collection

Library has specialized collection of more than two lakh documents on Economic and Financial matters and subscribe to more than 800 periodicals/newspapers annually.

8.5.3 Electronic Resources

- Electronic resources include the following CD-ROM databases
- Census of India 2001
- CMIE publications
- DGCI&S - Foreign Trade Statistics of India
- DGCI&S - Statistics of Foreign Trade of India
- DGCI&S - Monthly Statistics of Foreign Trade of India
- Economic Survey.
- IMF - Balance of Payments Statistics
- IMF - Direction of Trade Statistics
- IMF - Government Finance Statistics
- IMF - International Financial Statistics
- RBI – Banking Statistics & Basic Statistical Returns
- The World Bank - World Development Indicators
- The World Bank - Global Development Finance
- UN- International Trade Statistics Year Book

- Economic Survey
- Union Budget.

8.5.4 Services

Library provides different kinds of services viz. lending, inter-library loan, consultation, reprographic, circulation of newspapers and magazines, reference service, current awareness service through "WEEKLY BULLETIN". The Finance Library also undertakes the work of distribution of publications of Ministry of Finance and Reserve Bank of India to State Governments, Foreign Governments and renowned institutions in India as well as abroad.

The Finance Library also undertakes the work scanning the public grievances appearing in the leading newspapers relating to the Department of Economic Affairs.

The Finance Library has also provided practical training to some fresh Library Professionals deputed by Meera Bai Polytechnic, New Delhi.

8.5.5 Publications

Finance Library compiles one weekly publication i.e. "Weekly Bulletin" a subject bibliography indexing articles of interest from about 200 journals/newspapers.

The Library has entered into an agreement with JSTOR to provide online access to about 200 full-text journal archives related to Economics

8.5.6 Computerisation

The Library has computerized almost all its activities. The Library uses LIBSYS Library package for database management, retrieval, Library automation and other in-house jobs. The internet facility is also available in the library through which information is provided to the officers of Ministry of Finance. Accessibility of the online data is concern; a link from internet site "finance.nic.in" is made available to access the information.

9. Bilateral Cooperation Division

9.1.1 The Bilateral Cooperation Division deals with Official Development Assistance from bilateral sources. These include bilateral partners like USA, Canada, European Economic Community, other European countries (other than CIS), Japan Australia, Korea and New Zealand.

9.1.2 Policy on Bilateral Development Assistance

The Government of India reviewed the policy of bilateral development co-operation in 2004 to affirm the liberalization and reform orientation in India's economic policy. As per the extant policy:

- Bilateral development assistance is accepted from all G-8 countries, namely, USA, UK, Japan, Germany, Italy, Canada and Russian Federation as well as the European Commission.
- European Union countries outside the G-8 are also welcome to provide bilateral development assistance to India provided that they commit a minimum annual development assistance of US$ 25 million to India.
- The Government of India will not accept tied aid.
- Bilateral assistance will also be welcome if it is in form of Technical Assistance programmes that aim at enhancement of knowledge/skills of Indian nationals. A component for provision of equipment/hardware will also be allowed, if the expenditure on these is insignificant compared to the total project cost. However, the main emphasis should continue to be on enhancement of the knowledge and skills of Indians.
- Bilateral development assistance can also be received by the Government, if the assistance is routed through or co-financed with a multilateral agency and the proposed programme/project is to be implemented by the multilateral agency under its own rules and procedures. Such arrangements should be evolved between the participating multilateral and bilateral agencies as part of their policies. Such co-financed programmes or projects would be governed by the procedures applicable to the multilateral agency spearheading the programme/project.
- The other countries not covered by the above policy may provide bilateral aid directly to autonomous institutions, universities, NGOs, etc. A simplified policy to facilitate the flow of bilateral assistance to Non-Governmental Organizations and autonomous institutions is also in place.
- The Union Government receives the foreign loan assistance as per the standard terms and conditions of the development partners and till 31st March, 2005, it was being released to the State Governments by the Union Government as Additional Central Assistance (ACA). Government of India has accepted the recommendations of the 12th Finance Commission to pass on external assistance on the same terms and conditions on which it was received. The service cost and exchange fluctuations would also be passed on to the States under this arrangement. Accordingly, in case of new Projects signed on or after April 1, 2005, the external assistance is being passed on a 'back-to-back' basis. In case of special category States the arrangement of transfer of external assistance as ACA on 90:10 grant and loan basis has been retained.
- The assistance (disbursements) received from bilateral sources during the last three years is as follows:-

Bilateral Assistance

(Rs. Crore)

2004-05	2005-06	2006-07
6446.38	6309.14	5565.17

Bilateral Cooperation Division comprises of the following Sections:

9.2 Project Monitoring Unit

The Project Monitoring Unit (PMU) is the coordinating Section within the BC Division. It is mainly responsible for:

i. Monitoring of Externally Aided Projects (EAPs) with a view to accelerating the pace of execution of these Projects and increasing the level of disbursements.

ii. Maintaining effective coordination with the Central Ministries and States on the status of EAPs and monitoring of project expenditures.

iii. Coordinating work relating to Plan discussions with the Planning Commission with a view to ensuring adequate provisioning for EAPs in respective plan outlays of Central Ministries and States.

iv. Coordinating all short term training courses/ programmes upto four weeks administered by the Department of Economic Affairs.

v. Department of Economic Affairs, Ministry of Finance, in assistance with UNDP is developing a comprehensive web-based Coordination & Decision Support System on External Assistance (CDSS) for India, to obtain regular feedback on Externally Aided Projects (EAPs), progress in Project activities, and facilitate timely initiation of remedial measures and mapping of the unserviced areas and sectors in the country (upto State / District level). The software will be able to track both financial flows (disaggregated by sector, state and district) and the physical progress of EAPs. The URL for the site is www.cdssindia.gov.in. The development of this software is being coordinated by the PMU Section.

9.3 North America (NA) Section

The North America (NA) Section handles the following subjects:

i. Matters relating to US Economic Assistance to India and other territorial matters concerning USA. This involves examination and processing of project proposals for United States Agency for International Development (USAID) bilateral assistance, appraisal and examination of project agreements, review and monitoring of ongoing and pipeline projections, preparation of external assistance budget for USAID assistance and monitoring of bilateral assistance disbursement.

ii. Residual work of bilateral projects assisted by Canadian International Development Agency (CIDA) and other territorial matters relating to Canada.

iii. Matters relating to Indo-US Financial and Economic Forum.

iv. Matters relating to assistance under US Public Law 480 under which USAID provides agricultural commodities for distribution through various organizations like CARE/ Catholic Relief Services etc.

v. Extension of grants by Canadian High Commission, Ford Foundation (FF), International Development Research Center of Canada (IDRC) to Indian Institutions /NGOs.

vi. The Section also handles the sectoral charge relating to Ministry of Environment & Forests.

a. United States of America

USA has been extending economic assistance to India since 1951. US Development Assistance is channelised through US Agency for International Development (USAID). Presently, US Development Assistance is received in the form of grant and is available as project assistance. As against US$ 30.945 million disbursed in 2005-06, assistance disbursed in 2006-07 was US$ 36.842 million.

Under PL-480 (Title II), USA has been donating agricultural commodities as outright grant. USAID has disbursed a total amount of US$ 26.381 million (including freight) in 2006-07 as compared to US$ 38.657 million disbursed during 2005-06.

Department of Economic Affairs is the nodal agency for the Indo-US Financial & Economic Forum, which is being pursued under the overall Indo-U.S. Economic Dialogue, being coordinated by Prime Minister's Office. Under this regular interaction with the US Government takes place. The last (3rd) Cabinet level meeting of the Forum was held at New Delhi on 9th November 2005, which was co-chaired by the Finance Minister and U.S. Treasury Secretary. The meeting was followed by a Sub-Cabinet level meeting held at Washington DC, USA on 23rd August 2006. The Cabinet Level meeting was also held in New Delhi on 30th & 31st October, 2007.

b. Canada

Canadian Economic Assistance to India started in 1951. Till March 2007, the total aid to India had been around CAD 2.743 billion. The assistance mainly comprised of Development assistance, food and technical assistance. Canadian assistance is channelised through the Canadian International Development Agency (CIDA). The assistance extended by CIDA since 1st April 1986 has been in the form of grant. The assistance through the Government budget is negligible.

In October 2003, the Canadian International Development Agency (CIDA) notified to phase out their current bilateral aid program by 2006-07. The GOI had, in October 2003, prepaid the entire Canadian Loan of CAD 419.941 million, against the loans taken by GOI during 1966-1984.

The Government of India has reviewed the policy on bilateral development cooperation to affirm the liberalization and reform orientation in India's economic policy. As per the policy announced on September 20, 2004, bilateral development assistance will be accepted from all G-8 countries including Canada, as well as European Commission.

Canada has started extending grant assistance for local initiatives (CFLI) to India from 2006-07. During 2007-08 (upto January 2008) 15 proposals involving grant assistance of CAD 0.510 million have been cleared as compared to 13 proposals involving grant assistance of CAD 0.52 million in 2006-07.

c. Assistance from Ford Foundation(FF)

The Ford Foundation has been extending grant assistance to various Indian NGOs/institutions since 1952 for implementing projects/studies etc. in the areas like health, rural development, social sector, education and culture. 50 project proposals involving total grant of $ 11.637 million have been cleared in 2007-08 (up to September 2007) as compared to 46 project proposals involving total grant of US$ 9.110 million in 2006-07.

d. Assistance from International Development Research Centre (IDRC) of Canada

IDRC extends grant assistance to various Government and Non-government organizations for projects in the field of agriculture, food, health and family welfare. During 2007-08 (upto January 2008) 22 proposals involving grant assistance of CAD 2.505 million have been cleared as compared to 24 project proposals for the total grant of CAD 2.410 million cleared in 2006-07.

9.4 Europe Desk

a. European Commission (EC)

The EC has been extending Development Cooperation assistance to India since 1976 in the form of grant in the areas of environment, public health and education. In the initial stages, the EC's development assistance was in the form of project financing. However, with the Support of Health & Family Welfare Sector Programme, the EC shifted their strategy to a Sector-based approach. The EC has now again made a change in their strategy by adopting a Partnership approach with one or two Indian States in order to deploy bulk of their resources in these States for health, education & environment programmes.

The EC has identified jointly Rajasthan and Chhattisgarh for their State Partnership Programme (SPP). The agreement for EC's support to State Partnership in Rajasthan and Chhattisgarh was signed on 14.8.2006 for a total commitment of Euro 160 million (Euro 80 million for each State). The EC assistance under SPP with Chhattisgarh will be in the areas of Education, Health and Environment. SPP with Rajasthan will focus on Drinking Water Supply in the State.

The EC conceptualises multi-annual economic and development cooperation programmes to be implemented in partner countries through their Country Strategy Papers (CSP). CSPs are based on EU objectives, on the policy agenda of the partner country and on an analysis of the country/region situation. The CSP, generally covers two consecutive Multi Annual Indicative Programmes (MIP) of 3-4 years. The MIP later defines priorities for spending EU assistance programmes and an indicative budgetary break-down for the programme period.

The EC has issued the new Country Strategy Paper for India 2007-2013 on July 20, 2007. The CSP would cover two Multi-Annual Indicative Programmes (MIPs). Under the first MIP a total amount of Euro 260 million has been committed for the period 2007-2010. An MoU for the MIP 2007-2010 was signed between India and EC on November 30, 2007 during the 8th India-EU Summit held in New Delhi.

There is one on-going central project in education sector (Sarva Shiksha Abhiyan) with EC assistance of Euro 200 million.

Disbursement of EC assistance for ongoing development cooperation projects during 2006-07 was Euro 53.529 (Rs. 310.020 crore). During 2007-08 (upto 31.12.2007), the disbursement has been Euro 1.267 million (Rs. 7.335 crore).

b. Norway

The Norwegian Bilateral Development Assistance Programme in India began in 1952 with traditional fisheries project in Kerala by way of technical assistance and financial support. Since 1970 Norwegian assistance has been received as grants for technical cooperation and local cost projects, mainly in social and environment sectors. Norway is a non-G-8 and non-EU country. There has been no disbursement of Norwegian bilateral development assistance since the financial year 2006-2007. Norway has announced support to the health sector with a grant of US$80 million through the WHO and the UNICEF by way of technical cooperation for strengthening the quality and equitable delivery of child health services under National Rural Health Mission (NRHM).

c. Sweden

India has been a recipient of Swedish development assistance since 1965. Indo-Swedish development cooperation relations was on peak during the 1990s. However, there has been a set-back in the development cooperation relations after 1998. (As an immediate reaction to India's Pokhran nuclear test in 1998. Sweden unilaterally terminated the Bilateral Cooperation Agreement covering the period from 1.1.1997 to 31.12.1999 amounting to SEK 900 million).

Being a non G-8, EU country, Official Development Assistance (ODA) from Sweden can be accepted if they commit a minimum annual development assistance of US$25 million to India in terms of the revised policy of the Government of

India. However, Sweden did not respond to this. Nevertheless, in a new Country Strategy Paper for India, Sweden has decided that during the period 2005-2009 traditional aid will be gradually phased out and shifted to new forms of cooperation. It is in this context that an agreement for Technical Cooperation has been signed between the Republic of India and Sweden on 29.10.2007. The scope and objectives of the agreement are that the both parties on the basis of mutual benefit wish to enter into an agreement on technical cooperation in mutually selected areas, primarily in the areas of environmental protection and sustainable development and social development. No financial assistance shall flow through this Agreement.

d. Federal Republic of Germany

Germany provides financial assistance as well as technical assistance to India. The mutually agreed sectoral priorities of the Indo-German Bilateral Development Cooperation Programme as Energy; Environmental Policy, protection and sustainable use of Natural Resources; Economic reforms. Even though Health is not a priority area, activities in the nature of health care financing, social health insurance, prevention of pandemic contagious diseases (HIV/AIDS, Polio) and support to related health sector reform still continues.

For the year 2007, Germany has made the total commitments of € 302.78 million (including reprogrammed fund). The Following Agreements were signed under Indo-German Bilateral Development Cooperation Programme during the year 2007-08 (upto 31.12.2007) as given in Table 1.6.

The total disbursement on the Government-to-Government projects through CAA&A (excluding technical assistance during 2007-08 (upto December, 2007) was € 20.8 million.

e. France

The Government of France has been extending development assistance to India since 1968. French ongoing development assistance is not significant in amount. The annual disbursement since 2001-02 has been meagre and is 'tied' to goods and services from France.

The Government of France has now allocated French Agency for Development (Agence Francaise de Development-AFD) to commence operations in India to produce 'untied' soft loans. An Inter-governmental Agreement on India-France Development Cooperation through AFD was signed on January 25, 2008. The purpose of the Agreement is to define the general framework, institutional arrangements and fiscal aspects concerning the French Development Cooperation activities through AFD in India.

The total disbursement of French assistance during 2006-07 was Euro 0.763 million (Rs 4.416 crore). During the current fiscal year, Euro 0.007 million (Rs 0.037 crore) has been disbursed by France upto 31.12.2007.

f. United Kingdom

The UK has been providing bilateral assistance to India since 1958. Since 1975, the UK assistance has been received in the form of grants. At present, the largest part of the grants received by India comes from the UK, and India is the largest recipient of the grants provided by the UK to its development partners. DFID's assistance is in various social sectors including Education, Slum improvement, Health and Family

(i) Government to Government Umbrella Agreements:

Table 1.6

S. No.	Name of the Project	Amount of Assistance	Nature of Assistance
1	Indo-German Umbrella Agreement-2006 (FC)	€ 220 million	Financial Assistance
2	Indo-German Umbrella Agreement-2006 (TC)	€ 19.894 million	Technical Assistance

(ii) Loan / Financing Agreements:

S. No.	Name of the Project	Amount of Assistance	Nature of Assistance
1	Pulse Polio Immunization Programme-IX	€ 42 million € 8 million	Standard Loan Grant
2	Reform of the Rural Cooperative Credit Structure (NABARD-XI)	€ 100 million	Reduced Interest Loan
3	Reform of the Rural Cooperative Credit Structure (NABARD-XI)	€ 40 million	Standard Loan

Welfare, etc. within the overarching framework of poverty alleviation. The existing priority States of DFID are Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. However, the UK is considering providing development assistance to other poorer states such as Bihar & Uttar Pradesh.

During 2006-07, UK had committed £ 300.5 million (Rs. 2400 crore) through signing of new agreements. During 2006-07, the UK disbursed a total amount of £ 152.970 million (Rs. 1318.209 crore) for the ongoing projects, through Government of India account. During 2007-08, the UK disbursed a total amount of £ 105.003 million (Rs. 848.405 crore) up to 31.12.2007 for the ongoing projects. Since such disbursement is in the nature of reimbursement of expenses incurred, the total disbursement during the FY 2007-08 is likely to be further higher, as generally major portion of disbursement for a financial year is accounted for in the last quarter. In all, 3 new projects were posed to DFID till 31st December 2007. Fresh commitments for the current financial year (up to 31.12.2007) have been £ 333.70 million (Rs. 2670 crore) through signing of seven new agreements.

g. Italy

Italy has been providing economic and technical assistance to India since 1981 in the form of expert services and related equipment on grant basis for specific projects in the priority sectors of water treatment, environmental protection, and infrastructure development of small and medium enterprises. The ongoing project under Italian assistance is Water supply and Solid Waste Management Project in West Bengal. The loan Agreement (financial Convention) for Italian soft loan of Euro 25.82 Million has been signed on January 10, 2006 for Water Supply and Solid Waste Management Project in West Bengal. The disbursement for this project has not so far started.

h. Austria

There is no ODA programme between Indian and Austria. Project proposals are therefore considered on a case-to-case basis.

i. Netherlands

From 1992, all Dutch assistance has been received as grant. The Dutch have withdrawn their support from seven projects in reaction to latest policy on bilateral development cooperation with bilateral partners in 2003. Government of India has taken up funding through ACA releases on actual basis for some such projects.

j. Switzerland

Switzerland has extended economic and technical assistance to India since 1964. Swiss local cost assistance has been in the form of grants and technical assistance. In the past, Switzerland has also provided mixed credit comprising 40% grant and 60% loan for power sector projects. Presently Swiss assistance is mainly directed towards NGO projects.

9.5 Japan Section

a. ODA Loan

Japan has been extending bilateral loan and grant assistance to India since 1958. Japanese bilateral loan assistance to India is received through JBIC (Japan Bank for International Cooperation), formerly known as Overseas Economic Cooperation Fund (OECF). Grant Aid and Technical Cooperation are received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India. Since 2003-04, India has become the largest recipient of Japanese ODA loan.

As on 31st January 2008, 53 projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is Yen 822.615 billion (i.e. about Rs. 30436.75 crore #). Cumulative Japanese ODA loan to India has reached Yen 2476.985 billion (Rs. 91648.44 crores approx #) on commitment basis till 14.8.2007. (# Exchange rate Yen 100 = Rs. 37)

The Japanese Official Development Assistance (ODA) loans to India are “untied loans”. ODA loan is mostly project tied. The new interest rates applicable from October 2007 are; 1.2% per annum (existing rate is 1.3%) for general projects with a 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.55% per annum (existing rate is 0.75%) with a 40 years tenure including grace period of 10 years. Infrastructure Sector like Power, Road & Bridges, Water Supply and Sanitation, Urban Transport and Environment & Forests are priority Sectors of Japanese loan. From October 2007 onwards, Government of Japan have introduced a commitment charge @ 0.1% per annum on the total unused balance of the amount the loan agreement.

During 2007-2008 (upto 31.12.2007), disbursement of Japanese ODA to India was Japanese Yen 46.760 billion (about Rs. 1769.26 crore) for 53 projects. The total undisbursed JBIC loan for these projects is Rs. **16901.923** crore, as on 31.12.2008.

A concept of Rolling Plan has been introduced from the year 2006-07 in the system of ODA loan from Japan. This provides a medium term plan of action of a central ministry, according to its sectoral and regional priorities, to produce a roadmap for 3 to 4 years for the critical utilization of ODA. In the long run this helps in optimal and systematic channeling of ODA funds towards the achievement of national priorities.

Government of Japan have recently introduced a Double Tracked Process for ODA loan to India since 2007. This enable DEA to pose proposals to Government of Japan two times a year instead of earlier procedure of posing in the month of April/May and getting the loan agreements signed by end March next year. The Fast Track will enable matured proposals to get appraised by JBIC by May/June and loan agreements can be got signed by end of August of that financial year.

Government of Japan selected two projects namely (i) Augmentation of Water Supply and Sanitation for Goa State and (ii) State Level Transmission Project of Govt. of Maharashtra under first batch of FY 2007 and Loan agreements for total amount of Yen 39.555 billion (Rs. 1345 crores) have been signed for these two projects.

Government of Japan have short-listed following seven projects under second batch of FY 2007:

(i) Haryana Transmission System Project

(ii) Delhi Mass Rapid Transport System Project Phase 2 (III)

(iii) Kolkata East-West Metro Project

(iv) Hyderabad Outer Ring Road Project Phase 1

(v) Uttar Pradesh Participatory Forest Management and Poverty alleviation Project

(vi) Hogenakkal Water Supply and Fluorosis Mitigation Project

(vii) Tamil Nadu Urban Infrastructure Project

Final loan negotiations for above-mentioned projects have been held in Tokyo during 4-6 February 2008. Loan Agreements for these projects are likely to be signed by 31.3.2008.

b. Grant Aid (As on January, 2008)

Government of Japan provides grant aid of Yen 3-4 billion approximately per annum.

c. Technical Cooperation with Japan

Japan International Cooperation Agency (JICA) implements Project-Type Technical Cooperation in which they send their experts for technical guidance, provide training in Japan to Indian counterparts and provide equipment necessary for the implementation of the project. They also conduct Development Study to examine the feasibility of a project proposal and also cover the formulation of master plan for regional and sectoral development. This facilitates consideration of projects in future either by Japanese loan or other external agency for implementation. JICA also provides individual experts and equipment as required by Indian organizations.

Priority areas for JICA in India are (i) public health and medical care, (ii) agriculture and rural development, (iii) environmental conservation and protection, and (iv) improvement of economic infrastructure.

There are six ongoing proposals under Technical Cooperation Programme. The response of Government of Japan is awaited on eleven proposals posed under Technical Cooperation. The Record of Discussion for the Technical cooperation Project "Visionary leaders for Manufacturing Programme (VLMP)" was signed on 24.8.2007.

There is one ongoing proposal under Development Study programme. The response of Government of Japan is awaited on nine proposals posed under Development Study Programme.

JICA Partnership Programme involving Indian and Japanese NGOs was started in 2001 and two proposals were cleared in April, 2007.

d. Grassroots Funding

Government of Japan also provides small grant assistance to Indian NGOs under its scheme for "Grant Assistance for Grassroots Projects". Fourteen proposals have been cleared by Department of Economic Affairs in this financial year till.31.01.2008.

e. Green Aid Plan

Government of Japan also provides technical assistance under Green Aid Plan through their Ministry of Economy, Trade and Industry. The principal policy of this plan is to support the self-help effort of the developing country to cope with the issues in the areas of energy conservation. The areas of cooperation are prevention of water pollution, air pollution, treatment of wastes and recycling and energy conservation and alternative energy source.

f. Japan Overseas Cooperation Volunteers (JOCV) Programme

Exchange of Note was signed between Department of Economic Affairs and Embassy of Japan on 12.8.2005 to resume the JOCV Programme in India nationals in the fields of Japanese language and judo instructions only. The programme is open to all areas/regions of India except the North Eastern States including Sikkim, State of Jammu & Kashmir and areas declared as restricted/protected by Ministry of Home Affairs.

The proposals from five institutes were posed to Embassy of Japan for the Year 2007-08. Ten Japanese volunteers were appointed under the programme.

g. Australia

Australian Development Assistance to India started in the year 1951. This is channelled through the Australian Agency for International Development (AusAID). The bilateral development cooperation with Australia has been discontinued in pursuance to Government of India's new guidelines on bilateral development cooperation in the year 2003.

Council of Scientific and Industrial Research (CSIR), Indian Council of Agricultural Research (ICAR) and National Dairy Development Board (NDDB) have MOUs with Australian Centre for International Agricultural Research (ACIAR) and they have been allowed to continue their cooperation with ACIAR on research collaborative projects, subject to clearance of DEA before signing new project agreements.

AusAID provided small grant assistance for grassroots projects to be implemented by Indian NGOs in social sector under their South Asia Community Assistance Scheme (SACAS). No proposal was received from Australian High Commission / AusAID under this scheme during this financial year.

10. Integrated Finance Divison

10.1 Integrated Finance Division is headed by the Joint Secretary and Financial Adviser of Ministry of Finance and assisted by one Director and two Under Secretaries.

The Division consists of two Units viz., Integrated Finance Unit (IFU)- I and II. The Division is responsible for (i) tendering financial advice on all matters involving expenditure, (ii) finalizing Budget and Revised Budget, (iii) Expenditure control, monitoring of progress in expenditure and submitting progress to the Secretaries to the Governments, (iv) estimating final requirements and prepare surrender of savings and re-appropriation, (v) monitoring preparation of appropriation and finance accounts. The Division is in-charge of **Grants No.31 – Department of Economic Affairs, 32 – Payments to Financial Institutions and 33 – Department of Financial Services.** The Division is also responsible for the preparation and printing of **"Outcome Budget"** and **"Detailed Demands for Grants"** of Ministry of Finance and co-ordinates all matters relating to the examination of the Detailed Demand for Grants of the year by the Parliamentary Standing Committee on Finance.

10.2 **Integrated Finance Unit- I** handles all Finance and Budget matters relating to **Grant No. 31 – Department of Economic Affairs** and **Detailed Demand for Grants (DDG) Cell**.

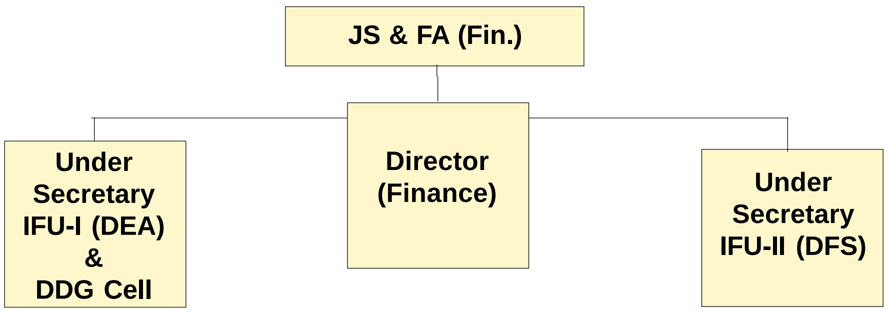
10.3 The **DDG Cell** is in-charge of:

a) collection and collation of material from all the other units of IFUs of Ministry of Finance, Budget Division, Pension and Plan Finance Divisions and print the " "Detailed Demand for Grants" and obtain approvals of the Finance Minister for placing them on the tables of the Houses of Parliament;

b) the work relating to Parliament **Standing Committee on Finance** in examining the Detailed Demands for Grants presented to the Parliament; this involves circulation of questions to all divisions seeking replies, compilation, printing and forwarding the responses in both Hindi and English languages to the Secretariat of the Committee and handles preparatory work in respect of appearance of the Secretaries for oral evidence before the Committee;

c) Action Taken Notes on the recommendations of the Standing Committee are reported as per schedule by this Cell and collects information on the implementation of the recommendations and prepares a statement to be made by the Finance Minister every six months before both the Houses of the Parliament;

Organisational Chart



(Rs in Crore)

Table 1.7: Budgetary Allocation of the Grants

Grant		BE 2007-08	RE 2007-08	BE 2008-09
31 - Department of Economic Affaires	**Plan**	1549.38	1472.38	1639.90
	Non-Plan	2392.05	9157.58	3084.06
	Total	**3941.43**	**10629.96**	**4723.90**
32 - Payments to Financial Institutions	**Plan**	0.00	0.00	1900.00
	Non-Plan	45538.00	41769.00	8172.87
	Total	45538.00	41769.00	10072.87
33 – Department of Financial Services	**Plan**	*	*	0.00
	Non-Plan	*	*	60.00
	Total	-	-	**60.00**

** Provision included in Grant No. 31 – Department of Economic Affairs.*

d) monitors the action taken reports of the divisions of both the departments viz., DEA and DFS on the Audit paragraphs contained in the Audit Reports presented by the Comptroller and Auditor General of India and

e) monitors the replies furnished by the divisions to Draft Audit Paragraphs of the Audit office Viz., the Director General of Audit, Central Revenues, New Delhi before inclusion in the Audit Reports.

10.4 **Integrated Finance Unit –II** handles all Finance and Budget matters relating to **Grant No. 32 – Payments to Financial Institutions** and **Grant No. 33 – Department of Financial Services** and preparation and presentation of yearly " Outcome Budget" of the whole Finance Ministry involving Plan and Non-Plan expenditure of all grants including the Department of Revenue, Direct Taxes and Indirect Taxes.

10.5 Best practices Introduced for effective Expenditure Control:

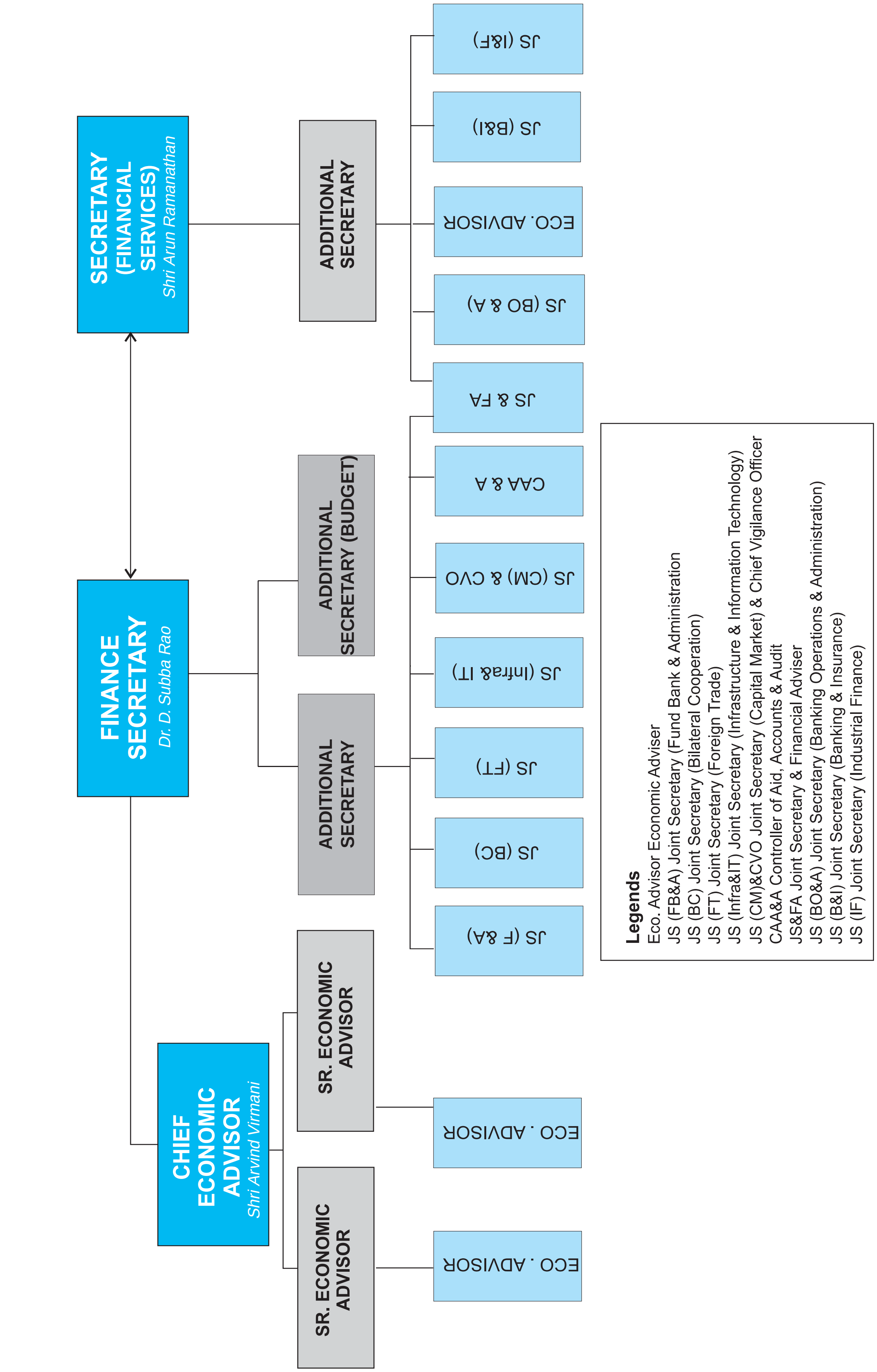
(a) Expenditure progress review prepared monthly with details of HOD –wise and scheme-wise and submitted to the Secretaries concerned;

(b) The Major Head-wise and Scheme- wise expenditure progress indicating the department –wise and object head-wise figures as compared to the BE figures posted in the web-site of the Finance Ministry to be accessed by all HODs;

(c) Strengthening of Internal Control mechanism by undertaking internal audits of systems of procurement and Introduction of posting the requirements in the web-site of the Ministry.

■■

Organisational Setup of Department of Economic Affairs



Department of Expenditure

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Chapter-II

Department of Expenditure

1. Establishment Division

1.1 The Establishment Division works under the Joint Secretary (Pers) and deals with matters like determination of salary structure and service conditions of all Central Government employees, wage policy determination, revision of pay scales, creation of posts, basic principles of fixation of pay, House Rent Allowance, Travelling/Daily Allowance, Dearness Allowance and various other compensatory allowances in respect of Central Government employees. It is also responsible for administrative matters concerning the Department of Expenditure.

During the year 2007-08, various problems relating to pay matters, arising out of implementation of the recommendations of the 5th Pay Commission or otherwise, for Central Government Employees and out of its extension to various autonomous body employees and legal/court matters thereon, which were referred from time to time by various Ministries/Departments/Organizations, were addressed in an appropriate manner.

1.2 Computerization in Department of Expenditure

1.2.1 Online file tracking system (DMIS): Document Management Information System for online tracking of receipt & file movement was implemented in this department. As all the three departments are using the same system it is easy to track file movement throughout the Ministry of Finance.

1.2.2 Manpower Management Information System (MMIS): This system, developed for the Pay Research Unit enables capturing information related to staff position in various cadre and expenditure incurred on pay and allowances from all the Ministries/Departmtnes. With this online software various types of reports are being generated and used for preparing the PRU brochure. Software modules Development to capture MMIS details from Indian Missions is in progress and this will be implemented during March 2008.

1.2.3 Comprehensive DDO: ComDDO was implemented in this Department. This ComDDO, apart from covering basic salary calculations, disbursal of salary through different modes of payments such as cash, cheques, banks and through Electronic Clearance System (ECS) it ensures other major functions such as DA Arrears, Income Tax, GPF Module, Bonus, Honorarium and Over Time Allowance(OTA). In addition Contigency Bill and Other Bills are newly added in this version. This includes text file generation to PAO, Cheque Details Entry, Cheque Delivery, Receipt Entry, Chalan Details and reports like Bill Preparation, ECR and ECS Statements etc.

1.2.4 Online Pay Slip : This intranet application module was implemented in this department to facilitate officials to view/ print their pay slips online.

1.2.5 CPENGRAMS: Centralized Public Grievances Redress and Monitoring System was implemented in this department to monitor the online grievances received the pensioners directly in the department and cases transferred from other Ministries and Departments.

1.2.6 AVMS: ACC Vacancy Monitoring System was implemented in this Department to update the status of ACC vacancies falling under the purview of ACC for both DPC based and non DPC based vacancies.

1.3 Public Grievances Redressal Machinery and Citizen Interface

A Public Grievances Redressal Machinery with Shri V.S. Senthil, Joint Secretary (PF-I) as the Director of Grievances is functioning in this Department.

A "Complaint Committee" has been constituted in this Department as per the guidelines of the Supreme Court, for redressing the grievances of women employees of the Department.

1.4. Sixth Pay Commission

The 6th Central Pay Commission was set up vide Resolution dated 5th October 2006 to examine the entire pay structure and other service conditions of the Central Government employees. Further, vide Resolution dated 8th August 2007, the terms of reference were amended to include the officers and employees of Supreme Court of India. The 6th Pay Commission has been examining matters covered in the terms of reference (ToRs) of the Commission and its report is expected within the due date i.e, by 4th April 2008.

1.5 Optimization of Manpower

10 percent cut in posts and abolition of posts lying vacant for more than one year under Annual Direct Recruitment Plan is being carried out as laid down in Department of Personnel

and Training Office Memorandum dated 16.5.2001. Further, restrictions have been placed on filling up of direct recruitment vacancies. These may be filled upto 1/3 of direct recruitment vacancies arising in a year subject to the condition that this does not exceed 1 percent of the total sanctioned strength. The optimization exercise, which was initially announced for a period of five years upto 31.3.2006, has been extended upto 31.3.2009.

1.6 Pay Research Unit

The Pay Research Unit was established in 1968 and is mainly responsible for collection, compilation and analysis of data on actual expenditure incurred on pay and various types of allowances as well as data pertaining to the strength of the Central Government Civilian Employees and Employees of Union Territory Administration. This unit brings out an annual publication entitled **"Brochure on Pay and Allowances of Central Government Civilian Employees"**. The Brochure provides statistical information regarding expenditure incurred by the different Ministries/Departments of the Central Government on pay & various types of allowances such as Dearness Allowance, House Rent Allowance, Compensatory (City) Allowance, Overtime Allowance etc. in respect of its regular employees. It also provides information on Ministries/ Departments-wise and Group-wise number of sanctioned posts and numbers of incumbents in position. The Brochure contains information about disparity ratio i.e. the ratio of the maximum to minimum pay of different State Government Employees. In addition, the unit works out financial implications of the proposals coming before the National Council of JCM etc.

The Unit brought out the 28th issue of the series of Brochure for the year 2005-2006 in December 2007. The work regarding the Brochure for the year 2006-2007 is in progress.

1.7 Integrated Finance Unit

The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with the expenditure and budget related proposals under Grant No. 38 – Department of Expenditure which includes (i) Secretariat General Services covering the establishment budget for the Department of Expenditure, Controller General of Accounts Central Pension Accounting Office, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch and Chief Controller of Accounts and, (ii) Other Administrative Services covering the budget for Institute of Government Accounts and Finance, National Institute for Financial Management , Sixth Central Pay Commission and Contribution to International Body (AGAOA) and the budget under International Development Grant to CGA.

This unit also monitors the expenditure under Grant No. 39 – Pension, Grant No. 40 – Indian Audit & Accounts Department and Grant No. 44 – Department of Disinvestment.

The allocations under the respective Grants are given in Table 2.1.

The Integrated Finance Unit has expeditiously examined and disposed financial and expenditure proposals pertaining to the Department of Expenditure including the proposals for appointment of consultants, deputation of officers abroad, grants-in-aid to NIFM and duly observing austerity instructions issued from time to time.

The expenditure trend of the Department has consistently been monitored and strict control has been exercised over the Govt. expenditure. A report of the review is submitted to the Secretary (Expenditure) on quarterly basis.

2. State Finances Division

The State Finances Division of Department of Expenditure looks after all matters relating to finances of the State Government including Plan releases in the State Sector, Non Plan releases on the recommendation of the Finance Commissions and assessment of borrowing requirements of State Governments including fixing of borrowing ceiling, issue of permission for borrowings under Article 293(3), monitoring of ways and Means position in close co-ordination with the RBI, debt write offs as recommended by the 12 Finance commission etc.

2.2 This Division operates Demand No. 35 of the Ministry of Finance from which funds are released for both Plan and Non Plan purposes. Releases for schemes on the Plan side are made on the recommendation of the Planning Commission/nodal Ministry concerned. The important flagship

(Rs. crore)

Table 2.1

Grant No.	Budget Estimates 2007-08			Revised Estimates 2007-08		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38. Deptt. of Expenditure	1.00	143.00	144.00	0.75	92.59	93.34
39. Pensions	-	7333.50	7333.50	-	7447.10	7447.10
40. Indian Audit & Accounts Deptt.	-	1158.00	1158.00	-	1192.00	1192.00
44. Deptt. of Disinvestment	-	3306.00	3306.00	-	3312.00	3312.00

schemes for which funds were released under the Plan head in 2007-08 include Accelerated Irrigation Benefit Programme (AIBP), Accelerated Power Development and Reform Programme (APDRP), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Externally Aided Projects, National Social Assistance Programme (NSAP), Backward Area District Fund, Tsunami Rehabilitation Programme, Brihan-Mumbai Storm Water Drain (BRIMSTOWAD) and the Commonwealth Youth Games etc. As against a BE plus supplementary of Rs. 42,608.20 crores for Plan Schemes in the year 2007-08, Rs. 37151.41 crores has been released as on 28.2.2008 (87.19%).

2.3 On the Non-Plan side, this Division released Rs. 24,467.54 crores as on February 28, 2008 for Grants for Upgradation of services, Calamity Relief etc. (being 70.27% of the Budget provision of Rs.34,815.00 crores for 2007-08) and also wrote off loans to the State Governments to the extent of Rs. 4811 crores. in the year 2007-08 on the recommendation of the Twelfth Finance Commission.

2.4 In contrast to sharp liquidity pressures faced by State Governments in the years prior to 2004-05; the Ways and Means position of the State Governments of a large number of States has been showing large surpluses invested in 14 days Treasury and Auction T bills. These surpluses are possibly a result of buoyancy in collection of both Central and State Taxes, enhanced transfers to States and loan write offs by the Centre on the recommendation of the Twelfth Finance Commission, containment of expenditure to a prudential limit by States on account of the Fiscal Responsibility Legislation etc.

2.5 To meet the shortfall noticed this year (in the collection of NSSF in States), the Centre has allowed State Governments Open Market Borrowing to the extent of shortfall in NSSF.

2.6 Additionally, the State Finances Division is working closely with the State Governments and the CAG for achieving Treasury Computerization.

3. Plan Finance-II Division

Plan Finance-II division is primarily concerned with matters relating to the Central Plan. This Division serves as a window within the Ministry of Finance, which has an overview of the entire canvas of development activities of Central Government/both at the project level and sectoral policy level. In respect of development schemes and projects, the focus has been on improving the quality of development expenditure through better project formulation, emphasis on outputs, deliverables, impact assessment, projectisation (Mission approach) and convergence.

3.2 With the commencement of the XI Plan period, Revised Guidelines for formulation, appraisal and approval of Government funded plan schemes/projects have been issued vide O.M No.1(3)/PF.II/2001 dated 15th November, 2007. These have been issued afresh, so as to rationalize the Scheme of delegation further, align it more closely with the rapidly changing economic environment, empower Ministries/ Departments further for undertaking investment programmes and make the entire procedure more responsive and resilient in ensuring timely and well-informed decision making. These Guidelines which will be applicable over the duration of XI Plan period are available at this Ministry's website (www.finmin.nic.in)

3.3. During the period 1.1.2007 to 31.12.2007, 68 meetings of the Expenditure Finance Committee (EFC) chaired by the Secretary (Expenditure) considered 73 plan investment proposals/schemes of various Ministries/Departments, costing Rs.1,08,786.76 crore. Also, 21 meetings of Public Investment Board (PIB) were held and 23 projects with a capital outlay of Rs.37,930.14 crore were recommended for approval of competent authority. The Ministry/Department wise position of projects considered by PIB is given in Table 2.2.

Table 2.2

S.No.	Ministry/Department	No. of projects recommended for approval	Cost(Rs. Crore)
1.	D/o Shipping	6	5,607.60
2.	M/o Coal	7	8,642.78
3.	D/o Road Transport & Highways	1	557.00
4.	M/o Power	7	15,274.25
5.	M/o Chemicals & Petrochemicals	1	5,460.61
6.	D/o Heavy Industry	1	2,387.90
	Total	**23**	**37,930.14**

4. Staff Inspection Unit

The Staff Inspection Unit (SIU) was set up in 1964 with the objectives of securing economy in the staffing of Government organizations consistent with administrative efficiency and evolving performance standards and work norms. The Scientific and Technical Organizations are not within the purview of the SIU but a Committee constituted by the Head of the respective Department, with a representative from SIU as a Core Member, conducts studies of such organisations.

4.2 In the changed scenario and keeping in view the Government emphasis on better governance and improved delivery of services, the role of SIU has been re-defined. The SIU has been positioned to act as catalyst in assisting the line Ministries and Autonomous Organizations in improving their organizational effectiveness. As per the expanded mandate, in addition to its existing role, SIU would now also undertake organizational analysis primarily to cover the areas of organizational systems, financial management systems, delivery systems, client-customer satisfaction, employees' concerns etc. and suggest appropriate organizational structures, re-engineering of processes, measures to ensure optimum utilization of resources and overcome the delays besides exploring the possibilities of outsourcing some of the activities with a view to achieve enhanced output/effectiveness with only the minimum essential expenditure.

4.3 The SIU had also undertaken the Institutional Reforms–Cum–Work Measurement Study of the Ministry of Company Affairs on 'priority basis' during the year.

4.4 During the year 2007, SIU has issued 12 final reports covering the sanctioned strength of 2682 posts including a Norms Study of Inland Container Depots, Container Freight Stations and New Courier Terminal, Department of Revenue, Ministry of Finance. Out of the sanctioned strength of 2682 posts, SIU has found justification for retention of 2274 posts, declaring 408 posts as surplus. The staffing studies during the year have resulted in an economy of Rs.665.10 lakh per annum. In addition, provisional reports on 13 staffing studies, with a total coverage of 4109 posts, were also issued during the year.

4.5 During the year, SIU has associated as Core Member with 2 Committees constituted for assessing the manpower requirement of Scientific and Technical Organizations namely National Aids Research Institute (NARI), Pune, Ministry of Health & Family Welfare and Central Pollution Control Board (CPCB), Delhi, of the Ministry of Environment and Forests.

4.6 The SIU has also provided secretarial assistance to the Task Force constituted by the Department of Expenditure to look into the organizational structure of support staff for Financial Advisors in various Ministries/Departments. The SIU has conducted studies of Organizational Structure/Manpower requirement of the Integrated Finance Divisions (IFDs) of the Ministry of Power, Ministry of Social Justice & Empowerment, Ministry of Home Affairs and Department of Agriculture & Co-operation and submitted 3 reports to the Task Force.

4.7 The information required under RTI Act updated from time to time can be downloaded from the website (http://finmin.nic.in) of the Ministry of Finance.

5. Chief Adviser Cost Office

The Office of the Chief Adviser Cost (CAC) is responsible for advising the Ministries and Government Undertakings on cost accounts matters and to undertake cost investigation work on their behalf. Office of Chief Adviser Cost is one of the divisions functioning in the Department of Expenditure. It is a professional agency staffed by Cost/Chartered Accountants.

5. 2. The Chief Adviser Costs' Office is dealing with matters relating to costing and pricing, industry level studies for determining fair prices, studies on user charges, central excise abatement matters, cost-benefit analysis of projects, studies on cost reduction, cost efficiency,appraisal of capital intensive projects, profitability analysis and application of modern management tools evolving cost and commercial financial accounting for Ministries/Department of Government of India.

5.3 It was set up as an independent agency of the Central Government to verify the cost of production and to determine the fair selling price for Government Departments, including Defence purchases in respect of the cases referred to. The role of the office was further enlarged and extended to fixing prices for a number of products covered under the Essential Commodities Act, such as, Petroleum, Steel, Coal, Cement, etc. under the Administered Price Mechanism (APM). Since cost/pricing work in the Ministries increased significantly, various other Ministries/Departments started to have their in house expertise by seeking the services of costing officers for work needing expertise in cost/commercial accounts matters. In the Post liberalization era, the office is receiving and conducting studies in synchronization with the liberalization policy of the Government in addition to the traditional areas of cost-price studies.

5.4 Chief Adviser Cost's Office is also the cadre controlling office for the Indian Cost Accounts Service (ICoAS) up to Adviser (Cost) level and looks after the training requirements of the officers for continuous up-gradation of their knowledge, in addition to rendering professional guidance to the ICoAS officers working in different participating organizations.

5.5 The major areas of professional functions of the office of the Chief Adviser Cost are as under:

(i) Assisting all Central Government Ministries / Departments / Organizations in solving complex Price / Cost related issues, in fixing fair prices for various services/products and rendering advice to various Ministries/Departments in cost matters.

(ii) Examination / Verification of claims between Government Departments / Public Sector undertakings and suppliers arising out of purchase contracts.

(iii) Determining prices of products and services supplied to Government, in order to enable Government

Departments to negotiate the prices with the supplying organizations.

(iv) Unit specific as well as industry level studies for determining cost/fair prices and making recommendations for fair prices / rates for products and user charges for services, revision of these charges and also to determine reasonableness of prices charged, duty structure, etc.

(v) Valuation of assets and liabilities of business taken over and shares of public sector undertakings.

(vi) Functioning as Chairman/Members of Committee constituted by Government / different Departments related to Cost/financial and Pricing matters.

(vii) Cost and performance audit of industrial undertaking.

(viii) Concurrent Internal audit of Escalations claims of urea manufacturing units determined by Fertiliser Industry Coordination Committee.

(ix) Subsidy detrimental and verification of claims.

(x) Cost Accounting System for departmental undertakings/Autonomous bodies.

(xi) Time and Cost Overruns of major projects. Efficiency and Competitiveness studies.

(xii) Arbitrator in resolving pricing disputes.

(xiii) Advise on matters relating to determination of Abatement Rate for purposes of Central Excise.

5.6 During the period January 2007 to December 2007, 203 studies/reports were completed by the Office of Chief Adviser Cost. The studies completed during the year varied widely in nature and may be broadly categorized under the following heads:

(i) Cost and Management Advise as Members of Committees.

a) On issues relating to Stock Loss/ Gain on Petroleum products in the downstream marketing operations up to the dispatch points referred by Ministry of Petroleum and Natural Gas.

b) To determine the amount to be paid to Dredging Corporation of India by Sethusamudram Corporation Ltd. for Sethusamundram Ship Channel Project.

c) Issues relating to supply and pricing of Natural Gas.

d) Advisory Committee on Abatement of Central Excise and Service Tax. During the period, abatement relating to Auto Components, Ceramic Tiles, Bicycle Parts, Watches, Pharmaceuticals and Tour Operating Services were examined.

e) To consider Time and cost overrun of CSIR Network Project on “Spearheading small Civilian aircraft design, development and manufacture.”

f) Committee constituted on the directions of the Supreme Court on Liabilities of Drugs company, Cadila Laboratories under DPCO 1979

(ii) Studies of Pharmaceutical Industry

Fixation of norms of Conversion Cost, Packing charges and Processing loss norms for drugs covered under DPCO 1995 for the year 2007.

(iii) System Study

Review of costing system and fixation of Common Hourly Rate and Overhead Percentage in respect of Government of India Presses at Minto Road, Mysore, Rashtrapati Bhawan, Shimla, Nashik, Coimbatore, Chandigarh, Koratty, Santragachi, Faridabad, Aligarh Kolkata, Mysore, Gangtok, Nilokheri and Mayapuri

(iv) User Charges Study

(1) Review of user charges charged by Department of Post for various Postal Services.

(2) Determination of Domestic mail carriage rate payable to Indian Airlines by Department of Post for the year 2002-03 and 2003-04.

(v) Fair price of goods purchased/services purchased on Single Tender basis or from limited sources

(1) Analysis of the cost of supply of ‘Interceptor Boats’ under Single Tender System.

(2) Fair prices of Bed Sheets supplied by Association of Corporation and Apex Societies of Handlooms under Single Tender System.

(vi) Fair selling price of products/service where Government is the Producer/Service provider as well as the user

(1) Vetting of Export price of Tear Smoke Grenade produced by Tear Smoke Unit (TSU), Tekanpur, Gwalior

(2) Fair prices of Tear Smoke Munitions produced by Tear Smoke Unit (TSU) of Border Security Force, Tekanpur, Gwalior for the year 2007-08.

(3) Pricing method for Iron Ore to be adopted by PSUs - As a member of the Committee, worked out the details of cost price and profit structure of Iron Ore units.

(vii) Fixation of service charges for the services rendered by a Govt. Department/Agency on behalf of the other verification of claims in respect of Market Intervention Scheme (MIS) for Hatkora during 2005, Ginger 2005-06, Chilli 2006, Apples 2005

(viii) Determination of subsidy payable by the Prime Minister’s Office to the Northern railways catering unit during 2005-06 and 2006-07.

(ix) Balance Sheet on accrual accounting principles in case of Departmental manufacturing units

(1) Preparation of Balance Sheet and Income & Expenditure Account of BSF, Tekanpur for the year 2006-07.

(2) Vetting of Proforma Accounts for the years 2001-

02, 2002-03, 2003-04 and 2004-05 in respect of Bank Note Press, Dewas .

(3) Review of Accrual Accounting System followed by Military Farms

(x) Concurrent Audit of escalation claims paid by FICC: 132 Reports in respect of Concurrent Audit of Equated Freight Rate/ Escalation claim of various Fertilizer companies were issued during the year 2007.

(xi) Miscellaneous studies

(i) Social Cost Benefit Analysis on the performance of 'National Institute of Pharmaceutical Education and Research'.

(ii) Cost benefits analysis for up gradation of National Institute of Communicable Diseases.

(iii) Far- flung areas freight subsidy scheme 2002 in Ladakh region and Leh region and Assam region.

(iv) Fixation of processing rates for films Division for the year 2007-08

(v) Fixation of Overhead rate for India Meteorological Department workshop, New Delhi.

(vi) Revision of Storage charges rate payable by Food Corporation of India to CWC for the year 2003-04.

(vii) Fixation of fair prices of insecticides manufactured by M/s Hindustan insecticides Ltd. to the National Vector borne disease central Programme (NVBDCP) during the year 2005-06.

(viii) Cost study of weekly OCP 'Saheli/Novex' manufactured/marketed by M/s HLL.

(ix) Book examination to determine the actual and reasonable cost of production of Broad Gauge Mono Block Concrete Sleepers for Turnouts.

(x) Determination of price for the services provided and review of cost accounting system followed by Ali Yavar Jung National Institute for the hearing handicapped.

(xi) Vetting of revision of prices of Ayurvedic/ Unani medicines supplied by M/s IMPCL to CGHS Dispensaries

(xii) Review of Cost of Opium for fixation of Export Price for the year 2007-08

(xiii) Fixation of fair prices of 'Traction and Electrics equipment' supplied by BHEL to Railway factories.

5.7. Major Committees Represented

Officers of the ICoAS (Indian Cost Accounts Service), because of their expertise in commercial accounting, have also served as Chairman/Members on the following major multi-disciplinary Inter-Ministerial/Expert Committees:

(i) Empanelment Advisory Committee (EAC) to carry out a Comprehensive Empanelment of private channels through fixation of rates of empanelled TV/Radio Channels.

(ii) Committee to determine the amount to be paid to DCI – Implementation of Sethusamudram Ship Channel Project (SSCP) – award of Dredging Contract.

(iii) National Pharmaceuticals Pricing Authority, Department of Chemicals & Petrochemicals

(iv) Board of Governors and the society of the National Institute of Financial Management (NIFM), Faridabad.

(v) Advisory Committee on Abatement for Excise Duty and Service Tax – Department of Revenue

(vi) Governing Body of Tear Smoke Unit, BSF, Tekanpur.

(vii) Standing Committees set up by various Ministries/ Departments for fixation of responsibility for time and cost overrun.

(viii) Fertilizer Industry Coordination Committee, Department of Fertilizers.

(ix) Committee to consider the procurement of agricultural commodities under the Market Intervention Scheme.

(x) Committee for the study of pricing/costing of services and products of Survey of India.

(xi) Advisory Committee constituted for examination of draft Cost Accounting Rules framed by the Department of Company Affairs in respect of various products.

(xii) Standing Committee of State Secretaries of Stamps and Registration.

(xiii) Committee for uniform costing and preparation of proforma accounts for various mints and presses.

(xiv) Committee to have in-depth study of various policies and practices outlined in the draft accounting manual for Government of India Presses.

(xv) Committee on Internal Audit – to initiate the process towards framing uniformly Applicable Internal Audit Standards in Government of India. Committee on Internal Audit.

(xvi) Expert Accounting Committee to review the present Accounting System of Military Farms.

(xvii) Committee under chairmanship of Secretary (Co-ordination and Public Grievances) to recommend the measures to make the office of Director General of Hydrocarbons (DGH) more Independent and transparent in its working.

6.Controller General of Accounts

The Controller General of Accounts is the apex accounting authority of the Central Government exercising the powers of the President under Article 150 of the Constitution for prescribing the form of accounts of the Union and State Governments on the advice of Comptroller and Auditor General of India.

Broadly, the functions entrusted to the Controller General of Accounts are as under:

- To formulate the policy relating to the general principles, form and procedure of accounting for the entire Central and State Governments.
- To coordinate and oversee the payment, receipts and accounting matters in the Central Civil Ministries/ Departments through the set up of the Civil Accounts Organization.
- To coordinate and assist in the introduction of management accounting systems in Ministries/ Departments with a view to optimize utilization of Government resources through efficient cash management and an effective Financial Management Information System.
- To administer banking arrangements for disbursements of Government expenditures and collection of government receipts and interaction with the central bank of reconciliation of cash balances of the Union Government.
- To consolidate the monthly and annual accounts of the Central Government and put in place a robust financial reporting system in the overall endeavour toward the formulation and implementation of a sound fiscal policy by Government of India.
- To ensure Human Resource Management such as recruitment, deployment and career profile management of the requisite officers and staff both at the supervisory level and at the operational level within the Indian Civil Accounts Organization.

The office of the Controller General of Accounts is responsible for monthly consolidation of the Union Government accounts. A detailed analysis of monthly trends of receipts, payments, deficit and its sources of financing is presented to the Union Finance Minister every month. The document has, over a period of time evolved into an extremely useful tool for monitoring budgetary compliance and a handy MIS reference for decision making. In consonance with the Government's policy towards transparency in public functioning, an abstract of the Union Government account is also released every month on the Internet. The data can be accessed at the website www.cgaindia.gov.in http://cga.nic.in and http://www.cgaindia.org.

In tune with development in best practices, CGA's office also prepares Provisional accounts of the Government of India within two months of completion of the financial year. The professionalism with which these accounts are prepared is evident from the high accuracy level attained in the last few years as only marginal variations have been observed between the Provisional Accounts and final audited Annual Accounts.

Union government Finance and Appropriation Accounts (Civil) for 2006-07 were submitted to Comptroller & Auditor General of India during November 2007 and were laid before both the Houses of Parliament on 07th December 2007 along with Union Government (Civil) Report No.1 of C&AG of India. A publication titled "Accounts at a Glance 2006-07" was brought out during this period containing broad and significant features of Government receipts and expenditure. It is, however, mentioned that Appropriation Accounts (Civil) and Finance Accounts were laid in Parliament in the same calendar year for the first time.

Reconciliation of Reserve Bank Deposits and Public Sector Banks Suspense, Authorization and change of Accredited Banks for handling Governments transactions i.e. Civil and Non-Civil Ministries/Departments, holding Standing Committee Meetings Apex Committee Meetings and Private Sector Banks Meetings to review the handling of Government transactions by Banks Accredited to Civil and Non-Civil Ministries/Departments and disposal of related matters received from different Banks/Ministries/Departments.

With the setting up of Board of Reconstruction of Public Sector Enterprises, the Capital Restructuring Cell in the Office of Controller General of Accounts has been offering comments on the proposals for consideration of the Board as well as on proposals for restructuring received from administrative Ministry. During 2006-07 the cell has examined the proposals of Tungabhadra Steel Products Ltd, Central Electronics Ltd and Bharat Yantra Nigam Ltd, Instrumention Ltd, Kota Tyre Corporation of India Ltd (TCIL), Hindustan Prefab Ltd (HPL), Andrew Yule and Co. Ltd (AYCL), Bengal Chemicals and Pharmaceutical Ltd (BCPL) and National Instruments Ltd, Kolkata.

This office has been actively monitoring Utilization Certificates (UC). As a result of a special drive launched in Sep 2007 to obtain outstanding UCs from grantee institutions, a total of 67144 UCs have been received by Ministries/Department involving an amount of Rs 71974.76 crores . The overall position as on 31.1.2008 is that 54.66% of outstanding UCs have been received, corresponding to 87.90% in terms of amount.

6.2 Centre of Excellence for Internal Audit

In pursuance of the redefined charter of Financial Advisers issued by Finance Secretary and Secretary (Expenditure); the office of the Controller General of Accounts has taken significant steps in reinforcing the function of Internal Audit. Some of the initiatives are:

6.3 Setting up of a Centre of Excellence: A centre of Excellence has been established in the CGA's office by revamping the existing Inspection Wing of CGA's Office. The objectives of the centre are to:

a) Provide technical advice and guidance in the matters of Internal Audit to line Ministries and facilitate sharing of best practices for Internal Audit.

b) Enhance the quality of internal audit so that the results of internal audit become an input into the processes of planning, project formulation & implementation.

c) Provide an assurance to the management that the "controls" in place provide adequate protection against likely risks.

- **Model Audit**: The CCAs were requested to identify two schemes/areas in their respective ministries/departments based on the criteria of budgetary allocation, existing internal controls of monitoring and evaluation, release of funs and their utilization and to to conduct a risk based model internal audit in their departments in a time bound manner.

  Under the IDF grant from the World Bank a Pilot Project on Internal Control and Internal Auditing is currently under way in Ministry of Environment and Forests.

- **Capacity Building**: Training programmes on Internal Audit are being organized for Groups "A", "B" & "C" officials of the Controller of Accounts organizations through the Institute of Government Accounts and Finance (INGAF).

- **Audit Techniques**: The Chief Controller of accounts have been requested to explore and adopt diverse audit techniques such as physical inspection, performance evaluation, statistical analysis, process reviews, risk analysis etc., based on the conditions in their ministries, that enable audit to look into safeguarding of assets, logistic management, human resource planning and operational issues while conducting the audit.

- **IT and System Audits**: The office is in the process of developing the pool of trained manpower to conduct this type of audit.

- **Internal Auditing Standards:** A Task force to develop a concept paper on the Internal Control and Internal Audit standards has been formed under aegis of AGAOA

6.4 Central Plan Schemes Monitoring System (CPSMS)

The existing system of accounting of Plan Schemes limits their effective monitoring. For improving monitoring, a Central Plan Schemes' Monitoring System (CPSMS) will be implemented by the Controller General of Accounts (CGA). CPSMS will work through Core Accounting Solution (CAS) on Central Data Centre (CDC). This scheme would inter-alia, streamline the monitoring system of the central plan schemes, develop and implement a system of comprehensive Decision Support System (DSS) and Management Information System (MIS) for the entire range of plan schemes on real time basis. It will also set up a system of regular Public Expenditure Tracking Surveys, and strength the Centre of Excellence for risk based internal audit of expenditure. The CPSMS will be web-based and run on the E-lekha platform. It will capture scheme-wise releases from Government of India and generate scheme wise expenditure data from various levels of implementing agencies. Systems re-engineering for the disbursement of payments through Core Banking Solutions (CBS) in consultation with all the stakeholders will also be undertaken. These deliverables will be built up in phases.

6.5 Information Technology Initiatives:-

It has been an endeavour of Controller General of Accounts to develop Information Technology based solutions using modern technology to leverage the organization's core strength of data collection, processing, analysis and presentation of value enhanced services to multifarious users. In line with this, various initiatives have been taken in respect of the under mentioned software in use in the CGA's organization.

COMPACT: has been developed for use in the Pay and Accounts offices of all the Civil Ministries of Union Government. Using COMPACT, the compilation of accounts in a Pay and Accounts offices has moved from the earlier "voucher level compilation" to "transaction capturing for compilation". COMPACT provides for monitoring of expenditure with respect to the budgetary provisions and receipts, maintenance of GPF accounts, authorisation of pension/gratuity, reconciliation with banks and incorporation of accounts from the Cheque drawing and disbursing officers under a Pay and Accounts office. It is already implemented in nearly all the Pay and Accounts offices of Civil Ministries. In order that the software could cover more activities being performed in Pay and Accounts offices detailed consultation has been held with field offices. The development work on the enhanced version of COMPACT (Version 6.0) would commence soon.

CONTACT/ CONTACT (ORA): Pay and Accounts offices of all Ministries submit their accounts to the Principal Accounts office of the respective Ministries, where the accounts are compiled using CONTACT/ CONTACT (ORA). These applications are used by all the Principal Accounts offices for compiling the accounts for a Ministry.

GAINS: For consolidation of the monthly accounts and the Annual Finance and Appropriation accounts of the Union Government, office of Controller General of Accounts uses the GAINS package. Compiled accounts received from different accounting circles are an input to the application. This application is currently running at the Office of Controller General of Accounts. The GAINS software developed on a character based platform is being upgraded with Graphic User Interface. The system design of software is also being modified to cater to the accounts consolidation and reporting needs of the office of Controller General of Accounts

e-lekha: An application to facilitate the daily uploading of the accounts from Pay and Accounts offices to a central database is under development phase. The application will facilitate faster compilation of accounts, consistency of the database and availability of accounting information in more user friendly manner. It is anticipated that this software would enable data mining, and be in a position to meet a wide spectrum of requirements of accounts information of Ministries.

Core Accounting Solution:- "Core Accounting Solution (CAS)", which will leverage the progress made in the Banking sector and information technology, will be developed by the Office of CGA. The system will aim at electronc payment by Government and quicker exchange of information through a state of art date data centre between entities involved in payment/receipts cycle. Based on CAS, a Decision Support System (DSS) and Management Information System(MIS) for effective monitoring of Plan schemes of Union Government will also be developed.

Web-Site: - Website of this office www.cgaindia.gov.in displays the monthly and annual Appropriation and Finance accounts of Union Government. It also displays information related to personnel management in civil accounts organization, important orders and circulars, rules/publication released by Controller General of Accounts, information regarding important accounting policies and procedures and examination results for Junior accounts officer (Civil). A support website www.compact.gov.in for users of the IT applications is also hosted.

Management information systems for internal controls in the organization have been computerized from the month of June, 06. Information related to progress in settlement of pension cases, GPF, balances under various debt, deposit, suspense and remittance heads and other administrative issues is submitted online by various Controllers to office of CGA.

6.6 Moving towards system of Accrual Accounting

The Government of India currently follows cash basis of accounting, under which all payments are reflected in the accounts only when they actually occur, and not when they become due, as done in the accrual based system.

The Government has accepted in principle the recommendation of the XII Finance Commission that "Central Government should gradually move towards accrual basis of accounting". The Office of Controller General of Accounts Ministry of Finance has undertaken pilot projects in the Ministries of Urban Development and Health and Family Welfare respectively, to examine the feasibility of transition to accrual system of accounting The pilot project in the Ministry of Urban Development is being implemented in 4 (four) divisions of the CPWD, while the project in the Ministry of Health and Family Welfare is being implemented in Ram Manohar Lohia Hospital.

6.7 Examination Reforms

The office of the Controller General of Accounts annually conducts Junior Accounts Officer (Civil) Examination for its staff. The Regulation and Syllabus of this examination was last notified in 1984. During 2006 the regulation and syllabus of the above examination were overhauled and revamped after a detailed review and in consultation with the staff. The revised regulation and syllabus were introduced with effect from the examination conducted in November 2006. Under the revised syllabus various new topics which have a bearing in the day to day functioning of the office have been introduced. In order that the candidate should have an indepth knowledge on all the subjects of the examination, objective type question have been introduced along with the descriptive and practical questions in most of the papers. In order to sharpen the computer proficiency of the candidates qualifying the examination, the revised regulation requires a candidate to pass the CCC Exam conducted by the DOEACC Society before he could be promoted as Junior Accounts Officer. The revised system also provides the candidate 80 hours of practical training in the accredited institutes of the DOEACC Society. All the above changes brought out in the revised regulation and syllabus have been widely welcomed by the staff and this was also reflected in increasing number of candidates appearing for each one of the papers in the Examination conducted from November, 2006.

6.8 The Institute of Government Accounts & Finance (INGAF)

The Institute of Government Accounts and Finance (INGAF) was set up in February, 1992 at Delhi with a view to impart in service training to the Accounts personnel of Civil Ministries/ Departments in various disciplines of Financial Management. The Institute carries out its activities with the help of three regional training centers located at Kolkata, Chennai and Mumbai.

During the year training was imparted to 3461 officials. Two ITEC Training Programmes on Financial Management and Public Expenditure Management was conducted on the request of ITEC Division, Ministry of External Affairs. The Financial Management programme was attended by 22 Councillors of different Municipalities of South Africa. The Public Expenditure Management programme was attended by 35 participants from 21 countries. A sponsored programme on Accrual Accounting was organized for Group A officers of Indian Defence Accounts Service which was attended by 18 IDAS Officers. Another programme on Accrual Accounting and the Common Format for Central Autonomous Bodies was organized. The programme was attended by 17 Registrars of different IITs and IISc Banglore. During the year under review 98 programmes on COMPACT, E-Lekha, INTERNET, etc were organized by the Institute and its Regional Training Centres and training imparted to 1549 employees.

7. Central Pension Accounting Office

The Central Pension Accounting Office set up on 01.01.1990 is administering the "Scheme for Payment of Pensions to Central Government Civil pensioners by Authorised Banks". Its function interalia include:

- Issue of Special Seal Authorities (SSAs)
- Preparation of Budget for the Pension Grant and accounting thereof
- Audit of pension payment made by Banks

The CPAO deals with pension & post retirement facilities related payment to Ex-President of India, Ex-Vice Presidents of India, Ex-Members of Parliament, Retired Judges of Supreme Court & High Court, Central Civil Pensioners, All India Services Pensioners, Old Freedom Fighters. It also deals with the Pension Payments to Burma & Nepal Pensioners.

The Central Pension Accounting Office during the year carried out its role efficiently processing all pension cases within the prescribed time frame. Between April 2007 up to 31st December 2007, this office has processed 45,540 Pension/ Revision/Commutation/Transfer/pre-90 cases. It is expected that approximately 65,000 cases would be processed during the financial year 2007-08. During the period CPAO discharged additional responsibilities as the interim Central Record Keeping for the New Pension Scheme deal with all new recruits to central government services, Defence (except the armed forces), Railways, Post & Telecom.

As Interim Central Record Agency (ICRA) for the New Pension Scheme CPAO is collecting and maintaining a database for all new entrants to Government Services since January 2004, which requires co-ordination with a large number of units of Defence, Railways, Post & Telecom departments.

During the year Central Govt. took a policy decision to own the liability of Pension Payment to All India Services. This will be through the CPAO.

