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Ministry of Finance

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Year-End-Review of Ministry of Finance for Year 2013

ECONOMY HEADED TOWARDS GRADUAL RECOVERY & GROWTH STABILIZATION SEVERAL INITIATIVES TAKEN TO REVIVE ECONOMY

Year End Review

Several initiatives were taken by different Departments of the Ministry of Finance, Government of India during the year 2013.

Following are the highlights/achievements made by the Department of Revenue and Department of Financial Services :

DEPARTMENT OF REVENUE

On the taxation front several decisions of far reaching import were taken to make tax regime friendly, non-adversarial and higher revenue yielding.

A. REVENUE PERFORMANCE

Indirect tax revenue performance in F.Y 2012-13

During financial year 2012-13, total revenue collections from indirect taxes was Rs.474966 crore(provisional figure). This indicates a growth of 21.0 % over actual collections in 2011-12 despite general economic slowdown and relatively low level of industrial output in 2012-13. The Budget Estimate (BE) 2013-14 for indirect tax has been pegged at Rs. 565003 crore which is about 19.0% higher than the previous year's revenue receipts.

Revenue Trends in F.Y: 2013-14

The indirect tax collections in the first half of the current fiscal have represented a growth of 5.1% over the same period of previous year. However, the Q1 and Q2 in 2013-14 have shown a growth of 1.4% and 8.7% respectively. The customs duty, central excise duties and service tax during April to October 2013-14 has shown a growth of 7.8%, -5.7% and 17.2% respectively over the corresponding period last year.

Gold import trends: F.Y 2013-14 (April-Sept.)

The gold import trends and import duty collection in the first half of the current fiscal vis-a-vis corresponding period last year is tabled below:

Item head	July to September (Q2)			April to September		
	2012-13	**2013-14**	**% growth**	**2012-13**	**2013-14**	**% growth**
Import duty (in Crore)	1897	1055	-44.4	3376	6227	84.4
Gold Import(In metric tonne)	168.4	70.6	-58.0	305.0	405.9	33.1
Import value (In Rs. crore)	49185	16862	-65.7	86732	101131	16.6
Import duty structure on standard Gold						
Duty structure on Gold bars (other than tola bars)/coins(gold content not below 99.5%.	300 per 10 gm (before 17th January, 2012)	2% w.e.f 17th January, 2012	4% w.e.f 17th March, 2012	6% w.e.f 21st January, 2013	8% w.e.f 5th June, 2013	10% w.e.f 13th August, 2013

IMPORTANT BUDGETARY CHANGES 2013

1. Voluntary Compliance Encouragement Scheme(VCES), 2013

A new scheme has been to be introduced to encourage voluntary compliance with the following main features:

The scheme can be availed of by non-filers or stop-filers or persons who have not made a truthful declaration in their return. However it will not be applicable to persons against whom any inquiry or investigation is pending by the issue of search warrant or summon or by way of audit;

The defaulter will be required to make a truthful declaration of all his pending tax dues (from October1, 2007 to December 31, 2012) and pay at least half of that before December 31, 2013; remaining half to be paid by: June 30, 2014 without interest; or By December 31, 2014 with interest from July 1, 2014 onwards;

On compliance with all the requirements the person will have immunity from interest (as specified), penalties and other proceedings;

2. Advance Ruling

The scope has been expanded to include any new business of import or export so as to enable such importer or exporter to seek advance ruling when he starts a new line of business. Similar amendment has been made for Central Excise enabling producers or manufacturers to seek advance ruling when starting a new line of business. Advance ruling provisions have also been extended to the admissibility of the credit of service tax paid on or deemed to have been paid on input services used in the manufacture of excisable goods.

ACHIEVEMENTS /INITIATIVES IN RESPECT OF ANTI-SMUGGLING ACTIVITIES

The following measures have been introduced on Anti-Smuggling Front with a view to help detect and curb evasion of Customs duty and frauds:

a) India has signed various Customs Mutual Assistance Agreements, memorandum of understanding with various countries to promote sharing of intelligence and provide investigative assistance to curb duty evasion.

b) Efforts are on for creation of seven new Customs Overseas Intelligence Network (COIN) Posts at Beijing and Guangzhou (both China), Dhaka (Bangladesh), Colombo (Sri Lanka), Bangkok (Thailand), Brasilia (Brazil) and Pretoria (South Africa) to assist Customs formations in India in addressing issues relating to commercial frauds, smuggling, Trade based money laundering etc.

