सत्यमेव जयते

Government of India

ANNUAL REPORT
2012-13

Ministry of Finance
(Budget Division)

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For Public Contract Purposes:

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Introduction

The Ministry comprises of the five Departments namely:ð

- ❖ Department of Economic Affairs
- ❖ Department of Expenditure
- ❖ Department of Revenue
- ❖ Department of Disinvestment and
- ❖ Department of Financial Services

1. Department of Economic Affairs

Economic Growth

As per the latest information (Advance Estimates) of National Income for 2012-2013 (at constant 2004-2005 prices), released by the Central Statistics Office, the growth of Gross Domestic Product (GDP) at factor cost is estimated at 5.0 percent in 2012-2013, with agriculture & allied activities growing at 1.8 per cent, industry at 3.1 per cent and services at 6.6 per cent. The corresponding growth in GDP in 2011-2012 was 6.2 per cent, with agriculture and allied sector, industry and services growing at 3.6, 3.5 and 8.2 per cent, respectively.

The latest information on quarterly estimates of GDP is available for the first two quarters of 2012-2013. The GDP growth in the first and second quarters of 2012-2013 is estimated at 5.5 per cent and 5.3 per cent, as compared to 8.0 per cent and 6.7 per cent during the corresponding periods of 2011-2012.

Data on the saving and investment is available up to 2011-2012. The saving rate as percentage of GDP at current market prices was estimated to be 30.8 per cent in 2011-2012 as compared to 34.0 per cent in 2010-2011, while gross domestic capital formation was 35.0 per cent in 2011-2012 as compared to 36.8 per cent in 2010-2011.

Agriculture

As per the fourth advance estimates for 2011-12, foodgrains production was estimated at 257.44 million tonnes, out of which Kharif production was 129.94 million tonnes and Rabi production was 127.50 million tons.

During the South West monsoon season of 2012, the country as a whole received 8 per cent less rainfall than the Long Period Average (LPA). Central India and North-west India experienced deficiency level of (-) 4 and (-) 7 percent, respectively and the Peninsular India received (-) 10 percent less rainfall. North East India received 11 percent less rainfall than LPA. At district level 10 percent of districts received excess rainfall 48 percent normal rainfall 37 percent deficient rainfall and 5 percent scanty rainfall. Southwest monsoon (June to September 2012) rainfall for the country as a whole and the four broad geographical regions is given in the table below:ð

Region	Actual (mm)	Long Period Average (LPA) (mm)	Actual % of LPA
All-India	819.8	887.5	92
Northwest India	569.3	615.0	93
Central India	935.5	975.5	96
Peninsular India	643.9	715.5	90
Northeast India	1275.3	1438.3	93

Out of 36 Sub Divisions, 13 recorded deficient rainfall during the South West monsoon in 2012. Out of the 23 remaining sub divisions 1 recorded excess rainfall and the remaining 22 recorded normal. Out of 628 Metrological districts for which data are available 365 (58%) received excess/normal rainfall and the remaining 263 (42%) received deficient/scanty rainfall during the season

There has been a decline in the overall area coverage of foodgrains during kharif 2012-13 as compared to kharif 2011-12 (4th advance estimates) due to deficient south west monsoon. The area coverage under food grains during kharif 2012-13 stood at 665.03 lakh hectares compared to 720.86 lakh hectares last year. The major decline in the area of kharif foodgrains has been due to shortfall in the area under rice in Andhra Pradesh, West Bengal, Jharkhand and Bihar, coarse cereals mainly due to lower coverage under bajra in Rajasthan; and also pulses. The area under oil seeds has also been lower as compared to the previous year. The area coverage under kharif rice during 2012-13 is around 391.62 lakh hectares which is lower by 9.06 lakh hectares compared to last year. The area coverage under sugarcane during the current year has marginally improved to 51 lakh hectares, which is higher by about 0.13 lakh hectares as compared to the previous year and the area under cotton has decreased to116.14 lakh hectares as compared to 121.78 lakh hectares during 2010-11 registering a decrease of 5.64 lakh hectares.

As per the 1st Advance Estimates (covering only kharif crops), production of foodgrains during 2012-13 is estimated at 117.18 million tonnes. Oilseeds production stood at 18.78 million tonnes, sugarcane at 335.33 million tons and cotton at 33.4 million bales of 170 kg each. These production estimates are at lower levels compared to last year primarily due to deficient south west monsoon in 2012 and resultant acreage losses.

Industry

During 2012-2013(April-December), as per the Index of Industrial Production(IIP), the industrial sector grew at 0.7 per cent as compared to 3.7 per cent growth during the previous year. Out of the three broad sectors, the electricity sector has recorded the highest growth. In the manufacturing sector, the growth have been lower and in mining sector the growth was negative. During 2012- 2013(April-December), the electricity sector grew at 4.6 per cent as compared to 9.4 per cent during the same period of the previous year. The manufacturing and mining sectors grew at the rates of 0.7 per cent and (-) 1.9 per cent against the corresponding figures of 4.0 percent and (-)2.6 per cent respectively.

Growth of IIP in December, 2012 (per cent) Base 2004-05 =100

Industry Group	Weight	December 2011	December 2012	April-December	
				2011-12	2012-13
Mining	141.57	-3.3	-4.0	-2.6	-1.9
Manufacturing	755.27	2.8	-0.7	4.0	0.7
Electricity	103.16	9.1	5.2	9.4	4.6
Growth by use-based industrial group					
Basic Goods	456.82	5.5	2.6	6.3	2.7
Capital Goods	88.25	-16.0	-0.9	-2.9	-10.1
Intermediate Goods	156.86	-1.5	-0.1	-0.7	1.6
Consumer Goods	298.08	10.1	-4.2	5.7	2.6
Durables	84.60	5.1	-8.2	5.1	3.7
Non-durables	213.47	13.8	-1.4	6.1	1.7
General Index	1000	**2.7**	**-0.6**	**3.7**	**0.7**

Among the use-based industry groups only intermediate goods sector recorded marginal increase in growth during 2012-13(April- December) and the basic goods and consumer goods(durables & non-durables) showed decline in growth as compared to previous year. The capital goods sector recorded negative growth during the same period. The intermediate goods sector showed a growth of 1.6 per cent during 2012-13(April- December) as compared to the corresponding figure of (-) 0.7 percent during 2011-12(April-December). In basic goods sector, the growth rate for the current year is 2.7 per cent as against 6.3 per cent last year. In consumer goods sector, the growth in 2012-13(April-December) was 2.6 per cent as against 5.7 per cent in corresponding period of last year. In consumer durables sector, the growth rate has declined to 3.7 per cent during 2012-13(April-December) as compared to 5.1 per cent in 2011-12(April-December). In consumer non-durables sector, the growth rate has decreased to 1.7 per cent in 2012-13(April-December) as against 6.1 per cent in 2011-12(April-December). At the disaggregated level, 11 out of the 22 two-digit industrial groups viz. tobacco products, wearing apparel, wood products, fabricated metal products, machinery & equipment, accounting and computing machinery, electrical machinery, medical and optical instruments, motor vehicles, other transport equipments and furniture manufacturing recorded negative growth during 2012-13(April-December). Out of the remaining 11 industry groups, four groups recorded growth rates between 5 to 10 per cent and seven industry groups namely food products, paper products, publishing & printing, chemical products, rubber & plastics, other non-metallic mineral products and basic metals recorded growth rates below 5 per cent.

Infrastructure

The index for eight core industries (comprising crude oil, petroleum refinery products, coal, electricity, cement, finished carbon steel, natural gas and fertilizers with a combined weight of 37.90 per cent in the Index of Industrial Production) grew by 3.3 per cent during 2012-13 (April- December) as compared to growth rate of 4.8 per cent achieved during the corresponding period of 2011-12. Two out of the eight core sectors namely steel and electricity sectors recorded lower rates of growth of 3.6 percent and 4.6 percent respectively during 2012-13(April-December) as compared to 9.1 per cent and 9.3 percent during 2011-12(April- December). The growth in coal, refinery products and cement was 5.7 per cent, 6.9 per cent and 6.1 per cent respectively during 2012-13(April-December) and in crude oil, natural gas and fertilizers sectors, the growth was negative during the same period.

Prices and Inflation

The headline inflation measured in terms of Wholesale Price Index (WPI) averaged 9.56 per cent in 2010-11 and decelerated to 8.94 per cent in 2011-2012 and 7.46 per cent in the first 10 months of 2012-13 (Apr-Jan). In January 2013, inflation was placed at a 38 month low of 6.62 per cent.

The level of inflation and its movement across three major commodity groups varied significantly. Primary articles having a weight of 20.12 per cent in WPI recorded year-on-year inflation of 10.31 per cent in January 2013 as compared to inflation of 2.76 per cent in the same month last year. Fuel & power having weight of 14.91 per cent in

Table 1 Year-on-Year inflation trend in last two years for major groups of WPI (%)

	All Commodities		Primary Articles		Fuel & Power		Manufactured Products		Food index		Non-food Manufactured	
Weight%	**100.00**		**20.12**		**14.91**		**64.97**		**24.31**		**55.00**	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
April	9.74	7.50	15.09	9.55	13.04	12.10	6.80	5.27	8.95	9.31	6.97	5.06
May	9.56	7.55	12.92	10.31	12.32	11.53	7.43	5.24	8.11	8.91	7.34	5.13
June	9.51	7.58	11.31	9.75	12.85	12.07	7.90	5.37	8.04	9.14	7.73	5.26
July	9.36	7.52	11.47	10.54	12.04	8.39	7.73	5.87	8.17	9.05	7.65	5.65
August	9.78	8.01	12.46	11.23	12.91	8.74	7.87	6.36	9.19	9.32	7.77	5.77
Septembe	10.00	8.07	12.22	9.22	14.02	12.00	8.00	6.47	9.06	8.84	7.99	5.71
October	9.87	7.32	10.96	7.81	14.79	11.65	8.05	5.95	9.29	7.79	8.13	5.17
November	9.46	7.24	8.90	9.56	15.48	9.97	8.17	5.41	7.94	8.96	8.35	4.65
December	7.74	7.18	3.59	10.61	14.98	9.38	7.64	5.04	2.70	10.39	7.91	4.24
January	7.23	6.62	2.76	10.31	16.99	7.06	6.71	4.81	1.45	10.57	6.96	4.12
February	7.56	-	7.07	-	15.11	-	5.82	-	5.93	-	5.87	-
March	7.69	-	10.41	-	12.82	-	5.16	-	8.70	-	4.96	-
Average	8.94	7.46	9.80	9.88	13.96	10.25	7.26	5.58	7.24	9.22	7.29	5.07

Note: The figures for Dec-12 and Jan-13 are provisional.

WPI recorded year-on-year inflation of 7.06 per cent in January 2013 as compared to 16.99 per cent in the same month last year. Manufactured products, having weight of 64.97 per cent in WPI recorded an inflation of 4.81 per cent in January 2013 as compared to an inflation of 6.71 per cent in the same month last year.

The food inflation comprising primary food articles and manufactured food products (weight of 24.31 per cent in WPI) at 10.57 per cent in January 2013 was significantly higher as compared to an inflation of 1.45 per cent in January 2012.

The core inflation which corresponds to inflation for non-food manufactured products and keenly observed by the Reserve Bank of India moderated from its peak of 8.50 per cent in March 2011 to 4.12 per cent in January 2013. Apart from monetary measures taken by the Reserve Bank of India, softening of international and domestic prices of metals, chemicals and textile products contributed to the moderation of this inflation.

Year-on-year inflation measured in terms of Consumer Price Index for Industrial Workers (CPI-IW 2001=100) was 11.17 per cent in December 2012 as compared to 6.49 per cent in December 2011. Food inflation (weight 46.20%) was 13.53 per cent in December 2012 had in fact witnessed an increase compared to an inflation of 1.97 per cent in December 2011. In case of Consumer Price Index-New Series with base 2010=100, inflation in January 2013 for rural, urban and at all-India level was placed at 10.88 per cent, 10.73 per cent and 10.79 per cent, respectively.

Food inflation which ruled at 14 to 16 per cent level for different measures of inflation in April 2010 had earlier moderated to around 1 per cent in January 2012, but has been witnessing a continuous increase since then. The key drivers of food inflation have continued to be the elevated level of prices for protein foods comprising animal products, pulses and vegetables. In recent months, however, price pressures have also been felt for cereals particularly wheat and rice.

Government has been conscious of the need for containing inflation. Besides the fiscal and administrative measures, for protecting vulnerable sections of society from inflation, issue price for wheat and rice under targeted public distribution system has been kept unchanged since July, 2002. At the current level of economic cost, the issue price for BPL families is only 23.4 per cent and 22.8 per cent for rice and wheat respectively. Government has also been absorbing a significant part of cost of diesel, kerosene and LPG by keeping the pass through to consumer to a reasonable level. Commodity specific fiscal and administrative measures (maintain adequate availability) have been taken to contain profiteering/ exploitation of consumers.

The Reserve Bank of India (RBI) had earlier raised the policy rates by 375 basis points (bps) from March 2010 to October 2011 to contain inflation which had persisted at 9-10 per cent level. With some moderation in inflation, particularly core inflation, RBI began softening its monetary policy stance gradually to improve growth. Moderating inflation and containing inflationary expectation, however, remains core of the monetary policy.

Monetary Trends and Developments during 2012-13

The monetary policy stance continued to focus on achieving the twin objectives of containing inflation and facilitating growth. The mounting inflationary pressures during 2010-2012 required adoption of a tight monetary policy by the Reserve Bank of India (RBI). Between January

2010 and October 2011 RBI raised policy rates (repo rates) by 375 basis points from 4.75 per cent to 8.5 per cent. The tight monetary policy in the face of a persistent inflation together with the increasing risk to growth from external factors resulted in a slowdown of the economy, faster than was anticipated earlier. With a moderation in inflation from its peak to 10.9 per cent in April, 2010 to an average of 7.5 per cent during April-January, 2012-13, there was a shift in the policy stance of RBI from October, 2011. RBI reduced the repo rates by 50 basis points in April, 2012 and by 25 basis points again in January, 2013. Simultaneously, it continued to reduce the Cash Reserve Ratio from 6 per cent to 4 per cent and the statutory liquidity ratio to improve the liquidity conditions.

The monetary policy stance of the Reserve Bank of India in 2012-13 was based on its projection of the macroeconomic parameters for the year. In its monetary policy statement 2012-13 released on April, 17, 2012 RBI envisaged a GDP growth of 7.3 per cent with inflation (WPI headline) gradually moderating to 6.5 per cent by March, 2013. Consistent with this growth and inflation expectations, it set an indicative target of M3 and non-food credit growth of 15 per cent and 17 per cent respectively. RBI, however, continued to revise its growth projections downwards and in its 3rd quarter review of monetary policy in January 2013, it reduced its projection of growth to 5.5 per cent. However, with regard to headline WPI inflation, the 3rd Quarter Review indicated inflation to moderate to 6.8 per cent by March 13. In view of the revision in the projections for GDP growth and inflation, the indicative targets of growth of credit and M3 were lower to 16 per cent and 13 per cent, respectively. Movement of monetary aggregates, however, indicate that the growth of both the broad money and non-food credit were below the indicative levels set by RBI.

During 2012-13, the growth rate in Reserve Money (MO) has been 4.4 per cent (as on January 25, 2013), while broad money (M3) growth has been 10.2 per cent (as on January 11, 2013). Year-on-year, non-food credit growth increased by 15.7 per cent (as on January 11, 2013). Liquidity conditions tightened from the second week of November on account of a build-up in the Centre’s cash balances, festival-related lumpy increase in currency demand, and structural pressures brought on by the widening wedge between deposit growth and credit growth. With the liquidity deficit continuing to remain above the comfort level of RBI, it took measures by way of reducing the CRR and conducting open market operations to ease the pressures.

Balance of Payments during H1 (April-September 2012) of 2012-13

In the first Half (H1-April-September 2012) of 2012-13, steep decline in exports as compared to imports was responsible for widening of trade deficit to US$ 90.7 billion (10.8 per cent of GDP) vis-à-vis US$ 89.5 billion (9.9 per cent of GDP) in H1 of 2011-12. Net invisible balance declined to US$ 51.7 billion (6.2 per cent of GDP) during H1 of 2012-13 from US$ 53.1 billion (5.9 per cent of GDP) in H1 of 2011-12. The current account deficit (CAD) has worsened to US$ 39.0 billion (4.6 per cent of GDP) during H1 of 2012-13 as compared to US$ 36.4 billion (4.0 per cent of GDP) in H1 of 2011-12. Widening of trade deficit and moderation in net invisible surplus were responsible for increase in CAD.

There was a mixed trend in the capital inflows during first half of 2012-13. The net FDI (inward minus outward) to India decreased to US$ 12.8 billion during first half of 2012-13 vis-a-vis US$ 15.7 billion during the corresponding period of previous year. Net portfolio flows including FIIs, however, increased to US$ 5.8 billion during H1 of 2012-13 as against US$ 1.3 billion in H1 of 2011-12. NRI deposits remained robust at US$ 9.4 billion in H1 of 2012-13 (US$ 3.9 billion in H1 of 2011-12) but net flows under ECBs declined sharply to US$ 1.7 billion during H1 of 2012-13 from US$ 8.4 billion in H1 of 2011-12. Net flows under trade credit increased to US$ 9.5 billion during April-September 2012 as against US$ 5.9 billion during the corresponding period of 2011-12. Net capital flows declined to US$ 40.0 billion (4.8 per cent of GDP) in H1 of 2012-13 as against US$ 43.5 billion (4.8 per cent of GDP) in H1 of 2011-12.

As the capital inflows during the first half of 2012-13 were sufficient to finance the current account deficit, there was a net accretion of US$ 0.4 billion to reserves (on a BoP basis) during H1 of 2012-13.

Table: Balance of Payments Summary (US$ million)

Sl. No. Item	2011-12 (H1-April-September) (PR)	2012-13 (H1-April-September) (P)
I Current Account		
1 Exports	158,202	146,549
2 Imports	247,739	237,221
3 Trade Balance	-89,537	-90,672
4 Invisibles (net)	53,103	51,699
5 Current Account Balance	-36,433	-38,973
II Capital Account		
1 FDI (net)	15,741	12,812
2 Portfolio (net)	1,345	5,796
3 External Assistance (net)	640	15
4 External Commercial Borrowings (net)	8,388	1,726
5 Short-term debt	5,940	9,511
6 Banking Capital (net)]	19,713	14,899
7 Other Flows (net)	-8,278	-4,769
8 Capital Account Balance	43,490	39,989
III Errors and Omissions	-1,338	-653
IV Overall Balance	5,719	363
V Reserves change (Increase(-)/Decrease (+))	-5719	-363

Source: Reserve Bank of India. P: Preliminary, PR: Partially Revised
Note: Totals may not tally due to rounding off.

Foreign Exchange Reserves

Foreign exchange reserves reached all time high level of US$ 322.2 billion at end August 2011. However, reserves declined thereafter and stood at US$ 294.4 billion at end March 2012. This showed a decline of US$ 10.4 billion from the level of US$ 304.8 billion at end March 2011.

In 2012-13, the foreign exchange reserves remained in the range of US$ 286.0 billion to US$ 295.6 billion. At end December 2012, reserves stood at 295.6 billion, indicating a marginal increase of US$ 1.2 billion from US$ 294.4 billion at end March 2012.

Exchange Rate

The monthly average exchange rate value of rupee per US dollar remained in the range between Rs. 51.81 to Rs. 56.03 per US dollar with many ups and downs between April 2012 to December 2012. Rupee touched an all time low of Rs. 57.22 per US dollar on June 27, 2012 indicating 10.6 per cent depreciation over Rs. 51.16 per US dollar on March 30, 2012. Rupee has appreciated to Rs. 51.62 per US dollar on October 05, 2012. However, it began declining again thereafter and monthly average exchange rate of rupee has since been in range of Rs. 53.02 to Rs. 54.78 per US dollar between October to December 2012.

On month-to-month basis the rupee depreciated by 7.9 per cent from Rs. 50.32 per US dollar in March 2012 to ₹54.65 per US dollar in December 2012. Similarly, monthly average exchange rate of rupee depreciated by 9.7 per cent against pound sterling, 7.2 per cent against euro and by 6.5 per cent against Japanese yen between March 2012 and December 2012.

Table: Exchange Rates of Rupee per Foreign Currency

Month	Monthly average exchange rates *			
	US dollar	Pound sterling	Euro	Japanese yen**
March 2012	50.3213	79.6549	66.4807	61.0259
April 2012	51.8121	82.9119	68.1872	63.7934
May 2012	54.4736	86.7323	69.6991	68.3286
June 2012	56.0302	87.1349	70.3087	70.6743
July 2012	55.4948	86.5173	68.2520	70.2809
August 2012	55.5594	87.3444	68.8750	70.6814
September 2012	54.6055	87.8663	70.1263	69.9084
October 2012	53.0239	85.2128	68.7522	67.2305
November 2012	54.7758	87.5374	70.3665	67.6032
December 2012	54.6478	88.1910	71.6671	65.2805

Source : Reserve Bank of India.
*: FEDAI market indicative Rates. Data from May2012 onwards are RBI's reference rates. **: Per 100 Yen.

External Debt

India's external debt stock stood at US$ 365.3 billion at end-September 2012 recording an increase of about US$ 20.0 billion (5.8 per cent) over the end-March 2012 estimates of US$ 345.4 billion. The increase in external debt was largely due to higher NRI deposits, short-term debt and commercial borrowings. The long-term external debt at US$ 280.8 billion at end-September 2012, accounted for 76.9 per cent of the total external debt while the remaining 23.1 per cent was short-term debt.

The share of US dollar denominated debt continued to be the highest in external debt stock at 55.7 per cent at end-September 2012, followed by Indian rupee (22.9 per cent), Japanese Yen (8.6 per cent), SDR (8.1 per cent) and Euro (3.2 per cent). Government (sovereign) external debt stood at US$ 81.5 billion, while non-Government debt amounted to US$ 283.9 billion at end-September 2012. The share of Government external debt in total external debt declined from 25.5 per cent at end-March 2011 to 23.7 per cent at end-March 2012 and further to 22.3 per cent at end-September 2012.

India's foreign exchange reserves provided a cover of 80.7 per cent to the total external debt stock at end-September 2012 vis-à-vis 85.2 per cent at end-March 2012. The ratio of short-term external debt to foreign exchange reserves was at 28.7 per cent at end-September 2012 as compared to 26.6 per cent at end-March 2012. The ratio of concessional debt to total external debt declined steadily and worked out to 13.2 per cent at end-September 2012 as against 13.9 per cent at end-March 2012.

External debt has remained within manageable limits as indicated by the external debt to GDP ratio of 19.7 per cent and debt service ratio of 6.0 per cent in 2011-12 due to the prudent external debt management policy pursued by the Government of India.

Merchandise Trade

India's merchandise trade increased exponentially in the 2000s decade from US$ 94.1 billion in 2000-1 to US$ 620.9 billion in 2010-11 and further to US$ 793.8 billion in 2011-12. India's share in global exports and imports also increased from 0.7 per cent and 0.8 per cent respectively in 2000 to 1.7 per cent and 2.5 per cent in 2011. Its ranking in the leading exporters and importers improved from 31 and 26 in 2000 to 19 and 12 respectively in 2011.

While India's total merchandise trade as a percentage of the gross domestic product (GDP) increased from 29.5 per cent in 2004-05 to 46.2 per cent in 2011-12 as per provisional estimates, India's merchandise exports as a percentage of GDP increased from 12.6 per cent to 17.7 per cent during the same period.

India's export growth in 2010-11 reached an all time high since Independence of 40.5 per cent. Though it decelerated in 2011-12 to 21.3 per cent, it was still above 20 per cent and higher than the compound annual growth rate (CAGR) of 20.3 per cent for the period 2004-5 to 2011-12. After registering very high growth of 55.9 per cent in July 2011, export growth started decelerating with a sudden fall to single digits in November 2011 as a result of the emerging global situation and then to negative figures from March 2012. Monthly export growth rates in 2012-13 were negative except for a marginal positive growth in April 2012. The Euro Zone crisis and the Chinese slowdown have affected India's exports more during the recent slowdown than in 2009-10

After recovering in 2010-11 from the previous year's fall, India's merchandise imports increased further to US$ 489.2 billion with a growth of 32.3 per cent in 2011-12. This was due to the increase in growth of petroleum, oil, and lubricant (POL) imports by 46.2 per cent and non-POL imports by 26.7 per cent. POL imports (with a share of 31.7 per cent in India's total imports) registered a high growth mainly due to increase in import price of the Indian crude oil import basket by 31.5 per cent in 2011-12 as against 22 per cent in 2010-11.

Gold and silver imports (with a share of 12.6 per cent in India's total imports) grew by 44.5 per cent in 2011-12. Non-POL non-bullion imports increased by 23.3 per cent in 2011-12 compared to 29 per cent in 2010-11.

At US$ 361.3 billion imports in 2012-13 (April-December) registered a negative growth of - 0.7 per cent. During this period, POL imports at US $ 124.5 billion grew by 12.2 per cent. Non-POL imports at US $ 236.7 billion declined by 6.4 per cent and gold and silver imports at US $ 39.3 billion declined by 14.7 per cent.

Trade deficit (on customs basis) reached a peak of US$ 184.6 billion in 2011-12 from US$ 118.6 billion in 2010-11 with the highest growth of 55.6 per cent since 1950-1. Moderate export growth and high import growth, particularly in POL imports due to high prices and high gold and silver imports, led to the high trade deficit, contributing to a high current account deficit (CAD) of 4.2 per cent of GDP. The trade deficit of US $ 147.2 billion for 2012-13 (April-December) was 7.2 per cent higher than the US $ 137.3 billion deficit in 2011-12 (April-December).

Social Sector Development

Higher standards of living as well as of development opportunities for all, stemming from the greater resources generated by economic growth, are the ultimate aim of development policy. This implies the need to bridge regional, social and economic disparities, as well as the empowerment of the poor and marginalized, especially women, to make the entire development process more inclusive. The draft Twelfth Five Year Plan's subtitle "Faster, More Inclusive and Sustainable Growth" puts the growth debate in the right perspective. The government's targeted policies for the poor, with the prospect of fewer leakages, can help better translate outlays into outcomes. The government's policies are directed towards bringing these marginalized sections of the society into the mainstream as is also reflected in social-sector expenditure by the government.

Trends in India's Social-sector Expenditure

Central government expenditure on social services and rural development (Plan and non-Plan) has increased from 14.77 per cent in 2007-8 to 17.39 per cent in 2012-13 (Budget Estimates [BE]). Expenditure on social services by the general government (centre and states combined) has also shown increase in recent years reflecting the higher priority given to this sector. As a proportion of the gross domestic product (GDP), expenditure on social services increased from 5.91 per cent in 2007-8 to 6.79 per cent in 2010-11 and further to 7.09 per cent in 2012-13(BE). While expenditure on education as a proportion of GDP has increased from 2.59 per cent in 2007-8 to 3.31 per cent in 2012-13 (BE), that on health has increased from 1.27 per cent in 2007-8 to 1.36 per cent in 2012-13 (BE).

Some of the major social sector programmes are as follows:—

Mahatma Gandhi NREGA: This flagship programme of the government aims at enhancing livelihood security of households in rural areas by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work with the stipulation of one-third participation of women. The MGNREGA provides wage employment while also focusing on strengthening natural resource management through works that address causes of chronic poverty like drought, deforestation, and soil erosion and thus encourage sustainable development. The MGNREGA is implemented in all districts with rural areas. Out of total a outlay of Rs 33,000 crore approved for 2012-13, Rs 25,894.03 crore has been released and the total fund available with the states including the opening balance of Rs 10,009.09 crore is Rs 41,788.74 crore. Of this, Rs 28,073.51 crore has been utilized (as on 31.01.2013) and about 4.39 crore households have been provided employment of 156.01 crore persondays of which 82.58 crore (53 per cent) were availed of by women, 34.56 crore (22 per cent) SCs, and 24.90 crore (16 per cent) by STs. With better planning of project design, capacity building of panchayati raj institutions (PRIs), skill upgradation for enhanced employability, and reduction of transaction costs, gaps in implementation could be plugged to a great extent and the assets so created could make a much larger contribution to increasing land productivity.

Sarv Shiksha Abhiyan (SSA)/Right to Education (RTE): The Right of Children to Free and Compulsory Education (RTE) Act 2009, became operational in the country on 1 April 2010. It implies that every child has a right to elementary education of satisfactory and equitable quality in a formal school which satisfies certain essential norms and standards. The achievements till September, 2012 include opening of 3,34,340 new primary and upper primary schools, construction of 2,84,032 school buildings, 16,42,867 additional classrooms, 2,17,820 drinking water facilities and 6,18,089 toilets, supply of free textbooks to 8.32 crore children, appointment of 12.46 lakh teachers, and imparting of in-service training to 18.64 lakh teachers. Significant reduction in the number of out-of-school children on account of SSA interventions has been noted.

National Rural Health Mission (NRHM): The NRHM was launched in 2005 to improve accessibility to quality healthcare for the rural population, bridge gaps in healthcare, facilitate decentralized planning in the health sector, and bring about inter-sectoral convergence. Better infrastructure, availability of manpower, drugs and equipment, and augmentation of health human resources in health facilities at different levels have led to improvement in healthcare delivery services and increase in outpatient department (OPD) and inpatient department (IPD) services. Under the NRHM, over 1.4 lakh health human resources have been added to the health system across the country (up to September 2012).

Women and Child Development: With the objective of providing enabling support system in the field of health, education, and to promote economic opportunities, women need special attention due to their vulnerability and lack of access to resources. The scope and coverage of schemes for women and child development have been expanded with progressive increase in Plan expenditure under various Plan schemes. The plan expenditure has increased by around 15 per cent over the last year to 18500 crore (BE) in 2012-13. The allocations for GB as a percentage of total budgets have gone up from 2.79 per cent in 2005-6 to 5.91 per cent in 2012-13. Some of the important schemes and policy initiatives for economic and social empowerment of women and child development are (i) Integrated Child Development Services (ICDS); (ii) Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG)-Sabla; (iii) Integrated Child Protection Scheme (ICPS); (iv) Indira Gandhi Matritva Sahyog Yojana (IGMSY); (v) National Mission for Empowerment of Women (NMEW); (vi) Support to Training and Employment Programme for Women (STEP) Scheme; (vii) Rashtriya Mahila Kosh (RMK and (viii) Addressing violence against women is another area. A committee of eminent jurists, headed by former Chief Justice of India Justice J. S. Verma, was constituted to review existing laws and examine levels of punishment in cases of aggravated sexual assault and it has submitted its recommendations.

Welfare and development of SCs, STs, OBCs, and other weaker sections: Programmes are being implemented through states, government's apex corporations, and NGOs for the upliftment of disadvantaged and marginalized sections of society.

SCs

Special Central Assistance (SCA) to the Scheduled Castes Sub Plan (SCSP) is a major initiative for lifting SCs above the poverty line through self-employment or training. During 2012-13, the physical target is to cover over 12 lakh beneficiaries. An amount of Rs 713.02 crore had been released to states against an allocation of Rs1180 crore up to 31 December 2012. Besides a number of schemes to encourage SCs students to continue higher education studies are also under implementation like (i) Pre-Matric Scholarship Scheme for Students studying in Classes IX and X with an allocation of Rs 824 crore for 2012-13 for scholarships to an estimated 35 lakh beneficiaries; (ii) Revised Post-Matric Scheme, with an allocation of Rs 1500 crore (BE). The number of beneficiaries during 2012-13 is estimated at 40 lakh; (iii) Rajiv Gandhi National Fellowship Scheme which aims at providing financial assistance to SC students pursuing MPhil and PhD courses; and (iv) Financial support to the students pursuing Master's level courses and PhD/Post-Doctoral courses abroad and eligible students who secure admission in notified institutions like the IITs, IIMs, and NITs is provided under the National Overseas Scholarship and Top Class Education Scheme respectively.

STs

For the welfare and development of STs, an outlay of Rs 4090 crore has been made in the Annual Plan for 2012-13. During 2012-13, Rs 1200 crore has been provided as Special Central Assistance (SCA) to Tribal Sub-Plan (TSP). The SCA to TSP is a 100 per cent grant extended to states as additional funding to their TSP for family-oriented income-generating schemes, creation of incidental infrastructure, extending financial assistance to SHGs, community-based activities, and development of forest villages. The outlay for grants-in-aid under Article 275(1) during 2012-13 is Rs1317 crore. For helping the students, 100 per cent financial assistance is provided to ST students whose family income is less than or equal to Rs 2 lakh per annum under the Post-Matric Scholarship Scheme. For providing quality education financial assistance to 625 ST students per annum to pursue studies at degree and post-degree level in any of 125 identified institutes under Top Class Education Scheme and financial assistance is also provided to 15 eligible ST students for pursuing higher studies abroad in specified fields at Masterôs and PhD level under the National Overseas Scholarship Scheme. A scheme for strengthening of education among ST Girls in Low Literacy Districts is also being implemented to bridge the gap in literacy levels between the general female population and tribal women.

Minorities

The five communitiesô Muslims, Christians, Sikhs, Buddhists, and Parsis are notified as minority communities. The plan outlay for the development of minorities was raised from Rs 2850 crore in 2011-12 to Rs 3135 crore in 2012-13. The Multi-sectoral Development Programme, a special areas development initiative to address the ôdevelopment deficitsô especially in education, skill development, employment, health and sanitation, housing, and drinking water in 90 minority concentration districts (MCDs), was launched in 2008-9. The outlay for this Programme is Rs1000 crore in 2012-13. National Minorities Development and Finance Corporation (NMDFC) has been raised for expanding loan and micro-finance operations to promote self-employment and other economic ventures among backward sections of the minority communities. An amount of Rs 99.64 crore has been released to the NMDFC during 2012-13. Fund allocation has been enhanced from Rs1190 crore in 2011-12 to Rs1620 crore in 2012-13 for three scholarships schemes, Pre-Matric, Post-Matric, and Metric-cum-means based, which are being implemented exclusively for the notified minorities.

OBCs

Central assistance is provided to states for educational development of OBCs. Under the Pre-Matric Scholarship for OBCs Scheme, against an allocation of Rs 50 crore during 2012-13, Rs 35.45 crore was released to states up to December 2012. Under the Post-Matric Scholarship Scheme, the target is to provide scholarship to 17.25 lakh OBC students. To provide hostel facilities to OBC students studying in middle and secondary schools, colleges, and universities and enable them to pursue higher studies, Rs 6.13 crore was released up to December 2012 against an allocation of Rs 45 crore in 2012-13.

Persons with Disabilities

According to Census 2001, there were 2.19 crore persons with disabilities in India. For the physical rehabilitation, educational and economic development, and social empowerment of differently abled persons many schemes are in operation. Some important schemes for the welfare of disabled persons which includes (i) Scheme of Assistance to Disabled Persons for Purchase/Fitting of Aids/ Appliances (ADIP). During 2012-13(till 31.12.2012) Rs 32.60 crore had been released to the implementing agencies against a Plan outlay of Rs 100 crore for the scheme. Every year around 2 lakh persons with disabilities are provided assistive devices; (ii) Deendayal Disabled Rehabilitation Scheme (DDRS), for providing education, vocational training, and rehabilitation of persons with orthopaedic, speech, visual, and mental disabilities. Against an allocation of Rs 120 crore for the financial year 2012-13, Rs 14.48 crore had been sanctioned as on 31December 2012; and (iii) Scheme for Implementation of the Persons with Disabilities Act 1995 (SIPDA) relating to rehabilitation and provision of barrier-free access for disabled persons including ramps, lifts, tactile paths, new product development, and research.

2. 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 and 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 managing coordination of 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 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 Account Branch, Controller General of Accounts and the Central Pension Accounting Office.

3. Department of Revenue

1. 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.

2. The Department also facilitates 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, rationalization of Additional Excise duties on goods of special importance, and eventual evolution of a frame work for the Goods and Service tax.

3. 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 2012-13 to achieve these objectives. The details of these changes are given in paragraphs 9.3 and 13.9.

4. In the financial year 2012-13, 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

5. The Income Tax offices throughout the country continued their drive against tax evaders. During the financial year 2012-2013 (upto December, 2012), **2870** (provisional) search warrants were executed leading to the seizure of assets worth ₹ **450.18** crore (provisional). During the financial year (upto December, 2012), **2603** surveys (provisional) were conducted which yielded a disclosure of undisclosed income of ₹ **8254.41** crore (provisional). As regards assessees, **1.44 lakh** new assessees were added during the financial year (upto November, 2012).

6. The Customs and Central Excise offices also continued their drive vigorously against duty evasion. During the financial year 2012-2013 (upto December, 2012), **321** cases of evasion of Central Excise duty involving ₹ **571 crore** were detected and an amount of ₹ **96** crore was recovered during investigations. In respect of Service Tax, during the same period, **592 cases** involving tax evasion amount of Rs.3055 crore were detected and an amount of ₹ **435** crore was recovered during investigations. Regarding evasion of Customs duty, **710 cases** involving duty of ₹ **1118.92** crore were detected during April – September, 2012. 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 April – September, 2012, in **1646** outright smuggling cases, contraband goods worth ₹ **164.25** crore were seized.

4. Department of Disinvestment

The Department of Disinvestment was set up as a separate Department on 10 December 1999 and was later renamed as Ministry of Disinvestment from 6 September 2001. From 27 May 2004, the Department of Disinvestment is one of the Departments under the Ministry of Finance.

5. Department of Financial Services

The Department of Financial Services (DFS) is mainly responsible for policy issues relating to Public Sector Banks (PSBs) and Financial Institutions (FIs) including their functioning, appointment of Chairman cum Managing Directors (CMDs) & Executive Directors (EDs), legislative matters, international banking relations, appointment of Governor/Deputy Governor of Reserve Bank of India, matters relating to National Bank for Agriculture and Rural Development (NABARD), Agriculture Finance Corporation, co-operative banks, Regional Rural Banks (RRBs), rural / agriculture credit, Financial Inclusion. It is also responsible for matters relating to Insurance sector and performance of public sector insurance companies, administration of various Insurance Acts, pension reforms including the New Pension System (NPS), legislative and other issues regarding the Pension Fund Regulatory and Development Authority (PFRDA) etc.

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 Economic Analysis 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 circulated among the Hon'ble Members of Parliament. The publication presents an estimate of the savings of the Central Government and its departmental undertakings, gross capital formation and the magnitude of the development and consumption expenditure broken up under broad functional heads.

1.4 The Division's report on state of economy provides a synoptic view of the current economic situation and helps in monitoring the performance of the economy. This is circulated to the Cabinet and senior officers of the Government and Indian 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. In addition, the Division 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. An international Seminar 'Delhi Economic Conclave - 2012 on "Reviving Growth" was organized by Economic Division in partnership with NIPFP on 14th & 15th December 2012 wherein researchers, policy makers, industrialists and Ministers from India and abroad participated.

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

- BOP, Global Financial Markets, Institutions and Architecture
- Industry and Infrastructure
- Macro Indicators
- Agriculture and Food Management
- Money and Financial Intermediation
- Public Finance
- Prices
- Social Sector
- Trade and Services
- IES Division
- Climate Finance Cell

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 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.

1.10 Agriculture and Food Management Unit monitors data on agriculture production of Rabi and Kharif crops, progress of monsoon and reservoir storage, 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, National Food Security Mission, Rashtriya Krishi Vikas Yojna, Minimum Support Price for Rabi and Kharif crops, National Food Security, Targeted Public Distribution System and Central Issue Price."

1.11 The Money Unit is responsible for monitoring of money market trends, developments in monetary policy of the Reserve Bank of India, and aggregate trends in credit flows. It analyses of the movements in monetary parameters and also of yields on G-Sec/ Treasury bills, call money rates and Liquidity Adjustment Facility (LAF) operations.

1.12 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 including those relating to tax measure direct and indirect tax proposals/reforms and monitoring and analysis of major central taxes.

1.13 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.

1.14 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.

1.15 Trade and Services Unit is responsible for monitoring India's Foreign Trade, analysis of commodity composition and direction of trade, monitoring of foreign trade policy and multilateral and bilateral trade related issues and Services sector.

IES Division

1.16 The Division is concerned with all aspects of Cadre management of the Indian Economic Service (IES) viz. recruitment, training, promotion, postings, transfers, seniority, deputation and foreign service, study leave, vigilance and disciplinary cases of officers of the service, court cases relating to service matters of the IES, besides providing information under the RTI Act on these matters. The IES Cadre is advised on important policy matters by the high-level IES Board, headed by the Cabinet Secretary. The cadre is managed in accordance with the service rules and extant GOI instructions in force. The total authorized strength of the cadre at various grades is 516, which includes 476 duty posts and 40 as reserves.

1.16.1 The successful candidates (16) of the IES Examination 2010 were given formal posting in various Ministries/Departments/organizations on 19.11.2012 upon completion of their inception-level probationary training. As a part of the training programme, courses were conducted at the "Institute of Economic Growth", Delhi; "National Law School of India University", Bangalore, "National Institute of Public Finance & Policy", Delhi; "National Institute of Financial Management", Faridabad; "North Eastern Council", Shillong; "Bankers Institute of Rural Development", Lucknow; "Indian Institute of Management", Lucknow; "Bhillai Steel Plant", Chhattisgarh; "Indian Institute of Capital Markets", Vashi, Mumbai; "Indian Maritime University", Chennai; Reserve Bank Staff College, Chennai; "National Institute of Micro, Small and Medium Enterprises", Hyderabad; "Dr. MCRHRD Institute of AP", Hyderabad (Foundation Course); "Bureau of Parliamentary Studies", Delhi; Attachment with Regulatory Bodies; "National Centre for Agricultural Economics and Policy", New Delhi, Civil Service College, Singapore and district level attachment with State Governments in Bihar, Maharashtra, Karnataka and Odisha.

1.16.2 During the year, 29 candidates were declared successful in the IES examination 2011. Out of total 29 candidates, 18 candidates joined the Service on 3.9.2012 with the Foundation Course which was conducted at Dr. MCR HRD, Hyderabad. After completing the Foundation Course, the 11 Probationers who had taken exemption from the Foundation Course also joined the training along with the rest of the batch on 17.12.2012.

1.16.3 A Comprehensive Training Policy to augment the in-service training of the IES is being implemented for the in-service officers. As per the policy, a compulsory mid-career training is being implemented for IES officers. Each mid-career training course is of six week's duration, comprising four weeks of domestic learning component and two weeks of overseas learning component. Two mid-career training courses have been conducted in 2012-13 through the Indian Institute of Management, Lucknow.

1.16.4 In addition, regular training courses have been conducted for serving IES officers in several Institutes such as (i) "Administrative Staff College of India (ASCI)", Hyderabad on Macro-economic Policy and Public Private Partnership in social sector (ii) "Duke University", Durham, USA on Project Appraisal and Risk Management and (iii) "Civil Service College", Singapore on Public Governance and Economic Development: Singapore's experience and lessons for India. Officers are also being nominated for the courses conducted by the Joint India-IMF Training Programme held at Pune. In addition to the 40 officers who attended the Mid-career Training Programme, 39 IES officers have attended the other In-service training courses organized by the IES Cadre during the year.

1.16.5 During 2012-13, promotions have taken place in respect of different grades of the service. Two officers were promoted to the Higher Administrative Grade, thirty two officers were granted Non-Functional Selection Grade and twelve Senior Time Scale officers were promoted to Junior Administrative Grade. Fifteen officers of Junior Time Scale were promoted to Senior Time Scale and twenty one officers from the feeder post holders were inducted into the Service. A proposal for promotion to SAG for vacancy year 2012-13 has been submitted to UPSC.

1.16.6 In line with recommendations of the Sixth Central Pay Commission and instructions issued by the Department of Personnel and Training (DOPT) thereof, up-gradation to HAG, on non-functional basis, has been granted to 6 officers of the 1980 batch and up-gradation to SAG, on non-functional basis, has been granted to 5 officers of 1991 and earlier batches.

1.16.7 Pursuant to the instructions issued by the DOPT regarding the need to have transparency and fairness in the performance appraisal system of officers, the Cadre Authority of the IES has taken effective steps to ensure that the performance appraisal in the Annual Performance Assessment Report (APAR) of IES officers is disclosed to the officers by the concerned Ministry/Department. The APAR format for reporting of assessment in respect of IES officers has also been revised, which is being implemented from the reporting year 2009-10 onwards.

1.16.8 The Civil List of the Indian Economic Service is being brought out every year since 2005, which provides basic information of the officers of the Service. The Civil List as on 1.4.2012, which is the sixth issue, has been published. This edition has additional features over and above what appeared in the earlier versions such as incorporating the photographs of officers and giving details of postings of the officers during the last 5 years and the e-mail addresses of officers.

1.16.9 Recognizing the need for matching the profile and expertise of the officers with the job entrusted to them, so that the officers are able to perform better, the IES Cadre has hired a consultant M/s Consultancy Development Centre to prepare the executive profile of the officers and job profiles of each cadre post of the Service at all levels. This exercise will facilitate the Cadre for undertaking training needs assessment since it will help in identifying the gaps in the skill sets of officers and the requirements of the job they are entrusted.

1.16.10 The two websites, "Arthapedia" [the knowledge website - www.arthapedia.in], a portal for facilitating understanding of the Indian Economy and its governance by explaining the concepts used in the economic policy domain in India and the website of the Service [www.ies.gov.in] which were launched at the Golden Jubilee celebrations of the Service are being maintained regularly by the M/s Cross Sections Pvt. Ltd. They are being updated from time to time.

2. Budget Division

2.1 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. The Division is also responsible for dealing with issues relating to Public Debt, market loans of the Central Government and State Government's borrowing and lending, guarantees given by the Government of India and the Contingency 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.

2.2 This Division also deals with 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, 2012 to 31st March, 2012, 21 Reports of the C&AG of India were laid before the Parliament and 36 entrustments/re-entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

2.3 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 Reviews including Mid-term Review ware presented in Parliament in accordance with the requirements of the FRBM Act.

2.4 NATIONAL SMALL SAVINGS:

2.4.1 Small Savings Scheme:

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), National Savings Certificate (IX-Issue) and Public Provident Fund.

2.4.2. Small Savings Collections:

The gross deposits under various small savings schemes during 2012 - 13 (upto November, 2012) were ₹ 1,38,527 crore as against the deposit of ₹ 1,32,301 crore during the same period last year. An amount of ₹13,500 crore (Approx.) is proposed to be transferred as share of net small savings collections to the States and Union Territories (with legislature) during the current fiscal, as against the sum of ₹ 10,812 crore transferred last year.

2.4.3. 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 States/Union Territories (with legislature)/ Central Governments. The minimum obligation of States to borrow from the National Small Savings Fund (NSSF) was brought down from 100 per cent to 50 per cent of net collections w.e.f. 1st April, 2012.

2.4.4. Interest Rates on Small Savings Instruments

(i) The rate of interest on small savings schemes has been aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (new instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps. The interest rates for every financial year will be notified before 1st April of that year.

(ii) The rate of interest on various small savings schemes for current financial year on the basis of the interest compounding/payment built in the schemes, is shown in table 1.1 below:-

Instrument	Rate of interest % Before 1.12.2011	Rate of interest % After 1.12.2011	Rate of interest % After 1.4.2012
Savings Deposit	3.50	4.0	4.0
1 year Time Deposit	6.25	7.7	8.2
2 year Time Deposit	6.50	7.8	8.3
3 year Time Deposit	7.25	8.0	8.4
5 year Time Deposit	7.50	8.3	8.5
5 year Recurring Deposit	7.50	8.0	8.4
5-year SCSS	9.00	9.0	9.3
5 year MIS	8.00 (6 year MIS)	8.2	8.5
5 year NSC	8.00 (6 year NSC)	8.4	8.6
10 year NSC	New Instrument	8.7	8.9
PPF	8.00	8.6	8.8

2.5 Government Borrowing

2.5.1 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2012-13 at ₹5,69,616 crore (Gross) and ₹4,79,000 crore (net).

2.5.2 During the year, Government continued with the policy of announcement of half yearly indicative market borrowing calendar based on its core borrowing requirements.

2.5.3 The weighted average yield and maturity of dated securities issued during 2012-13 (April 2012 to March 2013) as a whole were 8.36% and 13.50 years respectively, as compared to 8.56% and 12.45 years in the corresponding period of the financial year 2011-12.

2.5.4 Detailed analysis of existing debt and liabilities of the government is brought out in the annual debt status papers, published during 2010-11 and 2011-12. (These are available in www.finmin.nic.in).

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

2.6.1 Administration of Fiscal Responsibility and Budget Management Act (FRBM), 2003 and the Rules framed there under came into effect in July, 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 Central 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 certain Statements and present them in the Parliament. Accordingly, during the period from January, 2012 to December, 2012, the following documents were presented in the Parliament.

(i) Medium-Term Fiscal Policy Statement 2011-12
(ii) Fiscal Policy Strategy Statement 2011-12
(iii) Macro-Economic Framework Statement 2011-12

} Presented along with the Budget

(iv) Quarterly Statements on Review of the trends in receipts and expenditure in relation to the budget.

(a) Third Quarter report for the year 2011-12
(b) Fourth Quarter report for the year 2011-12
(c) First Quarter report for the year 2012-13
(d) Mid-Year Review for the year 2012-13

2.6.2 The details of fiscal performance during 2011-12 and April-December, 2012-13 is shown in Table No.1.2

Item	2011-12 (Pro.)	2012-13 B.E.	Actuals Up to Nov., 2012
	(as percentage of GDP)		
Revenue Deficit	4.3	3.4	91.2
Fiscal Deficit	5.8	5.1	80.4
Gross Tax Revenue	10.1	10.6	50.5

2.6.3 During the above period, Fiscal Responsibility and Budget Management Act,2003 was also amended and a new statement namely Medium Term Fiscal Expenditure Framework Statement was introduced and presented in the Parliament on 07th September, 2012.

2.6.4 Section 3 of the FRBM Act, 2003 has been amended to require the Government to lay a statement viz. the Medium Term Expenditure Framework (MTEF) in both Houses of Parliament, immediately following the session of the Parliament in which the budget has been presented.

2.6.5 The MTEF is to set forth a three-year rolling target for the expenditure indicators with specification of underlying assumptions and risks involved. The objective of the MTEF is to provide a closer integration between budget and the FRBM statements and to further the Government's commitment towards fiscal consolidation.

2.6.6 Accordingly, the MTEF Statement was laid in both the Houses of the Parliament on 7th of September, 2012. The details of projections for next two year i.e. 2013-14 and 2014-15 is shown in table 1.3.

MEDIUM TERM EXPENDITURE FRAMEWORK

A. MEDIUM-TERM EXPENDITURE PROJECTIONS

₹ crore

	Revised Estimate 2011-12	Budget Estimates 2012-13	Projection for next Two years	
			2013-14	2014-15
Revenue Expenditure				
1. Salary	51231	65125	69684	74561
2. Interest	275618	319759	362387	405560
3. Pension	56190	63183	68238	73697
4. Subsidies				
a. Fertiliser	67199	60974	63264	65735
b. Food	72823	75000	85000	95000
c. Petroleum	68481	43580	43580	43580
5. Centralised provision for Grants to States	118638	147225	176689	200388
6. Defence	104793	113829	121797	130322
7. Postal Deficit	5573	5727	5154	4639
8. External Affairs	5556	6696	7045	7437
9. Home Affairs	12846	14417	15073	15929
10. Tax Administration	6712	2499	2499	2624
11. Finance	12536	16545	16125	17670
12. Education	61266	64829	77001	93528
13. Health	24945	30169	38977	47988
14. Social Welfare	27352	31253	33802	37813
15. Agriculture and Allied	23459	26075	31769	37870
16. Commerce and Industry	13996	16512	13941	15931
17. Urban Development	2258	2622	2843	3176
18. Rural Development	83498	95746	97839	107032
19. Development of North East	1520	1736	1909	2195
20. Planning and Statistics	4375	6268	8305	8504
21. Scientific Departments	9608	11048	12953	16045
22. Energy	8087	10445	13782	11383
23. Transport	18550	21634	9178	9838
24. IT and Telecom	3801	5904	6484	7438
25. Union Territories	4490	5699	5961	6364
26. Others	16540	21608	21035	22299
Total-Revenue Expenditure	**1161940**	**1286109**	**1412314**	**1564547**
of which				
Grants for Creation of Capital Assets	*137505*	*164673*	*205841*	*257301*

Table 1.3

(₹ crore)

	Revised Estimate 2011-12	Budget Estimates 2012-13	Projection for next Two years 2013-14	2014-15
Capital Expenditure				
1. Defence	66144	79579	89924	102513
2. Home Affairs	6054	9678	10945	10744
3. Finance	14764	31088	18705	23130
4. Health	1328	2323	2900	3478
5. Commerce and Industry	1744	1715	2843	3515
6. Urban Development	6199	6912	8424	10368
7. Planning and Statistics	483	533	609	698
8. Scientific Departments	1600	3395	3735	4015
9. Energy	7560	8153	9055	10337
10. Transport	33835	39547	59423	71039
11. IT and Telecom	238	1680	1848	2070
12. Loans to States	10000	11000	12100	13310
13. Union Territories	1473	1839	2032	2278
14. Others	5358	7375	8169	9718
Total-Capital Expenditure	**156780**	**204816**	**230712**	**267213**
Total Expenditure	**1318720**	**1490925**	**1643026**	**1831760**

2.7 Public Debt

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 is under implementation in forty six demands for Grants. The revised guidelines, which came into effect with effect from April 1, 2007, provide that the Monthly Expenditure Plans (MEP) 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. It has also been decided that all the Demands for Grants irrespective of whether they are covered under Cash Management System or not, are required to prepare and send their MEP and Quarterly Expenditure Allocations (QEA) to Cash Management Cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding expenditure management. 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

2.8 Debt Management Office

2.8.1 Consequent upon the announcement in the Union Budget 2007-08, Middle Office was set up in September 2008. The major focus of Middle Office is on skill buidling and developing expertise required for a fully functional debt management office. The major functions, inter alia, include work related to legislation of the 'Public Debt Management Agency of India', developing debt management strategy, planning of periodic calendars for issuance of Government securities, forecasting cash and borrowing requirements, developing and disseminating debt related information.

2.9 Committee on Roadmap of Fiscal Consolidation

2.9.1 A Committee had been constituted on Roadmap of Fiscal Consolidation under Chairmanship of Dr. Vijay L.Kelkar. Dr. Indira Rajaramana and Dr. Sanjiv Misra were the other members of the Committee.

2.9.2 This Committee was mandated to give a report outlining a roadmap for fiscal consolidation in a medium term framework in pursuit of the FRBM Act and related targets. The Committee was also charged with the task of introducing mid-term corrections in the current fiscal year 2012-13 and to chart a medium term framework on this basis, for the remaining time horizon of the Thirteenth Finance Commission.

2.9.3 The Committee has recommended a number of reform measures in taxation, disinvestment and expenditure. On the taxation side, the Committee has strongly advocated a transition to the Goods and Services Tax (GST) and a quick review of the Direct Taxes Code (DTC) before its introduction and passing in Parliament. Besides, the Committee has recommended administrative measures to improve tax collection. On disinvestment, the Committee has suggested a number of new models for disinvestment and has also urged Government to disinvest its residual stake in some companies that were privatized earlier. On the expenditure side, the Committee has suggested rationalization of schemes and strict control and monitoring of expenditure. These recommendations are wholesome and have been accepted by the Government, with certain reservations. Department of Revenue and

Department of Expenditure have initiated action on the recommendations of the Committee. Department of Disinvestment has obtained approval of the Cabinet for disinvestment in Hindustan Copper Limited, NALCO, SAIL, RINL, BHEL, OIL, MMTC and NMDC.

2.9.4 Government has also decided to adopt the following plan of fiscal consolidation during the period 12th Plan i.e. from 2012-13 to 2016-17.

Year	Fiscal Deficit (%)
2012-13	5.2
2013-14	4.8
2014-15	4.2
2015-16	3.6
2016-17	3.0

2.10 Constitution of the Fourteenth Finance Commission

2.10.1 In pursuance of clause (1) of article 280 of the Constitution, read with the provisions of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President constituted the Fourteenth Finance Commission under the Chairmanship of Dr. Y.V.Reddy, former Governor, Reserve Bank of India and the following four other Members, namely:-

1.	Prof Abhijit Sen Member, Planning Commission	Member (Part Time)
2.	Ms.Sushma Nath Former Union Finance Secretary	Member
3.	Dr.M.Govinda Rao Director, National Institute for Public Finance and Policy, New Delhi	Member
4.	Dr.Sudipto Mundle Former Acting Chairman, National Statistical Commission	Member

2.10.2 Shri Ajay Narayan Jha shall be the Secretary to the Commission. The Terms of Reference have also been approved by the Cabinet and indicated in the Notification.

2.10.3 The Notification, in this regard, has been published in the Gazette of India (Extraordinary) vide S.O. 31(E) dated 2nd January, 2013. The Commission has been asked to make its report available by the 31st day of October, 2014, covering the period of five years commencing on the 1st day of April, 2015.