A number of new initiatives have been taken during the year for efficient and prompt handling of Pension Payment and monitoring of expenditure. These include the introduction of Centralised Pensions Processing Centres, e-scrolls, redesigning the formats of pensions authority and e-PPO's.

All the grievances and queries received from all the sections of society were promptly attended to by this office.

The Right to Information Act, has been implemented in this office and all the information disclosures required under the Act has been put up on this office's website http.//cpao.nic.in Central Public Information Officers as well as other information Officers have also been designated.

Detailed guidelines of the procedure to be followed in this office on receipt of an information request has been developed and an Office Memorandum to that effect has been circulated.

The new initiatives taken will improve the service delivery in Pensions Payment tremendously. A Brochure on the Pensions Payment system has also been prepared for educating the stake holders. It is under print.

7.2 E-Governance activities at CPAO

The CPAO is a fairly computerized office. Its main function is authorization of pension to the Authorised Banks, and preparation of Budget and Accounts. Soon after receiving the PPO (Pension Payment Order), the case is diarised, a unique Diary Number is assigned and referred to respective authorizations section for entry and verification. The SSA (Special Seal Authority) is then printed, authorised and sent back to dispatch section for sending to various banks. All the above functions are done using a central computer with terminals available in all sections. It is possible to trace any case received to CPAO at any stage of processing. The pensioner can enquire about his case any time by giving his PPO Number, from the enquiry computer set up at reception.

CPAO has developed its website http:/cpao.nic.in with active technical support of NIC. This website, which was launched on 8th Oct., 2001. This website provides information to the pensioners on the status of their cases. They can also make enquires and obtained replies from CPAO. Websites also gives the latest pension related circulars and links to related site.

Many useful MIS reports like section-wise DSR (Daily Status Report), opperator-wise report are generated to help top management to effectively and efficiently run the office. Management is able to track pendency at different sections in the office such as Receipt, Despatch, Authorisation, Computer Section etc. It is easy to mark the inefficiencies in different sections, simply with the help of Daily Status Reports and bottlenecks if any, can easily be identified to initiate corrective measures.

Also a wide range of softwares have been developed and implemented in this office for streamlining pension disbursement and accounting. These include:-

- **Pension Authorization Retrieval & Accounting System (PARAS):** For processing of pension cases received in this office and issue of Special Seal Authority.
- **COMPACT:** For compiling Monthly Accounts of pension grant and expenditure relating to this office.
- **AG Management Software:** For creating database of pensioners drawing pension through various treasuries and compiling vouchers and processing claims received from various AGs.
- **CRA Software:** For interpreting data received from various Ministries relating to New Pension Scheme incorporating it in our database and generating various reports for reconciliation.
- **Database Management Software:** A software for comparison of bank's database with CPAO's database of pensioners has been developed and exception reports are generated by it to clean up the database and establish a completely matching database of both the ends.

All these initiatives aim at establishing a seamless processing of pension disbursement and accounting and ensuring a minimum of paper work in this office and also to enhance efficiency and effectiveness of the functioning of this office.

8. National Institute of Financial Management

This Institute has been set up with a view to establish itself as a premier knowledge – partner in the country for Training, Research and Consultancy in Financial, Accounts & Audit, Public Economics, Human Resource Management and Information Technology. Primary objectives for which this Institute has been established are –

- To establish and administer the management of the Institute.
- To organize and provide training and continuing professional education to Group 'A' officers of the participating Services including organization of Refresher Courses at senior and middle levels.
- To establish the Institute as a centre of excellence in financial management for promoting the highest standards of professional competence and practice.
- To undertake and promote research consultancy studies in the fields of accounting, audit, financial and fiscal management and related subjects.
- To promote education in financial and fiscal management for officers of the "Associate Services/ Centre/State Governments and officers of public sector enterprises/institutions.
- To organize International Training Programmes and to keep abreast with the progress made in the rest of the work in the area of finance and accounts, particularly in the Government and public sector institutions.

Towards the achievement of above set objectives, NIFM provides 10 months professional training to probationers of the six Central Group 'A' Finance and Accounts Services with a view to equip them to handle top-level finance jobs in the government. National Institute of Financial Management also provides opportunity far comprehensive & integrated mid-career professional training to in-service officers of Central and State Governments as well as foreign countries, especially SAARC countries; by organizing need-based short-term Management Development Programmes as well as a Post Graduate Diploma in Business Management (Financial Management). These courses provide opportunities for professional development, facilitate exchange of ideas, promote quality financial management and bring together government and finance managers and professionals from other disciplines.

The Institute has also taken up consultancy projects in various core areas such as review of General Financial Rules and change over accrual system of accounting and preparation of Annual Financial Statements in the standard formats.

The National Institute of Financial Management is a society registered under the Societies Registration Act 1860. The General Body of the Society is headed by Hon'ble Finance Minister, Govt. of India. The Board of Governors of the NIFM Society is chaired by the Secretary, Department of Expenditure, Ministry of Finance, Government of India.

The Institute has a total sanctioned strength of 85 (including 28 faculty posts) out of which 54 posts are presently filled (as on 31.12.07).

The institute is functional since January 1994 and has successfully trained fourteen batches of probationers of various Accounts, Audit and Finance Services. The duration of the training course is 44 weeks. The 14th Professional Training Course was completed in the first week of November, 2007. In all, 40 probationers joined the programme. These were from ICAS – 01, IDAS – 20, IRAS – 18 and IP&TFAS – 01.

The training of 15th batch of Professional Training Course commenced on 07th January, 2008 with 8 probationers. One probationer of IP&TFAS joined on 04th February, 2008 raising the total strength of probationers to 9. They are from ICAS – 01, IDAS – 02, IRAS – 04 and IP&TFAS – 02.

The NIFM conducts Management Development Programmes of varying durations every year. Currently the focus of MDPs is in the following areas:

(a) Accrual Accounting (b) Indian Accounting Standards (c) Accounting & Financial Management in Government (d) Financial Management (e) Procurement Procedures for World Bank Aided project (f) Standard Rules & Procedures of the World Bank for Procurement of Goods, Works & Services (g) Tendering & Contracting (h) Service Tax Rules and CenvaT Credit Rules (i) Cyber Security (j) TDS Rules & FBT Rules.

Some of these programmes are sponsored by different Government Departments, Foreign Governments, etc. In addition, various Govt. Departments, PSUs etc. have sponsored candidates for the specialized courses conducted by the Institute. During the year 2007-08 (up to January, 2008), 34 MDPs have been conducted.

National Institute of Financial Management (NIFM) conducts a two-year full-time Post Graduate Diploma in Business Management (Financial Management) approved by AICTE. New batch of the programme (2008-09) commenced from 21st January 2008 with 35 participants. The total enrolment is: Central 09, States 25 and Self-sponsored 02.

From this batch the semester system has been replaced with trimester system. The syllabus for this programme has been completely revamped under the guidance of a high level Academic Advisory Committee so that the programme is more in sync with the requirements of the market. The revised syllabus of the programme consists of six terms of 15 weeks (inclusive of all) and one term dedicated to project work of 10 weeks' field work.

The programme aims at providing exposure to contemporary issues, helping prepare macro scenario for best corporate practices, providing models of governance for both the corporate and public administration. It is designed to impart knowledge of key ingredients in the decision making process such as Commercial Accounting, Government Accounting, Financial Policy Formulation, Project Management, Financial Services, Infrastructure Financing, Financial Decision Making & MIS, Marketing, Information Technology, and legal provisions etc.

8.2 During the year 2007-08, following Consultancy Projects have been completed by NIFM:

- Enhancing Institutional Capacity of Royal Institute of Management, Royal Govt. of Bhutan.
- Switchover to Accrual System of Accounting for Assam University, Silchar
- Switchover to Accrual System of Accounting for North East Hill University, Shillong.
- Working paper on "Identify Mechanisms for large-scale investments in Irrigation sector both by Centre and State Governments and on Intra-State and Inter-State Projects"

8.3 The following Consultancy Projects are awarded/in progress during the year 2007-08

- Framing of New Cantonment Account Code, Ministry of Defence, Directorate General of Defence States
- Assistance in the Conversion of the Accounts of the University from Cash to Accrual System – for Kohima Govt. of Nagaland
- Conversion of Accounts from Cash to Accrual System, for Directorate of Accounts, Govt. of Goa, Panaji
- Conversion of Cash Accounts to Accrual Accounting for Education Department, Govt. of Goa.
- Study on 'Effective utilization and Probable for Deptt. of Expenditure, Ministry of Finance, Govt. of India
- Rebuilding ICLS, Indian Institute of corporate Affairs, Ministry of Corporate Affairs, Govt. of India
- Consultancy project for SPMCIL, Ministry of Finance, Govt. of India
- Consultancy Project for WABCOM, Power Consultancy Services Ltd.
- Restructuring of Financial Structure/ Delegation of Powers and Capacity Building for IIPA, New Delhi
- Switching over to the New Common Format of Accounts on Accrual Basis, for IIPA, New Delhi
- Evaluation of Integrated Treasuries Computerization Project, Dept. of Finance, Govt. of M.P.

8.4 Implementation of the Right to Information Act, 2005

In this regard, details prescribed in RTI Act Section 4 item (i) to (xvii) including particulars of organisation, functions, duties, powers and list of employees, recruitment rules etc. have been placed on NIFM web site www.nifm.ac.in for public view. Other relevant details like procedure to obtain the information & fees structure etc. are also placed on website.

9. Use of Hindi as Official Language

The Hindi Section of the Department of Expenditure ensures implementation of Official Language policy of the Government of India in the Department. It carries out translation work under Section 3(3) of Official Language Act related to all kinds of general orders, papers to be laid on the Table of both the Houses of the Parliament, Parliamentary Questions, Reports, Letters & Speeches received from the Hon'ble Ministers etc.

In the Department 98% Officers/employees have the working knowledge/proficiency in Hindi. About 30% to 76% of Official work is done in Hindi by most of the Officers/employees. Typists/Stenographers not knowing Hindi typing/stenography are regularly nominated for the training of Hindi Typing and Stenography and employees who don't possess working knowledge of Hindi are also imparted training in various Hindi courses viz. Prabodh/Praveen/Pragya. This year 50 employees were nominated for Hindi training, Hindi typing/ stenography. Hindi Workshops are organized from time to time in this Department and the employees getting first three positions are given the Cash Awards of Rs.1200/-, Rs. 1000/- and Rs.800/- respectively and one consolation prize of Rs.500/-. In the year 2007, three such workshops were organized during 28-30 May, 11-13 December and a one day workshop on 14 September. 52 Officers/employees were imparted training in Hindi in these workshops.

Two meetings of Joint Hindi Advisory Committee comprising of Departments of Revenue and Expenditure and O/o Comptroller and Auditor General of India were held on 25 April, 2007 and 01 November, 2007 at New Delhi and at Shillong respectively. As decided in the meeting held on 25.04.2007, cash prize awards for the first three positions and two cash awards as incentive for the next two positions in various competitions during Hindi Pakhwara were increased to Rs.5000/-, Rs.3000/- and Rs.2000/- respectively.

For the propagation of Hindi in the Department, a Hindi Magazine "Vyay Patrika" is published regularly by Hindi Section and the authors of best three articles are given Cash award of Rs.1000/-, Rs.750/- and Rs.500/- respectively. The new edition of Patrika has been published and is currently under distribution.

Three meetings of OLIC were organized during the year and follow-up action has been taken in compliance with the decisions taken in these meetings.

On the occasion of Hindi Divas, Hindi Pakhwara was organized in the Deptt. from 14-28 September, 2007 in which 11 various competitions were organised as against 09 organised last year. Many officers and employees took part in these competitions enthusiastically. These include Hindi Essay writing, Noting-Drafting, Hindi Poetry, Hindi Extempore, Dictation, Hindi Slogan writing apart from Hindi General Knowledge organized specifically for Non-Hindi speaking employees. Besides, Hindi quiz and conferences organized on topics relating to official language also attracted special attention of many employees. All the winners of first, second and third positions in these competitions were awarded cash prizes of Rs.5000/-, Rs.3000/- & Rs.2000/- respectively along with the certificates and two cash prizes of Rs.1000/- each as consolation. In addition to this, under Hindi Noting and Drafting cash prize scheme of Deptt. of Official Language (MHA) 2 persons were awarded cash prize of Rs.1000/- each on attaining first position and one of Rs.600/- to another as second prize.

During the year 2007, 9 sections and 2 subordinate offices were inspected by Hindi Section and important suggestions were given to solve the practical problems being faced by the employees of these sections while working in Hindi. It was noticed during the inspection that all the employees of 2 Subordinate Offices namely Central Pension Accounting Office and the Institute of Government Accounts & Finance are having the working knowledge of Hindi but these two offices have not been notified under Rule 10(4) of Official Language Rule 1976. Therefore, the above two offices were notified under the aforesaid Rule.

During the year, 5 Manuals viz. Manual on Policies and Procedures for Purchase of Goods, Compendium of Rules on Advances to Govt. Servants, Manual on Policies and Procedure for Procurement of Works, Manual of Policies and Procedure of Employment of Consultants and General Financial Rules, 2005 were translated in Hindi and are under publication, which would be sent to different State Governments, besides putting them on the website.

The important materials on this Department's website has already been made Bilingual.

For the effective and streamlined implementation of Rajbhasha, Hindi Section launched a Rajbhasha Sampark Abhiyan. The campaigning team comprising of translators/ officers assessed the progress of Hindi and necessary steps were taken.

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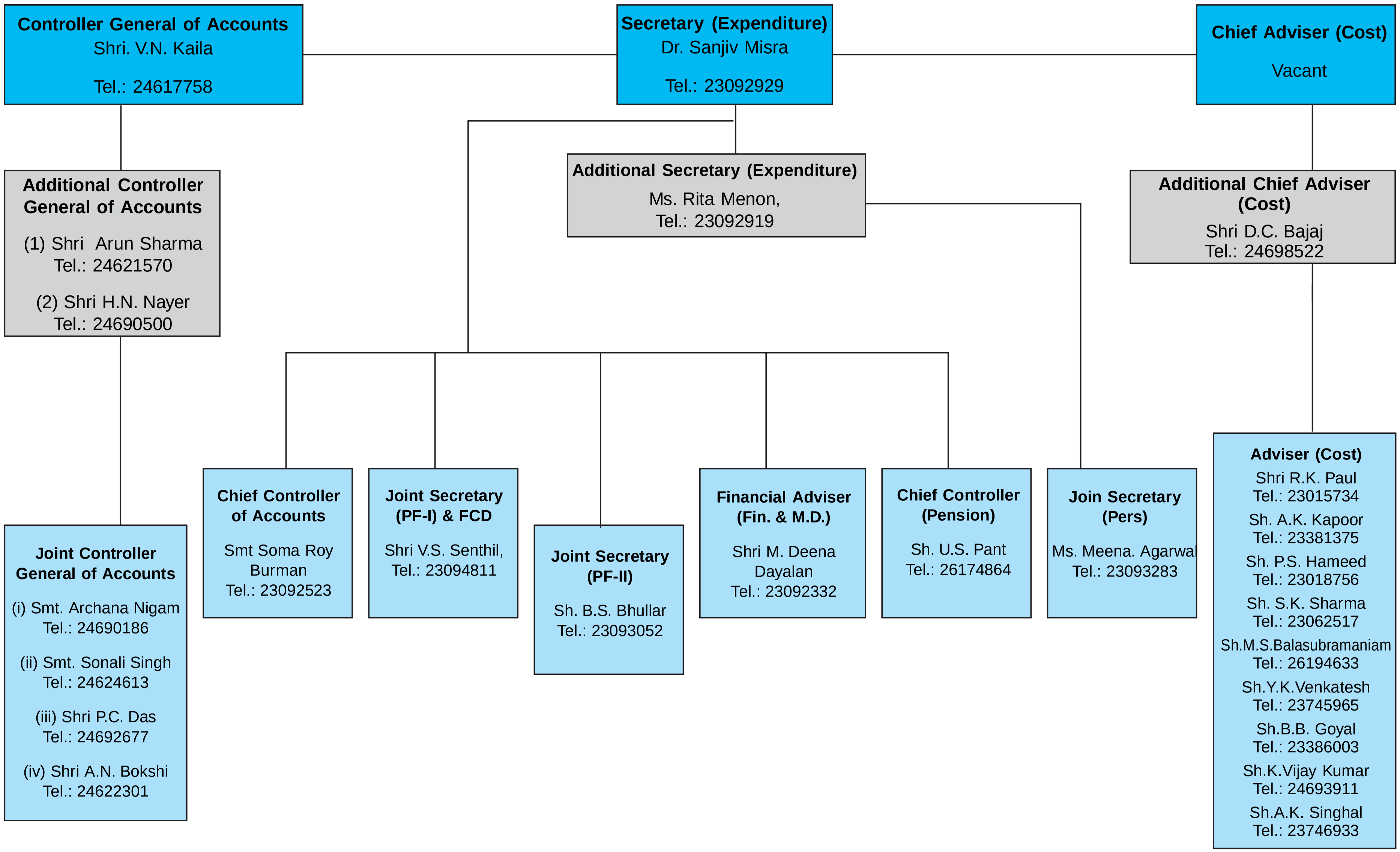
Organisational Chart of the Department of Expenditure as on 8.3.2008



Department of Revenue

Chapter-III

Department of Revenue

1. Organisation and Functions

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

1.1.2 The Department of Revenue administers the following Acts:

1. Income Tax Act, 1961;
2. Wealth Tax Act, 1957;
3. Expenditure Tax Act, 1987;
4. Benami Transactions (Prohibition) Act, 1988;
5. Super Profits Act, 1963;
6. Companies (Profits) Sur-tax Act, 1964;
7. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
8. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
9. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)
10. Chapter V of Finance Act, 1994 (relating to Service Tax)
11. Central Excise Act, 1944 and related matters;
12. Customs Act, 1962 and related matters;
13. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
14. Central Sales Tax Act, 1956;
15. Narcotic Drugs and Psychotropic Substances Act, 1985;
16. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;
17. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;
18. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);
19. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and,
20. Prevention of Money Laundering Act, 2002.

The administration of the Acts mentioned at Sl.Nos.3, 5, 6 and 7 is limited to the cases pertaining to the period when these laws were in force.

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

1. Commissionerates/Directorates under Central Board of Excise and Customs;
2. Commissionerates/Directorates under Central Board of Direct Taxes;
3. Central Economic Intelligence Bureau;
4. Directorate of Enforcement;
5. Central Bureau of Narcotics;
6. Chief Controller of Factories;
7. Appellate Tribunal for Forfeited Property;
8. Income Tax Settlement Commission;
9. Customs and Central Excise Settlement Commission;
10. Customs, Excise and Service Tax Appellate Tribunal;
11. Authority for Advance Rulings for Income Tax;
12. Authority for Advance Rulings for Customs and Central Excise;
13. National Committee for Promotion of Social and Economic Welfare; and
14. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985; and,
15. Financial Intelligence Unit, India (FIU-IND)
16. Income Tax Ombudsman

1.1.4 A comparison of the collection of Direct and Indirect taxes during the financial year 2007-08 with that during the previous financial year is given in Table 3.1.

Table 3.1				
Sl.No.	Nature of Taxes	Amounts Collected During the Financial Year (Rs. in crore)		
		2006-07 (upto Dec. 06)	2007-08 (upto Dec. 07)	Percentage of growth growth over last year
1.	Corporation Tax	128194	92463	38.64
2.	*Income Tax	77535	51565	50.36
3.	Central Excise Duty	80251	85895	7.0
4.	Customs Duty	64010	75134	17.4
5.	Service Tax	21788	29443**	35.1

* *Income Tax includes the amount collected under Fringe Benefit Tax, Security Transaction Tax and Banking Cash Transaction Tax.*
** *Service Tax Revenue collection figures are available up to the month of November, 2007 only.*

1.1.5 An Organisation Chart of Department of Revenue is given on next page.

2. Revenue Headquarters Administration

2.1 The Headquarters of the Department of Revenue looks after matters relating to all administration work pertaining to the Department, coordination between the two boards (CBEC 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, the Narcotic Drugs and Psychotropic Substances Act 1985 (NDPSA), the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (SAFEM (FOP) A), the Foreign Exchange Management Act 1999 (FEMA) and the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA), 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 SAFEM (FOP) A and NDPSA
d) Chief Controller of Factories
e) Central Bureau of Narcotics
f) Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
g) Appellate Tribunal for Forfeited Property (ATFP)
h) Customs and Central Excise Settlement Commission (CCESC)
i) Income Tax Settlement Commission (ITSC)
j) Authority for Advance Rulings (AAR) for Customs and Central Excise
k) Authority for Advance Rulings (AAR) for Income Tax
l) National Committee for Promotion of Social and Economic Welfare (NCPSEW)
m) Financial Intelligence Unit, India (FIU-IND)
n) Income Tax Ombudsman

The DG (CEIB) reports directly to the Revenue Secretary. The Secretary (NCPSEW) reports to the Revenue Secretary through the Chairman, CBDT.

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

I. Appointment of:
  a) Chairman and Members of CBEC and CBDT
  b) Chairman and Members of ATFP
  c) Chairman, Vice Presidents and Members of CESTAT
  d) Chairmen, Vice Chairmen and Members of CCESC and ITSC
  e) Chairmen and Members of AARs for Customs/ Central Excise and Income Tax
  f) Director of Enforcement
  g) Director General of Central Economic Intelligence Bureau
  h) Competent Authorities (SAFEM (FOP) A and NDPSA)
  i) Director (FIU-IND)
  j) Income Tax Ombudsman

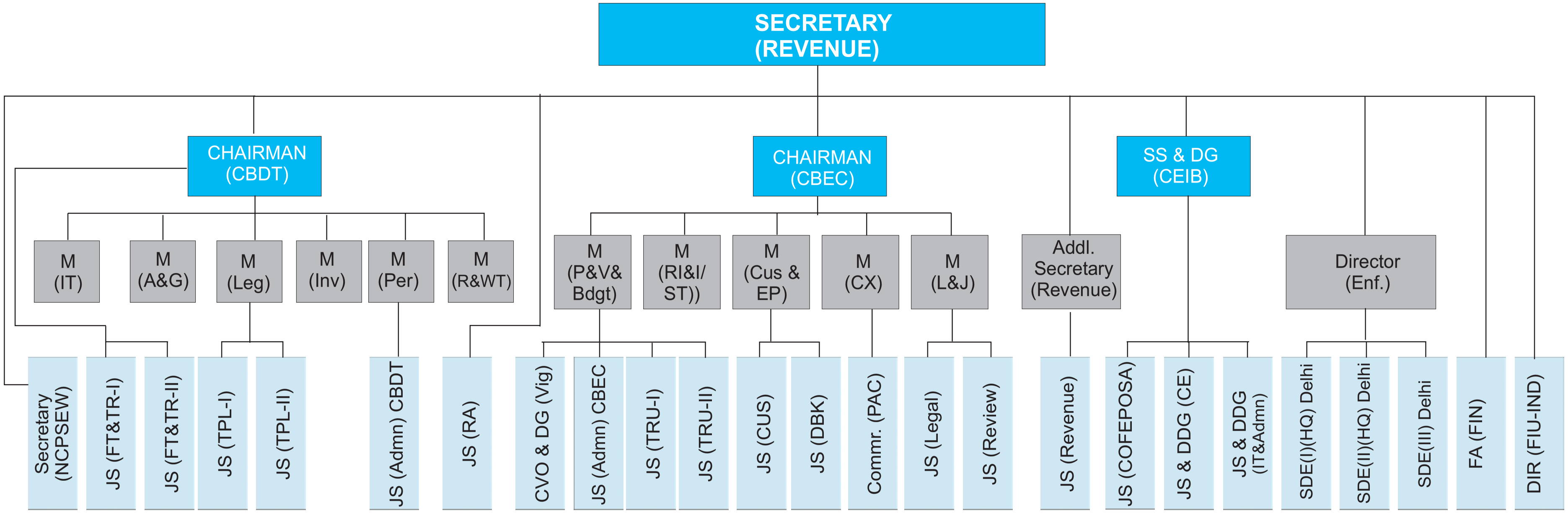
II. Setting up of Commissions/Committees under the Department

III. Foreign training and assignment of officers of the Department

IV. Processing of the cases of deputation of IRS/ICCES officers to Central Government under Central Staffing Scheme or any Board/PSU etc.

V. Issue of sanction for payment of annual contribution to the Customs Cooperation Council, Brussels (Belgium) and other international agencies.

Organisational Chart of the Department of Revenue



LEGENDS

CBDT: Central Board of Direct Taxes
CBEC: Central Board of Excise & Customs
M (A&J): Member (Audit & Judicial)
M (Per): Member (Personnel)
M (Leg.): Member (Legislation)
M (IT): Member (Income Tax)
M (Inv.): Member (Investigation)
M (R&WT): Member (Revenue & Widening of Tax)
M (P&V & Budget): Member (Personnel & Vigilance & Budget)
M (Cus & EP):Member (Custom & Export Promotion)
M (RI&I/ST): Member (Revenue Intelligence, Investigation and Service Tax)
M (CX): Member (Central Excise)
NCPSEW: National Committee for Promotion of Social and Economic Welfare.

LEGENDS

SS&DG: Special Secretary & Director General
CVO & DG (VIG): Chief Vigilance Officer & Director General (Vigilance)
JS: Joint Secretary
TRU: Tax Research Unit,
Enf: Enforcement
CUS: Customs
AC: Administration & Coordination
DBK: Drawback
EI: Economic Intelligence
ADMN: Administration
TPL: Tax Planing and Legislation.
FT&TR: Foreign Tax and Tax Research
RA: Revision Applications
COFEPOSA: Conservation of Foreign-Exchange & Prevention of Smuggling Activities Act
CEIB: Central Economic Intelligence Bureau
DDG: Deputy Director General
PAC: Public Accounts Committee
COMR: Commissioner
SDE: Special Director Enforcement
FA: Financial Adviser (Finance)

ATTACHED OFFICES AND OTHER BODIES OF DEPARTMENT OF REVENUE

1.Enforcement Directorate
2.Central Economic Intelligence Bureau.
3.Central Bureau of Narcotics
4.Chief Controller of Factories
5.Competent Authorities (SAFEM (FOP) Act & NDPS Act)
6.Committee of Management
7.National Committee for Promotion of Social and Economic Welfare
8.Custom & Central Excise Settlement Commission
9.Income Tax Settlement Commission
10.Appellate Tribunal for Forfeited Property
11.Custom Excise & Service Tax Appellate Tribunal
12.Authority for Advance Ruling (Income Tax)
13.Authority for Advance Ruling (Customs, Central Excise & Service Tax)
14.Financial Intelligence Unit, India (FIN-IND)
15.Income Tax Ombudsman

Internal Work Study Unit

2.3 Being the nodal agency for dissemination of Government guidelines for bringing about improvement and efficiency, cleanliness and for effecting cost economy in the administration, the Internal Work Study Unit (IWSU) of the Department of Revenue, during the year 2006-2007, continued its efforts to improve the quality of administration in the organisations under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG, SIU, D/O Expenditure and the National Archives of India on the following:

(i) Compilation and consolidation of orders/instructions;

(ii) Review of rules & regulations and Manuals;

(iii) Review of periodical reports and returns;

(iv) Records management;

(v) Monitoring the progress of disposal of VIP and other pending cases;

(vi) Annual Inspection of the sections in the Department of Revenue.

In addition to the above, the proposals for creation/ continuation of posts on cost-recovery basis pertaining to field formations of CBEC were also scrutinized in the Unit.

The Unit has initiated special steps to expand the coverage of sections/branches of the Department for the purpose of O&M inspections. The progress of disposal of pending VIP/ MP references in the Department has been monitored at the level of Secretary (Revenue) and Additional Secretary (Revenue) respectively with the officers concerned in the Department. The pendency position of VIP/MP references was compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This has reduced the pendency of VIP/MP cases considerably.

3. Central Board of Excise and Customs

3.1 Organization and functions

3.1.1 Central Board of Excise and Customs deals with the tasks of formulation of policy concerning levy and collection of Customs and Central Excise duties, Service Tax, prevention of smuggling and evasion of duties, and all administrative matters relating to Customs, Central Excise and Service Tax formations. The Board discharges its assigned tasks with the help of its field formations namely, the Zones of Customs & Central Excise, Commissionerates of Customs, and Central Excise Service Tax and the Directorates.

3.1.2 Zones of Customs, Central Excise and Customs (Preventive)

Presently, there are twenty-three zones of Customs and Central Excise in the country located at the following places: Delhi, Chandigarh, Kolkata, Bhubaneshwar, Shillong, Lucknow, Meerut, Ranchi, Mumbai-I, Mumbai-II, Jaipur, Bhopal, Pune, Nagpur, Vadodara, Ahmedabad, Bangalore, Mysore, Kochi, Hyderabad, Vishakhapatnam, Chennai and Coimbatore. These zones are headed by Chief Commissioners.

There are eleven exclusively handling customs, zones of Customs/ Customs (Preventive) headed by Chief Commissioners. These are Delhi, Mumbai-I, Mumbai-II, Kolkata, Chennai, Bangalore, Ahmedabad, Delhi Customs (Preventive), Patna Customs (Preventive), Mumbai-III Customs and Chennai Customs (Preventive).

3.1.3 Commissionerates of Central Excise

There are ninety-three Commissionerates spread all over the country predominantly concerned with levy and collection of Central Excise duties and Service Tax. Some of these Commissionerates also deal with Customs and Anti-smuggling work in their jurisdictions. These are organized as territorial units, usually extending to part or whole of a State or a metropolitan area.

These 93 Commissionerates are: Delhi-I, Delhi-II, Delhi-III (Gurgaon), Delhi-IV (Faridabad), Panchkula, Rohtak, Chandigarh, Jalandhar, Ludhiana, Jammu & Kashmir, Kolkata-I, Kolkata-II, Kolkata-III, Kolkata-IV, Kolkata-V, Kolkata-VI, Kolkata-VII, Bolpur, Siliguri, Haldia, Bhubaneshwar-I, Bhubaneshwar-II, Shillong, Dibrugarh, Kanpur, Lucknow, Allahabad, Meerut-I, Meerut-II, Ghaziabad, NOIDA, Jamshedpur, Patna, Ranchi, Mumbai-I, Mumbai-IV, Mumbai-V, Thane-I, Thane-II, Mumbai-II, Mumbai-III, Belapur, Raigad, Jaipur-I, Jaipur-II, Bhopal, Indore, Raipur, Pune-I, Pune-II, Pune-III, Goa, Aurangabad, Nasik, Nagpur, Vadodara-I, Vadodara-II, Vapi, Surat-I, Surat-II, Daman, Ahmedabad-I, Ahmedabad-II, Ahmedabad-III, Bhavnagar, Rajkot, Bangalore-I, Bangalore-II, Bangalore-III, Mysore, Mangalore, Belgaum, Kochi, Thiruvananthapuram, Kozhikode, Hyderabad-I, Hyderabad-II, Hyderabad-III, Hyderabad-IV, Tirupathi, Guntur, Vishakhapatnam-I, Vishakhapatnam-II, Chennai-I, Chennai-II, Chennai-III, Chennai-IV, Pondicherry, Tiruchirapalli, Coimbatore, Salem, Madurai and Tirunelveli.

3.1.4 Commissionerates of Service Tax

Six exclusive Commissionerates of Service Tax have been functioning with effect from 14th September, 2004 at Mumbai, Delhi, Kolkata, Chennai, Ahmadabad and Bangalore.

3.1.5 Commissionerates of Customs and Customs (Preventive)

These Commissionerates, 35 in all, are spread across the country. They have been assigned the following functions:

(a) Implementation of the provisions of the Customs Act, 1962 and the allied acts, which includes levy and collection of customs duties and enforcement functions in their earmarked jurisdictions;

(b) Surveillance of coastal and land borders to prevent smuggling activities. Marine and telecommunications wings are available with the Board to assist these

Commissionerates in their anti-smuggling work and surveillance of sensitive coastline.

These 35 Commissionerates of Customs & Customs (Preventive) are: Delhi (Air Cargo-Import and General), Delhi (ICD), Delhi (Air Cargo Export), Mumbai (General), Mumbai (Export), Mumbai (Import), Nhava Sheva (Import and Mulund CFS), Nhava Sheva (Export), Mumbai Air Cargo (Import), Mumbai Air Cargo (Export), Mumbai (Airport), Pune Customs, Kolkata (Airport), Kolkata (Port), Chennai (Airport and Air (Cargo), Chennai Port (Export), Chennai Port (Import), Bangalore, Mangalore, Kochi, Ahmedabad, Kandla, Vishakhapatnam, Amritsar Customs (Preventive), Jodhpur Customs (Preventive), Delhi Customs (Preventive), Patna Customs (Preventive), Lucknow Customs (Preventive), Mumbai Customs (Preventive), Tuticorin, Tiruchirapalli, West Bengal Customs (Preventive), Kolkata, Shillong Customs (Preventive) and Jamnagar Customs (Preventive).

3.1.6 Appellate and Tax Recovery Machinery

At present, there are 54 Commissioners of Central Excise (Appeals) {including Commissioner (TAR)} and 6 Commissioners of Customs (Appeals). The appellate machinery comprising the Commissioner (Appeals) deals with appeals against the orders passed by the officers lower in rank than Commissioner of Customs and Central Excise under the Customs Act, 1962, the Central Excise Act, 1944 and Service Tax laws.

3.1.7 Commissioner (Adjudication)

There are at present 12 posts of Commissioner (Adjudication) to decide cases having all-India ramifications and high revenue stakes. These Commissioners attend to Central Excise as well as Customs cases.

Six posts of Commissioners have been redeployed in the CBEC w.e.f. 25.04.2005 from its field formations.

3.1.8 Attached/ Subordinate Offices

In the performance of administrative and executive functions, the following attached / subordinate offices assist the Board in the reorganized set up:

1. Directorate of Central Excise Intelligence
2. Directorate of Revenue Intelligence
3. Directorate of Inspection
4. Directorate of Housing and Welfare
5. National Academy of Customs, Excise and Narcotics
6. Directorate of Vigilance
7. Directorate of Systems
8. Directorate of Data Management
9. Directorate of Audit
10. Directorate of Safeguards
11. Directorate of Export Promotion
12. Directorate of Service Tax
13. Directorate of Valuation
14. Directorate of Publicity and Public Relations
15. Directorate of Organization and Personnel Management
16. Directorate of Logistics
17. Directorate of Legal Affairs
18. Office of the Chief Departmental Representative (CDR)
19. Central Revenues Control Laboratory (CRCL).

The functions of the Directorates, the Office of the Chief Departmental Representative and the Central Revenues Control Laboratory, in brief, are as follows:-

1. Directorate of Central Excise Intelligence

(a) To collect, collate and disseminate intelligence relating to evasion of central excise duties;

(b) To study the price structure, marketing patterns and classification of commodities vulnerable to evasion of central excise duties;

(c) To coordinate action with other departments like Income Tax etc. in cases involving evasion of central excise duties;

(d) To investigate cases of evasion of central excise duties having inter-Commissionerate ramification; and

(e) To advise the Board and the Commissionerates on the modus operandi of evasion of central excise duties and Service Tax and suggest appropriate remedial measures, procedures and practices in order to plug any loopholes.

2. Directorate of Revenue Intelligence

(a) To study and disseminate intelligence about smuggling;

(b) To identify the organized gangs of smugglers and areas vulnerable to smuggling, targeting of intelligence against them and their immobilization;

(c) To maintain liaison with the intelligence and enforcement agencies in India and abroad for collection of intelligence and in-depth investigation of important cases having inter-Commissionerate and international ramification;

(d) To alert field formations for interception of suspects and contraband goods, assessment of current and likely trends in smuggling;

(e) To advise the Ministry in all matters pertaining to anti-smuggling measures and in formulating or amending laws, procedures and practices in order to plug any loopholes; and

(f) To attend to such other matters as may be entrusted to the Directorate by the Ministry or the Board for action/ investigation.

3. Directorate of Inspection (Customs and Central Excise)

(a) To study the working of customs, central excise and narcotics departmental machinery throughout the country and to suggest measures for improvement of its efficiency and rectification of defects in it through inspection and by laying down procedures for their smooth functioning;

(b) To carry out inspections to determine whether the working of the field formations are as per customs and central excise procedures and to make recommendations with regard to the procedural flaws, if any noticed; and

(c) To suggest measures for improvement in functioning of the field formations.

4. Directorate of Housing and Welfare

(a) To monitor and coordinate with the Board, Ministry and field formations;

(b) To help the field formations in framing the project proposals;

(c) To assist the field formations in implementation of approved projects by providing technical support in respect of integrated and architectural planning, standardization of house building designs;

(d) To devise procedures for accounting and documentation system;

(e) To coordinate with the field formations with regard to the problems of encroachment and abandoned properties;

(f) To prepare and compile Housing Manuals for future guidelines;

(g) To keep the field formations informed about various schemes and facilities available;

(h) To have regular coordination and interaction with the Central Building Research Institute, Roorkee for getting their guidance on building science with reference to different projects and to have liaison and coordination with Housing Boards, architects and builders to ensure quality construction in scheduled time-frame;

(i) To encourage environment friendly planning and execution of the projects of the department through horticultural and other environmental planning; and

(j) To coordinate with the Ministry on welfare measures related to building/acquisition of library, guest houses, resorts/holiday homes, conference rooms, playgrounds, godowns, garages, etc.

5. National Academy of Customs, Excise and Narcotics

(i) To impart training to direct recruits and to arrange refresher courses for departmental officers;

(ii) To assist in formulation of training policies and to implement the policies approved by the Board by devising schemes and syllabi of studies for training of direct recruits and departmental officers; and

(iii) To arrange study tours of Customs and Excise officers from neighboring countries under the United Nations Development Programme.

6. Directorate of Vigilance

(a) To monitor the vigilance cases against the officers of Customs and Central Excise formations;

(b) To maintain proper surveillance on the officials of doubtful integrity; and

(c) To maintain close liaison with the Central Bureau of Investigation, Directorate General of Revenue Intelligence and vigilance and anti-corruption in order to ensure that the programmes on vigilance and anti-corruption are implemented in all Commissionerates of customs, central excise and narcotics formations.

7&8. Directorate of Systems and Directorate of Data Management

(a) Directorate of Systems to look after all aspects of the implementation of customs, central excise and service tax computerization projects including acquisition of hardware, development and maintenance of software, training of personnel and monitoring of expenditure budget on computerization at the central and field levels.

(b) Directorate of Data Management

(i) To collect and consolidate data and statistics pertaining to realization of revenue from indirect taxes and advise the Ministry and the Board in forecasting budget estimates; and

(ii) To collect statistics for compilation of statistical bulletins and statistical yearbook in respect of revenue, arrears, seizures, court cases, etc. pertaining to indirect taxes.

9. Directorate of Audit

(a) To provide direction for evolution and improvement of audit techniques and procedures;

(b) To ensure effective and efficient implementation of new audit system by periodic reviews;

(c) To coordinate with the external agencies as well as other formations within the Department;

(d) To suggest measures to improve tax compliance;

(e) To gauge the level of audit standards and assessees satisfaction;

(f) To evolve the policy for development of a sound database as well as enhancing the skills of the auditors with a view to making the audit effective and meaningful;

(g) To aid and advise the Board in policy formulation and to guide and provide functional directions in planning, coordination and supervision of audits at local levels;

(h) To collate and disseminate the relevant information; and

(i) To implement EA-2000 audits and related projects like risk management, CAAP audits etc.

10. Directorate of Safeguards

(a) To investigate the existence of serious injury or threat of serious injury to the domestic industry as a consequence of increased imports of an article into India;

(b) To identify the article liable for safeguard duty;

(c) To submit the findings, provisional or otherwise, to the Central Government regarding 'serious injury' OR 'threat of serious injury' to the domestic industry consequent upon increased imports of an article from the specified country.

(d) To recommend the following;

(i) The amount of duty which, if levied, would be adequate to remove the 'injury' or 'threat of injury' to the domestic industry;

(ii) The duration of levy of safeguard duty and where the period so recommended is more than a year, to recommend progressive liberalization adequate to facilitate positive adjustment; and

(e) To review the need for continuance of safeguard duty.

11. Directorate of Export Promotion

(a) To interact with the Export Promotion Councils for various categories of export to sort out the difficulties being faced by the genuine exporters;

(b) To function in close liaison with allied agencies concerned with the exports to ensure that genuine exporters get the full advantages of the export schemes without any difficulties;

(c) To monitor the performance of the field formations through monthly and quarterly returns, like duty foregone statements, drawback payment statements and quarterly drawback payment statements and to compare and compile the same to enable the Ministry to review the policy;

(d) To carry out the appraisal studies to examine the efficacy of the existing legal provisions/ rules and procedures and suggest to the Ministry about the changes to be made, if any;

(e) To conduct post-audit of the Brand Rate fixed by the concerned Commissioners and carry out physical verification of selected cases independently or with the help of the central excise formations;

(f) To conduct post-audit of the select cases of duty-free imports allowed under various Export Promotion Schemes in the customs and central excise formations; and

(g) To work in close coordination with the Board with the Customs-IV Section and FTT Section of the Board's office that deals with 100% EOUs/EPZ Units/SEZ Units and various Technology parks and the schemes relating to the export of gems and jewellery.

12. Directorate of Service Tax

(a) To monitor the collections and assessments of service tax;

(b) To study the administration of service tax in the field and to suggest measures to increase revenue collections;

(c) To undertake study of law and procedures;

(d) To form a database; and

(e) To inspect the Service Tax Cells in the Commissionerates.

13. Directorate of Valuation

(a) To assist and advise the Board in the implementation and monitoring of the working of the WTO Agreement on Customs Valuation;

(b) To build a comprehensive valuation database for internationally traded goods using past precedents, published price information or prices obtained from other authentic sources;

(c) To disseminate the price information on a continuing basis to all customs formations for online viewing as a means of assistance for day-to-day assessments with a view to detecting and preventing under-valuation as also for enabling assessments to be finalized speedily;

(d) To monitor valuation practices at various customs formations and bring to the notice of the Board significant and emerging pricing patterns and to suggest corrective policy or other measures, where needed;

(e) To maintain liaison with the Valuation Directorates of other customs administrations and customs officers posted abroad;

(f) To study international price trends of sensitive commodities and pricing patterns of transnational corporations (e.g. transfer pricing) and Indian ventures with foreign collaborations and help evolve a system to combat planned under-valuation as well as valuation frauds; and

(g) To carry out inspection of the field formations to determine whether the valuation norms as evolved by the Directorate of Valuation are uniformly applied across the country.

14. Directorate of Publicity and Public Relations

a) To prepare, revise and publish the statutory and departmental manuals;

(b) To consolidate the instructions issued by the Board in technical and administrative matters of customs and central excise;

(c) To compile the important judgments delivered by High Courts and the Supreme Court on matters relating to indirect taxes;

(d) To update all departmental manuals through correction lists etc; and

(e) To undertake publicity with a view to educating the public about indirect taxes through brochures, posters, hoardings, radio, TV and press media.

15. Directorate of Organization and Personnel Management

(a) To look after the functions relating to method studies, work measurement and staffing, besides management services including manpower planning for the customs, central excise, service tax and narcotics formations.

16. Directorate of Logistics

(a) To inspect, assess and evaluate the effectiveness of the staff deployed on anti-smuggling duties in the Commissionerates and in vulnerable areas;

(b) To monitor, coordinate and evaluate the progress in cases of adjudications, prosecutions and rewards to informers and officers in various Commissionerates and to watch the progress in disposal of confiscated goods involved in prosecution cases;

(c) To plan and assess the need for staff training, equipment, vehicles, vessels, communications or other resources required for anti-smuggling work in various Commissionerates and to evaluate their operational efficiency; and

(d) To deal with the matters concerning acquisition, procurement, purchase, repair and reallocation of such equipment.

17. Directorate of Legal Affairs

(a) To function as the nodal agency to monitor the legal and judicial work of the Board;

(b) To create a data bank of all the cases decided by the various benches of the Tribunal and monitor cases effectively in order to ensure that the field formations recommend filing of appeals only in deserving cases and not on the issues already decided by the Supreme Court or High Courts and accepted by the department;

(c) To ensure that all orders of the Tribunal are examined by the field formations and timely proposal for filing appeal are sent to the Board, wherever necessary and the report about acceptance of an order is sent to the Chief Commissioner;

(d) To intimate the field formations about important decisions of the various High Courts, which are finally accepted by the Department, and about the important decisions of the Supreme Court so that unnecessary litigation work on the issues already settled is not created by the field formations;

(e) To create a database pertaining to the cases pending in various High Courts. The appellant/ respondent Commissioners are required to assist the Directorate in creating and updating the database pertaining to the High Court cases;

(f) To prepare panels of standing counsels/ panel counsels for various High Courts on the basis of feedback received from the field formations. However, the role of the Directorate is restricted to making recommendations only and the final decision regarding approval of the panel / appointment of the Standing Counsels rests with the Ministry; and

(g) To keep an approved panel of eminent lawyers well versed with indirect Tax laws as well as administration, who may not be on the regular panel of the government but may be engaged by the department for handling important cases.

18. Office of the Chief Departmental Representative (CDR)

(a) To receive the cause list of cases from the Tribunal registry and distribute case files among Departmental Representatives (DRs);

(b) To monitor the efficient representation by DRs in all listed cases before the benches of the CESTAT;

(c) To coordinate with and call for cross-objections, clarifications and confirmations from the Commissionerates concerned;

(d) To maintain coordination with the President, CESTAT; and

(e) To exercise administrative control over DRs and attend to the administrative matters pertaining to the CDR office including its regional offices at Mumbai, Kolkata, Chennai and Bangalore.

19. Central Revenues Chemical Laboratory

(a) To analyze samples of goods, and to render technical advice to the Board and its field formations, in regard to the nature, characteristics and composition of various goods.

3.2 Revenue Collection during 2006-07 and Tariff changes

3.2.1 Customs:

An amount of Rs.86,304 crore (provisional) was collected as Customs duty during 2006-07, which was Rs.9,238 crore more than Budget Estimate and Rs.4,504 crore more than the Revised Estimate for the year.

The year wise Budget Estimate (BE), actual collection, percentage shortfall in Customs duty collection over BE and percentage growth in actual collection over last year from 1999-2000 are given **in Annexure-I.**

Annexure-I

Year Wise Trend of Indirect Tax Revenue Collection

(Rs in crore)

Sl. No.	Head	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I	**CUSTOMS**																	
	BE	214600	258990	252117	277270	252000	295000	444350	525500	481480	503690	535720	548220	451930	493500	542500	531820	770660
	RE	208000	228950	255000	225000	264500	353520	441350	410000	426480	478000	497810	431700	455000	493500	562500	642150	818000
	Actuals	206440	222570	237760	221930	267890	357570	428510	401930	406680	484200	475420	402680	448520	486290	576110	650670	863040
	% achievement of BE	96.2	85.9	94.3	80.0	106.3	121.2	96.4	76.5	84.5	96.1	88.7	73.5	99.2	98.5	106.2	122.3	112.0
	% achievement of RE	99.3	97.2	93.2	98.6	101.3	101.1	97.1	98.0	95.4	101.3	95.5	93.3	98.6	98.5	102.4	101.3	105.5
	% growth over last year	14.5	7.8	6.8	-6.7	20.7	33.5	19.8	-6.2	1.2	19.1	-1.8	-15.3	11.4	8.4	18.5	12.9	32.6
II	**UNION EXCISE**																	
	BE	251250	274020	322110	337510	367000	427800	468830	522000	576900	638650	712520	817200	914330	967910	1091990	1215330	1190000
	RE	245000	276960	325000	317500	369000	410000	461900	477000	532000	610000	706810	745200	873830	923790	1007200	1120000	1172660
	Actuals	245140	281100	308320	316970	373470	401870	450080	479620	532460	619020	685260	725550	823100	907740	991250	1112260	1181205
	% achievement of BE	97.6	102.6	95.7	93.9	101.8	93.9	96.0	91.9	92.3	96.9	96.2	88.8	90.0	93.8	90.8	91.5	99.3
	% achievement of RE	100.1	101.5	94.9	99.8	101.2	98.0	97.4	100.5	100.1	101.5	97.0	97.4	94.2	98.3	98.4	99.3	100.7
	% growth over last year	9.4	14.7	9.7	2.8	17.8	7.6	12.0	6.6	11.0	16.3	10.7	5.9	13.4	10.3	9.2	12.2	6.2
III	**SERVICE TAX**																	
	BE	0	0	0	0	3750	6000	9700	21500	18670	23000	22000	36000	60260	80000	141500	175000	345000
	RE	0	0	0	0	3750	8000	9700	15000	19500	20000	22000	36000	50000	83000	141500	230000	381690
	Actuals	0	0	0	0	4070	8620	10590	15860	19570	21280	26130	33020	41220	78910	142000	230550	374841
	% achievement of BE							109.2	73.8	104.8	92.5	118.8	91.7	68.4	98.6	100.4	131.7	108.6
	% achievement of RE							109.2	105.7	100.4	106.4	118.8	91.7	82.4	95.1	100.4	100.2	98.2
	% growth over last year							22.9	49.8	23.4	8.7	22.8	26.4	24.8	91.4	80.0	62.4	62.6

Sl. No.	Head	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97	1997 -98	1998 -99	1999 -00	2000 -01	2001 -02	2002 -03	2003 -04	2004 -05	2005 -06	2006 -07
IV	FTT/IATT **																	
	BE	1980	2790	3080	2610	2600	4050	6400	8010	8660	7790	8300	8500	10500	11150			
	RE	2620	3100	2610	2460	4000	8000	6400	9800	7420	7800	8300	9650	10500	9000			
	Actuals	2760	5220	3820	3540	5840	6090	6750	8920	10090	9820	11330	11930	13240	13060			
	% achievement of BE	139.4	187.1	124.0	135.6	224.6	150.4	105.5	111.4	116.5	126.1	136.5	140.4	126.1	117.1			
	% achievement of RE	105.3	168.4	146.4	143.9	146.0	76.1	105.5	91.0	136.0	125.9	136.5	123.6	126.1	145.1			
	% growth over last year	25.5	89.1	-26.8	-7.3	65.0	4.3	10.8	32.1	13.1	-2.7	15.4	5.3	11.0	-1.4			
V	INDIRECT TAX																	
	BE	467830	535800	577307	617390	625350	732850	929280	1077010	1085710	1173130	1278540	1409920	1437020	1552560	1775990	1922150	2305660
	RE	455620	509010	582610	544960	641250	779520	919350	911800	985400	1115800	1234920	1222550	1389330	1509290	1711200	1992150	2372350
	Actuals	454340	508890	549900	542440	651270	774150	895930	906330	968800	1134320	1198140	1173180	1326080	1486000	1709360	1993480	2419086
	% achievement of BE	97.1	95.0	95.3	87.9	104.1	105.6	96.4	84.2	89.2	96.7	93.7	83.2	92.3	95.7	96.2	103.7	104.9
	% achievement of RE	99.7	100.0	94.4	99.5	101.6	99.3	97.5	99.4	98.3	101.7	97.0	96.0	95.4	98.5	99.9	100.1	102.0
	% growth over last year	11.7	12.0	8.1	-1.4	20.1	18.9	15.7	1.2	6.9	17.1	5.6	-2.1	13.0	12.1	15.0	16.6	21.3

*** The FTT/IATT has been abolished w.e.f. 09-01-2004.*

P- Provisional

Source: Receipts Budget.

Major changes introduced in the area of customs duty rationalization in the recent years

(a) The general peak rate of customs duty on most non-agricultural goods has been gradually reduced to 10%.

(b) On agricultural products, the tariffs have been kept at levels which protect the domestic agricultural sector.

(c) The dispersal in the customs duty structure has been reduced from 19 rates in 1990-91 to 3 major rates at present (5%, 7.5% and 10%). This has substantially reduced the classification disputes in the assessment of customs duty.

(d) The tax base has been widened by eliminating a large number of duty exemptions.

(e) A large number of end-use exemptions have been eliminated by rationalising the tariff structure.

(f) As a principle, CVD exemptions are being withdrawn unless there is a corresponding excise exemption.

3.2.2 Central Excise

Revenue collection from Central Excise duties in the year 2006-07 (provisional) was Rs.1,18,283 crore vis-à-vis the corresponding Budget Estimate of Rs.1,19,000 crore and Revised Estimate of Rs.1,17,266 crore.

The year wise Budget Estimate (BE), actual collection, percentage shortfall in central excise duty collection over BE and percentage growth in actual collection over last year from 1999 - 2000 are given in **Annexure-I.**

The CENVAT rate of 16% is attracted on most products manufactured in India. We have also undertaken reforms for liberalization of the CENVAT scheme, reduction in the dispersal of rates, widening of the tax base, introduction of the transaction value concept for excise levy, MRP (Maximum Retail Price) based excise levy for consumer goods and procedural simplification. Specifically, the reforms undertaken include:

- The dispersal in the excise duty rates have been reduced. From about 11 rates of excise duty, we now have a uniform CENVAT rate of 16% on almost all goods. This has brought about reduction in classification disputes and certainty in the tax regime.
- Transaction value concept has been introduced for excise duty assessment and this has substantially reduced valuation disputes.
- MRP based levy has been extended to 101 categories of consumer goods which has eliminated valuation disputes and ensured buoyancy in excise revenue.

3.2.3 Service Tax

Service Tax collection in 2006-07 (provisional) was Rs.37,484 crore as against the Budget Estimate of Rs.34,500 crore and Revised Estimate of Rs.38,169 crore. Service Tax collection over the years since from 1999-2000 vis-à-vis their Budget Estimates are furnished in Annexure-I.

Service tax was imposed for the first time in 1994 initially on 3 services. Considering the increasing contribution of the services sector to the GDP, the coverage of service tax has been widened over the years and at present 100 services are under the tax net. In 1994, the rate of Service Tax was 5%. It is now 12%. An Education cess of 2% and Secondary & Higher Education cess of 1% are also levied on all taxable services. Credit of service tax and excise duty has been extended across goods and services.

The procedure for compliance with the Service Tax law has been substantially simplified. Following significant measures have been introduced in recent years:

(1) Service providers with turnover upto Rs.8 lakh annually have been exempted from payment of service tax in budget 2007-08.

(2) Inter-sectoral credit has been allowed across goods and services.

(3) Facility of E-filing of returns has been provided to all service providers.

3.3 Changes in Budget 2007-08

3.3.1 Customs

I. Peak rate of Ad-valorem Customs duty:

As part of continuous process of bringing about a moderate, rational and simplified tax structure, the peak rate of customs duty on non-agricultural products was reduced from 12.5% to 10% in Budget 2007-08 with a few exceptions. Ad-valorem component of customs duty on textiles fabrics and garments was also reduced from 12.5% to 10%. The specific component, however, was left unchanged. At present, the two major ad-valorem rates of customs duty are 7.5% and 10%.

II. Other Budgetary Changes:

Significant changes introduced in the Budget 2007-08 in Customs tariff are given below:

A. Additional Duty of Customs:

The following items were exempted from the 4% Additional Duty of Customs:

a) All edible oils, crude as well as refined;

b) Roasted molybdenum ore and concentrate.

Exemption available to parts, components and accessories of cell phones was extended till 30.06.2009.

B. Metals and their Inputs:

Customs duty was reduced from 20% to 10% on seconds and defectives of iron and steel.

C. Export Duty:

Export duty was imposed on:

(a) Iron ores and concentrates, all sorts @ Rs.300/- per metric tonne;

(b) Chromium ores and concentrates, all sorts @ Rs.2000/- per metric tonne.

D. Secondary and Higher Education Cess:

Education Cess @ 1% to finance Secondary and Higher Education was imposed on total import duties of Customs.

E. Aircraft:

Customs duty (3% basic+16% CVD+4% SAD) has been imposed on aircraft and its parts, imported for use in such aircrafts. However, imports by Government and scheduled airlines are excluded from these levies.

Aircraft, not registered in India, which are brought for the purpose of flight to or across India and ultimately removed within six months from the date of arrival, are also excluded from all duties of customs.

F. Chemicals and Petrochemicals:

Customs duty was reduced from:

- 12.5% to 7.5% on Inorganic Chemicals falling under Chapter 28 (except Titanium Dioxide) and Chapter 29 (except Mannitol, Sorbitol and Caprolactum), and goods falling under Chapter 31 and under headings 3201 to 3207 (except pigments and preparations based on Titanium Dioxide), 3403, 3801 to 3807, 3809 (with few exceptions), 3810, 3812, 3816, 3817, 3821, 3824 (except 3824 60), 3901 to 3907 and 3909 to 3915.
- 30% to 20% on glycerol waters and glycerol lyes
- 10% to 7.5% on Denatured ethyl alcohol and
- 12.5% to 10% on Titanium Dioxide and pigments and preparations based on Titanium Dioxide.

G. Agriculture:

Customs duty was reduced from:

i) 7.5% to 5% on food processing machinery and sprinklers and drip irrigation system used for agriculture and horticulture purposes;

ii) 65% to 50% on crude sunflower oil;

iii) 75% to 60% on refined sunflower oil; and

iv) 30% to 20% on Dextrose monohydrate.

Concessional rate of 5% customs duty plus Nil CVD/ excise duty prescribed for specified plantation machinery available upto 30.04.2007, was extended upto 30.4.2009.

H. Textiles:

Customs duty was reduced from 10% to 7.5% on polyester staple fibers and tow, polyester filament yarns, polyester chips, DMT, PTA and MEG.

I. Export Promotion:

Customs duty was reduced from:

- 5% to 3% on cut and polished diamonds
- 12.5% to 5% on rough synthetic gemstones and
- 30% to 10% on un-worked or simply prepared corals.
- Raw, tanned or dressed fur skins were exempted from CVD of 8%.

J. Research & Development:

Concessional rate of 5% customs duty plus nil CVD prescribed for specified items, available to public funded and non-commercial research institutions, was extended to all research institutions registered with the Department of Scientific & Industrial Research, subject to certain conditions. The list of the specified items for pharmaceutical and biotechnology sector presently attracting concessional rate of 5% Customs duty, was expanded by including 15 additional items.

K. Health:

Customs duty was reduced from 12.5% to 7.5% on medical equipments.

L. Project Import:

Digital Cinema Development Projects were included under Project Import category thus attracting 7.5% customs duty.

M. Miscellaneous

I. Custom duty was reduced**:**

(i) from 5% to Nil on-

ii) (a) dredgers;

iii) (b) high ash coking coal.

(ii) from 10% to 5% on butyl rubber, borax or boric acid, and frit.

(iii) from 12.5% to 5% on:

(a) Specific ceramic colours;

(b) Watch dials and movements;

(c) Parts of umbrella, including umbrella panels.

(iv) from 5% to 2% on natural boron ore.

(v) from 30% to 20% on dammar batu and pet food.

II. A uniform customs duty rate of 5% was prescribed for urea unconditionally.

III. Aramid yarns for manufacture of bullet proof jackets for supply to armed forces were exempted from both customs duty and CVD.

N. Withdrawal Of Exemptions

I. Customs duty exemptions/ concessions were withdrawn on following items:

- Chemicals, for use in the manufacture of Centchroman
- Codeine phosphate or Nicotine, imported by Government alkaloid factories
- Recorded magnetic tapes for producing TV serials
- Specified goods like TV cameras (professional grade), audio recording equipment, tabletop desk

production video machine, 8 channel video mixer/ switches etc.

- Specified goods for manufacture of fly-ash based goods.

II. CVD/Excise duty exemptions available on the following items were withdrawn:

a) Cold-set high speed printing machine for newspapers. Such machines will attract excise duty/CVD at 8%.

b) Specified parts of set-top boxes.

3.3.2 CENTRAL EXCISE:

Significant changes made in the Budget 2007-08 in Central Excise tariff are given below:

A. Secondary and Higher Education Cess:

Education Cess @ 1% to finance Secondary and Higher Education was imposed on excisable goods manufactured in India which is chargeable on the aggregate duties of excise leviable.

B. Relief Measures:

Excise duty was fully exempted on:

- Packed biscuits of MRP not exceeding Rs.100 per kg
- Food mixes (including instant food mixes)
- Specified water purification devices based on membrane technology
- Household water filters not using electricity and pressured tap water
- Biodiesels (Alkyl esters of long chain fatty acids obtained from vegetable oils).

Excise duty was reduced from 16% to 8% on umbrellas, plywood, veneered panels and similar laminated wood, fibre board, footwear parts falling under heading 6406, and wadding and gauze.

C. PETROLEUM:

Ad valorem component of excise duty on Petrol and High Speed Diesel was reduced from 8% to 6%.

D. Textiles:

Excise duty was reduced from 16% to 12% on caprolactum and nylon chips, and benzene for manufacture of caprolactum.

Optional excise duty @ 12% was prescribed on fishnet grade nylon yarns, fishnet fabrics, fishnet twine and fishnets.

An excise duty of 8% was imposed on specified textile machinery, which used to attract nil excise duty.

E. Small Scale Industries:

Exemption limit for SSI scheme was increased from Rs. 1 crore to Rs. 1.5 crore w.e.f. 01.04.2007.

F. Research and Development:

Exemption of excise duty was extended to specific items domestically procured by all research institutions registered with the Department of Scientific and Industrial Research, subject to certain conditions.

G. Metals:

The rate of compounded levy on aluminium circles was increased from Rs. 7500/10000 per machine per month to Rs. 12000 per machine per month.

H. Tobacco Products:

Specific rates of total excise duty on cigarettes were revised as given in Table 3.2.

Specific rates of total excise duty (including cess) on biris was revised as under:

i) Biris, other than paper rolled and manufactured without the aid of machines from Rs. 12 to Rs. 16 per thousand.

ii) Other biris from Rs. 22 to Rs. 29 per thousand.

Table 3.2

S. No.	Description	Pre-Budget rate (Rs. per 1000)	Post-Budget rate
	Non-Filter Cigarettes		
1	Not exceeding 60 mm in length	160	168
2	Exceeding 60 mm but not exceeding 70 mm	520	546
	Filter Cigarettes	**780**	**819**
3	Not exceeding 70 mm in length	1,260	1323
4	Exceeding 70 mm but not exceeding 75 mm	1,675	1759
5	Exceeding 75 mm but not exceeding 85 mm	2,060	2163
6	Other cigarettes		
7	Cigarettes of tobacco subsitutes	1150	1208

The exemption limit of 20 lakh unbranded biris in a financial year has now been made subject to the condition that any person wanting to avail of the exemption has to file a declaration with the Central Excise Department.

Excise duty on pan masala not containing tobacco, falling under 2106 90 20, was reduced from 66% to 45%. Consequently, the abatement from maximum retail price was reduced from 50% to 44%.

I. Cement:

General rate

i) Excise duty was reduced from Rs.400/-per metric tonne to Rs. 350/- per metric tonne for cement of retail sale price not exceeding Rs. 190 per 50 kg. bag or retail sale price not exceeding Rs.3,800/- per metric tonne.

ii) Excise duty was increased from Rs.400/- per metric tonne to Rs.600/- per metric tonne for cement of declared retail sale price exceeding Rs. 190/- per 50 kg. bag or retail sale price exceeding Rs.3800/- per metric tonne.

Mini cement plants

i) Excise duty was reduced from Rs. 250/- per metric tonne to Rs. 220/- per metric tonne for cement of declared retail sale price not exceeding Rs. 190/- per 50 kg. bag or retail sale price not exceeding Rs. 3,800/-per metric tonne.

ii) Excise duty was increased from Rs. 250 per metric tonne to Rs. 370/- per metric tonne for cement of declared retail sale price not exceeding Rs. 190/- per 50 kg. bag or per metric tonne retail sale price exceeding Rs. 3,800 /-per metric tonne.

iii) Cement was included in the Third Schedule of the Central Excise Act to provide that in relation to products of heading 2523 29, packing or repacking in unit container, labelling or re-labelling packages, including the declaration or alteration of retail sale price on it or adoption of any other treatment to render the product marketable to the consumer, shall amount to 'manufacture'.

J. Information Technology:

'USB flash memory' and 'DVD drive' were earlier exempt from excise duty. The exemption was extended to 'flash memory' in general and 'DVD drive/DVD writer'.

K. Water Supply Projects:

In addition to the present exemption of excise duty for pipes used for taking water from water treatment plant, including its reservoir, to the first storage point, exemption was extended to all pipes of outer diameter exceeding 20 centimetre, when such pipes are integral part of water supply project, irrespective of its point of use.

L. Retail Sale Price (Rsp) Based Assessment:

Provision for RSP based assessment extended to personal computers (including laptop and other portable computers), printers, monitors, computer key-boards, scanners, computer mouse, computer plotter, facsimile machines, modems and set-top boxes.

M. Withdrawal Of Exemptions:

I. Excise duty exemptions/concessions on following items were withdrawn:

(i) Chemical reagents manufactured by Hindustan Antibiotics Ltd. for use in the manufacture of kits for testing narcotics drugs and psychotropic substances;

(ii) Optical glass manufactured by the Centre Glass and Ceramic Research Institute, Calcutta for use by any department of the Central Government;

(iii) Goods like brooms, hand-operated mechanical floor sweepers, mops, feather dusters, prepared knots and tufts of broom and brush; pain pads and rollers, squeezes, etc.;

(iv) Recorded video cassettes intended for television broadcasting, supplied in formats such as U-matic, Betacam or any similar format;

(v) Nicotine polacrilex gum;

(vi) Dust and powder of synthetic stones.

II. Exemption from excise duty on pan masala containing tobacco and other tobacco products manufactured by specified units in the North East Region was withdrawn.

3.3.3 SERVICE TAX

Changes in Budget 2007-08:

Significant changes introduced in the 2007-08 budget are given below:

Secondary and Higher Education Cess:

Cess of 1% was imposed to finance Secondary and Higher Education on the service tax payable.

A. Following services were individually specified as taxable services

- Telecommunication service (includes various telecommunication related services which are presently specified as separate taxable services)
- Services outsourced for mining of mineral, oil or gas
- Services provided in relation to renting of immovable property, other than residential properties and vacant land, for use in the course or furtherance of business or commerce

- Development and supply of content for use in telecommunication services, advertising agency services and on-line information and database access or retrieval services
- Asset management services including portfolio management and all forms of fund management service provided by any person, except a banking company or a financial institution including a non-banking financial company or any other body corporate or commercial concern
- Design services
- Services provided in relation to the execution of a works contract.

B. Changes made in the scope of specified taxable services

1. To include:

   i) sale of space in business directories, yellow pages and trade catalogues which are primarily meant for commercial purposes under sale of space or time for advertisement service;

   ii) renting of motor vehicles capable of carrying more than twelve passengers under rent-a-cab service. Motor vehicle or maxicab rented to an educational body, other than a commercial training and coaching centre, will be excluded from the scope of the service;

   iii) services provided in relation to marriage functions under mandap keeper service, pandal or shamiana service and event management service;

   iv) computer hardware engineering consultancy under consulting engineer's service.

2. To amend:

   i) Banking and other financial services, so as to:

      - Substitute the words "any others person" with "commercial concern" in the definition of taxable service;
      - Include cash management within its scope; and
      - Explain the term "financial leasing";

   ii) Management consultant service so as to rename it as management or business consultant service and to include explicitly business consultancy within its scope.

3. To clarify that,-

   (i) Recruitment or supply of manpower service includes services in relation to:

      (a) Pre-recruitment screening;

      (b) Verifying the credentials and antecedents of the candidate; and

      (c) Authenticity of documents submitted by the candidates.

   (ii) "Goods" referred to in management, maintenance or repair service includes computer software.

Threshold limit for small service providers

The threshold limit for small service providers was increased from Rs.4 lakh to Rs.8 lakh in a year.

Exemptions

Exemptions from service tax provided to,-

i) All taxable services provided by Technology Business Incubators (TBI)/ Science and Technology Entrepreneurship Parks (STEP) recognized by National Science and Technology Entrepreneurship Board of Department of Science & Technology (also known as "incubators");

ii) Taxable services provided by an incubatee (entrepreneur) whose total business turnover in a year does not exceed Rs. 50 lakh and is located within the premises of an incubator, subject to specific conditions; Services provided by resident welfare association to their members, where the monthly contribution of a member does not exceed Rs.3000/- per month;

iii) Services provided in relation to electronic delivery of cinema in digital form after encryption electronically;

iv) Technical testing and analysis services provided in relation to testing of new drugs, including vaccines and herbal remedies, on human participants by a Clinical Research Organisation (CRO) approved to conduct clinical trials by the Drugs Controller General of India.

Changes after presentation of Budget 2007-08:

Customs duty on wheat was reduced to nil vide notification 52/2007- Customs dated 30.3.2007.

Edible Oils:

Customs Duty on specified edible oil was reduced w.e.f. 13th April, 2007 as under:

i) from 60% to 50% on Crude palm oil, crude polmolein and other fractions of crude palm oil;

ii) from 67.5% to 57.5% on Refined Bleached Deodorized (RBD) palm oil, RBD palmolein and other refined palm oils.

   Customs duty on specified edible oils further reduced on 23rd July, 2007, as under

   i) Crude palm oil including crude palmolein from 50% to 45%;

   ii) Refined palm oil including RBD palmolein from 57.5% to 52.5%;

   iii) Soya bean oils from 45% to 40%;

   iv) Crude sunflower oil from 50% to 40%; and

   v) Refined sunflower oil from 60% to 50%.

Wines and Spirits:

Additional duty of customs in lieu of State excise duties on wines, beers and liquors was withdrawn and simultaneously customs duty rates on wines were increased from 100% to 150% w.e.f. 3rd July, 2007.

N-PARAFFIN:

W.e.f. 3rd May, 2007, the rate of customs duty on N-paraffin was reduced from 10% to 7.5%.

IRON ORE

In 2007-08 Budget, on export duty of Rs. 300 per metric tonne was imposed on iron ores and concentrates, all sorts. W.e.f. 3rd May, 2007, the rate of export duty on iron ore fines of Fe content of 62 per cent and below was reduced to Rs. 50 per metric tonne (PMT).

NICKEL

W.e.f. 3rd May, 2007, the rate of customs duty on nickel and its articles was reduced from 5% to 2%.

Water Purification Equipment

Water purification equipment based on ultra-filtration technology using polysulphone membranes was fully exempted from excise duty.

Refrigerated Motor Vehicles'

Customs duty on 'refrigerated motor vehicles' was reduced from 10% to Nil. Countervailing duty was also reduced on such vehicles from 16% to 8% by way of excise duty reduction from 16% to 8%.