An application (named Currency Declaration Form or CDF) has been implemented in Bangalore, Cochin, Hyderabad, Mumbai, Delhi, Chennai international airports. The application enables capture of details of currency declared by passengers at the time of arrival at or departure from international airports. The CDF application will enable transmission of data to departments such as DRI, FIU, etc. A fresh application for the CDF functionality has been developed and the first round of UAT (User Acceptance Testing) has been done. Once the Advance Passenger Information System (APIS) module is developed the CDF module is developed, the CDF module will be integrated.

c) Procurement of four High Energy X-ray Cargo/Pallet Scanners (HEXS for installation in the Trade Facilitation Centres at Line of Control (Loc) at Salamabad and Chakan-da-Bad along Indo-Pak border in J&K.

d) Installation of One X-ray Baggage Inspection System (XBIS) with Z- Backscatter technology at LCS, Attari Rail as a pilot project.

e). Approval of 3 Mobile Gamma Ray Scanners and 4 Advanced X-ray Inspection systems.

f) Deployment of Three drive through container scanners having higher throughput of about 120 containers per hour at major ports like Nhava Sheva, Cochin and Mundra port and one Pilot Rail Scanner at Gateway of Nhava Sheva.

REFORMS AND TRADE FACILITATION MEASURES

Central Board of Excise and Customs, CBEC has been an early starter in introducing reforms and substantial reforms has already been carried out in the Central Excise laws and procedures since 1994. The object of these reforms was to repose a greater trust in the tax-payers and bring about a substantial improvement in the delivery system and compliance through automation and trade facilitation measures. CBEC has also undertaken a number of e-governance initiatives with the objective of improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India. These applications have automated all major processes in Customs, Central Excise and Service Tax through web-based and workflow-based systems, reducing the physical interface between the tax payers and the departmental officers, thereby reducing discretion and opportunity for corrupt practices. Details of the important trade facilitation measures are as below:

Customs

1. 24X7 Customs Clearance

(i) In order to facilitate importers and exporters, CBEC began 24X7 Customs clearance with effect from September 1st, 2012 at identified Air Cargo Complexes, viz., Bangalore, Chennai, Delhi and Mumbai; and Sea Ports viz. Nhava Sheva, Kandla, Chennai and Kolkata in respect of certain categories of imports and exports. This facility has now been extended and presently covers 17 Air Cargo Complexes and 4 Sea Ports.

(ii) Clearance of indigenously manufactured goods has been allowed to Duty Free Shops located in the arrival and departure halls of the international airports. The permissible allowance including the restrictions and prohibitions, if any applicable to passengers and members of crew for purchase of the indigenous goods is governed by the same Baggage Rules that govern the imported goods.

(iii) Risk Management System (RMS) has begun w.e.f. 15.07.3013 at ICDs Patparganj and Mulund. This is a prelude to extending RMS in exports to expedite the flow of export goods, reduce dwell time port congestion by limiting examination to the risky consignments on the basis of risk parameters.

2. Interactive website

Indian Customs has developed a user friendly interactive website to enable importers / exporters to know tariff classification, applicable rate of Customs duty and other regulatory requirements for clearance of goods. Interactive website is an effective tool to help educate traders for making correct assessment of duty after introduction of self assessment in Customs.

3. Mandatory E-payment of Customs duty

E-payment of Customs duty has been made mandatory for importers registered under Accredited Clients Programme and importers paying customs duty of one lakh rupees or more per Bill of Entry with effect from 17.09.2012. Besides expediting the process of payment of duty and clearance of imported goods, the facility of e-payment has resulted in reduction of transaction costs.

Central Excise and Service Tax

(i) Simplified Service Tax Refund Procedure: A simplified electronic Service Tax Refund mechanism which is beneficial to the exporting community, especially merchant exporters was introduced in December, 2011. This export promotion scheme i.e. tax refund process, which is dealt with by the designated Central Excise and Service Tax officers, is electronically enabled under the Customs application (ICES 1.5).

(ii) SEVOTTAM: As a part of the Central Government initiative to improve the quality of public services, the Central Board of Excise & Customs (CBEC) has been identified as one of the 10 organizations with large citizen interface to implement the quality management system for public services. This is based on Indian Standard IS 15700:2005, prepared by the Bureau of Indian Standards (BIS), under the name of “SEVOTTAM”. As such at present we have 13 offices Sevottam Certified and 8 more Sevottam ready for certification Audit. The department has also selected 47 Commissionerates for Phase-III roll out.