2.11 Hindi Branch

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

2.11.2 The translation of other documents as envisaged in the Official Language Act, 1963 and Rules made there under was also undertaken by the Hindi Branch during the year under report. These include agreements with Foreign Governments and International Agencies, Cabinet Notes, Parliament questions/assurances, notifications, Standing Committee papers, monthly summary for the Cabinet, External Assistance Report etc.

3. Capital Market Division

3.1 IC SECTION

- International cooperation in Capital Markets
- Financial Stability Board (FSB)
- Financial Sector Assessment Program (FSAP)
- NIPFP-DEA Research Program
- Interaction with financial analysts and economist
- Any other matter, as may be assigned

3.2 Financial Stability Board

3.2.1 The Financial Stability Forum (FSF) was established by the G7 Finance Ministers and Central Bank Governors in 1999 to promote international financial stability through enhanced information exchange and international cooperation in financial market supervision and surveillance. It was re-launched as the Financial Stability Board (FSB) in 2009 with an expanded membership from the G20 countries and a broadened mandate to promote financial stability. FSB includes national financial authorities (central banks, supervisory authorities and finance ministries) from the G20 countries, as well as international financial institutions, international regulatory and supervisory groupings, committees of central bank experts and the European Central Bank.

3.2.2 India is an important member of the FSB and has three seats in its Plenary: Secretary (Department of Economic Affairs)-Government of India; Deputy Governor-Reserve Bank of India; and Chairman-Securities and Exchange Board of India.

3.2.3 The G20 has given FSB a strong political mandate and a comprehensive list of tasks. FSB's core functions include the following: to assess the vulnerabilities affecting the financial system and to identify and oversee actions needed to address them; to coordinate the actions of national authorities and international standard setting bodes in driving forward strong regulatory, supervisory and other financial policies in the interest of financial stability; and to promote consistent implementation of international standards and agreed policies. The FSB Secretariat is hosted by the Bank of International Settlements headquartered at Basel, Switzerland.

At present, FSB is working towards financial sector reforms in the area of resolution regimes, shadow banking, OTC derivatives market reforms, global system of legal entity identifier, capital and liquidity framework for banks, etc.

3.2.4 Government interacts with the Financial Stability Board on a regular and ongoing basis through periodic conference calls and meetings. Information is exchanged with FSB member jurisdictions frequently as per international norms and requirements. The Capital Markets Division of the Ministry of Finance coordinates with the various financial sector regulators and other relevant agencies to consolidate, formulate and share India's views on important issues being considered by FSB. In turn, FSB shares information with the G20 which periodically monitors the progress made by FSB.

3.3 Financial Stability Assessment Programme

3.3.1 Under the G20 forum, FSB Members have committed to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards and agree to undergo periodic peer reviews, using among other evidence, the IMF-World Bank Financial Sector Assessment Program (FSAP) reports and publishing the results of these assessments.

3.3.2 As a Member of FSB, India requested IMF/World Bank to conduct such a review by way of a full-fledged FSAP. Accordingly, India's FSAP was conducted during 2011-12. The objectives of the FSAP mission were to review developments since the 2001 pilot FSAP and the Indian self-assessment completed in 2009, and to assess and formulate recommendations related to financial stability, financial development, and the financial sector oversight framework.

3.3.3 The mission worked closely with RBI, IRDA, SEBI, and the Ministry of Finance. It met with several representatives of government, academia, and the public and private sectors. Preliminary findings and recommendations were discussed with the heads and senior staff of RBI, IRDA, SEBI, and the Ministry of Finance.

3.3.4 One of the FSAP Reports – Financial System Stability Assessment (FSSA) Update - on India has been published by IMF on 15 Jan 2013. RBI, after consulting with SEBI, IRDA, and the Government, has issued a Press Release on 16 Jan 2013 indicating the views of Indian authorities on this matter.

3.3.5 Despite having reservations on a few issues, overall the Indian authorities expect the FSAP exercise to play a significant role in shaping our post-crisis initiatives to strengthen the regulatory and supervisory architecture based on the evolving international consensus as well as careful examination of their relevance in the India-specific context. As a member of the FSB, BCBS and IMF, India is actively participating in post-crisis reforms of the international regulatory and supervisory framework under the aegis of the G20. India remains committed to adoption of international standards and best practices, in a phased manner and calibrated to local conditions, wherever necessary.

3.4 Sovereign Credit Rating of India

3.4.1 India's sovereign debt is usually rated by six major Sovereign Credit Rating Agencies (SCRAs). These are Fitch Ratings, Moody's Investors Service, Standard and Poor's (S&P), Dominion Bond Rating Service (DBRS), Japanese Credit Rating Agency (JCRA) and Rating and Investment Information Inc., Tokyo (R&I).

3.4.2 Various reform measures being taken by the Government are, interalia, expected to strengthen the argument for improvement in India's sovereign credit rating. These measures include steps taken for bringing about fiscal consolidation, for improving the efficiency of government spending, for improving long-term growth prospects, and for improving the investment climate.

3.4.3 Steps have also been taken to improve the level of and structure of Government's interaction with SCRAs. These include:

(i) An Inter-departmental Committee has been constituted under the Chairmanship of Additional Secretary (DEA), with representatives from concerned Departments as its Members, to examine the methodology and approach for dealing with the SCRAs.

(ii) A structured interaction process has been started to provide SCRAs with information they need. During these interactions, Government presents its perspectives about the strengths of the Indian economy and recent initiatives taken by it. SCRAs are encouraged to also consider the long-term credit strengths of the Indian economy in a holistic manner.

(iii) Necessary documents on the various questions raised by SCRAs are provided to them. A presentation about the comparative position of India and other similarly rated economies on key economic indicators is also given before the SCRAs.

(iv) DEA has begun interacting with these agencies on a more regular basis giving clarifications and updates, where necessary.

(v) Meetings of SCRAs with Secretary (EA)/Chief Economic Advisor have been organized on the sidelines of World Bank – IMF Annual Meetings in 2012.

3.5 NIPFP- DEA Research Program

3.5.1 With a view generating and utilizing policy-oriented research on various areas of interest to the Department of Economic Affairs (DEA), the department had joined hands with the National Institute for Public Finance and Policy (NIPFP) in August 2007 to set up the NIPFP-DEA Research Program on Capital Flows and their Consequences. Subsequently, the Research Program was continued for two more years from 2009-11, during which the focus remained rooted in obtaining new insights into various dimensions of financial and monetary policy.

3.5.2 On March 7, 2012, a fresh MoU was signed between DEA and NIPFP for the third Research Program for a period of two years. As per the MoU between NIPFP and DEA, NIPFP shall undertake a Research Program involving:

a) a series of studies/projects
b) two international conferences a year
c) a monthly presentation on recent developments in the Indian macroeconomics
d) short policy notes and policy support.

3.5.3 As on 15 Jan 2013, NIPFP has submitted four study papers and five policy notes. Two research conferences have also been held under the program.

3.6 EXTERNAL COMMERCIAL BORROWINGS SECTION

3.6.1 ECB Section in the Capital Markets Division deals with the followings:

- Periodical review and formulation of ECB Policy & procedures;
- Policy relating to FCCBs, ADR / GDR
- FIIs Portfolio Investment policy;
- Qualified Foreign Investors (QFIs) Scheme.

3.7 External Commercial Borrowings (ECB) Policy

3.7.1 External Commercial Borrowings (ECBs) are being permitted by the Government as an additional source of finance to augment the resources available domestically to Indian corporate for financing import of capital goods, new projects, modernization / expansion of existing production units in real sector - industrial sector including small and medium enterprises (SME) and infrastructure sector – and in the services sector viz. hotels, hospitals and software companies for import of capital goods, for foreign currency and / or rupee capital expenditure within an overall annual ceiling, consistent with prudent debt management. End-uses of ECB for working capital, general corporate purpose and repayment of existing rupee loans are not permitted in general except certain exceptions.

3.7.2 ECBs are an important source of offshore funding which help in supplementing domestic resources for financing domestic investment / capital formation in the country. ECBs are meant for encouraging long-term and low cost funding for infrastructural development and export sector financing of the economy. ECB policy is reviewed regularly by the Government in consultation with Reserve Bank of India (RBI) keeping in view the needs of the corporate sector, external debt liability and foreign exchange reserves position of India reflecting the evolving macroeconomic situation, domestic market conditions, sectoral requirements etc.

3.7.3 Currently, Indian companies are allowed to access funds from abroad in the following methods:

3.8 Methods of accessing funds from abroad as debt:

- **External Commercial Borrowings (ECB)** refer to commercial loans in the form of bank loans, buyers' credit, suppliers' credit, securitized instruments (e.g. floating rate notes and fixed rate bonds, non-convertible, optionally convertible or partially convertible preference shares) availed of from non-resident lenders with a minimum average maturity of 3 years.

- **Foreign Currency Convertible Bonds (FCCBs)** mean a bond issued by an Indian company expressed in foreign currency, and the principal and interest in respect of which is payable in foreign currency. Further, the bonds are required to be issued in accordance with the scheme viz., "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993", and subscribed by a non-resident in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part, on the basis of any equity related warrants attached to debt instruments. The ECB policy is applicable to FCCBs as well. The issue of FCCBs is also required to adhere to the provisions of Notification FEMA No. 120/ RB-2004 dated July 7, 2004, as amended from time to time.

- **Preference shares (i.e. non-convertible, optionally convertible or partially convertible)** for issue of which, funds have been received on or after May 1, 2007 would be considered as debt and should conform to the ECB policy. Accordingly, all the norms applicable for ECB, viz. eligible borrowers, recognized lenders, amount and maturity, end use stipulations, etc. shall apply. Since these instruments would be denominated in Rupees, the rupee interest rate will be based on the swap equivalent of LIBOR plus the spread as permissible for ECBs of corresponding maturity.

➢ **Foreign Currency Exchangeable Bond (FCEB)** means a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. The FCEB must comply with the "Issue of Foreign Currency Exchangeable Bonds (FCEB) Scheme, 2008", notified by the Government of India, Ministry of Finance, Department of Economic Affairs vide Notification G.S.R.89(E) dated February 15, 2008. The guidelines, rules, etc governing ECBs are also applicable to FCEBs.

3.9 ADR/GDR/FCCB Scheme

- A scheme was initiated during 1993 named Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 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 (GDR) and American Depository Mechanism (ADR).
- An expert committee under the Chairmanship of Sh. Saumitra Chaudhuri, Member, Economic Advisory Council to the Prime Minister was set up by this Department to review/streamline the ADR/GDR policy. The recommendations of the committee were considered and are under implementation.

3.10 Foreign institutional Investors (FIIs) investment under Portfolio Investment scheme

- 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, Investment Trusts, Asset Management Companies, Nominee Companies and Incorporated/ Institutional Portfolio Managers or their power of attorney holders 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 also 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. FIIs are now permitted to trade in all exchange traded derivative products as approved by SEBI subject to trading limits of trading members and their clients as prescribed by SEBI.
- According to SEBI's FII Regulations (1995) an individual FII can invest up to a maximum of 10% of th total paid up capital of Indian company. Total holdings of all FIIs put together shall not exceed 24% of the paid up capital. This limit of 24% can be increased to the sectoral cap / statutory limit, as applicable to the Indian company under FDI policy by passing a resolution of its Board of Directors.

3.11 Foreign Venture Capital Investors (FVCIs) scheme

- As per SEBI guidelines, any company or trust or a body corporate can apply to carry on any activity as a venture capital fund, except a small negative list which includes NBFC (except those which are engaged in gold financing for jewellery) and activities not permitted under industrial policy of Government of India.
- A venture capital fund may raise monies from any investor whether Indian, foreign or non-resident Indians by way of issue of units.
- A VCF has to invest at least 66.67% of the investible funds in unlisted equity shares. However, 33.33% could be invested in, among others, IPOs of an undertaking whose shares are proposed to be listed, Preferential allotment of equity shares of a listed company subject to lock in period of one year, the equity shares or equity linked instruments of a financially weak company or a sick industrial company whose shares are listed.

3.12 Qualified Foreign Investors (QFIs) Scheme to Access Indian Capital Market

3.12.1 In the Budget 2011-12, the Government, for the first time, permitted Qualified Foreign Investors (QFIs) who meet the KYC norms, to directly invest in Indian Mutual funds (MFs). In brief QFIs shall include individuals, group or associations, resident in a foreign country that is a Member of the Financial Action Task Force (FATF) or a member of a group which is member of FATF and a signatory of IOSCO's MMOU or a signatory of a bilateral MOU with SEBI subject to other terms and conditions. QFIs do not include FIIs / sub-accounts / FVCI.

3.12.2 In January, 2012, the Government expanded this scheme to allow QFIs to directly invest in Indian Equity Markets. Taking the QFI scheme forward, as announced in Budget 2012-13 QFIs have also been allowed to invest in corporate debt securities and Mutual fund debt schemes subject to a total overall ceiling of US$ 1 billion. In May, 2012, QFIs were also allowed to open individual non-interest bearing Rupee Bank Accounts with Authrosied Dealers banks in India for receiving funds and making payment for transactions in securiti3s they are eligible to invest. In June 201'2, the definition of QFI was expanded to also include residents of the member countries of Gulf Co-operation Council (GCC) and European commission as GCC and EC as the members of FATF. In order to publicize the QFI scheme among foreign investors and to showcase India as an attractive interment destination, a road-show titled "India: The Incredible Investment Destination" was also organized during June 190-14, 2012 in five cities in the Gulf region, viz. Riyadh, Dubai, Muscat, Kuwait and Bahrain.

3.12.3 Thus, the QFI framework has now been extend to all three important segments of the Indian Capital markets namely Mutual Funds, Equity Market and Corporate Bond Market which is vital for widening the class of investors, attracting more foreign funds, reducing market volatility and deepening the Indian capital market.

3.13 Initiatives to attract Foreign Institutional Investors (FII) Investment

(a) FIIs have been permitted to invest in Indian securities markets since September 1992. SEBI notified FII Regulations in November 1995. FIIs registered with SEBI are permitted to invest in Indian securities market under the Portfolio Investment Scheme (PIS), subject to the terms and conditions as stipulated by RBI & SEBI from time to time. According to SEBI's FII Regulations (1995), an Individual FII can invest up to a maximum of 10 per cent of the total paid-up capital of Indian company Total holdings of all FIIs put together shall not exceed 24 per cent of the paid up capital. This limit of 24 per cent can be increased to the sectoral cap / statutory limit, as applicable to the Indian company under FDI policy by passing a resolution of its Board of Directors.

(b) As regards FIIs investment in debt societies in India, there has been progressive enhancement in the quantitative limits for FII investments in various debt categories keeping in view its evolving macroeconomic scenario and the need for financing growing private corporate sector investments. In June 2012, the FII limit for investment in G-Sec was enhanced by US $ 5 billion raising the cap to US $ 20 billion.

(c) The scheme for FII investment in Long-term infra bonds has been made attractive by gradual reduction in lock-in and residual maturity period criteria.

(d) In November 2012, the limit for FII investment in G-Securities and Corporate bonds (non-infra category) have been further enhanced by 5 billion each taking the total limit prescribed for FII investment to USD 25 billion in G-Secs and USD 51 billion for corporate bonds (Infra+Non-infra).

(e) FIIs debt allocation process has also been reviewed to bring greater certainty among foreign investors and help them to periodically rebalance their portfolios which are in sync with the international portfolio management practice. Further, FIIs allowed to participate in the exchange traded Currency Futures (CF) market only for hedging to the extent of their underlying INR exposures.

3.14 Liberalisation in External Commercial Borrowings (ECB) Policy during 2012-13

(a) A prospective borrower can access ECB under two routes, namely the automatic route and the approval route. A corporate, other than a financial intermediary, registered under the Companies Act, 1956, can access ECB under the automatic route up to US Dollar $ 750 million in a financial year for both rupee expenditure and/or foreign currency expenditure for permissible end uses. The borrowers in the services sector viz. hotels, hospitals and software companies can access ECB under the automatic route up to US$ 200 million in a financial year for import of capital goods, for rupee and / or foreign currency capital expenditure and NGOs & MFIs engaged in micro finance activities up to US$

10 million in a financial year. The ECB which is not covered by the automatic route is considered under the approval route on a case-by-case basis by RBI.

(b) ECBs are an important source of offshore funding which help in supplementing domestic resources for financing domestic investment/ capital formation in the country. ECBs are meant for encouraging long-term and low cost funding for infrastructural development and export sector financing of the economy. The External Commercial Borrowings (ECB) policy is reviewed and modified periodically by the Government in consultation with RBI in tune with the evolving macro economic situation, domestic investment demand and external sector developments to facilitate the flow of funds to key sectors like manufacturing and infrastructure, to augment the growth potential of the economy.

(c) A number of important steps have been taken to liberalise the ECB policy with a view to augment resource availability for Infrastructure development. The important steps taken in the arena of ECB policy liberalisation include enhancing the limit for refinancing rupee loans through ECB from 25% to 40% for Indian companies in the power sector, allowing ECB for capital expenditure on the maintenance and operations of toll systems for roads and highways so long as they are a part of the original project subject to certain conditions, and also for low cost housing projects. Besides, the rate of withholding tax has been reduced from 20 per cent to 5 per cent for a period of three years (July 2012- June 2015). on interest payments on money borrowed in foreign currency and a new ECB scheme of US $10 billion has been introduced for companies in the manufacturing and infrastructure sector. SIDBI has also been permitted as an eligible borrower for accessing ECB for on-lending to MSME sector subject to certain conditions. National Housing Bank/ Housing Finance Companies have also been permitted to avail ECBs for financing prospective owners of low cost / affordable housing units and the definition of Infrastructure under the ECB policy is being revised in consonance with the decision of the Cabinet Committee on Infrastructure (CCI). These measures are expected to provide a boost to infrastructure sector development in the country.

3.15 Policy developments the Derivatives Markets

(a) **Currency Derivatives:** Exchange Traded Currency Futures were launched in India in August 2008, Currency futures were initially traded only in US-INR currency pairs. Subsequently, based on the market feedback, trade in three other currency pairs namely Euro-INR, GBP-INR and JPY-INR were also introduced. Trade in currency options was launched in October, 2010. During the last four years since its inception, the growth of the exchange traded currency derivatives market has been gradual both in terms of the volume and the open interest.

(b) **Interest Rate Futures (IRF) and Credit Default Swaps (CDS):** Trade in interest rate futures for 10-year notional coupon bearing GOI security was introduced in NSE in August 2009. Subsequently the facility of trading of IRFs on 91-Day Treasury Bills and the introduction of cash settled IRF on notional 2-year and 5 year coupon bearing Government of India securities was extended. IRFs enable money market participants to hedge against interest rate fluctuations.

3.15.1 RBI introduced CDS for listed corporate bonds with effect from December 1, 2011. Subsequently, taking into account the feedback received from the market and suggestions of the Technical Advisory Committee on Money, Foreign Exchange and Government Securities Markets, the existing guidelines have been reviewed and it has been inter-alia decided that In addition to listed corporate bonds, CDS shall also be permitted on unlisted but rated corporate bonds even for issues other than infrastructure companies. The objective of introducing Credit Default Swaps (CDS) on corporate bonds is to provide market participants a tool to transfer and manage credit risk in an effective manner through redistribution of risk. CDS as a risk management product offers the participants the opportunity to hive off credit risk and also to assume credit risk which otherwise may not be possible. Since CDS have benefits like enhancing investment and borrowing opportunities and reducing transaction costs while allowing risk-transfers, such products would increase investors' interest in corporate bonds and would be beneficial to the development of the corporate bond market in India.

3.16 FII Investment in 2012

3.16.1 Foreign Portfolio Investment plays a crucial role in the Indian capital market. Despite a slowdown during the early part of the calendar year 2012, FIIs have invested USD 31 billion in the calendar year 2012, out of which equity investment were to the tune of USD 24.4 billion. High investment in equity segment is a reflection of buoyant yields of Indian companies and confidence of foreign investors on the strong macroeconomic fundamentals of Indian economy. FIIs have also been active in debt segment. The Net FII investment in debt segment in the calendar year 2012 was US$ 6.6 Billion.

TOTAL NET FII INVESTMENT (EQUITY + DEBT) TO INDIA DURING 2007-2012

(IN US $ MILLION)

Segments	2007	2008	2009	2010	2011	2012
Equity	17655.8	-11974.3	16869.84	29361.8	-357.8	24372.28
Debt	2340.1	2636.4	1637.83	10112.2	8654.62	6642.82
Total	**19995.9**	**-9337.9**	**18507.67**	**39474**	**8296.82**	**31015.10**

Source-SEBI

➢ **Trends in External Commercial Borrowings (ECBs)**

Consolidated Data on ECB / FCCBs registered with RBI From 2006-07 to 2011-12

(In USD Billion)

Heads	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	April–Nov..2012
ECB	18.06	22.75	16.74	17.59	24.62	34.40	18.81
FCCBs	5.20	6.15	0.46	4.08	1.16	1.57	1.14
Total	**23.26**	**28.90**	**17.20**	**21.67**	**25.78**	**35.97**	19.95
Auto Route	15.88	18.33	8.37	13.97	16.29	25.82	12.40
Approval Route	7.39	10.56	8.83	7.71	9.49	10.14	7.55

Source: RBI

3.17 SM SECTION

3.17.1 Notified the Rajiv Gandhi Equity Savings Scheme (RGESS)

3.17.1.1 The Government on 23rd November 2012 notified a new tax saving scheme called “Rajiv Gandhi Equity Savings Scheme” (RGESS), exclusively for the first time retail investors in securities market. This Scheme would give 50% deduction of the amount invested from the taxable income for that year to new investors who invest up to ₹50,000 and whose annual income is below ₹10 lakh. The operational guidelines were issued by SEBI on 6th December 2012.

3.18 Electronic Voting Facility made mandatory for top listed companies

3.18.1 Union Budget 2012-13 has made it mandatory for top listed companies to offer electronic voting facility to its shareholders. On 13 July 2012, SEBI has come out with necessary amendments to be made to the equity listing agreement by stock exchanges in this regard. To make a beginning electronic voting is now made mandatory for top 500 listed companies at Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), chosen based on market capitalization, in respect of those businesses to be transacted through postal ballot. This was made applicable for the shareholders’ meetings, for which notices were issued on or after October 01, 2012.

3.19 Launched SME Exchange / Platform

3.19.1 Separate trading platforms for small and medium scale enterprises (SMEs) were launched and became functional at BSE and NSE in March, 2012 and September 2012 respectively. As on 14th January 2013, the number of equities listed on the BSE and NSE SME platforms is 12 and 2, respectively.

3.20 Reduced Securities Transaction Tax (STT) for cash delivery transactions by 20%

3.20.1 Following the Union Budget announcement of 2012-13 the rate of STT has been revised downwards by 20% to 0.1% from 0.125% for delivery based transactions in the cash market, with effect from 1st July 2012.

3.21 Reformed the regulatory framework for governance and ownership of stock

exchanges, clearing corporations and depositories:

3.21.1 Based on the recommendations of the Dr. Bimal Jalan Committee, a revised policy for the ownership structure and governance of securities market infrastructure institutions (MIIs) like, depositories, clearing corporations (CCs) and stock exchanges (SEs) was finalised on 2 April 2012. Based on the same, a new Regulation - Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, - was notified on June 20, 2012 to regulate recognition, ownership and governance in stock exchanges and clearing corporations. Further, the Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2012 has been brought in w.e.f. 11 September 2012 to regulate the ownership and governance norms of depositories.

3.22 Revised Guidelines with respect to Exit Policy for De-recognized/ Non-operational Stock Exchanges:

3.22.1 Securities and Exchange Board of India (SEBI) vide its Circular dated on 30 May 2012 (CIR/MRD/DSA/ 14/2012) has revised the policy on "Exit Policy for De-recognized/ Non-operational Stock Exchanges" for stock exchanges. The policy provides for de-recognition (voluntary/compulsory) of non-performing stock exchanges.

3.23 Financial Stability and Development Council (FSDC)

- With a view to strengthening and institutionalizing the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development, Government has set up an apex-level Financial Stability and Development Council (FSDC) in December, 2010. The Chairman of the Council is the Finance Minister and its members include the heads of financial sector regulatory authorities, Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, and Chief Economic Adviser. The Council can invite experts to its meeting, if required.

- Without prejudice to the autonomy of regulators, the Council monitors macro prudential supervision of the economy, including functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues. It also focuses on financial literacy and financial inclusion. A Sub-Committee of FSDC has also been set up under the chairmanship of Governor, RBI.

- Till date, the Council and the Sub-Committee have met five and eight times respectively.

- Under the aegis of the FSDC Sub-Committee, three Fora / Technical Groups are functional. They are:

    o Technical Group on Financial Inclusion and Financial Literacy;

    o Inter-Regulatory Technical Group; and

    o Inter-Regulatory Forum for Monitoring of Financial Conglomerates.

  Till date, the above three Fora / Groups have held five, six and one meetings respectively.

3.24 PM SECTION

A number of important policy initiatives have been taken in the Primary Market Section of Capital Market Division during the current year. These initiatives have been described in the following paragraphs.

3.24.1 Steps to Re-energise Mutual Fund Industry

Measures taken to Re-energise Mutual Fund Industry include-

(i) **Increasing penetration of mutual fund products and energising distribution network** by permitting fungibility of Total Expense Ratio (TER) which would enable AMCs to pay higher upfront commissions to distributors, simplifying the distributors' registration process, introducing varied levels for certification and registration of distributors for different types of MF products and reducing fees for registration / certification.

(ii) **Improving reach of MF products in smaller cities/ towns** (beyond top 15 cities) by allowing Asset Management Companies (AMCs) to charge additional TER (up to 30bps) depending upon the extent of new inflows from locations beyond top 15 cities to incentivize distributors to garner investments from such places.

(iii) **Aligning the interest of investors, distributors and AMCs** by setting apart a portion of the asset management fees annually for the investor education campaigns, permitting direct investments with a lower expense ratio, ensuring single expense structure under a plan to eliminate discriminating between investors, limiting expenses for brokerage or transactions costs, and permitting investments in cash where PAN/ Bank accounts are not available. To enable the mutual fund industry to be in line with all other industries where service tax is borne by the end user, it is decided that the service tax payable on investment management fees should be charged to the scheme.

(iv) **Protecting Investor** by curbing mis-selling and churning by creating a system of identification of agents and labeling of products and by crediting the exit loads to the scheme while compensating the AMCs by allowing an additional TER to extent of 20 bps.

(v) **Strengthening regulatory framework for mutual Funds** by streamlining disclosures on portfolios, performance and expenses and initiation of the process of setting up of a Self Regulatory Organization (SRO) for regulation of MF distributors.

(vi) Pursuant to the approval of the SEBI Board on August 16th, the decisions for Re-energizing the Mutual Fund Industry **were implemented** by SEBI vide circular dt September 13th, 2012

(http://www.sebi.gov.in/cms/sebi_data/attachdocs/1347547815927.pdf) and amendment to MF regulations dt September 26th, 2012 (http://www.sebi.gov.in/cms/sebi_data/attachdocs/1348656750192.pdf).

3.24.2 Reforms in the Primary Market

3.24.2.1 In the Union Budget 2012-13 it was announced that it would be mandatory for companies to issue IPOs of ₹10 crore and above in electronic form through nationwide broker network of stock exchanges thereby simplifying the process of issuing Initial Public Offers (IPOs), lowering their costs and helping companies reach more retail investors in small towns Further, several other steps were being contemplated by SEBI to revitalise the primary market. Accordingly, Securities and Exchanges Board of India (SEBI) has undertaken a comprehensive review of the extant regulatory framework in the primary market and approved many progressive measures including:

(i) ***Enhancing the participation of retail investors in IPOs and*** affording minimum allotment to a larger number of applicants by widening the distribution network of IPOs, in addition to the existing channels, to include the nationwide broker network of stock exchanges at more than 1000 locations for distributing IPOs in electronic form, enhancing the reach of Application Supported by Blocked Amount (ASBA) by mandating all ASBA banks to provide the facility in all their branches in a phased manner, modifying the share allotment system to ensure that every retail applicant, irrespective of his application size, gets allotted a minimum bid lot and increasing the minimum application size for all investors to ₹10,000-₹15,000.

(ii) ***Facilitating capital raising by issuers by*** reducing the requirement of average free float market capitalisation from ₹5000 Cr. to ₹3000 Cr. for further public offerings (FPOs) and rights issues through fast-track route, permitting compliance to the requisite 20% contribution as promoters by professionals and technically qualified entrepreneurs through SEBI registered Alternative Investment Funds to an extent of 10%, permitting companies to reach minimum public shareholding requirements prescribed under SCRR through additional routes including Rights and Bonus Issue, enhancing flexibility to the issuers to make changes to objects to the issue upto 20% without requiring re-filing of Red-Herring prospectus with SEBI, permitting issuers to offer 5% discount to Qualified Institutional Buyers (QIBs), streamlining annual disclosures to investors by a comprehensive statement on the lines of 20F filing prescribed by the US SEC.

(iii) ***Enhancing market integrity and Investor confidence*** by permitting only issuers with a minimum average pre-tax operating profit of ₹15 Crore to access the capital market through the “profitability route” and in other cases by compulsory book building route with increased QIB participation of 75%, putting in a place a framework for rejection of poor quality draft offer documents, disallowing any withdrawal or lowering the size of bids for non-retail investors at any stage in the IPO process, increasing transparency in capital raising by limiting ‘General Corporate Purposes’ as an object of the issue to 25% of the issue size and restraining employee benefit schemes from acquiring their shares from the secondary market.

3.24.3 Takeover Code Regulations:

3.24.3.1 SEBI notified the amended SEBI (Substantial Acquisition of Shares and Takeovers) Regulation 2011 on September 23rd, 2011. The salient features of the new Regulations are as follows:

(i) New trigger for open offer at 25% of voting rights.

(ii) Open offer size should be at least 26% of total shares of the target company.

(iii) Non compete fees have been done away with.

(iv) The acquirer whose shareholding exceeds the maximum permissible non-public shareholding, pursuant to an open offer under these regulations, shall not be eligible to make a voluntary delisting offer under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, unless a period of twelve months has elapsed from the date of the completion of the offer.

(v) In the event the shares accepted in the open offer were such that the shareholding of the acquirer pursuant to completion of the open offer results in their shareholding exceeding the maximum permissible non-public shareholding, the acquirer shall be required to bring down the non-public shareholding to the level specified and within the time permitted under Securities Contract (Regulation) Rules, 1957.

The full text of the regulation may be seen at

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1316778211380.pdf

3.24.4 SEBI (Alternative Investment Funds) Regulations, 2012:

3.24.4.1 The new Regulation seeks to cover all types of Alternate Investment Funds (AIFs) broadly under 3 categories:

3.24.4.2 Category 1 AIF those AIFs with positive spill over effects on the economy, for which certain incentives or concessions might be considered by SEBI or Govt. of India or other regulators in India; and which shall include Venture Capital Funds, SME Funds, Social Venture Funds and Infrastructure Funds.

3.24.4.3 Category 2 AIF those AIFs for which no specific incentives or concessions are given by the Government or any other regulator; which shall not undertake leverage other than to meet day- to- day operational requirements as permitted in these regulations

3.24.4.4 Category 3 AIF those AIFs which funds including hedge funds that are considered to have negative externalities.

3.24.4.5 These regulations would extend the perimeter of regulation to unregulated funds, ensure systemic stability, increase market efficiency, encourage formation of new capital and provide investor protection.

3.24.5 Increasing minimum public shareholding for listed companies:

3.24.5.1 The Securities Contracts (Regulation) Rules 1957 provide for the requirements, which have to be satisfied by companies for getting their securities listed on any stock exchange in India. A dispersed shareholding structure is essential for the sustenance of a continuous market for listed securities to provide liquidity to the investors and to discover fair prices. Further, the larger the number of shareholders, the less is the scope for price manipulation. Accordingly, the Finance Minister in his Budget speech for 2009-10, inter- alia, announced the raising of the threshold for non-promoter, public shareholding for all listed companies to 25% (except for Government owned Public Sector Enterprises where the threshold is 10%). SEBI has from time to time introduced multiple methods of increasing minimum public shareholding. Presently, SEBI has specified the following methods for achieving MPS requirement in terms of rules 19(2) (b) & 19A of SCRR.

(i) Issuance of shares to public through prospectus;

(ii) Offer for sale of shares held by promoters to public through prospectus;

(iii) Sale of shares held by promoters through the secondary market i.e. OFS through Stock Exchange;

(iv) Institutional Placement Programme (IPP)

(v) Rights Issues to public shareholders, with promoters/promoter group shareholders forgoing their rights entitlement.

(vi) Bonus Issues to public shareholders, with promoters/promoter group shareholders forgoing their bonus entitlement.

(vii) Any other method as may be approved by SEBI, on a case to case basis.

3.24.5.1 There were 216 companies in which public shareholding was less than the MPS requirement as on quarter ended June 2012. Of these 216 companies, there were 16 Public Sector Undertakings (PSU) companies

3.24.5.2 As on December 31, 2012, 22 non PSU companies and 1 PSU have complied with the MPS requirement using various methods as mentioned above. SEBI has informed that based on information provided by Stock Exchanges they have divested/ raised INR 11,355 crore.

3.24.6 Financial Sector Legislative Reforms Commission (FSLRC)

1. Today we have over 60 Acts and multiple Rules/ Regulations that govern the financial sector. Many of them have been written several decades back. Large number of amendments to these Acts made at different points of time have increased ambiguity and complexity. Financial sector regulations are as a consequence, fragmented.

2. It was therefore proposed to set up the Financial Sector Legislative Reforms Commission (FSLRC), which would, inter-alia, evolve a common set of principles for governance of financial sector regulatory institutions. The Commission would also examine the case for greater convergence of regulations and streamline regulatory architecture of financial markets.

3. In pursuance of the announcement made in Budget 2010-11, the Government on 24th March 2011 has set up the Financial Sector Legislative Reforms Commission (FSLRC) under the Chairmanship of former Supreme Court Justice, Shri B N Srikrishna. This has been done with a view to help review, rewrite and harmonize the financial sector legislations, rules and

regulations to address the contemporaneous requirement of the financial sector.

4. The Commission is chaired by Supreme Court Justice (Retired) B. N. Srikrishna, and has ten members with expertise in the fields of finance, economics, law and other relevant fields. The Commission would examine financial sector legislations, including subordinate legislations.

5. The Commission meets regularly and has held wide-ranging consultations. The Commission has had 15 meetings till March 2012. It is expected to submit its report within its 24-month time-frame which would fall in March, 2013.

3.24.7 Development of Corporate Bond Markets:

3.24.7.1 In coordination with all regulators and other agencies policy reform measures have been implemented to improve the corporate bond market including:

(i) Strengthening of the legal framework for regulation of corporate debt by amendments in rules/ regulations. A circular has been issued by MCA dated 11/02/2013 reducing the Debenture Redemption Reserve from 50% to 25%.

(ii) Introduction of new products or removal of legal or regulatory constraints for nascent products. The measures include encouraging public issuance of bonds by reducing costs, permitting insurance companies and mutual funds as market makers or users in the repo / CDS markets, re-examining the FII auction process for Corporate Debt etc. In this regard for allowing Insurance companies and Mutual Funds as market makers in CDS market: Vide circular dated 15th Nov. 2012 by SEBI, Mutual Funds (MFs) were permitted to participate in CDS, in corporate debt securities, as users. IRDA has issued a circular dated 27th Nov. 2012 permitting insurance companies as Users of CDS. Insurance and Insurance Regulatory and Development Authority (IRDA) has circular/guidelines on 4th December 2012 for the participation in the repo market by Insurance Companies, this will enhance the liquidity in the Corporate Bond Markets. Vide circular dated 7th January 2013 RBI has revised Guidelines on Credit Default Swaps (CDS) for Corporate Bonds Under the Technical Advisory Committee on Money, Foreign Exchange and Government Securities Markets and relaxed certain existing stipulations relating to:

(a) In addition to listed corporate bonds, CDS shall also be permitted on unlisted but rated corporate bonds even for issues other than infrastructure companies.

(b) Users shall be allowed to unwind their CDS bought position with original protection seller at mutually agreeable or FIMMDA price. If no agreement is reached, then unwinding has to be done with the original protection seller at FIMMDA price.

(c) CDS shall be permitted on securities with original maturity up to one year like Commercial Papers, Certificates of Deposit and Non Convertible Debentures with original maturity less than one year as reference / deliverable obligations

(iii) Vide circular dated 7th January 2013, RBI has reduced the haircut applied by the banks on repos on corporate bonds from existing 10%/12%/15% to 7.5%/ 8.5%/10% for AAA/AA+/AA rated corporate bonds.

(iv) Improving the market infrastructure for enabling liquidity, transparency in price discovery and for stimulating growth in trading volumes. On 5th November, 2012 a circular has been issued by RBI to permit banks to take limited membership in SEBI approved stock exchanges for the purpose of undertaking proprietary transactions in the corporate bond market. Vide circular dated 24th January 2013 RBI has advised banks that while issuing subordinated debt for raising Tier II capital, they may consider the option of raising such funds through public issue to retail investors.

(v) RBI has issued a circular dated 24th January 2013 regarding Foreign investment in India by Securities and Exchange Board of India (SEBI) registered FIIs in Government securities and corporate debt. RBI vide aforesaid circular has stated that the limit for FII investment in corporate debt in other than infrastructure sector stands enhanced by USD 5 billion, i.e., from USD 20 billion to USD 25 billion However, the enhanced limit of USD 5 billion shall not be available for investment in Certificate of Deposits (CD) and Commercial Papers (CP). Accordingly, the total corporate debt limit stands enhanced from USD 45 billion to USD 50 billion with sub-limit of USD 25 billion each for infrastructure and other than infrastructure sector bonds.

3.24.8 Financial Literacy

3.24.8.1 At present a large number of stakeholders including the central and state governments, financial regulators, financial institutions, civil society, educationists and others are involved in spreading financial literacy in the country. With the objective of promoting financial education in a synergetic manner, under the aegis of the FSDC Sub-Committee a draft National Strategy on Financial Education has been formulated and public consultation on the same has been undertaken. The document is in the stage of finalization.

3.24.8.2 **Two-way fungibility of Indian Depository Receipts (IDRs)** was announced by the Hon'ble FM in the Union Budget 2012-13 vide para 37 of his speech as mentioned below:

"I now propose to take the next steps in deepening the reforms in Capital Market by............ Permitting two-way fungibility in Indian Depository Receipts subject to a ceiling with the objective of encouraging greater foreign participation in Indian capital market." Pursuant to the budget announcement MCA, RBI and SEBI have carried out necessary amendments to the existing legal framework to facilitate the two way fungibility.RBI and SEBI have already issued final Circulars on implementation on two-way fungibility of (IDRs) on 28th August 2012. Ministry of Corporate Affairs has issued notification on Companies (Issue of Indian Depository Receipts) Amendment Rules, 2012 on 01 October 2012 in this regard."

3.24.9 FATF

3.24.9.1 India became member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), and FATF Style Regional Body, in December 2010. Apart from India, the other members of this Group are Belarus, Kazakhstan, China, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. 14 countries and 18 international and regional organizations have observer status within the EAG. The Group, inter-alia, supports creation of necessary framework for implementation of FATF Standards.

3.24.9.2 The 17th EAG Plenary and Working Group meetings were held in New Delhi from November 5-9, 2012. These meetings were attended by around 160 delegates from the member countries and the Observer countries and Organization.

3.24.9.3 During this plenary, India [Addl. Secretary (EA)] has been unanimously elected as the Deputy Chairman of the EAG for a two year term. India has taken over this position from China.

3.24.10 UTI & JPC

3.24.10.1 UTI section in the Capital Markets Division deals with the followings:

(i) UTI Repeal Act, 2002

(ii) Specified Undertaking of Unit Trust of India, SUUTI

(iii) National Financial Holdings Company Limited

(iv) Indian Trusts Act, 1882 (Section 20)

3.24.10.2 SUUTI has been created by the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. Since then SUUTI has been managing assets and liabilities of various schemes as described in Schedule I of the UTI Repeal Act.

3.24.10.3 The Cabinet in its meeting 23.3.12 approved the proposal for winding up of Specified Undertaking of Unit Trust of India (SUUTI) and creation of new company wholly owned by the Central Government to take possession, hold and manage the assets and properties delivered by the Administrator, SUUTI and to discharge all claims/liabilities arising out of and/or relating to the schemes referred to in Schedule I of the UTI (Transfer of Undertaking & Repeal) Act, 2002.

4. Infrastructure and Energy Division

4.1 Functions/working of Infrastructure Section

- Infrastructure Section is headed by Joint Secretary (I&E), who is assisted by Director (Infra), Deputy Director (Infra) and Section Officer (Infra). The Functions/Working of the Section includes the following:
- Providing inputs on Cabinet Notes, CCI Notes, CoS notes and other Infrastructure Policy related issues concerning Roads, Ports, Shipping, Inland Water Transport, Railways, Telecommunications, Civil Aviation, Power and Urban Development Sector referred to the Department of Economic Affairs (DEA) by the concerned Administrative Ministries.
- Analyzing the investment proposals in the above infrastructure sectors requiring the approval of EFC/PIB/CCEA for their viability and justification.
- Policy matters related to Public Private Partnership (PPPs).
- Servicing Inter-Ministerial Committees, High Level Committees, GOM, EGOM, etc. constituted to deal with policy issues on these sectors and providing inputs for formulation of DEA's view on such issues.
- Preparing briefs/talking points, etc for the use of Finance Minister/ Secretary (EA).
- Handling PMO/VIP/MP references and Parliament Questions on these sectors.
- Providing inputs on these sectors to other Divisions/Departments/Ministries.

- ➢ Participating in meetings/discussions convened by the Ministries/Planning Commission/Associations in these sectors with the approval of the Head of the Division.

4.1.1 Infrastructure Section provided substantial policy inputs on the issues relating to the above sectors for inclusion in the Cabinet/CCEA/CCI Notes.

4.2 Cabinet Notes analyzed in Infra Section during the year 2012.

1. Budgetary Ceiling for Annuity Payment for PPP Projects
2. Cabotage Policy for Transhipment of exim containers.
3. Shipping Trade Practices Bill -2011.
4. Supreme Court decision on 122 UASL licenses.
5. Altering the present duty structure on Power Plant Equipment.
6. Memorandum of cooperation in roads transportation sector between M/o Land, Infrastructure, Transport and Tourism, Japan and MoRT&H.
7. Signing of Air Service Agreement between India and Malaysia
8. National Telecom Policy-2012 and Unified Licensing Regime.
9. Setting up of Electronic Manufacturing Clusters
10. Change in equity structure of the DMICDC.
11. TRAI's recommendations on Spectrum Management and Licensing Framework-Decision of the Govt. regarding pricing of spectrum.
12. Bifurcation of scope of the project of up-gradation of iron ore handling facilities accumulate 200,000 DWT vessels in outer harbors port of Viskhapatnam.
13. Transfer of East West Metro Corridor project, Kolkata to Ministry of Railways
14. Signing of Air Service Agreement between India and Mozambique.
15. Signing of Air Service Agreement between India and Dominick Republic.
16. Change of equity structure of the DMICDC.
17. Development of surplus land available with D/o Publication at Civil Lines, Delhi for construction of office complex and staff recreation center.
18. Re-development of land resources and to carry out upgradation of technology in Govt. of India Presses-Minto Road and 7 other presses.
19. Amendments in the Policy guidelines for expansion of FM Radio broadcasting services through private agencies (Phase-III) which were approved by Cabinet on 7.7.2011.
20. Enactment of a Central legislation to declare lakhipur-Banga stretch of river Barak as a National Waterway.
21. Leasing of land for development of projects in PPP mode at various major ports.
22. Creation of Pradhan Mantri Rail Vikas Yojana Fund (PMRVY Fund).
23. Transfer of 245.35 sq.mtr. of Govt. land presently in possession with Badarpur Thermal Power Station of NTPC to PWD, GNCT of Delhi for widening of Meethapur-Jaithpur link road.
24. Amendment of the Merchant Shipping Act, 1958 and ratification of the Maritime Labour Convention 2006 of ILO
25. Compensation to Airports Authority of India for closure of Airports at Bangalore and Hyderabad.
26. Signing of Maritime Shipping Agreement between India and the Govt. of the Socialist Republic of Vietnam
27. Signing of Air Services Agreement between India and Taiwan.
28. Settlement of dues of DESU period.
29. Signing of cooperation agreement between the Maritime Authority of Panama and the DG of Shipping of India.
30. Setting up of 2nd National Commission on Urbanization

4.3 CCI Notes analyzed in Infra Section during the year 2012

1. Sub-situation of stretches under NHDP Phase-III with equivalent other stretches.

2. Upgradation/strengthening of 20000 km of single/intermediate/2 lane NHDP Phase IV.
3. Targets for monitoring the progress of on-going infrastructure projects in MoUD.
4. Relaxation of reforms conditionalities under UIDSSMT for release of second installment of funds.
5. Development of 7.2 MMTPA Iron Ore Expert Handling Terminal at the Water Front West of Breakwaters on Design, Build, Finance, Operate and Transfer basis at Mormugao Port, Goa.
6. Participative models for rail-connectivity and capacity augmentation project.
7. Enhancement of budget by ₹5236 crore for laying of alternate communication network for defence services for release of Spectrum over and above ₹8098 crore.
8. Continuation of JNNURM to sanction of new projects and capacity building till Dec., 2012 for FY 2012-13
9. Undertaking maintenance of national Highways on Operations, Maintenance and Transfer (OMT) basis.
10. Monitoring the progress of ongoing Major Infra projects of MoUD for 2012-13
11. Approval for JNNURM for next 10 years (2012-2022)
12. Revised estimate for sub-project “Chennai-Ennore Port Road Connectivity Project”.
13. Funding of Power Project.
14. Simplification of procedure in order to make the award process of Road Projects faster.
15. To mandate continuation of JNNURM to sanction new projects and capacity building activities till 31.3.2014.
16. Policy on Developing Aviation Hubs in India

4.4 CCEA Notes examined in the Infra Section

1. Extension of time by two years up to 2013-14 for completion of projects sanction till March, 2012 and reforms under Urban Infrastructure & Governance (UIG) and Urban Infrastructure Scheme for small and medium Towns (UIDSSMT) of Jawharlal Nehru National Urban Renewal Mission (JNNURM)
2. Re-development of Kidwai Nagar (East) New Delhi for construction of General Pool Residential Accommodation.
3. Financial restructuring of State distribution companies
4. National Public Private Partnership Policy.
5. Continuation of the Rajiv Gandhi Grameen Vidyutikaran Yojana in the 12th Plan.

4.5 CoS Notes examined in the Infra Section

1. Identification of harmonized list of Infrastructure sub-sectors.

4.6 MOUs examined in the Infra Section

1. Signing of MoU between the Government of Republic of South Africa and GoI on Co-operation on issues related to Urban Development and Public Works.
2. Signing of MoU with the Govt. of the Republic of the Union of Myanmar regarding introduction of Passenger Bus service between Imphal, Manipur, India and Mandalay, Myanmar.
3. Signing of MoU between Austria and India on technology cooperation in Shipping and Ports Infrastructure Sector.
4. Signing of MoU between MoS and Ministry of Infrastructure of Ukraine in the field of Maritime Transport.

4.7 EGOMs serviced by Infra Section

1. EGOM on Ratnagiri Gas & Power Private Limited (RGPPL).
2. EGoM on Mass Rapid Transit System (MRTS) Projects.
3. Empowered Group of Ministers (EGOM) on Greenfield Airports.
4. EGOM on vacation of spectrum and Auction of 3G Spectrum, and to look into the grant of licence and allocation of spectrum in 2G band in 22 Service Areas
5. EGOM on Ultra Mega Power Project.

4.8 GoMs serviced by Infra Section

1. Civil Aviation Sector
2. Reconstitution of the Group of Ministers on power sector issues

4.9 High Powered Inter-Ministerial Committee serviced by Infra Section

1. High Powered Inter-Ministerial Committee on SARDP-NE.

Full Telecom Commission was also serviced.

4.10 Major issues handled in the Infra Section during the year 2012

Matters relating to the following were handled:

1. Delhi Mumbai Industrial Corridor.
2. High Speed Rail Corridor Projects between Thiruvananthapuram and Kasargod, Kerala and between Mumbai and Ahmedabad.
3. Dedicated Freight Corridors (both East and West Corridors)
4. Metro projects of Delhi, Chennai, Hyderabad, Kochi, Jaipur, Pune and Kolkata.
5. Ministry of Power in consultation with Ministry of Finance notified a Scheme guidelines for Financial Restructuring of State Distribution Companies. The Scheme which is operational for a period of 3 years from 2012-13, seeks to turn around State Discoms by restructuring their debt through Transitional Financial Mechanism by the Central Government.

4.11 PUBLIC PRIVATE PARTNERSHIP (PPP) CELL

4.11.1 Government of India is promoting Public Private Partnerships (PPPs) as an effective tool for bringing private sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services. India, in the recent years has emerged as one of the leading PPP markets in the world, due to several policy and institutional initiatives taken by the Central government. Till date, there were over 900 PPP projects with Total Project Cost (TPC) of ₹543045 crore as compared to over 600 projects with TPC of ₹333, 083 crore by 31st March 2010. These projects are at different stages of implementation i.e. under bidding, construction and operational stages.

4.11.2 The PPP Cell, Department of Economic Affairs, Ministry of Finance is the Secretariat for Public Private Partnership Appraisal Committee (PPPAC) for appraisal and approval of Central Sector PPP projects, and Empowered Institution (EI) for the projects posed for Viability Gap Funding (VGF) support and India Infrastructure Project Development Fund (IIPDF). The PPP Cell is responsible for matters concerning Public Private Partnerships, including policy, schemes, programmes and capacity building. The PPP Cell is headed by Joint Secretary (Infrastructure) who is assisted by Director (PPP), Deputy Director (PPP) and Section Officer (PPP).

4.11.3 Approval of Central Sector PPP projects

4.11.3.1 The PPPAC 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 with Secretaries of Department of Expenditure, Department of Legal Affairs, Planning Commission and the sponsoring Ministry/Department as members. Since its constitution in January 2006, the Public Private Partnership Appraisal Committee (PPPAC) has granted approval to 276 central project proposals with Total Project Cost (TPC) of ₹277,338.30 crore. These include National Highways (two hundred and twenty four projects), Ports (twenty six projects), Airports (two projects), Tourism Infrastructure (one project), Railways (one project), Housing (seventeen projects) and Sports Stadia (five projects).

Sector	No. of projects	Total Project Cost Rs Crore)	Sectoral Share (% in terms of Numbers)
Highways	224	235,437.56	81.16
Railways	01	8500.00	0.36
Ports	26	22,477.70	9.42
Civil Aviation	02	1000.00	0.72
Tourism	01	148.87	0.36
Housing	17	7299.00	6.16
Sports Stadia	05	2475.00	1.81

4.11.4 Viability Gap Funding for PPP Projects

4.11.4.1 A unique characteristic of infrastructure projects is that the positive externalities caused by projects cannot be captured by project revenues alone. Hence, a project may be economically essential but commercially unviable. Such projects, which are marginally viable or unviable, can be made financially attractive through a grant. The *'Scheme for Financial Support to PPPs in Infrastructure [Viability Gap Funding (VGF) Scheme]'* provides VGF support to PPP projects up to 20 per cent of the Total Project Cost (TPC) of the project. Under the *Scheme since its constitution*, *146 projects have been granted approval with TPC of ₹78150.54 crore and VGF support of ₹15448.79 crore under the Scheme and ₹902.96 crore* *has been disbursed as Viability Gap Funding (VGF).* A budget provision of ₹800.00 crore for BE 2013-14 and ₹10,000.00 crore for the 12th Five Year Plan (2012-17) have been made based on the requirements indicated by the sponsoring Authorities of the projects as well as the number of projects already granted approval.

Sector-wise project approved under the VGF Scheme

Sl.No.	Sector	No of Projects	Total Project Cost (in ₹Crore)	VGF (in ₹Crore)	Capacity
1	Road	131	57449.79	11309.40	11057.15 km
2	Education	10	207.40	41.48	50 Schools
3	Power	2	664.70	132.90	340 km
4	Metro	2	19474.00	3894.08	98.1 km
5	Airport	1	354.65	70.93	3200*45 Meters Airstrip
	Total	**146**	**78150.54**	**15448.79**	

4.11.4.2 **Thirteen new sub-sectors** have been included in the list of sectors eligible for VGF support under the Scheme. These include:

(i) Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage,

(ii) Education, health and skill development,

(iii) Internal infrastructure in National Investment and Manufacturing Zones; and

(iv) Oil/Gas/Liquefied Natural Gas (LNG) storage facility (includes city gas distribution network); Oil and Gas pipelines (includes city gas distribution network); Irrigation (dams, channels, embankments, etc); Telecommunication (Fixed Network) (includes optic fibre/ wire/cable networks which provide broadband /internet); Telecommunication towers; Terminal markets; Common infrastructure in agriculture markets; and Soil testing laboratories.

4.11.5 Support for Project Development of PPP Projects

4.11.5.1 The Union Finance Minister, in his Budget Speech for 2007-08, announced the setting up of a Revolving Fund with a corpus of ₹100.00 crore to quicken the process of project preparation. The Government of India notified the Scheme and Guidelines for India Infrastructure Project Development Fund (IIPDF) to operationalise financial support for quality project development activities to the States and the Central Ministries. The objective is to fund project development expenses of potential Public Private Partnership projects' 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, 49 projects have been approved with an IIPDF assistance of ₹60.06 crore and around ₹24.64 crore has been disbursed under the Scheme. An amount of ₹4.00 crore has been provisioned for the FY 2013-14.

4.11.6 PPP Pilot Project Initiatives:

4.11.6.1 Department of Economic Affairs in collaboration with the Asian Development Bank (ADB) has initiated the ***PPP Pilot Projects Initiative*** where the process of structuring the PPP Project is hand held by the Central Government to develop demonstrable PPP Projects in challenging sectors. There are 27 pilot projects under the Scheme in the challenging sectors such as rural secondary and elementary education, greenfield hospitals and diagnostic centres, water supply and sanitation, affordable housing, training centres, rural infrastructure, etc. The objective of the exercise is to develop sustainable demonstration projects that may eventually have a catalyst effect on PPPs in these sectors.

4.11.7 Capacity Building & Strengthening of State & Central Institutions

4.11.7.1 **The National PPP Capacity Building Programme** was launched by the Finance Minister in December 2010, which has been rolled out last year in 15 States and two Central Training Institutes viz. Indian Maritime University and Lal Bahadur Shastri National Academy of Administration. Comprehensive curriculum has been prepared, 11 **Training of Trainers programmes have been conducted to train 154 Trainers,** who have trained over 1975 public functionaries through 68 trainings who deal with PPPs in their domain.

4.11.8 Online Toolkits for PPP projects

4.11.8.1 Online Toolkits have been developed for 5 sectors which have been launched by the Finance Minister. These are available on this Department's website on PPPs, i.e. www.pppinindia.com. The PPP Toolkit is a web-based resource that has been designed to help improve decision-making for infrastructure PPPs in India and to improve the quality of the infrastructure PPPs that are implemented in India. In the past years, many national and international users have availed of this *one of a kind web-based resource* to structure better PPP projects.

4.11.9 PPP Rules and PPP Policy:

4.11.9.1 Pursuant to the recommendations of the Committee on Public Procurement, and Prime Minister's announcement regarding transparency and accountability in procurement and preparation of the Public Procurement Bill, and to ensure that the PPP projects are procured and implemented by following laid down process and observing principles of transparency, competitive bid process, affordability and value for money, the draft ***'PPP Rules'* and PPP Policy** has been prepared. These have undergone extensive consultation process at the Central and State Governments level for finalization.

4.11.10 Two websites, www.pppinindia.com and www.pppindiadatabase.com have been developed on PPPs which provide information of PPPs in India including policy guidelines and status of the proposals received by the PPP cells under the VGF and IIPDF scheme and PPP Appraisal Committee. Information on 866 PPP projects with the Total Project Cost of ₹506418.4 crore under different stages of implementation in the country is currently available on www.pppindiadatabase.com.

4.11.11 Knowledge Resources

4.11.11.1 As part of wide ranging efforts for knowledge dissemination on PPPs, DEA has developed the following knowledge series for use of different stakeholders in the PPP arena:

4.11.11.2 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.

4.11.11.3 A document titled **'Public Private Partnerships A compendium of Case Studies'** has been published. This compendium presents case studies of fifteen select Public-Private-Partnership (PPP) projects in India. The case studies have been prepared to highlight the experience and lessons learnt so far and thereby influence the design of future PPP processes and structures to improve the quality of PPP projects. The choice of case studies provides a representation across different sectors, covers different PPP project structures, includes projects at different stages of the PPP life-cycle and has projects with different levels of complexity.

