

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**UNION FINANCE MINISTER'S SPEECH AT 28TH ANNUAL CONFERENCE OF THE
CHIEF COMMISSIONERS AND DIRECTOR GENERALS OF INCOME TAX
TODAY**

**New Delhi: Jyaistha 21, 1934
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Please find below the text of the Speech of the Union Finance Minister Shri Pranab Mukherjee delivered at the 28th Annual Conference of Chief Commissioners and Director Generals of Income Tax at Vigyan Bhawan here today:

“I am very happy to be here at this Annual Conference of Chief Commissioners and Director Generals of CBDT. Let me begin by congratulating the officers and staff of the Department for spirited performance in tax collections in the year 2011-12. Despite a slowdown in GDP growth, the direct tax collections of **Rs. 4,95,000 Crore** is marginally short of the Revised Estimates of **Rs. 5,00,000 Crore** in 2011-12.

Direct Taxes are the most important source of tax revenues for the Government under a progressive tax regime. For us, they contribute around **56 per cent** of total tax revenues for the Central Government. The direct tax collections have seen tremendous growth in the last five years.

This has been due to policy innovations, rationalization of tax structure, improvement in tax administration and tax-payer's services through intensive use of technology. In the last decade, for every 1 per cent growth in GDP there was a growth of **nearly 1.9 per cent** in direct tax collections. Your unrelenting efforts have been the underlying reason for this tax buoyancy.

For the Financial Year 2012-13, the Income-tax Department has been given a tax collections target of about **Rs. 5.70 Lakh Crore**, which is about 15 per cent more than the actual collections in 2011-12. The Department has to gear up in right earnest to achieve this target. I am sure that each one of you will contribute to the overall effort in meeting this target handsomely.

The Indian economy registered a healthy growth of 8.4 per cent in 2009-10 and 2010-11. However, renewed global uncertainty, emanating mostly from the Euro zone area affected domestic business sentiments in 2011-12. A tight monetary policy directed at taming inflationary pressures in the economy also came in the way of consolidating this recovery. GDP growth in 2011-12 has slowed significantly to just 6.5 per cent. This has been disappointing. This second round of global uncertainty and the slowdown has come rather quickly on the heels of the previous one, with practically no headroom for running a proactive fiscal policy.

Nevertheless, as I have said in these past days to your colleagues from customs and excise, there are some positives for the Indian economy as we go forward. The interest rate cycle has been reversed; mining sector growth has turned around, progress has been made on fuel linkage for coal based power projects; there is a turnaround in the quarterly investment growth rate, which had been negative in the preceding quarters of 2011-12; a normal South West monsoon has been predicted for 2012-13 and there has been a rapid decline in international oil prices in recent weeks. Further, there are no major adverse results on corporate performance in the last quarter of 2011-12. All these factors should help in the recovery of domestic growth momentum.

While renewed growth momentum will help in improving the direct tax collections there are several challenges before your department as you

move forward. At a general level, there is an urgent need to reverse the declining trend in tax-GDP ratio by augmenting tax collections. This ratio was nearly 12 per cent in 2007-08 but has dropped to around 10.5 per cent in 2011-12. There is scope for improving tax administration by leveraging technology and facilitating a congenial public interface, where required, through appropriate training and capacity building.

The proposed Direct Tax Code (DTC) is expected to bring in a much awaited transformation in tax structure and its administration. The Standing Committee on Finance, after its examination, has already submitted its report on the Direct Tax Code Bill. I have indicated that the amended Bill will be introduced in the Parliament in the Monsoon Session. I am hoping that DTC will be effective from April 1, 2013. The time has come for the Department to prepare itself for the transition from the Income Tax Act 1961 to the new DTC regime. It would include addressing various issues like reframing of rules and forms, redrawing of business processes, training needs of human resources and the necessary infrastructure needs for smooth transition to the new regime. All this has to be completed in a manner so as to avoid any inconvenience to tax-payers and also to sustain the revenue buoyancy.

Although, Income Tax Department has been on the forefront of using technology, there is scope to widen computerisation to cover all areas of work and all employees in the Department. This remaining task should be taken up in a time bound manner as you gear up for the implementation of the DTC. It will not only improve the quality of service, but also bring transparency and uniformity to procedures and decision making process.

The Income Tax Department has been striving to check the menace of black money and tax evasion, which eats into the vitals of the national economy and

also poses threats to national security through linkages to money-laundering and terrorism. The Government has commissioned a study on unaccounted income and wealth, within and outside of the country, bringing out the nature of activities that support money laundering and its ramifications on national security. The study is being conducted by three national institutes namely National Council of Applied Economic Research, National Institute of Public Finance & Policy and National Institute of Financial Management, with inputs from various ministries/departments. The study is likely to be completed in September 2012.

The Government had also constituted a Committee to consult all stakeholders to strengthen existing laws relating to black money. The Committee has submitted its Report to the Government in March, 2012. The report of the Committee is being examined. I hope that these two studies will help in identifying the gaps in present legislative and administrative framework and shall help us in checking the menace of black money through an effective policy response.

The Government has taken another important step to curb the generation and channelization of black money by introducing the 'Benami Transactions (Prohibition) Bill, 2011' which will replace the 'Benami Transactions (Prohibition) Act, 1988'. This Bill was introduced in Lok Sabha on 18th August, 2011 and is currently being examined by the Standing Committee on Finance. The Bill contains elaborate provisions dealing with the definition of *benami* transaction and *benami* property, prohibited *benami* transactions, consequences of entering into a *benami* transaction and the procedure for implementing the proposed law. The introduction of this law will further help in our resolve to reduce the menace of black money.

