



Annual Report 2008-09



Ministry of Finance
Government of India



Annual Report

2008-09

Ministry of Finance
Government of India

FOR PUBLIC CONTACT PURPOSE:

Ministry of Finance

Department of Economic Affairs

North Block, New Delhi - 110 001

Phones: 23095120, 23092453

Website: http://www.finmin.nic.in/the_ministry/dept_eco_affairs/index.html

Department of Expenditure

North Block New Delhi - 110 001

Phones: 23095661, 23095613

Website: http://www.finmin.nic.in/the_ministry/dept_expenditure/index.html

Department of Revenue

North Block New Delhi - 110 001

Phones: 23095384, 23095385

Website: http://www.finmin.nic.in/the_ministry/dept_revenue/index.html

Department of Disinvestment

Block 11 & 14, CGO Complex Lodhi Road, New Delhi -110 003

Phones: 24368528, 24368523, 24368044

Website: <http://www.divest.nic.in>

Department of Financial Services

Jeevan Deep Building, Parliament Street, New Delhi 110 001

Phones: 23748721, 23748734

Website: http://www.finmin.nic.in/the_ministry/dept_fin_service/fin_services.html

Contents

Page No.

INTRODUCTION

1

CHAPTER - I

Department of Economic Affairs

11

1. Economic Division 11
2. Budget Division 12
3. Capital Markets Division 15
4. Infrastructure and Investment Division 25
5. Multilateral Institutions Division 28
6. Multilateral Relations Division 32
7. Aid Accounts & Audit Division 35
8. Administration Division 36
9. Bilateral Cooperation Division 41
10. Integrated Finance Division 49
- Organisational Chart 51

CHAPTER - II

Department of Expenditure

53

1. Establishment Division 55
2. Pay Research Unit (PRU) 55
3. Integrated Finance Unit (IFU) 55
4. State Finances Division (Plan Finance - I) 56
5. Finance Commission Division 57
6. Plan Finance – II Division 57
7. Staff Inspection Unit 58
8. Chief Adviser Cost Office 58
9. Chief Controller of Accounts 61
10. Controller General of Accounts 62
11. Central Pension Accounting Office 65
12. National Institute of Financial Management 65
13. Use of Hindi as Official Language 69
- Organisational Chart 71

CHAPTER - III

Department of Revenue

73

1.	Organisation and Functions	75
2.	Revenue Headquarters Administration	76
3.	Central Board of Excise & Customs	77
4.	Central Board of Direct Taxes	102
5.	Narcotics Control Division	141
6.	Central Economic Intelligence Bureau	147
7.	Directorate of Enforcement	149
8.	Set up for forfeiture of illegally acquired property	152
9.	State Taxes Section	152
10.	Financial Intelligence Unit-India (FIU-IND)	154
11.	Integrated Finance Division	156
12.	Implementation of Official Language Policy	158
13.	National Committee for Promotion of Social and Economic Welfare	159
14.	Appellate Tribunal for Fortified Property	159
15.	Customs, Excise and Service Tax Appellate Tribunal	160
16.	Income Tax Settlement Commission	160
17.	Customs and Central Excise Settlement Commission	161
18.	Authority for Advance Rulings(Income Tax)	161
19.	Authority for Advance Rulings (Central Excise, Customs & Service Tax)	162
20.	Adjudicating Authority under Prevention of Money Laundering Act, 2002	164
21.	Appellate Tribunal under Prevention of Money Laundering Act	165
22.	National Institute of Public Finance and Policy	166
23.	Implementation of the Right to Information Act, 2005	166
24.	E-Governance Activities	167
25.	Grievances Redressal Machinery	173
26.	Development of North-Eastern Region and Sikkim	174
27.	Gender Budgeting/Empowerment of Women	176
28.	Activities undertaken for Disability Sector and SC/ST & other Weaker Sections of the Society	176
29.	Central Revenue Sports Board (CRSB)	177
30.	Sevottam	178
	Organisation Chart	180

CHAPTER - IV

Department of Disinvestment	181
1. Functions and Organisational Structure	183
2. Organisational Structure	183
3. Policy on Disinvestment	183
4. Performance/achievements	184
5. Proceeds from disinvestment	184
6. National Investment Fund (NIF)	184
7. Official Language Policy	184
8. E-Governance	184
9. Grievance Redressal	185
10. Vigilance Machinery	185
11. Implementation of Right to Information Act, 2005	185
12. Audit paras/objections	185
Organisational Chart	186

CHAPTER - V

Department of Financial Services	187
1. Functions and Organisation	189
2. Banking Operations	190
3. Agriculture Credit Sector	192
4. Institutional Finance	195
5. Credit Monitoring and Development	196
6. Financial Institutions	204
7. Insurance Sector	205
Organisational Chart	215
Annexures	217
C&AG's Observations on the Working of Ministry of Finance	227

The report reviews the activities of the Ministry of Finance from January, 2008 to March, 2009. 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 period from 1st January, 2008 to 31st March, 2009.

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 fiscal 2008-09 has been a difficult year for the global economy and for India in its efforts to sustain the newfound growth momentum of its economy. In the first half of the year there was a sudden spurt in the international commodity prices, in particular in mineral and edible oils, which even with a partial pass-through contributed to the headline inflation in India touching double digit level. In the second half of the year, a crisis of unprecedented magnitude hit the financial markets in the industrialized economies, eventually pushing them into a recession. It has had a widespread impact around the world. Most emerging market countries have slowed down significantly and India has also been affected.

As per the Revised Estimates of National Income for 2008-09 (at constant 1999-2000 prices), released by the Central Statistical Organization the growth of Gross Domestic Product (GDP) at factor cost is estimated at 6.7 percent in 2008-09, with agriculture & allied activities growing at 1.6 per cent, industry at 3.9 per cent and services sector at 9.7 per cent. The corresponding growth in GDP in 2007-08 was 9.0 per cent, with agriculture and allied sector, industry and services growing at 4.9, 8.1 and 10.9 per cent, respectively.

As per the Quarterly Estimates of GDP for 2008-09, there

has been a marked slowdown in economic growth during 2008-09 as compared to 2007-08. The GDP growth in the four quarters of 2008-09 is estimated at 7.9, 7.6, 5.8 and 5.8 per cent respectively, as compared to 9.2, 9.0, 9.3 and 8.6 per cent during the corresponding period of 2007-08.

The saving rate as percentage of GDP at current market prices was estimated to be 37.7 percent in 2007-08 as compared to 35.7 percent in 2006-07 while the gross domestic capital formation was 39.1 percent in 2007-08 as compared to 36.9 percent in 2006-07.

Agriculture

Total foodgrain production in 2008-09 as per the second Advance Estimates is estimated at 229.85 million tonnes against the target of 233 million tonnes. Kharif foodgrain production is estimated at 118.79 million tonnes and Rabi production at 111.06 million tonnes as against target of 121.54 million tonnes and 111.46 million tonnes, respectively.

During winter season (Jan-Feb) of 2008 country as a whole received 14 per cent less rainfall of the long period average (LPA) and in pre-monsoon (March-May) period of 2008 the rainfall was 15 per cent below LPA. During South-West monsoon of 2008, country as a whole received 2 per cent less rainfall of LPA. The spatial distribution of seasonal monsoon rainfall during 2008 was largely uniform.

Area sown under all kharif crops taken together has been reported to be 1014.81 lakh hectares at the All India level as compared to 1039.23 lakh hectares in the corresponding period of 2007. As on 27.03.09, area sown under all rabi crops taken together has been reported to be 638.33 lakh hectares at the All India level as compared to 619.68 lakh hectares in the corresponding period of 2007-08.

Industry

During 2008-09, as per the Index of Industrial Production (IIP), the industrial sector grew at 2.6 per cent (provisional) compared to 8.5 per cent during the previous year. This slow down in growth occurred in all the three broad sectors, manufacturing, mining and electricity, which grew at 2.5, 2.6 and 2.8 per cent respectively during 2008-09, as against the corresponding figures of 9.0, 5.1 and 6.4 per cent, respectively in the previous year.

Four out of five use-based industrial groups –basic goods,

capital goods, intermediate groups and consumer non-durables witnessed sharp reduction in growth during 2008-09, compared to 2007-08. Capital goods sector has shown slower growth of 7.0 per cent during 2008-09 compared to 18.0 per cent during the previous year. The growth of basic goods slowed down from 7.0 per cent during 2007-08 to 2.6 per cent during 2008-09. In case of intermediate goods, the growth became negative at -2.2 per cent compared to a growth of 9.0 per cent in 2007-08. The consumer goods sector showed a decline in the rate of growth from 6.1 per cent during 2007-08 to 4.5 per cent during 2008-09. This was largely due to the downslide in consumer non-durables, for which the growth rate fell to 4.4 per cent during 2008-09 as compared to 8.6 per cent during the previous year. The rate of growth in the consumer durables increased from -1.0 per cent in 2007-08 to 4.4 per cent in 2008-09.

At the disaggregated level, eight out of the 17 two-digit industrial groups – food products, cotton textiles, wool textiles, jute textiles, wood products, leather products, rubber, plastic and petroleum products and metal products recorded negative growth during 2008-09. Out of the remaining 9 industry groups, 7 groups recorded growth rate less than 5 per cent. The machinery & equipment group grew at 8.7 per cent, while the beverages and tobacco related products recorded a growth rate of 16.2 per cent.

Infrastructure

Infrastructure generates considerable backward and forward linkages, and hence its development is central to the growth of other sectors of the economy. The overall index of six core industries having a direct bearing on infrastructure registered a growth of 2.7 per cent (provisional) during 2008-09, which is lower than the 5.9 per cent growth registered during the 2007-08. Four out of the six core sectors –petroleum refinery products, electricity, cement and finished (carbon) steel-recorded lower rates of growth during 2008-09 as compared to the previous year, while crude oil sector recorded negative growth during 2008-09. However, there has been acceleration in growth of coal during 2008-09 as compared to the previous year.

Prices and Inflation

Inflation, measured by variations in the wholesale price index (WPI) on a year-on-year basis, eased sharply from its intra-year peak of 12.9 per cent on August 2, 2008 to 0.8 per cent by March 28, 2009. Average annual inflation is assessed at 8.4 per cent (provisional) in 2008-09, in comparison to 4.7 per cent in 2007-08, while the average monthly inflation in March 2009 is estimated at 1.2 per cent as against 7.5 per cent in March 2008.

At a disaggregated level, prices of primary articles (with a weight of 22.0 per cent in the WPI basket) and manufactured products (with a weight of 63.8 per cent) increased by 5.2 per cent and 1.7 per cent, respectively, by end of March, 2009 as compared with an increase of 9.7 per cent and 7.3 per cent a year ago. Inflation in the composite food index (with a weight of 25.43 per cent) was 6.8 per cent on March 28, 2009

which is higher than 6.4 per cent last year. The composite non-food inflation within manufactured group of WPI (with a weight of 53.72 per cent) was 0.9 per cent as of end March 2009, which is significantly lower than 6.9 per cent recorded last year.

Annual inflation of the 'fuel, power, light and lubricants' group (with a weight of 14.2 per cent) recorded negative inflation of 6.1 per cent as on March 28, 2009 as against 6.8 per cent a year ago. Administered mineral oils (with a weight of 5.44 per cent) recorded 1 per cent negative inflation at the end of March 2009, as against 2 per cent positive inflation last year. Mineral oils other than administered items (with a weight of 1.55 per cent) registered 26.6 per cent negative inflation as on March 28 2009, which is much lower than 30.9 per cent last year. This is a result of the pass-through on account of the decline in the international crude oil prices, from an average of US\$ 132.8/bbl in July 2008, to US\$ 46.6/bbl in March 2009.

Inflation, based on the consumer price index (CPI) for industrial workers increased to 8 per cent on a year-on-year basis in March 2009 from 7.9 per cent a year ago. An analysis of the last four years suggests that WPI inflation and CPI inflation has generally moved in tandem and it was so until April 2007. Thereafter, inflation measured in WPI and CPI showed some divergence. Moreover, the divergence in the recent period has been unusually high, reflecting the volatility in commodity prices that have a higher weight in WPI.

A major portion of the differences between inflation rates based on the WPI and CPIs is explained by prices of food items, which have a higher weight in the CPIs in comparison to WPI. Year-on-year CPI inflation for industrial workers was 10.6 per cent for food items and 5.7 per cent for non-food items in March, 2009. In March 2009 the CPI inflation of food for urban non-manual employees, agricultural and rural labourers, remained 12.2 per cent, 9.7 per cent and 10 per cent, respectively and non-food inflation for same groups recorded 6.7 per cent, 8.9 per cent and 9.1 per cent, respectively.

Monetary Trends and Developments

The 2008-09 was a year when the monetary policy saw a mid-course correction, from a tight policy regime in the first half, to an expansionary phase in the second. Moreover, a major challenge for monetary policy, since the middle of 2008, has been to minimize the spill-over effects of the global financial crisis on the country's growth rate. The focus has been on striking an optimal balance between preserving financial stability, maintaining price stability, anchoring inflation expectations, and at the same time sustaining the growth momentum.

As against a growth of 21.2 per cent in March end 2008, broad money (M_3) increased at a lower rate of 18.4 per cent in 2008-09. This was slightly lower than the projected target of 19.0 per cent for 2008-09. The major components of M_3 include: (i) currency with the public (ii) demand deposits with banks and (iii) time deposits. While currency with the public and demand deposits with banks grew at a lower rate of 17.2

per cent and (-) 0.2 per cent, respectively during 2008-09, as compared to 17.7 per cent and 20.9 per cent respectively, in the preceding year, time deposits with banks registered a higher growth of 22.6 per cent in 2008-09 as compared to 21.9 per cent in the preceding year.

During 2008-09, reserve money (M_0) grew at a rate of 6.4 per cent as compared to 31.0 per cent in 2007-08. Net foreign exchange assets (NFA) of RBI, a major determinant of reserve money growth grew by only 3.6 per cent in 2008-09 as compared to 42.7 per cent in 2007-08, largely due to reduced capital inflows. The Net Domestic Credit (NDC) of the RBI during the financial year 2008-09 expanded by Rs.116,246 crore compared to a contraction of (-) Rs.164,031 crore in the corresponding period of last year. This was mainly due to an increase in Net RBI credit to Central Government.

The first six months of the financial year 2008-09, witnessed a situation where the RBI had to control monetary expansion resulting from increased capital inflows, through increases in the Cash Reserve Ratio (CRR) and the Repo Rate (RR). While the CRR was increased from 7.75 (as of April 26, 2008) to 9.0 per cent with effect from August 30, 2008, the RR was also increased in three tranches from the level of 7.75 (as it prevailed on April 1, 2008) to 9.0 per cent with effect from July 30, 2008. The reverse repo rate (R-RR) was, however, left unchanged at 6.0 per cent.

However, during the subsequent months, due to a decline in Foreign Institutional Investor (FII) inflows, capital inflows reduced, reversing the past uptrend. The months of September/ October 2008 witnessed liquidity crunch in the Indian money market which was co-terminus with the commencement of and resulted from turbulence in the global financial markets. While the global financial crisis deepened beyond October 2008, the liquidity crunch in the Indian money market eased due to policy measures initiated by the RBI. Indeed, the position changed to one of surplus liquidity with large amounts of money being parked in the Reverse Repo (R-R) facility of RBI by money market players.

Liquidity management tools such as the cash reserve ratio (CRR) and the Open Market Operation (OMO), including the Market Stabilisation Scheme (MSS) and the Liquidity Adjustment Facility, were used to address the evolving condition in financial markets. The MSS Buyback auctions were also started from November 6, 2008, for injecting liquidity. As the liquidity position eased, the average daily net outstanding liquidity injection under LAF declined sharply and turned into net absorption from early December 2008.

The average daily net liquidity injection under LAF increased significantly from Rs.22,560 crore during August 2008 and Rs. 15,079 crore during the first fortnight of September 2008 to Rs.42,591 crore during September 2008 and further to Rs.45,612 crore during October 2008. The situation eased during November 2008 with the average daily net liquidity injection under LAF coming down to Rs.8017 crore. The subsequent months witnessed an average daily absorption

of liquidity through Reverse Repo under LAF by Rs.22,294 crore in December 2008, Rs.45,474 crore in January 2009, Rs.50,564 crore in February 2009 and Rs.33,360 crore in March 2009, indicating sufficient liquidity in the money market. This was also reflected in the weighted average call money rate declining from a high of 19.7 per cent on October 10, 2008 to 4.98 by March 31, 2009.

For more effective liquidity management and to ensure that the market borrowing programme of the Government was conducted in a non-disruptive manner, the scope of the Open Market Operation (OMO) was widened with effect from February 19, 2009 by including purchases of government securities through an auction-based mechanism in addition to purchases through the Negotiated Dealing System – Order Matching (NDS-OM) segment.

The Memorandum of Understanding (MoU) between the Government and RBI, on the MSS was amended on February 26, 2009 to permit the transfer of the sterilised liquidity from the MSS cash account to the normal cash account of the Government.

Bank Credit

Bank credit of scheduled commercial banks (SCBs), comprising food and non-food credit increased by 17.5 per cent in 2008-09 as compared to 22.3 per cent in the preceding year. Food credit grew by 4.1 per cent during 2008-09 as compared to a decline of (-) 4.6 per cent in the preceding year. Non-food credit by SCBs during 2008-09 grew by 17.8 per cent compared to 23.0 per cent during the corresponding period of 2007-08.

Investment by SCBs in Statutory Liquidity Ratio (SLR) securities as per cent of their net demand and time liabilities (NDTL) continued to be higher than the stipulated level. As compared to the level of 27.8 per cent at end March 2008, it increased to a level of 28.1 per cent at end March 2009. As per information from RBI, after adjusting for Liquidity Adjustment Facility (LAF) collateral securities on an outstanding basis, the SCBs' holding of SLR securities amounted to 26.7 per cent of NDTL, at end March 2009, which was higher than the prescribed 24.0 per cent level.

The monetary policy in 2008-09, had to address the emerging economic situation, wherein the position in the second half of the year was substantially different from the first half. The thrust was on providing ample rupee liquidity, ensuring comfortable dollar liquidity and maintaining a market environment conducive for continued flow of credit to productive sectors. The liquidity situation improved significantly towards the end of 2008-09, in the wake of measures taken by the RBI.

The Annual Policy Statement for 2009-10 was announced on April 21, 2009. Taking into account the need for monetary policy to respond to slackening economic growth witnessed lately, RBI's Annual Policy Statement for 2009-10 aims to minimise the impact of the global financial crisis on the domestic economy and restore the economy to a high growth path with price and financial stability.

External Sector

The year 2008-09 was marked by adverse developments in the external sector of the economy, particularly during the second half of the year, reflecting the impact of global financial crisis. The external environment deteriorated on account of slowdown in global demand, reversal of capital flows and reduced access to external sources of finance in the face of adverse global credit market conditions. On the positive side, the significant correction in international oil and other commodity prices facilitated moderation of imports and alleviating inflationary pressures in the economy.

India was not significantly affected by the global financial crisis in the initial stages, which had set in around August 2007. In fact, the initial effect of the global financial crisis was positive, as India received huge FII inflows of US \$ 28.7 billion during September 2007 to January 2008 as against US \$ 11.8 billion during March-July 2007. This led to the debate on “decoupling”, where it was believed that the emerging economies might remain largely insulated from the crisis and provide an alternative engine of growth to the world economy. The argument was proved unfounded as the global financial crisis intensified and spread to emerging economies through capital and current account routes of the balance of payments (BOP).

The financial crisis began affecting emerging market economies initially through capital account of the balance of payments (portfolio and direct investment flows) and thereafter through the current account (exports, remittances etc.). The signs of global economic meltdown were evident in India's Balance of Payment (BOP) position in the year 2008-09 (up to Q3). During the first three quarters of the year (April –December 2008), trade deficit increased to US \$ 105.3 billion (12 per cent of GDP) as compared to US \$ 69.3 billion (8.2 per cent of GDP) during the same period last year, primarily on account of higher growth in imports coupled with the slowdown in exports. Similarly, Goods and Services deficit (i.e. Trade Balance plus Services) widened to US\$ 68.2 billion (7.7% of GDP) during this period as compared to US\$ 39.3 billion (4.7% of GDP) last year. Invisible balances, however, showed an improvement registering 28 percent increase in net invisibles from US \$ 53.8 billion (6.4% of GDP) in 2007-08 (up to Q3) to US\$ 68.9 billion (7.8% of GDP) during 2008-09 (up to Q3), which was mainly due to higher receipts under private transfers and software services. This has partly negated the effect of higher trade deficit. The current account deficit (CAD) was US \$ 36.5 billion (4.1% of GDP) in the first three quarters of 2008-09 as against US \$ 15.5 billion (1.8% of GDP) during the corresponding period in 2007-08.

Net capital flows were at a level of US \$ 15.3 billion in April-December 2008 and were much lower compared with US \$ 82.0 billion in April-December 2007. All the major components, except FDI and NRI deposits, showed decline during April-December 2008 from their level in the corresponding period of the previous year. The decline was sharp in the case of portfolio flows (from US\$ 33.29 billion in

2007-08 to US \$ -11.3 billion in 2008-09) and short-term trade credits to India as fallout of the global crisis. The net foreign direct investment (FDI) was US \$ 15.4 billion as against US \$ 6.9 billion during the corresponding period last year showing an increase of 123.2 per cent, reflecting confidence of international community in investment climate in India. FDI inflows were broad based and spread across a range of economic activities like, manufacturing, financial services, communication services etc. The Capital Account Balance has significantly declined to US \$ 16.09 billion (1.8% of GDP) during 2008-09 (up to Q3) from the level of US \$ 82.68 billion (9.8% of GDP) during the corresponding period in 2007-08.

As per latest information available from RBI, the inward Foreign Direct Investment (FDI) during April 2008-February 2009 was US \$ 31.7 billion as against US \$ 27.6 billion in 2007-08, reflecting the relative attraction of India as an investment destination. Similarly Non Resident Indian (NRI) flows have been positive to the extent of US \$ 2.8 billion during April 2008 – February 2009, as compared to decline of US \$ 0.30 billion in the corresponding period last year. However, there was a large capital outflow of US \$ 15.0 billion by the portfolio investors /Foreign Institutional Investors (FIIs) during 2008-09 (April –March) as against the net FIIs inflows of US \$ 20.3 billion during 2007-08.

Merchandise Trade

For the year 2008-09, an export target of US\$ 200 billion was set initially which was later revised to US\$ 175 billion. In 2008-09, the value of merchandise exports reached US\$ 168.7 billion with a growth of 3.6 per cent despite the global recession, thus achieving 96.4 per cent of the revised export target. While export growth was robust till August 2008, it became low in September and became negative from October 2008 to March 2009 due to the global recession. The main drivers of exports growth during 2008-09 (April-February) were engineering goods, chemicals and related products and agriculture and allied products. Petroleum and textiles exports witnessed a positive but low growth while handicrafts and ores and minerals, gems and jewellery and marine products exports registered negative growth.

During 2008-09 import growth was subdued at 14.4 per cent with growth in both POL and non-POL imports moderating to 16.9 percent and 13.2 percent respectively. Gold and silver imports registered negative growth of -7 percent and non-POL non-bullion imports grew by 15 per cent. This was due to the global recession resulting in lower fuel prices with the Brent price rising by only 1.9 percent, and the price of the Indian crude import basket rising by 4 percent; slow down in industrial activity and lower demand for exports resulting in lower demand for imports needed for exports and industrial activity. However, as the world recession worsened and import growth became negative from January to March 2009, negative growth was registered in both POL and Non-POL imports. Even Non POL Non bullion import growth declined and became negative reflecting the fall in exports and fall in demand for imports by industrial sector.

During 2008-09 (April-February) high import growth was registered by fertilizers (160 percent) and edible oils (32.8 percent) to meet domestic demand; POL (22.38 percent) due to the unusually high rise in prices in the first half of 2008-09; pearls precious and semi precious stones (76.5 percent) due to revival of gems and jewellery exports. Cereals import growth was significantly negative. Trade deficit, as per customs data, increased by 34.5 percent to US\$ 119.1 billion in 2008-09.

Foreign Exchange Reserves, Exchange Rate and External debt

India's foreign exchange reserves comprise foreign currency assets (FCA), Gold, SDRs and Reserve Tranche Position (RTP) in the IMF. Beginning from a low level of US \$ 5.8 billion at end-March 1991, India's foreign exchange reserves increased to a peak of US\$ 314.61 billion at end-May 2008. Reserves, however, have declined since then. The foreign exchange reserves stood at US \$ 252.0 billion at the end of March 2009.

Deceleration in the capital flows and a widening trade deficit in 2008-09 have resulted in a steady depreciation of the Rupee. With the deepening of the global financial crisis in September 2008, there has been further contraction in the capital flows by portfolio investors and a decline in the exports. The net reversal of portfolio flows from India during 2008-09 due to sale of equity stakes by Foreign Institutional Investors (FIIs) to replenish overseas cash balances had knock-on effect on the stock market and the exchange rates through creating supply demand imbalance in the foreign exchange market. All these factors have resulted in decline in the value of Rupee from an average of Rs 40.02 in April 2008 to Rs 51.23 per US dollar in March, 2009, reflecting 21.88 percent depreciation in rupee. The annual average exchange rate during 2008-09 was Rs. 45.99 per US dollar. The rupee value remained stable in the range of Rs. 42-43/US dollar during May-August 2008 and in the range of Rs 48-49/ US dollar during October 2008 to February 2009. During September 2008, the average value of rupee was Rs 45.56 per US dollar.

At end-December 2008, India's total external debt outstanding was US \$ 230.9 billion (Rs.1, 118,565 crore) reflecting an increase of US \$ 24.9 billion over the year. In terms of constituents, long term debt accounted for US \$ 183.4 billion and short term debt US \$ 47.5 billion. US dollar denominated external debt accounted for 53.1 per cent of the total external debt at end-December 2008. The ratio of foreign exchange reserves to total external debt stood at 110.9 per cent at end-December 2008. The ratio of short term debt to foreign exchange reserves, which increased from 15.6 per cent at end-June 2008 to 17.7 per cent at end-September 2008, rose further to 18.5 per cent at end-December 2008. Cross country comparison based on the data given in World Bank's Global Development Finance, 2008 showed India ranked fifth in 2006 in terms of total external debt stock among developing countries. However, in terms of debt to Gross National Income

(GNI) ratio (17.8 per cent) and debt service ratio (4.8 per cent), India's position was the second lowest among top 10 debtor countries.

Social Sector Development

Expenditure of the Central Government on social services including rural development increased from Rs.46,409 crore in 2002-03 to Rs.1,09,585 crore in 2007-08 (RE) and Rs. 1,75,111 crore in 2008-09 (RE). The total expenditure on social sectors of the general government (combined Centre and State Governments) as a percentage of GDP also increased from 5.57 per cent in 2003-04 to 6.72 per cent in 2008-09 (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 and 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, Plan Finance-I and II Divisions, 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 2008-09 to achieve these objectives. The details of these changes are given in paragraphs 3.4 and 4.9.

In the financial year 2008-09, 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 period from 1st January, 2008 to 31st March, 2009 a total number of 4286 Search Warrants were executed leading to the seizure of assets worth Rs.748.29 crore. During the same period, a total number of 8695 Surveys (prov.) were conducted which yielded a disclosure of additional income of Rs.5838.5 crore (prov.). As regards assesses, a total number of 9.01 lakh new assesses were added during the same period .

The Customs and Central Excise offices also continued their drive vigorously against duty . During the period from 1st January, 2008 to 31st March, 2009, a total number of 7585 cases of evasion of Central Excise involving duty effect of

Rs.8618.84 crore were detected in which duty amount of Rs.1585.96 crore was recovered. Regarding evasion of Customs duty, 1812 cases involving duty effect of Rs.2535.46 crore were detected in the same period. 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 same period, in 47908 outright smuggling seizure cases, contraband worth the value of Rs.1800.66 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 was also 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).

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.

Financial sector reforms initiated by the Reserve bank of India(RBI) and 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 settlement system, encouraging use of advance technology in banking operations with minimum risks and according priority to financial inclusion. The operational rigidities in credit delivery system were addressed to ensure allocational efficiency and achievement of social objectives.

To mitigate the impact of the Global Financial Crisis on India several steps have taken by RBI and Government in the last few months to improve the liquidity and credit delivery. These, inter alia, include reduction of policy rates, reduction in SLR and CRR requirements, creation of special window under LAF

to assist mutual funds and NBFCs, relaxation of ECB Policy, increase in the FCNR(B) and NR(E)RA deposit rates, relaxation of capital risk weights and provisioning requirements on standard assets for certain sectors including real estate, allowing special lines of credit to NHB and SIDBI, allowing more resource raising for infrastructure and NBFC sector and ensuring dollar liquidity. The focus on ensuring

adequate flow of credit to agriculture, small, medium and micro industries, minorities and weaker sections continued with greater focus on financial inclusion. A number of policy initiatives on strengthening the cooperative credit structure and ensuring credit to agriculture and rural infrastructure and housing sector were initiated/continued in 2008-09 also.

■ ■

Department of Economic Affairs

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 developments, domestic and external, and advises on policy measures relating to macro management of the economy.

1.2 As part of its regular activities, the Economic Division brings out the Economic Survey annually, which is placed in the 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. In addition, at the end of first quarter and third quarter a Macro-Economic backdrop statement is prepared and provided to the Budget Division for incorporating 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 placed the 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 Missions abroad. The Division also brings out every month an abstract entitled "Monthly Economic Report", 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, trends in tax collection, the balance of payments and the monetary situation. It also monitors the

price situation on a weekly basis. 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 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 and 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:

- BOP, Global Financial Markets, Institutions and Architecture
- Industry and Infrastructure
- Macro Indicators and Agriculture
- Money and Financial Intermediation
- Public Finance
- Prices
- Social Sector
- Trade (Good and Services), WTO and Bilateral Relations
- IES Division

1.7 The Unit responsible for BOP, global financial markets, institutions and architecture principally monitors and reviews the emerging trends in India's balance of payments position. It tracks exchange rate policy and movements in exchange rate of rupee against major world currencies, monitors India's foreign exchange reserves and NRI deposits. The Unit is responsible for matters relating to short term BOP Monitoring Group, monitoring of international economic developments, multilateral Institutions (World Bank/IMF) and related issues. It also has responsibilities for external debt management issues related to collection, compilation, monitoring and quarterly publication of external debt data in compliance with Special Data Dissemination Standard (SDDS) of IMF and Quarterly External Debt Statistics (QEDS) of World Bank. The Management Information System on External Debt

Management and coordination of CS-DRMS with Office of Controller of Aids, Audit and Accounts and Reserve Bank of India is handled in the Unit.

1.8 Industry and Infrastructure Unit advises the Government on policy issues relating to Industry at both macro and sectoral levels. The unit monitors and reviews on a continuous basis industrial growth and investment, developments in the industrial sector, investment /financing of public sector, industrial relations and sickness. The Unit is also responsible for monitoring trends in production of core infrastructure industries and services. It undertakes analysis of developments in infrastructure policy, investment and financing and renders advice on infrastructure sector policy issues.

1.9 The Macro Indicators and Agriculture Unit is responsible for monitoring macroeconomic parameters, such as, output, savings and investment and analysis of macroeconomic trends; country coordination for SDDS; preparation of Monthly Economic Report and report on State of the Economy. It also monitors data on agriculture production of Rabi and Kharif crops, progress of monsoon and reservoir storage of water resources, capital formation in agriculture, commodity budgets – rice, wheat, pulses, oil seeds and sugar. The Unit monitors and reviews issues related to National Commission on Farmers National Horticulture Mission, Minimum Support Price for Rabi and Kharif crops, and to Public Distribution and Central Issue Price

1.10 Money and Financial Intermediation Unit is responsible for monitoring of money market trends and developments in monetary policy. It also monitors trends in Banking and Non-Banking financial sector and aggregate trends in credit flows. The Unit tracks yield movements of Government securities.

1.11 The Public Finance Unit deals with matters relating to public finance and budgetary operations of the Central Government. It is responsible for Economic and Functional Classification of Central Government Budget, Statistical Album on Public Finance (Indian Public Finance Statistics), including budgetary transactions of Centre, State and Union Territories. It monitors Central fiscal parameters, such as, fiscal deficit, revenue deficit, aggregate expenditure, policies relating to central plan outlays, resources and expenditures. It undertakes review of fiscal position and analysis of fiscal issues. It also undertakes analysis relating to tax measures, direct and indirect tax proposals/reforms and monitoring and analysis of major central taxes.

1.12 The Prices Unit monitors and reports on price situation and advises on general price policy matters relating to supply management especially in respect of essential commodities, tracking and analysis of Wholesale Price Index and other indices of inflation. The unit assists Committee of Secretaries on Monitoring of Prices.

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.

1.14 Trade (Goods and Services), WTO and Bilateral Relations Unit is responsible for monitoring of India's Foreign Trade, analysis of commodity compositions and direction of trade, monitoring of foreign trade policy, WTO, UNCTAD and ESCAP related issues.

IES Division

1.15 The main functions of IES Division are to undertake direct recruitment in IES; policy matters relating to IES Rules & other guidance; cadre review and management; nomination of officers for deputation under central staffing scheme and to ex-cadre post/public sector undertakings/ State Governments and foreign service; training of IES probationers and inductees; training needs assessment and capacity building of IES officers through refresher courses and compulsory mid-career training; secretariat for IES Board meetings; matters pertaining to court cases on IES matters; operation of IES Budget Head for salary, preparation and maintenance of IES civil list and matters pertaining to RTI Act.

2. Budget Division

2.1.1. Budget Division is responsible for the 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. It 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 Fund 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), Small Savings Schemes and National Defence Fund. The work relating to Treasurer Charitable Endowment is also handled in the Budget Division.

2.1.2 This Division also looks after matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India and 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. From 1st January, 2008 to 31st Marc, 2009, 21 reports of the C&AG of India were laid before the Parliament and 42 entrustment/re-entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

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 was presented in Parliament in accordance with the requirements of the FRBM Act. Besides this, the Division oversees/facilitates the implementation of 'Gender Budgeting' in various Ministries/Departments.

2.2 Fiscal Responsibility and Budget Management (FRBM) Act, 2003

2.2.1 Administration of Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and the Rules framed there under came into effect in 2004. The Act provides for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto. The Act further seeks to provide for the responsibility of the Central Government to prepare FRBM documents and present them in the Parliament. Accordingly, during the period from January, 2008 to March, 2009, the following documents were presented in the Parliament.

- (i) Macro-Economic Framework Statement 2008-09
- (ii) Medium Term Fiscal Policy Statement 2008-09
- (iii) Fiscal Policy Strategy Statement 2008-09
- (iv) Quarterly reports of the trends in receipts and expenditure
 - (a) Third Quarter report for the year 2007-08
 - (b) Fourth Quarter report for the year 2007-08
 - (c) First Quarter report for the year 2008-09
 - (d) Mid-Year Review for the year 2008-09
- (v) Macro-Economic Framework Statement 2009-10
- (vi) Medium Term Fiscal Policy Statement 2009-10
- (vii) Fiscal Policy Strategy 2009-10

2.2.2 The Thirteenth Finance Commission was constituted in November, 2007. Further an additional term of reference has been given to the Thirteenth Finance Commission during August, 2008 for reviewing the roadmap for fiscal adjustment and suggesting a revised roadmap with a view to maintaining the gains of fiscal consolidation through 2010 to 2015, after factoring in the need to bring the liabilities on account of oil, food and fertilizer bonds into the fiscal accounting and also the impact of various other obligations of the Central Government on the deficit targets.

2.3 National Small Savings

2.3.1 Small Savings Scheme

2.3.1.1 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.

2.3.1.2 In order to make the small savings schemes more attractive and investor friendly, the Government has made the following amendments in these schemes in recent times.

- i) Operation of accounts allowed directly or through a literate agent by blind or otherwise physically handicapped adult under Post Office Savings Account Rules and Post Office Time Deposit Account with effect from 26th June, 2008.
- ii) Opening of "Zero Deposit/Zero Balance" accounts for the workers employed under NREG Act, under Post Office Savings Account Rules, with effect from 26th August, 2008.
- iii) Number of defaults for revival of accounts increased from 4 to 7 for Defence Services Personnel under Post Office Recurring Deposit Scheme, with effect from 26th June, 2008.

2.3.3 Small Saving Collections

The gross deposits under various small savings schemes during 2008-09 were Rs.1,57,341 crore (Provisional) as against the deposit of Rs.1,47,709 crore during 2007. An amount of Rs.8409.65 crore has been transferred as share of net small savings collections to the States and Union Territories (with legislature) during 2008-09, as against the sum of Rs. 12,194 crore transferred during 2007-08.

2.3.4 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 from 100 per cent to 80% per cent of net collections w.e.f. 1st April, 2007.

2.3.5 Measures for Improved Interface with the Public

2.3.5.1 Central and State Governments take various measures from time to time to promote and popularize 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.

2.3.5.2 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 Public Debt & liabilities and Cash Management

2.4.1 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. 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.

2.4.2 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2008-09 at Rs.1,45,146.04 crore (gross) and Rs. 1,00,571 crore (net). However, in view of the additional cash expenditure approved by the Parliament in the First and Second Supplementary Demands for Grants 2008-09 and the fiscal stimulus packages announced by the Government, it became necessary for the Government of India to raise additional resources. The Revised Estimates (RE) of gross and net market borrowing through dated securities for 2008-09 were placed at Rs. 3,06,000.22 crore and Rs. 2,61,972 crore respectively.

2.4.3 During the year, Government continued with the policy of announcement of half yearly indicative market borrowing calendar based on its core borrowing requirements. It also continued with passive consolidation of Government securities.

2.4.4 A Memorandum of Understanding (MOU) to amend the MOU dated March 25, 2004 on the Market Stabilisation Scheme (MSS) was signed on February 26, 2009. The amendment enables, on mutual agreement between the Government of India and the Reserve Bank of India, the transfer of a part of the amount in the MSS cash account to the normal cash account as part of the Government's market borrowing programme for meeting Government's approved expenditure. Following this amendment, Rs.12,000 crore was transferred from MSS cash account to the normal cash account of the Government on March 4, 2009.

2.4.5 The weighted average yield and maturity of dated securities issued during 2008-09 as a whole were 7.69% and 13.80 years, as compared to 8.12% and 14.90 years in 2007-08 respectively.

2.4.6 The Ways & Means Advance (WMA) ceiling for the Central Government was fixed at Rs.20,000 crore initially for the first half of 2008-09. This WMA limit was subsequently continued upto December 31, 2008. The WMA limit was fixed at Rs. 6,000 crore for the last quarter of 2008-09.

2.4.7 During 2008-09, Central Government has, in addition to the normal market borrowing programme, issued Special Securities amounting to Rs. 75,942 in four tranches to Oil Marketing Companies (OMCs) as compensation towards

estimated under-recoveries on account of sale of sensitive petroleum products. Government also issued Special Securities for an amount of Rs.20,000 crore to Fertilizer Companies in three tranches as compensation towards fertilizer subsidy.

2.4.8 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 Welfare. 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.

2.4.9 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.

2.5 Debt Management Office

In the Union Budget 2007-08, the Hon'ble Finance Minister had proposed the establishment of an autonomous Debt Management Office (DMO) in the Government. In the first phase, a Middle Office was proposed to be set up to facilitate the transition to a full-fledged Debt Management Office (MDO). Following the announcement, the Middle Office was subsequently established in the Ministry of Finance. The major functions of the Middle Office, *inter alia*, include developing debt management strategy, planning of periodic calendars, forecasting cash and borrowing requirements, developing and maintaining a centralised database on Government liabilities and disseminating debt related information.

2.6 Hindi Branch

2.6.1 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.

2.6.2 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 period under report. These include agreements with Foreign Governments 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.

3. Capital Markets Division

3.1 A brief para about the functions/working of Organization and set up of your Division including its various Advisory Boards and Councils in a brief and concise form:

Primary Markets Section

- Policy case
- Related Intermediaries and participants
- SEBI Board meeting (primary responsibility)
- SEBI Act., related rules and regulations
- Debt market development
- Sectoral Charge (Corporate Affairs)
- Budget related matters.
- National Institute of Securities Markets (NISM)
- Policy issues relating to regulatory coordination/ convergence

Secondary Markets Section

- Policy relating to the regulation and development of the secondary markets and investor protection;
- Policy relating to the secondary securities markets;
- Securities Contracts (Regulation) Act, 1956 and rules made there under;
- Depositories Act, 1996 and Rules made there under;

External Market 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.
- The Report of High Powered Expert Committee on Making Mumbai as an
- International Finance Centre
- The Report of the Committee on Financial Sector reforms entitled "A Hundred Small Steps"
- High-Level Coordination Committee on Financial Markets (HLCCFM)
- Sectoral work pertaining to Ministry of Parliamentary Affairs, Department of
- Global Financial Crisis
- Matters relating to the Financial Stability Board (FSB) of which India is a member
- Issues relating to International Capital Market

External Commercial Borrowings Section

- Periodical review and formulation of ECB Policy & procedures;
- Policy relating to FCCBs, ADR / GDR;
- FIIs Portfolio Investment policy;
- To provide input for future borrowings decisions including annual cap for the short-term balance of payments (STBOP) review exercise.

Pension Reforms Cell (Reporting through Secretary, Financial Services)

- 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

UTI and Investor Grievances Section

- Specified Undertakings of UTI
- Indian Trusts Act
- Nizam's Trust
- Territorial Charge- (Bihar and Jharkhand)

Regulatory Establishment 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)
- Sectoral charge-Department of Expenditure, Revenue, Financial services, Disinvestment, and Consumer Affairs
- Coordination within CM Division and RTI matters

3.2 Information about the performance/ achievements of the Division upto last year

Primary Markets Section

I. Amendments to SEBI (Disclosure and Investor Protection) Guidelines, 2000

The following amendments were made to the SEBI (DIP) Guidelines:

- i. **Introduction of ASBA:** SEBI has introduced a supplementary process of applying in public issues, viz., the 'applications supported by blocked amount' (ASBA) process for IPO applications. The ASBA process eliminates the pitfalls associated with the process of physical refund of funds. It ensures that the funds are debited from the investors'

accounts only upon confirmed allotment of securities and only to the extent of allotment made to the investor. The ASBA process has been operationalised in all public issues made through the book building route via concerned 'Self-Certified Syndicate Bankers' with an objective of making the existing public issue process more efficient. Further, SEBI vide circular dated September 25, 2008, has also enabled the ASBA process for rights issues.

ii. Reduction in timelines for rights issues: In order to mitigate the market risks and to enable listed companies to raise funds from its shareholders in a more time effective manner, SEBI has reduced the timelines stipulated in SEBI (DIP) Guidelines and Equity Listing Agreement, for various purposes like the notice period required for calling a board meeting of the issuer to consider the rights issue; and the period stipulated for completion of allotment and commencement of listing and trading of the shares so issued.

iii. Definition of QIB: The sub-accounts falling in the categories of "foreign corporate" and "foreign individual" have been excluded from the definition of Qualified Institutional Buyers (QIBs). The definition of "QIB" has also been included in the definition clause of the SEBI (DIP) Guidelines, for the purpose of clarity.

iv. Eligibility for making QIP: The eligibility criteria for listed companies desirous of making Qualified Institutional Placement (QIP) have been expanded. Companies, which have been listed during the preceding one year pursuant to approved scheme(s) of merger/ demerger/ arrangement entered into with companies which have been listed for more than one year in such stock exchange(s) can raise funds through QIP after taking into account the listing history of the listed companies with which they have entered into the approved scheme(s) of merger/ demerger/ arrangement.

v. Pricing norms for QIP: (a) In order to facilitate eligible listed companies to raise funds through QIP route, SEBI has modified the pricing guidelines for QIP by bringing the issue price of the securities offered closer to their market price. This has been effected through change in the floor price formula and definition of relevant date. (b) In order to facilitate eligible listed companies to raise funds from QIBs, the modified pricing guidelines of QIP have been extended to preferential allotment to QIBs, provided that the number of QIB allottees in such preferential allotment does not exceed five.

vi. Lock-in of shares in preferential allotment: Presently, as per the guidelines on preferential allotment, warrants issued on preferential basis are subject to lock-in for a period of one year or three years, as the case may be and lock-in on shares allotted on exercise of such warrants is reduced to the extent such warrants have already been locked-in. In this regard, it was decided to subject the shares so allotted pursuant to exercise of warrants to full lock-in period of one year or three years, as the case may be, from the date of allotment of such shares.

vii. Eligibility of shares for promoters' contribution and offer for sale: Presently, the SEBI (DIP) Guidelines provide

that only those shares, which are held by shareholders for a period of at least one year at the time of filing of draft offer document with SEBI, are eligible (i) to be offered for sale and (ii) to be included for the purpose of promoters' contribution (except in cases where the shares have been issued at the same issue price during the preceding one year). In this regard, it was decided to permit offer for sale and inclusion in the promoters' contribution of those shares which have been acquired pursuant to a restructuring exercise approved by High Court(s), in lieu of business and invested capital which had been in existence for a period of more than one year prior to the restructuring exercise.

viii. Combined issuance of Non-convertible warrants with bonds SEBI has amended the SEBI (Disclosure and Investor Protection (DIP) Guidelines, 2000 to permit a listed company to make a combined offering of Non-convertible Debentures (NCDs) with warrants through the QIP mechanism, in terms of the provisions of Chapter XIII-A of the Guidelines. Qualified Institutional Buyers (QIBs) can subscribe to the combined offering of NCDs with warrants or to the individual instruments, i.e., either NCDs or warrants, where separate books are run for NCDs/ warrants. NCDs and warrants issued pursuant to a combined offering as mentioned above, can be listed and traded separately. No relaxation from the applicability of the provisions of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 (SCRR) shall be required for listing of the NCDs, as this relaxation is available pursuant to Regulation 22(b)(i) of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008. However, for listing and trading of the warrants, relaxation from the applicability of the provisions of the Rule 19(2)(b) of SCRR is required. The minimum contract value for trading of NCDs/ warrants has been set at Rs.1 lakh.

II. Amendments to Clause 49 of the Listing Agreement

SEBI has amended certain provisions pertaining to corporate governance requirements for issuers in terms of Clause 49 of the listing agreement. In terms of the said amendments, the following mandatory and non-mandatory provisions have been introduced:

Mandatory Provisions:

- (a) If the non-executive Chairman is a promoter or related to promoters or persons occupying management positions at board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.
- (b) Disclosures of relationships between directors inter-se shall be made in specified documents/filings.
- (c) The gap between resignation/removal of an independent director and appointment of another independent director in his place shall not exceed 180 days. However, this would not apply in case a company fulfils minimum requirement of independent directors in its Board even without filling the vacancy created by such resignation/removal.

- (d) The minimum age for independent directors shall be 21 years.

Non-mandatory provisions: The company shall ensure that the person who is being appointed as an independent director has the requisite qualifications and experience which would be of use to the company and which, in the opinion of the company, would enable him to contribute effectively to the company in his capacity as an independent director.

Further, SEBI vide circular dated October 23, 2008 has clarified that for the purpose of the expression "related to any promoter":

- a. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it; and
- b. If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

III. Amendments to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

SEBI has amended the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 relating to:

- (i) Eligibility of nominee directors for ESOS and Accounting treatment for options granted under graded vesting schemes. SEBI has clarified that a director, nominated by an institution as its representative on the Board of Directors of a company, is eligible to participate in the ESOS of the company, if the contract / agreement entered into between the nominating institution and the director so specifically provides for acceptance of ESOS of the company by such director and a copy thereof is filed with the company. (ii) The SEBI (ESOS & ESPS) Guidelines has also been amended to bring the accounting treatment prescribed by SEBI, for options granted under graded vesting, in line with the accounting treatment provided by ICAI. In March 2007, ICAI had revised the accounting treatment, reorganization and measurement of options granted under graded vesting schedule.

IV. Arranging of a two week long "Training of Trainers" for development of capital markets in the SAARC region.

A two week long programme was organized by NISM in collaboration with Capital Markets Division for capacity building of trainers in capital markets in SAARC countries. This programme was designed to improve the functioning of stock exchange system and securities markets in the SAARC region. The programme covered all major segments of the capital markets spanning primary markets, secondary markets, market intermediaries, derivative markets, mutual funds, mergers, acquisition, takeovers, credit rating agencies, insider trading, investor education, financial literacy and corporate governance.

3.3 External Markets Section

Measures taken to deal with the global financial crisis

(a) Monetary measures:

Reduction in the following rates (between October 2008 and April 2009): Repo-4.75% from 9%, Reverse repo 3.25% from 6%, CRR to 5.0 % from 9% and SLR to 24% from 25%. It is expected that the reduction in the policy interest rates will further encourage banks to provide credit for productive purposes at viable interest rates. The Reserve Bank on its part would continue to maintain ample liquidity in the system.

(b) Bank Overseas borrowings

October 15, 2008: Banks permitted to borrow funds from their overseas branches and correspondent banks up to a limit of 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million, whichever is higher, as against the existing limit of 25 per cent.

(c) External Commercial Borrowings

ECB up to USD 500 million per borrower per financial year permitted for Rupee expenditure and / or foreign currency expenditure for permissible end - uses under the Automatic Route. In addition the following has been decided:

- i. The 'all-in-cost' ceilings on such borrowing would be removed, under the approval route of RBI;
- ii. To facilitate access to funds for the housing sector, the 'development of integrated townships' would be permitted as an eligible end-use of the ECB, under the approval route of RBI;
- iii. NBFCs, dealing exclusively with infrastructure financing, would be permitted to access ECB from multilateral or bilateral financial institutions, under the approval route of RBI.
- iv. In order to give a boost to the corporate bond market, FII investment limit in rupee denominated corporate bonds in India would be increased from US \$ 5 bn to US \$ 15 bn.
- v. Extension of the relaxation on the all-in-cost ceilings for ECBs up to December 31, 2009;

(d) Participatory Notes

October 7, 2008: SEBI decided to lift curbs on the issuance of the Participatory Notes by the Foreign Institutional Investors. The regulator will remove the 40 per cent restriction for issuance of PNs for both cash and derivative segments.

(e) FII Investment in debt

The FII investment in corporate debt limit has been enhanced from US \$ 3 billion to US\$ 15 billion. Further in order to accord flexibility to the FIIs to allocate the investments across equity and debt, it has been decided to do away with the conditions pertaining to restrictions of 70:30 ratio of investment in equity and debt respectively.

(f) Banks, NBFCs and Mutual Funds

Liquidity windows opened.

(g) NRI Deposits:

Increasing interest rate ceilings for FCNR(B) and NRE deposits to LIBOR / SWAP rates plus 100 basis points and LIBOR / SWAP rates plus 175 basis points respectively.

(h) Some other measures relating to financial markets

- i. Further liberalisation of the FCCBs buyback policy;
- ii. Extension of the special refinance facility and term repo facility and increased limit for export credit refinance for banks up to March 31, 2010;
- iii. Introduction of STRIPS to aid the development of a sovereign zero-coupon yield curve; and
- iv. Revise the issuance structure of floating rate bonds, among others.

(i) Policy measures relating to credit delivery mechanism and banking services

- i. Issuing guidelines to banks on rehabilitation of sick SMEs;
- ii. Phased introduction of capital to risk-weighted asset ratio (CRAR) for regional rural banks (RRBs);
- iii. A non-disruptive roadmap to ensure that only banks with licence operate in the co-operative space by 2012; and
- iv. Setting up banking facilities at commercially unviable centres in the North- Eastern region.
- v. The major prudential measures include allowing scheduled commercial banks (SCBs) to set up offsite ATMs without prior approval subject to reporting, lay down the norms for capital adequacy treatment of exposures of banks to central counterparties, prescribe a minimum lock-in-period and minimum retention criteria for securitising the loans, increase the maximum distance criterion for business correspondent for deeper penetration of banking services.

(j) Policy measures relating to institutional developments

- i. Permit eligible SCBs to issue all categories of pre-paid payment instruments;
- ii. Permit eligible non-bank entities, including NBFCs, to issue semi-closed instruments;
- iii. Permit extension of area of operation of Tier II urban co-operative banks(UCBs) in Grade I to the entire State of registration;
- iv. Guidelines to UCBs on internal controls, risk management systems, ALM and disclosure norms;
- v. Apply capital charge for market risks in respect of large UCBs; and
- vi. Defer the implementation of CRAR for NBFCs-ND-SI by one year."

(k) Fiscal measures taken by the Government- PMO press release dated January 2, 2009

The Government is committed to taking steps for minimizing the impact of the global financial crisis on the Indian economy. To this end, Government has taken a number of steps since October 7, the most recent being the measures announced on 7.12.2008. These included:

- (i) Additional plan expenditure upto Rs. 20,000 cr. in the current year mainly for critical rural, infrastructure and social security schemes such as Pradhan Mantri Gram Sadak Yojana (PMGSY), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), National Rural Employment Guarantee Scheme (NREGS), Indira Awas Yojana, Accelerated Irrigation Benefit Programme and National Social Assistance Programme (NSAP).
- (ii) An across-the-board cut of 4% in ad-valorem Cenvat rate except for petroleum products.
- (iii) Several other measures to support exports, housing, Micro, Small & Medium Enterprises (MSME) and textile sectors.
- (iv) Authorising India Infrastructure Finance Company Limited (IIFCL) to raise Rs. 10,000 cr. to refinance bank lending for infrastructure projects.

Subsequently, other measures have also been taken such as removal of ban on export of cement.

2. Additional steps are being taken on the monetary, credit and fiscal front to further strengthen the contra-cyclical stance of policy. The Reserve Bank has today announced a set of measures. In addition, with a view to further liberalizing the policy on External Commercial Borrowing (ECB), the Government and the RBI have decided:

- (a) The 'all-in-cost' ceilings on such borrowing would be removed, under the approval route of RBI;
- (b) To facilitate access to funds for the housing sector, the 'development of integrated townships' would be permitted as an eligible end-use of the ECB, under the approval route of RBI;
- (c) NBFCs, dealing exclusively with infrastructure financing, would be permitted to access ECB from multilateral or bilateral financial institutions, under the approval route of RBI.
- (d) In order to give a boost to the corporate bond market, FII investment limit in rupee denominated corporate bonds in India would be increased from US \$ 6 bn to US \$ 15 bn.

The decisions at points (a) to (c) would be reviewed after June 30, 2009.

3. The flow of credit to the economy will be further enhanced by the following:

- (i) An SPV will be designated shortly to provide liquidity support against investment grade paper to Non

Banking Finance Companies (NBFCs) fulfilling certain conditions. Details will be announced separately. The scale of liquidity potentially available through this window is Rs.25,000 crores.

- (ii) An arrangement will be worked out with leading Public Sector Banks to provide a line of credit to NBFCs specifically for purchase of commercial vehicles.
- (iii) Credit targets of Public Sector Banks are being revised upward to reflect the needs of the economy in the present difficult situation. Government will closely monitor, on a fortnightly basis, the provision of sectoral credit by public sector banks.
- (iv) Special monthly meetings of State Level Bankers' Committees would be held to oversee the resolution of credit issues of micro, small and medium enterprises by banks. Department of MSME and Department of Financial Services will jointly set up a Cell to monitor progress on this front. Matters of MSMEs remaining unresolved with the Banks- SME Helpline for more than a fortnight may be brought to the notice of this Cell.
- (v) Recently the guarantee cover under Credit Guarantee Scheme for micro and small enterprises on loans was extended from Rs.50 lakh to Rs.1 crore with a guarantee cover of 50%. In order to enhance flow of credit to micro enterprises, it has been further decided to increase the guarantee cover extended by Credit Guarantee Fund Trust to 85% for credit facility upto Rs.5 lakh. This will benefit about 84 per cent of the total number of accounts accorded guarantee cover.

4. State Governments are facing constraints in financing expenditure because of slower revenue growth. To help maintain the momentum of expenditure at the state government level, states will be allowed to raise in the current financial year additional market borrowings of 0.5% of their Gross State Domestic Product (GSDP), amounting to about Rs 30,000 crore, for capital expenditures.

5. India Infrastructure Finance Company (IIFCL), which has already been authorized to raise Rs.10,000 cr. through tax free bonds by 31.03.2009 for refinancing bank lending of longer maturity to eligible infrastructure bid based PPP projects, will be accessing the market next week for raising the first tranche of the amount. This will enable the funding of mainly highways and port projects on hand of about Rs.25,000 crore. To fund additional projects of about Rs.75,000 crore at competitive rates over the next 18 months, IIFCL is being enabled to access in tranches an additional Rs.30,000 crores by way of tax free bonds once funds raised in the current year are effectively utilized.

6. Exporters are especially hit by recessionary conditions globally. To support exports a number of steps have been taken. As a further measure:

- (i) Taking into account the fact that the rupee has

appreciated nearly four per cent against the dollar since November 2008, it has been decided to restore DEPB rates to those prevailing prior to November 2008. In order to provide predictability and stability of regime in the short term for future contracts, the DEPB Scheme would be extended till 31.12.2009.

- (ii) Duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn are being enhanced. These changes will take effect retrospectively from September 1, 2008.
- (iii) Exporters have raised a number of procedural issues where modification of procedures could reduce delays faced by exporters. To consider these and similar problems, Government has decided to constitute a Committee under the chairmanship of the Finance Secretary including Secretaries of the Departments of Revenue and Commerce to look into and resolve these issues on a fast-track basis.
- (iv) EXIM Bank has obtained from RBI a line of credit of Rs.5000 crore and will provide pre-shipment and post-shipment credit, in rupees or dollars, to Indian exporters at competitive rates.

7. Other measures designed to counter recessionary trends are the following:

- (i) Exemptions from CVD on TMT bars and structurals, and from CVD and Special CVD on cement, which were given to contain inflation, are being withdrawn. Full exemption from basic customs duty on zinc and ferro alloys, which was also provided to contain inflation, is being similarly withdrawn.
- (ii) GOI will work with State Govts. to encourage them to release land for low income and middle income housing schemes.
- (iii) States, as a one time measure upto 30.06.2009, will be provided assistance under the JNNURM for the purchase of buses for their urban transport systems. A scheme towards this end will be announced shortly.
- (iv) Accelerated depreciation of 50% will be provided for commercial vehicles to be purchased on or after 1.1.2009 upto 31.03.09.

8. Government is closely monitoring its spending to expedite the pace of expenditure for all schemes and programmes. Government will set up a fast track monitoring committee to ensure expeditious approval and implementation of central projects. Chief Ministers are being advised to do the same.

9. The measures outlined above taken together with steps taken earlier constitute a substantial counter-cyclical stimulus in the current year. Government does not envisage any further measures in the current fiscal year. However, Government is aware that the measures required to provide an economic stimulus to the economy have to extend beyond the current financial year. Towards this end, it is finalising Plan and Non-Plan expenditure that will be required in the next financial year to maintain the tempo. The Plan for the next year will

include proposals for recapitalization of the public sector banks. The recapitalization is expected to be of the order of Rs.20000 crore over the next two years. This will help to ensure that the banking system will not suffer from capital adequacy constraints in order to provide credit growth needed to sustain the economic momentum in 2009-10.

3.4. 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.
- 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. 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.
- n As part of technical procedure to qualify for membership, India has to undergo a mutual evaluation process. Under this process, applicant countries are evaluated and finally rated as compliant, partially compliant, largely compliant or non compliant against each of the 49 recommendations. Out of the 49 recommendations, there are six core recommendations whose compliance is critical to be approved for membership. India's mutual evaluation is scheduled to be held in November-December, 2009. If that is successfully completed then India's case for membership may come up before the FATF plenary meeting in early 2010.

3.5 Financial Sector Reforms

The need and roadmap for reforms has been aptly brought out in the reports of two important Government Committees: (i) The High Powered Expert Committee on Making Mumbai an International Financial Centre (HPEC on MIFC) and (ii) The High Level Committee on Financial Sector Reforms (CFSR) 's report entitled " A hundred small steps". These reports are publicly available at the following links respectively:

<http://finmin.nic.in/reports/index.html>) and (http://planningcommission.nic.in/reports/genrep/rep_fr/cfsr_all.pdf).

The recommendations of both these reports are being examined by the Ministry of Finance in consultation with various other Ministries and State Governments. The two reports have common underlying terms of reference, viz. to recommend next generation of financial sector reforms for India. The mandate of HPEC on MIFC was to look ahead and prepare for the emergent role of Mumbai as a regional/international financial centre by reviewing the existing legal, regulatory, taxation and accounting framework related to financial services in India and recommend an enabling framework to facilitate such transformation of Mumbai. The CFSR has, touched upon the following reasons for financial sector reforms: (i) to include more Indians in the growth process; (ii) to foster growth itself and (iii) to improve financial stability and thus protect the economy from any kind of turbulence that has affected emerging markets in the past and is affecting industrial countries today.

In the meeting taken by the Hon'ble Prime Minister on 24th August, 2007, the following recommendations of the MIFC Report have been identified for priority implementation:

- a. All the necessary steps recommended by HPEC for a vibrant B-C-D (Bond-Currency-Derivatives) complex needs to be implemented expeditiously.
- b. Steps to be taken for making the Securities Appellate Tribunal a Financial Services Appellate Tribunal.
- c. The educational efforts for strengthening regulatory/appellate/judicial capacity in the area of securities market need to be taken up forthwith.
- d. The HR initiatives suggested by the HPEC would need speedy implementation.
- e. The recommendations in the HPEC on the reforms in the G-Secs market and the establishment of DMO to be completed in a quick time frame.
- f. Regulatory impact assessment to be mandated for financial sector regulators.

Follow up action on the aforesaid recommendations is being taken and the following developments have already taken place:

- i. NSE Launched Exchange Traded Currency Futures on 29th August 2008. BSE_Launched them on 1st October, 2008 and MCX on 7th October this year.
- ii. CRISIL had launched "COMPLEXITY LEVELS" on 28th March, 2008, to help investors determine the degree of sophistication and due diligence required to understand risk factors involved in an instrument, before making an investment decision. Subsequently, CARE, ICRA and FITCH have launched similar initiatives.
- iii. An internal working group on Debt management was set up. The report of the group envisions an agency

that will manage debt for the Centre and States, with the overarching objectives of meeting their financing needs, while minimising borrowing costs within acceptable levels of risk. The report has proposed a draft Bill to create a National Treasury Management Agency (NTMA). This report of the internal working group on establishing a National Treasury Management Agency (NTMA) has been shared with the Regulators, state governments and other relevant agencies for their comments. It has also been put on the website of the Finance Ministry at the following link <http://finmin.nic.in/reports/index.html> for public comments. The feedback received on the report is positive.

3.6 External Commercial Borrowings

Based on review undertaken in 2008, ECB policy was liberalized further on the following aspects:

- The borrowers in the services sector were not earlier eligible to avail ECB both under the Automatic and Approval Route. In consultation with RBI, it was decided **to allow entities in the service sector viz. hotels, hospitals and software companies also to avail ECB up to USD 100 million, per financial year, for the purpose of import of capital goods / for foreign currency and / or for Rupee capital expenditure for permissible end-use under the Automatic Route**, keeping all other aspects of ECB policy unchanged. (Press Release dated 31st May, 2008 & January 02, 2009).
- Vide press release dated October 7, 2008, the definition of Infrastructure sector for the purpose of ECB was widened by including mining, exploration and refining sector also,
- Subsequently, consequent upon a policy review in October, 2008, ECB up to US\$ 500 million per borrower per financial years was permitted for rupee expenditure and / or foreign currency expenditure for permissible end-uses under the automatic route. The requirement of minimum average maturity period of seven years for ECB more than US\$ 100 million for rupee capital expenditure by the borrowers in infrastructure sector was dispensed with.
- Further in order to develop the telecom sector in the country, payment for obtaining license / permit for 3G Spectrum will be considered an eligible end-use for the purpose of ECB.
- Before this review, ECB proceeds were required to be parked overseas until actual requirement in India and such proceeds could be invested in the liquid assets of (a) deposits or certificate of deposit offered by banks rated not less than AA (-) by S&P / Fitch IBCA or Aa3 by Moody's (B) deposits with overseas branch of an AD bank in India; and (c) Treasury bills and other monetary instruments of one year maturity heaving minimum rating as indicated above. It was decided henceforth that the borrowers would be extended the flexibility either to keep these funds off-shore as above or keep it with the overseas branches / subsidiaries of India banks abroad or to remit these funds to India for credit to their rupee accounts with AD category 1 banks in India, pending utilization for permissible end-uses. However, as hitherto the rupee funds are permitted to be used for investment in Capital markets, real estate or for inter-corporate lending.
- Further in light of the tight liquidity conditions in the international financial markets, the all-in-cost ceilings was further rationalized and enhanced to **300 basis points** over 6 month LIBOR for the respective currency or the applicable bench mark for ECBs having average maturity of 3 to 5 years and **500 basis points** over 6 month LIBOR for the respective currency or the applicable bench mark for ECBs having average maturity of more than 5 years. However, as per extant policy reviewed in December 2008 and notified on January 2, 2009, the all-in-cost ceiling of LIBOR + 300 basis points and LIBOR + 500 basis points for ECBs with average maturity period of three years and up to five years and more than five years respectively was dispensed with until June 30, 2009. The proposals to avail of ECBs exceeding the permissible all-in-cost ceilings are being considered by RBI under the approval route. **Considering the continuing tightness of credit spreads in the international markets, it has been decided to extend this relaxation until December 31, 2009.**
- Keeping view the risks associated with unhedged foreign exchange exposures of SMEs, a system of monitoring such unhedged exposure by the banks on a regular basis is being put in place.
- In addition, the credit enhancement window available in the present ECB policy has been fully operationalised.
- In May, 2007, Reserve Bank had withdrawn the exemption accorded to the '**development of integrated township**' as a permissible end-use of ECB. It was decided to permit corporates, engaged in the development of integrated township, as defined in Press Note 3 (2002 Series) dated January 04, 2002, issued by DIPP, Ministry of Commerce & Industry, Government of India to avail of ECB under the Approval Route. **The policy is required to be reviewed in June 2009.**
- As per the extant ECB policy, Non-Banking Financial Companies (NBFCs) were permitted to avail of ECB for a minimum average maturity period of five years to finance import of infrastructure equipments for leasing to infrastructure projects in India. It was decided **to allow NBFCs, which are exclusively involved in financing of the infrastructure sector, to avail of ECBs from multilateral / regional** financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the Approval route. However, while considering the applications, Reserve

Bank is to take into account the aggregate commitment of these lenders directly to infrastructure projects in India. The direct lending portfolio of the above lenders vis-à-vis their total ECB lending to NBFCs, at any point of time should not be less than 3:1. AD Category - I banks are required to obtain a certificate from the eligible lenders to this effect. **This facility is to be reviewed in June 2009.**

3.7 FIIs' Investments in Government Securities and Corporate Bonds

- FIIs registered with SEBI are permitted to invest in Government Securities and corporate bonds. Subsequent to the review of policy in May, 2008, limit on FIIs investment in G-Sec was increased from US\$ 3.2 billion to US\$ 5 billion and from US\$ 1.5 billion to 3 billion in corporate debt and again as announced by FM, FIIs investment in corporate debt was doubled i.e. up to US\$ 6 billion. Now in consultation with the Reserve Bank, the limits of FIIs investment in Corporate bonds has been raised to US\$ 15 billion. This decision has been implemented by SEBI as recommended by the Government.
- An overall limit for ECB approvals for the last two years was US\$ 22 billion. But taking this into account and likely demand for ECBs particularly for infrastructure projects, overall approval ceiling for 2009-10 is proposed to be enhanced from US\$ 22 billion to 35 billion. But the decision in the matter is yet to be taken in this regard.

3.8 Liberalization of policy on buyback of FCCBs

The policy on premature buyback of FCCBs was liberalized in December, 2008. The proposals for buyback are being considered by RBI both under automatic and approval route provided buyback is financed out of their foreign currency resources held in India or abroad and / or out of fresh ECB raised in conformity with the current ECB norms and out of internal accruals up to US\$ 50 million of redemption value at a minimum discount of 25% on the book value. Keeping in view the benefits accruing to Indian companies, the RBI has now decided to increase the total amount of buyback, out of internal accruals, from US\$ 50 million of the redemption value to US\$ 100 million by linking the higher amount of buyback to greater discounts i.e. at minimum discounts of 35% on the book value for over US\$ 50 million and up to US\$ 75 million of the redemption value and 50% for amounts over US\$ 75 million and up to US\$ 100 million. The existing facility for buy back of FCCBs up to US\$ 50 million at a minimum discount of 25% on the book value would continue.

The entire procedure for buy back of FCCBs is required to be completed by December 31, 2009.

3.9 Issuance of ADRs / GDRs and FCCBs by Indian Companies in Overseas Markets

- A scheme was initiated during 1992/1993 to allow the Indian Corporate Sector to have access to the Global

Capital Markets through issue of Foreign Currency Convertible Bonds (FCCBs)/Equity Shares under the Global depository Mechanism. Policy is reviewed from time to time. Liberalization in the guidelines has been announced in a phased manner.

- The ADR/GDR policy was last reviewed in August, 2005 to bring the ADR/GDR guidelines in alignment with SEBI's guidelines on domestic capital issues. One of the major decision in reviewing process was mandatory domestic listing for companies desirous of issuing ADR/GDR.
- The pricing for overseas issues are also brought in line with SEBI DIP guidelines on preferential allotment and qualified institutions placements (QIP).

3.10 Recent initiatives

- An expert committee was set up by this Department; vide order dated 31st May, 2007, to review the ADR/GDR policy with a view to streamline FCCB/ADR/GDR procedures to enable Indian companies to have greater and smoother access to International Capital Markets. The committee submitted its report to the Government on 17th January, 2008. The recommendations of the committee have been accepted by the Government and are under implementation.
- Recently, SEBI amended its pricing guidelines for qualified Institutional Placement (QIP) issues. Accordingly, ADR/GDR pricing norms have also been modified. As per the new ADR/GDR pricing norms, the pricing should not be less than the average of the weekly high and low the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date. (Press Release dated 27th November, 2008 may refer)

3.11 Scheme for issue of Foreign Currency Exchangeable Bonds

- Scheme for issue of Foreign Currency Exchangeable Bonds has been notified by the Government, vide Gazette Notification dated February 15, 2008.
- The Exchangeable bonds mechanism will permit Indian companies to unlock a part of holding in group companies for meeting their financing requirements by issue of Exchangeable Bonds.
- An Exchangeable Bond mirrors a Foreign Currency Convertible Bond in almost all respects. The major difference is that the investors have an option to exchange the bond into specified number of shares of a company other than the issuing company.
- The end-use requirements, pricing and maturity and deployment of proceeds for Exchangeable bonds shall be as specified by Reserve Bank of India under the External Commercial Borrowings policy.
- The scheme has since been operationalised by RBI under FEMA vide its AP (DIR) Circular No. 17 dated September 23, 2008.

3.12 Portfolio Investments by Foreign Institutional Investors (FIIs)

A scheme for attracting portfolio from Foreign Institutional Investors (FIIs) has been operational since September, 1992. Under this scheme, FIIs including institutions such as Pension Funds, Mutual Funds, Insurance Companies / Re-insurance Companies, Investment Trusts, Banks, International or Multilateral Organizations or an agency thereof or a Foreign Government Agency or a Foreign Central Bank, University Funds, Endowments, Foundations, Charitable Trusts, Asset Management Companies, Investment Managers/Advisers, Institutional Portfolio Managers, Trustees are allowed to invest in all the securities traded on the primary and secondary markets. Such securities would include shares, debentures and warrants issued by companies which are listed/to be listed on the Stock Exchanges in India and the schemes floated by domestic mutual funds. FIIs are permitted to invest in Government securities including Treasury Bills. FIIs who register themselves as debt Funds with SEBI are permitted to make 100% of their investments in Debt securities of Indian companies. Portfolio investments by FIIs are subject to investment ceilings as indicated below:

- i) Individual FII/Sub-account : 10% of the issued and paid-up capital in a company.
- ii) Aggregate by all FIIs: 24% of the issued and paid-up capital in a company which could be increased up to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its General Body.

3.13 Pension Reforms

3.13.1 While pension reforms in most countries initially are driven by the budgetary difficulties of supporting costly public pension systems, the longer term problems of ageing of the population and social change, including breakdown of traditional family support for old age income security, are equally important factors.

3.13.2 In India, in the absence of a country-wide social security system (formal pension coverage being about 12% of the working population), while the ageing and social change are important considerations for introducing pension reform in the unorganised sector, fiscal stress of the defined benefit pension system was the major factor driving pension reforms for Government employees. There were series of Budget announcements starting from 2001-02, 2002-03 and 2003-04 underlining the need for pension reforms for both Central Government and for unorganised sector.

3.13.3 The Government of India had introduced the New Pension System (NPS) with effect from 1st January, 2004 through a Gazette notification dated 22nd December, 2003 for new entrants to Central Government service, except to Armed Forces. The Government has constituted an interim regulator, the Interim Pension Fund Regulatory and Development Authority (PFRDA) through a Government

resolution in 2003 as a precursor to a statutory regulator. The design features of the New Pension System (NPS) are self-sustainability, scalability, individual choice, maximising outreach, low-cost yet efficient, and pension system based on sound regulation.

3.13.4 Till the architecture of NPS was fully established, an interim Government arrangement was in place. Contributions of NPS Subscribers were being credited into a public account upto March, 2008 earning a return equal to the rate of General Provident Fund.

3.13.5 The entire architecture of the NPS is now ready. The National Securities Depository Limited has been selected as the Central Recordkeeping and Accounting Agency (CRA) by PFRDA and has commenced operation. The contributions under NPS are now being sent to CRA. PFRDA has appointed three pension fund managers, a custodian and a trustee bank. The accumulation and contribution of subscribers of NPS are invested based on the investment guidelines prescribed for the non-government provident funds by the Ministry of Finance. Approximately Rs. 1177 crore, including Government contribution and interest, were credited into the pension accounts of subscribers on 31st March, 2008 which are being managed by the pension fund managers appointed by PFRDA. The outstanding amount under NPS corpus is approximately Rs. 2200 crore as of 31st March 2009. As per data available, approximately 4.60 lakh Central Government employees are covered under the NPS.

3.13.6 Efforts are underway to extend the NPS to new segments (autonomous bodies, State Governments and unorganised sector) and introducing micro-pension initiatives. NPS has been adopted resoundingly by the State Governments. Twenty two State Governments/UTs have also notified similar systems for their new employees. PFRDA has, in collaboration with other NPS intermediaries, conducted three regional workshops at Mumbai, Kolkata and New Delhi for the State Governments/UTs who have notified NPS till date. The purpose of these workshops has been to sensitise the State Governments to the requirements of the NPS and also to enable them to log-on to the PFRDA regulated NPS architecture with ease. The appointed Pension Fund Managers and the CRA have also been in continuous dialogue with the State Governments/UTs for facilitating their entry into the NPS. As of date, the CRA has signed agreements with seven State Governments.

3.13.7 . After receiving Government's approval for extending the NPS to all citizens including the unorganised sector workers PFRDA has decided to roll out the NPS architecture for all citizens of the country during the financial year 2009-10 so that NPS is available to all citizens including the unorganised sector workers. The NPS for all citizens, on a voluntary basis, has been launched with effect from 1st May, 2009.

3.14 Secondary Markets and International Cooperation

The Indian stock markets have witnessed remarkable volatility around a strong declining trend in this financial year. Between April, 2007 and January, 2008 As on 31st March, 2009, Sensex is at 9,708.50 and Nifty is at 3020.95, down by around 38% from the beginning of the financial year. The combined market capitalization of BSE and NSE as on 31st March 2009 is Rs. 5982269 cr. The market capitalization ratio is defined as market capitalisation of stocks divided by GDP. It is used as a measure to denote the importance of equity markets relative to the GDP. It is of economic significance since market is positively correlated with the ability to mobilize capital and diversify risk. The All- India market capitalization ratio increased to 109.26 % in 2007-08 from 86.02 % in 2006-07. This, remains more or less constant, despite the financial crisis, at 110. 25%. A large part of the above movement was attributable to FII flows and associated swings in domestic sentiments. For the financial year 2008-09, the net outflow on account of equity and debt totaled Rs. 48,248 cr.

3.15 Policy Initiatives taken during the year under review

3.15.1 Equity Finance for the Small and Medium Enterprises (SMEs)

In recognition of the need for making finance available to needy small and medium enterprises, the SEBI Board in its meeting held on 6th October, 2008 decided to encourage promotion of dedicated exchanges and/or dedicated platforms of the exchanges for listing and trading of securities issued by SMEs. Multiple exchanges or platforms would provide the necessary competition in this space.

3.15.2 Short selling

In order to widen the scope of the existing securities lending and borrowing scheme into a full-fledged lending and borrowing scheme enabling participation of all classes of investors, including retail investors, the Short Selling and Securities Lending and Borrowing scheme was operationalised w.e.f. April 21, 2008.

3.15.3 Fills in Stock Exchanges

In its Board meeting, SEBI has taken decision to permit individual entities belonging to specified categories namely PFIs, SEs, Depositories, Banks and Insurance Companies to hold upto 15% of the equity of a stock exchange. This will be carried out through appropriate amendments to the SEBI Regulation.

3.15.4 Insider trading Regulations

SEBI has tightened its insider-trading norms on 19th November, 2008 by amending SEBI (Prohibition of Insider Trading) Regulations, 1992 to broaden the definition of the

term insider to include any person who is and was connected with a company and is the recipient of price sensitive information. The regulator has now amended its regulations to prohibit trades by a designated insider within a short period of six months.

3.16 International Co-operation

3.16.1 NIPFP- DEA Research Program

Under the NIPFP-DEA Research Program on "Capital Flows and their consequences" around 12 studies on capital flows and their consequences and a series of conferences/seminars have been organized While capital flow has been the thrust area, seminars of direct relevance and emergent context such as economic implications of the global financial crisis on the domestic economy have been studied under the programme. Also, research support has been provided to the working group for setting up the Debt Management Office in DEA.

3.16.2 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:

FITCH and S&P has rated India at BBB- with stable and negative outlook on foreign currency whereas DBRS and JCRA have given BBB+ and BBB(low) respectively with stable outlook.

3.17 UTI and Investor Grievances Section

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

The Specified Undertaking of UTI (SUUTI) or UTI-I was formed by the transfer of all Assured Return Schemes as per the Schedule I of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. SUUTI issued two series of Bonds, the 6.75% US 64 Bonds which matured on 1st June 2008 and the 6.60% ARS Bonds which matured on 1st April 2009. These Bonds with tenure of five years are guaranteed by the Government of India. The 6.75% US 64 Bonds matured on 1st June 2008 and Rs 7096 crore of the Bond Capital has been redeemed. An amount of Rs. 593 Crore is yet to be claimed by the holders of the above series of bonds.

During the period 2008-09 SUUTI also sold a part of its unlisted equity holdings and the major sale transaction during this period was a 36% in SICOM Ltd. For Rs. 350 crore.

Beginning the year 2003-04, approximately Rs.6200 crore has been recovered out of Non Performing Assets, including interest component in some cases and approximately Rs. 900 crore from the sale of fixed assets.

4. Infrastructure and Investment Division

4.1 Currency & Coinage Division

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, stamp papers etc. to abort counterfeiting, issue of commemorative coins on special occasions and administration of the Security Printing & Minting Corporation of India Limited (SPMCIL) which is responsible for production of currency notes, coins, security paper and other security documents.

A tri-partite agreement was signed between the Government, the SPMCIL and the representatives of Unions of nine mints/ presses/security paper mill on 15th September, 2008 on terms and conditions of service under the Corporation to enable employees to exercise option for absorption in the Corporation with effect 1st November, 2008 or to remain in the Government.

The Commemorative Coins

In the year 2008-09, Government has issued Commemorative Coins on various occasions, as given in Table 1.1.

The total indent of Bank Notes given by RBI for currency presses of SPMCIL for the financial year 2009-10 has been projected as 6700 million pieces of different denomination. For Mints of SPMCIL, the total indent has been projected as 6000 million pieces of different denomination. The total indent for Security Presses for all variety of security items and financial instrument has been projected as 883.30 million pieces. SPMCIL has entered in export market for supply of bank note and coins for other countries by utilizing the expertise available with them.

Last year SPMCIL participated in Nepal Rashtra Bank(NRB) PQB for printing and supply of Nepalese paper Bank notes through M/s MMTC Ltd. and was qualified among 11 international companies and enlisted in the list for issue of tender documents for printing and supply of Nepalese Bank notes. In response to NRB's tender for printing and supply of different denominations, SPMCIL participated through MMTC limited, and become as lowest tenderer in the tender of

printing and supply of Rs. 10/- deno. Bank notes to NRB, Nepal. CNP, Nashik printed and supplied the NRB indent of 50 Mpcs of Rs. 10/- deno. to NRB, Nepal well in time.

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

4.2 FI Unit

- FDI Policy including FDI Policy clarification & related matters.
- Comments on FIPB proposals from policy angle including other guidelines.
- Foreign Investment in the NBFC Sector.
- Investment Commission - Follow up of recommendations of Investment Commission.
- Investment proposals in print Media Sector.