Aircraft and Their Parts

Following changes in customs/ CV duty rate on aircraft and its parts were made after the 2007-08 budget:-

(i) Exemption from customs and excise/ CV duty was extended to aircraft and their parts, imported/procured for providing 'Non-scheduled Air transport (passenger) services and Non-scheduled Air transport (charter) services, subject to specified conditions;

(ii) Exemption from customs and excise/ CV duty was provided to aircraft and its parts, imported/ procured by Aero Club of India or by Flying Training Institutes approved by DGCA, subject to specified conditions;

(iii) By virtue of full exemption from customs and excise/ CV duty, aircraft and their parts mentioned above were also exempted from 4% additional duty of customs.

Fibre Board and Particle Board

The rate of Central Excise duty on fibre board, particle board and similar board was reduced from 16% to 8% w.e.f. 3rd May, 2007.

Slide Fasteners

Central excise duty on slide fasteners, including zip fasteners and their parts was reduced from 16% to 8% w.e.f. 3rd May, 2007.

Cement

Central Excise duty on cement of retail sale price exceeding Rs. 190 per kg bag but not exceeding Rs. 250 per 50 kg. bag or of per tonne equivalent retail sale price exceeding Rs. 3,800 but not exceeding Rs. 5000 was reduced from Rs. 600 per tonne to 12% of retail sale price w.e.f. 3rd May, 2007.

Service Tax

Policy Initiatives taken after Budget 2007-08:

- Notification No.24/2007-Service Tax dated 22.05.2007 exempts taxable service provided by any person in relation to renting of immovable property from service tax equivalent to service tax payable on the amount of property tax, actually paid by the service provider to the local authority. In other words, service tax is payable on the rental amount received less the actual amount of property tax paid.
- Notification No.25/2007-Service Tax dated 22.05.2007 exempts from levy of service tax construction of ports under commercial or industrial construction service [section 65(25b)] and construction of ports under works contract service [section 65(105)(zzzza)].
- Under works contract service, a service provider has been given an option to pay as service tax an amount equivalent to two per cent. of the gross amount charged for the works contract. The Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 has accordingly been notified vide notification No.32/2007-Service Tax dated 22.05.2007.
- The abatement in respect of tour operators providing package tours has been increased from 60% to 75% vide notification No.38/2007-Service Tax dated 23.08.2007.
- Notification No.41/2007-Service Tax, dated 06.10.2007 exempts from levy of service tax, by way of refund of service tax paid, 7 specified taxable services received by exporters, which are not in the nature of "input services" but could be linked to export goods. Two more taxable services have been included in the list of specified services vide notification No.42/2007-Service Tax, dated 29.11.2007.
- Notification No.43/2007-Service Tax, dated 29.11.2007 exempts, by way of refund of service tax paid, the taxable service, namely business exhibition service [section 65(105)(zzo)], provided to manufacturers of goods falling under Chapters 57, 61, 62 and 63, who are registered as exporters of such goods with any of the specified organisations. This notification is valid for a period upto 31st March, 2009.
- Master Circular No.96/7/2007-ST dated 23.08.07 has been issued to codify and clarify technical issues relating to the levy of service tax.

3.4 Measures Taken for Trade Facilitation/ Simplification of Procedure etc. in Customs

Customs

Automated Customs processing:

- Customs procedure for clearance of import/export goods are fully automated at 34 major customs locations covering 85% of total import/export transactions.
- Customs processing of import and export declarations for clearance of goods provide tracking from desk to desk, enabling for pinpointing the responsibility for any delay and accountability.
- Thus any specific case of delay or slow processing at any stage or port/ can be identified and necessary measures to avoid similar delays can be implemented.

Customs trade facilitation measures:

- Internet filing: Importers, exporters or their authorized agents can file customs declaration online through internet. They can track the movement and status of Customs processing and ascertain the duty to be paid by them on internet.
- Accredited Clients Program (ACP): In line with the internationally accepted norm of 'Special procedures' for authorized person who meet criteria specified by the Customs and have a good compliance record, ACP has been introduced. ACP provides assured facilitation to accredited importers by allowing clearance of goods on the basis of their declarations, and without examination of goods. Their imports will be subject only to a small percentage of system generated random checks.
- Risk Management System (RMS): A risk analysis method for customs assessment and examination for clearance of imported goods has been introduced. Under RMS, only high risk cargo is taken up for detailed customs assessment and examination while other cargo is directly given out-of-charge from customs without assessment and examination.
- Interaction with all stakeholders on Trade Facilitation: Commissioner of Customs at all seaports, airports/ air cargo hold monthly trade facilitation meeting to address the issue concerning the export/import problems brought forward by trade and industry.

Procedural simplification through consultations with stakeholders:

- IMG – Shipping and Air: Two separate Inter Ministerial Groups (IMG), covering the import and export goods handled through seaports/ CFS and Air cargo, held detailed consultation with stakeholders to identify the bottlenecks in expeditious clearance of goods. Recommendations were jointly discussed with the stakeholders before implementation. The procedural changes implemented facilitate trade and reduction of dwell time and transaction cost for cargo clearances.
- E-Payment: In order to reduce the time taken for payment of customs duty, electronic payment facility has been introduced.
- Reduction of storage period: The free period allowed to importers for storage of imported goods with the custodian, had negative impact on expeditious clearances of goods by them. From October, 2007 this free period was reduced in respect of air cargo from 5 days to 3 days. It is reported that after this change, substantial volume of cargo is being cleared by importers within the reduced free period, thus showing positive impact on reduction of dwell time.

3.5 Drawback Division

I. During 2006-07 and the current year i.e. 2007-08, several initiatives have been taken for facilitating imports and exports. Emphasis has been given for simplifying the procedures while not compromising the interests of revenue. The details regarding policy initiatives taken in respect of Drawback Scheme (both All Industry Rate and the Brand rate) are given below:

(a) Drawback Schedule, 2006-07

The duty drawback rates for the year 2006-07 were formulated after extensive consultations with the various Ministries/ Departments of the Government of India, industry & trade associations and other stakeholders. The All Industry Duty Drawback Schedule, 2006-07 came into force w.e.f. 15.7.2006.

2. The drawback rates were determined on the basis of certain broad parameters including, *inter alia*, the prevailing prices of inputs, standard input/ output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As Education Cess is being collected as duties of excise/customs, the element of Education Cess has been factored in the drawback rates. The incidence of duty on HSD/ Furnace Oil has also been factored in the drawback calculation.

3. As a conscious policy decision, barring a few exceptions the rates on all export products had been expressed in ad valorem terms in lieu of earlier specific rates, i.e. Metric Tonne /kg etc. Though the weight based drawback is reported to be less vulnerable to abuse, the ad valorem rates have the dual virtue of firstly being fair to the exporters and secondly, serve the policy objective of encouraging the export of value added items.

4. The Drawback Schedule, 2006-07 was fully aligned with the HS Nomenclature at the four digit level. While for major export items the drawback rates were worked out at four-digit/six-digit/eight-digit level, for others a mixed classification, based on precedent and convenience, had been used for prescribing the drawback rates. In several cases, a residual entry had been created so that no export item is left out from a particular heading.

5. The Drawback Schedule, 2006-07 covered about 2700 entries comprising 685 entries at the four-digit level and 2015 entries at the six-digit/eight-digit/modified six/eight-digit level. Though the entries add to a total of 2700 only, the number of manufactured products covered by these entries would be many times this figure.

6. A significant feature of the Drawback Schedule 2006-07 was that the drawback rates took into account the incidence of Service Tax paid on taxable services which are used as input services in the manufacturing or processing of export goods. The Drawback Schedule, 2006-07 included 84 new items. These include cotton bags, leather caps, aluminum art-ware, suitcases & handbags of plastics, tractor parts, compressors, etc. and Furnace Oil and HSD supplied by domestic oil companies to the units located in SEZs.

(b) Drawback Schedule 2007-08

New Duty Drawback Rates for the year 2007-08 were again formulated after extensive consultations with the various Ministries/Departments of the Government of India, industry & trade associations and other stakeholders. They were fixed on the basis of data furnished by the Export Promotion Councils/ Associations/Export Organizations and take into account the changes effected in the duties of Customs & Central Excise and Service Tax in the last Union Budget.

2. The drawback rates were determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/ output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. The incidence of duty on HSD/Furnace Oil was factored in the drawback calculation. The incidence of Service Tax paid on taxable services which are used as input services in the manufacturing or processing of export goods was also factored in.

3. The Drawback Schedule includes several new items. These include mats/rugs made of LDPE/LLDPE, leather-cum-synthetic/ textile footwear upper, coir mats, parts of electrical apparatus made of copper/ brass, handicraft/artware of stainless steel and certain dye & dye intermediates.

4 Taking into account the incidence of taxes on inputs, the drawback rates were increased in most of the cases. A significant feature of the Drawback Schedule, 2007-08 is that the increased rates have been made effective retrospectively from 1.4.2007. The reduced rates however have been made effective prospectively from 18.7.2007, i.e. the date of coming into force of the notification. Further, as a trade facilitation measure, instructions were issued vide Circular No. 39/2007-Cus dt. 9.10.2007 that the differential drawback amount which has become due to the exporters because of the increase in drawback rates with retrospective effect from 1.4.2007, may be automatically credited into the exporters' accounts by the EDI system of Custom Houses without the exporters having to file supplementary claims against each EDI shipping bill.

(c) Policy initiatives in respect of Brand Rate of Duty Drawback

A special drive was launched for disposal of the pending claims. The Chief Commissioners were asked to bestow personal attention so as to ensure that the pendency of claims is reduced to the barest minimum.

II. The Government has formulated a number of export promotion schemes to support and promote exports. The policy frame-work is laid down in the Foreign Trade Policy, 2004-09 whereas the procedures governing the schemes are detailed in the Handbook of Procedures, Vol. I, 2004-09. The Drawback Division has issued notifications to implement the provisions of the Foreign Trade Policy, 2004-09.

III. The gist of all the notifications and circulars issued by the Drawback Division during 2006-07 and during 2007-08 (upto 15.12.2007) is annexed as **Annexure II.**

Annexure-II

Notifications issued by Drawback Division during the period from 01.04.2006 to 31.03.2007

1 Notification No. 40/2006-Customs dated 01.05.2006 was issued to operationalise the Duty Free Import Authorisation Scheme under which duty free import of materials is permitted subject to fulfilment of a specified export obligation.

2 Notification No. 42/2006-Customs dated 05.05.2006 was issued to amend notification No. 21/2002-Customs dated 1.3.2006 so as to permit duty free import of Toe caps & Toe puffs by manufacturers of specified products of leather or synthetic footwear. Further several items have been added to facilitate duty-free import of specified chemicals by exporters of sea-food products for use in processing of sea food products.

3 Notification No. 43/2006-Customs dated 05.05.2006 was issued to amend notification Nos 91/2004- Cus. dated 10.9.2004, 92/2004- Cus. dated 10.9.2004, 93/2004- Cus. dated 10.9.2004, 94/2004- Cus. dated 10.9.2004, 97 2004- Cus. dated 17.9.2004 and 41/2005- Cus. dated 9.5.2005 so as to operationalise the changes introduced in the Foreign Trade Policy in respect of Advance Authorisation, Served form India & EPCG Schemes and Vishesh Krishi Upaj Yojana. The notification also extends the facility of various export promotion schemes to certain new ports, inland container depots and land customs stations.

4 Notification No. 34/2006-Central Excise dated 14.6.2006 was issued to facilitate domestic procurement of goods against Served from India Scheme Certificate without payment of Central Excise duty.

5 Notification No. 73/2006-Customs dated 10.07.2006 was issued to operationalise the Target Plus Scheme on the basis of incremental exports during 2005-06.

6 Notification No. 79/2006-Customs (NT) dated 11.07.2006 was issued to allow drawback retrospectively w.e.f. 5.5.2005 for hand bags and shopping bags of cotton, leather caps and combs made of polypropylene.

7 Notification No. 80/2006-Customs (NT) dated 13.07.2006 was issued to amend the Customs and Central Excise Duties Drawback Rules 1995 so as to provide for rebate of Service Tax paid on taxable services used as input services in the manufacture of export goods. Vide this notification, the title of the rules has been changed from the Customs & Central Excise Duties Drawback Rules, 1995 to 'Customs, Central Excise Duties and Service Tax Drawback Rules, 1995. The Notification further amends the said rules retrospectively from 1st April, 2003 to provide that besides an exporter, a manufacturer may also apply for brand rate of drawback under Rule 6 and Rule 7.

8 Notification No. 81/2006-Customs (NT) dated 13.07.2006 was issued to notify new drawback rates for 2006-07. The new All Industry Duty Drawback Schedule came into force w.e.f. 15th July, 2006.

9 Notification No. 88/2006-Customs dated 31.08.2006 was issued to amend notification 92/2004-Customs dated 10.9.2004 so as to permit duty free imports of goods under Served from India Scheme Certificate to golf resort having catering facility. It also amends notification No.94/2004 Customs dated 10.9.2004 dealing with duty free imports under advance licence for annual requirement.

10 Notification No. 90/2006 Customs dated 01.09.2006 was issued to operationalise the Focus Market Scheme to facilitate duty free imports against duty credit scrip issued under the Scheme.

11 Notification No. 41/2006-Central Excise dated 13.10.2006 was issued to amend Notification No.34/2006- Central Excise dated 14.6.2006 to rectify an omission by inserting the words 'capital goods including spares'.

12 Notification No. 91/2006- Customs dated 01.09.2006 was issued to operationalise the Focus Product Scheme to facilitate duty free imports against duty credit scrip issued under the scheme.

13 Notification No.115/2006-Cus (NT) dated 22.11.2006 was issued to amend notification No.81/2006-Cus (NT) dated the 13th July, 2006 with effect from 15th July, 2006 to provide that all artware and handicraft items shall be classified under the heading of artware and handicrafts according to their constituent material as mentioned in the relevant Chapters of the Drawback Schedule.

14 Notification No. 116/2006-Cus (NT) dated 22.11.2006 was issued to amend Notification No.81/2006-Cus.(NT) dated the 13th July, 2006 to provide that the term 'Dyed' in relation to textile materials in Chapters 54 & 55 of the Drawback Schedule shall include 'printed or bleached'.

15 Notification No. 117/2006-Customs dated 19.12.2006 was issued to amend notification No.53/2003-Cus and 54 2003-Cus both dated 1.4.2003 to provide for exemption from the whole of the additional duty leviable under section 3 of the Customs Tariff Act, 1975.

16 Notification No. 48/2007-Cus dated 29.3.2007 was issued to amend the Notification No.89/2005-Cus dated 4.10.2005 so as to allow imports under the DEPB Scheme without payment of duty upto 31.3.2008.

Circulars issued by Drawback Division during the period from 01.04.2006 to 31.03.2007

1. Vide Circular No. 16/2006-Cus. dated 09.05.2006, silent features of the Annual Supplement to the Foreign Trade Policy, 2004-2009 (announced on 7.4.2006) were explained to the field formations.

2. Vide Circular No. 18/2006-Cus. dated 05.06.2006, levy of special CVD under various export promotion schemes was clarified to the field formations. It was also clarified that special CVD debited through DEPB, DFCE, Target Plus etc certificates is allowed to be taken as CENVAT/ Drawback.

3. Vide Circular No. 19/2006-Cus. dated 13.7.2006, the salient features of the All Industry Duty Drawback Schedule, 2006-07 were explained to the field formations.

4. Vide Circular No. 20/2006-Cus. dated 21.07.2006, it was clarified that in respect of imports under DFCE scheme, the special CVD should be paid in cash which can be taken as CENVAT credit or drawback

5. Vide Circular No. 21/2006-Cus. dated 10.08.2006, a clarification was issued for re-export of goods imported under Served from India Scheme and Vishesh Krishi and Gram Udyog Yojana.

6. Vide Circular No. 22/2006-Cus. dated 21.08.2006, it was clarified that National Calamity Contingent Duty is leviable on crude petroleum oil imported under Advance License (Authorization) Scheme and Duty Free Import Authorisation Scheme. Education cess @ 2% is leviable on such imports.

7. Vide Circular No. 25/2006-Cus. dated 19.09.2006, it was clarified that for the purpose of calculation of value addition while determining brand rates duty drawback, the notional value of imported materials supplied free of cost by the foreign supplier should be added both to the CIF value of imports and the FOB value of export goods.

8. Vide Circular No. 27/2006-Cus. dated 13.10.2006, it was clarified that the additional customs duty paid in cash or through debit in certificate issued under DFCE/Target Plus Scheme can be availed of as CENVAT credit or duty drawback.

9. Vide Circular No. 37/14/2006-CX dated 3.11.2006, a procedure has been laid down for debiting the original scrips issued under Served from India Scheme (SFIS) for payment of Central Excise duty in the case of domestic procurement of goods.

3.6 International Customs Division (ICD)

The main achievements of International Customs Division(ICD) are as under:

(i) For effective enforcement of Intellectual Property Rights at the borders, the Department has issued a notification No. 49/2007-Customs (NT) dated 8-5-2007, which prohibits import of good infringing trademarks, designs, copyrights, patent and geographical indications subject to following procedures and conditions of Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, notified vide Notification No 47/2007-Customs (NT) dated 8th May, 2007. The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 lays down detailed procedures to be followed by the right-holders as well Customs authority for suspension of release of goods infringing trademarks, designs, copyrights, patent and geographical indications. CBEC, as a measure of trade facilitation, has also introduced web-enabled registration by the right-holders.

(ii) An agreement between the Republic of India and the Federative Republic of Brazil concerning Co-operation on Mutual Assistance on Customs Matters has been signed on 4-7-2007.

(iii) An agreement on Customs & Tax Administration Co-operation amongst the Government of Republic of India, the Government of Federative Republic of Brazil and the Government of Republic of South Africa has been signed on 17-11-2007.

3.7 Audit

(i) Central Excise

1 The anti-evasion and audit performance in Central Excise and Service Tax is given in Table 3.3.

2. E-payment (through internet banking) of Central Excise duty has been made mandatory for assessees who are paying duty of more than Rs. 50 lakh by cash annually. Subsequently as a trade facilitative measure rule 8 of the Central Excise Rules, 2002 has been amended to allow one additional day for payment of duty through e-payment.

3. A new rule 5A has been inserted [vide notification No. 24/2007CE(NT) dated 25.04.2007] in the CENVAT Credit Rules, 2004 to provide for refund of CENVAT credit to units in North Eastern states. As per this rule, where a manufacturer has cleared final products in terms of notification No.20/2007-Central Excise, dated the 25.04.2007 (applicable to these states) and is unable to utilize the CENVAT credit of duty taken on inputs required for manufacture of final products specified in the said notification, other than final products which are exempt or subject to nil rate of duty, for payment of duties of excise on said final products, then he is allowed the refund of such credit subject to procedure, conditions and limitations specified in notification No. 25/2007-CE(NT) dated 25.04.2007.

(ii) Service Tax

(a) Highlights of the performance and achievements during the year

The Budget Estimate for the Service Tax has been fixed at Rs.50,200/- crore for 2007-08 and the Number of services has been increased to 100 in 2007-08. During the year, the Service Tax Section has issued 6 notifications and 9 circulars in Service Tax. At the same time number of

i) Anti Evasion Performance:

(Rs. in crore)

Table 3.3

Year	No. of cases booked	Amount of duty involved	Amount recovered
2005-06	7621	4663	860
2006-07	7199	4124	970
2007-08 (upto Nov.)	3475	4663	737

(ii) Audit performance:

(Rs. in crore)

Year	No. of audits conducted	Amount of duty detected	Amount of duty recovered
2005-06	25938	2094	280
2006-07	28596	3846	581
2007-08(upto Sept.)	12436	1811	292

clarification regarding interpretation of statutes etc. issued from this Section in the field of Service Tax are 184.

3.8 Litigation under Indirect Tax

(i) Legal Cell

1. The CX.8A/ Legal cell in the Board is primarily responsible for handling litigation arising out of High Courts' order on Customs, Central Excise and Service Tax matters before the Supreme Court. The Legal Cell is also assigned the responsibility of appointment of Special Public Prosecutors and Special Counsels to represent the Department in various courts and tribunals throughout the country.

2. For the purpose of proper representation of indirect tax matters before the Supreme Court, the Board had initiated a proposal with the Ministry of Law & Justice for appointment of Additional Solicitor General (Taxation) for exclusive handling and monitoring of revenue matters before the Supreme Court. The Cabinet has approved the proposal of Ministry of Law & Justice for creation of the post of Additional Solicitor General (Taxation). The creation of such post / appointment of Additional Solicitor General (Taxation), having vast and in-depth knowledge of taxation matters would help the Central Government in making effective representation before the Courts.

3. For streamlining the litigation mechanism before various High Courts, the Board moved a proposal to the Ministry of Law & Justice for allowing the Board to have its own panel of Counsels to handle indirect tax matters before various High Courts as against the present system followed where the case are handled by the counsels out of the panel drawn by the Ministry of Law & Justice. The Law Ministry has accorded its approval to the said proposal and the department has prepared and issued the guidelines for appointment / terms and conditions of these counsels.. The process for appointment of counsels before the various High Courts has been initiated by the jurisdictional Chief Commissioners. This mechanism would actively streamline the litigation of indirect taxation before the High Courts by providing counsels well versed in indirect tax matters.

4. The number of cases pending before the Supreme Court and the High Courts as on 30.09.2007 and revenue involved therein is given in Table 3.4.

5. To ensure better coordination with the Ministry of Law in conducting of cases before the Supreme Court and the High Courts, Secretary-level meetings have been held from time to time during the year.

(ii) Judicial Cell

The Judicial Cell of CBEC assists the office of Member (L&J) in examining and filing of departmental appeals in Supreme Court against CESTAT orders, and also presenting the department cases before the High Power Committee COD with reference to departmental disputes with PSUs.

The following tasks/work have also been undertaken by the Judicial Cell:

(a) Conscious efforts have been made to upgrade the quality of departmental appeals at all appellate fora. The thrust area has been to overcome volumes and concentrate on sustainability of department's cases by better examination and analysis of the appeal proposals.

(b) Sincere efforts have been made to reduce the time taken in filing of Civil Appeals (C.A.). These efforts have led to prompt & timely filing of Civil Appeals before the Supreme Court.

3.9 Arrears

(A) Central Excise

The total amount of arrears of Central Excise, as on 30.09.2007, was Rs. 18436 crore (approx.) as compared to Rs. 17200 crore (approx.) as on 30.09.2006. Administrative legal and persuasive measures are being taken regularly for early disposal of cases and realization of related arrears.

PAC Section

1. Audit observations in regard to Central Excise and Service Tax matters have been made in Audit

Table 3.4

	No. of cases	Amount (Rs. in crore)
Supreme Court	2217	4601.38
High Courts	11475	6586.85
CESTAT	29057	30105.96
Commissioner (Appeals)	11896	2383.72

Performance During the Year 2006-07

Table 3.5: Departmental Appeals

Year	Number of C.A. proposals received	Number of appeals filed	Number of cases where CESTAT accepted
2006-07	443	326	117

Table 3.6: Party Appeals

Year	Number of Appeals
2006-07	69

Departmental Disputes with PSUs

Table 3.7: Processing of COD proposals

Year	Opening Balance	No. of proposal received	Total	No. of proposals disposed off	Closing Balance
2006-07	50	178	228	185	43

Table 3.8: Progress in COD Meeting

Year	No. of meeting	PSU cases	Departmental cases	PSU cases allowed	PSU cases not allowed	Departmental cases allowed	Departmental cases not allowed
2006-07	26	459	112	235	130	56	45

Information About the Performance/Achievements up to Last Year

Table 3.9: Departmental appeals

Year	No. of C.A. proposals received	No. of appeals filed	No. of cases where CESTAT order accepted
2001-02	516	383	133
2002-03	565	248	298
2003-04	761	294	467
2004-05	736	322	414
2005-06	551	347	204

Table 3.10: Party Appeals

Year	Number of Appeals
2001-02	140
2002-03	123
2003-04	111
2004-05	117
2005-06	123

Table 3.11: TME					
Year	Opening Balance	No. of proposal received	Total	No. of proposals disposed off	Closing Balance
2001-02	00	132	132	75	57
2002-03	57	64	121	79	42
2003-04	42	232	274	214	60
2004-05	60	240	300	228	72
2005-06	27	171	198	148	50

Table 3.12: OGRE					
Year	No. of meeting	PSU cases	Departmental cases	PSU cases allowed	Departmental cases allowed
2001-02	19	248	33	222	16
2002-03	22	240	85	130	14
2003-04	24	286	100	173	24
2004-05	23	347	106	240	27
2005-06	25	537	150	420	83

(Value Rs. in crore)

Table 3.13: Seizure Cases (Outright smuggling cases)		
Year	All India (Including DRI)	DRI
2006-2007	689.16	377.38
2007-2008 (up to Sept. 07)	673.33	518.58

Report No.7 of 2007 (Performance Audit) and Audit Report No. 7 of 2007 (Regulatory Audit) of the C&AG of India.

2. Before the aforesaid reports were prepared by the C&AG, most of the matters appearing therein was received in the Finance Ministry as Draft Audit Paras (DAPs) or Paras on System Review earlier in the year 2006-07. These DAPs as well as Audit Report No. 7 of 2007 have been duly examined by the Ministry and the replies have already been furnished to C&AG of India.

3. The Ministry receives on average 250 to 300 DAPs on Central Ezory Audit) relating to the current year as well as earlier years. Out of 240 DAPs received last year i.e. 2005-06, as many as 39 were not included in the Audit Report. In respect of 201 DAPs included in the Audit Report No.7 of 2007, replies have been furnished. Further, 93 DAPs of 2005-06 have been settled by the C&AG office.

(B) Customs:

Arrears of Customs Revenue (Confirmed Demands) as on 30.11.2007 is Rs. 6197 crore (approx). The arrears of revenue are kept under constant watch and all effort are made to ensure their timely recovery.

3.10 Anti-Smuggling Unit

3.10.1 Performance in the area of Anti-smuggling is given in Table 3.13, 3.14, 3.15.

3.10.2 Acquisition of 109 Customs Marine Vessels

Although there has been a tremendous decline in the past fifteen to twenty years in the smuggling of gold, silver, electronic goods, and other goods that were traditionally most prone to smuggling, yet our borders remain vulnerable to the smuggling of other contraband goods, namely, arms/ammunition, explosives, Fake Indian Currency Notes, narcotic drugs etc. A high state of alertness and focused attention on prevention of smuggling of these contraband goods, which pose a serious threat to national security, is of paramount importance. To assist the Customs Department in the

(Rs. in crore)

Table 3.14: Customs Duty Evasion cases (Figures based on show cause notices issued)		
Year	Duty demanded All India (Including DRI)	DRIDuty demanded
2006-2007	1991.67	1679.96
2007-2008(upto Sept. 07)	522.44	459.65

(Rs.in crore)

Table 3.15: Duty Realised on All India Basis & DRO		
Year	All India	DRI
2006-2007	202.97	173.01
2007-2008(upto Sept. 07)	170.12	153.70

prevention/detection of movement, across the country's sea borders, of such contraband goods, the sanction of the Cabinet Committee on Economic Affairs was obtained in February, 2007 for acquisition of 109 marine vessels (in 3 categories), in lieu of vessels already condemned or likely to be condemned at a cost of Rs 358.19 crore. Category I vessels are high speed, high endurance patrolling vessels. Category II vessels are interceptors and Category III vessels will be used in shallow water areas like harbor/creek/delta etc. The construction of Category I vessels is on schedule and delivery of first vessel is due in March, 2008. Thereafter, one vessel will be delivered every month. The delivery of the first two vessels in Category III A and Category III B is likely by end January, 2008. All the 109 marine vessels will be delivered by 2009-10.

3.10.3Procurement of 7 Truck/Container Scanning System

In its meeting of 27-10-2006, the Cabinet approved the proposal of the Department of Revenue to procure 7 container scanners (4 Fixed X ray & 3 Mobile Gamma ray scanners) for installation at Mumbai, Chennai, Tuticorin and Kandla Ports, at an estimated cost of Rs. 172.94 crore. One fixed 9 MeV X-ray scanner shall be installed at each location. In addition, 1 mobile Gamma ray scanner each shall be installed at Chennai, Tuticorin and kandla.

The installation of container scanners will enhance the non-intrusive inspection capability of the Customs Department, and result in more efficient discharge by the Customs Department of its statutory functions i.e. the collection of Customs duties and other levies as well as the prevention/detection of movement across the country's international borders of contraband goods. It will also enable the Government to enhance the Port Facility security as required by the International Ship and Port Facility Security (ISPS) Code.

3.11 DIRECTORATE OF PUBLICITY & PUBLIC RELATIONS

(a) Highlights of the performance and achievements during the year 2007-08 (upto 31.12.2007)

Publicity

The Directorate of Publicity & Public Relations planned and executed a massive multi-media drive to enhance public awareness about Service Tax and Central Excise. Advertisements with educative messages and also containing the information on important Service Tax provisions and new services brought under the Service Tax net were widely publicized as per details given below:

(a)	No. of Hindi advertisements	11
	No. of newspapers	68
(b)	No. of English advertisements	11
	No. of newspapers	69
(c)	No. of Hindi advertisement films or shorter versions thereof:	2
	1. 'Highest Taxpayer-II'	(20-second)
	2. 'Atma Ki Awaj'	(30-second)
	No. of Channels on which placed	8

[DD National; DD News and DD Bharati; Aaj Tak; Star News; Zee News; India TV; Sahara Samay, National]

Publications

(a) Immediately after the presentation of the Union Budget for 2006-07, Budget Bulletins were printed overnight and air-couriered to field formations. Central Excise and Customs Tariffs were updated and sent through special messengers to field formations to ensure uninterrupted tax collection. Notifications/Circulars relating to Central Excise, Customs and Service Tax were published and sent to field formations and subscribers and also sold to trade and public. Monthly publications e.g. CBEC Digest, ICE Trade Digest, updated editions of Travellers Handbook and Sampark were printed and sent to field formations. Variopus manuals sent to this Directorate from the Board and other formations for publication were also printed.

(b) Functional working of the organization

This Directorate is looking after publicity, public relations and publication requirements of the Customs, Central Excise and Service Tax Department and functions under the direct control of Central Board of Excise and Customs. The Directorate is located at New Delhi.

(c) Performance/achievements in the last year;

During the year 2006-07, this Directorate publicized the Service Tax through print and electronic media. A large number of new service providers took registration and Service Tax collection increased tremendously. The Service Tax campaign through print and electronic media was responsible to a large extent for increase in the Service Tax base and tax collection.

The Directorate undertook wide publicity to enhance public awareness about Service Tax and Central Excise and encourage voluntary tax compliance through print and electronic media as per details below:

(a)	No. of Hindi advertisements	48
	No. of Newspapers	63
(b)	No. of English advertisements	57
	No. of Newspapers	90
(c)	No. of Hindi advertisement films or shorter versions thereof:	2
	1. 'Highest Taxpayer-II'	(20-second)
	2. 'Atma Ki Awaj'	(30-second)
	No. of Channels on which placed	8
	[Aaj Tak, IBN 7, India TV, Sahara Samay National, Star News, Zee News, DD News (with package), Lok Sabha TV]	
(d)	No. of regional advertisement films or shorter versions thereof:	1
	[Atma Ki Awaj]	(30- second)
	No. of Channels on which placed	16
	[Star Ananda (Bangla); ETV Bangla; ETV Gujarati; Zee Gujarati; Kannada Udaya TV; ETV Kannada; Malayalam Surya TV; Asianet (Malayalam); ETV Marathi; Zee Marathi; ETV Oriya; Zee Punjabi; ETC Punjabi; SUN TV (Tamil); K TV (Tamil); Gemini TV (Telugu) ETV Telugu;	
(e)	No. of Radio Spots:	1
	'Progress & Taxes'	(40-second)
	No. of Channels on which placed	13
	[Radio City (Bangalore, Delhi and Mumbai); Red FM (Delhi, Kolkata and Mumbai); Radio Mirchi (Ahmedabad, Delhi, Kolkata and Mumbai) and FM Gold (Delhi, Kolkata and Mumbai].	

3.12 Directorate General of Inspection

Charter of Duties

3.12.1 The main functions of the Directorate General of Inspection are as follows:-

i) To study the working of the Customs, Central Excise and Narcotics Departmental machinery throughout the country

ii) To suggest measures for improvement of its efficiency and rectification of important defects in it through inspection and by laying down procedures for smooth functioning

iii) To carry out inspectThe Director General of Inspection is the Head of the Department having all India jurisdiction. He is supervising and controlling the functions of all the Regional Units located at Mumbai, Chennai, Kolkata, Delhi and Hyderabad.

3.12.2 Each Regional Unit is headed by one Additional Director General who is the head of the Department. At the headquarters office, the ADG(Hqrs and Admn.) has been delegated the powers of Head of Department. All ADGs are assisted by Additional Directors/Joint Directors/Deputy Directors and Assistant Director.

3.12.3 The Director General of Inspection is the Cadre Controlling authority of Group B, C and D for the Directorate General of Inspection, DG (Vigilance), DG(Housing and Welfare), DG (Export Promotion), Office of the CDR, Directorate of Legal Affairs, DG (Audit), DG (Safeguards) and Directorate of Organization and Personnel Management.

3.12.4 This Directorate was constituted in 1939, as part of the Board office for conducting periodical inspections and advising the Board on technical questions and on standardization of organization and procedure in the Customs Houses and the Central Excise Collectorates. It was separated from the Board on 1st April, 1946 and given the status of an attached office.

3.12.5 This directorate does not exercise any statutory powers under the Customs Act or the Central Excise Act, as it is not recognized as an authority for the purpose of those Acts. It mainly comprises of 5 regional Units(North regional Unit/Central Regional Unit/West Regional Unit/South Regional Unit/East Regional Unit), Customs Wing(Hqrs), Central Excise Wing(Hqrs), Administrative Wing & Nepal/ Bhutan refund Wing under the immediate supervisory control of the Director General and performs functions as approved by Central Board of Excise and Customs.

Nepal Rebate Sanctioned by DGICCE

The Nepal Rebate Section of the Directorate processes the Central Excise duty rebate claims and makes the payment to Government of Nepal in terms of various notifications issued from time to time. Apart from processing of the DRP invoices, various other related matters are also dealt in the section, e.g. recapitulation statement for each Bill is prepared and forwarded to all the Central Excise Commissionerates with a

Highlights of Performance

Table 3.16: Details of no. of Inspections of Commissionerates conducted by DGICCE & RUs*				
Formation	2004-2005	2005-06	2006-07	2007-08
DGICCE(C.Excise)	18	19	19	13
DGICCE(Customs)	1	10	15	6
NRU	-	-	17	7
ERU	1	-	12	14+3(special study)
CRU	4	1	7	11
SRU	5	2	18	12+4(special study)
WRU	11	-	10	13
TOTAL	**4**	**32**	**98**	**66**

** Upto December, 2007*

Table 3.17: Central Excise - Special Assignments / Studies	
Sl.	Subject
1.	Study on excise utilization of Cenvat -Plastic products
2.	Proforma of Inspection of Cigarette factories
3.	Valuation of goods manufactured on job work
4.	Classification of sewing machines-
5.	System Review on Refund rebates & ER-I –under process

Table 3.18: Customs	
S. No.	Description
1.	Inspection Action Plan for 2007-08 prepared and circulated to RU's on the basis of fresh directions of Board that all Commissionerates are to be inspected every year.
2.	It is proposed to conduct a system review of DEEC scheme, a major export promotion scheme. This work will be assigned to WRU taking into consideration the huge import under DEEC scheme is being carried out under jurisdiction of Western Region.
3.	Monitoring of performance in Monthly Technical Reports (MTR) and Adjudication of cases in the categories of a) Pending more than one year b) where amount involved is more than Rs. one crore, c) where the amount is more than Rs. one crore and case is pending for more than one year.

Table 3.19: Work done regarding implementation of Official Language Policy	
S. No.	Description
1.	Conducted 27 inspections during 2007-08 (upto December,2007) of field formations with respect to implementation of Official Language (OL) Policy.
2.	Three Meetings of Parliamentary Committee & Sub- Committee on OL attended
3.	Translation of Customs / Central Excise / Preventive Manual. Out of a total of 12 mannuals, 10 mannuals are printed. The other 2 have been sent to D.P.P.R for printing.
4.	Publishing of Hindi Patrika on half-yearly basis

Table 3.20			
S.No.	Year	Total amount(in Rs.)	No. of invoices processed
1.	2004-05	1,28,09,71,495	53427
2.	2005-06	96,63,46,688	40769
3.	2006-07	1,70,31,97,397	54607
4.	2007-08 (upto December, 2007)	1,19,88,37,407	35839

Table 3.21	
Year 2005 (for the year 2002)	
Amount claimed	Rs. 60,78,07,582/-
Amount finalized	Rs. 51,00,88,512/-
Year 2006 (for the year 2003)	
Amount claimed	Rs. 90,07,63,887/-
Amount finalized	Rs. 62,55,71,543/-
Year 2007 (for the year 2004) (upto December, 2007)	
Amount claimed	Rs. 92,24,03,487/-
Amount finalized	Rs. 72,51,52,173/-

copy to the Government of Nepal. The details are given in Table 3.20

Refund of Excise Duty to Royal Govt. of Bhutan

Amount of Refund Sanctioned on Export to Bhutan

The DGICCE is also dealing with the excise duty refund claims to the Royal Government of Bhutan. The details of amount claimed and amount finalized in connection with excise duty refund to the Government of Bhutan since 2005 is given in Table 3.21.

"SEVOTTAM" - Service Delivery Excellence Model in CBEC

A Service Delivery Excellence Model "SEVOTTAM" (IS 15700:2005) has been developed by the Department of Administrative Reforms and Public Grievance (DARPG) to bring excellence in service delivery in all the Central Government organizations within a period of 2 years and obtain quality standard certification.

CBEC has duly set up an "Implementation Committee", with the Director General of Inspection (DGI) as its Chairman, to carry out the task of implementation of "SEVOTTAM".

Extensive meetings were held with the stakeholders and also with the members of the Working Group (constituted for review of Citizen Charter) having representatives from Trade, Custodians , CHA Associations, departmental officers and staff associations, etc, and a draft of the revised Citizen Charter has been prepared.

For the implementation of Sevottam, training programmes have been organized for departmental officers and workshops have been organized for the staff of those Commissionerates where this scheme is being implemented on pilot basis.

The infrastructural and staff requirements are being obtained, for implementation of Sevottam, from Pilot Commissionerates. Work on preparation of Service Quality Manual has also been initiated with the assistance of the Consultant engaged for the purpose.

4. Central Board of Direct Taxes

4.1 Organisation and Functions

The Central Board of Direct Taxes (CBDT), created by the Central Boards of Revenue Act 1963, is the apex body entrusted with the responsibility of administering direct tax laws in India, viz. Income tax, Wealth tax, Banking cash transaction tax, Securities transaction tax, etc. The CBDT consists of a Chairman and six Members. It is the cadre controlling authority for the Income Tax Department, which employs a work force of 61,463 officers and staff including 8,640 Gazetted officers (4,192 Group 'A' and 4,448 Group 'B' officers), remaining being non-gazetted employees in Group 'C' and Group 'D' categories. For administrative convenience the Department has been divided into five zones – East, West, North, South and Mumbai – each zone under the operational supervision of a Member in the CBDT.

In its functioning, the CBDT is also assisted by the following offices:

(i) Directorate General of Income Tax (Administration)

a) Directorate of Income Tax (PR,PP&OL)

b) Directorate of Income Tax (Recovery)

c) Directorate of Income Tax (Income Tax & Audit)

d) Directorate of Income Tax (TDS)

(ii) Directorate General of Income Tax (Systems)

a) Directorate of Systems

b) Directorate of Infrastructure

c) Directorate of Income Tax (O&MS)

(iii) Directorate General of Business Process Re-engineering(BPR)

(iv) Directorate General of Income Tax (Legal & Research)

(v) Directorate General of Income Tax(Training)

(vi) Directorate General of Income Tax(Vigilance)

4.1.1 Various Chief Commissioners of Income Tax stationed all over the country supervise collection of direct taxes and provide taxpayer services. Directors General of Income Tax (Investigation) supervise the investigation machinery, which is tasked to curb tax evasion and unearth unaccounted money. DGIT(Exemptions) supervise the work of exemption and DGIT (International Taxation) supervise the work in the field of International Tax and transfer pricing. Chief Commissioners of Income Tax / Directors General of Income Tax are assisted by Commissioners of Income Tax / Directors of Income Tax within their jurisdictions. Commissioners of Income Tax also perform appellate functions, adjudicating disputes between taxpayers and assessing officers. The Income Tax department has presence in 530 cities and towns across India. With a taxpayer base of over 3.5 crore, the Income Tax department interfaces with almost every urban family in the country.

4.1.2 With modern information technology as a key driver, the CBDT is implementing a comprehensive computerization programme in the Income Tax Department. The programme is aimed to establish a taxpayer friendly regime, increase the tax-base, improve supervision and generate more revenue for the Government. Details of the computerization programme being implemented by the Income Tax department are given under the chapter e-governance.

Table 3.22: Budget Estimate and Actual collection of Direct Taxes During the Financial Years 2005-06, 2006-07 & 2007-08. (Rs. in crore)

Taxes	2005-06		2006-07		2007-08	
	Budget Estimates	Collection	Budget Estimates	Collection	Budget Estimates	Collection up to 31st Dec. 2007 (Provisional)
Corporate Income-tax	1,10,573	1,12,77	1,33,010	1,44,318	1,68,401	1,28,194
*Personal Income Tax	66,239	63,630	77,409	85,548	98,774	77,535
Other	265	301	265	315	315	300
Total	1,77,077	1,65,208	210684	230181	2,67,490	2,06,029

*Note: *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.*

Table 3.23: Arrear Demand of Corpoarate Income Tax and Personal Income Tax for F.y. 2006-07 and F.y. 2007-08 (Up To Dec' 2007). (Rs in Crore)

	Financial Year 2006-07	Financial Year 2007-08(Up to Dec' 2007.)
A. Total Outstanding Demand	1,20,660	1,43,128
B. Reason-wise Analysis		
1. Amount not fallen due	4,207	30,767
2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.	1,03,914	90,262
C. Net Collectible Demand (A-B)	12,539	22,099

Up to Dec'2007, an amount of Rs.5,790 crore has been collected from arrears of personal Income-tax and corporate income tax and Rs. 7,021 crore has been collected out of current demand. Arrear demand amounting to Rs. 18,210 crore has been liquidated pursuant to orders of appellate authorities, the courts and through rectification petitions.

Table 3.24: Budget Estimates, Revised Estimates and Actual Collections of Direct Taxes (in Rs. Crore)						
Financial Year	Budget Estimates	Revised Estimates	Actual Collections	Growth Rate of Actual Collns over last year	%age of Budget Estimates Achieved	%age of Revised Achieved
1996-97	39004	40163	38895	15.88%	99.72%	96.84%
1997-98#	45710	51260	48280	24.13%	105.62%	94.19%
1998-99	48855	49854	46600	-3.48%	95.38%	93.47%
1999-00	59235	58074	57959	24.38%	97.85%	99.80%
2000-01	72105	74467	68305	17.85%	94.73%	91.73%
2001-02	85275	73972	69198	1.31%	81.15%	93.55%
2002-03	91585	82445	83088	20.07%	90.72%	100.78%
2003-04	95714	103400	105088	26.48%	109.79%	101.63%
2004-05	139510	134194	132771	26.34%	95.17%	98.94%
2005-06	177077	170077	165208	24.43%	93.30%	97.14%
2006-07	210684	229272	230091	39.27%	109.21%	100.36%

 # 1997-98 figure includes collection of Rs 9803 on account of VDIS.

4.2 Direct Tax Collections

Revenue collection from Direct Taxes has been growing consistently over 24% for the last four years..The Direct Tax Collections as a percentage of GDP has grown from 2.68% in F.Y. 1998-99 to 5.58% in F.Y. 2006-07.As a result of improved tax administration and better tax compliance direct tax collection is displaying considerable buoyancy by registering a phenomenal growth of over 40 percent in the current year.

An amount of Rs. 2,06,029 crore has been collected up to 31st December 2007 which is 77 percent of the target of Rs. 2,67,490 crore and is 42 percent more than the amount of Rs. 1,44,286 crore collected till 31st December 2006.

The collection from TDS till 31st December 2007 is Rs. 71048 crore which has surpassed the total TDS collection of Rs 70689 crore for the corresponding previous year. This has

Graph-1: BE, RE & Actual Collection

Graph-2: Growth in Direct taxes

Rs. in Crore

Financial Year

Graph-3: Expenditure as a Percent of Collection

Financial Year

Graph-4 Growth in Direct taxes and growt in GDP

Table 3.25: Cost of Collection			
Financial Year	Total Collections (Rs. crore)	Total Expenditure (Revenue) (Rs. crore)	Expenditure as % of Collection
1998-99	46,600	852	1.83%
1999-00	57,959	894	1.54%
2000-01	68,305	929	1.36%
2001-02	69,198	993	1.44%
2002-03	83,088	984	1.18%
2003-04	1,05,088	1050	1.00%
2004-05	1,31,918	1138	0.86%
2005-06	1,65,208	1227	0.74%
2006-07	2,30,181	1348	0.59%

The figures of 2006-07 are provisional

Table 3.25: Direct Tax-GDP Ratio						
Financial Year	Net Collections of Direct Taxes (Rs. crore)	GDP at Current Market Prices (Rs. crore)	Direct Tax GDP Ratio	GDP Growth Rtae	Tax Growth Rate	Buoyancy Factor
1990-91	10947	568674	1.93%			
1991-92	15207	653117	2.33%	14.85%	38.91%	2.62
1992-93	18142	748367	2.42%	14.58%	19.30%	1.32
1993-94	20299	859220	2.36%	14.81%	11.89%	0.80
1994-95	26971	1012770	2.66%	17.87%	32.87%	1.84
1995-96	33564	1188012	2.83%	17.30%	24.44%	1.41
1996-97	38895	1368208	2.84%	15.17%	15.88%	1.05
1997-98	48280	1522547	3.17%	11.28%	24.13%	2.14
1998-99	46600	1740985	2.68%	14.35%	-3.48%	-0.24
99-2000	57959	1952035	2.97%	12.12%	24.38%	2.01
2000-01	68305	2102376	3.25%	7.70%	17.85%	2.32
2001-02	69198	2281058	3.03%	8.50%	1.31%	0.15
2002-03	83088	2458084	3.38%	7.76%	20.07%	2.59
2003-04	105088	2765491	3.80%	12.51%	26.48%	2.12
2004-05	131918	3126596	4.22%	13.06%	25.53%	1.96
2005-06	165208	3567177	4.63%	14.09%	25.24%	1.79
2006-07	230181	4125725	5.58%	15.66%	39.33%	2.51

Note: 1. GDP figures for 2005-06 is based on Quick Estimates
2. GDP figures for 2006-07 is based on Revised Estimates
3. Collections for 1997-98 are inclusive of VDIS collections of Rs. 9,803 crore

been made possible largely due to the revamping of the TDS administration and the reach out programmes through training and educating the senior management and D.D.Os of other departments and PSUs.

The performance on the Direct Taxes front is commendable considering the fact that the cost of collection has decreased from 1.44% in the year 2001-02 to 0.59% in 2006-07 being one of the lowest in the world**.** This unparallel growth in tax revenues has helped the Government in reducing fiscal deficit and has made available additional resources for economic and social development of the country.

The following graphs give an indication of buoyancy in direct tax revenues over last 10 years and reflect comparative data which indicate decreasing cost of collection and increasing share of Direct Tax collections in GDP.

4.2.2 Tax Buoyancy and New Initiatives:-.

The buoyancy in direct tax revenues is due to several new legislative and administrative measures taken by the CBDT and also on account of new initiatives taken by the Income Tax department to facilitate common taxpayers. A brief note on some new initiatives is as follows:-

(i) **Refund Bankers' Scheme**: In 2006 a pilot project on Refund Banker's scheme was launched in select Commissionerates of Delhi and Patna. Under the scheme the State Bank was authorized to issue both Paper Refund and Refund through ECS on behalf of the Income Tax Department. The feedback from the pilot project has been satisfactory and the scheme has been extended to select charges in the cities of Mumbai, Chennai, Kolkata and Bangalore. The Government intends to extend the refund banker scheme to the entire Country during the current year.

(ii) **Large Taxpayer Unit (LTU):** In his Budget Speech 2005-06, FM has announced that Large Taxpayer Unit will be set up in major cities following international practice in this regard wherein single window system would be provided to large taxpayers in respect of corporate tax, Income-tax, excise duties and service tax. Accordingly, an LTU was set up in Bangalore in October, 2006 and an LTU has been set up in Chennai in December, 2007. LTUs at Delhi and Mumbai are expected to be functional shortly. Within the period of one year of establishment of LTU at Bangalore, good response from the eligible tax payers have been observed. The number of assesses who have opted for LTU Bangalore has increased from 31 at the inception to 48.

(iii) **Tax Return Preparers (TRPs): Section** 139B of Income tax Act 1961, which was inserted into the statute as a consequence of Finance Act 2006-07, has been implemented by Notification of TRP Scheme. The first round of selection of TRPs for assisting small tax payers to prepare and file their Returns of Income has already been completed. 3737 TRPs have already been trained and certificates have been issued to them. The TRPs have filed about 40,000 returns so far in the short span of six months.

(iv) **e-filing:** Electronic filing of corporate tax returns was made compulsory last year and it has been made compulsory for firms covered u/s 44AB of IT Act this year. As a result of Department's efforts and enthusiastic participation by taxpayers, e-filing for 2007-08 has been very encouraging. The total e-returns filed till 14th January 2008 is **1404102**.The number of person filing voluntary e-returns is higher than the compulsory returns. Electronic return filing before or after regular office hours (9am to 6pm) is another indicator of taxpayer convenience. As on 30th Nov. 2007, 414,123 returns (33%) have been filed beyond office hours. The e-filed return from the taxpayer obviates the dependency on data entry of return data as well as ensures higher level of data accuracy. The e-filed returns are easily amenable to centralized processing and issue of refunds.

(v) **e-payment of tax:** Facility for payment of direct taxes through internet is available through the website of TIN i.e. www.tin-nsdl.com. Facility to download preprinted Challans with name and PAN/TAN has been provided on the website http://incometaxindiaefiling.gov.in A facility to verify payment of tax through internet is also available on the website http://tin-nsdl.com.On line tax payment facility is now available from many banks.(details given in e-governance).

(vi) **Faster processing of returns and issue of refunds:** Over 2.5 crore returns have been processed on computers during F.Y. 2006-07.

(vii) **Sevottam:** The Income Tax Department is one of the Departments of Government of India wherein Sevottam, the scheme for excellence in Public Service Delivery, is being implemented. Sevottam has three modules:

   (i) Implementation and review of Citizens Charter;

   (ii) Creation of effective Grievance redressal mechanism; and

   (iii) Capacity building for excellence in Service Delivery.

   The Pilot run for validating the software and systems issues for running the Tax Payer Service Centres at Mumbai and Udaipur has already commenced after software development, installation of hardware, networking and training of the personnel and concerned officers. Subsequent to the Pilot run, the system would be replicated in all the buildings of the Income-tax Department. Phased preparatory activity for setting of Taxpayer Service Centers and sensitization of the personnel to Sevottam at other centers has also commenced.

(viii) **Business Process Re-engineering (BPR):** The Department has embarked upon Business Process Re-engineering exercise with the help of an external consultant M/s Pricewaterhouse Coopers. The project covered interaction with all major stakeholders. The consultants have submitted the BPR Report containing alternate 'To-Be' process models towards the end of December 2007. The report is currently being examined by the Directorate of Income Tax (Business Process Re-engineering).

(ix) **Media Center**: The Media Center was set up in the CBDT in August 2006. The Center disseminates information of public value relating to direct taxes through the print and electronic media. During the year, a large number of press releases (over 60) were issued to highlight different achievements of the Income Tax department and bring different important decisions to public notice. As a result of regular interface with the media, a more positive as well as true image of the department could be projected.

(x) **Video Conference**: During the year, a system of regular video-conference of the CBDT with the field formations of the department was established. This facility enables the CBDT to communicate important decisions to the field formations and also emphasises the important areas of work and monitors the same in a direct one-on-one with the Chief Commissioners without much expenditure.

(xi) **Audit**: For effective Audit the process of restructuring the Internal Audit System Mechanism has been finalized.

(xii) **HRD:** Human resources Directorate has been created vide Notification No.292/2007 dated 31/12/07.Infrastructure is being provided to the Income tax Department in order to improve the facilities for tax payer services.

(xiii) **Manpower:** 7051 additional posts in different grades in CBDT have been created and have been allocated to different Charges/Regions in the month of November, 2006. Large number of recruitments in the grade of Income Tax Inspector, Tax Asstts. and Steno. Gr.III are being made in the CBDT. 3473 candidates were sponsored/nominated for appointment to the post of Tax Asstt. by the Staff Selection Commission. All the candidates have been allocated to different Charges/Regions and their dossiers have also been sent. Recruitment/appointments are in progress. Nominations for 817 posts of ITI (Inspectors) and 1841 posts of Steno.Gr.III are awaited from the Staff Selection Commission (SSC).

4.3 Annual Conference

The 23rd Annual Conference of Chief Commissioners and Directors General of Income Tax was held on 17th and 18th of July 2007 at Vigyan Bhawan, New Delhi. In his inaugural address to the Conference the Finance Minister congratulated the Income Tax Department for outstanding performance in tax collection during the last financial year and noted that the Budget target for the current year is quite achievable and must be achieved at all costs and, if possible, exceeded. He expressed the hope that the incentive given to the Department for exceeding the budget target should be spent wisely and should improve Infrastructure for better taxpayer facilities. It was urged by him that even 1% of the taxpayers should not have any grievance for better compliance rate and better appreciation of the Department. He suggested that some of the officers should be picked and trained for in-house legal services to assist in important cases before ITAT and courts to raise the quality of legal representation. He further observed that a few successes in courts will raise the morale of the Department and we will not have to resort to amendment through Finance Act to overcome adverse court decisions.

The Conference also deliberated upon Human Resources Management, Financial Management and Strengthening of Training and Capacity Building along with strategies for maximizing collections; recovery of arrears, Infrastructure and important issues of RTI. The progress of computerization and BPR was also discussed during the Conference. The valedictory address was delivered by the Minister of State for Finance (Revenue) on 18th July 2007.

4.4 Direct Taxes Advisory Committees

With a view to encouraging mutual understanding between taxpayers and Income Tax Officers and to advise the Government on measures for removing difficulties of general nature pertaining to Direct Taxes there is a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 61 Regional Direct Taxes Advisory Committees (RDTACs) at important stations. Representative of trade and professional associations are also nominated to these committees. The term of these Committees is two years from the date of their constitution.

The Union Finance Minister is the Chairman of the Central Direct Taxes Advisory Committee. The official Members are Secretary (Revenue), Chairman, CBDT and Member (Revenue), CBDT. The non-official Members include four Members of Parliament: two from each House and representatives of Commerce and Industry like, FICCI, ASSOCHAM etc., lawyers and other professionals.

Table 3.26

F.Y. 2005-06		F.Y. 2006-07		F.Y. 2007-08 (Up to Nov., 2007)	
No. of search	Total seizure	No. of search	Total seizure	No. of search	Total seizure
3364	35169.68	3760	36620.72	2338	21223.57

4.5 Measures to Combat Tax Evasion

The Government continuously strives to check tax evasion and the growth of unaccounted wealth by systematic survey operations, search and seizure operations and other enquiries .For carrying out the aforesaid work, the field units of the Investigation Wing are headed by 14 Directors General of Income Tax, stationed at Delhi, Kolkata, Chennai, Mumbai, Ahmedabad, Lucknow, Bangalore, Hyderabad, Kochi, Pune, Jaipur, Patna, Chandigarh and Bhopal. Their functions include investigating cases and verification of information pertaining to financial transactions.

Comparative figures of Search and seizure action of the Investigation Wings are given in Table 3.26.

The enquiries carried out on the basis of the monthly BCTT statements have led to detection of substantial unrecorded transactions and undisclosed income; the other important source is references regarding suspicious transactions received from the Financial Intelligence Unit, India. An MIS reporting system of important search and seizure cases has been put in place. Fresh guidelines for search and seizure assessments have been issued by the Board. A revised procedure for monitoring and handling of Tax Evasion Petitions has been laid down. Guidelines for security of seized/ impounded books/ documents/ electronic storage devices, for improving quality of the Appraisal Report, etc. have been issued. Revised guidelines for grant of rewards to officers/ officials of the IT Department in the year 2007 to expedite the process of grant of rewards to officers/officials of the IT Department has also been issued. All pending proposals of reward to officers/officials were sent to the concerned officers after the delegation of powers to the local committees as per New Reward Guidelines. Full Board has approved the change of designation of CIT(A) holding exclusive jurisdiction for central charges as CIT(A)(C). A new software for data mining has been developed on a pilot basis under DGIT(Inv.), Delhi. The software has already thrown suspicious cases leading to various enquiries, including search and seizure action. The data mining tool would be replicated in other major cities of the country.

The Directorate of Income Tax (Intelligence) has been set up to take up intensive investigation of selected cases / class of cases and develop them for further action / specialized operation; study and analyze emerging trends in tax evasion, new modus operandi etc; create an economic offence data base; develop a profiling system etc. both in traditional and non traditional fields. The Directorate would also liaise/interact with other intelligence/investigating agencies such as FIU, NCB, ED, DRI, DGCEI, SFO, CEIB etc. The Directorate would have access to all the information received by the Department viz. AIR, TDS, BCTT, STT, CIB, AST etc.

4.6 Widening of Tax Base, Assessment and Refunds

4.6.1 Widening of Tax Base: The taxpayer base has grown over the years substantially . While the widening of the taxpayer base has been possible due to various legislative and administrative measures taken for the purpose, it has also substantially increased the work-load of the Income Tax department. This is apparent from the Tables 3.27 & 3.28.

4.6.2 Valuation Cell: Valuation Cells have statutory powers in respect of the following:

(i) Determining the value of properties for the purposes of Wealth Tax, Capital Gains and Gift –Tax Act;

(ii) Determining the fair market value of attached properties which are auctioned for recovery of tax arrears.

The valuation cell is also often requested by Income Tax Assessing Officers to assess the cost of construction in property. The Valuation Cell had disposed 2055 cases out of total pendency of 2827 cases during the F.Y 2006-2007. During the current F.Y.2007-2008, 812 cases were disposed out of 1310 cases up to 31st October 2007.

4.6.3 Chapter XXC: Four properties have been disposed off during the current year 2007-08 from litigation free properties purchased earlier under provisions of Chapter XXC. Three properties have been sold in public auction by various CCITs.

4.7 Tax Administration & Social Objectives

The direct tax laws also attend to the effective achievement of socio-economic objectives of the country through the

Table 3.27: Statistics showing the numbers of assessees over the last 7 years are as follows:

S.No.	Financial Year	Total number of assessees as on 1st March of F.Y. (in lakh)
1.	2001-02	283.75
2.	2002-03	300.19
3.	2003-04	301.78
4.	2004-05	308.08
5.	2005-06	315.37
6.	2006-07	319.26
7.	2007-08 (Upto November, 2007)	313.61

Table 3.28: Workload and disposal of assessments (Figures in lakh)		
Assessment Year	Workload	Disposal
1998-99	184.30	85.54
1999-00	274.02	143.60
2000-01	314.06	188.59
2001-02	367.26	201.27
2002-03	380.15	348.25
2003-04	273.67	215.78
2004-05	267.37	207.04
2005-06	332.46	228.80
2006-07(Prov.)	297.69	206.53

application of various provisions of Income-tax Act, 1961.The highlights of action taken towards this objective are as follows:

4.7.1 Notification of Charitable and other Institutions/Funds/Organizations

Uptill 31st May, 2007,CBDT was authorized to notify various charitable, religious, educational and medical institutions under section 10(23C) to encourage social welfare and philanthropic activities carried out by various institutions. During the period, total number of notifications/orders issued u/s 10(23C)(iv)/(v)/(vi)/(via) of the IT Act, 1961 were 49 in number.

4.7.2 Promotion of Sports

During the period, total number of notifications issued u/s 10(23) of the IT Act, 1961 were 7.

4.7.3 Promotion of Civil Aviation Sector

In order to give a boost to the Civil Aviation Sector, CBDT accords exemption in respect of any payment made for acquiring an aircraft on lease from a foreign government or a foreign enterprise, subject to the restrictions, as per Sec. 10(15A) of the IT Act, 1961. During the period the total number of approvals for obtaining aircraft on lease were 48.

4.7.4 Order u/s 10(23G)

Under section 10(23G) of the IT Act, 1961 the Board accords approval in respect of any income by way of dividends, interest or long term Capital gain of an Infrastructure capital fund or an Infrastructure capital company from investment made on or after the Ist day of June, 1998 by way of shares or long term finance in or undertaking wholly engaged in the business. The total number of cases approved during the period were 30.

4.7.5 Encouragement to Individual Achievements

Section 10(17A) of the IT Act, 1961 provides exemption in respect of any payment made, whether in cash or kind, in the form of an award provided the said award has been instituted in the public interest and has been approved by the Central Government. The total awards granted approval during the period were 15 in number.

4.7.6 Investor Protection Fund

Section 10(23EA) of the IT Act, 1961 deals with any income of such Investor Protection Fund set up by recognized stock exchanges in India, either jointly or separately as the Central government may by notification in the Official Gazette. Under these Sections, total number of notifications issued were TWO (2) in number.

4.7.7 Approval for industrial parks and Special Economic Zones

Government of India has implemented special schemes for industrial parks and Special Economic Zones in order to accelerate industrial growth, boost exports, attract investments and create employment. Board of Approvals, under Ministry of Commerce, is the authority for approving applications for industrial parks of which Member (IT) of CBDT is a member. In respect of Industrial Parks, a notification u/s 80IA(4)(iii) is issued by the Ministry of Finance after the approval under the Industrial Park Scheme is given by the Ministry of Commerce. During the year 81 such notifications were issued by Ministry of Finance. In respect of Special Economic Zones (SEZs) too approval is granted by a Board of approval of which Member (IT) is a member. However the approvals as well as the notifications in the cases of Special Economic Zones are issued only by the Ministry of Commerce. A total of 404 formal & 165 in principle approvals were granted for SEZs since SEZ Rules came into force.

4.8 Judicial Work

4.8 IT-J Section deals with matters of litigation in Supreme Court and various High Courts pertaining to cases of Direct Taxes, filing of references in cases of Central Government Public Sector Undertakings/Other Government Departments

Table 3.29		
Court/Tribunal	During FY 2006-2007	During FY 2005-2006
ITAT	19,063	32,397
HC	10,286	22,278
SC	668	1,989

Table 3.30	
No. of cases referred during 2006-07	No. of cases referred during 2005-06
291	106

before Committee on Disputes (COD), appointment of Standing Counsels/ Special Counsels etc for representing cases before High Courts and other Courts, besides monitoring of disposal by the CITs(A), norms thereof and representation of cases by the Department representatives before ITAT.

4.8.1 Consequent to the laying of higher monetary limit to decide on the desirability of filing appeals or otherwise, the number of appeals filed by the department during FY 2006-07 have shown substantial reduction and are given in Table 3.29.

As a result of fixation of norms for disposal of appeals by CITs(A) the number of cases disposed of by CITs(A) during the years 2006-07 is 67,360.

The statistics of COD references made during the year 2006-2007 is given in Table 3.30

4.8.2 In order to improve the quality of representation before various High Courts, the CBDT has issued new Instruction No. 08/2007 dt 30/08/07 dealing with the revision of Schedule of fees payable to Standing Counsels for the Income Tax Department before various High Courts, procedure for appointment of Counsels etc. This is to streamline the procedure for appointment of Counsels and to attract competent advocates with better expertise/experience in handling direct tax matters.

During the FY 2006-07 the Statistics of Standing Counsels, prosecution Counsels and Special Counsels engaged is as under:-

Category of Counsels	2006-2007	2005-2006
Standing Counsel	40	56
Prosecution Counsel	20	11
Special Counsel	8	12

4.9 Legislative Measures

Budget of 2007-08 underlined the philosophy of keeping the tax rates moderate and stable and of administering the tax laws in a tax payer-friendly manner. Considering the improved compliance in Personal Income-tax (PIT), the basic exemption limit has been raised from Rs. 1,00,000/- to Rs. 1,10,000/- The exemption limit for every woman resident in India and below the age of sixty-five years has been raised from Rs. 1,35,000/- to Rs. 1,45,000/-. The basic exemption limit for every individual resident, who is of the age of sixty-five years or more, has been raised from Rs. 1,85,000/- to Rs. 1,95,000/-. Similarly considering the better compliance in Corporate Income-tax (CIT), surcharge at the rate of 10% of income-tax has been levied on firms and domestic companies, only where the income exceeds Rs. 1 crore. Similarly, surcharge has been levied on foreign companies at the rate of 2.5% of income- tax, only where the income exceeds Rs. 1 Crore. To fulfil the commitment of the Government to provide and finance secondary and higher education an additional surcharge, called the “Secondary and Higher Education Cess”, at the rate of 1% of income-tax and surcharge has been levied in all cases. On equity considerations, the rate of dividend distribution tax on any amount declared, distributed or paid by a domestic company has been raised from 12.5% to 15%. The rate of tax on income distributed by a money market mutual fund or a liquid fund has been levied at the rate of 25%. The following major steps in the area of direct taxes were taken in the budget of 2007-08:-

(i) Under the existing definition of ‘India’, ‘India’ shall be deemed to include the Union territories of Dadra and Nagar Haveli, Goa, Daman and Diu, and Pondicherry. This definition has been substituted with a new definition, by which ‘India’ has been defined to mean ‘India’ as defined in Article 1 of the Constitution of India and including the waters and the land under the waters, to which The Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976 extends, and the airspace above the territory and territorial waters of India. The new definition dispenses with the requirement of any further notification under the Maritime Zones Act, 1976 mentioned above and enables the tax jurisdiction to extend to all economic activities in the continental shelf, exclusive economic zones and other maritime zones of India.

(ii) An *Explanation* has been inserted in section 9 to clarify that where income is deemed to accrue or arise in India under clauses (v), (vi) or (vii) of sub-section (1) of section 9, such income shall be included in the total income of the non-resident, regardless of whether the non-resident has a residence or place of business or business connection in India. In such cases, it is not necessary to establish the territorial nexus between the income deemed to accrue or arise to the non-resident and the territory of India.

(iii) To enable urban local bodies to raise funds for capital investment in urban infrastructure, interest on notified bonds issued by a notified State Pooled Finance Entity, on behalf of an urban local body has been exempted from tax.

(iv) To allow Investor Protection Funds of commodity exchanges to have adequate funds for undertaking activities relating to the welfare of investors, exemption has been provided to the income of notified investor protection funds by way of contributions received from commodity exchanges and their members. This exemption is already available to investor protection funds set up by recognised stock exchanges.

(v) Exemption on income is allowed in respect of certain charitable and religious entities, only if they are notified by the Central Government in the Official Gazette. This power has been decentralized by stating that the prescribed authority will be the Chief Commissioner / Director General authorised for this purpose by the Central Board of Direct Taxes. No notification for such exemption will be issued by the Central Government on or after the 1st day of June, 2007.

(vi) To focus tax benefits and to channelise risk investments to key, thrust areas, Income-tax exemption to a venture capital company or a venture capital fund has been restricted to income of such entities from investments in venture capital undertakings engaged in some select thrust areas.

(vii) To streamline the procedure relating to registration of charitable and religious trusts and institutions in line with the recommendations of the 5th Report of the Parliamentary Committee on Subordinate Legislation (14th Lok Sabha), the existing requirement for a trust or institution to file an application for income-tax registration within one year from the date of its creation or establishment has been removed. Besides, on such registration, the discretion vested with the Commissioner to determine the period from which the exemption shall be allowed has been removed. The exemption shall, therefore, only apply prospectively for applications filed on or after the 1st day of June, 2007.

(viii) The term 'salary' has been defined in section 17 of the Income-tax Act and it includes perquisites or profits in lieu of or in addition to any salary or wages. The term 'perquisite' as defined in sub-section (2) of section 17 of the Income-tax Act, 1961,inter-alia, includes – (a) the value of rent-free accommodation provided to the assessee by his employer & (b) the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer. The constitutional validity of rule 3 relating to the computation of perquisite value of residential accommodation as amended by SO. No. 940 (E) dated 25.9.2001 was challenged before various High Courts and before the Supreme Court. In the case of Arun Kumar Vs Union of India, the Supreme Court has held that there is no deeming provision in section 17 of the Income-tax Act in respect of concession in the matter of rent and the employee having made a submission that there is no concession, the question of taxation of the same does not arise. The Supreme Court judgement would have resulted in enormous inconvenience to taxpayers as they would have had to produce evidence before assessing officers to show that there is no concession in the matter of rent. Therefore, Section 17 of the Income-tax Act has been amended by the Finance Act, 2007 to insert a deeming provision as to what constitutes concession in the matter of rent. Relief has been provided to employees by reducing the perquisite value of rent-free or concessional accommodation. The new rates are 15% of salary in cities having population exceeding 25 lakh, 10% of salary in cities having population exceeding 10 lakh but not exceeding 25 lakh and 7.5% of salary in the remaining cities/areas. Rule 3 has also been amended accordingly and notified vide S.O. 1896(E), dated 7th November, 2007.

(ix) Keeping in view that that research and development still needs some fiscal support for a few more years, weighted deduction under clause (1) of sub-section (2AB) of section 35 has been allowed for a further period of five years, that is, in respect of the expenditure incurred up to 31st March, 2012.

(x) Deduction for a provision for bad and doubtful debts has been allowed in the case of co-operative banks under section 36(1)(viia). This deduction has been provided to co-operative banks as their profits have become taxable after withdrawal of deduction available to them under section 80P of the Income-tax Act, 1961 by the Finance Act, 2006 w.e.f. assessment year 2007-08.

(xi) The provisions relating to deduction for creation and maintenance of a special reserve under section 36(1)(viii) have been rationalised.

(xii) To strengthen deterrence, the Finance Act, 2007 has amended sub-section (3) of section 40A to provide for a hundred per cent disallowance of cash payments which are made in violation of its provisions. Regarding a case where a payment is made in cash in violation of provisions of section 40A(3), but the claim of expense has already been made in a previous ear, the said sub-section has been amended to deem such payment to be income in the year of payment as it has already been allowed as an expense.

(xiii) Amendment relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in amalgamation or demerger has been carried out so as to facilitate tax neutral amalgamation/ demerger of public sector companies engaged in the business of operation of aircraft and also in the case of cooperative banks.

(xiv) Section 80C of the Act has been amended by Finance Act, 2007 so as to include rural bonds issued by NABARD, and notified by the Central Government, as an additional investment avenue for investors seeking tax benefit under this section. The amendment implements the Budget announcement of the Finance Minister to allow NABARD to issue rural bonds to provide tax incentives to investors. NABARD Rural Bonds have since been notified.