4.11.11.4 PPPs represent a fundamental shift in the way infrastructure assets are created and/or services are delivered. PPPs are often implemented in sectoral environments requiring significant reform and mindset change. PPPs also involve dealing with multiple stakeholders and resolving different and sometimes conflicting objectives among these stakeholders. Therefore, there is a need for clear and continuous communication with stakeholders over a PPP project's life cycle to ensure that all stakeholders' views are heard and adequately addressed as the project is developed and implemented. An effective communication strategy can substantively contribute to the success of a PPP project if it is used to engage with stakeholders to convey the benefits of the project to them, understand their concerns and aspirations, and provide for mechanisms to meet their requirements. '**The Guide for effective communication in PPP projects'** has been prepared from the perspective of a PPP Practitioner. It seeks to provide guidance and basic tools for identifying important and influential stakeholders at every major phase of a PPP project's life cycle, understanding their behavioural disposition towards the project and for sensitising, informing and engaging them in a constructive manner. It will serve as a handy reference for Practitioners to effectively address the communication related challenges and opportunities that they may face in their endeavours to structure better and robust PPPs.

4.11.11.5 In order to obtain a better understanding of the role of communication in a PPP context, Department of Economic Affairs (DEA) undertook a documentation-cum-analytical exercise covering Indian and international experiences, in the form of case studies. '**PPP projects in India – Case studies on communication' highlights through the study of** a few projects and programmes across different sectors and geographical locations have been analysed, essentially to get a better appreciation of how effective communication – or lack of it – has impacted them and draw lessons that could be useful for future PPP projects in the Indian context.

4.11.11.6 PPPs in the health sector being a new and unfamiliar area for the urban local bodies in the State of Maharashtra that manage the urban health sector, the Government of Maharashtra had requested the PPP Cell of the Department of Economic Affairs, Ministry of Finance, Government of India to provide Technical Assistance through the Asian Development Bank in the area of facilitating PPPs in the urban health sector. '**Toolkit for PPPs Health Sector in Maharashtra** is an outcome of this study. The toolkit provides a step by step to develop health infrastructure through PPP in Maharashtra. The toolkits is expected to assist in identification of gaps in health infrastructure and services; choosing between PPP and development by government; selecting the PPP structure; and procurement. It provides a guideline for selection of a private partner for the proposed services and essential terms that should be included in the concession agreement or contract.

4.11.11.7 Similarly, **'Toolkits for PPPs School Education in Maharashtra'** has been developed as a reference/guidance document for undertaking PPP process in the important School Education sector in the State. It evaluates and identifies suitable PPP structures that can be practically implemented in Maharashtra to improve the educational scenario in the state. The various structures so identified are further supplemented by inclusion of detailed Term Sheets that serve as reference for authorities undertaking PPP projects in the state and help in implementation and monitoring of the PPP projects. This toolkit is designed to assist the State and district educational authorities in deciding the appropriate PPP structure for the identified need scenario and plan out a roadmap for effective implementation of the same.

Other publications by the PPP Cell include:

- Promoting Infrastructure Development Through PPPs : A Compendium of State Initiatives
- Criticality of Legal Issues and Contracts for Public Private Partnerships
- Toolkit for PPPs in Urban Bus Transport in Maharahstra
- Toolkit for PPPs in Urban Water Supply in Maharahstra

4.12 ENERGY AND SKILL CELL

4.12.1 The Energy & Skill Cell looks after policy issues pertaining to energy, viz., Petroleum & Natural Gas, Coal, Atomic Energy and New and Renewable Energy. This Cell is also responsible for analyzing proposals for EFC/ PIB/CCEA/COS/CCI of the Ministries of which it has sectoral charge such as Ministry of Petroleum & Natural Gas, Ministry of Chemicals & Fertilizers (Department of Chemicals and Petro Chemicals, Department of Pharmaceutical and Department of Fertilizers, Ministry of Coal, Department of Atomic Energy, Department of Space and Ministry of New and Renewable Energy. Proposals and policy papers are analysed in the energy cell from both policy as well as economic angles. This Cell is also responsible for preparation of briefs on the agenda for the meetings of the NSDC, ONGC/OVL Board of Directors and their Committees represneted by officers of the Ministry of Finance as Government nominees.

4.12.2 The Energy Cell is also in charge of monitoring the progress in implementation of the accepted recommendations of the Committee on Allocation of Natural Resource (CANR) and looks after matters related to the NSDF and NSDC.

(i) Committee on Allocation of Natural Resources (CANR)

A Group of Ministers (GoM) on "Measures that can be taken by the Government to tackle corruption" had decided on 21st January, 2011, *inter-alia,* to deliberate on issues of enhancing transparency, effectiveness and sustainability in utilization of natural resources, consistent with the needs of the country to achieve accelerated economic development. Accordingly, a Committee on Allocation of Natural Resources under the Chairmanship of Shri Ashok Chawla, formerly Finance Secretary, was constituted by the Cabinet Secretariat. The Committee submitted its Report on 31st May, 2011. The GoM is being serviced by the Department of Personnel and Training (DoPT). However, in the Second Report of GoM to consider measures that can be taken by the Government to Tackle Corruption dated 2nd March, 2012, GoM recommended that the Ministry of Finance (Department of Economic Affairs) should monitor the progress of implementation of the accepted recommendations of the CANR by the concerned Ministries/Departments for timely completion of the exercise.

(ii) National Skill Development Corporation (NSDC)

The formation of the **NSDC** was announced in the Budget Speech for 2008-09 (Para 101). Subsequently, the Union Cabinet, in the meeting held on May 15, 2008, while approving the Planning Commission proposal of "Coordinated Action for Skill Development", have, inter alia, approved the establishment of the NSDC, as a public private partnership in skill development, for coordinating/stimulating private sector initiatives. NSDC is a not-for-profit company limited by shares with an initial authorized share capital of ₹10 crores duly incorporated u/s 25 of the Companies Act, 1956. NSDF/T and NSDC have entered into an Investment Management Agreement on the basis of which the NSDF/T shall act as the receptacle for all kinds of Contributions and shall transfer the same to the NSDC for management and utilization by NSDC to fulfill its objectives i.e. to promote skill development.

(iii) National Skill Development Fund/Trust (NSDF/T) was incorporated as a Trust under the Indian Trust's Act, 1882 with a total Corpus of ₹995.10 crore as Government contribution, which will act as a receptacle of funding contribution from the Central Government and State Government entities, multilateral/bilateral and other donors to provide funds to the National Skill Development Corporation for achieving its objectives. In this connection, a Deed of Public Trust was signed on 23.12.2008. The management of the Trust is through the Board of Trustees, which is comprised of three Trustees, viz., Secretary, Department of Economic Affairs, Secretary, Planning Commission, Chairman, NSDC. Secretary, DEA is the ex-officio Chairman of the NSDF/T.

Some Highlights:

(i) Draft note for Cabinet on Policy on Transfer or Alienation of Land held by Government and Government Controlled Statutory Authorities was prepared and circulated to all the central Ministries/Departments seeking comments thereon. The Note for Cabinet is in the process of finalisation after receipt of comments from the Central Ministries/Departments.

(ii) A presentation made before the Prime Minister on the Recommendations of the Committee on Allocation of Natural Resources on 25/05/2012.

(iii) A CoS note was circulated on 04/06/2012 to deliberate on the Issue of allocation of Land for educational and health institutions to private entities by exploring options other than auction (Recommendation No.70 of the CANR), and decide way forward, for a policy on the same.

(iv) Constituted an Inter-Ministerial Group (IMG) on PPPs in Coal Mining with the mandate to explore various approaches that could promote PPP in coal mining.

(v) Unutilized amount lying in the account of NSDF/Trust invested with the Fund Managers viz. SBI, UTI and LIC from the corpus of the NSDF/Trust. Some amount was given to NSDC from the corpus of the NSDF/Trust to facilitate them to achieve its objects for Skill Development.

(vi) Issue of tax-exemption to the funds invested was taken up with the Department of Revenue. CBDT, DoR have issued a Gazette Notification No.272(E) dated 24/01/2013 in exercise of the powers conferred by sub-clause (f) of clause (iii) of sub-section (3) of Section 194A of the Income-Tax Act, 1961 notifying the National Skill Development Fund for the purpose of sub-clause (f) of clause (iii) of sub-section (3) of the said Section.

4.13 Infra Finance Section

4.13.1 The importance of infrastructure for sustained economic development and improving the living standards of the population is well recognized. Inadequate and inefficient infrastructure not only adds to transaction costs but also prevents the economies from realizing their full growth potential. The fast growth of the economy in recent years has placed increasing stress on physical infrastructure such as electricity, railways, roads, ports, airports, irrigation, water supply and sanitation, all of which already suffer from a substantial deficit in terms of capacities as well as efficiencies. The pattern of inclusive growth can be achieved only if this infrastructure deficit is overcome and adequate investment takes place to support higher growth and an improved quality of life for both urban and rural communities.

4.13.2 The draft Twelfth Five Year Plan document projects an investment of ₹56,31,692 crore in infrastructure during the Plan period (2012-17). While the Centre and the States are envisaged to make investments of ₹16,28,129 crore and ₹12,89,709 crore respectively, investment by the private sector would make up the balance of ₹27,13,853 crore. Financing investments of this order will require a review of some of the existing policies to ensure simplification of rules and procedures along with timely decisions on all the applications. Further, Infrastructure projects are characterized by large financial outlays and long gestation period. Therefore, to attract investments it is very necessary that there are minimum procedural delays on account of taking decisions on various clearances/approvals in these sectors. The Government has initiated several major policy initiatives/ reform measures during the current year in these directions. Some of these steps are summarized as under:

4.14 Cabinet Committee on Investments:

4.14.1 The Infrastructure and Manufacturing sectors are important constituents of the economy. A deficit in any of these sectors could impede India's economic growth. However, many large projects both in the public sector as well as the private sector, have been held up for investment on account of inordinate delays in obtaining statutory/regulatory/administrative approvals from different Ministries/ Departments in the Government of India. Many of these projects require multiple approvals from different divisions of the same Ministry (such as Environment, Forests and Wild life clearance from the Ministry of Environment & Forests) and/or approvals that often cut across many Departments. Implementing agencies have reported that it can take several years to obtain all approvals/clearances sequentially. There is no prescribed time limit in most cases for the decisions to be taken by the Competent Authority. Some Power projects have been languishing for several years after winning the bid or the nomination for establishing the project.

4.14.2 The delays in various approvals/clearances have had an adverse impact on growth, employment generation and time/cost over-runs in the economy. In view of this, the government has set up the Cabinet Committee on Investment (CCI) with the Prime Minister as the Chairman, to expedite decisions on approvals/ clearances for implementation of projects. The CCI will monitor and review the implementation of major projects to ensure accelerated and time-bound grant of various licenses, permissions and approvals.

4.14.3 The CCI would prescribe different time limits, in consultation with the Ministries concerned, for taking decisions on different types of approvals and clearances for each sector under that Ministry/Department. The Ministry/Department would be expected to take a decision after due diligence on the application within the stipulated time period. The CCI will also look into the reasons for delays and facilitate decision-making on critical issues to de-bottleneck key impediments.

4.14.4 The CCI is likely to improve the investment environment by bringing in transparency, efficiency and accountability in accordance of various approvals and sanctions by the respective Ministries / Departments. This will help in attracting private sector investments besides avoidance of cost and time over-runs in the projects to ensure value for money in addition to generation of productive employment and improvement in economy and infrastructure.

4.15 Infrastructure Debt Funds:

4.15.1 One major problem faced by banks while disbursing loans to infrastructure projects is the asset liability mismatch inherent with long term loans and sector exposure limits. Therefore many such projects are denied financing by banks. IDFs through innovative means of credit enhancement are expected to provide long-term low-cost debt for infrastructure projects by tapping into sources of long term savings like Insurance Funds, Pension Funds and Sovereign Wealth Funds, which have hitherto played a comparatively limited role in financing infrastructure in India. Infrastructure Debt Funds are aimed at accelerating and enhancing flow of long term debt for funding infrastructure projects in the country. The IDFs would essentially provide a vehicle for refinancing the existing debt of infrastructure projects presently funded mostly by commercial banks. Besides providing longer-term and lower cost funds, the IDFs would create fresh headroom for commercial banks and enable them take up larger number of new infrastructure projects and facilitate up gradation of project risk rating.

4.15.2 An IDF can be structured either as a Company or as a Trust. If set up as a Trust, it would be regulated by SEBI under the Mutual Fund Regulations. It would issue rupee denominated units and necessarily invest a minimum 90% of its assets in the debt securities of infrastructure companies or SPVs across all infrastructure sectors, project stages and project types. If set up as a company, the IDF would be structured as a Non-Banking Finance Company (NBFC) and be under the regulatory oversight of RBI. It would issue either rupee or dollar denominated bonds and invest only in debt securities of Public Private Partnership projects which have a buy-out guarantee and have completed at least one year of commercial operations. Such projects are expected to be viewed as low-risk investments and would, therefore, be attractive for risk-averse insurance and pension funds. Guidelines with enabling provisions have already been issued by the Reserve Bank of India and SEBI.

4.15.3 Regulations issued by RBI provide that an IDF-NBFC will enter into Tripartite Agreements between the Concessionaire, the Project Authority and the IDF. The Tripartite Agreement shall bind all the parties thereto to the terms and conditions of the other agreements referred to therein. Therefore, a Model Tripartite Agreement structured with reference to the provisions of the Model Concession Agreement of National Highways has been approved by the Cabinet. Similar Model Tripartite Agreements shall be notified for other sectors like Ports and Airports etc. This Model Tripartite Agreement will ensure that the IDF would enjoy the same safeguards and protection as are provided in the Model Concession Agreement for securing the dues of the Senior Lenders in the event of termination.

4.15.4 The income of Infrastructure Debt Funds has been exempted from income tax. Reduction in withholding tax has also been allowed on interest payment on borrowings of IDFs from existing 20% to 5%. Buy-out Guarantee from Project Authority will enable IDF-NBFC to maintain zero NPAs and raising funds at cheaper rates. The cost and tariff of Infrastructure services would go down as a result of low cost long term debt provided by IDFs. The taking over of existing bank debts by IDFs will release an equivalent volume for fresh lending by banks to infrastructure projects. Thus the IDFs would present an attractive option for such entities who wish to invest for long term in comparatively secure instruments.

4.16 Tax Free Bonds:

4.16.1 Tax Free Bonds provide an opportunity for Public Sector Undertakings to raise low cost funds for investment in infrastructure. The Government has allowed the issue of Tax Free Bonds amounting to ₹54,500 crore for the FY 2012-13, doubled from ₹30,000 crore in FY 2011-12. These bonds would mobilize much needed long-term funds for the infrastructure development of the Country by offering attractive coupon rates to the retail and non-retail investors, linked to Government Securities rates.

4.17 Investors' Conclaves/Road shows:

4.17.1 To propagate initiatives of Government of India to promote infrastructure financing amongst the off-shore investor community, several events were organized in major centers like Hong-Kong, Singapore, London etc. which were attended by Finance Minster and senior officials of DEA. These events besides raising awareness amongst the off-shore investor community also gave an opportunity to flag issues which hamper flow of foreign investment.

5. INVESTMENT DIVISION

Foreign Investment Unit

5.1 FDI Policy

5.1.1 Government of India embarked upon major economic reforms since mid-1991 with a view to integrate with the world economy and to emerge as a significant player in the globalization process. Reforms undertaken include de-control of industries from the stringent regulatory process; simplification of investment procedures, promotion of foreign direct investment (FDI), liberalization of exchange control, rationalization of taxes and public sector divestment.

5.1.2 As per the extant policy, FDI up to 100% is allowed, under the automatic route, in most of the sectors/ activities. FDI under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India (RBI). Investors are only required to notify the Regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

5.1.3 Under the Government approval route, applications for FDI proposals, other than by Non-Resident Indians, and proposals for FDI in 'Single Brand' product retailing, and **Multi Brand Retail Trading (MBRT)** are received in the Department of Economic Affairs, M/o Finance. Proposals for FDI in 'Single Brand' product retailing, MB and by NRIs are received in the Department of Industrial Policy & Promotion, M/o Commerce and Industry. These proposals are then considered by the Foreign Investment Promotion Board (FIPB) which is housed in the Department of Economic Affairs.

5.1.4 Foreign investments in equity capital of an Indian company under the Portfolio Investment Scheme are governed by separate regulations of RBI /Securities & Exchange Board of India (SEBI).

5.1.5 The FDI policy has been liberalized progressively through review of the policy on an ongoing basis and allowing FDI in more sectors under the automatic route. Three major reviews were undertaken in the year 2000, 2006 and 2007-2008. A major policy stance defining indirect foreign investment was taken in 2009 which elaborated the counting of indirect foreign investment and guidelines for downstream investments by foreign owned or controlled companies as also guidelines for transfer of ownership from residents to non residents in sensitive sectors.

5.1.6 As per the existing Policy, the following sectors are prohibited for FDI:-

- **(i)** Lottery Business including Government/ Private Lottery, online Lotteries, etc.
- **(ii)** Gambling and Betting including Casinos etc
- **(iii)** Chit funds
- **(iv)** Nidhi company
- **(v)** Trading in Transferable Development Rights (TDRs)
- **vi)** Real Estate Business or Construction of Farm Houses
- **(vii)** Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- **(viii)** Activity/sector not opened to private sector investment including Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

5.1.7 Sectors in which FDI caps exist are as under:-

S.No	Sector	Sectoral Cap / Route
1.	Defence Production	26% FIPB
2.	Civil Aviation :	
	(i) Scheduled Air transport services/ domestic Scheduled passenger airline	49% FDI (100% for NRIs) Automatic
	(ii) Non-scheduled Air Transport Service/ Non-Scheduled airlines and Cargo airlines	74% FDI (100% for NRIs) Automatic up to 49%, FIPB beyond 49% and up to 74%100% automatic
	(iii) Helicopter services/seaplane services requiring DGCA approval	100% automatic

S.No	Sector	Sectoral Cap / Route
3.	Asset Reconstruction Companies (ARCs)	49% (only FDI) FIPB
4.	Banking Private Sector Banking Public sector	74%(FDI+FII) FIPB beyond 49% 20%(FDI+FII) FIPB
5.	Broadcasting (A) Broadcasting Carriage Services	
	(i) Teleports (ii) Direct to Home (DTC) (iii) Cable network (Multi System Operators (MSOs) and undertaking upgradation of networks towards digitalization and addressability) (iv) Mobile TV (v) Headend-in-the-Sky Broadcasting Service (HITS)	74% (FDI+FII) Automatic up to 49%, FIPB beyond 49% and up to 74%
	(vi) Cable network (MSOs who are and undertaking upgradation of networks towards digitalization and addressability)	49% Automatic
	(B) Broadcasting Content Services	
	(i) Terrestrial Broadcasting FM (FM Radio) (ii) Up linking news & current affairs TV Channel (iii) Up linking of Non-news & current affairs TV Channels/ Down linking of TV Channels	26% Government 26% Government 100% Government
6.	Commodity exchanges	49% (26% FDI+23% FII) FIPB
7.	Credit information Companies (CICs)	49% (FDI + FII) FIPB
8.	Insurance	26% Automatic
9.	Stock Exchanges, Depositories and Clearing corporations#	49% (26% FDI+23% FII) FIPB
10.	Power Exchanges registered under the Central Electricity Regulatory commission (Power Market) Regulations, 2010	49% (FDI & FII) FIPB for FDI
11.	Petroleum Refining by the Public Sector Undertakings	49% FIPB
12.	Publishing of newspaper and periodicals dealing with news and current affairs	26% (FDI+FII) FIPB
13.	Private Security Agencies	49% FIPB
14.	Satellites –establishment and operation	74% FIPB
15.	Single brand product retailing	100% FIPB
16.	Multi brand Retail Trading	51% FIPB
17.	Telecommunications (i) Telecom Services including Basic and cellular, Unified Access Services, NLD/ILD, V-Sat, Public Mobile Radio Trunk Services, Global Mobile communication Services and other value added Services	74% - automatic up to 49%, FIPB beyond 49%
	(ii) ISP with gateways, Radio paging, end-to-end bandwidth	74% - FIPB beyond 49%
18.	Pharmaceuticals (i) Greenfield (ii) Existing companies (Brownfield)	 100% automatic 100% FIPB

5.1.8 The Government of India has reviewed the extant policy and payments for royalty, lump sum fee for transfer of technology and payments for use of trademark/brand name are now permitted on the automatic route i.e. without any approval of the Government of India. All such payments will be subject to Foreign Exchange Management (Current Account Transactions) Rules, 2000 as amended from time to time.

5.1.9 The Government of India has brought a number of changes recently to attract more FDI in India. Some of the important decisions are as under:

(i) Removal of the requirement of having to obtain prior approval from the Government in case a foreign investor who has existing joint ventures/technical collaborations wishes to set up a new venture in the "same field".

(ii) Now for specific situations, issuance of shares for considerations other than actual remittance of funds is also allowed subject to certain conditions. However, issuance of shares against import of second –hand machinery has been disallowed.

(iii) The policy permits fixing a conversion formula for convertible instruments instead of only a pre-determined price upfront. This is an added flexibility.

(iv) FDI is also permitted to be inducted in entities incorporated as Limited Liability Partnerships albeit on prior approval.

(v) Conditions (minimum areas, capitalisation requirement, lock-in etc) hitherto applicable on FDI for creating educational institutions infrastructure have been removed. Old Age homes also exempted from these conditions.

(vi) FDI up to 100% in the Pharmaceutical Sector (existing Companies) i.e. Brownfield acquisitions, was placed on the Approval route w.e.f. November, 8, 2011.

(vii) A citizen of Pakistan or an entity incorporated in Pakistan is allowed to make investments in India, under the Government route in sectors/ activities other than defence, space and atomic energy. (Press Note 3/2012)

(viii) FDI up to 100% is allowed in single Brand product retail trading with the specified conditions. (Press Note 4/2012).

(ix) FDI up to 51% is permitted in multi brand retail trading in all products subject to the specified conditions. (Press Note 5/2012)

(x) Foreign airlines are allowed to invest in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital with the specified conditions. (Press Note 6/2012)

(xi) FDI up to 74% is allowed in Broadcasting carriage Service such as Teleports, Direct to Home, Cable Networks, Mobile TV etc. with certain conditions. (Press Note 7/2012)

(xii) FDI up to 49% is allowed in Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 through the Government route. (Press Note 8/2012)

(xiii) Non-Banking Finance Companies (i) having foreign investment more than 75% and up to 100% and (ii) with a minimum capitalisation of US $ 50 million can set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bring in additional capital. The minimum capitalisation condition for downstream subsidiaries is now removed for such cases. (Press Note 9/2012)

5.2 FDI Inflows

5.2.1 The cumulative FDI inflows from April 2000 to October 2012 aggregate to US $ 2,75,020 million. The cumulative FDI equity inflows from April 2000 to October 2012 aggregate to US $ 1,85,645 million (₹854,900 crore).

5.2.2 In the financial year 2012-2013, the FDI equity inflows from April 2012 to October 2012 are US $ 14,787 million compared to US $ 25,386 million (₹1,15,758 crores) during the corresponding period in 2011-12.

5.2.3 In the current calendar year 2012 , the FDI equity inflows from January 1 2012 to October 31, 2012 are US $ 20,630 million (₹1,09,782 crores) compared to US $ 30,730 million (₹1,39,902 crores) during the corresponding period in 2011 representing a decrease of 33 % in dollar terms and a decrease of 22% in rupee terms.

5.3 FIPB Unit

5.3.1 The Foreign Investment Promotion Board is a single window clearance for FDI proposals and comprises the core Group of Secretaries of Department of Economic Affairs, Department of Industrial Policy & Promotion, M/o Micro Small and Medium Enterprises, D/o Revenue, D/o Commerce, M/o External Affairs and M/o Overseas Indian Affairs and co-opt other Secretaries to the Central Government and top officials of financial institutions, banks and professional experts of Industry and Commerce, as and when necessary. FIPB is chaired by the Secretary of the Department of Economic Affairs and its meetings are held regularly, with 3-4 weeks interval.

5.3.2 FDI Proposals seeking FIPB approval are handled in this Department and proposals of NRI Investment, Foreign Technology transfer trade marks agreement and FDI in 100% EOUs are handled in the Department of Industries Policy & Promotion (DIPP). The FDI Policy and FDI Data are also handled in the DIPP.

5.3.3 During the Financial year 2011-12, 11 meetings were held in which 210 proposals, with FDI/NRI inflow of approximately ₹30072.22 crore were approved. During the Financial year 2012-13 (up to January 31, 2013) 11 meetings were held in which 152 proposals, with FDI/ NRI inflow of approximately ₹27221.79 crore were approved.

Present position of ATNs as on 13.1.2013 in RE-Section of CM -Division.

Sl. No.	Year	No. of Paras/PS reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Paras/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmissions by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1.	2008-2009	2	-	-	
2.	2009-2010	-	-	1	-
3.	2010-2011	-	-	1	-

ANNEUXRE – I

SEBI

Representation of SCs, STs and OBCs

GRADE	Number of Employees				Number of appointments made during the previous calendar year (2012)									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	550	71	24	143	22	3	2	9	0	0	0	1	0	0
SECRETARIES	109	4	0	12	0	0	0	0	0	0	0	0	0	0
JUNIOR ASST.	1	0	0	0	0	0	0	0	0	0	0	0	0	0
MSNGR	2	1	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	662	76	24	155	22	3	2	9	0	0	0	1	0	0

Deputation

ANNEXURE II

REPRESENTATION OF THE PERSONS WITH DISABILITIES

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved during the calendar year 2012			No. of Appointments made during the calendar year 2012				No. of vacancies reserved during the calendar year 2012			No. of Appointments made during the calendar year 2012			
	Total	VH	HH	OH	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	550	6	1	11	0	0	1	0	0	0	0	0	0	0	0	0	0	0
SECRETARIES	109	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
JUNIOR ASST.	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MSNGR	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	662	7	1	11	0	0	1	0	0	0	0	0	0	0	0	0	0	0

(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 locomotors disability or cerebral palsy).

ANNEUXRE – I (b)

SECURITIES APPELLATE TRIBUNAL, MUMBAI

MINISTRY OF FINANCE, DEPARTMENT OF ECONOMIC AFFAIRS

Representation of SCs, STs and OBCs in respect of Attached/ Subordinate Officer, Statutory Bodies under the administrative control of Department of Economic Affairs.

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	2	-	-	1	-	-	-	-	-	-	-	-	-	-
Group B	7	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	15	3	-	4	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karmacharis)	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karmacharis)	0	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	24	3	-	5	-	-	-	-	-	-	-	-	-	-

ANNEXURE II (b)

SECURITIES APPELLATE TRIBUNAL, MUMBAI

MINISTRY OF FINANCE, DEPARTMENT OF ECONOMIC AFFAIRS

Representation of SCs, STs and OBCs in respect of Attached/ Subordinate Officer, Statutory Bodies under the administrative control of Department of Economic Affairs.

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karmacharis)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karmacharis)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Multilateral Institutions Division

6.1 INTERNATIONAL MONETARY FUND

- 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, 187 nations are members of IMF.
- India is a founder member of the IMF. India has not taken any financial assistance from the IMF since 1993. Repayments of all the loans taken from International Monetary Fund have been completed on May 31, 2000.
- The objectives of IMF is macro-economic growth, alleviation of poverty and economic stability, policy advice & financing for developing countries, forum for cooperation in monetary system, promotion of exchange rate stability and international payment system.

6.2 India's Quota and Ranking

- India's current quota in the IMF is SDR (Special Drawing Rights) 5821.50 million, giving it a shareholding of 2.44 %. Based on voting share, India (together with its constituency countries viz. Bangladesh, Bhutan and Sri Lanka) is ranked 17th in the list of 24 constituencies.
- The IMF reviews members' quotas once in five years and the last such review took place in December, 2010. India has already consented to its quota increase under the 2010 review and after the 2010 quota review comes into effect, our quota share will increase from the current 2.44% to 2.75%, making India the eight largest quota holding country at the IMF up from its previous position of being the 11th largest. In absolute terms, India's quota will increase to SDR 13,114.4 million from SDR 5,821.5 million (an increase of approximately US$ 11.5 billion or INR 56,000 crore). While 25% of quota increase (about INR 14,000 crore) is to be paid in cash (reserve currency), the balance 75% can be paid in securities. These securities are non-interest bearing note purchase agreements issued by RBI and can be encashed at any time required by the IMF. They do not entail any cash outgo unless the IMF calls upon India to encash a portion of these notes

6.3 India's contribution to borrowing arrangements of the IMF

- In the wake of the ongoing Eurozone crisis, the IMF has proposed a new bilateral borrowing programme to augment its resources for crisis prevention and resolution and to meet the potential financing needs of all IMF members. 37 members representing three-fifths of the total quota of the IMF, have pledged contributions to enhance the IMF's resources by US $ 456 billion. At the Los Cabos Summit of the G20 held on June 19th, 2012, BRICS countries have announced their contributions, including US$ 10 billion by each of India, Brazil and Russia and US $ 43 billion by China.
- The IMF has committed that these new resources will be drawn only if they are needed as a second line of defence after resources already available from quota and existing borrowing arrangements are substantially used. If drawn, they would be repaid with interest. It has been clarified that quota resources would remain the basic source of fund financing and that the role of borrowing is to temporarily supplement the quota resources.
- The new borrowing programme is based on issuance of Promissory Notes by member countries that are securities of these countries which are encashable when required by the IMF. These note purchase agreements are denominated in Special Drawing Rights (SDRs) and do not entail any outgo of cash/ hard currency until a call is made by the IMF to encash a portion of the securities.

6.4 WORLD BANK

- 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 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.

6.5 International Bank for Reconstruction and Development (IBRD)

- The total assistance extended by IBRD by way of loans to India was US$ 48065.61 million as on 31.12.2011. During the period from 01.01.2012 to 31.12.2012, new commitments of US$ 381.7 million were approved taking total assistance to US$ 48065.61 million as on 31.12.2012. Projects approved during 2012 are shown in the following table.

6.6 International Development Association (IDA)

- The total assistance extended by IDA by way of credits to India for which agreements were signed was US$ 42518.77 million as on 31.12.2011. During the period from 01.01.2012 to 31.12.2012, new commitments of US$ 1468 million were approved taking that assistance to US$ 43986.77 million as on 31.12.2012. The major sectors for which IDA assistance is provided are health, education, agriculture, watershed development and poverty alleviation sectors. Projects approved during 2012 are shown in the following table.

6.7 World Bank Reforms

- In the recent Capital Increase in IBRD (Spring Meetings, April 2010), India has been allocated additional 24,092 shares (through General Capital Increase and Selective Capital Increase). As a result India will become the 7th largest shareholder in IBRD with voting power of 2.91%. Before this revision, Indiaȇs voting power was 2.77% with 11th position among shareholders. As a constituency (comprising of four countries - India, Bangladesh, Sri Lanka and Bhutan), Indiaȇs voting power will increase to 3.26% from the present 3.14%. India has commenced its subscription of additional shares allocated following 2010 reforms. During 2012-13, India subscribed to 5151 shares of IBRD. Consequently as on 11th January, 2013, India holds 56,739 shares amounting to US $ 6,844.7 million.

6.8 Trust Funds of World Bank

- India is an active member of South- South Experience Exchange Trust Fund (SEETF) being administered by the World Bank and had contributed US $ 500,000 as a donor-member to SEETF. India has also contributed US $ 1,000,000 in World Bank administered Cultural Heritage and Sustainable Tourist Trust Fund.

6.9 Country Assistance Strategy (CAS)

- The World Bank assistance programmes are guided by a Country Assistance Strategy (CAS), which sets out how the World Bank Group proposes to build a growing partnership with the Government of India (GOI). The Strategy period consists of four years. The CAS for the Bank FY 2009-12 provides a framework to deal with the challenges of achieving rapid, inclusive growth, ensuring sustainable development, and improving service delivery, with a cross-cutting focus on improving the effectiveness of public spending and achieving monitorable results.

- The focus of the CAS is on:
  - ➢ Achieving rapid, inclusive growth
  - ➢ Ensuring sustainable development
  - ➢ Increasing the effectiveness of service delivery

Projects approved during 1.1.2012 to 31.12.2012 for World Bank Assistance

(figures in US$ million)

Sl. No.	PROJECT NAME	BANK APPROVAL DATE	IBRD COMM AMT	IDA COMM AMT	TOTAL AMT
1	HP State Roads Project - Additional Financing	25-Oct-12	61.7	0	61.7
2	AF - HP Mid-Himalayan Watershed Development Project	27-Sep-12	0	37	37
3	India - Bihar Panchayat Strengthening Project	27-Sep-12	0	84	84
4	India: Karnataka Health Systems Additional Financing	27-Sep-12	0	70	70
5	India: ICDS Systems Strengthening & Nutrition Improvement Program (ISSNIP)	6-Sep-12	0	106	106
6	Karnataka Watershed Development II	6-Sep-12	0	60	60
7	Bihar Rural Livelihood Project Additional Financing	31-May-12	0	100	100
8	Rajasthan Agricultural Competitiveness Project	27-Mar-12	0	109	109
9	India: Secondary Education Project	22-Mar-12	0	500	500
10	National Dairy Support Project	15-Mar-12	0	352	352
11	Assam State Roads Project	13-Mar-12	320	0	320
12	IN ï Assam Agricultural Competitiveness Project Additional Financing	8-Mar-12	0	50	50
	TOTAL		**381.7**	**1468**	**1849.7**

6.10 INTERNATIONAL FINANCE CORPORATION (IFC)

- IFC is an important development partner for India. Through its contribution to funding and advising the private sector; IFC plays an important role in India's growth. IFC has a significant committed portfolio of about US$3.6 billion and with an average annual investment of US$1.0 billion in India. Projects have been concentrated in the areas of infrastructure, manufacturing, financial markets, agribusiness and renewable energy, which are all priority areas for development. With a focus on Low Income States, IFC's key mandate is to support economic development and poverty alleviation through promotion of entrepreneurship and creation of employment opportunities. The Advisory Services arm of IFC has been growing rapidly and provides valuable advice, problem solving, and training to companies, industries, and governments.

- Over the past few years, in line with a strong strategic focus on India, IFC has augmented its program and portfolio in India by investing in high impact projects. India represents IFC's single-largest country exposure. As of December 31, 2012, IFC's portfolio of committed investments in India was approximately US$4.3 billion ($4.8 billion including syndicated loans). This is invested primarily across sectors including Infrastructure & Natural Resources, Manufacturing, Financial Services and Climate Business sectors. IFC's annual commitments for India were US$1,044 million in IFC's Fiscal Year 2008 (i.e. 1st July 2007 to 30th June 2008), US$934 million in IFC's Fiscal Year 2009, US$1,802 million in IFC's Fiscal Year 2010 and US$754 million in IFC's Fiscal Year 2011 and US$960 Million in FY 2012. In the first half of IFC's Fiscal Year 2013, total commitments in India reached US$739 million. The above figures include commitments for IFC's own account and mobilized financing.

6.11 INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

- International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13^{th} specialized agency of the United Nations. 169 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 has so far contributed US$ 114.0 million towards IFAD's resources. India has pledged to contribute an amount of US$ 30 million to the 9^{th} Replenishment and emerged as the top donor within C-2 Group of countries. Being the highest donor within C-2 Group, India will continue to retain the membership of the Executive Board during the replenishment period 2013-2015. India has paid US$ 10 million in December, 2012 as the first installment of the 9^{th} Replenishment. The Second and third installment of US$ 10 million each will be paid in FY 2013-14 and 2014-15 respectively.

- IFAD has assisted in 25 projects in the agriculture, rural development, tribal development, women's empowerment, natural resources' management and rural finance sector with the commitment of US$ 797.3 million (approx.). Out of these, 16 projects have already been closed. Presently, nine projects with a total assistance of US$ 339.95 million are under implementation. The details of the on-going projects are as under:-

S. No.	Name of the project	Date of Agreement	Amount (US$ M)
1.	Orissa Tribal Empowerment & Livelihood Programme	18.12.2002	20.00
2.	Livelihood Improvement Project for the Himalayas	20.02.2004	39.91
3.	Post-tsunami Livelihoods Programme for the Coastal Areas of Tamil Nadu	11.11.2005	30.00
4.	Tejaswini – Rural Women's Empowerment Programme	12.10.2006	39.44
5.	Mitigating Poverty in Western Rajasthan	17.10.2008	30.30 (loan) 0.6 (grant)
6.	Priyadarshini: Women's Empowerment & Livelihoods Programme in Mid-Gangetic Plains	11.12.2008	30.20
7.	Convergence of Agricultural Interventions in Maharashtra's Distressed Districts Project	30.09.2009	40.1 (loan) 1.0 (grant)
8.	North-Eastern Region Community Resource Management Project for Upland Areas – Phase II (NERCORMP-II)	12.07.2010	20.00
9.	Integrated Livelihood Support Project (ILSP)	01.02.2012	90.00

- 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.

6.12 CLIMATE INVESTMENT FUNDS

- The Climate Investment Funds (CIF) are a collaborative effort among the Multilateral Development Banks (MDBs) and countries to bridge the financing and learning gap between now and a post-2012 global climate change agreement. Designed through extensive consultations, the CIF are governed by balanced representation of donors and recipient countries, with active observers from the UN, GEF, civil society, indigenous peoples and the private sector. The CIF are comprised of two Trust Funds viz., Clean Technology Fund (CTF) and Strategic Climate Fund (SCF). CTF promotes investments to initiate a shift towards clean technologies, whereas SCF serves as an overarching framework to support targeted programs with dedicated funding to pilot new approaches with potential for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response. Government of India has agreed in principle to access Climate Investment Funds. In the process of accessing these Funds, Climate Investment Plan (CIP) of India has been endorsed in the Trust Fund Committee meeting held on 04.11.11**.** In the first tranche four proposed projects, contained in India's Investment Plan, amounting to US$ 263 million has been approved.

6.13 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 Five Replenishments. The total funds pledged so far amounts to US $ 51 million and an amount of US $ 48.75 million has been paid by November 2012.

6.14 ASIAN DEVELOPMENT BANK(ADB)

6.14.1 India's Membership of ADB and its Status

- India is a founding member of the Asian Development Bank (ADB) established in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region.
- India has been borrowing from ADB's Ordinary Capital Resource (OCR) since 1986, and borrows within the overall external debt management policy pursued by the Government which focuses on raising funds on concessional terms from less expansive sources with longer maturities. Although India is eligible to draw partly from the Asian Development Fund (ADF) which provides concessional funding, India has consciously opted out of this facility to allow the Least Developed Countries (LDCs) to avail this facility.
- ADB's authorized & subscribed capital stock is $163.1 billion of which India's subscription is $10.3 billion, spread over a total number of 672,030 number of shares (6.33% of the total share) @US$ 12063.5 per share. India's paid in capital is $516.5 million and callable capital is $9.8 billion approximately as of 31 December 2012. India's **voting power is 5.36%.**

6.14.2 Annual Meeting

- ADB holds Annual meetings in a member country in late April or early May every year. Annual meetings are statutory occasions for Governors of ADB members to provide guidance on ADB administrative, financial, and operational directions. The meetings provide opportunities for member governments to interact with ADB staff, nongovernment organizations (NGOs), media, and representatives of observer countries, international organizations, academe and the private sector. The last Annual Meeting, 45th one, was held in Manila (Philippines) during 2-5 May 2012. The **46th Annual Meeting will be hosted by India during 2-5 May, 2013 in New Delhi.**

6.14.3 General Capital Increase-V

- India has supported GCI-V of ADB in 2009 with 4% paid-in capital. India's subscription comes to US $ 216.20 million for 17,921 shares to be paid in five annual instalments, 40% in convertible currency and 60% by way of promissory notes. The respective annual instalment towards subscription is US$ 17,295,198.68 and rupee equivalent of US$ 25,942,798.02. Three instalments have been paid in years 2010-11, 2011-12 and 2012-13.

6.14.4 Contribution to TASF

- ADB has set up the Technical Assistance Special Fund (TASF) for providing technical assistance to Developing Member Countries (DMCs) for capacity building development in the formulation, design and implementation of projects to facilitate effective use of external financing. India is voluntarily contributing to TASF since 1970 and a net of ₹11.03 crores has been contributed, including ₹1 crore during 2012-13.

6.14.5 Portfolio overview

- The overall portfolio of ADB as on 31st January 2013 is as under:

(a) 77 loans with net loan amount of US$ 10.821 billion

Sector	No. of Loans	US $ Million	%
Agriculture, Environment & Natural Resources	6	263.0	2.4
Energy	26	3,673.5	34.0
Finance	8	1,963.5	18.2
Transport and Communications	14	2,907.8	26.9
Urban Development & Multi Sector	23	2,004.2	18.5
Total	**77**	**10,812.0**	**100.0**

(b) 64 Technical Assistance (TAs) for US$ 64.96 million

Sector	No. of Loans	US $ Million	%
Agriculture, Environment & Natural Resources	6	7,515.0	11.6
Education	2	1,325.0	2.0
Energy	14	9,200.0	14.2
Finance	3	4,350.0	6.7
Multisector	4	4,575.0	7.0
PPP	5	8,300.0	12.8
Public Sector Management	2	990.0	1.5
Transport	18	19,180.0	29.5
Urban	10	9,525.0	14.7
Total	**64**	**64,960.0**	**100.0**

(c) Loans negotiated/signed during 2012-13

SN	Project Name	Loan amount (USD million)
1	North Karnataka Urban Sector Investment Program(Project 3)	60
2	J & K Urban Sector Development Investment Program (Project 2)	110
3	Rural Connectivity Investment Program ï Project-1	**(signed) 252**
4	Bihar State Highways -II Project- Additional Financing	**(signed)** 300
5	West Bengal Development Finance Program	**(signed)** 400
6	H P Clean energy Development Investment Program ï Project-4	**(signed)** 315
7	Chhattisgarh State Road Sector Project	300
8	H P Clean Energy Transmission Investment Program Project-2	110
9	Uttarakhand Power Sector Investment Program- Project-4	150
10	Agribusiness Infrastructure Development Investment Program - Project-1	**(signed)** 67.6
11	North Eastern States Road - Project-1	**(signed)** 74.8
12	Railway Sector Investment Program - Project-1	**(signed)** 50.0

6.14.6 African Development Bank

- African Development Bank (AfDB) was established in 1963 to promote economic development and social progress of its regional members by providing finances as well as Technical Assistance for Development Projects and programmes. After the membership was opened in 1982 to non-regional members, **India was admitted to AfDB on 6th December, 1983.**

- India has token presence at the Bank, in terms of financial commitments. With **14,808 votes** & **14183 shares**, India accounts for 0.225% of the total shares, with **voting power at 0.233%.**

- India is part of **Nordic-India Constituency** with Denmark, Finland, Norway & Sweden, with a **combined voting power of 4.632%.**

6.14.7 General Capital Increase-VI

- India supported 200% General Capital Increase-VI of AfDB, enhancing Bank's capital from UA23.947 billion to **UA 67.687 billion** (UA = Unit of Account = SDR). Resultantly India has been allocated 9,763 new shares (586 paid up and 9177 callable) having a capital value of UA 97,630,000. India has to pay eight annual instalments of UA 732500 (US$ 10,94,033), against which **two instalments** have been paid in 2011-12 and 2012-13.

6.14.8 African Development Fund

- Established in 1972, African Development Fund (ADF) with the objective to reduce poverty in Regional Member Countries (RMC) by providing loans and grants and accordingly ADF contributes to the promotion of economic and social development in 41 least developed African countries by providing concessional funding for projects and programs, as well as technical assistance for studies and capacity-building activities.

- India is contributing to African Development Fund (ADF) since 1974. India's contributions to the Fund up to ADF-12 amounts to ₹**289.62 crores**, including the last instalment of ₹22,11,21,223/- released in 2012-13. India's **voting power in ADF stands at 0.231%**.

6.14.9 Multilateral Debt Relief Initiatives

- The main objective of the Multilateral Debt Relief Initiatives (MDRI) is to complete the process of debt relief for HIPCs by providing additional resources to help some 42 countries worldwide, 33 of which are in Africa, to make progress towards millennium developments goals, while simultaneously safeguarding the long term financing capacity of African Development Fund and International Development Association.

- India's commitment to MDRI is UA 14.4186 million ('1,011,071,238.40) over a long period from 2006-2054, against this a sum of ₹**9,33,63,524.85/-** during 2006-2013**.**

6.14.10 Technical Cooperation Agreement

- A Technical Cooperation Agreement (TCA) was drawn up between Government of India, AFDB and ADF in July 1998. Under this agreement, a sum of US$ 3.39 million ('15 crores) had been placed at the disposal of AFDB as a grant. The grant was to be utilized for financing consultancy services, training and other techno-economic activities, etc. The 2nd phase of TCA has been signed with an estimated provision of '30 crores, which has since been paid in three installments ending 2012-13.

7. Multilateral Relations Division

7.1 DEA Research Programme on G20 Issues

A Memorandum of Understanding (MoU) has been signed on July 02, 2012 by and between Department of Economic Affairs (DEA) and Indian Council for Research on International Economic Relations (ICRIER), New Delhi for conducting DEA Research Programme on G20 issues under G20 India Secretariat, MR Division, DEA. Dr. Usha Titus, JS (MR), DEA and Dr. Pooja Sharma, Fellow, ICRIER are the coordinators from DEA and ICRIER respectively. The Research Programme on G20 issues conducted by ICRIER involves following topics:

1. A series of studies on thematic areas being deliberated in the G20
2. Research assistance to the various G20 Working Group
3. Growth modeling for India on G20 MAP
4. Developing a G20 India Website and Research Library
5. Organizing workshops/conferences/seminars (A 3-days international conference on Global Economic Cooperation was co-organized by DEA, ICRIER and others during October 7-9, 2012 in New Delhi).

7.1.2 ICRIER provides experienced personnel for the Research Programme and submits all deliverables within time periods as specified in MoU. The deliverables under the Research Programme are in the form of Position Notes, Policy Issues and Options Papers, Research Papers etc.

7.2 BRICS REPORT

7.2.1 A Study of Brazil, Russia, India, China, and South Africa with special focus on synergies and complementarities was released during the fourth BRICS Leadersô Summit which was held on March 29, 2012 in New Delhi under the chairmanship of Hon'ble PM Shri Manmohan Singh. This was the first time that India hosted the BRICS Summit. The theme of the Summit was "BRICS Partnership for Global Stability, Security and Prosperity". The study, was supported by the ministries of finance and the central banks of the BRICS, and it focused on synergies and complementarities between the economies, highlighting their role as growth drivers of the world economy. The emphasis in the study was laid on best practices, areas of cooperation, and strengthening economic links so that the BRICS could collectively play a more central role in the "new normal" of the post-crisis global economy

7.2.2 The BRICS Report is the first study of BRICS by BRICS countries.

7.3 G-20

7.3.1 Introduction:

- The Group of Twenty, or G20, is the premier forum for international cooperation on the most important aspects of the international economic and financial agenda. It brings together the world's major advanced and emerging economies. The G20 was established in 1999 in the wake of Asian Financial Crisis as Finance Ministers and Central Bank Governors forum and elevated to Head of State's forum in the wake of the global financial crisis in 2008. The first G20 Summit was held in November 2008 in Washington DC under the shadow of the greatest financial crisis in the postwar era and G20 Leaders resolved to take concerted and unprecedented monetary and fiscal action and also to keep international trade open, to save the global economy. At the second G 20 Summit in London in April 2009, Leaders pledged to do whatever was necessary to restore confidence, growth and jobs, promote global trade and investment and reject protectionism by undertaking unprecedented and concerted fiscal expansion and monetary easing, and reached an agreement to provide over a trillion dollars of additional resources to the world economy through international financial institutions. So far, G20 leaders have had seven Summits.
- The G20, which includes both developed and emerging economies, closely reflects two current trends that are transforming international relations. Firstly, the increasing influence of emerging economies on political and economic affairs and second, the need to find innovative forms of cooperation to meet new global challenges that require collective responses. The G20 members includes 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, UK, USA and the European Union. G20 countries represent about 90 percent of the global GDP, 80 % of global trade, and 64 % of the world's population.
- The G20 covers a broad and expanding agenda of critical global economic issues, and its work stream involves, inter alia, Working Groups, Expert Groups, etc in which all G 20 countries are represented. Discussions in the working groups are conducted through email exchanges, conference calls and face-to-face meetings. The list of various G20 meetings held in 2012 is given in *Annex-I.*

7.3.2 Finance Channel:

- Financial and economic issues are addressed and coordinated by the Finance Track. The Finance Track is composed of all Finance Ministers and Central Bank Governors of G20 members, who meet regularly during the year to analyse global economic problems and take coordinated actions towards their solution.

- The thematic areas under the Finance Channel currently deliberated in the G20 during 2012 includes: (i) Global Economy, (ii) Framework for Strong, Sustainable and Balanced Growth, (iii) Reform of International Financial Architecture, (iv) Strengthening Financial Regulation and Financial Inclusion (v) Energy and Commodity Markets (vi) Climate Finance (vii) Disaster Risk Management .

- India along with Canada is co-chair of the G20 Framework Working Group. India hosted G20 Framework Working Group meeting in January 2013 in New Delhi.

7.3.3 Sherpa Channel

- The Sherpas channel of G20 deals with deliberations on development issues. For the deliberations in this channel, each G20 member nation is represented by a representative of the respective nationsô head of state or government. The Indian Sherpa is Mr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission. He is assisted by two Sous-Sherpas Dr.(Ms.) Usha Titus, Joint Secretary, MR Division, Ministry of Finance and Mr. Dinesh Bhatia, Joint Secretary, Ministry of External Affairs .

- The thematic areas under the Sherpasô channel during 2012 included the Development Agenda comprising of Infrastructure, Human Resource Development, Trade, Private Investment and Job Creation, Food Security, Domestic Resource Mobilization and Knowledge Sharing and Anti-Corruption.

7.3.4 Mexican Presidency of G20 in 2012:

7.3.4.1 Priorities:

- The discussions under the Mexican Presidency during 2012 have largely focused on these priorities, namely:

  i. To promote economic stabilization and structural reforms as foundations for growth and employment anchored in the Framework and Global Economy discussions;

  ii. Strengthening the financial system and fostering financial inclusion to promote economic growth;

  iii. Improving the international financial architecture in an interconnected world;

  iv. Enhancing food security and addressing commodity price volatility; and

  v. To promote sustainable development, green growth and the fight against climate change.

- Mexico later promoted ôgreen growthô as the cross cutting agenda for the Summit. All these issues find a place in the Los Cabos Leaders declaration (June 2012)

7.3.5 Los Cabos Action plan:

- In the Los Cabos Action Plan endorsed by G20 Leaders, the G20 has made commitments on several fronts: decisively addressing the situation in the Eurozone; ensuring global financial stability; strengthening demand and economic growth, and the generation of jobs; focusing monetary policy on maintaining price stability and sustaining global economic recovery; en-suring fiscal consolidation in advanced economies; ensuring that emerging markets remain on a path of strong and sustainable growth; avoiding protectionism and keeping markets open to international trade.

- As part of the Action Plan, an accountability mechanism was established for G20 commitments. The Los Cabos Accountability Assessment Framework sets out procedures to assess and report on member countriesô progress in implementing policy commitments.

7.3.6 Russia's Presidency of G20 In 2013

7.3.6.1 Priorities:

- Russia took over the G20 Presidency from Mexico on December 1, 2012. The core objective of the Russian Presidency is to concentrate the efforts of G20 - forum of the worldôs largest economies - on developing a set of measures aimed at boosting sustainable, inclusive and balanced growth and jobs creation around the world.

- Addressing major challenges to global economy is a traditional focus of the G20 agenda. Russia will ensure continuity of the dialogue on all its items and attach extra impetus to the G20 discussion, facilitating further implementation of the G20 commitments and building on the achieved results .Russia believes that discussion on all the interconnected issues of the G20 agenda is organized around three overarching priorities, aimed at starting the new cycle of economic growth; which are as follows:

1. Growth through quality jobs and investment
2. Growth through trust and transparency
3. Growth through effective regulation

- These 3 priorities of the Russian Presidency will serve as a lens through which we propose to consider and discuss the G20 agenda in 2013, comprised of the 8 areas:

I. Framework for strong, sustainable and balanced growth

II. Jobs and employment

III. International financial architecture reform

IV. Strengthening financial regulation

V. Energy sustainability

VI. Development for all

VII. Enhancing multilateral trade

VIII. Fighting corruption

- **Financing for investment:** One of the priority and new agenda identified for G20 agenda in 2013 include financing for investment as a key tool for growth and jobs creation for life and development. In order to improve long term financing for investment particularly on infrastructure, Russia has identified the role of improved public policy, debt and equity markets, local currency bond markets, institutional investors, MDBs, international reserves, government guarantees etc.

Annex-I

G-20 SUMMITS:

DATE	EVENT	PLACE
June 18-19, 2012	Seventh G 20 Summit	Los Cabos, Mexico

Meeting under Finance Channel In 2012

Working Group meeting in 2012:

DATE	EVENT	PLACE
9-10 Jan, 2012	• G20 Seminar and Framework Working Group Meeting	Neemrana, India
23 Feb 2012	• IFA working Group meeting	Mexico City, Mexico
29 Feb 2012	• Energy and Commodity Working Group	Mexico City, Mexico
March 12-13, 2012	• Framework Working Group	Washington D.C, USA
18 April , 2012	• IFA working Group meeting	Washington D.C, USA
18 April, 2012	• Disaster Risk Management First Country Steering Group Meeting	Washington D.C, USA
April 2012	• Energy and Commodity Working Group	Mexico City
17-18 May,2012	• Framework Working Group	Vancouver, Canada
May 2012	• Energy and Commodity Working Group	Mexico City
1 April , 2012	• IFA working Group meeting	Istanbul, Turkey
21 Sept 2012	• Disaster Risk Management Second Country Steering Group Meeting	Mexico City, Mexico
21-22 Sept 2012	• Seminar on Challenges and Opportunities of the Global Economy (for FWG and IFA Working Groups)	Mexico City, Mexico
22 Sept 2012	• Framework Working Group Meeting	Mexico City, Mexico
22 Sept 2012	• IFA Working Group Meeting	Mexico City, Mexico
3-4 Nov 2012	• Study group on Climate Finance	Mexico City, Mexico

Finance Minister & Central Bank Governors/Deputies meeting in 2012:

DATE	EVENT	PLACE
Jan 19-20, 2012	• Finance and Central Bank Deputies Meeting	Mexico City
Feb 24-26, 2012	• Finance Minister & Central Bank Governors • Finance and Central Bank Deputies Meeting	Mexico City
April 19-20, 2012	• Finance Deputies & Central Bank Governors Meeting	Washington DC, USA
June 15-17, 2012	• Finance and Central Bank Deputies Meeting	Los Cabos, Mexico
Sept 23-24, 2012	• Finance and Central Bank Deputies Meeting	Mexico City
Nov 3-5, 2012	• Finance Minister & Central Bank Governors • Finance and Central Bank Deputies Meeting	Mexico City

Communiques of above meeting can be seen from the G20 Website: http://www.g20.org/pub_communiques.aspx

Meetings under the Sherpa Track in 2012

DATE	EVENT	PLACE
February 2nd to 3rd, 2012	**G20 Sherpas' Meeting**	**Mexico City, Mexico**
March 15th to 16th, 2012	**G20 Sherpas' Meeting**	**Mexico City, Mexico**
May 10th to 11th, 2012	**G20 Sherpas' Meeting**	**Mexico City, Mexico**
June, 2012	**G20 Sherpas' Meeting**	**Mexico City, Mexico**
October 29th to 30th , 2012	**G20 Sherpas' Meeting**	**Riviera Maya, Mexico**

7.4 United Nations Development Programme in India

7.4.1 The United Nations Development Programme (UNDP) is the largest channel for development cooperation in the UN System. 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.

7.4.2 The new Country Programme Document (2013-17) formulated by the Government in partnership with the UNDP Country Office, will focus on nine states with the highest level of deprivations and concentration of poor people states namely Orissa, Bihar, Chhattisgarh, Madhya Pradesh, Jharkhand, Uttar Pradesh, Rajasthan, Maharashtra and Assam. The total resource allocation for the Indian Country Programme 2013-2017 stands at US $ 243.4 million. CPD 2013-17 has been discussed and approved in the Annual Session of the UNDP Executive Board held at Geneva from 25-29 June,2012. The new Country Programme Action Plan between the GoI and the UNDP for 2013-17 was framed by UNDP in consultation with DEA and is likely to be signed during February, 2013.

7.5 Other important Activities

- The 13th SDF meeting was held in Thimpu, Bhutan from 25-27th July,2012 which was headed by Dr. Alok Sheel, the then Joint Secretary(MR). The 14th Meeting of the SDF Board was held in Kathmandu from 17-20th December, 2012.
- Second Bilateral Meeting between the Finance Minister of India and Republic of Korea was held in New Delhi on 17th Jan, 2011. The 3rd Korea-India Finance Ministers' Meeting was held in Seoul on 2nd November, 2012 which discussed issues on Macro Economic trends, taxation cooperation, custom clearance, public procurement and infrastructure cooperation. The MOU on Cooperation between the two countries will be signed soon.
- Till date five meetings of India-China Financial Dialogue were held. Dates for holding the 6th India-China Financial Dialogue in Beijing is being finalized in consultation with China.
- The 10th Asia-Europe Finance Ministers' Meeting was held in Bangkok, Thailand from 14-15th October,2012.