Sectoral Charge: Ministry/Department of Industrial policy and promotion, (ii) Overseas Indian Affairs, (iii) Heavy Industry and Public Enterprise and (iv) Ministry of Micro, small and medium Enterprises.

The Investment Commission had submitted its first report titled "Investment Strategy in India" in February 2006, and its second report titled "Thrust Areas" in December 2007.

The first report contained 149 recommendations covering issues related to 27 administrative Ministries/ Department and also State Governments. The second Report contained 137 recommendations on tourism, Agriculture, Food processing, textile and garments and power. While the recommendations contained in the Second Report have been circulated during 08-09 to the Ministries/Departments concerned for their comments and implementation, the unimplemented recommendations contained in the First Report have been pursued with the Ministry/Departments concerned for their implementation.

Follow up of these recommendations would be a continuous exercise.

Table 1.1

Commemorative Coins issued in the Year 2008-09			
Sl. No.	Year	Name of commemorative coin	Releasing date
1	2008	150 th Anniversary of First War of Independence	14.08.2008
2	2008	75 th Martyrdom Centenary Shahid Bhagat Singh	27.09.2008
3	2008	Ter-centenary of Guru-ta-Gaddi of Shri Guru Granth Sahib 2008	30.10.2008
4	2009	Commemorative coin on 200 th Anniversary of "Louis Braille"	4.1.2009

4.3 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, Ministry of Small Scale Industries, Department of Revenue, Department of Commerce, Ministry of External Affairs and Ministry of Overseas Indian Affairs.

FIPB is chaired by the Secretary of the Department of Economic Affairs and its meetings are held twice a month. All proposals/Papers relating to FIPB are received at the Facilitation Counter at Gate No.8 of the North Block.

During the Financial year 2007-08, total 21 meetings were held in which 510 items were considered and 340 proposals were approved. The FDI inflow involved was approximately Rs.35649.917 crores.

During the Financial year 2008-09 total 19 meetings were held in which 645 items were considered and 397 proposals were approved. The FDI inflow involved was approximately Rs.61972.7441 crores.

4.4 Energy

“The items of work allocated to POL Desk, which has been renamed as Energy Cell includes sectoral charge of Ministries of Petroleum and Natural Gas, Ministry of Chemicals and Petrochemicals, Ministry of Coal and Department of Fertilizers. The Energy Cell is responsible for analysis of the proposals received from these Ministries and furnish comments from policy and financial angle. It is also responsible for analysis of Cabinet Note, ECC Notes, CCEA Notes, EGOM/GOM Notes, COS Notes, ECS Notes and HPC Notes and furnish comments. The Energy Cell is also responsible for preparation of briefs on the agenda for the meetings of the ONGC/OVL. Board of Directors and their committees whom DEA officers are represented as Government nominees”.

4.5 Public Private Partnership(PPP) Cell

The PPP Cell is headed by Joint Secretary (Infra & Investment) 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 hundred and one projects, with a total project cost of Rs 99668.41 crore. The break-up is given in Table 1.2.

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 approvals 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, 46 proposals have been granted ‘in-principle’ approval by the Empowered Institution with a total project cost of Rs.34,028.11 crore and an estimated viability gap funding of Rs.6651.06 crore. The bidding process has been completed for 15 PPP projects. 9 projects received negative grant/revenue share. Till now Rs.77.07 crore has been disbursed.

The Union Finance Minister in his Budget Speech for 2007-08 announced in the Parliament the setting up of a Revolving

Table 1.2

Projects Approved by PPPAC

(Rs. in crore)

Sl. No.	Sector	No. of projects	Total Project Cost	Sectoral Share (%age)
1.	Highways	90	86336.29	86.63
2.	Railways	01	8500.00	8.53
3.	Ports	07	3683.25	3.70
4.	Civil Aviation	02	1000.00	1.00
5.	Tourism	01	148.87	0.14

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. So far 25 projects proposals granted in-principle/final approval with total project development cost of Rs.21.48 crore and IIPDF assistance of Rs.16.40 crore. Rs. 1.43 crore had been disbursed under the Scheme so far.

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. Through ADB support, DEA initiative for strengthening PPP Cells in the Centre and States. So far 16 PPP Cells in States and 6 in central ministries are being strengthened.

PPP projects in urban and social sector have been identified as pilots, which are being structured in collaboration with the Implementing Authorities. The objective of the exercise is to develop sustainable demonstration projects that may eventually have a catalyst effect on PPPs in these sectors.

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.

Two website, www.pppinindia.com and www.pppindiadatabase.com have 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 sites 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. Information on 300 PPP projects in the country are available in www.pppindiadatabase.com

4.6 Infrastructure Section

4.6.1 Infrastructure Section is headed by Joint Secretary (Infra & Investment) and is assisted by Director (Infra) Shri P. K. Mishra and Deputy Director (Infra) Dr. P. G. S. Rao. The Functions/Working of the section include the following:

- I. Providing inputs on cabinet notes and other policy related issues concerning roads, ports, shipping, inland water transport, 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/talking points etc 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 with the approval of the Head of the Divisions.

4.6.2 Achievement during the year under review:

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

1. Use of Foreign Exchange Reserves in building Infrastructure-Formation of overseas subsidiary of IIFCL for the purpose.
2. Construction of Greater Noida and Chennai Airport
3. Formulation of SPV for setting up of manufacturing units for rolling stock and critical components.
4. Formation of National Skill Development Corporation.
5. Formation of National Skill Development Fund.
6. Model RFP / RFQ for PPP Project.
7. Signing of Air Services Agreements between India and Mexico, Belgium, Finland
8. Signing of Air Services Agreement between India and UAE, France, Germany
9. Signing of Air Services Agreement between India and Iran, Poland
10. Signing of Air Services Agreement between India and Maldives, Saudi Arabia
11. Signing of Air Services Agreement between India and South Africa, U.K.
12. MCA on Greenfield Airport in PPP
13. Guidelines for setting up Greenfield Airports
14. Reducing in total Dwell time in Airports
15. MCA for PPP in National Highways
16. MCA for 6 laning of National Highways
17. Dev. of National Highways under the National Dev. Highways Programme
18. Formation of National Maritime Complex at Chennai
19. Issues pertaining to Pricing and Allocation of 3G Spectrum and Luimax.
20. Delhi MRTS and Bangalore Metro Project
21. Chennai Metro Rail Project
22. East-West Metro Corridor Project
23. Delhi Metro Railway Operation and maintenance amendment Bill 2008
24. Dedicated freight corridor on Eastern – Western corridor

25. Development of New Delhi Railway Station
26. Issues concerning the Execution of Metro Rail Project in other cities
27. CoS Note on Urban Metro in India
28. Formation of Cruise Shipping Policy in India
29. Creation of Marine Emergency Fund
30. National Electricity Fund
31. Setting up of Joint Venture in Infrastructure Project

4.7.3 Infrastructure Section was also instrumental in setting up a Committee on Statutory clearance for Industrial and infrastructural projects which has submitted its report. The section was also involved in the Task Force on Measures for attracting Private Investment in Transmission of Electricity and on Measures for Operationalising open Access in the Power Sector.

5. Multilateral Institutions Division

5.1 World Bank Group

India is a member of four of the five 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). India is still not a member of ICSID (International Centre for Settlement of Investment Disputes). India has been accessing funds from the World Bank (mainly through IBRD and IDA) for various development projects.

5.2 International Bank for Reconstruction and Development (IBRD)

The total assistance extended by IBRD by way of loans to India was US\$ 29956.262 million as on 31.12.2007. During the period from 01.01.2008 to 31.03.2009, new commitment of US\$ 1306.0 million were approved making it US\$ 31262.262 million as on 31.03.2009. The main 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)

The total assistance extended by IDA by way of credits to India for which agreements were signed was US\$ 31,678.16 million as on 31.12.2007. During the period from 01.01.2008 to 31.03.2009, new commitment of US\$ 1259.4 million were approved making it US\$ 32937.56 million as on 31.03.2009. The major sectors for which IDA assistance is provided are health, education, agriculture and poverty reduction sectors.

IBRD and IDA Projects approved during 1st January 2008 to 31st March 2009 are given in the Table 1.3.

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. 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 has been 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 217,372.7 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. Article IV consultations are generally held in two phases, main consultations in Oct.-Nov. and mid-year review in March. Latest round of Article IV Consultations for India took place in December 2008.

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 15th May 2009, India has made fifteen purchase transactions of SDRs 1026.23 Million and twenty-four repurchase transactions of SDRs 794.16 Million.

5.7 Committee on Financial Sector Assessment (CFSA)

Recognizing 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, the Government of India, in consultation with the Reserve Bank of India, had constituted a Committee on Financial Sector Assessment (CFSA) in September 2006 to undertake a comprehensive self-assessment of India's financial sector.

The Committee for 'self-assessment' draws upon the experience gained by India's voluntary participation in the Financial Sector Assessment Programme in 2001 as well as the earlier self-assessment of standards and codes and also upon the detailed handbook on Financial Sector Assessment published (September 2005) jointly by World Bank and IMF.

The Committee followed a constructive and transparent approach to self-assessment keeping in view that such a self-assessment must be a rigorous and impartial exercise, with appropriate checks and balances, based on three mutually reinforcing pillars of (i) financial stability assessment and stress testing; (ii) legal, institutional and market development

Table 1.3

IBRD and IDA Projects approved during 1st January 2008 to 31st March 2009 are as follows:

<i>(in US\$ millions)</i>					
S. No.	Project Name	Approval Date	IBRD	IDA Comm Amt	Total Amt
1.	Power System Development IV - Additional Financing	21-Oct-08	400.0	0.0	400.0
2.	Orissa Community Tank Management Project	30-Sep-08	56.0	56.0	112.0
3.	India Orissa State Roads Project	30-Sep-08	250.0	0.0	250.0
4.	National Vector Borne Disease Control & Polio Eradication Support Project	31-Jul-08	0.0	521.0	521.0
5.	Orissa Rural Livelihoods Project	31-Jul-08	0.0	82.4	82.4
6.	Elementary Education (SSA II)	15-May-08	0.0	600.0	600.0
7.	Power System Development Project IV	18-Mar-08	600.0	0.0	600.0
Total			1306	1259.4	2565.4

issues; and (iii) a comprehensive assessment of status and implementation of international financial standards and codes.

The Committee chaired by Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India and co-chaired by Shri Ashok Chawla, the erstwhile Secretary (Economic Affairs) and the current Finance Secretary submitted its six-volume report to Finance Minister on 25th March 2009 .

The Committee has comprehensively assessed the products, regulations and institutions in the financial sector with regard to international benchmarks, and suggested ways to overcome the weakness that exist and hopes that this assessment would enhance the understanding of the Indian Financial Sector, both in India and abroad.

After its release, the report of the Committee on Financial Sector Assessment has been put on the website of Ministry of Finance as well as Reserve Bank of India.

5.8 International Finance Corporation (IFC)

The International Finance Corporation, Washington (IFC) was established in 1956 as an affiliate of the World Bank, but as a separate entity, to promote the growth of private and joint enterprises, which would contribute to the economic development of its member countries.

India is one of the founder members of the IFC. The IFC finances investments with its own resources and by mobilizing capital in the international financial markets.

IFC instruments include: equity and long term debt investment in specific firms, including local currency loan for sectors like infrastructure and health care which do not generate foreign exchange; guarantees; and technical assistance.

As part of overall Bank Group Country Assistance Strategy(CAS), the private sector strategy is to support India in its efforts to meet the challenge of increasing private investment and enhancing productivity. The strategy calls for close collaboration between Bank and IFC.

IFC will provide direct assistance to the private sector, focusing on supporting competitive industry & services and private investment infrastructure. Bank and IFC will work together to support higher private sector investment, including through public private partnerships in infrastructure, health and SME development, where a mix of public sector interventions and investment and TA to private companies are required.

5.9 IFC in India

- India has been a member of IFC since 1956. India has IFC's third largest exposure worldwide. The role of IFC is to provide financial services and advice not generally available from domestic institutions, based on its ability to offer clients in mix of equity, long-term debt, guarantees and global expertise, and ability to mobilize financing from other sources.
- IFC does not compete with domestic financial

institutions or markets. It partners with them to provide financing packages which enable Indian companies to grow and exploit new economic opportunities. IFC has a sectoral approach for providing assistance to the domestic companies.

- Over the past few years, IFC has augmented its portfolio in India. Commitments reached US \$ 320 million in Financial Year 2005-06, US \$ 785 million in 2006-07 and US \$ 2.2 billion in 2007-08. During the current financial year (till March, 2009), IFC commitments' have reached US \$ 795 million in 20 companies.
- These have been concentrated in Infrastructure, manufacturing, financial markets, agribusiness, power, information technology, oil and gas and healthcare.

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\$ 39.75 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 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 Agricultural Development (IFAD)

International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13th specialized agency of the United Nations. 165 countries are members of the IFAD and these are grouped into three lists: List – A: Developed Countries, List – B: Oil Producing Countries and List – C: Developing Countries. India is in List – C. IFAD is headed by an elected President and has Governing Council and an Executive Board.

India is one of the original members of the IFAD. Since inception, India has contributed US\$ 79.0 million towards the resources of IFAD. For 8th Replenishment (2010 – 2012), India has pledged to contribute an amount of US\$ 25.0 million to the IFAD's resources.

Table 1.4

Details of the on-going projects of IFAD

Sl. No.	Name of the project	Date of Agreement	(US\$ Million)
			Amount
1.	Jharkhand – Chhattisgarh Tribal Development Programme	13.3.2001	23.00
2.	National Micro-finance Support Programme	18.2.2002	22.00
3.	Orissa Tribal Empowerment & Livelihood Programme	18.12.2002	20.00
4.	Livelihood Improvement Project for the Himalayas	20.2.2004	39.91
5.	Post-tsunami Livelihoods Programme for the Coastal Areas of Tamil Nadu	11.11.2005	30.00
6.	Tejaswini – Rural Women's Empowerment Programme	12.10.2006	39.44
7.	Mitigating Poverty in Western Rajasthan	17.10.2008	30.3
8.	Priyadarshini: Women's Empowerment & Livelihoods Programme in Mid-Gangetic Plains	11.12.2008	30.2*

* Yet to be declared effective

IFAD has assisted in 23 projects in the agriculture, rural development, tribal development, women's empowerment, natural resources' management and rural finance sector with the commitment of US\$ 636.4 million (approx.). Out of these, 14 projects have already been closed. Presently, eight projects with a total assistance of US\$ 234.65 million are under implementation and one project viz. 'Convergence of Agricultural Interventions in Maharashtra's Distressed Districts (CAIM)' for US\$ 40.1 million has been approved but programme documents are yet to be signed. The details of the on-going projects are given in the Table 1.4.

IFAD loans are repayable over a period of 40 years including a grace period of ten years and carry no interest charges. However, a service charge at the rate of three-fourths of one per cent (0.75%) per annum is levied on loan amounts outstanding.

5.12 Asian Development Bank (ADB)

India became a member of the Asian Development Bank (ADB) as a founding member in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region. ADB has reiterated in its Strategy 2020, its corporate goal which is 'An Asia and Pacific region free of poverty', a theme which was adopted by ADB as far back as 1999. The main strategic thrust of ADB is environmentally sustainable growth, inclusive economic development and regional integration.

The main instruments that it uses to do this are loans and equity investments, technical assistance for the preparation and execution of development projects and programs and other advisory services, guarantees, grants and policy dialogues. ADB has 67 member countries (including 48

regional and 19 non-regional members), with its headquarters at Manila, Philippines.

India's subscription to the Bank's capital stock as on 31 December, 2008 is 6.317% of all the member countries.

Loans from the ADB have been accessed for projects in all regions of the country. Prior to 2003, loans were concentrated on projects in the states such as Madhya Pradesh, Kerala, Rajasthan, Karnataka, Chhattisgarh, Assam and Gujarat. In keeping with the general policy of the Government to promote balanced growth across the country, loans are now being extended for projects in Uttarakhand, Jammu & Kashmir, Jharkhand, Bihar and the North Eastern States apart from central sector projects such as the NHDP, PMGSY (part of the Bharat Nirman program). The proposed pipeline of 2009 and 2010 have a particular focus on the North East, with projects coming up in different sectors such as transport, irrigation and urban development.

The projects approved by ADB during the period 1st Jan. 2008 and 31st March 2009 are as given in Table 1.5.

As on 31st March 2009, the ADB portfolio includes 48 loans with a net loan amount of US\$ 8.738 billion. Out of the total, in 2008, 12 loans (\$1,808 million) were added, and 3 loans were closed. The 12 loans that were added are - Uttarakhand Urban, Rural Road MFF Project-2, National Power Grid, Rural Road MFF Project-3, KVIC, MP Urban, Uttarakhand Road, HP Power and Uttarakhand Power – Project-2. The 3 closed loans are Western Transport Corridor, State Power Sector Reform and MP State Roads. In 2009 (as on 31.3.2009), 4 loans have been added (Uttarakhand Power Project-3, Rajasthan Urban Project-2, IIFCL).

Table 1.5

The projects approved by ADB during the period 1st Jan. 2008 and 31st March 2009

Sl.No.	Name of the Project	Amount	(US \$ million)
			Date of signing
1.	MFF – National Power Grid Development Investment Program	600	27.3.09
2.	MFF – Himachal Clean Power Development Investment Program	800	10.11.08
3.	Khadi & Village Industries Development Program	150	14.9.08
4.	Assam Governance and Public Resource Management II	100	14.9.08
5.	MFF – Orissa Integrated Irrigated Agriculture and Water Management Investment Program	189	25.2.09
6.	Bihar State Roads I	420	10.11.08
7.	Madhya Pradesh Urban Sector Development Project (Supp)	71	10.11.08
8.	MFF – Uttarakhand Urban Sector Development Investment Program (UUSDIP)	350	23.9.08
Total		2680	

ADB also provided a special grant of US\$ 100 million for Tsunami and 3 JFPRs (Japan Fund for Poverty Reduction) for US\$ 10.3 million were provided as emergency relief to the States of Tamil Nadu and Kerala. Tsunami grant (\$ 100 M) and 1 JFPR (\$ 5 M) are ongoing. 2 JFPRs (Rajasthan and Gujarat) closed.

5.13 African Development Bank (AfDB)

India became a member of the African Development Bank in 1983. India currently holds 4860 (0.223%) shares of African Development Bank constituting 0.247% of total voting power.

The African Development Fund (ADF) is the soft window of the bank. It was established in 1972. India became a member of the African Development Fund on 6th May 1982. Our contribution 65,358 thousand UAs which translates into 0.201% of total votes. During 2008-09, India finalized its subscription to XI Replenishment of African Development Fund(ADF XI) to the tune of Rs.40.17 crore to be paid in three equal installments. First installment of Rs.13.39 crore has been released.

India participated in the Board of Governors was held at Maputo, Mozambique between 10-15th May 2008. The delegation included representatives of EXIM Bank, CII, and IL&FS.

In association with African Development Bank and EXIM Bank, Business Opportunities Seminars were organized at New Delhi and Mumbai in November 2008. African Development Bank's team led by Mr. Lurent Guye, Executive Director representing the interest of Nordic, India and Switzerland (NIS) constituency participated in these Seminars. Further, representatives of India also participated in the Partnership Forum Meeting of African Development Bank Group held in Tunis from 5-6 March, 2009.

6. Multilateral Relations Division

6.1 With a view to provide focused and result oriented engagement with multilateral organizations and Trade Related issues, Multilateral Relations Division has been created recently by merging Sections from Foreign Trade Division and Fund Bank Division specifically dealing with related issues. The MR Division is headed by JS (MR) and comprises five sections. Under the present schematic framework, MR-I Section has been assigned the job of rendering advice and dealing all matters related to G-20, G-24, G-8, ASEM, OECD and EC, MR-II Section deals with UN related matters and all policy related matters of UNDP comes under its purview. MR-III Section advises on WTO and SAARC related matters. MR-IV Section is responsible for all matters related to Colombo Plan and Technical Cooperation framed there under. MR-V Section renders advice to Ministry of Commerce on issues arising out of and consequent to implementation of Foreign Trade Policy.

6.2 MR-I Section (erstwhile EEC-V)

6.2.1 G-20 issues

The G-20, which brings together the important industrial and fastest growing emerging-market countries from all regions of the world, is likely to emerge as the premier forum of multilateral economic dialogue and decision making even beyond the current crisis, especially if it is able to deliver on the ambitious agenda agreed to in the Summit meetings.

G-20 Leader's Summits

The Leaders of the Group of Twenty (G-20) met in Washington on November 15 2008, amid serious challenges to the world economy and financial markets. They are committed to enhance their cooperation to restore global growth and achieve needed reforms in the world's financial systems. The

Indian delegation in this Summit Meetings was led by Hon'ble PM. The G-20 Leaders' have agreed to meet again in April 2009 in London, to review the progress on the commitments made in Washington.

Focus Areas

The focus areas of the on-going G-20 deliberations are: restoration of growth, confidence and jobs; repair of financial system to restore lending and strengthening financial regulation; strengthening of global financial institutions, including expansion of their resource base; commitment to an open economy and promotion of global trade and investment; and, inclusive, green and sustainable recovery.

The G-20 is also interfacing with various international organisations like the IMF, the World Bank, FSF, OECD, WTO and ILO in respective areas of concern.

India's Stand

To ensure early recovery, amongst other things, India has strongly emphasized the need to continue with coordinated contra-cyclical policies within an overall framework of fiscal sustainability and restoration of banking system in the industrialized countries to full functionality; to avoid protectionist sentiments in the trade of both goods and services emerging in the industrialized economies in the backdrop of global financial crisis; and to take concrete steps to ensure adequate credit flows, to developing countries for which it is imperative to raise resources of the international financial institutions (IMF, World Bank, ADB) and to bring forward the quota review in the IMF.

Further, India has stressed upon the need for longer term reform of the global financial architecture including increasing the representation of developing and emerging market economies; reform of the global financial system through appropriate regulation and improved supervision, especially of systemically important financial institutions, through, inter alia, developing an effective early warning system which can spot a buildup of risks threatening global financial stability. India has also endorsed sharing information and bringing tax havens and non-cooperating jurisdictions under closer scrutiny.

Outcomes, so far

- Commitment by various countries to deliver an unprecedented \$ 5 trillion fiscal expansion supported by accommodative monetary policies, the world over, for restoring global growth.
- Expansion of the Financial Stability Forum / Board (FSF / FSB) and the Basel Committee on Banking Supervision (BCBS) by including all G-20 countries (including India) as their members.
- Commitment for \$1.1 trillion package through the IMF and other MDBs to help kick-start the global economy, meet balance of payment needs and provide social support for countries in crisis.
- Commitment for resisting protectionism in trade in goods and services till the end of 2010 and even

rectifying any such protectionist step undertaken by G-20 countries since the Washington Summit.

6.2.2 European Commission

The European Commission (EC) has been extending Development Co-operation assistance to India since 1976 in the form of grant in the areas of environment, public health and education. Initially, the EC's development assistance was in the form of project financing. However, with the support of Health & Family Welfare Sector Programme, EC shifted their strategy to Sector-based approach.

EC has made a change in their strategy and under State Partnership Programme (SPP) has adopted Rajasthan and Chhattisgarh in order to deploy bulk of their resources in these States for health, education & environment programmes.

The EC conceptualizes multi-annual economic and development cooperation programmes to be implemented in partner countries through their Country Strategy Paper (CSP). The 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 normally covers two consecutive Multi-annual Indicative Programmes (MIPs). Under the first MIP a total amount of Euro 260 million has been committed by the European side for the period 2007-2010 and accordingly, an MoU for MIP-I (2007-10) was signed between India and EC on 30.11.2007 during the 8th India-EU Summit held in New Delhi. The MIP-I, 2007-2010 for India foresees the following indicative budget for each priority as follows:

Sl. No.	Sectors	Amount
1.	Health (NRHM/RCH2)	Euro 110 Million
2.	Education (SSA-II)	Euro 70 Million
3.	Implementation of Joint Action Plan	Euro 80 Million

The Financing Agreements in respect of health sector (Sector Policy Support Programme for National Rural Health Mission/ Reproductive Child Health-II) for Euro 110 million has been signed on 26.12.2008. Simultaneously, for education sector (Sector Policy Support Programme for Sarva Shiksha Abhiyan-2) was signed on 26.12.2008. Similarly the Financing Agreement for the projects covered under Joint Action Plan implementation has been signed. Although a sum of Euro 38.9 million is available under JAP, for which we have requested the D/o Commerce to identify projects and send the same to us for forwarding to the EC.

The following are on-going projects under India-EC Development Cooperation Programme:

- (i) Sarva Shiksha Abhiyan (SSA)
- (ii) Health & Family Welfare Sector Development Programme – Sector Policy Support Programme for NRHM/RCH-2
- (iii) Haryana Community Forestry Project

- (iv) State Partnership Programme with Chhattisgarh and Rajasthan
- (v) Erasmus Mundus-India Window Programme
- (vi) Institutional Capacity Building for Civil Aviation Sector in India.

The disbursement of EC assistance for ongoing development cooperation projects during 2008-09 was Euro 35.716 (Rs. 239.605).

6.3 MR-II Section (erstwhile UN Section)

6.3.1 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.

6.3.2 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\$ 114.74 million were approved under CCF-II.

6.3.3 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. The new CP will primarily concentrate on the thematic areas, namely democratic governance, poverty reduction, HIV and development, disaster risk management, and Energy and Environment. 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.

The Country Programme Action Plan (CPAP) which will guide the UNDP programmes during the period 2008-12, was signed between DEA and UNDP on 27.2.2008, and will remain in force till 31 December 2012.

Following projects involving core resources of US\$ 44 million approx. have been approved under the CPAP: 2008-2012 during the period 1.1.2008 to 31.3.2009:

- National and State level Support to Livelihood Promotion Strategies;
- Financial Inclusion;
- Access to Justice for Marginalised People;
- Capacity Development for District Planning;
- Supporting National Development Objectives with Co-benefits of Mitigating Climate Change;
- Supporting National Efforts towards Conservation of Natural Resources;
- Supporting National Efforts to Address Chemical Management Issues; and
- Capacity Development for Local Governance.

Annual Work Plan between UNDP and the Implementing Ministries/State Governments has been signed in respect of projects at Sl. Nos. 1, 3 and 5 above.

6.4 MR-III Section (erstwhile 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 Annual Meeting of World Economic Forum was held from 23rd to 27th January, 2008 at Davos (Switzerland). The Hon'ble Finance Minister attended the meeting. The next Annual Meeting of World Economic Forum was held on 28th January, 2009 at Davos (Switzerland).

Second meeting of SAARC Development Fund (SDF Board) was held on 20-21st May, 2008 in Kathmandu with the main agenda of early operationalization of SAARC Development Fund. Third meeting of the SAARC Development Fund (SDF) Board was held on 21st July, 2008 in Colombo, Sri Lanka. The 15th SAARC Summit was held in Colombo on August 2-3, 2008. The summit was successful in terms of atmospherics and substance and the following four Agreements were signed at the summit:

- (a) Charter of SAARC Development Fund;
- (b) Establishment of the SAARC Regional Standards Organization
- (c) SAARC Convention on Mutual Legal Assistance in Criminal Matters;

- (d) Protocol on Accession of Islamic Republic of Afghanistan to Agreement on South Asian Free Trade Area.

13th round of Technical level Negotiations between India and Sri Lanka on CEPA was held on 8-9 July, 2008 in Colombo, Sri Lanka.

The 3rd India-China Financial Dialogue with China was held on 16th January, 2009 in New Delhi. Both sides recognized that the objective of the reform process is to attain inclusive growth along with stability. With appropriate reforms and effective financial package, sustainable acceleration of economic growth and employment would be possible. Both countries agreed to individually continue with the financial sector reforms to strengthen prudential norms and market discipline, adoption of international benchmarks, management of organizational change and technological and human resource up-gradation. Both sides expressed their willingness to cooperate with each other in expanding the presence of each other's financial institutions in the respective countries.

6.5 MR-IV Section (erstwhile TA Section)

Technical Cooperation Scheme (TCS) under Colombo Plan

The Colombo Plan for cooperative and economic social development in Asia and the Pacific is a regional inter-governmental organization established in 1951 to enhance economic and social development of the countries of the region. As a part of the South – South Technical Cooperation Scheme of Colombo Plan, the Government of India started the Technical Cooperation Scheme with the view to provide technical assistance to 18 countries which are signatory to the Colombo Plan.

During 2008-09, 332 scholars including 110 women scholars, of 18 Colombo Plan member countries have attended training in 44 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. In addition,, the training programmes under the India Millennium Fund were revived and four programmes were conducted in which around 40 scholars were imparted training on specialized courses. Furthermore, technical and financial assistance to Colombo Plan Staff College, Manila constitutes an important component of the Colombo Plan. Proposal received from Ministry of HRD for secondment of faculty to Colombo Plan Staff College, Manila was approved during 2008-09. In respect of engagement with Bhutan, recruitment process for induction of seven faculty members was completed in 2008-09. With the deployment of these faculty members, all 13 lecturers as committed by India would be in place.

6.6 MR-V Section (erstwhile CIE-I Section)

MR-V section is primarily responsible for extending advice on policy related matters concerning Foreign Trade. The important activities carried out by the section during 2008-09, inter-alia include:

- On the issue of deemed exports, Meeting of stakeholders in conjunction with FIEO was organised. Further follow up meeting was organised in Nov. 2008 and action points were identified.
- On BoP Data Reconciliation, meetings were organised for reconciliation of merchandise trade data with the representatives of DGCI&S, RBI, M/o Petroleum, Ministry of Defence etc, action points were identified and rigorous follow-up mechanism is in place.

7. Aid Accounts & 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 2008-2009 in the form of loans/credits were Rs. 19784.22 crore against the Revised Estimates of Rs. 19578.35 crore. Cash Grant Assistance received during 2008-2009 was Rs. 2745.49 crore against RE of Rs. 2745.52 crore.

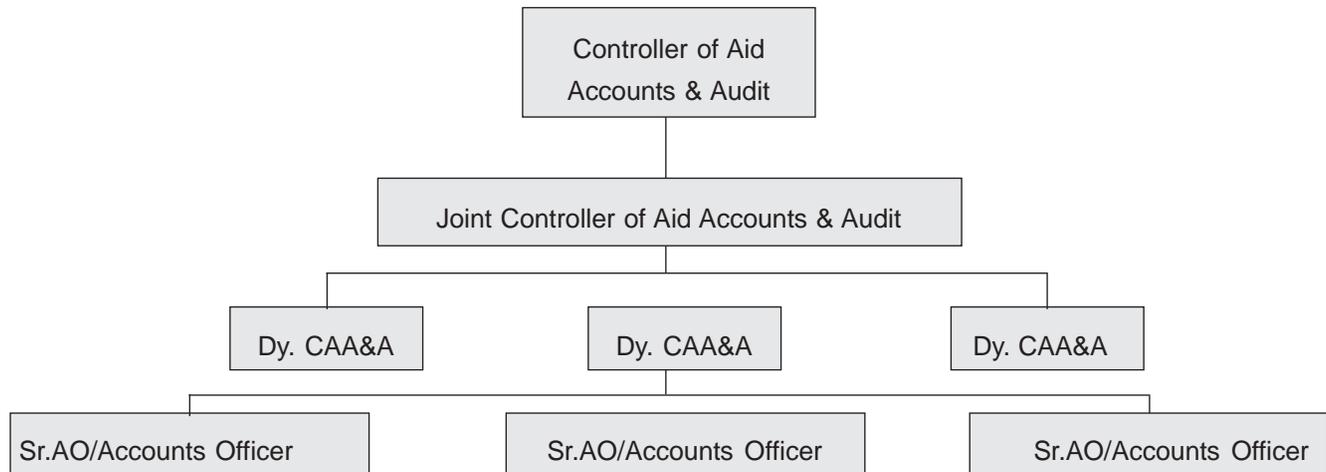
7.3 Performance/Achievements during current financial year

The drawal of external loan/credits during 2009-10 is Rs. 1003.82 crores against BE of Rs. 27080.41 crore(As on 14th May 2009) and cash grant assistance received during the financial years is Rs. 78.08 crore(As on 14th May 2009) against BE of Rs. 2134.20 crore.

7.4 E-Governance

7.4.1 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

Organisation Chart of the Aid Accounts & Audit Division



and repayment, preparation of annual external assistance brochure and in maintaining updated CS-DRMS. The ICS has been refined/fine-tuned 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.

7.4.2 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 queried from the website. This updated status is made available from the server maintained in this Division. The website also contains Key Statistical 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.

7.4.3 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.

7.4.4 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.

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

8. Administration Division

8.1 Functions

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

8.2 Staff Strength

The strength of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) employees and representation of Persons with Disabilities as on 31st March, 2009 in the Department of Economic Affairs (Main) and its attached & subordinate offices are given in Table 1.6 and Table 1.7.

8.3 Grants-in-aid

During the year 2008-09, an amount aggregating Rs 90 lakh was sanctioned as grants-in-aid to three institutions. These details are given in Table 1.8.

8.4 Complaints Committee on Sexual Harassment of Women Employees

In compliance with the Supreme Court's Judgement dated 13.8.1997 in the Visakha case relating to prevention of sexual

harassment of women at work place, a Complaints Committee for considering complaints of sexual harassment of women employees in Department of Economic Affairs has been set up.

8.5 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 there under 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 2008-09 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) During the year, meeting of Hindi Salahakar Samiti of the Department was held on June 26, 2008. Compliance of the decisions taken in the meeting was ensured;
- iii) 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;
- iv) 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 organized;
- v) To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Fortnight was celebrated during 14-28 September, 2008. 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 Salahakar Samiti, the amount as well as the numbers of prizes was substantially enhanced.
- vi) 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.
- vii) The website of the Department was fully rendered bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English.

viii) Sections of Department and other offices under its control were inspected to see the extent upto which the Official Language Act, the rules made there under, the annual Programme and the orders and instructions etc. relating to Officials Language are being complied with.

ix) Meetings of the Official Language Implementation Committee of the Department were held regularly in which the progress of implementation of Official Language Policy was reviewed and appropriate action on the suggestions given therein was taken.

8.6 Finance Library & Publication Section

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 three Departments, Ad-hoc Committees and 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.

8.7 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.

8.8. 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
- Union Budget.

8.9 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" as well as providing services through e-mail. 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.

8.10 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

8.11 Computerization

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.

Table 1.6

a. Representation of SCs, STs and OBCs in respect of Department of Economic Affairs

Groups	No. of Employees				No of appointments made during the previous calendar year										
	Total	SCs	STs	OBCs	By Direct Recruitment				By Promotion			By Other Methods			
					Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Group A	110	8	4	4	-	-	-	-	-	-	-	-	-	-	
Group B	303	38	16	5	7	-	-	-	-	-	-	-	-	-	
Group C	198	38	10	7	-	-	-	-	-	-	-	-	-	-	
Group D (Excl Safai karmcharis)	184	71	2	7	5	3	-	-	1	-	-	-	-	-	
Group D (Safai karmcharis)	12	12	-	-	-	-	-	-	-	-	-	-	-	-	
Total	807	167	32	23	12	3	-	-	1	-	-	-	-	-	

b. Representation of SCs, STs and OBCs in respect of Attached/subordinate Offices (i.e National Savings Institute, Nagpur and Securities Appellate Tribunal, Mumbai) under the administrative control of Department of Economic Affairs

Groups	No. of Employees				No of appointments made during the previous calendar year										
	Total	SCs	STs	OBCs	By Direct Recruitment				By Promotion			By Other Methods			
					Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Group A	NSI	13	2	-	3	-	-	-	-	-	-	-	-	-	
	SAT	4	-	-	-	-	-	-	-	-	-	-	-	-	

Group B	NSI	17	3	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	7	-	-	-	-	-	-	-	-	-	-	-	1	-
Group C	NSI	69	13	2	10	-	-	-	-	-	-	-	-	-	-
	SAT	8	1	-	1	1	-	-	1	-	-	-	-	-	-
Group D (Excl Safai karmcharis)	NSI	24	10	2	3	-	-	-	-	-	-	-	-	-	-
	SAT	7	1	-	2	1	-	-	-	-	-	-	-	-	-
Group D (Safai karmcharis)	NSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		149	30	4	19	2	-	-	1	-	-	-	-	1	-

c) REPRESENTATION OF SCs, STs and OBCs in Securities & Exchange Board of India, the employees of SEBI are classified as follows and not as Groups 'A', 'B', 'C' & 'D':

Groups	No. of Employees				No of appointments made during the previous calendar year										
	Total	SCs	STs	OBCs	By Direct Recruitment				By Promotion			By Other Methods			
					Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Officers	430	54	19	100	58	6	6	8	-	-	-	-	-	-	
Secretaries	124	7	-	15	-	-	-	-	-	-	-	-	-	-	
MSNGR	2	1	-	-	-	-	-	-	-	-	-	-	-	-	
Total	556	62	19	115	58	6	6	8	-	-	-	-	-	-	

Table 1.7

a) Representation of Persons with Disabilities in respect of Department of Economic Affairs (Main).

Group	Number of Employees				DIRECT RECRUITMENT								PROMOTION							
	Total	VH	HH	OH	No. of Vacancies reserved			No. of Appointments Made			No. of Vacancies reserved			No. of Appointments Made						
					VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
Group A	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Group B	303	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Group C	198	2	1	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Group D	196	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	807	2	1	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

b. Representation of Persons with Disabilities in respect of Attached/Subordinate offices (i.e. National Savings Institute, Nagpur and Securities Appellate Tribunal, Mumbai) of Department of Economic Affairs .

Group	Number of Employees				DIRECT RECRUITMENT								PROMOTION							
	Total	VH	HH	OH	No. of Vacancies reserved			No. of Appointments Made			No. of Vacancies reserved			No. of Appointments Made						
					VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
A NSI, Nagpur	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
SAT	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
B NSI	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
C NSI	69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
SAT	8	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-		
D NSI	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
SAT	7	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-		
Total	149	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-		

c) REPRESENTATION of Persons with Disabilities in Securities & Exchange Board of India, the employees of SEBI are classified as follows and not as Groups 'A', 'B', 'C' & 'D':-

Group	Number of Employees				DIRECT RECRUITMENT								PROMOTION							
	Total	VH	HH	OH	No. of Vacancies reserved			No. of Appointments Made			No. of Vacancies reserved			No. of Appointments Made						
					VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
Officers	430	10	1	5	1	-	1	58	3	-	3	-	-	-	-	-	-	-		
Secretaries	124	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
MSNGR	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
TOTAL	556	10	1	5	1	-	1	58	3	-	3	-	-	-	-	-	-	-		

Note: (i) VH stands for Visually Handicapped (persons suffering from blindness or low vision)

(ii) HH stands for Hearing Handicapped (persons suffering from hearing impairment)

(iii) OH stands for Orthopaedically Handicapped (persons suffering from locomotor disability or cerebral palsy)

Table 1.8

Sl.No.	Name of the Grantee Institution	Purpose	Amount released (Rs. in lakhs)
1.	Indian Law Institute	Conducting Post Graduate Diploma Course on Drafting of Legislation, Treaties & Agreement.	15
2.	National Council of Applied Economic Research (NCAER)	For meeting part of their administrative expenditure.	50
3.	Indian Council for Research on International Economic Relations (ICRIER)	Non-recurring grants for expanding its research activities on key economic issues.	25
	Total		90

9. Bilateral Cooperation Division

9.1 Japan

ODA Loan

Japan has been extending bilateral loan and grant assistance to India since 1958. Japanese bilateral loan assistance to India, Grant Aid and Technical Cooperation to India is 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.

The Japanese Official Development Assistance (ODA) loans to India are "untied loans". The procurement is through International Competitive Bidding. ODA loan is mostly project tied. The Interest Rates are 1.2% p.a. with 30 years' repayment period for general projects and Interest Rate @ 0.55% p.a. with 40 years' repayment period for environment sector projects. In addition, a commitment charge @ 0.1% is levied after 120 days of the signing of the loan agreement on the undisbursed loan.

Government of Japan committed Y 421.622 billion (Rs. 18787 crores) for fifteen projects in India from 1st January 2008 to 31st March, 2009. As on 31st March, 2009, 59 projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is Yen 1050.618 billion (i.e. about Rs. 52530.90 Crores). Details are at Annex.I. The ODA loan disbursement during FY 2008-09 was Yen 122.50 billion (Rs.5860.99 crores). Cumulative Japanese ODA loan to India has reached Yen 2898.59 billion (Rs. 113209.77 crores approx at the current exchange rate) on commitment basis till 2008-09.

The ODA loan disbursement to India from 1st January, 2008 to 31st March, 2009 was Yen 170.378 billion (Rs. 7716.81 crore).

Currency Swap Agreement: On 29.6.2008 a bilateral currency swap agreement has been signed between RBI, India and the Central Bank of Japan. This Agreement provides for exchange and re-exchange a 'maximum amount of US\$ 3 billion for domestic currency at the spot rate to meet temporary BOP problems faced by India or Japan for an initial period of 3 months. This arrangement can be renewed for a maximum number of seven times for periods of 90 days each.

b. Grant Aid

The Government of Japan provides Grant Aid to India under three categories, viz. general grant aid, grant aid for fisheries and grant aid for cultural activities. The major targets of General Grant Aid are projects for Basic Human Needs, which essentially have low economic viability and as such, not deemed suitable to be funded by loans. The priority sectors covered are (i) Public Health and Medical Care, (ii) Agriculture and Rural Development, and (iii) Environmental Conservation and Protection. Grant Aid for fisheries is provided for fishing facilities, training boats, fishing port facilities etc. that lend themselves to the promotion of the fishing industry. Cultural

Grant Aid is provided for promotion of cultural activities, education, and research.

There are no ongoing grant aid projects under grant aid programme.

The response of Government of Japan is awaited on nine proposals posed under grant aid programme.

c. Technical Cooperation with Japan

Technical Cooperation aims at transfer of technology and knowledge in a bid to develop and improve human resources and thus contribute to the Socio-Economic Development of India. The Technical Cooperation covers a broad spectrum of fields ranging from Basic Human Needs to Agriculture and Industrial Development. 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.

The main components of Technical Cooperation are (i) Project Type Technical Cooperation Projects, (ii) Development Study, (iii) Dispatch of Experts, (iv) Japanese Overseas Cooperation Volunteers (JOCV) Programme, (v) Follow-up Cooperation Programme, (vi) Training of Indian Government personnel, (vii) Third Country Training Programme involving training of personnel from different countries in India.

There are 9 ongoing projects under Technical Cooperation and Development Study Programme.

The Record of Discussions and Minutes of Meeting were signed on 19.6.2008 for "Andhra Pradesh Irrigation Water Management Improvement Project".

The Record of Discussions and Minutes of Meeting were signed on 27.2.2009 for the project "Capacity building of the State Forest Training Schools/Institutions".

Note Verbale were exchanged on 11.11.2008 between Government of India and Government of Japan to formalize the arrangements for implementation of the following projects:-

- i) Comprehensive Development and Management of Land and Water Resources in Kolasib District.
- ii) Preparation of Manual on Operation & Maintenance of Sewerage & Sewerage Treatment Plants.
- iii) Master Plan & Feasibility study on the improvement of water supply system in Delhi.

The Scope of Work was signed on 31.10.2008 for the project "Enhancing efficiency on operating thermal power plants in India (setting up of Centre of Excellence for Efficiency of NTPC)".

The Scope of Work was signed in April, 2009 for the project "Master Plan & Feasibility study on the improvement of water supply system in Delhi".

The Scope of Work was signed in April, 2009 for the Project

List of Ongoing JICA assisted Projects as on 31st March, 2009

Sl. No.	IDP Number and Name of the Project	Location	Loan Amount Disbursement in FY 2008-09	
			(Yen Mln.)	(Rs. Cr.)
Ministry of Power				
1	(IDP-119) Turrial Hydro Electric Power Project	Mizoram	11695	2.55
2	(IDP-142) Simhadri & Vizag Transmission System-II	Andhra Pradesh	6400	0.48
3	(IDP-143) West Bengal Transmission System Project-II	West Bengal	3127	2.61
4	(IDP-147) Bakreswar Thermal Power Station Unit Extn.	West Bengal	36771	155.76
5	(IDP-152) Purulia Pumped Storage Project II	West Bengal	23578	0.00
6	(IDP-153) Dhauliganga HE Power Plant Constn. III	Uttarakhand	13890	6.75
7	(IDP-156) Umium Stage II Hydro Power Stn.	Meghalaya	1964	0.28
8	(IDP-160) North Karanpura Super Thermal Power Project	Centre	15916	0.00
9	(IDP-167) Purulia Pumped Storage Project III	West Bengal	17963	78.18
10	(IDP-169) Rural Electrification Project Andhra Pradesh, Madhya Pradesh & Maharashtra	20629	287.03	
11	(IDP-177) Bangalore Distribution Upgradation Project	Karnataka	10643	0.21
12	(IDP-178) Transmission System Modernizaion and Strengthening Project in Hyderabad Metropolitan Area	Andhra Pradesh	23697	0.00
13	(IDP-188) Maharashtra Transmission System Project	Maharashtra	16749	0.00
14	(IDP-190) Haryana Transmission System Project	Haryana	20902	28.19
Ministry of Environment and Forests				
15	(IDP-146) Punjab Afforestation Project (II)	Punjab	5054	19.06
16	(IDP-148) Rajasthan Forestry and Biodiversity Project	Rajasthan	9054	14.84
17	(IDP-149) Yamuna Action Plan Project (II)	Delhi, UP, Haryana	13333	44.77
18	(IDP-158) Intg. Natural Resource Magt & Pov Red	Haryana	6280	56.88
19	(IDP-162) Tamil Nadu Afforestation Project II	Tamil Nadu	9818	97.99
20	(IDP-163) Karnataka Sustainable Forest Mgt & Biodiversity Con Project	Karnataka	15209	114.70
21	(IDP-164) Ganga Action Plan (Varanasi)	Uttar Pradesh	11184	0.00
22	(IDP-172) Swan River Integ. Watershed Management	H.P.	3493	11.26
23	(IDP-173) Orissa Forestry Sector Development Project	Orissa	13937	74.39
24	(IDP-182) Tripura Forest Environmental Improvement and Poverty Alleviation Project	Tripura	7725	25.15
25	(IDP-183) Gujarat Forestry Development Project Phase 2	Gujarat	17521	57.62
26	(IDP-194) Uttar Pradesh Participatory Forest Management and Poverty Alleviation Project	Uttar Pradesh	13345	0.49
Ministry of Urban Development				
27	(IDP-145) Delhi Mass Rapid Trans. System Project-IV	Delhi	34012	2.56
28	(IDP-151) Delhi Mass Rapid Transport System Project V	Delhi	59296	82.26
29	(IDP-157) Bisalpur-Jaipur Water Supply Project	Rajasthan	8881	112.52
30	(IDP-165) Bangalore Water Supply and Sewerage (II)	Karnataka	41997	6.92

31	(IDP-159) Delhi Mass Rapid Trans. System Project (VI)	Delhi	19292	11.03
32	(IDP-168) Bangalore Water Supply and Sewerage (II-2)	Karnataka	28358	0.00
33	(IDP-170) Delhi Mass Rapid Trans. Sys.(Phase 2) (I)	Delhi	14900	13.68
34	(IDP-171) Bangalore Metro Rail Project	Karnataka	44704	22.88
35	(IDP-174) Hussain Sagar Lake and Catchment Area Improvement Project	Andhra Pradesh	7729	13.85
36	(IDP-175) Kolkata Solid Waste Management Improvement Project	West Bengal	3584	4.88
37	(IDP-179) Delhi Mass Rapid Transport System Project Phase.2 (II)	Delhi	13583	57.73
38	(IDP-184) Kerala Water Supply Project (II)	Kerala	32777	460.84
39	(IDP-185) Agra Water Supply Project	Uttar Pradesh	24822	8.15
40	(IDP-186) Amritsar Sewerage Project	Punjab	6961	2.99
41	(IDP-187) Orissa Integrated Sanitation Improvement Project	Orissa	19061	0.00
42	(IDP-189) Goa Water Supply & Sewerage Project	Goa	22806	0.00
43	(ID-P 191) Delhi Mass Rapid Transport System Project Phase.2 (III)	Delhi	72100	2421.63
44	(ID-P 193) Hyderabad Outer Ring Road Project Phase.1	Andhra Pradesh	41853	61.96
45	(ID-P 196) Tamil Nadu Urban Infrastructure Project	Tamil Nadu	8551	0.00
46	(ID-P 192) Kolkata East-West Metro Project	West Bengal	6437	0.00
47	(ID-P) Hyderabad Outer Ring Road Project Phase 2	Andhra Pradesh	42027	0.00
48	(ID-P 197) Chennai Metro Project	Tamil Nadu	21751	0.00
Ministry of Water Resources				
49	(IDP-154) Rengali Irrigation Project II	Orissa	6342	66.00
50	(IDP-155) KC Canal Modernization Project II	Andhra Pradesh	4773	20.98
51	(IDP-161) Rajasthan Minor Irrigation Improvement	Rajasthan	11555	1.67
52	(IDP-181) Andhra Pradesh Irrigation & Livelihoods Improvement Project	Andhra Pradesh	23974	18.25
Ministry of Rural Development				
53	(IDP-111) Attapaddy Wasteland Project	Kerala	5112	24.62
Ministry of Tourism				
54	(IDP-150) Ajanta-Ellora Cons. & Tourism Dev. Proj-II	Maharashtra	7331	91.45
55	(IDP-166) Uttar Pradesh Buddhist Circuit Development	Uttar Pradesh	9495	0.00
Ministry of Shipping				
56	(IDP-176) Visakhapatnam Port Expansion Project (Engineering Services)	Centre	161	0.00
57	(IDP-180) Visakhapatnam Port Expansion Project Department of Drinking Water Supply	Centre	4129	0.00
58	(IDP-195) Hogenakkal Water Supply and Fluorosis Mitigation Project	Tamil Nadu	22387	2.90
Department of Financial Services				
59	(ID-P 200) Micro, Small and Medium Enterprises Energy Saving Project	All over India	30000	1258.31
Total			1050618(Rs.52530.90Crore)	5847.25 #

* Loan Agreement validity has been extended by Government of Japan.

The projects which have been closed during the FY 2008-09 (not ongoing as on 31.3.2009) have been excluded from the list.

“Preparation of Manual on Operation & Maintenance of Sewerage & Sewerage Treatment Plants”.

Under JOCV Programme, the proposals from **ten institutes have been** posed to Embassy of Japan for the year **2008-09**. Eight Japanese volunteers were appointed under the programme.

JICA Partnership Programme

JICA Partnership Programme involving Indian and Japanese NGOs, was started in 2001 and six proposals were cleared from 1.1.2008 to 31.3.2009.

d. Grassroots Funding

Government of Japan also provides small grant assistance to Indian NGOs under its scheme for “Grant Assistance for Grassroots Projects”. 22 proposals have been cleared by Department of Economic Affairs in this financial year till 31.3.2009.

e. Green Aid Plan

Government of Japan (Ministry of Economic Trade and Industry) provides technical assistance under Green Aid Plan through agencies like New Energy and Industrial Development Organisation (NEDO). 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.

NEDO is entrusted with negotiation and implementation of Model Projects under Japanese Green Aid Plan which is a technical cooperation programme outside the Japanese Official Development Assistance (ODA) Programme. NEDO sends Japanese experts to Indian organizations to impart training and conducts training programmes in Japan.

g. Training Programmes conducted by NEDO

In 2008-09, NEDO conducted training programmes under the CCT (Clean Coal Technology) Training Programmes for the coal, steel and power sectors. A total of 20 candidates from these sectors attended the training programme.

9.2. Australia

Australian Development Assistance to India started in the year 1951. This is channeled 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.

Australian assistance to Indian NGOs

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.

9.3 North America

- i) Matters relating to US Economic assistance to India and other territorial matters concerning USA. Work 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 projects, 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 Centre of Canada (IDRC) to Indian Institutions/NGOs.
- vi) Sectoral charge relating to Ministry of Environment & Forests.

9.4 United States of America

USA has been extending economic assistance to India since 1951. US Development Assistance is channelized through US Agency for International Development (USAID). Presently, US Development Assistance is received in the form of grant and is available as project assistance.

Assistance disbursed in 2008-09 was of the order of US \$ 30.04 million as compared to US \$ 31.51 million disbursed in 2007-08.

Under PL-480 (Title II), USA has been donating agricultural commodities as outright grant. USAID has disbursed a total amount of US \$ 11.93 million in 2008-09 as compared to US \$ 28.47 million disbursed during 2007-08.

DEA is the nodal agency for the Indo-US Financial & Economic Forum, which is being pursued under the overall Indo-US Economic Dialogue, being coordinated by Prime Minister’s Office. Under this regular interaction with the US Government takes place. The last 4th Cabinet level meeting of the Forum was held at New Delhi on 30th October 2007, which was co-chaired by the Finance Minister and U.S. Treasury Secretary. The meeting was followed by a Technical Group Level meeting held at Washington DC, USA in June 2008.

9.5 Canada

Canadian Economic Assistance to India started in 1951. Till March 2007, the total aid to India had been around C \$ 2.743 billion. The assistance mainly comprised of Development

Table 1.9

Model Projects initiated in FY 2008-09

Sl. No.	Name of the Project	Implementation period	Name of line Ministry & Implementing Agency
1	Model Project for converting a diesel generator to dual-fuel operation	2008-2011	M/o Power, M/s Tata Motors
2	Model Project to introduce Japanese High efficient coal preparation technology	2008-2011	M/o Coal, M/s Monnet Ispat & Energy Ltd. (MIEL)

assistance, food and technical assistance. Canadian assistance is channelized 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 Govt. 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 20.09.2004, bilateral development assistance will be accepted from all G-8 countries including Canada, as well as European countries.

In the year 2006-07, Canada has started extending grant assistance for local initiatives (CFLI) to India. During 2008-09, 12 proposals involving grant assistance of 0.47 million have been cleared as compared to 14 proposals involving grant assistance of CAD 0.50 million in 2007-08.

9.6 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 of health, rural development. Social sector, education, culture etc. 59 project proposals involving total grant of 13.4 million have been cleared in 2008-09 as compared to 85 proposals involving total grant of US \$ 24.0 million in 2007-08.

9.7 Assistance from International Development Research Centre (IDRC) of Canada

IDRC extends grant assistance to various Government and Non-Governments organizations for projects in the field of agriculture, food, health and family welfare etc. During 2008-09, 9 proposals involving grant assistance of CAD 0.70 million have been cleared as compared to 22 project proposals for the total grant of Canadian \$ 2.80 million cleared in 2007-08.

9.8 Development of Coordination and Decision Support System on External Assistance

The annual external assistance to India is around USD4.46

billion and the total outstanding external assistance debt (as on 31 March 2008) is USD48.89 billion. This amount represents a very large and diversified portfolio of externally-assisted projects. Aid inflows and debt repayment are managed by the Controller of Aid Accounts and Audit in the Department of Economic Affairs (DEA), Ministry of Finance, which is the nodal ministry for external assistance management. Each of the multilateral and bilateral programmes has its own set of processes for monitoring the physical and financial progress of projects. The need, however, has been felt to give these projects a more uniform approach available to all stakeholders that can foresee problems in implementation.

The Coordination and Decision Support System (CDSS) responds to this need. It is developed by the DEA with UNDP support. Further, systematic recording and tracking of progress in external assistance inflows provides a basis for analysis and decision-making. The CDSS is an important tool to ensure improved development assistance effectiveness.

The CDSS is based on a customized version of the Development Assistance Database, which following consultations with stakeholders, particularly with central ministries, state governments and donor agencies, has been tailored to meet the institutional needs in India. Developed as a web-based application, users can produce reports and charts according to needs (development assistance by state, sector and development partner), as well as track the progress of individual projects and programmes. The CDSS also allows access to project and programme documentation for users seeking a more detailed understanding of individual projects and programmes.

Project Objectives

The initiative enhances the pace and quality of utilization of external assistance in India through improved information systems developed for decision support.

Results and Achievements (to date)

- CDSS, rolled out nationally (after a successful pilot phase), currently tracks a total of 1259 externally-aided projects online (of which 401 are ongoing projects) with a total commitment of over USD73.8 billion.

- Training (e.g. data entry and analysis for decision-making) to operationalize CDSS was completed for 12 credit divisions, 10 donor agencies, 16 State Project Management Units (PMU) and project implementing agencies in these states.
- CDSS is hosted on dedicated servers managed and maintained by DEA and accessible from the main web page of the Ministry of Finance.
- CDSS keeps track of and up-to-date project information – financial, physical progress and other critical aspects – to address implementation issues and challenges.
- Project-level Paris Declaration indicators and Gender Indicators in line with the Paris Declaration Indicators have been integrated and tracked for all externally-aided projects.
- Financial data consistency has been established by institutionalized linkages with Controller of Aid Accounts and Audit (CAAA) aid inflow management system and, automated data synchronisation between CDSS and CAAA.

Looking to the Future

- The CDSS has entered its full roll out phase. The ongoing projects and programmes (for which external assistance is disbursed through the Indian public financial management system) will be at the core of the CDSS. Details of completed projects and programmes will be stored in an archive and will contribute to the calculation of financial aggregates for development assistance flows.

A suitable strategy at DEA for institutionalizing this major initiative will be drawn and implemented, based upon the experience gained in the full-scale implementation phase.

9.9 United Kingdom

3 (i) Introduction

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. UK's aid assistance to India is focused primarily on MDG objectives. Assistance is provided to Centrally Sponsored Schemes and social sector project in the four DFID focus States viz. Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal.

3 (ii) Performance/achievements

In 2008-09, during the Annual Talks, DFID indicated that the projected disbursements for the next three years i.e. from 2008-09 to 2010-2011 would be £ 825 million (approx Rs. 6,600 crore). Actual disbursement through GOI account is £ 227.478 million (Rs.1710 crore). Fresh commitments for the year 2008-09 was £ 18 million (Rs.145 crores) through signing

of one new agreement. No new project was posed to DFID during the year under review.

3 (iii) Significant developments

DFID has launched their new Country Plan (CP) for India 2008-2015 in June 2008 with the 'three India's approach – (i) Global India (as India is prospering and increasingly influential global player in trade, environment and the international system); (ii) Developing India (for the segments of society sitting on the borderline between poverty and prosperity, but needs better public health services, well nourishment and quality education); and (iii) poorest India (the segment living in extreme poverty, often disadvantaged by their geographical location and social status who needs help so as to participate in India's growth). The other aspect of DFID's Country Plan is to progress from more matured states of Andhra Pradesh and West Bengal to Bihar, which is considered to be one of the poorest states in India. DFID will continue support programmes in the Centrally Sponsored Schemes. Around 45-50% of DFID's present portfolio focuses on major National Programmes such as Sarva Shiksha Abhiyaan, Reproductive Child Health (RCH2), National AIDS Control Programme, etc.

9.10 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 Multilateral channels of WHO, UNOPS 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). The Ministry of Health & Family Welfare is the nodal Ministry.

The Norwegian side, during the visit of Mr. Thorvald Moe, Deputy Secretary General, Ministry of Finance, Norway to India on 21.10.2008, reiterated availability of a dedicated budget of approximately Euro 500 million for UN certified CDM projects. Also during the meeting Mr. Moe informed that the Norges Bank agreed to make higher investments in India and by December 2008, US\$ 2 billion would be invested in India. The First Annual Bilateral Meeting between Senior Officers of the Ministries of Finance of India and Norway was held on 22-23 May 2009.

9.11 Sweden

India has been a recipient of Swedish development assistance since 1965. Indo-Swedish development cooperation relations were on peak during the 1990s. However, there has been a setback in the development cooperation relations after 1998 and 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 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. The tenure of the said Agreement expires on 31.12.2009. Developing of a new strategy for technical cooperation between India and Sweden for the period 2009-2013 in line with Indian Guidelines for Development Cooperation and an Agreement on Technical Cooperation is under process.

9.12 Italy

Background: Italy has been providing concessional assistance to India since 1981. Prior to 1981, Italy was providing suppliers credit to importers directly. Bilateral agreement on Technical Cooperation concluded in February 1981 whereby Italy agreed to provide expert services and related equipment on grant basis for specific projects.

Projects undergoing with Italian Assistance: Government of Italy is providing a tied loan amount to • 25,822,844.95 for Water Supply and Solid Waste Management project in 16 selected districts of West Bengal. Financial convention has been signed on 10th January, 2006. The Italian loan for this project would be available at an interest rate of 0.0% per annum with repayment period of 39 years, including a grace period of 19 years. Disbursement up to April 2009 is Rs.1,854 crore

The project is tied and was and was signed in the year 2006, considering it as an ongoing project, since negotiation for the loan was at very advance stage, though, GOI's policy for not accepting tied aid was revised in the year 2004. Government of Italy has not responded to our revised Bilateral Development Cooperation policy announced in 2005 and GOI has prepaid all past Italian loans in full on 02/01/2004

9.13 Federal Republic of Germany

In 2008, India and Germany agreed on the Strategic Framework for development cooperation. This was launched during the visit of German Minister for Economic and Development Cooperation, Ms. Heidemarie Wieczorek Zeul in October, 2008. The mutually agreed sectoral priorities of the programme are Energy; Environmental Policy, Protection and Sustainable Use of Natural Resources; Sustainable

Economic Development. Germany provides financial assistance as well as technical assistance to India.

For the year 2008, Germany has made the total commitments of Euro 364 million (approx. Rs.2362 crore) (including reprogrammed fund). The following Agreements were signed under Indo-German Bilateral Development Cooperation Programme during the year 2008-09 is given in the Table 1.10.

The total disbursement on the Government projects through CAA&A (excluding technical assistance during 2008-09 was Euro 111.075 million (Rs. 713 crores) while the total disbursement made by KfW under Indo-German Bilateral Development Cooperation Programme was Euro 170.47 million.

9.14 France

The Government of France has been extending development assistance to India since 1968. 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. In the line of the inter-governmental a Memorandum of Understanding (MoU) was signed between Department of Economic Affairs and AfD on 29.09.2008. As per MoU the priority sectors under Indo-French Development Cooperation will be energy efficiency; renewable energy; urban public transport, preservation of biodiversity and fight against emerging and communicable diseases.

The first Annual Consultation meeting between DEA and AfD was held in New Delhi on 24th March, 2009.

9.15 EXIM Bank of India Lines of Credit extended to foreign countries

In the year 2008-2009 (i.e. April, 2008 to March 2009), following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

- (i) US\$ 100 million credit line to the Government of Sri Lanka
- (ii) US\$ 100 million credit line to the Government of Nigeria
- (iii) US\$ 20 million credit line to the Government of Niger
- (iv) US\$ 29.5 million credit line to the Government of Central African Republic
- (v) US\$ 25 million credit line to the Government of Senegal
- (vi) US\$ 25 million credit line to the Government of Madagascar

Table 1.10		
Agreements signed under Indo-German Bilateral Development Cooperation Programme during the year 2008-09		
S. No.	Name of the Project	Amount in Rupees crore (approx.)
(a) Government to Government Umbrella Agreement		
1	Indo-German Umbrella Agreement-2007 (FC)	1857.05
2	Indo-German Umbrella Agreement-2007 (TC)	110.50
(b) Loan / Financing / Amending Agreements		
1	Participatory Natural Resource Management Programme, Tripura – Grant	78.00
2	Sustainable Municipal Infrastructure Financing in Tamil Nadu – Loan	422.50
3	Sustainable Municipal Infrastructure Financing in Tamil Nadu – Loan and Grant	78.00
4	Watershed Development Programme, Andhra Pradesh – Grant	13.00
5	SIDBI – III Environmental Credit Line (Tranche-II) – Grant	49.85
6	Pulse Polio Immunization Programme-X – Loan	201.50
7	Pulse Polio Immunization Programme-XI – Loan and Grant	91.59
8	Sustainable Energy Programme – IREDA – Loan	325.00
9	Sustainable Energy Programme – IREDA – Grant	6.5
10	PARE Hydroelectric Plant – Loan	520.00
11	PARE Hydroelectric Plant – Grant	3.25
12	Power Sector Reform, Programme-I – Supercritical Power Station, Andhra Pradesh (Krishnapatnam) – Amending Agreement for Loan	1827.00
13	REC – Energy Efficiency Programme-II – Loan	455.00
14	REC – Energy Efficiency Programme-II – Grant	3.25

- (vii) US\$ 50 million credit line to the Government of Zambia
- (viii) US\$ 166.23 million credit line to the Government of Ethiopia
- (ix) US\$ 20 million credit line to the Government of Myanmar
- (x) US\$ 25 million credit line to the Government of Burkina Faso
- (xi) US\$ 15 million credit line to the Government of Sierra Leone
- (xii) US\$ 25 million credit line to the Government of Mozambique
- (xiii) US\$ 4.3 million credit line to the Government of Suriname
- (xiv) US\$ 37.65 million credit line to the Government of Cameroon
- (xv) US\$ 30 million credit line to the Government of Mozambique
- (xvi) US\$ 21.72 million credit line to the Government of Ghana
- (xvii) US\$ US\$ 50 million credit line to the Government of Belarus

and Financial Reconstruction/ Office of Special Court, Mumbai and Office of Court Liquidator, Kolkata.

Exercising expenditure control and management, ensuring rationalisation of expenditure and compliance of economy measures in accordance with the instructions of the Department of Expenditure including regular monitoring of expenditure through monthly/quarterly reviews and submission of reports to the concerned Secretaries.

The Division also administered three Detailed Demands for Grants, i.e. Grant No 31-Department of Economic Affairs; Grant No 32 – Payments to Financial Institutions; and Grant No 33 – Department of Financial Services. This involves finalising the Budget /the Revised Budget/estimating final requirements /surrender of savings, re-appropriations and vetting of Head wise Appropriation Accounts. (Table 1.11)

Coordination of and the printing of the Detailed Demand for Grants (DDG) for the entire Ministry of Finance.

Coordination of all matters relating to the examination of the DDG of the year by the Parliamentary Standing Committee on Finance.

Preparation of the 'Outcome Budget' of the Ministry of Finance as also monitoring Outcome Budget targets of different units in the Departments of Economic Affairs and Financial Services.

Monitoring replies to the PAC /C&AG Audit Paras.

Budgetary allocation regarding the Grants is given in the Table 1.11

The best practices followed for effective expenditure control included :

Expenditure progress reviewed monthly with Major Head / Scheme wise details with concerned Secretaries.

The Major Head wise and Scheme wise expenditure progress as compared to BE figures, posted on the web-site of the Ministry of Finance.

Strengthening of internal control mechanism by getting internal audits undertaken.

Monthly monitoring of Major schemes/Programmes of the Departments included in the Outcome Budget.

10. Integrated Finance Division

The Integrated Finance Division is headed by the Joint Secretary & Financial Advisor of the Ministry of Finance. The Division services the Department of Economic Affairs (DEA) as also the Department of Financial Services (DFS).

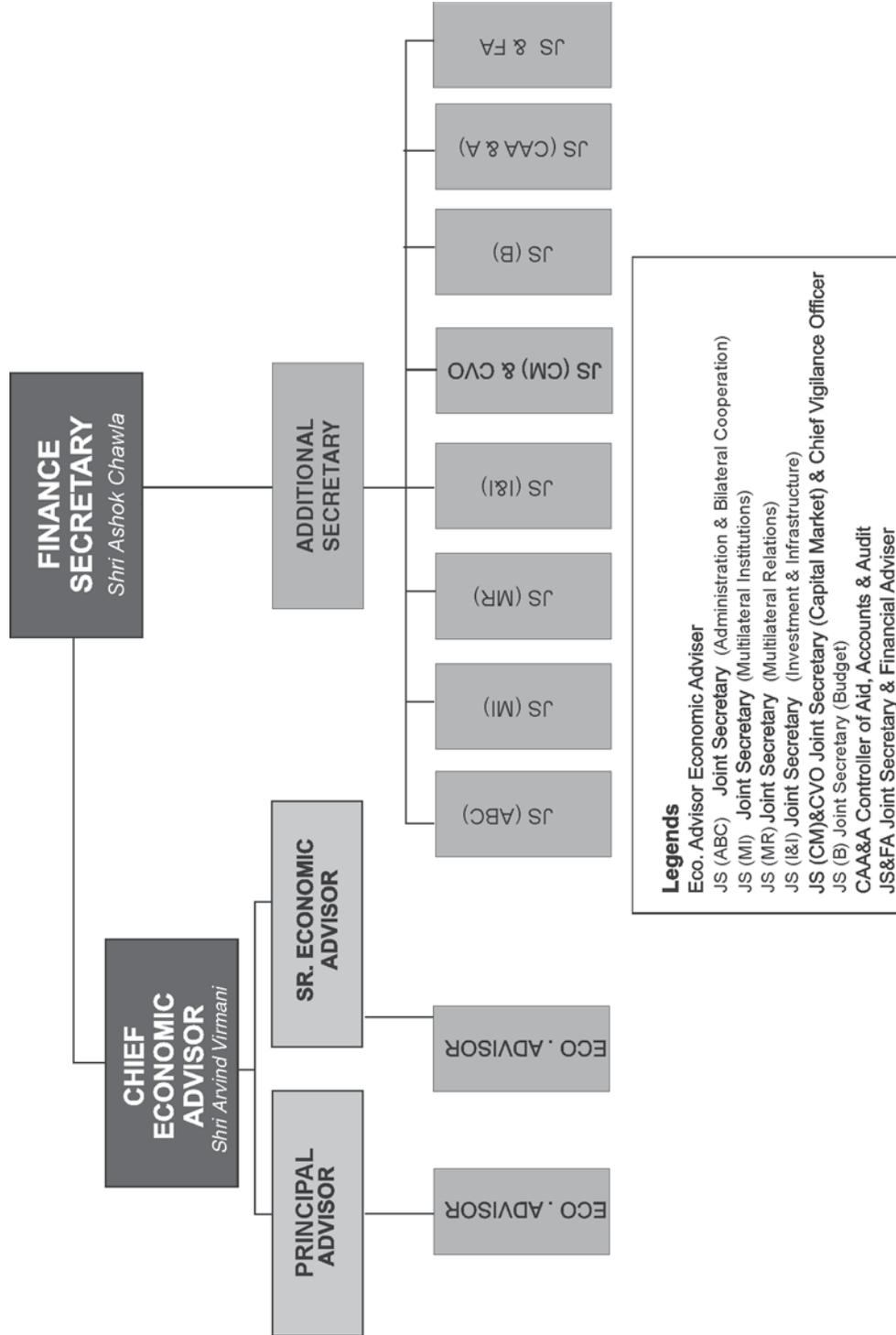
The Division is responsible for the following functions:

Tendering financial advice / examination for concurrence to proposals involving expenditure in respect of DEA and DFS as well as their attached and subordinate offices eg Investment Commission/13th Finance Commission /National Savings Institute / Security Appellate Tribunal /Debt Recovery Tribunals / Office of Custodian /Appellate Authority for Industrial and Financial Reconstruction / Board for Industrial

Table 1.11				
Budgetary Allocation of the Grants				
Grant		BE 2008-09	RE 2008-09	BE 2009-10
				(Rs in Crore)
31 - Department of Economic Affairs	Plan	1639.90	1609.47	2308.36
	Non-Plan	3084.06	4845.75	11091.71
	Total	4723.96	6455.22	13400.07
32 - Payments to Financial Institutions	Plan	1900.00	1900.00	Grants no. 32 & 33 merged as grant no 33 D/FS w.e.f. BE 2009-10
	Non-Plan	8172.87	57637.49	
	Total	10072.87	59537.49	
				Grant no. 32 is for DEA w.e.f. BE 2009-10
33 – Department of Financial Services	Plan	0.00	0.00	1542.00
	Non-Plan	60.00	77.40	36871.54
	Total	60.00	77.40	38413.54

■ ■

Organisational Setup of Department of Economic Affairs



Department of Expenditure

Department of Expenditure

1. Establishment Division

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 2008-09, various issues relating to pay matters, arising out of implementation of the recommendations of the 6th 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.

The Sixth Central Pay Commission submitted its Report on the structure of emoluments, allowances, conditions of service and retirement benefits of Central Government employees on 24th March, 2008. The Government accepted the recommendations of the Commission as a package subject to certain modifications. After approval of the Report of 6th Central Pay Commission by the Union Cabinet, Central Civil Services (Revised Pay) Rules, 2008 were notified vide G.S.R. No.622(E) dated 29th August, 2008 and revised pay scales were implemented. The first installment of 40% of arrears on account of implementation of recommendation of 6th CPC relating to revision of pay scale and pension retrospectively w.e.f. 1.1.2006 has already been paid in the year 2008-09.

With a view to containing non-plan, non-developmental expenditure, Ministry of Finance has been issuing austerity instructions from time to time to all the Ministries/Departments. The Ministry of Finance has issued fresh guidelines on Expenditure Management – Economy Measures and Rationalization of Expenditure on 5.6.2008 and further with the approval of Hon'ble Prime Minister, replacement of Government vehicles by Ministries/Departments has been liberalized by issue of O.Ms dated 10.12.2008. Further replacement of vehicles against condemnation has been liberalized for operational purposes and for SPG and Defence

Forces vide O.Ms dated 1.12.2008, I.D. Note dated 15.12.2008 and 16.12.2008.

2. Pay Research Unit (PRU)

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 titled “**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, Transport Allowance, Overtime Allowance, Compensatory Allowance etc. in respect of its regular employees. It also provides information on Ministry-wise/Department-wise and Group-wise number of sanctioned posts and numbers of incumbents in position. The brochure also contains information about disparity ratio i.e. the ratio of the maximum to minimum pay of different State Government Employees.

The unit brought out the 29th issue of the series of brochure for the year 2006-2007 in November 2008. The work regarding the brochure for the year 2007-2008 is in progress.

3. Integrated Finance Unit (IFU)

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 and Contribution to International Body (AGAOA) and the budget relating to payment of services charges to

the Central Recordkeeping Agency for the New Pension Scheme.

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 below

The Integrated Finance Unit has expeditiously examined and disposed the financial and expenditure proposals pertaining to the Department of Expenditure including the proposals for appointment of consultants, deputation abroad of officers, grants-in-aid to NIFM, duly observing austerity instructions issued from time to time. All budget related matters including issues concerning the Standing Finance Committee were examined and disposed off. Similarly, all the C&AG audit paras of the Department of Expenditure were monitored and cleared.

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.

4. State Finances Division (Plan Finance - I)

The State Finances Division of the Department of Expenditure looks after all matters relating to finances of the State Governments including Plan releases in the State Sector made on the recommendation of the Planning Commission/nodal Ministry concerned, Non Plan releases on the recommendation of the Finance Commissions. The Division also handles cases for making assessment of borrowing requirements of State Governments including fixing of borrowing ceiling, issues 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 concerned Finance commission etc.

Following are the major areas of activity in the State Finances Division:

- Providing interface between the Government of India and the States to ensure smooth resolution of centre-state fiscal issues
- Releasing central assistance under plan and non plan grants as well as releases for Natural Calamities/ Disaster Management
- Administering States' Debt Consolidation and Relief Facility and the Centre's response to States' temporary financial stress.
- Implementation of the Finance Commission Award as accepted by Government of India and monitoring of the end use of the grants
- Fixing of annual borrowing limits, according consent under Article 293(3) of the Constitution and monitoring of Ways and Means position in close co-ordination with the RBI including bail outs.
- Providing inputs for Budget preparation relating to State Plan Schemes and Finance Commission award and finalisation of Schemes of Financing for States' Annual Plan.

For smooth discharge of the above assignments, the Division is divided into the following three main branches:

- **Plan Finance** branch which administers central assistance for State Plans,
- **Finance Commission** branch which implements the award of the Finance Commission as accepted by Government of India, and
- **State Debts and Liabilities** branch which is concerned with the States' debts and liabilities and supports central activities and initiatives in this regard.

In addition to the above there is one more branch called **Fiscal Reforms Unit** which maintains State finance data, analysis of trends of State Finances and for administering the Debt Consolidation and Relief Facility for the States drawn up consequent to recommendations of Twelfth Finance Commission.

The important flagship schemes for which funds were released under the Plan head in 2008-09 include Accelerated Irrigation Benefit Programme (AIBP), Accelerated Power Development and Reform Programme (ARDRP), Jawaharlal

(Rs. crore)

Grant No.	Budget Estimates 2008-09			Revised Estimates 2008-09		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38. Deptt. of Expenditure	10.00	37.86	47.86	5.30	56.66	61.96
39. Pensions	-	7966.14	7966.14	-	10629.53	10629.53
40. Indian Audit & Accounts Deptt.	-	1283.50	1283.50	-	1908.13	1908.13
44. Deptt. of Disinvestment	-	2351.00	2351.00	-	2348.90	2348.90

Nehru National Urban Renewal Mission (JNNURM), Externally Aided Projects, National Social Assistance Programme (NSAP), Backward Area Grant Fund, National e-Governance Action Plan (NeGAP) Backward Region Grant Fund (BRGF), Tsunami Rehabilitation Programme, Brihan-Mumbai Storm Water Drains (BRIMSTOWAD) and the Commonwealth Youth Games etc. As against RE of Rs.62,488.81 crore for Plan Schemes in the year 2008-09, Rs.60,991.31 crore (97.60%) has been released during the year.

On the Non-Plan side, this Division released Rs.27158.65 crore during 2008-09 for grants for up-gradation of services, Calamity Relief etc. (being 98.40% of the Budget provision of Rs.27599.92 crore for 2008-09). Besides the grants-in-aid, this division also released an amount of Rs.2279.92 crore during 2008-09 as grants under National Calamity Contingency Fund (NCCF) for calamities of severe nature. Debt waiver was awarded to 15 States to the extent of Rs. 5431.88 crore to 23 States in 2008-09.

The State Finances continued demonstrating improvement in 2008-09. In contrast to sharp liquidity pressures faced by State Government in the years prior to 2004-05; the Ways and Means position of most of the State Governments has been comfortable showing large surpluses invested in 14 days Treasury and Auction T bills. As on 31.3.2009 the States had a combined cash balance of Rs. 101,969.67 crore with the RBI. These surpluses are expected to be the result of buoyancy in collection of both Central and State Taxes, enhanced Central transfers to States, loan write offs by the Centre on the recommendations of the Twelfth Finance Commission, and containment of expenditure to prudent limits by the States on account of the Fiscal Responsibility Legislation etc.

The Annual Borrowing ceiling for States which was fixed at 3% of their respective Gross State Domestic Product (GSDP) for the year 2008-09 in line with their fiscal correction path was relaxed as part of the second economic stimulus package announced by the Government of India and the States were allowed to raise additional market borrowings of upto 3.5% of their GSDP, amounting to about Rs.30,000 crore for capital expenditures. In addition, the DCRF requirement of elimination of revenue deficit was also relaxed for 2008-09 so that the States do not lose benefits of Debt Consolidation and Relief Facility (DCRF). During the year, in terms of this dispensation, the States raised additional market borrowings of Rs.24,673 crore over and above the borrowings allocated by the Planning Commission and additional borrowings allowed by Government of India for shortfall in NSSF accretion. As against the total borrowing of Rs.125,019.33 crore allowed to the States, borrowings of Rs. 118,137.65 crore only were raised by the State Governments.

State Treasury Computerization as a Mission Mode Project under the National e-Governance Project has been assigned to this Division for implementation across the States. The Division is working in close association with Department of Information Technology, Planning Commission, the State

Governments and the CAG towards computerization of treasuries.

5. Finance Commission Division

The year 2008-09 was penultimate year of the award period of the Twelfth Finance Commission (TFC). On the non-plan side, this Division released Rs.29438.56 crore as on 31st March, 2009 as grants-in-aid, including assistance from National Calamity Contingency Fund, to States for Non Plan Revenue Deficit, maintenance of Roads & Bridges and Public Buildings, Education, Health, Calamity Relief, State Specific Needs etc. (being 81% of budget provision of Rs.36192.42 crore for 2008-09). Central loan from Ministry of Finance to State of Jammu & Kashmir was approved for consolidation as per Debt Consolidation & Relief Facility (DCRF), formulated as per recommendations of TFC, thereby debts of all 26 out of 28 States, which have enacted FRBM Acts, have been consolidated. Debt waiver was awarded to 23 States in 2008-09 to the extent of Rs.5,431.88 crore. Deficit targets under DCRF and borrowing ceilings for 2008-09 & 2009-10 for states were relaxed for undertaking capital expenditure as a part of and sequel to the second economic stimulus package.

6. Plan Finance – II Division

Plan Finance – II Division is primarily concerned with matters relating to the Central Plan. PF.II Division serves as a window within the Finance Ministry, which has an over view of the entire canvas of development activity of the 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.

With the commencement of the Eleventh 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 which has been issued afresh so as to rationalize the Schemes 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 11th Plan period are available at this Ministry's website (www.finmin.nic.in).