(xv) The deduction under section 80-IA has been extended to the business of operating a natural gas distribution network with a view to reduce the subsidy bill of the Government on account of subsidized LPG cylinders as it is expected that natural gas would substitute LPG.

(xvi) Tax concessions under section 80-IA have been extended to navigational channel in the sea.

(xvii) An *Explanation* in section 80-IA has been inserted vide Finance Act, 2007 so as to clarify that for the purposes of the said section, “developer” shall not include a person who executes only civil construction work including ancillary work in respect of the infrastructure facility or the industrial park or the special economic zone, as the case may be. The legislative intent has always been to provide incentives for the investment risk undertaken by a developer. On the contrary, the benefit was also being enjoyed by civil contractors who had no investment risk. The Explanation seeks to clarify the correct legislative intent.

(xviii) Sub-section (4) of section 80-IB of the Income-tax Act provides that industrial undertakings engaged in manufacture or production of articles or things or operation of a cold storage plant and set up during the period beginning on 1st April, 1993 and ending on 31st March, 2007, in the State of Jammu and Kashmir, are eligible for a hundred per cent. deduction of profits for a period of five assessment years, followed by twenty-five per cent (thirty per cent. in the case of a company) for the next five assessment years. The deduction is subject to a negative list of articles or things specified in the Thirteenth Schedule to the Income-tax Act, which should not be manufactured or produced by such industrial undertakings. The terminal date for setting up of industrial undertakings and commencement of eligible business in the State has been extended by five more years, i.e., from 31.3.2007 to 31.3.2012. The amendment has been carried out with a view to promote the industrial development of the State of Jammu and Kashmir.

(xix) A new section 80-ID has been inserted in the Income-tax Act vide Finance Act, 2007 to provide for deduction in respect of profits and gains derived from the business of hotels and convention centres in the National Capital Territory of Delhi and districts of Faridabad, Gautam Budh Nagar, Ghaziabad and Gurgaon. The amendment has been carried out with a view to provide adequate stock of hotel rooms to meet the requirement for accommodating the visitors for the Commonwealth Games which is to be hosted in Delhi in 2010 and also to boost the number of convention centres.

(xx) A new section 80-IE has been inserted in the Income-tax Act, 1961 vide Finance Act, 2007 to give effect to the recommendations of North-East Industrial and Investment Promotion Policy (NEIIPP) 2007 as approved by Cabinet Committee on Economic Affairs.

(xxi) Section 115JB has been amended vide Finance Act, 2007 to provide that companies availing deduction under sections 10A and 10B of the Income-tax Act would now be liable to pay Minimum Alternate Tax (MAT).

(xxii) The Finance Act, 2007 has amended sections 115WB and 115WC of the Income-tax Act to bring Employee Stock Option Plans (ESOPs) within the ambit of Fringe Benefit Tax (FBT). The value of fringe benefits arising from grant of ESOPs to employees would be the difference between the fair market value of the shares on the date of vesting and the price paid by the employee to acquire the shares. Further, a new section 115WKA has been inserted to provide that notwithstanding anything contained in any agreement or scheme under which ESOPs have been granted to employees, it shall be lawful for the employer to vary the agreement or scheme so as to recover from the employee the FBT paid by the employer on account of the value of fringe benefits provided to the employee.

(xxiii) Amendments in the provisions relating to Tax Deduction at Source (TDS) include (i) Amendment of section 193 of the Income-tax Act, 1961 to provide for TDS on 8% Savings (Taxable) Bonds, 2003,(ii) Increasing the threshold limit to Rs. 10,000/- under Section 194A for interest payable by a banking Company or a co-operative society or on any deposit with post office under any notified central government scheme, (iii) Reduction in the rate for deduction of tax at source on rent for the use of any machinery or plant or equipment under Section 194-I to 10% from the earlier 15% or 20%, (iv) Increase in the rate of TDS under section 194J, for deduction of tax on fees for professional services or fees for technical services, to 10% from 5%, (v) Increase in the rate of TDS under section 194H, for deduction of tax at source on payment of commission or brokerage, to 10% from the earlier 5%.

(xxiv) With a view to avoid delay in settling cases by the Income Tax Settlement Commission, which is caused because of factors like duplication of proceedings, absence of statutory time frame, the procedure for settling the cases by the Commission has been streamlined. A statutory time frame has been provided for time bound disposal of cases pending before the Settlement Commission. In respect of applications made before 1st June, 2007, the Settlement Commission is required to pass its final order on or before the 31st of March, 2008. In respect of an application made on or after the 1st day of June, 2007, a time period of twelve months from the end of the month in which the application was made, has been provided.

(xxv) Provisions relating to Banking Cash Transaction Tax (BCTT) have been amended so as to exclude the offices or establishments of the Central Government and governments of the state from the purview of BCTT. The existing limit of taxable banking transactions have been enhanced from the present Rs.25,000 to Rs.50,000 in the case of individuals and Hindu Undivided Family.

4.10 International Taxation

4.10.1 Double Taxation Avoidance Agreements (DTAAs)

(a) International juridical double taxation occurs as a result of imposition of comparable taxes in two or more States on the same tax payer in respect of the same subject matter and for identical periods. This double taxation is sought to be avoided through the instrument of a bilateral tax treaty between two States. The Double Taxation Avoidance Agreements (DTAA) contain a set of distributive rules for the division of tax revenue between two States from different streams of income including business income, interest, dividends, fees for technical services, capital gains, pensions. These DTAAs, also referred to as Double Taxation Avoidance Convention (DTACs), serve as a symbol of good commercial relations between two countries and help in attracting foreign investments and to avoid distortion in trade and investment worldwide.

(b) A DTAA is a bilateral agreement between two Contracting States and indicates the mutual agreement with regard to avoidance of double taxation, relief from taxation, exchange of information and assistance in collection of taxes. They are based on the principle of reciprocity. DTAAs provide for alternate dispute redressal mechanism through the Mutual Agreement Procedure (MAP).

From June, 2003 onwards, FT&TR Division has been bifurcated into two Divisions viz., FT&TR-I Division and FT&TR-II Division. The performance / achievements of these Divisions during the period are as under:-

4.10.2 FT & TR-I Division

(i) Negotiations for initiating comprehensive DTAA were held with the delegation from Barbados.

(ii) Negotiations for revision of the existing DTAC were held with Norway.

(iii) Negotiations for a comprehensive DTAA with Luxembourg were concluded.

(iv) The DTAAs with Mexico and Iceland were concluded and signed at the Government level.

These are to be notified after confirmation regarding completion of internal procedures of the two countries.

(i) Meetings under Mutual Agreement Procedure (MAP) were held with Japan, USA and Russia. A number of cases were resolved during the meetings.

(ii) In a number of cases requests have been made to various foreign tax authorities under Exchange of Information. The information received has been utilized during the course of assessment and investigation by the field authorities. In some cases taxes have been collected in India and remitted to the foreign tax authorities towards tax arrears of taxpayers in those countries.

(iii) As an Observer in the Committee on Fiscal Affairs of the Organization for Economic Cooperation and Development (OECD), India participated in various events of OECD and also took active part in its Working Party meetings.

4.10.3 FT & TR-II Division

(i) Negotiations for initiating comprehensive DTAAs/ DTACs were held with Nigeria, Taiwan and Tajikistan.

(ii) Review of existing DTAAs/DTACs with Egypt, Korea, Zambia, Thailand, Tanzania, Brazil and Syria were undertaken.

(iii) Negotiations with Tajikistan and Zambia were concluded and the Agreed text of the proposed Agreement has been initialed at the official level.

(iv) The DTAA between India and Kuwait was notified vide Notification No. 277/2007-FTD dated 27th November, 2007.

(v) A Protocol amending the provision of existing DTAA between India and UAE was also notified vide

Notification No.282/2007-FTD dated 28th November, 2007.

(vi) Setting up of IBSA Revenue Administrations Working Group:

(a) The setting up of the India-Brazil-South Africa (IBSA) Revenue Administrations Working Group was announced in November, 2006 at Pretoria, South Africa under the aegis of IBSA Dialogue Forum. Its establishment was endorsed at the Fourth Trilateral Commission meeting on 17th July, 2007 at New Delhi. The working group envisages cooperation between the Revenue Administrations of India, Brazil and South Africa through its two working bodies, namely, the Heads of Revenue Administrations Working Group (HRAWG) and Revenue Administration Steering Group (RASG). The Revenue Secretary represents India in the IBSA HRAWG assisted by members of RASG which comprises 3 officers each from CBDT and CBEC. Chairman (CBDT) is one of the members of the RASG.

(b) A draft Agreement on Customs and Tax Administration Co-operation between India, Brazil and South Africa was signed at the IBSA Summit on 17th October, 2007. This Agreement will help in the implementation of international Customs and Tax instruments, availability of reliable, quick and cost-effective information and intelligence for the prevention and investigation of Tax offences.

4.10.4 Status of India's Notified Dtaas/Dtacs:

As on date, India has notified comprehensive DTAAs/DTACs, covering all sources of income with 71 countries. Similarly, India has limited air and shipping agreements with 10 countries.

4.10.5 Directorate of International Taxation

With the globalisation of world trade and liberalization of India's economic policy, there has been tremendous increase in participation of foreign companies and non-residents in the business and investments in India. Tax implications play vital part in such investment decisions. This, in turn, has activated the study and interpretation of tax treaties with several countries both on the part of non-resident taxpayers as also tax administration in India. The new scenario necessitated the creation of specialized Directorates for functional uniformity. Therefore, four Directorates of International Taxation were set up at Delhi, Mumbai, Kolkata, Chennai and Bangalore vide CBDT Notification (S.O. 881 (E) dated 14th September, 2001. These Directorates come under the control and Supervision of DGIT, International Taxation, New Delhi. All functions relating to assessment of foreign companies and other non-residents as well as withholding tax from payments made to them were assigned to these Directorates.

4.10.6 Directorate of Transfer Pricing

The increasing participation of multi-national groups in economic activities in the country has also given rise to new and complex issues emerging from transactions entered into between two or more enterprises belonging to the same multi-national group. The profits derived by such enterprises can be controlled by manipulating the price charged and paid in such intra-group transactions, thereby, leading to erosion of tax revenues.

With a view to provide a detailed statutory framework which can lead to computation of reasonable, fair and equitable profits and tax in India, in the case of such multinational enterprises, the Finance Act 2001 has substituted section 92 with a new section, and has introduced new sections 92A to 92F in the Income-tax Act. The basic intention underlying the new transfer pricing regulations is to prevent shifting out

Table 3.31

Audit Report Year	No. of DPs replied	No. of ATNs/Revised ATNs sent to C&AG	No. of ATNS sent to Monitoring Cell after receiving C&AG's vetting comments
1999-2000	Nil	Nil	2
2000-2001	1	Nil	5
2001-2002	7	Nil	8
2002-2003	7	Nil	Nil
2003-2004	3	6	112
2004-2005	93	300	132
2005-2006	242	Nil	Nil
2006-2007	441	Nil	Nil
Total	794	306	259

of profits from international transactions from the country thereby eroding the country's tax base.

After the introduction of detailed transfer pricing regulations, the CBDT decided to have the complex functions of transfer pricing audits done by special cells. Five Directorates of Transfer Pricing were accordingly set up (Delhi Mumbai, Bangalore, Chennai and Kolkata) in 2002 under the jurisdiction of the DGIT, International Taxation, New Delhi.

4.11 Revenue Audit and Public Accounts Committee (A&PAC)

4.11.1 The Draft Paragraphs (DPs) and System Appraisals proposed for inclusion in the C&AG Report, are examined in the A&PAC Division and the comments of the Ministry (compiled in consultation with the comments of the field authorities) are furnished to the C&AG. This Division furnishes information to the Public Accounts Committee by way of reply to the Advance Questionnaire and the Questions arising after the Oral evidence taken by the Committee. Further, the Action Taken Notes (ATN's) of the Ministry in respect of the recommendations contained in the reports of the Public Accounts committee are also compiled and forwarded to the Lok Sabha Secretariat by this division.

4.11.2 During the year 2007 (from 1st January 2007 to 31st December 2007), the C&AG has called for the comments of the Ministry on 960 Draft Paras proposed for inclusion in the C&AG's Report for the year 2006-2007. Replies to 441 DPs have already been furnished to C&AG office. Action taken Notes (ATNs) on these Paras are being sent to PAC/ Monitoring Cell in consultation with C&AG's office.

4.11.3 Audit Report Year-wise disposal of ATNs/ DPs during the period 1st January 2007 to 31st December 2007 is given in Table 3.31.

4.11.4 C&AG Report No. 8 of 2007 contained System Appraisal/Review on the following subject:

i) Review on "Assessment of Sports Associations/ Institutions and Sports Personalities"

ii) Review on "Operation of TDS/TCS Schemes".

iii) Review on "Assessments of selected companies in Computer Software, Automobile and ancillaries, Steel and Trading Sectors"

Draft replies have been furnished to C&AG on these Reviews in consultation with the respective Directorates/ Sections dealing with the issues raised in the reviews. Replies received so far on the illustrative cases from Cadre Controlling CCsIT are being compiled and reminders have been issued to the remaining CCsIT for expediting the reports/ replies.

* Three draft system reviews proposed to be included in the C&AG's Report of 2008 have been received on the following subject:

(i) Review on "Appreciation of Third Party Reporting/ Certification in Assessment Proceedings"

(ii) Review on "Audit of assessments of Banks"

(iii) Review on "Audit of assessments relating to infrastructure development (deductions under section 801A) of the Income Tax Act, 1961.

The above reviews have been circulated to the concerned Sections of the Board/Field formations for comments and a draft reply on substantive issues to be furnished to C&AG is being prepared.

*During the year three Advance Questionnaires were received from the Lok Sabha Secretariat as under:

i) Examination of Chapter-III of C&AG's Report No. 8 of 2007 (DT) Performance Audit relating to "Assessment of Sports Associations/Institutions and Sports Personalities".

ii) Examination of Paragraph 3.17 of Chapter-III of C&AG's Report No.8 of 2007 (Direct Taxes – Performance Audit) relating to "Incorrect Computation/Carry Forward/Set Off of Losses"

iii) Examination of Paragraphs 1.5.20, 1.5.26, 1.5.30 and 1.5.32 of C&AG Report No.8 of 2007 (performance Audit) relating to "Review on the assessment of selected companies in the selected sectors of computer software, automobiles and ancillaries, steel and trading"

Replies to these advance questionnaires were sent to Lok Sabha Secretariat.

Specified Authority u/s 72 A of the IT Act.

117th Meeting of the Specified Authority was held on 1st February 2007 in which 3 cases were discussed. All the 3 cases were recommended for approval. 2 cases u/s 72A(i) and one case u/s 72(2)(ii).

4.11.5 (i) 47th Report of Public Accounts Committee (14th Lok Sabha) containing observations/recommendation on the system review on "Restructuring of the Income Tax Department " has been received from the Lok Sabha Secretariat. The same has been examined and report/ATNs on the observations/recommendations of the Committee have been forwarded to the Lok Sabha Secretariat.

4.11.6 Besides above, a number of rejoinders received from C&AG Office on DPs of various Audit Reports from 1996-97 to 2006-07 were forwarded to the field offices and reports were collected, compiled and processed and replies were sent to C&AG.

4.11.7 The New revamped Internal Audit set-up notified vide instruction No 03 of 2007 came into effect from 01-06-2007. Under the new set-up newly sanctioned posts of 22 Commissioners, 22 Addl./Jt Commissioners, 22 Dy./Asst. Commissioners, 88 ITO's, 176 ITI's, 176 Sr TA/TA's and 66 PA's/Stenographers were deployed across the country for conducting internal audit.

4.12 Inspection, Examination & Audit

The Directorate of Income-tax (Income Tax) is an attached office of the CBDT, under the administrative control of the Department of Revenue, Ministry of Finance. Headed by the Director of Income Tax, who is an officer of the rank of Commissioner of Income Tax, the Directorate comprises of two wings, viz., the Inspection Wing and the Examination Wing.

4.12.1 Inspection work

Inspection is an effective tool to maintain a high quality of work in the areas of assessment, recovery, investigation, representation of Department's case before ITAT, record management and grievance redressal. It is also an effective instrument of preventive vigilance. Following the restructuring in the Income-Tax Department, a New System of Inspections was introduced by the CBDT from 1.10.2002, whereby Range offices formed the basic units to be inspected by the Commissioners / Directors of Income Tax and the performance of the Tax Recovery Officers (TROs) is to be inspected by the Range Heads. At present, two categories of inspections are conducted in a financial year, viz, Systems Inspection which includes inspection of records and the disposal of various contingent proceedings like rectification, disposal of demands, disposal of appeal effects, etc. and inspection of quality of assessment, recovery, investigation, representation of Department's case before ITAT, etc. The inspections are reviewed by the respective Chief Commissioners / Directors General, and reports forwarded to the Directorate of Inspection. The Directorate of Income-tax (Income-tax), which monitors the progress of inspections, examines and reviews the inspection reports. Based on such reviews, feedback is given to the field formations. The field formations were addressed with detailed questionnaire inviting response to the New System of Inspection with a view of reviewing the same. Though there has been some response, the Directorate is yet to receive feedback from various field formations. This is being regularly monitored and pursued. Based on the same, a modified system of inspection would be prepared.

The detail of Inspections since 2001-02 till date is given in Table 3.32.

4.12.2 Examination Work

(a) The Examination Wing is entrusted with conducting Departmental Examinations for Assistant Commissioners of Income Tax (Probationers) and other gazetted and non-gazetted cadres of the Income Tax Department. This wing of the Directorate plays an important role in ensuring the conduct of Departmental examinations in a fair and impartial manner. The Directorate has also been constantly reviewing the examination rules and policy/syllabus taking into account the new developments in the field of Income Tax and thus, is a check point for providing quality staff / officers to the Department.

Besides conducting examinations for separate cadres of the Department and declaring their results, the examination wing also reviews and interprets the rules and syllabi of various examinations, implements the policy of the government regarding departmental examinations and also deals with the complaints, grievances and representations of the candidates who have appeared in the Departmental Examinations conducted by the Directorate. This unit also deals with RTI applications relating to Examinations.

(b) Departmental Examinations were conducted for ACsIT(Probationers) & for Income-Tax Officers (ITOs), Income-Tax Inspectors (ITIs), Ministerial Staff (MS). The details of the major examinations conducted by the Directorate during the year are :

(i) The 2nd Departmental Examination for ACsIT (Probationers)-59th Batch, conducted during February 2007 and results declared on 18th April, 2007.

(ii) The Ist Departmental Examination of ACsIT (Probationers)-60th Batch of IRS and the Supplementary Examination of the Ist Departmental Examination for ACsIT (Probs) –

Table 3.32		
Financial year	**No. of reports received**	**No. of reports scrutinized**
2001-02	314	175
2002-03	675	450
2003-04	2800	387
2004-05	3091	-
2005-06	2458	428
2006-07	2546	128
2007-08 (upto 20-12-2007)	848	187

59th Batch conducted during August 2007 and results declared on 20th November, 2007.

(iii) The Departmental Examinations for Income Tax Officers, Income Tax Inspectors and Ministerial Staff-2007 were conducted during September / October, 2007 on the basis of the old syllabus & eligibility criteria as per the decision of CBDT. The revised Rules/Syllabus 2004 are under finalization with the CBDT.

(c) Besides conducting the Departmental Examinations for various cadres as detailed above, the following miscellaneous functions were also carried out by this Directorate:

(i) The DIT(IT) is also a member of the Joint Consultative Committee for the monitoring of the implementation of the MOU signed between the National Academy of Direct Taxes (NADT), Nagpur and the NALSAR University of Law, Hyderabad. As per the MOU, the NADT and NALSAR have drawn up a programme to award a Master's Degree in Taxation and Business Laws to the Officer Trainees of the Indian Revenue Service, commencing from May, 2006 on the basis of Departmental Examinations being conducted by the DIT(IT). The DIT(IT) represented the Directorate in the review meetings held at Hyderabad in January, 2007 and at NADT, Nagpur in April, 2007.

Issues relating to the enrolment process for officer trainees of the Indian Revenue Service, Examination Schedules, Additional syllabi and curriculum for the two modules, preparation of course material, continuous assessment modalities, selection of subjects and guides for project work, registration for Doctoral programmes by in-service officers of the department, exchange of faculty, sharing of library resources, and internship programmes for NALSAR students were discussed and finalized. The first batch of Officer trainees would be awarded the Degree after completion of the project work by December, 2007.

(ii) Cases filed by the candidates on different issues before various Benches of the Central Administrative Tribunals/Courts were examined and processed.

(iii) Applications under the Right to Information Act (RTI) filed by the candidates on different issues were processed and disposed.

(iv) Review, amendment and interpretation of the Examination Rules and setting the syllabus for various Departmental Examinations were effected.

(v) Implementation and review of the policy regarding Departmental Examinations and issue of instructions to Commissioners all over India; disposal of various queries and references from the CCsIT/CsIT and from various staff associations in connection with Departmental Examinations.

4.12.3 Directorate of Income-tax (Audit)

I. Internal Audit Working

(i) New Internal Audit System

A new Internal Audit System has been put in place w.e.f. 1st June, 2007 under which audit functions have been assigned to a specialized Internal Audit Wing. The Wing comprises 22 CsIT, 22 Addl. CsIT, 22 Special Audit Parties (SAPs) and 272 Internal Audit Parties (IAPs). Special Audit Parties are headed by officers of the rank of DCIT/ACIT and Internal Audit Parties are headed by Income-tax Officers. The Addl. CIT has also been given the task of internal audit. The CIT (Audit) is the overall incharge of the audit wing and functions under the administrative control & supervision of the

Table 3.33

	2005-2006	2006-2007	2007-2008 (Upto 30 June)
1. Total No. of Internal Audit cases in which mistakes (Major) were detected.	2786(Arrear) 806(Current)	2213(Arrear) 566(Current)	1700(Arrear) 91(Current)
2. Revenue effect of (1) above (in thousand)	17584223(Arrear) 3717705(Current)	6497928(Arrear) 525869(Current)	3760075(Arrear) 194829(Current)
3. No. of Internal Audit objections settled			
(a) Major(Arrear+ Current)	1533	1015	98
(b) Minor (Arrear + Current)	5846	3798	389
4. Revenue effect of (3) above (in thousand)			
(a) Major (Arrear + Current)	1707857	2992436	316960
(b) Minor (Arrear + Current)	408188	90484	4410

jurisdictional CCIT (CCA). The Addl. CIT (Audit) has to audit 50 cases per year, whereas SAPs will audit 300 cases in a year. The IAPs have been asked to carry out audit of 600 cases of companies / 700 cases of non-company assessees.

(ii) A comparative statement on the performance for the period of June 2007 with the performance during the two earlier financial years is given in Table 3.33.

(iii) Review and Publications:

During 2006-07, 20 Quarterly Reviews, for the Quarters ending June, September, December 2006 and March 2007 were prepared. Out of these, 8 Reviews pertained to the Internal Audit Objections, 8 Reviews pertained to Receipt Audit Objections and remaining 4 Reviews pertained to auditable cases indicating their disposal as well as the position of settlement of Major and Minor audit objections.

II. Conference of CITs (Audit)

An All India Conference of CsIT (Audit) was held on 13th Sep. 2007 to review the status of implementation of the New Internal Audit System and to discuss ways and means to remove bottlenecks if any.

4.13 Directorate of Recovery

A. Highlights of the performance and achievements during the year:

(i) In April 2007, the Finance Minister approved proposal of the Central Board of Direct Tax to set up a Task Force in 106 CCIT/DGIT regions in India for purpose of close monitoring of arrears of demands found to be 'difficult to recover'. These Task Forces were duly set up under chairmanship of each CCIT/DGIT of the region and detailed lists of entire arrears found 'difficult to recover' were prepared and sent to this Directorate of Recovery for compilation and processing in order of formulate guidelines by the Board for targeting liquidation of arrears. Guidelines for the purpose as per past practices, procedure and powers available under the I.T. Act 1961 were duly framed and sent vide D.O. letter of Member (R), CBDT dated 18.09.2007 to all 106 CCIT/DGIT region for active targeting of collection and liquidation of these arrears of demands. Follow up action is being duly reported to the Directorate of Recovery.

(ii) Further, guidelines would be framed after discussion with Hon'ble FM for which the file is under process. Suggestions to bring about changes in the law for the purpose have been submitted to the Zonal Committees for their deliberations and onwards submissions to the CBDT in the discussion held prior to formulation of union Budget 2008.

(iii) Under the Right to Information Act information had been sought from the CBDT regarding arrears of demand owed from various asessess for the purpose of putting them on the website. For this purpose information was called for by this Directorate of Recovery form 106 CCIT/DGIT regions regarding arrears of demand over Rs. 10 crore which were outstanding for more than 1 year and which were not disputed. This information was called for and duly compiled and submitted to the CBDT in November 2007.

(iv) During this F.Y. 2007-08, 261 dossiers involving net demand of above Rs. 50 crore as on 01.04.07 has been selected for close monitoring and suggestions and comments with regard to their collection have been duly sent to all concerned CCIT/DGIT regions. These dossiers involved gross demand of Rs. 102467 crore out of total arrear demand of Rs. 120661 crore as on 30.06.07.

(v) During the CCIT/DGIT conference of 2007-08 held on 17th -18th July 2007 the Directorate of Recovery presented paper on Liquidation of Arrear Demand for the purpose of augmenting of revenue for discussion and formulation of policy at an All India level.

(vi) All CCIT/DGIT regions have been duly informed by 31.10.2007 regarding their achievement by 30.09.07 of target of cash collection from arrear demands outstanding as on 01.04.07 in order that the required efforts may be accelerated towards achievement of targets given in the Action Plan for F.Y. 2007-08.

(vii) During F.Y. 2007-08 ***write-off*** proposal in the case of M/s Transformer and Switchgear Pvt. Ltd. for A.Y. 85-86 to 88-89 of an amount of Rs. 47,05,242/- has been duly approved by the Full Board and necessary information has been sent to the concerned CCIT for passing the order of write off as required.

(viii) The entire 191 files of Sanctioned Scheme by Board of Industrial and Financial Restructuring received in the Directorate of Recovery as on 01.04.07 have been examined and 68 files identified as disposed. Besides the remainder 123 files have been examined and correspondence initiated with field authorities and parties concerned for necessary disposals by way of grant or rejection of reliefs and concessions claimed from CBDT.

(ix) During the Current F.Y. the DIT(R) has taken up the task of updating and getting published a new Tax Recovery Officer's Manual which was last published in the year 1999. This would assist the field formations in actively targeting collections of arrear demand.

In the F.Y. 2007-08, in a Central Board of Direct Taxes meeting held on 06th July 2007, it has been decided that besides the monitoring of arrear demands as reflected in the dossier reports received, the Directorate of Recovery would also monitor the collection of current demands as were reflected in the dossier reports.

B Performance/achievements upto the last year

(i) In the preceding F.Y. cash collection out of arrear demand was made at Rs.12285 crore (as against target fixed for Rs. 11,741 crore and against achievement of Rs.8065 crore in preceding F.Y. 2006-07). The target achieved showed increased collection by 52.34% as compared to the preceding financial year.

Total cash collection and reduction of arrear demand brought forward as on 01.04.2006 at Rs. 1,16,766 crore was 35.66%.

(ii) For the first time in past three decades, the carry forward demand as on 31.03.2007 was lower at Rs. 1,16,453 crore as compared to Rs. 1,16,766 crore brought forward as on 01.04.06. This performance of the Department was highly appreciated by the CBDT and the Government of India.

In the minutes of the 23rd Conference of CCIT and DGIT held on 17th and 18th July 2007, the Chairman's welcome address refers to this achievement. Relevant portion thereof relating to Liquidation of Arrear Demand is quoted as hereunder:

"It was pointed out by the Chairman that F.Y. 2006-07 was a watershed in the history of direct taxes as collection had exceeded Rs.2,30,000 crore and for the first time in the last three decades, arrear demand as on 31.03.2007 was less than that brought forward as on 01.04.2006. This had happened despite the fact that refunds had also increased substantially over last year. All this had been possible due to the combined efforts of all wings of the Department."

The Finance Minister's address also referred to the achievements of Department in this regard. Relevant portion from the Minutes of the Conference as circulated by DIR (ITCC) vide No. 401/5/2007-ITCC dated 23rd August 2007 is quoted as hereunder:

"The Finance Minister also appreciated that it was for the first time the arrear demand as on the last day of the financial year had been lower than the demand brought forward on 01st April."

(iii) 300 dossiers representing total arrear demand of Rs. 56,925 crore were chosen for close monitoring by the Directorate of Recovery in F.Y. 2006-07. Out of the above dossiers, the final cash collection figures as per dossiers for March, 2007 was of Rs. 8,276 crore i.e. collection made was of 14.54% of arrear involved. Further reduction in appeal was of Rs. 5,736 crore i.e.10.07% of arrear involved. Together collection and reduction was of 24.63%.

(iv) During the F.Y. the DIT(R) particularly achieved cash collection of Rs. 167.53 crore of arrears outstanding in the case of M/s Hindustan Steel Works Ltd. Kolkata by way of payment of taxes by the Ministry of Heavy Industries to the Ministry of Finance in the Third Supplementary demands for grants by the Parliament.

(v) 8 proposals for *write-off* were submitted to the CBDT for their consideration.

(vi) The Manual of Write-off of arrears was updated and printed in December 2006.

(vii) In the matters relating to BIFR, in 7 cases matters were analyzed and put up to the CBDT for grant/ rejection of reliefs and concessions sought.

4.14 Public Relations, Printing, Publications and Official Language

4.14.1 The Directorate of Income-tax (Public Relations, Printing, Publications and Official Language) is responsible for the Publicity and Public Relations, Printing and Publications and Implementation of Official Language Policy in the Income-tax Department all over India. The functional control of work relating to Compilation of Statistics has been transferred to the Director General of Income-tax (Legal and Research) w.e.f. 7.12.2006 but the administrative control over the officers and staff still remains with the DIT (PR, PP&OL).

4.14.2 Some of the important work done by this Directorate during the period 1.04.2007 to 20.12.2007 are detailed below:

(A) Public Relations:

In order to increase the awareness of the Tax Payers about their legal responsibilities, publicity campaign on various tax related matters were carried out through print and electronic media. Regular publicity for the various provisions of Income Tax Act carried out during the year, viz. for Payment of Advance Tax and, Filing of Income Tax Return and for Tax deducted at Source (Quarterly and Annual Return) , Fringe Benefit Tax (FBT), Banking Cash Transactions Tax (BCTT), Annual Information Return (AIR). Apart from the regular publicity on various tax matters, special publicity on the various facilities made available for the tax payers was also carried out for example -Publicity for filing application under section 12A by charitable trust, Publicity highlighting the tax collection, Publicity for Income Tax Ombudsman, Publicity for New Income Tax Return Forms, Publicity for Tender Notice for the empanelment of Ad. agency and Publicity for filing of e-TDS Returns

The campaigning done through these ads did have great positive impact in creating awareness among the Tax Payers resulting in increase in Tax Collection and no of returns filed.

(i) The Administrative Hand Book for the year 2008 (AHB) has been released in January 2008.

(ii) The Tax Payers Information (TPI) booklet on the topic "Hand Book on Advance Rulings" was printed and distributed.

(iii) New TPI booklet on "Ombudsman" has been prepared sent to DAVP for printing.

(iv) Manuscripts of six TPI series booklets out of the total 12 identified for an updation have been received from the authors and further necessary steps for bringing out updated editions are being taken.

(B) Other works undertaken:

Tax Payers Education Programme – On the directions of the F.M., a tutorial CD explaining the various columns of the new ITR forms no. ITR-1, ITR-2 and ITR-4 was prepared. This tutorial CD has two versions, the English version has English voice-over while the Hindi version has Hindi voice-over. This software was made web enabled and was uploaded on the website: www.incometaxindia.gov.in. Copy of the CDs were mailed to 104 officers of the rank of CCsIT and DGsIT across the country for further dissemination. From the feedback received from the filed officers it is ascertained that the CDs were well received and were found quite informative and useful by the Tax Payers.

4.14.3Printing and Publications

a) The following publications were printed and distributed:- The Finance Act, 2006 (English and Hindi), Vision 2010, Direct Taxes Bulletin Vol. 39(1), Quarterly Tax Bulleting Vol.77 (English),Action Plan 2007-08,Quarterly Tax Bulletin Vol.75 (Hindi),Quarterly Tax Bulletin Vol.75 (English),CBDT (Admn.) Bulletin Vol.50 ,Taxation Law Amendment, 2006 – Explanatory Note on the amendments .

b) The following publications were purchased and distributed:- Income Tax Act 2007, Income Tax Rules 2007, Wealth Tax Act 2007 and Wealth Tax Rules 2007 both in English and Hindi were purchased and distributed to the field offices all over the Country.

c) Income-tax return forms were printed and distributed.

4.14.4Implementation of Official Language Policy:

i) 62nd meeting of Direct Taxes Official Language Implementation Committee was organized on 21st May 2007 under the Chairmanship of Member (Personnel).

ii) 63rd meeting of Direct Taxes Official Language Implementation Committee was organized on 17th September, 2007 at Goa.

iii) The 3rd Sub-committee of Parliamentary Committee on Official Lanaguag inspected the office of CCIT, Bangalore on 2.6.2007, CIT, Guwahati on 25.6.2007 CCIT, Ahmedabad on 29.9.07, . This Directorate helped the concerned CCsIT in the preparation of Inspection questionnaire.

iv) The Director of Income-tax (PR,PP&OL) participated in VII World Hindi Conference held at New York from 13-15 July, 2007.

v) Director General (Admn.), Director of Income-tax (PR,PP&OL), Dy. Director (OL) and Assistant Director (OL) inspected the various offices regarding the progressive use of Hindi. Inspected offices include offices of the CCsIT, Thane, Surat, DG (Inv.), New Delhi, CCIT, Kolkatta, CCIT, Amritsar

vi) Hindi fortnight organized lw.e.f. 14 – 28th Sept., 2007. Several competitions were held and prizes distributed to the winners. A two days Hindi workshop was also organized during this fortnight. Necessary instructions were issued for organizing Hindi day, week, fortnight in Income-tax Offices all over the country.

vii) CCIT, Surat was requested to organize three days All India Seminar in December for Hindi Translators in Daman.

viii) 5th meeting of Joint Official Language Committee of DIT (PR,PP&OL) and DIT (Recovery) was convened in November, 2007.

ix) Letters/Circulars received from the Depratrment of Official Language, Ministry of Finance, Ministry of Home Affairs circulated amongst the offices of CCsIT and DGsIT for follow up action and further circulation.

x) Quarterly reports in respect of progressive use of Hindi in the field offices of the Income-tax Department called for, consolidated and reviewed. The reports were sent to the Department of Revenue. Quarterly reports received from the various regions were reviewed regularly.

xi) Advertisements issued by the Public Relations section of this Directorate in English news papers were simultaneously translated into Hindi. Hindi translation vetted for publication in leading Hindi newspapers.

xii) Compliance report of the decisions taken in the last meeting of the Income-tax Department was made available to the Department of Revenue and Department of Expenditure for the meeting of Joint Hindi Consultative Committee of departments of Revenue and Expenditure which was held on 1st Nov., 2007.

xiii) Action was taken for filling up of post of Jr. Hindi Translator on deputation. One Jr. Hindi Translator has been appointed in the DIT (PR,PP&OL) on deputation.

xiv) Action has been initiated for filling up of vacant posts of Assistant Directors (OL) on deputation.

xv) Proposal for convening the DPC to fill up the post of Deputy Director (OL) has been forwarded to the UPSC.

4.15 Organization & Management Services (O&MS)

4.15.1 This Directorate is an attached office of the Central Board of Direct Taxes, and carries out continuous review of procedures, administrative systems and work/staffing norms, besides providing other policy management services as an internal consultant to the CBDT.

The Directorate also reviews the Central Action Plan, by regularly obtaining, compiling reports from and monitoring the performance of the field offices vis-a-vis the targets set in the Action Plan, through CAP-I statements showing the figures of cash collection, reduction of arrears and current demand of Corporation Tax/Income Tax; and CAP-II statements showing the progressive workload and disposal of Income Tax assessments on monthly basis. This Directorate also monitors the performance of the field offices vis-a-vis the targets, on a quarterly basis.

4.15.2 Some of the important assignments completed during the year are mentioned below :-

(i) As the nodal agency for the implementation of the Government of India programme "Sevottam" i.e. Excellence in Service Delivery in the income Tax Department, the Directorate finalised the software, and installation of infrastructure for the implementation of pilot schemes for Sevottam at Mumbai & Udaipur, and launched the pilot-run at these two stations. Necessary modifications in the system are being effected to carry out further roll-out of Sevottam at other stations.

(ii) Note on implementation of "Sevottam" in the Income Tax Department, for discussion in the Annual Economic Editors' Conference held from 12th to 14th November, 2007 was also provided.

(iii) Meetings were organised with Budgetary Authorities of different CCIT (CCA) regions and their DDOs throughout the country to brief them about the need to project accurate and adequate budgetary requirements for RE 2007-08 & BE 2008-09 and to assist them in the process. The projections made by Budgetary Authorities of different CCIT (CCA) regions were analysed, verified, discussed & compiled and sent to the IFU, Department of Revenue, M/o Finance. The Budget proposals were also presented and justified in the review meeting with the Department of Expenditure, and re-verified requirements sent to the IFU based on the ceilings indicated by the Department of Expenditure, to ensure early intimation of RE allocations so that the Budgetary Authorities would get sufficient time for expenditure planning.

(iv) A proposal was prepared for identification and diversion of posts out of the existing posts of CIT (Appeals) throughout India, based on workload analysis, to fill 15 posts of CIT (TDS) and 18 posts of CIT (Audit).

(v) A study regarding the problems relating to the service of Demand Notices in cases of processing u/s 143(1) was carried out, identifying the reasons for the same, with recommendations for remedial action.

(vi) An approach paper and presentation on "Delegation of Financial Powers to CBDT" was prepared for discussion in the CCITs/DGITs Conference held in July, 2007.

(vii) Re-designation of the CPIOs/Appellate Authorities under the Right to Information Act in different offices of the Income Tax Department was co-ordinated.

Detailed comments on the report, prepared by IIM, Ahmedabad, on "Performance Related Pay" for Sixth Central Pay Commission were provided apart from the details of allowances and facilities, presently being granted to various categories of employees of CBDT, as required by Sixth Central Pay Commission.

4.16 Vigilance

4.16.1 The Vigilance setup of the Income Tax Department is headed by the Director General of Income Tax(Vig.), who is also the CVO of the Income Tax Department. The Directorate General has its headquarters at New Delhi. Under him, there are four Directorates of Income Tax (Vig.) each looking after the matter pertaining to North, South, West & East Zones, headed by a Director of Income Tax(Vig.) with headquarters at Delhi, Mumbai, Chennai and Kolkata respectively. The four Directors of Income Tax (Vig.) are also the Deputy CVOs of the zone they head for vigilance purposes. The Director General of Income Tax (Vig.) is under the direct administrative control of CBDT and oversees the processing of vigilance cases, mainly against the Gazetted Officers of the Income Tax Department. The basic sources of information pertaining to Vigilance matters are signed complaints from members of public, VIP references, references from CVC and other Departments/Agencies, periodical inspections etc.

4.16.2 In order to streamline the procedure and update knowledge of its field functionaries, vigilance conferences are held at the national and regional levels each year. Issues of importance such as Preparation of charge sheet, Investigation of complaints, Preventive vigilance, Inquiry Proceedings, Vigilance Inspections and the Right to Information Act, 2005 etc were taken up for deliberation keeping in view the changing scenario in work culture and ethos in the background of advancing liberalization and the Right To Information Act, 2005

4.17 Training

The National Academy of Direct Taxes is the apex institution for training the officers and staff of the Income Tax Department in India. It imparts induction training to the directly recruited officers of Indian Revenue Service. The Academy also conducts in-service training courses for officers and staff of the Income Tax Department and other Indian and foreign organizations. It has seven Regional Training Institutes at Bangalore, Kolkata, Lucknow, Mumbai, Chennai, Chandigarh and Ahmedabad and 26 Ministerial Staff Training Units spread over the country, which conduct training courses for the middle, and junior levels of officers and officials of the Income Tax department.

Apart from the Induction training for the IRS Officer Trainees, the Academy also conducts a number of courses for officers of different ranks. These include various courses on Taxation, Law and other related subjects including a number of Management Development Programmes. The Academy has made a conscious effort to sensitize the trainees and other officers on important areas such as right to information, gender issues at workplace, ethics/values in public life, image building, citizens' charter and promotion of Official language. All the long duration courses usually have sessions on these topics.

During the year NADT made a comprehensive proposal to launch Advanced Mid Career Training Programme for the officers of the Department at the level of Joint Commissioner, Commissioner and Chief Commissioner in association with renowned institutions like IIMB, IIMA, MDI, Gurgaon etc. The proposal was approved by the Hon'ble Finance Minister and efforts are on to launch the programme by March, 2008.

The training methodology, apart from lectures by both in-house and guest faculty members, includes panel discussions, case studies, group discussions, workshops, seminars, role-plays and simulation exercises and tutorials.

4.17.1 Induction Training

The valediction function for the induction course of the officers of the 59th Batch of Indian Revenue Service was held on 27th April 2007, 76 officer trainees of the batch were posted to the field in April, 2007 after completion of their training. The Induction training of the 60th batch of IRS started on 18th December 2006 batch with 45 officer trainees. The officer trainees of the 61st batch of IRS joined the Academy on December 10, 2007 The 61st batch of IRS is, numerically, one of the largest batches in recent times wherein 133 officer-trainees reported for training at NADT, including two tax officers from the Royal Government of Bhutan, nominated under the Colombo Plan. Out of these, 30 officer-trainees have proceeded on EOL as a result of which, the batch strength stands at 103.

On the Job training of 8 weeks duration was conducted from 20th August 2007 to 16th October 2007 at 17 centres involving 34 surrogate trainers for 47 OTs (the total number of Officer Trainees at the time of OJT was 47 and later 2 of them left for other services) making surrogate trainer-trainee ratio 1:1 to 1:2 (varying from place to place). A detailed diary with 137 tasks was prepared. Every officer trainee was also required to bring one case folder so that a databank of cases could be prepared at the Academy for use as resource material in future. The progress of OJT was monitored from the Academy by the monitoring faculty through weekly e-mail system. This system has provided a real time means to track the progress and offer suggestions (both technical and personal) wherever necessary OJT was followed by a two-week industrial attachment from 18th to 31st October, 2007. A detailed diary for industrial attachment was also prepared. The concept of "Gate to Gate" was followed in designing the diary so that the officer trainees understand the entire gamut of manufacture from the place of receipt of raw material to the place where the finished goods move out of a unit. The diary for industrial attachment contained 42 tasks covering areas like management philosophy, raw material and inventory Management, production (process, yield, wastage, by products and quality controls), compliance procedures and other laws (like Excise, Customs, VAT, environmental laws, boiler laws), sales & distribution, accounts & financial management, forex management, HRD, ERP implementation etc. An objective evaluation methodology was designed to monitor the performance during OJT and industrial attachment. The officer trainees attended a five-day appreciation course in Parliamentary processes and procedures from 5th March to 9th March 2007 conducted by Bureau of Parliamentary Studies and Training, New Delhi. During this visit the officer trainees had an occasion to call on The President of India in New Delhi.

4.17.2 Brief note on some important courses

(i) OECD Course on Management of LTUs: objective of the partnership programme The was to share experiences of the OECD countries in managing and controlling large taxpayers with the officers of the Income Tax Department in India. Mr. Mathhijs Alink of OECD Tax Administration and Consumption Taxes Division was the Event Co-ordinator. Mr. Keith Jones, Director, LTU of the US Internal Revenue Service and Mr. Norimasa Jochi of the Japanese Taxation Bureau were the other experts. From the Indian side, the experts were Shri Swatantra Kumar, Commissioner of Income Tax, LTU, Bangalore and Shri D.P Nagendra Kumar, Commissioner of Central Excise & Service Tax, LTU, Bangalore.

(ii) Course on Fiscal Policy and Revenue Forecasting: For the first time, a five-day course on Fiscal Policy and Revenue Forecasting was conducted from 29.10.07 to 2.11.07. This course was intended to cover the economic foundations of tax policy, revenue forecasting and the broader perspective of fiscal policy in the globalised economy and thereby develop skills and aptitudes to deal with these key tax policy issues. This course was conceived for the reason that the Department was not throwing up much of the talent in the area of policy formulation and revenue forecasting. Resource persons were also carefully chosen by identifying the best of the persons both from within the country and from abroad.

The faculty for the said course included Shri Parthasarathy Shome, the then Advisor to the Finance Minister, Prof. Mukul G Asher, Professor of Public Policy at the National University of Singapore and Prof.

Shyamal Roy and Prof. V. Nagdevara Director and Dean (Academic) of I.I.M., Bangalore respectively. This course was very well received by the participants.

A total of 42 participants attended the five-day course. The course included modules on Fiscal Policy relating issues as well as on revenue forecasting issues. On the fiscal policy side, the changing role of the State and its implications for India, the global trends in tax reforms as well as in India, fiscal incentives' strategies and their economic impact on taxation and lessons on macro-economics were discussed. As part of the Revenue Forecasting module, the techniques of revenue forecasting and the models used for forecasting revenues for the F Y 2007-08 were discussed and deliberated. Inputs on data mining, as part of the broader objective of maximising revenue generation were also included.

(iii) Seminars on Creative Leadership for senior Commissioners: Three Seminars for senior Commissioners of Income-tax of the 1978, 1979 and 1980 batches of officers were held at NADT in the months of November and December, 2007. In these seminars, sessions on HR initiatives for leading change, leadership and change management, performance appraisal, power of vision, modernization through computerization, integrated taxpayer profiling and stress and health management were discussed at length.

(iv) Course on direct taxes for the probationary officers of Indian Forest Service: A half-day module on provisions relating to TDS/TCS and personal taxation was conducted for probationers of Indian Forest Service in the month of October, 2007. Dr. Ravi Kumar, Associate Professor of Indira Gandhi National Forest Academy, (IGNFA), Dehradun, accompanied the probationers.

(v) Course on TDS for senior officers of Railways and Defence Departments: To combat inadequacies in TDS collections from the Government Departments, particularly, the Railways and the Defence, NADT organised two courses in the months of October and November, 2007, one for the Indian Railway Accounts officers (IRAS) and the other for the Indian Defence Accounts Officers (IDAS), respectively, to sensitise them on the need for correct deduction and collection of tax at source from the payments made by them.

(vi) Foreign courses conducted at NADT: Other foreign delegations attending NADT: During the year 2007, a total of three training courses for the Commissioners and Deputy Commissioners of Inland Revenue Department of Sri Lanka of two-week duration were organized by NADT between October and December, 2007, two at NADT and one at Mumbai, under the aegis of RTI Mumbai.

The courses were an outcome of the tie-up between FMRP, Sri Lanka and NADT, Nagpur. After conducting a detailed Training Needs Analysis by a two-member team from NADT the course schedule and the course plan was designed suiting the specific requirements of the officers of IRD, Sri Lanka.

The courses comprised of three modules, viz., Investigation & Audit module, International Taxation module and Management module. A total of 88 participants attended the course.

NADT is emerging as an internationally acknowledged center of excellence in the area of training in direct taxes. During the year, 2007 it has hosted delegations from the Sudanese, Bangladesh and the Afghan Governments, who are looking upto NADT for providing them the necessary expertise and conducting of training programmes for their tax officers in the near future.

(vii) NALSAR Tie-up: In June 2006, NADT has entered into a MOU with NALSAR University of Law, Hyderabad for award of Master's degree in Taxation and Business Laws to the officer trainees who undergo induction training at the Academy. Enrolment to the programme is optional in nature and any officer trainee opting for this programme has to undertake a research project of six months duration apart from the training at the Academy. The tie up is aimed getting due recognition to the rigorous training for 16 months undertaken by the officer trainees at the Academy. As part of the MOU, from the 59th batch onwards, the teaching and providing resource material on topics of business laws is undertaken by NALSAR. In total 182 officers have enrolled for the programme (73 from the 58th batch, 66 from the 59th batch and 43 from the 60th batch). A panel of research guides (comprising officers from NADT, RTIs and field as well as from faculty of NALSAR) is being prepared and a list of 91 research topics is offered to the candidates opting for this programme. A Joint Consultative Committee (JCC) is also formed for smooth working of the tie up and the JCC is meeting every quarter to sort out issues. A proposal for allowing senior officers of the Department to enrol for the PhD programmes of NALSAR is also under examination. Joint research programmes in two areas viz., Money Laundering and IPRs are being launched. The tie-up is also aimed facilitation of exchange of faculty resources and knowledge resources between the two institutes.

4.17.3New initiatives taken at NADT, Nagpur

(i) Advanced Mid Career Training proposal for Advanced Mid Career Training for the senior officers of the Department towards capacity building of the officers to handle various issues arising out of globalisation and global competition was presented by DG(Trg.), NADT during the Chief Commissioners' Conference. The proposal was approved by the Hon'ble Finance Minister.

The training programme would be conducted in co-ordination with MDI Gurgaon, IIM Bangalore, IIM Ahmedabad and for the training of officers at the level of Joint Commissioners of Income Tax, Commissioners of Income Tax and Chief Commissioners of Income Tax.

A part of the training programme would be conducted at specifically identified internationally renowned institutions on specialized subjects. Training Need and Aptitude Analysis is being conducted for the purpose. The first training programme is expected to be launched in March, 2008.This is being done with the objective of building the capacity of IRS officers so that they can protect and promote India's revenue interest in this era of global tax competition.

(ii) **Setting up** of an **"International Centre for Tax Administration and Policy [ICTAP]"**

In view of the various developments taking place in the fields of law, economy, accounting and technology, there has been a need for a centre that can collect and collate credible data and undertake proper analysis of the same to provide meaningful information to different agencies of the government, in the field of tax policy and administration. In the meeting held on 7th September. 2007, the Full Board has in principle approved the proposal for setting up of a Centre for tax policy research. In view of rising importance of international trade, increasing impact of globalization on our economy and tax administration, and the growing stature of NADT as an internationally recognized centre of excellence in tax training, it was decided to develop this centre as an International centre and provide it some autonomy to function independently as self-financing unit. Accordingly, a proposal for "International Centre for Tax Administration and Policy [ICTAP]" has already been forwarded to the Board, and is under its consideration.

(iii) Documentation of history of training in Income Tax Department:

During the last year, which also happened to be the golden jubilee year of organized training in the department and the silver jubilee year of the present campus of National Academy of Direct Taxes, two major initiatives to document more than half a century of history of training within the Department were undertaken. The first of them was setting up of "NADT Archives" within the Academy, wherein the historical documents, artifacts, photographs related to the training activities as well as the Department's functioning are preserved and displayed. The NADT Archives has now become an integral part of the visit of the Academy, and has received universal appreciation for being a unique endeavor of its kind. The second initiative was the publication of a book each in English and Hindi documenting the historical evolution of training within the Department. The book in English is titled ***"Striving for excellence- Evolution of training in Income Tax Department"*** while the Hindi book is titled ***"Utkrisht-ta ki ore – Aaykar vibhag me prashikshan ki vikas yatra"***.

(iv) Expansion of infrastructure:

Over the years, the training activities undertaken by the Academy have expanded substantially while the infrastructure available had remained static. During the last year, significant progress was made in renovation of the existing infrastructure including the Administrative Block and the residential hostels. In addition, proposals have also been made for construction of a new hostel block to accommodate the officer trainees in view of the rising size of the IRS batch, and the larger number of in-service officers arriving for training at the Academy.

Networking:

As part of the Local Area Networking, new Optical Fibre Cable (OFC) was commissioned and made functional in the Academy during the year extending the facility to the Senior Officers' Hostel (Takshashila) and to the VIP's Guest House (Vaishali) also.

The Internet Leased Line at the Academy has also been upgraded from 256 Kbps to 2 Mbps by the BSNL during the year.

(v) Modern scientific training programme evaluation:

Another major initiative this year was the adoption of training evaluation methodologies based on computerized feedback of the participant trainee officers. For this purpose a feedback form was designed with 12 parameters, on which feedback of the participants is sought and the information thus gathered is computerized and analysed by a software developed in-house that instantly provides a detailed assessment of each and every session held, in the forms of "satisfaction scores" (derived by parametric summation, overall impression, overall rating and mean of these scores) and "Faculty Appraisal Scores". This evaluation has already been implemented at NADT and is now proposed to be implemented in other Regional Training Institutes as well. In addition to being a tool of programme evaluation and training session assessment, it also provides instant feedback to the Faculty and helps them improve their own performance in future.

4.17.4Publications/Monograph:

(1) Case Studies on RTI and on Money Laundering: As part of the projects assigned by DoPT, NADT has been recognized as a centre of excellence in the areas of Right to Information and on Money Laundering. Case studies have been made and submitted to the DoPT in the form of a booklet in these two areas.

(2) For the first time, RTI Kolkata held an international training programme for the Inspectors of the Department of Revenue & Customs, Royal Government of Bhutan for a period of two weeks**.** A total of 23 Tax Inspectors headed by an Assistant Commissioner participated in this course. Inputs provided in the course were designed keeping in mind the Bhutanese Income Tax Act followed by extensive discussions with the Bhutanese Authorities. A comprehensive book containing inter-alia, customized write-ups on "Audit", "Investigation", "Enforcement" and "Accountancy" was distributed to the participants at the end of the course.

(3) The Frequently Asked Questions (FAQs) compiled by DTRTI, Bangalore for the National Website of the department, **www.incometaxindia.gov.in** has been uploaded and are receiving appreciation for their clarity and simplicity of communication from the general public and tax payers.

(4) Special Course on Assessment of Real Estate Builders/ Developers and Contractors for Assessing Officers was designed covering the accounting, engineering, legal aspects of construction / real estate business. The participants of the course felt that the course was very innovative, highly educative and truly outstanding. A study material book of 165 pages was also published and distributed in this course, which has been appreciated by all the participants.

(5) A very comprehensive book titled "Guide to Collection and Recovery" was published as part of the Course Material for the National Level Course on Recovery for TROs covering all aspects related to collection and recovery.

(6) RTI Chennai, has compiled the favourable and unreported decisions of the Madras High Court and ITAT Chennai for the benefit of the officers posted in the Southern region.

(7) The DTRTI, Kolkata has also published a compilation of the ratios of the landmark judgments of Supreme Court favourable to Revenue so that it could be effectively and correctly applied.

(8) Faculties at NADT and RTIs have been invited to deliver lectures by different organizations like Directorate of Small Savings, National Academy of Customs, Excise and Narcotics, Chennai, the Zonal Training Institute of EPF Organization, Chennai, Principal Director of Audit, Kolkata and the Regional Training Institute of Audit and Accounts at Nagpur.

4.17.5Other events

(i) Golden Jubilee Year of Organised training at Nagpur 5th Feb 2007 to 4th Feb 2008

The function to celebrate the Golden Jubilee of commencement of organised training for the IRS officers was held on 28th April, 2007. The events of this function included felicitation of (a) heads of the training set-up over the years, (b) heads of RTIs who had also put in 5 years or more at RTIs, (c) trainers who had put in 5 years or more at the training institute at Nagpur, and (d) officers of the 10th batch of IRS (the first batch to be trained at the training institute at Nagpur).

On this occasion, a photographic depiction of the history and evolution of training in the Income Tax Department and its various milestones during the last 60 years in the form of a book titled 'Striving for Excellence' was released. This is a first documentation of its kind throwing light on the history of not only the training in the Department but about the evolution of the Department itself. On this occasion a special postal cover commemorating the golden jubilee of organized training was also released by Ms. Noorjahan, CPMG, Department of Posts, Maharashtra.

(ii) Eminent Dignitaries who visited NADT and RTIs during the golden Jubilee Year:

His Excellency, Shri A.P.J. Abdul Kalam, the Hon'ble President of India, visited the Academy on 15th June, 2007 and addressed the Officer Trainees of the 60th batch of IRS, the officers of the 1994 and 1995 batches undergoing in-service training programme as well as the faculty of NADT.

Shri Arvind Kejriwal, Ramon Magsaysay Awardee, Shri Wajahat Habibullah, Chief Information Commissioner, Central Information Commission, A.N. Tiwari, Information Commissioner, Central Information Commission and Shri Prabhat Kumar, Former Cabinet Secretary and Governor-Jharkhand addressed the participants of the Seminar on Right to Information Act, conducted by NADT and RTI, Chennai.

Shri Jog Singh, Hon'ble Member, Central Administrative Tribunal, Shri P. V. Bhide, Revenue Secretary, Government of India, Shri Sekhar Dutt, Secretary, Defence, Union of India, Shri Sudhir Nath, Director, Enforcement Directorate, Shri T S Krishnamurthy, Former Chief Election Minister of India, Shri Parthasarathy Shome, the then Advisor to the Finance Minister and Ms. Vineeta Rai, Member Secretary Reforms Commission visited the Academy and addressed the Officers of the in-service courses as well as the Officer Trainees.

Among the academicians, Professor Mukul G. Asher, from the Lee Kuan Yew School of Public Policy, National University of Singapore and Ms. Arcotia Hatsidimitris, Head of Tax Academy, IBFD, Netherlands and Prof. G.P. Shukla, of the Duke Centre for International Development in USA visited NADT and RTIs.

4.18 Exemption

4.18.1 The Director General of Income Tax (Exemption), New Delhi has the Directorates of Income Tax (Exemption), Kolkata, Ahemdabad, Banalore, Chennai, New Delhi, Hyderabad and Mumbai. The main functions of the office of the Director General of Income-Tax (Exemption) include grant of notifications for grant of exemption u/s 10(23C)(vi) and (via) of the I.T. Act, 1961 to the educational trusts and hospitals respectively. Apart from this, the cases for notification for grant of exemption are recommended to the CBDT for grant of notification to the charitable trusts having importance throughout India or throughout any state or states. Similarly, the cases are recommended for notification of the trusts engaged wholly for public religious purposes or for public religious purposes and charitable purposes. Similarly, reports are sent to the CBDT for notification of institutions engaged in scientific research and social and statistics research. Apart from this, reports are also sent to the CBDT in respect of applications received for notification u/s 10(17A), 10(23), 10(23A) etc. The various Directorates of Income-Tax (Exemption) deal with assessment of Trusts Societies; Institutions etc. registered u/s 12A(a) of the I.T. Act, 1961. The Directors of Income-Tax (Exemption) grant registration u/s 12A and u/s 80G to the eligible applicants.

4.18.2 Reports u/s 10(23C)(iv) and (v) have been sent in 111 cases to the Board as against 49 cases in the last year. Notifications for grant of exemption u/s 10(23C)(vi) and (via) have been granted in 63 cases as against 29 cases in the lat year. During the year reports u/s 35(1)(ii)(iii) were sent in 31 cases to the Board as against 55 cases in the last year. Cash collection out of the arrear demand has been Rs.41.48 crore as against Rs.43.51 crore in the last year.

4.19 Infrastructure

The Directorate of Infrastructure is responsible for the development of Department's infrastructure and asset management throughout the country. The functions include drawing up of construction programs on all-India basis and their implementation. These *inter alia* entailed acquisitions of land; construction as well as purchase of office and residential buildings; hiring of office premises; repairs, renovation and maintenance of the departmental buildings.

The infrastructure proposals received from the field formations were processed by the Directorate and recommended to the Competent Authority (Integrated Finance Unit, Standing

Finance Committee & Committee for Non-plan Expenditure) for Administrative and Expenditure sanction. In addition, the Directorate formulated the budget for purchase of office and residential accommodations; attended to Parliament questions, VIP and MP references, court cases, and other miscellaneous matters.

5. Narcotics Control Division

The Department of Revenue is responsible for the administration of Narcotics Drugs and Psychotropic Substances Act (NDPS Act 1985) which sets out the statutory framework for drug administration in India. The separate authorities under the administrative control of this department responsible for monitoring the cultivation of opium, manufacture of opiates, and combating drug menace are:

- Central Bureau of Narcotics
- Government Opium & Alkaloid Works, Neemuch and Ghazipur under the Chief Controller of Factories.

1. Central Bureau of Narcotics

About Licit Opium Cultivation

As per Section 5(2) of the NDPS Act, 1985, the Narcotics Commissioner shall either himself or through the officers subordinate to him, exercise all powers and perform all functions relating to superintendents of the cultivation of opium poppy and production of opium and shall also exercise and perform such powers and functions as may be entrusted to him by the Central Government. The licit cultivation of opium is permitted only in certain districts and tehsils as notified by the Central Government.

Control over trade of Narcotics Drugs, Psychotropic Substances and Precursor chemicals

India is a signatory to Single Convention on Narcotics Drugs, 1961, the Convention on Psychotropic Substances, 1971 & United Nations Convention against illicit traffic in Narcotics Drugs & Psychotropic Substances of 1988.

In India control over Narcotic Drugs and Psychotropic Substances and precursor chemicals exercised through the provision of Narcotics Drugs & Psychotropic Substances Act, 1985.

Narcotics Drugs & Psychotropic Substances can only be exported out of India/imported into India under an export authorization/import certificate issued by the Narcotics Commissioner (Rule 58 and Rule 55 of the Narcotics Drugs & Psychotropic Substances Rules 1985). CBN is also assigned the responsibility for issue of registration for import of poppy seed.

CBN is also designated authority for control of import and export of specified precursor chemicals. As per EXIM Policy, 'No Objection Certificate' (NOC) is required from Narcotics Commissioner for export of Acetic Anhydride, Ephedrine, Pseudo-Ephedrine, 3-4 Methylene Dioxyphenyl 2-propanone, 1-Phenyl 2-Propanone, Methyl Ethyl Ketone, Anthralic Acid and Potassium Permanganate. Also under the EXIM policy, the import of Acetic Anhydride, Ephedrine and Pseudo-Ephedrine requires 'NOC' from the Narcotics Commissioner.

Precursor Section

Precursor Section of the Central Bureau of Narcotics issued No Objection Certificate for the export/import of Precursor Chemicals which are illicitly used in the manufacture of Narcotic Drugs and Psychotropic Substances.

No. of NOC's issued by Central Bureau of Narcotics during the calendar year 2007 for the export/import of Precursor chemical is as under:

No. of NOC's issued for export of Precursor Chemical: 1325

No. of NOC's issued for import of Precursor Chemical: 96

Table 3.34

	Psychotropic Substances		Narcotic Drugs	
	2006	2007	2006	2007
No. of Export Authorisation issued	1123	1352	159	244
No. of Import Certificate issued	83	115	44	67

Central Bureau of Narcotics succeeded in stopping number of cases where Precursor Chemicals suspected to be diverted from the licit channels to illicit channels during the year under report.

An interactive workshop on Precursor Chemical Control with the Industry was organized successfully by Central Bureau of Narcotics, Gwalior on 27th September, 2007. The workshop was attended by 33 representatives of major companies dealing in manufacture, import, export and trading of Precursor Chemicals. And 27 officers of Central Bureau of Narcotics working in Precursor & Technical Sections also participated in the Workshop.

Technical Section

The main function of Technical Branch includes the processing of applications for issuance of the following:

(i) Export Authorization for export of narcotic drugs and psychotropic substances.

(ii) Import Certificate for import of narcotic drugs and psychotropic substances.

(iii) Registration of import contracts for import of poppy seeds.

(iv) Manufacturing licence /renewal of manufacturing licence for manufacture of synthetic narcotic drugs.

The performance/achievements for the current year and previous year is given in Table 3.34.

Number of registration issued for import of poppy seeds. Issued during the above period are as under:

Year	Registration
2006	197
2007	154

Achievements

Implementation of Smart Card Project for opium poppy cultivators

A Smart Card Project to digitise the process of collection of data related to cultivation and transmission of the data for further compilation and generation of reports was tested for the crop year 2004-05 and 2005-06 in two Opium Divisions of Chittorgarh-I and Neemuch-I. The Project has been since expanded in 2007-08 to cover all the 17 Opium Divisions located in the State of Madhya Pradesh, Rajasthan and Uttar Pradesh, Unit Hqrs. at the DNC Offices of Neemuch, Kota and Lucknow and CBN Hqrs. at NC's Office Gwalior.

Currently, the Project is being designed in addition to the manual / regular mode of functioning and recording of data to test its efficacy. The Project once fully and successfully implemented will enable monitoring of various cultivation activities and would also be able to use for policy level decisions including optimum deployment of men and resources to strengthen controls.

Training Cell

Highlights of performance and achievements during the year 2007

(i) Range Firing Practice for the executive officers and staff :- The subject practice was conducted on 20/1/2007 at No 14 Bn SAF, Gwalior.

(ii) Observance of International Day against Drug Abuse and Illicit Trafficking :-

International Day against Drug Abuse and Illicit Trafficking was observed on 26/6/2007 with an objective to create awareness amongst the masses, especially the most vulnerable group i.e. Children and adolescent. The campaign against drug abuse and information about its ill effects was organized through Various programmes such as Poster Painting competition for the children, Slogan writing competition for the general public and distribution of pamphlets and placing of banners citing effective slogans at prominent places in the city.

(iii) Precursor Training for the Trade associated people and officers of CBN :-

This Training session was conducted at Gwalior on 27/10/2007 to familiarize the trade people and officers on the recent practices and procedure for the issuance of NOC for import and export of Precursor chemicals with relevance to NDPS Act, 1985.

(iv) Training on Forfeiture of Property derived from illicit drug trade :-

This training was conducted for the officers of CBN on 20/12/2007 at Gwalior in collaboration with the Competent Authority and SAFEM(FOP)NDPSA, New Delhi. This training session was primarily aimed at the objective, technique of financial investigation and procedure of property forfeiture with relevance to NDPS Act, 1985.

Besides the above, all efforts were made to depute the staff and officers of CBN for the various courses conducted by NACEN and other Training Institutes to make the officers proficient in dealing with their assigned duties effectively.

Enforcement of NDPS Act, 1985

The CBN undertakes action to prevent the illicit traffic in Narcotics Drugs and Psychotropic Substances and Precursor Chemicals. It also undertakes investigation and prosecution of drug related offences, tracing and freezing of illegally acquired property of drug traffickers derived from illicit drug trafficking for forfeiture and confiscation.

Highlights of the performance and achievements (on preventive front) during 2007-08

Performance and achievements (on preventive front) upto the last year i.e. for 5 years from 2003-04 to 2007-08

As a result of financial investigation undertaken by the Central Bureau of Narcotics, total movable/immovable properties of drug-traffickers, their associates and relatives, worth Rs.48,51,573/- in four seizure cases by the CBN has been frozen by the Competent Authority under the provisions of NDPS Act, 1985 during the year 2007.

Central Bureau of Narcotics has also taken action to detain drug traffickers under the provisions of PITNDPS Act, 1988 and during the year 2007 two proposals in a seizure case involving two persons were made for considering their detention under the PITNDPS Act, 1988. The proposal in respect of one person considered and proposal for another person has been rejected by the Detaining Authority.

During the calendar year 2007 total quantity of 175.680 Kgs. of Opium, 275 grams of Morphine, 20.575 kgs. of Heroin, 19.7 Kgs. of Ganja, 3.05 Kgs. of Charas, 3.000 kgs. of poppy husk, 199 liters of Acetic Anhydride, 1.11 kgs of Alprazolam were seized. Also 7752.77 Hectares of illicit Poppy Cultivation in Arunachal Pradesh, West Bengal and Jammu & Kashmir were destroyed and 4371 poppy plants were also seized. Thus in total 67 cases, 102 persons were arrested in contravention of the provisions of NDPS Act, 1985. 02 clandestine Laboratories for manufacture of Heroine/Morphine were also detected and dismantled.

Performance and achievements of CBN during the year 2007.

During the crop year 2006-07, 346 tonnes (provisional) of opium at 70 degree consistence was procured. The average yield at 70 degree consistence on basis of provisional results received from MP, Rajasthan and UP for the crop year 2006-07 was 60.86, 55.77 & 13.67 kgs/hectare respectively. The All India average yield during 2006-07 was 58.59 kgs/hectare at 70 degree consistency (provisional). The figures related to opium cultivation are provisional as report from factory for the crop year 2006-07. The figures are for 2006-07 as the crop cycle for the cultivation of opium is October to September.

2. Government Opium and Alkaloid Works (GOAW) / Chief Controller of Factories

The Government Opium & Alkaloid Works (GOAW) are engaged in the processing of raw opium for export and manufacturing opiate alkaloids through its two Factories viz. Govt. Opium & Alkaloid Works (GOAW) at Ghazipur (U.P.) and Neemuch (M.P.). The Products manufactured at GOAW are mainly used by pharmaceutical industry of India for Preparation of cough syrup, pain relievers and tablets for terminally ill cancer and HIV patients. The GOAW are administered by a High Powered Body called the "Committee of Management" constituted and notified by the Government of India in 1970. The Additional Secretary (Revenue), Department of Revenue, Ministry of Finance is the Chairman of the Committee of Management. An officer of the rank of Commissioner/Joint Secretary is the Chief Controller of Factories who heads the Organisation and each of the two factories at Neemuch and Ghazipur are managed by a General Manager of the rank of Additional Commissioner/Director. The Marketing and Finance Cell of the factories is located in New Delhi. Each of the factories comprise two units – the Opium Factory and Alkaloid Works. The Opium Factories receive opium from the fields, store and process it for exports and domestic consumption. The Alkaloid Works extract alkaloids of pharmacopoial grades from the opium to meet the domestic demand of the pharmaceutical industry. The GOAW have a total work force of about 1400 people at the two opium and alkaloid plants. The work force comprises officials and staff drawn from the Central Board of Excise and Customs, Central Bureau of Narcotics, Central Revenues Control Laboratory, apart from personnel selected by the Union Public Services Commission directly. The security aspects of these factories are looked after by Central Industrial Security Force (CISF), a paramilitary force of the Ministry of Home Affairs.

Air and water pollution, from factories, is kept under strict control by implementing various measures laid down by the Pollution Control Boards of the concerned States. Effluents are disposed as per the guidelines and instructions of the concerned Boards. Both factories have Effluent Treatment Plants.