8. Aid Accounts & Audit Division

8.1 Introduction

AAAD is an ISO 9001:2008 certified office, is a part of the External Finance Wing of the Department of Economic Affairs. Back office function relating to External Loans/Grants obtained/received by Government of India from various Multilateral and Bilateral donors is being discharged by this Division. Main functions handled by this Division include, Processing claims received from PIAs, arranging draw down of funds from various donors and timely discharge of debt servicing liability of Government of India. Besides, this Division is responsible for maintaining loan records, External Debt Statistics, Compilation of various Management Information Reports, Publication of External Assistance Brochure on annual basis, and framing of Estimates of External Aid Receipts and Debt Servicing. In addition, audit of Licences issued by the Offices under DGFT for Export Promotion is also conducted by this Division.

8.2 Performance/Achievements upto last year

External receipts on Government Account during 2011-12 in the form of loans/credits were of Rs. 22,836.99 crore while, Assistance in the form of Cash Grant was of Rs. 2,872.14 crore.

8.3 Performance/Achievements during current financial year

Receipt of External Loans/Credits in the current financial year (2012-13 upto 31st January 2013) stands at Rs. 13,925.42 crore and Assistance in the form of Cash Grant was of Rs. 1,697.38 crore.

8.4 E-Governance

8.4.1 The Activities of AAAD have been fully computerized since April 1999. A software known as ñIntegrated Computerised Systemò(ICS) has been developed. This covers all the activities in the loan cycle i.e. preparation of Estimates for External Assistance for receipt as well as repayment, preparation of Annual External Assistance Brochure and maintenance of Debt Records. All the Officer/Staff members of this Division are well versed with the functioning of this system (Plans are underway for enhancement of the capacity of ICS).

8.4.2 A comprehensive Web-site http://aaad.gov.in to disseminate data on External Assistance received and repayment made alongwith status of various activities in this Division is operational for the benefit of Credit Divisions of DEA, State Governments, PIAs, Donors, general public and other stakeholders. This Website is updated on daily basis and virtually provides real time figures (time-lag of 24 hours). In addition comprehensive data about Disbursed and Outstanding Debt (DOD) in respect of External Sovereign Borrowing is also available on this website. Soft copies of Annual External Assistance Brochure being published by this Division are also available on the website for easy reference of all the stakeholders.

8.4.3 E-Governance by way of accepting and processing/forwarding of the draw down claims from various PIAs has been initiated by this Division. Wherever funding agencies have provided software support for processing the claims from PIAs to this Division and from this Division to respective agencies. Such software are being utilized to the maximum extent. In case of IDA funding claims are processed in E-mode only with their software/client connection. Where facility like IDA is not available there also an initiative has been taken by this Division to accept draw down claims through E-mode, especially where documentation is not too much. In case of ADB E-claims of Statement of Expenditure(SOE) claims from PIAs to this Division are being accepted. This results in avoidance of time/transit loss of SOE claims and faster disbursals.

In order to familiarise the members of the PIAs training on E-submissions are being organized by this Division from time to time since last few years. In this series total 54 officers/staff members of different PIAs were imparted trainings (7 trainings till January, 2013) during 2012-13. As a result of initiatives taken by this Division in the current financial year 177 claims have been received through E-mode.

8.5 Standards & Improvements in the Service deliveries

8.5.1 All the activities of this Division have been organised hierarchically and standards in terms of time span at each level for their accomplishment have been defined. The standards set out are being adhered to by close monitoring. Clients of this Division are well defined consisting of three broad groups i.e. PIAs, Funding Agencies and other stakeholders. Service to be rendered to these groups is also well defined i.e. smooth and quick disbursal of the Loans/Grants, timely debt servicing and to provide management information as and when required.

8.5.2 To ensure continuous improvement in the performance standards, quarterly Management Review Meetings (MRMs) are being held. In MRMs performance is critically reviewed and methods/suggestions for maintenance/improvement of the service delivery standards are discussed by the officers of this Division.

8.5.3 Above system is being followed with a view to ensure quality service delivery in a defined time frame.

Organisation Chart of the Aid Accounts & Audit Division

Controller of Aid Accounts & Audit

↓

Joint Controller of Aid Accounts & Audit

↓

Dy. CAA&A	Dy. CAA&A	Dy. CAA&A
↓	↓	↓
Sr. AO/Accounts Officer	Sr. AO/Accounts Officer	Sr. AO/Accounts Officer

9 Administration Division

9.1 Functions

Administration Division is responsible for personnel and office administration, implementation of Official Language policy of the Government, implementation of the Right to Information Act,2005, Grants-in-aid, redressal of public grievances, training of officials, etc.

9.2 Staff Strength

The staff strength in Department of Economic Affairs and its attached/subordinate offices/statutory bodies along with the representation of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities therein is given in Table-8.1 & Table-8.2.

9.3 Grants-in-aid

During the year 2012, grants-in-aid of ₹11 crore were sanctioned to 11 Institutions by Department of Economic Affairs. The details are given in Table-8.3.

9.4 Complaints Committee on Sexual Harassment of Women Employees

In compliance with the Supreme Court's Judgment dated 13 August, 1997 in the Visakha case relating to preventions 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 is in existence in the Department.

9.5 Use of Hindi in Official work

Effective measures have been taken for progressive use of Hindi for official purposes during the year. Efforts were also made to ensure compliance of various orders/ instructions issued by the Department of Official Language.. 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 2012-13 issued by the Department of Official Language was circulated to all the attached/subordinate offices/divisions/ sections under the Department and all efforts were made to achieve the targets fixed therein;

ii. The Third meeting of the Hindi Salahkar Samiti of the Department of Economic Affairs (including Department of Financial Services) was held on 15th June, 2012 under the Chairmanship of Hon'ble Minister of State (E & FS). Compliance of the decisions taken therein was ensured;

iii. Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi day on 14th September, 2012 appealed to the officers and staff of the Ministry of Finance as well as of 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. The participants were given rewards and reference and helping literature;

v. To create a conducive atmosphere in the Department regarding the progressive use of Hindi, Hindi Month was celebrated during 1st to 30th September 2012.

vi. The authors under the Scheme of Incentives on Original Book writing in Hindi on Economic subjects are awarded the first, second and third prizes of Rs 50,000/-, Rs 40,000/- and Rs 30,000/- respectively. Two books have been awarded for the year 2010-11 and the scheme is continued;

vii. The website of the Department is bilingual. Besides other material, all Budget documents, Economic Survey and other publications and important circulars are uploaded simultaneously in Hindi and English;

viii. Some of the sections of the Department and other offices under its control were inspected to see the extent upto which the Official Language Act, the rules made thereunder, the Annual Programme and the orders and instructions etc. relating to Official Language are being complied with; and

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 its suggestions was taken.

9.6 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 Officials of all the Departments, Ad-hoc Committees and Commissions set 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 in the procurement and distribution of official documents with the various institutions/individuals on demand in India and abroad.

Finance Library has been categorized as a 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.

9.6.1 COLLECTION

The library has a specialized collection of more than two lakh documents on Economic and Financial matters and subscribe to more than 800 periodicals/newspapers annually. In addition to this, the Library have the following CD-ROM databases:-

- Census of India 2001
- DDO Manual
- DGCI&S - Foreign Trade Statistics of India
- DGCI&S - Statistics of foreign Trade of India
- DGCI&S - Monthly Statistics of Foreign Trade of India
- Government Accounting Rules, 1990

- IMF - Balance of Payments Statistics
- IMF - Direction of Trade Statistics
- IMF - Government Finance Statistics
- IMF - International Financial Statistics
- India - Civil Accounts Manual, rev. 2nd edition, 2007
- India - Economic Survey
- India - Pay Commission Report (1st, 3rd, 5th and 6th)
- India- Union Budget
- List of Major and Minor Heads of Accounts
- RBI – Banking Statistics & Basic Statistical Returns
- Receipts and Payments Rules
- The World Bank - World Development Indicators
- The World Bank - Global Development Finance
- UN- International Trade Statistics Year Book
- Vigilance Manual

9.6.2 SERVICES

The Finance 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.

A useful links has been provided on intranet by the Library which helps the readers in search and download full text of reports and data.

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

9.6.3 PUBLICATIONS

The Finance Library compiles one (print + online) weekly publication i.e. "Weekly Bulletin" a subject bibliography indexing articles of interest from journals received in the library.

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

9.6.4 DIGITIAL RECORDS

Finance Library also undertook a project in which the full text of Ministry of Finance, Gazette Notifications [published in the Pt. 2 Sec. 3 Subsection (i) (ordinary)] for the year 1950 to 1965 have been digitized. During 2012, Notifications of the year 1961 to 1965 were digitized.

9.6.5 COMPUTERISATION

The Library has computerized almost all its activities. The Library uses LIBSYS Library package for database management, retrieval, Library automation and other in-house jobs. The internet facility is also available in the library through which information is provided to the officers of Ministry of Finance.

Accessibility of the online data is concern; a link from internet site "finance.nic.in" is made available to access the information.

9.7 IMPLEMENTATION OF THE RIGHT TO INFORMATION ACT, 2005

In order to facilitate dissemination of information under the provisions of the Right to Information Act, 2005, Department of Economic Affairs has initiated the following actions:

(i) An RTI Cell has been set up to collect and transfer the applications under the RTI Act, 2005 to the Central Public Information Officer/ Public Authorities concerned and to submit the quarterly returns regarding receipt and disposal of the RTI applications/ appeals to the Central Information Commission.

(ii) Details of the Department's functions along with its functionaries etc. have been placed on the RTI portal of the Departments official website (www.finmin.nic.in) as required under section 4(1)(b) of the RTI Act.

(iii) All US/DD level officers have been designated as Central Public Information Officer (CPIO) under section 5(1) of the Act, in respect of subjects being dealt with by them.

(iv) All DS/Directors have been designated as First Appellate Authority in terms of Section 19(1) of the Act, in respect of the CPIOs under them.

(V) To facilitate the receipt of applications under the RTI Act, 2005, facilities have been provided has been made to receive the applications at the facilitation counter of the Department at Gate No.8. The applications so received are further forwarded by the RTI Section to the CPIOs/Public Authorities concerned.

During the year 2012, 1146 applications and 106 First Appeals were received in the Department. An amount of Rs.5940/-(Rupees five thousand nine hundred forty only) has been received as fee under the RTI Act.

9.8 Redressal of Public Grievances

A centralized Public Grievances Redressal Machinery (PGRM) is already operational within the Government which attends to all the public grievances related to various Ministries/Departments. During the year 2012, 408 fresh public grievance cases were received in the Department besides 477 cases brought forward from the previous year. Out of these 885 (408+477) cases, 563 cases were disposed of during the year.

Joint Secretary (ABC) has been nominated as Public Grievance Officer of the Department. His contact details have been displayed on the PGRM portal (http://pgportal.gov.in/).

9.9 TRAINING OF STAFF MEMBERS

Department of Economic Affairs deputes its officials for training to ISTM and other Institutes to increase their efficiency and improvement in the quality of their work. During the year 2012, a total of 32 officials of the Department were deputed to Institute of Secretariat Training and Management(ISTM), New Delhi for undergoing cadre trainings and other trainings programmes. In addition to this, four officials have also deputed to attend residential training programmes conducted by the Institutes other than ISTM.

9.10 Record Retention Schedule

During the year 2012, Record Retention Schedule pertaining to substantive functions of the Department was prepared in consultation with National Archives of India (NAI). Besides, two special drives were carried out to review and weed out the records. A total of 1033 files were weeded out during these special drives.

Table – 8.1(A)

Representation of SCs, STs & OBCs in respect of Department of Economic Affairs (Main), as on 01.01.2013.

Groups	**Number of Employees**				**Number of appointments made during the previous calendar year**									
					By Direct Recruitment				**By Promotion**			**By Other Methods**		
	Total	SCs	STs	OBCs	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	159	14	4	5	-	-	-	-	1	-	-	1	-	-
Group B	288	40	20	8	5	1	-	1	-	-	-	1	-	-
Group C	98	20	2	9	-	-	-	-	-	-	-	1	-	-
Group D (Excl. Safai Karamchairs)	173	70	3	9	-	-	-	-	-	-	-	-	-	-
Gr.D (Safai Karamcharis)	10	10	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**728**	**154**	**29**	**31**	**5**	**1**	**-**	**1**	**1**	**-**	**-**	**3**	**-**	**-**

Note: The details of employees given above includes IES cadre posts, official language cadre posts ICO as service cadre posts besides the ex-cadre posts which are managed as Department of Economic Affairs.

Table 8.1(B)

Representation of SCs, STs and OBCs in Attached/Subordinate offices, Statutory Bodies (i.e. National Savings Institute, Nagpur and Security Appellate Tribunal, Mumbai) of Department of Economic Affairs

Groups		Number of Employees				Number of appointments made during the previous calendar year									
						By Direct Recruitment				By Promotion			No. of Vacancies Reserved No. of appointment made		
		Total	SCs	STs	OBCs	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**
A	ANSI	14	3	ð	3	ð	ð	ð	ð	ð	1	ð	ð	ð	ð
	SAT	2	ð	ð	1	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
B	NSI	19	2	1	4	ð	ð	ð	ð	ð	1	ð	ð	ð	ð
	SAT	7	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
C	NSI	55	17	5	8	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
	SAT	15	3	ð	4	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
D	NSI	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	
	SAT	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
	Total	**112**	**25**	**6**	**20**	**—**	**—**	**—**	**—**	**—**	**2**	**—**	**—**	**—**	**—**

Table 8.1(C)

Representation of SCs,STs & OBCs in Security and Exchnage Board of India(SEBI), the Employees of SEBI are classified as follows and not as Groups 'A', 'B', 'C' & 'D'

Grades	Number of Employees				Number of appointments made during the previous calendar year, 2012									
					By Direct Recruitment				By Promotion			By other Methods*		
	Total	SCs	STs	OBCs	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	550	71	24	143	22	3	2	9	0	0	0	1	0	0
Secretaries	109	4	0	12	0	0	0	0	0	0	0	0	0	0
Junior Asst.	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Messenger	2	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	**662**	**76**	**24**	**155**	**22**	**3**	**2**	**9**	**0**	**0**	**0**	**1**	**0**	**0**

** Deputation*

Table 8.2(A)

Representation of Persons with Disabilities in respect of Department of Economic Affairs (Main), as on 01.01.2013.

Groups	**Number of Employees**				**DIRECT RECRUITMENT**							**PROMOTION**						
					No. of Vacancies reserved			**No. of Appointments Made**				**No. of Vacancies reserved**			**No. of Appointments Made**			
	Total	VH	HH	OH	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	159	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	288	-	2	3	-	-	1	-	-	-	-	-	-	-	-	-	-	-
Group C	98	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	183	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**728**	**1**	**2**	**7**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 8.2(B)

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

Organization	**Number of Employees**				**DIRECT RECRUITMENT**							**PROMOTION**						
					No. of Vacancies reserved			**No. of Appointments Made**				**No. of Vacancies reserved**			**No. of AppointmentsMade**			
	Total	VH	HH	OH	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	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B NSI	19	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C NSI	55	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D NSI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**112**	**-**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 8.2(C)

Representation of Persons with Disability in Security and Exchnage Board of India(SEBI).
(Employees of SEBI are classified as follows and not as Groups ‘A’, ‘B’, ‘C’ & ‘D’)

Grades	**Number of Employees**				**DIRECT RECRUITMENT**							**PROMOTION**						
					No. of Vacancies reserved*			**No. of Appointments made***				**No. of Vacancies reserved***			**No. of Appointments made***			
	Total	VH	HH	OH	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	550	6	1	11	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Secretaries	109	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Junior Asst.	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Messenger	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**662**	**7**	**1**	**11**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

* during the calendar year 2012

Table-8.3
Details of Grants-in-aid released during 2012

S.No.	Name of the Grantee Institute	Purpose of the grant	Sanctioned Amount
1.	Ratan Tata Library (RTL) of Delhi School of Economics	Corpus Fund for subscriptions and maintenance of journals for RTL	₹ 700 lakh
2.	Centre for Development Economics (CDE)	Corpus Fund to finance a visiting fellow and to doctoral fellowship and also for development of CDE	₹ 300 lakh
3.	Global India Foundation, Kolkata	For non regarding grant for development of infrastructure and academic resources	₹ 20 lakh
4.	Punjabi University, Patiala	As one time grant-in-aid for establishing Centre for Development Economics and Innovation Studies (CDEIS)	₹ 20 lakh
5.	Tripura University, Tripura	As one time grant-in-aid for building infrastructure facilities	₹ 10 lakh
6.	Manipur University, Manipur	As one time grant to undertake a project on contemporary development trends and issues requiring attention in NE Region	₹ 10 lakh
7.	Delhi School of Economics, University of Delhi, Delhi	As one time grant for organizing two conferences	₹ 10 lakh
8.	Indian Economic Association	As one time grant as support for o rganizing conferences	₹ 4 lakh
9.	Indian Econometric Society	As one time grant for improving the frequency and quality of journals	₹ 5 lakh
10.	Asian Development Research Institute, Patna	As one time grant in aid for maintaining video library information centre and purchase of books	₹11 lakh
11.	Department of Analytical and Applied Economics, Utkal University, Bhubaneswar	As one time grant in aid for strengthening research activities in Analytical and Applied Economics	₹ 10 lakh
		Total	**₹ 1100 lakhs**

10. Bilateral Cooperation Division

10.1 Bilateral Cooperation with Japan

10.1.1 Official Development Assistance (ODA)

Japan has been extending official development assistance (ODA) to India since 1958. Japanese ODA in the form of loan assistance, grant aid and technical assistance to India is received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India.

The Japanese ODA loans to India are ñuntied loansà The procurement is through International Competitive Bidding. The interest rates are 1.4% per annum for general projects with a 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.65% per annum with a 40 years tenure including grace period of 10 years. 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 has committed JPY 317.455 billion (Rs.20786.76 Crores approx.) for six projects to India from January 1, 2012 to December 31, 2012. As on December 31, 2012, fifty nine projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is JPY 1214.811 billion (Rs.67445 Crores approx.). The cumulative commitment of ODA loan to India has reached JPY 3772.112 billion on commitment basis till December 31, 2012.

The ODA loan disbursement to India from January 1, 2012 to December 31, 2012 was JPY 113.491 billion (Rs.7617.06 Crores).

10.1.2 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, are 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 is only one ongoing grant aid project under grant aid programme viz. the Project for Strengthening of Electronic Media Production Centre in Indira Gandhi National Open University. The Exchange of Notes for the project were signed between Government of India and Government of Japan on July 26, 2010 for JY 787,000,000.

10.1.3 Technical Cooperation Programme

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 Indi

There are 6 ongoing projects under Technical Cooperation and Development Study Programme.

10.1.4 JOCV Programme

In the year 2012-2013, proposals from 9 institutes have been posed to Embassy of Japan and 7 Japanese volunteers have already been appointed under JOCV programme.

10.1.5 JICA Partnership Programme

JICA Partnership Programme involving Indian and Japanese NGOs, was started in 2001. During 2012-2013 two proposals have been received and cleared so far.

10.1.6 Grassroots Funding

Government of Japan also provides small grant assistance to Indian NGOs under its scheme for ñGrant Assistance for Grassroots Projectsà During 2012-2013, 30 proposals have been received, and DEA has cleared 9 proposals. For remaining projects, political clearance in respect of 19 proposals is still awaited from MEA and, comments from respective State Govt./ Line Ministries/ DONER are awaited in respect of 2 proposals having their project site in NE states.

10.1.7 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 Organization (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.

10.2 India-European Union (EU) Development Cooperation

The European Union (EU) provides assistance through Development Cooperation in the form of Grants. The priority areas include environment, public health and education. EU implements development cooperation programmes through Country Strategy Paper (CSP). The CSP is based on EU objectives, on the policy agenda of the partner country and on an analysis of the country/ region situation. The current CSP for the 2007-2013, covers Multiannual Indicative Programme-I (MIP) for the period 2007-2010 and Multiannual Indicative Programme-II (MIP-II) for the period 2011-2013.

A Memorandum of Understanding (MoU) for MIP-I was signed between India and EU on November 30, 2007 during the 8th India-EU Summit held in New Delhi for an amount of Euro 260 million, while MoU for MIP-II was signed on February 22, 2011 at New Delhi for an amount of Euro 210 million. Thus for CSP 2007-2013, the total amount of EC grants is Euro 470 million. The sector-wise allocation of funds for CSP 2007-13 is as given below:

SN	Sectors	MIP-I (2007-10)	MIP-II (2011-13)
1.	Health	ú 110 million	ú 50 million
2.	Education	ú 70 million	ú 100-130 million
3.	Implementation of Joint Action Plan	ú 80 million	ú 30-60 million
	Total	**€ 260 million**	**€ 210 million (now revised to Euro 105 million)**

The EU has conveyed that a new strategy is being envisaged for its bilateral development cooperation with India and that grants would not be available for India after December 2013. It was also informed that for MIP II, the allocation of Euro 210 million has been revised to Euro 105 million, for which agreements were already signed during 2012. Therefore no new agreements will now be signed for MIP-II.

The major programmes of Government of India which receive EU aid along with other development partners are Sarva Shiksha Abhiyan (SSA) and National Rural Health Mission (NRHM)/Reproductive Child Health (RCH). In 2012, Government of India has signed an agreement with EU for the project "Sector Policy Support Programme for Elementary and Secondary education", which will receive a grant of Euro 80 million.

India-EU Sub Commission on Development Cooperation is a forum at which bilateral issues relating to development cooperation with EU are discussed and reviewed. The next meeting of India-EU Sub Commission on Development Cooperation is scheduled to be held in Delhi during the year 2013. The annual meeting is held alternatively between Delhi and Brussels. The Sub-Commission on Development Cooperation reports to India-EU Joint Commission.

10.3 India-UK Bilateral Development Cooperation Programme

The United Kingdom has been providing bilateral development assistance to India since 1958 through the Department for International Development (DFID). At present, development cooperation assistance from UK flows to mutually agreed projects mainly in the socio-economic sectors such as education, health, urban development, expenditure management and governance reforms etc. within the overarching framework of poverty alleviation. Apart from supporting national programmes such as Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyaan (RMSA), Reproductive & Child Health (RCH), DFID is supporting three states, namely Bihar, Madhya Pradesh and Odisha for implementing State's programmes in the above-mentioned priority sectors. DFID is also providing assistance to multilateral agencies, namely World Bank, Asian Development Bank (ADB), United Nations Children's Fund (UNICEF) etc. and Indian NGOs through their Poorest Areas Civil Society Programme (PACS) and International NGO Partnership Agreement (IPAP) Programme.

10.3.1 DFID's Country Plan for India 2008-15

DFID introduced their Country Plan for India 2008-15 in June, 2008. During the first phase of the Country Plan (2008-09 to 2010-11), DFID's commitment of £ 825 million was fully utilized. The second phase of DFID's Operational Plan (2011-12 to 2014-15) commenced in April 2011. The policy of existing development partnership was reviewed and finalized between India and UK during 2011. Apart from Government sector programmes and DFID partnership programs with multilateral agencies and NGOs, it was agreed to include a new component 'Private Sector Development Initiative' (PSDI) under the development cooperation programme. PSDI is to be implemented through Government sponsored institutions such as SIDBI, NABARD etc. in eight low income states of India viz. Bihar, Odisha, Madhya Pradesh, Chhattisgarh, Jharkhand, Uttar Pradesh, West Bengal and Rajasthan. Investment by DFID in PSDI will be in the form of returnable capital (soft loan / equity) and Technical Assistance grant as accompanying measures for capacity development of the collaborating institution. Under their PSDI, DFID has launched a project titled "SAMRIDHI" on 17.12.2011 in collaboration SIDBI for total assistance of £65 million for a period of seven years.

Under their current Operational Plan from 2011-12 to 2014-15, DFID decided to provide grant of £1120 million with annual assistance of £280 million (₹2, 250 crore approximately). However, Ms. Justine Greening, Secretary of State for International Development has announced in UK Parliament on 9.11.2012 that there will be a reduction of approximately £ 200 million during 2013-15 in the bilateral aid programme although no ongoing projects will be cancelled. In view of this, DFID's allocation to India for the period 2011-12 to 2014-15 will now be of £ 920 million as against earlier allocation of £ 1120 million.

10.3.2 India-UK post 2015 partnership in development cooperation

The current phase of UK's Country Plan to India ends in March 2015. In order to finalise the post 2015 development partnership between the two countries, Aid Talks were held on 06-07 September, 2012 in London during which both countries agreed that the financial grants for Government sector programmes will be discontinued after 2015 although the ongoing financial grant projects will be completed as planned. Technical Cooperation programme will continue after 2015 focusing on sharing skills and expertise. Existing pro-poor PSDI will also continue in the low income States of India.

10.3.3 Agreements signed and disbursement effected during 2012-13

The following project agreements / Memorandum of Understanding have been signed by Department of Economic Affairs with DFID during 2012-13 (upto 31.12.2012):

(1) Rashtriya Madhyamik Shiksha Abhiyan for DFID's development assistance of £ 80 million (Rs.640 crore) - Agreement was signed on 9.11.2012

(2) MP Urban Infrastructure Investment Programme for DFID's development assistance of £ 27.4 million (Rs.210 crore)- Agreement was signed on 23.11. 2012

(3) Teachers Education through School based Support in India (TESS) for DFID's development assistance of £ 10 million (Rs.80 crore)- Agreement was signed on 5.12.2012

In so far as disbursement for ongoing projects is concerned, DFID has released £98.23 million (Rs. 856.54 crore) through Government of India account till December, 2012.

10.3.4. India-UK Economic & Financial Dialogue (EFD)

The 5th round of Ministerial level India-UK Economic & Financial Dialogue (EFD) was held in New Delhi on 02.04.2012. The India side was led by Shri Pranab Mukherjee, the then Finance Minister while the UK side was led by Mr. George Osborne, the Chancellor of Exchequer, UK . Both sides discussed issues of mutual economic and financial interests including 'Macro-economic issues and international cooperation', 'infrastructure financing', 'financial sector reforms' and 'business environment'.

10.4 Important International Economic Forum

10.4.1 Commonwealth Finance Ministers' Meeting (CFMM) and meeting Senior Finance Officials (SOM)

The annual Commonwealth Finance Ministers' Meeting was held in Tokyo on 10.10.2012. The Indian delegation was led by the Finance Minister. Topics for discussion in CFMM included 'Commonwealth's relationship with G-20' and 'Securing growth with jobs and exogenous shocks'. Prior to the CFMM, Senior Finance Officials' Meeting (SOM) was held on 9.9.2012 in which the Indian side was led by Secretary (EA). Discussions were held on issues relating to 'Post 2015 development framework' and 'Harnessing the Potential of the Private Sector'. During the meetings of CFMM, Government of India pledged an annual contribution of £ 1,086, 000/- to Commonwealth Fund for Technical Cooperation (CFTC) for the year 2012-13.

10.5 Bilateral Cooperation with other European Countries

10.5.1 Germany

The Federal Republic of Germany is providing financial and technical assistance to India since 1958. The present priority areas for bilateral Development Cooperation Programme are: energy, environmental policy, protection and sustainable use of natural resources, sustainable economic development.

The Government of Germany made fresh commitment of € 565.8 million (approx. Rs. 3,700 crore) in 2012 for financial as well as technical assistance for implementing various projects in India.

The agreements for € 391.50 million (approx. Rs. 2,550 crore) for six projects were signed during the year 2012-13 (upto December, 2012).

During 2012-13 (upto December, 2012), Germany disbursed financial assistance of Rs. 166.31 crore under the Government projects. The total disbursement including the Non-Government projects during this period was Rs. 775 crore (approx.).

10.5.2 France

The Government of France has been extending development assistance to India since 1968. The present French development assistance is being provided through the French Agency for Development (AFD). The Memorandum of Understanding in this regard was signed between Department of Economic Affairs and AFD on 29.09.2008. This MoU was revised in May 2012. The priority areas for AFD financing in India are projects contributing to the Sustainable Management of Global Public Goods, inter-alia (i) energy efficiency and renewable energy within the framework of the National

Action Plan on Climate Change (NAPCC), (ii) urban infrastructures (public transport, water, etc., through sustainable development projects and infrastructure development programmes such as JNNURM or UIDSSMT, and (iii) the preservation of bio-diversity.

AFD made fresh commitment of ú 123 million (approx. Rs. 800 crore) in 2012 for financial assistance for implementing two projects in India.

10.5.3 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. Norway is no more an eligible partner for bilateral development cooperation.

With the visit of Norwegian Finance Minister in the year 2007, and keeping in view the potential of bilateral Partnership and to further the regular structured dialogues between the two countries, it was agreed upon between the Finance Ministers of the two countries to hold the Annual Bilateral Meeting between the Ministries of Finance of India and Norway. Since then the regular meetings are being held annually at Senior Officersálevel. The 4th Annual Bilateral meeting between both the Ministries of Finance of India and Norway was held at New Delhi on 8th May, 2012. The meeting was centered on Global Pension Fund of Norway-Possibilities of investment in Infrastructure; Green Economy; Long Term Finance for Addressing Climate Change; Initial Capitalization of the Green Climate Fund; Sharing experiences on Climate Change & Sustainable Development; Taxation of Natural Resource and Low Carbon Growth Strategy.

10.5.4 Switzerland

Switzerland has been extending economic and technical assistance to India since 1964. Presently, Switzerland is continuing to extend bilateral development assistance towards NGO projects/autonomous institutions as permissible as per the said guidelines

As a sequel to a meeting on 30.8.2010 between the then Hon'ble FM and Ms. Micheline Calmy Rey the then Foreign Minister of Switzerland the Swiss side expressed a desire to further extend bilateral economic cooperation with India through launching of a structured ***"Dialogue on Financial Matters***ò in line of the existing dialogues with other countries like UK, USA etc. Consequently, an MoU on Financial Dialogue between the Ministries of Finance of India and Switzerland was signed on 3.10.2011 during the State visit of Hon'ble President of India to Switzerland. The First bilateral Financial Dialogue between the Federal Department of Finance of the Swiss Confederation and the Ministry of Finance of the Republic of India was held on 6th July, 2012 at Berne, Switzerland. The discussions were centered on **Macroeconomic situation and Euro zone crises; Infrastructure Financing; Financial Sector Reforms; Infrastructure Financing; Global Climate Fund; Financial Sector Regulation.**

10.6 Foreign Trainings

Department of Economic Affairs is the National Focal Point/Nodal Point for administering all short term foreign training courses/seminars/workshops upto four weeks. These courses are meant for all middle and senior officers of the Govt. of India including officers of All India Services.

These programmes are offered by various international agencies like International Monetary Fund(IMF), Japan International Cooperation Agency (JICA), Sweden International Development Agency (SIDA), Commonwealth Sectt., Colombo Plan Sectt., Singapore Cooperation Programme Training Awards (SCPTA), UNDP, etc. on various subjects relating to almost all the ministries/departments. Normally about 180 to 200 such trainings are handled in a year

10.7 Lines of Credit extended to foreign countries.

In the year 2012, following proposals for extension of GoI supported lines of credit to be routed through the Exim Bank of India have been approved:

Non-African countries:

(1) US$ 247.20 million credit line to the Government of Myanmar.

(2) US$ 100 million credit line to the Government of Syria.

(3) US$ 2.712 million credit line to the Government of Cuba.

African countries:

(1) US$ 250 million credit line to the Government of Mozambique.

(2) US$ 22.50 million credit line to the Government of Burkina Faso.

(3) US$ 16.88 million credit line to the Government of Gambia.

(4) US$ 19 million credit line to the Government of Senegal.

(5) US$ 35 million credit line to the Government of Ghana.

(6) US$ 18.08 million credit line to the Government of Chad.

(7) US$ 76.5 million credit line to the Government of Malawi.

(8) US$ 178.125 million credit line to the Government of Tanzania.

(9) US$ 15 million credit line to the Government of Benin.

(10) US$ 19.72 million credit line to the Government of Mozambique.

(11) US$ 28.6 million credit line to the Government of Zimbabwe.

11. Integrated Finance Division

11.1 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).

11.2 The Division is responsible for the following functions:

(i) Tendering financial advice/examination for concurrence to proposals involving expenditure in respect of DEA and DFS as well as their attached and subordinate offices e.g. Security Appellate Tribunal (SAT)/National Savings Institute/ Financial Sector Legislative Reforms Commission (FSLRC)/ Fourteenth Finance Commission (14^{th}FC)/G-20 Secretariat/Directorate of Currency (DoC)/ Debt Recovery Tribunals/Office of Custodian/Appellate Authority for Industrial and Financial Reconstruction/ Board for Industrial and Financial Reconstruction/ office of Special Court, Mumbai and Office of Court Liquidator, Kolkata.

(ii) Exercising expenditure control and management, ensuring rationalization 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.

(iii) The Division also administers two Detailed Demands for Grants i.e. Grant No.33-Department of Economic Affairs and Grant No.34-Department of Financial Services. This involves finalizing the Budget Estimates/ the Revised Estimates/estimating final requirements/ surrender of savings, re-appropriations and vetting of Head wise Appropriation Accounts.

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

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

(vi) Preparation of the ôOutcome Budgetö of the Ministry of Finance, as also monitoring Outcome Budget targets of different units in the Departments of Economic Affairs and Financial Services.

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

(viii) Budgetary position regarding the Grants administered by the Division is given Below:

Budgetary allocation of the Grants (on net basis).

(₹ In crores)

(NET)

Grant		BE-2012-13	RE-2012-13	BE-2013-14
33-Department of Economic Affairs	Plan	4040.00	3160.00	4040.00
	Non-Plan	19125.01	4243.34	25837.38
	Total	**23165.01**	**7403.34**	**29877.38**
34-Department of Financial Services	Plan	16088.00	14652.00	16088.00
	Non-Plan	8349.23	7460.42	7281.39
	Total	**24437.23**	**22112.42**	**23369.39**

The best practices followed for effective expenditure control included:

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

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

(c) Strengthening of internal control mechanism by getting internal audits undertaken.

(d) Monthly monitoring of Major Schemes/Programmes of Department included in the Outcome Budget.

12. Directorate of Curency (C&C)

12.1 Security Printing & Minting Corporation of India Limited (SPMCIL)

12.1.1 Security Printing & Minting Corporation of India Ltd. (SPMCIL), a Miniratna Category-I, Schedule-óAô Central Public Sector Enterprise (CPSE) was established on 13^{th} January, 2006 to manage four India Government Mints, two Currency Presses, two Security Presses and one Security Paper Mill, which were earlier being managed directly by the Government of India (Ministry of Finance). The Corporation is wholly owned by the Central Government with authorised share capital of ₹2500 crore and paid up share capital of ₹ 5 lacs..

12.1.2 The Client of two Currency Presses, i.e., Bank Note Press (BNP), Dewas and Currency Note Press (CNP), Nashik is RBI for currency notes. For other two Security Presses, i.e. Security Printing Press (SPP), Hyderabad and India Security Press (ISP), Nashik, the clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Department for postal stationery, stamps, etc. Security Presses also produce various security items like cheques, railway warrants, income tax return order forms, saving instruments, commemorative stamps etc. for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs and Ministry of Home Affairs. For four Mints, at Mumbai, Kolkata, Hyderabad and Noida for circulation coins, the client is Ministry of Finance, Department of Economic Affairs. The Security Paper Mill at Hoshangabad manufactures security paper for use of currency / security presses.

12.1.3 SPMCIL produced 6282 mpcs of Coins in 2011-12, Two Currency Units produced 6541 mpcs Bank Notes which are 19.5% higher than previous year. Security Paper Mill, Hoshangabad has produced 2925 MTg Security Paper. India Security Press, Nashik produced 49822 SPUs which is 31.2% higher than last year. Bank Note production per employee per year has increased for 1.62 mpcs in 2011-12 as against 1.31 mpcs in the previous year. The Coin production per employee per year has increased to 1.69 mpcs in 2011-12 as against 1.57 mpcs in the previous year.

12.1.4 The Corporation achieved Turnover of ₹3422.68 crore and posted Net Profit of ₹582.46 crore during the year 2011-12. The PAT per employee increased to ₹4.54 lakh in 2011-12 as against ₹4.28 lakh in the previous year. The turnover per employee has increased to ₹26.70 lakh in 2011-12 as against ₹23.25 lakh in the previous year.

12.1.5 The company declared a dividend @ 20% on Profit After Tax (PAT) and paid to Government an amount of ₹116.49 crore. The Corporation has Total Assets of about ₹7000.11 crore as on 31st March, 2012. The Corporation had achieved the ĩExcellentòrating in MoU for the year 2011-12. The Corporation has paid during March 2012 the last installment of ₹175 crore of the working capital loan of ₹700 crore taken from Ministry of Finance during corporatization and has become a debt free Company. The Company has created reserves of ₹2370.33 crore as on 31st March 2012.

12.1.6 SPMCIL has completed Phase-I modernization of the Mints with state-of-the-art Blanking lines, Polishing lines, Coining Presses and Finishing lines. One line of Currency printing machine has been commissioned in Bank Note Press, Dewas which has the capability to print Bank Note with latest security features. IP based surveillance system has been installed in six Units. ERP-SAP is at advanced stage of commissioning in all the Units of SPMCIL.

12.1.7 The company has achieved most of the objectives of corporatisation in a short span of six years and has become a successful example of corporatization of erstwhile Government Units.

12.2 Indigenisation

12.2.1 The existing annual requirement of CWBN paper for printing of bank notes in India is approximately 19,000 MT. Presently, SPM, Hoshangabad (MP) is able to cater only 5% to 10% requirement of bank note paper. The shortfall of banknote paper requirement is presently met through imports. Therefore, steps have already been initiated for indigenization of bank note paper. The Joint Venture Bank Note Paper Mill Project, located at Mysore, with annual capacity 12,000 MT per annum with two lines of paper machines, is in advanced stage of construction and is scheduled to fully commence commercial production by 2014 and the combined capacity of Joint Venture Bank Note Paper Mill at Mysore and that of SPM, Hoshangabad when commissioned in 2014, will lead to indigenous production of major requirement of CWBN paper as against major portion being imported at present.

12.2.2 In order to enhance the production of indigenous ink for security printing, modernization and expansion of the ink factory at Dewas has also been taken up. After part modernisation, it is able to cater its captive consumption of security Inks of SPMCIL. It is expected that the requirement of SPMCIL and BRBNMPL for the off-set, numbering and intaglio ink will be taken care of in the years to come.

LIST OF COMMEMORATIVE COINS RELEASED DURING 2012-2013

	Year	Name of the Commemorative	Date of Release
1.	2012	60 Years of Parliament of India	13.05.2012
2.	2012	150th Birth Anniversary of Pandit Moti Lal Nahru	25.09.2012
3.	2012	150th Year of Kuka Movement	05.10.2012
4.	2012	150th Birth Anniversary of Mahamana Madan Mohan Malaviya	25.12.2012
5.	2012	Silver Jubilee of Shri Mata Vaishno Devi Shrine Board	31.01.2013

ORGANISATION CHART IN THE DEPARMENT OF ECONOMIC AFFAIRS

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    - **Adviser(IES)** Sh. Rajan Kumar, Tele No. 23092550, IC 5026
      - **Director** Sh. S. Shyam, Tele No. IC
    - **Adviser** Vacatnt
      - **Addl. EA** Sh. Sunil Saran, Tele No. 23092528, IC 5075
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    - **Director(Budget)** Sh. N.M. Jha, Tele No. 23092649, IC 5042
    - **Director(Budget)** Sh. Peeyush Kumar, Tele No. 23092744, IC 5024
    - **Dir (Budget)** Sh. Ritvik Pandey, Tele No. 23093810, IC 5041
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    - **Director(CM)** Sh. Ramesh Krishnamurthi, Tele No. 23092685, IC 5023
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    - **JS(ABC)** Sh. Rajesh Khullar, Tele. No. 23093881, IC 5039
      - **Dir.(Admn & Europe)** Sh. Sagar Mehra, Tele No.23092100, IC 5089
      - **Dir Japan(BC)** Vacant
      - **Director(OL)** Sh. Amaranath, Tele No. 23092473, IC 5214
      - **Dir. IDEAS (BC)** Rajesh Sanan, Tele No. 23092836, IC 5091
      - **DS BM & Coord (Admin)** Sh. Bhaskar Dasgupta, Tel. No. 23092883, IC 5069
    - **JS(MR)** Dr. Usha Titus, Tele. No. 23094905, IC 5015
      - **Dirctor (MR)** Sh. Puneet Aggarwal, Tele No. 23093542, IC 5747
      - **DS G-20 (MR)** Dr.C.Vanlalramsanga, Tele No. 23748805, IC 5203
      - **DS G-20 (MR)** Ms. Reetu Jain, Tele No. 23094547, IC 5157
    - **JS(MI)** Sh. Nilaya Mitash, Tel. No. 23092387, IC 5050
      - **Director (MI)** Sh.Sanjay Garg, Tele No.23092345, IC 5019
      - **Director (MI)** Sh. Sanjeev Kaushik, Tele No. 23092378, IC 5046
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      - **Dir(MI)** Ms. Sheyphali B.Sharan, Tele No. IC
      - **DS(MI)** Ms. Sumita Singh, Tele No. 23093182, IC 5260
    - **JS(I&E)** Ms.Sharmila Chavaly, Tel. No. 23092154, IC 5034
      - **Dir (I&I)** Sh. I.P.Singh, Tele No.23092912, IC 5088
      - **Director (PPP Cell)** Ms. Aprna Bhatia, Tele No. 23094443, IC 5059
      - **Dir Infra(I&E)** Sh. Ashish Vachhani, Tele No. IC
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    - **JS(C&C)** P.K.Mishra Tel. No. 23094154, IC 5153
      - **DS C&C (Investment)** Sh. Sushil Kumar, Tele No. 23095087, IC 5087
      - **DS(Investment)** Ms Sigy Thomas, Tele No. IC

Department of Expenditure

1. Establishment Division

1.1 The Establishment Division works under the Joint Secretary (Personnel) and deals with matters related to determination of salary structure and service conditions of all Central Government employees including recommendation of Sixth Central Pay Commission, 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, productivity linked bonus, General Financial Rules, Delegation of Financial Power Rules, Staff Car Rules, Screening Committee Proposal, Economy Instructions etc. It is also responsible for administrative matters concerning the Department of Expenditure.

1.2 The Department of Expenditure has taken a number of measures to improve the systems and procedures of public financial management, thereby promoting the cause of good governance. The Prime Ministerӳ Thrust Areas included five planks of Institutional reforms, viz., Decentralization, Simplification, Transparency, Accountability and e-governance. These were echoed in the Initiatives on Expenditure Management announced by the Finance Minister Fiscal Policy Strategy Statement (FPSS) prepared under the Fiscal Responsibility and Budget Management Act in Budget 2005-2006 and became the guiding principles of setting the work plan.

1.3 The Department of Expenditure and the Planning Commission had jointly prepared the first ever Outcome Budget for the year 2005-2006, which was presented to the Parliament on 25 August, 2005. Thereafter, a series of detailed guidelines were issued to all Ministries/ Departments on preparation of Outcome Budget and Performance Budget by individual Ministries. In a further refinement of the process, fresh guidelines were issued (vide OM NO. 2(1)Pers/E.Coord/OB/2005 12 December, 2006) for integration of Outcome Budget and Performance Budget documents into a single document. The Outcome Budget has become an integral part of the budgeting process since 2005-2006. Outcome Budgets broadly indicate the physical dimensions of the financial budgets as also the actual physical performance in the previous year, performance of the first nine months of the current years and the targeted performance for the following years. Latest guidelines in this respect were issued in January 2013, wherein it was emphasized that the projected physical output should be disaggregated by sex, wherever possible and appropriate i.e. where delivery is to individuals. Indicators of performance relating to individuals should also be sex disaggregated.

1.4 The outcome budgeting initiative has the advantage of directing the focus on outcomes of government spending thereby raising accountability. A compilation of the outcome budgets of flagship schemes is also presented to the Parliament each year. Apart from this, the Independent Evaluation Office under the Planning Commission and Delivery Monitoring Unit in the Office of the Prime Minister are also reviewing the achievement and outcome of schemes. These steps have created a new paradigm of financial accountability.

1.5 During the year 2012-2013, 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.

1.6 With a view to containing non-developmental expenditure, and thereby releasing additional resources for meeting the objectives of priority schemes, Ministry of Finance has been issuing guidelines on ҁusterity Measuresԩn the Government from time to time. Such measures are intended at promoting fiscal discipline, and optimisation of available resources so as to improve the Macro Economic Environment. The last set of instructions were issued vide OM No. 7(1)/ E. Coord./2012 dated 31 May, 2012 wherein a 10% cut in non-plan expenditure has been imposed for the year 2012-13 (excluding interests payment, repayment of debt, Defence capital, salaries, pension and Finance Commission Grants to the States), Seminars / Conferences, ban on purchase of vehicles and restriction on Foreign Travel, Ban on creation of post, observance of discipline in fiscal transfers to States, balanced pace of expenditure, etc.

2. Pay Research Unit (PRU)

2.1 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.

3. Integrated Finance Unit (IFU)

3.1 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; Contribution to International Body (AGAOA) and the budget relating to payment of service charges to the Central recordkeeping Agency for the New Pension Scheme.

3.2 This Unit also monitors the expenditure under Grant No.39 ï Pension; and Grant No.40 ï Indian Audit & Accounts Department.

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

3.4 The expenditure trend of Grant No.38, 39 & 40 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.

3.5 The allocations under the respective Grants are as In Table 1.

4. Procurement Policy Division

4.1 A Public Procurement Cell (PPC) was set up in this Department in June, 2011 to take follow up action on the Report of the Committee on Public Procurement (CoPP) and drafting of the Public Procurement Bill and other related matters such as drafting of rules and setting up of a Central Public Procurement Portal. The Cell was gradually strengthened and a Division called Procurement Policy Division (PPD) was created under the overall supervision of OSD (PPD) with two Directors, one Under Secretary, one Assistant Director and one Assistant.

4.2 Subsequently, the scope of work in PPD was enlarged. The Division now deals with the following items of work:-

(i) Public Procurement legislation and rules, notifications, orders thereunder;

(ii) Policies relating to Public Procurement including administration of General Financial Rules 2005 on procurement of goods and services and contract management; policies relating to mandatory or preferential procurement;

(iii) Matters relating to standardization of procurement related documents;

(iv) All matters related to Central Public Procurement Portal set up for publishing information relating to Public Procurement;

(v) Matters relating to electronic procurement;

(vi) Professional standards to be achieved by officials dealing with procurement and suitable training and certification requirements for the same;

(vii) Interface with International bodies on matters relating to Public Procurement.

4.3 Major achievements and highlights of the Division during 2012-13 are as follows:-

4.3.1 Public Procurement Bill, 2012

The Public Procurement Bill, 2012 was introduced in the Lok Sabha on 14th May, 2012.

The Bill seeks to regulate public procurement by all Ministries/ Departments of the Central Government, Central Public Sector Enterprises (CPSEs), autonomous and statutory bodies controlled by the Central Government and other procuring entities with the objectives of ensuring transparency, accountability and probity in the procurement process, fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy, maintaining integrity and public

TABLE - 1

(₹ in crore)

Grant No.	Budget Estimates 2012-13			Revised Estimates 2012-13		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
38 ï Department of Expenditure	4.00	131.25	135.25	2.88	121.97	124.85
39 ï Pensions	-	19800.00	19800.00	-	19564.00	19564.00
40 ï Indian Audit & Accounts Department	-	2415.70	2415.70	-	2470.37	2470.37

confidence in the public procurement process and for matters connected therewith or incidental thereto. The Bill would create a statutory framework for public procurement which will provide greater accountability, transparency and enforceability of the regulatory framework.

The Bill was drafted after wide consultation, pursuant to the decision taken by the Group of Ministers on measures to tackle corruption and improve transparency on the recommendations made by the Committee on Public Procurement and the announcement made by the Prime Minister in his Independence Day address on 15th August, 2011 regarding introduction of a Public Procurement Bill.

The Public Procurement Bill, 2012 was referred to the Parliamentary Standing Committee on Finance by the Hon'ble Speaker. The Bill at present is under examination by the Committee.

4.3.2 Central Public Procurement Portal & e-Procurement

Pursuant to the recommendations of the Committee on Public Procurement (CoPP), a Central Public Procurement Portal (CPP Portal) has been set up for providing comprehensive information and data relating to public procurement and is accessible at www.eprocure.gov.in. It is being used at present by various Ministries/ Departments, CPSEs and autonomous/ statutory bodies. e-Publishing of tender enquiries, corrigenda thereto and details of contracts awarded thereon, on the Portal, has been made mandatory in a phased manner w.e.f 1st January 2012.

Further, it has also been decided to implement e-Procurement in Ministries/Departments of the Central Government and instructions have also been issued to all Ministries/Departments to commence e-procurement in respect of all procurements with estimated value of Rs.10 lakh or more in a phased manner. Use of e-procurement would enhance transparency and accountability and make procurement more efficient. This would also help in monitoring delays and reducing the procurement cycle.

5. Plan Finance-I Division

5.1 State Plan Schemes:

Central assistance for States plans is provided for the implementation of various State Plan Schemes. Apart from Normal Central Assistance, Special Plan Assistance and Special Central Assistance, funds are provided to the State Governments under various regular Plan schemes such as National Social Assistance Programme (NSAP), Accelerated Irrigation Benefit Programme (AIBP). Jawaharlal Nehru National Urban Renewal Mission (JNNURM) etc. A brief write-up on various State Plan Schemes is as under:

5.1.1 Normal Central Assistance (NCA)

Annual Plans of States as approved by Planning Commission are funded by States' own resources, borrowings by States and Central assistance by the Central Government. Central assistance includes Normal Central Assistance (NCA), Additional Central Assistance (ACA) for Externally Aided Projects (EAPs) and ACA for specific schemes. NCA is allocated on the basis of the Gadgil Mukherjee Formula approved by NDC taking into consideration factors like population, per Capita Income, performance and special problems of states. Additional Central Assistance is tied to projects and generally includes a component for 30% grant to General Category States and 90% grant to Special Category States. During 2011-12, an amount of Rs.20,920.68 crore was released to various States as NCA. An amount of Rs.20,625.26 crore of NCA has been released in 2012-13 (upto 31.12.2012).

5.1.2 Special Central Assistance/Special Plan Assistance (SCA/SPA)

Apart from Normal Central Assistance and scheme-specific Additional Central Assistance, untied Special Central Assistance to meet the gap in resources for financing of the States' Annual Plans is also being allocated by the Planning Commission to Special Category States. The assistance is not tied to any particular scheme and is released by the Ministry of Finance on the pattern of Normal Central Assistance to such States. During 2011-12, SCA of Rs. 8370.00 crore was released to Special Category States. During 2012-13, SCA of Rs. 7421.05 crore has been released (upto 31.12.2012).

Special Plan Assistance (SPA) is provided to the Special Category States for funding of projects identified by the States that are not covered by any Central scheme, for non-recurring expenditure of a developmental nature. SPA of Rs. 5758.84 crore was released during the financial year 2011-12. During 2012-13, SPA of Rs. 1431.15 crore has been released (upto 31.12.2012).

5.1.3 National Social Assistance Programme (NSAP)

The National Social Assistance Programme (NSAP), which came into effect from 15th August, 1995, represents a significant step towards the fulfilment of the Directive Principles in Article 41 of the Constitution. The programme aims at ensuring a minimum national standard for social assistance in addition to the benefits that States are currently providing or might provide in future. NSAP at present, comprises the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), the Indira Gandhi National Widow Pension Scheme (IGNWPS), the Indira Gandhi National Disability Pension Scheme (IGNDPS), the National Family Benefit Scheme (NFBS) and the Annapurna Scheme.

NSAP was operated as a Centrally Sponsored Scheme by the M/o Rural Development upto 2002-03, when it was transferred to the State Sector. With this change, the funds for the operation of these schemes are now being released as Additional Central Assistance (ACA) to the States by the Ministry of Finance. The rate of Pension under IGNWPS and IGNDPS has been enhanced from Rs. 200/- to Rs. 300/- per month per beneficiary alongwith the revision of the eligibility criteria from 40-59 years to 40-79 years and from 18-59 years to 18-79 years respectively w.e.f. 1st October, 2012. The lump sum grant under NFBS has also been increased from Rs. 10,000 to Rs. 20,000 with revision in eligibility criteria from 18-64 years to 18-59 years w.e.f. 18th October, 2012 . The extent of ACA to be provided to the States/UTs for the Scheme is decided by the Planning Commission, while the State-wise allocation of ACA is made by the Ministry of Rural Development and Planning Commission. Based on recommendations received from M/o Rural Development, an amount of Rs. 6546.08 crore was released to the State Governments during 2011-12. An amount of Rs.5814.58 crore has been released in 2012-13 (upto 31.12.2012).

5.1.4 Backward Regions Grant Fund (BRGF) Scheme

The Backward Regions Grant Fund (BRGF) aims to catalyze development of backward areas. The BRGF Scheme has two components, namely, (i) District Component covering 272 backward districts in 27 States, and (ii) State Component, which includes Special Plans for Bihar, West Bengal and the Kalahandi-Bolangir-Koraput (KBK) districts of Odisha, Bundelkhand Drought Mitigation Package and the Integrated Action Plan for 82 Selected Tribal and Backward Districts. The implementing Ministry for the District Component of the BRGF is the Ministry of Panchayati Raj, and for State Component, Planning Commission/Ministry of Finance. State Component of BRGF has been approved for continuation during 2012-13.

An amount of Rs.7187.30 crore was released under BRGF during the financial year 2011-12. The BE provision for the Backward Regions Grant Fund (BRGF) for the current financial year 2012-13 is Rs.6990.00 crore which includes Rs.1500 crore each for the Special Plans for West Bengal and Bihar, Rs.250 crore for the Special Plan for the KBK districts of Odisha, Rs.1400 crore for Bundelkhand Package and Rs.2340 crore for the Integrated Action Plan (IAP). During 2012-13, Rs.1704.20 crore has been released (upto 31.12.2012).

5.1.5 Accelerated Irrigation Benefit Programme (AIBP)

The Accelerated Irrigation Benefit Programme (AIBP) implemented during the 10th Plan was continued in the 11th Plan with a total outlay of Rs.49,700 crore for providing Central assistance to the ongoing major and medium irrigation projects. Additional Central assistance is also provided for extension, renovation and modernization of irrigation projects, surface minor irrigation schemes and projects of national importance.

Pattern of funding is Central grant equivalent to 90% of project cost in case of Special Category States and projects benefiting drought prone/tribal areas; and 25% of project cost in case of Non-Special Category States. The balance cost of the project being States' share is to be arranged by the State Government from its own resources.

Implementation of identified National Projects with Central assistance of 90% of the cost of the project as grant was approved by the Cabinet on 7.02.2008 with an outlay of Rs 7000 crore during the 11th Plan period. International projects where usage of water in India is required by a treaty, inter-State projects dragging on due to non resolution of inter-State issues and intra-State projects with additional potential of more than two lakh ha are eligible for funding under this category. At the time of approval of this scheme, 14 projects were included in the list of 'National Projects' Cabinet has approved inclusion of one more project viz. Saryu Nahar Pariyojana of Uttar Pradesh under the scheme of National Project during 2012-13. Cabinet has also approved on 03.08.2012, amendment in the guidelines for National Projects by making ERM (Extension, Renovation and Modernization) projects envisaging restoration of lost irrigation potential of 2.0 lakh ha or more eligible for assistance under the scheme of National Projects.

During the current year (2012-13), as against a BE of Rs.14242.00 crore, the allocation made by Planning Commission for these State Sector Schemes is as under:

TABLE - 2

(₹ in crores)

Sl. No.	Scheme	Allocation made by Planning Commission
1	AIBP-Regular Programme AIBP-National Projects	8769.50 1200.00
2	Flood Management Programme	1152.00
3	Command Area Development & Water Management	811.65
4	Repair, Renovation and Restoration of Water Bodies	1000.00
	Total	12933.15

Based on the recommendations of M/o Water Resources, grant of Rs.7459.01 crore was released to the State Governments during 2011-12. During 2012-13, Rs.1303.95 crore has been released (upto 31.12.2012).

5.1.6 Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

To provide focused attention to integrated development of infrastructural services in identified cities, "Jawaharlal Nehru National Urban Renewal Mission (JNNURM)" was launched by the Hon'ble Prime Minister of India on 3rd December, 2005. Ministry of Urban Development is implementing the Sub-Mission on Urban Infrastructure and Governance (SMUIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), while Ministry of Housing and Urban Poverty Alleviation is implementing the Sub-Mission on Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP).

The duration of the Mission is seven years, beginning from 2005-06. During this period, the Mission seeks to ensure sustainable development of selected cities. Current mission has come to an end on 31.03.2012 but Cabinet has since extended the mission period till 31.03.2014 for the purpose of implementation of projects sanctioned under the mission till 31.03.2012. Additional Central Assistance (ACA) under the Scheme for the States is being released by Ministry of Finance, whereas Ministry of Home Affairs releases ACA for Union Territories.