During the period from 1st January to 31st December, 2008, **113** meetings of the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) considered **108** Plan Investment Proposals/Schemes of various Ministries/ Departments costing **Rs.2,58,670.25 crore**. Also, **14** meetings of Public Investment Board (PIB) were held and **13** projects with a capital outlay of **Rs.49,233.84 crore** were recommended for approval of competent authority. The

Table 2.2

S.No.	Ministry/Department	No. of projects recommended for approval	Cost(Rs. Crore)
1.	Power	5	30354.76
2.	Shipping	2	919.25
3.	D/o Road Transport & Highways	1	557.00
4.	Coal	3	1242.37
5.	Civil Aviation	2	2117.46
6.	Urban Development	1	14600.00
	Total	13	49233.84

Ministry/Department wise position of projects considered by PIB is given in Table 2.2.

Plan Finance-II Division also deals with financial restructuring of Central PSUs on the recommendations of Bureau for Restructuring of Public Sector Enterprises (BRPSE). Plan Finance – II Division also deals with issues relating to Food, Fertilizers and Petroleum subsidies.

7. 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 study of such organisations.

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 structure, 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.

During the year 2008, SIU has issued 16 final reports covering the sanctioned strength of 2924 posts including 2 Norm Studies of Immigration Check Posts and Foreign Regional Registration Offices, Ministry of Home Affairs and Institutes of Hotel Management, Catering Technology and Applied Nutrition, Ministry of Tourism and Culture. Out of the

sanctioned strength of 2924 posts, SIU has found justification for retention of 1973 posts by declaring 951 posts as surplus. The staffing studies during the year have resulted in an economy of Rs. 22.33 crores per annum. In addition, provisional reports on 6 staffing studies with a total coverage of 1333 posts were also issued during the year.

The SIU has also been associated as Core Member with two Committees constituted for assessing the manpower requirement of Scientific and Technical Organizations namely Directorate General of Mines, Dhanbad, Ministry of Labour and Employment and Patent Offices & the Offices of Patent Information Systems (Norms) of the Office of the Controller General Patents, Designs and Trade Marks, Ministry of Commerce and Industry.

8. 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 body staffed by Cost/Chartered Accountants.

The Chief Adviser Cost 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.

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 posting of services of 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.

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

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.

Cost Accounting System for departmental undertakings/ Autonomous bodies.

- (x) Time and Cost Overruns of major projects. Efficiency and Competitiveness studies.
- (xi) Arbitrator in resolving pricing disputes.
- (xii) Advise on matters relating to determination of Abatement Rate for purposes of Central Excise.

During the period January 2008 to March 2009, 78 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 Advice as Members of Committees.

- a) Study of Under Recovery of Oil Marketing Companies on Petroleum Products for the year 2007-08 and 2008-09.
- b) Issues relating to supply and pricing of Natural Gas – approval of subsidy rate for new LPG Bottling Plant commissioned after 31st March, 2002.

(ii) System Study

Review of costing system and fixation of Common Hourly Rate and Overhead Percentage in respect of Government of India Presses at Nashik, Gangtok, Koratty, Shimla , Santragachi (Howrah), Mayapuri and Rashtrapati Bhawan, New Delhi.

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

- a) Fixation of final/fair prices of Handloom Cotton Bed Durries supplied by Association of Corporation and Apex Societies of Handlooms (ACASH) during the year 2004-05 under Single Tender System.
- b) Analysis of cost of Fast Attack Craft (FAC) - CB 90H.

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

- a) Cost of production and fair selling price for items of postal stationery produced and supplied to the Department of Post by Indian Security Press, Nasik for the years 2002-03 and 2003-04 and by Security Printing Press, Hyderabad for the years 2004-05 and 2005-06.
- b) Fair prices of Tear Smoke Munitions produced by Tear Smoke Unit (TSU) of Border Security Force, Tekanpur, Gwalior for the year 2008-09.

(v) Fixation of service charges for the services rendered by a Govt. Department/Agency on behalf of the other

- a) Verification of claims in respect of Market Intervention Scheme (MIS) for potato in the State of West Bengal during 2003-04, Passion Fruit in the State of Mizoram during 2007, Ginger in the State of Mizoram during 2007, Bird's eye chilli in the State of Mizoram during 2007-08.
- b) Verification of claim in respect of Price Support Scheme (PSS) for Copra, Sunflower Seed, Safflower Seed for kharif 2003, Gram for Rabi 2004, Toria for Rabi 2005, Masoor for Rabi 2005, Sesame Seed for Kharif 2005 and 2006, Soyabean for Kharif 2006, cotton for Rabi 2005, Urad for Kharif 2004, Groundnut for Kharif 2004 seasons.
- c) Additional claim of NAFED for PSS Operation for

Mustard Seed Rabi 2001 on account of Sales Tax liability.

(vi) Determination of subsidy

- a) Fixation of subsidy claim of Northern Railway payable by the Prime Minister's Office for catering during 2005-06 and 2006-07.
- b) Subsidy payable to Northern Railway Catering Unit functioning in Parliament Housing Complex for the year 2006-07 and 2007-08.

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

Vetting of Balance Sheet and Income & Expenditure Account of Tear Smoke Unit, BSF, Tekanpur for the year 2007-08.

(viii) Concurrent Audit of escalation claims paid by FICC

20 Reports in respect of Concurrent Audit of Equated Freight Rate/ Escalation claim of various Fertilizer companies were issued during the year 2008.

(ix) Miscellaneous studies

- a) Ascertainment of Fair Cost/Price of Multi Purpose National Identity Card (MNIC)
- b) Cost of production of Boggies used for manufacturing of Railway Wagons by various units for supply to Indian Railways.
- c) Examination of costing of SG GSCL Coaches by BEML to Railway Board.
- d) Review of User Charges/fees charged by Indira Gandhi National Open University (IGNOU), New Delhi.
- e) DDT(T) & DDT(F) & Mal (T) rate fixation for 2006-07 and provisional price 2007-08.
- f) Review of non tax revenue – fee for Patent, Design & Trade Mark Registry
- g) Revision of Storage Charges payable by FCI to CWC for the year 2004-05
- h) Vetting of prices of Ayurvedic/Unani Medicines supplied by M/s. IMPCL to CGHS Dispensaries for the pricing period 2007-08 and 2008-09.
- i) Determining of Laboratory testing charges for various tests carried out at Central Drugs Laboratory, CRI, Kasauli.
- j) Overhead Charges for the Hydrogen Factory, Agra India Meteorological Department
- k) Fixation of film processing rates for films Division for the year 2008-09
- l) Revision in the advertisement rates of Directorate of Advertisement & Visual Publicity (DAVP)

Major Committees Represented

Officers of Chief Adviser Cost Office 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) Committee to evaluate the proposal of C-DAC for comprehensive computerization of the operations in the Patent Office, Controller General of Patents, Designs & Trademarks, Department of Industrial Policy and Promotion.
- (xii) Advisory Committee constituted for examination of draft Cost Accounting Rules framed by the Department of Company Affairs in respect of various products.
- (xiii) Standing Committee of State Secretaries of Stamps and Registration.
- (xiv) Committee for uniform costing and preparation of proforma accounts for various mints and presses.
- (xv) Committee to examine issues relating to under recoveries of the PSU Oil Marketing Companies.
- (xvi) Committee to have in-depth study of various policies and practices outlined in the draft accounting manual for Government of India Presses.
- (xvii) Formation of Expert Committee to examine the issues relating to Stock Losses in the downstream marketing operations up to the dispatch point.
- (xviii) Committee on Internal Audit – to initiate the process towards framing uniformly Applicable Internal Audit Standards in Government of India. Committee on Internal Audit.
- (xix) Expert Accounting Committee to review the present Accounting System of Military Farms.
- (xx) 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.

- (xxi) Committee under Chairmanship of AS & FA, Ministry of Information & Broadcasting on Common Wealth Youth Games 2008, Pune and Common Wealth Games 2010, Delhi.
- (xxii) Rate Structure Committee under the chairmanship of AS&FA, Ministry of Information & Broadcasting to review the DAVP advertisement rates.
- (xxiii) Tripartite Committee to study all outstanding issues and working of Jute Industry constituted by Ministry of Labour and Employment.

9. Chief Controller of Accounts

The Chief Controller of Accounts (CCA) is in overall charge of the accounting organization of the Ministry, supported by three Controllers of Accounts, two Deputy Controllers of Accounts, 36 Senior Accounts Officers/Pay and Accounts and approximately 300 other staff members at various levels. The important functions of the O/o CCA are outlined as follows:

- CCA oversees the payments, accounting and internal audit functions of the five Departments in Ministry of Finance viz., Department of Economic Affairs, Department of Expenditure, Department of Revenue, Department of Disinvestment and Department of Financial Services.
- Another important function of the CCA is financial reporting. The monthly accounts and annual accounts for the Ministry of Finance are sent to the office of the Controller General of Accounts for consolidation.
- The Scheme of Departmentalization of Accounts envisaged a system of management accounts. CCA prepares monthly and quarterly reviews of receipts and expenditure for the information of the Secretaries of each Department. The summary statements are also uploaded on the Ministry's official website.
- Internal Audit is the responsibility of the CCA. In the Ministry of Finance, the Internal Audit Wing also undertakes the audit of all DDOs, attached and subordinate offices including Banks handling Government Schemes such as Public Provident Fund, Special Deposit Scheme; and Senior Citizen Deposit Scheme. There are about 130 DDOs within the jurisdiction of internal audit. In the current financial year 50 audits have been undertaken.

Internal Audit has adopted a risk based audit approach since 2007.

9.2 Centre to State Funds transfer Monitoring

A significant responsibility assigned to CCA, MoF is the release of monies to the State Governments and Union Territories with Legislatures. These include the devolution of taxes, loans and grants, investment of the small saving collections from NSSF in State Securities. The entire database

relating to Ministry of Finance's transfers to the various State Govts./UTs whether they be in the form of Loans, Grants and/or Investments has been computerized. Software called Loan grants and investment (LGI) has been developed for monitoring these releases. The various reports pertaining to state and scheme wise releases and repayments generated through this software has been put on the web site of the Ministry of Finance. This has enabled the state governments and the other stakeholders to view:

- Its entire portfolio of Ministry of Finance transfers on the website.
- Including detailed reports on the monthly releases made to them (scheme wise / state wise).
- Their scheduled repayments for the entire year (month wise/ loan wise).
- Their actual repayments vis-à-vis their scheduled repayments.
- Prepayments effected by them under the Debt Swap Scheme.
- Their outstanding balances (rate of interest wise/loan wise) on a year to year basis.
- Down load, in PDF format, copies of sanctions and IG Advices.
- Fully verified and reconciled data is available on the website application from the FY 2004-05 onwards.

9.3 Monitoring of Internal Debt

CCA, MoF also accounts for the internal debt of the Government of India raised through floating of Government Securities and Bonds and reported through scrolls/clearance memo by 15 RBI branches and CAS Nagpur. All the receipts and withdrawals in the Public Accounts pertaining to Government schemes like Public Provident Fund, senior citizen scheme etc. is also accounted in this office. Software named 'Internal Debt monitoring software' has been developed for the purpose of data entry and compilation of monthly accounts which is in use since 2003-04. The various management reports generated through it can be very effective in proper estimation of budget for repayment and interest payment for various internal debt instruments. Efforts are underway to stabilize all the modules of the software before it is put on the web site of ministry of finance which will enable RBI, Budget division and this office to have online reconciliation.

CCA (Finance) has been entrusted the work of reconciling the outstanding balances pertaining to the Special Deposit Scheme-1975. Considerable progress has been achieved on this front and RBI and SBI have been asked to certify the final figures given by them. The reconciliation process is expected to be completed in this financial year.

9.4 Payment of pension to pensioners of certain other countries settled in India

CCA, MoF is entrusted the work of reimbursement and accounting of pension being paid to foreign pensioners mainly

of Sri Lanka, Burma, and Pakistan. CCA has initiated efforts to streamline the payment and reimbursement by taking up the matter with the high commission and other authorities of foreign countries.

In addition, there are certain specialized functions enumerated below:

- Release and monitoring of repayment of loans to Financial Institutions
- Account of loans to foreign governments
- Preparation of consolidated account of total receipts and payments of all the Ministries/Departments for CGEGIS and calculation of interest of the Savings Fund and the Insurance Fund
- The overall supervision and superintendence of the Staff Inspection Unit (SIU) of the Government of India is the responsibility of the CCA.
- Release and watch of repayment of loans to Banks and Financial Institutions.
- Accounting of Loans to foreign Governments.
- Preparation of Coinage Account.
- Calculation of average rate of interest on Capital Outlay in Commercial Departments of Central Government.
- Preparation of Consolidated Account of total receipts and payments of all the Ministries / Departments for Central Government Employees Group Insurance Scheme and calculation of interest on Savings Fund and Insurance Fund.
- Making payments of all the Debt Recovery Tribunals, Debt Recovery Appellate Tribunal, Board of Industrial and Financial Reconstruction, Appellate Authority for Industrial and Financial Reconstruction, Finance commission etc.
- Management of Guarantee Fee.

10. 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 as per Allocation of Business 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 for 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 are 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>.

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 2007-08 was laid before both the Houses of Parliament on 20 February 2009 along with Union Government (Civil) Report No.1 of C&AG of India. A publication titled "Accounts at a Glance 2007-08" is also brought out during the year and was circulated among Honorable Members of Parliament of both the Houses on 20 Feb 2009.

The CGA office undertakes 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. This office also holds Standing Committee, Apex Committee and Private Sector Banks Meetings to review the handling of Government transactions by Banks Accredited to Civil and Non-Civil Ministries/Departments and review of related

matters received from different Banks/Ministries/ Departments.

Monitoring Cell has been actively involved in monitoring the Utilization Certificates (UC) to grantee institutions. Special efforts were made to obtain outstanding UCs as a result of which a total of 110997 UCs have been received by Ministries/ Department involving an amount of Rs 118463.6 crores . The overall position as on 30.04.2009 is that 71.89% of outstanding UCs have been received involving 68.78% in terms of amount.

10.2 Centre of Excellence for Internal Audit

A 'Centre of Excellence(COE)' has been established in the CGA's Office which is responsible for providing technical advice and guidance in the matters of Internal Audit to line Ministries and also facilitate sharing best practices of internal audit.

A programme for imparting training to the Group 'A', 'B' and 'C' Officials of the Civil Accounts Organization to fully equip and enable them to discharge the responsibility of conducting a Performance Audit and Risk based Audit on the Schemes has already been started. The training is being given by INGAF. First batch of training was completed in Aug 2008, and the subsequent batch involving middle level officers was completed in Jan 2009. Several ministries have commenced Risk Based Audit of Schemes.

10.3 Central Plan Schemes Monitoring System (CPSMS)

The Central Plan Schemes Monitoring System (CPSMS) is being implemented by the Controller General of Accounts (CGA) under the Plan Accounting and Public Finance Management System Scheme of the Planning Commission with the objective of establishing a Comprehensive Decision Support and Management Information System for the Centrally Sponsored Plan Schemes/Central Plan Schemes. In the first phase of its implementation, CPSMS has established a sanction ID process for tracking its disbursement of funds by the Ministries administrating these schemes and made it operational since 01.04. 2008

A central portal for monitoring of all Central Plan Schemes has been developed. The Portal facilitates the generation of Sanction IDs, printing of sanction orders, and preparation of Electronic bills. The system facilitates generation of user based reports on agency-wise, scheme-wise, state-wise releases under various plan schemes. The report on releases under various plan schemes to states has also been shared with the Resident Commissioners.

From 2009-10 the registration of all agencies/organization receiving Grants-in-Aid from Government of India has been started. A central database of all Implementing Agencies will be built up.

During the financial year 2008-09 the pilots for capturing component –wise expenditure was started in states of

Karnataka and Punjab to monitor transfer of funds to the lowest implementation level for Sarva Siksha Abhiyan(SSA) and National Child Labour Project(NCLP) Schemes.

Central Plan Schemes Monitoring System has received the Financial Service Developer Award from Microsoft in May 2009, in New York (U.S.A.). This is a global award given in recognition of excellence in development work on latest technology and initiative to adopt and deploy it.

10.4. 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. 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.

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.

e-Lekha: - An application to facilitate the daily uploading of the accounts from Pay and Accounts offices to a central database. The application facilitates faster compilation of accounts, consistency of the database and availability of accounting information in more user friendly manner. The e-Lekha has won National Award Silver for e-Governance 2008-09 for Exemplary Horizontal Transfer of ICT based Best practice.

The reports of CONTACT/CONTACT (ORA) and GAINS are now being integrated into e-Lekha to facilitate automatic generation of Monthly, Finance and Appropriation Accounts as envisaged in the IT strategy of the CGA.

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, 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 system has also been developed for better internal controls in the organization. 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 and analysed thereafter.

10.5 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 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 Course on Computer Concepts (CCC) Exam conducted by the DOEACC Society. The revised system also provides the candidate 80 hours of practical training in the accredited institutes of the DOEACC Society. 819 candidates appeared in JAO (Civil) Examination 2008 out of which 181 qualified. This office also conducts a separate Common Junior Accounts Officer Examination for other organizations such as Directorate of Accounts Cabinet Secretariat, NCT Delhi, Delhi High Court and district courts, Andaman & Nicobar Administration and Lakshdweep Administration.

10.6 Implementation of Right to Information Act

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://www.cga.nic.in>. Information is being promptly supplied to the applicants. All the guidelines issued by Central Information Commission (CIC) are being strictly followed.

10.7 The Institute of Government Accounts & Finance (INGAF)

The Institute of Government Accounts and Finance [INGAF] was established under the aegis of the Controller General of Accounts in 1992. Its curriculum has been diversified to fast track the changing needs of the organization and to focus on cutting edge capacity building in a gamut of areas related to financial management, information technology, fiscal and budgetary reforms, internal audit and HR management.

The main campus is located in Delhi, and has three regional centres at Mumbai, Kolkatta and Chennai, equipped with high-

tech, multi-media classrooms and computer labs. Its faculty comprises a committed team of experienced professionals, blending leading edge practices with rigorous academic analysis, and skill sets. It has also fostered partnerships with other institutes of eminence for joint initiatives at curriculum development, academic research and training.

INGAF's role in terms of the spectrum, range and the number of courses handled, has risen dramatically in the last couple of years producing transformative and empowering outcomes. It conducts training at the induction and entry level, together with professional skill upgradation at the middle and senior management levels covering about 5000 participants every year. A multimedia centre for facilitating distance learning programs has been launched and a dynamic website for online teaching is in the pipeline. A video conferencing facility is also on the anvil. Once set up, it would facilitate sharing of resources with the regional centers at Chennai, Kolkata and Mumbai and other partnering training institutes.

INGAF has entered into bilateral training arrangements with many of the SAARC countries, and is endeavouring through the platform of Association of Government Accounting Organizations of Asia [AGAOA] for a greater degree of engagement within the SAARC region. With the Secretariat of AGAOA located at INGAF, the Institute has been playing a significant role in networking with professionals in the South Asian region to share and address issues of common concern. The Institute has also been conducting training programs on Public Financial Management and Budgetary Reforms for over 100 member-countries of the ITEC/ SCAAP consortium, impacting the professional skills of hundreds across the world. Some of highlights of the activities of the year 2008-09 is appended below.

- i) A total of 5,069 participants received training during the year.
- ii) Launched special programs on Risk Based Audit and Internal Controls in partnership with the Institute Internal Auditors (IIA) & Financial Management Research and Resource Society (FMRRS.)
- iii) Introduced new modules in areas like the CPSMS, project financing and appraisal, outcome and gender budget, audit for plan schemes and public private partnership.
- iv) Increased outreach of programs to cover areas like the North East.
- v) Sponsored programs on various Accounting related Reforms for 1,009 trainees from state governments / PSUs / central government ministries / departments.
- vi) Organized intensive coaching for JAO (Civil) aspirants.
- vii) Extended program orbit to include Group 'D' employees.
- viii) Partnered with World Bank Institute to train 100

delegates of different CIS countries in Performance Based Budgeting techniques in Uzbekistan.

- ix) Trained 112 participants from 43 countries extending the INGAF training orbit to 100 countries covered by the ITEC/ SCAAP consortium.
- x) Identified as AGAOA secretariat and a premier training institute in the SAARC region. Conducted special programs for AGAOA partners, and made seminal contributions in experience sharing programs / International conferences held at Islamabad, Colombo and New Delhi..

11. Central Pension Accounting Office

The Central Pension Accounting Office was 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. CPAO also prepares the Pension Budget.

The Central Pension Accounting Office during the year carried out its role efficiently processing all pension cases within the prescribed time frame. Between April, 2008, upto 31st March, 2009, this office has processed 54126 pension / Revision / Commutation / Transfer/ pre-90 cases. During the financial 2008-09 the CPAO has also functioned as a Co-ordination office for the implementation of the New pension Scheme in the Central Civil Ministries.

With effect from April 2005, Central Government has decided to bear the pension liability of AIS Pensioners. Wherever State Governments have nominated the designated nodal officers, CPAO has began authorizing AIS pension cases of such states.

A Number of new initiatives have been taken during the year for efficient and prompt handling of Pension Payment & monitoring of expenditure. These include the introduction of Centralised Pensions Processing Centres, e-scrolls, redesigning the formats of pensions authority and e-PPO's. Further in collaboration with INGAF, New Delhi CPAO has began a training programme on "Enhancing pension. Delivery" particularly targeting the banks and the bank trainers.

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 OM 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.

11.2 E-Governance activities at CPAO

The CPAO is 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 No. 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. Apart from this CPAO also has implemented COMPACT, PARAS AG Management Software and Database Management Software.

CPAO has developed its website <http://cpao.nic.in> with active technical support of NIC 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 obtain replies from CPAO. Websites also gives the latest pension related circulars and links to related site.

12. National Institute of Financial Management

National Institute of Financial Management has been set up with a view to establish itself as a premier institution for training, research, and consultancy in finance, accounting & audit, public finance, human resource management and information technology. The main aims and objectives for which the Society has been constituted are:

- i) 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.
- ii) To establish the Institute as a Centre of Excellence in financial management for promoting the highest standards of professional competence and practice.
- iii) To undertake and promote research / consultancy studies in the fields of accounting, audit, financial and fiscal management and related subjects.
- iv) To promote education in financial and fiscal management for officers of the associate Services of

Centre /State Governments and officers of public sector enterprises/institutions.

- v) To organize International Training Programmes and to keep abreast with progress made in the rest of the world in the area of finance and accounts, particularly in Government and public sector institutions.

Towards achievement of these objectives, NIFM provides 44 weeks' professional training to probationers of the six Central Group 'A' Finance and Accounts Services. The training covers critical areas of financial management, information technology, human resource development, quantitative techniques and project management.

NIFM also provides opportunity for integrated mid-career professional training to in-service officers of Central and State Governments as well as of foreign countries (especially SAARC countries) by organizing a Two-year Post Graduate Diploma in Business Management (Financial Management). The programme aims at providing exposure to contemporary issues of financial management and best practices in public and corporate governance.

Management Development Programs provide short-term training for middle level to senior level officers of Central Government, State Governments, PSUs, Autonomous Bodies and Urban Local Bodies. These courses provide opportunity for professional development, facilitate exchange of ideas, promote quality financial management, and bring together government officials and finance managers and professionals from other disciplines.

The Institute also offers consultancy in core areas of review of Financial Rules, conversion of cash accounts to accrual system, preparation of procurement and budgeting manuals, and review of financial management of autonomous bodies with a view to suggesting a roadmap for improving economy, efficiency and effectiveness.

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

NIFM runs three long-term programs viz. Professional Training Course for probationers; Post Graduate Diploma in Business Management (Financial Management) and Diploma in Government Accounting & Internal Audit.

Since inception in January 1994, NIFM has successfully trained fifteen batches of probationers of various Accounts, Audit, and Finance Services.

15th Professional Training Course which started in January 2008 was completed in the first week of November 2008. There were 4 participants from IRAS, 1 participant from ICAS, 2 participants from IDAS and 2 participants from Indian P&T (Finance & Accounts) Service.

In addition to above, 10 probationers of Indian Audit & Accounts Service and 3 officers of State Audit Institution, Oman and 02 officers from Royal Audit Authority, Bhutan joined NIFM for attachment from 4.8.2008 to 29.8.2008.

Training of 16th Batch of 09 probationers commenced on 5th January, 2009. There are 2 participants from ICAS, 4 participants from IDAS and 5 participants from Indian P&T (Finance & Accounts) Service.

The curriculum places due emphasis on practical exercises. It also includes study tours to select PSUs and Government organisations. The probationers are sent on a attachment with National Academy of Audit & Accounts and two weeks' Bharat Darshan. Cultural programmes, debating competitions, informal discussions and talks by experts on current affairs, are aimed at comprehensive skill development.

12.2 Post Graduate Diploma in Business Management (Financial Management)

NIFM had been conducting MBA(Finance) Program affiliated to Maharshi Dayanand University, Rohtak, Haryana since year 2002. In 2005, a two-year Post-Graduate Diploma in Business Management (Financial Management) approved by AICTE replaced the earlier MBA(F) program. The program commenced from 24th January, 2005.

The program consists of four semesters with training for 22 weeks per semester. First three semesters consist of classroom teaching while in the fourth, the participants are required to work on a project. During the second year of training, they normally participate in a two-week seminar at the International Centre for Promotion of Enterprises at Ljubljana, Slovenia in collaboration with University of Ljubljana. One-week attachment each to Bankers' Training College of Reserve Bank of India, Mumbai and National Academy of Direct Taxes, Nagpur, form part of the training.

The programme is open for the Officers at middle/senior level working with the Central or State Governments, UT Governments Public Enterprises and autonomous organizations belonging to state /Central Government, or similar participants from foreign countries, or NIFM trainee officers of Central Finance and Accounts Services.

The program fee is funded by Planning Commission for the participants sponsored by Central/State/UT Governments. The pay allowance for sponsored participants are born by their respective departments.

The curriculum is designed to impart knowledge & develop skills in areas such as commercial and government accounting, financial management, public finance, budgeting, management techniques, project management and techniques used for financial decision making and MIS. An Academic Advisory Committee meets at least once every quarter and renders advice to the Director, NIFM on the following aspects of PGDBM(FM) program.

- Syllabus

- Faculty Specialization & Development
- General oversight of all academic activities.

PGDBM (FM) 2007 - 08 Batch

The program commenced w.e.f. 29-01-2007 with a total 20 officers from Central/State Governments.

The batch completed the classroom segments i.e., 1st, 2nd, 3rd semesters and cleared the examinations (results declared). Participants are doing their project work during the 4th semester, which is in progress.

Participants of PGDBM (FM) 2007-08 programme had **one week attachment for the period from 26th to 30th May 2008** at the Institute of Public Enterprise (I.P.E.), Hyderabad for exposure in the areas of Management of PSUs, Reforms in Public Sectors, Financial & Accounting Systems of PSUs.

As published in the PGDBM (FM) 2007-08 Programme Prospectus and as per the MoU between NIFM and ICPE, Slovenia and approved by the Hon'ble Finance Minister, the participants had a two-week attachment/seminar at the '**International Centre for Promotion of Enterprises (ICPE)**'; a UN supported intergovernmental organization located at Ljubljana, Republic of Slovenia for the period from 23rd June 2008 to 05th July 2008. The attachment / seminar at ICPE covered a comprehensive package of current global evolutions and international comparative perspectives in the important areas of governance, viz. financial management, economic diplomacy, quality management, global aspects of SDM etc.

PGDBM (FM) 2008 - 09 Batch

The programme commenced w.e.f. 28-01-2008 with a batch of 45 officers. Out of 45 officers, 31 officers belong to Special Category & BIMARU States. 12 officers are from Central Government and 02 officers are from the self-financing category. These seats are funded by the Plan Scheme of Ministry of Finance.

In view of enhancing financial professional skills of officers of the State Governments, NIFM requested the Planning Commission to increase the funded seats under the above scheme from 15 to 100. The Planning Commission agreed to the proposal and approved participation capacity from 15 to 100 with an allocation of 80 seats for the participants from the States/UTs and 20 seats for the participants from Central Government.

Classroom segments of 1st, 2nd and 3rd terms have been completed and the examinations have also been concluded.

As a component of the academic module, during the 3rd term, the participants had **one week attachment at College of Agricultural Banking (CAB), R.B.I., Pune** for the period from 18th to 22nd August, 2008 during which the participants had exposure to Indian Financial System, Money Market, Monetary Policy, RBI Act & Banking Regulation Act, India's Approach to Rural Credit, Current Trends in Indian Economy, Regulation and Supervision of Commercial banks, Foreign Exchange Market, Risk Management etc.

The classroom segment of the 4th term commenced w.e.f. 01-12-2008.

During the term, the participants will have **one week attachment at the Institute of Public Enterprise (IPE), Hyderabad for the period from 23-12-2008 to 27-12-2008** to have exposure in the areas of Public Enterprise Management : New Contours, New Contours of Indian Economy, Productivity in PEs, Project Management, Strategic Management, Strategic Financial Management, Mergers & Acquisitions, Customer Relationship Management, Business Processing Outsourcing etc.

Two batches 2005-06 and 2006-07 of the Post Graduate Diploma in Business Management (Financial Management) have successfully completed their courses and results for both the batches have been declared. 29 and 21 participants of both the batches have been conferred with Diploma Certificates in the convocation held on 16th January 2009.

12.3 Diploma in Government Accounting & Internal Audit

NIFM has started one year Diploma in Government Accounting & Internal Audit (DGA&IA) for the Sr. AOs / AOs of Office of the Controller General of Accounts. The programme is approved by All India Council for Technical Education (AICTE). On successful completion of the programme officers will be awarded a diploma.

The first batch of the programme was commenced on 2nd June, 2008, with a total of 31 officers. The course is spread over in 3 terms of 4 months each. The last term also include project work. The curriculum emphasize more on assignments, practical exercises, study tours etc. The classroom teaching was held up to 2nd week of March, 2009 then officers have undertaken project work. The programme will conclude on 29th May, 2009.

12.4 Management Development Programs

NIFM conducts Management Development Programs (MDPs) of varying durations every year. In 2008-09, NIFM trained 1702 participants in 58 programs that generated revenue of Rs. 6.10 crore.

Focus of the programs was on the following areas:

- Budgeting & Public Expenditure Management
- Accounting Systems & Financial Management in Government: Analysis of Financial Statements
- Procurement of Goods & Services; customized programme on Standard Rules & Procedures of the World Bank
- Fiscal challenges in Transition Economy
- Tendering & Contracting
- Public Financial Management
- Infrastructure Financing

- Cyber Security
- Professional Skills Development

In addition, International Training Programs under Technical Cooperation Scheme of Colombo Plan sponsored by Ministry of Finance are also run for Officers from Sri Lanka. The Government of India usually funds these programs. Some of these programs are sponsored by different government departments, foreign governments, etc. In addition, various govt. departments, PSUs etc. sponsor candidates for the specialized courses conducted by the Institute.

Four programs – one each for probationers of Indian Economic Service, Manipur Administrative Service and Indian Statistical Service were organized in 2008-09.

12.5 International Conference on “Global Issues in Business & Technology

International Conference in collaboration with DBMA, University of Maryland, USA and Modern Technology & Management Institute Inc, USA on “Global Issues in Business & Technology” was organized from July 31 – August 1, 08. The conference was co-chaired by Dr. Jeanann S. Boyce, Professor, Montgomery College, USA and Programme was coordinated by Dr. Kamal Nayan Agarwal, Howard University, USA and Dr. Dinesh K. Sharma, University of Maryland, Eastern Shore, USA. The inaugural speech was delivered by Smt. Rita Menon, Additional Secretary (Expenditure).

The programme received a huge response both in terms of number of papers as well as number of participants. In total, 143 papers were received out of which 109 were chosen for presentation including 12 international papers. The conference helped NIFM improve its brand value as well as visibility in the national and international academic world.

12.6 One day Workshop on Currency Future at Silver Oak

On 3rd January, 2009, ICSI-NIRC organized a one day workshop in collaboration with the NIFM and the Bombay Stock Exchange (BSE) on the theme Currency Future at Silver Oak was held at Indian Habitat Centre, Lodi Road, New Delhi. Mr. Jitesh Khosla, Joint Secretary, Ministry of Corporate Affairs, Government of India was the Chief Guest on the occasion.

Dr A.M. Sherry introduced the theme of the workshop which was followed by Mr. Hitendra Mehta, Chairman, ICSI-NIRC address. The other dignitaries who addressed the participants were Mr. Mahesh L Soneji, Chief Operating Officer, BSE; Mr. G.P. Gupta, Director, NIFM; Mr. Jitesh Khosla, Mr. Manish Bansal, Senior Vice President Treasury, Citibank, Mumbai.

The Institute is spread over a verdant 42 acre land in Faridabad. The green area comprises a forest area and cricket and football grounds. Outdoor games facilities include courts for tennis, volley ball, badminton besides cricket and football

Table 2.3
Consultancy Assignment

Sl. No.	Name of Consultancy	Organization	Status
1.	Framing of New Cantonment Account Code	Dte. General Defence Estates Ministry of Defence	In Progress
2.	Study of Effective Utilization of 12 th Finance Commission Grants	Finance Commission Division Ministry of Finance	Completed
3.	Consultancy Projects for Security Printing & Mint Corporation of India Ltd.	Ministry of Finance	Completed
4.	Consultancy Project for WAPCOS	Water & Power Consultancy Services Ltd.	In Progress
5.	Restructuring of Finance Structure/ Delegation of Powers	IIPA, New Delhi	In Progress
6.	Switching over to New Format of Accounts	IIPA, New Delhi	In Progress
7.	Rebuilding of Indian Company Law Service	Ministry of Corporate Affairs	Completed
8.	Study of Functioning of Official Liquidator Offices	Ministry of Corporate Affairs	Completed
9.	Capacity Building of Faculty of Nexgen	Nexgen India Solutions Ltd., New Delhi	In Progress
10.	Re-evaluation of Coal Mines Pension Scheme, 1998 and Pension Fund of Coal Mines Provident Fund Organization	O/o the Coal Mines Provident Fund Commissioner, Dhanbad	In Progress

grounds. A modern sports complex, inaugurated in September 2005, has facilities for badminton, squash, billiards, table-tennis and also houses a modern gym. NIFM conducts regular sports tournaments with the main draw being the Directors' Cup for Volley Ball.

Training programmes are conducted in nine air-conditioned class-rooms equipped with modern audio-visual equipments. The Conference Hall and Board Room are also used for Management Development Programmes. The fully automated library has 28,600 books & periodicals; over 115 Indian and Foreign Journals. The Library is a member of DELNET where data in respect of more than 100 libraries is available online. It uses an in-house software for cataloging besides using barcode technology. There are three state-of-the-art computer labs. All lab machines are connected through LAN. A full-fledged Server-Room is set up with five Pentium servers installed to control the overall data transfer via LAN with a thorough security system with user name and password. The Institute has 256 kbps internet connectivity to provide round the clock instant Internet access.

The 185 seat auditorium and the amphitheatre are venues for regular cultural programmes presented by participants of various programmes.

All the programmes are residential, though few Delhi-based participants of PGDBM (FM) and MDPs prefer to commute from Delhi. Participants stay in the 182 room hostel which includes 104 air-conditioned rooms, 6 VIP suites and an Executive Hostel consisting of 12 suites .

The Institute has a total sanctioned strength of 85, which includes 28 faculty posts. 55 posts including 11 faculty posts are presently filled.

The facilities provided to the staff include Group Insurance Scheme and medical facilities with an in-house doctor and tie-up with local hospitals. The staff is provided with residential quarters. A 650 KVA generator system has been installed as a standby mode to ensure round the clock power and water supply in NIFM's campus.

A career progression scheme for Faculty and Staff has been put in place, to raise the morale and motivation levels in the Institute. The Recreation Club that has Faculty and Staff as its members regularly organizes cultural and sports activities.

12.7 Implementation of the Right to Information Act, 2005

Information that has to be provided suo-moto by the Institute (under Section 4 item (i) to (xvii) of RTI Act) have been placed on NIFM web site www.nifm.ac.in for public use. The information includes details of the organisation, functions, duties, powers and list of employees including their emoluments etc. A Central Public Information Officer has been appointed. Other relevant details like Appellate Authority, procedure to obtain the information & fees structure etc. are also placed on the website.

12.8 Promotion of Hindi

In compliance with the policy of the Department of Official Language, Ministry of Home Affairs, a Hindi Coordination Committee headed by a senior faculty member has been constituted in the Institute. The staff are sent for training of Hindi typing, noting & drafting organized by Central Translation Bureau etc. NIFM staff member was also sent for one week training on 'English to Hindi Translation' held on 1.12.2008 to 5.12.2008. 'Hindi Week' was celebrated in NIFM from 22nd September to 28th September, 08 in which various competitions such as Essays, Noting, Drafting, Dictation in Hindi language were organized in which faculty, officers, staff and training officers whole heartedly participated.

13. Use of Hindi as Official Language

Hindi Section of Department of Expenditure ensures implementation of Official Language policy of the Government of India in the Department and 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. 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/- is also given.

Meeting of Joint Hindi Advisory Committee comprising of Departments of Revenue and Expenditure, Office of Comptroller and Auditor General of India and D/O Disinvestment was held on 30 July, 2008 at New Delhi. Additional Secretary, Joint Secretary (Pers) and other Officers represented Department of Expenditure in the said meeting. Hindi version of five Manuals of Department of Expenditure were released in this meeting by the Hon'ble MOS.

Official Language Implementation Committee Meetings of the Department of Expenditure are being conducted regularly.

For the propagation of Hindi in the Department, Hindi Magazine "Vyay Patrika" is published regularly by Hindi Section and the authors of best three articles adjudged are given Cash awards of Rs. 2000/-, Rs. 1500/- and Rs. 1000/- and two consolation prizes of Rs. 500/- each are given respectively. In addition to this an honorarium of Rs. 2500/- is given for the specially invited article. New edition of Patrika is under process.

Hindi Month was organized in the Department from 14 September, 2008 to 14 October, 2008 in which 13 various competitions were organised as against 11 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 etc and apart from this General Hindi Comprehension competition was 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.

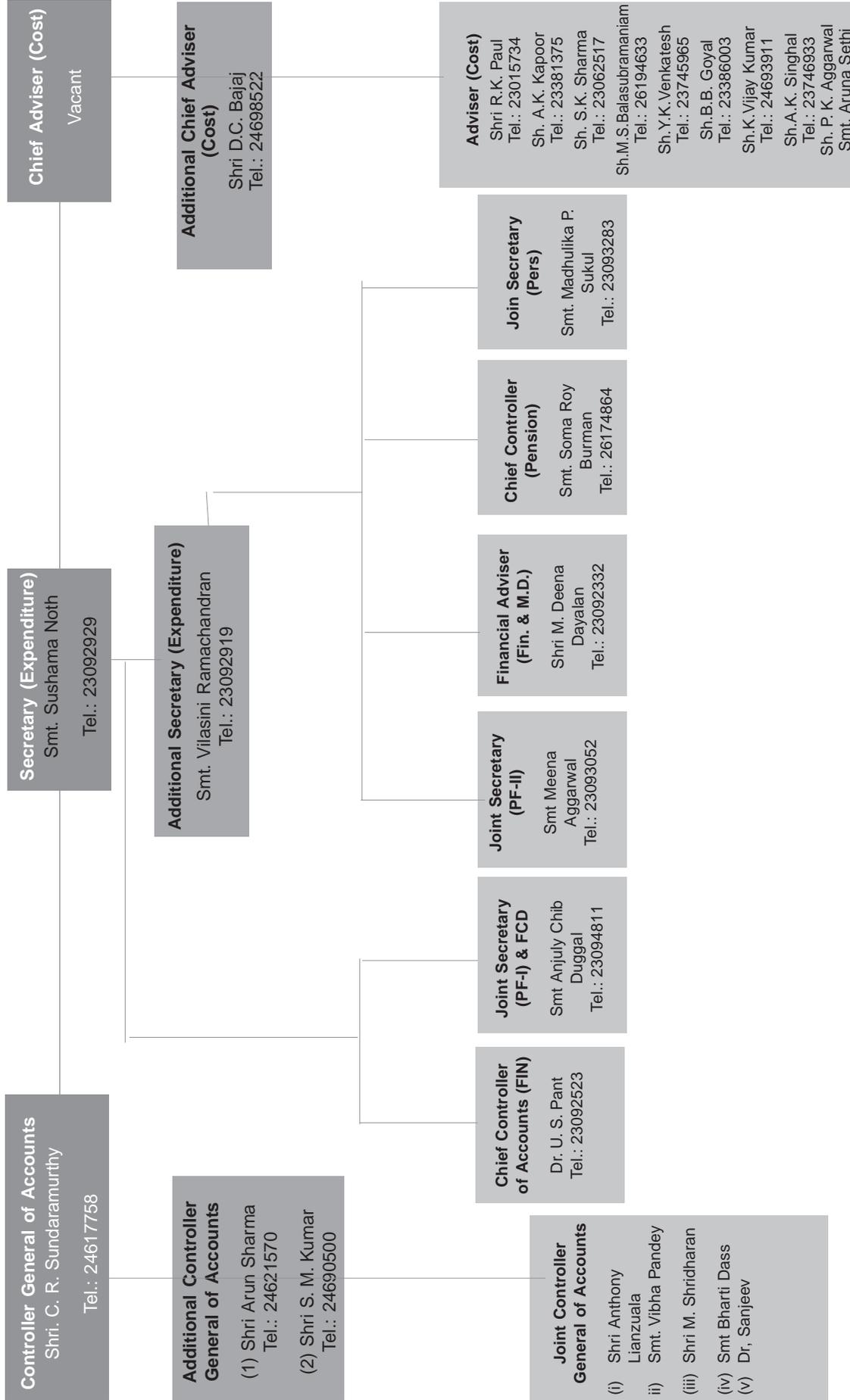
3000/- & Rs. 2000/- respectively along with the certificates and two cash prizes of Rs. 1000/- each as consolation. In addition to this, under Hindi Noting and Drafting cash prize scheme of Department of Official Language (MHA) 2 persons were awarded cash prize of Rs. 1000/- each on attaining first position and one of Rs. 600/- to another as second prize.

During the year 2008-09, 8 sections and 1 subordinate office were inspected by Hindi Section and important suggestions also given to solve the practical problems being faced by the employees of these sections while working in Hindi.

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



Organisational Chart of the Department of Expenditure



Department of Revenue

Department of Revenue

1. Organisation and Functions

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

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.

1.3 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,

Table 3.1

Sl.No.	Nature of Taxes	Amounts Collected During the Financial Year (Rs. in crore)		
		2007-08 (upto March 08)	2008-09 (upto March 09)	Percentage of growth growth over last year
1.	Corporation Tax	1,92,911	2,15,056	10.84 %
2.	Personal Income Tax & others	1,18,904	1,22,094	4.26%
3.	*Central Excise Duty	1,23,611	1,09,786	-11.2%
4.	Customs Duty	1,04,119	99,687	-4.3%
5.	Service Tax	51,301	59,970	16.9%
5.	Total	5,90,846	6,06,593	2.77%

*Central Excise Duty for the year 2008-09 is inclusive of cesses administered by other departments amounting to Rs.1359 crore (RE: 2008-09)

- | | |
|---|---|
| 15. Financial Intelligence Unit, India (FIU-IND) | g) Appellate Tribunal for Forfeited Property (ATFP) |
| 16. Income Tax Ombudsman | h) Customs and Central Excise Settlement Commission (CCESC) |
| 17. Appellate Tribunal under Prevention of Money Laundering Act | i) Income Tax Settlement Commission (ITSC) |
| 18. Adjudicating Authority under Prevention of Money Laundering Act. | j) Authority for Advance Rulings (AAR) for Customs and Central Excise |
| 1.4 A comparison of the collection of Direct and Indirect taxes during the financial year 2008-2009 with that during the previous financial year is given in Table 3.1. | k) Authority for Advance Rulings (AAR) for Income Tax |
| | l) National Committee for Promotion of Social and Economic Welfare (NCPSEW) |
| 1.5 An Organisation Chart of Department of Revenue is given in the Annexure at Page No.180. | m) Financial Intelligence Unit, India (FIU-IND) |
| | n) Income Tax Ombudsman |
| | o) Appellate Tribunal under Prevention of Money Laundering Act |
| | p) Adjudicating Authority under Prevention of Money Laundering Act |

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:

- Enforcement Directorate
- Central Economic Intelligence Bureau (CEIB)
- Competent Authorities appointed under SAFEM (FOP) A and NDPSA
- Chief Controller of Factories
- Central Bureau of Narcotics
- Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

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:

- Chairman and Members of CBEC and CBDT
- Chairman and Members of ATFP
- Chairman, Vice Presidents and Members of CESTAT
- Chairmen, Vice Chairmen and Members of CCESC and ITSC
- Chairmen and Members of AARs for Customs/Central Excise and Income Tax
- Director of Enforcement
- Director General of CEIB
- Competent Authorities (SAFEM (FOP) A and NDPSA)
- Director (FIU-IND)
- Income Tax Ombudsman

- k) Chairperson and Member of Adjudicating Authority set up under PMLA
- l) Chairperson and Member of Appellate Tribunal set up under PMLA
- 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.

2.3 Internal Work Study Unit

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 2008-2009 continued its efforts to improve the quality of administration in the organisation under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG, SIU, Department of 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 Induction Material of the Department has been updated regularly. The I.W.S.U. 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 references is compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This has reduced the pendency of VIP cases considerably.

3. Central Board of Excise & Customs

3.1 Organization and functions

3.1.1 Central Board of Excise & Customs (CBEC) 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, Bhubaneswar, 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-four 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 94 Commissionerates are: Delhi-I, Delhi-II, Delhi-III (Gurgaon), Delhi-IV (Faridabad), Panchkula, Rohtak, Chandigarh-I, Jalandhar (Chandigarh-II w.e.f. 1.4.2009), Ludhiana, Jammu & Kashmir, Kolkata-I, Kolkata-II, Kolkata-III, Kolkata-IV, Kolkata-V, Kolkata-VI, Kolkata-VII, Bolpur, Siliguri, Haldia, Bhubaneswar-I, Bhubaneswar-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, Tirupati, Guntur, Vishakhapatnam-I, Vishakhapatnam-II, Chennai-I, Chennai-II, Chennai-III, Chennai-IV, Pondicherry, Tiruchirapalli, Coimbatore, Salem, Madurai, Tirunelveli and Guwahati.

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, Ahmedabad 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 under the Customs Act, 1962, the Central Excise Act, 1944 and Service Tax laws against the orders passed by the officers lower in rank than the Commissioner of Customs and Central Excise.

3.1.7 Commissioner (Adjudication)

There are presently 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:

- Directorate of Central Excise Intelligence
- Directorate of Revenue Intelligence
- Directorate of Inspection
- Directorate of Human Resource Development
- National Academy of Customs, Excise and Narcotics
- Directorate of Vigilance
- Directorate of Systems
- Directorate of Data Management
- Directorate of Audit
- Directorate of Safeguards
- Directorate of Export Promotion
- Directorate of Service Tax
- Directorate of Valuation
- Directorate of Publicity and Public Relations
- Directorate of Logistics
- Directorate of Legal Affairs
- Office of the Chief Departmental Representative (CDR)
- 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 and Service Tax;
- (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 and Service Tax;
- (d) To investigate cases of evasion of Central Excise duties and Service Tax having inter-Commissionerate ramification;
- (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 loopholes, if any.

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 loopholes, if any; 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 in its efficiency and rectification of defects as pointed out in inspection reports 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 General of Human Resource Development

(a) Cadre Management Division:

- (i) Devise and design Human Resource plans congruent with goals and vision of the department;
- (ii) Analysis of and proposing changes in the recruitment rules;
- (iii) Preparation of charter of duties for various posts and their periodic review;
- (iv) Providing support to CBEC in drawing annual direct recruitment plan;
- (v) Support to CBEC in the matter of recruitment policy;
- (vi) Designing of HR policies, processes and systems and aligning the CBEC's long-term goal to HR systems and processes, including proposals for diversion of posts from one functional area to another;
- (vii) Maintaining Human Resource Information System for training, placement, skill up-gradation and succession planning;
- (viii) Providing data support to CBEC for placement and transfer of officers;
- (ix) Receiving feedback on transfer policy and transmitting the same to CBEC for further action;
- (x) Providing support to CBEC in cadre review and restructuring of the department in the context of changing needs;

- (xi) To assist the CBEC in preparation and maintenance of seniority list of different grades of officers;
- (xii) Creation of institutional arrangement for periodic interaction with officers' associations;
- (xiii) Develop manual and reference literature on administration related matters; and
- (xiv) Provide support to the Board in bringing uniformity/homogeneity in the administrative practices followed by the field formations.

(b) Performance Management Division:

- (i) Development of Management Information System (MIS) and Performance Management System (PMS) for capturing individual performances;
- (ii) Development of performance indicators for the organization, group and individual posts based on objective goal setting taking into consideration manpower and infrastructural constraint;
- (iii) Designing of a scientific appraisal system and a scheme of performance measurement etc.;
- (iv) Coordinating annual performance appraisals;
- (v) Linking of rewards with performance and designing appropriate reward policy;
- (vi) Liaisoning with "external consultants" to develop a suitable system to track support and monitor individual performance and maintain accountability; and
- (vii) Review of ACR formats.

(c) Capacity Building and Strategic Vision Division:

- (i) Identifying training needs for officers at all levels;
- (ii) Dissemination of information regarding HRD issues;
- (iii) Coordinating in service training programmes in consultation with DG, NACEN for officers of the department at service intervals (e.g. 6-9 years of service, 10-16, 17-19 and 20-30 years of service) with training institutions within and outside the country;
- (iv) To assist the Ministry in development of viable models of 'Training Needs Analysis', 'Direct Trainers Skills', 'Designs for Training' etc. and nomination of officers for training based on Training Needs Analysis in consultation with DG, NACEN;
- (v) Recommendation of officers for foreign training except outside training programmes being conducted at present by NACEN;
- (vi) Providing support to CBEC in management of organizational relations including vertical

relationships (within hierarchy) and gender relations;

- (vii) Management of change for working of field formations under CBEC;
- (viii) Formation of strategic vision group including nomination of retired officers and outside experts thereto;
- (ix) Forecasting of future developments and suggesting changes in organization, personnel and procedure to respond to it; and
- (x) To assist the Ministry in processing the requests of the officers and staff for the programmes under the Domestic Funding Scheme of the Government of India.

(d) Welfare Division:

- (i) Identifying and recommending welfare measures;
- (ii) Processing proposals from field formations for sanction of funds by the Governing Body of the Welfare Fund;
- (iii) Coordinating with Directorate of Logistics and Principal CCA's office of accounting of funds for allocation of funds between Welfare Fund and Special Equipment Fund;
- (iv) Management of superannuation especially regarding psychological, emotional and financial aspects (to arrange training through NACEN and/ or outside experts to psychologically preparing them for retirement and proper management of retirement benefits);
- (v) To prepare and maintain details of specialization of work experience of retiring officers, and advise them about requirements of other ministries and public sector undertakings, in their respective fields; and
- (vi) Dissemination of information relating to welfare schemes/ measures.

(e) Infrastructure Division:

Consider all infrastructure related issues and forward its suggestions/recommendations to the Board/concerned Directorate under the Board for further action.

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 department in order to ensure that the programmes on vigilance and anti-corruption are implemented in all Customs, Central Excise, Service Tax 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 assessee's 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 audit at local levels;
- (h) To collate and disseminate the relevant information; and
- (i) To implement EA-2000 audit 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 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.

16. 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 a panel 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.

17. 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) for purpose of representation before the Bench on behalf of the department;

- (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.

18. Central Revenues Chemical Laboratory

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

3.2 Revenue collection during 2008-09 and tariff changes in Indirect Taxes

3.2.1 Customs Duty

An amount of Rs. 104119 crore was collected from Customs duty during 2007-08 which was Rs. 5349 crore more than the Budget Estimate and Rs.3353 crore more than the Revised Estimate for that year. The revenue from customs duty was Rs. 86327 crore during 2006-07. Revenue has grown by 20.6% during 2007-08 on account of higher growth in imports. The provisional revenue for the year 2008-09* is at Rs. 99687 crore.

3.2.2 Central Excise Duty

Revenue collection from Central Excise duties in the year 2007-08 was at Rs.123611 crore vis-à-vis the Budget Estimate of Rs.130220 crore and the Revised Estimate of Rs.127947 crore. Revenue from Union Excise duty was Rs.117613 crore during 2006-07. Thus revenue from Central Excise duty has grown by 5.1 % during 2007-08. The provisional revenue for the year 2008-09* is at Rs. 108427 crore (excluding cess administered by department other than D/o. Revenue).

3.2.3 Service Tax

Service Tax collection during 2007-08 was Rs.51301 crore as against the Budget Estimate of Rs.50200 crore and Revised Estimate of Rs.50603 crore. Revenue from Service Tax was Rs.37598 crores during 2006-07. Thus revenue from Service Tax has shown a growth of 36.2 % during 2007-08. The provisional revenue for the year 2008-09* is at Rs. 59970 crore.

Year wise trend of revenue collection of indirect taxes is placed at Annexure 1.

Table 3.1(a)

Revenue realized from Indirect Taxes during 1.1.08 to 31.3.2009

(Rs. in crore)

Sl. No	Head	1.1.2008 to 31.3.2008 (Prov.)	1.4.2008 to 31.3.2009 (Prov.)	Revenue realized during the period 1.1.2008 to 31.3.2009
1.	Customs Duty	28985	99687	128672
2.	Central Excise Duty	37893	109786	147679
3.	Service Tax	19844	59970	79814
	Total	86722	269443	356165

Note: Central Excise Revenue figure for the period 1.4.2008 to 31.3.2009 is inclusive of cess administered by other than D/o Revenue amounting to Rs. 1359 crore (RE:2008-09)

Source: Pr.CCA & Departmental figures

3.3 Changes in Budget 2008-09

3.3.1 Customs

A. Project Imports

Customs duty on project imports attracting 7.5% was reduced to 5%.

B. Chemicals & Petrochemicals

Customs duty on crude and unrefined sulphur was reduced from 5% to 2%. Duty on phosphoric acid was unified at 5% irrespective of its use and duty exemption available on naphtha for manufacture of specified polymers was withdrawn.

C. Export Promotion

Customs duty on unworked or simply prepared corals was reduced from 10% to 5%. Duty on rough cubic zirconia was reduced from 5% to Nil. Duty on cubic zirconia (polished) was reduced from 10% to 5%. Customs duty on tuna bait was reduced from 30% to Nil. Duty on specified machinery for manufacture of sports goods was reduced from 7.5% to 5%.

Customs duty on specified raw materials for manufacture of sports goods for export was reduced from 10% to Nil, upto 3% of FOB value of exports in the preceding year.

D. Dairy/Poultry

Customs duty on bactofuges was reduced from 7.5% to Nil. Duty on feed additives/pre-mixes was reduced from 30% to 20%.

E. Information Technology/Electronic Industry

Customs duty on specified convergence products was reduced from 10% to 5%. Duty on specified raw materials and inputs for use in IT/electronic hardware industry was reduced from 10%/7.5% to Nil, on end-use basis. Duty on specified parts of set-top boxes was reduced from 7.5% to Nil on end-use basis.

F. Drugs and Kits

Customs duty on six specified drugs/kits, and bulk drugs for their manufacture, was reduced from 10% to 5% with nil CVD by way of excise duty exemption. These drugs are used in the treatment of cancer/diabetes/asthma/Hepatitis B etc. Duty on specified raw materials for manufacture of ELISA kits was reduced from 10%/7.5% to 5%.

G. Metals

Customs duty on iron or steel melting scrap was reduced from 5% to Nil. Duty on aluminium scrap was reduced from 5% to Nil.

H. NCCD

National Calamity Contingent duty of 1% currently leviable on Polyester filament yarn was withdrawn.

I. Other relief measures

Customs duty on specified raw materials for tyre industry was reduced from 10% to 5%. Duty on helicopter simulators was reduced from 10% to Nil.

J. Tobacco Products

Customs duty on cigars, cheroots and cigarillos was increased from 30% to 60%.

K. 4% Additional Duty of Customs

Exemption from additional duty of customs of 4% levied was withdrawn from power generation projects (other than mega power projects), transmission, sub-transmission and distribution projects, and goods for high voltage transmission projects.

L. Export Duty

Export duty rate on chromium ores and concentrates, all sorts, was increased from Rs. 2000 PMT to Rs. 3000 PMT.

M. Miscellaneous

1. The period for re-export of leased equipment and

Annexure 1									
Year Wise Trend of Indirect Tax Revenue Collection									
(Rs. in crore)									
Sl. No.	Head	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007	2007 -2008	2008 -2009(P)
1	2	3	4	5	6	7	8	9	9
I CUSTOMS									
BE		54822	45193	49350	54250	53182	77066	98770	118930
RE		43170	45500	49350	56250	64215	81800	100766	108000
Actuals		40268	44852	48629	57611	65067	86327	104119	99687
% achievement of BE		73.5	99.2	98.5	106.2	122.3	112	105.4	83.8
% achievement of RE		93.3	98.6	98.5	102.4	101.3	105.5	103.3	92.3
% growth over last year		-15.3	11.4	8.4	18.5	12.9	32.7	20.6	-4.3
II UNION EXCISE									
BE		81720	91433	96791	109199	121533	119000	130220	137874
RE		74520	87383	92379	100720	112000	117266	127947	108359
Actuals		72555	82310	90774	99125	111226	117613	123611	109786
% achievement of BE		88.8	90	93.8	90.8	91.5	98.8	94.9	79.6
% achievement of RE		97.4	94.2	98.3	98.4	99.3	100.3	96.6	101.3
% growth over last year		5.9	13.4	10.3	9.2	12.2	5.7	5.1	-11.2
III SERVICE TAX									
BE		3600	6026	8000	14150	17500	34500	50200	64460
RE		3600	5000	8300	14150	23000	38169	50603	65000
Actuals		3302	4122	7891	14200	23055	37598	51301	59970
% achievement of BE		91.7	68.4	98.6	100.4	131.7	109	102.1	93.0
% achievement of RE		91.7	82.4	95.1	100.4	100.2	98.5	101.3	92.3
% growth over last year		26.4	24.8	91.4	80	62.4	63.1	36.4	16.9
IV FTT/IATT **									
BE		850	1050	1115					
RE		965	1050	900					
Actuals		1193	1324	1306					
% achievement of BE		140.4	126.1	117.1					
% achievement of RE		123.6	126.1	145.1					
% growth over last year		5.3	11	-1.4					
V INDIRECT TAX									
BE		140992	143702	155256	177599	192215	230566	279190	321264
RE		122255	138933	150929	171120	199215	237235	279316	281359
Actuals		117318	132608	148600	170936	199348	241538	279031	269443
% achievement of BE		83.2	92.3	95.7	96.2	103.7	104.8	99.9	83.9
% achievement of RE		96	95.4	98.5	99.9	100.1	101.8	99.8	95.8
% growth over last year		-2.1	13	12.1	15	16.6	21.2	15.5	-3.4

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

P:Provisional figures,source:Receipts Budget & Principal Chief Controller of Accounts,D/o Revenue for 2008-09.

machinery, imported for temporary use in contracts, was increased from 12 months to 18 months. The slab rates of duty applicable on such imports have now been provided on a quarterly basis, as against half-yearly basis provided earlier. The rates have also been aligned with the rates of drawback admissible under section 74(2) of the Customs Act, 1962, depending on the period of retention of the goods in India. No drawback, however, will be admissible when such leased goods are re-exported.

2. The rates of drawback, in respect of goods which have been used after importation, have been aligned with the rates prescribed for duty payable on leased equipment and machinery, imported for temporary use in contracts, depending on the period of retention in India. The maximum period of retention of such goods, for admissibility of drawback, was reduced from 36 months to 18 months.
3. Concessional customs duty of 5% provided on polymer long rod insulators was restricted to polymer long rod insulators of 765 KV rating only.
4. Customs duty and CVD on 0.177 calibre airguns have been exempted. Consequently, 4% additional duty of customs shall also be exempted on these airguns.
5. Tariff rate of Rs. 2000 per 1000 kWh was prescribed on 'electrical energy'. However, the effective rate continued to be Nil.

3.3.2 Central Excise

A. General Cenvat Rate

General rate of excise duty (CENVAT) was reduced from 16% to 14%. The other ad valorem rates of 24%, 12% and 8% remain unchanged.

B. Sector Specific Relief Measures

1 Drugs and Pharmaceuticals

- (a) Excise duty was reduced from 16% to 8% on all drugs (formulations).
- (b) Excise duty was reduced from 16% to 8% on instant sterile dressing pads, burn therapy pads, corn removers, sterile surgical catgut, sterile absorbable surgical, sterile tissue adhesive for wounds closure, first aid boxes and kits and blood grouping reagents etc.
- (c) Excise duty was fully exempted on Anti-AIDS drug ATAZANAVIR, and bulk drugs for its manufacture.

2. Auto Sector

Excise duty was reduced on:

- (a) Small cars from 16% to 12%.
- (b) Hybrid cars from 24% to 14%.
- (c) Electric cars from 8% to nil.
- (d) Specified parts of electric cars from 16% to nil on end-use basis.

- (e) Buses and other vehicle for transport of more than 13 persons from 16% to 12%, and on the chassis of such vehicles from '16% +Rs.10, 000' to '12% +Rs.10, 000
- (f) Two-wheelers and passenger three-wheelers (up to 7 persons) from 16% to 12%.

3. Food Processing Sector

- (a) Excise duty was fully exempted on packaged tender Coconut water, Paws, mudi (puffed rice), Milk containing edible nuts and Tea/ coffee pre-mixes.
- (b) Excise duty was fully exempted on specified refrigeration equipment for the installation of a cold storage, cold room or refrigerated vehicle, on end-use basis.
- (c) Excise duty was reduced from 16% to 8% on Muesli, corn flakes & similar breakfast cereals, Sharbats and packaging material viz. Open Top Sanitary (OTS) cans, Aseptic packaging paper and Aseptic bags

4. Information Technology & Communication sector

- (a) Excise duty was fully exempted on Wireless data modem cards. Consequently, CVD shall also be exempted on imported cards. 4% additional duty of customs will, however, be applicable.
- (b) Excise duty was reduced from 16% to 8% on specified convergence products.
- (c) Excise duty was increased from 8% to 12% on packaged software.

5. Paper and Paper products

- (a) Excise duty on writing paper, printing paper and packing paper was reduced from 12% to 8%.
- (b) Excise duty was fully exempted on paper and paper products, manufactured from non-conventional raw materials, up to clearance of 3500 metric tonne in a year from a unit.
- (c) Excise duty on paper and paper products, manufactured from non-conventional raw materials, beyond clearance of 3500 metric tonne per year from a unit (not having an attached bamboo/wood pulp plant) was reduced from 12% to 8%.

C. Other Concessions

- (a) Excise duty was fully exempted on Composting machines and Menthol/ Menthol Flakes.
- (b) Excise duty was reduced from 16% to 8% on (i) Water filtration and purification devices (ii) Veneers & Flush doors (iii) Heat resistant rubber tension tape (iv) Inks for marker pens, highlighters etc.
- (c) Excise duty on pan masala, not containing tobacco, with betel nut content not more than 15%, was reduced from 16% to 8%. It has also been exempted from National Calamity Contingent Duty.

D. Cement

- (a) Excise duty was revised on Bulk cement from "Rs. 400 per tonne" to "14% or Rs. 400 per tonne, whichever is higher".

Table 3.2

revised rates of excise duty (basic + NCCD + health cess) on non-filter cigarettes

S. No.	Description	Pre-Budget rate (Rs. per 1000)	Post-Budget rate
Non-Filter Cigarettes			
1	Not exceeding 60 mm in length	168	819
2	Exceeding 60 mm but not exceeding 70 mm	546	1323

Table 3.3

Duty rates on branded fuels

S. No.	Description	ad valorem + specific rate	pure 'specific rate
Petroleum (MS/HSD sold without a brand name)			
1	Motor Spirit	6% + Rs.13 per litre	Rs.14.35per litre
2	HSD	6% + Rs. 3.25 per litre	Rs.4.60 per litre
Petroleum (MS/HSD sold branded)			
1	Motor Spirit :	6% + Rs.13 per litre	
2	HSD :	6%+ Rs. 3.25 per litre	

- (b) Excise duty was increased on Cement clinkers from Rs. 350 per tonne to Rs. 450 per tonne.

E. Cigarettes

Excise duty rates on non-filter cigarettes was enhanced to bring them at par with filter cigarettes of corresponding length. The revised rates of excise duty (basic + NCCD + health cess) on non-filter cigarettes are given in Table 3.2.

F. Petroleum

The duty rates on MS/HSD sold without a brand name were converted from 'ad valorem + specific rate' to pure 'specific rate' as given in Table 3.3.

The duty rates on branded fuels continued to attract the ad valorem cum specific rates given in table 3.3.

G. NCCD

- (a) National Calamity Contingent duty (NCCD) at the rate of 1% was imposed on mobile phones. On imported mobile phones, this duty was levied as additional duty of Customs under section 3(1) of the Customs Tariff Act, 1975.
- (b) National Calamity Contingent duty of 1% currently leviable on Polyester filament yarn was withdrawn.

H. Miscellaneous

- (a) General SSI exemption was extended to HDPE/ PP tapes consumed captively in the manufacture of sacks/ bags with effect from 1st April, 2008.
- (b) The rate of duty applicable to clearances of goods to

domestic tariff area from export oriented units, software technology parks, electronic hardware technology parks etc. was revised from '25% of the basic customs duty + excise duty payable on like goods' to '50% of the basic customs duty + excise duty payable on like goods'.

- (c) Excise duty exemption on "shuttle-less looms" was withdrawn, thus attracting 8% excise duty/CVD.
- (d) Consequent upon reduction of excise duty rates on specified goods leviable to excise duty on retail sale price basis, abatement rates for such goods were revised suitably.

3.3.3 Service Tax**(I) Following services were individually specified as taxable service:**

- (1) Services provided in relation to information technology software for use in the course, or furtherance, of business or commerce;
- (2) Services provided in relation to management of investment, under unit linked insurance business, commonly known as Unit Linked Insurance Plan (ULIP) scheme;
- (3) Services provided by a recognised stock exchange in relation to securities;
- (4) Services provided by a recognised association or a registered association (commodity exchange) in relation to sale or purchase of any goods or forward contracts;

- (5) Services provided by a processing and clearinghouse in relation to processing, clearing and settlement of transactions in securities, goods or forward contracts;
- (6) Services provided in relation to supply of tangible goods, without transferring right of possession and effective control of the tangible goods;
- (7) Services provided in relation to internet telecommunication. Consequently, reference to services provided in relation to internet telephony, being covered as part of internet telecommunication, shall be omitted.

(II) Scope of specified taxable services was amended as follows:

(1) To include:

- (i) Purchase or sale of foreign currency, including money changing, by an authorized dealer or an authorized money changer, under banking and other financial service;
- (ii) Purchase or sale of foreign currency, including money changing, by an authorized dealer or authorized money changer, under foreign exchange broker services provided by individual;
- (iii) Packing together with transportation of cargo or goods, with or without one or more other services like loading, unloading, unpacking, under cargo handling service;
- (iv) Testing or analysis of information technology software under technical testing and analysis service;
- (v) Inspection, examination and certification of information technology software under technical inspection and certification service;
- (vi) Services provided in relation to a journey from one place to another in a contract carriage vehicle, under tour operator service. However, such services provided for use by an educational body, other than a commercial training or coaching centre, imparting skill or knowledge or lessons on any subject or field were excluded.

(2) To omit:

- (i) From business auxiliary service, reference to information technology service consequent upon notifying information technology software service as a separate taxable service;
- (ii) From consulting engineer service, exclusion of computer software engineering consultancy consequent upon notifying information technology software service as a separate taxable service;
- (iii) From 39 specified taxable services, reference to service recipient as "client" or "customer" and replace with the words "any person";

(3) To clarify that services provided by a consulting engineer in relation to advice, consultancy or technical assistance in the disciplines of both computer hardware engineering and computer software engineering shall also be classifiable under consulting engineer service;

(4) To clarify by way of removal of doubt that,-

- (i) "Service in relation to promotion or marketing of service provided by the client" under business auxiliary service includes any service provided in relation to promotion or marketing of games of chance, organized, conducted or promoted by the client;
- (ii) Renting of immovable property service includes allowing or permitting the use of space in an immovable property, irrespective of the transfer of possession or control of the immovable property;
- (iii) "Properties" referred to in management, maintenance or repair service includes information technology software.

(III) Exemption from Service Tax

- (1) The annual threshold limit of service tax exemption for small service providers was increased from the present level of Rs.8 lakh to Rs.10 lakh, with effect from 1.4.2008.
- (2) Exemption from service tax with effect from 1.3.2008 was provided to:
 - (i) the taxable service provided by a person located outside India for a customer located outside India, and received by a hotel located in India, in relation to booking of an accommodation in the said hotel located in India;
 - (ii) 75% of the gross amount charged as freight for services provided in relation to transport of goods by road in a goods carriage by a goods transport agency (GTA), unconditionally. Consequently, 75% abatement provided under notification No.1/2006-Service tax, dated the 1st March, 2006 was withdrawn.

3.4 Major Post Budget (2008-09) Changes

3.4.1 Major customs duty changes

- Customs duty on crude petroleum was reduced from 5% to Nil on 4.6.2008 in view of the soaring international price of crude oil.
- Basic customs duty on petrol and diesel was also reduced from 7.5% to 2.5% and on other petroleum products from 10% to 5% on 4.6.2008.
- In order to reduce the price of raw cotton and augment the domestic supply, raw cotton was fully exempted from customs duty w.e.f. 8.7.2008.
- Aviation turbine fuel was fully exempted from basic customs duty w.e.f. 31.10.2008.
- To provide relief to power sector, Naphtha imported for generation of electricity (except for captive consumption) was fully exempted from basic customs duty on 7.12.2008.
- Exemption from countervailing duty (CV Duty) and Special CV Duty on cement withdrawn w.e.f. 2.1.2009.

- With effect from 01.5.2008, an export duty of Rs 8000 PMT was imposed on Basmati rice. However the same was withdrawn and basmati rice was fully exempted from the customs duty with effect from 2.2.2009.
- Customs duty on poppy seed was reduced to 40% w.e.f. 26.5.2008 and was further reduced to 20% with effect from 3.02.2009.
- To provide relief to the print media, duty on newsprint was reduced from 3% to "nil"; and magazine paper (Light weight coated paper) from 5% to "nil" w.e.f. 11.2.2009.
- With effect from 01.04.08, the Customs duty was reduced on all crude edible oils to Nil. Customs duty was also reduced on all refined edible such as coconut oil, ground nut, linseed, sesame, castor, mahua, kokum, crude palm kernel oil, olive oils, etc. to 7.5%. A basic customs duty of 20% was, however, imposed on crude soyabean oil with effect from 18.11.2008 but the same was again withdrawn on 24.3.2009.
- The full customs duty exemption on pulses was allowed to be continued till 1.4.2010 vide notification issued on 26.3.2009.
- With effect from 20.3.08, the customs duty on semi-milled and wholly milled rice was reduced from 70% to Nil. However, with effect from 01.4.09, the customs duty was again restored to 70%.
- In order to ensure availability of raw material for the iron & Steel industry, government undertook the following measures:
 - i. Reduction of Customs duty on Iron and non-alloy steel (headings 7203 and 7205 to 7217 of the customs tariff), Pig iron and spiegeleisen, metcoke, zinc and ferro-alloys from 5% to 'Nil' on 29.4.2008.
 - ii. Also CV duty on TMT bars and structurals was reduced from 14% to 'Nil' on 29.4.2008.
 - a. Subsequently, w.e.f. 7.11.08, customs duty on iron and non-alloy steel (items such as ingots, semi-finished products, flat rolled products, bars and rods etc.) was increased from 'Nil' to 5%.
 - b. CVD exemption on TMT Bars was withdrawn w.e.f. 02.1.2009.
 - c. 5% Customs duty was restored on ferro-Molybdenum and ferro vanadium on 31.10.2008.
 - d. Subsequently, 5% Customs duty was restored on Zinc and all Ferro alloys w.e.f. 2.1.2009.
 - iii. Export duty @ 15% ad valorem was imposed on pig iron, sponge iron, iron and steel scrap, granules and powders of pig iron, spiegeleisen, iron or steel pencil ingots, semi finished products and HR coils/sheets on 10.5.2008.
 - iv. Export duty @ 10% ad valorem was imposed on bars and rods, angles, shapes, sections and wires, and CR coils/sheets, pipes and tubes on 10.5.2008.
 - v. Export duty @ 10% ad valorem was imposed on GP and coated steel products in coil/sheet form on 10.5.2008.
 - a. Subsequently, w.e.f. 13.6.2008 export duty was exempted on flat rolled products of iron or non-alloy steel, hot rolled, not clad, plated or coated, flat rolled products of iron or non-alloy steel, cold rolled (cold-reduced), not clad, plated or coated, flat rolled products of iron or non-alloy steel, plated or coated with zinc & tubes and pipes, of iron or steel;
 - b. Export duty on long products such as bars, rods, angles, shapes and sections and wire was increased from 10% to 15% w.e.f. 13.6.2008.
 - vi. Export duty on iron ore (lumps and fines with iron content exceeding 62% as well as not exceeding 62%) enhanced to a uniform ad valorem rate of 15% on 13.06.2008.
 - a. Export duty on fines was reduced to Rs 200 PMT w.e.f. 31.10.2008.
 - b. Subsequently w.e.f. 7.11.2008, export duty on iron ore fines was revised to 8% ad-valorem duty.
 - c. Finally, export duty on Iron ore fines was reduced to 'Nil' and on Iron ore lumps to 5% ad-valorem w.e.f. 07.12.2008.
 - vii. Flat rolled products of iron and steel (including galvanized products), pipes and tubes fully exempted from export duty w.e.f 31.10.08.
 - viii. Customs duty of 5% was imposed on iron and steel items on 18.11.2008.

3.4.2 Major Excise Duty Changes

- Prior to 10.05.2008, duty on cement cleared in packaged form exceeding Rs.250 per 50 kg bag (or equivalent to Rs.3800 per MT) had attracted Rs 600 PMT. However, w.e.f. 10.5.2008, excise duty on cement cleared in packaged form exceeding Rs.250 per 50 kg bag was changed to 12% of Retail Sale Price.
- Excise duty on Motor Spirit (MS) and High Speed Diesel (HSD) [other than intended for sale as branded] reduced from Rs.6.35 per litre to Rs.5.35 per litre and Rs.2.60 per litre to Rs.1.60 per litre w.e.f. 4.6.2008.
- Excise duty on cement was reduced with effect from 7.12.2008 is given in Table 3.4.
- The rate of duty on cotton textiles and textile articles were reduced from 4% to "nil" w.e.f. 7.12.2008.
- The three major ad - valorem rates of Central Excise duty viz 14%, 12% and 8% applicable to non-petroleum

Table 3.4

Excise duty on cement was reduced with effect from 7.12.2008

	From	To
All goods, manufactured in a mini cement plant and cleared in packaged form of retail sale price not exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding Rs.3800	Rs. 220 per tonne	Rs. 145 per tonne
All goods, manufactured in a mini cement plant and cleared in packaged form of retail sale price exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price exceeding Rs.3800	Rs. 370 per tonne	Rs. 250 per tonne
All goods, whether or not manufactured in a mini cement plant, not covered above and cleared in packaged form of retail sale price not exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price not exceeding Rs. 3800	Rs. 350 per tonne	Rs. 230 per tonne
All goods, whether or not manufactured in a mini cement plant, not covered above and cleared in packaged form of retail sale price exceeding Rs. 190 per 50 kg bag or of per tonne equivalent retail sale price exceeding Rs. 3800	12%	8%
Bulk cement	14% or Rs. 400 per tonne whichever is higher	10% or Rs. 290 per tonne whichever is higher

products have been reduced by 4 percentage points each bringing the revised rates to 10%, 8% and 4% respectively w.e.f. 7.12.2008.

- With effect from 13.06.08, Central Excise duty on large cars, multi utility vehicles (MUVs) and sports utility vehicles (SUVs) of engine capacity exceeding 1500 cc but not exceeding 1999 cc increased from 24% ad valorem to 24% + Rs.15,000 per unit. Similarly, Central Excise duty on large cars, multi utility vehicles (MUVs) and sports utility vehicles (SUVs) of engine capacity exceeding 1999 cc increased from 24% ad valorem to 24% + Rs.20,000 per unit. However with effect from 07.12.08, the duty on these vehicles was reduced to 20% + Rs.15,000/Rs.20,000 per unit, as the case may be.
- Excise duty on cement clinkers was reduced from Rs.450 per MT to Rs. 300 per MT w.e.f. 24.12.2008.
- Excise duty on bulk cement was reduced from “10% or Rs.290 per tonne, whichever is higher”, to “8% or Rs.230 per tonne, whichever is higher” w.e.f. 24.2.2009.
- General Cenvat rate of 10% was reduced to 8%. CVD of 10% was also reduced to 8%.

3.4.3 Major duty changes in Service Tax:

- The services provided to goods transport agency by eight service providers were exempted w.e.f. 5th January, 2009. These eight services are:
 1. Business auxiliary service

2. Packaging service
3. Cargo handling service
4. Storage and Warehousing service
5. Business support service
6. Supply of tangible goods service
7. Clearing and Forwarding service
8. Manpower recruitment and supply service

- Service Tax provides for refund of service tax paid by exporters on 18 taxable services attributable to export of goods. The benefit of such refund has now been extended to services provided by a clearing and forwarding agents to exporters also. In addition, the threshold limit of refund of service tax paid by exporters on foreign commission agent services was enhanced from 2% of FOB value to 10% of FOB value of export goods. Further, drawback benefit can now be availed of simultaneously with refund of service tax paid in respect of exports.
- Reduction of service tax rate from 12% to 10% w.e.f. 24.02.2009.

3.5 Measures Taken for Trade Facilitation/ Simplification of Procedure etc. in Customs

Customs

The following are the major initiatives that have been taken by the Customs in the recent past:

Automated Customs Processing:

- Customs procedure for clearance of imported/export goods are fully automated at 40 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.

Grant of Prime Minister’s Award:

On the occasion of the Civil Services Day, 2009, at a function held at Vigyan Bhavan, New Delhi on 21.4.2009, Shri Hamid Ansari, Hon’ble Vice President of India presented the Prime Minister’s Award for Excellence in Public Administration, for the year 2007-08 to the Director General of Systems and Data Management, CBEC. The award was given for the initiative ‘Implementation of Risk Management System in Customs’.

Customs trade facilitation measures:

- Internet Filing of Customs Declarations: 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 persons 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 was 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, air cargo holds a monthly trade facilitation meeting to address the issues concerning the export/import problems brought forward by trade and industry.

3.6 Drawback Division

The Duty Drawback Scheme is intended to neutralize the duties of Customs and Central Excise suffered on the inputs

used in the manufacture of export products. Duty drawback enables the Indian exports to be competitive in the international market. Duty drawback rates are fixed / revised in terms of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995.

The drawback rates are revised taking into account the changes effected in the duties of Customs & Central Excise in the Union Budget.

The drawback rates are fixed on the basis of data furnished by the Export Promotion Councils / Associations / Export Organizations.

The drawback rates are determined on the basis of certain broad parameters including inter-alia, 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.

3.6.1 Salient features of the Drawback rates, 2007-08

- (i) In the Union Budget 2007-08, peak rate of Customs duty was reduced from 12.5% to 10% with a few exceptions. The Customs duty on copper, aluminum and zinc remained at the pre-budget level of 5%. The Customs duty on stainless steel and other alloy steels also remained at the same level at 5%. The rate of education cess was increased from 2% to 3%. Drawback rates for the respective export products manufactured out of various inputs were revised taking into account the new duty rates.
- (ii) As in the previous year, the Ministry constituted a Committee consisting of Shri Saumitra Chaudhri, Member, Economic Advisory Council to Prime Minister as Chairman, Shri S.B.Mohapatra, former Secretary, Ministry of Textile and Shri T.R.Rustagi, former Chief Commissioner of Customs & Central Excise as members to determine and suggest the drawback rates. The Committee held extensive consultations with various Ministries / Departments of the Government of India and with various industry and trade associations in various locations and submitted its report on 06.07.2007. The Government accepted the drawback rates as suggested by the Committee and announced the Drawback Schedule, 2007-08 on 16.07.2007. The Schedule came into force with effect from 18.07.2007.
- (iii) 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.
- (iv) The Drawback Schedule included several new items. These included 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.