6. Central Economic Intelligence Bureau

Organization and Functions

The Central Economic Intelligence Bureau (CEIB) is the nodal agency on economic intelligence. It was set up in 1985 for coordinating and strengthening the intelligence gathering activities, and enforcement action by various agencies concerned with investigation into economic offences and enforcement of economic laws. The Bureau is headed by a Special Secretary cum Director General who is assisted by

Table 3.35: Performance of CCF Organisation for the Year 2006-2007

Sl. No.	Particulars	Unit	ProductionTargets	ActualProduction	Percentage Increase Over Targets
(1)	(2)	(3)	(4)	(5)	(6)
A.	**PRODUCTION**				
1	Drying of opium for Export at 90 C	MT	310	340	10
2	Manufacture of Drugs :				
	a) Codeine Sulphate	kg	400	510	27
	b) Morphine salts	kg	-	216	100
	c) Codeine phosphate	kg	9426	10498	11
	d) Dionine	kg	500	545	9
	e) Pure Thebaine	kg	667	643	(-)4
	f) Noscapine BP	kg	2951	3217	9
	g) Papavarine	kg	851	1320	55
	h) Pholcodine	kg	-	128	100
	Total Finished Drugs	**kg**	**14795**	**17077**	**15**
	k) IMO Powder	kg	3000	3600	20
	l) IMO Cake	kg	1551	1551	—-
3.	Import (Vendor Specific)			5000	
	a) Codeine Phosphate U.S.P.	kg		2700	
	b) Codeine Phosphate Hemihydrate	kg		85	
	Grand Total (2+3)		**20161**	**7785**	

B. SALES

Sl. No. (1)	Particulars (2)	QTY. (kg) (3)	SALES (Rs/crore) (4)
1	Export of opium	491265	146.17
2	Domestic Sale of Drugs :		
	a) Codeine Sulphate	530	2.15
	b) Morphine salts	235	1.06
	c) Codeine Phosphate	18178	59.99
	d) Dionine	563	2.37
	e) Pure Thebaine	400	1.70
	f) Noscapine B.P.	3031	9.73
	g) Papavarine	700	0.04
	h) Pholcodine	128	0.59
	i) Oxyecodone	-	-
	j) IMO Powder	5820	2.23
	k) IMO Cake	1788	0.65
	Total	**31373**	**80.51**
3	Sale of Imported Drugs (Vendor Specific)		
	a) Codeine Phosphate U.S.P.	2700	6.16
	b) Codeine Phosphate B.P.	85	0.21
	Total	**2785**	**6.37**
	Grand Total (1+2+3)	**525423**	**233.05**

* Provisional figures

C Country Wise Export of Opium (excluding IMO Powder & Cake) (Qty. in MTS)

Unit	USA	Hungary	Japan	Total
Ghazipur	240	0	88	328
Neemuch	161	2	0	163
Total	401	2	88	491

D Opium Charged for Production of Drugs: (Qty. in MTS at 90° C) 135.139

E Revenue Receipts (on Realisation Basis) (Rs. in crore)

Unit	Opium Factories	Alkaloid Works	Total
Ghazipur	106.39	12.71	119.10
Neemuch	40.00	64.43	104.43
Total	**146.39**	**77.14**	**223.53**

Table 3.36 Achievement of CCF Organisation up to the Month of November 2007 with Comparative Data of Previous Year i.e. 2006 for the Similar Period

Sl. No.	Particulars	Unit	Actual Production up to November 2006-07	
(1)	(2)	(3)	(4)	
A.	**Production**			
1	**Drying of opium for Export at 90 C**	MT.	183	125
2	**Manufacture of Drugs :**			
	a) Codeine Sulphate	kg	296	62
	b) Morphine salts	kg	131	141
	c) Codeine phosphate	kg	5943	6112
	d) Dionine	kg	545	138
	e) Pure Thebaine	kg	26	165
	f) Noscapine BP	kg	2132	2063
	g) Pholcodine	kg	98	115
	h) Papaverine S.R.	kg	882	662
	i) IMO Powder	kg	760	1100
	j) IMO Cake	kg	1066	1170
3	**Import for Domestic Market Import (Vendor Specific)**			
	a) Codeine Phosphate U.S.P.	kg	1600	5270
	b) Codeine Phosphate B.P.	kg	–	–
	c) Cod. Phos. Hemihydrate	kg	85	–
	Total		**1685**	**16270**

B. SALES

Sl.No.	Particulars	2006-07		2007-08	
		Qty. (kg.)	(Rs./ crore)	Qty. (kg)	(Rs./ crore)
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	281971	*79.60	283453	*81.63
2	Domestic Sale of Drugs : (on actual basis)				
	a) Codeine Sulphate	140	0.34	-	-
	b) Morphine salts	167	0.72	155	0.85
	c) Codeine Phosphate	10133	28.16	16741	55.11
	d) Dionine	561	2.35	85	0.46
	e) Pure Thebaine	100	0.43	124	0.51
	f) Papavarine	200	0.04	1200	0.19
	g) Noscapine BP	2232	6.65	1234	3.40
	h) Pholcodine	94	0.43	115	0.53
	i) IMO Powder	3369	1.27	2299	0.90
	j) IMO Cake	1150	0.39	1075	0.42
	Total	**18146**	**40.78**	**23028**	**62.37**
3	Import (Vendor Specific)				
	a) Codeine Phosphate U.S.P.	1600	4.34	4425	9.41
	b) Codeine Phosphate B.P.	-	-	-	-
	c) Cod. Phos. Hemihydrate	85	0.21	-	-
	Grand Total (1+2+3)	**301802**	**124.93**	**310906**	**153.41**

** Provisional figures.*

C. Country Wise Export of Opium (Qty. in MTS) at 90 C

Unit	USA	France	Hungary	Japan	Iran	Total
2006-07						
Ghazipur	206	0	0	49	0	255
Neemuch	25	0	2	0	0	27
Total	**231**	**0**	**2**	**49**	**0**	**282**
2007-08						
Ghazipur	51	2	0	49	0	102
Neemuch	171	0	0	0	10	181
Total	**222**	**2**	**0**	**49**	**10**	**283**

D Revenue Receipts on Realisation Basis (Rs. in crore)

Unit	Opium Factories	Alkaloid Works	Total
2006-07			
Ghazipur	63.76	9.74	73.50
Neemuch	15.95	30.68	46.63
Total	**79.71**	**40.42**	**120.13**
2007-08			
Ghazipur	13.08	33.92	47.00
Neemuch	70.54	30.23	100.77
Total	**83.62**	**64.15**	**147.77**

Deputy Director Generals, Joint Secretary (COFEPOSA), Assistant Director Generals, Under Secretaries, Senior Technical Officers and other staff. The Bureau has a sanctioned strength of 113 officers & staff.

The CEIB has a twin role of acting as a Secretariat for the Economic Intelligence Council (EIC) and the other related to economic intelligence (ECOINT). The Bureau keeps a watch on different aspects of economic offences and emergence of new types of such offences. It coordinates the functioning of Regional Economic Intelligence Committees (REICs) and implements the COFEPOSA Act. It also organizes training programmes in premier training institutions for officers of the Department of Revenue. The Bureau supervises and monitors the functioning of 21 Regional Economic Intelligence Councils (REICs) which are nodal agencies at the field level and have been constituted for coordinating work amongst various enforcement and investigative agencies dealing with economic offences at regional level.

Performance of the Bureau

The existing coordination arrangements both at the centre as well as the REICs have been strengthened to ensure closer cooperation among the constituent members; as a result there has been improvement in the sharing of information as well as the quality of information being shared both at the national level as well as the regional level.

Major activities undertaken by the Bureau during the current financial year (upto January, 08)

The Working Group on Intelligence Apparatus pertaining to the EIC met under the Chairmanship of Revenue Secretary on 17.12.2007 and the meetings of EIC were held under the Chairmanship of Hon'ble Finance Minister on 24.04.2007 & 11.01.2008, wherein, inter-alia, issues pertaining to intelligence sharing and coordination, trends in economic offences and functioning of REICs were discussed for taking appropriate actions.

Four zonal conferences of the Conveners of REICs were also held in which various problems and current issues common to the REICs were discussed and corrective steps have been taken.

A database on economic offences and offenders has been set up in the Bureau. Dossiers of significant offenders based on the inputs received from various agencies such as CBI, ED, DGRI, SEBI, IB, DGCEI, CBDT, NCB, Police Organizations etc. are also being built.

A Group on Economic Intelligence (GEI) was constituted in CEIB as directed by the EIC in its meeting held on 23.11.2005. It was set up for exchange of information between different intelligence agencies. The group has been meeting regularly in the Bureau and vital intelligence inputs relating to economic and national security are being shared with the member agencies of GEI.

During the financial year 2007-08, a workshop on Fake Indian Currency Notes (FICN) was organised by CEIB. The workshop was attended by representatives from both the Central and State Agencies concerned with FICN. Based on the information shared through presentations and discussions various issues of the FICN problems were highlighted and strategies for containing and combating the menace of FICN were also worked out.

The seizure/offence reports received during 2007-08 pertaining to Customs, Central Excise and Service Tax are analyzed and details of the important cases involving significant modus operandi were referred to REIC are given in Table 3.38.

During the Financial Year 2006-07, the intelligence inputs received in the form of telex reports from field formations of Income Tax Department were examined and analyzed in detail. The inputs were also processed to study the modus operandi adopted by tax evaders, to study the prevailing business practices and associated tax evasion methods in such business activities and to study the regional patterns of tax evasion in different parts of India. The trend analysis observed from the Search & Seizure operations conducted across the country is reported duly in the quarterly 'news letter' published by the Bureau.

Specific information regarding tax evasion cases were gathered in a number of cases from cultivated and reliable sources and were forwarded to jurisdictional DGs (IT) for further processing and initiating action against such persons/ concerns.

Administration of COFEPOSA Act

The overall administration of the COFEPOSA Act, 1974(Conservation of Foreign Exchange and Prevention of Smuggling Activities Act) including monitoring of action taken

Table 3.37

	AE-II/DR-II Report received and reviewed	No. of reports referred to REICs
Customs	194	55
Central Excise	350	210
Service Tax	382	132

by the State Governments is one of the functions performed by CEIB. Despite policy of economic liberalization introduced during the past few years, violations of economic laws continue to take place. The COFEPOSA Act, 1974 acts as a deterrent against the menace of smuggling and foreign exchange racketeering. During the period 1st January 2007 to 31st December, 2007, 7 Detention Orders were issued by the specially empowered officer of the Central Government. 8 persons were, however, actually detained during this period, including those against whom Detention Orders were issued during this year and previous years.

Bulletins / Publications

The Bureau brings out a **"Newsletter & Intelligence Digest"** compiling trends in economic offences with details which is a useful reference material for different institutions and field formations dealing with economic subjects.

Training

To enhance the investigative skills of officers of Department of Revenue in intelligence gathering techniques etc. the Bureau organized training courses at various specialized training institutions. During 2007-08, the following programmes were organized:

- 'Prevention of Insurance Frauds' at the National Insurance Academy, Pune;
- 'Computer and Internet Crimes' at Sardar Vallabhai Patel Police Academy, Hyderabad;
- 'Banking operations & Fiscal Law Enforcement' at State Bank Staff College, Hyderabad;
- "Intelligence gathering & Intelligence tradecraft" at Military Intelligence Training School & Depot, Pune;
- "Intelligence gathering & Intelligence tradecraft" at

Table 3.38

A	**SEARCH & SEIZURE**		**FEMA**	
1.	Searches conducted		51	
2.	FE seized (Rs. In Lakhs)		29.52	
3.	IC seized (Rs. In Lakhs)		460.72	
B	**INVESTIGATION**			
1.	Initiated		503	
2.	Disposed		487	
3.	Pending		4961	
4.	SCNs issued		181	
5.	Amt. involved in SCNs issued (Rs. In Lakhs)		**113284.36**	
C	**ADJUDICATION**	**FERA**	**FEMA**	**TOTAL**
1.	Cases Adjudicated	**127**	**123**	**250**
2.	Cases pending adjudication	3645	1133	4778
3.	Confiscation of Foreign Exchange (Rs. In Lakhs)	-	02.04	02.04
4.	Confiscation of Indian Currency (Rs. In Lakhs)	81.36	61.86	143.22
D	**PENALTIES**			
1	Imposed (Rs. In Lakhs)	14394.66	746.02	15140.68
2.	Realized (Rs. In Lakhs)	1375.06	26.88	1401.94
3.	Pending	540450.14	54113.83	594563.97
E	**PROSECUTION**	**FERA**		
1	Disposal	164		
	i) Conviction	28		
	ii) Acquittal	11		
	iii) Discharge	13		
	iv) Withdrawn	37		
	v) Otherwise	75		
2.	pending	4283		

Intelligence Bureau, Central Training School, New Delhi.

7. Directorate of Enforcement

Organisation and Functions

The Directorate has been reorganized during the year 2006-07 and presently it has the following 10 Zonal Office and 11 sub zonal offices:-

Zones Mumbai, Delhi, Chennai, Kolkata, Chandigarh, Lucknow, Kochi, Ahmedabad, Bangalore & Hyderabad.

Sub-zones Jaipur, Jalandhar, Srinagar, Varanasi, Guwahati, Calicut, Indore, Nagpur, Patna, Bhubaneswar, & Madurai.

The main functions of the Directorate are as under:

(i) To collect, develop and disseminate intelligence relating to violations of FEMA, 1999, the intelligence inputs are received from various sources such as Central and State Intelligence agencies, complaints etc.

(ii) To investigate suspected violations of the provisions of the FEMA, 1999 relating to activities such as "hawala" foreign exchange racketeering, non-realization of export proceeds, non-repatriation of foreign exchange and other forms of violations under FEMA, 1999.

(iii) To adjudicate cases of violations of the erstwhile FERA, 1973 and FEMA, 1999.

(iv) To realize penalties imposed on conclusion of adjudication proceedings.

(v) To handle adjudication, appeals and prosecution cases under the erstwhile FERA, 1973.

(vi) To process and recommend cases for preventive detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA).

(vii) To undertake survey, search, seizure, arrest, prosecution action etc. against offender of PMLA offence.

(viii) To provide and seek mutual legal assistance to/from contracting states in respect of attachment/confiscation of proceeds of crime as well as in respect of transfer of accused persons under PMLA

Highlights and Achievements of the Directorate:

- This Directorate has adjudicated 127 cases (under erstwhile FERA, 1973) and 123 cases (under FEMA, 1999) during the period from April, 2007 to November, 2007 and the Directorate has realized penalties to the tune of Rs. 1375.06 lakh under FERA, 1973 and Rs. 26.88 lakh under FEMA during the same period.
- 164 cases have been disposed of in the prosecutions launched earlier under Section 56 and 57 of FERA, 1973.

Table 3.39: Forfeiture of Illegally Acquired Property under NDPSA and SAFEM (FOP) A by Competent Authorities

F.Y.	Number of Reports received from Enforcement Agencies	Number of Noticces for Forfeiture Issued and value of the Property Involved		Number of forfeiture Orders Issued and Value of the Property Involved		Value of sale Proceeds of Property Disposed off (in Rs. Lakh)
		Number	Value (in Rs. Lakhs)	Number	Value (in Rs. Lakhs)	
2000-2001.	491	159	2755.00	103	1662.00	201
2001-2002.	228	89	7223.12	50	3202.39	107
2002-2003.	995	72	1269.22	53	2498.60	18
2003-2004.	1180	97	1547.75	25	977.01	51.6
2004-2005	1357	162	3251.64	25	650.93	73.67
2005-2006	607	214	10074.59	91	744.60	153.27
2006-2007	514	243	3017.27	112	868.57	2.63
2007-2008*	507	210	12784.31	24	551.10	366.97

* upto December, 2007

Performance and Achievements during 2007-08

The statistical information relating to various performance and achievements is enclosed as per Table 3.36

Prevention of Money Laundering Act (PMLA), 2002

During last year, the PMLA has been made fully operational. The Directorate has so far registered 51 cases (i.e. 38 Enforcement Cases Information Report (ECIR) and 13 Enforcement Preliminary Enquiry (EPE). The Directorate has made thirteen (13) attachment orders where the properties/ assets (movable and immovable) involved in money laundering have been attached and were confirmed by the Adjudicating Authority. One person has been arrested for his involvement into an offence of money laundering under section 19 of the PMLA.

8. Set up for Forfeiture of Illegally Acquired Property

The Smugglers and Foreign Exchange Manipulators (Forfeiture of property) Act, 1976 [SAFEMA (FOP)A], provides for forfeiture of illegally acquired property of persons convicted under the Sea Customs Act, 1878, the Customs Act, 1962 and Foreign Exchange Regulation Act 1947 and Foreign Exchange Regulation Act, 1973 and the persons detained under Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPS Act) provides for tracing, freezing, seizure and forfeiture of illegally acquired property of persons convicted under that Act or any corresponding law of any foreign country and those who are detained under Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 and Jammu & Kashmir Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

SAFEM(FOP)Act and NDPS Acts provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired properties. The Offices of Competent Authorities are located at Kolkata, Chennai, Delhi, Mumbai and one unit is at Ahmedabad. SAFEM(FOP)A and NDPSA envisage establishment of an appellate forum, namely the Appellate Tribunal for Forfeited Property (ATFP) to hear appeals against the orders of the Competent Authorities. The ATFP is located at New Delhi. It consists of a Chairman who is, or has been, or is, qualified to be a Judge of the Supreme Court or High Court and two Members who are appointed from among the officers of the Central Government who are not below the level of Joint Secretary to the Government of India.

During the year 2007-08 (upto December, 2007), the Competent Authorities have forfeited property worth Rs. 551.10 lakhs in 24 cases. The details regarding the number of reports received by the Competent Authorities from enforcement agencies, the number of show cause notices issued and the value of the property involved therein, the number of orders of forfeiture passed and the value of the property involved therein, and the value of sale proceeds of the property disposed of, year-wise, from 2000-01 to 2007-08 (upto December, 2007) are given in the Table 3.39.

In ATFP, during the period from 1st April, 2007 to 31st December, 2007, a total number of 17 Appeals and 27 Miscellaneous Petitions under SAFEMA, and 67 Appeals and 42 Miscellaneous Petitions under NDPSA, were filed. During the same period, 51 Appeals and 57 Miscellaneous Petitions were disposed of. During the year 2006-07 this Tribunal was also assigned the Appellative work pertaining to confiscation of properties under the Prevention of Money-Laundering Act, 2002. 11 appeals were received under PMLA Act.

9. State Taxes Section

The State Taxes Section of the Department of Revenue handles legislative work relating to Central Sales Tax levied on inter-State sale of goods. In addition, the Section also deals with matters relating to the State Value Added Tax (VAT), Additional Duties of Excise (in lieu of sales tax), Service Tax Legislation for levy of tax on services, Indian Stamp Act, 1899, and matters related to Entry Tax systems of States. The issues related to Goods and Services Tax (GST) targeted to be introduced by 01.04.2010 are also handled by the State Taxes Section.

State Value Added Tax (VAT)

Under Entry 54 of List II (State List) of the Seventh Schedule of the Constitution of India, “tax on sale or purchase of goods within a State” is a State subject. Introduction of State VAT to replace the earlier Sales Tax systems of the States is the most significant tax reform measure at State level. The decision to implement State VAT was taken in the meeting of the EC held on 18.06.2004, where a broad consensus was arrived at amongst the States to introduce VAT w.e.f. 01.04.2005. Accordingly, VAT has been introduced by all the States/UTs by now, except for the UTs of Andaman & Nicobar Islands and Lakshadweep that do not levy Sales Tax / VAT.

Since Sales Tax/VAT is a State subject, the Central Government has been playing the role of a facilitator for successful implementation of VAT. The Government of India has constituted an Empowered Committee of State Finance Ministers (EC) to deliberate upon and decide all issues concerning Sales Tax Reforms/ State VAT. Some other steps taken by the Central Government in this regard are as follows:

a) A package for payment of compensation to States for any revenue loss on account of introduction of VAT has been formulated and is being implemented.

b) A Model VAT Bill was got prepared and circulated amongst the States to help them in preparation of their VAT Bills. Similarly, an Audit Manual for VAT was also got prepared and circulated.

c) Technical and financial support is being provided to North Eastern / Special-category States to enable them to take up VAT computerization.

d) Financial support has been provided to the Empowered Committee as well as the States for undertaking VAT related publicity and awareness campaigns.

e) 50% funding is being provided to the EC for implementation of the TINXSYS Project for tracking of inter-State transactions.

The experience with implementation of VAT has been very encouraging so far. The transition to the new system has been quite smooth and it has been received well by all the stake-holders. The trend of revenue collection in the VAT implementing States has also been very encouraging. During 2005-06, the total VAT revenue for these States registered an increase of an about 13.8%, which was higher than their compound annual growth rate (CAGR) for the previous 5 years (up to 2004-05). During 2006-07, there was significant further improvement in this revenue performance of VAT States/UTs, which collectively registered a growth rate of about 21% as compared to 2005-06, indicating that the VAT system has started yielding the desired results.

Central Sales Tax (CST)

Entry 92A of List-I (Union List) empowers the Central Government to impose tax on inter-State sale of goods. Further, Article 269(3) empowers the Parliament to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce. Similarly, Article 286(2) of Constitution empowers the Parliament to formulate principles for determining when the sale or purchase of goods takes place outside a State or in the course of imports into or exports from India. Besides, Article 286(3) of Constitution authorizes the Parliament to place restrictions on the levy of tax by the States on sale or purchase of goods, declared by the Parliament by law to be goods of special importance in the inter-State trade or commerce. The Central Sales Tax Act, 1956 imposes the tax on inter-State sale of goods and formulates the principles and imposes restrictions as per the powers conferred by the Constitution. The Government of India has also framed the Central Sales Tax (Registration and Turnover) Rules, 1957 in exercise of powers conferred by section 13(1) of the CST Act, 1956. Though the Central Sales Tax Act 1956 is a Central Act, the States collect and appropriate the proceeds of Central Sales Tax as per Article 269 of the Constitution of India.

The Central Sales Tax, being an origin-based non-rebatable tax, is inconsistent with the concept of VAT which is a destination-based tax. Therefore, in order to continue the tax reform process, consensus was reached on the roadmap for phasing out the CST by 31.03.2010 (i.e. before the date appointed for introduction of GST) after intensive consultations with the States. Accordingly, CST rate has been reduced from 4% to 3% w.e.f. 01.04.2007 and is proposed to be reduced by 1% further on 1st April every succeeding year. As part of this tax reform process, the facility of inter-State purchases by Government Departments at concessional CST rate, against Form-D, has also been withdrawn w.e.f. 01.04.2007. Further, enabling provisions were made for States to levy VAT on Tobacco and Tobacco products, for which EC has subsequently agreed at 12.5% VAT rate. Thus, this item has been integrated with the VAT system. A package of compensation to the States for revenue loss on account of phasing out of the CST has also been agreed to and the States are being compensated through a combination of non-monetary and monetary measures thereunder.

Additional Excise Duty (AED) in lieu of Sales Tax

Under the provision of the Additional Excise Duty (Goods of Special Importance) Act, 1957, AED is now levied in lieu of Sales Tax, on sugar and textiles, as part of tax rental arrangement with the States. This tax rental arrangement does not take away the Constitutional powers of the States to levy Sales Tax/VAT on AED items ; however, the States presently receive 1% share of the Divisible Pool in lieu of forgoing their right to levy Sales Tax/VAT on AED items, which a State would lose in case of levy of Sales Tax/ VAT on AED items by it. The apportionment of 1% share is based on the recommendations of the Twelfth Finance Commission and this devolution takes place under the Constitution (Distribution of Revenue) No. 5 Order, 2005.

As part of the ongoing Tax reforms, it was felt appropriate to abolish AED in phased manner. After agreement with the Empowered Committee of State Finance Ministers, the AED on Tobacco has been abolished w.e.f. 01.04.2007 so as to bring it into VAT scheme. Discussions are on for abolishing AED on textiles w.e.f. 01.04.2008 with the Empowered Committee of State Finance Ministers.

Service Tax

The Service Sector of economy has grown rapidly all over the world and India has been no exception to this global trend. This Sector now accounts for nearly 54% of the country's GDP. Taxation of services in India was started through the Finance Act, 2004, through which tax was levied @5% on 3 specific services. As the power to levy tax on services is not specifically mentioned in either the Union List or the State List in the Seventh Schedule of the Constitution of India, the Government of India started taxation of services by virtue of Entry 97 of the Union List, i.e. 'any other matter not enumerated in List II or List III including any tax not mentioned in either of those List'. The proceeds of Service Tax are distributed between Centre and States as per Article 270 of the Constitution of India, on the recommendations of the Finance Commission. The scope of taxation has been gradually expanded over the years. Presently, the tax is being levied on 106 services and the rate of tax has gone up to 12% (plus education cess).

In view of the fact that the Service Tax is going to be a major source of tax revenues in future, it was considered appropriate to have a specific provision in the Constitution of India for levy, collection and distribution of Service Tax. Accordingly, the Constitution (Eighty Eighth) Amendment Act, 2003 relating to Service Tax was enacted. The new Constitutional provisions require that Central Legislation is enacted to lay down the principles for collection and appropriation of the Service Tax between the Govt. of India and the States. Accordingly, a Draft Service Tax Bill was prepared, the salient features of which were circulated to States and UTs in February 2004 seeking their comments. In November 2004, the issue was discussed in the Conference of the State Finance Ministers convened by the Union Finance Minister. After extensive consultations, it has been agreed to transfer 77 Services of intra-State nature to the States for collection and appropriation of tax revenue, out of which 33 Services are presently being taxed by the Centre. During 2007-08, the Central Government shall continue to collect the tax revenue and the amount shall be released to the States as compensation for revenue loss, in the form of grant-in-aid, through the budgetary process. This arrangement is proposed for one year only on the request of the States since they need one year's time to set up administrative machinery for collection of Service Tax.

Indian Stamp Act, 1899

Under the Constitution of India, Stamp Duties (but not including rates of stamp duty) fall under Entry 44 of the Concurrent List. The Central Government has powers to fix the rates of stamp duty in respect of 10 instruments specified in Entry 91 of the Union List, whereas States have the powers in respect of the remaining instruments by virtue of Entry 63 of the State List. The revenue from stamp duty is collected and appropriated by the State in which it is leviable. The Indian Stamp Act, 1899 lays down the Central law relating to Stamp Duty.

In order to facilitate the securitization a High Level Expert Committee (HLEC) was constituted by this Ministry to look into the legal, regulatory, tax and market designs issues in the development of Corporate Bond market. The HLEC's recommendation relating to rationalization of Stamp Duty on some of the instruments namely 'Debenture' and 'Promissory Note' (falling under entry 91 of List-1 of Seventh Schedule of Constitution) are in the process of being notified.

Goods and Services Tax (GST)

Introduction of GST is the logical extension of reforms in Central / State taxation for avoiding double taxation and tax-cascading and thereby ensuring level field and market competitiveness of our products in national and international markets. The process of introduction of GST has been commenced with the cooperation of the Empowered Committee of State Finance Ministers, whose Terms of Reference have been expanded vide Amendment F.No.31/78/2000-ST dated 4th May, 2007 to the original Resolution, to enable the EC "To work with the Central Government to prepare a roadmap for introducing Goods and Services Tax (GST) in the country with effect from April 1, 2010 and to deal with related matters."

The EC has set up a Joint Working Group (JWG) vide No.15/45/EC/GST/2007/190 dated 10th May 2007, comprising officials of the Central Government and State Governments. The Working Group undertook a study of the various models of GST existing globally and other relevant material available on the subject, including through field visits. The Group also undertook identification of alternative models and assessment of their suitability for introduction of GST in India's fiscal federal context. The JWG presented its report to the EC on November 19, 2007. This report is being deliberated upon by the EC in-house, prior to finalization and communication of their views to the Ministry of Finance, Government of India.

10. Financial Intelligence Unit-India (FIU-IND)

The Government of India set up Financial Intelligence Unit-India (FIU-IND) vide order dated 18th November, 2004 as the Central National Agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions to enforcement/intelligence agencies. FIU-IND is a multi-disciplinary body with sanctioned strength of 43 personnel. FIU-IND is headed by Director who is at the level of Joint Secretary to the Government of India

Functions of FIU-IND:

The main functions of FIU-IND are to receive cash and suspicious transaction reports from various entities in financial sector, analyze them and as appropriate, disseminate actionable information to law enforcement and investigating agencies, including to foreign FIUs.

Information to be furnished to FIU-IND

The Prevention of Money-laundering Act, 2002 (PMLA), casts an obligation on every banking company, financial institution and intermediary of securities market to furnish following information to FIU-IND:

i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;

ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month.

iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.

iv) All suspicious transactions whether or not made in cash.

Operational status of FIU-IND

The first Director of FIU-IND was appointed in March 2005 and the core team of five officers joined in November 2005. Present working strength of FIU-IND is 23. Highlights of the work being done by FIU-IND are as under:-

i) FIU-IND has been receiving CTRs (Cash Transaction Report) and STRs (Suspicious Transaction Report) from reporting entities namely the Banking Companies, Financial institutions and Intermediaries. To identify data quality deficiencies in electronic CTRs submitted by the banks, FIU-IND has developed a Data Validation Utility. The defects are identified and communicated to the reporting entities. This has enhanced the quality of the reports. Till 31-12-2007, FIU-IND has received more than 49 Lakh CTRs and more than 2250 STRs.

ii) Suspicious Transactions Reports received from various reporting entities are analyzed and in appropriate cases, information has been disseminated to domestic intelligence and enforcement agencies. FIU-IND has disseminated information in 1075 cases to various intelligence and law enforcement agencies up to 31-12-2007. The feed back received from such agencies on the inputs provided by this office is encouraging.

iii) FIU-IND has initiated Project FINNet- Financial Intelligence Network, with the objective to "Adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes". The Project consists of two phases i.e. Phase I- Preparation of the Consultancy Report and Phase II – Implementation of the Consultancy Report. The Project work for phase-I was entrusted to M/s Ernst & Young who have completed the project and submitted their report on 3011-2007.

iv) FIU-IND has developed and hosted its website at www.fiuindia.gov.in. The website contains information on the Prevention of Money Laundering Act 2002, obligations of reporting entities, scheduled offences, notifications and publications with appropriate links between related sections. Information about related acts, related sites, downloads, Frequently Asked Questions (FAQs) and definitions have been included to make it a comprehensive reference site on all matters related to money laundering.

v) FIU-IND has been providing faculty support at various workshops conducted by regulators and industry associations of reporting entities at various places to increase awareness of their obligations under PMLA and issues relating to reporting to FIU-IND.

vi) FIU-IND has become member of the Egmont Group which is the international organisation for stimulating co-operation among FIUs in June 2007. FIU-IND has started exchange of information with its counterpart FIUs.

11. Integrated Finance Division

Integrated Finance Division of the Department of Revenue is under the direct supervision of Joint Secretary & Financial Advisor (Finance). There are three units dealing with budget, finance and expenditure management dealing with the grants pertaining to **Department of Revenue, Direct Taxes and Indirect Taxes**. Director (Finance), D/o Revenue/Excise & Customs and Director (Finance), Direct Taxes/Misc. Departments assist the JS&FA (Fin).

Activities undertaken by the Integrated Finance Unit (IFU)

All offices under the Department of Revenue, which *inter-alia* include Revenue headquarters, Central Board of Direct Taxes, Central Board of Excise & Customs, Narcotics Control Division, Central Bureau of Narcotics, Chief Controller of Factories, Central Economic Intelligence Bureau, Financial Intelligence Unit (FIU-IND), Enforcement Directorate, Customs, Excise & Service Tax Appellate Tribunal, Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Income Tax Ombudsman, National Committee for Promotion of Social & Economic Welfare, all field offices of Income Tax Department which include Directorate General of Income Tax (Systems), Directorate General of Income Tax (Legal & Research), Directorate of Income Tax (O&M Services), Directorate of Income Tax (Infrastructure), National Academy of Direct Taxes, all field offices under the Central Board of Excise & Customs , etc., are serviced by the three units of Integrated Finance Division in terms of Budget formulation, allocation, expenditure monitoring, control, enforcing economy, scrutiny

(Rs. in crore)

Table 3.40

Grant	Gr. No.	2007-08		2008-09
		BE	RE	BE
D/o Revenue	41	5875.86	6413.90	6197.82
Direct Taxes	42	1532.00	1752.42	1975.00
Indirect Taxes	43	1831.00	1829.70	2121.00

and sanction of expenditure proposals beyond the delegated powers of field offices.

Details of expenditure and financial proposals scrutinized and approved

(a) Creation and continuation of posts, construction/ purchase/hiring of offices, as well as residential accommodation for the field formations of Central Board of Excise & Customs and Central Board of Direct Taxes, Department of Revenue and its attached offices.

(b) Procurement of goods and services including procurement of anti-smuggling equipments i.e. scanners and marine vessels.

(c) Proposals for deputation abroad of officers of the Department and its field offices.

(d) Restructuring proposals, redeployment of personnel in field formations and constituent units.

(e) Comprehensive Computerization of Department of Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.

(f) Computerization of States/UTs for Value Added Tax (VAT) purposes and compensation to States/ UTs for loss of revenue due to introduction of VAT.

(g) Compensation to States/UTs for loss of revenue due to phasing out of Central Service Tax (CST).

(h) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

(i) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports Board.

(j) Proposals for Standing Finance Committee (SFC), Committee of Non-Plan Expenditure (CNE) and Cabinet Committee on Economic Affairs (CCEA) relating to comprehensive computerization plan of CBDT/CBEC, capital expenditure involving construction of office/ residential complexes and readymade office/ residential buildings of all the three Departments.

(k) Proposals received from Directorate of Logistics for sanction of financial assistance from the Customs & Central Excise Welfare Fund and Special Equipment Fund. Revision of norms were finalized in respect of setting up of/refurbishing of recreation/sports clubs, gymnasiums, Departmental Canteens, crèches for children of Departmental officials and guest houses. Scope of cash award scheme for meritorious children with special emphasis on girl children and children of group 'D' staff was revised. As a result, more wards of the employees were benefited.

(l) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme were examined for obtaining approvals of Department of Expenditure/FM.

(m) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

The formulation of expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2007-08/RE 2007-08 and BE 2008-09 was prepared, discussed with Secretary (E) and finalized as given in Table 3.40.

Steps/initiatives taken in 2007-08 by Integrated Finance Division

(i) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division.

(ii) Review of Monthly and Quarterly Expenditure vis-à-vis budgetary allocations and MEP/QEA and report to Revenue Secretary and Expenditure Secretary through quarterly DOs.

(iii) Instructions on budget formulation and execution issued to Head of Departments and Budgetary Units for streamlining the budgetary process.

(iv) Enforcement of instructions on economy in expenditure by periodic review of expenditure and advisories to spending authorities for expenditure control in line with the economy instructions issued by the Department of Expenditure.

(v) Preparation and review of Outcome Budget and monitoring of Outputs and Outcomes, with reference to the targets and budgetary allocation, was done in respect of important schemes of Implementation of VAT Scheme and compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Setting up of Tax Information Exchange System (TINXSYS); Government Opium & Alkaloid Works; Comprehensive computerization of the Income Tax Department; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

(vi) In continuation of the revised Delegation of Financial Powers issued to Heads of Departments in the last financial year, further review of Delegation of Financial Powers to Heads of Departments of Revenue including field units of Central Board of Excise & Customs and Central Board of Direct Taxes is underway and revised delegation of financial powers on some other items, such as 'Advertising & Publicity, 'Implementation of court orders' and 'Purchase of DG Sets' have been issued.

(vii) Review of existing levels of consideration and approval of expenditure proposals and streamlining of the procedure.

(viii) Appointment of Nodal Authorities in CBDT and CBEC managing expenditure budget of grants of Direct Taxes and Indirect Taxes respectively.

(ix) Instructions to all the Constituent Units for implementation of e-procurement.

In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Vehicle Advance, Computer Advance etc. were also done.

The Integrated Finance Division has been watching the formulation of schemes of important expenditure proposals from their initial stage and also watching the settlement of audit objections, inspection reports, draft audit paras and reports of PAC/Standing Committee.

12. Implementation of Official Language Policy

The Department of Revenue has a full-fledged Official Language Division entrusted with the implementation of Official Language policy of the Government of India. The division is headed by a Director (O.L.) and operates through four Sections, each headed by an Assistant Director and supervised by two Deputy Directors. The Division deals with matters relating to implementation of Official Language Policy of the Union and takes follow-up action on the orders and instructions issued by the Department of Official Language, from time to time. Entire translation work of the Department from English to Hindi and *vice-versa* is ensured by the O.L Division.

The Department of Revenue is notified under Rule 10 (4) of the Official Language Rules, 1976. Twelve Sections have been specified under Rule 8(4) of the Official Language Rules, 1976 for doing official work in Hindi.

Performance of the O.L. Division during the year 2007-08

a) All the documents as per requirement under Section 3 (3) of the Official Languages Act, 1963 were invariably issued bilingually;

b) All gazette notifications, assurances and replies to Parliament questions were furnished bilingually;

c) Notes and monthly summaries for the Cabinet were translated and made available bilingually; and

d) A number of Double Tax Avoidance Agreements entered into with various countries were translated into Hindi.

Hindi Salahkar Samiti and OLIC meetings

The meetings of the Official Language Implementation Committee were held at regular intervals. In the meetings, members discussed the steps required to be taken for effective implementation of the Official Language Policy of the Union. A representative of the Department also attended the Official Language Implementation Committee meetings of the attached and subordinate offices situated in Delhi.

Two meeting of the reconstituted Joint Hindi Advisory Committee of the Department of Revenue, Department of Expenditure and Comptroller and Auditor General of India were held in April, 2007 and November, 2007, respectively. The last Meeting of the Committee was held on 1st November,2007 in Shillong under the Chairmanship of Minister of State (E.B. and I)

Inspection related to Official Language

To accelerate the use of Hindi in the Department, the officers of Hindi Division carried out inspections of 9 subordinate offices during the year under report, and officials were encouraged to improve the use of Hindi in official work. 09 Offices of Income Tax, Customs, Excise and Service Tax under the administrative control of this Department were inspected by third Sub- Committee of the Committee of Parliament on Official Language during the year and many valuable suggestions were given for the use of Official Language Hindi in their day-to-day work.

Hindi Day/Hindi Pakhwara

On the occasion of Hindi Day, appeals were issued by the Home Minister, Finance Minister, Cabinet Secretary and Additional Secretary (Revenue) exhorting all officers/ employees to do their maximum day-to-day work in Hindi.

Hindi Pakhwara was celebrated from 14th September, 2007 to 28th September, 2007. Various competitions like Hindi noting & drafting, Essay writing, Extempore Poetry competition, Hindi Extempore Speech, Quiz competition, Hindi dictation for group 'D' employees were organized. Those, who secured first, second and third positions in these competitions were given cash prizes of Rs. 5000/-(First prize), Rs. 3000/-(Second prize) and Rs. 2000/-(Third prize) and 3 consolation prizes of Rs. 1000/-each.

Incentive Schemes

Under the incentive scheme of the Department of Official Language, cash awards of Rs. 1000, Rs. 600, and Rs. 300 are given to the officials for doing noting/drafting and other official work in Hindi. To encourage creative & original book writing in Hindi two incentive schemes have been run by the Department for reviewing and writing original books in Hindi on subjects of Income Tax, Central Excise, Customs , Narcotics and Service tax. These schemes are open to all the citizens of India. There are attractive prizes in each category (i.e. original book writing in Hindi and reviewing) for winners.

Training

During the year 2006-07, one employee, who did not possess working knowledge of Hindi, was nominated for training in Hindi Prabodh class. Similarly, 10 L.D.Cs and 14 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively, during the year under report.

Hindi Workshop

In order to remove the hesitation among the Hindi knowing employees and encourage them to do their work in Hindi, a two-day Hindi Workshop was organized from 23rd to 24th Oct, 2007, in which 15 employees were imparted training in Hindi noting/drafting.

13. National Committee for Promotion of Social and Economic Welfare

Constituted in early 1992 under the Chairmanship of Justice Shri P.N. Bhagwati former Chief Justice of India, the Committee recommends projects for promotion of sports, social and economic welfare and pollution control to the Central govt. for notification under Section 35AC of the Income Tax Act. The funding of the approved projects is through donations on which the donors are entitled to 100 percent tax exemption under the Income Tax Law.

The Committee is constituted for a term of three years and consists of 14 members with its Chairman being former Chief Justice of India and other 13 members being persons of public eminence hailing from various walks of life. The Secretariat of the Committee comprises of a Secretary (National Committee), a Deputy Secretary (NC) and a Section Officer is given in next column.

names of the Committee members are as follows:

1.	Mr. Justice S.P. Bharucha (Chairman)	Mumbai
2.	Prof. (Ms.) Sabra Habib	Lucknow
3.	Prof. Margaret Ch. Zarna	Mizoram
4.	Ms. Atiya Habib Kidwai	New Delhi
5.	Dr. Jagdish Krishnaswamy	Bangalore
6.	Mrs. Veena Singh	New Delhi
7.	Shri L.D. Sharma	Jaipur
8.	Dr. Kaanchana Kamalanathan	Tiruchirapalli
9.	Dr. A.M. Arun Murugaiah	Tiruchirapalli
10.	Dr. J. Prabhakar Reddy	Hyderabad
11.	Shri Ajit Pal Singh	New Delhi
12.	Dr. Bhagirath Prasad	Indore
13.	Dr. Md. Abbas Ali	Hyderabad
14.	Shri Morris Sebastian	Ahmedabad

During the financial year 2007-08, three Business Meeting were held in which 221 application were considered and 78 cases were approved.

14. Appellate Tribunal for Forfeited Property

The Appellate Tribunal for Forfeited Property (ATFP) was constituted under Smugglers and Foreign Exchange Manipulators (Forfeiture of property) Act, 1976 [SAFEMA]. It started functioning w.e.f. 03.01.1977. Subsequently, the Tribunal was also constituted as the Appellate Tribunal under the Narcotics Drugs and Psychotropic Substances Act, 1985 (NDPS) after its amendment in the year 1989.

The Tribunal comprises a Chairman (who is or has been a Judge of the High Court or Supreme Court) and two Members (who are generally of the level of Additional Secretary to the Government of India). It is situated at New Delhi without any Benches elsewhere. However, in order to provide justice at the door step of public, the Tribunal holds camp sittings at different places in the country under the provisions of the above Acts.

The Tribunal hears appeals and allied matters filed against the forfeiture, or other orders passed by the officers designated as Competent Authorities for forfeiture of illegal properties of the persons convicted under the Customs Act, 1962 or NDPS Act, 1985 or detained under COFEPOSA, 1974 or PITNDPS Act, 1988 and also the properties held by such persons in the names of their relatives and associates and for seizure or freezing of illegally acquired property of the persons covered under NDPS Act.

The appeals and petitions are decided by the Benches consisting of atleast two Members and constituted by the Chairman. During the period from 1.4.2007 to 31.12.2007, 17 appeals and 27 miscellaneous petitions under SAFEMA and 67 appeals and 42 miscellaneous petitions under NDPS Act were filed. During this period 51 appeals and 57 miscellaneous petitions were disposed of. During the year 2006-07, this Tribunal was also assigned the appellative work

Table 3.41

Year	Institutions of Appeals	Disposal of Appeals
From Jan.2007 to Nov. 2007	13408	12614

Table 3.42: Details of Consolidated Pendency and Disposal of Applciations by Income Tax Settlement Commission

Financial Year for	No. of cases pending pending admiss-ion at the beginn-ing of financial year i.e. 1st April	No. of admittes cases at the at the beginning of financial year i.e. 1st April	Total no. cases pending received beginning of the financial year i.e. 1st April 2 (a) + 2(b)	No. of applicat-ions Court during the year	Addition due to High {2(c) + 3} Order	Total for disposal 245D(1)/	Cases admitted u/s. 22 D(1)	Cases ejected u/s	Disposal during the year {5(b) + 245D(4)	Total pendency reduced date 5(c)}	Balance pending as on for order u/s 245D(1)	Balance pending as on date u/s. 245D (4)	Total 7(a) + 7(b)
1	2(a)	2(b)	2(c)	3	3(a)	4	5(a)	5(b)	5(c)	6	7(a)	7(b)	7(c)
2001-02	330	1608	1938	671	-	2609	365	17	323	340	593	1650	**2243**
2002-03	593	1650	2243	560	-	2803	521	55	218	273	577	1953	**2530**
2003-04	577	1953	2530	491	-	3021	328	33	155	188	707	2126	**2833**
2004-05	707	2119	2826	434	-	3260	317	159	214	373	665	2222	**2887**
2005-06	665	2222	2887	479	-	3366	311	103	198	301	730	2335	**3065**
2006-07	730	2335	3065	602	-	3667	397	55	295	350	880	2438	**3318**
2007-08 UPTO 30.11.2007	817	2422	3239	649	-	3888	1123	118	338	456	225	3207	**3432**

pertaining to confiscation of properties under the Prevention of Money-Laundering Act, 2002. 11 appeals were received under PMLA Act.

15. Customs Excise & Service Tax Appellate Tribunal

The Customs, Excise & Service Tax Appellate Tribunal (formerly known as the Customs Excise & Gold (Control) Appellate Tribunal) was created to provide an independent forum to hear the appeals against orders and decisions passed by the Commissioners of Customs & Excise under the Customs Act, 1962, Central Excise Act, 1944 and Gold (Control) Act, 1968. The Gold (Control) Act, 1968 has now been repealed. At present, Service Tax appeals have been included. The Tribunal is also having appellate jurisdiction in Anti-dumping matters. The special bench headed by the President, CESTAT, hears the appeals against the orders passed by the designated authority in the Ministry of Commerce. The Headquarters as well as the Principal Bench of the Tribunal is situated at Delhi and other regional benches of the Tribunal are situated at Mumbai, Kolkata, Chennai , Bangalore and Ahmedabad. Each bench consists of a Judicial member and a Technical Member. To expedite the disposal of small cases with financial stake involving upto Rs. ten lakh, a single member bench is also constituted. The Tribunal is the appellate authority in the cases of classification and valuation. An appeal against the Tribunal's order lies before the Supreme Court.

As a result of an amendment by the Finance Act, 1995, the distinction between the special benches and other benches was done away with and now, any bench of two or more members is competent to hear all the matters which were earlier being heard at Delhi except anti-dumping matters.

The Tribunal is headed by the Hon'ble President. There are two posts of Vice-President and 18 posts of Members (Judicial) and Members (Technical).

In spite of various constraints, including vacancies of Members & required staff, the disposal of the appeals has not been affected. A comparative statement showing the institution and disposal of appeals is given in Table 3.41

Table 3.42(a)		
Number of applications received during 2006-07 (up to Oct. 07)	Number of applications disposed during 2006-07 (up to Oct. 07)	Duty Settled during 2006-07 (up to Nov.. 07) (Rs. in crore)
1400	2651(includes the applications received during previous years but disposed during current year)	162.46

Table 3.42(b)			
Year	No. of Applications received	No. of Applications disposed	Duty Settled (Rs. in crore)
1999-2000	3	1	
2000-01	328	146	21.38
2001-02	559	153	26.64
2002-03	656	365	187.51
2003-04	753	431	114.04
2004-05	1273	1143	181.25
2005-06	1587	1208	129.09
2006-07	1960	1434	239.02
2007-08(upto Oct. 2007)	1400	1333	162.46

Table 3.43: Statistical information about the performance of the AAR (IT) since inception till 31.12.2007					
Financial Year	Opening balance	Applications received	Total	Decision	C/f
1993-94	Nil	05	05	Nil	05
993-94	Nil	05	05	Nil	05
1994-95	05	15	20	06	14
1995-96	14	66	80	42	38
1996-97	38	66	104	55	49
1997-98	49	69	118	75	43
1998-99	43	47	90	37	53
1999-2000	53	31	84	48	36
2000-2001	36	39	75	25	50
2001-2002	50	55	105	31	74
2002-2003	74	16	90	18	72
2003-2004	72	26	98	36	62
2004-2005	62	23	85	65	20
2005-2006	20	67	87	26	61
2006-2007	61	22	83	66	17
2007-2008 (Upto 31.12.2007)	17	22	39	11	28

16. Income Tax Settlement Commission

The Settlement Commission was constituted with effect from 01-04-1976 the Chapter XIX-A of the Income Tax Act, 1961 and Chapter V-A of Wealth Tax Act, 1957 for settlement of income tax and wealth tax cases.

There are four benches of the Settlement Commission as shown below:-

i) Principal Bench at New Delhi.

ii) Additional Bench at Mumbai.

iii) Additional Bench at Kolkata.

iv) Additional Bench at Chennai.

The Principal Bench consists of one Chairman and two Members. The Additional Benches consist of one Vice-Chairman and two Members each. The Chairman is the Presiding Officer of the Principal Bench and the Vice Chairmen are the Presiding officers of their respective Benches.

Each settlement application involves computation of income/ wealth for a number of assessment years. The statistics of pendency/disposal for the period 2007-08 (consolidated for all Benches upto 30-11-2007) and immediately preceding years are given in the Table 3.42. Majority of the cases settled pertained to search and seizure operations and involved complex investigations. In the normal course, these cases would have entailed protracted litigation.

17. Customs & Central Excise Settlement Commission

Function & working and set up of the Commission, including its various advisory Boards and Councils

The Central Government have constituted the Customs & Central Excise Settlement Commission under section 32 of the Central Excise Act 1944 vide notification No.40/99-CX(NT) dated 09.06.99 and 41/99-CX(NT). The Commission consists of a Principal Bench presided over by the Chairman at New Delhi and 3 Additional Benches at Chennai, Mumbai and Kolkata presided over by Vice Chairman with 2 Members in each Bench. The present sanctioned strength of the Commission is 118 (Officers and staff), 30 each for Delhi, Mumbai and Kolkata and 28 for Chennai Bench . The Commission functions in the Department of Revenue as an Attached Office of the Ministry of Finance.

The basic objective in setting up of the Settlement Commission is to expedite payments of Customs and Excise duties involved in disputes, by avoiding costly and time consuming litigation process and to give an opportunity for tax payers who may have evaded payment of duty to come clean. Settlement Commission is therefore set up as an independent body, manned by experienced tax officers of “integrity and outstanding ability”, capable of inspiring confidence in the Trade and Industry and entrusted with the responsibility of defining and safeguarding “Revenue Interest.” Settlement Commission has thus given an opportunity for providing a channel for expeditious settlement of tax disputes under the Customs & Central Excise laws in a spirit of conciliation, rather than prolonging them through adversarial attitude. Any assessee, importer or exporter desirous of settling a tax dispute by the Settlement Commission voluntarily, making full and true disclosure of the duty liability accepted by him and in turn for the same, the Settlement Commission is vested with the powers to grant him immunity either fully or partially from penalty, interest and fine under the provisions of Customs & Central Excise Acts and immunity from prosecution under the provisions of above Acts and Central Acts.

Highlights of the Performance and achievements of the Commission during the year is given in the Table 3.42(a) & 3.42(b).

18. Authority for Advance Rulings (Income Tax)

The Authority for Advance Ruling (Income Tax) is a quasi-judicial body under the Ministry of Finance, which is chaired by a retired Supreme Court Judge. It was established in 1993 as per the provisions of Chapter XIX B of the Income Tax Act 1961 inserted by Finance Act 1993 w.e.f. 01.6.1993. The Authority gives binding rulings on the taxation issues raised by non-residents relating to a transaction undertaken/ proposed to be undertaken with a resident. It also gives rulings in the case of P.S.Us subject to necessary clearance.

The Authority has been quite active since its inception and much in demand by the Industry. The Authority has been mainly dealing with the interpretation of various provisions of the IT Act and that of Double Taxation Avoidance Agreements.

Table 3.44: Pendency position after 1.4.2006 in AAR (IT)

Financial Year	Opening balance	Applications received	Total	Decision	C/f
2006-07	5	18	23	3	20
2007-08 (Upto 31.12.2007)	20	02	22	07	15

The feedback from the industry is that with increasing foreign investment in India, it has become absolutely necessary for the investors to ascertain in advance, tax implications of their proposed transactions and ventures. It is a matter of pride that some of the recent Advance Rulings have been favorably discussed in International and National Conferences such as the IFA Conference in Japan and BMA International Tax Conference in Mumbai (held in 2007) and other conferences.

Organisational Set-up

The Authority, headed by a retired judge of the Supreme Court of India and having two members of the rank of Additional Secretary to the Govt. of India – one each from Indian Revenue Service & Indian Legal service, is a quasi-judicial body having powers of a Civil Court. The Authority is assisted by a secretariat, which is headed by a Commissioner of Income-Tax designated as Secretary of the Authority.

Functions

As Authority For Advance Rulings (Income-Tax)

Non-residents or specified categories of residents, desirous of obtaining an advance ruling relating to Income tax can make an application in the prescribed form stating the facts relating to the transaction and the question on which the advance ruling is sought. After examining the application and obtaining the report of the designated Commissioner of Income-tax and the relevant records wherever available, the Authority passes an order in writing either admitting or rejecting the application. But no application can be rejected without giving the applicant an opportunity of being heard. After hearing the Commissioner and the applicant in detail, a ruling on the issues referred to, is pronounced by the Authority in writing. The ruling is binding on the tax authorities and also on the applicant. No appeal is provided against the ruling. Majority of rulings involving interpretation of tax laws and the Double Taxation Avoidance Agreements between India and foreign countries are published in tax journals.

As Central Sales Tax Appellate Authority

The Authority of Advance Rulings has also been notified vide notification dated 17.3.2005(as amended by Notification dated 07.6.2005) as Central Sales Tax Appellate Authority to settle Inter-state disputes falling under section 6A read with section 9 of the Central Sales Tax Act, 1956. It started functioning as CSTAA w.e.f 01.3.2006 vide notification-dated 03.2.2006.

Performance

As Authority for Advance Rulings

The Authority has so far pronounced rulings/passed orders in 500 cases, on intricate questions of law and facts which have facilitated the non-residents in their investment ventures in India. Many of the questions coming up before the Authority are such where, generally decisions of High Courts or the Supreme Court are not available. Although the rulings are binding only in the case of applicant, coming from a high-powered authority, the rulings have a persuasive value, and their applicability in any other case on same or similar facts cannot be denied. This also helps achieving uniformity in application of the legal provisions and ensuring equality before law. Owing to the uniqueness of these features, the setting up of the Authority for Advance Rulings in India has been welcomed by every one as a step in the right direction.

Besides the above, a large number of applications U/s 245R(2) have also been heard and orders passed.

As Central Sales Tax Appellate Authority

In view of the amendment in Section 25 (as substituted by section 7 of the Central Sales Tax (Amendment Act, 2005) of the Central Sales Tax Act, 1956 all appeals except the appeals filed against orders of the Highest Appellate Authority of the State, pending before the Central Sales Tax Appellate Authority were transferred to the Highest Appellate Authority of the concerned state wef 01st March, 2006. As on 01.3.2006, the Authority have received 104 appeals. Out of the 104 appeals, 99 appeals were transferred to the Highest Appellate Authority of the concerned state since the appeals were not filed against the orders of the Highest Appellate Authority of the State.

Increasing the Awareness of Authority for Advance Rulings in the Commerce and Industry Sectors and NRIs

A number of active and fruitful efforts have been made by this Authority for widening the awareness of the facility available to Foreign Investors through AAR.

i) In the International Taxation Conference in 2007 Mumbai by Foundation For International Taxation, IFA India Branch, a session was exclusively addressed to the issues and cases before the AAR. Chairman AAR preceded over one of the session.

ii) The International Fiscal Association 61st Annual Congress was held in Japan wherein Secretary AAR (IT) actively participated in various discussions.

iii) The official website of the Ministry has not only been kept up to date but publicised in various countries through the brochures on AAR which was distributed all the conferences mentioned above. This has evoked lot of interest in the system of AAR as well as the rulings on interpretation of DTAA.

Bar Chart giving the Disposal Data

iv) The recently published 3rd edition of Handbook on Advance Ruling has been circulated at all forum and has been received well.

Audit Objections

There is no major para in the Revenue Audit Report in respect of this Authority. The minor objections were of technical and remedial nature and the necessary remedial actions have already been taken.

19. Authority for Advance Rulings (Central Excise, Customs & Service Tax)

Functions and working of the Organisation

To facilitate foreign investment into the country a number of steps has been taken by Government of India in the recent past. Setting up an Authority for Advance Rulings (Central Excise, Customs & Service Tax) to give binding Rulings, in advance, on Customs, Central Excise and Service Tax matters pertaining to an investment venture in India is one such measure. Legal provisions relating to Advance Rulings have been introduced in the respective statutes through the Finance Acts of 1999, 2003 and 2005. The scheme of Advance Rulings has assumed a greater and special significance in the context of greater emphasis on FDI. This is evident from the statutory changes brought about to expand the ambit of the Authority.

Authority for Advance Rulings, (Central Excise, Customs & Service Tax), is a high level quasi-judicial body comprising of a retired judge of the Supreme Court of India and two Members (of Additional Secretary rank) – who have wide experience in technical and legal matters. At present Hon'ble Mr. Justice P.V. Reddi is the Chairman and Smt. Chitra Saha and Sh. A. Sinha are Members.

Office of the Authority is located on 4th Floor, Hotel Samrat, Kautilya Marg, Chanakyapuri, New Delhi – 110 021.

Under the scheme of Advance Rulings the following categories of investors are eligible to apply for an advance ruling:

- a non-resident investor setting up a joint venture in India in collaboration with a non-resident or a resident;
- a resident setting up a joint venture in India in collaboration with a non-resident,
- a wholly owned subsidiary Indian company of which the holding company is a foreign company who or which, as the case may be, proposes to undertake any business activity in India;
- a joint venture in India;

'Explanation. - For the purposes of this clause, "joint venture in India" means a contractual arrangement whereby two or more persons undertake an economic activity which is subject to joint control and one or more of the participants or partners or equity holders is a non-resident having substantial interest in such arrangement;'.

- a resident falling within any such class or category of persons, as the Central Government may, by notification in the Official Gazette, specify in this behalf.*

**Under this provision a resident proposing to import goods from the Republic of Singapore under the Comprehensive Economic Cooperation Agreement between the Republic of India and Republic of Singapore has been notified as an applicant vide Notification No. 69/2005-Custom(NT) dt.29.07.05.*

Advance rulings can be sought in respect of the following questions/issues :-

(i) Classification of goods under the Customs Tariff Act, 1975, Central Excise Tariff Act, 1985, and of taxable services under Chapter V of the Finance Act, 1994 (Service Tax);

(ii) Principles of valuation under the Customs Act, 1962, and the Central Excise Act, 1944;

(iii) Applicability, of notifications issued under the Customs Act, 1962, Customs Tariff Act, 1975, Central Excise Act, 1944 and Central Excise Tariff Act, 1985 having a bearing on the rate of duty; and of notifications issued under Chapter V of Finance Act, 1994;

(iv) Admissibility of input-tax credit under Central Excise law (CENVAT);

(v) Admissibility of credit of Service Tax under Chapter VA of the Finance Act, 1994;

(vi) Valuation of taxable services for charging Service Tax under the Finance Act, 1994;

(vii) Determination of Origin of goods in terms of the Rules notified under the Customs Tariff Act,1975 and matter relating thereto;

The process of obtaining an advance ruling is simple, inexpensive and transparent (only Rs. 2500/- have to be deposited through a Demand Draft with each application). Obtaining a ruling is highly expeditious as the Authority is statutorily required to deliver the same within 90 days of receipt of an application. Rulings are pronounced after providing an opportunity of being heard by the Authority and in pursuance of other accepted judicial norms. Advance Rulings pronounced by the Authority are binding on departmental officers engaged in assessment of goods and services and on the applicant, and hence rule out possibilities of disputes and litigation, subsequently. Advance Rulings are not appealable either by the department or the applicant, under the Customs, Central Excise or Service tax law. An Advance Ruling remains valid unless there is a change in law or the facts on basis of which the ruling was pronounced.

Advance rulings would indicate, in advance, the duty liability in respect of an 'activity', viz. 'import' or 'export' under the

Customs Act, 'production' or 'manufacture' of goods under the Central Excise Act and 'taxable services' under the Service Tax law, proposed to be undertaken / provided by an applicant. (Service Tax law is administered by Central Excise officers).

Highlights of the performance and achievements during 2007-08

Prompt disposal of the applications in accordance with the provisions of the statutes relating to advance rulings and the principles of natural justice is the USP of the Authority. During the period 1.04.07 to 15.12.07, 13 applications seeking advance rulings were received. Total number of applications for pronouncement of advance rulings by the Authority was 17 inclusive of 4 pending applications from the previous period. As on date, 8 applications have been disposed off and 9 applications are pending.

Advance Rulings have been issued in 2 applications; one relating to Customs and one relating to Central Excise issue. Orders were issued in six cases, two relating to Customs issued under section 28I(2) of the Customs Act, 1962, three relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994(Service Tax provisions) and one relating to Central Excise issued under section 23D (2) of the Central Excise Act,1944.

Publicity measures were undertaken in order to create awareness among the trade and industry. All the Commissionerates / field officers were informed of the amendments brought about by the Finance Act, 2007 and requested to issue Public/Trade Notices for the information of trade and industry and public in general. Advertisements, highlighting the objective and basic scheme of advance rulings were published in leading newspapers. 2000 CDs containing the highlights of the scheme of advance rulings were got prepared and 1800 copies were circulated along with updated brochures among the participants in Pravasi Bharatiya Divas held at Vigyan Bhawan during January 7-9, 2007 in Delhi and the remaining 200 were circulated among the Chief Commissioners and Commissioners

Interactive Conference on System of Advance Ruling in India

Interactive Conference on System of Advance Rulings in India was held at Bangalore on 30.07.2007. It was chaired by Hon'ble Justice P.V. Reddi, Chairman of AAR(CE, Cus, & ST). It was organized jointly by Bangalore Chamber of Industry and Commerce and Karnataka Tax Advocates Association. AAR (CE, Cus, &ST) and AAR(IT) both participated in it.

The Interactive Conference was also attended by Smt. Chitra Saha, Member and Chief Commissioner from this Authority. The Conference was addressed by Hon'ble Chairman Smt. Chitra Saha, Member and Sh Vijay Kumar Additional Commissioner from this Authority made a presentation about scheme of Advance Rulings (CE, Cus, ST).

The Interactive Conference was attended by more then 200 persons. The participants included the Judges of Karnataka High Court, leading Tax Advocates, Representatives from the Industry and Commerce. It was also attended by the Chief Commissioner- Customs and all Commissioner (Customs and C. Excise) posted in Bangalore.

During the interactive session various queries relating to procedure for filing applications in the Authority were raised. All the queries were answered promptly. Further, certain suggestions relating to extending the facility of advance ruling to the residents and in view of the large pendency in the Tribunal and Courts, the parties should have option to withdraw their appeals and to seek re-dressal in the form of final binding ruling from AAR on the subject were made and discussed in the Conference.

Authority's website- www.cbec.gov.in/cae/aar/aar.htm has been updated on regular basis to incorporate the latest Advance Rulings and Orders issued by the Authority. Due care is taken to promptly upload any statutory changes brought about by the Finance Act, each year, and any other legislation, like RTI Act, 2005 related to the Authority.

Performance/achievements upto the last year

The Authority became functional in the financial year 2002-03. . The Customs (Advance Rulings) Rules, 2002 and Central Excise (Advance Rulings) Rules, 2002 were notified vide Notfn. Nos. 55/2002-Cus (N.T.) and 28/2002-Central Excise (N.T.) both dated 23.08.2002. The Service Tax (Advance Rulings) Rules were notified vide Notfn. No. 17/2003-S.Tax(N.T.) dated 23.07.03. The procedure to regulate the functioning of the Authority was laid down vide Authority for Advance Rulings (Procedural) Rules, 2003 issued vide Notification 1/2003-AAR dated 21.03.2003. Consequent upon the expansion in the scope of advance rulings and the experience gained, these Rules were streamlined and superseded vide Advance Rulings (Customs, Central Excise and Service Tax) Procedure Regulations, 2005 issued vide Notfn. No. 1/2005 dated 07.01.2005.

The first application seeking an advance ruling was received on 20.11.2002. During the period 20.11.2002 to 31.03 2007, 94 applications were received, out of which rulings were pronounced in 67 cases (60 relating to Customs, 5 relating to Central Excise and 2 relating to Service Tax). During this period Orders were also issued in 21 cases (8 relating to Customs issued under section 28I (2) of the Customs Act, 1962; 3 relating to Central Excise issued under section 23 D(2) of the Central Excise Act, 1944 and 10 relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994).

2 applications were withdrawn by the applicants within 30 days for which no formal orders permitting withdrawal are required to be issued under the provisions relating to advance rulings. As on 31.03.2007, 4 applications were pending.

Brochures containing the basic essential information about the Authority were updated and got printed and distributed / circulated amongst the prominent chambers of trade &

industry within the country to make them aware of this new organization entrusted with the responsibility of implementing a totally new concept under the Customs, Central Excise and Service Tax Law. Advertisements were also published in leading newspapers to create awareness especially among the trade and industry.

Meetings and seminars are held with the Chambers of Commerce & Industry in all the metropolitan cities in India, besides industrial / commercial cities like Pune, Ahmadabad, Bangalore & Allahabad.

20. Implementation of The Right to Information Act, 2005

Revenue Headquarters

Right to Information Act, 2005 stands implemented in Revenue Hqrs. The details of Central Public Information Officers are available on Department's website. Also, all the manuals have been put on the website of the Department. The internal procedure, formulated for handling the applications/requests for information, is working smoothly.

State Taxes Section

Necessary action has been taken under section 4 of the RTI Act, 2005 to publish the information/manuals on various aspects f functioning of the State Taxes Section. These have been posted on the website of Ministry of Finance to facilitate easy access to general public. The information is being updated from time to time. Further, all the records in the Section are being properly maintained so that whenever any information is sought, the same can be readily furnished. Up to 31.12.2007, 20 applications seeking information under RTI Act, 2005 were received in the Section and all of them were disposed off.

Central Board of Excise and Customs

(i) The information required to be disclosed under section 4 of the Right to Information Act, 2005, duly uploaded on the CBEC website as well as websites of various commissionerates / Directorates, has been updated.

(ii) Suitable Public Notices have been issued in respect of CPIOs in terms of the requirement of section 4 (I)(B) of the Right to Information Act, 2005.

(iii) CPIOs and appellate authorities for various subordinates offices and field formations have been re-designated. The details viz. names, address contact nos. etc. of CPIOs (Central Public Information Officers), CAPIOs and appellate authorities for all formations under CBEC, displayed on the CBEC website, are updated on quarterly basis.

(iv) The provisions of the Right to Information Act, 2005 have been given wide publicity through various forms like Information facilitation Counters, Help Centres, Public Notices and meetings with the member of the trade etc.

(v) The officers in field formations have been made well aware about the responsibilities cast upon them under the Right to Information Act, 2005 and information issued thereunder.

(vi) As required under Section 25 of the Right to Information Act, 2005, the prescribed quarterly / annual reports received from CBEC, Directorates and field formations have been displayed on the CBEC's website as well as that of Central Information Commission with a view to monitor the implementation of the Right to Information Act, 2005.

Central Board of Direct Taxes

A three-day Workshop on Right to Information Act was held from 3rd September to 5th September, 2007. Officers from both within the Department and outside the Department, i.e., on deputation, including an officer from Indian Ordinance Factories' Service currently serving as Director (Trg.), National Academy of Defence Production, Nagpur, participated in this Course.

The Course was inaugurated by the Chief Information Commissioner, Shri Wajahat Habibullah and valedicted by Shri Arvind Kejriwal, Ramon Magsaysay Awardee who, in their respective key note and valedictory addresses, stated that this Act was an instrument of good governance and urged to spread the message of having a positive attitude in dealing with RTI matters.

The participants found the Course very useful as it generated a lot of discussion and threw up a number of grey areas in the implementation.

Re-designation of the CPIOs/Appellate Authorities under the Right to Information Act in different offices of the Income Tax Department was co-ordinated.

Authority for Advance Rulings (Customs, Central Excise & Service Tax)

Right to Information Act, 2005 has been implemented by the Authority for Advance Ruling as per directions issued by the Department. of Revenue from time to time. Twelve manuals, as prescribed under Right to Information Act and related to the Authority, were duly prepared and up-loaded on the website of the Authority i.e. *www.cbec.gov.in/cae/aar/aar.htm.*

PIO under the said Act has also been duly notified and relevant details posted on the website as well as placed on the Notice boards of the Authority. The PIO for the Authority is Shri Vijai Kumar, Addl. Commissioner.

Central Bureau of Narcotics

For the purpose of smooth implementation of the Right to Information Act, 2005, a total of 37 CPIOs have been appointed in Central Bureau of Narcotics to attend the responsibilities and obligations under the Act . The offices of these CPIOs are located in different locations right from Headquarter office at Gwalior to field formations through out the jurisdiction of the Bureau. The Narcotics Commissioner, the Head of Department is functioning as Appellate Authority. Help Centres have been established to cater to the needs of general public owing to RTI Act, 2005 and the activities of these Centres are being monitored regularly for ensuring proper services to the people. Further it is also to inform that a manual under section 4(1)(b) of RTI Act, 2005 has been placed on the website of the Bureau www.cbn.nic.in for reference of all concerned.

Govt. Opium and Alkaloid Factories

A cell in each unit of this organization, such as the factories at Ghazipur and Neemuch, as also at the Delhi and Gwalior office of the CCF have been set up. These cells function directly under the officials designated as CPIO/APIO. During the year 2006-07 (upto Dec., 2007), a total of 68 applications have been received and an amount of Rs. 862/- was collected towards fees etc. The applications received have also been disposed of within the prescribed time-frame.

Appellate Tribunal for Forfeited Property

The Tribunal has published the requisite information (all manuals) under the RTI Act on the website of the Department of Revenue in July, 2005. At present, no matter / application is pending with the Tribunal.

Competent Authorities (SAFEMFOPA & NDPSA)

The Public Information Officer (PIO), Assistant Public Information Officer (APIO) and Appellate Authority as defined under the Right to Information Act have been designated. A Nodal Officer for liaising with the Postal Department has also been appointed. The procedure for receipt and disposal of applications received under the Right to Information Act has been laid down clearly. .

Customs and Central Excise Settlement Commission

Right to Information Act, 2005 has been implemented by the Customs & Central Excise Settlement Commission as per directions issued by the Department of Revenue from time to time. Twelve manuals, as prescribed under Right to Information Act and related to the Customs & Central Excise Settlement Commission, were duly prepared and up-loaded on the website of the Ministry of Finance i.e. www.finmin.nic.in.

PIO under the said Act has also been duly notified and relevant details posted on the website as well as placed on the Notice Boards of the Customs & Central Excise Settlement Commission. The PIO for the Customs & Central Excise Settlement Commission is Shri Raj Kumar, Addl. Commissioner

Income Tax Settlement Commission

Public Information Officers have been appointed on each at Principal Bench, New Delhi and its Additional Benches at Mumbai, Chennai and Kolkata. A four members Committee has also been constituted in these Benches for the quicker disposal of the applications received under the RTI Act. During the year 2007-08 (up to 10.1.2008) applications received in Delhi, Mumbai and Kolkata Benches are 16,3 and 1 respectively. These applications have been disposed of expeditiously. However no application has been received by the Chennai Bench.