The 7 year mission allocation has been enhanced from Rs. 50,000 crore to about Rs. 66,000 crore. This includes an increase of Rs. 6000 crore for UIG, Rs. 5000 crore for UIDSSMT, Rs. 2682 crore for BSUP and Rs. 2361 crore for IHSDP. Based on the recommendations of M/o Urban Development and M/o Housing & Urban Poverty Alleviation, ACA of Rs. 43035.33 crore has so far been released to the State Governments under the four components of JNNURM during the entire mission period so far. An amount of Rs.3120.946 crore has been released in the current financial year 2012-13 (upto 31.12.2012).

Rajiv Awas Yojana (RAY), making the country slum free by 2020, has been launched on 02.06.2011. The Phase I of Rajiv Awas Yojana meant for a period of two years from the date of approval of the scheme, is currently under implementation. 12 pilot projects with total project cost of Rs.526.50 crore involving Central Assistance of Rs.236.85 crore have been approved under the scheme for the construction of total 9906 dwelling units. The first installment of Rs.78.94 crore has been released to the concerned States.

5.1.7 National E-Governance Plan (NEGP)

The Government approved the National e-Governance Plan (NeGP), comprising 27 Mission Mode Projects (MMPs) and 8 components, on May 18, 2006. The Scheme envisions making all Government services accessible to the common man in his locality through common service delivery outlets and ensuring efficiency, transparency and reliability of such services at affordable cost. At present there are four components operational under the Scheme:

Common Service Centre (CSC)

State Wide Area Networks (SWAN)

State Data Centres (SDC)

Capacity Building

The Ministry of Communications and Information Technology is the nodal ministry in charge of the Scheme. In 2011-12, Rs.41.37 crore was released. For the FY 2012-13 budget allocation of Rs.190.00 crore has been made for NEGP, Rs. 11.246 crore has been released so far in 2012-13 (upto 31.12.2012).

State Treasury Computerization under National e-Governance Programme-The Government of India has approved the scheme for computerization of State Treasuries at an overall cost of Rs. 626 crore (with Central Assistance of Rs. 482 crore), computed at Rs. one crore per district in existence on 1 April 2010. Financial support from the Centre is available upto 75% (90% in case of North Eastern States) of the cost of the admissible components, limited to Rs. 75 lakh per district (Rs. 90 lakh per district for North Eastern States). The scheme, to be implemented in about three years beginning 2010-11, would support States and UTs to fill the existing gaps in their treasury computerization, up gradation, expansion, and interface requirements, apart from supporting basic computerization of their treasury functions. The scheme covers installation of suitable hardware and application software systems in a networked environment on a wide area basis and building interfaces for data sharing among various stake holders. The project is expected to make budgeting processes more efficient, improve cash flow management, promote real time reconciliation of accounts, strengthen Management Information Systems (MIS), improve accuracy and timeliness in accounts preparation and bring about transparency and efficiency in public delivery systems in States and Union Territories. Two committees namely Empowered Committee (EC) and a Programme Steering Committee (PSC) have been constituted for implementation of the Scheme.

Besides addressing the minimum set of deliverables as per Scheme guidelines, the States have been requested to have interfacing with CPSMS for data transfer, compatibility to the proposed new accounting codes by mapping existing and new accounting codes simultaneously, compatibility with Aadhar, provision of dynamic reporting system, making the operational services under the Treasury computerization programme mobile enabled.

Under the Scheme, the proposals of 16 States and 3 UTs have been approved and the proposals of 4 States are in pipeline. ACA of Rs 102.85 crore has been released so far under the Scheme (upto 31.12.2012).

5.2 Additional Central Assistance for Externally Aided Projects

Till 2004-05, Additional Central Assistance for Externally-Aided Projects (EAPs) used to be released on the pattern of Normal Central Assistance i.e., 70% loan and 30% grant to General Category States and 10% loan and 90% grant to the Special Category States. From April, 2005, a new system of back-to-back (B2B) transfer of external assistance was introduced on the recommendation of the Twelfth Finance Commission, under which the external assistance is passed on to the General Category States on the same terms and conditions on which these are received by the Central

Government from donor agencies. In case of ongoing projects (signed before 1st April, 2005), the assistance to General Category States continues to be passed on the NCA pattern (70 loan: 30 grant). The Special Category States continue to receive the ACA for EAPs as earlier, on the 90% Grant and 10% Loan pattern. Based on the recommendations of Office of Controller of Aid, Account and Audit, Ministry of Finance, an amount of Rs.13148.61 crore was released to the State Governments during 2011-12. During 2012-13, Rs 9594.564 crore has been released so far (upto 31.12.2012).

5.3 Other Schemes

Special Central Assistance is also released for other schemes like Hill Area Development Programme (HADP) and Border Area Development Programme (BADP). An amount of Rs 772.10 crore has been released for BADP in 2012-13 (upto 31.12.2012) and Rs 150.60 crore has been released for HADP in 2012-13 (upto 31.12.2012). Rs 1140.66 crore has been released for ACA for Other Projects in 2012-13 (upto 31.12.2012). The different types of assistance allocated to the State Governments and released during 2012-13 (As on 31st December, 2012) are shown in table-3.

TABLE - 3

(₹ in crore)

Sl. No.	Items/Schemes	Allocation for 2011-12 (BE)	Allocation for 2011-12 (RE)	Amount released during 2011-12	Allocation for 2012-13 (BE)	Amount released during 2012-13 (upto 31-12-2012)
1	2	3	4	5	6	7
A.	Plan Assistance					
1	Normal Central Assistance	23263.00	21831.77	20920.68	25589.00	20625.263
2	Addl. Central Assistance for Externally Aided Projects	11000.00	13350.00	13148.61	13500.00	9594.563
3	Special Plan Assistance	2600.00	5500.00	5758.84	6005.00	1431.145
4	Addl. Central Assistance for other Projects	1000.00	1400.00	1877.20	1261.00	1140.658
5	Nutrition Programme for Adolescent Girls (NPAG)	0.00	0.00	0.00	0.00	0.00
6	Accelerated Power Development Reform Programme (APDRP)	0.00	0.00	0.00	0.00	0.00
7	Accelerated Irrigation Benefit Programme (AIBP) and other water related programme	12620.00	7460.00	7459.01	14242.00	1303.948
8	National Social Assistance Programme including Annapurna (NSAP)	6107.61	6607.61	6546.08	8382.00	5814.582
9	Central assistance for Hill Areas/Western Ghats Development Programme	299.00	299.00	298.85	300.00	150.599
10	Special Central Assistance for Border Areas Development Programme(BADP)	900.00	1003.22	1003.22	990.00	772.101
11	Central assistance for Backward Regions Grant Fund (State Component)	4840.00	7280.00	7187.30	6990.00	1704.201
12	National E. Governance Action Plan (NEGAP)	190.00	190.00	41.37	190.00	11.246
13	Special Central Assistance (Untied)	5400.00	8370.00	8370.00	9571.00	7421.049
14	ACA for Jawaharlal Nehru National Urban Renewal Mission					
	(i) Sub Mission on Urban Infrastructure and Governance (SM-UIG)	5922.00	4000.00	4113.68	5900.00	
	(ii) Urban Infrastructure development for Small and Medium Towns (UIDSSMT)	2300.00	1300.00	1134.58	2100.00	3120.946
	(iii) Sub Mission on Basic Services to Urban Poor (SM-BSUP)	2300.00	1350.00	1321.92	2100.00	
	(iv) Integrated Housing and Slum Development (IHSDP)	1000.00	700.00	699.66	900.00	
	(v) Rajiv Awas Yojana (RAY)	1000.00	100.00	67.94	1522.00	9.033
15	ACA for desalination Plant at Chennai	0.00	0.01	126.84	1.00	0.00
	Total (A)	80741.61	80741.61	80075.78	99543.000	53099.334

6. Finance Commission Division

6.1 Non-Plan Grants to States(FCD)

The States are supported through Non-plan grants as per recommendations of Finance Commissions. The award period of the 13th Finance (FC-XIII) is from 1 April, 2010 to 31 March, 2015. The year 2012-2013 is the third year of the award period of FC-XIII. On the Non-plan side Rs. 27745.67 crore had been released as on 31 December 2012 as grant-in-aid to States for Non-plan Revenue Deficit, Performance Incentive, Local Bodies, State Disaster Response Fund (SDRF), Justice Delivery, Improvement of Statistical System, District Innovation Fund, Elementary Education, Roads & Bridges, Water Sector Management, Forests and State Specific Needs (being 48 % of Budget Provision of Rs. 58357.60 crore for 2012-13). In addition to assistance released under SDRF, Rs. 1002.50 crores has been released from National Disaster Response Fund (NDRF) as on 31 December 2012.

6.2 States' Fiscal Consolidation (2010-15)

The Thirteenth Finance Commission (FC-XIII) has worked out a fiscal consolidation road map for States requiring them to eliminate revenue deficit and achieve a fiscal deficit of 3 per cent of their respective Gross State Domestic Product, latest by 2014-15. It has also recommended a combined States' debt target of 24.3 per cent of GDP to be reached during this period. The States are required to amend or enact their Fiscal Responsibility and Budget Management Acts (FRBMAs) to incorporate the fiscal consolidation roadmap recommended for each State.

27 States have enacted/amended their FRBMAs as prescribed by FC-XIII. In respect of one remaining State, its FRBMA enacted in 2006 already contains the fiscal consolidation roadmap which is in line with the recommendations of FC-XIII for the first three years of the award period (i.e., 2010-11 to 2012-13). The State Government has been advised to amend its FRBM Act to incorporate the targets for the last two years of the award period of FC-XIII.

States, in aggregate have been able to achieve the fiscal targets laid down by FC-XIII, as detailed below:

The aggregate revenue surplus for 2012-13 in budget estimate is about 0.51% of aggregate GSDP of all States, ahead of the FC-XIII's projection of 0.2% of GSDP (at 2011-12 RE it was 0.08% of GSDP)

The aggregate fiscal deficit for the year 2012-13, on the basis of budget estimates is 2.12% of GDP as against the target of 2.5% set by FC-XIII. It compares with fiscal deficit at 2.32% of GDP during 2011-12 (RE), which was also within the target of 2.5% of GDP.

The aggregate Debt to GDP ratio for the states has shown a gradual decline and is estimated to be 22.3% in 2011-12 (RE) and 21.7% in 2012-13 (BE), within FC-XIII's target of 26.1% and 25.5% for these two years respectively.

6.3 Debt Relief recommended by FC XIII

The Thirteenth Finance Commission (FC – XIII) inter-alia has recommended that States' enactment/ amendment of their FRBM Acts, incorporating the fiscal targets specified for them will be a pre condition for debt relief measures (reset of interest rates on NSSF loans and write off of central loans from ministry (other than MoF) and release of all State specific grants.

6.3.1 Debt relief on NSSF loans:

As recommended by FC XIII and subsequent decisions taken -

- A State will be considered as eligible for interest relief on NSSF loans from the date the FRBM Act is amended/enacted in accordance with the recommendations of FC-XIII.
- From the financial year 2012-13, compliance with FRBM targets will be a condition for availing interest relief in respect of NSSF loans.

After necessary amendments to FRBMA were made (by most of the States in 2011-12) incorporating targets specified by FC XIII, the States became eligible for interest relief on NSSF loans. For 2012-13, the fiscal position of all the 28 States as per their Budget Estimates for 2012-13 has been assessed with the respective States' FRBMA targets. Budget estimates of the States indicate that the fiscal parameters of RD, FD and Debt measured as a ratio to GSDP in respect of 20 States are in conformity with prescribed targets. It has been decided that 20 States that comply with FRBM targets as reflected in their 2012-13 (BE), may be extended the benefit of reduced interest rate for 2012-13 (from 1.4.2012) on a provisional basis. RBI has been requested to extend the interest relief on NSSF loans for 2012-13.

6.3.2 Write off of central loans (CSS/CPS):

The outstanding Central loans as on March 31, 2010 against 28 States in respect of Central Plan Schemes was Rs.488.85 crore and in respect of Centrally Sponsored Schemes, Rs. 1792.61 crore, aggregating to Rs. 2281.46 crore.

As all the 28 States were found eligible for write off, Central loans for CSS/CPS to the extent of Rs.2050.10 crore outstanding against the States in the ledger of the line ministries have been written off during 2011-12. A provision of Rs.100 crore is available in 2012-13 (BE) in Major Head 2075 'Miscellaneous General Services' in Demand No. 35 for writing-off the balance CSS/CPS loans left to be written off.

6.4 Borrowings

The methodology for determining annual borrowing ceilings of States during the 2010-15 period has been devised in line with the FC- XIII report. The borrowing limits of States are being worked out and enforced by Ministry of Finance (MoF) in accordance with the prescribed fiscal reform path for each State. Compliance with the prescribed fiscal parameters is expected to bring down overall debt of States to 24.3% of GDP in the end of year 2014-15.

7. Plan Finance-II Division

Plan Finance ï II Division is primarily concerned with matters relating to the Central Plan. 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.

During the period from 1st January to 31st December, 2012, **42** meetings of the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) considered **46** Plan Investment Proposals/ Schemes of various Ministries/ Departments costing **Rs. 458050.12 Crore**. Also, **7** meetings of Public Investment Board (PIB) were held and recommended 7 projects involving an amount of **Rs. 15372.78 Crore** in Table 4.

TABLE - 4

S. No.	Ministry/Department	No. of projects recommen-ded for approval	Cost (Rs. Crore)
	Health and Family Welfare	1	594.00
1	Power	1	2656.95
	Civil Aviation	1	2325.00
2	Urban Development	1	1002.23
3.	Road Transport and Highway	2	8115.60
4	Heavy Industry	1	679.00
	TOTAL	**7**	**15372.78**

Plan Finance-II Division also deals with financial restructuring of Central PSUs on the recommendations of Bureau for Restructuring of Public Sector Enterprises (BRPSE). It is also actively involved in working out modalities for financial assistance to CPSEs, quantification of I&EBR generation for preparation of budget, finalizing modernization of Plants & Equipments to ensure more efficiency in production. It is also the Secretariat of National Clean Energy Fund, in respect of which, guidelines for appraisal/approval of the project have been issued.

Issues relating to Food, Fertilizers and Petroleum subsidies, including their quantification and extension of assistance to the Stake holders are also dealt with in Plan Finance-II Division. The division is actively involved, along with the concerned Department/ Ministry, in shaping subsidy policy of the Government so as to ensure effective targeting coupled with minimum burden on the Government. 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 1st April, 2010. This has been done 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.

8. Staff Inspection Unit (SIU)

The Staff Inspection Unit (SIU) was set up in the year 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 organizations.

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, employeesô 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 2012, SIU has issued 04 final reports covering the sanctioned strength of 11116 posts including the study of Department of Environment Management Services (DEMS) of the Municipal Corporation of Delhi

(MCD). As against the sanctioned strength of 11116 posts in different organizations covered by these studies, SIU has found justification for retention of 6954 posts by declaring 4162 posts as surplus. These studies during the year have resulted in an economy of Rs. 104.06 crores per annum. In addition, SIU has also completed the staffing studies of Store Cadre, Finance Division and Administration Wing of All India Institute of Medical Sciences (AIIMS), New Delhi and National Human Rights Commission (NHRC) of Ministry of Home Affairs covering the sanctioned strength of around 1438 posts.

During the year, SIU has also been associated as Core Member with the Committee constituted for assessing the manpower requirement of Central Council for Research in Homeopathy under the Ministry of Health & Family Welfare.

9. Controller General of Accounts (CGA)

The Controller General of Accounts is an 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 Rules 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 towards 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 the 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 accounts is also released every month on the Internet. The data can be accessed at the website http://www.cga.nic.in

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

The CGA office undertakes reconciliation of Reserve Bank Deposit and Public Sector Banks Suspense, Authorization and Change of Accredited Banks for handling Government transactions i.e. Civil and Non-Civil Ministries/Departments, holding Standing Committee Meetings, APEX Committee Meetings and Private Sector Banks Meetings to review the handling of Government transactions by Banks Accredited to Civil and Non-Civil Ministries/Departments and disposal of related matters received from different Banks/Ministries/Departments.

9.1 Technical advice on accounting matters

Rendering advice to Civil Ministries/Departments, Ministry of Railways, Defence, Deptt. of Posts and Telecommunications and State Governments on the matters relating to accounts.

Scrutiny of accounting procedures in respect of Foreign Grant/Assistance/Loans, new projects of all Ministries/Departments and obtaining views of Budget Division and concurrence of C&AG office.

Administration and maintenance of Civil Accounts Manual, CTRs, CGA (R&P) Rules, LMMHA.

Proposals relating to accounting procedures in connection with various schemes of State Govts. received through their AsG, Creation of new PAOs in Ministries/ departments, New Pension Scheme, opening of PD Accounts, monitoring progress of revision of pension consequent to implementation of 6th CPC, introduction of collection of receipts and payments through electronic media and RTI matters relating to above.

Some of the notable proposals cleared during the year

9.1.1 Restoration of Service specific Accounting codes of Service tax : With a view to have more transparency and better disclosure 119 Accounting heads for each type of Service tax have been restored. Consequent upon the negative list based comprehensive approach to taxation of services; these Service specific accounting heads were made inoperative w.e.f. 01.07.2012. The restoration will ensure that service wise revenue data shall be available for revenue monitoring and policy making. Besides, one Minor Head '225-All Taxable Services' will be used as a residual entry for the purpose of collection of service tax levied on services other than the 119 services described under the previous positive list based selective approach.

9.1.2 Accounting code for Special Purpose Vehicle (SPV) for Goods and Services Tax Networks (GSTN) : A separateAccounting code for setting up a SPV for GSTN has been opened.

9.1.3 e-Payment through Government Electronic Payment Gateway (GePG) : The e-Payment system through GePG has been implemented in 317 Pay and Accounting units (out of 327 Pay and Accounts Offices), of all Central Civil Ministries and Departments till October month.

9.1.4 Separation of Accounts from Audit of the Union Territory of Dadra & Nagar Haveli (DNH) : The separation of Accounts from Audit has been approved. Accordingly, the payment and accounting functions of the UT shall be performed by Pay and Accounts Offices under Controller General of Accounts.

9.1.5 Workshops on the new proposed Accounting Classification structure : The workshops for officials dealing with Budget, Accounts and Treasury of all State and UT governments on the new proposed Accounting Classification structure were conducted by this office in 4 Regional training Centres (RTC) of our training centre i.e. Institute of Government Accounts and Finance (INGAF). All the State and UT governments gave tremendous response to the workshops.

9.1.6 Standard Operating Procedure for Gramin Dak Seva Scheme : for GraminDakSevaks under the Department of Posts has been concurred to.

9.2 CENTRAL PLAN SCHEME MONITORING SYSTEM (CPSMS)

The Central Plan Scheme Monitoring System (CPSMS) is a Central Sector Plan Scheme of the Planning Commission and is being implemented by the Office of Controller General of Accounts in partnership with the National Informatics Centre (NIC).

CPSMS is a web-based online transaction system for fund management and e-payment to implementing agencies and beneficiaries.

The primary objective of CPSMS is to establish an efficient fund flow system for Plan Schemes of the Government of India.

It also provides various stakeholders with a reliable and meaningful management information system and an effective decision support system.

The system is envisaged as an end to end solution for fund management of Plan Schemes of the Government.

9.3 Objectives

9.3.1 Establishment of an efficient fund management system

Disburse funds from the Central Civil Ministries to States/Special Purpose Vehicles (societies)/Autonomous bodies/NGOs.

Effect payments to ultimate beneficiaries of the Schemes, including Aadhaar based payments through National Payment Corporation of India (NPCI).

Disburse payment and maintain a record of component-wise fund disbursement from Special Purpose Vehicles (societies)/Autonomous bodies/NGOs to subsequent implementing agencies and individual beneficiaries in the States/UTs.

Establishment of an effective expenditure information network

Maintain a centralized database of all implementing agencies administering various Schemes at Centre/State/District/Block/Panchayat/Village level and managing government funds.

Report on details of beneficiaries receiving payments, including details of Aadhaar based payments, geographical location, total Scheme-wise amounts received etc.

Capture activity-wise/component-wise fund utilization by implementing agencies at various levels under various Schemes of Government of India.

Provision of financial services in an integrated manner including a validated bank reconciled statement on utilization of funds to all implementing agencies.

9.4 Reforms in the area of Public Financial Management

Move from the prevailing prescriptive fund release system to 'just in time' fund release, minimizing float with the banks thereby leading to better cash management.

Transition from a credit push (a-priori release of funds to various implementing agencies) to debit pull based fund transfer system in which a debit to central pool is triggered only when payment instructions are issued on the system by implementing agencies.

Progressing from the current system of booking fund releases as 'expenditure' to a system of booking fund releases as 'transfers' and actual utilization reported from the implementing agencies as 'expenditure'.

Providing on-line status of fund utilization on a real time basis, both for the funds devolved through the Treasury route and SPV route, leading to a better Decision Support System for Plan schemes.

E-payment through CPSMS by direct transfer of funds to accounts of beneficiaries on real time basis and bring transparency.

Govt. of India, Ministry of Finance has recently decided for integration of Aadhar numbers for DCT "Direct Cash Transfer" to bank accounts of beneficiaries under various Central/CSS Plan Schemes in 51 Districts of 18 States from Jan. 2013. This required ensuring adherence to CPSMS system of all Plan Schemes so that funds released to individual beneficiaries could be monitored with clarity on trail of funds from Central Ministries/Deptt. This involves conduct of training and handholding of the users of Select Plan Schemes at a large scale by CPSMS project Cell.

9.5 Achievements

All 1st level recipient agencies of Central government plan funds are registered in the system along with their bank account details. Consequently reports on geographical distribution of Scheme-wise, Agency-wise, Sector-wise funds are available on a real time basis. These reports are both query and proforma based.

CPSMS has operationalized a secure and active interface with 90 banks (26 Public Sector Banks, 59 Regional Rural Banks and 5 major Private Sector Banks) to provide immediate validation of bank accounts, prompt electronic credit to the beneficiary's bank account and bank reconciled expenditure statements to the implementing agencies.

Over 9,50,000 implementing agencies have already been registered on CPSMS portal. Around 3000 agencies are registering themselves on the system every day.

These agencies are using the CPSMS application for transactions covering both transfer of funds and e-payment to beneficiaries who have accounts in bank branches or post offices.

CPSMS has been fully implemented at the Central Government level and Plan Scheme releases from Civil Ministries / Departments of the Central Government are mandatorily routed through CPSMS with a unique Sanction ID.

Principal users of CPSMS include Planning Commission, Ministry of Finance, all Central Ministries, State Governments, program managers, banks and NGOs which receive funds from the Central Government.

CPSMS for the first time in the area of public financial management is geared to generate a transaction-based, robust, reliable and transparent Financial Management Information System (FMIS). Unlike other MIS applications where financial MIS relies on post-facto data feeding, the fund utilization data in CPSMS has one to one correlation with the banking transactions effected by the implementing agencies. Thus, the FMIS available from the system has bank reconciled data on financial transactions on a real time basis.

E-payment through CPSMS (direct transfer to accounts of beneficiaries) has been implemented successfully in Bihar under MGNRES covering over 40,000 beneficiaries and over Rs.1000 crore. E-payment is also expected to start soon in Odisha under NRHM, SSA and the Mid-Day Meal schemes.

Various State Governments have shown interest in using the CPSMS application for disbursement of their social welfare benefits.

CPSMS is linked with NPCI and has successfully effected the first Aadhaar based payment under Janani Suraksha Yojana (JSY) in Puducherry.

To get information on the funds disbursed by the Central Government through the State Treasuries, an interface has already been made operational with Maharashtra Treasury. Similar interfaces with the Treasuries of Madhya Pradesh and Odisha are also underway.

Hon'ble Finance Minister in his budget speech 2012-13 has announced the expansion of CPSMS for tracking all fund releases from Government of India. In line with this mandate the scheme will be rolled out in a large number of schemes during this financial year.

Public disclosure of the relevant data through a dedicated public information portal is also on the anvil.

9.6 Information Technology Initiatives

The 'Government e-payment' system & GePG portal inaugurated by the then Hon'ble Finance Minister on 31st October 2011 has come a long way and crossed over Rs. 247549 Crores in amount for 873317 number of transaction authorizations as on 16th January 2013 involving more than 320 Pay & Accounts Offices spread across the nation in India.

This resulted in elimination of physical cheque processing system and traditional issues associated with it to a large scale and ensures major cost savings for the department by greatly enhancing the overall payment processing efficiency; online reverse file(payment scroll) giving MIS on unique e-Authorization ID for all e payment fund transfers; Online auto-reconciliation to facilitate Major savings in time and efforts and speed up the compilation of accounting processes; and ensuring a secure single point data capture of transaction data thereby eliminating duplication of work and data inconsistency.

Thus the highlights of perceptible benefits embedded with implementation of ePayment facility are:

Paper Chequeless electronic payments

- Inter-Bank through RBI and Intra-Bank Core Banking System,
- Efficient Payments & Public Account transactions
- Itemized tracking of payments,
- Interface with Core banking solutions,
- Interface with COMPACT software at Pay & Accounts Offices,
- Convenience and privacy and
- Automated Banking Systems.

The application has already undergone the Standardization Testing and Quality Certification (STQC) from Department of Information & Technology and serves as middleware between COMPACT application at PAOs and the Core Banking Solution (CBS) of the agency banks/RBI.

On becoming fully operational this system covering all central government departments and ministries is expected to cater to a total payment of over Rupees Six Lakh Crores, eliminate almost two crore paper cheques and thereby sparing valuable human resources, required to handle the instrument of paper cheques, facilitating re-deployment of them on priority sectors.

9.7 Projects in pipeline

Centralised GPF(cGPF) and e-Samarth : In the same lines of eGovernance, General Provident Fund, a small scale saving norm for Central Government employees is required to be effectively managed by bringing transparency and strengthening information system. The envisaged goals through this initiative are: to have a web portal where all the accumulations/ transactions of GPF will be centralized and to capture these transactions happening through COMPACT in the web portal; facilitate the subscribers by providing online viewing access of their accounts leveraging the unique ID to be provided to each employee; operational flexibility irrespective of the department/office where posted; reducing the processing time thereby increasing the leaning for choosing GPF as a strong saving option especially for the low paid employees of paramilitary forces etc. The eSamarth, a web based software application developed in this direction and already functional in the Ministry of Home Affairs has, therefore, been decided to be extended to cater to the employees of all other ministries also as a part of the two pronged approach leading to a full-fledged Centralized GPF system.

Website of Office of Controller General of Accounts www.cga.nic.in: Shri Jawahar Thakur, ICAS and head of Civil Accounts Organisation as Controller General of Accounts inaugurated the redesigned website of Office of Controller General of Accounts, compliant to Guidelines of Indian Government Website (GIGW) on 14th November 2012.

The Website being the public face of an organization needs to undergo transformation evolving technological advents to grow up to the expectations of the users. From obscurity to quasi priority, we have come a long way, since the mid-1980s. The CGAs public website was first launched on 6th February 1999. With the urgent need to keep the website abreast with the latest information and the most user friendly way and moving along the information Technology era, the Website of Controller General of Accounts, custodian of Government ex-chequer, thus has its major role in the fiscal policy planning by providing the data on the expenditure incurred, trend of expenditure and National Data Summary. The website containing information on Monthly Accounts of Expenditure, Union Finance and Appropriation Accounts etc., is the most sought after one not only for audio visual and print media but also for economic research scholars and academicians to analyze the fiscal trend.

The redesigned website having compliance with Government website standard will bring uniformity in quality of content as well as enhance the overall usability and the functionality of the CGAs website. This will demonstrate Government commitments to enhance Government citizen interaction through application of internet technology as the website also acts as a public gateway through its vital links viz CPSMS, eLekha, APMS and COMPACT users of office of CGA and different categories of population.

Review of the existing IT system and roadmap for implementation of the new system: Growing requirements with the changes in the business processes, limitations of existing application and futuristic approach warranted the organization to ponder over for further options of integrating all the stand alone software utilities into a centralized comprehensive application on a sustainable platform with a new design. Accordingly, the services of a professional consultant was hired for study of the existing IT applications(COMPACT, e-Lekha, PARAS, REVACT, RAMS etc.) and suggesting future IT Strategy and implementation roadmap. The consultants have submitted their Final IT Strategy report and the organization now intends to include preparation of DPR for implementation of the IT Strategy for implementation of the proposed India Government Financial Management System (IGFMS).

9.8 The Implementation Of Right To Information Act, 2005

The Right to Information Act, 2005 has been implemented in the office of CGA 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 and quarterly report uploaded on the website of CIC http//www.cga.nic.in. All the guidelines issued by the Central Information Commission (CIC) are being strictly followed.

9.9 MONITORING CELL

9.9.1 Coordination and monitoring the progress of submission of corrective/remedial action taken notes (ATNs) on the recommendations contained in Public Accounts Committee's reports.

Coordination, collection and monitoring the submission of corrective/remedial action taken notes on various paras contained in C&AG Reports (Civil, Defence Services, Railways and other Autonomous Bodies).

Coordination, collection and timely submission to the Public Accounts Committee of the relevant Explanatory Notes duly vetted by Audit on excess expenditure and savings of Rs.100 crores and above, appearing in the Annual Appropriation Accounts.

Persuading the Ministries/Departments to approach the Lok Sabha Secretariat for further extension of time/ finalize ATN on particular report of PAC within the prescribed time of six months after its presentation to the Lok Sabha/Rajya Sabha. Bringing to the notice of various Ministries/Departments the remarks made by the PAC in its reports regarding the delay either in sending the Action Taken Notes or in their being vetted by Audit.

9.9.2 Audit Para Monitoring System (APMS)

Audit Para Monitoring System (APMS) project was started in pursuance to the PAC recommendations in the 11th Report (15th Lok Sabha) for deriving a computerized system to monitor and keep track of the ATNs of CAG Paras for early settlement. The APMS is to provide a Management Information System (MIS) for strengthening, streamlining and speeding up the task of submission of ATNs on CAG Paras. A legacy data of 4000 pending CAG Paras was uploaded to server. In 2011-12 several training to Ministries/Departments and audit have been conducted. Some of the Ministries have started using the portal with data availability up to 1999 and yearly thereafter till present. Audit has been asked to use the portal in respect of those Ministries/Departments who have uploaded ATNs. The Audit Paras have reduced from earlier 4000 to 1493 as on 30.9.2012.

In the 2nd Phase, a module on PAC paras is to be similarly included. In the 3rd Phase, Explanatory Notes (ENs) for Saving/Excess more than Rs.100 crores over voted grants by Ministries/Departments as well as Audit Account of Autonomous Bodies, has been envisaged.

9.10 EXAMINATION REFORMS

Availability of efficient and properly trained man power is essential to fulfil the objective of maintaining adequate standards of accounting in the Civil Ministries. With this end in view, the CGA conducts the following departmental examinations for the staff of the Central Civil Accounts Service –

(i) the Assistant Accounts Officer (Civil) Examination (once every year),

(ii) Departmental Confirmatory Examination for Accountants (twice a year),

(iii) Limited Departmental Competitive Examination for Promotion of 12th pass MTS Staff as LDCs and Limited Departmental Competitive Examination for Promotion of LDCs as Accountants. The latter two examinations are conducted when vacancies under the departmental promotion quota are available.

During the year 2012-13, the Assistant Accounts Officer (Civil) Examination was conducted in October, 2012 in Delhi and 9 other centres spread across the country. Around 1142 candidates have taken the Examination.

The first Departmental Confirmatory Examination for Accountants of the year 2012 was conducted in July, 2012. 210 candidates took the Examination. The second examination of the year is slated to be conducted in February, 2013.

The limited Departmental Competitive Examination for promotion of 12th pass MTS Staff as LDCs is being also conducted in the month of February, 2013

Over the years, the examinations conducted by the CGA have helped to create a large pool of well trained and highly qualified accounts personnel in all the Civil Ministries of the Union Government.

9.11 Institute of Government Accounts and Finance (INGAF)

Founded in 1992, the Institute of Government Accounts and Finance (INGAF) is defined by its excellence as the training arm of the Controller General of Accounts (CGA), specializing in professional training in modern, technology enabled government accounting and financial systems. Its changing mandate over the years reflects the growing role of INGAF in an era of super-specialization that calls for professional skills being continuously and consistently upgraded. Its curriculum has been diversified in consonance with the changing environment of public expenditure management for cutting edge capacity building in a gamut of areas related to public policy and financial management.

The institute conducts training at the induction and entry level, together with custom made programs for professional skill up gradation at the middle and senior management levels reaching out to more than 6000 participants/trainees every year. Its programs are academically rigorous, designed to catalyze change and stimulate active peer learning in areas as diverse as public policy and financial management, accounts and cash management, treasury management, fiscal and budgetary reforms, pension and pensionary reforms, internal audit, procurement, project management financing and appraisal, administrative procedures and leadership and change management – using interactive multimedia and advanced IT tools.

9.12. Central Pension Accounting Office, New Delhi

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

- Issue of Special Seal Authorities (SSAs) to Authorised Banks
- Preparation of Budget for the Pension Grant and accounting thereof
- Audit of pension payment made by Banks
- CPAO deals with pension related payment authorization to Central Civil Pensioner, to Ex-Presidents of India, Ex-Vice Presidents of India, Ex-Members of Parliament, Retired Judges of Supreme Court and High Court, All India Services Pensioners and Freedom Fighters. It also deals with the pension payment to Burma and Nepal pensioners.
- CPAO is also coordinating the implementation of the New Pension Scheme in the Central Civil Ministries since January 2004.
- CPAO is also managing direct credit of provisional pension to the family of pensioner covered under New Pension Scheme.
- The Central Pension Accounting Office during the years carried out its role efficiently processing all pension cases. Due to special emphasis by new Controller General of Accounts this office has processed 321123 cases (45631 new PPOs and 275492 revision/ amendment cases, including VI CPC revision cases), upto 31.12.2012.
- To streamline pension delivery mechanism, all the authorized banks have been guided to establish their Central Pension Processing Systems (CPPC). As a result all 29 authorised banks have established their CPPCs. State Bank of India having maximum number of pensioners has been allowed to establish 14 CPPCs.
- A software package has been introduced for registration and management of grievances in CPAO in March, 2011. The registration and follow up of grievances have been enabled on website.
- A toll free call centre with toll free No. 1800-11-77-88 with 5 lines was also set up for registration and redressal of Grievances of all Central Civil pensioners in September 2011. Keeping in mind its success and demand, capacity of the lines have been enhanced from 5 to 10 during 2012. The Toll Free Centre and Grievances Cell are working and resolving difficulties of civil pensioners across the country.
- To improve standards of delivery of pension, in-house and through guidelines to banks has been a conscious endeavour of CPAO. To improve the implementation of pension disbursement, particularly revisions relating to Sixth Pay Commission, software was developed and implemented for quick disposal of revision cases. Several training programmes were also arranged. Within CPAO, MIS have been developed to enable a performance review of additional functionalities. Establishment of Centralized Pension Processing Centres by all banks to process pension centrally and settlements of grievances of pensioners with banks quickly have been a major achievement during the year 2012. E-scroll is another area where CPAO is working to improve the accounting and budgeting in the coming year.
- Pragmatic estimation of pension disbursement by amending requirements in consonance with reports received has been made in respect of the Pension Grant. Efficiency and economy is practiced in this office by in the establishment matters.
- **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 www.cpao.nic.in. A separate section has been established during 2012 for providing information under RTI Act to the applicant quickly. Central Public Information Officers as well as other information Officers have also been designated.
- Detailed guidelines on the procedure to be followed in this office on receipt of an information request have been strengthened by internal orders and review.
- Efforts have been made to improve delivery by the measurement of outputs for different functions within CPAO of receipt/authorization/ dispatch by devising standards, daily status

reports and monthly inflow-outflow statements for PPOs/Revision authority.

- At the dealing hand level, date-wise productivity status is reviewed with additional emphasis on quality and FIFO treatment.
- All authorized banks have been required to report back the date of credit to enable a measurement of bank-wise performance for enhanced service.

9.12.2 E-Governance activities at CPAO

CPAO is a fairly computerized office. Its main function is to issue of Special Seal Authority for pension to Banks, and preparation of Budget and Accounts for the Pension Grant. The number of pensioners as on 31 December 2012 is 10, 82, 584. On receipt, the PPO (Pension Payment Order), is diarised, a unique Diary No. is assigned and referred to respective authorizations section. After data entry and verification, the Special Seal Authority (SSA) is printed, authorised and sent through the dispatch section 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 in CPAO at any stage of processing. The pensioner can enquire about his case any time by giving his PPO Number on telephone or through the query in the website.

The website of CPAO (http://cpao.nic.in) developed and launched on 8th Oct. 2001 with active technical support of NIC. This website provides information to the pensioners on the status of their cases. Recently additional information had been added to communicate extension of time required to process pension cases in CPAO due to larger volumes caused by 6th Pay Commission related revisions. While the case is in CPAO, the pensioner can also view the internal movement of the PPO. Similarly where the same is under return, the reason for return is flashed. As part of the G to G e-governance measures, downloadable web reports were developed and introduced in 2009, for banks (list of cases dispatched to banks) and Ministries (giving PAO-wise, PPO-wise status). The website also gives the latest pension related circulars/guidelines and links to related sites.

Many useful MIS reports like section-wise DSR (Daily Status Report), Operator-wise report have been designed to help top management to track pendency at different sections in the office such as Receipt, Dispatch, Authorisation, Computer Section etc. so that bottlenecks, if any, can easily be identified to initiate corrective measures. A wide range of software has been developed / implemented in this office for streamlining pension disbursement and accounting, includes:-

Pension Authorization Retrieval & Accounting System (PARAS):- For processing of pension cases received in this office and issue of Special Seal Authority. This software is currently being upgraded.

COMPACT: - For compiling Monthly Accounts and expenditure relating to this office. This is a software provided by the O/o the CGA.

Database Management Software: - software for comparison of bank's database with CPAO's database of pensioners has been developed and exception reports are generated by it to clean up the database and establish a completely matching database of both the ends.

Grievances Management Software:- NIC, CPAO has developed a software for Grievance Management where grievances are registered and processed in an organized manner.

All these initiatives aim at establishing a seamless processing and accounting of pension disbursement to enhance efficiency and effectiveness of the delivery of pension across the domains of Central Civil ministries, CPAO and Banks.

ANNEXURE-I

OFFICE OF THE CONTROLLER GENERAL OF ACCOUNTS

REPRESENTATION OF SCs, STs AND OBCs (As on 31-12-2012)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion *			By Other Methods		
	Total	SCs	STs	OBCs	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	220	35	16	18	6	-	-	1	71	7	3	-	-	-
Group B	2676	388	78	-	-	-	-	-	198	41	8	83**	-	-
Group C	10	2	2	6	10	2	2	6	-	-	-	-	-	-
Group D (Excluding Safai Karmchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* By induction from Gr ‘B’ to Gr ‘A’

** 83 AAOs are on deputation from Delhi Government, their category is not available with this office.

ANNEXURE II

OFFICE OF THE CONTROLLER GENERAL OF ACCOUNTS

REPRESENTATION OF PERSONS WITH DISABILITIES (As on 31-12-2012)

Group	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	220	1	1	-	2	2	1	2	1	1	-	-	-	-	-	-	-	-
Group B	2676	-	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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)

ANNEXURE – III

CPAO, NEW DELHI

REPRESENTATION OF SCs, STs AND OBCs (As on 31-12-2012)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	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 C	67	11	03	15	18	2	1	5	-	-	-	-	-	-
Group D (Excluding Safai Karmchari)	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ANNEXURE – IV

REPRESENTATION OF PERSONS WITH DISABILITIES (As on 31-12-2012)

Group	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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 C	67	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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). O/o CGA is Cadre Controlling Authority in respect of Group ÓAô and Gr. ÓBô officers.

10. Chief Controller of Accounts (CCA)

The Chief Controller of Accounts (CCA) is overall incharge of the Accounting Organization of the Ministry, supported by 2 Controllers of Accounts, 2 Dy. Controllers of Accounts, one Asstt. Controller of Accounts, 37 Senior Accounts Officers/Pay & Accounts Officers and 306 (sanctioned strength) other staff members at various levels. The important function of the O/o CCA are outlined as follows:

- CCA oversees the payments, accounting and internal audit functions of the 5 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 receipt and expenditure for the information of the Secretaries of each Department. The summary statement are also uploaded on the Ministry's official website.
- Internal Audit of all Establishments/Banks and Institutions receiving financial aid from Govt. of India 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 with the jurisdictions of internal audit. In the current financial year more than 50 audits have been undertaken. Internal Audit has adopted a risk based audit approach since 2007.

11. Office of Chief Adviser Cost

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 involving cost and commercial financial accounting for Ministries / Departments 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 it. 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 our officers for the 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 on cost accounts matters.

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

(iii) Costing and pricing of products and services supplied to the 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 services 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 Committees constituted by Government/ different Departments related to Cost/financial and Pricing matters.

(vii) Cost and performance audit of industrial undertakings.

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

(ix) Subsidy determination and verification of claims under Market Intervention Schemes (MIS) and Price Support Schemes (PSS) for sharing of losses by State and Central Government.

(x) Cost Accounting System for Departmental Undertakings/Autonomous bodies.

(xi) Time and Cost Overruns of major projects.

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

12. Use of Official Language (Hindi)

Hindi Section of the Department of Expenditure is entrusted with the implementation of the provisions made under Official Language Act, 1963 and Official Language Rules, 1976 as amended from time to time. It is also responsible for coordinating follow-up action on the suggestions/directions given by Kendriya Hindi Samiti, Committee of Parliament on Official Language, Hindi Advisory Committee and Central Official Language Implementation Committee. Other works of the section include implementation of various incentive schemes to increase use of Hindi in official work, facilitation in nomination of officers/employees for Hindi Language training, Hindi stenography/typing training, organization of Hindi fortnight/day and publication of departmental magazine. In addition, compliance for achieving targets fixed annually by Department of Official Language in connection with doing official work in Hindi is also done in association with sections/divisions/offices in the Department.

A meeting of the Joint Hindi Advisory Committee of Departments of Expenditure, Revenue, Disinvestment and Comptroller and Auditor General of India was held on Sept. 17, 2012. Progress made in implementation of Official Language provisions was reviewed in the meeting. Some suggestions were given by the members in this regard. These suggestions, interalia, include increasing original correspondence in Hindi, organizing Hindi workshops, imparting training to work in Hindi on computers and implementing Official Language provisions strictly. A follow-up action report of the Department on these suggestions was sent on 28.12.2012 to Department of Revenue, the coordinator of Hindi Advisory Committee.

The erstwhile system of nomination of Officers/Staff for various Hindi courses namely Hindi Language Training, Hindi Stenography/Typing Training was reviewed and it was decided, keeping administrative feasibility in view, that Administration Division would henceforth nominate staff for various Hindi training courses. Nominations are being done accordingly by Administration Division from the year 2013. Hindi Section is assisting Administration Division in this matter to facilitate these training programs.

To increase original correspondence in Hindi in the Department, circulars were issued to sections/divisions/ offices from time to time. Inspection of 8 sections/offices of the Department was carried out to give practicle suggestions and to take stock of the situation on the ground. As per quarterly progress report for the quarter ended on September 30, 2011, original correspondence in Hindi with Region ñAòand ñBòwas 59.40% and 44.79% respectively while original Hindi correspondence during the corresponding period in 2012 stood at 61.23% and 44.33% respectively. A Hindi workshop was organized on 18.04.2012 to impart training to work on computers.

A detailed review regarding implementation of orders of the President on the recommendations contained in various reports of the Committee of Parliament on Official Language was carried out and a follow-up action taken report was sent to the Department of Official Language on February 05, 2013.

Regular Quarterly meetings of the Departmental Official Language Implementation Committee were held during the period under review. The meeting for January-March, 2012 Quarter was held on March 23, April-June Quarter on 10th July, July-September quarter on 12th October and for October-December Quarter on 19th December, 2012. Discussions were held on quarterly progress reports received from various sections/divisions/ offices of the Department and shortcomings found were suitably dealt with.

For the propagation of official language Hindi in the Department and for encouraging original Hindi writing, evaluation of the articles/write-ups published in the Hindi Magazine ñVyay Patrikaòissues of 2009-10 and 2010-11 was carried out and writers of the winning entries were awarded with cash prizes by Honóble MOS (E&FS), Shri Namo Narayan Meena. During the period under report, entries have been invited for the next issue of the magazine.

During the year 2012 ñHindi Fortnightò was organized in the Department from 03-14 September, 2012. During ñHindi Fortnightòvarious competitions were organized which included Hindi Essay writing, Noting-Drafting, Hindi stenography, Speech Extempore, Dictation and Sulekh. A number of officers and employees took part in these competitions enthusiastically. The process of evaluation of the performance of participants in these competitions was made more transparent. All the winners of first, second and third positions in these competitions were awarded cash prizes alongwith merit certificates including two consolation prizes by Honble MOS (E&FS) in a prize distribution ceremony held on October 16, 2012. An incentive scheme for original Noting/Drafting in Hindi has also been implemented.

Hindi translation of the documents under section 3(3) of Official Language Act, 1963, replies to the applications received under RTI Act, 2005, Annual Report, Outcome Budget, Brochure on Pay and Allowances by Pay and Research Unit of the Department, a report on flagship programmes etc. was carried out. Hindi and English translation as required of the documents including those received from the office of the Finance Minister was also done accurately and in a time bound manner.

13. National Institute of Financial Management (NIFM)

13.1 National Institute of Financial Management (NIFM) was set up in 1993 on the basis of a proposal made by Ministry of Finance, which was approved by the Union Cabinet. The Union Cabinet envisaged that NIFM would begin as a training institution for officers recruited by the Union Public Service Commission (UPSC) through the annual Civil Service Examinations and allocated to the various services responsible for managing senior and top management posts dealing with accounts and finance in the Government of India. NIFM was to develop as a Centre of Excellence in the areas of Financial Management and related disciplines, not only in India but also in Asia.

Despite the legally autonomous character of the Institute, Making the Finance Minister of Government of India, the President of the Society ensured a very close linkage with Government. For administrative purpose, there is a Governing Board chaired by the Secretary (Expenditure). The Director appointed by the Appointments Committee of the Union Cabinet is responsible for the administration and academic programmes of the Institute. It will thus be seen that the Institute has close links and direct access to Government of India.

13.2 OBJECTIVES

13.2.1 Main Objectives:

(i) To establish and administer the management of the Institute.

(ii) 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.

(iii) To establish the Institute as a Centre of Excellence in financial management for promoting the highest standards of professional competence and practice.

(iv) To undertake and promote research/ consultancy studies in the fields of accounting, audit, financial and fiscal management and related subjects.

(v) 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.

vi) 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.

13.2.2 Other Objectives

In furtherance of the main objectives set out above, the Institute shall have the following related objectives:

Promote learning, so that the officers of the Participating Services acquire skills and knowledge for effective discharge of their functions with special emphasis on Financial Management. Public Finance, Government Accounting and Parliamentary Financial Control.

Enhance the capabilities of existing training institutions of the Participating Services, to improve their quality of training.

Provide a common platform for interaction and facilitate exchange of ideas and experiences amongst officer of Participating Services.

Expose officers to all aspects of the state-of-the art techniques of financial management including the use of computers.

Assist, interact and collaborate in promoting study of financial management with other institutions and bodies, both within the country and abroad.

Undertake publication of papers, books, monographs, journals etc. in financial management.

Establish and maintain library and information services/network.

Publish and disseminate information relating to result of research and other training courses/ programmes.

Provide consultancy services to government departments, public enterprises and institutions for review, improvement of their existing organizations, systems, procedures, training activities and other related subjects.

Award diplomas, certificates and other distinctions to persons trained and to prescribe standards of proficiency before the award of such diplomas, certificates and other distinctions.

Institute and award fellowships, prizes and medals in accordance with the rules and bye-laws.

Confer honorary awards and other distinctions.

Promote, organize, convene, conduct and participate in national and international seminars, conferences, workshops, training programmes and study tours.

Develop, establish, affiliate regional centers as considered necessary by the society.

Establish procedures for smooth functioning of the Institute and carry out activities in matters relating to personnel, finance, administration, purchases, management of hostels and other matters.

Construct, maintain, alter, improve or develop any building or works necessary or convenient for the purpose of the society.

Do all such other acts and things either alone or in conjunction with other organizations or persons as the society may consider necessary incidental or conductive to the attainment of the objectives of the society.

Towards achievement of these objectives, NIFM provides 44 weeksô professional training to probationers of the six Central Group óAô 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 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, review of financial management of autonomous bodies with a view to suggesting a roadmap for improving economy, efficiency and effectiveness and Study on ñUnaccounted Income/Wealth both within and outside the country.

13.3 ORGANISATIONAL SET UP

National Institute of Financial Management is a society registered under the Societies Registration Act 1860. Honòble 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.

13.4 ACHIEVEMENTS IN 2012-13

NIFM runs the following long-term programs:

- Diploma in Public Financial Management (PTC)
- Post Graduate Diploma in Management (Financial Management)
- Diploma in Government Accounting & Internal Audit
- Fellow Programme in Management
- Post Graduate Executive Programme in Financial Markets

13.5 Professional Training Course

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

19th Professional Training Course (Diploma in Public Financial Management) which started on 2nd January 2012 was completed on 2nd November 2012. The break-up of the participants from various participating services is as follows:ð

TABLE 5

Service	Number
Indian Civil Accounts Service	15
Indian Defence Accounts Service	28
Indian P&T (Finance & Accounts) Service	08
Indian Cost and Accounts service	02
Total	**53**

The 20th Professional Training Course has started on 2nd January, 2013 wherein 53 Probationers from four participating services have joined. The break-up of the participants from various participating services is as follows:ð

TABLE 6

Service	Number
Indian Civil Accounts Service	09
Indian Defence Accounts Service	30
Indian P&T (Finance & Accounts) Service	12
Indian Cost Accounts Service	02
Total	**53**

The Probationers of 19th PTC were also taken for International attachment with Universiti Utara Malaysia, Malaysia (UUM) during the period 11th to 21st September,

2012. To revise the syllabus for the Probationers Training Course, a committee was constituted by the Board chaired by the Controller General of Accounts. The Committee has recommended revised syllabus. The 44 week attachment has been divided in three terms. The entire academic module would be covered in the first and second terms which will be completed in 32 weeks. The third term would have a set of (National and International) Seminars and Workshops leading up to the project work. Cultural programmes, debating competitions, informal discussions and talks by Experts on current affairs, are aimed at comprehensive skill development.

13.5.1 Post–Graduate Diploma In 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. However, the program had four semesters as it was earlier.

In view of changing requirement of the client organization together with changing landscape of informed decision making, it was thought appropriate to re-visit the entire curricula of the Post Graduate Program. Accordingly, the matter of revamping the existing PGDBM (FM) was put before the Academic Advisory Committee of NIFM. The committee suggested revamping of the program by introducing trimester scheme for the program.

The program presently consists of five trimesters of teaching and an additional trimester of project work. In all, there are 96 credits which the participants are required to clear for award of Post Graduate Diploma. The program runs for a period of two academic years, and during the second year of training the participants are sent for an International Attachment. The participants are also given two attachments within the country respectively with two different financial institutes of repute and/or academies of national repute.

The programme is open to 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 programme is also open for working executives from corporate sector.

The program fee is funded by Planning Commission for the participants sponsored by Central/State/UT Governments. The pay allowances of sponsored participants are borne by their respective organizations.

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.

The 11th batch (2011-13) of the PGDM (FM) started on 9th May, 2011 with 42 participants (39 from Government and 3 from Corporate Sector). The 12th batch (2012-14) of PGDM (FM) started from 7th May, 2012 with enrolment of 45 officers from Union and State Governments. NIFM tied up with the University of California (Riverside) for the International attachment of the 11th batch of PGDM (FM) participants.

13.5.2 Diploma in Government Accounting & Internal Audit

NIFM had started one year Diploma in Government Accounting & Internal Audit (DGA&IA) duly approved by AICTE for the officers for Accounting Services who have been inducted or likely to be inducted into Group ñAò service. The course was spread over in 3 terms of 4 months each. The last term also included project work. The curriculum emphasizes more on assignments, practical exercises, study tours etc.

The first batch of the programme was concluded on 31st May, 2009, with a total of 31 officer trainees. The 2nd batch with 26 officers was concluded on 30.04.2010. The 3rd batch was concluded on 30.04.2011 with 33 participants. The 4th batch was concluded on 30.04.2012 with 37 numbers of participants. The 5th batch will conclude on 30.04.2013 with 38 participants. The participants were also sent for an International attachment with University Utara Malaysia during 14th to 21st January, 2013.

13.5.3 Fellow Programme in Management

This is an open program to peruse Research Work to produce competent researchers, teachers and Consultants. The Program is duly approved by AICTE & equivalent to Ph. D. The first batch of the programme commenced from July, 2009 with 5 participants. The second batch of the programme commenced from 10th May, 2010, the third batch of the programme commenced on 9th May. 2011 with 5 participants and the fourth batch of the programme commenced on 11th June, 2012 with 2 participants.

13.5.4 Executive Programme in Capital Market

The NIFM in collaboration with National Stock Exchange has launched two programmes i.e. one-year weekend Post Graduate Executive Programme in Financial Markets and one-year full time Diploma in Financial Markets, which focuses in developing trained professionals capable of occupying positions of responsibility in stock exchange, commodity exchange, regulatory bodies, market intermediaries, banks, mutual funds and asset management companies and other similar entries covering all financial markets like cash equity derivatives, currency derivatives, commodities and foreign exchanges. The first batch of both full time progrrame was commenced from 16th July, 2012 with 34 participants and weekend programme was commenced from 30th July, 2012 with 37 participants. The next batch of both weekend and full-time programme will commence from July, 2013.

13.5.5 Management Development Programs

NIFM conducts Management Development Programs (MDPs) of varying durations every year. In 2012-13 (April, 2012 to March, 2013), NIFM trained 810 participants in 34 programs till January, 2013.

13.5.6 Focus of the programs was on the following areas:

- Budgeting & Public Expenditure Management
- Accounting Systems & Financial Management in Government
- Procurement of Goods & Services
- Tendering & Contracting
- Public Financial Management
- Cyber Crime & Forensics
- Value Added Tax
- Professional Skills Development

13.5.7 Special Programmes

Four 2-month certificate courses on 'Internal Audit & Controls' for officers of the office of Controller General of Accounts in collaboration with Deloitte were conducted. NIFM also conducted 2 MDPs of 4-week duration on 'Financial Management' for officers of Government of Odisha and one MDP of 2 months for officers of Government of Karnataka.

In addition to above, NIFM also conducted 5-week MDP for officers of NDMC; 3-week MDP for officers of Indian Coast Guards; 2 weeks programme on Procurement Procedures for World Bank Funded Projects and two International Training Programmes on 'Budgeting, Accounting and Financial Management' for 3 weeks (one week in U.K.) .

13.6 Consultancy Projects

There are five Consultancy Projects and their current status is indicated below:-

(a) Study on 'Unaccounted Income/Wealth-both within and Outside the Country':-

The draft report had sent to CBDT on 30th November, 2012.

(b) Study on Central Autonomous Bodies

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi awarded a "Study on Central Autonomous Bodies to NIFM".

(c) A Consultancy by the Government of Jharkhand

The Drinking Water & Sanitation Department (DWSD), Government of Jharkhand has awarded a consultancy to the NIFM to undertake a study to develop a mechanism for free flow of funds to approximately 5000 *Gram Panchayats* and a smooth submission of utilization certificate by them to the DWSD. The duration of the study is of one year.

(d) Consultancy for Royal Institute of Management, Bhutan

NIFM has taken up a consultancy assignment for the 'Royal Institute of Management, Bhutan' RIM was established in the year 1986 and was incorporated as an autonomous Institute under the Royal Charter with a Board of Directors as its governing authority. The Board of Directors headed by a Chairman appointed by the Royal Government provides leadership and strategic directions including policy guidance.

(e) Strengthening of the Office of the Auditor General of Nepal

NIFM has joined as a partner with the Cowater International Inc., an International Development Consultancy Firm based in Ottawa, Canada in a World Bank assisted project to provide expert advice to the Office of the Auditor General of Nepal. The project is about developing a strategy for the OAGN for better responding to the changing Public Financial Management in Nepal. The specific terms of reference of the assignment include conducting a situation analysis of the current and future trends in Public Financial Management Practices in Government of Nepal and their impact on OAGN Strategy and Audit Practices.

13.7 INFRASTRUCTURE

The Institute is spread over a verdant 41 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 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 in-house software for cataloging besides using barcode technology. There are three state-of-the-art computer labs with 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 PGDM (FM) and MDPs prefer to commute from Delhi. Appropriate accommodation is provided to all participants of the program with all amenities.