The undeclared assets held by Indians abroad has been a matter of intense debate recently. We have come out with a white paper on black money to inform this debate and help create a more effective policy response to address the issue, as we move forward. To encourage and facilitate real time exchange of information on the cross border transactions with the other jurisdictions, we have set up 8 more Income Tax Overseas Units (ITOUUs). After a comprehensive review of the existing network, steps are being taken to further augment the reach of the ITOUs in some more jurisdictions.

The enlarged network of ITOUs with an enabling legislative framework in the form of Double Taxation Avoidance Agreement (DTAA) and Tax Information Exchange Agreements (TIEA) will help us in receiving valuable information in future.

The e-filing of income tax returns, e-payment of taxes, Electronic Clearing Services (ECS) facility for electronic clearing of refunds directly in taxpayers' bank accounts and electronic filing of Tax Deduction at Source (TDS) returns are now available throughout the country. These measures have empowered taxpayers to meet their tax obligations without visiting an income tax office. I have been informed that a new e-filing portal has been conceptualised by the Department in order to take the e-filing to next generation of e-services by including e-filing of all 92 Forms including Income Tax Returns (ITRs) and other web enabled services. The New e-filing project will release more resources in the department to focus on post processing work. This would significantly aid in tackling tax evasion and curbing black economy. Proper data quality due to increased e-filing will help efficient mining and risk profiling and thus substantially increase number of tax payers.

Over the years, Department has collected information through Annual Information Return (AIR), E-TDS and also from FIU-India. Department must think now of utilizing this information in a systematic manner for assessment of cases on the basis of risk profiling. The System Directorate may collaborate with FIU-India to roll out risk based assessment procedure. I must appreciate that in the past the collaboration of CBDT and FIU in cases where assesses and assets are not traceable, the Department has managed to get some good results.

Tax Deduction at Source (TDS) is a major component of tax collected and is based on very healthy principle of “pay as you earn”. I am informed that the Centralized Processing Centre (CPC) for TDS matters being set-up at Ghaziabad is likely to be functional very soon. CPC (TDS) would mark a major step in ensuring TDS compliance through processing of TDS statements with a focus on usage of technology driven end to end processes. Its main objective is to eliminate the TDS mismatch cases which are presently a matter of concern for the taxpayers in the proper claim of TDS credits.

Business Intelligence tools will be in place to provide vital inputs in framing TDS policy and its implementation. CPC (TDS) will also act as the backbone of CPC-Bengaluru, where about 1.5 crore Income Tax Returns are poised to be processed. It will enable faster processing of Income Tax returns and issuance of speedy refunds.

In line with the Governments emphasis on promoting voluntary compliance of tax laws and recognizing the role that today’s children will play in tomorrow’s society, we need to educate them on the importance of taxes for the nation building process. I am happy to know that the Department has partnered with NCERT to introduce information in this regard in the school textbooks. You also need to pursue some more

innovative ideas, such as using ‘single-window’ mobile vans in tier-II and tier-III cities to take your service to the taxpayer’s door-step and reducing compliance costs. I also welcome the steps that you are taking in training the tax officials in soft skills and ethics, especially on ‘traits of consciousness’ and ‘traits of dependability’, with a view to create a more responsive department and encouraging compliance by the tax payers.

I would like to take this opportunity to draw your attention to the fact that some States in India that had so far been lagging in their growth performance have started doing well in the recent years. It includes States like Bihar, Madhya Pradesh (MP), Rajasthan and Orissa. These States need to be the new focus areas for your tax administration and collection efforts.

I am of firm opinion that no organization can function efficiently unless it has a motivated workforce. The human resource management should be transparent, stable and the aim should be to become a model employer, to provide equal opportunity to all. This includes adherence to time schedule for holding DPCs for promotions to various cadres, employees’ welfare measures, and improved working environment in offices. I expect that the CBDT takes appropriate steps to fulfill the expectations of its officers in this regard.

I have been directing the department to reduce all avoidable litigation with the taxpayers as well as with the employees. I have also asked CBDT to ensure that no charge sheets are filed on the last date of retirement. I have seen some progress on

these issues. I would like CBDT to further build up on the progress made and ensure the continuation of momentum.

Rising litigation with the tax payers and amount locked-up in appeal before Commissioners of Income Tax (Appeals)/CIT (A), Income Tax Appellate Tribunals (ITATs), High Courts and the Supreme Court has been a matter of serious concern. I am informed that a total amount of **Rs. 4,36,741 Crore** was locked-up in 2,59,523 cases as on 31st December, 2011. Out of this **Rs. 2,52,846 Crore** is locked-up in 1,93,525 cases which are pending before CIT(A). The main reason for pendency of cases before CIT(A) appears to slower disposal rate vis-à-vis the pace of cases being filed. I am told that on an average it takes one and a half years to dispose off a case. The Department needs to ensure that after proposed cadre restructuring sufficient manpower is deployed to reduce the time taken for disposal of appeals and that it is not more than six months.

Let me stop here. I wish this Annual Conference of the Chief Commissioners and Director Generals of Income Tax all success. I will be looking forward to the outcome of deliberations of this Conference.”

DSM/Hb