Authority for Advance Rulings (Income Tax)

Necessary steps/initiatives have already been taken for implementation of the Right to Information Act 2005. The 17 manuals as required under clause-4(i)(b) of the Act has been compiled. The Public Information Officer and Asstt. Public Information Officer has been appointed by AAR. A website has been launched containing information regarding particulars of the organization, function and duties, directories of officers and employees. The relevant provisions of the Income-tax Act, Income-tax Rules and the Procedure rules regarding AAR have also been provided on the website. All the rulings pronounced by the Authority are regularly hosted and updated on the website for the benefit of the public.

Central Economic Intelligence Bureau

The Central Economic Intelligence Bureau is exempted in terms of section 24(1) read with second schedule of the RTI Act, 2005 for providing any information except the information under proviso of section 24(1) i.e. information pertaining to allegations of corruption and human rights violations. However, applications received in this Bureau under RTI Act, 2005 are being disposed of in the time bound manner. In the year 2007-08 (till 24.12.2007) total 12 applications were received and the same were disposed of in time as prescribed under the RTI Act.

21. Important Policy Initiatives Announced through Finance Minister's Speech, 2007-2008.

Value Added Tax

Policy Initiatives announced under NCMP:

Under NCMP, it was stated that "The UPA government is pledged to the early introduction of VAT after all the necessary technical and administrative homework has been completed, particularly on issues like the integration of service sector taxation and compensation to states. ……..”

The necessary action has already been taken on this policy announcement. State VAT has been introduced by now by all the States/UTs, except the Andaman & Nicobar Islands and Lakshadweep that do not levy Sales Tax/VAT. Since it is a State subject, the Central Government has played the role of a facilitator. The Central Government is committed to continue playing this role to carry further this process of tax reforms at State-level.

Policy initiatives announced in Budget Speech, 2007-08:

Para-115 of the Budget Speech mentions that while VAT has proved to be an unqualified success, the next logical step is to phase out CST. It mentions of the plan to reduce CST rate from 4% to 3% w.e.f. 01-04-2007 and provisioning of Rs. 5,495 crore for compensation for losses, if any, on account of VAT and also on account of CST. Para-116 records the appreciation of the cooperative federalism displayed by State Governments and the Empowered Committee of Sate Finance Ministers for agreeing to work with the Central Government to prepare a roadmap for introducing a national level Goods and Services Tax (GST) w.e.f. April 1, 2010.

Regarding Para-115, the CST rate has been reduced from 4% to 3% w.e.f. 01-04-2007 as announced. To facilitate and support the tax reforms undertaken in State VAT and CST sectors, the Department of Revenue has sanctioned and released Rs. 3,560 crore to States for compensation for losses on account of VAT and also on account of CST. In addition, as part of support to the tax reform process, the facility of inter-State purchases by Government Departments at concessional CST rate, against Form-D, has also been withdrawn w.e.f. 01.04.2007. Further, enabling provisions have been made for States to levy VAT on Tobacco and Tobacco products, for which the EC has decided a VAT tax rate of 12.5%. Thus, this item has been integrated with the VAT system.

Regarding Para-116, the EC has continued to work with the Central Government for formulating the roadmap for introduction of the Goods and Services Tax (GST) w.e.f. 01-04-2010. The EC set up a Joint Working Group (JWG), comprising officials of the Central Government and State Governments, for identification of alternative GST models and assessment of their suitability for introduction of GST in India's fiscal federal context. The JWG has submitted its report to the EC in November, 2007. This report is being deliberated upon by the EC in-house, prior to finalization and communication of their views to the Ministry of Finance, Government of India.

Direct and Indirect Taxes

Status of Implementation:

A Departmental Sub-Committee was constituted by the Department of Telecommunications on April 27, 2007 to study/ review the present structure of taxes and levies applicable in the telecom sector. The Committee has submitted its report to the Government.

(Action completed)

Para No. 183

Tax Administration

Along with tax reforms, the Government has laid great emphasis on tax administration. The cost of collection of taxes in India is among the lowest in the world. A number of administrative goals have been set for 2007-08. These include expanding the coverage of Annual Information Returns, extending the Refund Banker System to more areas, extending the e-payment facility through more banks, making electronic filing of returns mandatory for more categories of assessees and creating new Large Tax Payer Units.

Status of Implementation:

i. **Annual Information Returns:** The matter relating to expanding the coverage of Annual Information Returns (AIR) is under consideration.

ii. Refund Banker Scheme for CBDT:

- Refund Banker Scheme has been extended to four metro charges and Bangalore as scheduled from 30-09-07 (except corporate & exemption charges).
- A help centre (call centre) has been provided for Refund Banker related queries.
- Refunds issued till 17.01.2008 under Refund Banker Scheme:-

	Paper	ECS
No.	1,91,274	98,027
Amt.	187,09,76,720	128,33,74,372

iii. Expanding e-payment facility through banks:

CBDT:

- Scheme of mandatory e-payment of taxes is proposed to be made effective from 1st April, 2008.
- 18 Banks now offering e-payment.
- 9 more Banks will shortly offer this facility.
- NAB process finalized. Approval awaited from O/o Pr. CCA and RBI.

CBEC

The Pilot Project of e-payment of Customs duties was started in Delhi with four banks viz. PNB, SBI, UBI and Corporation Bank at 3 Customs locations i.e. ACC, New Delhi, ICD-Tughlakabad & ICD-Patparganj. Now e-payment is operational at 28(Twenty eight) locations. E-payment facility is expected to be launched soon in remaining locations at Ahmedabad, Mundra, & Trivandrum.

Instructions have already been issued to various Customs Houses as well as some Banks to install the modified software. Draft Public Notice to be issued for information of trade has also been sent. At some other locations, testing is still underway with the banks and efforts are being made to launch e-payment at these locations by March, 2008.

E-payment has been made mandatory for major assessees i.e. those paying annual revenue of more than Rs. 50 lakh – in Service Tax from October, 2006 and for Central Excise from April 1, 2007.

iv. Making e-filing of returns mandatory for more categories of assessees

CBDT:

- The announcement in respect of extending the scheme of e-filing to more categories of tax-payers has been implemented.
- As on 17.01.2008, 14.15 lakh returns had been filed electronically as per the breakup given below:-

ITR1 – Salary/Individual - 106793

ITR2 - Individual and HUF

Including House - 122073

ITR3 – Partnership firm - 48201

ITR4 - Individual/HUF

Including Business Income - 424321

ITR5 - 44AB - 321164

ITR5 – non 44AB - 38253

ITR6 - Companies - 353726

ITR8 - FBT - 718

1415249

Out of the above 55748 returns have been filed in January, 2008 (upto 17.1.2008).

Electronic filing is compulsory for companies and firms subject to audit u/s 44AB and the due date for filing was 15.11.2007. Last year 290441 returns had been filed till the due date(30.11.2006). This year, the number of e-filed returns is substantially higher.

CBEC:

The ACES (Automation in Central Excise & Service Tax) project is undergoing the User Acceptance Test (UAT) in select Commissionerates of Central Excise and Service Tax. Making electronic filing of returns mandatory for assessees would entail stabilization and extension of ACES to all Commissionerates and Assessees.

v. Creating more Large Taxpayers Units (LTUs)

The LTU at Bangalore was made operational in October 2006 and that at Chennai became operational on 1st December, 2007. Proposals for creating necessary infrastructure for setting up of LTU offices at Mumbai and Delhi are under examination.

First LTU is operational at Bangalore since October, 2006 and the second LTU has been made operational at Chennai from 1st December, 2007.

22. E-governance Activities

Revenue Headquarters

Computer systems have been provided to all officers and staff in the Department with internet connectivity. A file tracker system 'DMIS', which facilitates monitoring the movement of

Table 3.45

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Allotment	58,74,623	44,60,038	63,73,028	58,98,470	79,48,426

Table 3.46

Financial Year	Returns processed on networked computers	Returns processed onstand alone computers	No. of returns processed on computers	Refund cheques issued (in lakh)
2002-03	92,85,705	86,41,337	1,79,27,042	39.87
2003-04	1,06,99,279	96,94,397	2,03,93,676	56.66
2004-05	1,23,63,549	80,18,443	2,03,81,992	39.77
2005-06	1,22,79,406	98,87,966	2,21,67,372	44.02
2006-07	1,15,80,823	1,42,78,593	2,58,59,416	44.58

Table 3.47: Number of Refunds and amount of refunds issued through scheme

Through ECS		Through Paper cheques	
No. of refunds issued	Amt. of refund (Rs. in crores)	No. of refund issued	Amt. of refund (Rs. in crores)
86211	104.0	170660	159.0

Table 3.48		
TDS Returns for	e-TDS returns received	e-TCS returns received
2005-06 Quarter I	4,74,555	8,697
2005-06 Quarter II	4,95,224	9,478
2005-06 Quarter III	5,12,961	9,967
2005-06 Quarter IV	6,50,184	11,341
2006-07 Quarter I	5,78,131	11,032
2006-07 Quarter II	6,07,870	11,606
2006-07 Quarter III	6,22,298	11,962
2006-07 Quarter IV	7,51,128	13,003
2007-08 Quarter I	4,85,602	10,574
2007-08 Quarter II	4,12,122	9,979

Table 3.49: Number of cases selected for scrutiny through this system:	
Financial Year	No. of cases selected for scrutiny
2005-06	60,434
2006-07	1,51,876
2007-08	4,18,479

letters and files within the Ministry/Department, introduced in January, 2007 is being used successfully to track movement of files. This brings about greater transparency and accountability.

In order to enable easier exchange of mails and sharing of calendars and tasks, an MS Exchange server has been installed. Client access licences have been proved to about 100 users so far. It is proposed to gradually increase the coverage to all officers and staff in the Department in near future.

The Department is developing a new dynamic website in order to disseminate information to general public.

State Taxes Section

Under the National e-governance Plan (NEGP) launched by the Department of Information Technology, the Department of Revenue is coordinating a Mission Mode Project (MMP) on 'Commercial Taxes', which is an important e-Governance initiative in the field of State taxes. The Department has engaged the National Institute of Smart Government, Hyderabad (NISG), as strategic consultant, with a view to develop overall scheme and framework within which individual State can take up the Project. All the States have been asked to prepare Detailed Project Reports (DPRs) in line with the templates provided by the Department of Information Technology (DIT). After receipt of the DPRs from the respective States, the same will be processed and recommended to DIT for further appropriate action. In addition, the Department is committed to support the project for computerization of tax administrations in Himachal Pradesh and Jammu & Kashmir that has been taken up by the Empowered Committee.

Central Board of Direct Taxes

The vision document 2010 of the Income Tax department identified quality tax payer service as a key area. In this connection the main objective of the department has been defined as "To enable taxpayers to meet their normal tax obligations in a convenient manner without visiting Income Tax Office." The computerisation programme of the department has accordingly been aligned to achieve the aforesaid objective by way of -

(i) e-delivery of taxpayer services;

(ii) augmentation of departmental computer infrastructure; and

(iii) setting up Tax Information Network (TIN)

2. E-delivery of taxpayer services

2.1 Dissemination of tax information on web:

Department's website www.incometaxindia.gov.in provides exhaustive information on direct tax laws, rules, procedures, FAQs etc as also down loading of all forms, challans and return preparation software etc. Since the basket of compulsory E-filing of returns was extended this year and all assessees except certain categories of trusts were eligible and voluntary E-filing through the website "incometaxindiaefiling.gov.in" was made more robust and E-friendly to cater to the large number of Taxpayers availing the E-filing facility. Total user registration upto 27.12.2007 was 1593620 and the number of E-filed returns upto27.12.2007 was 1334987. The highlights of the project is detailed in para 2.3/2.4.The website of the department records an average number of hits of about 28 lakh per day.

2.2 PAN related services:

Over 79 lakh PANs were allotted in F.Y. 2006-07 i.e. over 6 lakh per month. Average waiting time has come down from 15 days to 11 days. Total number of PANs allotted up to 30.11.2007 was 5.84 crore (Table 3.45).

Following PAN related services are available:

(i) Online filing of PAN applications

(ii) Web tracking of status of PAN applications

(iii) Redressal of PAN grievance through Call Centre 'Aayakar Sampark Kendra' (ASK) {0124-2438000}

2.3 & 2.4 Electronic filing of returns of income :

The e-filing project is a high impact, high visibility project of significant importance to the Government and taxpayers with many achievements. The first cycle of e-filing of I-T return by companies was completed in 2006-07 wherein nearly 3.7 lakh returns were filed. However, only about 1% of I-T returns were e-filed voluntarily. It established a foundation for an alternative channel for I-T return receipt.

The implementation of strategic changes for 2007-08 led to an increase in number of Income tax returns from 3.7 lakh in 2006-07 to over 12.53 lakh in 2007-08 (till 30/11/2007) and this number is expected to reach 16 lakh by the end of the year.

Table 3.50

Sl.	Category of information	FY 2004-05		FY 2005-06		FY 2006-07	
		No. of transactions	Value (Rs. in crore)	No. of transactions	Value (Rs. in crore)	No. of transactions	Value (Rs. in crore)
1	Cash deposits aggregating to Rs.10 lakh or more in a Savings account with a bank	600,310	51,146	447,102	62,493	525,749	277,971
2	Payment against Credit card bills aggregating to Rs.2 lakh or more	411,339	9,607	209,408	8,817	271,566	9,478
3	Payment of Rs.2 lakh or more for purchase of units of Mutual Fund	627,208	776,158	1,014,201	1,025,620	1,018,723	1,864,271
4	Payment of Rs.5 lakh or more for acquiring Bonds/ debentures issued by a company	29,638	97,919	25,642	124,713	34,473	221,005
5	Payment of Rs.1 lakh or more for acquiring shares (through public or rights issue) issued by a company	153,781	76,191	151,333	88,698	144,009	124,958
6	Purchase of Immovable property valued at Rs.30 lakh or more	37,748	42,906	57,440	87,148	64,074	71,220
7	Sale of Immovable property valued at Rs.30 lakh or more	41,001	42,440	58,059	88,198	56,235	64,010
8	Payment of Rs.5 lakh or more in the aggregate for purchase of RBI Bonds	92,630	316,356	157,738	177,653	43,094	181,846
	TOTAL	**1,993,655**	**1,412,724**	**2,120,923**	**1,663,340**	**2,157,923**	**2,814,758**

i) Of these returns, nearly 46% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing.

ii) Electronic return filing before or after regular office hours (9am to 6pm) is another indicator of taxpayer convenience. Of all returns 414,123 returns (33%) have been filed beyond office hours.

iii) Though use of digital signature was optional, 137,495 corporate returns (40% of all corporate returns) and overall 200,590 returns (16% of all returns) have been filed using digital signature, making the entire return filing process - paperless in such cases.

The e-filing portal has now proven to be a powerful gateway for not only receipt of I-T returns but also as a key channel for delivery of taxpayer services. It has enabled the Income Tax Department to develop the capability to deliver promises made to taxpayers through the Citizen's Charter in terms of turn around time for processing and issuance of refunds.

The e-filing project would emerge as the contributor of the most authentic, comprehensive and contemporaneous source of financial, business and economic data for policy formation in the Government. It has enabled the Income Tax Department to take key administrative decisions in tax administration and compliance functions.

The e-filed return from the taxpayer obviates the dependency on data entry of return data as well as ensures higher level of data accuracy. The e-filed returns are easily amenable to centralized processing and issue of refunds. Therefore, the e-filing project has enabled the Department to launch the next phase of process re-engineering.

2.5 e-payment of tax: Facility for payment of direct taxes through internet is available through the website of TIN i.e. www.tin-nsdl.com. Facility to download preprinted Challans with name and PAN/TAN has been provided on the website http://incometaxindiaefiling.gov.in A facility to verify payment of tax through internet is also available on the website http://tin-nsdl.com.

On line tax payment facility is now available from the following banks:

(i) Axis Bank

(ii) State Bank of India

(iii) Punjab National Bank

(iv) Indian Overseas Bank

(v) Canara Bank

(vi) Indian Bank

(vii) Bank of India

(viii) Corporation Bank

(ix) HDFC Bank

(x) IDBI Bank

(xi) Union Bank of India

13 more banks are shortly expected to offer this facility online.

2.6 Faster processing of returns and issue of refunds: Over 2.5 crore returns have been processed on computers during F.Y. 2006-07. Relevant statistics are in Table 3.47.

2.7 Electronic credit of refunds/Refund Banker Scheme:

No. of ECS refunds received in OLTAS: 86745

Amount of ECS refunds: Rs.153.97 crores

- Refund Banker pilot scheme was launched in 3 CIT (Salary) charges and one business charge of Delhi and CIT charges of Patna city from 24.01.07.
- Refund Banker pilot scheme was extended to all metro charges (except Corporate and Exemption charges) in Mumbai, Delhi, Chennai, Kolkata and Bangalore from 30th September 2007
- Refund are sent by SBI through ECS mode or Paper cheques
- They reach the bank accounts of the taxpayer or his communication address as the case may be.

2.8 Electronic filing of TDS/TCS returns: Particulars of e-TDS returns received till 30.11.2007 are given in Table 3.46.

2.9 Computer Assisted Selection of Cases for Scrutiny: A system for risk based Computer Assisted Selection of Cases for Scrutiny has been introduced since F.Y. 2004-05 at all the networked stations . This has replaced discretion-based selection of cases for scrutiny with a non-intrusive non-discriminatory system of selection.

3. Augmentation of departmental computer infrastructure

3.1 Setting up Single National Database – Migration of existing application software from 2-tier to 3-tier and Consolidation of 36 regional databases into single national database is under progress. This will enable following functionalities-

a) Any time anywhere computing

b) Jurisdiction free filing / processing;

c) All India data matching;

d) Centralized MIS reporting

3.2 National Data Centre and appropriate Business Continuity and Disaster Recovery site have been set up to house the single national Database. Contract has been awarded for complete renovation of the office building at Vaishali, Ghaziabad by 31.03.08 for having the National Computer Centre.

3.3 All India virtual private network (VPN) is being set up to link 715 income tax offices in 530 cities across the country. The project was taken up in 2 phases. Phase I consisted of 60 cities and Phase II included 470 cities. Work in Phase-I has been completed while acceptance of the completed work for Phase II is underway. This will link 13,000 departmental users to the single National database in a highly secure network with an assured up time of 99%.

4. Setting up Tax Information Network

4.1 Tax Information Network (TIN): Tax Information Network (TIN) is a repository of important tax related information which has been set up outside the Department and is hosted by the National Securities Depository Limited (NSDL). TIN has information relating to-

(i) tax payments coming online from various banks across the country through the **Online Tax Accounting System (OLTAS).**

(ii) tax deductions coming in from TDS returns filed electronically as well as paper which are digitized at TIN.

(iii) high value financial transactions coming through Annual Information Returns (AIR). These returns are also filed with TIN in electronic format with PAN as the key identifier. Information available in these returns is being used as input for computerized selection of cases for scrutiny on intelligent criteria and for deepening of tax base.

TIN receives on behalf of the tax administration, all returns of tax deduction at source (TDS) & other information for digitization into a central database. TIN also receives online information on collection of taxes from banks through OLTAS, which also flows into the central database. TIN matches TDS returns from the deductors with the collection details from the banks (through OLTAS). On the basis of this matched data a PAN-wise electronic ledger account is prepared with the details of tax credits. Following details are available in the PAN-wise electronic ledger account-

- Details of TDS/TCS on behalf of a taxpayer; and
- Details of the tax deposited (advance tax/self assessment tax) directly by the taxpayer in the bank.

The facility for generation of electronic TDS accounts is operational and the taxpayers can view their electronic TDS accounts on the internet.

4.2 Online Tax Accounting System (OLTAS): On line tax accounting system is operational since 01.06.2004. The entire collection of Direct Taxes is reflected through Online Tax Accounting Systems (OLTAS). In financial year 2007-08 (till 27.12.2007), 1,77,88,777 challans have been received through 12900 bank branches.

4.3 Computerisation of TDS/TCS functions: TIN is providing the facility for filing of electronic TDS returns and digitization of paper TDS returns. The information in respect of deductees available in the TDS returns can also be used for widening of tax base using PAN as the key identifier. The information in PAN ledgers and in TDS returns containing PAN of deductees is being used for the purpose of verification of TDS being claimed in the income tax returns.

4.4 Annual Information Returns (AIR): AIR is a tool for collecting 'high value financial transaction' information in a structured manner, through computer media with PAN as unique identifier for ensuring tax compliance, widening and deepening of tax-base, creating a tax-payer profile and to lead to Data warehousing/ Business Intelligence. The scheme for filing the AIR by the main nerve centres of financial activities such as Banks, Credit card companies/institutions, Companies (issuing public/rights issue of shares and bonds/ debentures), Registrars of immovable property, Mutual Funds and RBI (issuing RBI bonds), has been in operation since August, 2005 in respect of specified financial transactions registered/recorded by them during the financial year (beginning on or after April 1, 2004).

The facility for electronic filing of Annual Information Return (AIR) has been provided both on-line (on the TIN website tin-nsdl.com) and through front offices of NSDL (National Securities Depository Ltd.) called TIN facilitation Centres (presently available at 460 locations all over the country).

The AIRs filed on electronic media with TIN (up to 30.11.2007) in respect of specified high value financial transactions registered or recorded during F Yrs. 2004-05, 2005-06 and 2006-07, are given in Table 3.50.

The information on transactions available in the Annual Information Returns for F Y 2004-05 and 2005-06 have been utilized for generating list of cases for scrutiny under CASS, as well as the list of cases where action u/s 148 of the Income Tax Act could be taken for re-opening the assessments and for identification of non-filers to widen the tax base.

E-filing of returns:

- For the assessment year 2006-07, electronic filing was made compulsory for corporate tax-payers. With a view to carry forward this successful initiative, electronic filing of returns has been made mandatory for more categories of taxpayers.
- Accordingly, for assessment year 2007-08, it is mandatory for firms liable to tax audit under section 44AB of the Act to file their returns electronically.
- Corporate taxpayers and such firms may either file their return electronically under digital signature or may transmit the data of the return electronically and thereafter submit a one page verification form which contains a summary of the return transmitted electronically.

Expanding scope of mandatory filing of e-TDS & e-TCS returns.)

Vide Notification S.O. 1484(E), dated 30th August, 2007, Rules 31A & 31AA of Income-tax Rules have been amended to expand the scope of mandatory filing of e-TDS and e-TCS returns to the following cases :-

(a) Where the deductor/collector is a person required to get his accounts audited under section 44AB of the

Income-tax Act in the immediately preceding financial year.

(b) The number of deductees'/collectees' records in a quarterly statement for any quarter of the immediately preceding financial year is equal to more than fifty.

The Asset Register of the I. T. Department has been uploaded in the Department's website. As such the details of all the assets can be accessed on internet by public. A computerized Dak Access System has been implemented in the Directorate.

e-adhyayan - Virtual classroom facility at NADT, Nagpur:

Looking at the strong needs for e-learning, resource material related to the induction training, in-service courses, staff training and ITD applications was made available to the officer trainees at the Academy as well as officers and staff of the Department through "e-adhyayan" facility hosted on the NADT website (www.nadt.gov.in). At present, NADT is the only Academy of civil services which has made its training material available online to its trainees and field functionaries. All the officers and staff of the Department can use this facility by logging on the website and registering themselves. This facility is expected to go a long way in capturing organizational knowledge and making it available to all the officers and staff.

Central Board of Excise and Customs

The e-governance projects already implemented and those under implementation by the CBEC are in line with the proposed vision of the National e-Governance plan. Most of the projects undertaken by CBEC have targeted the business users such as importers and exporters, manufacturers and the service providers. In these initiatives, the department is guided by the following principles:

- Citizen-centric delivery of services through "single window" interface.
- Providing services on an "anytime, anywhere" basis.
- Ushering in Transparency and Accountability.
- Simplification of Procedures.
- Reduction in Transaction Costs.
- Minimization of manual interface.
- Encouraging voluntary compliance.
- Synergy between various Tax Systems.

Efforts are being made to make the Department's services available over the internet and through various service centers. Integrated service delivery is also being attempted by integrating processes, cutting across diverse field formations under CBEC and also by integrating with partner agencies such as Banks, Airlines, Custodians, CONCOR, etc.

As against 23 automated Customs locations during 2003-04 with 87% of the import and export declarations filed and processed in EDI system, this year (i.e. 2006-07) the processing has increased to 95 % covering 40 major Customs locations. However, further EDI coverage of the remaining Customs locations will now be undertaken under the Consolidation Project. Presently this project is under execution and is being supervised by the Empowered Committee set up in the Ministry of Finance.

The figures indicated in the table 3.52 indicate that there has been a steep rise in filing customs documents through ICEGATE since its introduction in 2004 and also substantial reduction in filing of manual documents.

The projects of CBEC have also helped in making the process of assessment of goods transparent due to the following features :-

(a) Document status information through use of Tele-enquiry system, Touch Screen Kiosks, SMS, display of Document status on TV monitors and on local web sites leading to greater transparency in the monitoring of shipments by trade.

(b) Transparency engendered through Document Tracking, Status Query and Help Desks at ICEGATE.

(c) Information dissemination through departmental Website: www.cbec.gov.in and www.icegate.gov.in.

Further, the following major initiatives are also being undertaken for upgradation of systems and moving towards e-mode :

i) Introduction of Self Assessment based on Risk Management System (RMS) and Post Audit in Customs clearance to promote faster clearance of cargo, to facilitate low risk importers/exporters and to provide effective enforcement in high-risk cases. RMS(import module) has been implemented presently at 22 custom locations.

The pilot project for RMS exports is currently on at Dadri & application will be deployed on central server.

RMS for container selection for scanning based on IGM data is under development. Detailed knowledge transfer with vendor is over. The pilot is expected to be conducted at Nhava Sheva by March 2008.

ii) The original CCEA approval for the Consolidation project, obtained on February 17, 2005 was for an amount of Rs.257.05 crore (Rupees Two Hundred and Fifty Seven Crore and Five Lakhs only) for implementation of hardware, software, networking, data centre and consulting services for Customs, Central Excise and Service Tax. Following the inclusion of CBEC in the Empowered Committee under the Chairmanship of Advisor to Hon'ble FM, the original proposals were radically altered to enhance the scope and coverage of services to be delivered. The revised proposal entails an outlay of Rs. 598.97 crore (Rupees Five Hundred and Ninety Eight Crore and Ninety Seven Lakhs only) over a period of five years and has been approved by the CCEA on November 29, 2007. It involves expenditure on the following components that constitute the Consolidation Project is given in Table 3.53.

Table 3.51: Details of Completed Activities		
S.No.	**Activity**	**Brief Account**
Details of Completed Projects:		
1.	Online filing of Central Excise returns	To enable the taxpayer to file their Central Excise returns with CBEC over the Internet. On the website www.exciseandservicetax.nic.in
2.	Online filing of Service Tax returns	To enable the taxpayer to file their Service Tax returns over the Internet. On the website www.exciseandservicetax.nic.in
3.	Electronic credit of Drawback	To enable the taxpayer to receive electronic credit of the amount due directly into his account with the designated bank. This is enabled in the Indian Customs EDI System (ICES) Exports.
4.	Dissemination of information relating to the indirect taxes through web.	To enable the taxpayers to obtain up to date information relating to Customs, Central Excise & Service Tax laws, forms, etc through internet. On the website www.cbec.gov.in
5.	IEC status with ICEGATE	To enable the taxpayer to ascertain on the Internet whether his IEC (Importer/Exporter Code) issued by DGFT has been sent to ICEGATE. On the website www.icegate.gov.in
6.	Online verification of DEPB licences	To enable online transmission of Shipping bills to DGFT and receipt and verification of DEPB licences from DGFT thus doing away with the manual verification of DEPB licences. On the website www.icegate.gov.in
7.	Online registration with ICEGATE	To enable the taxpayer to register online for transacting electronically with the department.On the website www.icegate.gov.in
8.	Online filing of Customs documents	To enable taxpayers to file their Customs documents over the Internet. During 2006-07 , 97% of the import documents and 95% of the export documentation were processed electronically at automated locations. About 6 million documents were handled on EDI in ICES locations during 2006-07 out of which about 5 million documents were filed through ICEGATE.On the website www.icegate.gov.in
9.	Web Tracking of status of Customs documents	To enable the taxpayers to ascertain status of their Customs documents. On the website www.icegate.gov.in
10.	Helpline facility for ICEGATE transactions	To provide a Helpline for problems faced by taxpayers in transacting with the department through ICEGATE. The ICEGATE Helpdesk is functional round the clock.
11.	Transshipment module	To enable online transmission of SMTP portion of IGM from automated gateway ports to automated ICDs.

Details of on-going Projects

1.	Digital Signature Certificates in Customs Clearance	CBEC has acquired a five years licence to act as Certifying Authority for implementation of Digital Signature Certificates in Customs clearance to ensure authenticity of transactions over Internet. The process of Issuing digital certificates has started. www.icert.gov.in/ www.icegate.gov.in
2.	Automation of Central Excise and Service Tax(ACES)	The project aims at developing a workflow application to automate the entire business process relating to Central Excise and Service tax that includes registration, filing and processing of returns, claims, intimation etc., filing and processing of excise related export documents, automated monitoring of dispute resolution, audit etc.. The software development is nearly complete and 2 rounds of user acceptance tests have been successfully concluded.
3	Electronic Accounting System in Excise & Service Tax (EASIEST)	EASIEST is the system for electronic transmission of challan data from collecting banks in respect of Central Excise & Service Tax. EASIEST was launched on 07.03.2007 by the Hon'ble Finance Minister extending it with effect from 01.04.2007 to all Central Excise & Service Tax Commissionerates. The reconciliation of the duty paid with the returns will be done under the ACES project.
4.	Augmentation of Computer infrastructure within the department	To set up an All India Wide Area Network linking 20,000 users in 577 buildings in 375 cities to the National data centre, Data Replication and DR site. This would link CBEC officers with the national data centre and disaster recovery site. Project has already been started and will be implemented in phased manner by June 2008.Implementation of Wide Area Network is in progress. 368 sites have been connected and some of these sites have been offered for acceptance. The requirement of the Data Centre has been re-worked following the System Integration tender which resulted in the need for additional space and power. The revised Data Centre space and facilities have accordingly been finalized and a proposal is being moved for Ministry's approval To provide computing, data storage, system security infrastructure , central Facilities management and related functionalities to all departmental and external users accessing the CBEC system. In its meeting on 29.11.2007, CCEA approved the project and it is expected to be completed within 24 months of CCEA's approval. To provide thin clients to all CBEC users with access to the central computing facility in a secured manner. The project is expected to be completed by 2008-09 **CBEC's Data Warehouse** : CBEC's data Warehouse would give the senior management in CBEC and the ministry a consolidated national perspective of all indirect tax data

		(using PAN based identifiers) for informed policy making & decision support; To provide a single source of clean and consistent indirect tax data for all purposes. To provide Web enabled access to all users with customizing capability built in. Bringing in data from new applications like APIS & Courier Automation and external sources. The project has commenced and is expected to be completed over a period of 24 months.
5	e-payment of Customs duties	E-payment of Customs Duties has been introduced at 27 Custom locations through various banks. At most Customs locations, importers now have the option to pay Customs duty through more than one bank. The facility will be implemented in the remaining 6 locations soon after successful completion of testing at these sites.
6.	e-payment of Central Excise duties & Service Tax	E-payment facility for Central Excise had been made available since 2005. Since October 2006, e-payment has been made mandatory for Central Excise assessees all over India paying duty more than Rs. 50 lakh per annum.From April 2007 e-payment for Service Tax assessees paying Service Tax more than Rs.50 lakh per annum has been made mandatory.
7.	Automated Clearance of Courier Consignments	The project aims at bringing clearance operations for express consignments in line with international standards and WCO guidelines. . The first round User Acceptance Testing has been completed for document clearance process in Courier terminals in Mumbai & Delhi, by courier companies, EICI & customs. The system is to go live by end of Jan 2008 for document clearance process. For Non documents, UAT is yet to begin . All efforts are being made to complete the project by March 2008, first in Delhi.
8.	Advance Passenger Information System (APIS)	The project aims at passenger facilitation coupled with more effective control on passenger movement at International Airports. This is being developed in coordination with the Ministry of Home Affairs. Consultations in progress so as to synergize passenger related information to be filed by the airlines. The system when put in operation is likely to benefit large numbers of passengers in Customs / immigration clearance.
9.	Large Tax Payer Units (LTU)	Large Tax Payer Units are being set up at various centres in the country in order to provide a Single Window facilitation for Large Tax Payer in their interaction with both Central Excise, Service Tax and Income Tax and are currently operational at Bangalore & Chennai. This office is engaged in setting up of a portal in order to facilitate Single Window Remote Access to both Departments and facilitate both electronic transactions and tracking facility to eligible Tax Payers. To this end, the LTU specific website is already operational at www.ltu.gov.in .

Table 3.52						
Year	Bills of Entry			Shipping Bills		
	EDI	Through ICEGATE	Manual	EDI	Through ICEGATE	Manual
2004-05	17,66,674	8,25,159	1,58,013	29,58,490	14,63,286	3,55,318
2005-06	20,64,382	9,04,841	1,09,180	33,84,867	17,09,585	2,49,547
2006-07	23,36,919	21,14,975	71,301	37,22,998	24,22,457	2,06,635

Table 3.53	
Service Category	Description
Taxpayer/ Other Stakeholder Services	E-filing of all documents in Customs, Central Excise & Service Tax eg Bills of Entry, Shipping Bills, Returnse-payment Of Taxes transaction Status Trackingassessee Ledger Account E-interaction With Cbec Service Desk –Taxpayer And User Help Over Voice, Mail, Chat, Fax Information Portal
CBEC Internal User Services	Business Process Workflowsmanagement Information Systemsmail And Electronic Information Sharing

Table 3.54		
Sl. No	Infrastructure Component	Expenditure (in Rs. crore over five years)
1.	Data center floor space & wide area network covering 582 offices of CBEC	86
2.	Equipment & Services at three national data centers	265.9
3.	Implementation of Local Area Networks, thin clients, peripherals, power etc. and services at 1200 offices of CBEC	216.7
4.	Software application development and maintenance of CBEC's Data Warehouse	15.47
5.	Software application development and maintenance of Automated Central Excise & Service Tax System (ACES)	8 (over a period of 2.5 years)
6.	Project Monitoring agency for WAN/LAN implementation	5.90
7.	Appointment of consultant for technical advice	1
	Total	**Rs. 598.97 crore**

Necessary steps are being taken to sensitize the staff as well as the members of Trade and Industry to the automation programmes. The steps include :

(a) Publicity by the Directorate of Publicity and Public Relation;

(b) Issue of detailed Public Notices, Trade Notices by the Commissionerate offices giving details of procedures for the benefit of the trade and industry on e-governance; and

(c) Workshops and seminars by the Department as well as the Trade Organizations to sensitize the members of Trade and Industry regarding automation of procedures in Customs, Central Excise and Service Tax.

Government Opium and Alkaloid Factories

The Organisation of Chief Controller of Factories is equipped with computers and is connected through Internet and has individual office wise email addresses to facilitate e-governance. Further, from the year 2003-04, the opium sampling was handled by way of computers and challans are sent on email to District Opium Officers. During current upgradation, a larger computer network is envisaged at the two production works, particularly for HRD & labour management issues. During the current financial year, CCF office has launched its own website.

Authority for Advance Rulings (Customs & Central Excise)

The office of Authority for Advance Rulings is fully equipped with computers and internet facility. Full details relating to the Authority's functioning together with manuals prescribed under RTI are available on the web site- www.cbec.gov.in/cae/aar/aar.htm. Trade, industry and applicants can access all the information about the Authority on the internet. This Authority also has an interface with the trade and industry and applicants in as much as all quaries received via e-mail are promptly replied via-e-mail.

Website of the Authority, i.e. www.cbec.gov.in/cae/aar/aar.htm was also launched during this period. Statutory provisions, rules and regulations relating to Authority along with FAQs were uploaded for the information and awareness of interested persons/parties.

Directorate of Enforcement

The Directorate of Enforcement is under way of computerization. The LAN network at Head Office and 5 Zonal Offices has already been completed. The LAN network for other zones and sub-zones are being taken up and the same are likely to be completed by middle of this year.

One main server in Head Office has been installed for storage of information received from Zones/sub-zones. The services of programmers have been obtained for preparation of software. E-mail addresses have also been allotted by NIC to the officers/officials of Headquarter Office and are under preparation for the other offices. The use of internet in the development of information and intelligence and its sharing with sister organization has proved to be very handy.

The data entry work relating to software developed for cases handled in investigation/intelligence section and personal service data base as well as cases pending before ACMM/High Court/Supreme Court/ATFE have already been taken.

Software for monitoring PMLA has been developed and the same are being implemented in all the Zones/Sub-zones

The development of web site of this Directorate is at advance stage and will be launched shortly.

Competent Authorities (SAFEMFOPA & NDPSA)

The website has been updated. An office management system has been developed.

Authority for Advance Rulings (Income Tax)

The office of the Authority is equipped with Computers, e-mail, Internet facility etc. The PCs have been provided up to Section Officer level. All the staff (except Group "D" Staff) have reasonable background of computer operation. Computer is being used for preparation of pay bills, house keeping records, Library Books etc. E-mail is freely used for communication with applicants, Revenue Department and various organizations in Commerce & Industry. On 30th January, 2006 the official website of the AAR was also launched, which contains all the details regarding the functioning, facilities and the rulings pronounced by the AAR.

Financial Intelligence Unit – India (FIU-IND)

More than 99% of reports are received in electronic format. Website www.fiuindia.gov.in has been launched for providing information about the activities of FIU –IND to reporting entities and general public. Project FINnet has been initiated to setup a gate way to receive reports from financial sector as well as to disseminate information to intelligent/law enforcement agencies through secured web.

Customs & Central Excise Settlement Commission

The Customs & Central Excise Settlement Commission is fully equipped with computers and Internet facility. Full details relating to the Authority's functioning together with manuals prescribed under RTI are available on the website of Ministry of Finance i.e. www.finmin.nic.in.

Customs, Excise and Service Tax Appellate Tribunal

The website of the Tribunal was launched in August 2003 and now the cause lists and roster of all benches (including regional benches) and orders of the Tribunal are being displayed on it. Important judgments are being highlighted specially in separate ICON. On the website, steps have been taken to computerize two more regional benches of CESTAT viz., Bangalore and Ahmedabad.

Income Tax Settlement Commission

Computerization is being done for various activities in all the benches of the Commission.

23. Grievances Redressal Machinery

Revenue Headquarters

Director (Coordination) has been nominated as the Grievances Officer for redressal of public/staff grievances pertaining to the Revenue Headquarters. The Joint Secretary (Revenue) has been nominated as Director of Public Grievances for Revenue Headquarters and it has been communicated to the Department of Administrative Reforms & Public Grievances. The grievances relating to SCs/STs and Other Backward Classes are dealt with on priority. The Complaint Cell for Women has been reconstituted and has been attending to expeditious redressal of grievances of the women employees relating to sexual harassment in workplaces. Efforts are made to attend to all grievances received, on priority.

Central Board of Excise and Customs

The Public Grievances Redressal Machinery has been set up in the Central Board of Excise & Customs (CBEC) to deal with public and staff grievances and functions under the supervision of the Joint Secretary (Admn) in the CBEC, who has been nominated as the Nodal Officer for this purpose. The CBEC and its field formations have regular interface with a wide cross-section of the public, namely passengers at the international airports, importers, exporters, Central Excise assesses and Service Tax Assesses. Representations/ complaints to the Board and its filed officer primarily emanate from the aforesaid categories of the public as also from the staff and officers of the Department. The Board has an elaborate system of dealing with such complaints/ representations. At the Commissionerate level, there is a Public Grievances Committee, which has been directed to meet regularly to dispose specific representations from the trade. All the Commissioners have been asked to hold regular Open House meeting with the representatives of the trade to discuss issues of mutual interest and utilize this forum to pursue matters of common interest with the Board for early solution. Further, each Commissioner has nominated Public Grievances Officer in the Commissionerate as well as in the lower field formations to attend to any grievance from the trade, as provided in the Citizen's Charter.

Central Board of Direct Taxes

The Income-tax Department has a 3-tier Grievance redressal machinery as below :

(i) Central Grievance Cell under Chairman, Central Board of Direct Taxes. This cell functions directly under an officer of the rank of a Director to the Government of India.

(ii) Regional Grievance Cell under each Chief Commissioner/ Director General of Income-tax. In places like Delhi, Kolkata Mumbai where there is more than one Chief Commissioner, the Regional Grievance Cell functions under the Chief Commissioner-I.

(iii) Where no Chief Commissioner of Director General is posted, Grievance Cell functions under the Commissioner of Income Tax

Grievance petitions may be made on plain paper application to the Grievance Cell functioning under the concerned Commissioner or by directly approaching the concerned officer to redress the grievances, mentioning the grievance in brief to the Grievance Cell functioning under the concerned Commissioner.

If the grievance is not redressed even after a month of making the application as indicated, the applicant may address the grievance to the Regional Grievance Cell functioning under the concerned Chief Commissioner of Income Tax. Nodal Officers have been placed in charge of these Cells. Besides, there are facilitation Counters to receive grievance petitions and to assist the public.

If the grievance is not redressed by the Regional Grievance Cell within 2 months, an application may be sent to the Central Grievance Cell functioning under the Chairman, Central Board of Direct Taxes. The Central Grievance Cell is handled by the Director (Hqrs), CBDT.

The applicant should give his name, address and PA Number so that the Grievance Cell can make further communication with him, if required.

The number of grievances disposed off by the Central Grievance Cell in the is:

01.04.2005 to 31.3.2006	711
01.04.2006 to 31.3.2007	1034
01.04.2007 to till date (31/10/2007)	302

Competent Authorities (SAFEMFOPA & NDPSA)

There is an internal mechanism in place for dealing with grievances. Any grievance relating to orders passed are taken up with the Appellate Tribunal for Forfeited Property.

Authority for Advance Rulings (Income Tax)

No grievance petition as such has been received from the members of the public. In this regard, as per the requirements of the Right to Information Act, 2005, the Public Information Officer and Asstt. Public Information Officer has been appointed by the AAR. The other details such as functioning of AAR, its powers, the relevant forms etc. were also published in the official website of the AAR which was launched on 30th January, 2006.

Authority for Advance Rulings (Customs & Central Excise)

The Authority for Advance Rulings is a facilitation body for foreign investors. A separate grievances redressal machinery is not possible in view of skeletal staff strength of the Authority. However senior officers of the Authority are always available for redressal of any grievance.

Table 3.55				
Sr. No.	CCIT Charge/ Station	Name of the work	Sanction Order No. & Date	Amount
1.	CCIT, Shillong/ Sikhar	Providing & installation of 100 KVA transformer & 10 KVA UPS system at I.T. office building at Sikhar.	O/146/06-07-Ad.VIII(DT) dated 31.1.2007	13,38,750
2.	CCIT, Shillong/ Shillong	RMO of DG Set at Aayakar Bhawan, Shillong during 2007-08.	O/44/07-08-Ad.VIII(DT) dated 18.7.2007	1,57,500
3.	CCIT, Guwahati/ Jorhat	Internal Electrical installation & fittings in residential quarters at I.T. Colony, Jorhat (Assam).	R/23/2007-08-Ad.VIII(DT) dated 12.9.2007	2,98,993
4.	-do-	-do-	R/24/2007-08-Ad.VIII(DT) dated 12.9.2007	4,13,336
5.	-do-	-do-	R/25/2007-08-Ad.VIII(DT) dated 12.9.2007	3,18,793
6.	Beltola, Guwahati	Maintenance & operation of 30 KVA DG Set in I.T. residence complex at Baltola, Guwahati.	R/33/2007-08-Ad.VIII(DT) dated 29.11.2007	3,33,856
7.	Shillong	Construction of 6 quarters at Shillong	R/90/2006-07 dated 30.03.2007	2,43,63,000
8.	Guwahati	Construction of office building at Guwahati by NBCC	O/178/2006-07 dated 31.03.2007	14,94,45,000
9.	Shillong	Construction of office building & 16 staff quarters at Shillong	O/27/2007-08 dated 18.05.2007	2,54,74,700

Customs, Excise and Service Tax Appellate Tribunal:

To redress the grievances of women, a complaint committee under the Chairmanship of Hon'ble Smt. Archana Wadhwa, Member (Judicial), CESTAT, has been constituted.

Central Bureau of Narcotics

At present the complaints received from cultivators & general public against the staff/officers are being monitored and dealt in Vigilance Branch of Central Bureau of Narcotics, Hqrs., Gwalior under the supervision of Dy. Narcotics Commissioner (P&V). The Deputy Narcotics Commissioners at Lucknow, Kota and Neemuch also personally monitor the complaints received against Staff/officers. Sh. T.M. Thombare, Asstt. Narcotics Commissioner (Enft.) and Sh. G.P. Chandolia, Deputy Narcotics Commissioner have been designated as welfare officer and liaison officer respectively. The grievances of staff/officers are attended to by these designated officers. Shri Rajesh Pandey, Dy. Narcotics Commissioner (P&V) has been designated as Director of Grievances in respect of CBN.

Government Opium and Alkaloid Factories

Public Grievances in the CCF's organization are dealt with promptly. The labour grievances are also dealt with expeditiously and the relations between the management and workers during this period were harmonious and cordial.

Customs and Central Excise Settlement Commission

The Customs & Central Excise Settlement Commission is having skeletal staff strength. Therefore it is not possible to form a separate grievances redressal machinery. However senior officers of the Commission are always available for redressal of any grievance.

24. Development of North-Eastern Region and Sikkim

The Directorate of Systems, Kolkata is handling the NEVAT computerization project since 2005. The NEVAT computerization project for the North East States of Manipur, Mizoram, Tripura, Nagaland and Arunachal Pradesh has been implemented on a turnkey basis by M/s TCS during 2005-06. The implementation of this computerization of the States taxation system and subsequent maintenance of the project is being facilitated by the Directorate General of Systems and Data Management (DGS) through DGS office at Kolkata acting on the mandate of MOF and the States Empowered Committee of Ministers.

The Central Data Centre has been established in Guwahati, Assam. The AMC coverage for the project is for the period 1st April 2007 to 31st March 2009.

After implementation of the project there were requests from the States for adjustments and customization of the application software. DGS Kolkata has accordingly sent these proposals for enhancement of the existing application modules for approval and financial sanction, which is under examination.

The contract for establishment and maintenance of NEVAT Disaster Recovery Site was signed on 21.6.2007. The Disaster Recovery Site (DRS) has been commissioned in September 2007 at Kolkata. It was activated successfully as a switchover site from 24 to 28 November 2007 during a period of local disturbances at Guwahati. The DRS can now act as the secondary site and would be used for providing 24x7 Operational Support to the NEVAT application in case disaster/natural calamities strikes the Central Data Centre (CDC) at Guwahati.

Interoperability is a major objective of NEVAT computerization. It is a form of message exchange between the States tracking movement of vehicles and consignments across States with the aim of checking evasion. Interoperability module has been made active in the production environment for the five States. In November 2007, DGS also facilitated the development of interoperability interface software for Assam, LAN connectivity of Assam State VAT server with the NEVAT interoperability server was made and training given by TCS to around 150 check gate users of Assam. Assam is expected to start using interoperability regularly from early January 2007.

Extension of benefit of tax holiday in respect of undertaking located in North-Eastern States (including Sikkim).

1. Under section 80-IC benefit of tax holiday is available to an undertaking located in any of the North Eastern states on fulfillment of statutory conditions. However, no benefit is available, under section 80-IC, if the undertaking begins to manufacture or produce an article or things or undertakes substantial expansion after the 31st March, 2007. However, in the case of Sikkim, the terminal date was 31st March 2012 under this section. This terminal date has also been amended to 31st March 2007, by the Finance Act 2007.
2. A new section 80-IE has been inserted to provide tax benefits and it applies to any undertaking which is located in any of the North-Eastern States (including the state of Sikkim) and has, during the period beginning on 1st April, 2007 and ending on 31st March 2017, begun or begins
   - to manufacture or produce any eligible article or thing;
   - to undertake substantial expansion to manufacture or produce any eligible article or thing; and
   - to carry on any eligible business
3. Eligible article or things has been defined as the article or thing other than the following:
   - Goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes;
   - Pan masala as covered under Chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986)
   - Plastic carry bags of less than 20 microns as specified by the Ministry of Environment and Forests vide Notification No. S.O. 705(E), dated the 2nd September, 1999 and S.O. 698(E), dated the 17th June, 2003; and
   - Goods falling under Chapter 27 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986), produced by petroleum oil or gas refineries.
4. Eligible business has been defined as the business of,-
   - Hotel(not below two star category)
   - Adventure and leisure sports including ropeways;
   - Providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds;
   - Running an old-age home;
   - Operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training;
   - Running information technology related training centre;
   - Manufacturing of information technology hardware; and
   - Bio-technology.
5. The deduction under this section is available for ten consecutive assessment years commencing from initial assessment year, i.e., assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or has completed substantial expansion or begins eligible business.
6. The following conditions have also been prescribed in the newly inserted section:-
   - The undertaking should not be formed by splitting or reconstruction of business already in existence. This condition shall not apply inrespect of an undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such

undertaking as referred to in section 33B, in the circumstances and within the period specified in the said section.

- It should not be formed by transfer to a new business machinery or plant previously used. The provisions of explanation 1 and 2 to sub-section (3) of section 80-IA shall also apply to this condition.
- An assessee entitled to the deduction, in respect of the profits and gains of the undertaking under section 80-IE, would not be entitled to claim a deduction under any other section of Chapter VIA or section 10A or section 10AA or section 10B or section 10BA in relation to the said profits and gains.
- In computing the total period for deduction under section 80-IE, the period for which the deduction was allowed under second proviso to section 80-IB(4) or section 80-IC or section 10C shall be included. In other words, in case of any undertaking established prior to the dates specified in section 80-IE, and eligible for deduction under section 80-IB or 10C or 80-IC, the aggregate period for claiming the deduction under section 80-IE shall not exceed 10 years;
- The provisions contained in sub-section (5) and sub-sections (7) to (12) of section 80-IA shall also apply to eligible undertaking under this section.

The above amendments have been made applicable from Assessment Year 2008-09 and subsequent years.

State Taxes Section

The Department is providing technical and financial support to the North Eastern States and Sikkim in taking up VAT computerization, which is a very critical requirement for successful implementation of VAT. In fact, DG, (Systems), CBEC is implementing a Turnkey Project, through TCS, for VAT computerization of five North Eastern States (other than Assam and Meghalaya who have undertaken computerization on their own) and another Project through NIC, for VAT computerization in Sikkim. The initial face of implementation of these projects has been completed, with total initial Budget provision of Rs. 14.50 crores.

25. Gender Budgeting/ Empowerment of Women

Central Board of Direct Taxes

(i) Under the Income-tax Act, 1961, exemption limit is Rs. 1,45,000/- for a woman resident in India, who is below the age of 65 years, as against the general exemption limit of Rs. 1,10,000/-. In case of all senior citizens (including women), resident in India, who are of the age of sixty-five years or more, such exemption limit is Rs. 1,95,000/-.

(ii) Income of charitable -trusts or institutions applying or accumulating their income for charitable purposes, including welfare of the disabled, SCs, STs and women and weaker sections of the society is exempt, subject to the fulfillment of certain conditions [Sections 10(23C), 11 and 12].

Central Board of Excise and Customs

A Committee on Sexual Harassment has been constituted in each Commissionerate/Directorate on the recommendations of Supreme Court and National Commission for Women, to look after the complaints of Women. Any such complaints received from the field formations are attended on priority.

The Directorate of Logistics has been taking certain specific initiatives for Empowerment/Welfare of Women. The Directorate sanctioned ex-gratia financial Assistance of Rs.25.75 lakh in 31 cases to the Wives of employees who died while in service, in consideration of their poor financial condition. An ex-gratia amount of Rs. 5 laks was also sanctioned to the wife of an employee who was abducted and killed by the militants. The Cash Award Scheme, 2007 for rewarding meritorious students, based on 10th and 12th Board Examination results, has been made Gender- sensitive by lowering the eligibility percentage and by increasing the award amount for the girl child.

Chief Controller, Govt. Opium & Alkaloid Factories

With equal opportunity / status enjoyed by women in CCF Organisation, the senior level post of GM, Neemuch was headed by a woman till her retirement in Aug. 2007.

Central Bureau of Narcotics

Following activities are being undertaken by the Bureau:-

(i) Sensitization of employees towards needs of women.

(ii) Recreational interactive sessions amongst the staff to have a spirit of camaraderie amongst working staff.

(iii) Celebrating Women's Day on 8th March every to create awareness, dignity, respect and courtesy towards women.

(iv) Special watchdog committee has been formed to check sexual harassment and proper action.

(v) Sensitization of the workforce by propelling attitudinal change in order to enhance dignity of women, integrity, liberty, expression of faith and belief in tune with the Constitution of India.

(vi) Appreciate mutuality of respect and courtesy by obviating feeling of us Versus them.

(vii) Sensitive to the family needs of the women in order to have feel-good-personnel policy to enable women to carry out their official duties along with their domestic chores.

Customs, Excise and Service Tax Appellate Tribunal

To redress the grievances of women, a complaint committee under the Chairmanship of Hon'ble Smt. Archana Wadhwa, Member (Judicial), CESTAT, has been constituted.

Directorate of Enforcement

A complaint Committee for prevention of sexual harassment of women at the workplace has been constituted in the Directorate of Enforcement, New Delhi but no case of gender discrimination or harassment of women at their work place has come to the notice of the Committee.

26. Activities Undertaken for Disablity Sector and SCs/STs & Other Weaker Sections of Society

Central Board of Excise and Customs

The policy of reservation for SCs, STs, OBCs and Disabled Persons in Government employment (Direct Recruitment as well as Promotions) has been followed in the letter and spirit. Representations of SCs, STs, OBCs and physically disabled persons in CBEC are attended on priority and their grievances are sorted out.

The Directorate of Logistics has been undertaking certain specific initiatives for the weaker sections. In the Cash Award Scheme, 2007 for rewarding meritorious students, based on 10th and 12th Board Examination results and in the Scholarship Scheme, 2007, lower eligibility norms have been fixed for the physically disabled persons. Further, in case of an employee who was disabled in the Mumbai train bomb blasts, the Directorate sanctioned an assistance of Rs.6.50 lakh for fitment of appliances and Rs. 1 lakh as ex-gratia payment.

Central Board of Direct Taxes

The proposals have been processed incorporating facilities which are disabled friendly. The buildings have been made accessible to the disabled persons by way of incorporating ramps. Further, lifts have been provided to cater to the Disabled persons. It has also been emphasized that the buildings have facilities which are Senior Citizen friendly.

Central Bureau of Narcotics

Reservation Quota for SC/ST/OBC and persons with disabilities is maintained in the Central Bureau of Narcotics (CBN). Shri G.P. Chandoliya, Deputy Narcotics Commissioner has been nominated as Liaison Officer to look after the interest, representation and welfare of SC/ST/OBC employees of CBN. A complaint committee has also been set up in CBN Hqrs., Gwalior to look after the complaints received from SC/ST/OBC employees. However, no Complaint was received in 2007-08 till 24.01.2008 and no separate budget was allocated to the above category employees, in respect of CBN and no person with disability was appointed during the year 2007-08, till 24.01.2008.

Govt. Opium and Alkaloid Factories

The CCF organization is strictly adhering to the prescribed Rules and Regulations for the welfare and development of disabled, SCs, STs and other weaker sections. With an objective to initiate prompt action on grievances of such sections, a committee has been formed wherein members from such sections are inducted. Roster registers for this purpose are also being maintained.

Customs, Excise and Service Tax Appellate Tribunal

The Tribunal has been providing all the facilities and reservations/ relaxations to the disability sector, SC/ST and other weaker sections of the society as per the government rules and regulations. During the year one OH person was appointed as LDC. Hence, at present, out of the sanctioned strength of 301, two PH candidates in Group 'D' as Peon and two in Group 'C' as LDC are employed in this Tribunal.

Authority for Advance Rulings (Income Tax)

This Authority does not have its own cadre and all the officials except Group 'D' have been posted in this Authority on deputation basis. Proper care is taken to ensure implementation of requirement of reservation of vacancies for disabled persons as per rules.

Directorate of Enforcement

As regards information relating to activities undertaken for disability sector and SC/ST and other weaker section of Society the rules framed by the Government are adhered to and followed.

27. Cental Revenues Sports Board (CRSB)

The CRSB was set up with the objective of encouraging the employees of our two Boards and its field formations to participate in Sports and recreational activities, and to foster amongst them team spirit, mutual respect and friendly competition. Since its inception, the Departments of Income-Tax, and Customs & Central Excise have been holding various sports and cultural meets. In order to ensure widest possible participation, these meets are conducted at the sub-zonal, zonal and national levels, and qualification for the next higher level is by selection on merit.

After Shri S.K.Shingal, Chairman, CBEC had taken over the presidentship of the CRSB, the work started for holding various sports and cultural events quite early. The first meeting of the reconstituted CRSB was held under his chairmanship on 5th Sept., 2007 in which the detailed programme for holding various sub-zonal, zonal and all India sports and cultural meets was drawn up. It is reported that by now various sub-zonal and zonal cultural and sports meets have been concluded by various conveners appointed for the aforesaid meets. Similarly, CRSB invitation of Badminton, Table tennis, Golf, Cricket and Volley ball tournaments have also been conducted by Chief Commissions Central Excise, Bangalore, Chief Commissioner Central Excise Bhopal, Chief Commissioner Central Excise, Pune, Chief Commissioner Central Excise, Chandigarh, Chief Commissioner Income Tax, Mumbai and Chief Commissioner Income Tax Hyderabad respectively. All India Cultural Workshop was conducted by Chief Commissioner of Income Tax, Nagpur. However, all India cultural meet is now scheduled to be held from 18th to 20th Jan., 2008 at Jaipur to be organised by the Chief Commissioner Central Excise, Jaipur. Similarly, all India Revenues Sports Board is also likely to be held sometime in the last week of Jan., 2008 to be conducted by the Chief Commissioner of Income Tax, Kolkata. It is a matter for happiness that the two All India cultural and sports meets all other events have been duly concluded with enthusiastic participation from the officers of both the Boards.

The CRSB is also affiliated to the National Federations of games like Chess, Bridge, Badminton, Table Tennis and Volleyball. This enables our sportspersons to participate in open sports events in these disciplines and thus, compete with the best in the country. In future, it is hoped that this department will get affiliations from other Federations as well.

Employees from this department have been giving outstanding performances in various events at National and International level. To name a few, exploits of Ms. Anju Bobby George of the Customs and Central Excise, Chennai in Long Jump at International level are too well known. Shri K. Hariharan of Central Excise, Delhi has officiated as an Umpire in International Cricket Matches in the recent years.

Many sportspersons of the CBEC and CBDT field formations have been representing India at various International Veteran's Sports Meets year after year. Sustained interest of the employees of this department, even at advance staff of their lives, is evident from such activities.

For carrying out its activities, the CRSB gets a grant-in-aid from the Govt. This year an amount of Rs. 34,25,000/- has been sanctioned to the CRSB to enable us to meet the expenses in connection with our sports and cultural activities.

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Department of Disinvestment

Department of Disinvestment

Functions and Organisational Structure

The Department of Disinvestment was set up vide Notification No. CD/551/99 dated 10th December, 1999. Vide Notification No. CD-442/2001 dated 6th September, 2001, the Department of Disinvestment was renamed as Ministry of Disinvestment. The Ministry of Disinvestment was converted into a Department under the Ministry of Finance vide Notification No. CD-160/2004 dated 27th May, 2004 and has been assigned the following work :

(a) All matters relating to disinvestment of Central Government equity from Central Public Sector Undertakings.

(b) All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile Central Public Sector Undertakings.

(c) Decisions on the recommendations of Disinvestment Commission on the modalities of disinvestment, including restructuring.

(d) Implementation of disinvestment decisions, including appointment of Advisors, pricing of Shares, and other terms and conditions of disinvestment.

(e) Disinvestment Commission.

(f) Central Public Sector Undertakings for purposes of disinvestment of Government equity only.

(g) Financial policy in regard to the utilization of the proceeds of disinvestment channelised into the National Investment Fund.

2. Consequent upon change in the policy of the Government the term of Disinvestment Commission was not extended further and it was wound up with effect from 31st October, 2004.

3. Shri P.V. Bhide held the charge of the post of Secretary, Department of Disinvestment from 1st February, 2007 to 29th July, 2007. Shri Pradeep Kumar held the charge of the post of Secretary, Department of Disinvestment from 30th July, 2007 to 1st January, 2008. Dr. D. Subba Rao, Finance Secretary assumed the additional charge of the post of Secretary, Department of Disinvestment from the afternoon of 1st January, 2008.

4. Secretary, Department of Disinvestment is assisted by three Joint Secretaries besides the Chief Executive Officer, NIF (Joint Secretary level officer). The Department functions on the Desk Officer pattern and the disinvestment work is handled at the minimum level of Under Secretary.

Organisational Structure

The Organisational Structure is placed at Appendix – I

Policy on disinvestment

The National Common Minimum Programme (NCMP) adopted by the Government outlines the policy of the Government with respect to the Public Sector, including disinvestment of Government's equity in CPSEs. The salient features of NCMP in this regard are as follows: -

(a) The Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. But for this, there is need for selectivity and a strategic focus. The Government is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally profit-making companies will not be privatized.

(b) All privatizations will be considered on a transparent and consultative case-by-case basis. The Government will retain existing "navratna" companies in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The Government will induct private industry to turn around companies that have potential for revival.

(c) The Government believes that privatization should increase competition, not decrease it. It will not support the emergence of any monopoly that only restricts competition. It also believes that there must be a direct link between privatization and social needs – like, for example, the use of privatization revenues for designated social sector schemes. Public sector companies and nationalized banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.

Proceeds from disinvestment

In May 2007, Government realized a sum of Rs.2366.94 crore from the sale of its residual shareholding of 10.27% in Maruti Udyog Limited to Public Sector Banks, Public Sector Financial Institutions and Indian Mutual Funds. In October 2007 a sum of Rs. 994.82 crore was realized from the sale of 5% out of Government's share holding, riding piggy back the Initial Public Offering (IPO) of shares of Power Grid Corporation of India Limited (PGCIL) and the same has been channelised into NIF,

National Investment Fund

The Government has constituted NIF, into which the proceeds from disinvestment of Government equity in CPSEs is being channelised. NIF is being maintained outside the Consolidated Fund of India and is being professionally managed by selected Public Sector Mutual Funds to provide sustainable returns without depleting the corpus.

Seventy five percent of the annual income of NIF will be used to finance selected social sector schemes, which promote education, health and employment. The residual twenty five percent of the annual income of NIF will be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion / diversification.

NIF is being operated by the selected Fund Managers under the 'discretionary mode' of the Portfolio Management Scheme, which is governed by SEBI guidelines. The work of NIF is being supervised by Chief Executive Officer (CEO) of NIF. A part time Advisory Board consisting of three members has also been constituted by the Government, to advise CEO of NIF, on various aspects of its functioning.

A sum of Rs. 994.82 crore was handed over to the Fund managers on 6th October, 2007. The amount has been realized from the sale of 5% out of Government's share holding in PGCIL.

Official Language Policy

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

E-Governance

Personal computers with requisite software have been provided to all officers and personal assistants. Local Area Network is also functioning. Twenty-four hour internet connectivity is available to all officers through National Informatics Centre(NIC). E-mail ID numbers have also been issued to all officers. The Officers and staff have been receiving training in computer operations at NIC from time to time.

The website of the Department (www.divest.nic.in) contains data and information (bilingual) regarding policy, guidelines, procedures and progress relating to the disinvestment cases as also the manuals etc., to be provided under the Right to Information Act, 2005. The site is updated on continuous basis. All advertisements, when issued in newspapers, are simultaneously placed on the website. The publications of the Department are also available on the website.

Grievance redressal

The Joint Secretary in-charge of Administration has been nominated as Director of Public Grievances. However, the nature of the allocated business of the Department does not envisage much of an interface with the public at large.

Vigilance machinery

The initial examination and handling of disinvestment related matters is done at the level of Under Secretary/Deputy Secretary/Director. The Personnel, Administration, Security, Common services and Vigilance matters are dealt with by a multifunctional service section. The Administration Wing which includes vigilance is handled by one of the Joint Secretaries. One out of two disciplinary cases initiated and pending in the previous year has been finally disposed of.

Implementation of Right to Information Act, 2005.

In pursuance of the Right to Information Act., 2005, Shri S.K. Nag, Deputy Secretary and Ms. Minakshi Ghose, Joint Secretary have been appointed as Central Public Information Officer (CPIO) and Appellate Authority, respectively.

A manual indicating various aspects of the functioning of Department of Disinvestment has been posted on the Department's website. The information is also updated from time to time. 21 applications were received during 2007-08 so far in the Department.

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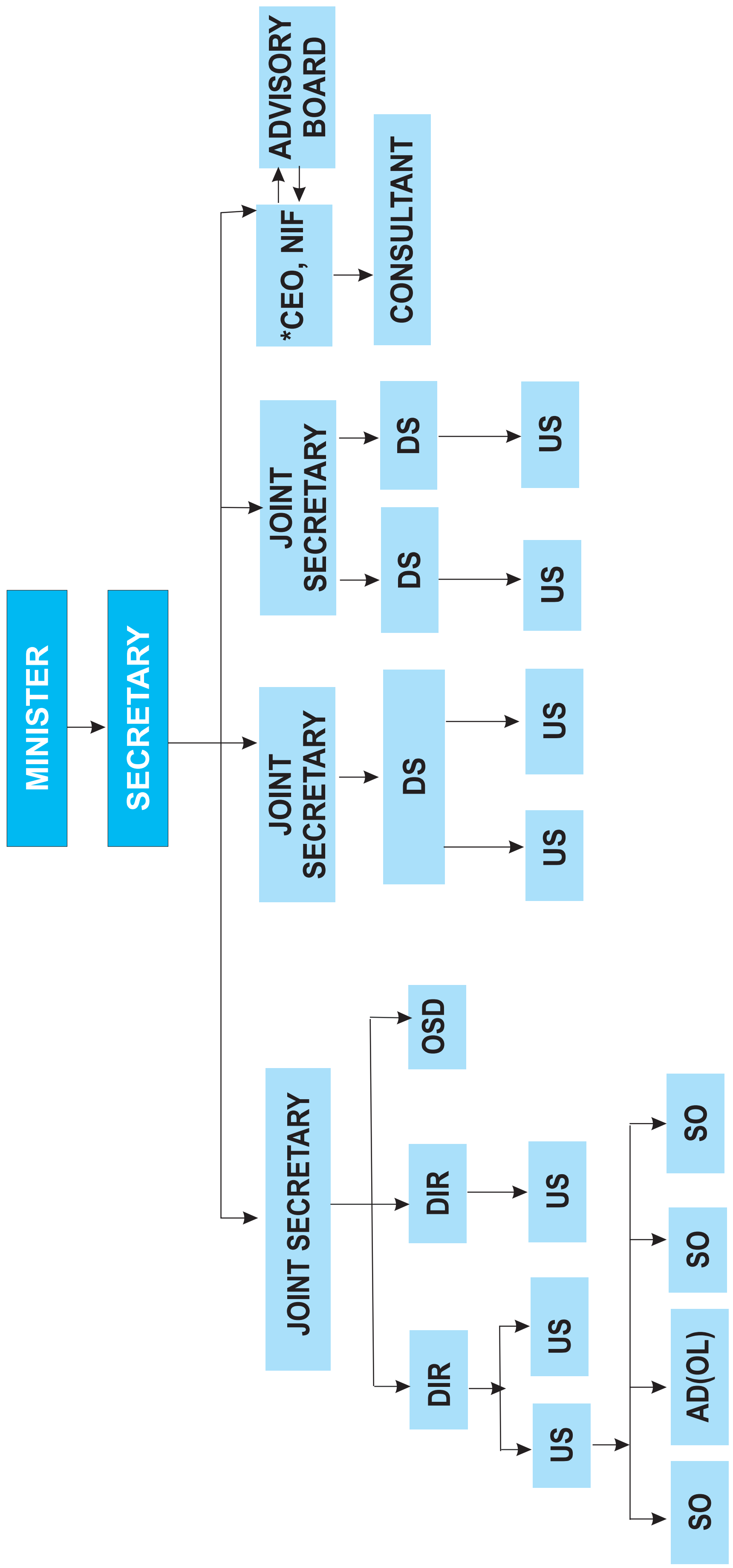
Organisational Setup of Department of Disinvestment



* Chief Executive Officer, National Investment Fund.

Department of Financial Services

Chapter-V

Department of Financial Services

1. Functions and Organisation

With effect from 28.6.2007 the erstwhile Banking and Insurance Division of the Department of Economic Affairs, Ministry of Finance has become a separate Department namely, the Department of Financial Services (DFS). The main functions of the Department are described below.

Functions

1.1 Banking Division

The Banking Division looks after issues relating to Public Sector Banks and administers policies having a bearing on the working of banks and term lending Financial Institutions such as the NABARD, SIDBI, NHB, IIFCL, EXIM Bank, IFCI, IDFC, IIBI etc.

The main functions of Banking Division include : (i) Dealing with legislative proposals relating to banks, non-banking financial companies, chit fund companies and other related matters and processing of appointments of Chief Executives and Government nominee Directors/non-official Directors on the Boards of Public Sector Banks; (ii) Policy matters relating to private banks, foreign banks and non-banking financial companies, improvement of customers' service in banks and redressal of customers' grievances; (iii) Flow of credit; (iv) Appointment of Chief Vigilance Officers (CVOs) in Public Sector Banks and other related matters; (v) Legislative and Administrative work relating to All India Financial Institutions, appointment of Chief Executives of Financial Institutions, appointment of Chairman and Members of Board for Industrial and Financial Reconstruction (BIFR), Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and matters relating to industrial sickness and miscellaneous issues of coordination between industry, banks and financial institutions; (vi) establishment of Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs); (vii) All policy matters relating to credit linked self employment programmes implemented by Ministries/Departments of Central Government, operations and coordination with the RBI on the above matters; (viii) Credit Policy matters relating to priority sector lending including village and cottage industries, handloom, handicrafts, transport, education, small business, retail trade etc.; (ix) Matters relating to selective credit control and administration of the Regional Rural Banks Act, 1976, wage settlement in banking industry, processing of proposals for appointment of workmen employee directors, implementation of reservation policy for Scheduled Castes/ Scheduled Tribes and the other specified categories.