(iii) **E-HELPLINE:** CBEC has launched an e-helpline facility w.e.f. 1st October, 2012 at the Zonal levels for clarifying the doubts of trade and industry in an administration friendly manner without the assessee having to come to offices of the department. The main objective of the e-helpline is to provide help to the taxpayers in resolving procedural delays and in addressing system related problems including ACES and ICES.

DEPARTMENT OF FINANCIAL SERVICES

I. Legislative Reforms

A. **Legislation approved**

(1) Banking Laws (Amendment) Act, 2012: The Banking Laws (Amendment) Act, 2012 (No. 4 of 2013) was passed by Parliament and asserted by the President. The Law seeks to strengthen the regulatory and supervisory powers of Reserve Bank of India (RBI), increase the access of the banks to capital market to raise capital required for expansion of banking business, enable the nationalized banks to raise capital by issue of preference shares or rights issue or issue of bonus shares. The strengthening of RBI's power has facilitated finalization of guidelines of RBI for licensing of new banks in the private sector and grant of new bank licenses. This would increase the level of financial inclusion and also provide financing for the productive sectors of the economy so that the growth momentum is sustained.

(2) The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012: To remove the difficulties faced by the banks, 'The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act', 2012 was enacted by the Parliament. All of its provisions were made effective by 15.01.2013 [except Sections 8 and 15 (b)] and remaining by 15.05.2013.

(3) Pension Reforms: The Pension Fund Regulatory and Development Authority Act, 2013 was passed by Parliament in September, 2013. The rules under the Act are being framed by the Government. The PFRDA Act, 2013 would come into force as per the appointed date to be notified by the government and the Pension Fund Regulatory and Development Authority (PFRDA) shall be established as a statutory body to develop and regulate pension market in India. The creation of statutory PFRDA with well defined powers, duties and responsibilities was necessary in order to effectively invest and manage huge funds belonging to a large number of subscribers and to ensure the integrity of New Pension System (NPS).

B. Proposed Legislative initiatives

Negotiable Instruments and Legal Services Authorities Laws Amendment Bill, 2013 - The Government has proposed to amend the Negotiable Instruments Act, 1881 which could help to reduce the pendency of cheque bouncing cases under section 138 of the Act on the recommendations of Inter-Ministerial Group

The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 - The Government proposes to amend the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 which also covers the regulatory gaps in the existing laws as to stop the defalcation of public money by entities floating unauthorized money / deposit collection activities / schemes.

C. **Legislation in Parliament**

(1) NABARD (Amendment) Bill, 2013: The Bill proposing amendments to NABARD Act 1981 was introduced in the Lok Sabha in April, 2013. The Bill apart from allowing transfer of the entire equity of RBI in NABARD to Central Government, seeks to define various expressions, empower Central Government to increase the capital of NABARD from Rs. 5000 crore to Rs. 20,000 crore, enhance the scope of operations of NABARD for lending purposes and provide for establishing and maintaining a fund to be known as the National Rural Credit (Short Term Operations) Fund by NABARD for providing financial assistance by way of loans and advances. The Bill has been referred for examination to the Standing Committee on Finance.

(2) Regional Rural Banks (Amendment), Bill 2013: The above Bill proposing amendment in the Regional Rural Banks Act, 1976 has been introduced in the Lok Sabha on 22 April, 2013 and is with the Standing Committee. The proposed amendments inter-alia includes the following:

Increase in authorized capital from Rs.5 crore to Rs.500 Crore.
Issued capital not below Rs.1 crore.
Enabling provision for allowing RRBs to raise private capital.
Enabling provision for appointment of Private shareholder Directors.
Enabling provision for change in inter-se-share holding of RRBs in consultation with State Governments.

(3) Insurance Law (Amendment), Bill 2008: A Cabinet note relating to Official amendments to the Insurance Law (Amendment) Bill, 2008 was approved by the Cabinet in its meeting held on 4.10.12. The Official amendments will be introduced in the ensuing Session of Parliament.

II. Stalled **projects/New projects**

A. **Stalled Projects**

The Government of India constituted the Cabinet Committee on Investment (CCI) in January, 2013 to fast track projects in infrastructure and manufacturing sectors. A Cell in the nature of Project Monitoring Group (PMG) in Cabinet Secretariat has been constituted to monitor stalled projects for resolution of various issues involved therein.