- (v) A significant feature of the Drawback Schedule, 2007-08 was that drawback rates were increased in nearly all cases and the increased rates were made effective retrospectively from 01.04.2007. The reduced rates, however, were made effective prospectively from 18.07.2007 i.e. the date of coming into force of the notification. Further, as a trade facilitation measure, instructions were issued vide the Board's Circular No.39/2007-Cus. dated 09.10.2007 that the differential drawback amount which had become due to the exporters because of the increase in drawback rates with retrospective effect from 01.04.2007, may be automatically credited into the exporters' accounts by the EDI system of Custom House without the exporters having to file supplementary claims against each EDI shipping bill.
- (vi) The department has already implemented Electronic Data Interface (EDI) at all major Customs locations. Under the system, the shipping bill itself is treated as the claim for drawback. The drawback claim is processed online and the amount is credited into the exporter's account in the bank designated by the customs immediately after "let export order" and filing of manifest by the carrier without any additional paper work. The Commissioners have been instructed to ensure that all grievances or problems raised by exporters regarding drawback claims are addressed within 72 hours and, if this is not possible in any case, to bring the matter to the notice of the Member (Customs / Export Promotion) in Central Board of Excise and Customs. Exporters may also bring any delay beyond 72 hours to the notice of Member (Customs / Export Promotion)
- (v) textile or synthetic materials, stainless steel jewellery, brass bushes and optical fiber cables.
- (v) There was a general reduction in the rates of Drawback in most commodities. The drawback rates have undergone changes in line with the changes in the duties. The peak rate of aggregate import duties in 2008-09 has come down to 31.7% as against 34.13% in the previous year. Customs duty on major raw material such as crude oil, raw cotton, zinc and Ferro alloys has been brought down to zero. The excise duty has been reduced across the board from 16% to 14%.
- (vi) In case of some commodities the drawback rates have been increased. On flax yarn and flax fabric, the drawback rates have been increased from 7.6% to 9% and 6.5% to 7.6% respectively. Similarly, in the case of coffee, tea, wooden artware and optical fibers, the drawback rates have been increased.
- (vii) Automated sanction of drawback claims is now available at 35 locations covering about 85% of the exports. A new trade facilitation procedure has been introduced whereby it will no longer be mandatory for any new exporter to open a bank account only with the designated authorized bank branch at the port of export. The Customs authorized bank branches at the port of export will take necessary action to credit the drawback amount in the exporter's core banking enabled account of the same bank elsewhere in the county. In respect of accounts in any bank branch of other banks (Core banking, RTGS/NEFT enabled), the customs authorized bank branch will transfer the drawback amount through the RTGS/NEFT facility.

3.6.2 Salient features of the Drawback rates 2008-09

- (i) The Ministry of Finance has revised the All Industry Rates of Duty Drawback for 2008-09 with effect from 01.09.2008.
- (ii) As in the previous year, the Ministry of Finance constituted a Committee consisting of Shri Saumitra Chaudhri, Member, Economic Advisory Council to Prime Minister as Chairman, Shri S.B.Mohapatra, former Secretary, Ministry of Textile and Shri T.R.Rustagi, former Chief Commissioner of Customs & Central Excise as members to determine and suggest the drawback rates.
- (iii) The incidence of duty on HSD / Furnace Oil has been 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 has also been factored.
- (iv) The Drawback Schedule includes several new items. These include coffee (raw beans), in bulk, coffee (roasted and / or decaffeinated), in bulk, tea in bulk, tea in consumer packs including tea bags (sachets), instant coffee, parts /components of harness and saddlery made of leather or non-leather including
- (i) An agreement between the Republic of India and the Republic of South Africa concerning Co-operation and Mutual Assistance on Customs Matters has been signed.
- (ii) A Memorandum has been signed between National Academy of Customs, Excise and Narcotics (NACEN) and Russian Customs Academy (RCA) on training and capacity building matters, during the visit of the Russian President to India on 5.12.2008. From Indian side Mr. P. C. Jha, Chairman, CBEC and from Russian side, Mr. A. Y. Beliyaninov, Head of Russian Customs signed the said Memorandum. The Memorandum would be helpful in capacity building in customs matters by way of exchange of experts, conducting training activities and initiating specific projects in the areas of mutual interest.
- (iii) A working plans has been signed between India and Australia and with India and Finland for co-operation and mutual assistance on Customs matters.
- (iv) A Memorandum of Understanding concerning

Table 3.5

(i) The Audit performance of the field formations are tabulated below:

Year	No. of audits conducted	Amount of duty detected	(Rs. in crore)
			Amount of duty recovered
2007-08	30884	5100.57	924.32
01.01.2008 to 31.03.2008	10768	2239.10	408.10
2008-09	35256	7503.72	1522.49

(ii) The Anti Evasion performance is tabulated as below:

Year	No. of cases booked	Amount of duty involved	(Rs. in crore)
			Amount recovered
2007-08	7651	8770.29	2785.45
01.01.2008 to 31.03.2008	1913	1675.74	355.18
2008-09	5672	6943.10	1230.78

Cooperation in Customs matters has been signed between the Guardia di Finanza General Headquarters, Italy and the Central Board of Excise and Customs, India.

- (v) A Working Plan has been signed between India and Australia for co-operation and mutual assistance on Customs matters.
- (vi) Customs Tariff (Determination of Origin of Products under the Duty Free Tariff Preference Scheme for Least Developed Countries) Rules, 2008 were notified vide Notification No.100/2008-Cus.(N.T.) dated 13.08.2008 for determination of goods imported from Least Developed Countries, under preferential rates.

3.8 Central Excise and Service Tax

The following measures have been taken to tackle evasion in Central Excise:

- (A) **Information from Third party:** In order to identify manufactures with a propensity to evade taxes and to create an atmosphere of voluntary compliance, certain changes were made in September, 2008 in the Central Excise Rules to facilitate collection of information from third party sources or from manufactures themselves. In this connection, following information is being collected:
- (i) **Annual Installed Capacity Return:** This return is required to be filled once in a year giving the annual production capacity of the plant. The annual capacity as declared by a manufacturer would be compared with the actual production declared by a unit and in case of significant

variations, necessary enquiries would be made.

- (ii) **Information from SSI Units:** SSI Units having turnover below Rs.150 lakhs are not required to be registered with the excise department. But units having turnover between Rs. 90 to 150 lakhs in the previous years are required to file a simple declaration giving basic details like address of factory, description of goods manufactured and turnover in the previous years. In order to collect some more information, these units are now also required to provide information namely PAN, VAT Registration No. and Electricity Meter details. The information would be used by the department, in selective cases, to ascertain under reporting of production, if any.
- (iii) **Electricity Consumption Data:** The Central Excise field formations have also been advised to identify evasion prone commodities, and seek data relating to electricity consumption of such units from the distribution companies and verify the production details declared in the monthly excise returns.
- (iv) **Filling of ER-4, ER-5 and ER-6 returns by more assesseees:** The Government has also amended the criteria for filling of other excise returns (viz. ER-4, ER-5 and ER-6) making it mandatory for all taxpayers/assesseees paying total duty (CENVAT credit + Cash) of more than Rs. 1 crore in a financial year (ER-4 is an annual financial return filed by the assesseees declaring the financial details regarding purchases, sales,

Table 3.6

Revenue (Central Excise & Service Tax) (Bangalore)

(Rs. in crore)

	Target for the year 2008-09	Revenue realised during 2008-09	Revenue realised during 2008-09	Excess/shortfall with reference to target		Excess/Shortfall with reference to previous year's revenue	
				Amount	%age	Amount	%age
Central Excise	1010	902.52	614.43	-395.57	-39.17%	-288.09	-31.92%
Service Tax	500	401.33	982.49	482.19	96.38%	581.16	144.81%
Total	1510	1303.85	1596.92	86.92	5.76%	293.07	22.48%

Revenue (Income Tax)							
(Rs. in crore)							
	Target for the year 2008-09	Revenue realised during 2008-09	Revenue realised during 2008-09	Excess/shortfall with reference to target		Excess/Shortfall with reference to previous year's revenue	
				Amount	%age	Amount	%age
Income Tax	2768	2241	2898	130	4.69%	657	29.32%

Table 3.7

Revenue (Central Excise & Service Tax) (Chennai)

(Rs. in crore)

	Target for the year 2008-09	Revenue realised during 2008-09	Revenue realised during 2008-09	Excess/shortfall with reference to target		Excess/Shortfall with reference to previous year's revenue	
				Amount	%age	Amount	%age
Central Excise	5390.00	5409.07	3999.02	-1390.98	-25.81	-1410.05	-26.07
Service Tax	460.00	569.46	771.11	311.11	67.63	201.65	35.41
Total	5850.00	5978.53	4770.13	-1079.87	-18.46	-1208.40	-20.21

Revenue (Income Tax)							
(Rs. in crore)							
	Target for the year 2008-09	Revenue realised during 2008-09	Revenue realised during 2008-09	Excess/shortfall with reference to target		Excess/Shortfall with reference to previous year's revenue	
				Amount	%age	Amount	%age
Income Tax	4678.00	2061.00	3063.13	-1614.87	-34.52%	1002.13	48.62%

other income etc. ER-5 and ER-6 are returns for furnishing information relating to the principal inputs used by the assessee and the monthly consumption of such inputs). Regular analysis of the information from these sources is to be utilized to unearth evasion of taxes.

3.8.2. Other changes in Central Excise

- (i) In the Central Excise Law, production capacity based levy has been introduced vide Section 3A in the Central Excise Act, 1944. This measure seeks to check duty evasion. Under Section 3A, the Government may specify by a notification such goods as notified goods and provide the manner for determination of production capacity of such goods by a factory. The Section also provides for abatement of duty if the factory did not produce the notified goods during any continuous period of 15 days or more. So far, pan-masala and gutkha have been notified under this section with effect from 01.07.2008. Further, revenue has shown a quantum jump in respect of these two commodities after the introduction of production based levy.
- (ii) Section 2 of the Central Excise Act, 1944 has been amended to insert an explanation in clause (d) to provide that for the purpose of this clause, "goods" include any article, material or substance which is capable of being bought and sold for a consideration.

3.8.3. Service Tax

The highlights of the performance and achievements during the year are as under:

- (a) **Dispute Resolution Scheme, 2008:** Dispute Resolution Scheme, 2008 was implemented in service tax for compounding of cases pending as of 01.03.2008, involving either only penalty / interest or service tax arrears upto Rs. 25,000/-, on payment of 50% of tax arrears and 25% of penalty / interest amount. This was a significant taxpayer facilitation scheme by quick resolution of pending disputes. The time limit to opt for the scheme was till 30.09.2008.
- (b) **Service Tax Return Preparer Scheme:** A provision for implementation of Tax Return Preparer Scheme in Service Tax has been made in the service tax law. Service Tax Return Preparer (STRP) Scheme has been framed and notified vide Notification No. 7/09-ST dated 3rd February, 2009.

3.8.4. Large Taxpayers Units (LTUs)

LTU Bangalore was the first LTU to be operationalised in the country, w.e.f. 1.10.2006. Thereafter, LTU, Chennai became functional w.e.f. 01.12.2007. These LTUs are headed by Chief Commissioners of Central Excise. Details are as under:

Table 3.8

Performance during the year 2007-08 & 2008-09:

1. Departmental Appeals							
Year	Number of C.A. proposal received		Number of appeals filed		Number of cases where CESTAT order		
2007-08	411		280		131		
2008-09(01.01.2008 to 31.03.2009)	397		299		98		
2. Departmental Disputes with PSUs - COD							
(A) Processing of COD proposals							
Year	Opening balance	Number of proposals recd	Total	Number of proposals disposed off		Closing balance	
2007-08	43	122	165	114		41	
2008-09 (01.01.2008 to 31.03.2009)	67	212	279	187		92	
(B) Progress in COD Meetings							
Year	Number of meetings	PSU cases	Departmental cases	PSU cases allowed	PSU cases not allowed	Departmental cases allowed	Departmental cases not allowed
2007-08	22	468	137	296	172	36	101
2008-09 (01.01.2008 to 31.03.2009)	27	546	190	381	106	75	60

Table 3.9

Information about the performance/achievements up to last year:

1. Departmental Appeals	Year	Number of C.A. proposals received	Number of appeals filed	Number cases where CESTAT orders accepted
	2004-05	736	322	414
	2005-06	551	347	204
	2006-07	443	326	117
	2007-08	411	280	131
	2008-09	311	234	77

Table 3.10

Departmental Disputes with PSUs - COD

(A) Processing of COD pro					
Year	Opening balance	Number of proposals received	Total	Number proposals disposed off	Closing balance
2004-05	60	240	300	228	72
2005-06	72	171	243	193	50
2006-07	50	178	228	185	43
2007-08	43	122	165	114	41
2008-09	41	160	201	119	82
(B) Progress in COD meeting					
Year	Number of meetings	PSU cases	Departmental cases	PSU cases allowed	Departmental cases allowed
2004-05	23	347	106	240	27
2005-06	25	537	150	420	83
2006-07	26	459	112	235	58
2007-08	22	468	137	296	36
2008-09	20	373	139	267	62

LTU Bangalore

(Rs. in crore)

Information regarding taxpayers who have joined LTU Bangalore (as on 31.03.2009)

- No. of Taxpayers who have joined: 57
- These taxpayers involve 170 manufacturing units, 77 dealers / warehouses registered and 208 service tax registrations (Total 455 registrations)

The details of revenue realised by LTU, Bangalore during the period 1.1.2008 to 31.3.2009 are given below:

Tax	Revenue realised
Central Excise	879.52
Service Tax	1132.11
Income Tax	3229.02

LTU Chennai

Information regarding taxpayers who have joined LTU Chennai (as on 31.03.2009)

Table 3.11

The performance of CBEC in the area of anti-smuggling

Seizure Cases (Outright smuggling cases)			Value (Rs. in crore)
YEAR	ALL INDIA(Including DRI)	DRI	
2007-2008	1021.08	634.70	
1.1.2008 to 31.3.2008	181.69	53.83	
2008-2009	1479.42	706.18	
Customs Duty Evasion Cases (Figures based on show cause notice issued)			
YEAR	Duty Demanded All India(Including DRI)	Duty Demanded DRI	
2007-2008	1221.77	1073.58	
1.1.2008 to 31.3.2008	419.76	368.13	
2008-2009	1867.24	1487.08	
Duty realized on all India Basis & DRI			
YEAR	ALL INDIA	DRI	
2007-2008	338.47	249.02	
1.1.2008 to 31.3.2008	106.37	53.37	
2008-2009	646.59	342.36	

- No. of Taxpayers who have joined: 36
- These taxpayers involve 165 manufacturing units, 124 dealers / warehouses registered and 258 service tax registrations (Total 547 registrations)

The details of revenue realised by LTU Chennai during the period 1.01.08 to 31.03.09 are as under:

Tax	Revenue Realised (Rs. in crore)
Central Excise	5523.25
Service Tax	913.48
Income Tax	3656.10

3.9 Litigation under Indirect Tax

3.9.1 Legal Cell

The CX.8A/ Legal cell in the Board is primarily responsible for handling litigation arising out of orders passed by the High Courts in 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.

CBEC constituted a panel of Standing Counsels to handle the litigation of indirect taxation before the various High Courts. The litigation of indirect taxation was hitherto handled by the Standing Counsels empanelled by the Ministry of Law

and Justice. The Law Ministry in August, 2007 had assigned the powers for constitution of the panel of Standing Counsels, for the first time to CBEC for handling litigation of indirect taxation. Accordingly, the said panel has been constituted by the Board with the concurrence of Law Ministry. This step would help the department to streamline its litigation before the High Courts.

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.

3.9.2 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's case before the High Power Committee COD w.r.t. departmental disputes with PSUs. The following tasks/work have also been undertaken by the Judicial Cell:

- (1) 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.
- (2) Conscious efforts were 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.

Consolidation of cases having similar issues pending before the Supreme Court:

An exercise was undertaken to consolidate the cases pending before the Hon'ble Supreme Court in compliance of direction given by the Hon'ble Finance Minister.

There were over 2500 cases pending on various issues. These cases were scrutinized and categorized on the basis of issue involved. 573 cases on similar issues were got tagged. Exercise was also carried out to group the cases into various categories such as old cases, high revenue cases, cases involving important issues having all India ramifications etc. Similarly, cases were also sub-grouped into categories like valuation, classification, manufacture, CENVAT, 100% EOU, inadequate / mandatory penalty, exemption notification, misuse of DEEC scheme, refund, seizure, crown debt, deemed credit, rebate of education cess, KVSS and so on.

3.10 PAC Section

Audit observations in regard to Central Excise and Service Tax matters have been made in Audit Report No. CA 7 of 2008 (Compliance Audit) and Audit Report No.6 of 2008 (Performance Audit) were dealt with by the PAC. The Compliance Audit Report (referred above) contains the Draft Audit Paras (DAPs) which have been converted to audit paras. The Performance Audit Report (referred above) contains the System Review.

During the year 2006-07, 303 Draft Audit Paras (DAPs) were received and replied to by the PAC Section. Out of these 303 DAPs, as many as 272 DAPs were converted to Audit Paras (APs) and the Ministry has sent the Action Taken Note (ATN) to C&AG in all of them.

During the current financial year, 370 DAPs have been received from the C&AG and the replies in 275 DAPs have already been sent to the C&AG till 31.03.2009.

The Action Taken Note (ATN) on the Review on Service Tax on Management Consultants Service, Scientific or Technical Consultancy Services, Technical Testing and Analysis Services and Technical Inspection & Certification Services, pertaining to Chapter V of the Audit Report No. 7 of 2007 (Performance Audit) was also sent during the financial year.

In addition to above, the Ministry's Action Taken Note in respect of Audit Report No. PA 6 of 2008 (Performance Audit) in respect of Review on Refunds (Chapter II) were also sent to the C&AG. The Ministry's Action Taken Note (ATN) on the Review of Service Tax on Rent-a-Cab Scheme Operators service, Photography service and Health Club & Fitness Centre Services is under preparation.

In addition to the above, the reply to Advance Questionnaire on "Review of Provisional Assessment" was also sent to the Lok Sabha Secretariat.

Table 3.12

All-India performance in arrears collection during 2008-09 vis-à-vis target

Head of Duty	Target	Arrears collection	(Rs. in crore)
			% of target achieved
Central Excise	1300	1748.4	134.5%
Customs	950	1120.9	118.0%
Service Tax	1000	2062.6	206.3%
Total	3250	4931.9	151.8%

Table 3.13

Details of realization of arrears of revenue in Indirect Tax from 01.01.2008 to 31.03.2009

Head of Duty	Arrears collection during Jan-March, 2008	Arrears collection in the financial year 2008-09	(Rs. in crore)
			Total arrears collection during 1.1.2008 to 31.3.2009
Central Excise	751.41	1748.4	2499.81
Customs	591.91	1120.9	1712.81
Service Tax	829.13	2062.6	2891.73
Total	2172.45	4931.9	7104.35

- The Ministry has also sent its ATN on the Recommendations of the PAC on the following reports:-
- (a) 57th Report (14th Lok Sabha) of the PAC on "Under valuation due to adoption of lower mutually agreed price"
- (b) 68th Report (14th Lok Sabha) of the PAC on "concessions meant for Small Scale Industries availed by the Large Scale manufacturers".
- (c) 71st Report (14th Lok Sabha) of the PAC on "Delay in Finalization of Demands".

Table 3.14

Print Media (1.1.2008 to 31.3.2009)

(i)	(a)	No. of Hindi advertisements	27
	(b)	No. of Newspapers	45
(ii)	(a)	No. of English advertisements	28
	(b)	No. of Newspapers	56
(iii)	(a)	No. of Regional language segments covered	11
	(b)	No. of Newspapers	13

Television

- (i) The Directorate got a film made on the Indian Customs with a view to acquaint the public with the unknown facets of the department and marking its contribution in the country's growth. This 25-minute film titled 'Guardians of Economic Frontiers' was telecast on top English News Channels during March, 2009.
- (a) No. of Hindi advertisement films 5
1. 'Avoid Penalty' (30-second)
 2. 'Progress & Taxes' (30-second)
 3. 'DRS' (45-second)
 4. 'E-PAYMENT' (35-second)
 5. '31 MARCH 2009' (20-second)
- (b) No. of Hindi Channels on which placed [Aaj Tak; India TV; IBN 7; Zee News; India TV; Sahara National] 6
- (c) No. of English Channels on which placed [NDTV 24x7; CNN-IBN; Times NOW; BBC World] 4
- (d) No. of Business Channels on which placed 5
[CNBC TV 18; NDTV Profit; Zee Business, Awaaj; besides Lok Sabha TV]
- (e) No. of Regional Channels on which placed 11
NE TV (Assamese + 16 Languages) Star Ananda (Bangla); ETV Gujarati; ETV Kannada; Manorama News (Malayalam); Star Majha (Marathi); OTV (Oriya); Zee Punjabi; / PTC; Sun News (Tamil); ETV 2 (Telugu)
- (ii) Television Scrolls on Service Tax Dispute Resolution Scheme:
- (a) No. of Hindi Channels on which placed [India TV; IBN-7; NDTV India; Sahara National] 4
- (b) No. of English Channels on which placed [NDTV 24x7; CNN-IBN; Times NOW] 3
- (c) No. of Business Channels on which placed [CNBC TV 18; NDTV Profit; Zee Business, Awaaj; besides Lok Sabha TV] 4
- (d) No. of Regional Channels on which placed NE TV (Assamese & Other N.E. Languages); 10
Star Ananda (Bangla); ETV Gujarati; ETV Kannada; Manorama News (Malayalam); Star Majha (Marathi); OTV (Oriya); PTC (Punjabi); Sun News (Tamil); ETV 2 (Telugu).

Radio

- (i) Two Radio Spots captioned 'Why Do I Pay' (30-Seconds) and 'Fifty Lakh' (35-Seconds) were produced and placed for broadcast during February-March, 2009 on All India Radio National Hook-Up and Red FM frequencies in Delhi, Kolkata and Mumbai.

Outdoor Media

- (i) Panels / Gantries educative messages with special focus on Central Excise & Service Tax were got prepared and mounted at 11 select locations spread around industrial areas in the capital with a view to promote voluntary tax compliance among taxpayers.

Apart from the above, during the year 2008-09, vigorous efforts were made to furnish further replies to the pending Audit Paras relating to current year as well as earlier years. Due to the persistent efforts including the personal meetings with the Principal Director of the C&AG, as many as 166 DAPs of the year 2006-07 were got settled from the C&AG.

3.11 Anti-Smuggling Unit

3.11.1 The performance of CBEC in the area of anti-smuggling is given in Table 3.11.

3.11.2. Acquisition of 109 Customs Marine vessels

A high state of alertness and focused attention on prevention of smuggling of the contraband goods which pose a serious threat to economic security and in turn to national security, is of paramount importance, although there has been a tremendous decline in the past decade or two in the smuggling of gold, silver, electronic & other traditional goods that were prone to smuggling. To assist the Customs Department in the 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 5 Nos of vessels in this category were delivered upto March 2009. 48 vessels in Category III A and Category III B (24 vessels each) have been delivered upto March, 2009. The order for Category II vessels has been placed on 12.12.2008.

3.11.3. Procurement of 7 Truck/Container Scanning System.

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 in its meeting of 27.10.2007. One fixed 9 MeV X-ray scanner shall be installed at each location. In addition, 1 mobile Gamma ray scanner shall be installed at Chennai, Tuticorin and Kandla. The tender processes for both mobile and fixed scanners have been initiated. The process of procurement of land from the Port Trust Authorities has also been initiated. Land at all the 4 ports has been identified in consultation with the respective Port Trust Authorities and approved by Bhabha Atomic Research Centre (BARC) after conducting Geo-technical survey.

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.

3.12. Indirect Tax arrears collection performance in 2008-09

The Indirect Tax arrears collection target for 2008-09 was fixed at Rs.3250 crore with the following break-up: Central Excise – Rs.1300 crore; Customs – Rs.950 crore; Service Tax – Rs.1000 crore.

The All-India performance in arrears collection during 2008-09 vis-à-vis target is given in Table 3.12.

The details of realization of arrears of revenue in Indirect Tax from 01.01.2008 to 31.03.2009 are given in Table 3.13.

3.13 Directorate of Publicity & Public Relations

(a) Highlights of the performance and achievements during the year 2008-09;

Publicity

The Directorate planned and executed a massive multi-media drive to enhance public awareness about Service Tax and Central Excise Duty. Multi-media advertisements with educative messages containing information on important Central Excise and Service Tax Schemes / provisions & amendments were widely publicized as per details given in the Table 3.14

Publications

Immediately after the presentation of the Union Budget for 2008-2009, Budget Bulletins were printed overnight and air-couriered to field formations. Central Excise and Customs Tariffs were updated and sent through special messengers to the field formations to ensure appropriate 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 on a day-to-day basis. Monthly publications e.g. CBEC Digest, ICE Trade Digest, updated editions of Travellers Handbook and Sampark were printed and sent to field formations. Manuals / publications sent to the Directorate from the Board and the field formations were also printed.

Functions/working of the Organization and set-up of the Division

The 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.

3.14 Directorate General of Inspection

A. Charter of Duties

The main functions of the Directorate General of Inspection are as follows:

- To study the working of the Customs, Central Excise Departmental machinery throughout the country;
- 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;
- To carry out inspections to determine whether the working of the field formation are as per Customs and Central Excise procedures and to make recommendations for rectifying procedural flaws, if any noticed;
- To suggest measures for improvement in functioning of the field formations;
- Nodal office for implementation of Official Language Policy of Government.

B. Organizational Structure

The 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.

Each Regional Unit is headed by one Additional Director General who is the head of the Department. At the headquarters office, the ADG (Admn.) has been delegated the powers of Head of Department. He is also incharge of Central Excise Inspection at headquarters. He also looks after official languages section, Nepal Rebate and Bhutan refund section. Further, ADG (Customs) at the headquarters looks after inspection of the field customs formations. The regional offices look into the Central Excise and Customs inspection in their respective jurisdiction. All ADGs are assisted by Additional Directors/Joint Directors/Deputy Directors and Assistant Director.

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 General, Human Resources.

C. Working

This Directorate was constituted in 1939, as part of the Board's office for conducting periodical inspections and for 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.

D. Highlights of performance

No. of inspections of Commissionerates conducted by DGICCE and its regional units is given in the Table 3.15.

E. Central Excise - Special Assignments / Studies

1. Review on provisional assessment
2. Preparation of Proposal for restructuring of Dte. of Legal Affairs and Dte. of Inspection
3. Study of demands, present status and realization of Central Excise duty/penalty confirmed by means of adjudication orders in cases where duty involved is Rs.1 crore and above
4. Monitoring of performance in Monthly Technical Reports (MTR) with special emphasis on pendency in key areas.
5. Monitoring the disposal of pending adjudication cases. A special cell has been created in the Directorate for

Table 3.15

No. of inspections of Commissionerates conducted by DGICCE and its regional units

Formation	2004-05	2005-06	2006-07	2007-08	01.01.08 to 31.03.08	2008-09 (01.04.08- 31.03.09)
DGICCE (C. Excise)	18	19	19	13	4	19+3 (special Study)
DGICCE (Customs)	1	10	15	6	1	12
NRU	-	-	17	7	1	08
ERU	1	-	12	14+3 (special study)	3	1 3
CRU	4	1	7	11	2	10
SRU	5	2	18	12+4 (special study)	4	1 2
WRU	11	-	10	13	1	18
TOTAL	40	32	98	83	16	92

the purpose and separate report regarding adjudication of cases pending beyond the time limit stipulated in section 11 A (2A) of Central Excise Act and cases involving revenue of more than one crore is prepared and is submitted alongwith MTR every month. The directorate identifies the Commissionerate with high pendency of adjudication cases and officers of the Directorate visit these Commissionerate to ascertain the reasons for delay in finalization of these cases and corresponding with Chief Commissioners regularly in the matter.

6. In the month of February, 2009, the Directorate made special efforts to compile the cases involving pendency of arrears of revenue on different accounts as on 28.02.2009. A total number of 36978 cases, amounting to Rs. 2194056 (amount in lakhs), have been noticed. Out of these, 6871 cases involving an amount of Rs. 333678 (amount in lakhs) and 2660 cases having amount of Rs. 52735 (amount in lakhs) have been noticed as cases under persuasive action and under certificate action respectively. On the Customs side 6879 cases involving amount of Rs.272368 (amount in lakhs) have been identified as recoverable areas as on 31.10.2008. Matter has been taken up with respective zonal Chief Commissioners having higher pendency by requesting them to take special efforts to recover these dues.
7. The Directorate conducted study of activities of the cigarette manufacturing units to assess the effectiveness of the physical control, situated in Bhopal, Chandigarh, Lucknow and Vizag zones. The detailed report has been submitted to the Board.

F. Customs

1. Monitoring of Export Promotion schemes is under process.
2. Monitoring of performance in Monthly Technical Reports (MTR)
3. Study on the cases of Adjudication in the categories of cases pending for more than one year or where amount involved is more than Rs. one crore or both.
4. Conducted Systems study on prosecution cases and report submitted alongwith draft Circular to CBEC for issue.
5. Approval of holding exhibition of ATA Carnet.

G. Administration / Establishment

1. Training of Group 'D' non-matriculate staff as per directions of NACEN has been completed.
2. Recruitment of Sepoys under process.
3. On implementation of Sixth Pay Commission, all pay fixation in respect Group 'A', 'B', 'C' and 'D' and pensioner cases after January, 2006 has been fixed and the 1st instalment of arrears of 40% has been released.
4. DPC for the posts of SIO, Inspector, Steno Grade-I, Sepoy and Driver Grade-II was held and promotion in these grades were made.

5. Written exam for Customs House Agents was conducted twice on 03.05.2008 and 12.11.2008.
6. A study was conducted at Chennai Customs House and Vizag Customs for fixation of norms for issuance of CHA license.

H. Hindi / Official Language

1. Conducted 8 inspections during 1.1.2008 to 31.3.2008 and 27 inspections during 1.4.2008-31.3.2009 of field formations with respect to implementation of Official Language (OL) Policy.
2. Three Meetings during 1.1.2008 to 31.3.2008 and Twelve Meetings during 1.4.2008 to 31.3.2009 of Parliamentary Committee & Sub- Committee on OL attended by Addl. Director General (Admn.). Committee appreciated the work done by Directorate General.
3. All 12 departmental manuals got translated in Hindi and got published in Hindi.
4. Publishing of Hindi Patrika on Half-Yearly basis.
5. CITIZENS' CHARTER on Sevottam was got translated in Hindi. Hindi version of the same has been got published.
6. Loading of Bilingual Hindi software in all 52 existing computers and computer related seven training sessions held for all officers and staff.
7. Workshop on official languages, exclusively organized by DG (Inspection) for NCH, New Delhi.
8. DGICCE was inspected by the 3rd Sub-Committee of Parliamentary Committee. Preparations and performance of this Directorate General in this regard was appreciated by the Committee.
9. Assisting NACEN in organizing special Hindi classes for non-Hindi speaking probationers.
10. DGICCE assisted and facilitated the Hindi function held in NACEN Faridbad on 30.09.2008.
11. OL Policy Implementation Workshop was also organized exclusively for Group 'A' officers in DGICCE.
12. Meeting of OLIC of Department of Revenue were also attended. In the meetings performance regarding Hindi work was spoken high of and letter of appreciation thereof awarded.

I. Nepal Rebate sanctioned by DGICCE, New Delhi

The Nepal Rebate Section of the Directorate deals with payment of rebate to Government of Nepal and refund of duty to Bhutan Government. Every month cheque is given to Nepal Government in this regard. Nepal Government has appreciated the regularity of this Directorate in processing their claim and taking the required action. Similarly, refund to Bhutan Government is paid every year. Refund cheque this year has already been sent to Bhutan Government and no claim of Bhutan Government is pending with this Directorate. Given in Table 3.16.

Table 3.16

Payment of Rebate to Government of Nepal

Sl.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	1,77,78,88,830	48927
5.	01.01.2008 to 31.03.2008	57,90,51,423	13888
6.	2008-09 (01.04.2008 to 31.03.2009)	1,86,69,71,356	38348

J. Refund of Excise Duty given to Royal Government of Bhutan

Amount of Refund sanctioned on exports 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 below:

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)

Amount claimed	Rs.92,24,03,487/-
Amount finalized	Rs.72,51,52,173/-

Year 2008 (for the year 2005)

Amount claimed	Rs.1,03,10,80,789.98/-
Amount finalized	Rs.90,03,40,484.37/-

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. The CBDT consists of a Chairman and six Members. It is the cadre controlling authority for the Income Tax Department.

In its functioning, the CBDT is assisted by the following Directorates:

- (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(HRD)
- (vii) 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

4.2 Direct Tax Collections

Revenue collection from Direct Taxes has been growing consistently for the last five years. The Direct Tax Collections as a percentage of GDP has grown from 2.68% in F.Y. 1998-99 to 6.21% in F.Y. 2008-09. As a result of improved tax administration and better tax compliance direct tax collection is displaying positive trends

An amount of Rs.3,37,150 crore (provisional) has been collected up to 31st March'09 at a growth rate of around 8% over previous year's corresponding collection of Rs.3,12,202 crore. During the span of last five years, the collection has more than trebled. During 2003-04, the direct taxes collection was Rs.1,05,088 crore and for the year 2008-09, the direct taxes collection has reached Rs.3,37,150 crore (provisional).

The collection from TDS till 31st March, 2009 is Rs.1,33,500 crore which is at a very healthy growth rate of 25% over corresponding figure last year. This has 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 0.53% in 2008-09 being one of the lowest in the world.

The Department has already collected Rs.10,016 crore from arrear demand during 2008-09 at a growth rate of 10.42% against a corresponding collection of Rs.9,071 crore last year and in current demands, the collection for 2008-09 stands at Rs.21,226 crore in 2008-09 at a growth rate of 11.1%. Arrear demand amounting to Rs. 25,667 crore has been liquidated pursuant to orders of appellate authorities, the courts and through rectification petitions.

One can see that during the span of last five years the Direct Taxes-GDP ratio has risen from 3.81% to 6.21%. In fact the contribution from Direct Taxes to the Central Kitty is at present around 55% of the total tax revenue collected.

4.2.1 Augmentation of Tax Collection and new initiatives

The Income Tax Department has taken the following steps to maintain the momentum of tax collection.

- All CCsIT/DGIT have been advised to take up more Surveys with a view to detect undisclosed income, lower and non-deduction of tax at source(TDS)
- Tax machinery is being made more tax payer friendly by expeditious issues of refunds, response to the grievance of the tax payers etc.
- Identification of cases involving substantial amount of arrears which are pending before Commissioners

(Appeals), ITAT and Settlement Commission and asking these authorities to dispose off such appeals expeditiously.

- Monitoring of advance tax payments by top taxpayers by the senior officers of the Department.
- Further computerization of the Departmental business processes and databases for linking of information and reporting of high value transactions to the tax authorities
- Quoting of PAN being made mandatory in most of the financial transactions.
- Multi-media campaign to encourage voluntary compliance of tax laws.
- New Directorate on TDS was created to particularly prioritise on collection from TDS/TCS etc with emphasis on surveys, inspections etc.

4.2.2. New initiatives

(i) Knowledge Management: The conceptual framework on knowledge management was discussed in the 24th Annual Conference of Chief Commissioners of Income Tax and Director Generals of Income Tax on 9th June, 2008. A National Committee was set up to collect orders from field formations after getting them evaluated from Regional Committees headed by Chief Commissioner of Income Tax with DIT (O&MS) as the Nodal Agency. After exhaustive evaluation the compilation was prepared and the book 'Let us Share' containing best practices and orders was released by Shri S.S.Palanimanickam, Minister of State for Revenue, on 4th February, 2009. This is the first time that an attempt has been made to create an institutional memory by capturing the excellent work done in the Income Tax Department. The compilation begins with a section on Best Practices. This section documents various practices, initiatives and innovations experimented by the department both at the national and the regional levels successfully. The other sections capture the various facets of the work of the department in a summary form. The focus has been on a particular issue rather than the whole order. The effort to share knowledge is being supplemented by launching the new [website www.incometaxindiapr.gov.in](http://www.incometaxindiapr.gov.in). Apart from offering contents for the taxpaying public, this has a knowledge portal exclusively for the use of departmental officers.

(ii) Recovery drive: Intensive monitoring of dossier cases above 25 crore having collectible demands was done by Member (R) with the assistance of DIT (Recovery). A detailed analysis of all dossiers above 25 crore has been done by the Directorate. As a result of the drive an amount of Rs. 10016 crore was collected.

(iii) E-filing: The Income Tax Act has with effect from 1-04-2008 has made e-filing of returns compulsory for the tax payers with turnover of Rs.40 lakh (cases liable to furnish audit report u/s44AB). This is in addition to all corporate assesseees who have to compulsorily e-file their returns of

Table 3.17

Budget Estimate and Actual Collection of Direct Taxes during the Financial Years 06-07, 07-08 & 08-09						
Taxes	(Rs. in crore)					
	Budget Estimate	2006-07 Collection	Budget Estimate	2007-08 Collection	Budget Estimate	2008-09 Collection
Corporate Income-tax	1,33,010	1,44,318	1,68,401	1,92,911	2,26,361	2,15,056
*Personal Income Tax	77,409	85,550	98,774	1,18,915	1,38,314	1,21,652
Others	265	316	315	387	325	442
Total	210684	230184	2,67,490	3,12,213	3,65,000	3,37,150

Note: *Personal Income Tax collection includes collection under Security Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax.

Actual Collection of Direct Taxes during the period from 1st January, 2008 to 31st March, 2009.

	(Rs. in crore)
Corporate Income Tax	2,79,737
Personal Income Tax (including FBT, STT, BCTT & OT)	1,63,550
Total Direct Taxes	4,43,287

Table 3.18

Arrear and Current Demand of Corporate Income Tax and Personal Income Tax for FY 2007-08 and FY 2008-09.

	(Rs. in crore)	
	Financial Year 2007-08	Financial Year 2008-09
A. Total Outstanding Demand	1,30,732	2,13,648
B. Reason-wise Analysis	6,459	12,372
1. Amount not fallen due		
2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.	1,09,744	1,87,575
C. Net Collectible Demand (A-B)	14,529	13,701

income. Of the e>Returns filed, nearly 2/3rds have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing. As on Q3 of FY 2008-09, nearly 29 lakh e>Returns have been received.

(iv) E-payment: All Direct Taxes e.g. Income Tax, Corporate tax, FBT, BCTT (TDS, Advance tax, self assessment tax can be paid online using net banking facility. In F.Y. 2008-09, an amount of Rs.2,40,562 crore came through e-payment.

(v) BPR (Business Process Re-engineering): Business Process Re-engineering exercise was undertaken by the

Income Tax Department with the main objective of enabling ITD in dealing with the challenges of increased work load, shortage in manpower and transition from manual to computerized work environment. This involved review of all the processes of the Department.

The BPR study commenced on May 1, 2007, with the help of an external consultant. The study was completed in Dec 2007 and the final report was submitted in April 2008. The key strategic areas on which the study was focused included pre-assessment, assessment, post-assessment and appellate/dispute avoidance and other enabling processes such as

Table 3.19

BE-RE-Actual Collection

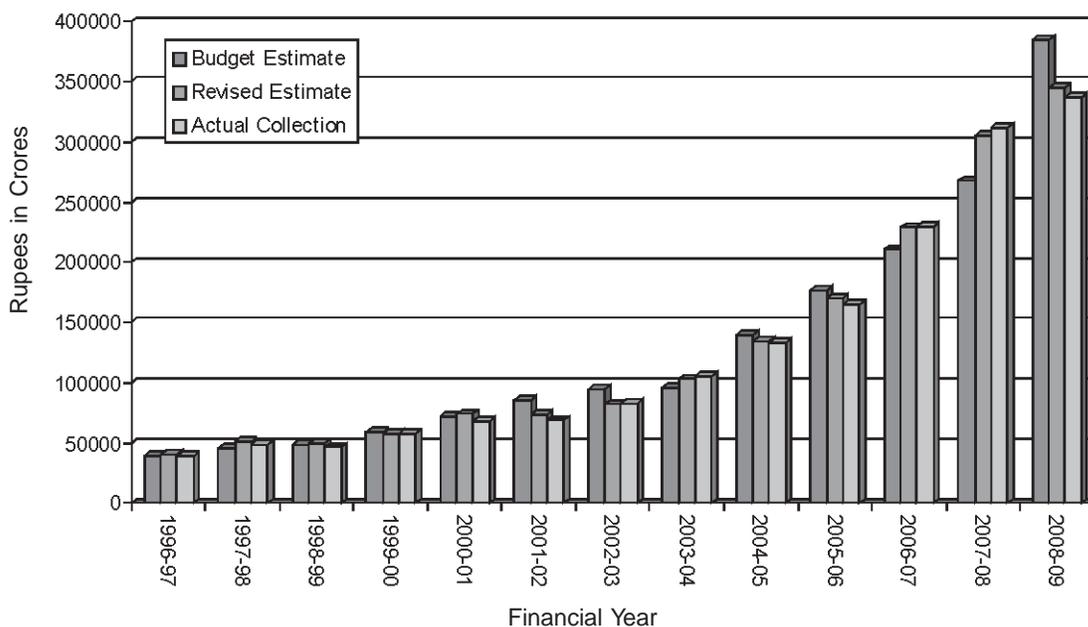
(Rs. in crore)

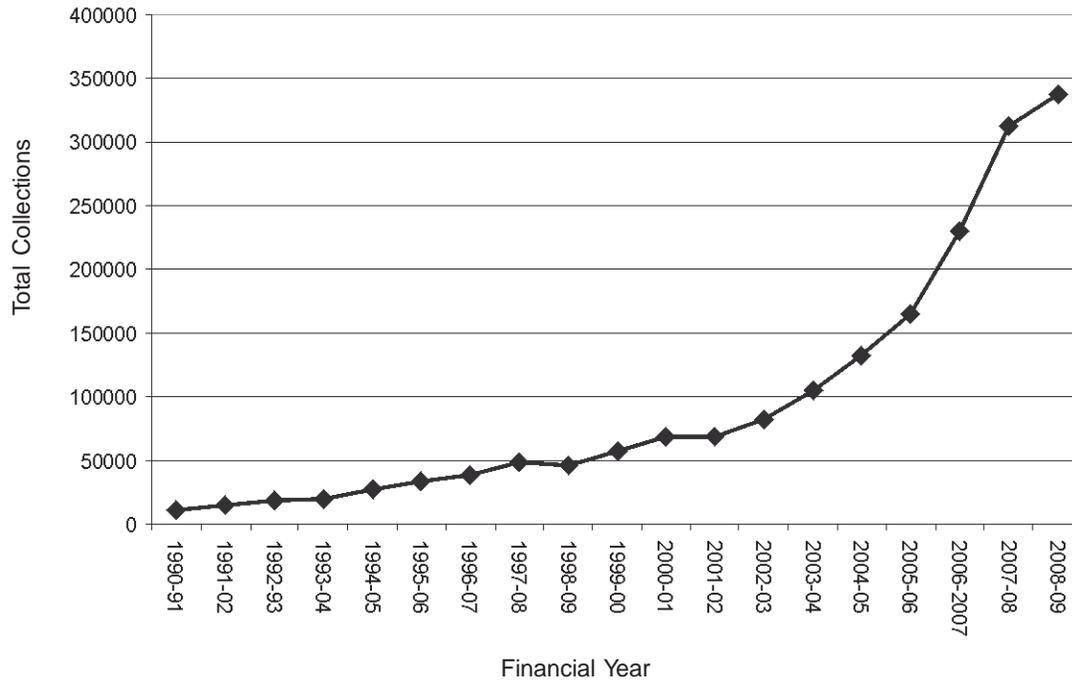
Financial	Budget Estimates	Revised Estimates	Actual Estimates	Growth Rate of Actual	% age of Budget Estimates	% age of Revised Estimates Achieved
1996-97	39004	40163	38895	15.88%	99.72%	96.84%
1997-98#	45710	51260	48280	24.13%	105.62%	94.19%
1998-99	48855	49854	46600	-3.48%	95.38%	93.47%
1999-00	59235	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	230184	39.33%	109.26%	100.40%
2007-08	267490	304760	312202	35.63%	116.72%	102.44%
**2008-09	365000	345000	337150	7.99%	92.37%	97.72%

**The figures of 2008-09 are provisional.

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:

Graph- 1: BE-RE Actual Collection



Graph-2: Growth in Direct Taxes (Rs in Crore)**Table 3.20****Cost of Collection***(Rs. in crore)*

Financial Year	Total Collections	Total Expenditure (Revenue)	Exp 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	933	1.35%
2002-03	83,088	984	1.18%
2003-04	105,088	1050	1.00%
2004-05	132,771	1138	0.86%
2005-06	165,208	1194	0.72%
2006-07	230,184	1348	0.59%
2007-08	312,202	1687	0.54%
*2008-09	337,150	1772	0.53%

* Figures of 2008-09 are provisional

Graph 3: Cost of Collection

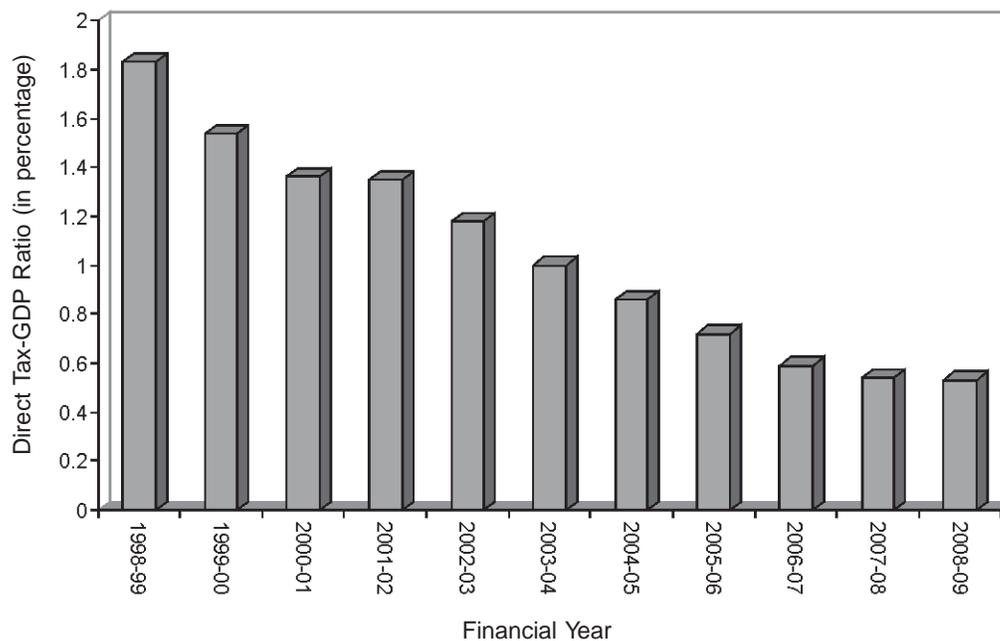


Table 3.21

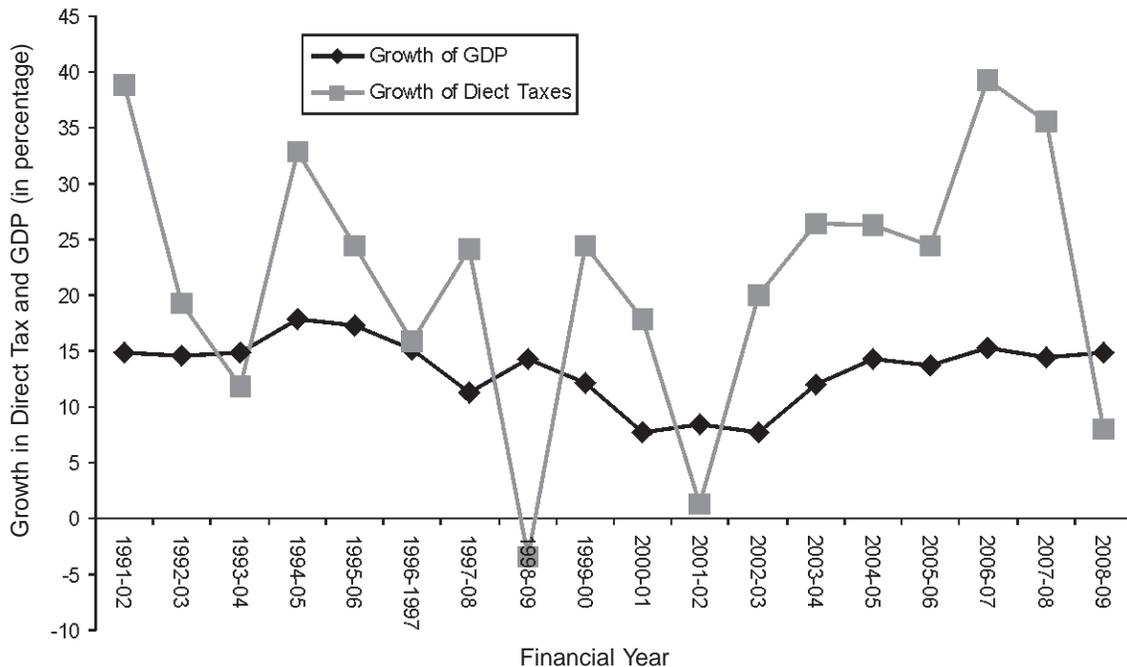
Direct Tax – GDP Ratio

(Rs. in crore)

Financial Year	Net Collections of Direct Taxes	GDP at current Market Prices	Direct Tax-GDP Ratio	GDP Growth Rate	Tax Growth	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	2754621	3.81%	12.06%	26.48%	2.19
2004-05	132771	3149412	4.22%	14.33%	26.34%	1.84
2005-06	165208	3580344	4.61%	13.68%	24.43%	1.79
2006-07	230184	4129173	5.57%	15.33%	39.33%	2.57
2007-08	312202	4723400	6.61%	14.39%	35.63%	2.48
**2008-09	337150	5426277	6.21%	14.88%	7.99%	0.54

** Figures of 2008-09 are provisional, GDP for 2008-09 are based on Advance Estimates
GDP for 2007-08 is based on Revised Estimates

GRAPH-4 Growth in Direct Taxes and growth in GDP



information technology, human resources, infrastructure, etc. The study was undertaken in two phases- As-is Study and To-be Modeling and was conducted at 15 locations including metros, mid-size cities and moffusil areas with participation of Departmental personnel and taxpayers. The key recommendations of the study were presented to the CBDT on 19th, 20th and 24th March, 2008 and majority of the recommendations have been accepted by the Board.

The main recommendations include:

- Functional segregation of the working of the Department across two broad lines; a **Bulk Operations Division (BOD)** handling routine, repetitive and activities not requiring exercise of discretion in individual cases and a **Compliance Operations Division (COD)** to carry out specialised enforcement activities for a smaller number of taxpayers.
- Setting up new, state of the art, '**Regional Processing Centres**' at an appropriate number of new locations to carry out bulk operations.
- '**Facilitation Centres**' (FCs) to be set up by authorised independent agencies and networked to the ITD to facilitate online recording of all transactions received by the centre on behalf of ITD.
- '**Front Offices**' at all ITD buildings which will perform all the functions of the Facilitation Centre, but manned by Departmental staff.
- Call Centres to provide information to the taxpayer and answer queries.
- A **multi-stage reconciliation process**, starting from

the receipt of payment at the bank, to ensure resolution of mismatches at various stages of accounting.

- Facility for payment of taxes through the ATM networks of authorised banks to facilitate ease in payment of taxes
- An IT enabled **Record Management System** with a two-pronged approach for dealing with existing records and another for dealing with new records.
- A **Deep Storage** site to store returns after digitization and scanning of returns at BOD.
- Periodical weeding out of returns
- A **Risk Assessment System** where the elements of income reported would be corroborated by logical checks of data in the ITD system (both internal and third party) to ascertain under-reported income, if any
- A **Knowledge Management System** to enable sharing of information among all ITD personnel including judgements of different courts, stand taken by the ITD on decisions, CBDT Circulars, Instructions, Reports & Statistics, Best practices, Work Aids, "How Do I...?" guides, Ask an Expert, Training material, etc
- An '**Appeal Registry**' to ensure even distribution and allocation of appeal cases
- **Grievance Redressal System** with facility for multiple channels for submission and tracking of status of the application
- Proposal for creation of three Directorates to streamline the functioning of Human Resources Development, Risk Assessment, and Knowledge Management.

- A new ITD software application to be developed in line with the suggested To-Be Models and processes.

(vi) **Media Center:** The Media Center, set up in the CBDT in August 2006, 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 50) 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.

4.3 Annual Conference

The 24th Annual Conference of Chief Commissioners and Directors General of Income Tax was held on 9th and 10th of June 2008 at Vigyan Bhawan, New Delhi. The same was inaugurated by the Finance Minister Shri P. Chidambaram who expressed his deep appreciation and complimented the Department for exceeding the revised budget targets for the Financial Year 2007-08. It was stated by him that the growth in direct tax collection is playing an important role in implementing the development and welfare schemes of the government.

The Conference also deliberated upon Augmenting Revenue collection, Speeding the processing of returns, Creation of Knowledge Bank, National Database, Modernisation of Investigation set up and e-TDS etc. 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) Shri S.S. Palanimanickam on 10th June 2008.

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 a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 61 Regional Direct Taxes Advisory Committees (RDTACs) exist 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. The CDTAC was reconstituted on 24th September, 2008 and the first meeting of the CDTAC was held under chairmanship of the Finance Minister Shri P. Chidambaram on 26th November, 2008 at North Block New Delhi. In the meeting the suggestions of the participants were deliberated upon.

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. During the period from 1st January, 2008 to 31st March, 2008, 803 warrants have been executed and assets of the value of Rs. 12279.68 lakh have been seized in the form of cash, jewellery and others assets.

The figures pertaining to the Searches for the Financial Year 2008-2009 are placed in Table 3.23.

4.6 Widening of Tax Base, Assessment and Refunds

4.6.1 Widening of the Tax Base:

Statistics* showing the number of assessees over the last 7 years is as follows:

		(Rs. in lakh)
<i>Sl.No.</i>	<i>Financial Year</i>	<i>Total number of assessees as on 1st March of F.Y.</i>
1.	2002-03	300.19
2.	2003-04	301.78
3.	2004-05	308.08
4.	2005-06	315.37
5.	2006-07	319.26
6.	2007-08	326.87
7.	2008-09(Upto February ,2009)	326.86

*Source CAP-II

Disposal of refund claims: After processing of returns, the number of refunds granted is as follows:

		(Rs. in lakh)
<i>Sl.No.</i>	<i>Financial Year</i>	<i>No. of refunds encashed</i>
1.	2006-2007	44.19
2.	2007-2008	48.77
3.	2008-2009	45.50

Source: DGIT(System)

Condonation of delay in filing refund claims:

Refund claims are required to be filed within one year from the end of the A.Y. to which the claim pertains. The Board has been given power u/s 119(2)(b) of the Income Tax Act to condone the delay if it considers desirable or expedient to do so for avoiding genuine hardship in any case

4.6.2 Valuation Cell: Valuation Cells have statutory powers in respect of the following:

- (i) Determining the value of properties for 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.
- (iii) The valuation cell is also often requested by the Assessing Officers to assess the cost of construction in property.

The Valuation Cell had disposed 2284 cases out of 3279 cases during the F.Y 2007-2008. During the current F.Y.2008-2009, 2195 cases were disposed out of 3267 cases up to 31st March, 2009.

4.7 Tax Administration and Social Objectives

4.7.1 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 sixteen (16).

4.7.2 Orders 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 1st 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 disposed of during the period were twenty (20).

4.7.3. 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 three (3) in number.

4.7.4. Condonation of delay under u/s 119(2)(b) of I.T. Act, 1961: During the period, the applications relating to condonation of delay under Section 119(2)(b) of Income Tax Act, 1961 have been rejected in six (6) cases.

Table 3.23

The figures pertaining to the Searches for the Financial Year 2008-2009 is as follows:

(Rs. in crore)

DGIT	No.	No..	VALUE OF ASSETS SEIZED				Disclosure
			Cash	Jewellery	Other Assets	Total	
Ahmedabad	32	422	17.70	18.78	8.97	45.45	328.95
Bangalore	24	151	34.22	1.62	0.00	35.84	531.26
Bhopal	29	229	7.90	5.48	0.82	14.20	234.76
Chandigarh	34	348	32.73	6.59	10.38	49.70	386.93
Chennai	30	168	15.67	15.42	0.00	31.09	232.08
Hyderabad	61	285	54.77	8.82	0.37	63.96	496.75
Jaipur	23	118	13.29	10.98	0.63	24.90	101.07
Kochi	24	91	4.31	3.43	5.12	12.86	51.14
Kolkatta	32	287	107.22	20.08	12.32	139.62	633.36
Lucknow	12	278	10.36	5.10	30.50	45.96	215.13
Mumbai	50	480	45.76	23.96	10.60	80.32	840.37
New Delhi	20	267	27.77	12.93	0.66	41.36	705.58
Patna	23	174	13.76	1.33	0.59	15.68	135.84
Pune	35	185	14.24	9.54	0.78	24.56	459.99
Total	429	3483	399.70	144.06	81.74	625.50	5353.21

4.7.5. Notification of jurisdiction of CCsIT/CsIT u/s 120(1)(2) of the IT Act, 1961: Granting jurisdiction being the work area of ITA-I Section, orders were issued notifying the jurisdiction of officers at various level viz. Chief Commissioners/Directors General/Commissioners and Directors of Income-tax. ten (10) notifications were issued during the period under review.

4.7.6. 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 was the authority for approving applications for industrial parks under Industrial Park Scheme, 2002 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. Under Industrial Park Scheme, 2008, CBDT is approving authority. During the year ONE notification was issued by Ministry of Finance under Industrial Park Scheme, 2002. In respect of Special Economic Zones (SEZ) 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. So far 552 (five hundred and fifty two) formal & 141 (one hundred and forty one) in principle approvals were granted for SEZs.

Vide Notification No. 2/2008 dated 08.01.2008, Income-tax (First Amendment) Rules, 2008 has been issued for amendment in Rule 18C of Income-tax Rules, 1962 for the purposes of "eligibility of Industrial Parks for benefits under Section 80-IA(4)(iii) of the Income-tax Act, 1961.

Notification No. 3/2008 dated 08.01.2008 has been issued for specifying the Industrial Park Scheme, 2008 for the purposes of Section 80-IA(4)(iii) of the Income-tax Act, 1961.

4.7.7 Notification No. 6/2008 dated 14.01.2008 has been issued for Specifying tax-free Pooled Finance Development Fund Scheme of the Government of India for the purposes of Section 10(15)(vii) of Income-tax Act, 1961.

4.7.8 Notification No. 7/2008 dated 15.01.2008 has been issued for the Commonwealth Games Federation as the person; Commonwealth Games, 2010 as the International Sporting event; and income amounting to 7.3 million GBP as the specified income for the purposes of Section 10(39) of the Income-tax Act.

4.7.9 Vide Notification No. 11/2008 dated 18.01.2008, Income-tax (2nd Amendment) Rules, 2008 has been issued for omission of clause (f) of Rule 40C(4) and insertion of Rule 40D namely "Valuation of Specified Security not being an equity share in the company" after Rule 40C of the Income-tax Rules, 1962.

4.7.9 Vide Notification No. 20/2008 dated 05.02.2008, Income-tax (3rd Amendment) Rules, 2008 has been issued for inserting Rule 14B of the Income-tax Rules, 1962 namely "Guidelines for the purposes of determining expenses for audit".

4.7.10 Notification No. 21/2008 dated 05.02.2008 has been issued for specifying the Oil Industry Development Board (OIDB) for the purposes of Section 36(1)(XII) of the Income-tax Act, 1961.

4.7.11 Notification No. 23/2008 dated 06.02.2008 has been issued for specifying ten years Zero Coupon Bond of National Housing Bank(NHB) u/s 2(48) of Income-tax Act, 1961.

4.7.12 Notification No. 28/2008 dated 21.02.2008 has been issued for specifying the "Issue of Foreign Currency Exchangeable Bonds Scheme, 2008" as a Scheme for the purposes of Section 115AC(1) of the Income-tax Act, 1961.

4.7.13 Instruction No. 02/2008 has been issued regarding Benign Assessment Procedure for assesseees engages in diamond manufacturing and/or trading.

4.7.14 (Circular No. 02/2008 has been issued regarding Securities lending/borrowing Scheme of Securities and Exchange Board of India (SEBI).

4.7.15 Notification No. 29/2008 dated 29.02.2008 has been issued for specifying manufacture or production of agricultural implements being an article or thing for the purpose of the Section 35(2AB)(1) of Income-tax Act, 1961.

4.7.16 Notification No. 30/2008 dated 29.02.2008 has been issued for specifying manufacture or production of seeds being an article or thing for the purpose of the Section 35(2AB)(1) of Income-tax Act, 1961.

4.7.17 Vide Notification No. 50/2008 dated 28.03.2008, Income-tax (6th Amendment) Rules, 2008 has been issued for Income Tax Return Forms (ITR-1 to ITR-8) for the Assessment Year 2008-09.

4.8 Judicial Work

The ITJ Section of CBDT deals with matters of litigation in Supreme Court and various High Courts pertaining to writ petitions/other litigations of Direct Taxes, filing of references in cases of Central Government Public Sector Undertaking/ Other Government Departments before Committee on Disputes(COD), appointment of Standing Counsels/Special Counsels etc. for representing cases before High Courts and other Courts. Besides it also deals with monitoring of disposal of appeals by the CsIT(A), norms thereof and representation of cases by the Departmental representatives before ITAT.

4.8.1. The number of appeals filed by the Department during F.Y. 2007-08 have marginally increased as indicated below:

Courts/Tribunals	During F.Y. 2007-08	During FY 2006-07
ITATs	20,022	19,063
HCs	10,968	10,286
SC	762	668

The disposal of appeals by CITs(A) is as mentioned below.

No. of appeals disposed in F.Y. 2007-08	No. of appeals disposed in F.Y. 2006-07
63,645	67,630

The statistics of COD references made during the year 2007-2008 is,

No. of cases referred during F.Y. 2007-08	No. of cases referred during F.Y. 2006-07
319	291

During the F.Y. 2007-08 the Statistics of engagement of Standing Counsels, Prosecution Counsels and Special Counsels is as under:

Category of Counsels	2007-08	2006-07
Standing Counsel	26	40
Prosecution Counsel	06	20
Special Counsel	37	08

4.8.2. In order to improve the quality of representation, especially in the cases with high stakes of revenue and involving complicated issues, the CBDT has issued Instruction No. 3/08, dated 25/03/2008, for engagement of Special Counsel for representing the Income-tax department before various High Courts/ITATs/other Courts. Another Instruction No. 4/08 dated 25/03/2008 was issued which dealt with work allocation among CIT(DRs) and Sr. DRs posted in ITAT. Further Instruction No. 5/08 dated 15/05/2008 has been issued u/s. 268 A(1) of the Income Tax Act, 1961 regarding

the revision of monetary limits for filing of appeals by the Department before ITAT, High Courts and Supreme Court. Instruction No. 3/2008 has been issued on 25.3.2008 for the guidelines for engagement of special Counsels for representing the Income-tax Department before High Court/ITAT/other Courts.

4.9 Legislative Measures

Highlights of the performance and achievements during the year 2008-09 along with action taken on the Budget 2008-09 announcements

A. Changes in tax rates

1. The basic exemption limit has been increased from Rs. 1,10,000/- to Rs.1,50,000/
2. The exemption limit for every woman resident in India and below the age of sixty-five years has been raised from Rs. 1,45,000/- to Rs. 1,80,000/-.
3. The basic exemption limit for every individual resident, who is of the age of sixty-five years or more, has been raised from Rs. 1,95,000/- to Rs.2,25,000/-.
4. Section 111A and 115AD provide for special tax rate of ten per cent on short-term capital gain arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to securities transaction tax. This rate of tax has been increased to fifteen percent from A.Y.2009-10 onwards.
5. In the case of every company, other than a domestic company, surcharge at the rate of two and one-half per cent shall be levied only in cases where the total income exceeds one crore rupees. However, marginal relief is allowed in all these cases to ensure that the additional amount of income-tax payable, including surcharge, on the excess of income over one crore rupees is limited to the amount by which the income is more than one crore rupees.
6. Also, in the case of every company having total income chargeable to tax under section 115JB of the Income Tax Act and where such income exceeds one crore rupees, marginal relief is allowed.

B. Other Major Changes

Amendment

An Explanation in section 2 of the Income-tax Act, has been inserted providing that any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

The clause (15) of Section 2 has been providing that “charitable purpose” includes relief of the poor, education, medical relief, and the advancement of any other object of general public utility, Provided that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity;.

Section 10 of Income-tax Act relates to incomes which do not form part of total income. A new clause (26AAA) in section 10 has been inserted to provide that the following income, which accrues or arises to a Sikkimese individual, shall be exempt from income-tax –(a) income from any source in the State of Sikkim; or(b) income by way of dividend or interest on securities This exemption will not be available to a Sikkimese woman who, on or after 1st April, 2008, marries a non-Sikkimese individual.

Sub-clause (h) in clause (29A) of section 10 has been inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2002, providing that any income accruing or arising to the Coir Board established under section 4 of the Coir Industry Act, 1953 (45 of 1953) shall not be included in computing the total income.

Rationale for Amendment

“Agricultural income” is defined in section 2(1A) of the Act to mean, *inter-alia*, income derived from land which is situated in India and is used for agricultural purposes. Such agricultural income is exempt from tax under section 10(1) of the Income-tax Act, 1961 ('Act'). It has been held by judicial authorities that whether income from nursery operations constitutes agricultural income or not, will depend on the facts of each case. If the nursery is maintained by carrying out basic operations on land and subsequent operations are carried out in continuation of the basic operations, then income from such nursery would be agricultural income not liable to tax under section 10. However, if the nursery is maintained independently without resorting to basic operations on land, then income from such nursery would not be agricultural income and would be liable to be included in the total income. With a view to giving finality to the issue, the section 2(1A) has been amended so as to provide that any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income. Accordingly, irrespective of whether the basic operations have been carried out on land, such income will be treated as agricultural income, thus qualifying for exemption under section 10(1) of the Act.

Section 2(15) of the Act defines “charitable purpose” to include relief of the poor, education, medical relief, and the advancement of any other object of general public utility. It has been noticed that a number of entities operating on commercial lines are claiming exemption on their income either under section 10(23C) or section 11 of the Act on the ground that they are charitable institutions. This is based on the argument that they are engaged in the “advancement of an object of general public utility” as is included in the fourth limb of the current definition of “charitable purpose”. Such a claim, when made in respect of an activity carried out on commercial lines, is contrary to the intention of the provision. With a view to limiting the scope of the phrase “advancement of any other object of general public utility”, the section 2(15) has been amended.

This exemption was provided as a measure to promote socio-economic development.

Section 10 (29A) provides that any income of certain specified commodity boards and export development authorities shall be exempt from income tax. A similar exemption in respect of any income accruing or arising to the Coir Board established under the Coir Industry Act, 1953 has been allowed as a measure to promote socio-economic development.

Clause (43) in section 10 has been inserted providing that any amount received by an individual as a loan, either in lump sum or in instalment, in a transaction of reverse mortgage referred to in clause (xvi) of section 47 shall not be included in computing the total income.

In section 35 of the Income-tax Act, with effect from the 1st day of April, 2009, in sub-section (1), clause (iia) has been inserted providing that in respect of expenditure on scientific research, an amount equal to one and one-fourth times of any sum paid to a company to be used by it for scientific research shall be allowed as deduction subject to prescribed conditions. Clause (6) has been inserted in sub-section (2AB) of Section 35 according to which no deduction of the expenditure incurred by the company engaged in scientific research after the 31st day of March, 2008 shall be allowed.

Section 35D has been amended making service sector eligible for deduction of certain specified preliminary expenses.

The provisions of section 40(a)(ia) was amended allowing additional time (till due date of filing of return of income) for deposit of TDS pertaining to deductions made in the month of March so that disallowance u/s 40(a)(ia) is not attracted in such cases. This date, in most cases of TDS deductors would be 30th September. The taxpayer (deductor) will therefore get a time of six months (April to September) for depositing the tax deducted at source on an expenditure incurred in the month of March so as to escape disallowance u/s 40(a)(ia). This amendment has been made with retrospective effect from assessment year 2005-06.

Clause (a) of sub-section (3) of Section 40A of the Income-tax Act, 1961 provides that any expenditure incurred in respect of which payment is made in a sum exceeding Rs.20,000/- otherwise than by an account payee cheque drawn on a bank or by an account payee bank draft, shall not be allowed as a deduction. Clause (b) of sub-section (3) of section 40A also provides for deeming a payment as profits and gains of business or profession if the expenditure is incurred in a particular year but the payment is made in any subsequent year in a sum exceeding Rs. 20,000/- otherwise than by an

Consequent to these amendments, a borrower, under a reverse mortgage scheme, is liable to income tax (in the nature of tax on capital gains) only at the point of alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan. These amendments are applicable with effect from 1st April 2008.

Section 35(1)(ii) of the Income-tax Act, provides for weighted deduction to a payer, to the extent of 125 per cent of the sum paid to an approved scientific research association, approved university, college or other institution to be used for scientific research subject to certain other specified conditions. With a view to encouraging outsourcing of scientific research, particularly by small companies which are handicapped in making lumpy investment for building in-house scientific facilities, new clause (iia) in sub-section (1) of section 35 of the Income-tax Act has been inserted to allow a weighted deduction of 125 per cent of the amount paid by a person to a company to be used for scientific research subject to prescribed conditions. However, with a view to avoid multiple claims for deduction, the entitlement of deduction of 150% under section 35(2AB) by a company approved under the provisions of section 35(1)(iia) has been removed. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research which is available under section 35(1)(i) will continue to be allowed.

Section 35D provides for deduction of certain specified preliminary expenses. The deduction is allowed to industrial undertaking or unit on an amount equal to one fifth of such expenditure for five successive previous years. With a view to providing a level playing field to the services sector, the same benefit of amortization of specified post-commencement preliminary expenses as is available to the manufacturing sector for the extension of an undertaking or the setting up of a new unit the amendment was made.

To mitigate any hardship caused by provisions of section 40(a)(ia) while maintaining TDS discipline, the Finance Act, 2008 amended provisions of section 40(a)(ia). The provisions of section 40(a)(ia) relating to payments made to residents was introduced not only to ensure greater compliance of the TDS provisions but also to curb non-genuine payments on account of interest, commission, brokerage, etc.

Section 40A(3) is an anti tax-evasion measure. By requiring payments to be made by an account payee instrument, it is possible to verify the genuineness of the transaction. Thereby the risk of evasion is substantially mitigated. Field formations have reported that assessee tend to circumvent the provisions of section 40A(3) by splitting a particular high value payment to one person into several cash payments, each below Rs. 20,000/-. This splitting is also resorted to for payments made in the course of a single day. The courts have approved such splitting by interpreting the words 'in a

account payee cheque or by an account payee bank draft. However, the provisions of this section are subject to exceptions as provided in Rule 6DD of the Income-tax Rules, 1962. The provisions of section 40A(3) have been amended providing that the provisions of section 40A(3) shall also be attracted where the aggregate of payments made to a single party otherwise than by an account payee cheque drawn on a bank or account payee bank draft exceeds twenty thousand rupees in a day.

In sub-section 6 of section 43 of the Income-tax Act, *Explanation* has been inserted and shall be deemed to have been inserted, with effect from the 1st day of April, 2003, which provides that where an assessee was not required to compute his total income for the purposes of this Act for any previous year or years preceding the previous year relevant to the assessment year under consideration, the actual cost of an asset shall be adjusted by the amount attributable to the revaluation of such asset, if any, in the books of account and the total amount of depreciation on such asset, provided in the books of account of the assessee shall be deemed to be the depreciation actually allowed under this Act. The depreciation actually allowed shall be adjusted by the amount of depreciation attributable to such revaluation of the asset.

Subsection (xa) in section 47 was inserted to provide that the conversion of FCEBs into shares or debentures of any company shall not be treated as a 'transfer' within the meaning of Income-tax Act. Further sub-section (2A) of section 49 was amended to provide that the cost of acquisition of the shares received upon conversion of the bond shall be the price at which the corresponding bond was acquired.

Sub-section (9) of section 80-IB provides for a hundred percent deduction of profits and gains derived from commercial production or refining of mineral oil. For the purpose of this section, the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act. The deduction under this sub-section is available to an undertaking for a period of seven consecutive assessment years including the initial assessment year

Two new clauses in sub-section (2) of section 80C has been inserted and according to which the following investments made by the assessee, during the previous year, shall be eligible for deduction under section 80C within the overall ceiling of rupees one lakh:-(i) five year time deposit in an account under Post Office Time Deposit Rules, 1981; and(ii)

sum' used in the section to mean a single sum thereby applying the limit to each transaction. The interpretation by the courts is against the legislative intent and has, consequently, adversely affected the efficacy of this anti-abuse provision. Therefore, the provisions of section 40A(3) have been amended accordingly.

The amendment was made to clarify the legislative intention as in one the case ,The Income Tax Appellate Tribunal (ITAT)has held that since there was no liability to tax, there was no occasion to compute the income of such person under the provisions of the Income-tax Act. Therefore, the depreciation provided in the books in the years when the income was exempt cannot be treated as the depreciation "actually allowed". Accordingly, it was held that the actual cost of the asset was the written down value for the purposes of claiming depreciation under the Income-tax Act in the previous year in which such person first ceases to enjoy the income-tax exemption. This interpretation is not in conformity with the intent and purpose of the provisions of depreciation and the amendment was made.

In 1992, the Government allowed established Indian companies to issue foreign currency convertible bonds (FCCB), with special tax regime for non-resident investors, so as to encourage the flow of foreign exchange to India. The Government has now allowed established Indian companies to issue foreign currency exchangeable bond (FCEB). These are bonds expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency. The FCEBs differ from FCCBs in as much as the latter can only be converted into shares of the issuing company, whereas FCEBs can also be converted into or exchanged for the shares of a group company. With a view to providing a level playing field to FCEBs the amendment was made.

A new proviso in sub-section (9) of section 80-IB has been inserted so as to provide that no deduction under this sub-section shall be allowed to an undertaking engaged in refining of mineral oil if it begins refining on or after the 1st day of April, 2009 unless it fulfils certain specified conditions, namely:It is wholly owned by a public sector company or any other company in which a public sector company or companies hold at least forty-nine per cent of the voting rights;It is notified by the Central Government on or before the 31st day of May, 2008; andIt begins refining not later than the 31st day of March, 2012.

This has been done as a welfare measure with a view to encourage small savings increasing the scope of eligible saving instruments.

deposit in an account under the Senior Citizens Savings Scheme Rules, 2004.

An additional deduction of up to fifteen thousand rupees has been allowed u/s 80D to an assessee, being an individual, on any payment made to effect or keep in force insurance on the health of his parent or parents. The existing condition of 'dependent' with respect to parents has been dispensed with. This deduction is in addition to the existing deduction available to the individual assessee on medical insurance for himself, his spouse and dependent children. Further, if either of the individual assessee's parents, who has been medically insured, is a senior citizen, the deduction would be allowed up to twenty thousand rupees.

A new sub-section (11C) has been inserted in the section 80-IB, providing tax benefit with respect to the profit derived from the business of operating and maintaining a hospital, which is constructed and has started or start functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013 for a period of five consecutive assessment years, beginning from the initial assessment year located anywhere in India, other than the specified excluded area comprising the urban agglomerations on the basis of the 2001 census.

The scope of tax benefits available under section 80-ID has been extended to new two-star, three-star or four-star category hotels located in specified districts having a World Heritage Site. Such hotels are required to be constructed and start functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013.

The following amendments have been made relating to the Fringe benefit tax:

- (a) Sub-section (2) of section 115WB of the Income-tax Act has been amended providing that any expenditure on or payment through pre-paid electronic meal card shall also be excluded from the hospitality expenditure for calculation of the value of fringe benefit. Such electronic meal card should not be transferable, should be usable only at eating joints or outlets and should fulfil such other conditions, as may be prescribed.
- (b) The Explanation to clause (E) has been amended to provide that any expenditure incurred or payment made to fulfil any statutory obligation, mitigate occupational hazards, provide first aid facilities in the hospital, dispensary run by the employer, provide crèche facility for the children of the employee, sponsor a sportsman, being an employee or organize sports events for employees shall not be considered as expenditure for employees' welfare for the purpose of calculation of the value of fringe benefits.
- (c) Clause (K) has been omitted. Hence, any expenditure on or payment made for maintenance of any accommodation in the nature of guest house shall not be included for valuation of fringe benefits.

Section 80D of the Income-tax Act provides for a deduction to an assessee, being an individual or a Hindu undivided family, for making a payment to effect or keep in force a medical insurance. As a welfare measure and since health insurance cover for the elderly comes at a relatively higher price, to encourage individual assesseees to supplement the efforts of their parents in getting themselves medically insured, these provisions have been inserted.

To promote Socio-economic development, with a view to encouraging investment in hospitals in non-metro cities, the benefit of deduction has been extended to hospitals located in certain areas.

With a view to promote tourism and to attract tourists to certain World Heritage Sites in India, the scope of tax benefits available under section 80-ID has been extended.

These amendments have been made with a view to rationalize the provisions of Fringe Benefit Tax.

- (d) Further, clause (c) and clause (d) of sub-section (1) of section 115WC have been amended so as to provide that the value of fringe benefits on account of expenditure on festival celebration shall be twenty per cent as against the existing rate of fifty per cent.

A new section 115WKB has been inserted to provide that where fringe benefit tax (with respect to allotment or transfer of specified security or sweat equity shares) has been paid by the employer and subsequently recovered from the employee, the recovery of fringe benefit tax shall be deemed to be the tax paid by such employee in relation to value of fringe benefits provided to him. The deeming provision shall apply only to the extent to which the amount of recovery relates to the value of the fringe benefits provided to such employee. The new section further seeks to provide that the employee shall not be entitled for any refund or entitled to claim any credit of such deemed payment of tax against tax liability on other income or against any other tax liability.

The proviso to subsection (2C) Section 142(2A) was amended, so as to also allow the Assessing Officer to extend this period of furnishing of audit report *suo-motu*. Hence, while the Assessing Officer shall continue to have power to grant extension on an application made in this behalf by the assessee and when there are good and sufficient reasons for such extension, he can also grant such extension on his own.

Correction of arithmetical mistakes and adjustment of incorrect claim under section 143(1) through Centralised Processing of Returns.[section 143].

- (i) Section 148 of the Income-tax Act was amended to provide that the assessing officer may assess or reassess an income which is chargeable to tax and has escaped assessment other than those income involving matters which are the subject matter of any appeal, reference or revision;
- (ii) Section 151 of the Income-tax Act was amended to provide that the Joint Commissioner, the Commissioner or the Chief Commissioner, as the case may be, being satisfied on the

This new section has been inserted with a view to rationalize the provisions of Fringe Benefit Tax.

To rationalize and simplify the administrative and compliance procedures.

Generally, tax administrations across countries adopt a two-stage procedure of assessment as part of risk management strategy. In the first stage, all tax returns are processed to correct arithmetical mistakes, internal inconsistency, tax calculation and verification of tax payment. At this stage, no verification of the income is undertaken. In the second stage, a certain percentage of the tax returns are selected for scrutiny/audit on the basis of the probability of detecting tax evasion. At this stage, the tax administration is concerned with the verification of the income. In India, the scheme of summary assessment being in force since the 1st day of June, 1999 does not contain any provision allowing for prima facie adjustment. The scope of the present scheme is limited only to checking as to whether taxes have been correctly paid on the income returned. Under the existing provisions of section 143(1), there is no provision for correcting arithmetical mistakes or internal inconsistencies. This leads to avoidable revenue loss. With an objective to reduce such revenue loss the section 143 was amended.

To make the legislative intent clear that if an income has escaped assessment and which has not been subject matter of an appeal, reference or revision, notice under section 148 can be issued for assessment or reassessment of that income.(ii) Section 151 of the Income-tax Act requires an assessing officer to seek the approval of the Joint Commissioner, in a case, where no assessment under section 143(3) or section 147 has been made for the relevant

reasons recorded by the assessing officer about fitness of a case for the issue of notice under section 148, need not issue the notice himself.

Provision for assessment in the case of annulment of the proceeding under section 153A was made by way of amendment in section 153 A and revival of original assessment proceeding was provided, in case the search assessment is annulled. Further section 153B was amended to provide the time limit for completion of such revived assessment.

In section 193 of the Income-tax Act, in the proviso, the clause (ix) has been inserted providing that no tax shall be deducted from any interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956.

Section 194C of the Income-tax Act, has been amended providing that any association of persons or body of individuals, whether incorporated or not shall be liable to deduct income-tax at source at the time of credit or payment of such sum to the account of the contractor under sub-section (1) of section 194C.

assessment year; and• the notice is to be issued after expiry of four years from the end of the relevant assessment year. It has been provided that notice in such a situation shall be issued by the assessing officer only when the Joint Commissioner is satisfied, on the reasons recorded by the assessing officer, that it is a fit case for the issue of such notice. Hon'ble Allahabad High Court in the case of Dr. Shashi Kant Garg Vs. CIT 285 ITR 158 has observed that notice under section 148 in such a situation is to be issued by the Joint Commissioner. The legislative intent, in such a situation, has been very clear. The Joint Commissioner is only required to be satisfied on the reasons recorded by the assessing officer. The amendment seeks to clarify the above legislative intent.