13.8 ADMINISTRATION

13.8.1 Staff Strength

The Institute has a total sanctioned strength of 89, which includes 28 faculty posts. 61 posts including 15 faculty posts are presently filled as given in Table below:

TABLE 7

Category	Numbers of posts		
	Sanctioned	In position	Vacant
Faculty	28	15	13
Staff	61	47	*14
Total	89	62	27

* Filled up through contractual employees.

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 with all amenities.

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.

Reservation Policy of Government of India for SC/ST/OBC category is implemented in NIFM as per orders on the subject.

13.9 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.

13.10 PROMOTION OF HINDI

In compliance with the policy of the Department of Official Language, Ministry of Home Affairs, a Hindi Coordination Committee has been constituted in the Institute. The staff are sent for training of Hindi typing, noting & drafting organized by Central Translation Bureau etc. ôHindi Weekô was celebrated in NIFM during the month of September, 12 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.

ANNEUXRE – V

Department of Expenditure

Representation of SCs, STs & OBCs

	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	64	05	01	00	00	00	00	00	02	00	00	00	00	00
Group B	205	29	12	08	01	01	00	00	00	00	00	00	00	00
Group C	248*	72	14	26	00	00	00	00	05	02	01	00	00	00
Group D (Excluding Safai Karamcharis)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	517	106	27	34	01	01	00	00	07	02	01	00	00	00

*172 posts of Group D (peon) has been converted into Group C.

ANNEUXRE – VI

Department of Expenditure

Representation of SCs, STs & OBCs (from 01.01.2012 to 31.12.2012)

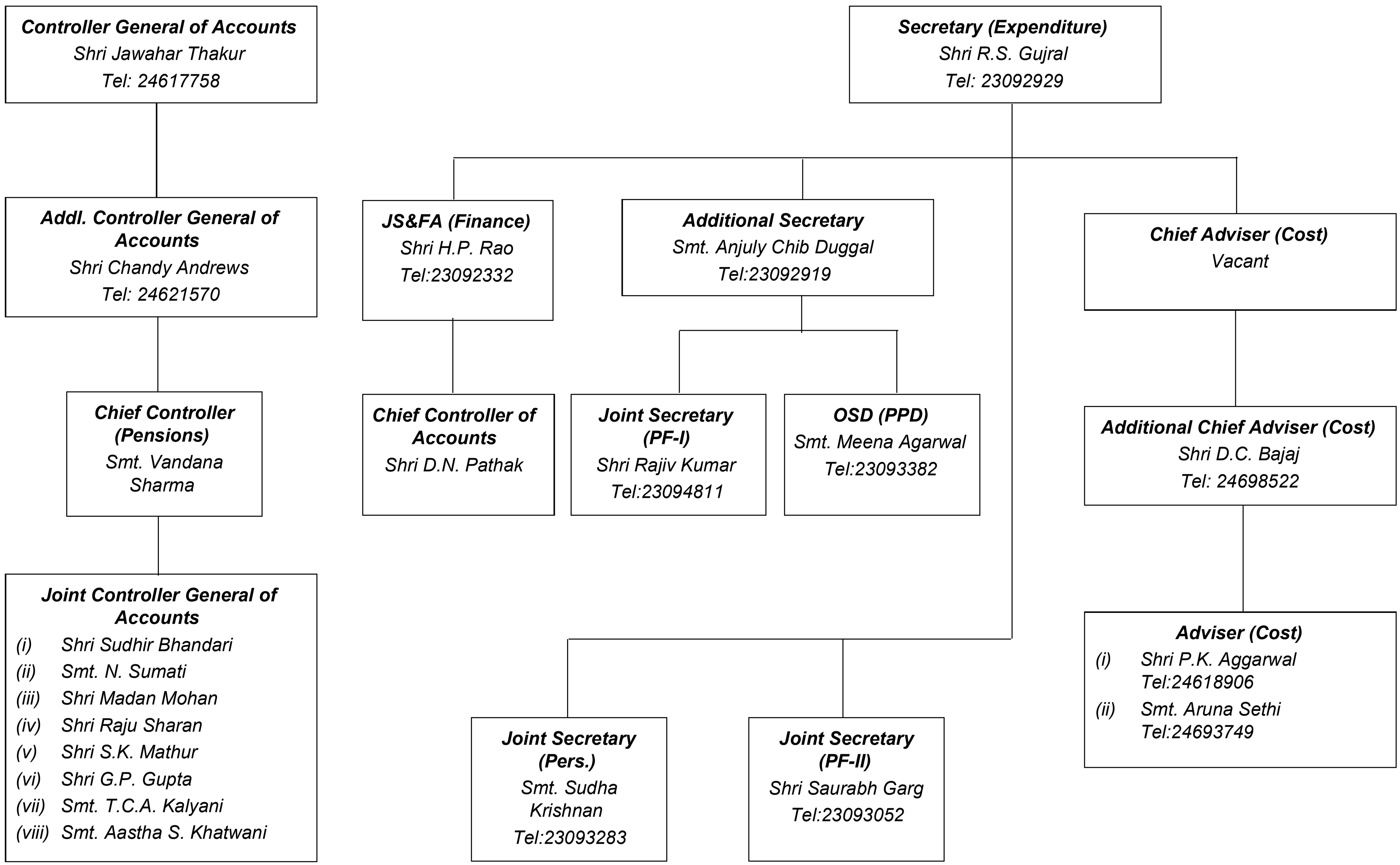
Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No of vacancies reserved			No of appointments made				No of vacancies reserved			No of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	03	01	01	01	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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)

ANNEUXRE – VII

Sl.No.	Year	No. of Paras/PS reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Paras/PA reports on which ATNs are pending		
			No. Of ATNs not sent by the Ministry even for the first time	No. Of ATNs sent but returned with observations and Audit is awaiting their resubmissions by the Ministry	No. Of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
-	-	-	*NIL*	-	-

ORGANISATIONAL CHART OF DEPARTMENT OF EXPENDITURE



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 and CBEC have six Members each.

1. 2 The Department of Revenue administers the following Acts:ð

i. Income Tax Act, 1961;

ii. Wealth Tax Act, 1957;

iii. Expenditure Tax Act, 1987;

iv. Benami Transactions (Prohibition) Act, 1988;

v. Super Profits Act, 1963;

vi. Companies (Profits) Sur-tax Act, 1964;

vii. Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;

viii. Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)

ix. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)

x. Chapter V of Finance Act, 1994 (relating to Service Tax)

xi. Central Excise Act, 1944 and related matters;

xii. Customs Act, 1962 and related matters;

xiii. Medicinal and Toilet Preparations (Excise Duties) Act, 1955;

xiv. Central Sales Tax Act, 1956;

xv. Narcotic Drugs and Psychotropic Substances Act, 1985;

xvi. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;

xvii. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;

xviii. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);

xix. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974; and,

xx. Prevention of Money Laundering Act, (PMLA) 2002.

The administration of the Acts mentioned at Sl.Nos. iii, v, vi and vii is limited to the cases pertaining to the period when these laws were in force. The Prevention of Money Laundering (Amendment) Bill, 2012 has been passed by both the Houses of Parliament and the same has also received the assent of the President.

1. 3 The Department looks after the matters relating to the above-mentioned Acts through the following attached/ subordinate offices:

i. Commissionerates/Directorates under Central Board of Excise and Customs;

ii. Commissionerates/Directorates under Central Board of Direct Taxes;

iii. Central Economic Intelligence Bureau;

iv. Directorate of Enforcement;

v. Central Bureau of Narcotics;

vi. Chief Controller of Factories;

vii. Appellate Tribunal for Forfeited Property;

viii. Income Tax Settlement Commission;

ix. Customs and Central Excise Settlement Commission;

x. Customs, Excise and Service Tax Appellate Tribunal;

xi. Authority for Advance Rulings for Income Tax;

xii. Authority for Advance Rulings for Customs and Central Excise;

xiii. National Committee for Promotion of Social and Economic Welfare; and

xiv. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985;

xv. Financial Intelligence Unit, India (FIU-IND);

xvi. Income Tax Ombudsman;

xvii. Appellate Tribunal under Prevention of Money Laundering Act; and

xviii. Adjudicating Authority under Prevention of Money Laundering Act.

1.4 A comparison of the collection of Direct and Indirect taxes during the financial year 2012-2013 with that during the previous financial year is given below:

Sl.No.	Nature of Taxes	Amounts collected during the Financial Year (₹ in crore)		
		2011-12 (upto December, 2011)	2012-13 (upto December, 2012)	Percentage of growth over last year
1.	Corporate Income Tax	2,14,446	2,37,141	10.58
2.	Personal Income Tax (including FBT, STT, BCTT, Other Taxes)	1,09,510	1,31,181	19.78
3.	Central Excise Duty*	1,04,184*	1.23,196*	18.25
4.	Customs Duty	1,12,500*	1,19,149	5.91
5.	Service Tax	67,957	90,798	33.61

* Excluding cesses not administered by Department of Revenue

1. 5 An Organisation Chart of Department of Revenue is given at the end.

2. REVENUE HEADQUARTERS ADMINISTRATION

2.1 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), the Prevention of Money Laundering Act, 2002 (PMLA) and matters relating to the following attached/subordinate offices of the Department:

a) Enforcement Directorate

b) Central Economic Intelligence Bureau (CEIB)

c) Competent Authorities appointed under SAFEM (FOP) A and NDPSA

d) Chief Controller of Factories

e) Central Bureau of Narcotics

f) Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

g) Appellate Tribunal for Forfeited Property (ATFP)

h) Customs and Central Excise Settlement Commission (CCESC)

i) Income Tax Settlement Commission (ITSC)

j) Authority for Advance Rulings (AAR) for Customs and Central Excise

k) Authority for Advance Rulings (AAR) for Income Tax

l) National Committee for Promotion of Social and Economic Welfare (NCPSEW)

m) Financial Intelligence Unit, India (FIU-IND)

n) Income Tax Ombudsman

o) Indirect Tax Ombudsman

p) Appellate Tribunal under Prevention of Money Laundering Act

q) Adjudicating Authority under Prevention of Money Laundering Act

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:ð

I. Appointment of ï

a) Chairman and Members of CBEC and CBDT

b) Chairman and Members of ATFP

c) Chairman, Vice Presidents and Members of CESTAT

d) Chairmen, Vice Chairmen and Members of CCESC and ITSC

e) Chairmen and Members of AARs for Customs/ Central Excise and Income Tax

f) Director General of CEIB

g) Director of Enforcement

h) Competent Authorities (SAFEM (FOP) A and NDPSA)

i) Director (FIU-IND)

j) Income Tax Ombudsman

k) Indirect Tax Ombudsman

l) Chairperson and Member of Adjudicating Authority set up under PMLA

m) 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 2012-2013, continued its efforts to improve the quality of administration in the organisations under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG, SIU, Department of Expenditure and the National Archives of India on the following:ð

(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 references 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.

2.4 ECONOMIC SECURITY (ES) CELL

Economic Security Cell is dealing with the administration and implementation of the Prevention of Money Laundering Act, 2002. Based on PMLA, Economic Security Cell is also looking after framing/amendment of PMLA Rules on matters relating to Know Your Customer (KYC norms), Setting up of Special Courts under PMLA, Section 66 of PMLA ï authorities to whom information to be disseminated etc. from time to time. The ES cell handles all issues related to FATF.

2.4.1 Prevention of Money-Laundering Act (PMLA) was enacted on 17th January, 2003 and brought into force on 1st July 2005. The object of this Act is to prevent money-laundering and to provide for confiscation of property derived from, or involved in, money-laundering and for matters connected therewith or incidental thereto.Two main objectives of the Act are:

i) Criminalize money laundering and provide for attachment, seizure and confiscation of property involved in money laundering. [Implemented by Enforcement Directorate]

ii) Prescribe obligations on banks, financial Institutions and intermediaries relating to KYC, record keeping and furnishing reports. [Implemented by Financial Intelligence Unit (FIU-IND)]

PMLA was amended in 2009 and again in 2012 to overcome the deficiencies and to meet the international standards on Anti Money-Laundering as prescribed by Financial Action Task Force (FATF).

2.4.2 Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body which sets standards, and develops and promotes policies to combat money laundering and terrorist financing.

The Forty Recommendations and Nine Special Recommendations of FATF provide a complete set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation. These Recommendations have been recognised, endorsed, or adopted by many international bodies as the international standards for combating money laundering. India became the member of Financial Action Task Force (FATF) in June, 2010.

3. NARCOTICS CONTROL (NC) DIVISION

The NC Division administers the Narcotic Drugs and Psychotropic Substances Act, 1985. This Act was first amended in 1989 and subsequently in 2001. Certain anomalies have been noticed during the implementation of the provisions introduced in 2001. The Narcotic Drugs and Psychotropic Substances (Amendment) Bill 2011, introduced in Lok Sabha on 08.09.2011, seeks to remove the existing anomalies and also contains some other changes, which were felt necessary to strengthen the provisions of the Act. The proposed amendments *inter alia* relate to regulating poppy straw, rationalizing the punishment for drug related offences, disposal of precursors, provisions for tracing and seizing of illegally acquired properties pursuant to drug trafficking activity, and enabling provisions for the introduction of an alternate method of obtaining alkaloids of opium through production of Concentrate of Poppy Straw instead of production and processing of opium.

3.1 FUNCTIONS/WORKING OF THE CETNRAL BUREAU OF NARCOTICS (CBN)

3.1.1 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.

3.1.2 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 are exercised through the provision of Narcotics Drugs & Psychotropic Substances Act, 1985.

Narcotics Drugs & Psychotropic Substances can only be exported out of India/imported into India under an export authorization/import certificate issued by the Narcotics Commissioner (Rule 58 and Rule 55 of the Narcotics Drugs & Psychotropic Substances Rules 1985). CBN is also assigned the responsibility for issue of registration for import of poppy seed.

CBN is also designated authority for control of import and export of specified precursor chemicals. As per EXIM Policy, 'No Objection Certificate' (NOC) is required from Narcotics Commissioner for export of Acetic Anhydride, Ephedrine, Pseudo-Ephedrine, 3-4 Methylene Dioxyphenyl 2-propanone, 1-Phenyl 2-Propanone, Methyl Ethyl Ketone, Anthralic Acid and Potassium Permanganate. Also under the EXIM policy, the import of Acetic Anhydride, Ephedrine and Pseudo-Ephedrine requires 'NOC' from the Narcotics Commissioner.

Central Bureau of Narcotics is also exercising administrative control over import of Heliotropin (Piperonol), Ergometrine Maleate/ Methy Ergometrine Maleate, Ergotamine Tartrate and Norephedrine (Bulk).

Central Bureau of Narcotics also issue manufacturing licence / renews the manufacturing licence for manufacture of synthetic narcotic drugs & issues no objection certificate for export of Ketamine.

3.1.3 Achievements

(i) The performance/achievement with respect to issuance of NOC's issued by Central Bureau of Narcotics during the year 2011-12 and for the period from 1.4.12 to 31.12.2012 for the export/ import of Precursor Chemicals is as under:

	From 1.4.11 to 31.03.12	From 1.4.12 to 31.12.12
No. of NOCs issued for export of Precursor Chemical	1374	1238
No. of NOCs issued for import of Precursor Chemical	104	105

(ii) International Narcotics Control Board (INCB) has developed Online PEN system to make exchange of information between the Competent National Authorities. CBN uses this system of Pre-Export Notification (PEN) in verifying the genuineness of the transaction. CBN had issued 1352 PEN's (During the year 2011-12) and 1236 PENS (During the period from 01.04.12 to 31.12.2012) to the Competent Authority of various importing countries, for verifying the legitimacy of the transaction. On the initiative taken by the Central Bureau of Narcotics, 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) CBN has registered itself and started using the new secure online tool known by its acronym ñPICSò ï Precursors Incident Communication system introduced by INCB to enhance real time communication and information exchanged between national authorities on precursor seizures and other incidents involving precursor chemicals.

(iv) The performance/achievement with respect to issuance of Export authorization and Import Certificate issued by Central Bureau of Narcotics during the current financial year and previous financial year for the export/import of narcotic drugs /psychotropic substances is as underð

	Psychotropic Substances		Narcotic Drugs	
	2011-12	2012-13 (upto 31st Dec, 2012)	2011-12	2012-13 (upto 31st Dec, 2012)
No. of Export Authorization Issued	2142	1678	125	105
No. of Import Certificate issued	179	179	105	84

(v) Number of Manufacturing license issued/ renewed for manufacture of synthetic narcotic drugs and number of Registrations for import of poppy seeds, issued are as under:ð

No. of Registration certificates issued for import of Poppy Seeds financial year wise		No. of Manufacturing licence (bulk drug) issued in calendar year wise	No. of Manufacturing licence (formulation) issued in calendar year wise
2011-12	2012-13(upto 31-12-2012)	2012	2012
386	324	21	24

(vi) The details of quota of narcotic drugs allocated to consuming companies for the year 2012 are as under:ð

Position of allocation of narcotic drugs in 2012 (as on 31.12.2012)				
Name of Drug	**Allotment made to existing companies**	**Allotment made to new companies**	**No. of total companies to whom allocation has been made in 2012**	**Quantity allocated (in base) (in kg.)**
1	**2**	**3**	**4**	**5**
Codeine	120	19	139	56,004.23
Dextropropoxyphene	39	6	45	172,125.45
Diphenoxylate	16	6	22	23,356.02
Ethylmorphine	5	0	5	436.185
Fentanyl (In gram)	10	5	15	3,404.04
Opium	41	2	43	4,579.50
Morphine	15	6	21	310.051
Pethidine	5	3	8	130.50
Pholcodine	9	5	14	387
Thebaine	6	1	7	841
Dihydrocodeine	1	0	1	916.56
Oxycodone	2	2	4	5.94518
Hydrocodone	1	1	2	0.3050915
Methadone	1	1	2	6.4
Cannabis	0	1	1	44.7

3.1.4 Apart from the above, the following policy initiatives have been taken during the reporting period to strengthen control over psychotropic substances:

(a) **System development for online registration and submission of online returns by manufacturers and wholesalers of psychotropic substances:**

The Government of India has developed a web based software for online registration of manufacturers and wholesalers of psychotropic substances both for bulk drugs and preparations with the Central Bureau of Narcotics (CBN) under the guidance of the National Informatics Centre, New Delhi. The system will facilitate submission of data on manufacture, utilization, stock, import, export, sale purchase and consumption of psychotropic substances in the country. The module on online registration of manufacturers and wholesalers of psychotropic substances and Export/Import module at http://cbnonline.gov.in has been launched by the Revenue Secretary on 19.09.2012. All the stakeholders have been informed through their associations to register online. Once this registration is done, the stakeholders will be able to submit online applications for issuance of import/ export authorizations and also submit statistical data on manufacture, sale, distribution, import, export etc. online. The system will also help CBN to identify gaps in distribution channel and take appropriate action to prevent diversion of these substances for abuse.

(b) **System development for online registration and submission of online returns by manufacturers and dealers of narcotic drugs**:

The Government of India has also decided to develop a web based online application for registration of manufacturers and dealers of narcotic drugs with the Central Bureau of Narcotics (CBN) on the lines of psychotropic substances. The issue has been taken up with National Informatics Centre (NIC), New Delhi and it is expected to finalize the modalities for development of system soon.

This system will facilitate submission of data on manufacture, utilization, stock, import, export, sale purchase and consumption of narcotic drugs in the country. The objective of the online application is to collect required data on manufacture and consumption of narcotic drugs for generation of Form ñCò in respect of India for submission to the International Narcotics Control Board (INCB), Vienna. The system will also help CBN to identify gaps in distribution channel and take appropriate action to prevent diversion of these substances for abuse.

3.1.5 Enforcement of NDPS Act, 1985 :

The Central Bureau of Narcotics undertakes action to prevent the illicit trafficking of Narcotic Drugs and Psychotropic Substances. 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 year 2012 several significant seizures of NDPS were affected by Central Bureau of Narcotics.

(a) On the basis of secret information, a preventive party of District Opium Officer, CBN, Bareilly effected a seizure of illegal cultivation area measuring 12 ares (0.12hect.) in village Laxmipur, District Bareilly, on 30.01.2012. One person was arrested on the spot.

(b) During the course of general checking by dog squad party of Central Bureau of Narcotics, MP Unit effected a seizure of 14.500 kgs of Opium on 26.02.2012 at village Athava Khurd, District Neemuch. One person was arrested and Maruti-800 Car was seized.

(c) During the course of general checking by dog squad party of Central Bureau of Narcotics, Rajasthan Unit has effected a seizure of 0.850 kgs of Opium on 01.03.2012 at village Kuchnaria, District Chittorgarh. One person was arrested.

(d) During the course of general checking, the preventive party of DNC office, Neemuch effected a seizure of 9.050 kgs of Opium on 04.03.2012 at Neemuch ï Singoli road, near Panchayat Bhawan of Malkheda District Neemuch (MP). One person was arrested and one Motorcycle was also seized.

(e) During the course of general checking by dog squad party of Central Bureau of Narcotics, MP unit, Neemuch effected a seizure of 1.850 kgs of Acetic Anhydride on 09.03.2012 at Suwasra petrol pump cross road, Susasra District Mandsaur (MP). Two persons were arrested and one motorcycle was seized.

(f) During the course of general checking by dog squad party of Central Bureau of Narcotics, Rajasthan Unit effected a seizure of 2.750 kgs of Opium on 11.04.2012 near Gangrar toll tax, Chittorgarh-Bhilwara road. Three persons were arrested.

(g) During the inquiry of theft opium in respect of weighment centre of Jhalawar, a joint preventive party of CBN effected a seizure of 0.500 kgs opium on 21.04.2012 at Kushalpura Tiraha, Jhalawar. After theinvestigation of the case 10 persons were arrested.

(h) On the basis of a secret information, a preventive party of CBN, DNC office, Neemuch effected a seizure of 65.000 kgs of

Opium on 29.06.2012 at village Kankariya Talai, P.S. Ratangarh, District Neemuch. Five persons were arrested and three motorcycles were also seized.

(i) On the basis of secret information, a preventive party of DNC office, Lucknow recovered of 3.000 kgs Heroin in the house search of village Tikra Murtaza, P.S. Zaidpur, District Barabanki (UP) on 30.08.2012. One person was arrested on the spot.

(j) During the course of general checking, the preventive party of DNC office, Kota intercepted a Rajasthan Roadways bus near Panchwati Garden, Jagpura-Jhalawar Road, Kota on 05.09.2012 and recovered 0.930 kgs of Opium. One person was arrested on the spot.

(k) During the preventive checks, the preventive party of Preventive and Intelligence Cell, Pratapgarh (Rajasthan) intercepted a Rajasthan Roadways bus on Pratapgarh-Banswara Road on 18.09.2012 and recovered 1.000 kgs of opium and one person was arrested.

(l) On the basis of specific information, a preventive party of DNC office, Kota (Rajasthan) effected a seizure of 0.400 kgs Heroin on 19.10.2012 at Rajasthan Roadways Bus Stand Kota. Two persons were arrested.

(m) During routine checking, a preventive party of DNC, office, Kota effected a seizure of 18621 kgs of Poppy straw and 118 kgs of grinded Poppy straw on 30.10.2012 and follow up action dated 6.11.2012. Two persons were arrested and one truck was also seized.

(n) On the basis of secret information a joint preventive team of DNC, office, Lucknow and Barabanki effected a seizure of 0.850 kgs of Heroin on 19-12-2012. Three persons were arrested. During follow up action, seizure of 0.250 kgs. of Heroin effected on 20-12-2012.

(ii) Details of Seizure cases effected by CBN during financial year 2012-13 (up-to 31.12.2012)

Name of Drug		2012-13 (upto 31.12.12)
Opium	Qty.(in Kgs.) No. of cases Persons arrested.	70.180 5 22
Heroin	Qty.(in Kgs.) No. of cases Persons arrested.	4.500 3 7
Poppy Husk	Qty.(in Kgs.) No. of cases Persons arrested.	18621.000 1 2
Poppy Husk Powder	Qty.(in Kgs.) No. of cases Persons arrested.	118.000 ð ð
Destruction of illicit Poppy cultivation.	Area (in Hectares) West Bengal Uttarakhand/Uttarkashi	 14.168 Hectares 37.230 Hectares

(iii) Number of persons convicted/acquitted in CBN cases decided by various Court during the financial year 2012-13.

Financial Year	Total No. of Persons who Were facing Prosecution	Total No. of Persons Convicted	Total No. of Persons Acquitted	Conviction Rate (%)
2012-13	34	26	08	76%

(iv) Number of cases convicted/acquitted of CBN decided by various Court during the financial year 2012-13.

Financial Year	Total No. of Cases decidd	Total No. of Cases in which conviction was Ordered	Total No. of Cases in which Accused were acquitted	Conviction Rate (%)
2012-13	13	11	02	84%

(v) DESTRUCTION OF ILLICT POPPY CROP IN 2O12-13

During the year 2012, the CBN team while conducting the surveys to verify satellite maps for presence of illicit poppy cultivation, destroyed illicit poppy crop in 14 hectares in Malda District, 0.168 in Burdwan District of West Bengal State, 37.230 hectares in Bhawari and Mori Tehsils in Uttarakhand State.

(vi) The relevant statistical details of seizures booked by CBN during the financial year, 2011-12 and 2012-13 (upto 31.12.2012) is enclosed herewith as **Annexure- "A".**

(vii) Conviction in seizure case of Alprazolam effected by Preventive and Intelligence Cell, Indore:

In seizure of 112.400 kgs. Alprazolam effected by Preventive and Intelligence Cell, Indore (MP), the Hon'ble Special NDPS Court decided the case on 18-10-2012 and convicted accused namely Ajay Jain, Sunil Sanger, Sanjay Chouhan, Sudershan Sanger with rigorous imprisonment of 16 years and two persons namely Amit Sharma and Hakimuudin with 10 and 7 years respectively. The judgement pronounced by the Hon'ble court will not only contain the drug smuggling but also curb the efforts of drug traffickers.

(viii) Position of the Detention Proposal under PITNDPS Act, 1988 forwarded to the Ministry during the year 2011

S.No.	Particulars	M.P.	Raj.	U.P.	Hqrs.	Total
1.	No. of Proposal forwarded	-	-	-	5	5
2.	No. of detention proposal rejected	-	-	-	-	-
3.	No. of cases where detention order issued	-	-	-	5	5
4.	No. of persons released by Advisory Board out of col. 3 above.	-	-	-	-	-
5.	No. of persons absconding out of col. 3.	-	-	-	-	-
6.	No. of proposal pending with the Ministry.	-	-	-	-	-

(ix) A Chart showing the Seizure cases and Valuation of the property Freezed/ Forfeited by the CBN/Competent Authority during the year 2011

Unit	Seizure case	Accused Name	Valuation of the property	
			Frozen	Forfeited
Hqrs.Gwalior	Seizure case of 4110.540 kgs. of Poppy Straw and 91.240 Kgs. of Poppy straw Powder effected on 07.10.2010 at Malanpur Industrial Area, District Bhind (M.P.)	(1) Shri Shivshankar S/o Late Shri Vitthaldas Agarwal.	Property and bank account Freezed valued at ₹1420355.53 vide CA order F.No. CA/MUM/NDPS/III/03/2010 dated 21st Jan, 2011. Further vide order of Even no. dated 27th April,11 CA released property worth ₹ 4,28,400/-. Therefore, property worth ₹ 9,91,955.53/- stand Freezed.	- Nil -
	- do -	(2) Shri Idu Khan S/o Malu Khan	Bank accounts worth ₹ 8,41,018/- vide CA order F.No. CA/MUM/NDPS/III/02/2010 dated 21st Jan, 2011.	
	- do -	(3) Shri Ashok S/o Mahavir Prasad	Bank accounts worth ₹ 1,26,410.71/- vide CA order F.No. CA/MUM/NDPS/III/01/2010 dated 21st Jan,2011.	
		Total	**₹ 19,59,384.2/-**	

3.1.6 Cultivation of opium poppy and production of opium during the year 2011-12.

During the crop year 2011-12, 775 Metric Tonnes (provisional) of opium at 70 degree consistence was procured. The average yield at 70 degree consistence on basis of provisional results received from Madhya Pradesh, Rajasthan and Uttar Pradesh for the crop year 2011-12 was 63.64, 64.77 and 35.48 kgs./hectare (provisional) respectively. The All India average yield during 2011-12 was 64.09 kgs./hectare at 70 degree consistency (provisional). The figures related to opium cultivation are provisional as final reports from factories for the crop year 2011-12 are awaited. The figures are for 2011-12 as the crop cycle for the cultivation of opium is October to September next year. Settlement operation has been completed during the month of October, 2012 and consequently 46820 cultivators and 5859 Area (in hect.) have been settled.

3.1.7 Other highlights of performance and achievements during the year 2012-13.

World Drug Day, 2012 by Central Bureau of Narcotics: On the International day against drug abuse and trafficking, Central Bureau of Narcotics organized a series of events from 26th June, 2012 to 28th June, 2012. The following events have been organized:

Motor Cycle Rally: A Motor Cycle Rally was organised on 26th June, 2012. The staff members distributed attractive stickers on drug abuse to the Taxi drivers, Autorickshaw drivers and General Public troughout the day with a view to raise awareness among general public. Stickers were also pasted at prominent places of the city.

Signature Campaign: For raising awareness of the masses regarding the growing menace of drug abuse, a Signature Campaign was organized at Deendayal City Mall, Gwalior on 26th June, 2012. The Signature Campaign attracted an overwhelming response from the general public. The general public was invited to give their messages on the menace of drug abuse.

Health Check- up camps: Health Check- up camp for officers and staff members was organized on 27th June, 2012. A team of doctors from Mescot Hospital & Research Centre, Gwalior were invited for conducting the health checkup camp. The health checkup covered the following areas:

- Blood Pressure;
- Sugar testing;
- Electrocardiogram;

Poster painting competition: Entries were invited for Poster painting competition through leading News Paper and Media. Enteries received were scrutined by an Expert Panel and rewards were distributed to the winners of the Poster painting competition.

3.1.8 Public grievances set-up functioning in the Department

In order to redress various grievances of opium poppy cultivators, Public Grievance Committees have been formed at the Headquarters of Unit Dy. Narcotics Commissioner at Neemuch, Kota and Lucknow.

3.1.9 Activities undertaken for Disability Sector, SCs, & STs and Other Weaker Sections of Society.

As per Ministryôs instructions reservation for SC/ST/OBC and Physically Handicapped were maintained in the Central Bureau of Narcotics. Shri Sita Ram Sharma, Deputy Narcotics Commissioner, Kota (Rajasthan) has been appointed as a Liaison Officer to look after the interest, representation and welfare of ST/ST/OBC employees.

3.1.10 Implementation of the Judgment/Orders of the CAT (New items included for 2012-13) The information is as under:—

S. No.	OA No. Name & Subject	Judgment of case	Status of implementation
1.	O.A.No. 652/2011- P.N. Meena V/s U.O.I.	The Case was dismissed in favour of department.	ð
2	W.P.No.46877/02- Ashit Dubey	The Case was decided in favour of department	ð
3	O.A.No. 220/07 W.A. 82/09- Pankaj Tiwari	The Case was dismissed in favour of department	ð
4	O.A. 389/09- Jeewan Lal Lawre	The Case was dismissed in favour of department	ð
5	W.P. No. 1900/06- Hemant Singh Saktawat	The Case was dismissed in favour of department	ð

Gender Issues/Empowerment of Women:

A Complaint Committee has been set up in the Headquarters of Madhya Pradesh, Rajasthan, Uttar Pradesh Unit and Headquarters office, Gwalior to look after the complaints of the working women in respect of any type of harassment of women at work place.

No representation or complaint has been received from any employee regarding discrimination on the ground of sex.

3.1.11 E-Governance Activities

As regards, E-Governance activities, it is stated that various instructions of the Government on issue of e-governance are being complied with. Use of CCTV's at Settlement and weighment centers was also successfully carried out.

Computers have been provided, almost, in each section and have been interconnected through Network. All urgent reports or replies to the references received from the Ministry are forwarded to the Ministry of Finance, New Delhi through e-mail as far as possible.

The Central Bureau of Narcotics web site has been updated and all the application forms for issue of export/ import authorization for export/import of psychotropic substances/precursor chemicals and controlled substances can be downloaded from the CBN website: www.cbn.nic.in.

Annexure - "A"

Seizure cases effected by CBN in financial year 2011-12 to 2012-2013
(upto 31.12.2012)

Name of Drug		2011-12	2012-13
Opium	Qty. (in kgs.)	29.461	70.18
	No. of cases	9	5
	Persons Arrested	11	22
Heroin	Qty. (in kgs.)	1.1	4.500
	No. of cases	1	3
	Persons Arrested	2	7
Acetic Anhydride	Qty. (in ltrs.)	1.85	-
	No. of cases	1	-
	Persons Arrested	2	-
Methaqualone	Qty. (in kgs.)	0.3	-
	No. of cases	1	-
	Persons Arrested	1	-
Ephedrine	Qty. (in kgs.)	0.004	-
	No. of cases	-	-
	Persons Arrested	-	-
Poppy Husk	Qty. (in kgs.)	323.84	18621.000
	No. of cases	-	1
	Persons Arrested	-	2
P.H.Powder		-	118.000
Destruction of Illicit Poppy	Area (in sqm.)		
Illicit Poppy Cultn.	Area (in Hect)		
	Arunachal Pradesh	0.400 Hectares	-
	West Bengal	1390.600 Hectares	14.168Hectares
	J&K (Pulwana)	-	-
	Uttarakhand/Uttarkashi	320.500Hectares	37.230Hectares
	Kullu(H.P.)	1.000Hectares	-
Canabis	Kullu(H.P.)&J&K	-	-
Destruction of poppy cultivation	Area (Ares)	12 Ares	-
	No. of case	1	-
	Persons Arrested	1	-

3.2 Government Opium and Alkaloid Works (GOAW)

3.2.1 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 ñCommittee of Managementò 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 Organization 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 comprises two units ï 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 pharmacoepial 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.

The overall performance / achievements for the previous year (2011-12) are as follows:

Government Opium and Alkaloid Factories (GOAF)

PERFORMANCE OF GOAF FOR THE YEAR 2011-2012

A. PRODUCTION

Sl. No.	Particulars	Unit	Production Targets	Actual Production	Percentage Increase over Targets
(1)	(2)	(3)	(4)	(5)	(6)
1	Drying of opium for Export at 90 C	MT	480	506	5
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KG.	400	562	40
	b) Morphine Sulphate	KG.	270	280	4
	c) Codeine phosphate (I.P.)	KG.	11113	14378	29
	d) Dionine	KG.	500	400	-20
	e) Pure Thebaine	KG.	582	790	36
	f) Noscapine BP	KG.	2388	3149	32
	g) Pholcodine	KG.	147	217	48
	Total Finished Drugs	**KG.**	**15400**	**19776**	
	h) IMO Powder	KG.	8000	8000	0
	i) IMO Cake	KG.	2000	2786	39
	j) Papavarine S.R.	KG.		2099	
3.	i) C.P. Import for Domestic Market KG.		53400		
	ii) Import for Vendor Specific				
	a) Codeine Phosphate U.S.P.	KG.		0	
	b) Codeine Phosphate (SEZ)	KG.		0	
	Total (ii)			**0**	

B. SALES

PROVISIONAL

Sl.No.	Particulars	QTY.(Kgs)	*AMOUNT (₹ in Crore)*
(1)	(2)	(3)	(4)
1	Export of opium at 90ºC	**455996**	**148.07**
2	Domestic Sale of Drugs :		
	a) Codeine Sulphate	191	0.88
	b) Morphine salts	223	0.84
	c) Codeine Phosphate (I.P. + Import)	66440	199.32
	d) Dionine	158	0.85
	e) Pure Thebaine	391	1.39
	f) Noscapine B.P.	3701	9.86
	g) Papavarine S.R.	2050	0.39
	h) Pholcodine	228	1.06
	i) IMO Powder	7886	3.76
	j) IMO Cake	2865	1.34
	Total	**84133**	**219.69**
3	Sale of Imported Drugs (Vendor Specific)		
	a) Codeine Phosphate U.S.P.	0	0
	b) Codeine Phosphate (SEZ)	0	0
	Total (a+b)	**0**	**0**
	Grand Total (1+2+3)	**540129**	**367.76**

C COUNTRY WISE EXPORT OF OPIUM (excluding IMO Powder & Cake) at 90ºC

(Qty. in MTs)

Unit	U.S.A.	IRAN	FRANCE	JAPAN	TOTAL
Ghazipur	NIL	NIL	0.805	128.713	129.518
Neemuch	312.358	14.120	NIL	NIL	326.478
Total	312.358	14.120	0.805	128.713	455.996

D OPIUM CHARGED FOR PRODUCTION OF DRUGS & IMOs:

(Qty. in MTs at 90° C)

141 (aprrox)

E REVENUE RECEIPTS (ON REALISATION BASIS)

(₹ in crore)

Unit	Opium Factories	Alkaloid Works	Total
Ghazipur	45.37	70.76	116.13
Neemuch	113.78	153.63	267.41
Total	**159.15**	**224.39**	**383.54**

Similarly, the achievements during the period April to November of current year 2012-2013 are as follows:-ð

ACHIEVEMENT OF CCF ORGANISATION

UP TO THE MONTH OF NOVEMBER 2012 WITH COMPARATIVE DATA OF PREVIOUS YEAR i.e. 2011 FOR THE SIMILAR PERIOD

A. PRODUCTION

Sl. No.	Particulars	Unit	Actual Production Up to November		% age increase over previous year
			2011-12	2012-13	
(1)	(2)	(3)	(4)	(5)	(6)
1	Drying of opium for Export at 90 C	MT	355	342	-4
2	Manufacture of Drugs :				
	a) Codeine Sulphate	KG.	118	285	142
	b) Morphine salts	KG.	ð ð	71	100
	c) Codeine phosphate	KG.	9277	6766	-27
	d) Dionine	KG.	68	0	-100
	e) Pure Thebaine	KG.	133	56	-58
	f) Noscapine BP	KG.	1896	2293	21
	g) Pholcodine	KG.	127	106	-17
	h) Papavarine S.R.	KG.	1108	892	-19
	i) IMO Powder	KG.	3975	3550	-11
	j) IMO Cake	KG.	2366	3046	29
	Total Finished Drugs	**KG.**	**19068**	**17065**	**-11**
3.	i) CP Import for Domestic Market		30000	39000	30
	ii) Import for Vendor Specific				
	a)Codeine Phosphate U.S.P.	KG.	0	0	0
	b) Codeine Phosphate (SEZ)	KG.	0	0	0
	Total (ii)		**0**	**0**	**0**

B. SALES

PROVISIONAL

Sl.No.	Particulars	2011-12		2012-13	
		Qty.(Kgs.)	(₹ inCrore)	Qty.(Kgs)	(₹ inCrore)
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	269309*	**280955**	126.09	**86.38**
2	Domestic Sale of Drugs : (on actual basis)				
	a) Codeine Sulphate	116	0.54	75	0.43
	b) Morphine salts	118	0.46	189	0.68
	c) Codeine Phosphate (I.P. + import)	44216	132.65	19977	69.39
	d) Dionine	91	0.49	247	1.74
	e) Pure Thebaine	301	1.08	516	1.78
	f) Papavarine	1100	0.22	895	0.18
	g) Noscapine BP	2043	5.43	4810	12.31
	h) Pholcodine	172	0.80	100	0.47
	i) IMO Powder (Domestic sale + Export)	3629	1.25	4027	2.35
	j) IMO Cake (Domestic sale + Export)	2467	1.15	2753	1.38
	Total (2)	**54253**	**144.07**	**33589**	**90.71**
3	Import (Vendor Specific)				
	a) Codeine Phosphate U.S.P.	0	0	0	0
	b) Cod. Phos. Hemihydrate	0	0	0	0
	c) Thebaine	0	0	0	0
	Total (3)	**0**	**0**	**0**	**0**
	Grand Total (1+2+3)	**323562**	**230.45**	**314544**	**216.80**

* Provisional figures.

C COMPARATIVE COUNTRY WISE EXPORT OF OPIUM (upto November of each financial year)

(Qty. in MTS at 90° C)

Unit	USA	FRANCE	Hungary	JAPAN	IRAN	TOTAL
2011-12						
Ghazipur	0	1	0	63	0	64
Neemuch	191	0	0	0	14	205
Total	191	1	0	63	14	269
2012-13						
Ghazipur	0	0	0	58.283	0	58.283
Neemuch	208.591	0	0	0	14.081	222.672
Total	208.591	0	0	58.283	14.081	280.955

D COMPARATIVE REVENUE RECEIPTS ON REALISATION BASIS (upto November of each financial year)

(₹ in Crore)

Unit	Opium Factories	Alkaloid Works	(PROVISIONAL) Total
2011-12			
Ghazipur	21.53	39.33	60.86
Neemuch	71.26	104.52	175.78
Total	92.79	143.85	236.64
2012-13			
Ghazipur	26.54	6.84	33.38
Neemuch	100.51	81.70	182.21
Total			

3.2.2 Development of North Eastern Region. The CCF organization including GOAWs are located in Uttar Pradesh, Madhya Pradesh and Delhi only and therefore, there is nothing to specify with regard to work done on the development of North Eastern region and Sikkim Project Schemes.

3.2.3 E-Governance Activities: 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.

3.2.4 Grievances Redressal Machinery. Public Grievances in the CCFs 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.

3.2.5 Gender Budgeting/Empowerment of Women: Equal opportunity / status is enjoyed by women in CCF organization and Group ñAò post is held by a woman and in the case of gender bias / harassment reported if any, it is ensured that appropriate action is taken against the erring official.

3.2.6 Activities Undertaken for Disability Sector & SCs/STs & Other Weaker Sections of Society: The CCF organization is strictly adhering to the prescribed rules and regulations for the welfare and development of disabled, SCs, STs and other weaker sections. With an objective to initiate prompt action on grievances of such sections, a committee has been formed with members drawn from such sections. Roster registers for this purpose are also being maintained.

4. STATE TAXES SECTION

4.1 State Taxes Section

State Taxes Section of the Department of Revenue handles legislative work relating to Central Acts having significant interface with the States like the Central Sales

Tax Act, 1956, the Additional Duties of Excise (Goods of Special Importance), Act, 1957 and the Indian Stamp Act, 1899. Facilitation in respect of State level Value Added Tax (VAT) in the form of assistance for computerization of State VAT system and coordinating the issues related to Goods and Services Tax (GST) are the other significant assignments of the State Taxes Section.

4.2 State Value Added Tax (VAT)

Under Entry 54 of List II (State List) of the Seventh Schedule of the Constitution of India, ñtax on sale or purchase of goods within a Stateò is a State subject. Introduction of State VAT to replace the earlier Sales Tax systems of the States has been one of the important tax reform measures taken on indirect tax side. VAT has been introduced by all the States/UTs, except the UTs of Andaman & Nicobar Islands and Lakshadweep. Sales Tax/VAT being a State subject, the Central Government played the role of a facilitator for successful implementation of VAT. Some of the steps taken by the Central Government are listed below:

4.2.1 A package for payment of compensation to States for any revenue loss on account of introduction of VAT has been implemented. An amount of ₹ 19002.82 crore has been released by Central Government to States till date on account of claims filed by the States for the years 2005-06, 2006-07 & 2007-08.

4.2.2 Technical and financial support on 100% basis has been provided to North Eastern States to enable them to take up computerization of their VAT administrations. A project for computerization of VAT administration in Himachal Pradesh and Jammu & Kashmir with overall cost of ₹ 40.49 crore has been sanctioned. A Mission Mode project for computerization of VAT administrations of States and UTs has been launched.

4.2.3 50% funding is being provided to the Empowered Committee of State Finance Ministers for implementation of the Tax Information Exchange System (TINXSYS) Project for tracking of inter-State transactions.

4.2.4 As a part of support for institutional capacity building and their up-gradation into national level institutes of public finance and policy, two institutes namely, Centre for Taxation Studies, Kerala and Centre for Studies in Social Sciences, Kolkata have been provided ₹ 14 crore each.

4.2.5 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 States revenues have grown on rapidly since the introduction of VAT.

4.3 Central Sales Tax (CST)

4.3.1 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.

4.3.2 The Central Sales Tax Act, 1956 imposes the tax on inter-state sale of goods and formulates the principles and imposes restrictions as per the powers conferred by the Constitution. The Government of India has also framed the Central Sales Tax (Registration and Turnover) Rules, 1957 in exercise of powers conferred by section 13(1) of the CST Act, 1956. Though the Central Sales Tax Act 1956 is a Central Act, the States collect and appropriate the proceeds of Central Sales Tax as per Article 269 of the Constitution of India.

4.3.3 The CST however, being an origin-based non-rebatable tax, is inconsistent with the destination based taxation concept of G.ST. It is, therefore, proposed to be abolished CST rate had been, therefore, reduced from 4% to 3% w.e.f. 01.04.2007. The CST rate has further been reduced from 3% to 2% w.e.f. 1st June, 2008.

4.3.4 A package of compensation to the States for revenue loss on account of phasing out of the CST has been agreed to. 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 interstate purchases by Government Departments at concessional CST rate against Form-D had been withdrawn w.e.f. 01.04.2007. Also, enabling provisions had been made for States to levy VAT on Tobacco and Tobacco Products without losing any part of the devolution of Central taxes to the States. For the residual losses thereafter, the Central Government has further released ₹ 30860.42 crore to States till date as compensation for the loss due to reduction of rate of CST for the claims years 2007-08, 2008-09, 2009-10 & 2010-11.

4.4 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:ð

4.4.1 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.

4.4.2 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 the 7th Schedule of the Constitution.

4.4.3 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 the Schedule-VII.

4.4.4 The rates of stamp duty in respect of Debenture and Promissory Notes have been rationalized by the Central Government in September, 2008. A comprehensive Review of Indian Stamp Act, 1899 has been undertaken. Consultation with State Governments and Central Ministries is complete. The vetting of the draft Indian Stamp (Amendment) Bill in consultation with Department of Legal Affairs and Legislative Department is in process. The Draft Bill was sent to the Legislative Department for vetting in December, 2011. In September, 2012 the Bill was sent back to this Department by Legislative Department. The Legislative Department has pointed out that some of the proposed sections of the Bill require re-examination by the Department of Legal Affairs from legal and constitutional angle.

The observations of the Legislative Development are being processed. The Bill will be soon sent to the Department of Legal Affairs for re-examination from legal and constitutional angle.

4.5 Goods and Services Tax

4.5.1 The proposal to introduce a national level Goods and Services Tax (GST) by April 1, 2010 was first mooted by the then Finance Minister Shri P. Chidambaram in his Budget Speech for the financial year 2006-07. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers chaired by Dr. Asim K. Dasgupta, former Finance Minister of West Bengal.

4.5.2 In April, 2008, the Empowered Committee submitted a report to the Central Government titled ñA Model and Roadmap for Goods and Services Tax (GST) in Indiaò containing broad recommendations about the structure and design of GST. A dual GST model with one component being Central GST & another State GST has been proposed in this paper. In response to the report, the Department of Revenue made some suggestions to be incorporated in the design and structure of proposed GST.

4.5.3 Based on inputs from Department of Revenue, (Government of India) and States the Empowered Committee of State Finance Ministers released its ôFirst Discussion Paper on Goods and Services Tax in Indiaô on the 10th of November, 2009 at New Delhi. This Discussion Paper was released with the objective of generating a debate and obtaining inputs from all stakeholders ï taxpayers, including industry, trade and agriculture as well as consumers. Department of Revenue, (Government of India) has also sent its response on the said paper to EC.

4.5.4 To prepare a draft of the Constitutional Amendment Bill required for introduction of GST, a Joint Working Group comprising officers of Central Government, a few State Governments and the Empowered Committee of State Finance Ministers was constituted. The draft prepared by the JWG was discussed with EC in several meetings and then got vetted by Ministry of Law. Thereafter, the Bill to further amend the Constitution to enable introduction of Goods and Services Tax was introduced in the Lok Sabha on 22.03.2011 for their consideration. The Bill has been referred to the ôStanding Committee on Financeö(SFC) for examination. The Committee had requested to send some material and background note on the Bill. The same were provided to them on 15.04.2011. The Committee after examination of the Bill sent a questionnaire to this Department. The reply of the Questionnaire has also been sent to them on 5.9.2011. A meeting of SFC was held on 8.6.2012 to discuss this Bill. The reply to issues raised in the said meeting has also been sent on 09.08.2012.

4.5.5 Further, three sub-working groups of officers were constituted to work on various important elements of GST. Sub-working group-I is working on finalization of process regarding registration, return, payment etc., to be followed in GST regime. Sub-working group-II is working on drafting Central GST & model State GST legislation. Sub-working group III was to finalize IT infrastructure related issues related to GST. Meanwhile, an Empowered Group for development of required IT systems required for Goods and Services Tax regime was constituted under the chairmanship of Dr. Nandan Nilekani. This group has taken over the work of Sub ï working Group-III under its broader IT initiatives for GST network. This group recommended setting up of a special purpose vehicle (SPV) for GST network, which was then appraised and recommended by the Committee for Non-plan expenditure (CNE) in its meeting held on 1.3.2012. This proposal has been approved by the Cabinet on 12.4.2012. GSTN-SPV is expected to be operational during this financial year.

4.5.6 The Hon'ble Finance Minister held a meeting with the State Finance Ministers on 8th November, 2012. In accordance with the decision taken in this meeting, two Committees have been constituted; (i) to finalise the GST design and (ii) to consider the issue of CST compensation to the State for the revenue loss on account of reduction of CST rate from 4% to 2%. Meeting of GST Committee has taken place on 6th, 18th and 19th December, 2012. This Committee has submitted its Report and the same is under examination. These Reports were also considered in the meeting of the Empowered Group held at Bhubaneshwar.

4.6 Highlights of the performance and achievements during the year:

Action taken to implement the Programme and other Important Policy initiatives announced in Budget Speech, 2012-13:

The statements and status of implementation of various paras are as follows:–

S. No.	Para No.	Text of Announcement	Status of Implementation as on 31st Dec., 2012.
1.	27.	Similarly, the Constitution Amendment Bill, a preparatory step in the implementation of Goods and Services Tax (GST) was introduced in Parliament in March 2011 and is before the Parliamentary Standing Committee. As we await recommendations of the Committee, drafting of model legislation for Centre and State GST in concert with States is under progress.	The Bill is under examination of Standing Committee of Finance (SFC). SFC held its meeting on 08.06.2012. The minutes of meeting have been received. The reply to queries raised therein have already been sent on 09.08.2012.
2.	28.	The structure of GST Network (GSTN) has been approved by the Empowered Committee of State Finance Ministers. GSTN will be set up as a National Information Utility and will become operational by August 2012. The GSTN will implement common PAN-based registration, returns filing and payments processing for all States on a shared platform. The use of PAN as a common identifier in both direct and indirect taxes will enhance transparency and check tax evasion. I solicit the support of all my colleagues cutting across party lines for an early passage of these landmark legislations.	Approval of Cabinet has already been received for setting up of GSTN. Necessary action has already been initiated.
3.	39.	To take forward the process of financial sector legislative reforms, the Government proposes to move the following Bills in the Budget Session of the Parliament: Indian Stamp (Amendment) Bill, 2012	The Draft Bill was sent to the Legislative Department for vetting in December, 2011. In September, 2012 the Bill was sent back by the Legislative Department with some observations. The Legislative Department has opined that some of the proposed sections of the Bill requires re-examination by the Department of Legal Affairs from legal and constitutional angle and has requested to get the same examined by the Department of Legal Affairs. The observations of the Legislative Development have been processed. The Bill will be soon sent to the Department of Legal Affairs for re-examination from legal and constitutional angle
4.	172.	I propose to set up a Study Team to examine the possibility of a common tax code for service tax and central excise which could be adopted to harmonies the two legislations as much as possible at the right time.	The Bill is under examination of Standing Committee of Finance (SFC). SFC held its meeting on 08.06.2012. The minutes of meeting have been received. The reply to queries raised therein have already been sent on 09.08.2012.

4.7 Work done on the development of North Eastern Region and Sikkim – Projects/ Schemes being operated and actual expenditure thereon:

Under the National e-Governance Plan (NEGP), the Department of Revenue has implemented the Mission Mode Project (MMP-CT) of Commercial Taxes. The Cabinet in February, 2010 approved the MMP-CT under NeGP. GoI is providing financial and technical assistance to NE States to develop and upgrade the IT systems in their commercial taxes administrations. The focus of the project is to improve the efficiency of the Commercial Taxes administrations of the State Governments.

4.8 E-Governance Activities:

4.8.1 Under the National e-Governance Plan (NEGP), the Department of Revenue has implemented the Mission Mode Project (MMP-CT) on Commercial Taxes. The Cabinet in February, 2010 approved the MMP-CT under NeGP. This project, with an overall cost of ₹ 1133.44 crore, will help States to develop and upgrade the IT systems in their commercial taxes administrations. The focus of the project, on the one hand, is to provide an improved set of services to the dealers and on the other, to improve the efficiency of the Commercial Taxes administrations of the State Governments.

4.8.2 A Project Empowered Committee (PEC) chaired by Revenue Secretary has been set up to consider and approve individual projects submitted by the States and UTs. The PEC has so far examined the project proposal of 33 States and UTs and approved it with overall project cost of ₹ 1029.70 crore out of which Central share is ₹ 725 crore. An amount of ₹ 530.40 crore has already been released to respective States/UTs as Central share.

4.8.3 Tax information Exchange System (TINXSYS) is a project to facilitate effective tracking of inter-state transactions. The project is designed to facilitate Commercial Tax Departments of various States and Union Territories to exchange the data regarding the interstate trade and help them in checking evasion of tax. The project is being implemented by Empowered Committee of State Finance Ministers (EC). GoI has been providing financial support of 50% of the cost of this project while States collectively share the rest.

5. ADJUDICATING AUTHORITY UNDER PREVENTION OF MONEY LAUNDERING ACT, 2002

5.1 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 setting up of agencies and mechanism for coordinating measures for combating money laundering.

5.1.1 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.

5.1.2 The Adjudicating Authority consists of a Chairman and two Members. During 2012 the Adjudicating Authority has received 86 Enforcement Case Information Reports (ECIR), 47 Provisional Attachments and 45 Original Complaints (OCs). Final orders have already been passed in 29 OCs and 16 are in the process of hearing.

6. APPELLATE TRIBUNAL UNDER PREVENTION OF MONEY LAUNDERING ACT

6.1 The Appellate Tribunal under the Prevention of Money Laundering Act, 2002 (PMLA) was brought into force w.e.f. 1st July, 2005.

6.2 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 that service for at least three years.

6.3 The Appellate Tribunal under PMLA is a 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 involved 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.

6.4 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.

7 APPELLATE TRIBUNAL FOR FORFEITED PROPERTY

7.1 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 Narcotics Drugs and Psychotropic Substances Act, 1985 (NDPS) after its amendment in the year 1989.

7.2 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 doorstep of public, the Tribunal holds camp sittings at different places in the country under the provisions of the above Acts.

7.3 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.

7.4 The appeals and petitions are decided by the Benches consisting of at least Two members and constituted by the Chairman. During the period from 1 January, 2012 to 31 December, 2012, 58 appeals and 99 miscellaneous petitions were filled and 19 appeals and 31 miscellaneous petitions were disposed under SAFEMA and NDPS Act.

8. SET UP FOR FORFEITURE OF ILLEGALLY ACQUIRED PROPERTY

8.1 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 and the Foreign Exchange Regulation Act, 1947 and Foreign Exchange Regulation Act, 1974 and the persons detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotics 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 the Prevention or Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 and Jammu and Kashmir Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

8.2 SAFEM(FOP) Act and NDPS Acts provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired properties. At present, 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 2012-13 (January, 2012 to December, 2012), the Competent Authorities have forfeited property worth of ₹ 134.30 Lakh in 15 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 off, year-wise, from 2000-01 to 2012-2013 are given in Annexure óAô

8.4 During the period from 01.01.2012 to 31.12.2012, 58 appeals and 99 miscellaneous petitions were filed and 19 appeals and 31 miscellaneous petitions were disposed off under SAFEMA and NDPS Acts.

Annexure - 'A'

FORFEITURE OF ILLEGALLY ACQUIRED PROPERTY UNDER NDPSA AND SAFEM(FOP)A BY COMPETENT AUTHORITIES

Financial Year	Number of reports received from Enforcement Agencies	Number of Notices for Forfeiture issued and value of Property involved.		Number of Forfeiture Orders issued and value of Property involved.		Value of sale proceeds of Property disposed off
		Number	Value (₹ in Lakh)	Number	Value (₹ in Lakh)	
1	2	3	4	5	6	7
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
2009-2010	48	21	178.5	20	2153.20	Nil
2010-2011	128	19	1394.06	22	45.57	1123.49
2011-2012	112	17	690.85	22	391.58	191.27
2012-2013 (January, 2012-December,2012)	**96**	**9**	**3138.09**	**15**	**134.30**	**167.25 Lakh + US $3400**

9. Central Board of Excise and Customs

9.1 Organization and functions

9.1.1 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 field formations. The Board performs its assigned tasks with the help of its field formations namely, the Zones of Customs & Central Excise, Commissionerates of Customs, Central Excise and Service Tax and the Directorates.