1.2 Insurance Division

The functions of the Insurance Division include formulation of policy for the orderly growth of the insurance sector, monitoring of the performance of the nationalized insurance companies, framing of rules and regulations in respect of service conditions of employees of nationalized insurance companies; framing of rules in respect of terms and conditions of service of the Chairpersons and Members of Insurance Regulatory and Development Authority (IRDA), appointment of Chief Executives and Directors on the Boards of nationalised insurance companies, framing of rules under IRDA Act, 1999 and appointment of Chairperson and Members of the IRDA.

The following Acts are administered by this Department:

(i) Insurance Act, 1938;

(ii) Life Insurance Corporation Act, 1956

(iii) General Insurance Business (Nationalization) Act, 1972

(iv) Insurance Regulatory and Development Authority (IRDA) Act, 1999

(v) Actuaries Act, 2006

In addition to the above, the Insurance Division administers special social oriented schemes announced from time to time such as the Universal Health Insurance Scheme (UHIS), Varishta Pension Bima Yojana and Aam Aadmi Bima Yojana.

1.3 Pension Reforms

The Department of Financial Services deals with various issues and policy matters of pensions including the New Pension System (NPS) which was introduced for newly recruited Central Government employees with effect from 1st January 2004. Legislative proposals / amendments concerning the Pension Fund Regulatory and Development Authority (PFRDA) including the Central Recordkeeping Agency (CRA) and pension funds are also dealt in this Department.

1.4 Main Programmes and Schemes

Some of the important programmes and schemes of the Department during the year were:

- Restructuring of the Regional Rural Banks (RRBs)
- Revitalisation of the Cooperative Credit Structure
- Interest Subvention Scheme for interest relief to farmers on short term production credit
- Universal Health Insurance Scheme (UHIS) for BPL families
- Aam Aadmi Bima Yojana.

1.5 Organisation/Organisational Chart

The Department of Financial Services is headed by a Secretary assisted by three Joint Secretaries, one Economic Advisor and twelve Directors/Deputy Secretaries.

2. Reforms in the Banking Sector

Financial sector reforms initiated by the Government have been directed towards enhancing efficiency and productivity of banks, providing additional options for augmentation of capital of banks for smooth transition to Basel II norms, ensuring smooth and risk free functioning of payment and settlements system, encouraging use of advance technology in banking operations with minimum risks and according priority to financial inclusion.

2.1 Measures to strengthen capital of banks

With a view to providing a wider choice of instruments to Indian banks for raising Tier I and Upper Tier II capital, banks were allowed in October 2007 to issue preference shares in Indian Rupees, subject to existing legal provisions through issuance of perpetual non-cumulative preference shares (PNCPS) as Tier I capital. The perpetual cumulative preference shares (PCPS), redeemable non-cumulative preference shares (RNCPS) and redeemable cumulative preference shares (RCPS) were allowed as Upper Tier II capital. The perpetual non-cumulative preference shares will be treated on par with equity, and hence, the coupon payable on these instruments will be treated as dividend (an appropriation of profit and loss account). The Upper Tier II preference shares will be treated as liabilities and the coupon payable thereon will be treated as interest (charged to profit and loss account). The total amount raised by the bank by issue of PNCPS shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR/ SLR requirements. The total amount raised by a bank through the issue of Upper Tier II instruments shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR/SLR requirements.

The above measures should strengthen the balance sheet of banks besides providing them with flexibility to raise capital at a competitive cost, facilitate adoption of Basel II recommendations on Capital requirement and help banks meet their capital requirement for future growth.

2.2. Legislation on Payment and Settlement Systems

The Payment and Settlement Systems Act 2007 was passed in the Parliament in December 2007 to provide for a legal basis to recognize clearing houses, give legal sanction to netting of payments with receipts, accord finality of settlement, give recognition to service providers and participants, facilitate electronic mode of payments and give explicit powers of supervision over securities clearing and settlement.

2.3 Other Legislations

Amendment to State Bank of India (Subsidiaries Banks) Act, 1959 – In order to remove the long standing investor grievances and also with a view to comply with certain guidelines issued by SEBI besides enabling subsidiaries of SBI to attract a large number of small individual investors, SBI (Subsidiary Banks Laws) Amendment Bill, 2006 was introduced in the Lok Sabha on 26.08.2006. The Bill was passed by both the Houses of Parliament and has been assented to by the President.

Banking Regulation (Amendment) Ordinance – In order to give greater operational flexibility in the conduct of monetary policy, the Central Government had promulgated an Ordinance on 23rd January 2007 which was replaced by an Act of Parliament during March 2007 and the same has been assented to by the President of India.

State Bank of India (Amendment) Ordinance – To acquire shareholding of the RBI in the State Bank of India the Central Government had promulgated an Ordinance on 21st June, 2007. The said Ordinance has also been replaced by an Act of Parliament during August 2007 and the same has been assented to by President of India on 3rd September, 2007.

The Banking Regulation (Amendment) Bill to amend section 12(2) to remove the restriction on voting rights, the **State Bank of India Amendment Bill** to amend certain provisions of the SBI Act, 1955 to access the capital market for raising funds and for smooth functioning and better control and the **Micro Financial Sector (Development and Regulation) Bill** for promotion, growth, development and regulation of Micro Finance Sector in rural and urban areas, are at various stages of obtaining Parliamentary approval.

2.4 Measures for better supervision & regulation

During 2007, the Government of India took steps for transfer of ownership of Reserve Bank of India holding in the State Bank of India(SBI), the National Bank of Agriculture and Rural Development (NABARD) and the National Housing Bank (NHB).

This initiative of the Government originated from the recommendations of Committee on Banking Sector Reforms (Narasimhan Committee II) which observed that it is inconsistent with the principles of effective supervision that the regulator is also an owner of a bank. This required the RBI to divest its holding in banks and financial institutions. Accordingly, the Government has, on 29th June, 2007, acquired the entire RBI shareholding in SBI consisting of

Organisational Setup of Department of Financial Services

SECRETARY (FS)

Joint Secretary (BOA)

- Board level appointments in PSBs, NABARD, NHB and RBI.
- Legislative work on Banking Sector.
- Modernisation of Banking Sector.
- Grievances in Banks, Banking Ombudsman, Asset Reconstruction Companies, NBFCs.
- Restructuring of equity Capital, IPOs, FPOs, merger of PSBs.
- International bi-lateral banking relations.
- Opening of branches abroad and foreign banks in India.
- Agricultural Credit, Co-op Banks, microfinance, financial inclusion and NABARD matters.
- All service matters of the officers and staff of the Dept.
- Implementation of GoI's Official Language Policy in the Deptt and PSBs.

Joint Secretary (IF)

- Matters relating to IIFCL, IFCI, IDFC, IIBI, Exim Bank.
- Credit to SME Sector, SIDBI, SFC matters, SICA Act, AAIFR, BIFR matters.
- Administration of DRT Act; Monitoring and control of DRTs and DRATs.
- Branch expansion of Banks; Lead Bank Scheme, SLBC,DLCC.
- Priority sector lending, lending to minorities, etc.
- Service conditions of employees of PSBs, industrial disputes.
- Appointment of workman employee Directors in PSBs
- Vigilance issues, CVC/CBI matters.
- Monitoring of Custodian Office and Special Court.

Joint Secretary (B&I)

- Policy formulation & monitoring of public sector insurance companies.
- Framing of Rules, regulations & conditions of service of employees of public sector insurance companies.
- Terms of conditions of service of Chairpersons & members of IRDA and their appointment.
- Matters relating to Regional Rural Banks.

Economic Adviser

- Economic Policy matters and monitoring of trends in the banking sector.
- Housing loans, education loans & credit linked employment generation schemes of the Government.
- Matters relating to NHB, MGCs and Housing Sector.
- Implementation of the reservation policy of the Government of India in Public Sector Banks.
- Coordination work of the Department.

31,43,39,200 equity shares with face value of Rs. 10/- each @ Rs. 1130.35 per share at a total amount of Rs. 35,531,33,14,720/-. A similar transfer of RBI's shareholding in the NABARD and the NHB to the Government will be effected by 30th June 2008.

2.5 Amalgamation

(i) The Reserve Bank sanctioned the Scheme of Amalgamation of the Sangli Bank Ltd. with the ICICI Bank Ltd. under Section 44A of the Banking Regulation Act, 1949. The amalgamation became effective from April 19, 2007.

(ii) RBI sanctioned the Scheme of Amalgamation of the Lord Krishna Bank Ltd. with the Centurion Bank of Punjab Ltd. under Section 44A of the Banking Regulation Act, 1949. The amalgamation became effective from August 29, 2007.

2.6. Restructuring of equity capital and Initial Public Offering of Central Bank of India

To strengthen the Balance Sheet of the bank, besides providing it with flexibility to raise capital at a competitive cost, facilitate adoption of Basel II recommendations on capital requirement and meet its capital requirement for future growth, Government has, after consulting the Reserve Bank of India (RBI), restructured the equity capital of Central Bank of India by converting Rs. 800 crore out of the total equity capital of Rs. 1124.14 crore into Perpetual Non-cumulative Preference Share Capital (PNCPSC), while retaining Rs. 324.14 crore as Equity Capital of the bank.

The existence of private shareholders in the PSBs also imposes a responsibility on the Government, as a majority shareholder, to enhance the shareholder value and protect minority shareholders' rights. The Govt. intends to create an environment conducive for the PSBs to raise additional funds from the market for meeting Basel II requirements and to respond effectively to emerging competitive pressures. Keeping these factors in view and to have more and more public participation in the affairs of the Bank, Government has also approved Initial Public Offering (IPO) of 8 crore equity shares by the bank.

2.7 Restructuring of equity capital and Initial Public Offering of Indian Bank

To strengthen the Balance Sheet of the bank, besides providing flexibility to raise capital at a competitive cost, facilitate adoption of Basel II recommendations on capital requirement and meet its capital requirement for future growth, Government has restructured the Equity Capital of Indian Bank by converting Rs.400 crore out of the total equity capital of Rs.743.82 crore into Perpetual Non-cumulative Preference Share Capital (PNCPSC), while retaining Rs.343.82 crore as equity capital of the bank. Government also approved initial public offering (IPO) of 85.95 million equity shares by the bank.

2.8 Amendment of Banking Ombudsman Scheme, 2006

Banking Ombudsman Scheme is in operation since 1995. The Scheme works under the control and supervision of Reserve Bank of India (RBI). Banking Ombudsman is an independent body with legal powers to settle disputes quickly and inexpensively. RBI has appointed 15 Banking Ombudsman all over the country. The system is designated to ensure, in normal course, satisfactory resolution of complaints as early as possible. Any customer whose grievance has not been resolved by the bank to his satisfaction can approach Banking Ombudsman. The Scheme has been revised by RBI, in consultation with Government of India in 2006.

This amendment notified vide RBI's circular dated May 24, 2007 has enabled bank customers to also appeal against the decision of the Banking Ombudsman. Prior to this amendment the option was restricted to only those complaints wherein the awards had been passed.

2.9 Debt Recovery Tribunals/Debt Recovery Appellate Tribunals

Under the provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 which provides for establishment of Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs) for expeditious adjudications and matters connected therewith or incidental thereto, the Central Government had established 32 Debt Recovery Tribunals(DRTs) and 5 Appellate Tribunals (DRATs) upto 31.3.2007. During the year, one more Debt Recovery Tribunal has been established at Ahmedabad.

3. Agricultural Credit Sector

A target was set in 2004-05 to double agricultural credit in three years. This goal was achieved in two years. The target for the credit flow to agriculture and allied sector had been fixed at Rs.1,75,000 crore during 2006-07. Against this target, the total credit flow to agriculture by Public & Private Sector Commercial Banks (CBs), Cooperative Banks and Regional Rural Banks (RRBs) was of the order of Rs.2,29,400 crore exceeding annual target by Rs. 54,400 crore. As against the farm credit target of Rs. 2,25,000 crore, an amount of Rs. 1,62,701 crore has been disbursed upto December 31, 2007.

(Rs. Crore)

Year	Target	Achievement
2004-05	1,05,000	1,25,309
2005-06	1,41,000	1,80,486
2006-07	1,75,000	2,29,400
2007-08	2,25,000	*1,62,701

**Provisional figures upto December , 2007*

It was proposed to assist 50 lakh new farmers through Commercial Banks and Regional Rural Banks during 2006-

07 against which almost 60 lakh new farmers were assisted during 2006-07. For 2007-08, an additional 50 lakh new farmers are to be covered by the banking system against which 51.59 lakh new farmers have already been financed upto December 2007.

3.1 Revitalisation of Short Term Cooperative Credit Structure

The report of the Task Force under Prof. A Vaidyanathan on Revitalisation of the Cooperative Credit Structure in the country with regard to short term credit structure has been accepted by the Government. Under the scheme, the expenditure is to be shared by the Government of India, State Government and the Cooperative Credit Societies. The States willing to implement the package are required to sign a MoU with the Central Government and NABARD. Seventeen states have so far executed such MoUs. A provision of Rs 1500 crore has been made in BE 2007-08, Rs. 2,045.37 crore in RE 2007-08 and Rs. 3,542 crore in BE 2008-09.

3.2 Revitalisation of Long Term Cooperative Credit Structure

A revival package for Long Term Cooperative Credit Structure has also been under consideration of the Government. A provision of Rs.600 crore has been made in the BE 2008-09 for the same.

3.3 Revitalising Regional Rural Banks (RRBs)

With a view to strengthen the RRBs for playing a greater role in agriculture, rural lending and financial inclusion the following measures were taken during the year:

- On the advice of Central Government through NABARD, RRBs have undertaken an aggressive branch expansion programme to open at least one branch in the 80 uncovered districts of the country. In the current year, upto 5.2.2008, 321 branch licenses have been issued by RBI and 122 branches have been opened.
- Government has extended the Securitization and Reconstructions of Financial Assets and Enforcement of Securitization of Interest (SARFAESI) Act to loans advanced by RRBs w.e.f. May 2007.
- RBI has permitted RRBs to accept FCNR (B) Deposits.
- 27 RRBs having negative net worth would be recapitalized in a phased manner. The total amount of recapitalization has been assessed at Rs.1,795.97 crore. The Central Government proposes to release its share of contirbution, amounting to Rs.897.98 crore, alongwith the release of the share of contribution by the State Government concerned and the sponsor banks.

Interest Rate Subvention for short term crop loans was continued during 2007-08 with a budget provision of Rs.1676.86 crore (Rs 1,700 crore in RE 2007-08).

3.4 Special Plan for debt distressed districts

A Special Plan is being implemented over a period of three years in 31 especially distressed districts in four states of the country involving a total amount of Rs.16,979 crore. Of this, a major share is to go for water related schemes. In order to provide subsidiary income to the farmer, the special plan includes a scheme for induction of high yielding milch animals and related activities.

The Plan proposed waiver of the entire interest on overdue loans as on July1, 2006 in the affected districts so that all farmers have no past interest burden as on that date and they are eligible for fresh loans from the banking system. The overdue loans of the farmers as on July 1, 2006 were to be rescheduled over a period of 3-5 years with one year moratorium. An additional credit flow was ensured in these 31 districts.

The total overdue interest waived amounts to Rs.3,728.37 crore.

3.5 Issue of Rural Bonds by NABARD

NABARD provides refinance to cooperative institutions. As the volume of farm credit increases and the Vaidyanathan Committee recommendations for reform of rural credit cooperatives are implemented, it is expected that the demand for refinance will increase. In order to augment its resources, it was proposed to allow NABARD to issue rural bonds duly guaranteed by the Government and eligible for suitable tax exemption. Rural Bonds issued by NABARD for subscription on 26.01.2008 have been included under section 80C of the Income Tax Act duly notified by the Department of Revenue.

3.6 Rural Infrastructure Development Fund (RIDF)

Keeping in view the growing demand for strengthening rural infrastructure the corpus for RIDF XIII was raised from Rs.10,000 crore in 2006-07 to Rs.12,000 crore in 2007-08. The state-wise allocation of RIDF XIII of Rs.12,000 crore has already been made by NABARD.

A separate fund for rural roads under RIDF was opened with Rs.4000 crore in 2006-07 which was continued in 2007-08.

3.7 Micro Finance

Micro Finance Development Fund has been designated as Micro Finance Development and Equity Fund and its equity has been enhanced. Advisory Board for the Micro Finance Development and Equity Fund has been constituted. Discussions have been held with RBI, NABARD and other stakeholders regarding draft legislation. Subsequently, to bring legislation on micro finance, “The Micro Financial Sector (Development and Regulation) Bill, 2007” was introduced in Lok Sabha on 20.03.2007. The Bill is currently under examination by the Standing Committee on Finance.

Guidelines for accessing external commercial borrowings by NGOs in micro finance activities have been detailed by Reserve Bank of India NGOs engaged in micro finance activities have been permitted to access funds upto US five million dollar during a financial year under Automatic Route.

Detailed guidelines on ECB for micro finance activities with necessary safeguards have been issued.

3.8 Financial Inclusion

Financial inclusion is the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost. The Committee on Financial Inclusion has given a report recommending establishment of a Financial Inclusion Fund with NABARD for meeting the cost of developmental and promotional interventions. It has also recommended the setting up of a Financial Inclusion Technology Fund to meet the costs of technology adoption. Each fund will have an overall corpus of Rs.500 crore, with initial funding to be contributed by the Central Government, RBI and NABARD.

NABARD has prepared the implementable Action Plan for Financial Inclusion Fund and Financial Inclusion Technology Fund. The Financial Inclusion Fund and Financial Inclusion Technology Fund are being set up with an initial corpus of Rs.25.00 crore each with a contribution by Government of India, RBI and NABARD in the ratio of 40:40:20. The guidelines for operation of these funds have been finalized. A budget provision of Rs 10.00 crore each has been made in RE 2007-08 and Rs 25.00 crore each in BE 2008-09 for these funds.

4. Credit To Small & Medium Enterprises

4.1 Small & Medium Enterprises (SME) Credit

As on 31.03.2007, the credit outstanding to the SSI units in the country was Rs.1,02,550.24 crore. An amount of Rs.1,73,888.92 crore was outstanding to SME units as on 30.09.2007.

4.2 Growth of SME Credit

As against the proposed 20 per cent year on year growth credit to SMEs (as envisaged in the policy package on stepping up of credit to SME Sector announced in August, 2005), the public sector banks have shown a 25.81 per cent growth for the year 2006-07.

4.3 Credit Guarantee Funds Scheme for Micro and Small Enterprises (CGTMSE)

With a view to augment and sustain credit flow to the micro and small enterprises the CGTSI (now renamed CGTMSE) was setup in 2000-01 with an initial corpus of Rs.125 crore that increased to Rs. 1584.05 crore as on December 31, 2007. It is proposed to raise the corpus further, to Rs.2500 crore. Under this set up, loans upto Rs.50 lakh by Banks are covered for guarantee under the Scheme. The guarantee cover is 75% for all borrowers and 80% for special category of borrowers viz. loans upto Rs.5 lakh to micro enterprises, women entrepreneurs, entrepreneurs in the North-Eastern Region including Sikkim. Upto 31 December 2007 guarantees have been extended to 87,099 proposals covering credit assistance of Rs.2,402.50 crore.

As on 31st December 2007 the membership of CGTMSE comprised of 55 Banks and Financial Institutions. Arrangements have been made with LIC for providing a flat life insurance cover of Rs.2 lakh each to borrowers identified as chief promoters. The one time guarantee fee is 1.5 % of the credit amount to be guaranteed and the Annual Service fee is 0.75% of the amount guaranteed.

4.4 SME Rating Agency (SMERA)

A credit agency for SMEs has been set up and made operational from September, 2005. SMERA's primary objective is to provide ratings that are comprehensive, transparent and reliable and which would enable the rated units to borrow funds at competitive rates of interest. As on December 31, 2007, SMERA had completed 1192 ratings for SMEs. In addition, 1100 applications were at various stages of processing. Risk profiling studies in respect of 8 SME clusters have been completed. SMERA has signed MoU with 21 banks for offering interest concession to the rated units.

4.5 Cluster Based Approach

In view of benefits accruing on account of cluster based approach for financing SME sector due to reduction in transaction costs, the banks have adopted the same for SME financing. SIDBI has covered 203 clusters under the Scheme of Small Enterprises Financial Centres (SEFC) all over the country.

4.6 Venture Capital Fund

In order to provide risk capital to the SME sector, a SIDBI Venture Capital Limited (SVCL) with a corpus of Rs.500 crore has been set up, which is presently managing national SME Growth Fund for biotech, food processing, pharmaceuticals, light engineering and knowledge based industries.

- Total commitments as on December 31, 2007 by the SME Growth Fund is Rs.280.57 crore.
- SVCL has successfully implemented the National IT Fund of Rs.100 crore benefiting 31 SME units as on December 31, 2007.
- SVCL participated in State level/All India level venture funds with net commitments of Rs.560.90 crore.

5. Housing Loans, Education Loans and Credit Linked Self Employment Programmes for the Poor

5.1 Housing Loans

Housing loans form an important and growing segment of Non-food Gross Bank Credit of Scheduled Commercial Banks.

The average growth in housing loans during 2005-06 and 2006-07 (upto November) was higher than the average growth of gross bank credit. There was some deceleration in housing loans during the latter part of last year and during the current year. For instance, whereas gross bank credit expanded at

(Rs in crores)

Table 5.1: Housing Loans

Sl. No.		2004-05	2005-06	2006-07	2006-07(upto Nov.)	2007-08 (upto Nov.)
1	Housing Loans	133,908	185,181	230,689	214,265	246,689
2	Y-O-Y variation		51,273	45,508	53,198	32,424
3	% Growth		38.29	24.57	33.40	15.13

Note :Data relates to all Scheduled Commercial Banks
Source:RBI

22.4 per cent on a year-on-year basis during 2007-08 (upto November) , growth in housing loans decelerated to 15.1 per cent during this period.

Presently, loans granted by banks up to Rs.20 lakh in rural/ semi-urban areas, urban and metropolitan areas for construction of houses by individuals are eligible for classification under priority sector. On the basis of data received from the Scheduled Commercial Banks (excluding RRBs), the credit to housing sector (priority sector) increased from Rs.1,26,761 crore as on the last reporting Friday of March 2006 to Rs.1,86,939 crore as on the last reporting Friday of March 2007, showing an increase of Rs.60,178 crore (32.19%).

5.2 Reverse Mortgage Scheme

The Union Budget 2007-08 had announced a novel product i.e. 'reverse mortgage' for senior citizens. The Final Operational Guidelines for the scheme were issued to Banks/ HFCs by the National Housing Bank (NHB) on 31.5.2007.

Conceptually, Reverse Mortgage seeks to monetize the house as an asset and specifically the owner's equity in the house. The scheme involves the Senior Citizen borrower(s) mortgaging the house property to a lender, who then makes periodic payments to the borrower(s) during the latter's lifetime. The Senior Citizen borrower is not required to service the loan during his lifetime and therefore does not make monthly repayments of principal and interest to the lender. On the borrower's death or on the borrower leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property. The borrower(s)/heir(s) can also repay or prepay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

5.3 Mortgage Guarantee Companies

The Union Budget 2007-08 had also announced the setting up of Mortgage Guarantee Companies (MGCs). The RBI has notified that these Companies should function as Non Banking Financial Companies (NBFCs). The final guidelines for Registration and Operations of Mortgage Guarantee Companies were issued on 15th February 2008 after consulting stakeholders. MGCs are expected to narrow the housing shortfall and improve the efficiency of housing finance by ameliorating the risks associated with defaults.

5.4 Educational Loans

The Government recognizes that education is central to the Human Resources Development and empowerment of the country. Knowledge and information would be the driving force for economic growth in the coming years. However, higher education has progressively moved into the domain of private sector and has become more and more costly. It was thus felt that there is need for institutional funding in this area.

The Educational Loan Scheme aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad. The main emphasis is that every meritorious student, though poor, is provided with an opportunity to pursue education with the financial support from the banking system and that no deserving student is denied the opportunity to pursue higher education for want of financial support.

Based on recommendations made by a Study Group, IBA had prepared a Model Educational Loan Scheme in the year 2001 which was advised to banks for implementation by Reserve Bank of India vide circular No.RPCD. PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001 along with certain modifications suggested by the Government of India. The scheme was subsequently modified in 2004 and guidelines for a Revised Model Educational Loans Scheme were issued on August 31, 2004 by the Indian Banks' Association (IBA). Based on recommendations of a Working Group and also suggestions of the Government, the Educational Loan Scheme was again modified on 21st November 2007 and 30th January 2008.

Main Revisions effected in the Education Loan Scheme by IBA in November, 2007 and January 2008

1) Enhancement of quantum of finance from maximum of Rs.7.5 lakh to maximum of Rs.10 lakh for studies in India and from maximum of Rs.15 lakh to maximum of Rs.20 lakh for studies abroad.
2) Co-obligation of parents as joint-borrower has been made obligatory for sanctioning of all education loans under the security norms.
3) Inclusion of Aeronautical Engineering, Pilot training, shipping training etc. as part of eligible courses.
4) Inclusion of life insurance policy for students availing education loans.

5) Inclusion of life policy and mutual fund units as permissible security for loan.

6) Provision of multiple loans for a family unit.

7) Provision of top-up loan for students for further studies.

8) Inclusion of spouse/parents-in-law as co-obligator for loans.

5.4 Performance of Education Loans

Education loans form one of the fastest growing segments in Non-food Bank Credit recording an increase of 44.6 per cent on year on year basis as on 23rd November 2007. The growth was higher at 47.4 per cent on year on year basis in the corresponding period of last year.

The total outstanding education loans as on 23rd November, 2007 stood at Rs.18,992 crore, whereas the increase in absolute terms on year to year basis as on 23rd November, 2007 was Rs.5,856 crore.

On-line processing of Education Loans

In order to facilitate disbursement of loans for education it was decided that Public Sector Banks should implement an online system for processing education loan applications. On line registration of education loan applications has been introduced with the following features:

- Registration of loan application and immediate automatic reply with reference number for future correspondence;
- Processing of application within stipulated time and conveying sanction in principle to the student to approach the concerned branch.

Many of the Public Sector Banks also organize loan camps on campus at the beginning of academic session to spread awareness about the scheme and to facilitate processing of loan applications.

5.5 Credit Linked Government Sponsored Schemes for Self Employment

a. Prime Minister's Rozgar Yojana

The scheme was launched on October 2, 1993 with the objective of providing self -employment opportunities to educated unemployed youth in the age group of 18 to 35 years. The scheme is targeted at those with family income of less than Rs. one lakh per annum. The minimum educational qualification fixed is VIIIth pass. The beneficiary is required to bring in 5% as margin money and government provides a subsidy at 15% of the project cost. It has also been provided that the margin money and subsidy amount would be 20% of the project cost. Ceiling on subsidy amount is Rs. 7500/- in States/ UTs other than in North Eastern Region. In the seven states in North East the ceiling on subsidy amount payable will be Rs.15000/-. This relaxation in parameters has also been extended to the states of Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttaranchal. All economically viable activities including agricultural and allied activities but excluding direct agricultural operations like raising of crops/ purchase of manure etc. are now being covered under the scheme.

Projects up to Rs.2.00 lakh for business/ service sector and Rs.5.00 lakh for industry sector are financed under the scheme. If two or more eligible persons join together in a partnership, project upto Rs.10.00 lakh are covered. Assistance is limited to individual admissibility.

A reservation of 22.5% for SC/STs and 27% for other backward classes (OBCs) has been provided. Preference is to be given to women and other weaker sections. Banks have been advised to ensure a fair and adequate share to the minorities. No third party guarantee / collateral is necessary for projects up to Rs.1 lakh and the advances under the scheme are treated as advances under priority sector.

The performance of implementing banks (PSBs and Private SBs) banks under the scheme during the years 2004-05, 2005-06 and 2006-07 is given in Table 5.3.

b. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The SJSRY Scheme is in operation since December 1997 in all-urban and semi urban areas of India. The beneficiaries are identified by the Urban Local Bodies (ULB) on the basis of house-to-house survey. Under the scheme, women are to be assisted to the extent of not less than 30 per cent, disabled at 3 per cent and SC / STs at least to the extent of the proportion of their strength in the local population. The scheme is funded on a 75:25 basis by the central and respective state government.

Projects costing up to Rs.50,000 are financed by banks. Subsidy is provided by Government at 15 per cent of the project cost subject to a maximum of Rs.7,500. The borrower has to bring in 5 per cent of the project cost as margin money. Interest is charged as per interest rate directives issued by RBI from time to time. Partnerships are also permitted. Under the Development of Women & Children in Urban Areas (DWCUA) programme, women beneficiaries may take up self-employment ventures in group. DWCUA group should consist of at least 10 urban poor women The group is entitled to a subsidy of Rs.1,25,000 or 50 per cent of the project cost, whichever is less.

During the year 2006-07 (up to March 2007) disbursements amounting to Rs.20043.37 lakh were made in 59338 cases (out of 73644 applications sanctioned). Of the above Rs.4823 lakh were disbursed to 15300 SC/STs, Rs. 4322 lakh were disbursed to 13538 women and Rs.263 lakh were disbursed to 679 disabled persons during the year 2006-07. The performance of scheduled commercial banks under the scheme during the years 2004-05, 2005-06 and 2006-07 is given in Table 5.4.

(Rs.in Crores)

Table 5.2: Education Loans

	2004-05	2005-06	2006-07	2006-07 (upto Nov.)	2007-08 (upto Nov.)
Outstanding	5,680	9,962	15,020	13,136	18,992
YOY variation		4,282	5,058	4,157	5,856
% Growth		75.39	50.77	47.4	44.58

Note :Data relates to Scheduled Commercial Banks including Public Sector Banks
Source: RBI

(Amount Rs.in. lakhs)

Table 5.3: Performance under Prime Minister's Rozgar Yojana

Programme Years	Loan Sanctioned		Loan Disbursed	
	No.	Amount	No.	Amount
2004 -2005	298003	192325	248264	154279
2005 –2006	318095	205499	273066	170077
2006 –2007	313819	203681	263539	165331
2007-2008 (upto Nov.)	95929	70498	55386	37446

Source: RBI

(*Amount Rs.in lakhs*)

Table 5.4: Performance under SJSRY Urban Self Employment Programme (USEP) component

Year March ended	Loans sanctioned		Loans disbursed	
	No.	**Amount**	**No.**	**Amount**
2004-05	61890	19927	48798	15067
2005-06	68579	22972	55218	18427
2006-07	73644	25965	59338	20043

Source: RBI

c. Swarnajayanti Gram Swarozgar Yojana (SGSY)

Introduced on April 1, 1999, the SGSY is a holistic poverty alleviation scheme covering all aspects of self-employment such as organization of poor into self-help groups, training, credit, technology, infrastructure and marketing. The scheme is funded on 75:25 basis by the Central and the respective State Government and is implemented by District Rural Development Agency(DRDA) through Panchyat Samitis. The scheme lays stress on credit, infrastructure and marketing needs of the beneficiaries and is being implemented by commercial banks, cooperative banks and Regional Rural Banks. The scheme aims at establishing a large number of micro enterprises in the rural areas. The objective of the scheme is to bring every assisted BPL family above the poverty line in three years by providing them income-generating assets through a mix of bank credit and government subsidy.

The financial year 2006-07 is the eighth year of implementation of the scheme, Total number of 1236517 Swarozgaris have received bank credit amounting to Rs.114121 lakh (and government subsidy amounting to Rs.36714 lakh) under SGSY as at the end of March 2007. Of the Swarozgaris assisted, 342603 (27.71 %) belonged to (SC/ST) while 603475 (48.80 %) were women and 16071 (1.30 %) physically handicapped.

The performance of Scheduled Commercial Banks under the scheme during the years 2004-05, 2005-06

(Amount Rs. in lakhs)

Table 5.5: Performance of banks under of SGSY		
Year	Total No. of Loans disbursed	Total Amount disbursed
2004-05	1084749	95813
2005-06	1207078	112542
2006-07	1236517	114121
2007-08(upto Sept.)	619642	47217

Source: RBI

(Amount Rs. in lakhs)

Table 5.6												
	2004-05				2005-06				2006-07			
Scheme	Sanctioned		Disbursed		Sanctioned		Disbursed		Sanctioned		Disbursed	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
SGSY	16570	6560	17331	6057	8156	5092	8131	4137	6792	4072	6646	3353
SJSRY	1754	630	1664	596	721	293	664	237	781	340	563	232

Source: RBI

(Amount Rs. in lakhs)

Table 5.7: Performance of banks under PMRY in North Eastern States				
Programme Years	Loan Sanctioned		Loan Disbursed	
	No.	Amount	No.	Amount
2004 -2005	14947	12926	11681	8631
2005 –2006	15055	13168	12948	10924
2006-2007	11795	10712	10125	8893
2007-2008 (upto Nov.)	2221	1958	1941	1551

Source: RBI

and 2006-07 (March ended) and upto September 2007 is given in Table 5.5.

5.6 Developments in the North-Eastern States

The performance by all Scheduled Commercial Banks (SCBs) under SGSY and SJSRY in the North Eastern States during the year ended March 2005, 2006 and 2007 is indicated in Table 5.6.

5.7 Differential Rate of Interest Scheme

The Differential rate of Interest (DRI) scheme provides finance at a rate of 4 per cent to the weaker sections of the community engaged in gainful occupations. An announcement was made in the Budget 2007-08 to raise the limit on the loans available under this scheme. RBI has issued a circular on 13.6.2007 to all Scheduled Commercial Banks to raise the limit of the loan from Rs.6,500 to Rs.15,000 and the limit of the housing loan from Rs.5,000 to Rs. 20,000 per beneficiary. The housing loans can also be used as top-up loans for the Indira Awas Yojana (IAY).

6. Financial Institutions

6.1 Industrial Development Bank of India Ltd. (IDBI)

Industrial Development Bank of India, a statutory corporation established under the Industrial Development Bank of India

Act, 1964, was converted into a commercial banking company, Industrial Development Bank of India Ltd. (IDBI), with effect from October 1, 2004, following the passage of the Industrial Development Bank (Transfer of Undertaking and Repeal) Act 2003. IDBI is now accordingly engaged in commercial banking business in addition to the mandated development banking activities. According to the Articles of Association of IDBI, Government of India continues to be the majority shareholder of the Company. Government stake in IDBI stands at 52.68% as on December 31, 2007.

After entering into commercial banking, the Bank has expanded its product basket including various deposit products, trade finance, cash management services, treasury products and investment products. The Bank during the nine months period (April-Dec. 2007) extended its branch network by 64, taking the total branch network to 496 as at end-December 2007. The Bank has attained the distinction of having all its branches operating under core banking solution platform signifying complete networking.

IDBI Ltd. is now categorized as one of the 28 Public Sector Banks in the country.

6.2 Export-Import Bank of India (Exim Bank)

Exim Bank of India, set up in 1982 by an Act of Parliament for the purpose of financing, facilitating and promoting foreign trade of India, is the principal Financial Institution in the country for coordinating working of institutions engaged in financing exports and imports. The Government of India wholly owns Exim Bank.

During the financial year 2006-07 the Bank approved loans of Rs.26762 crore as against Rs 20489 crore during 2005-06. Disbursements during the year amounted to Rs.22076 crore, as compared to Rs. 15039 crore during the previous year. Loan assets increased to Rs.23274 crore as on March 31, 2007 from Rs. 18028 crore as on March 31, 2006. Profit after tax amounted to Rs.299 crore during FY 2006-07 as against profit after tax of Rs.271 crore during FY 2005-06. Rs.96 crore was transferred as balance of net profit to the Government of India for FY 2006-07 as compared to Rs.87 crore in the previous year. The Capital to Risk Assets Ratio (CRAR) stood at 16.4 percent as on March 31, 2007.

During the year 2007-08, upto September 30, 2007, Exim Bank approved loans worth Rs.15165 crore as against Rs.10958 crore in the corresponding period of 2006-07. Disbursements over the same period amounted to Rs. 11720 crore as against Rs.8984 crore in the previous year.

Exim Bank lays special emphasis on extension of Lines of Credit (LOC) to overseas entities, national governments, regional financial institutions and commercial banks. During the year 2006-07, Exim Bank extended 16 LOCs, aggregating US$ 542 million, to support export of projects, goods and services from India. Several of these lines have been extended at the behest of Government of India.

Exim Bank also actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. In addition to providing loans to Indian corporates for overseas investment, Exim Bank also undertakes direct equity participation in Indian ventures abroad to enhance credibility and acceptance of Indian ventures overseas, on select basis. During FY 2006-07, 29 proposals for funded and non-funded assistance, aggregating Rs.1940 crore were approved for part financing overseas investments, by Indian companies in 15 countries.

6.3 Industrial Investment Bank of India Limited (IIBI)

Industrial Investment Bank of India Limited (IIBI) was set-up as a company under the Companies Act, 1956, in March 1997 by converting the erstwhile Industrial Reconstruction Bank of India, constituted under an Act of Parliament. It owes its origin to Industrial Reconstruction Corporation of India (IRCI) Ltd. set-up in 1971 for rehabilitation of sick industrial undertakings. The institution provided financial assistance to industrial concerns. The paid up equity capital of IIBI of Rs.225 crore is held by the Government of India. High cost of funds and mounting NPAs have made operations unviable. As a result, at present the business activities of IIBI are restricted. IIBI incurred a loss of Rs.151.99 crore during 2004-05 and Rs.20.51 crore during 2005-06 in spite of government grant of Rs.143 crore during 2004-05 and Rs.119.47 crore during 2005-06 mainly to service certain liabilities. RBI has advised winding up of IIBI. In order to protect the interests of the staff and officers, a scheme was worked out for absorption of the staff and officers of IIBI by Public Sector Banks. Government has decided to realize all assets of IIBI through a transparent process of public- auction. This is under implementation.

6.4 Industrial Finance Corporation of India Limited (IFCI)

Industrial Finance Corporation of India (IFCI) is the first Development Financial Institution of India set up in 1948 as a Statutory Corporation under an Act of Parliament to pioneer institutional credit to medium and large scale industries. It was converted into a Public Limited Company on July 1, 1993. The Govt. of India does not have any shareholding in IFCI.

During the year 2006-07, IFCI continued to focus on recoveries from existing loan assets and restructuring of remaining high cost liabilities. IFCI sanctioned short term loans of Rs.1,050 crore and disbursed Rs.550 crore during 2006-07 to top performing and highly-rated corporates and banks. Further, during the 9 months period ended on December 31, 2007, IFCI sanctioned short term loans of Rs.1,500 crore and disbursed Rs.2,000 crore including the outstanding sanctions of Rs.500 crore of the previous year. Cumulatively, up to December 31, 2007, IFCI had made aggregate sanctions of Rs.48,712 crore to 4,872 projects and disbursed Rs. 47,139 crore. In respect of North-Eastern Region, including Sikkim, cumulatively, up to December 31, 2007, IFCI has sanctioned and disbursed an aggregate sum of Rs.328 crore to 61 projects.

During the year 2006-07, IFCI earned a net profit of Rs.898 crore as compared to a net loss of Rs.74 crore in the previous year. The accumulated loss as on March 31, 2007 stood at Rs.836 crore. The improved performance was largely due to higher recoveries from Non Performing Assets and consequent reversal of provisions / write-off and also lower cost of funds. During the current financial year 2007-08, IFCI has made a net profit of Rs.1,063 crore for the 9 months ended on December 31, 2007 against a net profit of Rs. 230 crore during the corresponding period of the previous year. Further, as at December 31, 2007, IFCI, having complied with RBI's Regulatory Capital Adequacy Norm of 10%, contemplates to start new business to top rated corporates.

6.5 India Infrastructure Finance Company Limited (IIFCL)

IIFCL, a wholly owned enterprise of the Government of India, was set-up on January 5, 2006 to provide long term debt to infrastructure projects. The authorized capital of the Company is Rs.1,000 crore and paid up capital, at present, is Rs.300 crore.

Since commencement of its operations in April 2006 and upto December 2007, IIFCL has accorded approvals to 74 projects with aggregate loan commitment of Rs.16,246 crore. These projects, covering Roads, Power, Airport, Seaport and Urban Infrastructure, are spread across 20 states and have an overall project cost of Rs.1,17,466 crore. Of the total number of 74 projects, 27 projects were approved during April-December 2007 (loan amount Rs. 7,436 crore).

IIFCL has raised resources from the domestic markets, viz., from Insurance Companies, Market Borrowings and a loan out of Government of India's National Small Saving Funds. The borrowing programme of the company is guaranteed by the Government of India. IIFCL's domestic borrowing programmes have been rated AAA (SO) by three rating agencies reflecting stable/high degree of safety. Standard & Poor's have awarded the international rating of "BBB" which is at par with sovereign rating.

IIFCL has set up its wholly owned subsidiary at London on February 7, 2008 with the objective to lend in foreign currency to Indian companies implementing infrastructure projects in India for the import of capital goods solely for capital expenditure outside India, by utilizing the foreign exchange reserves held by the RBI.

During the financial year 2006-07, the company made an operating profit of Rs.9.37 crore and a net profit of Rs.3.47 crore. In the financial year 2007-08, operating profit for the 9 month period ended December, 2007 was Rs. 23.24 crore.

7. Insurance Sector

7.1 The Insurance Regulatory and Development Authority Act (IRDA), 1999

The insurance sector was opened up to private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The core functions of the Authority include (i) licensing of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) control and regulate premium rates; and (iv) protection of the interests of the policyholders. With a view to facilitating development of the insurance sector, the Authority has issued regulations on protection of the interests of policyholders; obligations towards the rural and social sectors; micro insurance and licensing of agents, corporate agents, brokers and third party administrators. This is in addition to the regulatory framework provided for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements.

New entrants in the insurance industry: Since opening up, the number of participants in the industry has gone up from six insurers (including Life Insurance Corporation of India, four public sector general insurers and General Insurance Corporation as the National Re-insurer) in the year 2000 to 32 insurers operating in the life, non-life and re-insurance segments (including specialized insurers, viz. Export Credit Guarantee Corporation and Agriculture Insurance Company of India Limited (AICIL). One of the general insurance companies viz. Star Health and Alliance Insurance Company functions as a standalone health insurance company. Of the fifteen life insurance companies which have set up operations in the life segment post opening up of the sector, thirteen are in joint venture with foreign partners. Of the nine insurers who have commenced operations in the non-life segment, eight had been set up in collaboration with the foreign partners. Thus, twenty one insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe as on 31st March, 2007.

In addition, during 2007-08, registration has been granted to two companies each to underwrite premium in life and non-life segments and to one company in the health segment.

Life Insurance Industry: The post liberalization period has been witness to tremendous growth in the insurance industry, more particularly so in the life segment. The total premium underwritten by the industry has grown from Rs.34,898.47 crore in 2000-01 to Rs.1,56,041.59 crore in 2006-07. The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2006-07 was Rs.75,617.25 crore as compared to Rs.9,708 crore in 2000-01. During the current year, the life insurance industry has reported growth of 9.61% in new business premium underwritten during the period April to December. 2007 as against 165.44% in April-December, 2006. The first year premium underwritten during the period under report was Rs.53,576.72 crore as against Rs.48,878.81 crore in the corresponding period of the previous year. It may be recalled that in 2006-07 prior to the coming into effect of the guidelines on Unit Linked Insurance Products (ULIPs), there was a surge in the sale of ULIPs in July, 2006 resulting in significant increase in the premium underwritten during the period. In terms of linked and non linked premium, during the first nine months of the current year 74.40% of the premium was underwritten in the linked segment while 25.60% of the premium was in the non linked segment. The corresponding previous year proportion was 49.76 : 50.24.

Non-life Insurance Industry: The non-life insurers (excluding specialized institutions like Export Credit Guarantee Corporation (ECGC) and Agriculture Insurance Company of India Limited (AICIL) and the standalone health insurance company) underwrote premium within India of Rs.24,905.47 crore in 2006-07, as against Rs.9,806.95 crore in 2000-01. Two of the fastest growing segments are Motor and Health accounting for 42.73% and 12.77% of the premium underwritten in India in 2006-07. The premium underwritten in these two segments in 2006-07 was Rs.11,079.94 crore and Rs.3,310.52 crore respectively, reporting growth of 27.33% and 109.80% over 2005-06. During the current year, the non-life insurers underwrote premium of Rs.20795.89 crore during April to December 2007 as against Rs.18554.95 crore in the corresponding period of previous year exhibiting growth of 12.08%. The growth in premium underwritten was 23.09% in the corresponding period of 2006. Post de-tariffing, while the growth in premium has slowed down on account of reduction in rates, the number of policies underwritten have exhibited an increase.

Recent Initiatives: The IRDA, which is responsible for the development of the insurance sector in the country, has taken the following initiatives for the growth of this sector during the year 2006-07:

(a) **De-tariffing of General Insurance Sector:** The road map for de-tariffing was notified by the Authority on 23rd September, 2005, based on the demand from various stakeholders that continuance of tariff regime was inconsistent with the opening of the sector to provide healthy competition. The roadmap laid down the systems to be put in place to ensure a smooth transition from tariffs to a free market. Various milestones were identified indicating time schedules in relation to underwriting functions, rating support, file & use compliance and corporate governance. The process of opening up was, thus, scheduled to be carried through in a phased manner. As a first step, de-tariffing was confined to de-control of rates only which was notified effective 1st January, 2007. The terms and conditions of the policy document have, for the present, been left unchanged and relaxation of the same would be notified separately.

The de-tariffing exercise was not extended to Motor Third Party (TP) cover to commercial vehicles as such a step would have resulted in substantial increase in TP premium for the commercial vehicles. It was also recognized that the public sector companies were largely involved in extending the TP cover to commercial vehicles. In order to moderate the impact of tariff increase on commercial vehicle owners, the Authority retained the powers to determine the rates of TP premium. In addition, with a view to ensuring that all insurers have a stake in Motor Third Party, it was decided to create a Motor Pool.

(b) **Creation of the Motor Pool:** Authority (in consultation with the Committee constituted under Section 110G of the Insurance Act) issued directions under Section 34 of the Insurance Act, 1938 to the effect that all general insurance companies shall collectively participate in a pooling arrangement to share in all motor third party insurance business for commercial vehicles underwritten by them in accordance with the provisions specified for participation in the pooling arrangement, underwriting of motor third party; pooling mechanism through a multi lateral reinsurance arrangement; follow the instruction of General Insurance Council in matter of procedure in underwriting-documentation-accounting; speedy and efficient settlement of claims; GIC to act as Administrator of the pooling arrangement under an agreement between the insurers. The pooling arrangement to share in Motor Third Party insurance (commercial vehicles) became effective from 1st April, 2007.

(c) **Micro Insurance**: One of the main objectives of promoting financial inclusion packages is to economically empower those sections of society who are otherwise denied access to financial services, by providing banking and credit services thereby focusing on bridging the rural credit gap. The banking sector is focusing on financial inclusion on a priority basis. Vulnerability to various risk factors is one of the fundamental attributes of these sections of the society. Lack of protective elements may, thus, not serve the objective of promoting financial inclusion packages as the targeted section may fall back into the clutches of poverty in the event of unforeseen contingencies. Hence, to provide a hedge against these unforeseen risks, micro insurance is widely accepted as one of the essential ingredients of financial inclusion packages. Micro insurance regulations issued by IRDA have provided a fillip in propagating micro insurance as a conceptual issue.

With the positive and facilitative approach adopted under the micro insurance regulations, it is expected that all insurance companies would come out with a progressive business approach and carry forward the spirit of regulations thereby extending insurance penetration to all segments of society. A modest beginning has been made in the first year after notification of micro insurance regulations. In 2006-07, 1,311 micro insurance agents were recruited, 12 micro insurance products were launched and a premium of Rs.2.31 crore was collected. The number of policies secured during the year was 1.18 lakh. While twelve micro insurance products have been filed by six life insurers, eight Micro Insurance products have been filed by four non-life insurers. It may be mentioned that some of the insurers had been selling products that fall within the parameters stipulated for eligibility to be considered as micro insurance even prior to notification of micro insurance regulations.

(d) **Health Insurance:** One of the benefits of opening up of the insurance sector has been the extension of health cover, with the segment reporting growth of over 25 per cent over the last four years. It accounted for 12.77 per cent (Rs.3,310 crore) of the gross premium underwritten by the non-life insurance industry in 2006-07 as against 7.39 per cent (Rs.2,220 crore) in 2005-06. As against this, at the time of opening up of the sector in 2000-01, the health premium was Rs.519 crore viz. 5.29% of the gross premium underwritten. The industry has recognized both the huge potential and the need for providing health insurance cover to the populace. While a number of initiatives have been taken to promote health insurance in the country, some of the innovative features proposed to be offered through health insurance products include (i) inclusion of cervical cancer and hysterectomy in the critical illness cover specially designed for women and (ii) offering of telemedicine consultations as a rider to the standalone health insurance policy. In addition, some initiatives have already been taken in the context of offering cover for pre-existing diseases. The definition of 'pre-existing disease' has been rationalized in some of the products by bringing in a cooling-off or a waiting period. Also rather than excluding 'pre-existing conditions such as hypertension and diabetes per se, certain specific complications arising out of such conditions have been excluded.

The Authority set up a Committee to study and make recommendations regarding the concerns that senior citizens face on the health insurance front in April, 2007. Pending receipt of the report, by way of immediate intervention, the Authority had issued guidelines applicable to rating of policies taken by senior citizens, to the insurers who have recently hiked health insurance premiums. The Committee has recently submitted its recommendations in November, 2007 which are presently under examination by the Authority.

(e) **Guidelines on Anti-Money Laundering Programme:** The Prevention of Money Laundering Act, 2002 became effective w.e.f. 1st July 2005. The Authority was given powers to issue guidelines to the insurance industry. The Authority issued the guidelines on anti-money laundering programme for insurance companies on 31st March 2006, requiring insurance companies to put in place the requisite policy framework by 1st July 2006 which was required to be made effective from 1st August 2006. Under the guidelines issued by the Authority, the obligation to establish an anti-money laundering programme applies to an insurance company, and not to its agents, and other intermediaries.

In the specific context of the hardships in complying with Know Your Customer (KYC) requirements by small value policyholders and with possible implications as regards spread of insurance into rural and low income domains, especially the micro insurance sector, the Authority has provided exemption from the requirements of recent photograph and proof of residence in case of an individual where the total annual premium on all life insurance policies is Rs.10,000/-.

Compliance with Rural and Social Sector Obligations

Regulations were framed by the Authority on the obligations of the insurers towards the rural and social sectors and all insurers are required to fulfill these obligations on an annual basis. The regulations require insurers to underwrite business based on the year of commencement of their operations. For meeting these obligations, the regulations further provide that in case the first financial year of the insurer is less than 12 months, proportionate percentage or number of lives, as the case may be, shall be underwritten. In addition, the existing public sector general insurance companies and Life Insurance Corporation of India (LIC) are required to ensure that the quantum of insurance business in the rural and social sector underwritten by them shall not be less than what has been recorded in 2001-02.

Since the IRDA (Obligations of Insurers towards the rural and social sectors) Regulations, 2002 laid down the obligations of the insurers for the first five years of operations, the amendment Regulations incorporating the obligations of the insurers up to the tenth year and thereafter have been notified in 2007-08. In case of the public sectors that were in operations at the time of opening up of the sector, the obligations upto the year 2009-10 and thereafter have been laid down.

7.2 Life Insurance Corporation of India(LIC)

LIC was established on 1st September, 1956 to take over the assets and liabilities of the erstwhile insurers and to carry on life insurance business in the country. The main objective of the organization was to spread the message of life insurance in the country and to mobilize people's savings for nation building activities. The Corporation also directly transacts life insurance business abroad through its branch offices in UK, Mauritius, and Fiji. Besides the branch operations, the Corporation has established overseas subsidiaries jointly with reputed local partners in Bahrain, Nepal and Sri Lanka.

As on 31st March 2007, LIC had 7 Zonal Offices, 101 Divisional Offices, 2,048 Branch Offices and 109 Satellite Offices.

Rural New Business (Individual Assurance) : The new business written in rural areas during 2006-07 amounts to 68,497.21 crore sum assured under 88.50 lakh policies as against 60,971.85 crore sum assured under 74.66 lakh policies during the preceding year as per the definition of rural /social sector approved by IRDA. This represents an increase of 12.34% and 18.53% of total business on the basis of sum assured and number of policies respectively as against an increase of 32.44% and 35.67% on the basis of sum assured and number of policies respectively during the preceding year 2005-06. The share of rural business to total new business was 23.16% in number of policies, 22.60% in sum assured in the year 2006-07 against 23.65% in policies, 21.21% in sum assured of the preceding year 2005-06.

Group Insurance Business : For the year ended 31^{st} March 2007, business under group schemes, both new and renewed, was to the tune of Rs.3,22,042.20 crore providing cover to 405.95 lakh lives against Rs.1,99,427.16 crore providing cover to 302.71 lakh lives during the preceding year. Under group superannuation scheme, new annuities to the tune of Rs.212.09 crore per annum were granted to 1.12 lakhslives as against Rs.91.10 crore per annum to 0.71 lakh lives during the preceding year.

Settlement of Claims : The settlement of claims is a very important aspect of service to the policyholders. Hence, LIC has laid great emphasis on expeditious settlement of the maturity as well as death claims. During the year 2006-2007, the Corporation has settled 135.31 lakh claims for Rs 36,537.22 crore compared to 120.90 lakh claims for Rs.28,512.46 crore in the previous year. The percentage of claims outstanding at the end of the year to the claims payable during the year is 0.15% by number and 0.68% by amount as on 31^{st} March 2007 compared to 0.18% and 0.82% respectively as on 31^{st} March 2006. During the year 2006-2007, 96.99% of matured claims were settled on or before the date of maturity.

7.3 Social Security Schemes of LIC:

The Social Security Fund (SSF) was set up in 1988 -89 for providing social security through group insurance schemes to the weaker and vulnerable sections of the society. Different group insurance schemes for the approved occupations belonging to these sections are being subsidized from this Fund. These schemes now provide a sum assured upto Rs. 5,000/- on death with accident benefit of Rs.25,000/-. There are 24 approved occupational groups belonging to these sections of the society.

Janashree Bima Yojana: In pursuance to Government's announcement in the Budget 2000-2001, LIC launched a new scheme of group insurance namely, 'Janashree Bima Yojana' on 10th August 2000. The scheme provides for life insurance protection to the rural and urban poor persons below poverty line and even persons marginally above poverty line provided they belong to identified occupational group. Persons between the age 18 years and 59 years are eligible. The minimum membership of the group should be 25. The scheme provides for cover of Rs.30,000 on natural death of the member, Rs.75,000/- on death / total permanent disability due to accident and Rs.37,500/- on partial permanent disability due to accident before attaining age of 60 years. The premium per member is Rs.200/- out of which 50% premium is borne out of the Social Security Fund and the balance 50% by the member or Nodal Agency or State Government.

Shiksha Sahayog Yojana (SSY): In pursuance to the Government's announcement in the Budget 2001-2002, LIC launched the 'Shiksha Sahayog Yojana' for the benefit of children of members of Janashree Bima Yojana. The scheme provides for the scholarship of Rs. 300/- per quarter without any additional premium for availing the supplementary benefit of scholarship. Number of scholarships disbursed during the last 3 years are:

Year	No. of Scholarships
2004-05	1,74,179
2005-06	3,20,253
2006-07	7,41,432

Micro-Insurance Products- The Micro Insurance Regulations, 2005 provide a platform to distribute insurance products which can be afforded by the rural and urban poor. Life Insurance Corporation has introduced an insurance plan "**JEEVAN MADHUR**" for people with low income capacity. This plan was launched on 28^{th} September, 2006 by the then Hon'ble President of India, Dr. A. P. J. Abdul Kalam. Jeevan Madhur is a simple savings related life insurance plan wherein premiums are payable regularly at weekly, fortnightly, monthly, quarterly, half-yearly and yearly intervals. On surviving the date of maturity, payment of maturity sum is paid along with vested bonus, if any. On death of the policyholder, an amount equal to total premiums payable during the entire term of the policy will be paid along with vested bonus, if any. On death arising as a result of accident during the term of the policy, an additional amount equal to sum assured shall be payable.

Life Insurance Corporation has appointed 1,187 micro insurance agents in the financial year 2006-07. The response in terms of insurance coverage is on the increase. Life Insurance Corporation has been imparting twenty-five hours specialized capacity building training to the micro insurance agents as stipulated in the Micro Insurance Regulations, 2005.

Life Insurance Corporation has also put in place an IT-driven micro insurance business process. This enables better customer service, appropriate costing and wide market reach. The micro insurance efforts of the Corporation are in addition to conventional life products and social security (Government aided) schemes which cater to the needs of the underprivileged section of the society. With the regulatory guidelines, Life Insurance Corporation is placed in a favorable position to take insurance to the poor with socio-economic viability.

Varishtha Pension Bima Yojana (VPBY)

VPBY meant for senior citizens aged 55 years and above was launched on 14.7.2003. Under the scheme, the pensioner gets an assured effective yield of 9% per annum on the investment. The difference between the effective yield of 9% paid to the pensioner and that earned by the LIC is compensated as subsidy to LIC by Government of India.

7.4 Aam Aadmi Bima Yojana (AABY)

AABY was launched on 2^{nd} October, 2007 by the Hon'ble

Finance Minister to provide insurance to the head of the family of rural landless household against natural death, accidental death and partial / permanent disability. The Scheme also envisages an add-on benefit of providing scholarship upto a maximum of two children of the beneficiary studying between 9th to 12th standard at the rate of Rs.300 per quarter per child. The annual premium payable per member is Rs 200 of which 50% shall be paid by the Central Government and the remaining 50% by the State Government. Taking into account the annual cost to the Central Government, a sum of Rs.1000 crore has been placed in a Fund that will be maintained by LIC. This will take care of the premium share of Government of India. A separate fund of Rs.500 crore has been created out of the Government of India's share of LIC's valuation surplus for meeting the expenditure on the add-on benefit of granting scholarship to the children of the beneficiaries. The scheme is being operated by LIC of India.

7.5 General Insurance Corporation of India

General Insurance Corporation of India (GIC-Re) was approved as 'Indian Reinsurer' on 3rd November, 2000. As an Indian Reinsurer, GIC has been giving reinsurance support to four public sector and other private general insurance companies. It continues its role as a reinsurance facilitator by managing Marine Hull Pool & Terrorism Pool on behalf of Indian insurance industry. As per the directive of IRDA, Indian Motor Third Party Insurance Pool has been set up by all General Insurers in India to collectively service commercial vehicle third party insurance business and the Corporation has been selected as the pool administrator. The reinsurance programme of GIC aims at optimizing the retention within the country and developing adequate reinsurance capacity.

During the year 2006-07, the net premium of the Corporation has grown to Rs.6,420.87 crore as against Rs.4,234.88 crore in 2005-06. The net incurred claims were at Rs.3,622.71 crore in 2006-07 as compared to Rs.4,573.07 crore in the previous year, a decrease of 20.78%. The Corporation has recorded profit after tax of Rs.1,531.34 crore for 2006-07 as against Rs.598.52 crore in 2005-06. The Corporation declared a dividend of 72% for the year amounting to Rs. 309.60 crore.

Public Sector General Insurance Companies

After de-linking from GIC, the four general insurance companies namely National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited, and United India Insurance Company Limited formed an Association known as 'General Insurers' (Public Sector) Association of India (GIPSA) with its headquarters at New Delhi. The four companies have a network of 97 Regional Offices, 1,384 Divisional Offices, 2,793 Branch Offices (including Extension Counters and Micro Offices). The companies also have 43 overseas offices spread over 29 countries.

The gross premium income of these companies during 2006-07 was Rs.17,283 crore as against Rs.15,976 crore during 2005-06 representing a growth of 8.18%. The net worth of these four companies as on 31st March, 2007 stood at Rs.12,190 crore (Rs.9,715 crores). Profit after tax for the year 2006-07 increased to Rs.2,904 crore from Rs.1,311 crore in 2005-06. The companies have paid a total dividend of Rs.581 crore (Rs.266 crore) to the Government. The market share of these companies stood at 65.28% in 2006-07 as against 73.66% in 2005-06.

7.6 Universal Health Insurance Scheme (UHIS):

The four public sector general insurance companies have been implementing Universal Health Insurance Scheme for improving the access of health care to poor families. The scheme provides for reimbursement of medical expenses upto Rs.30,000/- towards hospitalization floated amongst the entire family, death cover due to an accident for Rs.25,000/- to the earning head of the family and compensation due to loss of earning of the earning member @ Rs.50/- per day upto maximum of 15 days. The Universal Health Insurance Scheme (UHIS) has been redesigned targeting only the BPL families. The premium subsidy has been enhanced from Rs.100 to Rs.200 for an individual, Rs.300 for a family of five and Rs.400 for a family of seven without any reduction in benefits.

7.7 Agriculture Insurance Company of India Limited (AICIL)

Agriculture Insurance Company of India Limited (AICIL) was established on 20th December, 2002 to promote crop insurance business and to protect the farmers against the crop losses suffered due to natural calamities. General Insurance Corporation of India (GIC), NABARD and four public sector general insurance companies have contributed towards the share capital of the Company. The authorized capital of the company is Rs.1500 crore with initial paid-up capital of Rs.200 crore. The company's head office is located in New Delhi. The Company having received approval from Insurance Regulatory& Development Authority (IRDA) commenced its business operations w.e.f 1st April, 2003.

National Agricultural Insurance Scheme (NAIS): The Government of India introduced the scheme from Rabi 1999-2000 season to protect the farmers against losses suffered by them due to crop failure on account of natural calamities such as drought, flood, hailstorm, cyclone, fire, pest / diseases etc. so as to restore their credit worthiness for the ensuing season. The scheme is currently implemented by Agriculture Insurance Company of India (AICIL). The scheme is available to all the farmers, loanee and non-loanee, irrespective of size of their holding. The scheme covers all food crops (cereals, millets and pulses) and oil seeds. Annual horticultural / commercial crops presently covered under NAIS are sugarcane, potato, cotton, ginger, onion, turmeric, chilly, jute, tapioca, annual banana, pineapple, jeera, garlic, cumin coriander and isabgol. Other annual horticultural / commercial crops can also be covered under NAIS, subject to the availability of the past yield data. For Kharif crops, the premium rates for Bajra and Oilseeds are 3.5% of the sum insured or actuarial rates, whichever is less, while for cereals and other millets and pulses, the premium rates are 2.5% of the sum insured or actuarial rates, whichever is less. For Rabi crops, the premium rates for wheat is 1.5% of the sum insured or

(Rs in crore)

Table 5.8

S.No	Particulars	Kharif – '05	Rabi 05-06	Kharif '06	Rabi 06-07
1	Farmers covered	1,26,74,080	40,48,524	1,29,33,813	49,77,950
2	Sum Insured	1,3517.25	5,071.66	14,759.11	6,592.82
3	Premium	449.86	104.82	467.28	142.87
4	Claims Paid	1,059.94	337.00	1,658.59	118.12
5	Claims Payable	0.00	130.38	113.08	358.85

actuarial rates, whichever is less, while for other cereals and millets and pulses, the premium rates are 2% of the sum insured or actuarial rates, whichever is less. At present, 10% subsidy on premium is available to small & marginal farmers. NAIS is presently being implemented in 23 States and 2 Union Territories namely, Andhra Pradesh, Assam, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Andaman & Nicobar Islands and Puducherry.

The performance under National Agricultural Insurance Scheme (NAIS) during 2005-06, and 2006-07 covering four seasons is given in the Table 5.8.

Weather Based Crop Insurance: Weather Based Crop Insurance aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters like rainfall, temperature, frost, humidity etc.

While crop insurance specifically indemnifies the cultivator against shortfall in crop yield, Weather Based Crop Insurance is built upon the fact that weather conditions affect crop production even when a cultivator has taken all the care to ensure good harvest. Historical correlation studies of crop yield with weather parameters helps in developing weather thresholds (triggers) beyond which crop starts getting affected adversely. Payout structures are developed to compensate cultivators to the extent of losses deemed to have been suffered by them using the weather triggers. In other words, Weather based Crop Insurance uses weather parameters as 'proxy' for crop yields in compensating the cultivators for deemed crop losses. Pursuant to the budget proposals of 2007-08 of the Finance Minister, AICIL introduced a Pilot Weather Based Crop Insurance Scheme (WBCIS) in Karnataka during Kharif 2007 season, covering 70 Hoblis and eight rain-fed crops. In this introductory phase 44,500 farmers, 50,000 hectares of land were covered with a Sum Insured of Rs. 50 crore and premium generation of Rs.7.03 crore. During the Rabi season, the scheme is being implemented in the states of Rajasthan, Chhatisgarh, Madhya Pradesh and Bihar.

Varsha Bima and Rainfall Insurance: Varsha Bima gives a payout against deficit rainfall whereas Rainfall Insurance was designed covering both deficit & excess rainfall. These schemes provide for crop-stage-specific adverse deviations in rainfall with flexible premiums. Maximum liability is linked to cost of cultivation that varies from crop to crop. The schemes allow for speedy settlement of claims, say within 4 – 6 weeks after the insurance period.

Inspection by various Parliamentary Committees

Details of the various Parliamentary Committees' visit to the Insurance Companies are as under:

National Insurance Company Limited – The Parliamentary Committee on Empowerment of Women visited their office at Kolkata on 25th and 26th May, 2006. The Parliamentary Committee on Implementation of Official language visited their Leh Office on 20.06.2006, Pune office on 29.12.2006 and Tirupati office on 01.01.2007.

United India Insurance Company Limited – The Parliamentary Committee on Empowerment of Women visited their Head Office on 10.01.2007 and had interaction with women employees followed by informal discussion with the management team on the subject "Insurance Scheme for women and working condition of women employees in Insurance Sector".

Oriental Insurance Company Limited– The Parliamentary Committee for Empowerment of Women visited Chennai office of Oriental on 5th and 6th July, 2007. The Parliamentary Committee on Implementation of Official language visited Pune office (29.12.2006) Hyderabad (02.01.2007) Kottayam (13.01.2007). Parliamentary Standing Committee on Finance visited their Ahmedabad office on 3rd July, 2006.

New India Assurance Company Limited– The Parliamentary Committee on Implementation of Official language visited their Srinagar Office on 3rd July, 2006. Parliamentary Standing Committee on Finance visited their Ahmedabad office on 3rd July, 2006.

Life Insurance Corporation of India: The Parliamentary Committee on Papers Laid on the Table of Parliament visited Mumbai on 15th November 2007.

Table 5.9				
Company	Grievance Outstanding as on 1.4.2006	Grievance Reported in 2006-07	Grievances Redressed in 2006-07	Grievances Outstanding as on 31.3.2007
National	188	2485	2,425(90.72%)	248
New India	462	1296	1,237(70.36%)	521
Oriental	201	2037	2,114(94.45%)	124
United India	439	971	1,068(75.74%)	342

7.8 Redressal of Public Grievances

In LIC of India, the trained personnel viz. Customers Relation Executives in the Branch Offices and Customers Relation Managers in the Divisional Offices deal with the complaints from the policy holders, agents, other offices and government agencies. Grievance Cells at all offices have been functioning effectively to attend to the grievances of the customers. The aggrieved can meet the Grievance Redressal Officers for settlement of their problems without prior appointment. The names of Grievance Redressal Officers are also published in leading newspapers for wide publicity.

The Head Office and Regional Offices of public sector non-life insurance companies have set-up separate Grievances Redressal Departments headed by officer experienced in customer services. During the period 2006-07, the performance of the companies is given in Table 5.9.

8. Priority Sector Lending and Lending to Women and Minorities

8.1 Priority Sector Lending

All domestic Scheduled Commercial Banks (excluding Regional Rural Banks) are required to lend at least 40 per cent of their Adjusted Net Bank Credit (ANBC) to the priority sector. Within this overall target banks are required to lend 18 per cent of ANBC to agriculture sector and 10 per cent of ANBC to the weaker sections.

The outstanding priority sector advances of Public Sector Banks (PSBs) increased from Rs.4,09,748 crore as on the last reporting Friday of March 2006 to Rs.5,21,180 crore as on the last reporting Friday of March 2007. Advances to agriculture by PSBs amounted to Rs.2,05,091 crore, constituting 15.6 per cent of NBC as on the last reporting Friday of March, 2007.

Sector-wise break up of priority sector advances of PSBs as on the last reporting Friday of March 2007 is given at Annex-I. Bank-wise details of advances to agriculture and weaker sections are given at Annex-II.

8.2 Economic Empowerment of Women

Recognizing the problems being faced by women in India in reaching out to the formal banking system and in order to improve the credit delivery to women, the Public Sector Banks (PSBs) were advised in December, 2000 to implement a 13 Point Action Plan under which the banks were advised, inter-alia, to earmark 5% of their net bank credit (NBC) for lending to women by March 2004.

The banks have been making all-out efforts by redefining their policies/long-term plans by taking into account women's credit requirements. The credit to women at 2.36% of net bank credit at the end of March 2001 has increased to 4.95% at the end of March 2007. There has also been progress in regard to establishment of women cells at bank's Head Offices and at some branches, simplification of procedural formalities, orientation of bank officers/staff on gender issues, launching awareness programmes/publicity campaigns about schemes available for women, conducting entrepreneurship development programmes for women, strengthening existing schemes, ensuring sanction of collateral-free loans, involving Non- Government Organisations(NGOs)/ Self Help Groups(SHGs) in providing credit facilities to women entrepreneurs, etc. Eight public sector banks have opened fifteen specialized branches for women as at the end of March 2007.

In various Government of India schemes for poverty alleviation and self employment viz. Swarna Jayanti Shahari Swarozgar Yojana(SJSRY), Swarna Jayanti Gram Swarozgar Yojana(SGSY), Prime Minister's Rozgar Yojana (PMRY), etc. either a certain share has been allocated to women entrepreneurs or preference is being given to them by the PSBs.

Another important channel for reaching bank credit to the women is Self Help Groups (SHGs). As on 31 March 2007, 29,24,973 SHGs had been linked to the banking system involving cumulative bank credit of Rs.18040.74 crore. About 90% of this credit has gone to women members of SHGs.

Particulars of Credit to women are given at Annex-III(i), Annex-III(ii) and Annex-III(iii).

8.3 Prime Minister's New 15 Point Programme for the Welfare of Minorities:

In order to ensure improved financial services for the welfare of minorities, Reserve Bank of India(RBI) issued a Consolidated Master Circular dated 5.7.2007 to all the Scheduled Commercial Banks(SCBs) advising them to take care to see that minority communities secure, in a fair and adequate measure, the benefits flowing from various Government sponsored special programmes. This Master Circular also envisages creating a separate cell in each bank to ensure smooth flow of credit to minority communities and also covers the role of the lead bank in the 121 districts identified for purpose of earmarking of targets and location of development projects under the Prime Minister's New 15 Point Programme for the welfare of minorities. Minority Communities have also been included in the category of "Weaker Sections" for availing credit within the Priority Sector advances.