Under the Income-tax Act, whenever a search is conducted under section 132 or books of account or other documents or any assets are requisitioned under section 132A, provision of section 153A comes into operation. This section, inter-alia, provides for assessment or reassessment of total income in respect of each assessment year falling within a period of six assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted or books of account, etc are requisitioned. Time limit for completion of such assessment or reassessment is provided in section 153B. At present, there are a number of question relating to revival of proceedings and time limits which remain ambiguous. With the view to providing clarity and reducing the disputes the amendment in section 153A of the income tax Act was made.

Section 193 of the Income-tax Act provides for deduction of tax at source (TDS) on any income by way of interest on securities payable to a resident. In order to facilitate development of the corporate bond market for improving the availability of finances for infrastructure development, the TDS liability on any interest payable to a resident on any security issued by a company where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder has been removed.

Sub-section (1) of section 194C of the Income-tax Act provides for deduction of income-tax at source from any sum credited or paid to a resident contractor for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and the Government, local authorities, statutory corporations, companies, co-operative societies, statutory authorities engaged in providing housing accommodation, registered societies, trusts, universities, firms and those individuals/HUFs who are required to get their accounts audited under section 44AB. A number of Special Purpose Vehicles (SPVs) are being set-up to execute large works contracts. Some of these SPVs are structured as Joint Ventures (JVs)/ Consortiums in the nature of an Association of Persons (AOP)

or Body of Individuals (BOI). Since the provisions of section 194C currently do not specifically require an AOP or BOI to deduct tax at source, there is scope for leakage of revenue.

An amendment in section 195 of the Income-tax Act, has been made whereby any person responsible for paying to a non-resident shall furnish the information relating to payment of such sum in such form and manner as may be prescribed by the Board.

Sub-section (1) of section 195 requires any person responsible for paying any interest or any other sum chargeable to tax (except dividends and income under the head "salaries") to a non-resident or to a foreign company, to deduct tax at source at the rates in force. Currently, the person making the remittance is required to furnish an undertaking (in duplicate) addressed to the Assessing Officer accompanied by a certificate from an Accountant in a specified format. This undertaking and certificate is submitted to the Reserve Bank of India or its authorized dealers who in turn are required to forward a copy to the Assessing Officer. The purpose of the undertaking and the certificate is to collect taxes at the stage when the remittance is made as it may not be possible to recover the tax at a later stage from the non-residents. There has been substantial increase in foreign remittances, making the manual handling and tracking of certificates difficult. To monitor and track transactions in a timely manner, it is proposed to introduce e-filing of the information in the certificate and undertaking and therefore the amendment is made.

Section 199 and section 206C has been amended so that the manner in which credit of TDS/TCS is to be given will be governed by Rules to be framed under section 199 & section 206C(4) i.e. the Board may make such rules as may be necessary for the purpose of giving credit in respect of TDS/TCS or tax paid by employer on perquisite under section 192(1A).

The system of allowing credit to the assessee for TDS/TCS needs a certain degree of flexibility considering the ongoing technological and business process changes. Providing rigorous conditions regarding the method of giving credit for TDS/TCS in the Act itself, makes the system difficult to restructure and implement according to the changing technological environment. In view of this, the section 199 and section 206C(4) has been amended.

The sub-section (1) of section 201 has been amended to clarify that where a person, including the principal officer of a company who is required to deduct any sum in accordance with the provisions of Income-tax Act does not deduct, or after so deducting fails to pay, or does not pay, the whole or any part of the tax, as required by or under the Income-tax Act, he shall be deemed to an assessee in default under section 201.

Under section 201, a person is deemed to be an assessee in default if there is a failure to deduct tax at source or for failure to deposit the tax deducted at source after such tax has been deducted. The persons covered under the ambit of section 201 are :- (i) person referred to in section 200; (ii) the principal officer and the company of which he is the principal officer in the cases referred to in section 194 [relating to deduction of tax at source on dividends]. Sub-section (1) of section 200 provides that any person deducting any tax at source on payments other than salary shall pay the sum so deducted to the Central Government or as the Board directs within the prescribed time. A view has been expressed that the provisions of sub-section (1) of section 201 do not cover failure to deduct tax at source. Such an interpretation is contrary to the intent of the legislature and hence the provisions are amended accordingly.

Section 254 of the Income-tax Act was amended to provide that, the aggregate of the period originally allowed and the period or periods so extended or allowed shall not, in any case, exceed three hundred and sixty-five days, even if the delay in disposing of the appeal is not attributable to the assessee.

To clarify the legislative intention that the ITAT cannot grant stay either under the original order or under any subsequent order, beyond the period of 365 days in aggregate.

A new section 268A was inserted, so as to provide that, the Board may issue orders, instructions or directions to other income tax authorities, fixing monetary limits for the purpose of regulating filing of appeal or application and also to provide that, where no appeal or application for reference has been filed by an income tax authority pursuant to the above mentioned orders/instructions/directions of the Board, it shall not be lawful for an assessee to contend that the income tax authority has acquiesced in the decision on the disputed issue by not filing an appeal or application for reference in any case.

Subsection (1B) in section 271 is inserted to provide that, where any amount is added or disallowed in computing the total income or loss of an assessee in any order of assessment or reassessment; and such order contains a direction for initiation of penalty proceedings under sub-section(1), such an order of assessment or reassessment shall be deemed to constitute satisfaction of the assessing officer for initiation of penalty proceedings under sub-section (1). Similar amendment has also been proposed in the Wealth-tax Act

Provision regarding immunity from penalty and prosecution and providing a time limit for assessment relating to abatement of settlement proceedings were introduced.[section 153,section273AA & Section 278AB]

A new section 282A in the Income-tax Act was inserted to provide that where any notice or other document is required to be issued, served or given, it shall be deemed to have been authenticated if the name and office of a designated income tax authority is printed, stamped or otherwise written thereon. It is also proposed to provide that for the purpose of this section, a designated income tax authority shall mean any income tax authority authorized by the Board for this purpose.

There is a prescribed dispute resolution mechanism under the Income-tax Act. In this regard, the Central Board of Direct Taxes have issued instructions from time to time directing Departmental Officers to not file an appeal if the tax effect is less than the monetary limit prescribed by it. The Hon'ble Supreme Court in M/s. Berger Paints India Ltd. Vs. CIT, Kolkata, (Civil appeal Nos. 1081 to 1083 of 2004) has held that if the revenue has not challenged the correctness of the law laid down by the High Court and has accepted it in the case of one assessee, then it is not open to the Revenue to challenge the correctness in the case of other assessees without just cause. Department's appeals are being dismissed by judicial authorities on the consideration that the disputed issue was not agitated in the case of the same assessee or in the case of any other assessee. The underlying objective of Board's instruction is to reduce litigation in small cases. With a view to protecting the Revenue's right to file or not to file an appeal the amendment was made. This amendment has effected retrospectively from 1st April, 1999,

Sub-section (1) of section 271 of the Income-tax Act empowers the Assessing Officer to levy penalty for certain offences listed in that sub-section. It is a requirement that the Assessing Officer is required to be satisfied before such penalty is levied. There is a considerable variance in the judicial opinion on the issue as to whether the Assessing Officer is required to record his satisfaction before issue of penalty notice under this sub-section. Some judicial authorities have held that such a satisfaction need not be recorded. However, Hon'ble Delhi High Court in the case of CIT Vs. Ram Commercial Enterprises Ltd. (246 ITR 568) has held that such a satisfaction must be recorded by the assessing officer. Given the conflicting judgements on the issue and to make the legislative intent clear, Section 271 was amended to unambiguously provide that no satisfaction is required in writing before initiation of penalty proceeding.

The Finance Act, 2007 carried out a comprehensive amendment to the scheme of settlement of cases. This scheme provides for abatement of proceedings before the Settlement Commission under various circumstances. In order to deal with the various issues that may arise in the event of abatement of proceedings before the Settlement Commission, the Commissioner of Income tax has been empowered to grant immunity from penalty and prosecution in cases which abate.

The demand on the tax administration has been growing on account of increase in the volume of work. The widening and deepening of the tax base has resulted in substantial increase in the number of taxpayers. To cope with the sheer volume of work and render timely service to the taxpayer, the Department has been increasingly using information technology in its major processes and procedures. A case in point is the scheme of 'e-filing of the returns'. There are also other important project like 'refund banker', e-payment of taxes, etc. These schemes are expected to enhance the level of taxpayers' service, which in turn is expected to result in

increased voluntary compliance. Centralized processing of returns and centralized issuance of notices using information technology is critical to quality taxpayers' service. In order to successfully implement these schemes, it is necessary to dispense with the signature of the officer and to use a common seal. The introduction of such common seal in respect of issue of notices, intimations, etc., would be significant step in minimizing taxpayers interface with the Department. Further, it will considerably reduce the discretion of the individual officer and will result in better accountability and compliance.

Instances have come to the notice of the department, where notices under sub-section (2) of section 143, though issued by registered post within twelve months from the end of the month in which the return was furnished, have been held 'invalid' on the ground that the notice was actually received by the assessee after the limitation date and there was no 'service' as postulated under the section. This is notwithstanding the fact that the assessee has attended the assessment proceedings in response to the notice served on him. Instances have also come to notice where the orders of the assessing officer is being quashed on the consideration that there is no evidence of issue or service of notice, even though the assessee and his authorized representative have attended the hearing before the Assessing Officer during the assessment proceedings. Further, the design of the limitation period with reference to the end of the month leads to administrative inconvenience in as much as the last day of every month becomes a time barring date. In order to address these issues and to reduce litigation the amendments are made.

A new section 292BB in the Income-tax Act was inserted to provide that where an assessee has appeared in any proceeding or cooperated in any inquiry related to an assessment or reassessment, it shall be deemed that any notice under any provision of this Act has been duly served upon him in time in accordance with the relevant provision of the Act. Further, such assessee shall be precluded from taking any objection in any proceeding or inquiry under this Act. Further, clause (ii) of sub-section (2) of section 143 was amended to provide that the notice under sub-section (2) of section 143 shall be served on the assessee within a period of six months from the end of the financial year in which the return is furnished.

C. Other significant measures in the sphere of Direct taxes

(i) Introduction of Commodities Transaction Tax(CTT)

Chapter VII of the Finance Act, 2008 provides for the levy, collection and recovery of Commodities Transaction Tax (CTT), furnishing of returns, assessment procedure, power of the assessing officer, chargeability of interest, levy of penalty, institution of prosecution and filing of appeals etc. The Central Government has been empowered to make rules for the aforesaid purposes. Securities Transaction Tax (STT) has already been introduced vide Finance Act 2004 on the securities traded in stock exchange, The rationale and objective of introducing the CTT is to make the transaction cost of all derivatives irrespective of the underlying assets equal. Since futures and options in commodities are also derivatives, the transaction cost of trading in such derivatives should be at par with the transaction cost of trading in other derivatives.

(ii) Rationalization of the provisions of Securities Transaction Tax (STT)

Rate at which STT is levied was rationalised by amending the provisions relating to Securities Transaction Tax (STT). Further the section 88E of Income tax Act was deleted and provision of section 36 was amended to provide that any amount of securities transaction tax/Commodity Transaction Tax paid by the assessee during the year in respect of taxable securities/commodities transactions entered into in the course of business shall be allowed as deduction subject to the condition that such income from taxable securities/commodities transactions is included under the head 'profits and gains of business or profession'.

(iii) Discontinuance of Banking Cash Transaction Tax (BCTT)

A sunset clause was introduced by inserting a new sub-section (3) in section 95 of the Finance Act, 2005, which provides that no BCTT shall be charged in respect of any taxable banking transaction after the 31st day of March, 2009.

4.10 International Taxation

4.10.1 Foreign Tax & Tax Research Division

Double Taxation Avoidance Agreements (DTAAs) objectives in general:

- (a) International double taxation occurs as a result of imposition of comparable taxes in two or more States in respect of the same subject matter and for identical periods. The double taxation is sought to be avoided through the instrument of a bilateral tax treaty between two States. The tax treaty is entered to promote mutual economic relations, trade and investment. The Double Taxation Avoidance Agreements (DTAAs) 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 etc. These DTAAs, also referred to as Double Taxation

Avoidance Convention (DTACs), serve as a symbol of good commercial relations between two countries and stimulate the flow of capital, technology and personnel between the two countries.

- (b) A DTAA is a bilateral agreement between two Contracting States and indicates the mutual agreement with regard to distribution of taxation rights, 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).

The second round of negotiations for finalization of the Double Taxation Avoidance Agreement between India and Chile was held at Santiago, Chile from the 17th to 21st March, 2008.

Approval of Cabinet was obtained for signing of the Double Taxation Avoidance Agreement (DTAA) between India and Tajikistan

Further, first round of negotiations were held at New Delhi from 28th January, 2008 to 1st February, 2008 for finalization of Double Taxation Avoidance Agreement between India and Estonia.

Performance/Achievements during the period from April, 2008 to March, 2009:

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 year 2008 are as under:

1. FT & TR-I Division

- (i) Second round of negotiations for revision of existing DTAA was held with Malta and the DTAA was concluded at the official level.
- (ii) Second and third round of negotiations for revision of existing DTAA was held with Norway. The DTAA was concluded at the official level..
- (iii) First round of negotiations for initiating comprehensive DTAA was held with Albania. The DTAA was concluded at the official level.
- (iv) Approval of the Cabinet was obtained for concluding and signing the DTAA with Mexico, Luxembourg, Latvia, Finland and Albania.
- (v) The DTAA with Luxembourg was signed at the Government level in June 2008.
- (vii) Two notifications – Notification No. S.O. 96 (E) dated 7th January 2009 and Notification No. S.O. 97(E) dated 7th January 2009 notifying India's Double Taxation Avoidance Conventions with Montenegro and Serbia respectively were published in the Gazette of India.
- (viii) Notification No. S.O. 2428(E) dated 8th October 2008 was issued under section 90 of the Income Tax Act, 1961 in accordance with Article 12 of the DTAC with Finland and Article 11 of DTAC with Japan respectively

to include certain institutions for exemption in respect of source based taxation of interest income arising in India.

- (ix) Meetings under Mutual Agreement Procedure (MAP) article of DTAAs were held with Japan and USA. A number of cases were resolved during the meetings.
- (x) In a number of cases requests were made to various foreign tax authorities under Exchange of Information article of the DTAAs. In some cases information was also received spontaneously under exchange of information article of DTAA. The information received spontaneously as well as in response to our requested has been utilized by the field authorities in assessment and investigation. The requests for exchange of information received from foreign tax authorities were duly responded and information was provided to them in many cases. In some cases assistance have been provided to foreign tax authorities for collection of tax arrears of taxpayers in those countries.
- (xi) The offer of the German government to share information regarding bank accounts in the CD available with them for Liechtenstein's LGT Bank was pursued diligently and the information regarding Indian Taxpayers who had accounts with LGT Bank in Liechtenstein in the CD available with the German authorities was received from the German Federal Central Tax Office on 18th March, 2009. The information received from German authorities was passed on to the investigation division for getting necessary action taken, In view of UBS related developments, the Swiss authorities were requested to inform whether it will be possible to get information regarding Indian customers of cross border business of Swiss Banks under the exchange of information article of the DTAA between India and Switzerland. The Swiss authority stated that under the existing DTAA provisions necessary information can be exchanged for the correct application of the DTAA and not for the enforcement of the internal laws of India.
- (xii) 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.
- (xiii) Indian position on the OECD Model Tax Convention was finalized and communicated to OECD. The same has been incorporated in the July 2008 version of the OECD Model Tax Convention and Commentary.
- (xiv) Two notifications - No. S.O. 2123(E) dated 28th August 2008 under Section 90(3) and S.O. 2124(E) dated 28th August 2008 under section 90A(3) of the Income-tax Act, 1961 - were issued by the Central Government for defining the term 'may be taxed' used in India's Double Taxation Avoidance Agreements.
- (xv) Joint Secretary (FT & TR-I) attended the meeting of the Organization for Economic Co-operation and

Development (OECD) Advisory Group for Cooperation with Non-OECD Economies from 31st March to 2nd April, 2008.

- (xvi) During the month a delegation comprising JS (FT&TR-I), Director (FT&TR-I) and Under Secretary (FT&TR-I) visited Malta from 15th to 17th January, 2008 for holding first round of negotiations for revision of the Indo-Malta Double Taxation Avoidance Agreement.

2. FT & TR-II Division

- (i) Negotiations for entering into comprehensive Double Taxation Avoidance Agreement Convention (DTAAs/DTACs) were held with Taiwan, Iran, Chile, Colombia, Ethiopia and Mozambique.
- (ii) Negotiations for review of existing DTAAs/DTACs with Egypt, South Korea, Syria and Nepal were held.
- (iii) DTAAs with Iran and Taipei Economic Cultural Centre (TECC) were finalized and the proposed Agreement with Iran was initialled at the official level.
- (iv) Comprehensive DTAAs with Tajikistan and Myanmar and the revised DTAA with Syria was signed at the government level after obtaining approval of the Cabinet.
- (v) The DTAA between India and Botswana was notified vide Notification No. 70/2008-FTD/F.No.501/2/99-FTD dated 18TH June, 2008. The DTAA entered into force on 30-1-2008 and will come into effect in India from 1-04-2009. The revised DTAA between India and Syria was notified vide Notification No. 33/2009-FTD-II/F. NO. 503/7/2005-FTD-II dated 30.3.2009. The DTAA entered into force on 10.11.2008 and came into effect in India from 1st April 2009.
- (vi) Mauritius: The fifth and sixth meetings of the India-Mauritius Joint Working Group (JWG) on the India-Mauritius DTAC were held at Port Louis from 8th to 10th February, 2008 and 19th May, 2008 respectively.
- (vii) IBSA Revenue Administrations Working Group:
 - a. The Chairman (CBDT) and the JS (FT & TR-II) attended the 3rd meeting of the IBSA Revenue Administrations Steering Group (IRASG) which was held at Cape Town from 6th to 7th May, 2008 and the IBSA Focal Points Meeting was held at Somerset-west, South Africa on 8th May, 2008. The meeting was successful in enhancing cooperation in the areas of particular interest to us viz. exchange of information, risk profiling and assessment and cooperation in the area of computerization.
 - b. The 4th IBSA Revenue Administrations Steering Group (IRASG) meeting was held on 15th and 16th September, 2008 at New Delhi. The RASG meeting was followed by the 3rd Heads of Revenue Administrations Working Group (HRAWG) meeting on 17th and 18th September, 2008. In the direct taxes area, the three revenue administrations agreed to further their cooperation in the areas of exchange of information, transfer pricing

and international taxation, risk profiling and assessment, computerization Larger Taxpayers Units and capacity building, and resolved to enhance their cooperation to effectively meet the challenge of misuse of their tax treaties.

- (viii) A two member India delegation comprising Chairman (CBDT) and JS(FT&TR-II) visited Johannesburg from 7th to 8th January, 2008 to study the Large Business Centre and Risk Assessment System of South Africa under the aegis of the IBSA Forum and to attend the Fourth Meeting of OECD Forum on Tax Administration (FTA) in Cape Town from 10th to 11th January, 2008.

Status of India's Notified DTAAs/DTACs:

As on date, India has notified comprehensive DTAAs/DTACs, covering all sources of income with 73 countries. Similarly, India has limited air and shipping agreements with 10 countries.

4.10.2 Directorate of International Taxation:

Director General of Income Tax (International Taxation) is working directly under the Chairman CBDT. There are 13 Directors of Income Tax (in the scale of Joint Secretary to GOI) who are handling the Directorates of International Taxation and Directorate of Transfer Pricing situated at New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmadabad and Pune.

Highlights:

4.10.2 Directorate of Transfer Pricing

In India, the transfer pricing provisions were introduced in the year 2001 and up to the financial year 2007-08 three rounds of transfer pricing audit were completed resulting in adjustments of Rs. 6938.14 crore in 4330 cases.

In the fourth round of transfer pricing audit which was concluded on 31.10.2008 adjustments of Rs. 6155.42 Crores were made. Transfer pricing adjustments for the A.Y. 2005-06 have revealed following modus operandi to reduce payment of taxes in India.

- Shifting of profits of Rs. 239.3 crore and Rs. 19.14 crore from India to tax heavens/ low tax jurisdictions was

detected in cases of assessee engaged in business of manufacturing of optical storage and satellite telecasting respectively.

- Manipulation of audited accounts to conceal the loss was detected in case of a enterprise engaged in trading of agricultural goods which resulted in adjustment of Rs.550.17 crore.
- Adjustments on account of non reimbursement of the expenditure incurred on the creation of intangible in India were reported in cases of companies engaged in business of Software development, distribution of whitegoods and car manufacturing at Rs.73.85 crore, Rs.27.26 crore and Rs.206.5 crore respectively.

4.11 Revenue Audit and Public Accounts Committee (A&PAC)

4.11.1 Given the importance of C&AG and Public Accounts Committee of Parliament in providing checks and balances to the functioning of the income tax department, the observations of the C&AG by way of Draft Paragraphs (DPs) and System Appraisals are thoroughly examined by the Audit & Public Accounts Committee (A&PAC) Division of CBDT. The comments of the Ministry are compiled in consultation with the field authorities and then furnished to the C&AG. This Division also furnishes information to the Public Accounts Committee by replying to their Advance Questionnaire and the Questions arising after the Oral Evidence are taken by the Committee.

During the year 2008-09 out of 880 draft paras received, replies of 700 DPs, were furnished to C&AG. In so far as the ATNs is concerned, 815 ATNs were sent to C&AG and 395 ATNs were sent to the Monitoring Cell after receiving vetting comments from C&AG.

Audit Report Year wise disposal of DPs/ATN's during 1st January, 2008 to 31st December 2008 is given in Table 3.24.

C&AG Report No. 8 of 2008 contained System Appraisal/ Review on the following subjects:

- i) Review on "Appreciation of Third Party Reporting/ Certification in Assessment Proceedings".
- ii) Review on "Audit of assessments of Banks".

Table 3.24

Audit Report Year wise disposal of DPs/ATN's during 1st January, 2008 to 31st December 2008

Audit Report Year	No. of DPs replied	No. of ATNs/ Revised ATNs	No. of ATNs sent to Monitoring Cell after sent to C&AG receiving C&AG's Vetting Comments.
Audit Report 2004-2005	07	146	102
Audit Report 2005-2006	20	340	193
Audit Report 2006-07	327	Nil	Nil
Audit Report 2007-08	101	Nil	Nil
Total	460	499	295

- iii) Review on "Audit of assessments of relating to infrastructure development (deductions under section 801A) of the Income Tax Act, 1961.

The above reviews have been forwarded to all Cadre Controlling Chief Commissioners of Income-tax/concerned Directorates/Sections for their comments. A draft reply has been furnished to C&AG on the above Review. Replies received so far are being compiled and reminders have been issued to the remaining concerned CCsIT for their comments.

4.11.2 Oral Evidence before PAC

- (i) The PAC has selected examination of :
- Paragraphs 2.7.1 to 2.7.2, 2.8.3.1 and 2.9.1 to 2.9.3.1 of the C&AG of India for the year ended 31st march, 2007, Union Government (Direct Taxes) No. PA 7 of 2008(Performance Audit) regarding "Review on Appreciation of third party reporting/certification in assessment proceedings" for oral evidence.
 - Paragraphs 1.91 to 1.96, 1.10.1 to 1.10.4 of the C&AG of India for the year ended 31st march, 2007, Union Government (Direct Taxes) No. PA 7 of 2008(Performance Audit) regarding "Review on Appreciation on the assessment of Banks for oral evidence.
- (ii) In connection with the oral evidence, a background note alongwith Department's reply on all the illustrated cases was submitted to the Lok Sabha Secretariat.
- (iii) Detailed replies to the Advance Questionnaire were submitted to the PAC.
- (iv) The PAC has taken Oral evidence on 15.9.2008 regarding the selected paragraphs mentioned at (1) above.
- (v) Detailed Notes and briefs were also submitted to the Secretary (Revenue) and Member (A&J) so that they could give accurate and detailed replies during the Oral evidence to the queries raised by the PAC.
- (vi) Subsequent to the oral evidence the Lok Sabha Secretariat has issued a further questionnaire seeking clarifications on points arising out of the oral evidence. Replies to the same was also furnished.

4.11.3 Exit Conference:

Three draft system reviews have been received on the following subject for inclusion in C&AG Report of 2009:

- 'Exemptions, deductions & allowances to shipping and related sectors' Review
- 'IT audit of e-TDS System of Income Tax Department'.
- Review on Deduction of Profit and gain from certain undertakings other than infrastructure Development undertakings (Deduction under Section 801B of the Income Tax Act, 1961).

The above reviews have been circulated to the concerned Sections of the Board/field formations for comments. The Exit

Conference between the CBDT and the C&AG was held on 5th December 2008 to discuss the above mentioned reviews. The Ministry's views were conveyed to the C&AG for incorporation in the report.

4.11.4 Matters relating to u/s 72A

- No specified Authority Meeting held during this period (117th SA meeting held on 1st February 2007 was the last).
- Application of M/s Shree Ambeshwar Paper Mills Ltd. regarding Amalgamation of M/s Shree Ambeshwar Chemicals Pvt. Ltd. with M/s. Shree Ambeshwar paper Mills Ltd.-u/s 72A(2)(ii). Comprehensive report called from CC-III, Mumbai. Report received and put up for further consideration.
- Application of M/s Vikrant Alloys and Forging Pvt. Ltd. with M/s Premier Metallurgical Pvt. Ltd.-u/s 72A(2)(ii). The applicant Company has not furnished the application for final stage.
- Application of M/s Diamond Polymers Pvt. Ltd. and M/s Diamond Elastomers Pvt. Ltd. with M/s Diamond International Pvt.Ltd.-u/s 72A(3). A report has been called for from CCIT-IV Delhi. Report received and put up for further consideration.
- Application of M/s Karnataka Scooters Pvt. Ltd with M/s Brooke Bond India Ltd. (known as Hindustan Lever Ltd.). – u/s 72A(2)(ii). A report was called for from CIT-Mumbai City-1, Report received and put up for further consideration.

4.12 Directorate General of Income Tax (Administration)

There are four Directorates like:

- Directorate of Income Tax (PR,PP&OL)
- Directorate of Income Tax (Recovery)
- Directorate of Income Tax (Income Tax & Audit)
- Directorate of Income Tax (TDS)

4.12.1 Directorate of Income Tax (Public Relations, Printing, Publications and Official Language)

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 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). Some of the important work done by this Directorate during the period 01.04.2008 to 02.01.2009 are detailed below:

(a) Public Relations

- Booklets under the 'Tax Payers Information Series' are published as part of our endeavour to increase the awareness of the taxpayers about the provisions of

tax laws and the steps taken by the government to reduce the complexities of tax laws and improve Tax Payer Service. Updated editions of the following Tax Payer Information Series booklets were brought out during the year 2008-09.

- How to Compute your Capital Gains
- Assessment of Income from House Property
- Taxation of Salaried Employees Pensioners & Senior Citizens
- Valuation of Perquisites
- TDS other than Salaries
- Filing your Tax Return
- TDS on Salaries
- FBT on ESOPs (English & Hindi Editions)

- (ii) Administrative Hand Book for the year 2009 containing the names, addresses, phone numbers of senior officers of the Department and Income-tax Statistics has been released in January 2009.

(b) Publicity: In order to increase the awareness of the tax payers about their legal responsibility, publicity campaign on various tax related matters were carried out through print and electronic media. Publicity campaign was carried out at regular intervals to make the tax payers aware of their responsibilities on the payment of Advance Tax, filing of Income Tax Return. Publicity was also given to various new facilities made available for the tax payers, such as e-filing, e-payment, Refund Banker Scheme, Tax Return Preparer Scheme etc. A message was given to the tax payers that they are equal stake holders in the nation building.

(c) Printing and Publications:

- The following publications were printed and distributed: Search & Seizure Manual Vol. I & II 2007, Tax Recovery Manual, 2007, Action Plan 2008-09, Quarterly Tax Bulletins (Vol. 78 to 83), Half Yearly Bulletins (Vol. 42(2)), Compendium of Orders & Notifications issued by Ad-VI , (C.B.D.T.) during 2007, Legal Glossary, Direct Tax Bulletin Vol. 51 (Administrative) Jan., 05 to Dec., 05, Survey Manual – 2007
- The following publications were purchased and distributed :- Income-Tax Act, 2008, Income-Tax Rules 2008, Wealth Tax Act 2008, Wealth Tax Rules 2008, both in English and Hindi were purchased and distributed to the field offices all over the country.
- Income-Tax Challan forms ITNS-280, ITNS-281, ITNS-282 & ITNS-283, ACR forms for Gazetted/ Non-Gazetted staff, PPCCS Refund Stationery for Rs. 25,000/- and above, PPCCS Refund Stationery upto Rs. 24,999/- for MICR and Non-MICR in respect of I.T, C.T, W.T. & Other Direct Taxes, for the indent year 2008-09 were printed and distributed.

(d) Implementation of Official Language Policy:

- 66th meeting of Direct Taxes Official Language Implementation Committee was organized on 7th July,

2008 at Shimla under the Chairmanship of Member (P&V), CBDT.

- 67th meeting of Direct Taxes Official Language Implementation Committee was organized at Udaipur on 20th October, 2008 under the Chairmanship of Member (P&V), CBDT.
- 68th meeting of the Direct Taxes Official Language Implementation Committee is being organized at Thiruvananthapuram on 9th January, 2009 under the Chairmanship of Member (P&V), CBDT.
- The 3rd Sub-committee of Parliamentary committee on Official Language inspected the office of the CCIT, Dehradun, on 17.06.2008 and office of the ITO, Srinagar on 24.06.2008. This Directorate helped the concerned offices in the preparation of Inspection Questionnaire and also prepared the information relating to the questionnaire of the Head Quarter.
- Director General (Admn.), Director of Income-tax (PR PP & OL), Dy. Director (OL) and Assistant Director (OL) inspected various offices outside of the Head Quarters regarding the progressive use of Hindi. A total of 18 offices have been inspected up to the month of December, 2008.
- Hindi fortnight was organized w.e.f. 1st September, to 15th September, 2008. Several competitions were held and prizes distributed to the winners. A two day's Hindi workshop was also organized during this fortnight. Necessary instructions were issued for organizing Hindi day, week, and fortnight in Income-tax Offices all over the country.
- All India Seminar for Assistant Directors (OL) was organized with effect from 23-25, July, 2008 at Faridabad.
- All India Seminar for Hindi Translators is scheduled to be organized at Lucknow during the month of February, 2009
- Two meetings of the Joint Official Language Committee of DIT (PR PP & OL) and DIT (Recovery) were convened on 12.08.2008 and 20.11.2008 respectively.
- Letters/Circulars received from the Department 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.
- Quarterly reports in respect of progressive use of Hindi in the field offices of the Income-tax Department were called for, consolidated and reviewed. The consolidated report of all the attached and subordinate offices of the CBDT was sent to the Department of Revenue. Quarterly reports received from the various regions were reviewed regularly.
- Advertisements issued by this Directorate in English news papers were translated into Hindi for publication in leading Hindi newspapers.
- Compliance was done on the minutes of the meeting of the Official Language Implementation Committee

of the Department of Revenue held under the Chairmanship of the Addl. Secretary (Revenue) in North Block, New Delhi on 25.04.2008 and statistics in respect of the I.T Department were furnished for the meeting held on 28.11.2008.

- All the cadre controlling CCsIT/DGsIT were requested to fill up the vacant posts of Senior/Junior Hindi Translators in their respective regions.
- Meeting of the D.P.C was convened and to fill up the vacant posts of Assistant Directors (OL). Consequently, promotion and posting orders were issued.
- Proposal for convening the DPC to fill up the post of Deputy Directors (OL) has been forwarded to the UPSC.
- A Note was sent to Ministry of Finance, Department of Expenditure, and Implementation Cell regarding removal of disparity in Pay Scales of OL cadre of the Income-Tax Department vis-à-vis the cadre of Central Secretariat Official Language Service. As a result, parity in Pay Scales was restored to OL cadres of all the subordinate offices of the Central Government vide their OM No 1/1/2008-IC dated 24.11.2008.

New Website of the Directorate of Income-tax (PR, PP&OL)

A new website of the Directorate of Income-tax (PR, PP&OL) was launched on 4th February, 2009 by Revenue (Secretary), Shri P.V. Bhide in a function organized by the Income-tax Department. The objective is to provide better taxpayer service and provide an interface for knowledge management in the Department. The effort will be to offer reliable and trustworthy services to the taxpayers. This website when accessed by the taxpayers would provide information, answer their queries and solve their basic problems. There are several Taxpayers friendly feature such as;

1. Tax Tutorials
2. Publications/Books for Tax Payers Information.
3. Links for e-Filing, e-payment, PAN Application, Tax Payment Tracking Status etc.

It was formally launched by Shri P.V. Bhide, Revenue Secretary on 4th February, 2009.

This website is functional and it will provide -

A. For the taxpayers/public

1. Tax rates, Calender/Schedule for payment of taxes, Forms, Challans for all types of assessees;
2. Services to the taxpayers in respect of:
 - Tax payment
 - Return Filing
 - TDS return filing
 - Obtaining of PAN/TAN
 - Tax payment tracking status
 - Help desk

3. Income Tax Act/Rules and other relevant Acts and Rules;
4. Circulars/Notifications;
5. Officers contact details (Administrative Hand Book);
6. Publications aimed at taxpayers' information;
7. FAQs;
8. Tenders;
9. Tutorial series for Tax Payers' Education and
10. Related sites

B. For the Departmental officers, the knowledge Management Portal would consist of :

1. Best practices;
2. Best Assessment orders;
3. Best Appellate Orders;
4. Best TDS Orders;
5. Best Search/Survey Operations and Strategies;
6. Best Miscellaneous Orders;
7. Best Departmental Representation before Tribunal/ Courts;
8. Articles and Presentations;
9. Departmental Manuals;
10. Quarterly Tax Bulletins (Instructions, Circulars and Notifications);
11. Legal Glossary;
12. Conferences;
13. Judicial Reference (Cases in favour of the Department);
14. Schemes and Projects;
15. Such other publications printed by the Department from time to time.

The content of the website needs to be updated on regular basis. Also, new topics/ideas have to be incorporated to make the website useful and relevant. A standing steering Committee has been set up with DGIT(Admn.) as its ex-officio Convener and DIT (HRD), DIT (DOMS), DIT (PR, PP&OL), and DIT (TDS) as ex-officio members for spearheading the Knowledge Management initiative in the Department. DIT (PR, PP&OL) in consultation with the Steering Committee would maintain and update the website.

Release of Publication titled "Let us Share"

The book 'Let us Share' containing best practices and orders was released by Shri S.S. Palaniamanickam, Hon'ble Minister of State for Revenue, on 4th February, 2009. The book has been printed in two separate editions for the public and the Departmental users.

4.12.2. The Directorate of Income-tax (Income Tax & Audit)

The Directorate of Income-tax (Income Tax) is an attached

office of the CBDT and comprises of the Inspection Wing, the Examination Wing and Audit Wing.

(a) Inspection work

Inspection is an effective tool to maintain a high quality of performance 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 of the Income-tax Department, a New System of Inspection was introduced by the CBDT w.e.f. 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) was to be inspected by the Range Heads. Two categories of inspections are conducted in a financial year, viz, Systems Inspection which included 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 cases before ITAT, etc. The inspections were reviewed by the respective Chief Commissioners / Directors General, and reports forwarded to the Directorate of Inspection. With a view to revamping the System of Inspection and making it more effective, in the context of various developments, a Committee was constituted to suggest a modified system of Inspection. Based on the recommendations of the Committee, a New System of Inspection is in operation w.e.f. 4-11-08. Under the New System of Inspection, Offices of DCIT/ACIT will be inspected by the concerned Administrative Commissioner. The offices of ITOs & TROs will be inspected by the Range Head, i.e., Adl./Joint Commissioner. Additionally, certain offices have been brought under the purview of Inspection for the first time viz. offices of Range Heads (to be inspected by CIT); CIT(Appeals), CIT(Audit), CIT(TDS), CIT(CO), (to be inspected by CCIT); ITO(Hqr.), ITO(Judicial), DDO (to be inspected by concerned controlling officers). 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 details of Inspections since 2001-02 till date is given in the Table 3.23.

(b) 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 various 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 connected with Departmental Examinations.

(B) Departmental Examinations were conducted for Assistant Commissioner of Income-Tax (Probationers) [ACsIT(Probs.)] & 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 given in Table 3.25.

- The 2nd Departmental Examination for ACsIT (Probs.)- 60th Batch was conducted during February 2008 and the results thereof were declared during April, 2008.
- The 1st Departmental (Supplementary) Examination of ACIT(Prob.) of the 60th Batch was held in March,

Table 3.25

Details of Inspections since 2001-02 till date

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	848	757
2008-09	1327	483

2008 and the results thereof were declared during June,08.

- The 1st Departmental Examination of ACsIT (Probs.)-61st Batch of IRS were conducted during August 2008 and the results thereof were declared on 23rd of December, 2008. 103 officer trainees appeared in these Examinations.
- The Departmental Examinations for the year 2008 for the Ministerial Staff were conducted during September, 2008 and for the Income Tax Officers & Income Tax Inspectors were conducted during November, 2008 on the basis of the old syllabus. Approximately 8000 candidates appeared for the Departmental Examination for ITOs/ITIs from 54 centres located in various parts of the country. Approximately 24000 copies of Departmental Examination for ITIs/ITOs are under evaluation.

(c) Audit work

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 overall incharge of the audit wing and functions under the administrative control & supervision of the 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 companies / 700 cases of non company assessees.
- (ii) A comparative statement on the performance for the period of Sept, 2008 with the performance during the two earlier financial years is given below (Table 3.26) and there is no distinction shown for minor or major audit objection after the Introduction of new Internal Audit Set-up.

4.12.3 Directorate of Recovery

The work assigned to the Directorate of Recovery in the manual of office procedure, can broadly be allocated under 3 heads. Monitoring collection /reduction of arrear demand. Compiling and collating data relating to recovery of tax arrears arising from current and arrear demand. This is mostly with respect to compiling and monitoring dossier with demands exceeding Rs. 1 crore. Processing of write off, partial write off and scaling down of arrear demand proposals received from CCIT charge.

Processing of BIFR/AAFIR cases in terms of granting relief/concessions under the Income Tax Act.

The work done during the financial year under the above mentioned three heads is as follows:

A. Recovery of arrear and current demands: The target of cash collection from arrear demand is Rs. 12407 crores. Monitoring of this target has been done consistently, on the basis of information received through the consolidated CAP prepared by DOMS. The last CAP Report compiled for the month of March 2009 shows a total collection of Rs. 10016 crores which is 80.75% of the target of 12407 crores. During the fiscal year 2007-08 the total collection for the year ending March, 08 was Rs.9070 crores which was 67% of the action plan target of 13000 crores. Despite the slowdown in the economy and the tight liquidity situation, we are confident of exceeding last year's achievement in percentage terms and possibly in absolute numbers too.

This year the Board has decided that from quarter ending Dec, 2008 the Directorate will receive dossiers above Rs.10 crores only. The dossier upto 10 crores will be submitted to the CC level. Due to falling growth rates of direct tax collections, the CBDT, through this Directorate, has taken up intensive monitoring of dossier cases above 25 crores having collectible demands.

A detailed analysis of all dossiers above 25 crores, totalling 408 in number, has been done by the Directorate. After analysis of each dossier it was found that 185 cases out of 408 had some collectible/actionable demands. These included those cases where stay had been granted by various

Table 3.26

A comparative statement on the performance for the period of Sept, 2008 with the performance during the two earlier financial years

SL.No.	Internal Audit Report	2006-07	2007-08	2008-09
1.	Total No. of Internal Audit cases in which mistakes were detected	2779	1791	19983
2.	Revenue effect	7023797	3954904	230836.55
3.	No. of Internal Audit Objections settled	4813	487	1911
4.	Revenue effect	3082920	321370	17958.21

authorities or instalments had been given to the assessee. A station wise analysis of these 185 cases revealed that 160 such cases were in 9 major stations of India. A decision to tour each of these stations was taken. The tours are being made by Member(R), DG (Admn) and DIT(R) ; case wise discussions and reviews are being done. Commitments for collection from outstanding demands are being made by the field authorities. All of this has resulted in achievement of 80.75% target for recovery of arrear demand and percentage of regular Assessment Tax coming into positive territory this year.

B. Write off matters: There were total 66 write off cases in this Directorate including 4 new cases received during calendar year 2008.

Each of these 66 files were reviewed and in the case of 30 very old write off cases, the files were close after recording reasons. Deficiency letters were issued to the field authorities in the remaining cases. The field authorities are being asked to remove the deficiencies in the write off proposals.

During the year, write off proposal in the case of Mohd. Ahmed Sopariwala for A.Yrs. 87-88 & 88-89 involving an amount of Rs.5,60,46,048/- was forwarded to CBDT. The proposal was approved by the Board and forwarded to the Hon'ble Finance Minister for his approval. Another case of M/S Janta Janta Scheme involving an amount of Rs. 6,80,58,653/- was forwarded to CBDT. The same is pending approval by CBDT.

During the current F.Y. the new Tax Recovery Officer's Manual which was updated by the Directorate in the last financial year was published. The Tax Recovery Officer's Manual was last published in the year 1999. The Directorate has written to the field authorities asking them to follow the manual and embark on effective recovery in the last quarter of this fiscal.

C. BIFR Matters: BIFR unit in the Directorate of recovery is a coordinating agency between the BIFR and the CBDT. BIFR approves a Sanctioned Scheme for rehabilitation of a Sick Company, envisaging certain reliefs from CBDT. To process such reliefs, report is called from the AO and the requisite information called for from the company and the file is processed and submitted to Board by the Directorate. During the period 01.04.08 to till date, following 14 cases processed by the directorate have been finally approved by CBDT:

- Praga Tools Ltd.
- Shri. Krishna Keshav Laboratories Ltd.
- Laxmi Automatic Loom works.
- Eastern Coalfields Ltd.
- DSL Enterprises Ltd.
- Asian Lacto Ltd.
- Jamshri Ranjit Singhji Spg. & Weaving Mills Ltd.
- Vecee Cementolites & Industries Ltd.
- Nathani Papers Ltd.
- NHN Corporation Ltd.
- Chitradurga Sunflower Oil Complex

- Shree Kartik Paper Ltd.
- Sharat Industries
- Electrical manufacturing Ltd.

During the year, efforts have been made to streamline the working of BIFR unit by putting in place a system of a more pro-active approach i.e. to give a specific response on the reliefs envisaged from the Income Tax department at the stage of 'Draft Rehabilitation Scheme'. This is in consonance with the provisions of SICA, wherein as per sec 19(2), every scheme is circulated by BIFR to all the persons who are required to give financial assistance for their consent, within a period of sixty days or such further extended period, as may be allowed by BIFR.

The system that has been put in place is:

- To call for the DRS wherever the same is not received from BIFR either directly from the company or from the operating Agency.
- To call for specific information from the company as well as the AO wherever possible.
- On the basis of the information give specific Response/ suggestions on the envisaged reliefs from the Department to the BIFR before the stipulated time of 60 days as per sec 19(2), wherever possible.

It is observed that by adopting the pro-active approach, we shall be able to take decision on the reliefs on the approval of the Sanctioned Scheme expeditiously.

The work of filing appeals against order of BIFR/AAIFR is ongoing but has come down considerably due to the active presentation before the BIFR at the DRS stage. The statistical data for this period is given in Table 3.25.

4.12.4 Directorate of TDS

The Directorate is headed by the Director, who is of the rank of Commissioner of Income Tax. Following functions are assigned to the Directorate of TDS:

- Bringing out guidelines of work to be done by TDS field formation during the year.
- Action plan targets, milestones and sub targets of work of TDS wing.
- Co-ordination with office of DGIT (Systems) for processing of TDS returns and proposed demand of TDS certificates.
- Issue of Circulars, instructions, guidelines for TDS wing.
- Identification of new areas for application of TDS provisions.
- Co-ordination with TPC/ITA section for legislative changes for administering TDS provisions.
- To act as information/research cell relating to TDS provisions.
- To analyze and compare data contained in OLTAS and e-TDS returns for policy projections and detection of defaulters.

Table 3.27

Statistical data on work of filing appeals against order of BIFR/AAIFR

(a)	Fixation of cases before BIFR For hearing objections on the DRS	57
(b)	Written replies filed giving specific consent/denying consent with reasons	33
(c)	Total appeals filed before AAIFR - (inclusive of 5 as above)	12
(d)	Appeals decided by AAIFR	8
(e)	Appeals filed to High Court.	2

- Any other work related to TDS to be specifically assigned by the DGIT (Admn.)/CBDT.

An all India Conference of the Commissioners of Income Tax (TDS) as well as the Directors of International Taxations was organized in July, 2008. On 16th January 2009; 3rd Bi-annual conference of the Commissioners of Income Tax (TDS), Directors of Income Tax (International Taxations), Chief Commissioners of Income Tax (Cadre Controlling Authority) was organized. Directorate has been coordinating the work of all 18 Commissioners of Income Tax (TDS).

During the F.Y.2008-09; Directorate has also helped the two committees which were set up respectively suggesting Legislative changes and T.D.S in Ministry of Railways & Defence. Both the committees have submitted their reports.

4.13 Directorate of Organization & Management Services (O&MS)

This Directorate is an attached office of the Central Board of Direct Taxes, and assists CBDT by providing inputs on policy & other strategic issues as an internal consultant.

Knowledge Management, a new strategic initiative, piloted by this Directorate, has been instrumental in creating a central Repository of Knowledge in the Department. A book containing compilation of best orders and best practices titled "Let us Share" has been prepared which is being released on 4th February, 2009. This book will equip the officers of the Department with the skills so that they are able to protect India's revenue interests in this era of global tax competition.

The Directorate also reviews the Central Action Plan, by regularly monitoring the performance of the field offices vis-à-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-à-vis the targets, on a quarterly basis.

4.13.1 Some of the important assignments completed, are mentioned below:

- (i) On instructions from the CBDT, this Directorate

undertook a study of the Audit Paras included in the CAG's Annual Reports for the years 2002 to 2006. For this purpose voluminous information pertaining to 1160 Audit Paras was extracted and the same was segregated CCIT (CCA)-wise and sent to them along with a specifically designed proforma for their feedback on the action taken and final status of the objections contained the Audit Paras. An interim report on the results of analysis of the responses received so far from the CCITs (CCA) had been submitted to the CBDT on 11-8-2008.

- (ii) In co-ordination with NADT, the DOMS had organized a 2 days National Workshop in Best Practices. This Workshop aimed at understanding the mechanics of a successfully implemented innovative idea and exploring the possibility of replicating the same across the country. 16 such Best Practices were identified in the Workshop for replication across the country.
- (iii) The Board desired that the reports brought out by National Sample Survey Organisation in relation to Employment & Unemployment, Household Consumer Expenditure and Unorganised Manufacturing Sector be studied and the status report/input be sent to the Ministry of Statistics and Programme Implementation. This task was assigned to DOMS. The reports were studied and it was observed that the reports relating to Unorganised Manufacturing Sector were relevant in relation to Income Tax Department. The study revealed that there is possibility of bringing, under the tax net, the two types of enterprises in urban areas viz. the enterprises engaged in manufacturing of fabricated metal products and those manufacturing office, accounting and computing machines. It was further observed that it is required to be ascertained whether PAN number has been applied for and allotted to such enterprises. A brief on these reports with reference to these observations was prepared and sent to the Ministry of Statistics and Programme Implementation on 13-10-2008.
- (iv) The conceptual framework on knowledge management was discussed in the 24th Annual Conference of Chief Commissioners of Income Tax and Director Generals of Income Tax on 9th June, 2008. A presentation on

this subject was made by DIT (O&MS). After recognising knowledge as a strategic asset in the functioning of the department, a proposal for putting in place an institutional mechanism for capturing knowledge at the time of its creation was mooted by DIT (O&MS). It was resolved that a central depository of knowledge is to be created. A National Committee was set up to collect orders from field formations after getting them evaluated from Regional Committees headed by Chief Commissioner of Income Tax with DIT (O&MS) as the Nodal Agency. The compilation process is now complete and the first volume of compilation "Let us Share" - A compilation of "Best Practices & Orders" is about to be released. The compilation begins with a section on Best Practices. This section documents various practices, initiatives and innovations experimented by the department both at the national and the regional levels successfully. The other sections capture the various facets of the work of the department in a summary form. The focus has been on a particular issue rather than the whole order. The effort to share knowledge is being supplemented by launching the new website www.incometaxindiapr.gov.in. Apart from offering contents for the taxpaying public, this has a knowledge portal exclusively for the use of departmental officers.

- (v) A Study Group was constituted by Member (R), Member (A&J), CBDT in May, 2008 to analyse the existing format of CAP-II (revised) and suggest modification if any, in view of the fact that existing format was finalised in 2005. The study group submitted its report along with the new format which was approved in a meeting attended by Member (R), Member (IT) and Member (A&J), CBDT on 16-12-2008. This new format will be available on *i-taxnet* shortly.
- (vi) CBDT, vide its Notification No. 217/2007 dated 8-8-2007, had issued revised rules to govern the running and maintenance of Income Tax Welfare Fund. It has recently constituted the Executive Committee for the administration of the above fund on 27-11-2008. DIT(DOMS) is the Convenor of this committee. A draft guideline has been prepared by this Directorate for administration of this fund and circulated amongst the Members of Executive Committee for finalisation. Letters also have been issued to all CCITs/DGITs to constitute Advisory Committees and send specific proposals.

4.14 Vigilance

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. Below the DGIT, 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, Chennai, Mumbai 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.

In order to streamline the procedure and update knowledge of its field functionaries as well as field officers working as Inquiry Officers & Presenting Officers and in the vigilance set up of the CCsIT(CCA), two days Seminars were held at regular intervals during the year, wherein issues of importance such as Preventive Vigilance, Investigation of complaints, Vigilance Inspections, Preparation of charge sheet, Inquiry Proceedings and the Right to Information Act, 2005 etc. were taken up for deliberation keeping in view the changing scenario of work culture and ethos in the background of advancing liberalization and the Right To Information Act, 2005.

4.15 Training

The National Academy of Direct Taxes is the apex institution that trains the officers and staff of the Income Tax Department in India. It imparts induction training to the directly recruited officers of the Indian Revenue Service. The Academy also conducts in-service training for the officers and staff of the Income Tax Department and for other Indian and foreign organizations. Its 7 Regional Training Institutes at Ahmadabad, Bangalore, Chandigarh, Chennai, Kolkata, Lucknow, Mumbai and 22 Ministerial Staff Training Units (spread over the country) train middle, and junior levels of officers and officials of the Income Tax department.

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

The NADT is headed by a Director General of Income Tax (Training), of the rank of Additional Secretary to the Government of India. He/she is assisted by two Additional Director Generals and a team of other officers including seven Additional Directors/Joint Directors, five Deputy Directors / Assistant Directors and two Assistant Directors (OL). The Regional Training Institutes (RTIs) are headed by Directors of Income Tax assisted by Additional Directors/Joint Directors, Deputy Directors/Assistant Directors and Income Tax Officers. The RTIs also monitor the working of the Ministerial Staff Training Units of their region. Apart from the Induction training for Officer Trainees of the IRS, the Academy conducts a number of other courses for officers of different ranks. These include courses on Taxation, Law and other related subjects that seek to enhance their skills, improve their personality and provide information. The Academy makes a conscious effort to sensitize all Officer Trainees and officers about areas of import and current relevance such as the right to information, gender issues at workplaces, ethics/values in public life, marketing and image building, citizens' charter and promotion of Hindi as an official language. All long duration

courses include sessions on these topics. 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. A write up on the actions taken to implement the policy statement for abatement of pollution as well as other environmental initiatives taken by the Division / Department

4.15 Specialized Courses Conducted at NADT/ RTIs

4.15.1 Foreign Courses

The year marked the organizing of an increased number of courses for participants from foreign countries. This increased intensity has helped raise the profile of the Academy and the Department in the international domain as well as enhance exposure, productivity and standards. The training programmes conducted (in brief) are:

Course on Audit & Investigation of MNCs for Officers from Tanzanian Revenue Authority (5th to 9th April, 2008)

Training on Investigation, Assessment & International Taxation for Assessors of Inland Revenue Department, Sri Lanka conducted at NADT and 3 RTIs (Mumbai, Bangalore and Chennai)

Course on 'Auditing, Investigation and Accounting Principles' for the Revenue Audit Inspectors of the Department of Revenue and Customs, Bhutan from 15th to 26th December, 2008 conducted at RTI, Kolkata

Courses on 'Revenue Audit' and 'Risk Management' for senior officers of the National Board of Revenue (NBR), Bangladesh conducted at NADT from 01st to 05th December, 2008 and 15th to 19th December, 2008.

4.15.2 Courses being organized under the aegis of the OECD, Paris on a) Auditing MNCs and b) Transfer pricing from 23rd February, 2009 to 2nd March, 2009.

These are part of the initiatives taken by the Department to internationalize its reach and reputation as well as to enhance its knowledge management repertoire. There exists the emergent need for the officers in the Department to relate and adapt to the best of international practices in cutting edge and high revenue-generating areas such as Transfer Pricing and Auditing MNCs. The productive value of such exercises will be maximized if, besides inviting the best of international faculty, training programmes also ensure entry to and interaction amongst participants hailing from different nations, and therefore from different professional systems tinted by diverse ethnicities, cultures and backgrounds.

4.15.3 Conferences

7th Conference of Heads of Central Training Institutes (10th and 11th July, 2008)

The objectives of the Conference were the sharing of resources amongst the various National Training Academies

including LBSNAA, Mussoorie, SVP National Police Academy, the National Academy of Audit and Accounts, etc. The topics discussed included:

- i. The issues of E-connectivity & portal creation and management
- ii. Universalization of conditions for all CTIs
- iii. Measures to improve effectiveness of Training & incentives to attract the best talent.
- iv. Problems arising from officer trainees repeating the Indian Civil Services Examination
- v. Training of trainers

4.15.4 Other Courses were as follows:

- Course on E-investigation (7th To 9th April, 2008)
- Course on Assessment Of Trusts And Exemptions (15th to 17th April, 2008)
- Course on Mergers And Acquisitions (02nd to 04th June, 2008)
- Course on Assessment Of Transactions In Capital Markets (02nd to 04th July, 2008)
- Course on Assessment Of Real Estate Dealers & Builders (15th to 17th Sept. 2008)
- Course on Head Quarters Functions (03rd to 05th November, 2008)
- Feedback Seminar for the Officers of the 59th Batch ff IRS (12th To 16th May, 2008)

Original Courses

- Seminar on Judicial & Supervisory Functions For Range HeadS (46th Batch of IRS) (26th to 28th May, 2008) and (47th BATCH OF IRS) (17th to 19th November, 2008)
- Investigation & Management Seminar For Newly Promoted JCITs (1997)(16th to 27th June, 2008)
- Orientation Course For Newly Promoted ACITs (14th July to 22nd August, 2008)
- Seminar For 11th Batch Of Irs Officers (RETREAT-50) (24th & 25th April, 2008)
- Workshop on Best Practices (04th & 5th September, 2008)
- Interactive Courses for Officers of other Services
- Appreciation of Income Tax For Indian Forest Service Officer Trainees (01st to 03rd Oct. 2008)
- Appreciation of Income Tax for Officer Trainees of IC&CES (24th to 28th November, 2008)
- Change Management Training
- Seminar on Creative Leadership for Senior Commissioners (1982 BATCH OF IRS) (08th to 10th September, 2008), 1983 BATCH OF IRS (22nd to 24th Sept. 2008) & 1984 BATCH OF IRS (20th to 22nd Oct. 2008)

- Judicial & Management of Commissioners (1987 BATCH) (13th to 17th Oct. 2008)
- Change Management Seminar on CCsIT (1975 Batch) (10th to 12th November, 2008)

4.15.5 Induction Courses of the IRS Officer Trainees

4.15.5.1 Induction Training of 60th Batch: The 45 officer trainees of the 60th batch of IRS who joined the Academy in December, 2006 validicted after a 16-months long induction training.. All the officer trainees successfully cleared the second phase of the Departmental Examinations.

4.15.5.2 Induction Training of 61st Batch: During the second module of the training of this Batch, emphasis was given to the practical aspects of the working of an Assistant Commissioner in the field and to reinforcing the theoretical inputs given to the probationers in the earlier module. Keeping in view the scheme of restructuring, emphasis was laid on computer training and office administration. The highlight of the year was the results of the First Departmental Examination held in August, 2008. Out of 101 Officer-trainees who took the exams, 100 passed. The officer trainees attended a five-day appreciation course in Parliamentary Processes and Procedures from 3rd March to 7th March 2008 conducted by the 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. This was followed by a four-day orientation Module on 'Natural Resource Management' at the Indira Gandhi National Forest Academy, Dehradun (8th to 11th March, 2008). This year also witnessed their attending the 'On-the-Job Training' at 19 offices and 'Industrial Attachment' at various locations around the country.

4.15.5.3 Induction Training of 62nd Batch: A total of 173 officer-trainees of the 62nd batch of IRS reported to NADT, Nagpur. The officer-trainees of the 61st batch were involved in receiving the latest entrants to the Service and in organizing the Inaugural Function as well as a cultural evening. The Inaugural Function was held on December 24, 2008. Shri Shaikh Naimuddin, Member (Personnel & Vigilance), Central Board of Direct Taxes, New Delhi presided over the same as the Chief with 67 having worked in the Government and the remaining 15 in the Private Sector.

The objectives of the induction training are as follows:

- Develop in-depth understanding of direct tax laws, rules and procedures;
- Impart knowledge of accountancy, analysis of financial statements and investigation of accounts;
- Impart working knowledge of other relevant laws and procedures;
- Impart managerial & administrative skills and leadership qualities;
- Ensure all round and balanced personality development;
- Inculcate the spirit of excellence and professionalism;
- Instill values of personal and professional integrity;

- Instill values of community service;
- Ensure high degree of probity in public life;

In tune with the above objectives, core inputs are imparted in the following areas:

- Direct Tax Laws – Theory and Practice
- Accountancy
- Investigation of Accounts
- Allied Laws
- Office Management
- Tax Procedure
- Investigative Skills
- International Taxation
- Drafting of Orders & Reports
- Managerial and Administrative Skills
- Taxation of Various Industries
- Accounting Standards
- Comprehensive inputs on computerization and ITD application packages

Apart from the above, inputs are also given in the following related areas of importance:

- Public Finance and Budget Analysis
- Capital Markets, Money Markets, Futures & Options
- Banking Regulations
- Money Laundering
- FEMA
- Information Technology Act
- Cyber Crimes
- Right to Information Act
- Preventive Vigilance
- Grievance redressal
- Parliament Questions and Reports
- Gender Sensitization
- Disaster Management
- Principles of Management: TQM, Group Dynamics, Public Speaking, Public Relations and Stress Management

4.15.5.4 Comprehensive Initiatives and Work done: New initiatives taken:

Documentation of the history of training in Income Tax Department: The NADT Archives that have been set up has now become an integral part of the visit of the Academy, and

has received appreciation for being a unique endeavor of its kind. A book was released documenting the historical evolution of training within the Department titled **“Striving for excellence- Evolution of training in Income Tax Department”**. The same book in its Hindi version titled **“Utkrisht-ta ki ore – Aaykar vibhag me prashikshan ki vikas yatra”** was also released. A book titled ‘Handbook on Audit’ compiled by the RTI, Lucknow has been released by the DGIT (Trg.) during the Annual Trainers’ Conference held in January, 2009.

4.15.5.5 Mid-Term Training Review (29th to 30th Sept. 2008):

The objective of this seminar is to review the progress made by RTIs and NADT in conducting in-services courses after the annual trainers conference and plan courses for the rest of the year.

4.15.5.6 Annual Trainers’ Conference (ATC) (22ND – 23RD January, 2009):

This is the time when the trainers of the NADT who are in charge of engineering the Human Capital of the Direct Taxes regime in the country sit down together and evaluate the past, take stock of the present and plan the future. Training is about the enabling of officers and employees to organize their minds and bodies and otherwise understand themselves so that the best decisions are made in tune with organizational goals and personal inclinations. How the effectiveness of such decisions made can be maximized is what was discussed.

4.15.5.7 Promotion of Hindi as Rajbhasha: Quarterly Meetings, Hindi Karyashalas and Official Language Inspections were organized regularly by the NADT and RTIs. NADT organized a Hindi Pakhwada from 1st to 15th September, 2008 wherein various completions like Hindi Essay Writing, Noting – Drafting, Debates, Translations, Hindi General Knowledge, Singing, etc. were held and prizes were distributed to the winners. The Hindi Incentive Scheme has been implemented in the NADT & RTIs. For its excellent work in implementing the Official Language, the NADT, Nagpur was awarded the first prize by the Town Official Language Implementation Committee (TOLIC), Nagpur on 24th September, 2008. The Hindi Book “Utkrushtata Ki Ore.....” published to mark the Golden Jubilee Celebrations of organized training in the Income Tax Department received the special prize from TOLIC. Officer Trainees of the 61st and 62nd batch of IRS are given regular classes in Basic and Administrative Hindi. Some curricular sessions were also held exclusively in the medium of Hindi. For their work, the various RTIs situated in the A, B and C regions of the country were awarded ‘Rajbhasha’ Shields by the DGIT (Trg.), NADT during the ATC, 2009.

4.16 Exemption

The Director General of Income Tax (Exemption), New Delhi has the Directorates of Income Tax (Exemption), Kolkata, Ahmedabad, Bangalore, 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.

4.17 Directorate of Income Tax- (Human Resource Development (HRD))

The Directorate of Income Tax, Human Resource Development (HRD), Central Board of Direct Taxes, Department of Revenue, Ministry of Finance was notified vide Gazette Notification No. 292/2007 of the Central Board of Direct Taxes dated December 31, 2007 (F. No. DGIT (Admin.)/HRD/2007-2008) to be headed by a Director General of Income Tax (HRD), with a Director of Income Tax (HRD) and three Additional Directors of Income Tax below, heading three Divisions namely Cadre Management Division, Performance Management and ACR Division and Training and Capacity Building Division.

The office of the Directorate has been set up at 2nd Floor, ICADR Building, Plot No.6, Vasant Kunj Institutional area, Phase II, New Delhi and is fully operational with computers and networking albeit with skeletal staff. The Directorate has been declared as a Budgetary Authority by the Department of Revenue.

4.17.2 Work being carried out by the Directorate

4.17.2.1 Committee on Transfer Policy for Group A Officers of Indian Revenue Service (Income Tax) was set up by the CBDT to consider various aspects of and suggest suitable amendments to the existing Transfer Policy for Group A Officers of Indian Revenue Service (income Tax) in a time bound manner. The committee prepared its report taking into account the large number of suggestions received from the field, the earlier and existing policies and the operation requirements of the Department. Bases on the report a set of revised Transfer Guidelines have been proposed and have been submitted to the CBDT along with its report.

4.17.2.2 Cadre Review Committee has been set up in accordance with the provisions contained in para 1(ix) of the Government of India, Department of Expenditure resolution No. 1/1/2008-IC dated 29/08/08 issued pursuant to the 6th Central Pay Commission recommendations, and the proceedings of the Committee are being coordinated and supported by this Directorate.

4.17.2.3 Implementation of the Sixth Central Pay Commission Report: As the nodal authority for Sixth Pay Commission issues relating to the Department, took up and completed the work of analysing, compiling processing and forwarding the consolidated recommendations of the CBDT with regard to the Sixth Pay Commission Report for placement before the Committee of Secretaries, including the disparities that had been created or aggravated as a result of the Govt. decision. Subsequent to 6th CPC implementation, submitted a proposal for up gradation of pay scales of certain posts in the Income Tax Department. A clarification on granting of Grade Pay of Rs. 5400 to ITOs has been issued.

4.17.2.4 Advanced Mid-career Training Programme for Officers: The Directorate has been actively involved in the process of identification of foreign institutions and specific courses for the revised training programme in regards to which a report has been sent to NADT for amalgamation with the final recommendations for submission to the CBDT to seek Hon'ble FM's approval.

4.17.2.5 Presentations on the Manpower Position in the Department and the need for increased Delegation of Financial Powers to the Department were made at the CCsIT/ DGsIT Conference in June, 2008.

4.17.2.6 Other actions which are in various stages of progress include:

- Drafting of Recruitment Rules for IRS – IRS Recruitment Rules have been redrafted in view of recommendations of some committees in line with the decision of 6th CPC, which is under discussion and advanced stage of finalization.
- Handling the Demands of the Administrative Officers Grade II for placement of their Pay Scales at the level of ITOs, Appraiser (Central Excise) and Superintendent (Central Excise) & Customs as in the past prior to the implementation of the Fifth Pay Commission Report, pursuant to orders of Hon'ble C.A.T.
- Reorganization of the Directorates in the Income Tax Department.
- Analysis of ACRs.
- Task of compiling appropriate data-bases.

4.18 Directorate of Income-tax (L&R)

The present work mandate of the Directorate of Income-tax (L&R) entails handling of all litigation matters such as Special Leave Petitions (SLPs, for short) pertaining to the Apex Court right from the initial processing/ examination stage upto final disposal by the Court. Further, there are multiple intermediate roles envisaged for this Directorate such as co-ordinating/ interacting with the field formations wherefrom the genesis of this litigation arises; being the Department's full-time interface with the Ministry of Law in such matters; closely

liaising and interacting with the senior Central Government Law functionaries like Additional Solicitor General upwards; providing immediate comprehensive response to the Apex Court's queries/ requirements; making available infrastructure support to the Ministry of Law so as to ensure speedy and timely attention to the Department's matters before the Apex Court etc.

In addition to the aforesaid judicial work, the Directorate of Income-tax (L&R) also undertakes research projects from time to time and is further entrusted with the functional control of the Income -tax Department's Statistics Wing. The Directorate is headed by DGIT (L&R), and consists of two DsIT; two Addl. DsIT; two ACITs; and five ITOs. The composition of Statistics Wing includes one Dy. Director General and two Chief Statistical Officers.

During the year 2008, the Directorate received 2281 proposals for filing SLPs from the field out of which SLPs were filed in as many as 2078 cases (i.e. in more than 91% of the intake). The work output in 2008 happens to be considerably higher as compared to the preceding years when the Directorate had processed 1269 and 1971 SLP proposals during 2006 and 2007 respectively.

With a view to devising a judicial data-base of cases decided and under consideration in the Supreme Court, High Courts and ITATs, an Advisory Committee was set up vide CBDT's OM F. No. 279/Misc-04/2008-ITJ dated 16.01.2008. Pursuant upon the said Committee's report, an Implementation Committee headed by the DGIT (L&R) has been constituted for creating a Judicial Reference System (JRS, for short) of judicial pronouncements and all appeals pending before various judicial fora. The JRS will comprise a repository data base of all reported and unreported judgments of ITATs, High Courts and Supreme Court. The JRS will have the facility of a search engine to peruse through/search for cases in the repository data base as well as in the data base for tracking the appeals (the judicial monitoring data base). The JRS will be web based and access is proposed to be given to all Assessing Officers and other senior officers of the Income tax Department. The DGIT (L&R) will be the Nodal Authority for its administration and maintenance. The Implementation Committee is in the process of active deliberations on this score and the envisaged JRS is expected to take off within this financial year 2008-09.

4.19 Infrastructure

The main work done by this directorate during the year is given in Table 3.28.

4.19.2 Important projects which were accorded administrative approval and financial sanction during the period from 1st January 2008 to 31st March 2009 include: (1) construction of office building and installation of central air conditioning system for the Income Tax Department at Ambawadi, Ahmedabad at a cost of Rs. 22.43 crore; (2) extension of the existing office building of the Income Tax

Table 3.28

Head wise sanctions accorded upto 31.3.2009

Sl. No.	Head	No. of Sanction	Amount
1	4059 – Major Head (Construction of Office Building)	96	104.74
2	4216 – Major Head (Construction of Residential Complex)	43	40.30
3	Rent, Rates & Taxes (RRT)	10	42.08
4	Office Expenses (O.E.)	5	0.51
5	1% Incentive Scheme – Purchase of Laptops	1	52.62
6	Administrative Approval	12	NIL
TOTAL		167	240.25

Table 3.29

Funds diverted by the MOUD from one Chief Engineer zone to another

(i)	Purchase of land at Panvel	Rs. 3,46,50,000/-
(ii)	Addl. Payment for purchase of land at Jalgaon	Rs. 1,16,63,442/-
(iii)	Purchase of land at Balasore	Rs. 2,36,71,875/-
(iv)	Purchase of land at Karnal	Rs. 3,82,236/-
(v)	Purchase of land at Pilibhit	Rs. 1,35,00,000/-

Table 3.30 PAN Allotment

Year	2003-04	2004-05	2005-06	2007-08	2008-09
Allotment	44,60,038	63,73,028	58,98,470	79,48,426	1,59,41,833

Department at Bareilly at a cost of Rs.6.09 crore; (3) construction of 49 residential quarters at Silliguri at a cost of Rs. 7.97 crore; (4) construction of residential quarters at Surat at a cost of Rs.6.83 crore; (5) construction of staff quarters and guest house at Thrissur at a cost of Rs.4.28 crore; (6) construction of office building at Chandigarh at a cost of Rs.9.81 crore; (7) purchase of land for office and staff quarters and guest house at New Panvel at cost of Rs.3.46 crore etc. (8) Purchase of office space at NBCC Plaza Saket for establishment of LTU Delhi.(9) Inauguration of LTU Mumbai setup at newly acquired office space at World Trade Centre, Cuffe Parade, Mumbai.(10) A Proposal for construction of DTRTI Campus at Jalahali, Bangalore on HMT land for an amount of Rs. 12,44,82,605/- was sanctioned. Proposal of acquisition of office space from MCD at Civic Centre, Delhi was processed and presently is in advanced stage of negotiation. Planning for construction of International Training Centre and two Hostel Blocks at National Academy of Direct Taxes, Nagpur is also in final stages.

Further, the Directorate had during the year prepared Memos to be submitted to Committee for Non-Plan Expenditure (CNE) in respect of following proposals:-

- (i) Construction of office building by NBCC at Saket, Delhi (Rs.60.6 crore).
- (ii) Construction of office building by NBCC at Bhopal (Rs.22 crore).
- (iii) Construction of Bandra Kurla Residential Complex, Mumbai by CPWD (Rs.77.71 crore).

4.19.3 In the cases given in Table 3.29, wherein sanction orders had been obtained, efforts were made to get the funds diverted by the MOUD from one Chief Engineer zone to another. This was done after a great deal of persuasion and follow up steps taken by the Directorate (Table 3.34).

Table 3.31:

Achievements on ECS Refund - Refund Banker Project

Year	Paper Cheques	Electronic Refunds (ECS)	Total	Percentage of ECS refunds
F.Y. 06-07	20,220	6,480	26,700	24.27 %
F.Y. 07-08	2,45,673	1,41,536	3,87,209	36.55 %
F.Y. 08-09	4,09,223	4,56,916	8,66,139	52.75 %

Table 3.32

Status of e-TDS and e-TCS Filing

TDS Returns for	e-TDS return received	e-TCS return received
2005-06 Quarter I	4,74,237	8,871
2005-06 Quarter II	4,95,157	9,597
2005-06 Quarter III	5,17,278	10,182
2005-06 Quarter IV	6,60,640	11,467
2006-07 Quarter I	6,14,128	11,270
2006-07 Quarter II	6,43,542	11,940
2006-07 Quarter III	6,61,725	12,378
2006-07 Quarter IV	8,26,804	13,713
2007-08 Quarter I	7,39,611	13,550
2007-08 Quarter II	8,11,233	15,338
2007-08 Quarter III	8,43,712	16,030
2007-08 Quarter IV	11,02,184	17,885
2008-09 Quarter I	7,00,593	14,744
2008-09 Quarter II	7,06,590	15,102
2008-09 Quarter III	6,67,466	14,419

Table 3.33

Number of Cases Selected for Scrutiny under CASS System

Financial Year	No. of cases selected for scouting
2005-06	60,434
2006-07	1,51,876
2007-08	4,18,479
2008-09	1,57,623

Table 3.34
Annual Information Return: (Status as on 31st March, 2009)

<i>(Rs. in crore)</i>							
Sl.	Category of Transaction	AIR for F Y 2005-06		AIR for F Y 2006-07		AIR for FY 2007-08	
		No. of Transactions	Value (in Rs. Crore)	No. of Transactions	Value (in Rs. Crore)	No. of Transactions	Value (in Rs. Crore)
1	Cash deposits aggregating to Rs. 10 lakhs or more in a Savings account with a bank	4,75,631	62,905	5,93,293	1,02,769	7,43,241	1,73,482
2	Payment against Credit card bills aggregating to Rs. 2 lakh or more	2,09,413	8,818	2,93,267	13,994	3,98,210	34,407
3	Payment of Rs. 2 lakh or more for purchase of units of Mutual Fund	10,14,205	10,25,621	10,50,240	18,86,181	14,00,180	41,57,293
4	Payment of Rs. 5 lakh or more for acquiring Bonds/ debentures issued by a company	26,138	1,25,710	35,566	2,31,878	40,737	4,58,658
5	Payment of Rs. 1 lakh or more for acquiring shares (through public or rights issue) issued by a company	1,52,103	88,755	1,45,923	1,26,009	92,379	1,77,156
6	Purchase of Immovable property valued at Rs. 30 lakh or more	64,653	94,616	79,296	87,098	83,891	1,08,486
7	Sale of Immovable property valued at Rs. 30 lakh or more	65,071	95,468	70,457	79,065	77,050	1,08,441
8	Payment of Rs. 5 lakh or more in the aggregate for purchase of RBI Bonds	1,57,954	1,77,659	43,311	1,81,860	3,161	3,52,338
TOTAL		21,65,168	16,79,551	23,11,353	27,08,855	28,38,849	55,70,261

Table 3.35

Comparative Statistics of Valid PAN in AIR Info (as on 31st March, 2009)

Year	Transaction type	Total	With PAN	PAN cases %
2005-06	Cash deposits	4,24,365	1,16,193	27.38
	Credit Card	1,89,602	23,536	12.41
	Mutual Fund	12,15,022	10,52,431	86.62
	Bonds / debentures	31,442	17,729	56.39
	Shares	1,49,551	1,24,197	83.05
	Immovable property purchase	85,969	16,058	18.68
	Immovable property sale	1,21,144	18,747	15.47
	RBI Bonds	1,48,474	89,409	60.22
	Total	23,65,569	14,58,300	61.65
	2006-07	Cash deposits	5,56,792	1,70,759
Credit Card		2,93,019	68,204	23.28
Mutual Fund		13,01,637	11,55,587	88.78
Bonds / debentures		44,875	39,393	87.78
Shares		1,47,472	1,34,292	91.06
Immovable property purchase		1,35,488	51,045	37.67
Immovable property sale		1,49,686	29,134	19.46
RBI Bonds		45,776	34,651	75.70
Total		26,74,745	16,83,065	62.92
2007-08		Cash deposits	7,76,662	2,97,917
	Credit Card	3,98,394	1,64,133	41.20
	Mutual Fund	17,22,316	16,53,393	96.00
	Bonds / debentures	47,965	43,453	90.59
	Shares	81,757	75,533	92.39
	Immovable property purchase	1,36,396	57,895	42.45
	Immovable property sale	1,64,201	42,857	26.10
	RBI Bonds	3,911	3,525	90.13
	Total	33,31,602	23,38,706	70.20

5. Narcotics Control Division

5.1. Functions/Working of the Central Bureau of Narcotics

5.1.1 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 superintendence 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 poppy is permitted only in certain districts and tehsils as notified by the Central Government.

5.1.2 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 Dioxypheyl 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.

Central Bureau of Narcotics is also issue manufacturing licence / renews the manufacturing licence for manufacture of synthetic narcotic drugs.

5.1.3 Achievements

(i) No. of NOC's issued by Central Bureau of Narcotics during the year 2008-09 (from 1-4-2008 to 31-03-2009) for the export/import of Precursor chemical is as under:

No. of NOC's issued for export of Precursor Chemical : 1334

No. of NOC's issued for import of Precursor Chemical : 91

(ii) CBN has started the use of the system of Pre-Export Notification (PEN) in verifying the genuineness of the

transaction. In the year 2008, CBN had issued 1250 PEN's during the year 2008-09 (from 1-4-2008 to 31-03-2009) to the Competent Authority of importing country, for verifying the legitimacy of the transaction. International Narcotics Control Board (INCB) has developed Online PEN system to make exchange of information between the Competent National Authorities. Through Online PEN system, CBN has identified and stopped many suspicious transactions of Precursor Chemicals suspected to be diverted from the licit channels to illicit channels during the year under report.

(iii) Training Programme for Drug Law Enforcement officers organized at Udaipur on 11 & 12 February, 2008.

As a part of strategy to control the diversion of Precursors, a Training Programme for Drug Law Enforcement Officers was organized at Udaipur on 11th and 12th February, 2008. The objective of this Training Programme on Precursor Control Chemicals was to create awareness amongst the Drug Law Enforcement Officers belonging to different organizations and to provide them a platform to interact with each other and share information on the illicit drug trafficking in the area. The Training Programme was attended by 66 officers of different organizations as mentioned below:

1. State Police of Madhya Pradesh.
2. State Police of Rajasthan.
3. Customs.
4. Central Excise.
5. Directorate of Revenue & Intelligence.
6. Central Economic Intelligence Bureau.
7. Central Bureau of Narcotics.

The participants were sensitized in the following areas:

- basic legal frame work concerning precursors.
- Appearance, characteristics and properties of these chemicals and train them to identify them with the help of field test kit.
- risk of diversions and its potential debilitating effects of the health and welfare of human beings.
- potential methods of diversion and precautionary steps that can be taken to neutralize the same
- Promote co-operation among drug law enforcement officers.

(iv) No. of Export Authorization and Import Certificate issued by Central Bureau of Narcotics during the financial year 2007-08 and 2008-09 (upto 31-03-2009) for the export/import of Narcotic Drugs/ Psychotropic Substances is as given in Table 3.36.

(v) Number of Manufacturing licence issued/renewed for manufacture of synthetic narcotic drugs and number of Registrations for import of poppy seeds, issued during the above period are as under:

Table 3.36

Export Authorization and Import Certificate issued by Central Bureau of Narcotics

	Psychotropic Substances		Narcotics Drugs		Ketamine	
	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
No. of Export Authorization Issued	1390	1516	244	236	11	120
No. of Import Certificate issued	120	114	66	89	NA	NA

Year	Registration	Manufacturing Licence
2007-2008	173	20
2008-2009	129	17

(vi) Joint Meeting of the Task Force of Project Prism & Project Cohesion organized by India at New Delhi from 13th-17th October, 2008.

India has been in the forefront in international efforts to prevent diversion of ATS precursors. India is a member of the Task Force of Project Prism (which reviews and fine tune the existing mechanism relating to export and import of ephedrine and Pseudoephedrine) and Task Force of Project Cohesion (which monitors the operational activities relating to Acetic Anhydride and Potassium Permanganate). The joint meeting of the Task Force of Project Prism and Project Cohesion was successfully organized by India at New Delhi from 13th – 17th October, 2008. International Narcotics Control Board (INCB), Vienna has expressed thanks to the Government of India for the excellent organization of the Meeting. The appreciation of the INCB is a matter of great pride and highlights the professionalism and hard work displayed by the organizing officials of CBN.

(vii) Detection and destruction of illicit opium poppy cultivation

(a) Joint Operation by the Central Bureau of Narcotics in association with Arunachal Pradesh State Administration:

A joint operation was carried out by the Central Bureau of Narcotics in association with Arunachal Pradesh State Administration to destroy illicit opium poppy cultivation in the Lohit, Tirap and Upper Siang Districts of Arunachal Pradesh.

In the destruction drive which was carried out from 20-03-2008 to 29-03-2008 in Lohit, Tirap and Upper Siang Districts of Arunachal Pradesh, illicit poppy crop in an area of about 93.75 hectare in Upper Siang, 250 hectare in Lohit and 100 hectares in Tirap District was destroyed. Overall illicit poppy crop in a total area of 443.75 hectares was destroyed in the above said operation in the three districts of Arunachal Pradesh.

(b) Destruction drive by the Central Bureau of Narcotics for destruction of illicit Opium Poppy Crop in Uttarkashi District of Uttarkhand:

Information was received by the Central Bureau of Narcotics in the month of April, 2008 about illicit poppy cultivation in high reaches of hilly region of Uttarkashi district of Uttarkhand.

Therefore a team of CBN officers was deputed to verify the report and destroy illicit poppy crop. The CBN team found illicit poppy cultivation in 12 villages of Bangan Pati Area and 10 villages of Fateh Parwat with in the 'Gobind Wildlife Sanctuary'. The areas fall under Mori Tehsil of Uttarkashi District. The terrain here was quite difficult, and the officers required to trek for 10-20 kms. daily to cover these villages located at a hazardous terrain at an altitude of 4000 to 8000 feet.