CCI has so far cleared 42 projects involving an investment of Rs.3.47 lakh crore. PMG is now monitoring 183 projects involving an investment of Rs. 4.01 lakh crore.

B. **New Projects/Proposals**

173 proposals, each having an investment of Rs.250 cr. or more with a total outlay of Rs. 3.24 lakh crore have been received during the last six months of which Rs.30, 105 cr has been sanctioned and Rs.2,720 cr. has been disbursed till 22.10.2013.

III. **New Initiatives in banking sector**

a. Guidelines for licensing of New Banks in the Private Sector

The strengthening of RBI's power has facilitated finalization of guidelines of RBI for licensing of new banks in the private sector. This would increase the level of financial inclusion and also provide financing for the productive sectors of the economy so that the growth momentum is sustained. The applications submitted to RBI for new bank licenses are being processed and scrutinized and 'in-principle' approvals for new banks are expected to be issued by the end of January, 2014.

b. Setting-up of wholly owned Subsidiaries by Foreign Banks in India

The Reserve Bank of India (RBI) has released in November, 2013 the framework for setting up of Wholly Owned Subsidiaries (WOS) by foreign banks in India. The policy is guided by the two cardinal principles of (i) reciprocity and (ii) single mode of presence.
As a locally incorporated bank, the WOSs will be given near national treatment which will enable them to open branches anywhere in the country at par with Indian banks (except in certain sensitive areas where the Reserve Bank's prior approval would be required).

They would also be able to participate fully in the development of the Indian financial sector. The policy incentivises the existing foreign bank branches which operate within the framework of India's commitment to the World Trade organisation (WTO) to convert into WOS due to the attractiveness of near national treatment. Such conversion is also desirable from the financial stability perspective.

c. Establishment of the Bhartiya Mahila Bank

Considering the objective of encouraging women in general and women Self-Help Groups (SHGs) in particular, a need was felt to establish the Women's bank to facilitate access to financial services, promote asset ownership, women entrepreneurship and participation of women in beneficial economic activities to provide impetus to the process of inclusive growth and also their empowerment. **Bharatiya Mahila Bank Limited or BMB has been inaugurated on 19th November, 2013 at Mumbai by the Hon'ble Prime Minister, Dr. Manmohan Singh, in the presence of Smt. Sonia Gandhi, Chairperson, UPA and the Union Finance Minister Shri P. Chidambaram among others.**

d. Small B Branches for Innovation and Start-up Finance

The small B branches to be established by banks have been conceptualized to extend venture debt to angel invested entrepreneurs, upto a limit of Rs 1 crore under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) cover to Start-up entrepreneurs who are generally technocrats and first generation entrepreneurs. These branches would be exclusive branches dealing with such financing and would not be handling other / normal banking transactions. The small B branches are expected to continuously network with the angel investor community to generate suitable proposals. The small B branches would be extending the above assistance under a model scheme for venture debt formulated by SIDBI. Small B' branches are operating in 10 locations by 10 different Public Sector Banks.

IV. Recapitalization of Banks/FIs/RRBs

a. **Public Sector Banks:** The capital infusion by the Government in PSBs is done with the twin objective of adequately meeting the credit requirement of the productive sectors of economy as well as to maintain regulatory capital adequacy ratios in PSBs. The Government of India, as the majority shareholder, is committed to keep all PSBs adequately capitalized. Government's infusion of capital in PSBs is in addition to their internally generated capital to enable the banks to maintain a comfortable level of Tier 1 CRAR. Towards this end, the Government of India has been infusing need based capital in PSBs. An amount of Rs.12, 517 crore have been infused in 13 Public Sector Banks in March, 2013. A provision of Rs.14, 000 crore has been made in the Budget Estimates of 2013-14 for the recapitalization of PSBs. The Government has decided the bank wise allocation for infusion of Rs.14, 000 crore in Public Sector Banks in 2013-14.

b. **NABARD**: To strengthen the capital base of NABARD and mobilize its resources, the Government approved release of Rs.3000 crore towards recapitalization of NABARD during 2011-12. In the year 2012-13, Rs.1000 crore was released for the purpose.

c. **Regional Rural Banks (RRBs)**: Rs.542.99 crore was released as share of Government of India towards recapitalization of 19 RRBs in 2012-13. During 2013-14 an amount of Rs. 27.99 crore has been released to 3 RRB as Government of India share out of the total amount of Rs.88.00 crore provided under BE 2013-14.

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