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

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

There are eleven zones exclusively handling Customs or 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).

9.1.3 Commissionerates of Central Excise

The Central Excise Commissionerates and Service Tax Commissionerates spread all over the country are 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.

The 93 positions of Commissioners are: Delhi-I, Delhi-II, Delhi-III (Gurgaon), Delhi-IV (Faridabad), Panchkula, Rohtak, Chandigarh-I, Chandigarh-II, Ludhiana, Jammu & Kashmir, Kolkata-I, Kolkata-II, Kolkata-III, Kolkata-IV, Kolkata-V, Kolkata-VI, Kolkata-VII, Bolpur, Siliguri, Haldia, Bhubaneshwar-I, Bhubaneshwar-II, Shillong, Dibrugarh, Kanpur, Lucknow, Allahabad, Meerut-I, Meerut-II, Ghaziabad, NOIDA, Jamshedpur, Patna, Ranchi, Mumbai-I, Mumbai-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, Nashik, 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, Puducherry, Tiruchirapalli, Coimbatore, Salem, Madurai, Tirunelveli and Guwahati.

9.1.4 Commissionerates of Service Tax

There are seven exclusive Service Tax Commissionerates at Ahmedabad, Bangalore, Chennai, Delhi, Kolkata, Mumbai-I and Mumbai-II.

There are four Large Tax Payer Units (LTUs) at Bangalore, Chennai, Delhi and Mumbai.

9.1.5 Commissionerates of Customs and Customs (Preventive):

There are 35 Customs and Customs (Preventive) Commissionerates 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. The Marine and Telecommunications Wings in these Commissionerates assist them in their anti-smuggling work and surveillance of sensitive coastline.

These 35 Commissionerates of Customs and 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).

9.1.6 Appellate and Tax Recovery Machinery:

At present there are 61 Commissioners of Central Excise (Appeals), 6 Commissioners (TAR) and 8 Commissioners of Customs (Appeals). The appellate machinery comprising the Commissioners (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 Commissioner of Customs and Central Excise.

9.1.7 Commissioners (Adjudication)

There are at present 4 posts of Commissioner (Adjudication) to decide the 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 Headquarters w.e.f 25.04.2005 from its field formations.

9.1.8 Attached/ Subordinate Offices

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

A. Directorate General of Central Excise Intelligence

B. Directorate General of Revenue Intelligence

C. Directorate General of Inspection

D. Directorate General of Human Resource Development

E. National Academy of Customs, Excise and Narcotics (NACEN)

F. Directorate General of Vigilance

G. Directorate General of Systems and Data Management

H. Directorate General of Data Management

I. Directorate General of Audit

J. Directorate General of Safeguards

K. Directorate General of Export Promotion

L. Directorate General of Service Tax

M. Directorate General of Valuation

N. Directorate of Publicity and Public Relations

O. Directorate of Logistics

P. Directorate of Legal Affairs

Q. Office of the Chief Commissioner (AR)

R. Central Revenues Control Laboratory (CRCL)

The functions of the Directorates, NACEN, the Office of the Chief Commissioner (Authorised Representative)and the Central Revenue Control Laboratory, in brief, are as follows:ð

A. Directorate General 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 ramifications;

(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.

B. Directorate General of Revenue Intelligence

(a) To study and disseminate intelligence about smuggling;

(b) To identify the organized gangs of smugglers and areas vulnerable to smuggling, collection 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 ramifications;

(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.

C. Directorate General 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.

D. Directorate General of Human Resource Development

I. Cadre Management Division

(a) Devise and design Human Resource plans congruent with goals and vision of the Department;

(b) Analysis of and proposing changes in the recruitment rules;

(c) Preparation of charter of duties for various posts and their periodic review;

(d) Providing support to CBEC in drawing annual direct recruitment plan;

(e) Support to CBEC in the matter of recruitment policy;

(f) 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;

(g) Maintaining Human Resource Information System for training, placement, skill up-gradation and succession planning;

(h) Providing data support to CBEC for placement and transfer of officers;

(i) Receiving feedback on transfer policy and transmitting the same to CBEC for further action;

(j) Providing support to CBEC in cadre review and restructuring of the department in the context of changing needs;

(k) To assist the CBEC in preparation and maintenance of seniority lists of different grades of officers;

(l) Creation of institutional arrangement for periodic interaction with officers' associations;

(m) Develop manuals and reference literature on administration related matters; and

(n) Provide support to the Board in bringing uniformity/ homogeneity in the administrative practices followed by the field formations.

II. Performance Management Division

(a) Development of Management Information System (MIS) and Performance Management System (PMS) for capturing individual performances;

(b) Development of performance indicators for the organization, group and individual posts based on objective goal setting taking into consideration manpower and infrastructural constraint;

(c) Designing of a scientific appraisal system and a scheme of performance measurement etc.;

(d) Coordinating annual performance appraisals;

(e) Linking of rewards with performance and designing appropriate reward policy;

(f) Liaisoning with "external consultants" to develop a suitable system to track support and monitor individual performance and maintain accountability; and

(g) Review of ACR formats.

III. Capacity Building and Strategic Vision Division

(a) Identifying training needs for officers at all levels;

(b) Dissemination of information regarding HRD issues;

(c) 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) at training institutions within and outside the country;

(d) 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;

(e) Recommendation of officers for foreign training except outside training programmes being conducted at present by NACEN;

(f) Providing support to CBEC in management of organizational relations including vertical relationships (within hierarchy) and gender relations;

(g) Management of change in the working of field formations under CBEC;

(h) Formation of strategic vision group including nomination of retired officers and outside experts thereto;

(i) Forecasting of future developments and suggesting changes in organization, personnel and procedure to respond to it; and

(j) 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.

IV. Welfare Division:

(a) Identifying and recommending welfare measures;

(b) Processing proposals from field formations for sanction of funds by the Governing Body of the Welfare Fund;

(c) Coordinating with Directorate of Logistics and Principal CCA's office in accounting of funds for allocation of funds between Welfare Fund and Special Equipment Fund;

(d) Management of superannuation especially regarding psychological, emotional and financial aspects (to arrange training through NACEN and/ or outside experts to psychologically prepare them for retirement and proper management of retirement benefits);

(e) 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

(f) Dissemination of information relating to welfare schemes/ measures.

V. Infrastructure Division:

To consider all infrastructure related issues and forward its suggestions/ recommendations to the Board/ concerned Directorates under the Board for further action.

E. National Academy of Customs, Excise and Narcotics

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

(b) 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

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

F. Directorate General 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.

G. Directorate General of Systems and Data Management

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.

H. Directorate of Data Management

(a) 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

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

I. Directorate General of Audit

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

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

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

(d) To suggest measures to improve tax compliance;

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

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

(g) To aid and advise the Board in policy formulation and to guide and provide functional directions in planning, coordination and supervision of 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 System/CAAP audits etc.

J. Directorate General 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.

K. Directorate General 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 Customs-IV Section and FTT Section in the Board that deal with 100% EOUs/EPZ Units/ SEZ Units and various Technology parks and the schemes relating to the export of gems and jewellery.

L. Directorate General 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 prepare database of Service Tax revenue, assessee base etc; and

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

M. Directorate General 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 undervaluation as also for enabling assessments to be finalized speedily;

(d) To monitor valuation practices at various customs functions 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.

N. 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 of technical and administrative matters of Customs, Central Excise and Service Tax issued by the Board ;

(c) To compile 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.

O. Directorate of Logistics

(a) To inspect, assess and evaluate the effectiveness of the staff deployed on anti-smuggling duties in the Commissionerate 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.

P. 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 databank 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 Court and accepted by the Department;

(c) To ensure that all orders of the Tribunal are examined by the field formations and timely proposals 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 the 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.

Q. Office of the Chief Commissioner (AR)

(a) To receive the cause list of cases from the Tribunal registry and distribute case files among Departmental Authorized Representatives (ARs) for the purpose of representation before the Bench on behalf of the Department;

(b) To monitor the efficient representation by ARs 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 ARs and attend to administrative matters pertaining to the Chief Commissioner (AR)ôs office including its regional offices at Mumbai, Kolkata, Chennai and Bangalore.

R. Central Revenues Control 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.

9.2 Revenue collection during 2011-12 and 2012-13

The total revenue collection in 2011-12 was Rs.3,92,272 crore against the Budget Estimate (BE) of Rs.3,97,816 crore and Revised Estimate (RE) of Rs.3,98,696 crore. The overall growth registered in 2011-12 was nearly 13.7% over 2010-11. In the financial year 2012-13, the indirect tax revenue during April-December, 2012 has shown a growth of 17.04% over the last reference period. The major head-wise analysis of indirect tax revenue is as under:ð

9.2.1 Customs Duty

The RE was fixed at Rs 1,53,000 crore against the BE of ₹ 1,51,700 crore in 2011-12. The actual collection during 2011-12 was Rs 1,49,300 crore, showing a growth of 9.9% over actual collection in 2010-11. Moderate level of growth in 2011-12 was mainly due to revenue forgone on account of reduction in basic custom duty on Crude (from 5% to ōNILō, MS/HSD (from 7.5% to 2.5%) and petroleum products (from 10% to 5%) w.e.f. 25th June 2011.

9.2.2 Central Excise Duty

Factoring in the basic excise duty reduction(from ₹ 2.60/litre to Nil) on unbranded diesel(HSD) w.e.f 25th June 2011, the RE was lowered to Rs 1,50,696 crore against BE of ₹ 1,64,116 crore in 2011-12. The actual collection in 2011-12 was ₹ 1,45,617 crore representing a marginal growth of 5.3% over actual collection of 2010-11. In view of withdrawal of stimulus packages which were invoked to revive the economy, the standard excise rate was increased from 10% to 12% in the Union Budget 2012.

9.2.3 Service Tax

The actual collection of service tax in 2011-12 was ₹ 97,356 crore which shows an exceptional growth of around 37% over 2010-11 due to a number of measures taken during the union budget of 2011-12. Due to the high buoyancy in service tax the R.E was fixed at ₹ 95,000 crore against the BE of ₹ 82,000 crore in 2011-12.

9.2.4 The trends of revenue collection from indirect taxes since 2009-10 are given below:

Year Wise Trends of Indirect Tax Revenue Collection

(₹ In Crore)

Sl. No. Major Head	2009-10	2010-11	2011-12 (Prov.)	*April-December (Prov.)	
				2011-12	2012-13
I. CUSTOMS(0037)					
BE	98,000	1,15,000	1,51,700	1,51,700	1,86,694
RE	84,477	1,31,800	1,53,000		
Actuals	83,324	1,35,813	1,49,300	1,12,500	1,19,149
% achievement of BE	85.0	118.1	98.4	74.2	63.8
% achievement of RE	98.6	103.0	97.6		
% growth over last year	-16.58	62.99	9.93		5.91
II. UNION EXCISE(0038)					
BE	1,06,477	1,32,000	1,64,116	1,62,688	1,92,864
RE	1,02,000	1,37,778	1,50,696		
Actuals	1,03,622	1,38,299	1,45,617	1,04,184	1,23,196
% achievement of BE	97.3	104.8	88.7	64.0	63.9
% achievement of RE	101.6	100.4	96.6		
% growth over last year	-4.60	33.47	5.29		18.25
III. SERVICE TAX(0044)					
BE	65,000	68,000	82,000	82,000	1,24,000
RE	58,000	69,400	95,000		
Actuals	58,422	71,016	97,356	67,957	90,798
% achievement of BE	89.9	104.4	118.7	82.9	73.2
% achievement of RE	100.7	102.3	102.5		
% growth over last year	-4.13	21.56	37.09		33.61
IV. INDIRECT TAXES					
BE	2,69,477	3,15,000	3,97,816	3,96,388	5,03,558
RE	2,44,477	3,38,978	3,98,696		
Actuals	2,45,367	3,45,127	3,92,272	2,84,641	3,33,143
% achievement of BE	91.1	109.6	98.6	71.6	66.0
% achievement of RE	100.4	101.8	98.4		
% growth over last year	-8.93	40.66	13.66		17.04

Source: Receipts Budget/PrCCA.
**Exclusive of cesses not administered by D/o Revenue.*

9.3 CHANGES IN BUDGET 2012-13

9.3.1 CUSTOMS

A. GENERAL:

1) Education Cess and Secondary & Higher Education cess has been exempted on CVD portion of customs duty so as to avoid computation of such cesses twice.

2) The duty-free allowance under the Baggage Rules has been increased for adult passengers of Indian origin from ₹ 25000 to ₹ 35000 (returning after stay abroad of more than three days) & ₹ 12,000 to ₹ 15,000 (returning after stay abroad of three days or less).

B. SECTOR SPECIFIC CHANGES:

I. AGRICULTURE/AGRO PROCESSING/ PLANTATION SECTOR:

1) Basic customs duty on sugarcane planter, root or tuber crop harvesting machine and rotary tiller & weeder, parts & components for their manufacture has been reduced from 7.5% to 2.5%.

2) At present, project import status is available for installation of Mechanized Handling Systems & Pallet Racking Systems in mandis or warehouses for food grains and sugar, with concessional rate of basic customs duty of 5%. Such systems are also exempt from additional duty of customs (CVD) and special additional duty of customs (SAD). The same dispensation [i.e.5% BCD + Nil CVD + Nil SAD] has also been extended to such systems installed in mandis or warehouses for horticultural produce.

3) Project import status has been granted to the green houses set up for protected cultivation of horticulture and floriculture produce with concessional basic customs duty of 5%.

4) Basic customs duty has been reduced from 10%/7.5% to 5% on specified coffee plantation and processing machinery. The concessional duty would be available upto 31.3.2014.

5) Basic customs duty has been reduced from 10% to 5% on coffee brewing and vending machines (commercial type). The concessional duty would be available upto 31.3.2014. Basic customs duty has also been reduced to 2.5% on parts required for manufacture of such coffee vending and brewing machines.

6) Basic customs duty has been reduced on specified soluble fertilizers and liquid fertilizers, other than urea, from 7.5% to 5% and from 5% to 2.5% respectively.

II. AUTOMOBILES:

Basic customs duty on Completely Built Units (CBUs) of large Cars/ MUVs/ SUVs permitted for import without type approval (value exceeding US$40,000 and engine capacity exceeding 3000cc for petrol and 2500cc for diesel) has been increased from 60% to 75%.

III. METALS:

1) Basic customs duty on coating material for manufacture of electrical steel has been reduced from 10% to 5% subject to actual user condition.

2) Basic customs duty on ammonium meta-vanadate used in the manufacture of ferro-vanadium has been reduced from 7.5% to 2.5%.

3) Nickel oxide/ hydroxide and nickel ore/ concentrate have been fully exempted from basic customs duty.

4) Exemption from special additional duty of customs (SAD) currently available to CRGO steel has been restricted to prime quality of such steel.

5) Basic customs duty on flat rolled products (HR and CR) of non-alloy steel has been increased from 5% to 7.5%.

IV. PRECIOUS METALS:

1) Basic customs duty on standard gold bars and platinum has been increased from 2% to 4%.

2) Basic customs duty on non-standard gold has been increased from 5% to 10%.

3) Additional customs duty on gold ore/ concentrate and dore bars for refining has been increased from 1% to 2%.

4) Basic customs duty of 2% has been imposed on cut and polished coloured gemstones.

V. CAPITAL GOODS/INFRASTRUCTURE:

1) Basic customs duty on capital goods, plant and equipment imported for setting up or substantial expansion of iron ore pellet plants or iron ore beneficiation plants has been reduced from 7.5% to 2.5%.

2) Full exemption from basic customs duty has been provided to initial setting up and substantial expansion of fertilizer projects. The exemption would be valid till 31.03.2015.

3) Steam coal has been fully exempted from basic customs duty. CVD has also been reduced from 5% to 1% on such coal. This dispensation would be valid upto 31.3.2014.

4) Natural gas/Liquefied Natural Gas imported for power generation by a power generation company has been fully exempted from basic customs duty.

5) Full exemption from basic customs duty has been provided to uranium concentrate, sintered natural uranium dioxide, sintered uranium dioxide pellets for generation of nuclear power.

6) Full exemption from basic customs duty, CVD and SAD has been extended to equipment imported for road construction projects awarded by Metropolitan Development Authorities.

7) Full exemption from basic customs duty and CVD at present available to tunnel boring machines for hydel and road projects has been extended to all infrastructure projects without end use condition. The exemption shall also be available for parts required for assembly of such machines.

8) At present, full exemption from basic customs duty and CVD is available to specified road construction equipment. This exemption has now been extended to tunnel excavation and specified lining equipment also.

9) Full exemption from basic customs duty has been extended to coal mining projects.

10) Machinery and instruments for surveying and prospecting of mines attracted basic customs duty of 10% and 7.5% respectively. These rates have been reduced and unified at 2.5%.

11) Basic customs duty on Railway safety (Train Protection and Warning System) equipment and railway track laying machines has been reduced from 10% to 7.5%.

VI. AIRCRAFTS & SHIPS:

1) Full exemption from basic customs duty and CVD has been provided to new and retreaded aircraft tyres.

2) Full exemption from basic customs duty and CVD has been extended to parts of aircraft and testing equipment for maintenance and repair of aircraft imported by Maintenance, Repair and Overhaul (MRO) units.

3) Customs duties on foreign-going vessels on conversion for coastal trade shall now be charged on proportionate basis depending on the period for which it operates as a coastal vessel in India. The value shall be taken as the lease value when the import is against a lease agreement/ contract.

4) Full exemption from SAD has been extended to import of dredgers.

VII. ENVIRONMENT PROTECTION:

Equipments for setting up of solar projects have been fully exempted from SAD.

1) Concessional rate of 5% basic customs duty has been extended to raw materials for the manufacture of intermediates, parts and sub-parts of blades for rotors for wind energy generators.

2) Full exemption from basic customs duty has been extended to tri band phosphor for use in the manufacture of Compact Fluorescent Lamps.

3) At present, full exemption from basic customs duty and SAD along with 6% CVD is available to specified parts for the manufacture of hybrid vehicles. This dispensation has now been extended to some additional parts for the manufacture of such vehicles.

4) The customs duty regime of 6% CVD and Nil SAD has been extended to lithium ion batteries for the manufacture of battery packs for supply to electric or hybrid vehicle manufacturers.

VIII. HEALTH/NUTRITION:

Basic customs duty has been reduced from 5% to 2.5% on iodine.

1) Basic customs duty has been reduced on isolated soya protein and soya protein concentrate from 15% and 30% respectively to 10%.

2) Basic customs duty has been reduced from 10% to 5% on probiotics.

3) Customs duty on six specified life saving drugs/vaccines and their bulk drugs has been reduced from 10% to 5% with Nil CVD by way of excise duty exemption.

4) A concessional import duty regime of 2.5% basic customs duty with 6% CVD/excise duty and Nil SAD has been prescribed for specified raw materials for the manufacture of syringes, needles, catheters, cannulae subject to actual user condition.

5) A concessional import duty regime of 2.5% basic customs duty with 6% CVD and Nil SAD has also been extended to parts and

components for the manufacture of blood pressure monitors and blood glucose monitoring systems (Gluco-meters).

6) Full exemption from basic customs duty and additional duty of customs (CVD) has been extended on steel tube & wire, cobalt chromium tube, Hayness Alloy-25 and polypropylene mesh for the manufacture of coronary stents/coronary stent systems and artificial heart valves subject to actual user condition.

IX. TEXTILES:

1) Basic customs duty on shuttle less looms, along with parts and components for their manufacture, has been reduced from 5% to Nil. The exemption is available only to new machinery

2) Basic customs duty on automatic silk-reeling and processing machinery and raw silk testing equipments has been reduced from 5% to Nil. The exemption is available only to new machinery

3) The concessional rate of basic customs duty of 5% has been restricted only to new textiles machinery. Consequently, second hand machinery would now attract basic customs duty of 7.5%.

4) Basic customs duty on wool waste and wool tops has been reduced from 10% and 15% respectively to 5%.

5) Basic customs duty on titanium dioxide has been reduced from 10% to 7.5%.

6) Full exemption from basic customs duty has been extended to Aramid yarn and fabric when used in the manufacture of bullet proof helmets for supply to defence and police.

X. ELECTRONICS/ HARDWARE:

1) Full exemption from basic customs duty has been provided to LCD and LED TV panels of 19 inches and above.

2) LEDs required for the manufacture of LED lamps have been exempted from SAD.

3) The scope of full exemption from basic customs duty, CVD and SAD presently available to parts, components and accessories for manufacture of mobile handsets including cellular phones has been amplified to include parts of memory cards. The validity of the exemption from SAD has also been extended from 31.03.2012 to 31.03.2013.

4) Full exemption from basic customs duty currently available to copper, brass and phosphor bronze strips and similar items imported for the manufacture of connectors has been withdrawn.

5) Full exemption from basic customs duty currently available to poly-laminated aluminum tape and poly-laminated steel tape presently exempt if imported for the manufacture of cables and conductors for telecom use has also been withdrawn.

XI. EXPORT PROMOTION:

1) Basic customs duty has been reduced from 10% to 5% on marine seawater pumps with fibre impellers and automatic fish/prawn feeders for aquaculture.

2) Basic customs duty on artemia has been reduced from 30% to 5%.

XII. PAPER: Waste paper has been fully exempted from basic customs duty.

XIII. SPECIAL ADDITIONAL DUTY OF CUSTOMS:

Brass scrap and timber logs have been fully exempted from special additional duty of customs (SAD).

XIV. MISCELLANEOUS:

1) A basic customs duty of 10% has been imposed on Digital Still Cameras of certain specifications.

2) Basic customs duty on boric acid has been increased from 5% to 7.5%.

3) Basic customs duty on boiler quality tubes and pipes for the manufacture of boilers has been reduced from 10% to 7.5% subject to end use condition.

4) A concessional customs duty of 5% basic customs duty + 6% CVD+ Nil SAD has been prescribed for imports of hydrophilic non-woven, hydrophobic non-woven and super absorbent polymer for manufacture of adult diapers subject to actual user condition.

5) Full exemption from Customs duty has been withdrawn from Mega/Uultra Mega Power Projects except 113 specified projects which will continue to avail of full exemption. Mega power projects now attract the project import duty at the rate of 5%.

9.3.2 CENTRAL EXCISE

9.3.2.1 PROPOSALS INVOLVING CHANGES IN RATES OF DUTY

1) The effective rate of excise duty of 10% on

non-petroleum products has been increased to 12% with a few exceptions where exemptions/concessions have been given.

2) Concessional rate of excise duty of 5% on non-petroleum products has been increased to 6%.

3) The lower rate of 1% on non-petroleum products without Cenvat Credit has been increased to 2%. However, the duty on coal and fertilizers has been kept at 1%.

4) The rate of excise duty has been enhanced from 22% to 24% and from ñ22%+ ₹ 15000 per vehicleò to 27% on certain categories of automobiles.

5) The rates of specific excise duty on cigarettes (both filter and non-filter) of length exceeding 65mm have been increased.

6) The excise duty on cigars, cheroots and cigarillos has been enhanced to ñ12% or ₹ 1370 per thousand, whichever is higherò

7) The basic excise duty on hand-rolled bidis has been increased from ₹ 8 to ₹ 10 per thousand and on machine-rolled bidis from ₹ 19 to ₹ 21 per thousand.

9.3.2.2 SECTOR SPECIFIC PROPOSALS

I. CEMENT:

The excise duty structure on cement manufactured and cleared in packaged form has been rationalized. The graded RSP slabs for the purpose of charging of duty on cement manufactured and cleared in packaged form have been done away with. The duty rates on cement and cement clinkers have been revised as under:ð

Description	Revised rate of duty
1. Cement manufactured and cleared in packaged form:-	
(a) from mini cement plants per tonne	6% + ó120
(b) from other than mini cement plants	12% + ó120 per tonne
2. Cement cleared other than in packaged form.	12%
3. Cement Clinker	12%

Cement has also been notified under section 4A, that is, retail sale price (RSP) based assessment with an abatement of 30% from RSP.

II. PRECIOUS METALS:

1) Excise duty on gold jewellery sold from EOUs into domestic tariff area (DTA) has been increased from 5% to 10%.

2) Excise duty on refined gold has been increased from 1.5% to 3%.

3) Excise duty on gold produced from copper smelting has been increased from 2% to 3%.

4) Excise duty on silver produced from copper smelting has been reduced from 6% to 4%.

5) Gold coins of purity 99.5% and above and silver coins of purity 99.9% and above manufactured out of duty paid gold have been fully exempted from excise duty.

6) Articles of gold /silver jewellery have been exempted from excise duty.

III. MASS CONSUMPTION ITEMS:

1) Refills and inks used for the manufacture of writing instruments of value not exceeding ₹ 200 per piece have been fully exempted from excise duty subject to actual user condition.

2) Exemption limit on footwear has been enhanced from ₹ 250 per pair to ₹ 500 per pair. Footwear above ₹ 500 per pair would attract excise duty of 12%.

3) Excise duty on iodine has been reduced from 10% to 6%.

IV. ENVIRONMENT FRIENDLY GOODS:

1) Excise duty has been reduced from 10% to 6% on battery packs supplied to manufacturers of electric vehicles for use as spares and OEMs subject to end-use condition.

2) Excise duty has been reduced from 10% to 6% on specific parts of Hybrid vehicles supplied to manufacturers of hybrid vehicles subject to end-use condition.

3) Excise duty on LED lamps has been reduced to 6%.

V. PETROLEUM:

The rate of cess leviable on indigenous petroleum crude oil under the Oil Industry (Development) Act, 1974 has been increased from ₹ 2500 per metric tonne to ₹ 4500 per metric tonne.

VI. TEXTILES:

For the purpose of charging excise duty on ready-made garments bearing a brand name or sold under a brand name, the level of abatement from the retail sale price (RSP) has been increased from 55% to 70%.

VII. MISCELLANEOUS:

1) Full exemption from excise duty has been provided to food preparations containing fruits

and vegetables falling under Chapter 20, which are prepared in a hotel, restaurant or a retail outlet, whether or not such food is consumed in such hotels/restaurants/retail outlets.

2) The composite rate applicable to automobile chassis has been converted into an *ad valorem* rate and has been fixed at 14% for diesel driven buses, lorries and trucks.

3) Excise duty on parts of mobile phones, other than those cleared to a manufacturer of mobile phones, has been reduced from 10% to 2%, provided no Cenvat credit is taken.

4) Excise duty has been reduced from 10% to 6% on:

   (a) Matches manufactured by semi-mechanized units

   (b) Processed food products of soy

5) Full exemption from excise duty has been withdrawn from Mega/ultra Mega Power Project except 113 specified projects, which will continue to enjoy of full exemption.

9.3.3 SERVICE TAX

I. RATE OF SERVICE TAX:

1) The rate of service tax has been increased from ten per cent to twelve per cent.

2) Consequent to change in the rate of service tax, changes have also been made in specific and compounding rates of tax for the following:

   a) Service in relation to purchase and sale of foreign currency including money changing;

   b) Service of promotion, marketing, organizing or in any manner assisting in organizing lottery;

   c) Reversal of Cenvat credit under rule 6(3)(i).

3) Life insurance service: Where the entire premium is not towards risk cover, the first year's premium shall be taxed @3% while subsequent premia shall attract tax @ 1.5%. Availment of full cenvat credit has been allowed.

4) Transport of passengers embarking in India for domestic and international journey by air: The dual rate structure of maximum service tax of Rupees 150 and Rupees 750 in case of economy class travel has been replaced by an ad valorem rate of 12% with abatement of 60% subject to the condition that no credit on inputs and capital goods is taken.

II. INTRODUCTION OF NEGATIVE LIST APPROACH:

A Negative List approach to taxation of services has been introduced with effect from 01.07.2012. The services specified in the 'Negative List' shall remain outside the tax net. All other services, except those specifically exempted by the exercise of powers under Section 93(1) of the Finance Act, 1994, would thus be chargeable to service tax. For operationalizing the Negative List approach, a number of changes have been made in Chapter V of the Finance Act, 1994. Service of transportation of passengers with or without accompanied belongings by railways in first class or an air conditioned coach and services by way of transportation of goods by railways has been subjected to service tax w. e. f. 1.10.2012.

III. PLACE OF PROVISION OF SERVICES RULES, 2012:

An important component of the changes is the introduction of the Place of Provision of Services Rules, 2012. The new rules have replaced the existing Export of Services Rules, 2005 and the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006. Rule 5 of the export rules has been incorporated in Service Tax Rules.

IV. AMENDMENTS IN THE FINANCE ACT, 1994:

Chapter V of the Finance Act, 1994 has been amended to:

1) Prescribe that the value of taxable service (particularly in the case of import and export of taxable services) and the rate of tax shall be determined in terms of Point of Taxation Rules, 2011.

2) Introduce provisions relating to special audit in the service tax law on the lines of the Central Excise Act, 1944. Now special audit can be ordered under specified circumstances. Consequently, section 14AA has been omitted from section 83.

3) Increase the one-year time limit for issuance of notice for specified category of offences prescribed under section 73(1) of the Finance Act, 1994 to eighteen months. A new sub-section (1A) has been inserted in section 73 of the Finance Act, 1994 to prescribe that follow-on notices issued on the same grounds need not repeat the grounds but only state the amount of service tax chargeable for the subsequent period. Statement of tax due for

the subsequent period, served on the assessees with reference to the earlier demand notice, will be deemed as a notice under section 73(1) of the Finance Act, 1994.

4) Make Settlement Commission provisions applicable to service tax in line with the similar provisions contained in the Central Excise Act, 1944.

5) Make the revision mechanism prescribed in section 35EE of the Central Excise Act, 1944, applicable to service tax, to the extent possible.

6) Amend Section 85 and section 86 on the lines of section 35 and 35E of the Central Excise Act so as to harmonize the limitation for filing assessees appeal before Commissioner (Appeals) and revenue appeal before the Tribunal.

7) Obtain powers (a) to provide for the manner of compounding and to specify the amount of compounding of offences along the lines of Central Excise (Compounding of Offences) Rules, 2005; (b) to provide for rules for settlement of cases, along the lines of central excise.

V. NEW REVERSE CHARGE MECHANISM

1) Section 68(2) of the Finance Act, 1994 has been amended to put the onus of payment of service tax on reverse charge basis partly on service provider and partly on service receiver. The scheme has been made applicable on three specific services i.e. hiring of means of transport; construction and man power supply & security services.

2) Consequent to the above change, suitable amendment has also been made in the concept of ‘person liable to pay’ provided in Rule 2(1)(d) of Service Tax Rules, 1994.

VI. RENTING OF IMMOVABLE PROPERTY SERVICE:

Constitutional validity of the levy of service tax on renting of immovable property had been the subject matter of litigation leading to pronouncement of court judgments favorable to revenue, including those of Hon’ble Delhi High Court and Hon’ble Supreme Court. Taking an overall view, the Government has decided to waive the penalty for those taxpayers who pay the service tax due on the renting of immovable property service (as on 06.03.2012), in full along with interest. For this purpose, a new section 80A has been inserted in the Finance Act, 1994. This scheme of penalty waiver was open only for a period of six months from the date of enactment of the Finance Bill, 2012.

VII. AMENDMENTS IN RULES:

1) Cenvat Credit Rules, 2004 have been amended as follows:

(a) Existing rule 5 has been replaced with a new rule to simplify the procedure for refund of unutilized credit on the account of exports;

(b) Credit has been allowed on motor vehicles (except those of heading nos. 8702, 8703, 8704, 8711 and their chassis). The credit of tax paid on the supply of such vehicles on rent, insurance and repair are also allowed;

(c) Credit of insurance and service station service is allowed to-

(i) Insurance companies in respect of motor vehicles insured and re-insured by them; &

(ii) Manufacturers in respect of motor vehicles manufactured by them.

(d) Prior to the amendment, credit on goods were allowed only after they are brought to the premises of the service provider. Rule 4(1) and 4(2) has been amended to allow a service provider to take credit of inputs or capital goods whenever the goods are delivered to him, subject to specified conditions.

(e) Rule 7 for input service distributors has been amended to provide that credit of service tax attributable to service used wholly in a unit should be distributed only to that unit and that the credit of service tax attributable to service used in more than one unit should be distributed prorata on the basis of the turnover of the concerned unit to the sum total of the turnover of all the units to which the service relates.

(f) Rule 9(1)(e) has been amended to allow availment of credit on the tax payment challan in case of payment of service tax by the service receiver on reverse charge basis.

2) Service Tax Rules, 1994 has been amended as follows:

(a) The time period provided in rule 4A for issuance of invoice has been increased to thirty days. For banks and financial institutions providing banking and other financial services, the period is forty five days;

(b) Rule 6(4A) has been amended to allow unlimited amount of permissible adjustments.

(c) Prior to amendment, in the case of export and, individuals and firms rendering eight specified services, the point of taxation was the date of payment subject to certain conditions. This special dispensation has been shifted from the Point of Taxation Rules to the Service Tax Rules.

(d) In case of exporters, the period extended by the Reserve Bank of India on specific requests has been included in the period for which the tax liability is allowed to be deferred.

(e) The option of deferred payment has been allowed for all service providers rather than for specific services. The facility is available only to individuals and partnership firms (including limited liability partnership) upto a turnover of taxable services of Rupees Fifty Lakh subject to the condition that their turnover of taxable services in previous year was below Rupees Fifty Lakh. For computing the above limits, the turnover of the whole entity is required to be summed up and not any single registration.

3) Point of Taxation Rules, 2011 have been amended to-

(a) Change the definition of continuous supply of service to capture the entire dimension of the concept, namely, the recurrent nature of services and the obligation for payment periodically or from time-to-time;

(b) Omit rule 6 in respect of continuous supply of service and merge it with rule 3. Rules 4 and 5, which deals with situations covering change in effective rate of tax and taxation of new services, are now applicable to continuous supply of services also;

(c) Define the date of payment;

(d) Give an option to determine the point of taxation in respect of advances upto Rupees one thousand received in excess of the amount indicated in the invoice, on the basis of invoice or completion of service rather than payment; and

(e) Incorporate a new residual rule to ascertain point of taxation in cases where the same could not be ascertained by the rules prescribed.

9.4 Customs Trade Facilitation Measures

The Department of Revenue has undertaken number of initiatives for trade facilitation in the recent past.

9.4.1.1 Self Assessment

Self Assessment of Customs duty by importers or exporters was introduced vide Finance Act, 2011. This is paradigm shift from assessment by Departmental officers to a trust based system of self- assessment. The objective is to expedite release of imported / export goods. The interest of revenue in terms of ensuring correct declarations and duty payment is ensured by an electronic Risk Management System (RMS) that identifies risky consignments for assessment or examination or both. This is supported by a comprehensive audit at the premises of an importer or exporter. An immediate result of the shift to Self Assessment is the increase in the facilitation level of consignments imported through Air, Sea and Inland Container Depots (ICDs) from 60%, 50% and 40% to 80%, 70% and 60%, respectively. Thus, ordinarily majority of imported goods will be allowed clearance without Customs intervention. Self Assessment is a major trade facilitation measures that would result in significant reduction in the time taken for clearance of imported/export goods through Customs and associated transaction costs.

9.4.1.2 On Site Post Clearance Audit (OSPCA) Scheme

In accordance with the legal provisions introduced vide the Finance Act, 2011 a scheme of "On Site Post Clearance Audit" (OSPCA) has been implemented w.e.f. 1 October, 2011 in case of the importers registered under the Customs. This has facilitated specified importers, who now do not have to get their documents audited at the Custom Houses.

9.4.1.3 Authorized Economic Operator (AEO) Programme

This programme has been developed to enable businesses involved in the international trade to reap the following benefits:

- Secure supply chain from point of export to import;
- Ability to demonstrate compliance with security standards when contracting to supply overseas importers/exporters;

- Enhanced border clearance privileges in MRA (Mutual Recognition Agreement) partner countries;
- Minimal disruption to flow of cargo after a security related disruption;
- Reduction in dwell time and related costs; and
- Customs advice/assistance if trade faces unexpected issues with Customs of countries with which we have MRA.

9.4.1.3.1 The AEO programme applies to economic operators such as importer, exporter, logistics provider, Customs House Agent who satisfy following criteria:

- l A record of compliance of Customs and other legal provisions;
- Demonstrate satisfactory systems of managing commercial and, where appropriate, transport records;
- Financially solvency; and
- Demonstrate satisfactory security and safety standards

9.4.1.3.2 AEO programmes have been implemented y other Customs administrations that give AEO status holders preferential Customs treatment in terms of reduced examination, faster clearances and other benefits. Thus, our AEO programme is expected to result in Mutual Recognition Agreements (MRA) with these Customs administrations. MRAs would ensure our export goods get due Customs facilitation at the point of entry in the foreign country. Apart from securing supply chain, the benefits include reduction in dwell time and consequent cost of doing business. AEO programme has been rolled out with effect from 16.11.2012.

9.4.1.4 Indian Customs EDI Gateway:

9.4.1.4.1 ICEGATE portal connects 17 categories of external stakeholders including Port Authorities, Custodians for sea, air and ICD cargo, with ICES 1.5 for exchange of about 127 messages with regards to import/ export goods clearance. ICEGATE contributes significantly to reducing time, transaction costs and enhance enforcement, effectiveness etc.

9.4.1.4.2 ICEGATE and ICES 1.5 serve about 6.7 lakh importers/ exporters and handle more than 80% of all Customs clearance documents accounting for nearly 98% of all import and export. There are about 14,000 registered users at ICEGATE who act as intermediaries between Customs and the importers and exporters. ICEGATE receives almost 4.6 Million hits per day.

9.4.1.4.3 CBEC is the first Government department to receive the coveted ISO 27001 quality certification from Standardization Testing and Quality Certification (STQC) Directorate of the Ministry of Information and Communications Technology, Government of India, and has also won several National and International awards:

- ICEGATE was awarded Gold award in National award for e-Governance in 2011.
- It has acquired Digital Inclusion Award by Skoch Foundation
- e-Asia Award for trade facilitation by AFACT in Taipei, Taiwan in 2011.
- Manthan South Asia Award in 2011.

New Initiatives

9.4.1.5 The following new initiatives have been started during 2012-13:ð

9.4.1.5.1 24x 7 Deployments of Customs Officers

24x7 Customs clearance operation has been introduced with effect from 1.09.2012 on pilot basis at select ports(Chennai , Kolkata , JNPT, Kandla) and airports(Chennai , Mumbai , Delhi and Bangalore) for the following categories of import/ export :

(a) Facilitated Bills of Entry where no examination and assessment is required; and

(b) Factory stuffed export containers and export consignment covered by Free Shipping Bills.

9.4.1.5.2 Interactive Customs Website

Customs has developed an interactive user friendly Customs website to enable importers or exporters to ascertain effective rate of customs duty as well as requirements of other regulatory agencies.

9.4.1.5.3 Single Window Scheme

CBEC has initiated a Single Window Scheme to provide importer / exporter a common interface to lodge declarations in electronic form to meet requirement of all regulatory agencies. The objective of the Scheme is to reduce transaction cost, enhance transparency and ensure optimal utilisation of resources, A pilot project on Single Window with FSSAI and Plant Quarantine authorities has been agreed to.

9.4.1.5.4 E - payment of Customs Duty

With effect from 17.09.2012, e-payment of Customs duty has been made mandatory for importers registered under ACP Scheme and importers paying Customs duty of one lakh rupees or more per Bill of entry. This is aimed at expediting clearance of goods and reducing transaction costs.

9.4.2 Central Excise

9.4.2.1 Facilitation Measures

i) The officers of Customs of various ranks were appointed as the officials of equivalent rank of Central Excise vide Notification No. 33/

2011-CE (N.T.) dated 30.12.2011 authorizing them to grant service tax refunds to the exporters of goods. This measure was taken for grant of refunds to the exporters expeditiously.

ii) The exporters of goods and services were further facilitated with the introduction of a new simplified procedure for grant of refund of accumulated input and input service credit vide Notification No. 27/2012-CE (NT) dated 18.06.2012 by superceding the earlier procedure under which exporters were facing difficulties in getting the accumulated refund of CENVAT Credit on account of exports.

iii) A notification No. 24/2012-CE (NT) dated 19th April, 2012 has been issued in terms of the provisions of Section 5B of the Central Excise Act, 1944 granting benefit to the manufacturers engaged in the process of cutting, slitting and printing of alumunium foils by ordering non-reversal of the credit of duty taken on inputs and passed on by them on the finished goods.

iv) In respect of Manufacturers enjoying the area based exemption in the States of Uttranchal and Himachal Pradesh under Notification Nos. 49/2003-CE and 50/2003-CE both dated 10.06.2003, a clarification was issued vide Boardôs circular No. 960/03/2012-CX3 dated 17.02.2012 wherein it was clarified that the benefit of exemption was available in respect of situations viz. change of ownership, shifting to a new location and expansion in the adjacent plot subject to specified conditions.

v) Another clarificatory circular No. 965/08/2012-CX dated 17.04.2012 was issued in respect of area based exemption notification 56/2002-CE dated 14.11.2002 applicable in the State of J & k clarifying about the relevant date for the purpose of exemption.

vi) It was clarified vide circular No. 962/05/2012-CX dated 28th March, 2012 that payment of arrears of duty payable in terms of Section 11A can be made from Cenvat Credit earned at a later date.

9.4.2.2 Other Measures

1) A new deterrent scheme was promulgated under the Central Excise law. For this purpose, Notifications No.s 03/2012-CE (N.T.) to 5/2012-CE (NT) all dated 12.03.2012 and 6/2012-CE(NT) dated 13.03.2012 have been issued for amending the rules as well prescribing the procedure.

2) Provision of Section 28AAA of the Customs Act, 1962 have been made applicable to the like matters in Central Excise vide Notification No. 29/2012-CE(NT) dated 10.10.2012. The said Customs provision provided for recovery of duty in case the duty free scrips have been obtained fraudulently.

3) Clarification has been issued by the Board vide circular No. 963/06/2012-CX dated 29.03.2012 clarifying certain aspects of Mega Power Project exemption.

4) Two clarifications were issued vide circulars No. 964/07/2012-CX dated 02.04.2012 and 966/09/2012-CX dated 18.05.2012 regarding classification of structural components of Boiler and admissibility of CENVAT credit on these components.

9.4.3 SERVICE TAX

The highlights of the performance and achievements made during the year 2012 in respect of Service Tax Policy Wing are as below:ð

i) Order No. 01/2012-Service Tax, dated 09.01.2012 was issued extending the date for filing of half yearly ST-3 return from 6th January, 2012 to 20th January, 2012;

ii) The procedure to simplify the grant of rebate of service tax paid on the taxable services which are received by an exporter of goods and used for export of goods has been notified vide Notification No. 41/2012-ST, dated 29th June 2012.

iii) Notification No. 47/2012-Service Tax, dated 28.09.2012 was issued amending the Service Tax return in ACES to enable an assessee to file his ST-3 return covering the period between 01.04.2012 to 30.06.2012 in the first half yearly return;

iv) Instruction dated 28.09.2012 was issued regarding providing data in respect of service tax assessees only for the period 01.04.2012 to 30.06.2012 in the first half yearly return for 2012-13;

v) Order No. 03/2012-Service Tax, dated 15.10.2012 was issued extending the date for filing of half yearly ST-3 return from 25th October, 2012 to 25th November, 2012 due to information to be provided for first quarter only in the return;

vi) Notification No. 48/2012-Service Tax, dated 30th November, 2012 was issued to amend Form ST-1, so as to enable the applicants seeking registration with the department to choose the description of taxable services;

vii) Letter dated 30.11.2012 was issued explaining the amendments made in Form ST-1 so as to enable applicants seeking registration to choose the description of the taxable service being provided by them.

9.5 DRAWBACK DIVISION

The major work done by the Drawback Division during the period 01-11-2011 to 31-10-2012 is as under:

9.5.1 Refund of Service Tax paid on specified services used in export goods through the Customs EDI

The announcement made by the Honðble FM in Budget Speech in 2011-12 to introduce a scheme for the refund of service tax paid on specified services used in export goods, on the lines of drawback of duties, which is simple and expeditious, was implemented with effect from 3.01.2012 vide Notification No. 52/2011-Service Tax, dated 30.12.2011.

9.5.2 Amendment in the Customs Act, 1962

Section 28AAA was inserted in the Customs Act, 1962 to deal with situations relating to recovery of duty where duty credit scrip with respect to export promotion scheme is obtained by reason of collusion or willful misstatement or suppression of facts by the person to whom issued and the scrip was utilized by a person other than the person to whom the instrument was issued.

9.5.3 Foreign Trade Policy

(A) The Annual Supplement 2012-13 to the Foreign Trade Policy 2009-14 was announced by Ministry of Commerce on 5th June, 2012. Amongst the changes implemented are:ð

(i) The zero duty EPCG scheme was extended till 31 March 2013. Further, the benefit of this scheme was made available to applicants who had availed benefit under Status Holders Incentive Scrip, if the benefits availed was refunded with interest. Similarly, units which availed benefits under TUFS (Technological Upgradation Fund Scheme of Ministry of Textiles) have been made eligible for zero duty EPCG scheme if they surrender these benefits with interest. The zero duty EPCG scheme has also been made available to units availing TUFS provided another line of business (other than textiles) is involved.

(ii) The duty credit scrip under Status Holder Incentive Scheme (SHIS) have been allowed for utilization, to the extent of 10% of duty credit amount in scrip originally issued, for import of components, spares and parts for already imported capital goods, subject to conditions. A limited transferability of these scrips has also been permitted amongst status holders provided that the transferee status holder is a manufacturer, subject to conditions.

(iii) Domestic procurement of excisable goods has been permitted against duty credit scrips issued by DGFT as reward to exporters. This provides boost to domestic industry and reduces pressure on imports. Earlier, only imports could be made against these scrips.

(B) Seaports Karaikal and Tondiarpet (TNPM), Chennai and Inland Container Depot (ICD) Irungattukottai were notified for purpose of export and import under export promotion schemes. For this Notification No. 50/2012-Cus dated 10.9.2012 was issued.

9.5.4 Drawback Schedule

The All Industry Rates of Duty Drawback Schedule 2012-13 has been notified vide Notification No.92/2012-Cus (N.T.) dated 4.10.2012. The rates are effective from 10.10.2012. Amongst the salient features of the Schedule are ï

(a) For most of the items that were already covered under the duty drawback prior to 1.10.2011, the drawback rate has been increased from the existing rate and for most of the items incorporated in last yearðs (2011-12) duty drawback schedule, from the erstwhile DEPB scheme, the drawback rate has been reduced. Drawback has been restored for export of Guar Gum (Tariff Item No. 130201) by providing a specific composite rate with a specific customs component.

(b) The residuary rate of 1% ad valorem (all customs) Drawback rates has been made 1% composite rate with 0.3% customs component, or has been increased to 1.5% (customs component) or 2% (customs component).

(c) With certain exceptions, no drawback caps have been assigned where the higher of the composite rate/customs component of the rate is 3.5% or lower. Drawback caps, wherever assigned has been increased from the existing drawback caps.

(d) In order to continue with the existing classification of sports gloves under the drawback schedule, an appropriate exception, to the principle of alignment at four digit level with the First Schedule to the Customs Tariff Act, 1975, has been specified in the Notes and Conditions in the Notification.

9.6 INTERNATIONAL CUSTOMS DIVISION

9.6.1. (i) An Agreement between the Government of the Republic of India and the Government of the United Arab Emirates on Co-operation and Mutual Assistance in Customs Matters was signed between the Customs administrations of

India and UAE for the purpose of co-operation and mutual assistance in Customs matters.

(ii) An Agreement between the Government of the Republic of India and and the Government of Mongolia on Co-operation and Mutual Assistance in Customs Matters was signed between the Customs administrations of India and Mongolia for the purpose of co-operation and mutual assistance in Customs matters.

(iii) An Agreement between the Government of the Republic of India and the Government of the United Mexican State on Mutual Administrative Assistance in Customs Matters was signed between the Customs administrations of India and Mexico for co-operation and mutual assistance in Customs matters.

(iv) An Agreement between the Government of the Republic of India and the Government of the Islamic Republic of Pakistan on Cooperation and Mutual Assistance in Customs Matters was signed between the Customs administrations of India and Pakistan for the purpose of co-operation and mutual assistance in Customs matters.

9.6.2 Agreement on Redressal of Trade Grievances

An Agreement between the Government of the Republic of India and the Government of the Islamic Republic of Pakistan on Redressal of Trade Grievances was signed between the Customs administrations of India and Pakistan to help in strengthening the mechanism to redress trade grievances and build confidence amongst the business communities in both the countries.

9.6.3 India elected member of the WCO Policy Commission

Indian has been elected member of the World Customs Organization (WCO) Policy Commission from the Asia Pacific Region for the term June 2012 to June 2014. Policy Commission is a Steering Group that handles broad policy issues of WCO. Indian Customs has worked closely with all regional members to highlight their concerns and aspirations and has been playing a proactive role in the setting of the future agenda of WCO.

9.7 PUBLIC ACCOUNT COMMITTEE (PAC)

9.7.1 Central Excise & Service Tax

During the current financial year 2011-12, 267 Draft Audit Paras (DAPs) of A, B & D category (Central Excise & Service Tax) and 51 Audit Paras in respect of Central Excise & Service Tax were received from C&AG office.

9.7.1.1 Out of 267 DAPs (A category-73, D category-46 and B category-148), Comments on 53 DAPs of category-A have been sent to C&AG. In category-D, comments on 11 DAPs have been sent to C&AG. Out of 148 DAPs of B-category, 120 DAPs have been accepted & 9 DAPs have been contested and sent to C&AG.

9.7.1.2 Action Taken Note (ATN) on all 51 Audit Paras have been sent to C&AG office.

9.7.1.3 Ministry's Action Taken Notes on Performance Audit Report No.25 of 2011-12 (Working of Commissionerates, Divisions and Ranges) and PA Report No.15 of 2011-12 (Service Tax on Banking & Other Financial Services) were received from C&AG office during the year 2011-12 and reply of the same were sent to CAG office.

9.7.1.4 Detailed Background Note (DBN) of Chapter-I relating to Central Excise & Service Tax and of Chapter-II relating to 'Cenvat Credit' of Compliance Audit Report No.28 of 2011-12 have been sent to Lok Sabha Secretariat before the scheduled date. These apart, Advance information on Chapter-I (Central Excise Receipts) and Chapter-II (Cenvat Credit) of Compliance Audit Report No.28 of 2011-12 were sent to Lok Sabha Sectt. Advance information on Paras 2.4, 3.1.1 and 5.3 of Compliance Audit Report No.29 of 2011-12 relating to Business Auxiliary Services, Undervaluation of taxable value resulting in short payment of service tax etc. and relating to Oral Evidence on 'Service Tax on Banking & Other Financial Services' of PA Report No.15 of 2011-12 were also sent to Lok Sabha Secretariat.

9.7.1.5 During the year, out of 117 audit paras, 92 Audit Paras were settled.

9.7.1.6 Further, after finalization of ATN/settled by C&AG, the same is being uploaded in the portal of Monitoring Cell regularly during the year on the direction of Committee of Secretaries (CoS).

9.7.1.7 During the year 2012-13 (upto December 2012), 6 application relating to RTI have been received and disposed off.

9.7.2 Customs Audit

9.7.2.1 The observations of Comptroller General of Audit (C&AG), in respect of Customs matters, made in Audit reports, Compliance Audit and Performance Audit reports are handled in the concerned section viz. Customs, Drawback, Director General Export Promotion, Revenue Intelligence and Investigations and International Customs Division of CBEC. The Compliance Audit report contains the draft audit paras (DAPs) which have been converted to audit paras whereas the Performance Audit report contains the systems review paras.

9.7.2.2 In financial year 2011-12 (C&AG Audit for the period ending March, 2011), 39 audit paras (AR CA-31/2011-12) were received from the C&AG. The ATNs in respect of all audit paras (except 1) pertaining to DOR, have been sent to C&AG. C&AG has already vetted 17 audit paras.

9.7.2.3 In its Report No. PA 15 of the year 2011-12 the C&AG had carried out Performance Audit of Service Tax on Banking and other Financial Services and Duty Drawback Scheme. Further C&AG in its Report No.PA 24 also carried out Performance Audit of Export Promotion

Capital Goods Scheme. The suggestions/ observations made by C&AG pertaining to CBEC (Customs) were examined and Action Taken Reports submitted to C&AG on 15.11.2011 & 05.06.2012 respectively.

9.8 Anti-Smuggling Unit

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

a. India has signed various Customs Mutual Assistance Agreements and/or Memoranda of Understanding with various countries to promote sharing of intelligence and provide investigate assistance to curb duty evasion.

b. Customs Overseas Intelligence Network (COIN) provides actionable intelligence for facilitating seizures of offending goods and to detect evasion of Customs duty.

c. Use of National Import Database (NIDB) helps in detecting under-valuation of imported goods, which has been reported to be the oft-used route for Customs commercial frauds.

d. Intelligence Support System (ISS) providers for development of intelligence and for analyzing macro level inputs into macro level workable intelligence. This system has resulted in detection of commercial fraud and evasion of customs duty.

e. In order to disseminate information about new modus operandi, DRI shares details of important cases booked it through issuance of alert circular. These alert circulars act as useful tools fro the field formations in the detection of Customs duty evasion. These alert circulars are also used for targeting in the Risk Management Framework. The field formations and DRI also share the information / intelligence and details of cases with other agencies directly as well as by reporting to the Central Economic Intelligence Bureau (CEIB) and at Regional Economic Intelligence Councils (REIC) meetings.

f. The Department has been coordinating with concerned airports for online capture and implementation of Currency Declaration Forms (CDF) applications at other airports -

(i) An application (named **Currency Declaration Form or CDF**) has been implemented in Bangalore, Cochin, Hyderabad, Mumbai, Delhi, Chennai international airports.

(ii) The application enables capture of details of currency declared by passengers at the time of arrival or departure from international airports.

(iii) The CDF application will enable transmission of data to departments such as DRI, FIU, etc.

(iv) A fresh application for the CDF functionality has been developed and the first round of UAT (User Acceptance Testing) has been done.

(v) This application is shortly being made available to the user as a module within the ICES application along with relevant guidelines.

g. An Advance Passenger Information System (APIS), is being maintained by MHA. Joint consultations were held between officials of BoI/ MHA, DG (System) and CBEC and accordingly, connectivity between the BoI switch and Customs PC at Delhi Airport has also been established. The APIS application for CBEC is being developed by NIC team at BoI. It will cover capture of data about ôLook out Circularsö by DRI, will contain data pertaining to ôsuspectô passengers for discreet enquiry by Customs officials, profiling of passengers based on risk rules shared by DRI and will facilitate insertion of targets by officials at local level. NIC (BoI) has developed part of the software and is in the process of completing the other parts. An APIS application developed by NIC has been ported on the PC installed at the IGI Airport and is being tested. The application with modification and after testing is expected to be rolled out by January, 2013.

9.8.1 Procurement of Anti-smuggling equipments:

a) **Fixed X-Ray Scanners:-** Ministry has sanctioned installation and commissioning of 4 Advanced X-Ray Inspection Systems (AXIS) at Mumbai, Chennai, Kandla and Tuticorin. The port-wise supply, construction, commissioning etc. of four fixed X-Ray scanners is expected to be completed by August, 2013.

b) **Mobile Gamma Ray Scanners:-** Ministry has sanctioned installation and commissioning of 3 Mobile Gamma Ray Scanners at Kandla, Chennai and Tuticorin. The same are expected to be completed by June 2013.

c) **Acquisition of 109 new marine vessels:-** The Department has acquired 109 new generation marine vessels in replacement of the existing old vessels to enable the Department in discharging its statutory function, i.e. the prevention/detection of movement, of contraband goods, including arms, ammunition, explosives, and narcotic drugs etc. across the countryÆs sea borders. The position regarding deployment of different categories of vessels is as under:ð

i) Category I vessels: All 24 vessels have been deployed at Mumbai (03), Goa (02), Mangalore (03), Cochin (04), Pune (Ratnagiri) (02) and one vessel each at Ahmedabad (Umargaon), Jamnagar (Okha), Kandla, Vizag, Chennai, Trichy (Tuticorin), Trichy

(Nagapatinam), Kolkata, Visakhapatnam-II and Bhubaneswar-I Commissionerate.

ii) Category II vessels: All 22vessels of Category II have been deployed at Mumbai, Jamnagar, Ahmedabad, Pune Commissionerate (Ratnagiri), Mangalore, Goa, Kandla, Chennai and Kolkata

iii) Category IIIA & IIIB vessels: All the 63 vessels (30 vessels in Cat IIIA & 33 vessels in Cat IIIB have been deployed at Mumbai (07), Goa (02), Mangalore (02), Pune (04), Cochin (04), Ahmedabad (02), Jamnagar (02), Kandla (02), Chennai (03), Visakhapatnam (01), Visakhapatnam-II (02), Guntur (01), Trichy (10), Kolkata (10), Bhubaneswar (02), Patna (03) and Shillong (06) Nos.

d) **High Energy X-ray Cargo/Pallet Scanners (HEXS):-** CBEC has approved procurement of four High energy X-ray Cargo Inspection Systems / Pallet Scanners for installation in the Trade Facilitation Centres at Salamabad and Chakan-da-Bad at the Indo-Pak border in J&K. two machines have been installed at Chankan-da-bad. Other two machines to be installed shortly at TFC Salamabad SAT.

e) **Procurement of 87 X-Ray Baggage Inspection Systems (XBISs):-** Sanction has been accorded for purchase of 87 X-ray Baggage Inspection Systems (XBISs) and same have been received for their deployments in the customs field formations such as Airports, Air Cargo Complexes, Sea Ports/ICDs, LCSs, FPOs and CFSs/UB Centres. The requirements of field formations for 76 additional new generation XBIS is under approval for initiating application under GNIT.

f) **Carat Meters:-** Administrative Approval and Financial Sanction for procurement of 18 Carat Meters to evaluate the purity of gold and silver under Drawback scheme for installation at Custom Houses (Air Cargo Complexes) specified for export of gold & silver jewellery under Duty Drawback Scheme has been received, Tender document has been prepared and the same has been sent to Ministry of Law for vetting. These equipments are likely to be deployed in next financial year.