Overall illicit poppy crop in an area of about 152 hectares was discovered and destroyed in Bangan Patti and Fateh Parwat areas in Mori Tehsil of Uttarakashi District in Uttarakhand State during the period from 06th May 2008 to 20th May 2008 by the CBN. The Central Bureau of Narcotics (CBN) team also took the assistance of local State Government officials in locating the villages with illicit poppy cultivation.

5.1.4 Cultivation of opium poppy and production of opium during the year 2007-08.

During the crop year 2007-08, 170 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 2007-08 was 65.90, 62.09 & 49.83 kgs/hectare respectively. The All India average yield during 2007-08 was 64.23 kgs/hectare at 70 degree consistency (provisional) which is an all time high average yield of opium. The figures related to opium cultivation are provisional as final reports from factories for the crop year 2007-08 are awaited. The figures are for 2007-08 as the crop cycle for the cultivation of opium is October to September next year.

A chart showing details of area licensed/harvested, no. of cultivators, opium produce, average yield for the previous 5 years is given in Table 3.37.

5.1.5 Other highlights of performance and achievements during the year 2008-09

Observance of International Day against Drug Abuse and Illicit Trafficking:

International Day against Drug Abuse and Illicit Trafficking was observed on 26/6/2008 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, distribution of pamphlets and placing of banners citing effective slogans at prominent places in the city.

5.1.6 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.

- (i) During the month of January, 2008 acting on specific information Central Bureau of Narcotics (CBN) has apprehended an inter state syndicate of smugglers who were involved in transporting Acetic Anhydride from Sagar (M.P.) to U.P. and seized 854.900 kg. of Acetic Anhydride at Sagar (M.P.) and 640.700 kg. of Acetic Anhydride at Lucknow (U.P.) in follow up action and 6 persons were arrested. Acetic Anhydride is a Precursor Chemical and used for manufacture of heroin. Thus the instant seizure of Acetic Anhydride has also prevented the manufacture of a huge quantity of heroin.
- (ii) Beside this CBN has also made various cases of Acetic Anhydride in opium growing areas such as (a) 15 kg. seizure of Acetic Anhydride in Rajasthan during February, 2008, (b) 48.150 kg. of seizure of Acetic Anhydride in M.P. during March, 2008; and (c) 207.320 kg. seizure of Acetic Anhydride in Lucknow during December, 2008, which has again prevented further manufacture of deadly drugs.

Number of Persons convicted/Acquitted in CBN cases decided by various Court during the financial year 2008-09

Financial Year	2008-09
Total No. of Persons who were facing prosecution	124
Total No. of Persons Convicted	85
Total No. of persons Acquitted	39
Conviction Rate (%)	68.54 or 69

Number of Cases convicted / Acquitted in CBN cases decided by various Court during the financial year 2008-09

Financial Year	2008-09
Total No. of Cases who were facing prosecution	86
Total No. of Cases Convicted	68
Total No. of Cases Acquitted	19
Conviction Rate (%)	79.08 or 79

During the financial year 2008-09, a total number of 37 cases were booked, 72 persons were arrested and 13 vehicles were seized and an area of 256 Hectares in Arunachal Pradesh of illicit poppy cultivation have been destroyed during the financial year 2008-09.

The relevant statistical details of seizures and cases booked by the CBN during the year 2007-08 and 2008-09 given in Table 3.36.

5.2 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 at New Delhi. Each of the factories comprise two units – the Opium Factory and Alkaloid Works. The Opium Factories undertake the work of receipt of opium from the fields, its storage and processing for exports and domestic consumption. The Alkaloid Works are engaged in processing raw opium into alkaloids of pharmacopoeial grades to meet the domestic demand of the pharmaceutical industry. The GOAW have employed a total work force of about 1400 people at its two opium and alkaloid plants. The work force comprises of 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.

Table 3.37

Area, number of villages & cultivators licensed / harvested, quantity of opium produced, average opium yield, and total payment made to cultivators during the last five years

CROP SEASON					
Name of the unit	2003-04	2004-05	2005-06	2006-07	2007-08(Prov.)
AREA LICENSED/HARVESTED IN HECTARES					
Madhya Pradesh	9642/8565	4236/3876	3637/3500	3416/3294	2830/1518
Rajasthan	9339/8461	4354/3918	3492/3411	2824/2616	1844/1131
Uttar Pradesh	2160/1565	180/39	123/65	29/3	6/4
Total	21141/18591	8770/7833	7252/6976	6269/5913	4680/2653
NUMBER OF VILLAGES LICENSED HARVESTED					
Madhya Pradesh	1735/1721	1228/1218	1128/1128	1049/1049	901/847
Rajasthan	2127/2098	1368/1338	1211/1211	1001/998	691/666
Uttar Pradesh	1311/1181	161/87	105/84	31/9	9/7
Total	5173/5000	2757/2643	2444/2423	2081/2056	1601/1520
NUMBER OF CULTIVATORS LICENSED/ACTUALLY HARVESTED					
Madhya Pradesh	48207/46553	42351/39215	36352/35799	34151/33538	28286/15860
Rajasthan	46695/43931	43532/39406	34909/34614	28233/26659	18439/11727
Uttar Pradesh	10795/8071	1787/396	1217/706	274/35	50/41
Total	105697/98555	87670/79017	72478/71119	62658/60232	46775/27628
OPIUM PRODUCED (IN TONNES) AT 70°C					
Madhya Pradesh	509	234	226	207	100
Rajasthan	523	221	206	146	70
Uttar Pradesh	64	2	3	@	#
Total	1096	457	435	353	170
AVERAGE YIELD PER HECTARE AT 70°C (IN KGS.)					
Madhya Pradesh	59.43	60.37	64.46	62.87	65.90
Rajasthan	61.73	56.45	60.39*	55.77	62.09
Uttar Pradesh	40.66	42.22	41.20	16.21	49.83
All India	58.95	58.34	62.36	59.53*	64.23
PAYMENT TO CULTIVATORS (IN LAKH RUPEES) (rounded off)					
Madhya Pradesh	6355	3141	3298	2926	1521
Rajasthan	6851	2845	2843	1905	935
Uttar Pradesh	512	9	18	0.33	2
Total	13718	5995	6159	4831	2458\$
AVERAGE COST OF OPIUM PAID TO THE CULTIVATORS PER KG.					
Madhya Pradesh	1256	1353	1474	1422	1520
Rajasthan	1321	1302	1379	1306	1457
Uttar Pradesh	876	837	746	900	919
Total	1252	1312	1420	1369	1446\$

* Figures are provisional. \$ Based on 90% payment to the cultivators.

@ Actual quantity produced is 43 kgs. at 70 degree excluding suspect opium, Dhoi & Khurchan.

Actual quantity produced is 199 kgs. at 70 degree excluding suspect opium, Dhoi & Khurchan.

Table 3.38

Seizure cases effected by CBN financial year 2007-08/2008-09

Name of Drug		2007-08	2008-09
Opium	Qty. (in kgs.)	108.55	69.77
	No. of cases	17	12
	Persons Arrested	27	21
Heroin	Qty. (in kgs.)	20.295	4.43
	No. of cases	17	8
	Persons Arrested	27	18
Morphine	Qty. (in kgs.)		0.5
	No. of cases		1
	Persons Arrested		1
Charas	Qty. (in kgs.)	3.05	6.05
	No. of cases	1	1
	Persons Arrested	1	1
Ganja	Qty. (in kgs.)	4599.8	14.5
	No. of cases	1	1
	Persons Arrested	2	4
Acetic Anhydride	Qty. (in ltrs.)	1757.25	262.22
	No. of cases	6	2
	Persons Arrested	10	2
Methaqualone	Qty. (in kgs.)		
	No. of cases		
	Persons Arrested		
Alprazolam	Qty. (in kgs.)	1.11	112.4
	No. of cases	2	1
	Persons Arrested	5	2
Diazepam	Qty. (in kgs.)		
	No. of cases		
	Persons Arrested		
Nitrazepam	Qty. (in kgs.)		4950
	No. of cases		1
	Persons Arrested		1
Ephedrine	Qty. (in kgs.)		0.002
	No. of cases		
	Persons Arrested		
Caffin	Qty. (in kgs.)		
	No. of cases		
	Persons Arrested		
Codein	Qty. (in kgs.)		
	No. of cases		
	Persons Arrested		
Poppy Husk	Qty. (in kgs.)	3.000	847.6
	No. of cases	0	4
	Persons Arrested	0	4

Destruction of Illicit Poppy Corrected on 14.04.09	Area (in sqm.)		
Cultivation (in poppy	No. of cases		
Cultivation in Arunachal			
Destruction of Illicit Poppy	Area (in hectare)	1873.575	152
Growing areas)	Persons Arrested		
Lab			
Heroin formula			1.2
Illicit Poppy Cultrn.	Area (in Hect)		
Arunachal Pradesh	1328.575	256	
West Bengal		-	
J&K	545	-	

The overall performance for the period from 1st January, 2008 to 31st March, 2009 are as follows :

Government Opium and Alkaloid Factories (GOAF)

Sl. No.	Particulars	Unit	Actual Production	Actual Sale
(1)	(2)	(3)	(4)	(5)
A.	<u>PRODUCTION</u>			
1	Drying of opium for Export at 90 C	MT	75.855	565.330
2	Manufacture of Drugs :			
	a) Codeine Sulphate	KGS.	13	—
	b) Morphine Sulphate	KGS.	397	250
	c) Codeine phosphate	KGS.	14731	13189
	d) Dionine	KGS.	559	505
	e) Pure Thebaine	KGS.	858	315
	f) Noscapine BP	KGS	3839	3141
	g) Pholcodine	KGS	158	138
	Total Finished Drugs	KGS	20555	17538
	h) IMO Powder	KGS.	5775	6200
	i) IMO Cake	KGS.	2404	1836
	j) Papavarine S.R.	KGS	1859	2090
3.	i) Import for Domestic Market		42987	37680
	ii) Import for Vendor Specific			
	a) Codeine Phosphate U.S.P.	KGS.	12050	12050
	b) Theabine	KGS	100	100
	Total (ii)		12150	12150

C . COUNTRY WISE EXPORT OF OPIUM (excluding IMO Powder & Cake)

Unit	USA	FRANCE	JAPAN	TOTAL
Ghazipur	257	0	124	381
Neemuch	177	7	0	184
Total	434	7	124	565

D. OPIUM CHARGED FOR PRODUCTION OF DRUGS

(Qty. in MTS at 90° C) 160.687

E REVENUE RECEIPTS (ON REALISATION BASIS)

Unit	(Rs. in crore)		
	Opium Factories	Alkaloid Works	Total
Ghazipur	190.96	77.88	268.84
Neemuch	50.45	116.23	166.68
Total	241.41	194.11	435.52

6. Central Economic Intelligence Bureau

Organization and Functions

The Central Economic Intelligence Bureau 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 Deputy Directors General, Joint Secretary (COFEPOSA), Assistant Directors General, Under Secretaries, Senior Technical Officers and other staff. The Bureau has a sanctioned strength of 113 officers & staff.

In terms of its existing charter the CEIB, functions as the Secretariat for the Economic Intelligence Council (EIC) and as the coordinator and repository of economic intelligence (ECOINT). It also implements the COFEPOSA Act.

The Bureau supervises and monitors the functioning of 22 Regional Economic Intelligence Councils (REICs) which are the nodal agencies for coordination at the field level and have been constituted amongst various enforcement and investigative agencies dealing with economic offences.

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. Arrangements for monitoring and feed back have also been put in place.

Major activities undertaken by the Bureau during the current financial year (upto 31st March, 09) are as follows:

Policy Level Coordination

The Economic Intelligence Council (EIC) which is the upper level Coordinating form for all matters pertaining to Economic Intelligence met under the Chairmanship of Hon'ble Finance Minister on 7.10.2008, wherein, inter-alia, issues pertaining to intelligence sharing and coordination, trends in economic offences and functioning of REICs were discussed for taking appropriate actions.

A meeting of the working group on Intelligence Apparatus, chaired by the Revenue Secretary was held on 28.4.2008.

Four zonal conferences of Conveners of REICs were held at Bhopal (Western Zone), Hyderabad (Southern Zone), Chandigarh (Northern Zone) and Patna (Eastern Zone) which were presided over by SS & DG, CEIB. The zonal conferences were attended by DGIT(Inv.) / Chief Commissioner(C&CE) concerned in their capacity of Convener of their respective REICs. Various problems and current issues common to the REICs were discussed and corrective steps have been taken. An all India Conference of REIC Conveners chaired by the Revenue Secretary was convened on 7.2.2009, wherein, inter-alia, issues pertaining to interagency coordination and functioning of REICs were discussed and appropriate decisions taken.

NEIN (National Economic Intelligence Network)

The Bureau has been mandated to develop dossiers on significant economic offenders as per the recommendations of the Group of Ministers. The Bureau has accordingly created a database on economic Offenders which is regularly updates. Details of cases booked by different agencies are entered in the database in a defined format. These details are then collated and used for compiling dossiers on economic offenders. CBEC, CBDT, BSF, CBI and other intelligence agencies and also State Police authorities are contributing to this data base. More than 7000 cases have already been entered into the database. Dossiers on more than 700 economic offenders have already been built up and the same are being updated on a regular basis by way of inputs from different agencies. Database so developed is being used to share details of economic offenders/Officers between different agencies.

Sharing of Intelligence Inputs

The Bureau is sharing intelligence inputs received from various agencies. These inputs cover various areas such as Fake Indian Currency Notes (FICN), Hawala/Suspicious transactions, Fake passports/Visa Stickers, human trafficking, militant activities, smuggling, drugs etc.

The following Mechanisms have been set up in the Bureau for coordination and intelligence sharing amongst different agencies.

Group on Economic Intelligence

The Group of Economic Intelligence was set up in 2005 to institutionalize exchange of raw information on real time basis amongst intelligence and investigative agencies dealing with all matters relating to Economic intelligence (Ecoint.). Besides intelligence/enforcement agencies, regulators like RBI and SEBI are also members of the GEI. Nodal Officers of the Group meet regularly in the Bureau and discuss important issues relating to Ecoint. The Group exchanges inputs which are shared with concerned agencies.

Heads of Agencies

The Heads of Agencies under the Department of Revenue group was constituted consequent to the EIC decision. Meetings of the Heads of Agencies are convened in this Bureau to discuss and decide upon emerging areas of economic offences and coordinated action against identified significant targets. 4 meetings have been held in this regard

The following points of action have been decided upon:-

- evaluating cases available in the databases of these agencies, in the context of their inter agency ramifications.
- pooling of information on significant economic offenders among the relevant agencies within a specific time frame,
- identifying targets based on information available,
- follow up and feedback from agencies which would

eventually lead to a joint coordinated action against identified targets.

SIEN (Secure Information Exchange Network)

The Bureau had been mandated to put in place a Secure Online Information Exchange mechanism for various intelligence/enforcement agencies so as to enable them to exchange information on real time basis. This secure network is in the process of being set up to connect all member agencies including agencies under the Ministry of Finance, MHA and other intelligence agencies dealing with Ecoint. The system would enable exchange of information in a secure manner online. It will also enable agencies to share details of cases booked by them and also help in building dossiers on significant economic offenders.

Income tax intelligence inputs

During the Financial Year 2008-09, the intelligence inputs received in form of telex reports from filed formations of Income Tax Department were examined and analyzed in detail.

Investigative studies/analytical studies:- Detailed analysis of certain sectors like Brick and Sand industries, Mining Industries, Dairy Industry and Fruits and Vegetable Market was under taken by the Bureau and Central Board of Direct Taxes was accordingly advised to initiate action as there appeared to be substantive evasion of taxes in these Sectors. Consequently searches were also carried out by the Income Tax Department and such action in a group of assesseees in Orissa resulted in the disclosure of unaccounted income of Rs.90 crores.

Cheque Discounting: In this area, it has been suggested that the format of the cheques/drafts be changed as per international standards by preprinting them with the codes 'Not transferable'. Further, an amendment in Section 40A(3) of the Income Tax Act, 1961, has been proposed where in place of the 'account payee' cheque, 'Not transferable' may be inserted and in place of 'account payee' bank draft, 'Not transferable' draft may be inserted. This would prevent the misuse of such negotiable instruments through innumerable endorsements in the market for either siphoning off of funds or for bogus billing. The final report in this regard has been submitted.

Collection, Analysis & Dissemination of Information: During the financial year 2008-09, the intelligence inputs received in 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, 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 were shared with the concerned authorities.

Specific information regarding tax evasion cases were gathered in a number of cases from cultivated and reliable

sources and were forwarded to jurisdictional Agencies for further processing and initiating action against such persons/ concerns.

Case reports received in this Bureau were analysed in the Bureau for their possible ramifications for other agencies. Based on this analysis significant information was shared and resulted in the discovery of substantial tax evasion.

Coordination

CEIB has strived to achieve increased coordination amongst Agencies working in the area of economic offences. Significant efforts / areas in this regard are detailed below:-

(i) Use of satellite images to detect/destroy illicit opium poppy cultivation: On the basis of reports of widespread illicit opium poppy cultivation in different states, coordinated action to detect and destroy these illicit crops was planned by the Bureau. Accordingly satellite imagery of the suspect states viz. West Bengal, Jharkhand, Bihar, Karnataka, Orissa, Jammu & Kashmir, Himachal Pradesh, Arunachal Pradesh, Manipur and Uttaranchal were obtained from ADRIN, Hyderabad working under Dept. of Space. These images were examined in consultation with NCB, CBN and IB and shared with the Chief Secretaries of the concerned States for destruction operations. NCB has been asked to coordinate action with the States.

(ii) Funding of NGOs from suspect sources: Inputs were being received in the Bureau regarding certain NGOs receiving funds from suspect sources abroad. Bureau has obtained a list of all the NGOs receiving foreign funds and the same has been circulated to all the REICs and also to FIU-IND. List of suspect NGOs received from IB, ED and other agencies have also been shared with the concerned agencies for coordinated action against them.

FIU-IND has also been asked to provide relevant details pertaining to these organizations regarding their financial transactions which will be shared with the concerned agencies for further follow up.

(iii) Currency declaration by foreign nationals:

- (a) The Bureau had received inputs from IB and NCB regarding huge foreign currency declarations being made by foreign nationals on their arrival in the country at major international airports. The same was taken up for discussion in the EIC and as per EIC directions, the Bureau is monitoring and analyzing the same.
- (b) The Bureau is receiving reports from various Customs formations regarding declarations of foreign currency of more than US \$ 25000 made by foreign nationals on their arrival in India. Suspect individuals are being listed based inter-alia on the declarations and the frequency of visits made.
- (c) These are being analyzed and shared with MEA, Cabinet Secretariat, IB, and JS(IS) MHA for putting them in prior verification category, wherever need be, before granting of visas.

- (d) REICs - Steps have been taken to empower and upgrade regional level coordination through the Regional Economic Intelligence Committees. Reports and monitoring system have been streamlined and systems put in place for appropriate follow up action. Information sharing in the REICs has resulted in the discovery of major case and duty evasions cases.

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 by the State Government is one of the functions performed by CEIB. The COFEPOSA Act, 1974 acts as a deterrent against the menace of smuggling and foreign exchange racketeering. During the period 1st January 2008 to 31st March, 2009, 20 Detention Orders were issued by the specially empowered officer of the Central Government 22 persons were, however, actually detained during this period, including those against whom Detention Orders were issued by the specially empowered officer of the Central Government during this year and previous years.

Training

To enhance the investigative skills of officers of the Department of Revenue in intelligence gathering techniques etc. the Bureau organizes training courses at various specialized training institutions. During 2008-09, 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;
- Investigating Economic Crimes in Financial Markets" at Indian Institute of Capital Markets, Mumbai.
- "Intelligence Gathering & Intelligence Tradecraft" at Cabinet Sectt. Training Institute, Gurgaon

7. Directorate of Enforcement

A. Organisation and Functions

The Directorate of Enforcement is headed by a Director of the rank of Additional Secretary to Government of India. The other officers of the Directorate are Special Directors (3) Additional Director (2) Deputy Directors (12) and Assistant Directors (74) assisted by Law Officers. The Directorate implements mainly 3 different legislations such as FEMA, 1999, COFEPOSA, 1974 and PMLA, 2002. Apart from above, Adjudication, prosecution and penalty recovery work of cases booked under FERA (since repealed) is being carried out by the Directorate.

The Directorate was reorganized during 2006-07 and presently it has the following 10 Zonal Offices and 11 sub zonal offices:

Zones Mumbai, Delhi, Chennai, Kolkata, Chandigarh, Lucknow, Cochin, Ahmedabad, Bangalore & Hyderabad.

Sub-zones Jaipur, Jalandhar, Srinagar, Varanasi, Guwahati, Calicut, Indore, Nagpur, Patna, Bhubaneswar, & Madurai.

The main functions of the Directorate under FEMA/ COFEPOSA/FERA 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 FEMA, 1999 and also under the erstwhile FERA, 1973.
- (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).

Role of Directorate of Enforcement under PMLA, 2002

- (a) The Prevention of Money Laundering Act, 2002 (hereinafter referred to as PMLA) has come into being from 1-7-2005. This Act creates the authority viz Directorate of Enforcement to combat the money-laundering [ML] offence connected with several criminal scheduled offences including terrorist acts and financing of terrorism [FT] in India. This Act has created four statutory bodies to fulfill the various legal obligations cast by the law such as (i) The Director of Enforcement responsible for prosecuting the person accused of Money-laundering, (ii) The Director of FIU to supervise the functions of FIU-IND and (iii) Adjudicating Authority to decide the issue of involvement of any property in act of money-laundering or otherwise. (iv) Special Courts to take cognizance of offences punishable under PMLA.
- (b) The provisions of Section 48 of PMLA, 2002 read with Notification No. GSR 441(E), DT. 1-7-2005 confer powers to the Officers of the Directorate to investigate cases of Money Laundering and to initiate prosecution.

Criminalization of Money-Laundering:

The key provisions of PMLA are section 2(u) & (y) and section 3. The section 2(u) defines the Proceeds of Crime and section 2(y) defines the scheduled offences, the proceeds of which are subject matter of investigation under this Act.

Section 3 creates the charge of money-laundering and reads as under:

'Offence of money-laundering'

Whosoever directly or indirectly attempt to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering.

Combating of financing of terrorism under PMLA

Money laundering associated with Terrorist Financing is an offence under PMLA, 2002

- i. Money laundering as an offence is criminalized under section 3 and punishable under section 4 of the Act.
- ii. Section 3 in brief criminalizes the activity of dealing in proceeds of crime knowingly and projecting it as untainted property. [claiming to have been obtained from legitimate and licit sources and at the same time hiding and concealing the criminal source of funds]
- iii. Proceeds of crime is defined under section 2(u) of PMLA, as proceeds relating to a criminal activity as mentioned in schedule to the act.
- iv. There are three Schedules attached to the Act, namely part –A, Part-B & Part –C.
- v. In part-A there is a Paragraph 4 which covers the various sections of 'The Unlawful Activities (prevention) Act, 1967. (as amended) which tackles terrorist Act and terrorist financing (a) the money laundering connected with the offences are to be investigated under PMLA Action can be initiated against following types of properties which fall under the category of property involved in the offence of money laundering and therefore liable for confiscation under the Act :
 - Raising or collection of funds in India or abroad by any person for the intended purpose of financing a terrorist activity The act of donations of funds is also an offence if these funds are donated for promoting/abetting intended terrorist activity [section 17]
 - Holding of property [proceeds of crime] derived /obtained from the commission of a terrorist act. [section 21]
 - property obtained directly or indirectly [proceeds of crime] by organizing the terrorist camps [section 18 A]
 - property obtained directly or indirectly [proceeds of crime] by recruiting persons for a terrorist camp [section 18B]

- property [proceed of crime]acquired for causing terrorist act [section 15 read with section 16]
- property held as a member of a terrorist organization [section 38]

Registration of the case under section 3, FOR the offence of money laundering and terrorist FINANCING

Directorate have the sole responsibility to register the offence of money laundering under section 3, and for causing the financial investigations to identify suspected proceeds of crime.

Investigation of the case of money laundering

A case registered for the Offence of Money laundering is further investigated by using various tools like summoning the concern persons, conducting survey (section 16),conducting search operations & seizure of property involved in money laundering (section 17) search of suspect (section 18) and collection of incriminating material, arrest of suspect (section 19)

The property suspected to be involved in money laundering is provisionally attached under section 5 of the Act so that same is available for final confiscation under the provisions of this Act.

Proceedings before the Adjudicating AUTHORITY (section 8)

Complaint before the adjudicating authority is filed by the Directorate wherever required to present the evidence of involvement of property in the offence of money laundering and attached provisionally, for seeking order of confirmation in terms of section 8(3) of PMLA. Directorate is required to take possession of attached property in terms of section 8(4) of the Act, upon confirmation of the order by the authority Directorate is also required wherever needed to file an Appeal before the Appellate Tribunal in terms of section 26 of PMLA [against the adverse orders of adjudicating authority].

Initiation of Prosecution

Proceeding before the Special Court[section 43 to 45]:

Directorate is authorized to to file a Complaint with in the meaning of section 45, before the Special Court for taking cognizance of any offence punishable under section 4[punishment for the offence of money laundering] of PMLA. Directorate is required to have close coordination with the public prosecutor during the trial, so that interest of the case is properly protected and guilty are punished as per the law of land.

Exchange of information with FIU-IND

Directorate processes the Suspicious Transaction Reports[STR] received from FIU and also originates certain Requests for the FIU to be taken up with the foreign FIU's.

International Co-OPERATION [Mutual Legal Assistance] Chapter –IX of the Act

- Attachment, seizure and confiscation of proceed of

crime derived or obtained, directly or indirectly by a person from the commission of an offence under section 3 but such proceeds of crime being available in a contracting state can be acted upon by way of Letter of Request [LR]to be sent through designated court under the MLAT[mutual legal assistance treaty] and similarly execution of such Requests in India in terms of section 60 of the Act.

- Extradition of accused from contacting states: this cooperation is available through judicial route as provided under sec 59 of the Act.
- Collection of material evidence required in a case and available in a contracting state can be obtained through Letter of Request [LR] as provided under section 57 of the Act. And execution of similar such Requests in terms of section 58 of the Act.
- Detailed guidelines are in place to process the incoming and as well as out bound letter of requests[LRs].The role of MEA[CPV division],MHA and MOF[Department of Revenue], Law ministry have been clearly defined in executing the incoming references[LRs] from foreign law enforcement agencies.

Capacity Building

Directorate is conducting regular Courses on PMLA, 2002 in association with CBI Academy to train officers of various State Police Organizations and of CBI and other stakeholder.

B. Highlights and achievements of the Directorate

(i) Under FERA & FEMA

This Directorate has adjudicated 160 cases (under erstwhile FERA, 1973) and 233 cases (under FEMA, 1999) during the period from April, 2008 to 31st March, 2009 and the Directorate has realized penalties to the tune of Rs. 13.43 crore under FERA, 1973 and Rs. 01.56 crore under FEMA during the same period.

130 cases have been disposed of in the prosecutions launched earlier under Section 56 and 57 of FERA, 1973.

(ii) Under Prevention of Money Laundering Act (PMLA), 2002

Under the Prevention of Money Laundering Act (PMLA) the Directorate has so far registered 58 cases Information Report (ECIR) and the Directorate has made Thirty Four (34) attachment orders (PAOs) where the properties/assets (movable and immovable) involved in money laundering have been attached and 27 PAOs were confirmed by the Adjudicating Authority. 7 persons have been arrested for their involvement into an offence of PMLA. The Directorate had executed two Letter of Request received from Foreign Law Enforcement Agencies under PMLA and sent the requisite material to them for further investigations/proceedings under corresponding Law in a Foreign Country. The Directorate has

sent 3 Letter of Request to Foreign Law Enforcement Agencies under PMLA serving evidence/ documents etc.

8. Set up for forfeiture of illegally acquired property

The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEM(FOP)A), provides for forfeiture of illegally acquired property of the persons convicted under the Sea Customs Act, 1878, the Customs Act, 1962, Foreign Exchange Regulation Act, 1947 and Foreign Exchange Regulation Act, 1974 and the persons detained under Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPSA) provides for tracing, freezing, seizure and forfeiture of illegally acquired property of the 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.

8.2 SAFEM(FOP) Act and NDPS Act provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired property. 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.

8.3 During the year 2008-2009, the Competent Authorities have forfeited property worth of Rs.1115.33 lakh in 28 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 2001-01 to 2008-2009 are given in the Table 3.37.

8.4 In ATFP, during the period from 1st April 2008 to 31st March, 2009 a total number of 46 Appeals and 64 Miscellaneous Petitions under SAFEMA(FOP)A, and 93 Appeals and 48 Miscellaneous Petitions under NDPSA, were filed. During the same period, 81 Appeals and 64 Miscellaneous petitions were disposed of.

9. State Taxes Section

State Taxes Section of the Department of Revenue handles legislative work relating to the Central Acts having significant interface with the States, including the Sales Tax Laws and Validation Act, 1956, the Central Sales Tax, 1956, the Additional Duties of Excise (Goods of Special Importance) Act, 1957 and the, Indian Stamp Act, 1899. and Facilitation in respect of States level Value Added Tax (VAT) issues and the issues related to the Goods and Services Tax (GST) targeted to be introduced across the country are also the other significant assignments of the State Taxes Section. .

9.1 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 supportive 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 had been announced. The rate of revenue loss compensation under this was 100 per cent during 2005-06, 75 per cent during 2006-07 and 50 per cent during 2007-08. An amount of Rs. 14,805.83 crore has already been released by Central Government to States till 31st March, 2009.
- (b) The Central Government designated the EC to undertake a project for computerization of VAT administrations in Himachal Pradesh and Jammu & Kashmir also, with commitment for substantial funding support. Further, a project for computerization of VAT administrations in 20 other States / UTs has also been formulated.
- (c) 50% funding is being provided to the Empowered Committee of State Finance Ministers for implementation of the TINXSYS Project for tracking of inter-State transactions.
- (d) The project for upgradation of Centre for Taxation Studies, Kerala to a national level institute of public finance, named Gulati Institute of Finance and Taxation

(GIFT), has been formulated. This involves commitment of financial assistance of Rs.23.63 crore out of the total project cost of Rs. 33.13.crore.

- (e) Financial support had been provided to the Empowered Committee as well as the States for undertaking VAT related publicity and awareness campaigns.

The experience with implementation of VAT has been very encouraging so far. The new system has been received well by all the stake-holders and the transition to the VAT system has been quite smooth. The tax revenues of VAT implementing States had registered an increase of 13.8% during 2005-2006 and about 21 % during 2006-2007. During 2007-08, the gross revenue growth in State VAT and Sales Taxes for all the States/UTs had been 15.7%, which had included a growth of about 24% in the revenue from VAT-items. The provisional growth reported, for the period April-December 2008 in the financial year 2008-09 over the corresponding period in the financial year 2007-08, has been 19.1%.

9.2 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 of 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 (CST) as per Article 269 of the Constitution of India.

The CST however, being an origin-based non-rebatable tax, is inconsistent with the destination-based taxation concept of VAT. Therefore, in order to continue the indirect tax reform process, consensus had been reached on the roadmap for gradually 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, that had been earlier reduced from 4% to 3% w.e.f. 01.04.2007, has been reduced further from 3% to 2% w.e.f. 01.06.2008.

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 revenue enhancing measures and budgetary support. As measures for enhancing revenue and thereby compensating the States for CST revenue loss, the facility of inter-State purchases by Government Departments at concessional CST rate against Form-D has been withdrawn w.e.f. 01.04.2007. Also, enabling provisions have been made for States to levy VAT on tobacco and tobacco products, for which EC has subsequently agreed at 12.5% VAT rate, thus integrating this item with the State VAT system. For the residual losses thereafter, the Central Government has further received claims released Rs. 4118.88 crore has been released and balance claims are in process to States till 31st March, 2009 as budgetary support component of compensation for the loss due to phasing out of CST.

9.3 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 indirect Tax reforms, it was felt appropriate to abolish the AED in a phased manner. After agreement with the Empowered Committee of State Finance Ministers, the AED had been abolished on tobacco and tobacco products w.e.f. 01.04.2007 so as to bring these under the State VAT system. Efforts have been undertaken for abolishing AED on textiles also in consultation with the EC.

9.4 Indian Stamp Act, 1899

The Indian Stamp Act, 1899 (2 of 1899) is a fiscal statute laying down the law relating to tax levied in the form of stamps on instruments recording transactions. Briefly, the scheme relating to stamp duties, provided for in the Constitution is as follows:-

- (a) Under Article 246, stamp duties on documents specified in Entry-91 of the Union List in Schedule-VII of the Constitution (viz. Bills of Exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union but under article 268, each State, in which they are levied, collects and retains the proceeds (except in the case of Union Territories in which case the proceeds form part of the Consolidated Fund of India). At present duty is levied on all these documents except cheques ;

- (b) Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of the Entry-63 in the State List in Schedule-VII of the Constitution ;
- (c) Provisions other than those relating to rates of duty fall within the legislative power of both the Union and the States under Entry-44 of the Concurrent List in Schedule-VII.

Stamp duties levied by the Central Government are also collected within the States and appropriated by the States concerned in terms of the provisions of Article 268 of the Constitution of India, except in so far as collections in the Union Territories are concerned. In view of the above constitutional provisions, Section 9 of the Indian Stamp Act, 1899 authorizes the Central Government or the State Government to reduce or remit, whether prospectively or retrospectively, the duty payable on the Central or the State instruments, as the case may be.

It was decided to rationalize the stamp duty in respect of two instruments viz. Debenture and Promissory Notes, these being central instruments under the Union List Entry-91. The necessary Stamp Order notifying the new rates of Stamp Duty in respect of Debentures and Promissory Notes has been issued under Section 9 (1)(a) of the Indian Stamp Act vide S.O. 2189 (E) dated 12.09.2008.

In order to continue the stamp duty related reforms, the Empowered Committee of State Finance Ministers has been requested to work with the Central Government to create a truly pan Indian market for securities that will expand the market base and enhance the revenues of the State Government.

9.5 Goods and Services Tax (GST)

Introduction of GST is the logical extension of reforms in Central and States' indirect taxation aimed at 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 had 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 had 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 studied 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 had presented its report to the EC on

November 19, 2007. This was examined by EC and their views on "A Model and Roadmap for GST in India" were communicated to the Ministry of Finance on 30.04.2008.

The views of EC have been examined in depth at the Ministry, in consultations involving the Tax Research Unit, Central Board of Excise & Customs, Commissioner Service Tax and Commissioner Central Excise also. The consolidated preliminary comments of the Department of Revenue, Ministry of Finance have been conveyed to the EC on 08.10.2008. Following a meeting between Hon'ble Finance Minister, Government of India and Chairman, EC on 22.10.2008 to discuss the related issues, the revised comments of the Government of India have also been conveyed to Chairman EC, so as to help streamline the GST design and facilitate working out of further details by them.

10. Financial Intelligence Unit-India (FIU-IND)

Background

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 of the level of Joint Secretary to the Government of India.

Functions of FIU-IND

The main functions of FIU-IND are to receive cash, counterfeit currency 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.

Table 3.39

Directorate of Enforcement (Statistical Data 2008-09 (up to 31st March, 2009))

A SEARCH & SEIZURE		FEMA		
1.	Searches conducted			93
2.	FE seized & taken over (Rs. In Crores)			0.62
3.	IC seized (Rs. In Crores)			15.70
B INVESTIGATION				
1.	Initiated			1092
2.	Disposed			761
3.	Pending			5422
4.	SCNs issued			380
5.	Amt. involved in SCNs issued (Rs. In Crores)			1036.42
C ADJUDICATION		FERA	FEMA	TOTAL
1.	Cases Adjudicated	160	233	393
2.	Cases pending adjudication	3740	1277	5017
3.	Confiscation of foreign currency (in Crores)	00.07	00.28	00.35
4.	Confiscation of Indian Currency (Rs. In Crores)	03.52	1.02	4.54
D PENALTIES				
1	Imposed (Rs. In Crores)	3150.87	146.51	3297.38
2.	Realized (Rs. In Crores)	13.43	1.56	14.99
3.	Pending (Rs. In Crores)	8452.00	691.97	9143.97
E PROSECUTION		FERA		
1.	Disposal	130		
i)	Conviction	28		
ii)	Acquittal	21		
iii)	Discharge	15		
iv)	Withdrawn	35		
v)	Otherwise	31		
2.	Pending	4112		

Statistical Data under Prevention of Money Laundering Act (PMLA) – 2002

1.	No. of ECIR	58
2.	No. of Provisional Attachment order issued	34
3.	Value of properties under attachment	62,54,81,456
4.	No. of PAOs confirmed	27
5.	Value of assets under PAO confirmed by the Adjudicating Authority	49,44,34,936
6.	No. PAOs under confirmation /pending before the Adjudicating Authority	6
7.	No. of PAOs not confirmed by the Adjudicating Authority	1
8.	Value of assets in respect of PAOs not confirmed by the Adjudicating Authority	4,00,00,000
9.	No. of Appeals before Tribunal (a) Filed by the Party(b) Filed by the DirectorateTotal:	1601
10.	No. of person arrested	07
11.	No. of cases in which prosecution complaints filed	02

Table 3.40

Forfeiture of illegally acquired property under NDPSA and SAFEM(FOP)A

(Rs. in lakh)

F.Y.	No. of reports	Number of notices for forfeiture issued and value of property involved. (Number)	Number of forfeiture orders issued and value of property involved (Number)	Value of Sale Proceeds of Property Disposed off		
2000 -2001	491	159	2755	103	1662	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
2008-2009	99	39	2065.88	28	1115.33	121.30

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 32. Highlights of the work being done by FIU-IND are as under:

- i) FIU-IND has been receiving CTRs (Cash Transaction Reports) and STRs (Suspicious Transaction Reports) 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 Utilities. The defects are identified and communicated to the reporting entities. This has enhanced the quality of the reports. Till 31.03.2009, FIU-IND has received more than 11 million CTRs and more than 7000 STRs.
- ii) Suspicious Transactions Reports received from various reporting entities are analyzed and in appropriate cases, information has been disseminated to domestic enforcement and intelligence agencies. FIU-IND has disseminated information in more than 3800 cases to various intelligence and law enforcement agencies up to 31-03-2009. 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 30.11.2008. Request for Proposal (RFP) for appointment of system integrator for phase II of the Project has been issued.
- 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 in respect of the grants pertaining to **Department of Revenue, Direct Taxes and Indirect Taxes**. Director (Finance), D/o Revenue/Excise & Customs and Director (Finance), Direct Taxes/Expenditure assist the JS&FA (Fin).

Activities undertaken by the Integrated Finance Unit

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 Direct Taxes and 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 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 formations including Customs and Central Excise formations and Income Tax field formations.
- (f) Computerization of States for Value Added Tax (VAT) purposes and compensation to States for loss of revenue due to introduction of VAT.
- (g) Compensation to States 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 the 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) Proposals received from the Directorate of Infrastructure, CBDT for establishing Large Taxpayers Units (LTUs) at Mumbai and Delhi, purchase/construction of office/residential buildings for the Income Tax Department.
- (m) 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.
- (n) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

The expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2008-09/RE 2008-09 and BE 2009-10 was prepared, discussed with Secretary (E) and finalized as given in Table 3.41.

Integrated Finance Division has taken the following steps/initiatives in 2008-09:

- (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) 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.

- (iv) 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.
- (v) In continuation of the revised Delegation of Financial Powers issued to Heads of Departments in 2006-07, 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 was conducted and revised delegation of financial powers were issued. The Delegation of Financial Powers to Committee of Management were also reviewed and issued.
- (vi) Review of existing levels of consideration and approval of expenditure proposals and streamlining of the procedure.
- (vii) Appointment of Nodal Authorities in CBDT, CBEC and Revenue Headquarters managing expenditure budget of grants of Direct Taxes, Indirect Taxes and Department of Revenue respectively.
- (viii) Detailed instructions for enforcing 5-10% cut in expenditure on various Non-Plan items, including foreign travel and domestic travel were issued, in pursuance of the instructions issued by Hon'ble PM and Department of Expenditure.
- (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. was 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 which is entrusted with the implementation of Official Language Policy of the Government of India. The

Division is headed by a Director (OL) and operates through four Official Language Sections; each headed by an Assistant Director (OL) and supervised by two Deputy Directors (OL). 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 Official Language 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 OL Division during the year under report

- a. All the documents pertaining to CBEC, CBDT & Revenue HQs were invariably issued bilingually as per the requirement under Section 3(3) of the Official Languages Act, 1963;
- b. All gazette notifications, replies to Parliament Questions and Assurances pertaining to CBEC, CBDT and Revenue HQs were furnished bilingually;
- c. Notes and monthly summaries for the Cabinet, Action Taken Reports(ATRs) on the Report of the Comptroller & Auditor General of India, Annual Report and Outcome Budget of the Ministry of Finance 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. Representative of the Department of Official Language also attended the Official Language Implementation Committee meetings of the attached and subordinate offices situated in Delhi.

In Feb'2008, the Department of Disinvestment was inducted in the Joint Hindi Salahkar Samiti of the Department of Revenue, Department of Expenditure and Office of the Comptroller and Auditor General of India and the tenure of the existing Committee was extended for a period of one year, i.e. upto April 2009. Thereafter, a meeting of the Joint Hindi Salahkar Samiti was held on 30 July, 2008 under the chairmanship of Minister of State (EB&I).

The representatives of the Department also attended the meetings of the Central Official Language Implementation Committee held under the chairmanship of the Secretary, Department of Official Language and follow-up action was taken by the Department to implement the decisions taken in these meetings.

Inspection related to Official Language:

The officers of the Hindi Division carried out inspections of 09 subordinate offices during the year under report with the view to assess the progress in the use of Hindi in the Department and suggested ways to accelerate the use of Hindi in the official work in these offices. Also, 19 offices of Income Tax, Customs, Central Excise and Service Tax under the administrative control of this Department were inspected by the third Sub-Committee of the Committee of Parliament on Official Language during the year and action to implement the valuable suggestions received for the use of Official Language Hindi in the day-to-day work were taken by the respective offices.

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 14 September, 2008 to 28 September 2008. Various competitions like Hindi noting & drafting, Essay writing, Extempore Hindi Poetry competition, Extempore Speech competition, Quiz competition, Hindi debate, Hindi dictation for group 'D' employees were organized during the Hindi Pakhwara. Those who secured first, second and third positions in these competitions will be 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 those officials who do noting/drafting and other official work in Hindi.

In order to encourage original and creative 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 for the year 2008-09. These schemes are open to 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 2008-09, 27 LDCs/UDCs/Assistants and 17 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively.

13. National Committee for Promotion of Social and Economic Welfare

Constituted in early 1992 under the Chairmanship of Justice 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 National 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 of public eminence hailing from various walks of life. The Secretariat of the Committee comprises of:

- (i) Secretary (National Committee)
- (ii) Deputy Secretary (NC) &
- (iii) Section Officer

The present Committee was formed on 1st February, 2008. The names of the Committee members as follows:-

1.	Mr. Justice S.P.Bharucha Mumbai	(Chairman)
2.	Prof.(Ms.) Sabra Habib	Lucknow
3.	Prof. Margaret Ch. Zama	Mizoram
4.	Ms. Atiya Habib Kidwai	New Delhi
5.	Dr. Jagdish Krishnaswamy	Bangalore
6.	Mrs. Veena Singh	New Delhi
7.	Shri L.D. Sharma	Rajasthan
8.	Dr. Kaanchana Kamalanathan	Tamil Nadu
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 Sabastian	Ahmedabad

In the financial year 2008-09, 5 Business Meetings were held in which 689 applications were considered & 249 cases were approved.

14. Appellate Tribunal for Fortified 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.

Table 3.41

Expenditure budget/non-tax revenue receipts of Department of Revenue

Grant	Gr. No.	2008-09		2009-10
		BE	RE	BE
D/o Revenue	41	6197.82	6721.67	9647.87
Direct Taxes	42	1975.00	2517.63	3502.00
Indirect Taxes	43	2121.00	2962.00	3385.00

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 at least two Members and constituted by the Chairman. During the period from 1st April, 2008 to 31st March, 2009, 46 appeals and 64 miscellaneous petitions under SAFEMA and 93 appeals and 48 miscellaneous petitions under NDPS Act were filed. During this period 81 appeals and 64 miscellaneous petitions were disposed of.

15. Customs, Excise and Service Tax Appellate Tribunal

The Customs, Excise & Service Tax Appellate Tribunal (earlier 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. Presently Service Tax appeals have been included. The Tribunal is also having appellate jurisdiction in Anti dumping matters and 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 Head Quarter as well as the Principal Bench of the Tribunal is situated at Delhi and other regional benches 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 Hon'ble 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 below:

Year	From January, 2008 to March, 2009
Institutions of Appeals	19,088
Disposal of Appeals	15,757

16. Income Tax Settlement Commission

The Settlement Commission (IT/WT) was constituted on the recommendation of the Direct Taxes Enquiry Committee (popularly known as Wanchoo Committee) and was set up in 1976. This is a quasi-judicial body and the objective of setting up the Commission is to provide a body comprising persons of integrity and outstanding ability, having special knowledge, and experience in problems relating to Direct Taxes and business accounts for settling across the broad tax liabilities. The provisions relating to settlement cases are contained in Chapter XIX A of Income Tax Act, 1961.

The Commission has four Benches one each at Delhi, Chennai, Kolkata and Mumbai. The Bench at Delhi is known as Principal Bench. The other Benches are called as

Additional Benches. The function of the Commission is to decide settlement application filed before it by adopting judicious and amicable approach, giving opportunity of being heard to both the applicant and the Department.

The detail of consolidated pendency and disposal of applications for settlement by Income Tax Settlement Commission is as under:-

Financial Year	2008-09
No. of cases admitted during the year	35
No. of cases pending for admission as on 31.3.2009	15
No. of cases disposed u/s 245D(4) of I.T Act (This includes pending cases before 1.4.2008)	244
No. of cases pending as on 31.3.2009	1295

17. Customs and Central Excise Settlement Commission

Function and Working of the Organization

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 New Delhi, Mumbai and Kolkata and 28 for Chennai. The Commission functions in the Department of Revenue, 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 has to invoke the jurisdiction of 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 and fine under the provisions of the Central Excise Act, 1944 and the Customs Act 1962 and immunity from prosecution under the provisions of above Acts.

18. Authority for Advance Rulings(Income Tax)

Introduction

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.U.s 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. 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 Conferences in Japan and BMA International Tax Conferences held in Mumbai annually 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

- (i) The Authority has so far pronounced rulings/passed orders in more than 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.
- (ii) Statistical information about the performance of the Authority since inception till 31.03.2009 is given Table 3.42.

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. The pendency position after 01.4.2006 is given in Ttable 3.40.

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) The official website of the Ministry has been modified and kept upto date with the latest rulings and have been publicised in various countries through the brochures on AAR which was distributed on all the conferences mentioned earlier. This has evoked lot of interest in the system of AAR as well as the rulings on interpretation of DTAA.
- ii) The recently published Edition of Handbook on

Advance Ruling has an international look. The book has been circulated at all forum widely and has been received well. The book is also available on the official website of the office.

19. Authority for Advance Rulings (Central Excise, Customs & Service Tax)

Functions and working of the Organization

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 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. During the financial year Hon'ble Mr. Justice P.V. Reddi remained the Chairman and Smt. Chitra Saha and Sh. A. Sinha 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) a non-resident investor setting up a joint venture in India in collaboration with a non-resident or a resident;
 - (b) a resident setting up a joint venture in India in collaboration with a non-resident,
 - (c) 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;
 - (d) 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;'

- (e) 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 the financial year 2008 - 09.

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 1.04.08 to 31.03.2009, 15 applications seeking advance rulings were received. Total number of applications for pronouncement of advance rulings by the Authority during the period was 24 including 9 pending applications from the previous period. At the close of the financial year 4 applications were pending and **20 applications were disposed off.**

Advance Rulings have been issued in **6** applications- 2 relating to Customs, 2 to Central Excise and 2 relating to Service Tax issues. **Orders** were issued in **14** cases- 5 relating to Customs issued under section 28I(2) of the Customs Act, 1962, 2 relating to Central Excise issued under section 23D (2) of the Central Excise Act, 1944 and 7 relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994 (Service Tax provisions) .

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, 2008 and requested to issue Public/Trade Notices for the information of trade and industry and public in general.

Authority's website- www.cbec.gov.in/cae/aar/aar.htm is being updated on a 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 up to the last financial year i.e. up to 31.03.2008.

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 31.03.2008, 112 applications were received, out of which rulings were

pronounced in 73 cases (63 relating to Customs, 6 relating to Central Excise and 4 relating to Service Tax). During this period Orders were also issued in 28 cases (10 relating to Customs issued under section 281 (2) of the Customs Act, 1962; 4 relating to Central Excise issued under section 23 D(2) of the Central Excise Act, 1944 and 14 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 31.03.2008, 9 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 have been held with the Chambers of Commerce & Industry in all the metropolitan cities in India, besides industrial/commercial cities like Pune, Ahmedabad, Bangalore & Allahabad.

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 attended by Member (CS) and Chief Commissioner from this Authority. The Conference was addressed by the 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 than 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.

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.

20. Adjudicating Authority under Prevention of Money Laundering Act, 2002

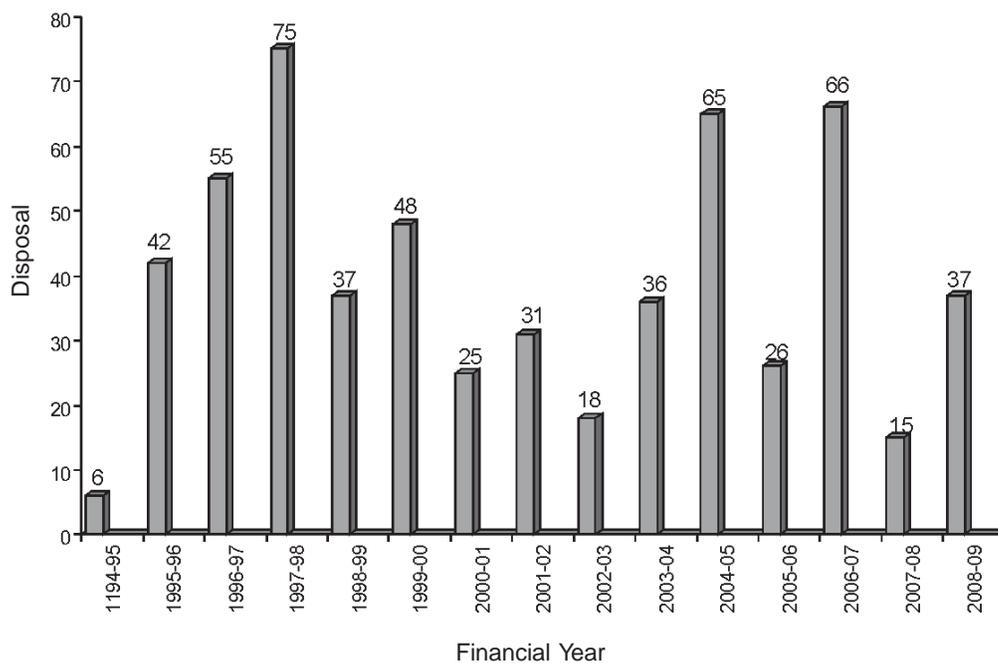
The Prevention of Money Laundering Act (PMLA), 2002 was enacted by the Parliament to prevent money laundering and connected activities, confiscation of proceeds of crime and

Table 3.42

Performance of the Authority since inception till 31.03.2009

Financial Year	Opening Balance	Applications Received	Total	Decision	C/f
1993-94	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	17	26	43	15	28
2008-09 (upto 31.03.09)	28	34	62	37	25

The bar chart giving the disposal data



setting up of agencies and mechanism for coordinating measures for combating money laundering.

The Director, Directorate of Enforcement has been designated as the Director for exercising powers under the PMLA, 2002 and is authorized to provisionally attach the property allegedly involved in money laundering. The Adjudicating Authority is empowered to confirm the Provisional Attachment after hearing the aggrieved parties to ensure that property is not disposed off during the pendency of trial for scheduled offence or offence of money laundering.

The Adjudicating Authority consists a Chairperson and two Members. Presently officers of the Ministry of Law and Ministry of Finance are holding additional charge of these posts.

As on 31.03.2009, the Adjudicating Authority has received

53 Enforcement Case Information Report (ECIR) and 31 Original Complaints (OCs). Final orders have already been passed in 26 OCs and six are in the process of hearing.

21. Appellate Tribunal under Prevention of Money Laundering Act

The Appellate Tribunal under the Prevention of Money Laundering Act, 2002 (PMLA) was brought into force w.e.f. 1st July, 2005.

The Tribunal comprises a Chairman (who is or has been a Judge of the High Court or Supreme Court) and two Members. One of the Members is an Accountant Member, who has been in the practice of accountancy as a Chartered Accountant for

Table 3.43

The pendency position after 01.4.2006

Financial Year	Opening Balance	Applications Received	Total	Disposal	C/f
2006-07	5	18	23	3	20
2007-08	20	08	28	08	20
2008-09(Upto 31.03.2009)	20	14	34	14	20

at least ten years and the other Member is a person who is or has been a judge of a High Court or who is a member of India Revenue Service and has held the post of Commissioner/Joint Secretary or equivalent post in Indian Legal Service, Income Tax, Indian Economic Service, Indian Customs and Central Excise Service or Indian Audit and Accounts Service in that service for at least three years.

The Appellate Tribunal under PMLA is National Tribunal having its headquarter at New Delhi. The Tribunal adjudicates appeals and allied petitions filed against the attachment/forfeiture orders passed by the Adjudicating Authority for attachment/forfeiture of properties involve in money laundering under PMLA. It also adjudicates appeals filed against the orders imposing fine passed by the Director-Financial Intelligence Unit India (FIU-India). The Benches of the Appellate Tribunal sit at New Delhi without any benches elsewhere in the country.

The appeals and allied petitions are disposed off by the Benches as constituted by the Chairperson with one or two Members as the Chairperson may deem fit. During the period 01.04.2008 to 31.03.2009, thirty-two appeals and six allied petitions were filed which are at hearing stage.

22. National Institute of Public Finance and Policy

“The National Institute of Public Finance and Policy has no direct dealing with general public, therefore there is nothing to reflect their endeavour towards excellence in public service delivery. However, this year also the Institute's contribution by way of policy advice has led to a large extent to restore internal and external fiscal balance in the country.

Research conducted in matters relating to tax policy and administration, public expenditure and control, public debt and its management, inter-governmental fiscal relations, economics and pricing of public and industrial enterprises in addition to other aspects of public finance have resulted in efficiency and growth potential and competitiveness of the Indian economy in medium to long term time frame.

The Institute has enhanced and improved understanding of the above issues by conducting several training courses, seminars, and policy dialogue for public servants and policy makers and disseminating its research output. Expert advice of the NIPFP faculty in the successive Finance Commissions, high level committees have aided policy makers to devise schemes for eliminating revenue deficit to bring about greater fiscal discipline”.

23. Implementation of the Right to Information Act, 2005

23.1 Revenue Headquarters

The 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.

23.2 Central Board of Excise and Customs

- i) The information required to be disclosed under section 4 of the Right to Information Act, 2005, is duly uploaded on the CBEC website as well as of various field formations.
- ii) CPIOs and appellate authorities for CBEC and subordinate offices have been re-designated and officers of the rank of Assistant/Deputy Commissioners have been made CPIOs with their immediate superior officers being appellate authorities.
- iii) The details viz. names, addresses, contact nos. etc. of CPIOs, CAPIOs and appellate authorities of various formations under CBEC have been displayed on the departmental website and are updated periodically.
- (iv) The provisions of the Right to Information Act, 2005 have been given wide publicity through various forms like Information facilitation Counters, Help Centers, Public Notices and meetings with the members of 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 instructions issued thereunder.

23.3 Central Board of Direct Taxes

In the year 2008, Central Board of Direct Taxes received 74 applications under the RTI Act and those have been disposed of during the period.

23.5 Authority for Advance Rulings, Customs and Central Excise

Right to Information Act, 2005 has been implemented. 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.htm. PIO under the said Act has also been duly notified and details posted on the website as well as on the Notice Boards of the Authority.

23.6 Directorate of Enforcement

During the year 2008-09 (upto March, 2009) 75 applications under RTI were received which were promptly processed and replies sent to the applicants.

23.7 Central Bureau of Narcotics

Following steps have been taken by the Central Bureau of Narcotics for proper implementation of the Right to Information Act, 2005 in true spirit:-

- a) All the District Opium Officers of Opium Divisions and Superintendent (Prev) of Preventive & Intelligence Cells of this Bureau have been nominated CPIO under the Act in order to make easy access to the public seeking information under the Act.

- b) A CPIO in each office of the Deputy Narcotics Commissioners and Narcotics Commissioner has also been nominated.
- c) A Help Centre has been established in the headquarter office of the Bureau for assistance to the public in getting information under RTI Act, 2005.
- d) The Narcotics Commissioner, Head of Department, is Appellate authority in respect of all the CPIOs nominated in the department for implementation of the Act *ibid*.

23.8 State Taxes Section

Necessary action has been taken under Section 4 of the RTI Act, 2005 to publish the information/manuals on various aspects of 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 as and when any information is sought, the same can be readily furnished. Up to 15.12.2008, 24 applications seeking information under RTI Act, 2005 were received in the State Taxes Section and all these applications have been disposed of.

23.9 Customs and Central Excise Settlement Commission

Right to Information Act, 2005 has been implemented. Twelve manuals, as prescribed under Right to Information Act related to the Commission were duly prepared. CPIOs & ACPIOs have been nominated.

23.10 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 have been appointed by AAR. A website has been launched containing information regarding particulars of the organisation, 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. A handbook on AAR (IT) has also been hosted on the website.

23.11 Govt. Opium and Alkaloid Factories

A cell in each unit of this organization, such as the factories 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. The applications received have also been disposed off within the prescribed time-frame.

23.12 Central Economic Intelligence Bureau

The Central Economic Intelligence Bureau has appointed CAPIO & CPIO. During the period 2008-09 (till 31.12.2008), the Bureau has received 15 nos. of application under the act which have been disposed of with in the time frame.

23.13 Customs Excise & Service Tax Appellate Tribunal

The applications/appeals received under the act are being dealt with as per the rules laid therein.

24. E-Governance Activities

Central Board of Direct Taxes

- (i) The facility of e-payment of taxes has been extended to all the assesses and made compulsory for the corporate and assesses whose accounts are compulsorily required to be audited under sec 44AB of I.T. Act 1961.
- (ii) The facility of electronic filing of returns has been extended to all the assesses and made compulsory for the corporate and assesses whose accounts are compulsorily required to be audited under sec 44AB of I.T. Act 1961
- (iii) With an objective to expeditiously process the returns of income, Income-tax Dept is moving towards 3G architecture from 2G architecture. A Centralised Processing Centre (CPC) is also being opened in Bangalore to centrally process all income tax returns.

I. Project Name: Biometric PAN Project

PAN (Permanent Account Number) is a 10 digit alfa-numeric number allotted by the Income Tax Department to taxpayers and to the persons who apply for it under the Income Tax Act, 1961. The process of issuance of PAN has been outsourced to M/s NSDL and M/s UTITSL, who, through their wide network of 2400 front offices, receive and process the PAN applications and issue the PAN card to the applicants after the PAN number is allotted by the Income Tax Department.

- The IT department has decided to put in place a biometric solution to ensure that no duplicate PAN is issued i.e. same person does not get more than one PAN number.
- It has been decided to capture the biometric features like the 'face' and 'four fingers' (two from each hand) of the applicant and do the matching of the biometric feature in the backend against the database to detect the duplicate PAN applicants. A consultant (Ernst & Young) has been engaged to assist the IT department in preparation of RFP and selection of the best biometric solution provider. The RFP would be issued very shortly and the rollout of the biometric PAN is envisaged in one and half years.

II. Project name: E-filing of Income Tax Returns

The project is aimed at enabling E-filing of all Income tax returns over Internet directly by taxpayers and through e-return intermediaries.

Achievements:

- The Income Tax Act has with effect from 1-04-2008 has made e-filing of returns compulsory for the tax payers with turnover of Rs.40 lakh (cases liable to furnish audit report/s44AB). This is in addition to all corporate assesses who have to compulsorily e-file their returns of income.
- E-Filing for all I-T returns for AY 2008-09 commenced from 19/04/2008. As on Q3 of FY 2008-09, nearly 29 lakh e-returns have been received and total e-returns anticipated during FY 2008-09 is 45 lakh. The Income Tax Department is encouraged by the enthusiastic response of taxpayers using e-filing of I-T returns
- Of the e-returns filed, nearly 2/3rds have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing.
- Electronic return filing before or after regular office hours (9am to 6pm) is another indicator of taxpayer convenience. More than 27% of all e-returns have been filed beyond office hours, indicating its utility.
- Though use of digital signature was optional, over 40% of corporate returns and 10% overall have been filed using digital signature, making the entire return filing process completely paperless in such cases.
- The Electronic Filing of Income Tax Returns project of the Income Tax Department has been awarded the National E-Governance Silver Award in the category 'Outstanding Performance in Citizen Centric Service Delivery'.
- The Department has also launched Web Services at www.incometaxindia.gov.in by which E-Return Intermediaries would be able to directly / remotely upload taxpayer returns without having to login to the E-Filing website and taxpayers would receive the acknowledgement over email.

III. Project name: Centralized Processing Center (CPC) for Income Tax Returns

Enabling Centralized Processing of all Income tax returns at a single location

Project Features

- CPC at Bangalore would process paper and e-returns without any interface with taxpayers in a jurisdiction free manner using a partially outsourced model.
- CPC would be set up and managed by a Service Provider (SP) selected through a competitive bid process.

- The Service Provider would be responsible for picking up the returns from I-T offices, scanning, data entry, and processing of return, subsequent issue of refund and physical storage of returns.
- The CPC would initially process transactions for all e-filed Income Tax Returns (ITRs) and physical ITRs for Bangalore. As the CPC stabilizes, the physical ITRs from Karnataka and Goa and an adjoining state would also be given to the CPC to scale up the operation to enable it to process 20 lakh paper returns and 60 lakh e-filed returns...
- The CPC would enable the Department to cope with rapid growth in the number of taxpayers and consequently the volume of work for employees. It would allow the Department to bring in more efficient processes and modern citizen services offered by the best Tax Administrations across the globe. Eventually, it is envisaged that the CPC model would be replicated across the country, having gained experience and learning from the CPC in Bangalore.
- The CPC at Bangalore is expected to be operational by the end of FY 2008-09.

IV Project Name: Refund Banker

Refund Banker project is for efficient and safe delivery of Income Tax refunds. It introduces a third party into the physical issue of refunds so as to make the process completely automated, speedy and transparent

Key Features and Achievements

- The project was initially launched on 24.01.2007 in 3-Salary charges and one salary charge in Delhi and Patna, but has since been extended to 6 stations viz., Kolkata, Mumbai, Bangalore, Chennai, Delhi and Patna...
- Under Refund bankers scheme Refunds to the tax payers are directly sent through Electronic Clearing Scheme (ECS) by the State Bank of India (SBI),
- which has been designated as agent of the Department. SBI has shifted to other faster modes of delivery through RTGS/NECS in addition to ECS for faster delivery. In these models refunds are credited to the taxpayers account within 3 days of data being delivered to SBI. The Assessing Officers role in issuing refunds is limited to processing the return income on computer.
- A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) has also been launched during the year.
- The ECS method has reduced delivery time to 7-8 days as against paper refunds which takes 10-12 days. The State Bank of India has set up remote printing facility for IT refunds at Chennai and proposes to extend this facility to Kolkata, Delhi and Bangalore.

- ECS refunds for Q5 of FY 2008-09 constitute 55.91 % of total refunds issued and thus ECS cheques have exceeded the number of paper refunds, as given in Table 3.46, indicating the success of the Refund Banker Scheme.

V. System integrator (SI) project of Data base Consolidation

Project Descriptions

System Integrator project of CBDT has been purported to integrate the regional database contained in 36 Regional computer Centers (RCCs) into a Single National Database (Referred to as Primary Database Center-PDC). The SI initiative also envisages a Data Replication & Disaster Recovery Planning, by setting up the replica of PDC at Mumabi as a full-fledged Business Continuity (BCP) Site and a Disaster Recovery (DR) Site, at Chennai which will act as data storage. The DR site is not expected to have ability to run applications, but will have an exact copy of the storage system as that of the Primary site. Under the SI project the data will be replicated from the Primary site to the BCP and DR sites on a regular basis. The inherent advantages of SI are:

- Managing a consolidated RCC database is simpler as compared to 36 RCCs in terms of manageability and resource cost
- Version control of software will be simple as will be applied in one RCC
- Global view of data will be available to the MIS.
- A 3-tier architecture has better scalability and unique features like; Messaging Solution.
- Infrastructure Management –ERM Solution, Anti-Virus & Data Security Solution and Data Replication Solution.
- The Project has an inbuilt flexibility and capability to scale up hardware requirements keeping the future growth requirement of the department

Achievements

Roll-out of all 36 RCCs (Regional Computer Centers) has been successfully completed by 31st December 2008 and the entire data of RCCs migrated into PDC (Primary Data Center).

- "Commissioning" of the project has been completed by 31/12/2008 and Data consolidation is underway.
- *Status of BCP and DR centers-* The BCP site has started functioning & the DR site is under progress and to be operational before acceptance of solution.

VI Project Name- Annual Information Return (AIR)

Project Descriptions

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 of 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).

Achievements

- The facility for electronic filing of Annual Information Return (AIR) has been provided both on-line (on the Tax Information Network 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 information on transactions available in the Annual Information Returns are being uploaded on the departmental systems and also disseminated off-line to field authorities of Income Tax Department to be utilized for generating list of cases for scrutiny, under Computer Assisted Scrutiny Selection(CASS).
- The PAN quoting ratio for F Y 2005-06 was only 62%, and for F Y 2006-07, it is 63%. However, for F.Y. 2007-08, the valid PAN quoting ratio has increased to about 71%.

Software for Securities Transaction Tax (STT) Returns

Securities Transaction Tax (STT) has been introduced by Finance Act, 2004. The STT returns are also proposed to be utilized through TIN for the following purposes:

- The data in STT returns would flow to the jurisdictional assessing officer of the STT return filer for processing the STT return, i.e. for verification of STT returns with reference to checking of deduction of STT and its payment, for generating list of non-filers, late filers, issue of notice for filing of return, issue of demand notice, issue of penalty notice, calculation of tax and interest payable, credit of tax payment with reference to Online Tax Accounting System (OLTAS) etc.
- The software to handle the transaction data would take the data of the transacting parties from the STT returns, collate it and would populate such data in the ITS (Individual Transaction Statement) to the respective Assessing Officer of the transacting party (on the basis of PAN of the transacting party) for verification with the return. The process flow would be similar as that for the AIR transaction data.

The Software Requirement Specifications (SRS) are being finalized in consultation with TCS for the purpose.

VII. Project Name: E-Payment

Project Features

- All Direct Taxes e.g. Income Tax, Corporate tax, FBT, BCTT (TDS, Advance tax, self assessment tax) paid online using net banking facility.
- Ease of payment: anytime, anywhere
- Data quality can be monitored effectively.
- Credit for taxes given efficiently.

Achievements

- E-payment has been made mandatory for all Companies and 44AB cases from 1st April 2008 to pay taxes through e-payment.
- e-payment can be made using net banking account of the taxpayer or any other account.
- E-payment facility has been now extended by 30 out of 32 agency banks which are now facilitating e-payments.
- In current F.Y. 80% of the collection will come through e-payment.
- In the month of September, 2008 alone Rs. 47,262 Crore of tax collection has come through e-payment.

Project Name: E- TDS

Project features

Filing of e-TDS made compulsory for:

- All Corporate deductors
- All 44AB deductors
- All Govt. deductors both Central and State Govt.
- For all deductors where number of deductee records are more than 50.
- Return filed through electronic media with NSDL/ TIN – FC of NSDL.

Achievements

- Base of tax deductors has increased from 9.3 lakh in FY 2007-08 to 12 lakh in FY 2008-09.
- Overall PAN quoting has improved from 51% for F.Y. 06-07 to 87% for Q3 of F.Y. 07-08.
- Challan matching with OLTAS has improved to 89% in Q4 of FY 07-08.
- PAN ledgers have been issued to about 12 lakh assessee who have filed IT returns through electronic mode.

Project Name: OLTAS (Online Tax Accounting System)

Project Descriptions

OLTAS project was designed to integrate online tax payments made by tax payers directly into designated banks to the running ledger accounts of tax payers maintained by the department for tax credit. The project objective was to do

away the paper trail for tax credit and paper validation system. The scheme was uniquely placed to reduce the tax payers grievances and hence OLTAS project has been one of the landmark e-governance initiatives undertaken by the department.

- All payments made in bank are uploaded on T+3 bases.
- Cash payment can be mapped with the bank and the assessee with PAN irrespective of the place of payment.
- Country wide 32 agency banks and their 13000 branches including 3 private sector banks are authorized by the RBI for collecting the tax payments.

Achievements

- OLTAS is now fully operational and is being implemented in close coordination with RBI and the Agency Banks.
- With the help of NSDL, collection as on date can be viewed through FM Dashboard by the jurisdictional commissioners of Income tax.
- Another achievement during FY 2008-09 in OLTAS was introduction of PAN based FM Dashboards figure, i.e., jurisdictional collection will be seen irrespective of wherever payment has been made. This facility is being augmented and being extended up to AO level.
- File validation instructions have already been installed in 19 out of 32 banks and this will ensure better data quality.
- Enhanced OLTAS instruction no. 31 has been released which will give view of collection to CIT(CO)/CIT-in-Charge of respective Zonal Chief Commissioner.
- Computerized receipt to the taxpayers has been made operational.
- In about 98 % of total cases, correct PAN is being quoted in the challans, which speaks about definite improvement in quality of both PAN data as well as e-payment data linked by the agency banks.

Project: Change Management

Project Descriptions and Progress

The computerization in the Income Tax department is being strengthened by imparting training on ITD Applications in the new environment to all officers and one staff per Assessing Officer. Change management is a project undertaken by the Income tax department to facilitate the technology driven change, Institutionalize e-learning and set up a Knowledge Management System for continuous training process.

To impart training and develop toolkits for change management M/s NIIT- Hewitt Associates Consortium has been short listed after tender process. LOI (Letter of Intent) has not been issued due to delay in SI project. Draft of contract has been sent to Ministry of Law for vetting. Hardware for training has been purchased. The training modules are expected to start after March 2009.

Project: Business Process Re-engineering (BPR)

The BPR project for Income Tax Department was conceptualized with the prime objective of identifying the bottlenecks and providing solutions in the form of redesigned processes which are simpler, efficient and will harness the advantages of the upgraded information technology which is being acquired. The main objectives of the BPR project has been re-evaluation of all current processes to remove the redundant and obsolete processes and redesign or create new processes which are more efficient and maximize use of resources to produce the best results.

The BPR study was conducted with the help of external consultant Ms/ Price Water House Coopers. The final report was submitted to the Central Board of Direct Taxes in April 2008.

The BPR exercise has come up with a major recommendation of functionally segregating the working of the Department across two broad lines – a Bulk Operations Division (BOD), handling routine and repetitive activities not requiring the exercise of discretion in individual cases and a Compliance Operations Division (COD) to carry out specialized activities for a smaller number of taxpayers. Currently, the same set of people is doing both these jobs. This consumes all the administrative resources on the ground. The inadequate resources lead to grievances of the taxpayer in his interaction with the ITD. So, it has been recommended to transfer to the back offices return processing, tax credit accounting, matching & reconciliation, issue of refunds/demand. The Income Tax offices will act as front offices for interfacing with taxpayers and meeting their other needs. The front and back-end offices will be networked. Recommendation has also been made for off-site storage (deep storage) of returns and documents for decongesting the IT offices and efficient handling of the records.

The new technology initiatives together with functional segregation of department's operations into bulk and compliance and upgradation of manpower skills would help the department to deliver better taxpayer services, improve enforcement functions resulting in enhanced compliance. This would lead to higher revenue mobilization making available larger financial resources for meeting the nation's developmental needs. Majority of the recommendations of the study have been accepted by the Central Board of Direct Taxes.

Central Board of Excise and Customs

Customs Process Automation: As against 23 automated Customs locations during 2003-04 with 87% of the import and export declarations filed and processed in EDI system, during 2007-08 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 3.41 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 have also been taken for upgradation of systems and moving towards e-mode :

Risk Management System: 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 23 Customs locations. Presently, RMS is running in a distributed architecture. Changes are being made in the application for deploying it on central server. RMS for selection of containers for scanning, based on IGM data, has been implemented at Nhava Sheva.

CBEC Automation Project

The CBEC has embarked on a major automation initiative(Consolidation Project) which was approved by the CCEA in November 2007. Consequent to the approval of the CCEA ,contracts have been executed with the vendors and implementation of the project is underway. The Data Center has been fully set up and the IT hardware for the Data Center has been installed and commissioned. The Networking Infrastructure (WAN/LAN) is being set up and the sites are being offered for acceptance.

Software applications to cater to the customs, excise and service tax business processes are being upgraded/ developed to be hosted on the data center. The Central Excise and Service Tax application(ACES) has been rolled out on a pilot basis in December 2008 in LTU Bangalore and is proposed to be rolled out in other pilot locations by the end of March 2009 and in the rest of the country by June 2009. On the customs side, the upgraded version of the Indian Customs EDI System(ICES version 1.5) is under development and will be rolled out on a pilot basis in select customs locations soon. After successful development and testing more number of ports and airports will have the benefit of automated customs processes. Another important initiative is the Enterprise Data Warehouse project which is under development.

Government Opium and Alkaloid Factories

The organization of Chief Controller of Factories has launched its own website which contains complete information about the organization, its activities, contact details, etc. All tenders for procurement of material and services are timely loaded in the website for information and participation of the manufacturers/suppliers. The organization has also arranged to display various information pertaining to production of drugs, sale of drugs, etc. through internet. Placing of various other information for information of the concerned authorities have also been taken up and likely to be provided soon through internet.

Authority for Advance Rulings Customs & Central Excise

The office of Authority for Advanced Rulings is fully equipped with computers and internet facility. Full details relating to the Authority's functioning are available on the web site- www.cbec.gov.in/cae/aar.htm. Trade, industry and applicants have access to all the information about this authority on the internet. This Authority has an interface with the trade and industry and applicants in as much as all queries received on e-mail are promptly replied via e-mail.

Appellate Tribunal for Forfeited Property

The appellate Tribunal for Forfeited Property (ATFP) was constituted under the 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 Narcotic 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 Act.

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 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 at least Two members and constituted by the Chairman. During the period from 01.01.2008 to

31.12.2008 thirty-five appeals and sixty-two miscellaneous petitions under SAFFMA, and eighty appeals and sixty-one

miscellaneous petitions under NDPS Act were filed. During this period, seventy-two appeals and fifty-eight miscellaneous petitions were disposed of.

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. The website has further been improvised and rulings are updated immediately on the day they are pronounced

Customs & Central Excise Settlement Commission

The information in respect of Customs & Central Excise Settlement Commission is readily available in the web site of Ministry of Finance www.finmin.nic.in.

State Taxes

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 area of State taxes. The Department had engaged the National Institute of Smart Government, Hyderabad (NISG), as strategic consultants, with a view to develop overall scheme and framework within which individual State can take up the Project. All the States were asked to prepare Detailed Project Reports (DPRs) in line with the templates provided by the Department of Information Technology (DIT). DPRs from respective States, have been received and are being examined for consolidation into a project proposal under NeGP. In addition, the Department is committed to support the project for computerization of the tax administrations in Himachal Pradesh and Jammu & Kashmir that has been taken up by the Empowered Committee.

Customs, Excise and Service Tax Appellate Tribunal

The website of the Tribunal was launched in August 2003 and now the cause lists and orders of the Tribunal are being displayed on it. Important judgments are being highlighted specially in separate ICON. Steps have been taken to computerize two more regional benches of CESTAT viz., Bangalore and Kolkata. The process of computerization of another two regional benches is also under process.

Appellate Tribunal for Forfeited Property

The Appellate Tribunal under the Prevention of Money Laundering Act, 2002 (PMLA) was brought into force w.e.f. 1st July, 2005.

The Tribunal comprises a Chairman (who is or has been a judge of the High Court or Supreme Court) and two members. One of the Members is an Accountant Member, who has been in the practice of accountancy as a Chartered Accountant for at least ten years and the other Member is a person who is or has been a judge of a High Court or who is a member of India Revenue Service and has held the post of Commissioner/Joint Secretary or equivalent post in INDIAN Legal Service, Income Tax, Indian Economic Service, Indian Customs and Central Excise Service or Indian Audit and Accounts Service in the service for a least three years.

The Appellate Tribunal under PMLA is National Tribunal having its headquarter at New Delhi. The Tribunal is adjudicating appeals and allied petitions filed against the attachment/forfeiture orders passed by the Adjudicating Authority for attachment/forfeiture of properties involve in money laundering under PMLA. It also adjudicates appeals filed against the orders imposing fine passed by the Director-Financial Intelligence Unit India (FIU-India). The Benches of the Appellate Tribunal sit at New Delhi without any benches elsewhere in the country.

The appeals and allied petitions are disposed of by the Benches as constituted by the Chairperson with one or two Members as the Chairperson may deem fit. During the period 01-04-2008 to 31-12-2008, thirteen appeals and six allied petitions were filed which are at hearing stage.

Income Tax Settlement Commission

Computerization of almost all the sections in all four Benches including Principal Bench has been completed and maximum official work is done on computer.

Directorate of Enforcement

Computerisation in 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 will be shortly completed.

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 date 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.

25. Grievances Redressal Machinery

Central Board of Excise and Customs

Improvement in the Grievances Redressal Machinery has been one of the objectives of tax reform process. This objective continues to receive utmost attention. Some of the important steps taken in this regard are as under:

The Citizens' Charter contains the list of key services being offered by the field formations of CBEC, measurable service standards for the services, and the remedies available to the assessee for non-conformance to the standards.

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 assessees, and Service Tax assessees. Representations / complaints emanate from the aforesaid categories of public as also from staff and officers of the department.

CBEC has an elaborate system of dealing with such representations/ complaints. CBEC been actively following the principle of involving taxpayers / stake-holders in the tax administration process. As part of this initiative, important taxpayers are members of various departmental committees like Regional Advisory Committees, Public Grievances Committee, etc. Further, all the Customs Commissionerates are also holding monthly Trade Facilitation Committee meetings with all the stake-holders concerned with import

Table 3.44

Filing customs documents

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
2007-08	27,04,158	23,73,062	90,680	40,81,719	30,21,756	2,33,440

and exports, including major taxpayers. Meetings of these fora are held periodically and inputs from the members of the trade are received, examined and action as warranted is taken.

The Public Grievances Redressal Machinery has been set up in the CBEC to deal with public and staff grievances, which functions under the Joint Secretary (Admn) in CBEC - nominated as the nodal officer for this purpose. Further, each Commissionerate has also nominated 'Public Grievance Officer' in the Commissionerate and lower formations to attend to grievances from the trade.

Central Board of Direct Taxes

Grievance Redressal Machinery: 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.

State Taxes Section

The State Taxes Section does not directly administer any Tax law and, therefore, does not have a direct public interface. However, whenever any complaint/ suggestions are received, appropriate action is taken thereon expeditiously.

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 is facilitating body for foreign investors and 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.

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.

Income Tax Settlement Commission

In so far as Income Tax Settlement Commission is concerned, public Grievance Officer has been appointed in each of the Bench of the Commission. However there is no complaint pending as on date.

Government Opium and Alkaloid Factories

Public Grievances in the CCF's organization are dealt promptly. The labour grievances are also dealt with expeditiously and the relations between the Management and Workers during this period were harmonious and cordial.

Directorate of Enforcement

Grievances officers have been nominated at Headquarter, Zonal/ Sub- Zonal Offices of the Directorate for redressal of public/staff grievances and prompt action is taken to redress their grievances.

26. Development of North-Eastern Region and Sikkim

Central Board of Direct Taxes

Benefit of tax holiday in respect of undertaking located in North-Eastern States (including Sikkim).

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.

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

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.

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.

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.

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 in respect 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.

Section 10 of Income-tax Act relates to incomes which do not form part of total income. To promote socio-economic development, a new clause (26AAA) in section 10 has been inserted to provide that the following income, which accrues or arises to a Sikkimese individual, shall be exempt from income-tax:

- income from any source in the State of Sikkim; or
- income by way of dividend or interest on securities

This exemption will not be available to a Sikkimese woman who, on or after 1st April, 2008, marries a non-Sikkimese individual

Revenue Headquarters (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. The DG, Systems, CBEC is implementing a Turnkey Project, through TCS, for VAT computerization of 5 North Eastern States (other than Assam and Meghalaya who have undertaken VAT computerization on their own) and another Project, through NIC, for VAT computerization in Sikkim. The initial phase of implementation of these projects has been completed, with the total initial budget provision of Rs.14.50 crore. A budgetary provision of Rs.6.50 crore has been made for Financial Year 2008-09 for Implementation of VAT Computerization Project in North Eastern States. An expenditure of Rs.4,78,99,132/- has been incurred till 30.12.2008 out of this.