In October, 2007 Public Sector Banks (PSBs) have been directed to step up lending to minorities from the existing level of 9% of total priority sector advances to 15% over the next three years, i.e., upto the end of FY 2009-10.

9. Representation of Scheduled Castes/ Scheduled Tribes/Other Backward Classes/ Ex-Servicemen/Physically Handicapped in Public Sector Banks/Financial Institutions/ Insurance Companies.

Banks and Financial Institutions

The representation of SCs/STs, OBCs, Ex-Servicemen and Physically Handicapped persons in 19 Nationalised Banks, State Bank of India and its Associate Banks, Reserve Bank of India, Industrial Development Bank of India, National Bank

Table 5.9(a): Scheduled Castes/Scheduled Tribes/Other Backward Classes

Category	Total No. of Employees	No. of Employees belong to		
		SC	ST	OBCs*
Officers	268513	43694	15740	8585
Clerks	404375	51778	16344	10335
Sub-Staff	136518	117903	8006	10863
Sweepers	42644	22750	2933	4184
TOTAL	852050	236125	43023	33967

**Employed after 08.09.1993*

Table 5.10: Ex-Servicemen

Category	Total No. of Ex-Servicemen
Officers	2003
Clerks	9674
Sub-Staff	30193
Sweepers	293
TOTAL	**42163**

Table 5.11: Physically Handicapped

Category	Visually Handicapped	Hearing Impaired and Dumb	Orthopedically Handicapped	Total
Officers	2404	100	125	2629
Clerks	3851	688	536	5075
Sub-Staff	1401	226	153	1780
Sweepers	257	62	31	350
TOTAL	**7913**	**1076**	**845**	**9834**

for Agriculture and Rural Development, Export Import Bank of India, National Housing Bank and Small Industries Development Bank of India as on 31.12.2007 was as under:-

9.1 Public Sector Insurance Companies

In consonance with the National Policy on reservations for SC/ST/OBC, LIC, GIC and Non-Life Insurance Public Sector Insurance Companies have rules which allow concession and relaxation for the candidates belonging to these categories in recruitment and promotion, wherever applicable. The special coaching for SCs/STs employees were also conducted by the companies in order to enable the reserved category employees to acquire knowledge so that they will be able to give a better account of themselves in written test as well the interview.

In compliance of Department of Personnel and Training (DOPT)'s instructions, both Life and Public Sector Non-Life Insurance Companies had launched a 'Special Drive' to fill up the backlog vacancies reserved for Scheduled Caste/ Scheduled Tribes. Overall 98% of the backlog vacancies had been filled up. All out efforts are being made by Insurance Companies to fill up the remaining backlog vacancies.

Dr. Ambedkar Welfare Trust of GIC and Public Sector Non-Life Insurance Companies have been providing financial assistance and incentives to SC, ST and OBC employees with a view to promote their welfare. On behalf of the Trust, GIC arranged the training on Personality Development for SC/ST and OBC employees in Daman and Mumbai. Training was also imparted to 90 SC/ST/OBC employees in two batches. Various other welfare schemes were also implemented by the Trust for the benefit of SC/ST/OBC employees.

The Parliamentary Committee on the Welfare of SCs/STs Association visited Goa on 24th and 25th January 2007 in respect of National Insurance Company Limited (NICL) and Mumbai on 7th July 2007 in respect of New India Assurance Company Limited, to review the implementation of Government guidelines on reservation for and employment of SC/ST employees in these companies.

In pursuance of the Government guidelines each Insurance Company has a structured mechanism to look after the interest of SC/ST employees in service matters and in particular to ensure that the provisions contained in brochure of SCs/STs are strictly adhered to all over the country.

10. Implementation of Official Language Policy in the Department of Financial Services, Banks, Financial Institutions and Insurance Companies

Department of Financial Services ensures implementation of Official Languages Act, 1963 and Official Language Rules, 1976 as well as instructions received from Department of Official Language, Ministry of Home Affairs, from time to time, in the Department and also in 27 Public Sector Banks, Seven all India Financial Institutions, Reserve Bank of India (RBI) and Insurance Companies. The Quarterly Hindi Progress Reports of Department of Financial Services, Public Sector Banks, Financial Institutions and Insurance Companies are regularly reviewed.

An Official Language Implementation Committee is functioning in the Department of Financial Services. This Committee periodically reviews the progress made in the use of Hindi in RBI, Public Sector Banks and Financial Institutions and issues necessary instructions to take necessary measures for effective implementation of Official Language Policy and Annual Programme issued by Department of Official Language. These Banks and Financial Institutions send their quarterly progress reports regarding use of Hindi in their Head Offices to the Department of Financial Services. These progress reports are also reviewed in the meetings of Department of Financial Services' Official Language Implementation Committee. During 2007-08 four such meetings were held on 16.04.2007, 13.07.2007, 11.10.2007 and 21.01.2008 respectively. RBI, Public Sector Banks, Financial Institutions and Insurance Companies also have their own Official Language Implementation Committees which also meet regularly to review the progress made in the use of Hindi. In addition, Town Language Implementation Committees also monitor the progress of implementation of Official Language Policy in the Banks in different towns.

An Official Language Implementation Committee has also been constituted under the Chairmanship of Joint Secretary (Admn.) to review the work being done in Hindi in the Department of Financial Services. This Committee reviews periodically the progress made in the use of Hindi in the Department.

As a result of the reviews made at different levels, the use of Hindi for official purposes in Pubic Sector Banks, Financial Institutions and Insurance Companies has got accelerated. Letters received in Hindi are being replied to in Hindi and Section 3(3) of the Official languages Act, 1963 is being fully implemented. Forms and other procedural literature are also printed bilingually. The advertisements, press communiqués and public notices of all India coverage are issued bilingually by Public Sector Banks, Financial Institutions and Insurance Companies. Annual Reports and House Journals are also being published by Banks, Financial Institutions and Insurance Companies bilingually. In addition, Hindi magazines are brought out by several Banks.

Under the Rule 10(4) of the Official Language Rules, 1976 various Banks, Financial Institutions and Insurance Companies have notified their branches/offices. The Banks, Financial Institutions and Insurance Companies have also specified some of their departments or some sections in branches for doing their entire work in Hindi as required under Rule 8(4) of the Official Language Rules, 1976.

Consequent to the follow up action taken on the recommendations made by the Committee of Parliament on Official Language, training centres of Banks and Financial Institutions barring a few technical courses, are conducting their training courses either exclusively through Hindi medium or in mixed language of Hindi and English. Handouts and training material are also available both in Hindi and in English.

Banks, Financial Institutions and Insurance Companies in addition to publishing small glossaries and booklets containing provisions of Official Languages Act, 1963 and rules made there under, annual programme, specimen of Hindi letters, standard notes and drafts, also organize Hindi workshops to impart training for their staff for working in Hindi.

All papers which are required to be placed before Parliament, Parliamentary Committees, Monthly Summaries for the Cabinet and all Cabinet Notes are prepared bilingually in the Department of Financial Services.

Officers of Department of Financial Services inspected 9 head offices of Banks/Financial Institutions and insurance companies located at Delhi and outside Delhi during the year to have an assessment of the implementation of the various requirements of Official Language Policy.

Essay competitions were organized for different categories of employees and officers during the 'Hindi fortnight 2007'.

11. Implementation of the Right to Information Act 2005 in the Department of Financial Services

Under the Right to Information Act 2005 being implemented in the Department of Financial Services the Directors/Deputy Secretaries have been appointed as CPIOs, Under Secretaries/SROs as CAPIOs and the Economic Advisor as the Appellate Authority.

The Public Sector Banks, Financial Institutions, Public Sector Insurance Companies, Debt Recovery Tribunals (DRT) and Debt Recovery Appellate Tribunals (DRAT) are also public authorities under section 2(h) of the Right to Information Act, 2005. The data regarding the total number of applications/ appeals received under the RTI Act 2005 in the Public Sector Banks/Financial Institutions/Insurance Companies/DRTs/ DRATs as on 31.3.2007 have been uploaded on the website of the Central Information Commission.

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Table 5.12: Status of the Implmentation of the Common Minimum Programme (CMP) of the United Progressive Alliance

Sl. No.	CMP Extracts	Status
1	The UPA government will establish a National Commission to examine the problems facing enterprises in the unorganized, informal sector. The Commission will be asked to make appropriate recommendations to provide technical, marketing and credit support to these enterprises. A National Fund will be created for this purpose.	Ministry of Micro, Small and Medium Enterprises has constituted a National Commission on Enterprises in the Unorganized Sector/ Informal Sector, vide Government of India Resolution dated 20th September, 2004.
2	The UPA government will give the highest investment, credit and technological priority to the continued growth of agriculture, horticulture, aquaculture, flori-culture, forestation, dairying and agro-processing that will significantly add to the creation of new jobs.	An announcement was made on 18th June, 2004 to increase the flow of agriculture credit by 30% during the year, 2004-05 with a target of Rs.1,05,000 crore. The target of flow of credit to agriculture and allied activities was Rs.1,75,000 crore in 2006-07 and Rs.2,25,000 crore in 2007-08. Against these targets, the disbursement in 2006-07 (up to 31st March, 2007) was Rs.2,29,400 crore while the disbursement during the period 01.04.2007 to 31.12.07 was Rs.1,62,701 crore (provisional).
3	Along with vastly expanding credit facilities for small-scale industry and self-employment, the UPA government will ensure that the services industry will be given all support to fulfill its true growth and employment potential. This includes software and all IT-enabled services, trade, distribution, transport, telecommunications, finance and tourism.	In the Union Budget 2006-07, the Hon'ble Finance Minister has announced treatment to the small-scale enterprises in the service sector on par with the Small Scale Enterprises in the manufacturing sector.
4	The rural cooperative credit system will be nursed back to health. The UPA government will ensure that the flow of rural credit is doubled in the next three years and that the coverage of small and marginal farmers by institutional lending is expanded substantially. The delivery system for rural credit will be reviewed.	An announcement was made in the Budget 2004-05 to double the flow of credit to agriculture in the next three years. The disbursement of agricultural credit is expected to increase beyond the target of Rs.2,25,000 crore in 2007-08, which is substantially more than double the flow of agricultural credit of Rs.86,981 crore in 2003-04. The revitalization package for the short term cooperative credit structure involving a financial package of Rs.13,596 crore along with other recommendations relating to institutional and legal reforms have been announced for implementation. Punjab,Tamil Nadu, Tripura, Nagaland, Rajasthan, Orissa, Madhya Pradesh, Andhra Pradesh, Uttarakhand, Maharashtra, U.P., Gujarat, Haryana, Bihar, Chhattisgarh, Arunachal Pradesh and West Bengal have signed the MOU to implement the package. Further, 5 states and 3 Union Territories have given their consent to implement the package. The National Monitoring Committee has been reconstituted under the chairmanship of Secretary (FS) and has already held six meetings.

		The report of the Task Force on Revival of Long Term Co-Operative Credit Structure (LTCCS) has been received and the process of consultation has been initiated. In this regard an interactive meeting was also taken by the Finance Minister on 10.10.2007 with the Finance/Cooperative Ministers of the States. As decided in the meeting, a draft package for revival of LTCCS was prepared and sent to the concerned states. Subsequently, the Finance Minister took two more interactive meetings with the State Governments on 29.1.2008 and 21.02.2008 for finalizing the revival package.
5	Immediate steps will be taken to ease the burden of debt and high interest rates on farm loans.	The package announced in June 2004 includes relief measures for farmers such as (i) Debt rescheduling and fresh loans for distressed farmers. (ii) One time settlement for small and marginal farmers. (iii) Fresh finance for farmers whose earlier debts have been settled through compromise or write off. (iv) Relief measures for farmers indebted to non-institutional lenders. The progress in 2006-07 is as follows:A total of Rs. 5,957.33 crore was provided as debt relief to farmers in distress, farmers in arrears and one-time settlement for small and marginal farmers up to 31^{st} March, 2007). An interest subvention of 2 percent on the principal amount up to Rs. 1,00,000 each was provided to the farmers for the year 2005-06. The Government has decided to ensure that the farmers receive short term credit at 7 per cent, with an upper limit of Rs.3,00,000 on the principal amount with effect from Kharif, 2006. The Government provides interest subsidy to public sector banks, RRBs and Cooperative Banks to the extent of 2% and concessional refinance to RRBs and Co-operative Banks for this purpose.
6	Crop and livestock insurance schemes will be made more effective.	Ministry of Agriculture had constituted a Joint Group on 31^{st} August, 2004 to study improvement in existing crop insurance schemes. The Group has submitted its report. The Agriculture Insurance Company of India Ltd (AICIL) introduced a Weather Based Crop Insurance Scheme (WBCIS) in 5 states in the year 2007-08 on a pilot basis. The scheme envisages insurance protection against possible losses in crop yield resulting from adverse weather incidences. It provides pay-out against rainfall incidence (both deficit and excess) during Kharif and adverse incidence in weather parameters like frost, heat, relative humidity, unseasonal rainfall etc. during Rabi.
7	A national scheme for health insurance for poor families will be introduced.	Finance Minister, in his Budget 2004-05 speech, announced a health insurance scheme for the families living below poverty line. A subsidy of Rs.200/-, Rs.300/- and Rs.400/- per annum per family is provided to an individual, family of five and family of seven respectively. Accordingly, Public Sector Insurance Companies have launched Universal Health Insurance Scheme for coverage of BPL families.

		It is envisaged to cover all the BPL households in the country over a period of 5 years under a new plan (Rashtriya Swasthya Bima Yojana) of health insurance where the insurance premium shall be shared by the Central Govt. and the State Govt. in the ratio of 3:1. The scheme will provide health insurance to the extent of Rs. 30,000 on a floater basis for a family of 5 persons.
8	The UPA government will bring about a major expansion in schemes for micro-finance based on self-help groups, particularly in the backward and ecologically fragile areas of the country.	An indicative target of credit linking additional 5.85 lakh SHGs during the period upto March 31, 2007 was set in 2004-05 Budget. For 2006-07 it was decided to credit link 3.85 lakh SHGs. During the year 2006-07, 6.86 lakh SHGs were credit linked. As on 31.12.2007 a total of 30.229 lakh SHGs have been credit linked (cumulative figures since 1992) involving a bank loan of Rs.19,527.66 crore.
9	A major promotional package for the SSI sector will be announced soon. Infrastructure upgradation in major industrial clusters will receive urgent attention.	A "Policy Package for Stepping up Credit to Small and Medium Enterprises" was announced in August, 2005 in the Parliament with a minimum 20% year on year growth for credit flow to the SME Sector. The Micro, Small and Medium Enterprises Development Act, 2006 has been published in the Gazette of India on 16th June, 2006 by the Ministry of SSI to cater the needs of SME Sector.
10	Competition in the financial sector will be expanded. Public sector banks will be given full managerial autonomy. Interest rates will provide incentives both to investors and savers, particularly pensioners and senior citizens.	Policy and regulatory conditions are being reviewed on an on-going basis. Several measures for enhancing corporate governance and improving managerial autonomy for Public Sector Banks are being considered in consultation with Reserve Bank. Several efforts are being made to make interest rates more flexible. Special attention is being given to enhancing the credit at reasonable rates for agriculture and SMEs. Instructions have been issued on 22.2.05 to all Public Sector Banks for managerial autonomy. Further, Nationalised Banks have been granted autonomy in respect of appointment of statutory auditors. The banks have been granted options as under: i) Public Sector Banks may obtain the names of Statutory Central Auditors (SCA) and Branch Auditors directly from the Comptroller and Auditors General of India (C & AG) and Institute of Chartered Accountants of India (ICAI) respectively and appoint them with the prior approval of Reserve Bank of India. **OR** ii) The present practice may be followed and the Reserve Bank of India may appoint the SCAs in consultation with the Government of India. However, the norms of remuneration of SCAs and Branch Auditors shall continue to be prescribed by the RBI. RBI will also continue prescribing the norms for empanelment

		of SCAs and Branch Auditors in respect of public sector banks.
11	In addition, a social obligation imposed by regulatory bodies on private banks and private insurance companies will be monitored and enforced strictly.	The Department has written to IRDA to closely monitor these obligations and send periodic reports to the Government. IRDA has formulated regulations providing for rural and social obligations on the part of the insurance companies and their compliance is monitored regularly. In so far as Private Sector Banks are concerned, RBI has issued a circular on 26th July, 2004 to all the domestic scheduled commercial banks reiterating their instructions on priority sector lending and advising them to take appropriate steps to increase the flow of credit to priority sector, agriculture and weaker sections. In addition to effectively monitoring the extension of priority sector advances by private sector banks and ensuring that they achieve the target of 40%, a plan of action to ensure doubling of rural credit through the banking system has been put in place and is being closely monitored.
12	Regulation of urban cooperative banks in particular and of banks in general will be made more effective.	A Bill to amend Banking Regulation Act, 1949 is pending for discussions in the Parliament.
13	LIC and GIC will continue to be in the public sector and will continue to play their social role.	LIC and GIC are continuing in the public sector.
14	Public sector companies and nationalized banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.	Since October, 2004, nine banks have come up with a follow on Public Issue. Additionally two nationalized banks have come up with their initial public offer and have become entities listed on the Stock Exchange.
15	All regulatory institutions will be strengthened to ensure that the competition is free and fair. These institutions will be run professionally.	Reserve Bank of India and Insurance Regulatory Development Authority are two regulatory institutions related to the Department of Financial Services. The position in respect of these two institutions are as under:- **i)** **Reserve Bank of India** has been enjoined with various statutory powers under Banking Regulation Act, 1949. These powers cover both regulatory framework and supervisory mechanism under the above Act. While the regulatory framework refers to policy framework to be followed by banks, the supervisory mechanism refers to mechanism to ensure bank's compliance with policy prescriptions. RBI has been performing the role of a regulator and as envisaged in the Banking Regulation Act, 1949 and RBI Act, 1934. **ii)** **Insurance Regulatory Development Authority (IRDA).** IRDA Act was enacted in the year 1999. IRDA consists of a Chairperson, 5 whole-time and 4 part time members. Out of 4 whole time members, 3 have to be necessarily from Life, General and Actuarial sides.

		To ensure free and fair competition in the market, IRDA has enacted 37 regulations. IRDA periodically monitors the observance of these.
16	Competition in the financial sector will be expanded. Public Sector will be given full managerial autonomy.	Detailed guidelines have been issued by RBI on 28.2.2005 on **'Ownership and Governance of private sector banks' and 'Roadmap for foreign banks presence in India'.** To increase the FDI limit in the Insurance Sector, necessary amendments in the Insurance Act, 1938 are under consideration. A Note has been prepared, which is under consideration of the Group of Ministers. Necessary consultations are on with RBI, Indian Banks Association and IRDA for enhancing competition in the financial sector. As regards Managerial Autonomy a package was announced in February, 2005 granting more powers to the PSBs on various operational issues and additional autonomy/powers have been granted to Board of Directors of stronger banks exhibiting good performance.

Annex-I

Advances to the Priority Sectors by Public Sector Banks (PSBs) (As on the last reporting Friday of the Month/Year below)

Sector	No. of Accounts (in lakh)				Accounts Outstanding (Rs.crore)			
	March 2004	March 2005	March 2006	March 2007@	March 2004	March 2005	March 2006	March 2007@
1	2	3	4	5	6	7	8	9
Agriculture	190	202	238	253	84,435(15.1)	1,09,917(15.3)	1,55,220(15.3)	2,05,091(15.6)
(i) Direct	187	195	221	235	62,170(11.1)	83,038(11.6)	1,12,126(11.0)	1,46,941(11.2)
(ii) Indirect	3	7	17	18	22,265(4.0)	26,879(3.7)	43,093(4.2)	58,150(4.4)
Small-scale Industries	17	14	17	20	58,311(10.3)	68,000(9.5)	82.434(8.1)	1.04,703(8.0)
Other priority sector advances	89	89	92	102	96.170(17.1)	1,25,114(17.4)	1,63,756(16.1)	2,01,023(15.3)
Total priority sector advances #	301	314	358	391	2,44,456(43.6)	3,07,046(42.8)	4,09,748(40.3)	5,21,180(39.6)
Net Bank Credit	_	_	_	_	5,60,819	7,17,419	10,17,656	13,17,705

@ : Provisional

 # : Inclusive of advances for setting up industrial estates, loans to small road and water transport operators, housing loans, education loans and loans to software industries, food and agro-processing sector, self-help groups, venture capital, etc.

Note : Figures in brackets represent percentages to net bank credit.

Source: RBI

Annex – II

Advances of Public Sector Banks to Agriculture and Weaker Sections
(As on the last reporting Friday of March 2007)

(Amount in Rs.crore)

Sr. No.	Name of the Bank	Direct Agricultural Advances		Indirect Agricultural Advances		Total Agricultural Advances		Weaker Sections		Total Priority Sector Advances	
		Amount	% to NBC	Amount	% to NBC	Amount	% to NBC	Amount	% to NBC	Amount	% to NBC
1	2	3	4	5	6	7	8	9	10	11	12
	Public Sector Banks	**1,46,941.33**	**11.2**	**58,149.63**	**4.4**	**2,05,090.96**	**15.6**	**94.284.88**	**7.2**	**5,21,180.24**	**39.6**
	Nationalised Bank	**97,888.58**	**11.0**	**43,783.71**	**4.9**	**1,41,672.29**	**16.0**	**63,111.50**	**7.1**	**35,441.00**	**39.9**
1.	Allahabad Bank	5,764.00	13.8	1,928.00	4.6	7,692.00	18.3	2,759.00	6.6	16,554.00	39.6
2.	Andhra Bank	4,506.52	16.2	643.26	2.3	5,149.78	18.5	2,649.19	9.5	11,427.23	41.1
3.	Bank of Baroda	7,113.63	11.4	3,252.76	5.2	10,366.39	15.9	4,675.64	7.5	25,290.84	40.6
4.	Bank of India	8,482.00	13.9	2,807.00	4.6	11,289.00	18.4	6,177.00	10.1	28,735.00	47.1
5.	Bank of Maharashtra	2,178.93	9.5	1,705.19	7.4	3,884.12	14.0	1,202.27	5.2	9, 575.78	41.7
6.	Canara Bank	10,553.00	11.2	4,968.00	5.3	15,521.00	15.7	5,613.00	6.0	37,844.00	40.2
7.	Central Bank of India	5,853.98	11.3	3,397.91	6.6	9,251.89	15.8	3,716.50	7.2	22,495.75	43.6
8.	Corporation Bank	1,338.77	4.7	1,282.97	4.5	2,621.74	9.2	946.43	3.3	11,563.947	40.6
9.	Dena Bank	1,945.49	10.7	1,399.21	7.7	3,344.70	15.2	904.07	5.0	7,629.03	42.0
10.	Indian Bank	4,657.16	17.3	998.92	3.7	5,656.08	21.0	3,098.23	11.5	13,334.96	49.4
11.	Indian Overseas Bank	6,020.37	14.2	1,869.85	4.4	7,890.22	18.7	4,329.04	10.2	17,290.14	40.9
12.	Oriental Bank of Commerce	2,867.06	6.6	2,865.22	6.6	5,732.28	11.1	1,965.80	4.5	15 ,955.20	36.5
13.	Punjab National Bank	13,829.00	14.4	4,742.00	4.9	18,571.00	18.9	10,511.00	11.0	40,197.00	41.9
14.	Punjab & Sind Bank	1,356.62	11.5	1,145.50	9.7	2,502.12	16.0	653.40	5.6	5,032.38	42.8
15.	Syndicate Bank	5,969.89	12.9	2,079.71	4.5	8,049.60	17.4	4,666.58	10.1	18,441.36	39.9
16.	Union Bank of India	7,380.71	12.3	3,294.05	5.5	10,674.76	16.8	4,130.90	6.9	26.648.53	44.4

Sr. No.	Name of the Bank	Direct Agricultural Advances		Indirect Agricultural Advances		Total Agricultural Advances		Weaker Sections		Total Priority Sector Advances	
		Amount	% to NBC	Amount	% to NBC	Amount	% to NBC	Amount	% to NBC	Amount	% to NBC
1	2	3	4	5	6	7	8	9	10	11	12
17.	United Bank of India	1,730.00	7.5	1,010.00	4.5	2,713.00	12.0	1,808.32	8.0	9,416.00	41.7
18.	UCO Bank	4,081.00	9.4	2,073.00	4.8	6,154.00	13.9	1,719.00	4.0	17,466.00	40.4
19.	Vijaya Bank	1,927.21	7.9	1,303.42	5.4	3,230.63	12.4	1,397.89	5.8	9,957.05	41.0
20.	IDBI Ltd.	360.24	0.6	1,017.74	1.6	1,377.98	2.2	188.24	0.30	9,556.51	15.2
	State Bank Group	**49,052.75**	**11.4**	**14,365.92**	**3.3**	**63,418.67**	**14.8**	**31,173.38**	**7.3**	**1,66,769.54**	**38.8**
21.	State Bank of India	32,036.15	11.1	9,625.17	3.4	41,661.32	14.5	21,717.00	7.6	1,10,373.07	38.4
22.	State Bank of Bikaner & Jaipur	2,982.80	14.5	771.79	3.8	3,754.59	18.3	2,113.82	10.3	8,420.78	41.0
23.	State Bank of Hyderabad	3,283.45	11.9	515.20	1.9	3,798.65	13.7	1,954.39	7.1	11,295.12	40.8
24.	State Bank of Indore	2,014.58	13.1	629.98	4.1	2,644.56	17.2	1,540.09	10.0	6,153.06	40.0
25.	State Bank of Mysore	1,736.73	11.0	444.21	2.8	2,180.94	13.8	1,539.97	9.7	6,062.88	38.3
26.	State Bank of Patiala	3,200.00	11.3	1,291.00	4.6	4,491.00	15.8	321.00	1.1	10,310.00	36.3
27.	State Bank of Saurashtra	1,521.04	14.2	415.57	3.9	1,936.61	18.1	727.11	6.8	4,522.63	42.2
28.	State Bank of Travancore	2,278.00	9.7	673.00	2.9	2.951.00	12.6	1,260.00	5.4	9,632.00	41.0

Notes: Data is provisional
NBC-net bank credit
Indirect agriculture is reckoned up to 4.5 percent of net bank credit for calculation of percentage of agriculture.

Source: *RBI*

Annex – III(i)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2007

(Amt. in Lakhs)

Name of the Bank	Net Bank Credit	Credit to Women			Of Credit to Women				Of the credit to Women under Priority Sector							
					Under P/S		Under Non P/S		Under Mircro Credit		Under SSI		Under Govt. sponsored prog.		Others	
		No. of A/cs	Amt. O/s	% to NBC	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s
All bad	4230015	246253	168225.00	3.97	189533	129959.00	56720	38266.00	14653	4965.00	19624	27833.00	69396	14990.00	85860	82171.00
Andhra Bk	2823255	333830	169687.00	6.01	255858	113217.00	77972	56470.00	113471	53124.00	2792	9744.00	65182	13532.00	74413	36817.00
BOB	6223502	341321	319265.65	5.13	259702	225193.04	81619	94072.61	27341	9349.76	4761	3145.45	61801	18893.51	165799	193804.32
BOI	6962497	370038	443115.00	6.36	270585	243261.00	99453	199854.00	165794	79469.00	7384	43580.00	83596	36737.00	97406	120211.00
BOMah	2322922	140043	118717.45	5.11	81426	75279.70	58617	43437.75	10181	5191.97	985	1022.64	41825	15541.13	28435	53523.97
Can Bk	9410500	761501	604500.00	6.42	638619	422200.00	122882	182300.00	39135	21900.00	8994	60200.00	87362	24000.00	503128	316100.00
C B I	5165100	366215	269960.00	5.23	279122	158936.00	87093	111024.00	80310	33610.00	9220	17886.00	117395	44429.00	90794	66665.00
Corp Bk	2967300	93831	114227.28	3.85	65241	78610.87	28590	35616.41	8510	10184.16	1074	4334.13	7714	3672.00	49459	61525.54
Dena Bk	1815139	77296	69481.00	3.83	51569	48968.00	25727	20513.00	4083	4816.00	1453	1200.00	33949	12119.00	12084	30833.00
Ind Bk	2728681.1	386708	173288.85	6.35	289352	122882.80	97356	50406.05	92492	56920.40	1006	3505.58	11466	13863.69	184388	48593.13
I O BK	4383454	433410	226963.00	5.18	317409	135975.00	116001	90988.00	126704	52125.00	3123	13598.00	78304	31726.00	109278	38526.00
O B C	4375092	109354	211896.47	4.84	84504	142454.17	24850	69442.30	12514	2710.45	2460	33271.62	19766	6944.80	49764	99527.30
P N B	9595300	643946	486135.00	5.06	492429	340055.00	151517	146080.00	36879	18142.00	26452	36565.00	200999	61138.00	219181	188325.00
P &S Bk	1176863	41387	63929.00	5.43	25900	31895.00	15487	32034.00	2015	1309.00	1073	4734.00	12390	5716.00	10422	20136.00
Synd Bk	4621571	436503	285973.00	6.19	306315	189535.00	130188	96438.00	36439	21111.00	2425	10278.00	19643	7315.00	247808	150831.00
U B I	5995923	386407	300612.31	5.01	347782	246154.46	38625	54457.85	56660	20522.31	7621	40521.09	79888	25697.24	203613	159413.82
United Bk	2260301	319470	137968.26	6.10	259866	88335.59	59604	49632.67	86904	10959.11	27054	9413.53	107576	20401.04	45564	41108.60
UCO Bk	4327133	231306	158148.82	3.65	196810	108285.32	34496	49863.50	45467	14980.96	5429	4965.52	86754	26193.13	59160	62145.71
Vijaya Bk	2437856	146653	124230.15	5.1	116379	82409.69	30274	41820.46	18059	9523.22	4760	5288.68	19122	6630.28	74438	60967.51
S B I	28806600	1618120	1442582.00	5.01	1166057	875549.00	452063	567033.00	364339	237192.00	175012	205229.00	285286	110021.00	716457	584269.00
S B B J	2068651	117618	111867.27	5.41	80925	68537.39	36693	43329.88	10514	4256.84	2755	3281.84	21391	4631.21	46265	56367.50
S B Hyd	2807102	342860	146806.00	5.23	215190	88143.00	127670	58663.00	134907	49686.00	2095	10105.00	24829	9825.00	53359	18527.00
S B Indore	1548652	63365	77315.06	5	43560	45695.20	19805	31619.86	843	2596.18	2668	4188.64	26925	10972.74	13124	27937.67
S B My	1584378	104395	81856.00	5.17	61185	42515.00	43210	39341.00	20686	4829.00	4203	1286.00	29634	28527.00	6662	7873.00
S B Patl	2872017	44374	56742.20	1.98	36711	45236.43	7663	11505.77	2826	1102.16	2693	5326.24	11466	14812.11	19726	23995.92
S B Sau	1070767	56452	64148.00	5.99	30484	38489.00	25968	25659.00	1219	107.00	3658	6437.00	7010	2694.00	18595	29251.00
S B Tra	2348195	149035	151225.00	6.44	99387	101685.00	49648	49540.00	36803	23954.00	16694	27515.00	19499	16815.00	26391	33401.00
IDBI	6271200	17763	17560.00	0.28	13478	13276.00	4285	4284.00	474	277.00	866	2396.00	8892	2124.00	6661	1476.00
Total	**133199966**	**8379454**	**6596424.77**	**4.95**	**6275378**	**4302732.66**	**2104076**	**2 293692.11**	**1550222**	**754913.52**	**348334**	**596850.96**	**1639060**	**589960.88**	**3218234**	**2614322.99**

Source: *RBI*

Annex – III(ii)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2007

(Amt. in Lakhs)

Name of the Bank	Of the Credit to Women Under Non-Priority				Credit Extended under different Government Sponsored Programmes											
	Under Medium & Large Industries		Others		PMRY						SJSRY					
					Total Outstandings		Against Women		Percentage		Total Outstandings		Against Women		Percentage	
	No.of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s
Alh,bk	311	6814	49834	23883	61540	40275	4924	3375	8	8.38	18425	4810	5542	1510	30.08	31.39
Alh,bk	92	1836.00	56628	36430.00	63689	43466.00	5421	3795.00	8.51	8.73	19735	5178.00	5894	1708.00	29.86	32.98
Andhra	52	9442.00	77920	47028.00	33142	14920.00	8313	4218.00	28	28	12928	2604.00	3117	712.00	24	27
BOB	0	0.00	81619	94072.61	71047	30596.80	10464	3950.29	14.73	12.91	23797	5162.53	6073	1222.34	25.52	23.68
BOI	179	24047.00	99274	175807.00	77091	37136.00	10355	4639.00	13.43	12.49	23644	5878.00	6484	1952.00	27.42	33.21
BkOMah	10	75.53	58607	43362.22	35395	15113.30	6054	2523.58	17.1	16.69	8013	1728.39	2544	417.46	31.74	24.15
Can Bk	1124	10200.00	121758	172100.00	76111	34345.00	43952	13501.00	57	40	13335	3518.00	5317	1441.00	40	41
C B I	1790	19963.00	85303	91061.00	114153	70214.00	19296	11325.00	16.9	16.13	42557	13887.00	8564	3265.00	20.12	23.51
Corp Bk	3	39.41	28587	35577.00	15776	7587.09	3653	1687.90	23.16	22.25	2721	593.34	1231	267.25	45.24	45.04
Dena Bk	12	387.00	25715	20126.00	24262	9168.00	4102	1412.00	16.91	15.4	8577	1387.00	2421	296.00	28.23	21.34
Ind Bk	0	0.00	97356	50406.05	9597	4017.25	2560	837.52	27	21	448	123.60	202	42.92	45	35
I O BK	71	9065.00	115930	81923.00	42966	18030.00	12030	5769.00	28	32	8055	1778.00	4510	996.00	56	56
O B C	96	9191.51	24754	60250.79	29949	13649.01	4738	2513.27	15.82	18.41	7209	1558.49	1986	477.21	27.55	30.62
P N B	78	3200.00	151439	142880.00	144956	64742.00	12991	10336.00	9	16	34777	9115.00	8400	2093.00	24	23
P &S Bk	8	394.00	15479	31640.00	18803	11193.00	3522	2378.00	18.73	21.25	2773	971.00	662	301.00	23.87	31
Synd Bk	272	2652.00	129916	93786.00	41489	19469.00	6083	2626.00	15	14	9583	5402.00	2571	1048.00	27	19
U B I	457	6414.59	38168	48043.26	79818	46104.82	15025	7974.43	19	17	22504	5460.29	7298	1709.45	32	31
United Bk	349	3151.60	59255	46481.07	39284	21498.55	8189	4474.55	20.85	20.81	5590	1443.27	1694	355.14	30.3	24.61
UCO Bk	27	561.51	34469	49301.99	54376	35012.38	12084	5221.02	22.22	14.91	114611	4105.85	3766	1164.60	25.78	28.36
Vijaya Bk	0	0	30274	41820.46	22775	11042.71	5938	3081.60	26.07	27.91	6047	1803.68	2092	605.89	34.6	33.59
S B I	25483	193552.00	426580	373481.00	349054	171606.00	58555	26040.00	16.76	15.17	97072	46439.00	24583	11013.00	25.32	23.71
S B B J	23	5016.39	36670	38313.49	30057	12124.54	2309	916.05	7.68	7.55	21910	4144.68	5101	927.50	23.28	22.38
S B Hyd	2280	2807.00	125390	55856.00	57200	25113.00	12584	4814.00	22	19.17	7522	2279.00	1795	735.00	23.86	32.25
SB Indore	1869	3108.24	17936	28511.62	25362	12177.74	5426	2791.90	21	23	14847	3898.48	2595	980.98	17	25
S B My	266	4106.00	42944	35235.00	33285	22083.00	5172	4637.00	15.53	20.99	10069	4349.00	1562	915.00	15.51	21.03
S B Patl	67	198.23	7596	11307.54	15647	7327.00	2992	1363.48	19.12	18.61	3596	1324.00	1283	527.33	35.67	39.82
S B Sau	14283	12316.00	11685	13343.00	21318	3131.00	2804	350.00	13.15	11.17	9205	9041.00	1542	1616.00	16.76	17.87
S B Tra	221	23816.00	49427	25724.00	21855	14515.00	8346	5528.00	38	38	5853	4825.00	1864	3259.00	32	68
IDBI	0	0	4285	4284.00	6358	2559.00	1132	460.00	17.8	17.98	2309	427.00	710	106.00	30.75	24.82
Total	**49112**	**345540.01**	**2054964**	**1948152.10**	**1554815**	**777941.19**	**294090**	**139163.59**			**539287**	**148424.60**	**115861**	**40154.07**		

Source: *RBI*

Annex – III(iii)

Statement Showing Particulars of Credit to Women in the Books of Public Sector Banks for the Quarter Ended March 2007

(Amt. in Lakh)

Name of the Bank	Credit extended under different Govt. sponsored programmes												Of total credit to women Non-Perorrming Assets		
	SGSY						Others								
	Total Outstandings		Against Women		Percentage		Total Outstandings		Against Women		Percentage				
	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	% of NPA to toal credit to Women
Alh,bk	74872	28132.00	25605	5200.00	34.19	18.48	123199	11854.00	32474	4287.00	26.36	36.16	17626	12631.00	7.51
Andhra	33109	6140.00	13612	3386.00	41	55	106812	24175.00	40140	5216.00	38	21	2572	6241.00	3.68
BOB	42588	10200.04	13240	2962.56	31.09	29.04	111313	57581.60	32024	10758.32	28.77	18.68	17181	7525.86	2.36
BOI	139160	30611.00	35005	10992.00	25.15	35.91	299326	117272.00	31752	19154.00	10.61	16.33	25896	18732.00	4.23
BOMah	22842	7265.63	4873	1004.42	21.33	13.82	227323	126731.10	28354	11595.67	12.47	9.14	19954	5403.13	4.55
Can Bk	31517	11173.00	25980	5215.00	82	47	14592	6798.00	12113	3827.00	83	56	72433	19700.00	3.26
C B I	149958	45035.00	42771	14711.00	28.52	32.67	208214	66874.00	46764	15128.00	22.46	22.62	40227	16231.00	6.01
Corp Bk	3227	1144.41	1652	780.61	51.19	68.21	16152	24277.24	1178	936.24	7.29	3.86	13452	4676.76	4.09
Dena Bk	17382	3542.00	8237	838.00	47.39	23.66	34010	14784.00	19189	9573.00	56.42	64.75	14785	3857.00	5.55
Ind Bk	11740	3529.82	3693	790.13	31	22	25985	34135.85	5011	12193.12	19	36	9142	2800.59	1.62
I O BK	57463	15785.00	37983	15212.00	66	96	62015	16524.00	23781	9749.00	38	59	39724	18085.00	7.97
O B C	10124	2306.46	3735	916.99	36.89	39.76	31118	21869.80	8615	2971.50	27.68	13.59	11054	6261.45	2.95
P N B	174151	40192.00	46061	14822.00	26	37	512339	299694.00	133547	33887.00	26	11	50653	14343.00	2.95
P &S Bk	8127	2450.00	2308	942.00	28.40	38.45	18603	8035.00	5898	2095.00	31.7	26.07	6405	3890.00	6.08
Syndicate	17609	6381.00	5928	2638.00	34	41	27219	7113.00	5061	1003.00	19	14	24374	9154.00	3.20
U B I	70564	18688.82	24953	6839.68	35	37	89184	24276.46	32612	9173.68	37	38	61035	11901.90	3.96
United Bk	74750	9861.19	44145	4423.63	59.06	44.86	238252	34816.27	53548	11147.72	22.48	32.02	35619	7337.87	5.32
UCO Bk	114674	32579.53	35826	7939.36	31.24	24.37	99147	39707.90	35078	11868.15	35.38	29.89	38073	8659.73	5.48
Vijaya Bk	6405	2040.03	2524	830.54	39.41	40.71	19879	7061.89	8568	2112.25	43.1	29.91	10609	4298.15	3.46
S B I	325601	101900.00	75914	24499.00	23.32	24.04	495279	311762.00	126234	48469.00	25.48	15.55	114757	66699.00	4.62

Name of the Bank	Credit extended under different Govt. sponsored programmes												Of total credit to women Non-Perorrming Assets		
	SGSY						Others								
	Total Outstandings		Against Women		Percentage		Total Outstandings		Against Women		Percentage				
	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	No.of A/cs	Amt. O/s	% of NPA to toal credit to Women
S B B J	40875	8318.89	10971	2325.73	26.84	27.96	12829	2999.04	3010	461.93	23.46	15.40			
S B Hyd	40850	8624.00	9382	3238.00	22.97	37.55	5918	1272.00	1068	1038.00	18.05	81.60	7985	4463.00	30.40
SB IND	19729	5905.16	4571	2036.24	23	34	19928	4859.31	14333	5163.59	72	106	4443	1750.57	2.26
S B Mys	5543	1705.00	2559	725.00	46.16	42.52	141556	56470.00	20341	22250.00	14.37	39.40	12742	5458.00	6.67
S B Patl	10551	12044.00	4017	11122.81	38.07	92.35	9357	2619.00	3174	1798.49	33.92	68.67	2514	1247.28	0.02
S B Sau	16472	2260.00	2593	350.00	15.75	15.48	1453	2956.00	71	378.00	4.88	12.78	338	26.94	
S B Tra	12335	6585.00	4708	3485.00	38	53	12858	7175.00	4581	4543.00	36	63	11475	7047.00	4.66
IDBI	1502	525.00	389	82.00	25.90	15.62	31309	17625.00	6661	1476.00	21.28	8.37	6888	21.96	12.51
Total	**1533720**	**424923.98**	**493235**	**148307.70**			**2995169**	**1351318.46**	**735180**	**262253.66**			**671956**	**268443.19**	

Source: RBI

SUMMARY OF IMPORTANT AUDIT OBSERVATIONS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE WORKING OF THE MINISTRY OF FINANCE

Department of Economic Affairs

Premature release of funds resulting in their non-utilisation

The Ministry released Rs.100 crore to National Bank for Agriculture and Rural Development (NABARB) on 31 March 2003 under the scheme "revitalisation of co-operative credit structure" in anticipation of the passage of Banking Regulation (Amendment) Bill in the Parliament. Consequently, the amount remained unutilised for three years resulting in loss of interest of Rs. 25.30 crore.

(Report No. 2 of 2007)

Incorrect issue of Relief Bond-2002 in excess prescribed limit

Absence of validation checks led to acceptance of investments in excess of prescribed limit in respect of 8 per cent Relief Bonds 2002 by Rs.127.70 crore and liability of Rs. 51.08 crore towards interest on the excess investment.

(Report No. 2 of 2007)

Security and Exchange Board of India: Injudicious decision leading to wasteful expenditure

Injudicious decision of the Securities and Exchange Board of India to appoint the Chief Executive Officer and other supporting staff for the Central Listing Authority without formally establishing the latter resulted in wasteful expenditure of Rs. 43.73 lakh on their pay and allowances and office expenses etc. during 2003-05.

(Report No.3 of 2007)

Department of Revenue

Performance Audit of Internal Control in Selected Central Ministries.

Performance audit of the internal controls in the Department of Revenue revealed absence of adequate mechanism of risk assessment, grading of risks and control activities for monitoring and mitigating these risks. Monitoring and evaluation system was weak. The department did not follow the provisions of the Central Secretariat Manual of Office Procedure, which led to shortfall in annual inspection of sections/desks and delay in disposal of cases. The transfer and placement policy laid down to increase transparency and improve cadre planning was also not implemented fully. Further, poor expenditure management resulted in violation of standing instructions of the Ministry of Finance, Department of Expenditure on economy and austerity measures. Insufficient controls were also noticed in day-to-day administration resulting in non-adherence to rules and regulations and improper maintenance of control records. Weak internal audit and inadequate action of the department on their observations indicated absence of reliable monitoring system.

[Report No.13 of 2007(Performance Audit)]

Comments of the Department

Pr. CCA, CBDT and Pr. CCA, CBEC have already taken steps for risk minimization in accounting functions through various computerization initiatives both in revenue and expenditure accounting. A Risk Management Division under Directorate of Systems in CBEC has also been established and risk management system has been implemented at 13 major locations in Customs and extension to other major locations is expected in 2007-08. The Business Process Re-engineering Exercise by CBDT is currently underway. The Annual Inspection Programme of Sections/Desks in Department of Revenue for the year 2007-08 has already been formulated and inspections are being carried out in accordance with this plan. Instructions have also been issued to all concerned emphasizing that monitoring of the VIP references and other references should be strengthened. The transfer policy formulated by CBEC is being followed and all transfers are being made accordingly. The HRMS (Human Resource Management System) conceived by CBDT in 2007 is also being set up by the Directorate of Systems encompassing all HR aspects of the officers of the Department. This system will be used for transfer and posting of officers of CBDT. Rotational transfers of officials have also been made in the Department of Revenue (Headquarters) and necessary instructions have been issued to all concerned to ensure that no official in sensitive Sections work continuously in the same post for more than 3 years.

The observations of audit on Expenditure Management, non-adherence to rules & regulations and improper maintenance of control records have also been noted and instructions have been issued to all concerned to comply with the relevant instructions and provisions of various rules. They have also been requested to maintain all the control registers/records properly and do regular monitoring to ensure necessary compliance. The Pr. CCA, CBDT and Pr. CCA, CBEC have been requested to address the issues of prioritization of audit based on risk assessment, preparation of long term audit plan and revision of manual containing auditing, guidelines for specialized audit procedure etc. Necessary instructions have also been issued to all concerned to take appropriate immediate action on the observations of audit and settle the pending audit paras at the earliest possible.

Comments on Audit Observations

Para 1.6 of Chapter I of AR regarding Board's replies on Draft paragraphs:

As per record of this office 905 Draft Paras were received and replies have been sent in 498 cases.

Para No. 1.8.1 of Chapter I of AR regarding Outstanding audit observations:

The audit observations which do not form part of audit paras are settled at field level between concerned AGs and CITs and hence in the absence of specific details no further comments can be offered on the claims of Audit..

Para No.1.13 of Chapter I of AR regarding Records not produced to audit:

Instruction No. 9 of 2006 dated 08.11.2006 has already been issued by the Ministry which deals with the production of assessment records to the RAP. It also includes the accountability clause wherever the records are not produced.

Para No.1.11.1 of Chapter I of AR regarding Internal audit:

New IAP came into force w.e.f 1.6.2007 as per Instruction No. 3 of 2007 dated 17.4.2007 and the resultant improvement can be expected in future.

Para No. 1.10.1 of Chapter I of AR regarding Remedial Action time barred:

Instruction No. 9 of 2006 dt. 08.11.2006 has been issued by the Ministry which directs the CITs to take remedial action as a precautionary manner in respect of audit objection irrespective of their acceptance or otherwise by the Department. Further, as per the instruction, suitable action may be initiated against the erring Officer/Official where remedial action is barred by limitation.

Para Nos. 2.5 , 2.9.1 and 2.10.1 of Chapter-II of AR:

No comments to offer.

Para No.3.17.5 of AR regarding Important individual irregularities:

In this case of M/s RIL, the objection has not been accepted by the Department. Replies to the advance questionnaire in the instant case have also been submitted to the Hon'ble PAC of the Parliament.

Para No. 3.14.9 of AR regarding Important individual irregularities:

The Department has accepted the audit objection and remedial action has already been taken.

Para No. 3.15.5 of AR regading Important individual irregularities.

The Department has accepted the audit objection for both the assessment years and remedial action has already been taken.

Para No. 3.9.2 of AR regading Important individual irregularities:

The Department has accepted the audit objection and remedial action has already been taken.

Para No. 3.14.12 of AR regarding Important individual irregularities:

The Department has accepted the audit objection.

Report No. 8 of 2007 – Performance Audit

Chapter I of AR - Review of assessment of selected companies in the selected sectors of computer software, automobiles and ancillaries, steel and trading.

The Audit has given specific mention of 4 cases details of which are discussed as under:

1. **Tata Motors Limited**

Audit observation: Incorrect allowance of depreciation and set off of losses.

Answer: The correct b/f depreciation and business loss has been granted to the assessee while passing order u/s143(3) on 29.12.2006 in the assessment year 2004-05. As regards 2003-04, reassessment proceedings are pending.

2. GTL Limited:

Audit observation: Irregular exemption allowed to the software company M/s GTL Limited

Answer: The Objection was not accepted. As per Circular No 14 dt.22-11-2001 and Circular No.8/2002 dt.27-08-2002 issued by the Ministry, provisions of section 10B(9) are not applicable to companies in which public are substantially interested. M/s GTL Ltd., being a company in which public are substantially interested, was entitled to exemption under section 10B of the Income Tax Act, which was rightly allowed.

3. Tata Steel Limited:

Audit observation: Short charging of Interest u/s 234B

Answer: The Audit Objection has been accepted in principle and remedial action has been taken after reconciling the amount of claim made by the assessee and that admissible under the law.

4. Jindal Steel Ltd.:

Audit Observation : Incorrect allowance of Chapter VI A deduction.

Answer: The audit objection is not accepted. The Audit's observation is based on amended provisions which came into effect from 01-04-2003 (prospectively) where as the audit wrongly presumed that these provisions were applicable for prior years as well. Hence, the objection being wrong was not accepted.

Chapter II of AR - Review on implementation of TDS/TCS schemes.

In the absence of details of specific cases, it may not be possible to give exact comments on the observations of the Audit. However, Instruction No. 9 of 2006 dated 8.11.2006 has been issued by the Ministry which provides that remedial action, accountability measures as in the cases of audit objections, would apply mutatis mutandis to cases illustrated in the system review. In the individual illustrated cases cited in the review, audit objections are settled at field level between the concerned AGs and CITs.

Chapter III of AR – Review on assessment of Sports Associations/Institutions and Sports personalities.

In the absence of details of specific cases, it may not be possible to give exact comments on the observations of the Audit. However, Instruction No. 9 of 2006 dated 8.11.2006 has been issued by the Ministry which provides that remedial action, accountability measures as in the cases of audit objections, would apply mutatis mutandis to cases illustrated in the system review. In the individual illustrated cases cited in the review, audit objections are settled at field level between the concerned AGs and CITs.

Audit Report No. 7 of 2007 – Union Government Indirect Taxes – Performance Audit.

Central Excise

1. Review on Provisional Assessment

Audit Observation: The review has identifies certain issues like non-determination of differential duty in large number of cases and non-finalisation of provisional assesment cases within the prescribed time limit.

Ministry's Comments: At the Draft Review Para stage, comments on the recommendations of audit were sent to the office of the C&AG. Subsequently, detailed comments on the Review Para have also been sent.

Six out of the ten recommendations made by audit have been accepted, and necessary instructions issued to the field formations. These recommendations relate to finalization of provisional assessment cases involving substantial revenue on priority basis, proper estimation and review of differential duty for taking bond and bank guarantee, fixing of time limit for ordering provisional assessment, review of call book cases, obtaining extension of time for finalization from the Commissioner/Chief Commissioner, and showing only those cases as finalized where differential duty has been quantified. The recommendation relating to fixing of rigid time limit for finalization of provisional assessment in all cases has not been accepted, since data required for finalization may not be available in time, and since there may be legal issues/ appeals pending with various authorities. Three recommendations have been noted for necessary action, namely, regarding proper reporting of cases in the Provisional Assessment Monitoring System (PAMS), continual development of PAMS software, and discontinuing manual registers after PAMS is fully functional. The Ministry has intimated that the new software Automation of Central Excise and Service Tax (ACES) being developed by the Directorate General of Systems is expected to take care of the observations/ deficiencies pointed out by Audit.

The Ministry has pointed out to audit that the actual number of provisional assessment cases is much lower than that shown in the review. Field formations follow the practice of reporting cases relating to one assessee wherein the issue involved is the same, as one case, whereas audit appears to have taken each contract/sale order as a separate case. As per data compiled from the monthly reports of field formations, the total number of cases of provisional assessment pending as on 30.9.2005 was 398, out of which 235 cases were pending for more than six months. The Ministry has also pointed out that often, it may not be practically feasible to quantify the differential duty at the initial stage due to various reasons, like requisite data being available only after considerable time-lag, etc. It has also been pointed out that though all efforts are made by the department to finalize assessment within the prescribed limit, it is not always possible to do so due to various reasons like delay in finalization of accounts of the assessee. In the three cases wherein revenue was said by audit to be at risk for want of administrative action, the reasons for delay and the latest position have been intimated. The Ministry has also conveyed that instructions have been issued for finalization of provisional assessment cases involving substantial amount on priority basis. As regards deficiency in value of bond and bank guarantee, it has been pointed out that as per Rule 7(2) of the Central Excise Rules, bond amount has to be equal to the estimated differential duty. However, the recommendation of audit regarding proper estimation of differential duty for taking appropriate bond and bank guarantee, has been accepted, and necessary instructions have been issued to the field formations.

2. Review on excise duty on plastics and articles thereof

Audit Observation: A review of 235 units manufacturing plastic and articles thereof has revealed excessive availment of cenvat credit by this sector, few compliance issues and inadequate controls.

Ministry's Comments: At the Draft Review Para stage, comments on the recommendations of audit were sent to the office of the C&AG of India. Subsequently, detailed comments on the Review Para have also been sent to the office of the C&AG of India.

As regards high CENVAT-PLA ratio in the plastic sector, the Ministry has pointed out that the rate of duty on almost all primary forms and articles of plastic is 16% *ad valorem*, and the value addition is not high. However, the percentage of CENVAT credit is an important risk parameter while selecting a unit for audit. It has also been pointed out that there is no inverted duty structure in this sector. However, the recommendation of audit has been accepted and the Director General (Inspection) has been asked to look into the high CENVAT ratio for plastics and articles thereof. Regarding the recommendation relating to changes in the format of excise returns, the Ministry has intimated that any person liable to pay service tax is required to take a separate registration under service tax and file periodical returns. It is not desirable to ask central excise assessees to declare activities relating to services provided by them in the central excise return, and the present format of service tax return is considered adequate to capture information relating to service tax. Further, entry and processing of excise and service tax returns are being automated under the ACES project, after which it would be easier to obtain and correlate service tax data for each manufacturer.

Regarding under-valuation of captively consumed goods, the Ministry has not accepted the contention of audit to the extent of tax amounting to Rs. 34.78 lakh. As regards irregular availment of CENVAT credit, the contention of audit has not been admitted to the extent of Rs. 7.19 crore approximately. The contention of audit has not been accepted to the extent of tax amount of Rs. 26.89 lakh, as far as non-payment of service tax on services rendered by foreign consultants is concerned. Regarding non-payment of service tax on services rendered by manufacturers of plastics and articles thereof, the contention of audit has not been admitted to the extent of service tax amount of Rs. 18.87 lakh.

Service Tax

3. Review on service tax on management consultancy services, scientific or technical consultancy services, technical testing and analysis services and technical inspection and certification services

Audit Observation: Audit review has highlighted ineffective and indequate efforts to increase the tax base in addition to certain compliance issues and indequate internal controls.

Ministry's Comments: Ministry's reply/comments on the recommendations made by audit have been sent to the office of the C&AG of India. As regards Key Performance Indicators (KPI), the Ministry has pointed out that KPIs have already been prescribed for the Commissionerates from time to time. However, it may not be desirable to prescribe number of surveys to be carried out, as the jurisdictional Commissioner is in the best position to take a decision keeping in view the available resources. Further, there would always be a significant lag between a survey and additional revenue generated on account of the survey. As regards procedure for conducting surveys, the Ministry has stated that the recommendation of audit is acceptable, and the department is continuously striving to make surveys more scientific and professional. As a part of the exercise for strengthening tax administration, the department is already working on identification of service providers by collection of information from third party sources. As regards mechanism for detection of 'stop filers', it has been pointed out that the department is working on automation of business processes in service tax. The ACES project is expected to provide an effective mechanism to identify 'stop filers'. It has further been pointed out that the department is already working on risk-based selection of returns for scrutiny. Risk management system in service tax will be implemented with scientific selection for detailed scrutiny, once ACES is implemented. The Ministry has intimated that the recommendation regarding mandatory submission of income tax return and annual financial statements with the service tax return is not acceptable, since it is a conscious decision to keep the process of filing returns simple. Detection of short payment on the basis of income tax/financial records is an audit activity and the audit manual already prescribes detailed guidelines in this regard. Regarding the recommendation for prescribing time-limit for finalizing service tax adjudication cases, it has been pointed out that time-limit is being prescribed from time to time through executive instructions. Further, adjudication is a key performance indicator which is being continuously monitored by the department. The observation regarding slow implementation of PAN-based service tax code has been taken note of. The facts relating to the estimated revenue loss on various counts pointed out by audit are being verified in consultation with the field formations and the Directorate General of Service Tax.

Audit Report No. 7 of 2007 Union Government Indirect Taxes (Transaction Audit)

Central Excise

Audit Observation: This section contains 124 paragraphs involving revenue implication of Rs.1410.39 crore.

Ministry's Comments: The Ministry's comments/replies have been sent in respect of all the audit paras. The Ministry has admitted /partly admitted the audit contention in respect of 99 paras, and not admitted the audit contention in respect of 25 paras.

As against revenue of Rs.1197.09 crore pointed out by audit as wrongly credited to States, a special team deputed by the Principal Chief Controller of Accounts, Central Board of Excise & Customs has found the exact amount to be Rs.869.20 crore. It is reported that the amount has been rectified by transfer entry in the January 2008 accounts. The audit contention regarding incorrect classification has not been admitted in respect of two paras relating to classification of di-calcium phosphate (animal feed grade) and Pimpom lollypop, involving Rs.0.72 crore and Rs.0.59 crore respectively. Regarding incorrect availment of Modvat/Cenvat credit, the Ministry has not admitted the audit contention to the extent of Rs. 28 crore approximately. As regards under-valuation, the Ministry has not admitted the audit contention to the extent of Rs.2.94 crore. The contention of audit has not been admitted to the extent of Rs. 25 crore approximately, as regards short-levy due to incorrect grant of exemption/rebate. Regarding duty not paid/levied on petroleum products on the de-bonding date, and on excisable goods found short or removed for export but not exported, the Ministry has not admitted the audit contention to the extent of Rs.5.48 crore. The audit contention regarding non/short levy of interest and penalty has not been admitted by the Ministry to the extent of Rs.0.41 crore. The matters relating to cess not realized from manufacturers of textile articles and cement pertain to Ministry of Textiles and Ministry of Commerce, respectively. As regards loss of revenue due to miscellaneous reasons like delayed action, etc., the contention of audit has not been accepted to the extent of Rs.4.08 crore.

Service Tax

Audit Observation: This section contains 83 paragraphs with revenue implication of Rs.266.47 crore.

Ministry's Comments: The Ministry's comments/replies have been sent in respect of all the audit paras. The Ministry has admitted /partly admitted the audit contention in respect of 41 paras, and not admitted the audit contention in respect of 42 paras.

The Ministry has not admitted the audit contention in cases of incorrect availment of exemption/CENVAT credit to the extent of Rs. 224 crore approximately. As regards non-levy/ escapement of service tax, the Ministry has not admitted the audit contention to the extent of Rs. 8 crore approximately. Further, the Ministry has not accepted the contention of audit to the extent of Rs.0.70 crore in respect of cases of short-levy or non-recovery of service tax due to miscellaneous reasons.

Audit Report No.7 of 2007 – Union Government Indirect Taxes (Transaction Audit)

Customs

This section contains 139 paragraphs featured individually or group together with revenue implication of Rs.63.22 crore attributable to non compliance to rules/regulations. Ministry/ Department had (till December 2006) accepted audit contentions in 74 paragraphs which involved revenue of Rs.25.92 crore and report recovery of Rs.11.69 crore.

Audit Report No.7 of 2007 – Indirect Taxes – Customs (Performance Audit)

I. Hundred Perfect Export Oriented Units (100% EOU)

Macro data regarding total number of EOUs approved, those functional, duty foregone etc. was inconsistent, incomplete and unreliable. As a result, there was minimal assurance that the units were monitored by the departments to ensure that these met the objectives of their formation and functioned within the existing norms and regulation. Duty amounting to Rs.285.81 crore was not levied/short levied on imports effected, in violation of applicable conditions. The department did not recover duty of Rs.284.72 crore and interest of Rs.289.24 crore from 47 EOUs that failed to achieve their prescribed EO/net foreign exchange earning as a percentage of exports(NFEP). Duty amounting to Rs.84.37 crore was recoverable as 76 export performance was left unmitigated.

II. Adjudication and Appeal Cases

The data provided/maintained by the department regarding adjudication cases and revenue involved therein was incomplete, inconsistent, inaccurate and hence unreliable. In the absence of accurate data regarding the numbers and revenue involved, the assurance that the Board is monitoring these cases effectively is minimal. Cases pending adjudication increased by 89 percent as on 31 March, 2005 compared to 1 April, 2002, when a time limit of six months/one year for completing adjudication was brought in. During 2002-03to 2004-05, only 24 to 57 per cent cases were finalised within six months or one year. Revenue of Rs.448.67 crore was locked up in 1,173 pending adjudication cases for period ranging between one to 46 years. Of these, 17 cases each having revenue implication of Rupees one between one to 46 years. Of these, 17 cases each having revenue implication of Rupees one crore and above were awaiting adjudication from two to eight years. Files in 165 cases involving demand of duty of Rs.26.48 crore apart from interest and penalty of Rs.89.81 lakh were reported missing in four commissionerates. An amount of Rs.962.32 crore was confirmed in adjudication after a delay of one to nine years in 152 cases. However, recovery details could be ascertained only for Rs.3.69 crore. Fourteen cases remanded back for denovo adjudication (revenue implication of Rs.16.25 crore) were pending adjudication with a delay of 13 to 66 months. In 22 other cases, denovo adjudication was completed after a delay of 12 to 151 months. The Board had issued a circular in December 1999 in consultation with Ministry of Law stating that corrigendum to order in original tantamount to review of the decision and is not legally sustainable. Corrigendum was issued to orders in original in eight cases which had caused risk to revenue realization of Rs.30.98 crore. Appeals filed by the departments in 33 cases were either dismissed on grounds of delay or the department could not stake its claim owing to belated action/non submission of proper evidence, leading to non realization/loss of revenue of Rs.160.38 crore. In ten cases, department failed to initiate recovery action in spite of non compliance of pre-deposits orders of the Courts/ dismissal of appeals , leading to non realization of revenue of Rs.23.33 crore, even after delay of eight months to nine years. Further, realisation of revenue of Rs.23.33 crore, even after delay of eight months to nine years. Further, confirmed demands of Rs.240.59 crore were pending realisation as on 31 December 2005 in 1,467 cases. Failure of the department to consolidate all cases to take a unified action to effect recovery by getting the stay orders vacated according to orders of the Board, resulted in non realisation of revenue of Rs.33.32 crore in 65 cases.

Department of Disinvestment

(a) Pertaining to Disinvestment Transaction:

(i) The Comptroller and Auditor General in Report No.2 of 2005 had made observations in regard to the disinvestment in two hotel units of Hotel Corporation of India(HCI). The summary of the observations is as under:

" **Sale of HCI Hotels in Mumbai:** Sale transactions of two hotels, Juhu Centaur and Airport Centaur were finalized on the basis of single bids without the benefit of competition. Assumptions made during valuation of the properties and fixation of reserve price of Airport Centaur were not consistent with the practice followed by the Ministry in other cases. Repeated extensions and relaxations were allowed to the bidder of Juhu Centaur to facilitate the sale."

In the light of observations made by C&AG relating to sale transactions of Hotel Juhu Centaur, Mumbai and Hotel Airport Centaur, Mumbai, Government decided to institute a CBI enquiry. The decision of the Government was conveyed to the CBI in July, 2005. The matter is still under examination.

(ii) C&AG in Report No.17 of 2006 on "Performance Audit of Disinvestment of Government Shareholding Selected Public Sector Undertakings during 1999-2003" made observations on disinvestment through strategic sale of 9 Public Sector Undertakings, viz. Bharat Aluminium Company Limited, Modern Food Industries Limited, Computer Maintenance Corporation, Hindustan Teleprinter Ltd., IBP Company Limited, Videsh Sanchar Nigam Limited, Hindustan Zinc Limited, Paradeep Phosphates Limited & Indian Petrochemicals Corporation Limited. The report was laid in Parliament on 25th August, 2006. The Public Accounts Committee has selected this report for detailed examination. The Action Taken Note in respect of the recommendations and observations of the Audit contained in the report was forwarded to Lok Sabha Secretariat (PAC Branch) in December, 2006.

(b) Pertaining to Accounts of the Department:

The office of the Principal Director of Audit conducted audit of the accounts in February, 2007. The report submitted by them contained 3 points for the year 2005-06, along with certain other points for the previous years which have remained unsettled. A number of them are in the nature of guidance for maintenance of certain type of Registers etc. for various purposes being used in Admn./cash units. These have been noted for compliance and the points are thereby being settled now.

Department of Financial Services

BANKING

Industrial Investment Bank of India Limited

Injudicious investment decision and failure to take timely advantage of One Time Settlement proposals resulted in loss of interest of Rs.2.93 crore.

(Para 2.1.1) Report No.11 of 2007

INSURANCE

Insurance Regulatory and Development Authority

Extra expenditure due to non-invitation of competitive bids

Failure of the Insurance Regulatory and Development Authority to award the work of printing a journal without ensuring competitiveness of rates by inviting open tenders in accordance with the codal provisions resulted in extra expenditure of Rs. 34.89 lakh during December 2002 to March 2006.

(Para 5.1) Report No.3 of 2007

National Insurance Company Limited, New India Assurance Company Limited and United India Insurance Company Limited

IT Control in GENISYS

National Insurance Company Limited (NIC), New India Assurance Company Limited (NIAC) and United India Insurance Company Limited (UIIC) implemented GENISYS, an application software developed by CMC limited, in their operating offices throughout the country for processing business of underwriting of policies, claim settlement, preparation of financial statements and generation of reports. The **GENISYS** software was reviewed in the operating offices of these companies in Southern Region with reference to general IT controls and application controls. The major findings are as below:

- Weak logical access controls posed a security threat and a risk of misuse of facilities.
- Lack of proper input controls and inadequate process controls resulted in violation of regulations and instructions of statutory authorities.
- Absence of change management controls resulted in under recovery of the statutory levies from the policyholders. Belated updation of the software led to excess recovery due to lack of knowledge of the notification date of revision of the rate of service tax.
- The departments in these companies that handled third party claims used a programme in Microsoft Access and the required data was later entered manually in **GENISYS**. Nonintegration of database with other service departments and manual intervention resulted in inaccurate basic estimates of provisions to be made in MACT cases due to non provision of incidental expenditure.

(Chapter III) Report No. 10 of 2007

Audit Report No. 11 of 2007

National Insurance Company Limited

The Company did not charge applicable premium rates on the policy covering fire resulting in loss of Rs. 9.09 crore.

(Para 10.1.1)

The Divisional Offices under Kolkata Regional Office-I of the Company accepted fire Insurance business of Jute Mills without exercising due diligence and incurred loss of Rs.7.22 crore.

(Para 10.1.2)

The New India Assurance Company Limited

The Company deviated from the instructions for computing the premium chargeable on the Group Floater Mediclaim policy issued to M/s. Wipro Technologies Limited for 2003-04 and it did not load the premium in terms of Memorandum of Understanding at the time of renewal of the policy for 2004-05. These deviations resulted in under recovery of premium of Rs. 6.92 crore.

(Para10.2.1)

Due to delay in shifting the office to its own building at Surat, the Company incurred an avoidable expenditure of Rs.90.64 lakh on rent and taxes during the period May 2004 to June 2006.

(Para10.2.2)

The Oriental Insurance Company Limited

The Oriental Insurance Company Limited incurred a loss of revenue of Rs.3.27 crore in underwriting a Group Personal Accident Policy due to under loading of the premium during the period June 2002 to May 2005.

(Para 10.3.1)

The Company undercharged premium by Rs.1.82 crore under its Group Mediclaim Policy issued to the Godrej Group of Companies due to not loading premium based on their previous adverse claims ratio.

(Para 10.3.2)

Disregarding the scale prescribed in the prospectus for the Group Mediclaim Insurance policy, the Company did not load the premium based on previous adverse claim ratio and allowed excess discounts to Dell Computers India Private Limited resulting in undercharge of premium by Rs.1.28 crore.

(Para 10.3.3)

Contrary to the provisions of all India tariff on Storage cum Erection insurance, the Company collected premium on increase in the sum insured during the currency of the policy on pro-rata basis, resulting in short collection of premium by Rs.30.98 lakh.

(Para 10.3.4)

United India Insurance Company Limited

The Company suffered a loss of premium of Rs.3.84 crore due to application of incorrect tariff rate on the policies issued to Indian Oil Corporation Limited during August 2003 to May 2005.

(Para 10.4.1)

The Company issued Group Mediclaim policy without adequate loading resulting in under recovery of premium of Rs.1.66 crore.

(Para 10.4.2)

The Company settled an inadmissible claim resulting in loss of Rs.47.87 lakh.

(Para 10.4.3)

The Company issued fire policies in violation of provisions of All India Fire Tariff which resulted in short collection of premium amounting to Rs.29.74 lakh.

(Para 10.4.4)

United India Insurance Company Limited and The Oriental Insurance Company Limited

United India Insurance Company Limited issued one fire policy covering various assets of 16 LPG bottling plants and stocks of petroleum products at different locations in Eastern Region to Indian Oil Corporation Limited for the period from August 2002 to July 2003 and renewed it for another year. The premium was charged at rates lower than the tariff and inadmissible discounts were allowed. Thereafter the business shifted to the Oriental Insurance Company Limited on similar terms and conditions for the year 2004-05. As a result, these Companies suffered loss of Rs.2.85 crore in three years.

(Para 10.5.1)

Airports Authority of India, Air India Limited, Northern Coalfields Limited, Coal India Limited, Export Credit Guarantee Corporation of India Limited, Food Corporation of India, The New India Assurance Company Limited, National Insurance Company Limited, United India Insurance Company Limited, The Oriental Insurance Company Limited, Oil and Natural Gas Corporation Limited, Hindustan Petroleum Corporation Limited and National Hydroelectric Power Corporation Limited

During test check in Audit, several cases relating to non billing, non receipt, short recovery, excess payment, undue benefit to private parties *etc.* in case of Central PSUs were pointed. In 21 such cases pertaining to 13 PSUs, where Audit pointed out an amount of Rs.22 crore for recovery, the Management of the PSUs recovered an amount of Rs.15.52 crore during 2005-06.

(Para 15.1.1)

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