Central Board of Excise and Customs

A new Central Excise Commissionerate, with headquarter at Guwahati, has been created with a view to take the tax administration closer to the taxpayers. The Commissionerate has started functioning w.e.f. 01.12.2008.

Chief Controller, Govt. Opium & Alkaloid Factories

GOAWs are operating in the state of Uttar Pradesh and Madhya Pradesh and hence, this point does not pertain to this organization.

Authority for Advance Rulings (Customs & Central Excise)

The Authority is primarily a facilitating body for foreign investors and not dealing with any area relating to the development of North-Eastern Region.

Customs, Excise and Service Tax Appellate Tribunal

Regarding development of North Eastern Region, since Tribunal is a higher judicial appellate body to hear the appeals in the matters of Customs, Excise, Service Tax and Anti-dumping and no bench of the Tribunal is situated in the north-eastern regions, hence, on the point the Tribunal has no information.

27. Gender Budgeting/ Empowerment of Women

Central Board of Excise and Customs

A Committee on Sexual Harassment has been constituted in each Commissionerate/ Directorate on the recommendations of the 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 in CBEC has been taking certain specific initiatives for the empowerment / welfare of women. The Directorate sanctioned ex-gratia financial assistance of Rs.58.25 lakh in 64 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 lakh was also sanctioned to the wife of an employee who died while performing anti-evasion duties. 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

Women has equal opportunity and status in this organization. Very senior level post of General Manager (Finance) in this organization is held by woman. There is no room for Gender bias/harassment of women in this organization.

Central Board of Direct Taxes

(i) Under the Income-tax Act, 1961, exemption limit is Rs. 1,80,000/- for a woman resident in India, who is below the age of 65 years, as against the general exemption limit of Rs. 1,45,000/-. 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. 2,25,000/-.(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 Bureau of Narcotics

The following activities are being undertaken in this area in Central Bureau of Narcotics:

- 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 year 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 a feel-good personnel policy to enable women to carry out their official duties along with their domestic chores.

Authority for Advance Rulings (Customs & Central Excise)

The Authority is primarily a facilitating body for foreign investors and not dealing with any area relating to the Gender Budgeting/Empowerment of Women.

Authority for Advance Rulings (Income Tax)

The Organizational set up of the Authority is very small and as such has no specified schemes/activities or resources available for any policy on women or gender related issues. However, instructions of the Govt. of India on these issues as applicable to the Authority are being followed.

Directorate of Enforcement

A Complaint Committee for prevention of sexual harassment of women at the workplace has been constituted in the Directorate of Enforcement but no case of gender discrimination or harassment of women at their work place has come to the notice of the Committee.

28. Activities undertaken for Disability Sector and SC/ST & other Weaker Sections of the Society

Central Board of Excise and Customs

The policy of reservation of SCs, STs, OBCs and Disabled persons in Government employment (Direct Recruitment as well as promotions) has been followed in letter and spirit.

Representations of SCs, STs, OBCs and Disabled Persons in CBEC are attended on priority and their grievances are sorted out.

The Directorate of Logistics in CBEC has been undertaking certain specific initiatives for the weaker sections. The Directorate implements Cash Award Scheme for rewarding meritorious students based on 10th and 12th Board Examination results and a Scholarship Scheme for grant of scholarships to the children of Departmental officials pursuing various professional courses at under-graduate level. The Directorate has relaxed the eligibility criteria under these schemes for SC/ST/OBC candidates.

Central Board of Direct Taxes

(i) 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].(ii) Income accruing or arising to a member of a specified Scheduled Tribe, residing in any specified area, from any source in the said areas and dividend or interest from securities, is exempt [Section 10(26)].(iii) Exemption is available to any income of a corporation established under a Central, State or Provincial Act or of a body/association/institution, wholly financed by the Government, for promoting the interests of the members of SCs/STs/Backward classes [Section 10(26B)].(iv) Any income of a cooperative society, whose finances are provided by the Government or other cooperative societies formed for similar purposes and whose membership consists of such other cooperative societies, formed for promoting the interests of members of SCs/STs is exempt under the I.T. Act [Section 10(27)].(v) Under section 80DD of Income-tax Act deduction of Rs.50,000/- is available to a resident Individual/HuF where any expenditure has been incurred for the medical treatment of a dependant being person with disability. In case of severe disability, enhanced deduction of Rs. 75,000/- is available.(vi) Under section 80DDB of Income-tax Act, deduction upto Rs.40,000/- is available to a resident Individual/HuF for any expenditure actually incurred on medical treatment of specified diseases and ailments. In the case of senior citizens, enhanced deduction of Rs. 60,000/- is available.(vii) Under section 80U of Income-tax Act, deduction of Rs. 50,000/- is available to a resident individual being a person with disability. In case of severe disability, enhanced deduction of Rs. 75,000/- is available.(viii) Section 80D of the Income-tax Act provides for a deduction to an assessee, being an individual or a Hindu undivided family, for making a payment to effect or keep in force a medical insurance. As a welfare measure and since health insurance cover for the elderly comes at a relatively higher price, to encourage individual assesseees to supplement the efforts of their parents in getting themselves medically insured, an additional deduction of up to fifteen thousand rupees has been allowed u/s 80D to an assessee, being an individual, on any payment made to effect or keep in force insurance on the health of his parent or parents. The existing condition of 'dependent' with respect to parents has been dispensed with. This deduction is in addition to the

existing deduction available to the individual assessee on medical insurance for himself, his spouse and dependent children. Further, if either of the individual assessee's parents, who has been medically insured, is a senior citizen, the deduction would be allowed up to twenty thousand rupees.

Government 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 intimate prompt action on grievances of such sections, a committee has been formed with members drawn from such sections, 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.

Customs & Central Excise Settlement Commission

All the employees in respect of Group 'B' 'C' and 'D' categories of posts are presently appointed on deputation basis. The Recruitment Rules in respect of Group 'C' & 'D' categories in Customs & Central Excise, Settlement Commission have not yet been finalized. Group 'A' categories of posts are filled up by the Ministry itself. As such, 'Not Applicable'

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.

Authority for Advance Rulings (Customs & Central Excise)

Activities undertaken for disability Sector and SC/ST and other weaker sections of society.

Directorate of Enforcement

The Directorate of Enforcement recruits its employees through Staff Selection Commission which implements relaxation/reservation given to the persons with Disabilities, SC/ST and other Weaker Sections in accordance with the policy/rules of Government. It is further stated that no recruitment has been made during the year 2007-08.

29. Central Revenue Sports Board (CRSB)

The CRSB was set up with the objective of encouraging the employees of our two Departments to participate in Sports and recreational activities, and to foster amongst them – team spirit, mutual respect and friendly competition. Every year since its inception, the Departments of Income-Tax, and Customs & Central Excise have been holding various sports

Central Board of Direct Taxes				
Sl. No.	CCIT Charge/ Station	Name of the work	Sanction Order No. & date	Amount
1.	CCIT, Shillong/Shillong	Repair to residential and non residential building of Income Tax Department at Shillong during 2007-08.	R/2/2008-09 dated 15.04.2008	4,33,600
2.	CCIT, Shillong/Shillong	Raising of boundary wall behind transit office making dustbin and other repair works at Income Tax Campus Shillong	0/7/2008-09 dated 15.04.2008	4,78,800
3.	CCIT, Guwahati	Construction of office building for Income Tax Department by National Building Construction Corporation Ltd.	0/18/2008-09 dated 23.04.2008	16,73,45,000
4.	CCIT, Guwahati	Repairing of road inside the Income Tax residential colony, Gurmur, Jorhat (Assam) in the charge of CCIT, Guwahati	R/15/2008-09 dated 07.10.2008	6,61,795

and cultural meets. In order to ensure the widest possible participation, these meets are conducted at the sub-zonal and national levels, and qualification for the next higher level is by selection on merit.

The Annual meeting of the reconstituted Central Revenue Sports Board for the year 2008-09 was held on 11th September, 2008 under the Chairmanship of Shri P.C. Jha, President of the newly constituted CRSB. The meeting was attended by Shri Ajai Singh, Member, CBDT and Sh. B.K. Gupta, Member, CBEC and all the members of the Executive Committee and Zonal Presidents of the CRSB. In the said meeting, besides approving report of the outgoing Executive Secretary, detailed time table for organizing various Sports and Cultural Events was discussed and approved. The various sports and cultural events have been conducted by the following offices of the Customs & Central Excise and Income Tax Department. The details of the events conducted by various offices is as follows:

- i. CRSB Founder's Day was celebrated on 5th January, 2009. The event was organized by the Chief Commissioner of Central Excise, New Delhi. On the occasion a grand cultural event was organized, in which famous singers, Shri Bhupinder Singh
- ii. Chawla (Bhupi) and Ms. Radhika Chopra performed to the immense delight of the invited guests.
- iii. CRSB invitation Table Tennis Tournament was organized by the Chief Commissioner, Income Tax, Hyderabad in November, 08.
- iv. All India Literally Workshop was organized by the Chief Commissioner, Central Excise, Cochin, during the month of November, 2008.
- v. Sub-Zonal/Zonal cultural meet was organized by the Chief Commissioner, Central Excise, Indore in the month of November, 2008.

- vi. Sub—Zonal/Zonal sports meet was organized by the Chief Commissioner, Central Excise, Delhi in the month of January, 2009.
- vii. 21st All India Cultural Meet was organized by the Chief Commissioner, Income Tax, Bangalore in the month of January, 2009.
- viii. CRSB Invitation Lawn Tennis Tournament was conducted by the Chief Commissioner, Central Excise, Chandigarh in the month of November, 2008.
- ix. CRSB Invitation Golf Tournament was organized by the Chief Commissioner, Income Tax, Kolkata in the month of February, 2009.
- x. CRSB Invitation Cricket Tournament was conducted by the Chief Commissioner, Central Excise, Kolkata in the month of November, 2008.
- xi. CRSB Invitation Volley Ball Tournament was conducted by the Chief Commissioner, Central Excise, Nagpur in the month of November, 2008.
- xii. All India Cultural Workshop was organized by the Chief Commissioner, Central Excise, Shillong in the month of December, 2008.
- xiii. All India Revenue Sports Meet was conducted by the Chief Commissioner, Central Excise, Pune in the month of January, 2009.

30. Sevottam

Central Board of Excise and Customs

CBEC has duly set up an "Implementation Committee" with Directorate General of Inspection (DGI) as its Chairman to carry out the task of "SEVOTTAM Scheme". During the year 2008, as part of implementation of Sevottam, the Citizens' Charter has been finalized and the same has been published

bilingual (Hindi and English). The Citizens' Charter, a key component of 'Sevottam' was circulated to field formations and trade organizations. The Department of Administrative Reforms and Public Grievances (DARPG) has appointed a new consultant for CBEC, for assisting in the implementation of Sevottam.

E-mail addresses to all the Chief Commissioners of Customs and Central Excise were given and very soon the department will allot I.Ds to all the Chief Commissioners so that Centralised Public Grievance Redress & Monitoring System (CPGRAMS) can become operational. The department is also in the process of preparing helpline for Sevottam.

NACEN has conducted special training programmes on Sevottam including a two days training programme as a pilot project for implementing Sevottam scheme and a Seminar-cum-workshop on Sevottam scheme was also organized by NACEN. They have trained the trainers for providing further training to the staff on Sevottam scheme. Regional Training Institutes are also conducting training programmes of Sevottam for the field staff.

Central Board of Direct Taxes

"Sevottam" is an integrated model for excellence in delivery of services by a Government department. The initiative was taken by department of administrative Reform & Public Grievances (DAR&PG) and a road map for implementation of the project was prepared by the PMO. The income –tax department was one of the ten departments chosen for implementation of "Sevottam" After an organization achieves excellence in service delivery as per norms, a certification under IS 15700:2005 is to be obtained from bureau of Indian Standards.

The Income Tax Department has prepared a blue print wherein three modules of Sevottam i.e. (i) Implementation, monitoring and review of Citizens' Charter (ii) Receipt, redressal and prevention of public grievances and (iii) Service delivery capability; were discussed in detail and a process document was prepared for setting up of Tax payer Service Centers (TPSCs), which would be a single window computerized service mechanism for

Centralized receipt, registration and distribution of dak. The software would also provide online tracking mechanism for each and every dak receipt and its constant monitoring at all levels of hierarchy.

A revised Citizens Charter has been prepared in March, 2007 containing details of services provided, performance standards of services, grievances redressal and expectations from taxpayer to avail of the services. This Charter, has been finalized after obtaining the views of various stakeholders under the Sevottam Scheme..

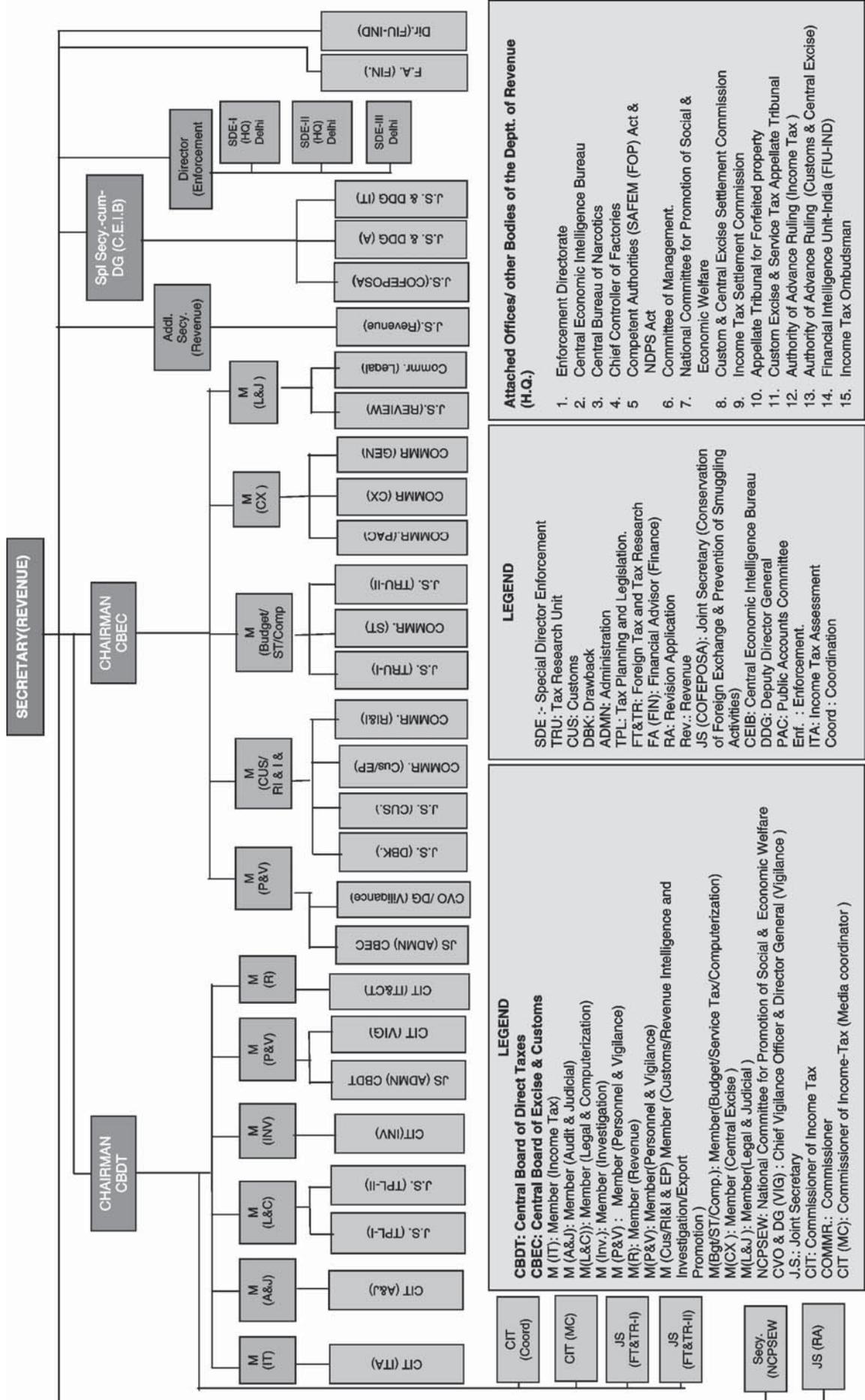
To monitor standards of services defined in the Citizens' Charter, it has been decided to set up Tax Payers Service Centres in each building of the Department which would function as *single window contact* point for the taxpayers. However, in the first phase of the pilot run of Sevottam, TPSCs were set up in Mumbai and Udaipur with the help of a software specifically designed to monitor four services contained in the Citizens' Charter. After evaluation of the pilot run, the Board has now decided to extend the pilot run to Chandigarh, Pune, Kochi and Ranchi for monitoring all the 16 items contained in the Citizens' Charter, Preparatory work is in progress.

Under the pilot project being run at Mumbai and Udaipur, the Income Tax Department, Mumbai has introduced centralised 'dak' receipt counter under '*Sevottam Scheme*.'" Under this Scheme general correspondence addressed to all officers in these charges, except returns of income, all other submissions in response to scrutiny notices, summons and penalty notices, and applications under the RTI Act etc. will be accepted at the centralised *Sevottam Counter* at the Income tax office, Mumbai."

This facility will add to other e-delivery features implemented by the IT department like e-filing of returns, e-payment of taxes, filing of TDS returns, Annual Information Returns, Online Tax Accounting System (OLTAS), Tax Return Prepares Scheme (TRPS), Tax Information Network and helpdesk, as well as tax payers queries and feedback on the department's official portal.

■ ■

Organisational Chart of the Department of Revenue



LEGEND

CBDT: Central Board of Direct Taxes
CBEC: Central Board of Excise & Customs
 M (IT): Member (Income Tax)
 M (A&J): Member (Audit & Judicial)
 M (L&C): Member (Legal & Computerization)
 M (Inv.): Member (Investigation)
 M (P&V): Member (Personnel & Vigilance)
 M (R): Member (Revenue)
 M (P&V): Member (Personnel & Vigilance)
 M (CUS/Ri & EP): Member (Customs/Revenue Intelligence and Investigation/Export Promotion)
 M (Bgt/ST/Comp.): Member (Budget/Service Tax/Computerization)
 M (CX): Member (Central Excise)
 M (L&J): Member (Legal & Judicial)
 NCPSEW: National Committee for Promotion of Social & Economic Welfare
 CVO & DG (VIG): Chief Vigilance Officer & Director General (Vigilance)
 J.S.: Joint Secretary
 CIT: Commissioner of Income Tax
 COMMR.: Commissioner
 CIT (MC): Commissioner of Income-Tax (Media coordinator)

LEGEND

SDE -: Special Director Enforcement
 TRU: Tax Research Unit
 CUS: Customs
 DBK: Drawback
 ADMIN: Administration
 TPL: Tax Planning and Legislation.
 FT&TR: Foreign Tax and Tax Research
 FA (FIN): Financial Advisor (Finance)
 RA: Revision Application
 Rev.: Revenue
 JS (COFEPOSA): Joint Secretary (Conservation of Foreign Exchange & Prevention of Smuggling Activities)
 CEIB: Central Economic Intelligence Bureau
 DDG: Deputy Director General
 PAC: Public Accounts Committee
 Ent.: Enforcement.
 ITA: Income Tax Assessment
 Coord.: Coordination

LEGEND

CIT (Coord)
 CIT (MC)
 JS (FT&TR-I)
 JS (FT&TR-II)
 Secy. (NCPSEW)
 JS (RA)

Attached Offices/ other Bodies of the Deptt. of Revenue (H.Q.)

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 & 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 of Advance Ruling (Income Tax)
13. Authority of Advance Ruling (Customs & Central Excise)
14. Financial Intelligence Unit-India (FIU-IND)
15. Income Tax Ombudsman

Department of Disinvestment

Department of Disinvestment

1. 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.

Note: All other post disinvestment matters, including those relating to and arising out of the exercise of Call option by the Strategic Partner in the erstwhile Central Public Sector Undertakings, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Disinvestment.

- (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.

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.

Shri Vivek Mehrotra held the charge of the post of Secretary,

Department of Disinvestment from 1st April, 2008 to 19th January, 2009. Shri Rahul Khullar assumed the charge of Secretary, Department of Disinvestment in the afternoon of 19th January, 2009.

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.

2. Organisational Structure

The Organisational Structure is placed at the end of the chapter.

3. 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 the Government's equity in CPSEs. The salient feature 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 divestiture 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 divestiture 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.

4. Performance/achievements

(i) In February, 2007, Government decided to disinvest 5% of pre-issue capital of National Hydro-electric Power Corporation Limited (NHPC) in conjunction with Initial Public Offering by NHPC by way of fresh issue of equity equivalent to 10% of pre-issue paid up capital of the company. All formalities for launching the IPO in October, 2008 were completed. However, the issue has been deferred by the company for the time being on account of volatile equity market conditions.

(ii) In January, 2008, Government decided to disinvest 10% pre-issue equity capital of Rail India Technical and Engineering Services (RITES) Limited in conjunction with Initial Public Offering by RITES Limited by way of fresh issue of equity equivalent to 25% of pre-issue paid up equity capital of the company. However, due to volatile equity market conditions and other factors, the issue has been deferred by the company/Ministry of Railways for the time being.

(iii) The Initial Public Offering (IPO) of Oil India Limited was earlier approved by the Government. The Government of India is also participating through a simultaneous public Offer for Sale of a small part of its holdings in Oil India Ltd. All formalities for launching of the IPOs in November, 2008 were completed by Oil India Limited. However, due to the volatility in the stock markets and unfavorable market conditions to raise resources, the IPO has been deferred for the time being and will be launched later at an opportune time.

5. Proceeds from disinvestment

During 2008-09 no proceeds have accrued from disinvestment.

6. National Investment Fund (NIF)

The Government had constituted the National Investment Fund (NIF) in November, 2005, into which the proceeds from disinvestment of Government equity in Central Public Sector Enterprises (CPSEs) are to be channelised. The fund was however formally launched in October, 2007 as there has been no divestment during the years 2005-06 and 2006-07. NIF is professionally managed by selected Public Sector Mutual Funds viz. LIC Mutual Fund Asset Management

Company Ltd., SBI Funds Management Pvt. Ltd., and UTI Asset Management Company Pvt. Ltd. to provide sustainable returns without depleting the corpus.

75 percent of the annual income of NIF will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25 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.

An amount of Rs.994.82 crore, being the 1st tranche of NIF received from the sale of Government Equity in Power Grid Corporation India Ltd. (PGCIL) had been handed over to the Fund Managers on 6th October, 2007 by the Finance Minister.

Subsequently, an amount of Rs.819.63 crore received from the sale of Government Equity in Rural Electrification Corporation (REC) formed the 2nd tranche of funds and were released in two installments on 26.03.2008 and 30.05.2008.

An amount of Rs.84.81 crore being the income for the period ended up to 30th September, 2008 was received and credited to Consolidated Fund of India on 15.10.2008.

7. Official Language Policy

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

8. E-Governance

Personnel 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 newspaper, are simultaneously placed on the website. The publications of the Department are also available on the website.

9. 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.

10. 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 services section. The Administration Wing which includes vigilance is handled by one of the Joint Secretaries.

11. 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 appointment as Central Public Information Officer (CPIO) and Appellate Authority, respectively.

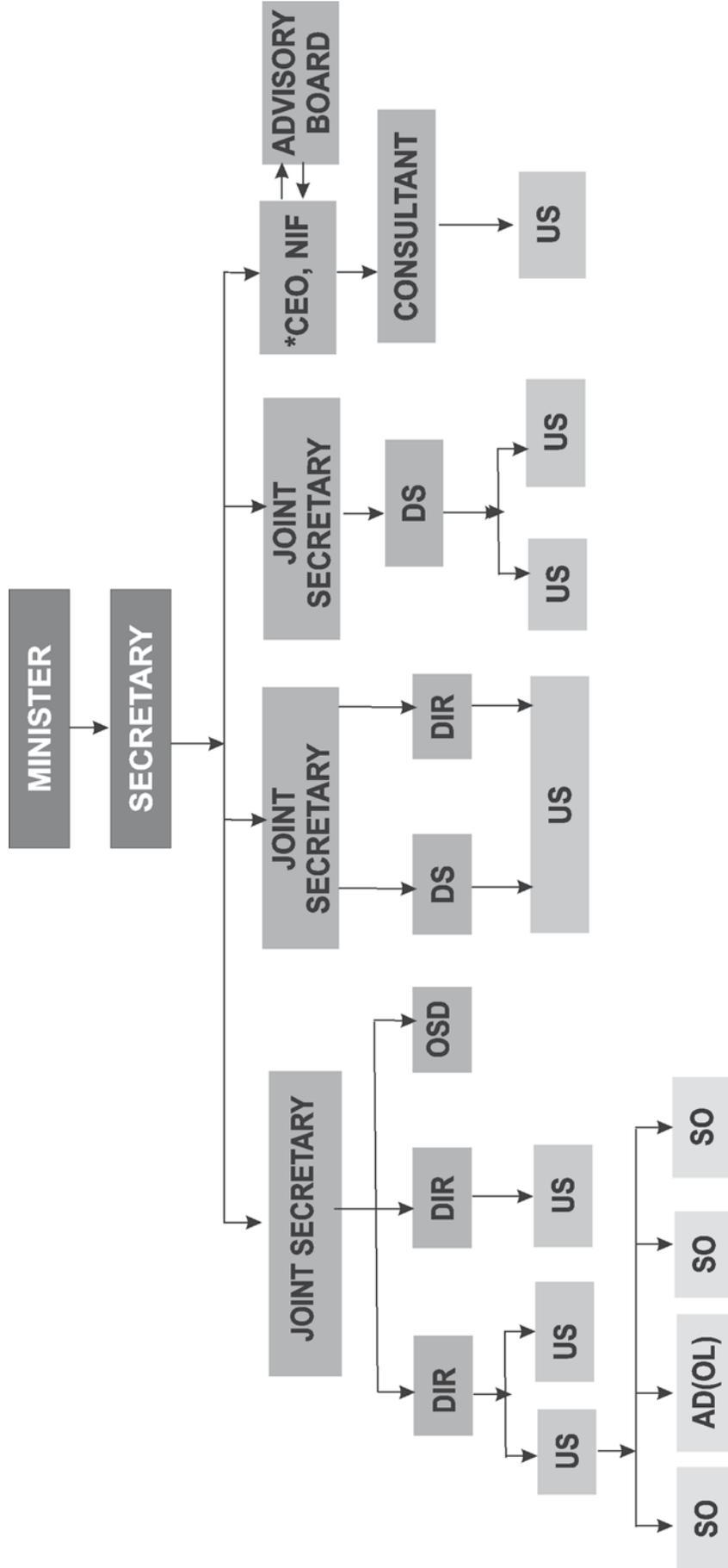
A manual indicating various aspects of the functioning of Department of Disinvestment has been posted on the Department's website. The information is also updated from time to time. 38 applications were received during 2008-09 in the Department.

12. Audit paras/objections

(a) Pertaining to Accounts of the Department

The office of the Principal Director of Audit conducted audit of the accounts in April, 2008. The report submitted by them contained 3 points for the year 2006-2007, along with certain other points for the previous years which had remained unsettled. These have been noted for compliance.

Organisational Setup of Department of Disinvestment



* Chief Executive Officer, National Investment Fund.

Department of Financial Services

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 various issues including policy matters relating to Public Sector Banks (PSBs), Financial Institutions.

The main functions of the Banking Division include :

- Legislative, administrative and policy matters relating to Public Sector Banks and Development Finance Institutions (DFIs) i.e. NABARD, NHB, SIDBI, IIFCL, EXIM Bank, IFCI, IDFC, IWRFC, IIBI
- Legislative proposals relating to banks, non-banking financial companies (NBFCs), chit fund companies etc.
- Policy matters relating to private banks, foreign banks and NBFCs.
- Appointment of:
 - Chief Executives and Government nominee Directors/non-official Directors on the Boards of Public Sector Banks (PSBs) and DFIs.
 - Chief Vigilance Officers (CVOs) in Public Sector Banks and Insurance Companies.
 - Chairpersons and Members of BIFR and AAIFR, and
 - Workmen employee directors in PSBs
- Industrial sickness and coordination between industry, banks and financial institutions.
- Establishment of Debt Recovery Tribunals (DRTs), Debt Recovery Appellate Tribunals (DRATs) and Office of Custodian.
- Monitoring credit flow to priority sectors including agriculture; housing; education; micro, small and medium enterprises etc.
- Policy matters of Government credit linked self employment programs.
- Administration of the Regional Rural Banks Act, 1976 and all Acts on Banks and DFIs.
- Wage settlement and reservation policy in banking and insurance industry.

1.2 Insurance Division

This deals with:

- Policy matters of the Insurance sector and Monitoring of the performance of nationalized insurance companies.
- Framing of rules under Insurance Regulatory and Development Authority (IRDA) Act 1999.
- Terms and conditions of service and appointment of:
 - Chairperson and Members of IRDA.
 - Chief Executives and Directors on the Boards of nationalized insurance companies.
- Administration of various Insurance Acts.
- Administration of schemes like Universal Health Insurance Scheme (UHS), Varishta Pension Bima Yojana (VPBY), Aam Aadmi Bima Yojana (AABY) and Janshree Bima Yojana (JBY).

1.3 Pension Reforms

- Dealing with various issues and policy matters relating to pensions including the New Pension System (NPS).
- Legislative proposals/amendments concerning the Pension Fund Regulatory and Development Authority (PFRDA) and Central Recordkeeping Agency (CRA).
- Dealing with Pension Funds.

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 (UHS) for BPL families
- Aam Aadmi Bima Yojana.
- Janashree Bima Yojana

- Varishtha Pension Bima Yojana
- Self Help Groups (SHGs)

1.5 Organization

The Department of Financial Services is headed by Finance Secretary assisted by an Additional Secretary, four Joint Secretaries, one Economic Advisor and twelve Directors/Deputy Secretaries.

2. Banking Operations

2.1 Measures to strengthen capital of banks

With a view to provide a wider choice of instruments to Indian banks for raising Tier I and Upper Tier II instruments, banks were allowed in October 29, 2007 to issue preference shares in Indian Rupees, subject to existing legal provisions as part of regulatory capital. In April, 2009 the instructions relating to payment of dividend have been partially modified for Perpetual Non-Cumulative Preference Shares (PNCPS) which form part of Tier I Capital. Accordingly banks have been advised that when dividend is paid at a rate lesser than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

As regards Coupon payment on Perpetual Cumulative Preference Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares (RCPS) which form part of Upper Tier 2 Capital, banks have been advised that in the case of PCPS and RCPS the unpaid/partly unpaid coupon will be treated as a liability. The interest amount due and remaining unpaid may be allowed to be paid in later years subject to the bank complying with the other requirements.

In the case of RNCPS, deferred coupon will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. The bank can however pay a coupon at a rate lesser than the prescribed rate, if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

2.2 Amalgamation

The Reserve Bank sanctioned the Scheme of Amalgamation of the Centurion Bank of Punjab Ltd. with the HDFC Bank Ltd. under Section 44A of the Banking Regulation Act, 1949. The amalgamation became effective from May 23, 2008.

The State Bank of Saurashtra was merged with State Bank of India on 13.08.2008 through issue of a Gazette Notification. Merger of State Bank of Saurashtra with State Bank of India has been a major leap towards consolidation in the public sector banking system in India.

2.3 Restructuring/ infusion of capital of Public Sector Banks

To strengthen the Balance Sheet of the banks, besides providing it with flexibility to raise capital at a competitive cost

and meet its capital requirement for future growth, the Government after consulting Reserve Bank of India restructured the equity capital of four public sector banks as under:

The equity capital of Punjab and Sind Bank was restructured by converting an amount of Rs 160 crore into Innovative Perpetual Debt Instrument and Rs.200 crore into Perpetual Non-Cumulative Preference Shares (PNCPS) (under Tier I capital), and Rs.200 crore into Perpetual Cumulative Preference Shares (under Tier II capital) while retaining Rs.183.06 crore as the equity capital of the bank.

The equity capital of UCO Bank was restructured by converting an amount of Rs.250 crore out of the total equity capital of Rs.799.36 crore into PNCPS. Rate of interest will be at an annual floating coupon benchmarked to Repo Rate plus spread of 100 basis points to be re-adjusted annually based on the prevailing Repo Rate on the relevant date. Further the Government has also sanctioned Rs.450 crore towards contribution of the Central Government in the PNCPS at an annual floating coupon benchmarked to Repo Rate plus spread of 100 basis points to be re-adjusted annually based on the prevailing Repo Rate on the relevant date.

The Government has infused an amount of Rs.500 crore to Vijaya Bank towards contribution of the Central Government in the PNCPS at an annual floating coupon benchmarked to Repo Rate plus spread of 100 basis points to be re-adjusted annually based on the prevailing Repo Rate on the relevant date.

The Government has infused an amount of Rs.700 crore to Central Bank of India, towards contribution of the Central Government in the Innovative Perpetual Debt instrument (Rs.583 crore), Rate of interest is to be benchmarked to 10 year G-sec yield with a spread of 250 basis points to be reset annually and PNCPS(Rs. crore), at an annual floating coupon benchmarked to Repo Rate plus spread of 100 basis points to be re-adjusted annually based on the prevailing Repo Rate on the relevant date .

Government has sanctioned restructuring the paid-up capital of the United Bank of India by return of excess paid-up capital of Rs.1,266 crore to the Government and simultaneous infusion of this amount by the Government to the 'Capital Reserves' of the Bank and, thereby, reducing the paid-up capital of the Bank to Rs.266.43 crore". Further, Government has infused an amount of Rs.250 crore to United Bank of India towards contribution of the Central Government in the PNCPS at an annual floating coupon benchmarked to Repo Rate plus spread of 100 basis points to be re-adjusted annually based on the prevailing Repo Rate on the relevant date.

2.4 Amendment to the Banking Regulation (Amendment) Act, 1949

The Cabinet had at its meeting held on 4th May, 2005, approved the proposal for amending the Banking Regulation Act, 1949. Accordingly, the Banking Regulation (Amendment)

Bill, 2005 was introduced in the Lok Sabha on 13th May, 2005 to amend the Banking Regulation Act, 1949.

The said Bill was referred to the Standing Committee on Finance of Parliament for examination and report thereon. Based on the recommendations of the Standing Committee regarding certain modification in the said Bill, the Cabinet at its meeting held on 13.03.2006 approved the proposal for modifying the Banking Regulation (Amendment) Bill, 2005 by moving official amendments to the Bill. The Bill was pending for consideration and passing in the last session of the Lok Sabha.

2.5 Amendment to the State Bank of India (Amendment) Act, 1955

The Cabinet had at its meeting held on 24th August, 2006, approved the proposal for amending the State Bank of India Act, 1955. Accordingly, the State Bank of India (Amendment) Bill, 2006 was introduced in the Lok Sabha on 18th December 2006 to amend the SBI Act, 1955.

The said Bill was referred to the Standing Committee on Finance of Parliament for examination and report thereon. Based on the recommendations of the Standing Committee regarding certain modification in the said Bill, the Cabinet at its meeting held on 24.07.2008 approved the proposal for modifying the State Bank of India (Amendment) Bill, 2006 by moving official amendments to the Bill. The Bill was pending for consideration and passing in the last session of the Lok Sabha.

2.6 Amendment to State Bank of India (Subsidiary Banks) Act, 1959.

The SBI (Subsidiary Banks) Act, 1959 mainly dealing with the process of obtaining approval of / consultation with the Central Government in place of Reserve Bank, pursuant to the changes of ownership in the State Bank. In order to remove the long standing investors grievances and also with a view to comply with certain guidelines issued by SEBI besides enabling subsidiaries of SBI attract a large number of small individual investors, SBI (Subsidiary Banks Laws) Amendment Bill, 2008 was approved by Cabinet on 24th July, 2008 and was introduced in the Lok Sabha on 24.02.2009.

2.7 State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Bill, 2008

The Cabinet at its meeting held on 24.07.2008 had approved the proposal for merger of State Bank of Saurashtra with State Bank of India. Accordingly, a notice to introduce the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Bill, 2008 was given on 16.02.2009 in the last session of the Lok Sabha. However, the Bill was not introduced in the Lok Sabha.

2.8 Wage Revision

Wage revision for Bank employees is negotiated by Indian Banks' Association (IBA) on behalf of Banks and United

Forum of Bank Unions (UFBU) on behalf of various Unions/Associations of employees. Wages are revised every five years. The last wage settlement expired on 31st October, 2007. Currently, the 9th wage settlement due from 1st November, 2007 is being negotiated by IBA and United Forum of Bank Unions (UFBU). Various meetings have since been held to arrive at a negotiated settlement.

2.9 Establishment of Currency Chests

The policy regarding establishment of Currency Chests has been framed in consultation with Ministry of Home Affairs and RBI in February, 1992. As per this policy, RBI can establish Currency Chest in Military Cantonment Areas or in State Capitals situated within 80 kms from the international border and also beyond 80 kms without prior clearance of Ministry of Finance and MHA. However, in the case of Punjab, Kashmir Valley, Assam, Nagaland and Manipur States, proposals are sent to this Department for obtaining prior clearance of MHA.

In view of operational difficulties faced by RBI/Ministry of Finance in getting the required clearance from MHA in North-Eastern States of Assam, Manipur and Nagaland, the policy related to opening of Currency Chest was revised. As per the revised policy, RBI had been authorised to open currency chests in these States without making any reference to Government of India, after satisfying itself about certain security requirements. An OM dated 8th June, 2006 was issued to this effect. MHA had been objecting to the revised policy citing security reasons. In order to resolve the issue, a meeting was convened by Secretary (FS) on 10.7.2008 to address the concerns expressed by the Ministry of Home Affairs and issues raised by the RBI. After detailed discussions, it was agreed that:

- (i) In all places where currency chests have already been established after issue of the above O.M., in the States of Assam, Manipur and Nagaland, new currency chests may be established by RBI without seeking the prior permission of MHA so long as security requirements stipulated in the O.M. dated 8th June, 2006 are observed by the RBI.
- (ii) For setting up of currency chests in other centres, in the States of Assam, Manipur and Nagaland, RBI would seek the concurrence of the MHA as per O.M. dated 21st January, 1992. RBI can, presume deemed clearance if no communication is received from the Home Ministry within a period of three months from the date of receipt of the proposal, in that Ministry.

2.10 Operational training on CPGRAMS

Department of Administrative Reforms & Public Grievances (DARPG) with technical support from National Informatics Centre (NIC) has developed a portal called Centralised Public Grievance Redressal & Monitoring System (CPGRAMS) for prompt and effective redressal of grievances of citizens. Department of Financial Services has been designated as one of nodal agencies for the purpose of redressing of grievances of Scheduled Commercial Banks. DFS in

Table 5.1
Complaints dealt with/disposed of

Cases	Received	Disposed	Pending
FM/MOS/Secretary/JS remarks	268	268	NIL
President Secretariat References	576	576	NIL
Prime Minister's Office	811	811	NIL
General Complaints	3758	3758	NIL
VIP References	192	155	37
RTI	83	83	NIL
Total	5688	5651	37

assistance with NIC has integrated all the Scheduled Commercial Banks, Banking Ombudsman offices, RBI, NABARD etc. with the portal. A training programme has been organised for all these agencies, zone-wise throughout the country for successful and extensive use of the portal.

The feedback received from DARPG indicates that all the participants have been sensitised towards citizens complaints and to the need for use of CPGRAMS systems for effective disposal of complaints. It has also been informed that as a result of training, a number of banks and banking ombudsmen have created their local head offices as subordinate offices for handling of public grievances and some institutions are in the process of linking the CPGRAMS software to their respective branches.

All the Public Sector Banks have also been advised to ensure that the CPGRAMS portal is used extensively for prompt and effective redressal of grievances and review of all this pending grievances/complaints may also be undertaken expeditiously.

2.11 Liquidity support to Non-Banking Financial Companies

The Cabinet meeting held on 09.01.2009 approved the framework for addressing the liquidity constraints of Non-Deposit taking Systemically Important Non Banking Finance Companies. For this purpose, Stressed Assets Stabilisation Fund, set up for the purpose of acquiring the stressed assets of Industrial Development Bank of India, would function as a Special Purpose Vehicle (SPV). The SPV would issue Government guaranteed securities as per requirement, subject to a total amount of securities outstanding not exceeding Rs.20,000/- crore with an additional Rs.5000/- crore, if needed. These securities would be purchased by RBI and funds would be used by the SPV to acquire only investment grade Commercial Paper and Non-Convertible Debentures of the NBFCs. The funds will be used by NB FCs only to repay existing liabilities. The Scheme will be in operation till 31st December, 2009. As of 31st March, 2009, a sum of Rs.200 crore had been accessed.

2.12 Complaints dealt with/disposed of are given Table 5.1.

2.13 Banking Ombudsmen Scheme

A revised Banking Ombudsmen Scheme to deal with complaints by customers against banks, etc has been amended by RBI in consultation with Department of Financial Services on 3rd February, 2009.

2.14 Debts Recovery Tribunals/Debts Recovery Appellate Tribunals

The Central Government has established 33 Debts Recovery Tribunal (DRTs)s and 5 Debts Recovery Appellate Tribunals (DRATs) all over the country under the provisions of the Recovery of Debts due to Banks and Financial Institutions Act 1993 for expeditious adjudication and speedy recovery of debts due to banks and financial institutions and matters connected therewith or incidental thereto. DRTs are providing a valuable service to the banks and Financial Institutions for effecting recovery of dues. The role of the DRTs has been further enhanced by the enacting of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002, which provides for aggrieved parties to make appeals before the Debts Recovery Tribunals. As per data available, a total of 7957 cases involving an amount of Rs.13,788.89 crore were disposed off by the DRTs during the period 1.4.2008 to 31.12.2008.

3. Agriculture 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.2,25,000 crore during 2007-08. 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.2,43,570 crore exceeding annual target by Rs.18,570 crore. As against the farm credit target of Rs. 2,80,000 crore for the year 2008-09, an amount of Rs.2,00,658 crore were disbursed upto January 31, 2009.

(Rs. in 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	2,43,570
2008-09	2,80,000	*2,18,253

*Provisional figures upto February, 2009

Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) 2008

The Scheme of Agricultural Debt Waiver and Debt Relief Scheme (ADWDRS) 2008 for farmers has been implemented by its due date i.e. 30.06.2008. As per reports received from RBI, NABARD, SLBCs and PSBs so far, the total debt waiver/ debt relief is Rs.65,318.33 crore covering 3,68,77,818 farmers (provisional figures).

All the PSBs have uploaded the ADWDRS data on their respective Websites. Besides, NABARD has uploaded ADWDRS data of all RRBs on its Website. A link of these Websites has also been created in the Website of Ministry of Finance viz. www.finmin.nic.in.

The Government has released 1st installment of reimbursable claims of the lending institutions under the Agricultural Debt Waiver and Debt Relief Scheme, 2008 of Rs.25,000 crore.

3.1 Main Programmes and Schemes

Some of the important programmes and schemes of AC Section during the year were:

- Agricultural Debt Waiver and Debt Relief Scheme, 2008;
- Revitalisation of the Short Term Cooperative Credit Structure;
- Revitalisation of the Long Term Cooperative Credit Structure; and
- Interest Subvention Scheme for interest relief to farmers on short term production credit.

3.2 Other Legislations

The Micro Financial Sector (Development and Regulation) Bill, introduced in Lok Sabha on 20.03.2007, for promotion, growth, development and regulation of Micro Finance Sector in rural and urban areas, is under examination with the Parliamentary Standing committee on Finance.

3.3 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 Cooperative 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 in the ratio of 68:28:4. The States willing to implement the package are required to sign a MoU with the Central Government and NABARD. Twenty five states have so far executed such MoUs. A provision of Rs.3,960.26 crore was made in 2008-09 and the same has been released to NABARD. As on 31.03.2009, Rs.7,430.63 crore has been released to NABARD towards implementation of the Scheme.

3.4 Revitalisation of Long Term Cooperative Credit Structure

Revival Package for Long Term Cooperative Credit Structure (LTCCS), based on the recommendations of Vaidyanathan Task Force-II has been approved by the Government of India. Total outlay for implementation of this Revival Package is for Rs.3,070 crore (Rs. 2,206 crore for GoI, Rs.482 crore for State Governments and Rs.382 crore for Agriculture and Rural Development Banks or LTCCS). Rs.20 crore has been released to NABARD for implementation of this Package during 2008-09. A provision of Rs.1,000 crore has been made in the BE 2009-10 for the same.

3.5 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:

- **Opening of new branches** - On the advice of Central Government through NABARD, RRBs have been advised to undertake expansion of branches aggressively, especially to cover the uncovered districts and to open the branches in un-served areas. In pursuance, thereof, RRBs have opened 620 branches from April, 2007 to February 28, 2009. (provisional data*)
- **Recapitalization of RRBs** - 27 RRBs having negative net worth were identified to be recapitalized in a phased manner. The total amount of recapitalization was assessed at Rs.1,795.97 crore. The Central Government proposed to release its share of contribution, amounting to Rs.897.98 crore, along with the release of the share of contribution by the State Government concerned and the sponsor banks. Out of 27 RRBs, the Government released its share amounting to Rs.303.11 crore on 31.3.2008 and the remaining share of Rs.594.87 crore stands released as on 31.3.2009. In respect of the Kshetriya Kisan Gramin Bank, sponsored by the UP State Cooperative Bank, the Central Government's share has been placed with NABARD, this shall be released on the release of the share by the U.P. State Govt. Thus, all the 27 RRBs (except Kshetriya Kisan Gramin Bank) stand recapitalized as on 31.3.2009.
- **Amalgamation of RRBs** - The Government initiated a process for structural consolidation of RRBs by amalgamation of RRBs sponsored by the same bank within a State in September 2005. The amalgamated

RRBs are expected to provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts, reap benefits of a large area of operation and enhanced credit exposure limits. As a result of the amalgamation, the number of RRBs has reduced from 196 to 86 as on date (31.3.2009) including one new RRB established on 26.3.2008 viz. Pudukai Bharthiar Grama Bank sponsored by Indian Bank in the UT of Puducherry. Notification for the amalgamation of the Jammu Rural Bank and the Kamraz Rural Bank will be issued after the completion of the General Elections to Lok Sabha, 2009.

- **Committee on HR Policy for RRBs** - A Committee under the Chairmanship of Dr. Y.S.P. Thorat then Chairman, NABARD was constituted in May, 2007 to review and make recommendations on H.R. policies in RRBs. The Report of the Committee was approved by the Government on 20.8.2008 with few modifications. The Report inter-alia addresses issues like categorization of RRBs on the basis of the number of the branches and business level, staffing pattern in headquarter, controlling offices and branches, career progression of RRB employees, etc. Due to better promotional avenues in the revised staffing pattern it is expected that it will result in perceptible improvement in the performance of RRBs. The Committee, inter-alia, recommended a comprehensive review of the existing provisions of the Regional Rural Banks Officers and Employees Service Regulations, 2000, to incorporate the required changes for which the Government of India constituted a Committee under the Chairmanship of Shri Amaresh Kumar, ED, NABARD. The terms of reference of the Committee were as under:
 - o To study, review and suggest suitable amendments of the Model Regional Rural Banks Officers & Employees Service Regulations, 2000.
 - o To examine the issue of having separate Service Regulations for Officers and Employees of RRBs.
 - o Any other matters relating to Service Regulations of RRBs.

Based on the recommendations, the Committee submitted its report in February, 2009. The draft final notification of the Recruitment & Promotion Rules/ Regulations has been prepared and is under consideration.

- **Incentivising Chairmen of RRBs** - A scheme for incentivizing the Chairmen of RRBs on the pattern of Public Sector Banks has been formulated by the Government of India and has been communicated to NABARD. RRBs and their Sponsor Banks have been advised by NABARD. Government has also requested NABARD to prepare a similar scheme for the employees of RRBs in consultation with Government.

* data shall be updated to give figures up to 31.3.2009

3.6 Interest Subvention Scheme

In 2006-07, an amount equal to two percentage points of the borrower's interest liability on the principal amount upto Rs.1,00,000/-, on crop loans availed by the farmers for Kharif and Rabi 2005-06, were credited to borrower's account.

Further, the Government provided interest subvention @ 2% to Public Sector Banks, Regional Rural Banks (RRBs) and Cooperative Credit Institutions (CCIs) on the amount of loan disbursed out of their own resources and concessional refinance to Cooperative Banks and RRBs by subventing the interest differential between the cost of funds and the rate of refinance by NABARD during the years 2006-07 and 2007-08 to ensure that the farmer receives short-term credit @ 7 % p.a., with an upper limit of Rs.3,00,000/- on the principal amount per farmer. This scheme continues during the year 2008-09 with the same stipulations except that the interest subvention is being provided @ 3% to Public Sector Banks, Cooperative Banks and Regional Rural Banks on the amount of loan disbursed out of their own resources. Around Rs. 870 crore, Rs. 1,856 crore, Rs. 2,472 crore and Rs. 1,072 crore have already been reimbursed to the lending institutions during the years 2005-06, 2006-07, 2007-08 and 2008-09 respectively for implementation of the Scheme. A provision of Rs.2,011 crore has been made in the BE 2009-10 for the same.

3.7 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 July 1, 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.3,628.18 crore, of which 50% has shared by the Government of India. Rs. 454.96 crore was released by the Government of India during 2008-09 to settle the final claims of lending institutions.

3.8 SHG - Bank Linkage Programme

The Self Help Group (SHG) - Bank Linkage Programme has emerged as the major micro finance programme in the country. The focus under this programme is largely on those rural poor who have had no sustainable access to the formal banking system. Upto 31.03.2008, 50,09,794 SHGs were linked to banks with the total savings aggregating to Rs.3,78,538.94 crore. Besides, the loans amounting to Rs. 16,99,90.66 were outstanding against 36,25,941 SHGs to the Banking System.

3.9 Rural Infrastructure Development Fund (RIDF)

The Corpus of RIDF, which was Rs. 5,500 crore during the year 2003-04, has increased to Rs. 14,000 crore for the year 2008-09 (RIDF- XIV). A separate window under RIDF for rural roads with a corpus of Rs.4,000 crore each, during 2006-07, 2007-08 and 2008-09 has also been created. Projects worth Rs. 14,719.42 crore have been sanctioned while Rs. 3,013.51 crore disbursed against the normative allocations for the States under RIDF-XIV till 31.03.2009. Besides, Rs. 4,000 crore has been disbursed to NRRDA by NABARD against Rs.4,000 crore sanctioned to it for Rural Roads Component of Bharat Nirman for 2008-09.

3.10 Financial Inclusion

Based on the recommendations for the interim report of the Committee on Financial Inclusion, headed by Shri C. Rangarajan, the Government has constituted the "Financial Inclusion Fund (FIF)" for meeting the cost of developmental and promotional interventions for ensuring financial inclusion, and the "Financial Inclusion Technology Fund (FITF)," to meet the cost of technology adoption. Each Fund consists of an overall corpus of Rs. 500 crore, to be contributed by the Gol, RBI and NABARD in a ratio of 40:40:20, in a phased manner over five years, depending upon utilisation of funds. For the year 2007-08, a contribution of Rs.25 crore was to be made to each of these funds by the Gol, RBI and NABARD in the ratio 40:40:20 for which the Gol has already contributed Rs. 10 crore in each of these two Funds. Both the funds are housed in NABARD. The Guidelines and the Advisory Boards for these two Funds have also been formulated and meetings of these Advisory Boards are being held at regular intervals to plan strategy and consider proposals for financial inclusion.

IBA and NABARD have advised the Scheduled Commercial Banks and RRBs to achieve the target of adding 250 rural household accounts every year at each of their rural and semi-urban branches.

3.11 Funds for NABARD, SIDBI and NHB

In order to increase the resource base of NABARD, SIDBI and NHB, the Government has constituted four Funds with these banks viz. STCRC Fund with NABARD- Rs.5,000 crore; MSME (Refinance) Fund - Rs.3,600 crore and MSME (Risk) Fund- Rs.1,000 crore with SIDBI; and RHD Fund – Rs.2,000 crore with NHB.

4. Institutional Finance

4.1 Growth of MSME Credit

A Policy Package for Stepping up Credit to Small and Medium Enterprises was announced in the Parliament on August 10, 2005 in order to achieve a minimum 20% year-on-year growth in credit to the SME Sector by the Public Sector Banks. All Public Sector Banks have shown year-on-year growth of more than 20% in credit to the SME Sector after the announcement of the said package.

Credit flow to MSME sector extended by the Public Sector Banks was Rs.181490 crore as on March, 2007 and Rs.243796 crore as on March, 2008 showing a growth of 34.33%. As on December, 2008 the credit to MSME sector was Rs.284095 crore against Rs.235189 crore as on December, 2007 showing a growth of 20.79%.

4.2 Small Industries Development Bank of India

Small Industries Development Bank of India (SIDBI) was set up as a wholly owned subsidiary of Industrial Development Bank of India (IDBI) in 1990. After amendment of Small Industries Development Bank of India Act, 1989 in the year 2000, SIDBI became an independent financial institution. As on March 31, 2009, the Authorized Capital of SIDBI is Rs.1000 crore and Paid Up Capital is Rs.450 crore. SIDBI is the principal financial institution for financing (direct, indirect and refinance) and promotion and development of Micro, Small and Medium Enterprises (MSME) Sector. The Bank also coordinates the functions of institutions engaged in similar activities. Presently, the Bank provides refinance support through a network of eligible member lending institutions for onward lending to MSMEs and direct assistance is channelised through SIDBI's 100 branch offices. SIDBI also extends financial assistance in the form of loans, grants, equity and quasi-equity to NGOs/Micro Finance Institutions (MFIs) for on lending to micro enterprises and economically weaker sections of society, enabling them to take up income generating activities on a sustainable basis.

SIDBI has initiated various schemes for upliftment of the MSME sector and continues to be a prime lending institution for MSME sector.

(a) SME Refinance/Risk Capital Funds

During the Budget for the year 2008-09, two funds of Rs.2000 crore each viz. SME (Refinance) Fund and SME (Risk Capital) Fund under SIDBI were announced. Accordingly, MSME (Risk Capital) Fund with an initial corpus of Rs.1000 crore was created with SIDBI. RBI has so far released Rs.250 crore. In respect of MSME (Refinance) Fund, RBI had initially allocated Rs.1600 crore, which was enhanced to Rs.3600 crore and against this, SIDBI has drawn an amount of Rs.3325 crore as on March 31, 2009.

(b) Special Refinance Facility

RBI had provided a special refinance facility of Rs.7000 crore @ 5.5% to SIDBI on December 7, 2008. SIDBI had earmarked an amount of Rs.6390 crore for Public Sector Banks (PSBs) and Rs.610 crore for State Financial Corporations (SFCs). Banks had availed Rs.4336 crore upto March 31, 2009 which indicates an increase in credit flow by banks to Micro Enterprises of about Rs.8650 crore as refinance to banks is provided at 50% of the incremental credit. As on March 31, 2009, SIDBI had availed the RBI line to the extent of Rs. 6269 crore of which Rs.4336 crore was for PSBs, Rs.420 crore for SFCs and Rs.1513 crore for SIDBI's own incremental credit.

(c) Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)

The Ministry of Micro, Small and Medium Enterprises, Govt. of India, (the then Ministry of SSI) and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Small Industry (CGTSI) which was subsequently renamed as "Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Scheme for Micro and Small Enterprises". The scheme was formally launched on August 30, 2000. Under the scheme, credit facilities, which are extended without collateral security by eligible lending banks / Financial Institutions, are covered. Numerous initiatives have been taken by the Government to enhance the coverage of credit guarantee to incentivise collateral-free lending to the MSE Sector. The initial corpus of CGTMSE of Rs.125 crore has gradually increased and as on March 31, 2009, it was Rs.1740.14 crore. It is proposed to be raised to Rs.2500 crore over time.

During the FY 2008-09 numerous changes were made to enhance the coverage under the scheme, which are as follows:

Credit facility eligible for guarantee cover was enhanced to Rs.100 lakh

The lock - in period for filing claims against loans covered under the existing credit guarantee scheme was reduced from 24 to 18 months, to encourage banks to cover more loans under the guarantee scheme.

Guarantee coverage for loans upto Rs.5 lakh was increased to 85%, and Guarantee fee was reduced for loans upto Rs.5 lakh.

As on March 31, 2009, guarantees were extended to 1,50,034 proposals covering credit assistance of Rs.4824.34 crore under CGTMSE. The enterprises covered under the scheme employed 4,58,629 persons having aggregate turnover of about Rs.21,548 crore. In addition, as on March 31, 2009, the membership of CGTMSE comprised 81 banks and Financial Institutions.

(d) 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.

The total commitments under SME Growth Fund as on March 31, 2009 stood at Rs.446.34 crore and total investment was Rs.353.02 crore. SVCL has successfully implemented the first Fund viz. National Venture Fund for Software and IT Industry (NFSIT) with a corpus of Rs.100 crore benefiting 31 MSME units as on March 31, 2009.

(e) SME Rating Agency (SMERA)

SMERA, operational from September, 2005, is a third-party credit rating agency for MSMEs. It provides ratings that are

comprehensive, transparent and reliable and which would enable the rated units to borrow funds at competitive rates of interest.

As on March 31, 2009, SMERA had completed 3438 cumulative ratings for MSMEs. It had completed 1742 MSMEs rating during FY 2008-09, thus exhibiting 55% growth in comparison to the previous year.

Risk profiling studies in respect of 13 MSME clusters have been completed.

SMERA has signed MoU with 24 banks for offering interest rate concession to the better rated units.

RBI has been requested for accreditation to SMERA.

5. Credit Monitoring and Development**5.1. 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 in April 28, 2001. The scheme was subsequently modified in 2004 and guidelines for the Revised Model Educational Loan 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 Scheme was again modified in 2007-08. The main features of the revised Education Loan Scheme are as under:

- 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) Inclusion of regular degree/diploma courses like aeronautical, pilot training, shipping etc., approved by Director General of Civil Aviation/Shipping, as additional courses to the indicative list of courses in the Scheme.
- 3) Co-obligation of parents as joint-borrower has been

Table 5.2

Year-wise break-up of education loans outstanding as on March 31, 2004 to as on March 31, 2009

As on March 31st	No. of A/c	Amt. O/s Year on Year Growth (%)		Amt.
		(Rs. Crore)	No. of A/c	
2004	319337	4550	-	-
2005	468207	6713	46.62	47.54
2006	679945	10012	45.22	49.14
2007	944397	14283	38.89	42.65
2008	1246870	19817	32.03	38.75
2009	1603385	27646	28.59	39.51

Source: IBA

made obligatory for sanctioning of all education loans under the security norms.

- 4) Inclusion of Aeronautical Engineering, Pilot training, shipping training etc. as part of eligible courses.
- 5) Inclusion of life insurance policy for students availing education loans.
- 6) Inclusion of life policy and mutual fund units as permissible security for loan.
- 7) Provision of multiple loans for a family unit.
- 8) Provision of top-up loan for students for further studies.
- 9) Inclusion of spouse/parents-in-law as co-obligator for loans.

5.2 Performance of Education Loans

The total outstanding education loans of Public Sector Banks (PSBs) as on 31st March, 2009 stood at Rs.27646 crore, in 1603385 accounts. The increase in total loans outstanding over previous year in absolute and percentage terms was Rs. 7829 crore and 39% respectively. Year-wise break-up of education loans outstanding as on March 31, 2004 to as on March 31, 2009 is given in Table 5.2.

Bank-wise (PSBs) details of education loan outstanding as on 31st March, 2009 are given at **Annex-I**

5.3 Initiatives taken to improve performance under the Scheme

In order to facilitate disbursement of loans for education, the Public Sector Banks were advised to introduce online system for processing education loan applications 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.

5.3.1 Apart from the above, on the instance of Government, the IBA has advised its member banks on 16th August, 2008 and 12th December, 2008 that the educational loan application should not be rejected or passed on to other bank/branch on the ground of area of operation.

5.3.2 IBA has advised the member banks on September 27, 2008 that teacher training course/nursing course/B.Ed. will be eligible for education loan provided the training institutions are approved either by the central Government or by State Government and such courses should lead to degree or diploma course and not to certification course. The fee to be considered for the purpose should be the fees structure as stipulated in Central/State Government colleges.

5.4 Concession for Girl Students on Interest Rates

IBA on February 4, 2009 has, on the instance of Government, advised its member banks that at least 0.50% concession in interest rates on education loans may be provided to girl students for pursuing higher education in India or abroad.

5.5 Credit Linked Government Sponsored Schemes for Self Employment

5.5.1 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 was required to bring in 5% as margin money and government provided a subsidy at 15% of the project cost. Ceiling on subsidy amount was Rs.7500/- in States/ UTs other than in North Eastern Region. In North East the ceiling on subsidy amount payable was Rs.15000/-. This relaxation in parameters had also been extended to the states of Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttaranchal. Projects up to Rs.2.00 lakh for

Table 5.3

Performance under Prime Minister's Rozgar Yojana

(Rs. in lakhs)

Programme Year	Loan Sanctioned		Loan Disbursed	
	No of A/c	Amount	No of A/c	Amount
2005-2006	318095	205499	273066	170077
2006-2007	313959	198426	281217	172823
2007-2008 (Up to March 2008)	311097	244296	279776	212500

Source: RBI

business/ service sector and Rs.5.00 lakh for industry sector were financed under the scheme. If two or more eligible persons join together in a partnership, project upto Rs.10.00 lakh are covered. A reservation of 22.5% for SC/STs and 27% for other backward classes (OBCs) had been provided. The advances under the scheme are treated as advances under priority sector.

Overall performance of implementing banks under PMRY during the years 2005-06, 2006-07 and 2007-08 is given in Table 5.3.

The Prime Minister's Rozgar Yojana (PMRY) has now been discontinued with effect from April 1, 2008. The Scheme has been merged with Rural Employment Guarantee Programme (REGP) to form a new scheme called Prime Minister's Employment Generation Programme (PMEGP). PMEGP has been implemented with effect from April 1, 2008 through Khadi and Village Industries Commission (KVIC), which is the nodal agency for the Scheme.

5.5.2 Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The SJSRY Scheme is in operation since December 1, 1997 in all-urban and semi urban areas of India. Among other components the scheme has two sub- schemes where bank credit is involved namely Urban Self Employment Programme (USEP) and Development of Women & children in urban Areas (DWCUA). 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 75:25 basis by the central and respective state government. Under USEP, underemployed and unemployed urban youth whose annual family income is below the poverty line and who are educated up to ninth standard and included in ULB list are to be assisted with bank loans. 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 2008-09 (up to September 2008) disbursements amounting to Rs.74.89 crore were made to 19976 applicants (out of 25204 applications sanctioned). Of these, Rs.20.28 crore were disbursed to 6030 SC/STs, Rs.16.74 crore were disbursed to 4856 women and Rs.8.28 crore were disbursed to 182 disabled persons.

The Performance of scheduled commercial banks under the scheme during the years 2005-06, 2006-07, 2007- 2008 and 2008-09 (up to September 2008) is given in the Table 5.4.

5.5.3 Swarnajayanti Gram Swarozgar Yojana (SGSY)

SGSY was introduced from April 1, 1999. It 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 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 2008-09 is the tenth year of implementation of the scheme. Total number of 409069 Swarozgaris received bank credit amounting to Rs.332.68 crore (Government Subsidy amounting to Rs.119.35 crore) under SGSY as at the half year ended September 2008. Among the Swarozgaris assisted, 93245 (22.79 %) were from Scheduled Castes / Scheduled Tribes (SC/STs), 193027 (47.19 %) were women and 3008 (0.74 %) were physically handicapped.

The Performance of scheduled commercial banks under the scheme during the years 2005-06, 2006-07, 2007- 2008 and 2008-09 (up to September 2008) is given in the Table 5.5.

Table 5.4

Performance under SJSRY under USEP/DWCUA Components

(Rs. in lakhs)

Programme Year	Loan Sanctioned		Loan Disbursed	
	No of A/c	Amount	No of A/c	Amount
2005-2006	68579	22972	55218	18427
2006-2007	73644	25965	59338	20043
2007-2008 (Up to Sep 2008)	83579	31365	67342	23720

Source: RBI

Table 5.5

Performance of banks under SGSY

(Rs. in lakhs)

Programme Year	Loan Sanctioned	Loan Disbursed
2005-2006	1207078	112542
2006-07	1236517	114121
2007-2008	1433228	127285
2008-2009 (Upto September 2008)	409069	33268

Source: RBI

Table 5.6

Performance of banks under PMRY in North Eastern States

(Rs. in lakhs)

Programme Year	Loan Sanctioned		Loan Disbursed	
	No of A/c	Amount	No of A/c	Amount
2005-2006	15055	13168	12948	10924
2006-2007	11943	10540	10941	9530
2007-2008 (Up to Sep 2008)	11043	10465	10337	9588

Source: RBI

5.6 Developments in the North-Eastern States

In the North Eastern States, during the year 2007-2008 (up to March 2008) under SGSY, Scheduled Commercial Banks extended bank credit amounting to Rs.2678.05 lakh in 67786 cases with Government subsidy of Rs.1452.40 lakh. Of these, 31082 were from Scheduled Castes /Scheduled Tribes, 34302 were women beneficiaries and 256 were disabled. During the year ended March 2008, disbursements amounting to Rs.563.26 lakh were made to 1156 applicants (out of 1229 applications sanctioned) under SJSRY. Of these Rs.210.42 lakh were disbursed to 444 SC/STs, Rs.102.03 lakh were disbursed to 208 women and Rs.5.25 lakh were disbursed to 9 disabled persons within the North Eastern Region. The Performance of banks under PMRY during the year 2005-

06, 2006-07 and 2007-08 in North Eastern region is given in the Table 5.6.

5.7 Differential Rate of Interest Scheme

The Differential rate of Interest (DRI) scheme provides bank finance at a concessional rate of interest of 4 per cent per annum to the weaker sections of the society for engaging them in productive and gainful activities. Subsequent to Budget announcement 2007-08, Reserve Bank of India (RBI) issued a circular dated June 13, 2007 to revise the limit of loans available under DRI from Rs.6, 500 to Rs.15, 000 and the limit of the housing loan was raised 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). In addition to this, physically handicapped persons are also eligible to

avail of assistance up to Rs.5000/ (maximum) for acquiring aids, appliances, equipments, provided they are eligible for assistance under the scheme.

5.8.1 Further, as announced in Budget Speech for 2008-09, the eligibility criteria regarding annual family income limits under DRI Scheme have been revised to Rs.18000/- in rural areas and Rs.24000/- in urban and semi urban areas vide RBI circular dated April 10, 2008 and August 5, 2008.

5.8.2 Banks have been advised by RBI to ensure proper implementation of the revised guidelines regarding the borrower's eligibility criteria in order to achieve the target of 1 percent of the previous year's advances under DRI Scheme. The public sector banks have extended credit of Rs.655.08 crore to 2.35 lakh borrowers as at the end of September 2008.

5.8 Priority Sector Lending and Lending to Women and Minorities

5.8.1 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) or credit equivalent amount of Off-Balance Exposures (OBE), whichever is higher to the priority sector. Within this overall target banks are required to lend 18 per cent of ANBC or credit equivalent amount of Off-Balance Exposures, whichever is higher to agriculture sector and 10 per cent of ANBC or credit equivalent amount of Off-Balance Exposures, whichever is higher to the weaker sections. The outstanding priority sector advances of Public Sector Banks (PSBs) increased from Rs.5,21,376 crore as on the last reporting Friday of March 2007 to Rs.6,10,450 crore as on the last reporting Friday of March 2008. Advances to agriculture by PSBs amounted to Rs.2,49,397 crore, constituting 17.49 per cent of NBC as on the last reporting Friday of March, 2008. Sector-wise break up of priority sector advances of PSBs as on the last reporting Friday of March 2008 is given at **Annex-II**. Bank-wise details of advances to agriculture and weaker sections are given at **Annex-III**.

5.8.2 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 6.12% at the end of March 2008. 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(SHG) in providing credit facilities to women entrepreneurs, etc. Eight public sector banks have opened nineteen specialized branches for women as at the end of March 2008. Particulars of Credit to women are given at **Annex-IV (a), Annex- IV(b) and Annex-IV(c)**.

5.8.3 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 July 1, 2008 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.

The following are some of the major instructions/ guidelines issued by RBI vide Master Circular dated July 5, 2007 to all scheduled commercial banks on Credit facilities to Minority Communities to ensure adequate credit flow to the minority communities:

RBI has advised banks that the field level functionaries should ensure that there is no inordinate gap/delay between the sanction of applications and disbursement of loans, which causes unnecessary hardship to the eligible beneficiaries.

Branch managers should be vested with adequate discretionary powers to sanction proposals under the various welfare schemes. The exercise of these powers should not require reference to any higher authority.

Banks should adopt simple and transparent procedure eliminating middlemen operating between beneficiaries and the banks, and expedite disposal of applications timely.

Proper record of receipt and disposal of applications to be maintained.

Banks should not insist for deposit amount or documents, guarantees, etc not envisaged in the scheme.

Apart from the above, the Public Sector Banks (PSBs) have been directed by the Government in October, 2007 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., up to the end of FY 2009-10. As per progress reported by PSBs, total outstanding loans to Minority communities as on 31st March, 2009 stood at Rs.82865 crore which works

Table 5.7

Total Housing Loans outstanding as on 31.3.2009 of PSBs

(Amount Rs. crore)

Housing Loans upto Rs.30 Lakh		Housing Loan above Rs.30 Lakh		Housing Loan		Housing Loan Total	
Direct		Direct		Indirect		Direct + Indirect	
No. of A/c	Amount	No. of A/c	Amount	No. of A/c	Amount	No. of A/c/ Agencies	Amount
3592053 (97.66%)	142795.46 (71.74%)	54250 (1.47%)	21503.59 (10.80%)	31713 (0.86%)	34734.17 (17.45%)	3678016 (100%)	199033.22 (100%)

Table 5.8

Total Housing Loans (outstanding) of PSBs under Priority Sector Lending

(Amount Rs. crore)

Hsg. Loan under Priority Sector Lending		Housing Loan outside Priority Sector Lending		Housing Loan Total	
No. of A/c	Amount	No. of A/c	Amount	No. of A/c	Amount
3101029 (84.31%)	145054.67 (72.87%)	576987 (15.68%)	53978.55 (27.12%)	3678016 (100%)	199033.22 (100%)

out to 12.41% of total priority sector advances of PSBs. Further, pursuant to Budget Announcement 2008-09, the PSBs were assigned a target of more than 500 branches to be opened in Minority concentration Districts/areas during the year. As per reports of PSBs, the total number of branches opened by PSBs in these areas during the year 2008-09 was 524.

5.9 Housing Sector

5.9.1 Credit flow to Housing

Total outstanding credit of Scheduled Commercial Banks (SCBs) to the housing sector at the end of financial year 2008-09 was Rs.2,78,575 crore recording a growth of 10.1% over the previous year. The share of housing sector in total credit of all SCBs was around 10%.

During the same period Public Sector Banks (PSBs) recorded much higher growth of 21.4% over the previous year with outstanding credit at Rs.1,99,033 crores as on 31.3.2009. Details of housing credit of PSBs are given in Table 5.7.

Total Housing Loans (outstanding) of PSBs under Priority Sector Lending i.e. loans upto 20 lakh was Rs.1,45,054.67 crore as on 31.03.2009 accounting for 84% of total housing loans of PSBs.

Total Housing Loans outstanding under Priority Sector lending and outside Priority Sector lending as on 31.03.2009 is given in Table 5.8.

5.9.2 Policy Initiatives

The Policy response to high property prices in the beginning of 2008-09 followed by liquidity crunch in September, 2008 was focused on suitable initiatives to deal with the rapidly changing economic environment. The policy measures includes changes in risk weights; capping of interest rates on Small loans; allocation of Rs.4000 crores of Special Refinance Facility & opening up of the ECB window for Housing Finance Companies.

On 16th December, 2008 the Indian Banks' Association announced a Special Package from Public Sector Banks for Housing Loans. The package was applicable to all new Housing Loans upto 30th June, 2009 but was not applicable to swapping of loans. Under the package, interest rate was capped at 8.5% to 9.25% respectively for the loans upto Rs.5 lakhs and for loans from Rs.5 lakhs to Rs.20 lakhs. There shall be no processing/pre-payment charges for these loans.

5.9.3 Special Refinance Facility (SRF)

A Special Refinance Facility of Rs. 4000 crore was provided by the RBI to NHB to meet the liquidity requirements of Housing Finance Companies (HFCs) for housing loans upto the individual loan size of Rs.20 lakh. The rate of interest charged is 8% p.a. on monthly compounding upto 22.1.2009 and 7% thereafter. The interest rate rebate upto 25 bps is provided on loans upto Rs. 5 lakh at the end of one year or on the repayment of the refinance whichever is earlier. A cap of Rs. 400 crore on disbursements under the Facility per HFC

has been stipulated to ensure broad based utilization. As on 31.3.2009 an amount of Rs. 3220.24 crore was received and disbursed by NHB.

5.9.4 Rural Housing Fund (RHF)

Rural Housing Fund (RHF) was announced in the Union Budget 2008-09 to enhance the refinance operations of National Housing Bank in the rural sector, by tapping the resources of Scheduled Commercial Banks to the extent that they fall short of their obligation to lend to the priority sector. Accordingly, a Fund of Rs. 1000 crore for NHB was indicated in the Budget Speech. The Reserve Bank of India has increased the corpus to Rs. 2000 crore.

The funds under RHF are being utilized for extending financial assistance to weaker sections as defined by Reserve bank of India in rural areas, under various refinance schemes to the rural housing sector, both existing and proposed, including refinance under GJRHS, top-up loan under Indira Awaas Yojana, refinance under Productive Housing in Rural Areas (PHIRA), rural housing microfinance etc., to financial intermediaries other than Scheduled Commercial Banks.

As per the Scheme, the NHB charges 7 to 8% per annum on lending to the PLIs. During the year 2008-09 (upto March 2009), NHB has received Rs. 1760.33 crore from various commercial banks against which Bank has disbursed Rs. 1382.06 crore to various Housing Finance Companies, RRBs and UCBS.

5.10 National Housing Bank(NHB)'s Activities and Operations

a) Resource Mobilization

During the financial year 2007-08 (July-June) the NHB mobilized Rs.12,109.45 crore from various sources. Of these, an amount of Rs. 5,835.55 crore was repaid during the same year with net borrowings during the year amounting to Rs. 6,273.90 crore. During the current financial year so far (July, 2008 to March 2009), NHB has mobilized a gross amount of Rs.16746.52 crore through Commercial Papers, Certificate of Deposit, Bonds, Term Loans, Deposits etc. from commercial banks, RBI, Mutual Funds etc.

b) Deployment of Funds

Disbursements during 2007-08 amounted to Rs. 9,036.38 crore of which Refinance Disbursements were Rs. 8,586.89 crore and Project Finance was Rs. 449.49 crore. During the current year so far (July, 2008 to March 2009) disbursements have amounted to Rs. 9581.80 crore out of which Refinance Disbursements were Rs. 9565.63 crore and Project Finance was Rs. 16.17 crore.

c) Refinance Operations

During the year 2008-09 (upto March 2009), refinance aggregating Rs.9565.63 crore was disbursed, out of which Rs.1382.06 crore was disbursed under the Rural Housing Fund (RHF), Rs. 693.44 crore under Golden Jubilee Rural Housing Refinance Scheme and Rs. 3220.24 crore under

Trend of Refinance released during last few years is as below:

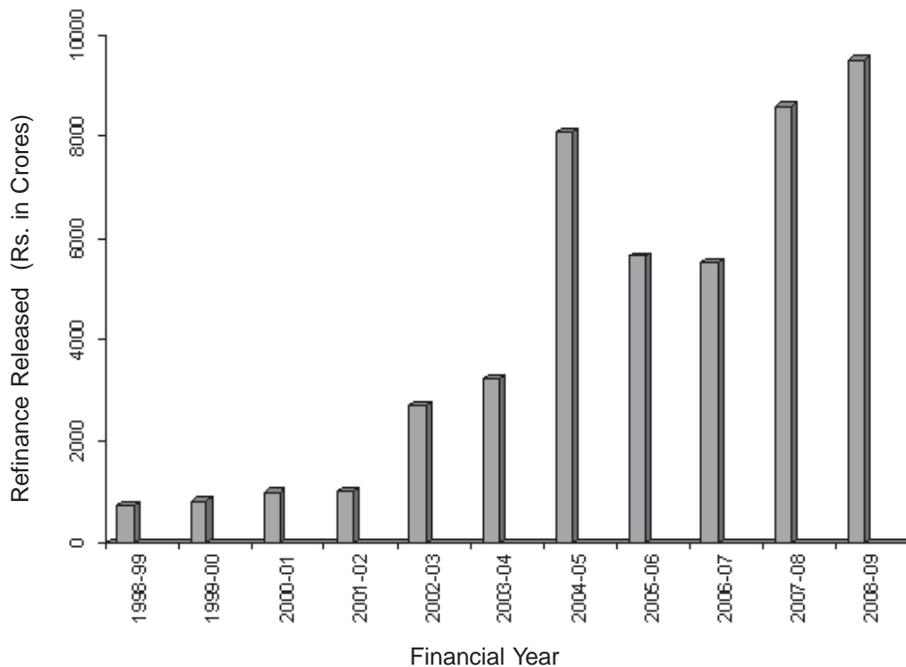


Table 5.9

Table 5.9						
(Rs. in crore)						
Institution Category	REGULAR Scheme	GJRHRS	RHF	SRF	Total	% of Total
HFCs	1385.94	10.39	1150.46	3220.24	5767.03	60.29%
Urban Co-operative Banks	75.00	60.00	15.00	—	150.00	1.57%
Banks	2808.95	623.05	216.60	—	3648.60	38.14%
Total	4269.89	693.44	1382.06	3220.24	9565.63	100%

Table 5.10

Break-up of the disbursements made under the scheme

Table 5.10			
Break-up of the disbursements made under the scheme			
(Rs. in crore)			
Institution Category	RHF	GJRHRS	Total
Housing Finance Companies	1150.46	10.39	1160.85
Scheduled Banks (RRB & UCB)	231.60	683.05	914.65
Total	1382.06	693.44	2075.50

Special Refinance Facility (SRF). The growth for the nine months in refinance disbursements was around 50%.

d) The institution-wise break-up of the releases made during the 2008-09 (upto March 2009) is given in Table 5.9.

e) Performance under the Rural Housing Fund (RHF) & Golden Jubilee Rural Housing Refinance Scheme (GJRHRS)

Out of the total term releases of Rs.9565.63 crore made during the year (upto March 2009), 21.70% aggregating Rs.2075.50 crore have been made under the RHF and GJRHRS in respect of loans given by Primary Lending Institutions (PLIs) in rural areas.

The break-up of the disbursements made under the scheme is given in Table 5.10.

f) Equity Participation by NHB

As a promotional role, NHB has equity participation in three HFCs, namely, GRUH Finance Limited and Cent Bank Home Finance Limited and Mahindra Rural Housing Finance Ltd. The invested value of equity holding in these three HFCs as on 31.3.2009 stood at Rs. 5.11 crore.

g) Financial performance : 2007-08

NHB follows the accounting year from July to June. The latest audited balance sheet is for the year July 2007-June 2008. During this year, profit before tax (excluding deferred tax provision) amounted to Rs.257.60 crore as against Rs.183.69

crore during the previous year registering a growth of 40 per cent. Profit after tax worked out to be Rs.169.70 crore as against Rs.114.31 crore during the previous year registering a growth of 49 per cent.

As a result of the increase in profit, the return on equity capital for the year 2007-08 rose to 37.7 per cent as against 25.40 per cent for the previous year. The plough back of Profit to Reserves led to increase in Net Owned Funds of the Bank from Rs.1,829.19 crore to Rs.1,999.00 crore.

h) Business Planning and Promotion Activities

Developmental Activities through Consumer Education and Addressing Consumer Grievances

NHB has identified formation of a sound and reliable database of information pertaining to the housing finance sector both from Banks and HFCs as one of its priority areas. Consumer education and protection is one of the key focus areas of NHB. As part of its promotional measures, NHB also addresses complaints received from individuals against HFCs.

i) Reverse Mortgage Loan (RML)

Consequent upon the Budget Announcement of 2007-08, a Reverse Mortgage Loan (RML) Scheme was operationalized, which enables senior citizens i.e. above the age of 60 years to avail periodical payments from a lender banks against the mortgage of his/her house for partially meeting their financial

needs who, otherwise, are not eligible for availing any kind of financial assistance under conventional bank loan schemes. 23 Banks and 2 HFCs have launched RML and around 2984 RMLs aggregating to about Rs. 589.70 crore had been sanctioned till March 2009.

NHB has been disseminating information on RML by conducting Seminars/workshops/interactions at different centres such as Delhi, Mumbai, Hyderabad, Chandigarh, Chennai, Faridabad and Kolkata. It has since established seven Counselling Centres, in association with reputed NGOs, at New Delhi, Hyderabad, Chandigarh, Kolkata, Bengaluru and Chennai including one at its Head Office in New Delhi. NHB has also come-up with a separate section on RML on its website to create greater awareness. Possibilities of a RML Annuity product to extend the monthly annuities after the expiry of the maximum 20 year period of RML are being explored.

j) Residential Real Estate Price Indices (NHB-RESIDEX)

In order to track the house price movements over time, the National Housing Bank undertook a pilot project to develop a suitable price index. A Technical Advisory Group was constituted with representatives from the Government, RBI and NHB in addition to independent experts to assist NHB in the project and guide its implementation.

NHB RESIDEX is an indicator for home buyers aiding them in their purchase decisions by enabling comparison between cities, between the localities in the same city and comparison of a price rise in a particular city, locality over time. Banks and Housing Finance Companies who have significant risk exposure to the housing sector find the Index valuable, particularly in valuation of collateral security in the form of underlying mortgages. Data was initially collected from 5 major Indian cities viz. Delhi, Mumbai, Kolkata, Bengaluru and Bhopal, representing different regions of the country. The scope of the index has now been expanded to cover 15 cities.

6. Financial Institutions

6.1 India Infrastructure Finance Company Ltd.(IIFCL)

IIFCL, a wholly owned Government of India company was set up on January 5, 2006 and commenced operations from April 2006. The company provides long term debt to viable infrastructure projects as per the Scheme for Financing Viable Infrastructure Projects through IIFCL (broadly referred to as SIFTI). The authorized capital of the company is Rs2000 crore and the paid-up capital is at present, Rs.1300 crore.

Since commencement of operations in April 2006 till March 2009, the Company has sanctioned Rs.18,720 crore in 88 infrastructure projects in sectors like roads, power, airport, ports and urban infrastructure. These projects are spread out in 19 states of the country and involve a total project cost of Rs.1,47,092 crore. Of the total number of 88 projects sanctioned, financial closure has been achieved in 78 cases.

In addition, the Company has sanctioned Rs.40 crore in 19 projects for development of urban infrastructure under the Pooled Municipal Debt Obligations (PMDO) facility. Total disbursements at the end of March 2009 stood at Rs.4891 crore in 77 cases including those under PMDO.

As part of domestic borrowings, IIFCL had till 31st March 2009 raised Rs.1100 crore in four tranches by way of issuance of bonds. Further, the Company has raised Rs1000 crore from Life Insurance Corporation of India by way of long term loans and Rs.1500 crore from the National Small Savings Fund (NSSF). Asian Development Bank has sanctioned a loan of USD 500 million and out of this, the company has availed USD 179 million till end March,2009. ADB has indicated that another line of credit of USD 500 million is being considered. World Bank is considering a USD 1.2 billion line of credit to the company, while KfW has given "in-principle" sanction of Euro 180 million loan to the company.

IIFCL has participated in the India Infrastructure Finance Initiative with IDFC and Citigroup which has received total commitment of USD 875 million at the end of March 2009 for providing equity to infrastructure companies. Further, in order to augment risk capital, the company has been permitted to provide subordinate debt to borrowers.

As mandated under the first stimulus package announced on 7.12.2008, to raise Rs.10,000 crore by way of Tax Free Bonds, the Company has already raised the said amount in two tranches @ 6.85% p.a. The proceeds of these bonds will be used to provide refinance to the banks upto 60% of the debt for infrastructure projects in highways and port sectors where the bids are submitted on or after 31st January, 2009.

Further, under the second stimulus package announced on 02.01.2009, IIFCL will be enabled to access in tranches an additional Rs.30,000 crore by way of tax free bonds to fund infrastructure projects of about Rs.75,000 crore at competitive rates over the next 18 months.

IIFCL has set up IIFC (UK) Ltd a wholly owned subsidiary at London in April 2008. The subsidiary will borrow upto USD 5 billion in tranches from RBI by issuing USD denominated bonds and on-lend the resources to Indian infrastructure companies for meeting their capital expenditure outside India. The company has raised the first tranche of USD 250 million from RBI. IIFC (UK) Ltd has so far sanctioned 8 eligible proposals for USD 1241 million involving a total project cost of around USD 12 billion. The approved loan portfolio of the Company comprises projects from the Power Sector and Urban Mass Rapid Transport Sector (Metro Rail).

During the year 2008-09, the Company earned a Profit after Tax of Rs.69.98 crore and Operating Profit of Rs.150.53 crore as compared to Rs.14.10 crore and Rs.33.76 crore, respectively in 2007-08.

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. As on March 31, 2009, the paid up Capital of the Bank was Rs.1400 crore as against the authorized capital of Rs.2000 crore.

During the financial year 2008-09, the Bank approved loans of Rs.33628 crore as against Rs. 32805 crore during 2007-08. Disbursements during the year amounted to Rs.28933 crore, as compared to Rs.27159 crore during the previous year. Loan assets increased to Rs. 34505 crore as on March 31, 2009 from Rs.29152 crore as on March 31, 2008. Profit after tax amounted to Rs.477 crore during FY 2008-09 as against profit after tax of Rs.333 crore during FY 2007-08. Rs. 115.70 crore will be transferred as balance of net profit to the Government of India for FY 2008-09 as compared to Rs.100.77 crore in the previous year. The Capital to Risk Assets Ratio (CRAR) stood at 16.77 percent as on March 31, 2009.

Exim Bank lays special emphasis on extension of Lines of Credit (LOC) to overseas entities, national governments, regional financial institutions and commercial banks. Bank's LOC portfolio has grown, and it has built up a portfolio of 114 operative LOCs spread across 94 countries, with credit commitments aggregating US\$ 3.75 billion as on March 31, 2009 for financing exports from India.

The Bank's portfolio on loans and advances amounted to Rs.34505 crore as on March 31, 2009. As on March 31, 2009, 222 project export contracts valued at Rs.71468 crore (approx USD 14.09 bn.) supported by the Bank, were under execution, in 39 countries across Asia, Africa and Europe by 45 Indian companies. Of these, 35 contracts valued at Rs.21825 crore under execution in 17 countries, by 17 companies, were secured during the current fiscal year 2008-09.

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 2008-09, 16 Indian Corporates were sanctioned funded and non-funded assistance aggregating Rs.2338 crore for part financing their overseas investments, by Indian companies in 11 countries.

As per Government measures to stimulate the economy announced on 7.12.2008, EXIM Bank was provided a line of credit of Rs.5,000 crore to provide pre-shipment and post-shipment credit, in rupees or Dollars, to Indian exporters at competitive rates.

6.3 Irrigation and Water Resource Finance Corporation (IWRFC)

In the Budget Speech for 2008-09, the Finance Minister made an announcement that keeping in view the massive

investments required to be made in irrigation projects, Government proposes to establish the Irrigation and Water Resources Finance Corporation (IWRFC) with an initial capital of Rs.100 crore contributed by the Central Government to mobilise the very large resources that will be required to fund major and medium irrigation projects.

In compliance with this, Irrigation and Water Resources Finance Corporation Limited (IWRFC) has been set up as a Company under the Companies Act, 1956 on March 29, 2008 with an initial paid up capital of Rs.100 crore contributed by Central Govt. State Governments and other financial institutions will be invited to contribute to the equity. The processes for operationalisation of IWRFC are underway.

7. Insurance Sector

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 socially oriented insurance schemes such as the Universal Health Insurance Scheme (UHIS), Janshree Bima Yojana, Varishta Pension Bima Yojana and Aam Aadmi Bima Yojana.

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) 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.

7.1.1 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 44 insurers as on March 2009 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). Two of the general insurance companies viz. Star Health and Alliance Insurance Company and Apollo DKV Health Insurance Company function as standalone health insurance companies. Of the twenty one life insurance companies which have set up operations in the life segment post opening up of the sector, nineteen are in joint venture with foreign partners. Of the fifteen who have commenced operations in the non-life segment, fourteen had been set up in collaboration with the foreign partners. Thus, thirty three 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, 2009.

7.1.2 Life Insurance Industry

The post liberalization period has witnessed 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. 223555.79 crore in 2008-09. The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2008-09 was Rs.87107.62 crore as compared to Rs.9,708 crore in 2000-01. During the financial year 2008-09, the life insurance industry has reported negative growth of 6.32% in new business premium underwritten as against growth of 23.88% in 2007-08.

In terms of linked and non-linked premium, during 2008-09 51.30% of the first year premium was underwritten in the linked segment while 48.70% of the premium was in the non linked segment. The corresponding previous year proportion was 75.34: 24.66 respectively.

7.1.3 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 companies) underwrote premium within India of Rs.30601.20 crore in 2008-09, as against Rs.9,806.95 crore in 2000-01. During the year, the non-life industry reported growth of 9.09% in Gross Direct Premium as against 12.63% in 2007-08. Two of the fastest growing segments are Motor and Health. The said segments accounted for 42.92% and 19.97% of the premium

underwritten in India during the period April-December 2008 as against 44.26% and 17.11% respectively during the corresponding period of 2007-08. Post de-tariffing, while the growth in premium has slowed down during the last two year (other than in Health and Motor segments) on account of reduction in rates, the number of policies underwritten have exhibited an increase.

7.1.4 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:

i) Financial Sector Assessment Programme: Recognizing the need to persevere with the financial sector development and with a view to assessing the financial system stability and the status of implementation of financial standards and codes, the Government of India in consultation with the Reserve Bank of India constituted a Committee on Financial Sector Assessment (CFSA) in 2007 to carry out self-assessment to evaluate the progress made since the first exercise and to assess the current status. The exercise was conducted by the Government of India in consultation with the financial regulators, including the insurance regulator, and experts drawn from the financial sector.

Since insurance is a special subject IRDA set up two independent technical groups to assess the financial regulation and supervision standards pertaining to the insurance markets viz; (i) Technical Group on Macro-prudential Surveillance – Financial System Stability and Stress Testing; and (ii) Technical Group on Status and Implementation of Financial Standards and Codes. The technical groups comprised of eminent persons drawn from the insurance industry, experts in the field of insurance and representatives of the Authority. The reports of the two Technical Groups were provided to the respective Advisory Panels under the auspices of the CFSA. Based on the assessment, gaps have been identified and the way forward has been laid down for the insurance sector.

ii) Detariffing: 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.

As a first step de-tariffing was confined to de-control of rates only and terms and conditions of the policy were not permitted to be changed till 31st March, 2008. De-tariffing of the non-life industry was notified w.e.f. 01-01-2007. In order to moderate the impact of tariff increase on commercial vehicle owners the Authority has retained the powers to determine the rates of Motor–Third Party premium for commercial vehicles and to ensure that all insurers take commensurate

exposure to this line of business, a Motor Pool has been created under Section 34 of the Insurance Act, 1938. All non-life insurers are required to collectively participate in a pooling arrangement to share in all motor third insurance business for commercial vehicles underwritten by them w.e.f. 1st April, 2007.

The Authority has reviewed its earlier instructions to the insurance companies that they shall not vary the coverage, terms and conditions, wordings, warranties, clauses and endorsements in respect of covers which were under erstwhile tariff. The Authority decided to permit the general insurers to file variations in deductibles from those prescribed under the erstwhile tariffs subject to written disclosures and acceptance by the insured prior to finalization of the insurance policy and add-on covers over and above the erstwhile tariff covers with appropriate additional premiums w.e.f. 1st January, 2009. The insurers were also permitted to extend engineering insurances to mobile/portable equipments. IAR policies could now be issued to all industries including petrochemical industry with sum insured less than Rs.100 crore. However, the general insurers were not permitted to abridge the scope of standard covers available under erstwhile tariffs.

iii) Creation of the Motor Pool: IRDA (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 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. The Authority reserves the right to issue such directions as may be considered necessary from time to time on review of the operation of the pooling arrangement and the need for regulation of the premium rates and terms of cover.

The pools premium and claims figures upto February 2009 is as under :

	April 2007	(Rs. in crore) Mar.2008 to Feb.2009 (updated from GIC)
Premium	2436.68	2822.96
Claims Intimated	255.17	1557.39
Claims Paid	4.23	177.01
Claims Outstanding	250.93	1631.32

iv) Initiatives on Health Insurance: The Authority has been taking proactive steps in its developmental agenda for health insurance. For 2006-07, the Authority's health insurance data repository received data on 16.3 million insured persons, 3.8 million policies and 1 million claims, and there have been continuous improvements in the quality of this data. Detailed analysis of this data has been made publicly available since Dec 2008.

In April 2007, the Authority appointed a Committee on Health Insurance for Senior Citizens to study and make recommendations regarding the concerns that Senior Citizens face on the health insurance front. Many of the recommendations of the Committee were accepted by the Authority and have already been taken up for implementation.

The Authority also worked in close tandem with industry chambers on areas related to health insurance. In October 2007, the Authority supported the formation and activities of working groups by the Confederation of Indian Industry and a sub-committee of the Federation of Indian Chambers of Commerce and Industry which is deliberating on issues pertaining to sustainability of health insurance. During 2007-08, CII and FICCI held National level workshops on Health Insurance, with support and participation from IRDA.

IRDA also supported the industry initiative in standardizing a uniform definition of 'Pre-Existing Diseases' and its exclusion wording, which was under the aegis of the General Insurance Council and has come into effect from 1st June 2008.

In November 2008, the Authority also constituted a Committee for the Evaluation of Performance of TPAs.

v) 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. There were 4,584 micro insurance agents operating in the micro insurance sector as at the end of 2007-08. The new business premium secured during the year was Rs. 1823.10

lakhs under 9,37,768 individual policies while a premium income of Rs. 20127.46 lakhs under 1,22,42,027 lives was secured under group insurance stream. Nine insurance companies have filed 26 micro insurance products both in individual and group segments. 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.

vi) Amendments to the regulations on Rural and Social Sector Obligations: Based on the recommendations of the Informal Group set up by the Authority, the obligations of the new insurers towards the rural and social sectors for the sixth to tenth years of their operations were notified. The obligations of the public sector insurers (both LIC and the four public sector insurers) were also revised. These obligations have been linked to their past performance in the said sectors. With a view to giving a fillip to micro insurance, the performance in these sectors has now been benchmarked to the insurance policies satisfying the definition of 'micro insurance' as laid down the Micro Insurance Regulations, 2005.

The regulations have been further amended to provide for relaxation in the obligations based on whether insurance company had commenced operations in the first half or second half of the financial year. For insurance companies commencing operations in the first half of the financial year, the applicable obligations for the first year shall be 50 percent of the obligations as specified in the Regulations. In case of companies commencing operations in the second half of the financial year and is in operations for less than six months (i) no rural or social sector obligations shall be applicable for that year and (ii) the annual obligations as indicated in the Regulations shall be applicable from the next financial year of operations.

vii) Amendments to the Investments Regulations: A Working Group was set up by the Authority, to review comprehensively the current regulatory and other provisions on Investments of Insurance companies and suggest changes considered necessary in the light of experience gained / the constraints faced by Insurance Companies, as well as the developments in Financial Markets. The Working Group reviewed the statutory provisions on the pattern of Investment, Operational and Policy issues of Investment Regulations and suggested amendments that would provide flexibility to the Authority in the manner of Regulation on Investment of Life and General Insurance Companies. The Group also looked into the concurrent modifications in the formats of the prescribed Returns to reflect the changes.

The recommendations of the Working Group have been examined by the Authority in the light of legal provisions and keeping in view the interests of the stakeholders. The implementation of some of the proposals requires appropriate changes in Regulations and evolution of suitable regulatory

framework. It was also observed by the Authority while monitoring compliance with the regulations over a period that some of the extant instructions/guidelines also needed clarity and consistency.

The Authority has amended the provisions of IRDA Investment Regulations 2000 in order to implement the recommendations of the Working Group and also to effect such changes that were considered necessary to clarify the existing regulatory requirements.

viii) Guidelines on Anti-Money Laundering (AML) Programme: The guidelines on Anti-Money Laundering Programme for insurance companies were issued on 31st March 2006 and became effective from 1st August 2006 in case of life insurance companies and 1st January 2007 in case of non-life insurance companies. The AML program lays emphasis on the Know Your Customer Norms (KYC norms) includes proper internal policies, procedures, and controls to carry out AML stipulations; appointment of a Principal compliance officer; recruitment and training of employees/agents; Internal Control/Audit; Reporting of suspicious transactions and certain specified cash transactions.

Insurers are required to establish and document the identity, address and sources of funds in case of their customers as specified in the guidelines. Cash acceptance towards premium/proposal deposits is limited to Rs. 50000/- An exemption, from the requirements of the recent photograph and proof of residence, to mitigate the possible difficulties faced in carrying out micro insurance business, has been extended in case of an individual upto a total annual premium of Rs. 10,000/- on all life insurance policies held by him/her.

Insurance companies have been advised to avoid splitting of the insurance policies/issue of number of policies to one or more entities and to refuse to accede to the requests for cash deposits especially where there is possibility of the transactions being integrated through a single remitter which facilitate individuals to defeat the spirit of the AML guidelines.

While the extent of implementation of AML framework in life insurance companies has already been inspected, inspection of non-life insurance companies is being envisaged.

IRDA has actively participated in the inter-ministerial Co-ordination Committee meetings on CFT/AML providing various inputs pertaining to insurance sector on Financial Action Task Force recommendations and has been supporting India's membership into FATF.

ix) Data Warehouse: The Authority has initiated steps to design, build and manage a data warehouse for to the insurance industry recognizing that data will help the insurers to design new products and allow scientific underwriting. Further, calculations of actuarial risks, price setting and various aspects relating to claims settlement, management of hazards etc. As a first step, the Authority has designed a data set relating to health and motor vehicle insurance. The Authority now proposes to build a formal data warehouse to

enable access by various stakeholders across the industry. Further, academics will be allowed to receive the data for research purposes and provide a firm statistical base for the industry.

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 2008, LIC had 8 Zonal Offices, 106 Divisional Offices, 2,048 Branch Offices and 323 Satellite Offices.

7.2.1 Group Insurance Business: For the year ended 31st March 2008, business under group schemes, both new and renewed, was to the tune of Rs.3,06,711.77 crore providing cover to 494.83 lakh lives against Rs.3,22,942.20 crore providing cover to 405.95 lakh lives during the preceding year. Under group superannuation scheme, new annuities to the tune of Rs.279.04 crore per annum was granted to 4.21 lakhs lives as against Rs.212.09 crore per annum to 1.12 lakh lives during the preceding year.

7.2.2 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 2007-2008, the Corporation has settled 1.41 crore claims for Rs 37,019.51 crore compared to 1.35 crore claims for Rs.36,485.91 crore in the previous year. The percentage of claims outstanding at the end of the year to the claims payable during the year is 0.28% by number and 0.94% by amount as on 31st March 2008 compared to 0.15% and 0.68% respectively as on 31st March 2007. During the year 2007-2008, 97.19% of maturity claims were settled on or before the date of maturity.

7.2.3 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.

(a) 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. As on 31.3.2008 1,21,35,174 lives were covered under the scheme.

(b) 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
2005-06	3,20,253
2006-07	7,41,432
2007-08	13,01,136

(c) 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 28th 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.

As a part of financial inclusion programme, LIC moved cause of spreading security, particularly to the less privileged sections of the population through Jeevan Madhur Plan. As against a New Business figure of 80,637 policies with a Sum Assured of 110.33 crore and First Premium Income of Rs.138.20 lakh during previous year, in 2007-08 LIC completed Micro Insurance New Business of 8,54,615 policies with a Sum assured of 1116.42 crore and First Premium Income of Rs.1621.97 lakh.

Life Insurance Corporation has appointed 2,934 micro insurance agents in the financial year 2007-08, taking the total strength of Micro Insurance Agents to 4166 as on 31.3.2008. 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.

LIC has been conferred "Skoch Challenger Award 2008" for Financial Inclusion in Insurance Sector through Jeevan Madhur initiatives.

(d) 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.

(e) Aam Aadmi Bima Yojana (AABY): AABY was launched on 2nd 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. As on 31.3.2008, 42.61,156 Rural landless households were covered under this scheme.

7.3 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. During the year 2008-09, the Corporation continued to offer maximum support for all classes of business to the Indian insurers.

During the year 2008-09, the net premium of the Corporation is expected to be Rs.7237.00 crores as against Rs.8311.14 crore (it represents domestic business figures of five quarters) in the previous year. The net incurred claims is expected to be Rs.5371.00 crore i.e. 81.13% as against Rs.5011.49 crore in the previous year i.e. 83.2%. Profit before tax is expected to be Rs.1681.00 crore as on 31st March, 2009 as compared to Rs.1070.37 crore as on 31st March 2008. Profit after tax for the year is expected at Rs.2309.00 crore as against Rs.995.86 crore in the previous year. The present paid up capital of the Corporation is Rs.430.00 crore.

7.4 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 100 Regional Offices, 1,383 Divisional Offices, 2,842 Branch Offices (*including Direct Agent Branches, Extension Counters and Micro Offices*). The companies also have 42 overseas offices spread over 28 countries.

The gross premium income of these companies during 2008-09 was Rs.18029.44* crore as against Rs.16832.53 crore during 2007-08 representing a growth of 7.11%. The net worth of these four companies as on 31st March, 2008 stood at Rs.13,802 crore as against Rs.12,190 crore as on 31st March, 2007. The Profit after tax for the year 2007-08 decreased to Rs.2,205 crores from Rs.2,904 crore in 2006-07. The companies have paid a total dividend of Rs.449 crore in 2007-08 against Rs.581 crore in 2006-07 to the Government. The market share of these companies stood at 60.49% in 2007-08 as against 65.28% in 2006-07.

(*the figures are provisional and unaudited).

7.4.1 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. The Scheme was revised in 2007-08 with an aim to increase the benefits and in the revised scheme, (i) the premium for individual has been reduced from Rs.365 to Rs.300, from Rs.548 to Rs.450 for a family of 5 and from Rs.730 to Rs.600 for a family of 7 members; (ii) the pre-existing diseases have been included in the revised scheme; (iii) the upper age limit has been increased from 65 years to 70 years; (iv) the scheme has been extended to include maternity benefits (Rs.2,500 for normal delivery and Rs.5,000 for caesarian delivery); (v) the benefit of loss of

wages @ Rs.50 per day subject to maximum of 15 days per policy period has been extended to spouse of insured also . The Government subsidy for individual, family up to 5 members and family up to 7 members shall continue to remain the same i.e. Rs. 200, Rs.300/- Rs.400.

7.4.2 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.

7.4.3 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 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 2007-08, and 2008-09 covering four seasons is given in Table 5.11.

7.4.4 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.

7.4.5 Varsha Bima and Rainfall Insurance

Varsha Bima gives a payout against deficit rainfall whereas Rainfall Insurance was designed covering both deficit &

Table 5.11

Performance under National Agricultural Insurance Scheme (NAIS) during 2007-08, and 2008-09

(Rs in crore)

Sl. No	Particulars	Kharif – '07	Rabi 07-08	Kharif '08	Rabi 08-09
1	Farmers covered	13398561	5044016	13138325	2030670
2	Sum Insured	17007.56	7465.71	15565.43	2950.03
3	Premium	524.31	158.69	510.99	73.01
4	Claims Paid	913.33	796.53	920.32	

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.

7.5 Inspection by various Parliamentary Committees

Details of the various Parliamentary Committees' visit to the Insurance Companies are as under:

i) 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.

ii) 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".

iii) 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.

iv) 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.

7.6 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 5.12.

8 Representation of Scheduled Castes/Scheduled Tribes/ Other Backward Classes/Ex-Servicemen/Physically Handicapped in Public Sector Banks/Financial Institutions as on 31.12.2008.

The representation of SCs/STs, OBCs, Ex-Servicemen and Physically Handicapped persons in 19 Nationalized Banks, State Bank of India and its Associate Banks, Reserve Bank of India, Industrial Development Bank of India, National Bank for Agriculture and Rural Development, Export Import Bank of India, National Housing Bank and Small Industries Development Bank of India as on 31.12.2008 is given in the Table 5.13(a), 5.13(b) & 5.13(c).

9. 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 Public Sector Banks, 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 2008-09 four such meetings were held on 04.04.2008, 24.7.2008, 6.10.2008 and 19.1.2009 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.

As a result of the reviews made at different levels, the use of Hindi for official purposes in Public 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

Table 5.12

The performance of the companies during the period 2006-07

Company	Grievance Outstanding	Grievance Reported as on 1.4.2006	Grievances Redressed in 2006-07	Grievances Outstanding in 2006-07 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

Table 5.13 (a) Scheduled Castes/Scheduled Tribes/Other Backward Classes

Category	Total No. of Employees	No. of Employees belong to		
		SC	ST	OBCs*
Officers	288158	47880	17026	13012
Clerks	297106	50603	15262	13381
Sub-Staff	132628	35966	9479	10882
Sweepers	43019	42780	897	5337
Total	760911	177229	42664	42612

*Employed after 08.09.1993

Table 5.13 (b) Ex-Servicemen

Category	Total No. of Ex-Servicemen
Officers	2213
Clerks	6655
Sub-Staff	27601
Sweepers	393
TOTAL	36862

Table 5.13 (c) Physically Handicapped

Category	Visually Handicapped	Hearing Impaired and Dumb	Orthopedically Handicapped	Total
Officers	282	132	2540	2954
Clerks	731	692	3668	5091
Sub-Staff	174	216	1348	1738
Sweepers	39	49	180	268
Total	1226	1089	7736	10051

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 Language³ 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.

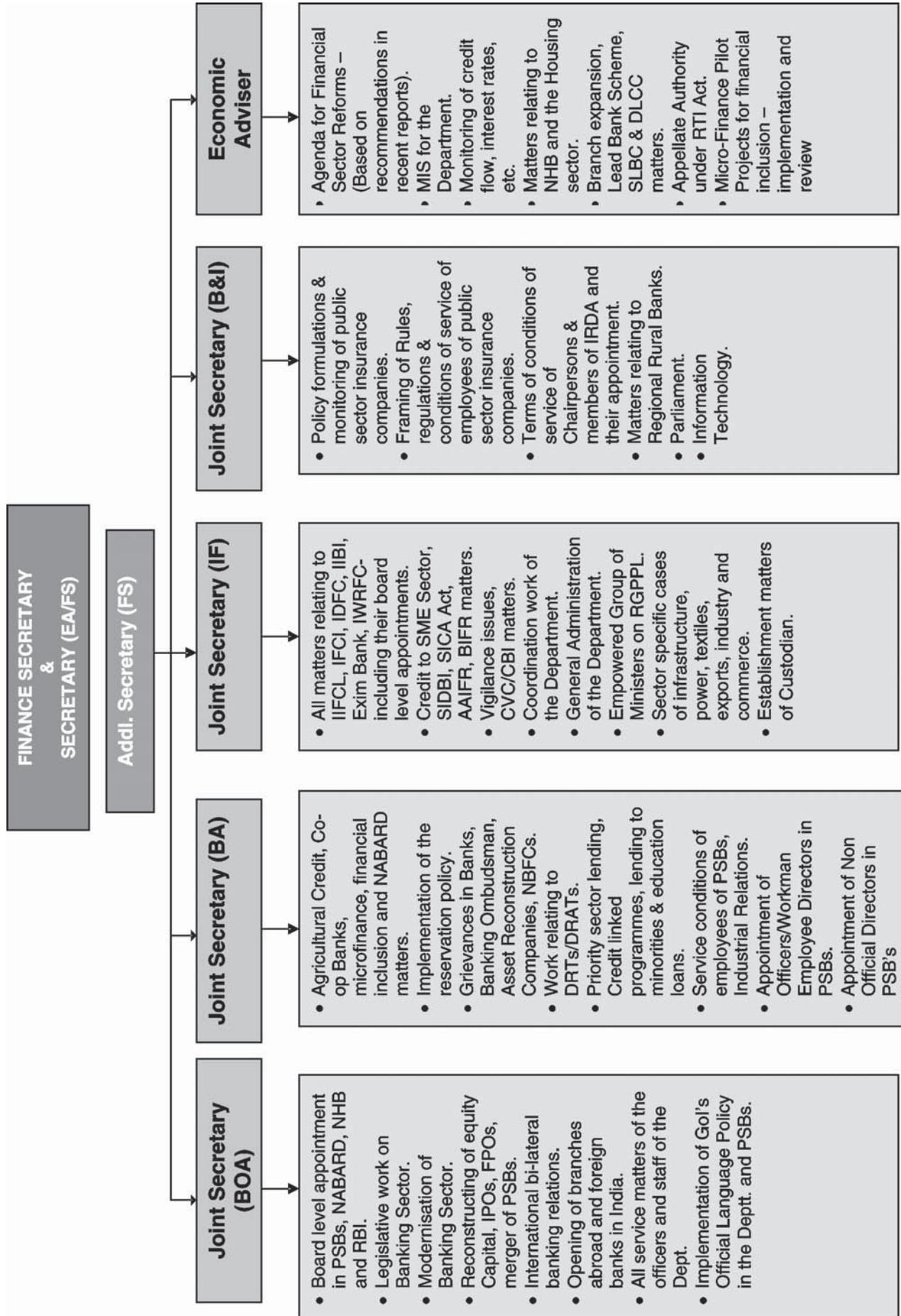
Officers of Department of Financial Services inspected 17 head offices of Banks/ Financial Institutions and insurance companies located at Delhi and outside Delhi during the year to have an assessment of the implementation of the various requirements of Official Language Policy. Essay competitions were organized for different categories of employees and officers during the Hindi fortnight 2008.

10. 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 31.3.2008 have been uploaded on the website of the Central Information Commission.

■ ■



Annexures

**Total Educational Loans Outstanding under Education Loan Scheme
as on 31st March 2009**

	Name of the Bank	Number of A/c	(Rs. in Crore)
1	Allahabad Bank	30206	640.97
2	Andhra Bank	74828	1446.27
3	Bank of Baroda	64781	1216.33
4	Bank of India	75792	1330.00
5	Bank of Maharashtra	19254	352.09
6	Canara Bank*	146851	2301.00
7	Central Bank of India	54177	857.06
8	Corporation Bank	30616	623.25
9	Dena Bank	12376	252.11
10	IDBI Bank	3498	58.95
11	Indian Bank	132527	1712.99
12	Indian Overseas Bank	78472	1032.65
13	Oriental Bank of Commerce	35382	790.31
14	Punjab & Sind Bank	6717	179.15
15	Punjab National Bank	85353	1558.86
16	Syndicate Bank*	81260	1150.25
17	UCO Bank	28293	492.96
18	Union Bank of India	54920	981.70
19	United Bank of India	18184	335.07
20	Vijaya Bank	24550	431.07
21	State Bank of India	355972	6610.00
22	State Bank of Bikaner & Jaipur	15262	286.88
23	State Bank of Hyderabad	45696	849.64
24	State Bank of Mysore	22644	391.17
25	State Bank of Indore	10469	165.31
26	State Bank of Patiala	10727	245.89
27	State Bank of Travancore	84578	1353.65
	Total	1603385	27645.58

*includes disbursement pertaining to sanctions of earlier years.

Source: IBA

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 2005	March 2006	March 2007	March 2008@	March 2005	March 2006	March 2007	March 2008@
1	2	3	4	5	6	7	8	9
Agriculture	202	238	251	283	1,09,917	1,55,220	2,02,614	2,48,685
					(15.3)	(15.3)	(15.4)	(17.4)
(i) Direct	195	221	237	279	83,038	1,12,126	1,44,372	1,76,135
					(11.6)	(11.0)	(11.0)	(12.9)
(ii) Indirect	7	17	14	4	26,879	43,093	58,242	72,550
					(3.7)	(4.2)	(4.4)	(5.3)
Small-scale industries	14	17	17	-	68,000	82,434	1,02,550	-
					(9.5)	(8.1)	(7.8)	-
Small Enterprise#	-	-	-	39	-	-	-	1,48,651
								(10.9)
Other priority sector advances	89	92	111	-	1,25,114	1,63,756	2,06,661	-
					(17.4)	(16.1)	(15.7)	-
Total priority sector advances *	314	358	389	412	3,07,046	4,09,748	5,21,376	6,08,963
					(42.8)	(40.3)	(39.7)	(44.6)
Net Bank Credit	-	-	-	-	7,17,419	10,17,656	13,13,840	-
Adjusted Net Bank Credit	-	-	-	-	-	-	-	13,64,268

@ : Provisional

: The new guidelines on priority sector advances take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.

* : In terms of revised guidelines on lending to priority sector, broad categories of advances under priority sector include agriculture, small enterprises sector, retail trade, microcredit, education and housing.

Note : Figures in parentheses represent percentages to net bank credit. Since 2007-08, these figures represent percentage to adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher.

Source : RBI Report on Trend and Progress, 2007-08

**Advances of Public Sector Banks to Agriculture and Weaker Sections
(As on the last reporting Friday of March 2008)**

(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 ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher
	2	3	4	5	6	7	8	9	10	11	12
1	Public Sector Banks	1,76,135.06	12.9	72550.20	5.3	2,48,685.26	17.4	1,26,934.80	9.3	6,08,962.89	44.6
	Nationalised Banks	1,12,058.76	12.3	54068.99	5.9	1,66,127.75	16.8	83725.52	9.2	4,09,391.43	44.8
1	Allahabad Bank	6571.30	15.9	2574.37	6.2	9145.67	20.4	4455.49	10.8	18774.40	45.5
2	Andhra Bank	5683.93	20.1	472.49	1.7	6156.42	21.8	3317.00	11.8	13297.56	47.1
3	Bank of Baroda	8271.01	12.3	4997.92	7.4	13268.93	16.8	6030.12	9.0	31681.26	47.1
4	Bank of India	9299.00	14.0	3829.00	5.8	13128.00	18.5	8458.00	12.7	32826.56	49.3
5	Bank of Maharashtra	2547.39	10.9	2293.62	9.8	4841.01	15.4	1683.00	7.2	11146.61	47.5
6	Canara Bank	12916.00	13.2	5080.00	5.2	17996.00	17.7	7528.00	7.7	43202.00	44.2
7	Central Bank of India	6877.43	13.1	4226.63	8.1	11104.06	17.6	8636.12	16.5	25230.06	48.1
8	Corporation Bank	1638.35	5.5	1891.44	6.3	3529.79	10.0	1680.62	5.6	13070.83	43.6
9	Dena Bank	1905.14	10.2	859.50	4.6	2764.64	14.7	1171.97	6.3	8095.75	43.3
10	Indian Bank	5164.42	18.3	1050.45	3.7	6214.87	22.1	3677.90	13.1	14965.14	53.1
11	Indian Overseas Bank	6391.35	14.4	2297.55	5.2	8688.90	18.9	5154.62	11.6	20303.13	45.9
12	Oriental Bank of Commerce	3438.03	7.8	3153.97	7.2	6592.00	12.3	2295.51	5.2	18463.79	41.8
13	Punjab National Bank	14212.67	14.4	5733.53	5.8	19946.40	18.9	11403.49	11.6	43412.23	44.1

Sr. No.	Name of the Bank	Direct Agricultural Advances		Indirect Agricultural Advances		Total Agricultural Advances		Weaker Sections		Total Priority Sector Advances	
		Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher	Amount	% to ANBC or credit equivalent of OBE, whichever is higher
14	Punjab & Sind Bank	1594.47	13.4	843.75	7.1	2438.22	17.9	1056.10	8.8	6045.00	50.6
15	Syndicate Bank	7341.88	15.7	1989.93	4.3	9331.81	19.9	4847.02	10.3	21841.49	46.6
16	Union Bank of India	7727.15	12.7	3665.72	6.0	11392.87	17.2	4530.83	7.4	29803.12	48.8
17	United Bank of India	1964.00	8.7	1208.00	5.3	3172.00	13.2	2210.00	9.8	10041.00	44.4
18	UCO Bank	5083.00	11.7	2865.00	6.6	7948.00	16.2	3838.00	8.8	20452.00	47.0
19	Vijaya Bank	2075.04	8.4	1867.12	7.6	3942.16	12.9	1527.26	6.2	11506.31	46.3
20	IDBI Bank Ltd.	1357.00	2.2	3169.00	5.0	4526.00	6.7	217.57	0.4	15233.19	24.2
	State Bank Group	64076.30	14.2	18481.21	4.1	82557.51	18.3	43209.28	9.6	1,99,571.46	44.4
21	State Bank of India	42755.00	14.1	13677.00	4.5	56432.00	18.6	28467.00	9.4	1,33,202.00	43.8
22	State Bank of Bikaner & Jaipur	3669.70	17.7	919.88	4.4	4589.58	22.1	2387.88	11.5	10372.76	49.9
23	State Bank of Hyderabad	4347.77	15.3	799.94	2.8	5147.71	18.1	3409.92	12.0	12727.31	44.8
24	State Bank of Indore	2264.48	14.6	753.99	4.9	3018.47	19.1	1879.12	12.1	7753.49	50.1
25	State Bank of Mysore	2427.67	15.1	483.69	3.0	2911.36	18.1	1772.41	11.0	6959.93	43.4
26	State Bank of Patiala	3620.00	12.5	953.71	3.3	4573.71	15.7	2916.95	10.0	11656.30	40.1
27	State Bank of Saurashtra	1957.80	17.4	236.96	2.1	2194.76	19.5	665.00	5.9	4874.76	43.4
28	State Bank of Travancore	3033.88	12.1	656.04	2.6	3689.92	14.7	1711.00	6.8	12024.91	48.0

1. Data are provisional.

2. ANBC - Adjusted Net Bank Credit.

3. Priority sector lending target/sub-targets are linked to adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher, with effect from April 30, 2007.

4. Indirect agriculture is reckoned up to 4.5 per cent of ANBC for calculation of percentage for Agriculture.

Source : RBI (Report on Trend and Progress 2007-08)

**Statement Showing Particulars of Credit to Women in the
Books of Public Sector Banks for the Quarter Ended March 2008**

(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					
		Credit to Women		% to NBC	Under P/S		Under Non P/S		Under Micro Credit		Under SSI		Under Govt. sponsored prog.		Others	
		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
Allbad Bk	4129003	254490	174676.00	4.23	192681	133189.00	61809	41487.00	20806	6351.00	38011	27836.00	94420	22613.00	39444	76389.00
Andhra bk	2823255	401341	212309.00	7.52	302680	147656.00	98661	64653.00	150236	102531.00	3874	10321.00	69673	19920.00	78897	14884.00
BOB	6726269	360049	383358.74	5.70	266605	245396.49	93444	137962.25	9271	5212.73	3698	3012.41	106339	40442.22	147297	196729.13
BOI	6655128	399269	758172.00	11.39	298420	332166.00	100849	426006.00	184562	109124.00	7631	62775.00	107186	60295.00	106086	159964.00
BoMah	2346229	167327	146862.80	6.26	106964	97739.05	60363	49123.75	68418	13507.81	1686	1731.48	55092	22664.31	25721	68730.10
Canara Bk	9785400	911608	898200.00	9.17	761187	597900.00	150421	300300.00	65598	42600.00	15437	79300.00	71283	24300.00	608869	451700.00
CBIndia	5248290	381209	297905.00	5.68	294014	185299.00	87195	112606.00	82563	48132.00	11631	20110.00	127718	52913.00	90313	79259.00
Corp Bk	2995792	129158	171758.58	5.73	87936	119535.41	41222	52223.17	10887	8525.09	4041	8298.14	7005	2837.84	75195	98861.35
Dena Bank	1868307	82700	81284.00	4.35	57520	58629.00	25180	22655.00	8235	1754.00	1452	927.00	37117	15322.00	10716	40626.00
Indian Bank	2816274.00	490140	296208.59	10.52	364617	206198.97	125523	90009.62	1850	632.81	1971	6892.82	10480	3474.47	350316	195198.86
I O Bk	4427900	461935	239106.00	5.40	344918	143476.00	117017	95630.00	134439	55244.00	3316	14246.00	125790	36761.00	81373	37225.00
O B C	4413846	114014	254762.38	5.77	86470	182989.35	27544	71773.03	13325	3010.33	3302	30345.46	19852	7133.55	49991	142500.01
P N B	9841483	560377	520885.00	5.29	426130	342755.00	134247	178130.00	41185	24599.00	25189	34501.00	179016	99199.00	148307	181571.00
P & S Bk	1194806	38537	84792.00	7.10	25442	43083.00	13095	41709.00	2922	2123.00	1405	6951.00	11588	6209.00	9527	27800.00
Synd Bank	4687410	479643	377572.11	8.05	350895	257579.21	128748	119992.90	15498	8994.44	19101	24292.48	19160	7841.36	297136	216450.93
U B India	6103439	422868	337904.70	5.54	381876	275469.29	40992	62435.41	82998	28521.54	10261	41630.00	72083	25389.04	216534	179928.71
United Bk	2264100	316820	143710.37	6.35	264892	90076.25	51928	53634.12	90428	16086.50	25284	10520.32	109014	23313.20	32243	34488.27
UCO Bank	4348500	274885	270889.14	6.23	242306	166067.94	32579	104821.20	49523	20811.18	5536	8855.47	116068	41173.94	71189	95227.35
Vijaya Bank	2464400	155861	165288.83	6.71	121115	106417.35	34746	58871.48	16833	9846.32	11444	12841.75	18784	7243.15	74054	76486.13
S B I	30393700	1833470	1595583.00	5.25	1348737	992289.00	484733	603294.00	408665	197014.00	136045	243725.00	301391	149799.00	787852	752905.00
SB Bika & Jaip	2079073	127831	122709.20	5.90	88423	76094.40	39408	46614.80	9893.00	4540.99	3100	2980.70	22465	5213.30	52965	63359.41
S B Hyd	2834490	311681	205123.00	7.24	230680	137174.00	81001	67949.00	172459	79085.00	2245	11297.00	26636	13824.00	29340	32968.00
SB Indore	1548652	82165	95973.00	6.20	52141	50851.37	30024	45121.63	3104	8297.16	2599	5830.48	28194	12580.37	18244	24143.36
S B Mysore	1605600	107425	90250.00	5.62	62953	46785.00	44472	43485.00	21254	5312.00	4332	1413.00	30476	31394.00	6891	8666.00
S B Patiala	2905576	64594	122092.00	4.20	36737	58692.00	27857	63400.00	2834	11041.00	2701	13365.00	11235	4955.00	19967	29331.00
S B Sau	1116207	56301	66079.00	5.92	30402	39647.00	25899	26432.00	1217	113.00	3648	7228.00	6992	2175.00	18545	30131.00
S B Trav	2505236	217231	218206.00	8.71	145961	148059.00	71270	70147.00	64876	32353.00	16172	38332.00	24128	21544.00	40785	55830.00
IDBI Bank	6283100	20437	18146.00	0.29	14301	13978.00	6136	4168.00	6643	2038.00	868	2425.00	2664	897.00	4126	8618.00
Total	136411465	9223366	8349806.44	6.12	6987003	5295192.08	2236363	3054614.36	1740522	847400.90	365980	731983.51	1811849	761426.75	3491923	3379980.61

Source: RBI

**Statement Showing Particulars of Credit to Women in the Books of
Public Sector Banks for the Quarter Ended March 2008**

(Amt. in Lakhs)

Name of the Bank	Credit Extended under different Government Sponsored Programmes																
	Of the Credit to Women Under Non-Priority					PMRY					SJSRY						
	Under Medium & Large Industries		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	No. of A/cs	Amt. O/s	No. of A/cs	Amt. O/s
Allahabad Bk	165	2754.00	61644	38733.00	73488	48619.00	8275	6146.00	11.26	12.64	19889	56.84	6286	2138.00	31.60	37.61	
Andhra bank	73	10729.00	98588	53924.00	36752	21349.75	8601	6673.45	23.00	31.00	14256	3401.70	3564	997.72	25.00	29.00	
Bank of Baroda	0	0.00	93444	137962.25	77086	36044.17	11820	4756.48	15.33	13.20	24241	5698.93	5849	1080.14	24.13	18.95	
Bank of India	158	119274.00	100691	306732.00	80831	40741.00	11006	5260.00	13.62	12.91	25734	6988.00	6772	2341.00	26.32	33.60	
Bk of Maha	1	1.74	60362	49122.01	37110	16437.84	6645	2872.81	17.91	17.48	7870	1876.64	2864	763.62	36.39	40.69	
Canara Bank	1759	77800.00	148662	222500.00	82244	37355.00	38905	13185.00	47.00	35.00	14748	3793.00	6254	1538.00	43.00	41.00	
CBI	1379	14891.00	85816	97715.00	125290	117836.00	21272	12017.00	16.98	10.20	56006	13315.00	9032	3521.00	16.13	26.44	
Corp Bank	90	1390.36	41132	50832.81	15560	7214.82	3991	1668.16	25.65	23.12	2812	613.07	1400	306.67	49.79	50.02	
Dena Bank	13	875.65	25167	21779.35	24967	9257.00	4485	1554.00	17.96	16.79	9408	1529.00	2800	338.19	29.76	22.12	
Indian Bank	99	720.92	125424	89288.70	14936	6844.79	5528	2099.41	37.01	30.67	4971	1228.46	2419	566.36	48.66	46.10	
IOB	84	9586.00	116933	86044.00	47349	20580.00	15625	6791.00	33.00	33.00	9323	2279.00	5221	1276.00	56.00	56.00	
O B C	57	15169.87	27487	56603.16	39627	15723.41	6486	3074.66	16.37	19.55	9530	1895.83	2440	631.21	25.60	33.29	
P N B	7	9351.00	134240	168779.00	151335	238050.00	23930	12127.00	16.00	5.00	34469	11740.00	8386	1983.00	24.00	17.00	
P & S Bank	6	573.00	13089	41136.00	17724	9151.00	3466	2305.00	19.56	25.19	2521	933.00	563	193.00	22.33	20.69	
Syndi Bank	477	947.10	128271	119045.80	46975	25145.40	6820	3303.47	14.52	13.14	10643	3317.43	2750	886.65	25.84	26.73	
UBI	497	11783.59	40495	50651.82	81941	44838.56	15421	8229.96	19.00	18.00	25333	6913.62	6681	1880.74	26.00	27.00	
United Bank	617	4197.50	51311	49436.62	39958	23153.00	8808	5172.78	22.04	22.34	7857	2229.57	1974	501.88	25.12	22.51	
UCO Bank	27	20932.82	32552	83888.38	64142	43845.79	13659	7349.49	21.29	16.76	16751	5785.65	5519	1706.19	32.95	29.49	
Vijaya Bank	0	0	34746	58871.48	21351	12756.10	6034	3602.96	28.26	28.24	6400	1572.64	1977	648.70	30.89	41.25	
S B I	13336	143175.00	471397	460119.00	355548	196795.00	61974	31690.00	17.43	16.10	92183	45495.00	21311	10011.00	23.11	22.00	
SB Bika & Jaip	17	1670.33	39391	44944.47	30344	13629.67	2500	1124.12	8.24	8.25	21520	4639.70	5223	1048.20	24.27	22.59	
S B Hyd	2367	3932.00	78634	64017.00	38853	25045.00	13279	5493.00	34.18	21.93	6492	2432.00	1959	887.00	30.18	36.47	
SB Indore	7090	12968.04	22934	32153.59	23066	9652.41	6388	3904.28	28.00	40.00	8531	3452.64	3108	1190.53	36.00	34.00	
S B Mysore	275	4473.00	44197	38992.00	27425	20157.00	5255	4471.00	19.15	22.18	7561	3165.00	1250	710.00	16.54	22.45	
S B Patiala	67	198	27790	63202.00	14924	7842.73	7047	2011.00	47.22	25.64	1789	1249.16	528	350.00	29.51	28.01	
S B Sau	14245	12687.00	11654	13745.00	19648	2524.00	2771	289.00	14.10	11.45	8484	7287.00	1538	1305.00	18.12	17.90	
S B Tra	315	35815.00	70955	34332.00	24125	15275.00	9128	6057.00	38.00	40.00	6215	5052.00	2128	3818.00	34.00	76.00	
IDBI Bank	2	71	6134	4097.00	6661	2614.00	1205	472.00	18.09	18.06	2430	505.00	804	198.00	33.09	39.21	
Total	43223	515966.92	2193140	2538647.44	1619260	1068477.44	330324	163700.03	20.40	15.32	457967	148424.88	120600	42815.80	26.33	28.85	

Source: RBI

**Statement Showing Particulars of Credit to Women in the Books of
Public Sector Banks for the Quarter Ended March 2008**

Name of the Bank	Credit extended under different Govt. sponsored programmes												Of total credit to women Non-Performing Assets		
	SGSY						Others								
	Total Outstanding		Against Women		Percentage		Total Outstanding		Against Women		Percentage		Amt. O/s	% of NPA to total credit to Women	
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		
Allah Bank	95618	36889.00	42878	9364.00	44.84	25.38	136863	13825.00	36981	4965.00	27.02	35.91	19109	14386.00	8.19
Andhra bank	38656	10599.55	18168	4905.47	47.00	46.00	117938	33019.00	39340	7343.43	33.00	22.00	2909	8455.00	3.98
Bk of Baroda	53172	13798.83	14178	2626.44	26.66	19.03	642921	384456.12	74492	31979.16	11.59	8.32	24883	12955.93	3.38
Bank of India	142935	33707.00	35357	13312.00	24.74	39.49	489832	356239.00	54051	39382.00	11.03	11.05	24937	21988.00	2.90
Bank of Maha	24389	8286.81	10256	4082.51	42.05	49.27	197734	102214.51	35327	14945.37	17.87	14.62	20514	6577.27	4.48
Canara Bank	31426	15744.00	12503	6794.00	40.00	43.00	17204	4223.00	13621	2774.00	79.00	66.00	48588	25600.00	2.85
CBI	151258	54566.00	45341	18753.00	29.98	34.37	190633	65322.00	52073	18622.00	27.32	28.51	41566	18471.00	6.20
Corp Bank	2724	1014.13	1320	640.82	48.46	63.19	12664	9846.96	294	222.19	2.32	2.26	12780	6272.21	3.65
Dena Bank	20043	4304.00	8158	962.39	40.70	22.36	47252	17582.00	21674	12467.36	45.87	70.91	15606	5154.08	6.34
Indian Bank	8519	2837.41	2522	805.61	29.60	28.39	29	8.17	11	3.09	37.93	37.76	56710	3702.61	1.25
IOB	68375	19785.00	66324	19191.00	97.00	97.00	64526	14958.00	38620	9503.00	60.00	55.00	41328	18436.00	7.71
O B C	11510	2521.68	3484	889.24	30.27	35.26	25687	10185.93	6918	2487.24	26.93	24.42	11352	7520.49	2.95
P N B	195716	42650.00	42540	10392.00	22.00	24.00	587550	2601783.00	104160	74697.00	18.00	3.00	49211	16867.00	3.23
P & S Bank	7998	2285.00	2265	835.00	28.32	36.54	19129	24714.00	5294	2876.00	27.68	11.64	3920	1733.00	2.04
Synd Bank	17928	6922.32	5350	2709.04	29.84	39.13	23325	6016.89	4240	942.20	18.18	15.66	18075	7699.59	2.04
UBI	66636	19492.42	25168	7968.79	38.00	41.00	80154	26106.44	24813	7309.55	31.00	28.00	40264	14412.61	4.27
United Bank	91074	16186.58	51755	7799.42	56.83	48.18	231113	31867.54	46477	9839.12	20.11	30.88	26237	7847.70	5.46
UCO Bank	97448	27199.98	40642	10251.11	41.71	37.69	156480	76008.83	56248	21867.15	35.95	28.77	29226	10074.96	3.72
Vijaya Bank	5395	2175.71	2316	1053.36	42.93	48.41	16587	7782.89	8457	1938.13	50.99	24.90	10918	7182.02	4.35
S B I	312719	102486.00	67695	24554.00	21.65	23.96	734213	536139.00	150411	83544.00	20.49	15.50	131332	70838.00	4.44
SB Bika & Jaip	40808	8781.60	11859	2507.57	29.06	28.55	11646	3416.97	2883	533.41	24.76	16.95	4172	2777.72	2.26
S B Hyd	32945	8566.00	9645	4232.00	29.28	49.40	12225	3885.00	1753	3212.00	14.34	82.68	8643	6195.00	3.02
SB Indore	15606	5265.29	3862	1966.99	25.00	37.00	22909	5745.33	14836	5518.57	65.00	96.00	2561	1150.38	1.20

Name of the Bank	Credit extended under different Govt. sponsored programmes												Of total credit to women Non-Performing Assets		
	SGSY						Others								
	Total Outstanding		Against Women		Percentage		Total Outstanding		Against Women		Percentage		No. of A/cs	Amt. O/s	% of NPA to total credit to Women
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		
S B Mysore	6750	4755.00	3278	2057.00	48.56	43.26	155653	44356.00	32017	25234.00	20.57	56.89	13156	6475.00	7.17
S B Pattiala	2510	12918.18	688	618.00	27.41	4.78	6819	3282.07	2972	1976.00	43.58	60.20	3101	1832.78	1.79
S B Sau	15182	1821.00	2587	277.00	17.03	15.21	1340	2383.00	96	304.00	7.16	12.75	202	27.75	4.19
S B Tira	2540	1278.00	1755	815.00	69.00	64.00	28255	14495.00	11117	10854.00	39.00	75.00	13717	8428.00	4.00
IDBI Bank	1638	653.00	592	219.00	36.14	33.54	1441	40.00	63	8.00	4.37	20.00	7909	3122.00	17.20
Total	1561518	467489.49	532486	160581.76	34.10	34.35	4032122	4399901.65	839239	395346.97	20.81	8.99	682926	316182.10	3.79

Source: RBI

Department of Economic Affairs

Funds of SEBI kept outside Government Accounts

SEBI has been maintaining its funds outside the Government account, which is inconsistent with the constitutional provisions and the orders of the Government. The amount kept outside the Government Account stood at Rs. 707 crore as of March 2007.

(Report No. CA 1 of 2008)

Insurance Regulatory and Development Authority

The Insurance Regulatory and Development Authority appointed two whole-time members as consultant and advisor respectively immediately on completion of their tenure with the Authority in violation of the norm and in one case in breach of propriety. The Authority also paid high monthly remuneration of Rs. 1.19 lakh and Rs. 0.45 lakh to them in disregard of the ceiling of Rs. 26000/- per month fixed by the Government of India, resulting in undue benefit of Rs. 16.89 lakh and Rs. 1.14 lakh respectively.

(Report No. CA 2 of 2008)

Department of Revenue

Direct Taxes

AR No. CA 8 of 2008 – Compliance Audit

■ Board's replies on Draft Paragraphs:

Reply: During the 2006-07, **960** draft paragraphs have been received to the Ministry. Out of these 960 Draft Paragraphs, Replies in the cases of **804** Draft para have been sent to C&AG till 31-03-2009.

■ Outstanding audit observations:

Reply: Only Draft Paragraph in the C&AG report are replied by the Ministry. The other objections are being replied by the field formations as prescribed.

■ Records not produced to Audit

Reply:- Instructions have already been issued to all the CCsIT(CCA) to ensure production of requested records to the Revenue Audit Parties. In the absence of specific details no further comments can be offered.

■ Internal Audit

Reply: The Chain Audit system was in existence during 2006-07, now has been replaced by the New Internal Audit System w.e.f. 01-06-2007

■ Remedial Action time barred:

Reply: In the absence of specific details no comments can be offered.

■ Important individual irregularities:

Reply: Case wise status is as under:-

1. M/s Alstom Projects India Ltd.: Underway
2. M/s Ballast Ham Dredging: Underway
3. M/s Associated Cement Co. : The Audit objection has been accepted by the Ministry.
4. M/s Gamuda WCT (India) Pvt. Ltd.: The Audit Objection has been accepted by the Ministry. Mistake has been rectified u/s 154 of the IT Act 1961 on 25-05-2007. Action Taken Note was sent to C&AG on 26-05-2009

(Report No. PA 7 of 2008 – Performance Audit)

■ Review on Assessment of Banks

■ Review on Appreciation of Third Party Reporting / Certification in Assessment Proceedings

Reply

Observation made by the C&AG with regard to performance Audit mentioned above, have already been dealt by the department during various stages of oral evidence before PAC.

The Public Accounts Committee (PAC) has held detailed examination (oral evidence):

- During the oral evidence on "Review on Assessment of Banks" and in the written replies given to the advance questionnaire it has been submitted that there were 165 cases, having tax effect of Rs.2781.38 Crore, in which mistake have been reported by Audit. Out of these, 159 cases have been illustrated in chapter-I of Report No. PA 7 /2008. A case wise reply has been submitted to Lok Sabha Sectt. On 31st July 2008. Out of these, audit observation were found correct only in 54 cases involving tax effect of Rs. 588.51 Crore.
- Similarly, in system review on "Third Party Reporting/ Certification" there were 69 cases having tax effect of Rs. 226.92 Crore. Out of these cases, Department has accepted audit observation in 15 cases, having tax effect of Rs. 25.39 Crore (Refer Page -15/Corssp.) It may also be noted that these 15 cases includes 2 Summary cases involving tax effect of Rs. 7.24 Cr.
- **Review on Assessments relating to infrastructure development (Deductions under section 80IA of the Income Tax Act).**

Reply

The replies to Audit Objections in respect of individual illustrated cases will be given by the respective Commissioners of Income Tax having jurisdiction . The Ministry's response has already been conveyed to the C&AG

during the Exit Conference which have been incorporated in the C&AG's Report.

CENTRAL EXCISE

1. EXCISE DUTY ON ALUMINIUM & COPPER & ARTICLES THEREOF

At the Draft Review Para stage, comments on recommendations of audit were sent to the office of the C&AG. Subsequently, detailed Comments/Action Taken Note on Review Para have also been sent to the C&AG. In context of audits observations about payment of duty through Cenvat rather than by Cash (PLA), the Ministry has averred that Cenvat to PLA ratio varies from commodity to commodity, as it depends on various factors such as the amount of the value addition, the number of Cenvatable inputs used, the quantum of credit available on the inputs, the proportion of exports cleared without payment of duty etc. Further, on the basis of revenue figures for last 3 years, it is seen that the PLA (Cash) – Cenvat ratio for Aluminium is about 35:65, which is comparable with the all India figures for non-petroleum/lubricants commodities. It was pointed out that credit on service tax has been extended from September, 2004 and the exports in the country has also increased, resulting in increase of usage of Cenvat for payment of duty. As regards, copper, it was stated that it was a very costly material and the value addition at each level (for example copper bar to plate, sheet, wire, article is very low. Since, the Cenvat Credit of main input (copper) itself being very high, it leads to high proportion of credit being used to pay duty. It was added that special emphasis has been given in developing intelligence about units manufacturing these items. The field formations would be sensitized to keep watch over these units. The Cenvat to PLA ratio is already incorporated as an important risk factor for selection of a unit for audit/investigation. As regards observation regarding bringing certain products under RSP based assessment, the Ministry has stated that assessment under Section 4A of the Central Excise Act, 1944 requires that the subject goods are covered under the provisions of Weights & Measures Act or the Rules made thereunder. The item suggested by audit to be brought under RSP assessment, viz. Aluminium foil, is neither disputed for valuation nor was any representation received from trade for notifying this under Section 4A *ibid*, for RSP bases assessment. It was added that the contention of the audit that this has lead to the revenue loss is hypothetical and based only on presumption. As regards the suggestion of fixing standard input-output norms (SION) for domestic industry, it was stated the prescribing SION norms for domestic production may not be in consonance with the field realities, considering factor like the large number of processes involved in production, non-standardization of techniques, wide range of products & fast changing technology. It was added that it may not be appropriate to prescribe SION norms as a part of the law, since it may lead to a large number of disputes. It was also clarified that D.G. Audit had circulated the SION norms for evasion prone commodities, as a guiding factor during audit of the units. As regards, non-levy/non-recovery

of duty on 'aluminium dross' it is stated that Hon'ble Supreme Court in case of M/s Indian Aluminium Co. Ltd. [1995(77) ELT 268 (SC)] had held that Dross and Skimming of Aluminium is not a marketable commodity and therefore, it is not 'goods' liable to excise duty. Again, in the case of CCE Vs. M/s. Indian Aluminium Co. Ltd. [2006(203)ELT 3 (SC)]. However, to overcome the Apex Court's judgement, the section 78 of the Finance Act, 2008 by the way of inserting the following explanation after clause 'd':

Explanation: For the purposed of this clause, 'goods' includes any article, material or substances which is capable of being bought & sold for a consideration and such goods shall be deemed to be marketable.' Accordingly, now the duty is payable on Aluminium dross.

It is pertinent to mention that objection of undervaluation due to not resorting to 'RSP' bases assessment in case of M/s. Hindalco (Vapi) where the revenue forgone according to audit is Rs.7.65 crore has not been admitted by the Ministry. Further, the non-levy/non-recovery of duty of Rs.10.62 crore in case of "Aluminium dross" is also not admitted by the Ministry as the non-recovery was due to explicit judgment of the Apex Court holding "Aluminium dross" as non-excisable goods. The objection regarding incorrect classification of the goods by M/s. Hindalco (Vapi) the tune of Rs.2.69 crore duty is also not admitted. The objection of non-payment of 8%/10% amount in terms of rule 6(3) (b) of the Cenvat Credit Rules, 2004 by M/s. NALCO, Salem and M/s Sterlite (Vapi) totally to the extent of Rs.3.61 crore is also not admitted. So also the audit objection to the extent of Rs.1.10 crore in case of M/s Alcobex metals, Jodhpur for non payment of custom duty on goods imported in excess of value prescribed is also not admitted.

2. Review on Refunds:

At the Draft Review Para stage, comments on recommendation of audit was sent to the office of the C&AG. Subsequently, detailed comments/Action Taken Note has also been sent to the C&AG.

The observations of the audit about absence of internal control for mitigating the risk of splitting up of the claims to avoid pre-audit is not admitted by the department on the ground that refund/rebate claims are to be subject to either pre-audit or post-audit and it may not be correct to suggest that splitting up of claims to avoid the pre-audit increases the probability of excess grant of the refund. It is averred that various court judgments have in fact held that procedure of pre-audit before the sanction of refund amounts to interference with quasi-judicial functions of the refund sanctioning authority. Some such judgments are:

- i) M/s Bombay Chemicals Vs UOI [2006(201)ELT 167 (BOM)]
- ii) M/s Rewa Glass Vs ACCE-Satna [2002 (14) ELT 18 (MP)]

In view of the observations of the court, the Board has reviewed the existing system of pre-audit and the Board has

issued a new system of verification of refund/rebate claims under Circular No.857/15/2007-CX dated 2.11.2007. It has been decided that pre-audit of all the refund/rebate claims will be conducted by AC/DC (Audit) in Commissionerate Head Quarters. The present system of pre-audit of claim by the Commissioner has been dispensed with. However, the Order-in-Original passed in regard to refunds or rebates shall be subject to review by the Commissioner in terms of Section 35E of the Central Excise Act, 1944. The existing system of control was found to be sufficient and in tune with the liberalized economic scenario.

As regards, providing of statutory time limit for disposal refund cases, Ministry has stated that it may not be possible to provide for any statutory time limit for disposal of refund cases as the period of three months beyond which the interest has to be paid in terms of Section 11BB of the Central Excise Act, 1944, itself acts as a time limit. Regarding monitoring mechanism, it was added that the Board will request the Chief Commissioners and Commissioners to monitor the pendency of refund and rebate claim more closely. It was added that there did not appear to be any need to provide for automatic mechanism for payment of interest in case of delayed payment of refund, since the payment of interest has already been provided for the law. However, many times, there is delay on the part of the assessee in submitting the required documents. In such cases, even if the refund is delayed beyond three months, interest is generally not paid and is not claimed by the assessee.

On the suggestion that a selective percentage of rebate claims may be fixed for re-verification from port of exports, it has been contended in view of the large number of documents handled at the ports, verification of genuineness of shipping bills may take unduly long period. Moreover, before grant of rebate, other documents like bill of lading, mate receipt, endorsement of Custom Officer at the port of export, Banks Foreign Exchange realization certificate, are also verified in addition to the shipping bills. Therefore, there are sufficient controls available in the present system and adding to procedure for verification of genuineness of the shipping bill from the port of export may lead to delay in sanction of rebate and invite complaints of harassment. However, in proposed computerization project, namely, Automation of Central Excise & Service Tax (ACES), the Central Excise formations would be linked with all the major port of export and the proof of export would be verified online. As regards, suggestion for convergence of rate of interest charged for delay of payment of duty and delay of payment of refund, it was averred that the D/o Economic Affairs (Budget Division) has advised that "while fixing the rate of interest on delayed payments by the assessee, it may be appropriate to take into account the rate of interest on borrowing by the commercial sector and provide and spread to discourage deliberate delay on the part of the assessee in making payments to Government." It has been further advised that the rate of interest payable by the Government on delayed refund should be bench marked to the short term market rate of interest i.e. average cut off yield on 364 days treasury bills. The basic logic of fixing the interest

rates as above is that these interest rates best reflect the opportunity cost of funds to the payer, in the case of delayed payments. Fixing of interest rate in this manner would remove the opportunity that may become available to the Government/ Commercial sector to resort to the treasury operations to take advantage of differential between market and administered rate of interest. The average cut off yields on 364 treasury bills during the year would reflect the short term rate of interest at which Central Government can raise the funds from the market, whereas for Commercial Sector, there is not single rate which approximates the rate at which it can raise waking capital from the market. Prime lending rate (PLR), which varies across the sectors and institutions, is made the basis for fixing the interest rate on delayed payment of taxes and duties by the assessee. Since, there is a wide spread between the Sovereign borrowing rates and the lending rates to the Commercial Sector, this spread is seen as the difference between the prescribed rates of interest on delayed refunds. The interest rates on delayed payments and delayed refund have been bench marked to the prevailing market rates of interest on Government borrowing and commercial borrowing respectively. Therefore, the gap between the two is quite visible. However, in the market terms, this difference only reflects the risk perception of the market. The difference should narrow down as the economy progresses and the rates of the commercial borrowings and the Government borrowings become equal. Therefore, there is no justification in having uniform rates for both delayed payment and delayed refund. Audit objection is major cases amounting refund/rebate of approximately Rs.5.5 crore has been contested. In many other smaller cases it is found that the refund/rebate sanctioned was correct or there was no delay and no interest was payable or paid.

3. Service tax on Rent-a-Cab scheme of Operators service, photography service, Health club service and Fitness Centre service.

At the Draft Review Para stage, the comments on recommendations of audit were sent to the office of the C&AG. The detailed ATN is being prepared and will be shortly sent.

In context, of observation about lack of internal control mechanism to bring in the unregistered service providers into tax net, it was stated that revenue monitoring and monitoring of the assessee base is the priority item for the Government. The Board, the office of Director General of Service Tax and the field formations monitor the revenue and the assessee base on continuous basis. Analysis of any decline in revenue, including sectorial downfall and registered tax base is a significant aspect of monitoring done. In context of prescribing the Key Performance Indicators (KPIs) it is stated that the Board prescribes Key Performance Indicators for the Commissionerate from time to time. These indicators are revenue collection, recovery of arrears, disposal of pendencies in the Key areas of adjudication, provisional assessment, refund and performance in audit and anti-evasion etc. However, it may not be desirable for the Board to prescribe minimum number of surveys to be conducted by the Commissionerate. It is felt that jurisdictional

Commissioner is in the best position to take a decision keeping in view the needs as regards the number of surveys vis-à-vis resources. It is also mentioned that it is difficult to establish direct correlation between the surveys and additional revenue generated due to such surveys. Further, there is a time gap between survey and additional revenue generated on account of such survey. In respect of streamlining the procedure for conducting the surveys it is stated that the department is continuously striving to make the surveys more scientific and professional. In this regard, collection of information from third party sources has also been identified as a significant tool for identification of taxable service providers. Further, audit has emerged as the most significant compliance tool in service tax. Therefore, audit detection are being circulated by the Directorate of audit as well as by the Board, to all the field formations to alert them for taking appropriate action to identify such non-compliance in their respective jurisdiction and recover the service tax along with the interest and penalty as applicable. The department is already working on these issues as a part of exercise for strengthening of tax administration. As regards, audit observations on internal Control to detect and take proactive action against 'stop filers', the Ministry has stated that the department is working on automation of business processes in service tax. The project of Automation of Central Excise & Service tax (ACES) is in an advanced stage of preparation and is likely to be rolled out in the near future. Implementation of ACES will provide an appropriate and effective mechanism to identify the 'stop filers' in an automated environment. Further, initiative in the direction of implementing e-filing of returns have also been taken. Once the business process are fully automated, an appropriate and effective mechanism to detect 'stop filers' would be in place. Nevertheless, the department undertakes exercise on regular basis to detect stop filers. However, in the absence of full automation it is a difficult task to identify all non-filers in a timely manner. In respect of internal control mechanism for verification of correctness of returns filed, the Ministry has stated that routine checking of returns is being undertaken by the field formations and instructions has been issued from time to time. As regards, detailed scrutiny and selection thereof, the Risk Management System (RMS) is under preparation as a part of automation/capacity building project. RMS would enable selection of returns on scientific basis for detailed scrutiny. Manual for detailed scrutiny is also under preparation. As regards, slow implementation of the scheme for the allotment of PAN based STC number to the assesseees, it is to state that many of the service providers do not have their PAN number when they approach for service tax registration. This is because either they have not applied for their PAN number or although they have applied, the same have not been allotted/received by them from the IT Department by the time of their registration with the service tax authorities. However, in cases, where the applicants do not have a PAN number in the name of the service firm/company or in the name of individual, they are assigned temporary code STC number to ensure tax compliance and they are advised to apply & obtain PAN number immediately.

On receipt of the PAN number, the PAN based Service Tax Registration Number (STC) is allotted to them. The facts relating to estimated revenue loss on various counts pointed out by the audit are being verified in consultation with the field formations and Directorate General of Service Tax.

SUMMARY OF MINISTRY'S COMMENTS ON IMPORTANT AUDIT OBSERVATIONS CONTAINED IN AUDIT REPORT NO.CA 7 OF 2008 – UNION GOVERNMENT – INDIRECT TAXES (COMPLIANCE AUDIT)

CENTRAL EXCISE

This section contains 152 paragraphs involving revenue of Rs.1195.36 crore. Out of 152 paragraphs, only 147 paragraphs pertain to Central Excise. Other paragraphs pertain to other Ministries like Textiles, Commerce etc. The audit objection has been admitted in as many as 109 paragraphs and this corresponds to Rs.46.91 crore revenue involvement. In 38 paragraphs the audit objection is not admitted and these involve revenue involvement of Rs.99.29 crore.

In context of increment of Cenvat Credit availed during period 2002 to 2006-07, it is to state that this can be attributed to many factors and major factor among them is the allowing of Service Tax Credit w.e.f. 10.7.2004 under rule 3(1) of Cenvat Credit Rules, 2004. The Service Tax Credit has been fully allowed in terms of rule 6(5) of Cenvat Credit Rules, 2004 on service tax paid to Consulting Engineer, Architect, Security Agency, Underwriter, Banking & Financial Institution, Online Information and Database access, Technical Inspection, Intellectual Property Right Services etc., unless they are used to manufacture the exempted product exclusively. Moreover, manufacturer can export the goods under bond without payment of excise duty. This also adds to the accumulation of Cenvat Credit, which can be used to pay the excise duty for the goods cleared for domestic consumption. Recently, the Tribunals/Courts have permitted the credit of service tax on Mobile phones and subsidized canteen services of a manufacturing unit. Consequently, this has led to increase in % of Cenvat to pay duty instead by Cash (PLA)

As regards short allocation of Revenue of Rs.936.14 crore to the states, the details are given in the table on the next page.

However, the rectification can be done by transfer entry and as such there is no revenue loss.

4. As regards short realization of duty of Rs.45.88 lakh on account of incorrect classification of coconut hair oil, the Ministry has not admitted the objection and in the comments it has been stated that the product conforms to the characteristics of 'Fixated Vegetable Oil'. Hence, in accordance to Chapter Note 3 of Chapter 15 of Central Excise Tariff, the product merits classification under Chapter 15 of Central Excise Tariff and not under Chapter 33 as contended by audit.

5. As regards case of incorrect availing of Cenvat credit, it is submitted that out of 66 paragraphs involving revenue of Rs.111.88 crore, in any many as 23 paragraphs involving

DAP No.	Commrt.	Amount as quantified	Amount
No. of C.	Ex. per A.Para	on verification	
212/06-07	Mumbai-I	682.74 crore	103.24
225/06-07	Mumbai-II	14.83 crore	Nil
286/06-07	Delhi (PAC)	238.57 crore	Yet to be quantified

revenue involvement of Rs.16.37 crore the audit objection is not admitted.

6. As regards in correct grant of exemption, the audit has raised the objection in 10 paragraph involving revenue of Rs.98.24 crore. However, the Ministry has not admitted the audit's views in as many as 6 paragraphs involving revenue of Rs.69.23 crore.

7. In respect of observation by audit about non-levy of excisable goods found short or capital goods cleared as scrap etc. involving duty of Rs.20.39 crore, it is to state that out of 19 paragraphs involving revenue of Rs.20.39 crore, the Ministry has not admitted the observations of audit in 4 paragraph involving revenue of Rs.11.71 crore.

8. In context, of observation of audit about undervaluation of excisable goods it is to state that out of 34 paragraphs citing revenue involvement of Rs.18.96 crore, the department has contested 3 paragraphs involving Rs.1.26 crore.

9. The audit has observed in 11 paragraphs about Rs.4.89 crore revenue involved in non-levy of interest and penalties. The Ministry has contested the audit's observation in one case involving the revenue of Rs.45.33 lakh.

10. The audit objection pertaining to non-recovery of cess of Rs.4.12 crore is not admitted as these pertain to Ministry of Textile, Ministry of Commerce. Etc.

SUMMARY OF MINISTRY'S COMMENTS ON IMPORTANT AUDIT OBSERVATIONS CONTAINED IN AUDIT REPORT NO.CA7 OF 2008 – UNION GOVERNMENT – INDIRECT TAXES (COMPLIANCE AUDIT).

SERVICE TAX

It is submitted that out of 125 paragraphs involving revenue of Rs.79.02 crore, the Ministry has not admitted 9 paragraphs involving revenue of Rs.35.70 crore and has admitted the objection in balance 116 paragraphs involving the revenue of Rs.42.46 crore. The present status of the cases pending adjudication with the departmental officers is being ascertained from the field formations. It is, however, to state that the delay in finalization of demands is due to various reasons like, frequent adjournments sought by the Advocates, Consultants; delay in submitting the written submissions; the shortage of adjudicating officers at appropriate level in the department. Many of the service tax assesses being new are not conversant with the quasi-judicial adjudication procedure and take time to respond to the departmental Show

Cause-cum Demand Notices due to lack of proper guidance as well as ignorance of law and procedure.

Export Promotion Schemes

1. Target Plus Scheme:

Under the Foreign Trade Policy, 2004-2009, a new scheme was introduced for the Star Export Houses called the "Target Plus Scheme". Under the scheme, the exporter gets entitled to rewards in the form of duty free credit based on incremental exports. For incremental growth of over 20%, 25% and 100%, the duty free credits would be 5%, 10% and 15% of FOB value of incremental exports. The rate of entitlement has since been reduced to 5% w.e.f. 1.4.2005. The duty credit is for own use or that of supporting manufacturers and is not transferable. The duty credit can be used for import of any inputs, capital goods including spares, office equipment, professional equipment and office furniture. The scheme has been abolished w.e.f. 01.04.2006.

The Audit objection broadly relates to irregularities relating to issue of duty credit certificates & their utilisation. These relate to grant of duty credit in excess of entitlement; duty credit certificates being issued despite negative growth in export; misuse of scheme where exporters had purchased the export turnover of others to achieve higher incremental growth; duty credit certificate being issued to ineligible exports; duty credits granted where there was absence of nexus between imported & exported goods; issue of duty credits to newly formed firm based on the status & export performance of the closed firms & improper sale of imported goods, which was prohibited in the Foreign Trade Policy (FTP). The review by audit indicates additional revenue which would have come to the tune of Rs. 294.95 Crores.

As seen below, the audit objections pertain to the Target Plus Scheme relating to provisions of the FTP, dealing with the following issues:

- a) Regional Licensing Authority (RLA) has granted excess duty credit due to incorrect computations of incremental growth
- b) Duty Credit Certificates issued to exporters in spite of negative growth of export.
- c) Misuse of scheme by probable buying of export turn over observed.
- d) Irregular duty credit on ineligible third party exports.
- e) Duty credit certificates issued to non-status holders.

- f) Duty credit certificates issued for manufacturer of products which hardly needed any imported raw-material as inputs .

DOR observations:

- 1) As can be seen above, the objections relate to non-adherence to the requirements spelt out in the FTP. As such these issues do not relate to DOR which only implements the scheme issued under FTP. Hence the issue relates to DGFT. However inputs from field formation are also being sought about the action taken in this regard.
- 2) In most of the cases installation certificate from Chartered Engineer/Central Excise field formations was not available at the time of audit. However, same are now submitted or these are in process of submission and the same is informed to the audit.
- 3) In few cases, as pointed out in audit objection, the licences are not found to be registered in the Commissionerate of Central Excise & Customs concerned .
- 4) However, the audit objection in question, wherever accepted, the recovery action is being taken.

2. Duty Free Credit Entitlement Certificate Scheme:-

The Duty Free Credit Entitlement (DFCE) Scheme for status holders was announced on 31st March, 2003. Under the Scheme for status holders having incremental growth of more than 25% in FOB value of exports subject to a minimum export turnover of Rs. 25 crores are entitled to duty credit at 10% of the incremental growth in exports. The Scheme was replaced by the Target Plus Scheme under the new Foreign Trade Policy which came into force w.e.f. 1.9.2004.

The audit objections are mainly based on three duty free credit entitlement scheme for:-

- Status holder
- Service Providers
- Vishesh Krishi Upaj Yojana (VKUY)

It has been observed that no mechanism to correlate declared export performance/ foreign exchange earnings with other records e.g., annual accounts, foreign remittance certificate, bank realization certificates, Income tax returns etc. Incorrect issue of duty credit certificates/scrip; inappropriate utilisation of Certificates/Scraps i.e. non-achievement of prescribed in growth, certificate/Scraps to importers/exporters who were not status holder; incorrect compilation of eligible export turn over/ to foreign exchange earnings; in collusion of supplies from a status holder to another; reckoning of exports against free Shipping Bills; consideration of export performances of closed firms for determining credit entitlement of a new firm; incorrect computations; scraps being issued to non-notified ports etc. Such duty credit incorrectly granted/used in the deficiencies noticed by audit works out to Rs. 349.67 Corers.

As seen below the audit objections relates to following issues:-

- a) Absence of mechanism to correlate declared export performance / foreign exchange earnings with annual accounts resulted in grant of excess duty credit.
- b) Incorrect issue of duty credit certificates/scraps wherein:
 - i) incremental growth in export not achieved,
 - ii) Certificates incorrectly issued to exporters who were not status holders,
 - iii) Excess duty credit due to incorrect determination of eligible export turnover, excess duty credit by wrongly reckoning the supplies made by one status holder to another,
 - iv) Excessive duty credit by incorrectly reckoning the exports made under the free shipping bills,
 - v) Import Export Code (IEC) of closed firms were issued to newly forms companies enabling the letter to obtain duty benefits based on the export performance of the former.
 - vi) Duty credit certificates issued on ineligible remittances.
 - vii) Duty credit certificates issued incorrectly to service provider who did not have the requisite registration with the tourism department.
 - viii) Duty credit was granted to exporters who did not have requisite registration with the export portion councils.
 - ix) RLA granted duty credit incorrectly to STP units.
 - x) Duty credit granted in excess by considering incorrectly the earnings that did not pertain to the year of claims.
- c) Under VKUY duty credit Scraps were issued based on in eligible exports.
- d) Compliance issues (in-appropriate use of certificates/scraps):
 - i) Additional duty paid incorrectly through debit in the DFCE Certificates.
 - ii) Duty incorrectly paid through DFCE certificates having insufficient credit.
 - iii) In VKUY duty credit scraps were inappropriately utilized on import of inadmissible items.

DOR observations:

1) All these objections have arisen out of DGFT Policy/ Circulars/schemes. It is stated that only implementation of these policies is done by Customs authorities by way of notifying them on the basis of DGFT Policy. Hence, the role of DOR is limited to implementation of the policies prescribed by DGFT. Any of the irregularities observed in such schemes are required to be dealt by DGFT only. However, inputs from Customs and Central Excise field formations are also sought to fill up the gaps in implementation of these Schemes.

2) In most of the cases, installation certificate from Chartered Engineer/Central Excise field formations was not available at the time of audit. However, same are now submitted/are in process of submission.

Special Economic Zones

The Special Economic Zones (SEZ) Act, 2005 and the SEZ Rules, 2006 are administered by Department of Commerce. Development Commissioners administer these legislations in SEZ under the administrative control of Department of

Commerce. Replies to the audit observations have been furnished to C&AG by the Department of Commerce and are under scrutiny of the C&AG as well as Public Account Committee (PAC) of the Parliament.



**Ministry of Finance
Government of India
New Delhi**