9.8.2 Anti-Smuggling Performance of DRI and Commissionerate – At a Glance (₹ n crore):- The Anti-smuggling performance of DRI and field formations is given below. This includes details of Seizures made and persons detained by Customs Authorities.

From Outright Smuggling angle, the sensitive commodities, prone to smuggling, on the basis of cases detected in the past include Narcotics & Other Psychotropic Substances, Gold, FICN, Red Sanders, Memory Cards etc. The major commodities prone to evasion in terms of commercial frauds are Betel Nuts, Parts & Accessories, Non Edible Crude Palm Oil, Iron Ore Concentrate, Aircrafts, Cigarettes, Ozone Depleting Substances (R-22 Gas), Garments & Accessories etc.

Annexure-A

Anti-Smuggling Performance of DRI and Commissionerates – At a Glance (₹ in crore)

S. No.	Item of Work	2010-11		2011-12		2012-13 (up to September)	
		Number	Value/Duty	Number	Value/Duty	Number	Value/Duty
1	**Seizures**	36359	2506.70	25537	4522.89	13557	1114.77
	Gold			486	46.43	342	28.26
	Narcotics	535	147.65	480	1711.93	175	250.47
	FICN (Face Value)			25	2.64	10	1.29
	Others	34799	367.72	23797	728.37	12787	181.45
	Commercial Fraud	1025	1991.32	749	2033.52	243	653.30
2	**Commercial Fraud Cases Detected**	6686	1297.06	5333	2198.20	1004	506.91
	Under Valuation	531	196.82	558	498.84	179	161.66
	Mis-declaration	1648	192.58	1386	913.32	210	48.80
	Misuse of DEEC/Advance License Scheme	27	267.00	6	14.02	1	5.23
	Misuse of DEPB Scheme	61	142.95	59	25.42	7	11.70
	Misuse of EPCG Scheme	17	7.00	30	82.41	9	14.39
	Misuse of EOU/EPZ/SEZ Scheme	21	0.56	9	9.88	4	15.71
	Misuse of Drawback Scheme	253	135.60	138	31.06	98	11.85
	Misuse of end-use & other notifications	76	185.01	104	343.34	39	166.18
	Others	4052	169.54	3043	279.91	1489	125.44
3	Duty Recovered	11085	611.60	6243	610.63	2597	164.21
4	Persons arrested	502		597		257	
5	Persons detained	69		35		18	

9.9 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, to defend departmental interest on appeals filed by the 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. Sincere efforts have been made to reduce the time taken in filing of Civil Appeals (CA). These efforts have led to prompt and timely filing of Civil Appeals before the Supreme Court.

1. DEPARTMENTAL APPEALS:

Year	Number of Civil Appeal proposal received	Number of Civil Appeal Filed	Number of Cases where CESTAT Order Accepted
2011-12	143	75	68
2012-13 (April 12 to Nov 2012)	69	28	32

INFORMATION ABOUT THE PERFORMANCE /ACHIEVEMENTS IN DEPARTMENTAL APPEALS:

Year	Number of Civil Appeal Proposal Received	Number of Appeal Filed	Number of Cases where CESTAT Order Accepted
2001-02	516	383	133
2002-03	565	248	298
2003-04	761	294	467
2004-05	736	322	414
2005-06	551	347	204
2006-07	443	326	117
2007-08	411	280	131
2008-09	311	234	77
2009-10	209	175	134
2010-11	160	108	52
2011-12	143	75	68
2012-13 Upto Nov, 12	69	28	32

9.10 Legal Cell

9.10.1. The Legal Cell in CBEC is primarily responsible for handling litigation arising out of High Court's orders in respect of Customs, Central Excise and Service Tax matters before the Supreme Court.

9.10.2 The number of cases pending before the Supreme Court, High Court, CESTAT and Commissioner (Appeals) as on 30.9.2012 are given below.

S. No.	Appellate Forum	Total No. of Deptt. Appeals	Total Amount Involved in Deptt. Appeals (Rs. in crore)	Total no. of Party's Appeals	Total Amount Involved in Party's Appeals (Rs. in crore)	Grand Total No. of appeal Grand crore)	Total Amount involved (Rs. in crore)
1.	**Supreme Court**	1992	6417	965	1963	2957	8380
2.	**High Courts**	6630	6221	8123	5489	14753	11710
3.	**CESTAT**	18118	13118	39503	51063	57621	64181
	Total	**26740**	**25756**	**48591**	**58515**	**75331**	**84271**
4.	**Commissioner Appeal**	3931	751	29569	7663	33500	8414
	Grand Total (1+2+3+4)	**30671**	**26507**	**78160**	**66178**	**108831**	**92685**

9.11 PUBLICITY

Highlights of the performance and achievements during the year (April-December 2012):

9.11.1 The Directorate placed massive multi-media campaigns in English, Hindi and major regional segments to publicise important schemes, provisions & amendments for the taxpayer's education and to inculcate the culture of voluntary compliance amongst tax payers.

The following media were used in the furtherance of this objective:

9.11.2 Print Media: Advertisements - Taxability of all services under the ambit of service tax net w.e.f. 1.7.2012 except those included in the negative list and exempted category; on the ACES Project providing end-to-end e-solutions to taxpayers; Certified Facilitation Centres (CFCs); reminder/s for filing of Service Tax returns by due dates; mandatory e-return/e-payment by specified assessees; new provision for landlords and tenants, who failed to pay service tax dues as on 6th March, 2012; leviability of only 40% on total bill for service tax purpose in respect of restaurant services; duty evasion with specific reference to Iron & Steel sector; reward scheme for informers; Sectoral advertisements correlating tax payment to provision of various social services; implications of non-compliance in tax matters; and generic advertisements on timely and correct payment of tax dues.

A Coffee Table Book **"Anything to Declare?"** on Indian Customs to acknowledge the contribution of the Customs Department in nation building was brought out; a Commemorative Postage Stamp as a part of the celebrations of 50th Year of the Customs Act, 1962 was released on 26th July, 2012; a feature advertisement '**Transforming India**' with focus of role of taxes in nation's development was placed for special volume of India Today magazine; a feature advertisement '**Winning Medals for Nation**' on contribution of Customs, Central Excise & Service Tax was placed in '***30 Sports Icons***' a Coffee Table Book brought by Hindustan Times Group.

9.11.3 Electronic Media: Campaign was also carried out using electronic media on - the ACES Project to publicise on-line tax processes; last date(s) for filing Service Tax returns; Campaign on reporting evasion of Central Excise Duty/Service Tax; Generic advertisements featuring Cinestar Akshay Kumar; renowned singer Hariharan: Sector-based TVCs correlating tax payment to provision of various social services.

9.11.4 Outdoor/Misc. Media: The campaigns covered: Internet advertisements on e-returns/e-payment and online processes under the ACES; Radio spot on last date of filing Service Tax and Central Excise returns; SMS campaigns on last/extended date of filing Service Tax Return; Hoardings, Bus Shelters, Digital Screens etc. on timely & correct payment of taxes.

CBEC Pavilion at IITF-2012

On behalf of CBEC, a Pavilion was set up during the 32nd India International Trade Fair-2012, held at Pragati Maidan, New Delhi, from 14th to 27th November, 2012. The pavilion showcased the administration of Customs, Central Excise and Service Tax with focus on Service Tax with Help Desk cum Information Centre for: online service tax registration; E-helpline; ICEGATE; ACES and answering general queries of the visitors. The Pavilion attracted a huge and consistent footfall throughout the fair, comprising of trade and general public, to acquaint themselves with varied information on display through panels, translites, rotors, blowups and screens playing departmental films/commercials. Activities like Nukkad Natak, Quiz Competition, Lucky Dip, and Hit the Target were conducted at regular frequency to attract the visitors. Flyers on varied subjects were kept for free distribution to trade and public. Further, items like caps, key chains, pens and t-shirts were given as souvenirs to visitors.

RTI AND PUBLIC GRIEVANCES

This Directorate is the nodal authority for monitoring of RTI matters and Public Grievances of the Central Board of Excise & Customs. In view of the emphasis laid by the Hon'ble FM on the importance of removing administrative and technical hurdles/irritants of the trade, e-helplines have been created in each Customs & Central Excise Zone through their websites.

9.11.5 PUBLICATIONS (1st April, 2012 to 31st December, 2012)

- **Tax Payer's Information Publications**
  - 'Drawback Schedule' containing latest duty drawback refund schedules was printed at the behest of Jt. Secretary (Drawback), C.B.E.C., New Delhi.
  - Following educational & informative brochures covering varied subjects were brought out for free distribution at CBEC's Pavilion at IITF-2012 at Pragati Maidan, New Delhi:

(a) *New Approach to Taxation of Services;*

(b) *Guide For Travelers;*

(c) *Reward Scheme for Informers;*

(d) *Convenience @ Aces;*

(e) Green Customs;

(f) *Appellate Procedures in Customs, Central Excise & Service Tax;*

(g) *icegate e-commerce portal of Central Board of Excise and Customs*;

(h) *Advance Ruling &*

(i) *Taxation of Services - An Education Guide.*

- **Departmental Publications**
  - Monthly editions of an informative booklet óAudit Bulletinô was printed at the behest of DG, Audit, New Delhi.
  - Monthly editions of *"Vidhi Varta"* a departmental news booklet were printed at the behest of Directorate of Legal Affairs, New Delhi.
  - Quarterly editions of *'ECS Law Reporter'* were printed at the behest of Chief Commissioner (AR), CESTAT, New Delhi
  - Minutes pertaining to Annual Conference of CCs & DGs, C&CE, at Mumbai, June 21st-22nd May, 2012. (CBEC)
  - Materials pertaining to Annual Conference of CCs & DGs, C&CE, at New Delhi June 5-6, 2012. (CBEC) Sampark-2013

- **Human Resource Development Publications**
  - Booklet óSanction & Working Strengthô printed for DG, HRD, C&CE, and New Delhi.
  - óCivil List, 2012ô printed on behalf of DG, HRD, C&CE, New Delhi.
  - Quarterly issue of ICE Magazine.

- **Promotional Publication**
  - Wall Calendar

9.12 DIRECTORATE GENERAL OF INSPECTION

9.12.1 This Directorate conducts 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.

9.12.2 HIGHLIGHTS OF PERFORMANCE

No. of Inspections of COMMISSIONERATES conducted by DGICCE & RUs

Formation	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (01.04.2011-30.11.2011	2012-13 01.04.2012 30.11.2012
DGICCE(**Central Excise)**	19	19	16	19+3 (Special Study)	17	7	5	4
DGICCE(**Customs)**	10	15	6	17	25	7	7	3
NRU	-	17	7	8	15	5	6	4
ERU	-	12	14+3 (Special Study)	13	14	4	4	5
CRU	1	7	11	11	12	4	2	1
SRU	2	18	12+4 (Special Study)	10 (8CE+ 2Cus.)	19 (16CE+ 3Cus)	14 (13CE+ 1Cus)	6	
WRU	-	10	13	20 (18CE+ 2Cus)	25 (CE20+ 5Cus)	9	5	10
TOTAL	**32**	**98**	**86**	**101**	**127**	**50**	**35**	**32**

9.12.3 Central Excise - Background and various activities/functions discharged by the Directorate General of Inspection during the year 2012-13 from 01.04.2012 to 30.11.2012

Background

9.12.3.1 Directorate General of Inspection, Customs & Central Excise is the oldest Directorate of the CBEC and was set up in 1939 and it was separated from the Board on 01.04.1946. This office carries out the critical work of Inspection of field formations and advices the Board in a timely manner so that deficiencies in the functioning of the field formations could be addressed. To effectively carry out its functions, the DGICCE jurisdiction was expanded so as to provide for efficient monitoring of the increasing number of Commissionerates which have been set up throughout the country with the increase in taxpayer base. And accordingly 5 regional units namely, Kolkata, Mumbai, Delhi, Hyderabad and Chennai were created which also inspect the field units in the entire CBEC field formations. This Directorate also deals with refund of duties to Nepal and Bhutan which requires considerable supervision to ensure that they are calculated correctly and dispatched in timely manner. This Directorate has also been made the nodal office for the implementation of Sevottam as well as AEO in the formation of CBEC.

9.12.3.2 Highlight of performance

(i) No. of inspection of Commissionerates conducted by DGICCE HQ

Formation	2008-09	2009-10	2010-11	2011-12	2012-13 (upto Dec. 12 till date)
DGICCE (CX Hqrs.)	19+3 (specialstudy)	17	14	9	3

(ii) Central Excise - Special Assignment / 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 C. Ex duty/penalty confirmed by means of adjudication orders in cases where duty involved is Rs. one crore and above
4.	Monitoring of performance in ***Monthly Technical Reports*** (MTR) with special emphasis on Pendency in key areas.

The Board's norm requires that the DGICCE is mandatorily to carry out the inspection of the one third Commissionerates. The remaining Commissionerates are required to be inspected by the jurisdictional Chief Commissioner. Thus, all the Commissionerates are to be inspected either by the DGICCE or by the Chief Commissioner once in a year in the said purpose.

Further, this Directorate is also monitoring the disposal of pending adjudication cases. A special Cell has been created in this Directorate for this purpose and separate report regarding adjudication cases pending beyond the time limit stipulated in section 11 A (2 A) of Central Excise Act and cases having revenue more than one crore is prepared and is submitted along with MTR every month. This office identifies the Commissionerate with high Pendency of adjudication cases and officers of this Directorate visit these Commissionerate to ascertain the reasons for delay in finalization of these cases. This Directorate is writing to Chief Commissioners at regular intervals requesting them to see that cases pending beyond period stipulated in Section 11 A(2A) are adjudicated quickly.

9.12.4 Customs: Special Assignment / Studies

1.	Report on Rosha Committee called for from the field formations for submission to the Board, interim report has been sent.
2.	The Section is monitoring the updated of Departmental Manuals.
3.	Further information on Best Practices being followed by the Commissionerates has been called for inclusion in the 'Innovation' compendium.
4.	Report on C& AG statistical data regarding adjudication cases has been called for from the Chief Commissioners of Customs for submission to the Board.

Inspection of the following Commissionerate has been conducted:

1. Amritsar (Prev.) on dated 03.09.2012 to 07.09.2012
2. Jodhpur(Jaipur) on dated 17.09.2012 to 21.09.2012
3. Amritsar (Prev.) on dated 17.12.2012 to 21.12.2012

9.12.5 Implementation of Authorised Economic Operator (AEO) programme in CBEC

The AEO Programme has been launched by CBEC through Circular No. 3 7/200-1 1 Customs dated 23.08.2011 with the objective of enhanced trade facilitation to various Customs operators. ADG (DGICCE) HQ Delhi has been designated as the programme implementation manager.

The AEO Programme is for different categories of economic operators such as Importers, Exporters, Customs House Agents, etc. The programme certifies the operators after due verification of application. The AEO certificate shall be granted after detailed pre-certification and validation done by AEO Programme Team of DGICCE. The certificate will be given to the entities who would meet following four criteria.

- Establish a record of compliance in respect of Customs and other legal provisions
- Demonstrate satisfactory systems of managing commercial and, where appropriate, transport records.
- Be financially solvent.
- Demonstrate satisfactory systems in respect of security and safety standards.

Details of AEO Programme Year 2012-2013 upto December 2012 till date 28.12.2012:

1. C-TPAT USA Customs and AEO Indian Customs workshop held on 17th & 18th April 2012.
2. AEO pilot programme 9 entities were selected from the 38 applications received based on the completeness of data provided to the AEO specialist. Out of these nine, three companies have been granted AEO status. Award Ceremony for grant of AEO Certificate held on 18th July 2012 at New Customs House, Delhi.
3. AEO MRA meeting was held with Korean Delegates followed by plant visit on 10 & 11 Dec 2012
4. A training programme was held at Bangalore on 13 & 14 Dec., 2012.

Result Framework Document (RFD):

Result Framework Document (RFD) is a Performance Management and Evaluation System for Department of Revenue. The RFD allows Department to set key objectives for a specific area, set actions to achieve objective and identify success indicators to measure performance. CBEC has established its RFD for the year 2010-11 on its own and this was internally monitored at Board Level. Presently, CBEC is chosen as the responsibility centre within the Depptt. of Revenue to have the RFD in place for 2012-13. This RFD shall be monitored by Performance Management Division of Cabinet Secretariat.

9.12.6 Hindi / Official Language

From 01.04.2012 to 30.11.2012, the following major works for promotion of the Official Language were undertaken-

1. Inspections of different field formations were conducted with respect to implementation of Official Language policy during the year.
2. Meeting of Parliamentary Committee and sub-committee on Official Language were coordinated and attended.
3. Translation of CHA Model answers paper in Hindi.
4. Meeting of Hindi Salahkar Samiti was attended. Hindi day/ Hindi week was celebrated and various competitions were held.
5. Workshops were organized and held to facilitate the field formations. Two Rajbhasha Sammelans, one at Guwahati and another at Mysore, were conducted.
6. Incentive scheme was implemented. Translation of DGICCE's website in Hindi.
7. A number of meetings with senior officers of many Commissionerates were held by DD (OL). Ministry's requisition with regard to Official Language was fulfilled.
8. Correspondence with diverse offices and contact programmes were made by DD (OL).
9. Periodic Reports received from Commissionerates and field formations were reviewed, consolidated and forwarded.
10. Quarterly Progress Report of DGICCE was prepared and forwarded to Ministry. This works are in addition to the routine work in Hindi Section.

9.12.7 NEPAL REBATE SECTION

9.12.7.1 This Directorate is also dealing with payment of rebate to Nepal Govt. and refund of duty to Bhutan Govt. Every month cheque is given to Nepal Government in this regard. Nepal Government has appreciated the regularity of this Directorate in processing their claims and taking required action. Similarly refund to Bhutan Government is paid every year. Rebate to Nepal Government has now been discontinued w.e.f. April, 2012 as the exports to them have been placed at par with other Countries.

9.12.7.2 Nepal Rebate Sanctioned By DGICCE, New Delhi from 01.04.2012 To 30.11.2012

Rebate amount given to Nepal Govt. 2012-13 (01.04.2012 to 30.11.2012)	**Amount:** **Rs.** 152,11,66,986	**No. of invoices processed**37698
Refund of Excise Duty given to Royal Govt. of Bhutan in the year 2012 (for the years 2010-11)	Amount claimed for the years 2010 Rs.277.2 crore2011 Rs.336.7 crore	Amount Finalized Rs.135 crore Rs. 170 crore

9.13 Systems & Computerization

9.13.1The e-governance projects already implemented and those under implementation by the CBEC are in line with the proposed vision of the National e-Governance plan. Most of the projects undertaken by CBEC have targeted the tax payers and other business users such as importers and exporters, Customs House Agents, manufacturers and service providers. In these initiatives, the department is guided by the following principles:

- Citizen-centric delivery of services through ñsingle windowòinterface.
- Providing services on an ñanytime, anywhereò basis.
- Ushering in Transparency and Accountability.
- Simplification of Procedures.
- Reduction in Transaction Costs.
- Minimization of manual interface.
- Encouraging voluntary compliance.
- Synergy between various Tax Systems.

9.13.2 Efforts are being made to make an overview of the Department available over the internet and through various service centers. Integrated service delivery is also being attempted by integrating processes, cutting across diverse field formations under CBEC and also by integrating with partner agencies such as Banks, Airlines, Custodians, CONCOR, etc.

9.13.3 Details of Completed Activities / Services

S. No.	Activity	Brief Account
1.	Online registration of Central Excise Assessees	To enable the taxpayer to register online as Central Excise Assessee On the website www.aces.gov.in [Currently available to users in 104 Commssionerates.]
2.	Online registration of Service Tax Assessees	To enable the taxpayer to register online as Service Tax Assessee On the website www.aces.gov.in [Currently available to users in 104 Commssionerates.
3.	Online filing of Central Excise Claims, Intimations & Permissions	To enable the taxpayer to file online Claims, Intimations & Permissions On the website www.aces.gov.in [Currently available to users in 104 Commissionerates]
4.	Online filing of Central Excise Returns	To enable the taxpayer to file their Central Excise Returns with CBEC over the Internet. On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.]
5.	Online filing of Service Tax Returns	To enable the taxpayer to file their Service Tax Returns with CBEC over the Internet. On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.
6.	e-payment of Central Excise Duty	To enable the tax payer to make online e-payment by directing the user to the EASIEST website (https://cbec.nsdl.com/EST/InputPageForEPaymentServlet) or to the website of assessee's preferred bank. On the website www.aces.gov.in

7.	Online registration with ACES	To enable the tax payer to register online for transacting electronically with the Central Excise or Service Tax Department through ACES. [Currently available to users in 104 Commissionerates.] On the website www.aces.gov.in
8.	Online registration of Non ï Assessee with ACES	To enable Non - Assessees such as Merchant exporters to register with ACES to transact with the Department On the website www.aces.gov.in [Currently available to users in 104 Commissionerates.]
9.	Online training on ACES	To enable assessees, non-assessees & other users to be familiar with the ACES through online tutorials (Learning Management Software), User Manuals and FAQs. On the website www.aces.gov.in
10.	Web-viewing and Web-tracking of status of Central Excise / Service Tax documents	To enable tax payer & users to view or to ascertain the status of their Central Excise / Service Tax documents filed through ACES On the website www.aces.gov.in
11.	Service Desk facility for ACES	To provide the users the facility of Service Desk to solve their problems in using ACES by calling national toll free No.1800-425-4251 (on working days between 9 AM to 7 PM) or by sending e-mails to aces.servicedesk@icegate.gov.in. [As on 30.11.2012, 1,05,928 issues have been received out of which 1,05,842 have been resolved and percentage of resolution is 99.91%]
12.	Electronic credit of Duty Drawback and Service Tax Refund	To enable the taxpayer to receive electronic credit of the amount due directly into his account with any bank. This is enabled in the Indian Customs EDI System ICES Exports.
13.	Dissemination of information relating to the indirect taxes through web.	To enable the taxpayers to obtain up to date information relating to Customs, Central Excise & Service Tax laws, forms, etc through internet. On the websites www.cbec.gov.in & www.aces.gov.in
14.	Online registration of Importers/ Exporters/ CHAs	To enable the taxpayer to register online as Trading Partner for transacting electronically with the Customs is available on the website www.icegate.gov.in. The user has to be registered at ICEGATE in order to file BE/ SB etc. Registration is free.
15.	Online filing of Customs documents such as BE, SB, IGM, EGM, CGM, SGM etc. through messaging.	The number of documents filed through ICEGATE has been consistently rising. During 2011-12, the number of documents filed through ICEGATE crossed 14.3 millions. In the FY 2012-13 (up to Nov. 2012) 6.7 millions documents has already been filed. Presently most preferred format for filing at ICEGATE is proprietary flat file message formats however; option to use the other schemas such as XML & UN-EDIFACT message formats are also available to trade. In ICEGATE Upgrade project, schemes for XML & UN-EDIFACT message formats are being developed. Total 111 major customs locations are covered in Customs EDI System. In addition, the upgraded ICEGATE also allows filing, Amendments and Query Reply Messages Online through ICEGATE for ICES 1.5 location and also gives the facility to take the printout of the 1st Copy of the Bill of Entry and the Challan for Duty payment at the Service Centre as well as at the user's preferred location such as house / office etc.

16.	Electronic filingoptions	There are three options for filing the documents 1. E-Mails (SMTP - Simple Mail Transfer Protocol) 2. Web Upload 3. FTP (File Transfer Protocol)
17.	Electronic acknowledgement	Electronic acknowledgement of the documents filed electronically at ICEGATE as well as the error communication in the documents filed at ICEGATE
18.	Recent new message / facility additions a. Communication of query on mail b. Reply of query on mail c. Amendment of the documents on mail d. Print out of BE (1st Copy) & Challan on mail	The upgraded ICEGATE also allows filing of the Amendments to the already filed documents on mail. It also communicates queries raised by the officers on the filed documents and the Query Reply Messages from the user online using internet and e-mail through ICEGATE for ICES 1.5 locations. The facility to take the printout of the 1st Copy of the Bill of Entry and the Challan for Duty payment at the Service Centre as well as at the user's preferred location such as house / office has also been provided.
19.	e-payment of Customs Duty and Cess	ICEGATE enables the tax payer to make online e-payment by selecting numbers of challans in a single transaction through any authorized Bank for any Customs location. Customs duty payment through e-gateway for the amount Rs. 1 lac and above per transaction is now mandatory. This has been appreciated by the tax payer and almost 95-97% of Customs duty and 85-90% of transactions are made online.
20.	Electronic messages for Customs Duty payment in the bank.	The prompt electronic messages to the bank containing the Duty Payment Challan details as soon as the BE is assessed and due for Duty payment enables prompt duty payment by the tax payers by visiting the bank and the reverse message of duty payment from the bank and its integration into messaging enables import goods clearance without hassle and reduces transaction costs.
21.	Web-tracking of status of Documents filed electronically	Facility of Tracking documents at ICEGATE and ICES level is available. Tax payers/ users view their documents status through www.icegate.gov.in tracking system. Online tracking system includes: • BE status tracking • SB status tracking • Container based tracking • BL tracking • IGM/ SGM/ CGM tracking • EGM tracking • tracking of queries raised in BE • tracking of queries raised in SB • Inquiry Module for Service Centre users for ICES 1.5 locations also runs through ICEGATE • Challan tracking • IEC tracking • License status tracking etc. • CHA PAN based enquiry
22.	Online Informationsharing and authenticationwith DGFT	The Customs department shares following information with DGFT in the Ministry of Commerce through ICEGATE: • IEC (Importer Exporter Code) issued by DGFT • Shipping bill data transmission to DGFT by Customs for the issue of Licenses • Import Export Licenses issued by DGFT • Verification of licenses issued by DGFT with the relevant Customs Shipping Bills and its integration into the ICES

22. (a) IEC status with ICEGATE	To enable the taxpayer to ascertain on the Internet whether his IEC (Importer/Exporter Code) issued by DGFT has been received at ICEGATE. On the website www.icegate.gov.in
22. (b) Online verification of DEPB licenses	To enable online transmission of Shipping bills to DGFT and receipt and verification of DEPB licences issued by DGFT and their receipt through electronic message from DGFT has resulted in doing away with the manual verification of DEPB licences. On the website www.icegate.gov.in
22 (c). Online verification of DES/ EPCG Licences	To enable online receipt of DES/EPCG Licences issued by DGFT and their receipt through electronic message from DGFT has resulted doing away with the manual verification of these licences. The relevant SBs and Bill of Entries are also transmitted to DGFT for issuance of EODC by DGFT. On the website www.icegate.gov.in
23. Online information sharing with other Govt. Agencies	Customs shares information with following Govt. Agencies online: • RBI • DGCI&S (Ministry of Commerce) • Pr. CCA • DGOV • DRI • Ministry of Steel etc.
24. Publication of DTR	ICEGATE publish DTR on the website in view of Notification No. 18/2012.
25. Customs Duty Calculator	As a measure of facilitation, Customs Duty Calculator has been provided at the ICEGATE and CBEC website, which not only provides rate and calculation of different types of customs duty chapter headings wise, it also gives details of Compulsory Compliance Requirement and relevant Notifications etc.
26. Transhipment module	To enable online transmission of SMTP portion of IGM from automated gateway ports to automated ICDs
27. API (Application Program Interface) for the ICES	API (Application Program Interface) for the Customs EDI by way of publication of: • Communication Guidelines With ICEGATE for ICES 1.0 and ICES 1.5 • Code List / Directories such as port code,AD code, and currency code directories etc. • PAN Based CHA (Custom House Agents) Data
28. Registration for IPR (Intellectual Property Rights)	The registration once done for an IPR at ICEGATE is valid for all the ICES sites. It is also Free.
29. Helpline facility for ICEGATE transactions	To provide a Helpline for problems faced by taxpayers in transacting with the department through ICEGATE. The ICEGATE Helpdesk is functional round the clock.
30. Online training on ICEGATE / Self help	Sample formats of messages as per the requirement of trade and FAQs are also provided on the ICEGATE website www.icegate.gov.in
31. 24X7 helpdesk facility	The ICEGATE also provides 24X7 helpdesk facility to the trade users through dedicated toll free number. In the year 2011-12 the helpdesk received more than 13197 e-mails and 88501 tickets were raised for resolution based on telephone calls and more than 90% queries were resolved on the same day. During April, 2012 to Nov. 2012 the helpdesk received 48559 e-mails and 39295 tickets raised for resolution based on telephone calls.

32. EASIEST	The Electronic Accounting System in Excise and Service Tax (EASIEST) project was launched in March 2007 and made operational in all Central Excise and Service Tax Commissionerates from April, 2007. The objective is to make available accurate tax payment data from banks for revenue and tax payer accounting. Under this system, data through all modes of payment including e-payment is captured by banks in the agreed format and uploaded in electronic form and made available to the Department. For improving data quality of Internet payments the EASIEST e-payment portal was developed. This is a web based feature which interfaces with the e-payment portals of the tax collecting banks. It is operational since November 2008. The various validations of the challans are done at this level before forwarding it to the bank's site for the financial transaction. Since September 2010, the assessee code has been made mandatory for making EASIEST payments. As on 31/12/2011, 27 banks are authorised and have got linked with this portal. During the financial year 2011-12, about 50.98 Lac challans were uploaded by the banks. In respect of the current financial year 2012-13 (upto 14th December 2012), 40.47 Lac challans have been uploaded. 98% of the revenue in Central Excise and 87% of revenue in Service tax was through e-payment. **Outcomes of the project** 1. With the implementation of EASIEST, it has become possible to ascertain the gross revenue collection figures for Central Excise and Service Tax on a daily basis by the senior management in CBEC. Web- based MIS have been developed to monitor the tax collection. 2. Capture of the unique Assessee Code in EASIEST data enables accounting of the tax paid by each taxpayer. 3. Automation in Central Excise and Service Tax (ACES) project has automated the workflow in the Central Excise and Service Tax Commissionerates. The data from EASIEST are used by the ACES application and it helps in system-based verification of tax payment. 4. As part of the EASIEST project, the taxpayer is able to verify the status of tax payment over internet. This not only increases transparency but also provides a sense of confidence in the taxpayers that the taxes paid are correctly credited. **Resources available on the websites for taxpayers** • In ACES Application (aces.gov.in), a link is provided to NSDL website (https://cbec.nsdl.com/EST) to facilitate Assessee Code Based Search, Challan Status, Gateway for E-payment of CE & ST, FAQs and Downloads (GAR-7 Format with Accounting Codes for payment). • easiest-cbec@nic.in has been created to handle queries of the taxpayers and banks • Frequently Asked Questions (FAQs) on EASIEST on http// cbec.gov.in • Facility for online verification of tax payment status on https:// cbec.nsdl.com. • Facility for verification of assessee registration details like name, address, and location code' using the link 'Assessee Code Based Search on https://cbec.nsdl.com

EASIEST MIS Reports

The EASIEST MIS are web based reports which can be used to monitor the tax collection as well as quality of data. The reports are user friendly and simple to use and can be exported to excel or printed and are sortable. The following broad categories of reports are available for EASIEST:

1. **EASIEST Collection reports** which show collections based on the challan data of Central Excise Duty and Service Tax uploaded by banks. The types of report under this category are:

Report	Information Available	Levels
Summary Report	• Gross collection amount • Accounting code wise breakup • current and previous year figures and growth percentage thereof	• All India
Chief Commissioner Wise collection Report	• Excise and Service Tax collection • Accounting code wise breakup • current and previous year figures and growth percentage thereof	• All India • Chief Commissioner • Commissioner
Top Assessee Report Top 25/ 50/100/500/ 1000 taxpayers for selected period	• Payments by Top taxpayers • Major Accounting code wise top tax payers • Minor account codewise and servicewise top taxpayers • e-payment and physical payments	• All India • Chief Commissioner • Commissioner (Division and range) • In respect of ST Commissionerate User, Top Assessee Report can be generated upto 5000 top taxpayers • Challan Wise details are available in respect of such top tax payers
e-payment Report	• e-payment and physical payments • Accounting code wise breakup • The % of e-payment as compared to physical payment.	• All India • Chief Commissioner • Commissioner

2. **EASIEST Coverage** reports are for monitoring data quality and show the coverage of EASIEST data in terms of funds and bank branches. The types of report under this category are:

- Fund Settlement Statistics Report
- Branch Coverage Statistics Report

	3. **EASIEST Deficiency** reports are based on the error records uploaded by banks and give details branch wise of the various kinds of errors rectified. 4. Invalid Assessee Code report is for monitoring data quality and gives bank wise details of the invalid Assessee Codes for all India, Chief Commissionerate and Commissionerate during a month. This is applicable for the challans tendered prior to September 2010, after which the system generated Assessee Code has been made mandatory.

9.13.4 Brief details of on-going Projects are as under:

S. No.	On-Going Projects	Brief Account
1.	Automation of Central Excise and Service Tax(ACES)	ACES is a centrally-hosted, web-based and workflow-based software application to automate the entire business processes relating to Central Excise and Service Tax that includes online registration, online filing and processing of returns, claims, intimations and permissions, filing and processing of excise related export documents, dispute resolution , audit etc. ACES has been rolled out in all 104 Commissionerates on 23.12.2009. e-filing of returns has been made mandatory for all Central Excise & Service Tax assessees w.e.f 01.10.2011 vide Notification No. 21& 22/ 2011-CX dtd. 14.09.11 and 43/2011-S.Tax dtd. 25.08.2011. Till 30.11.2012, 28,29,853 Central Excise Returns and 21,51,199 Service Tax Returns have been filed in ACES. Also 99,388 Registration applications in Central Excise & 7,60,996 Service Tax Registration applications in Service Tax and 1,62,296 Claims and Intimation applications have been filed in ACES. In order to help the users, CBEC has set up a Service Desk with a National Toll-free No 1800 425 4251, which can be accessed by both the departmental officers and taxpayers between 9 AM to 7 PM on all working days. Besides, they can send e-mails (24X7) to aces.servicedesk@icegate.gov.in. All the calls / e-mails are logged by the Service Desk Agents, who are issued unique ticket numbers. If these Agents cannot resolve the issues at their end, they can escalate it to different teams namely the application team, Network team or the Hardware team for necessary action. CBEC teams closely monitor the progress of work in the Service Desk, analyse the issues and issue suitable instructions for early resolution. The close monitoring by the CBEC team has resulted in a very high degree of resolution. Till 30.11.2012, 1,05,928 issues were received in Service Desk, out of which 1,05,842 (99.91%) issues have been resolved. The DGS has signed MOUs with Institute of Chartered Accountants (ICAI), Institute of Cost Accountants (ICAI) and Institute of Companies Secretaries (ICSI) to set up Certified Facilitation Centers across India. These CFCs assist those assessees, who do not possess requisite expertise or infrastructure, to transact their business in ACES. Currently, around 1085 such CFCs are operating in about 350 cities across India and the services are available on payment of prescribed services charges for various services such as digitisation of paper documents and on-line filing/ uploading of documents such as Application for Registration, Returns, Claims, Permissions and Intimations etc. in ACES.

	CBEC held series of workshops and training programmes in different parts of the country by collaborating with different local Chambers of Commerce and Industry/Trade Associations and Institutes. Learning Management Software (LMS), a self-learning online tutorial has been hosted on the ACES website to teach users how to use ACES. User Manuals and FAQs have also been hosted on the ACES website. A new facility has been provided to all the departmental officers to view the details of Shipping Bills (SBs) and AREs relating to exports made under ARE-1/ARE-2. This facility would help Central Excise Officers in verification of proof of export submitted by the manufacturer and thus reduce time for release of Bond/LUT and consequential sanction of rebate claims.
2. Augmentation of Computer infrastructure within the department	An All India Wide Area Network linking 20,000 Departmental users to the National Data Centre, Data Replication and DR Site has been set up to link CBEC officers with the national data centre and disaster recovery site. The Wide Area Network (WAN) has been implemented except for sites facing force majeure issues. Helpdesks have been provisioned to address user complaints on WAN and LAN issues.
System Integration	Equipment has been installed and commissioned and the system acceptance milestone has been achieved, i.e. software applications for customs and central excise and service tax have been ported and are running from the three national data centres. Personnel have been deployed for extending Facility Management support for five years. A Network Operations Centre (NOC) has been set up for providing support for applications users and pro-active monitoring of the infrastructure. A helpdesk is in operation for infrastructure and applications support for operations and resolution of the end user problems. A Single Sign-on (SSO) application has also been configured and rolled out for providing policy based access for CBEC's officers to different applications. SSO ids have been created for about 19,000 officers. The mail messaging solution has been made online from Data Center to provide official mail accounts to 20,000 officers.
Local Area Network	Local Area Network Connectivity has already been provided to CBEC users in 1168 buildings with requisite IT hardware such as Thin Clients, Network Printers, Print Servers, and Scanners etc. Using LAN, the Commissionerates, Customs Houses, Directorates, Divisions, ICDs, Land Customs Stations and the Central Excise/Service Tax Ranges will be able to securely connect/access the central computing facility. With this the LAN Project has been completed except for sites facing shifting or other force majeure issues. Helpdesks have been provisioned to address user complaints on LAN issues.
3. Data Warehouse (DW)	CBEC's Enterprise DW called SmartView is a web-based analytical reporting solution that is specifically designed for fast querying and sophisticated analytical capabilities, using the latest Business Intelligence (BI) tools. It is the first of its kind in the field of taxation in India. It has the capability to extract the data from various online transactional systems

	such as ICES 1.5 (Customs), ACES (Central Excise & Service Tax Returns) and EASIEST (Central Excise & Service Tax Payments), at a regular pre-set frequency. CBEC's Data Warehouse is hosted on CBEC's centralized, consolidated IT infrastructure. It is expected to be a single repository for Indirect Tax data providing a holistic nation-wide view of the Customs, Central Excise and Service Tax data. This has enabled, for the first time, a 360 degree view of the taxpayer across Customs, Central Excise & Service Tax. SmartView has a user - friendly interface for accessing pre-defined reports and multi - dimensional analysis, along with an ad-hoc query facility. It also has data mining and text mining capabilities, which are being used to assist RMD in profiling entities involved in Import and Export. Around 75 Customs, Central Excise and Service Tax pre-defined reports have been developed so far in the Data Warehouse based on requirements taken from various field offices, Directorates (DRI, DGoV, DGCEI, etc), TRU, Board etc. There is no requirement for technical expertise to extract these reports or query the data from the DW portal and these reports are available to the user through CBECs applications' interface with a click of the mouse. The SmartView application has been rolled out for Departmental users and comprehensive end-use training has been imparted to a large number of officers. Additionally, the DW project team has also successfully implemented the TAX 360 project which enables Seamless Data Exchange between CBEC, CBDT and the Sales Tax Administration of the State of Maharashtra, and allows a 360 degree view of a taxpayer across Income Tax, Service Tax, Central Excise, Customs and State VAT. Other States such as Gujarat have requested for implementation of similar projects for their States.
4. e-payment of Customs duties	E-payment of Customs Duties has been made mandatory for payment of more than ₹ 1 lakh duty per Bill of Entry and for all ACP importers. Facility of e-payment is available as an option for all other importers also.
5. Electronic Data Interchange (EDI)	The upgraded version of the Customs EDI System (ICES, version 1.5) has been implemented at 111 Customs locations. The number of documents file in the period April 2011 to March 2012 is as follows: Bills of Entry : 3312776 Shipping Bills: 5257247 Import General Manifests: 264455 Export General Manifests: 246637
6. Goods and Services TaxNetwork (GSTN)	The implementation of GST requires (i) integration of indirect tax IT systems at Centre and States to provide standard and uniform interface to the tax payers and (ii) a robust settlement mechanism amongst the States and the Centre particularly in the context of the inter-state trade of goods and services (IGST). This is possible only when there is a strong IT Infrastructure and Service backbone which enables capture, processing and exchange of information amongst the stakeholders (including tax payers, States and Central Government, Banks and RBI). To give a concrete shape to these objectives, the Directorate General of Systems and Data Management has played the role of a Secretariat to the Empowered Group on IT Infrastructure for GST (EG) which included representatives from seven States. Based on EG recommendations and

	approval of Empowered Committee of State Finance Ministers, the Union Cabinet on April 12 2012, approved the setting up of Goods and Services Tax Network (GSTN SPV) as a non Government, not for profit, private limited Company. In the SPV, 49% equity would be held by Government, 51% by non Government institutions. GSTN would deliver shared services to various stakeholders, including taxpayers and tax authorities, before and after rollout of GST. DG (Systems) is currently providing support for the various steps leading to incorporation of the company. DG (Systems) is also coordinating a Pilot Project through NSDL covering Centre and States for GST implementation under the aegis of the EG . The following tasks have been completed - ➢ 'As-Is' Study of IT infrastructure & Processes for Centre and all States/ UTs ➢ PAN analysis of existing Dealer data for all States / UTs and Centre ➢ Development and Testing of the prototype modules for GST Registration, Return, Payments, payment reconciliation, credit verification and inter-state settlement. These modules are based on the interim business processes which are under discussion between Centre and States. ➢ Based on the above prototype modules, workshops have been conducted for officials and select dealers in the States of Maharashtra, Assam, West Bengal, Punjab, Gujarat, Delhi, Tamil Nadu, Orissa, Kerala and Jammu & Kashmir as also for select Central Excise and Service Tax formations in Chennai and Bangalore
7. ICEGATE	ICEGATE is an infrastructure project that fulfils the department's EC/EDI and data communication requirements. ICEGATE is a portal that provides e-filing services to the trade and cargo carriers and other clients of Customs Department. It creates Single Window environment and provide door step services. Through this facility the Department offers a host of services, including on-line, electronic filing of the Bill of Entry (import goods declaration), Shipping Bills (export goods declaration) and related electronic messages between Customs and the Trading Partners using communication facilities (E-mail, Web-upload & FTP) using the communication protocols commonly used on the internet. Besides, data is also exchanged between Customs and the various regulatory and licensing agencies such as DGFT, RBI, and DGCIS through ICEGATE. The National Import Database (NIDB) and Export Commodity Database (ECDB) for Directorate of Valuation are also being serviced through ICEGATE. All electronic documents/ messages being handled by the ICEGATE are processed at the Customs' end by the Indian Customs EDI System (ICES), which is running at 103 customs locations. In addition to e-filing, ICEGATE also provides host of other services like e-payment, on-line registration for IPR, Document Tracking status at Customs EDI, online verification of DEPB/DES/EPCG licences, IE code status, PAN based CHA data and links to various other important websites/ information pertaining to the Customs business.

9.13.5 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 websites: **www.cbec.gov.in**, **www.icegate.gov.in**, **www.aces.gov.in** .

Further, the following major initiatives have also been taken for upgradation of systems and moving towards e-mode.

9.14 RISK MANAGEMENT SYSTEMS (RMS)

9.14.1 As a measure of trade facilitation and effective enforcement through intelligent interdiction of only high risk cargo for customs examination, an Inter Ministerial Group (IMG) of finance, commerce and shipping ministries recommended implementation of Risk Management System (RMS) along with an assured customs clearance procedure for special clients having good track record and who meet specified criteria identified by the Customs.

9.14.2 Accordingly, the Central Board of Excise and Customs (CBEC) developed a risk management system in-house and starting with Air Cargo Complex, Sahar, Mumbai in December 2005, implemented it in 23 major Customs sea ports/airports covering about 85% of India's international trade. To operationalise the risk management system, the CBEC had issued a circular (43/2005 – Cus) on 24.11.2005.

9.14.3 The implementation of the RMS was one of the most significant steps in the ongoing Business Process Re-engineering and e-governance initiatives of the Central Board of Excise and Customs.

9.14.4 The objective of the Risk Management System (RMS) is to enable the Indian Customs Administration to strike an appropriate balance between trade facilitation and enforcement. Under the RMS, Bills of Entry filed by importers in the Indian Customs EDI System (ICES) are processed for risk and a large number of consignments are allowed clearance without examination based on the importers' self assessment. Other consignments go for assessment or examination or both depending on the evaluation of risk by the RMS.

9.14.5 All the qualified importers, who have demonstrated capacity and willingness to comply with the laws Customs department is required to implement and registered with the Risk Management Division, established vide the CBEC circular 23/2007 – Customs dated 28.06.2007 to implement the risk management system, under the Accredited Clients Programme (ACP), introduced vide the CBEC circular 42/2005 – Customs dated 24.11.2005**,** get assured facilitation. Except for a nominal percentage of consignments selected on a random basis by the RMS, or cases where specific intelligence is available or where a specifically observed pattern of non-compliance is required to be addressed, the ACP importers are allowed clearance on the basis of self assessment. There are 320 such ACP importers as on 01.12.2012. The CBEC vide circular 29/2010 – Customs dated 20.08.2010 extended the Accredited Clients Programme to the status holders under the Foreign Trade Policy.

9.14.6 Upon introduction of RMS, the erstwhile Concurrent Audit was replaced by Post Clearance Audit. Post Clearance Audit is carried out only on Bills of Entry selected by the Risk Management System for such audit. To take the post clearance audit to next level, the CBEC has recently introduced onsite post clearance audit (OSPCA). To begin with the onsite post clearance audit will be limited to ACP clients.

9.14.7 The implementation of RMS has revolutionized the customs import clearance process by cutting down the clearance times drastically. This measure has brought about drastic reduction in the dwell time of cargo and transaction costs for importers, and improved their global competitiveness. Thanks to remote filing of import documents using the internet web portal of Indian Customs **www.icegate.gov.in** , introduction of e-payment facility and implementation of RMS, today the Indian importers are able to clear their goods within a few hours.

9.14.8 In recognition of the impact the RMS made on the public delivery standards in general and customs clearance in particular, the Prime Minister's Award for Excellence in Public Administration was conferred for the year 2007-08 to the "Implementation of Risk Management System in Customs".

9.14.9 With the migration of ICES from version 1.0 to version 1.5 and from the earlier distributed environment to central environment at Delhi, the RMS application, which was running on a server located at RMD, Mumbai had also been moved to the central server at Delhi. A new version of Risk Management System (RMS 3.1) compatible with the ICES 1.5 version was developed.

9.14.10 The new version of Risk Management System (RMS 3.1) is operational in 79 Customs locations (as on 01.12.2012) including those 23 locations where old version (RMS 2.7) was in existence.

9.14.11 The Risk Management System for Exports is also ready and undergoing a series of pre-launch tests. The User Acceptance Test (UAT) of Export RMS is under progress in pre-production server. It is proposed to roll out Export RMS after completion of pre-production testing.

9.14.12 The Risk Management System for courier clearances has been developed and is ready for implementation. Risk Management System for courier clearances is in a very advanced stage and expected to be ready for implementation by December, 2012 and once Automation of courier clearances (ECS) goes online, tentatively scheduled for January, 2013, RMS shall also Go-Live simultaneously.

9.14.13 ARTS (Automated Recording and Targeting System) module of IPR, which has been implemented in the early 2008, has been further fine-tuned and made more user-friendly. The Centralized Bond Management module of ARTS is ready and waiting for the Board's approval for testing and implementation

9.14.14 A module for IGM based selection of containers for scanning on arrival at JNPT, Nhava Sheva was also developed by the Risk management Division and successfully implemented. The entire application was migrated to the central server and made it compatible with RMS 3.1.

9.14.15 The long pending issue of legitimacy of systems driven selective assessment in the absence of express provisions in the Customs Act was addressed in this year's union budget by introducing the concept of self-assessment.

Implementation of RMS in Export Promotion Scheme

- Risk Management System in Export Promotion Schemes, covering about 21 such schemes, has been implemented at all 79 EDI locations as of now and the RMD officers have been in constant touch with the field formations to ensure effective and hassle-free implementation and operation in respect of above EDI locations.

RMS Training Programmes

- The Risk Management Division has been in the forefront of training Customs officers of various countries. Delegates from Mexico, Laos, Australia and Dubai have been trained by the Risk Management Division in Risk Management System. In addition, the RMD officers have visited many Customs field formations in the country and imparted on the job training to the Customs officers. The RMD officers have also actively associated in the RMS training programmes of NACEN, Faridabad, Mumbai and Kanpur.

ARTS for enforcement of IPR provisions

- ARTS (Automated Recording and Targeting System) module of IPR, which has been implemented in the early 2008, has been further fine-tuned and made more user-friendly.
- The Centralised Bond Management module of ARTS is ready and waiting for the Board's approval for testing and implementation.

IGM based Container Scanning

- A module for IGM based selection of containers for scanning on arrival at JNPT, Nhava Sheva has been developed by the Risk management Division and successfully implemented.

Accredited Clients Programme (ACP)

The Central Board of Excise & Customs (CBEC) has introduced **Risk Management based solution** as the **Risk Management System (RMS)** with the **"Accredited Clients Programme" (ACP)** as its major component. The objective of the programme is to grant assured facilitation to importers who have demonstrated capacity and willingness to comply with the laws Customs department is required to implement. With the implementation of the RMS, this programme has replaced all existing schemes for facilitation in the sites where RMS is implemented. The **Risk Management based solution as** the **RMS** with the **ACP** has been implemented for the import cargo clearance in the country w.e.f. November, 2005 vide Board's circular No. 42/2005-Cus. dated 24.11.2005 issued vide F.No. 450/66/2005-Cus IV.

The objective of the RMS is to enable the department to strike an appropriate balance between trade facilitation and enforcement of law relating to Customs, Excise and Service tax. Under the RMS, Bills of Entry filed by importers in the Indian Customs EDI System (ICES) are processed for risk and about 70% of the consignments are allowed clearance based on the importer's self-assessment without examination, after checking the marks and numbers on the packages or in the case of Full Container Load (FCL Cargo), the container numbers and seals, and after taking over the relevant documents from the importers. Other consignments are routinely going for Appraisement or Examination or both depending on the evaluation of risk by the RMS.

Importers accredited under the Accredited Clients Programme form a separate category to which assured facilitation is being provided. Except for a nominal percentage of consignments selected on random basis by the RMS, or cases where specific intelligence is available or where a specifically observed pattern of non-compliance is required to be addressed, the ACP status holders are being allowed clearance on the basis of self-assessment i.e. as a matter of course, clearance is being allowed on the basis of the importer's declarations, and without examination of goods. Further, this benefit has been made available only to the registered Accredited Clients at all the ports in the country where EDI and the RMS are operational. This measure has certainly brought about drastic reduction in the dwell time of cargo and transaction costs for such importers.

For qualifying for the ACP, the applications have to satisfy any one of the criteria set out at para 7 of the Board's Circular No. 42/2005-Cus. dated 24.11.2005. Further, the accreditation is being granted for a period of one year at a time and is renewable thereafter upon a review of the compliance record of the Accredited Client.

The importers who have been granted the ACP status are required to maintain high level of compliance. It is closely monitored by the Risk Management Division in co-ordination with the Commissioners of Customs and where compliance levels fall, the importer is first informed for improvement. In case of persistence non-compliance, the importer is deregistered from the Programme.

The ACP is a major element of the Risk Management strategy of the departments whereby certain importers are identified as highly compliant who are titled as ACP Client and are given assured facilitation by the RMS. Thus, the ACP has been designed to provide recognition and the incentive of facilitation to importers who maintain high levels of compliance. Total number of ACP status holders as on 01.12.2012 is 320.

Upon introduction of RMS, Concurrent Audit has been replaced by Post Clearance Audit (PCA) for all importers other than ACP status holders. Post Clearance Audit is being carried out on Bills of Entry selected by the Risk Management System. In the case of ACP status holders compliance is verified through On-site PCA (OSPCA) which is conducted post clearance in the business premises of the importer.

Compulsory compliance requirements

A consolidated database of compulsory compliance requirements (CCRs) arising out of the Customs Act and various other allied enactments administered by other government departments (OGDs) and implemented by Customs at borders have been made available to public through the CBEC website. It also includes import duty calculator for all goods. With the help of this database, an importer can know the Customs duty to be paid including compliance requirements to be met under various enactments as applicable to the commodity to be imported.

9.15 SEVOTTAM

9.15.1 As a part of the Central Government initiative to improve the quality of public services, the Central Board of Excise & Custom (CBEC) has been identified as one of the 10 organizations with large citizen interface for implementing 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".

9.15.2 An 'Implementation Committee', was set up in August, 2007 by the Board (CBEC) with the Director General of Inspection (DGI) as its Chairman, to carry out the task of 'Sevottam' implementation. A consultant was also nominated for CBEC by the Department of Administrative Reforms & Public Grievances (DARPG).

9.15.3 The Citizen's Charter, revised in terms of the requirements of IS 15700: 2005 (Quality Management Systems – Requirements for Service Quality by Public Service Organizations) was prepared by the Implementation Committee and issued on 1st December, 2008 after approval from the Board. The service organizations are also required to establish a documented procedure for complaints handling process, for which the CBEC has adopted the Centralized Public Grievance Redress and Monitoring (CPGRAM) System in May, 2009.

9.15.4 Creation of delivery infrastructure to meet commitments given in the Citizens' Charter is essential to sustain services. CBEC has decided to implement this in phases in its field offices. In Phase-I, four formations i.e. Central Excise Commissionerate Delhi-I, Customs Commissionerate (I&G), Delhi, Service Tax Commissionerate Delhi & Directorate General of Inspection as Apex

9.15.5 Office, were identified by the Core Group / Implementation Committee in 2009 as Pilot Commissionerates for implementation of Sevottam. A Service Quality Manual (SQM) was approved by CBEC for replicating this in all field formations.

9.15.6 After Internal assessment of Service delivery with time norms at all the pilot Commissionerates, the BIS awarded the Pilot Commissionerates Sevottam Certificate License No. CRO/SQSC/L-8000035 as per IS 15700:2005 in 2010.

In Phase-II, the following 20 Commissionerates were selected by the Board in October 2010 for Sevottam Roll out:

- Central Excise Commissionerate Ahmedabad-I, III, Rajkot, Delhi-II, Delhi-III, Rohtak, Mumbai-III, Belapur & Jaipur-I
- Customs Commissionerates Bangalore, Mangalore, Chennai (Sea-Import), Chennai (Sea-Export), Chennai (Airport & Air Cargo), Delhi (ICD), Mumbai (Airport), Mumbai (Import), Mumbai (Export), Mumbai (General) & Kolkata (Port)
- Out of the 20 Commissionerates, 7 offices have been IS 15700 certified. These are Belapur CX, Rajkot CX, Ahmedabad I CX, Ahmedabad III CX,

Mumbai III CX, Jaipur I CX and Mumbai (Airport). Hyderabad-III CX Commissionerate has suo moto initiated Sevottam implementation and has been certified by the BIS. 3 offices, namely, Delhi III CX and Mumbai General (Mulund CFS) and Hyderabad I CX are at BIS audit stage.

At present 11 offices of CBEC are Sevottam Certified and 3 more are Sevottam ready.

Training on Sevottam was also organized by BIS / NACEN at NITS Noida, Bhopal, Jaipur, Mumbai, Kanpur, Nagpur, Bangalore & Chennai etc. for sensitizing the officers of Customs & Central Excise. Specific training at Commissionerates is also organized.

To systematize citizen facilitation, an all India Helpline proposal has been approved by Board. It is being scrutinized by Ministry for financial implication. As per the IFU advice in May 2011, DGICCE invited bids in October. 4 bidders have been shortlisted after technical evaluation.

An analysis of grievance redressal system (CPGRAMS) has been completed for the grievances received in last 2 years. Based on this analysis, which highlights the areas for improvement, instructions have been issued by the Board for streamlining the redressal system. A management review meeting to assess SEVOTTAM performance was conducted in November 2011.

Start of phase III:

Board issued instructions in November, 2011 for the roll out of SEVOTTAM in 47 new formations in phase III. This includes 29 CX formations, 12 Custom Houses and 6 Service Tax formations.

Phase-I(Pilot) (Certified) (Nov. 2010)	Phase-II Vide CBEC F.No.296/34/2010-CX.9 dated 11.10.2010) (On going since October, 2010	Initiated Sevottam by itself	Phase-III Proposed (Vide CBEC F.No.296/34/2010-CX9 dated18.11.2011) (November 2011 onwards)		
			Central Excise	**Customs**	**Service Tax**
1. DGICCE 2. Delhi-I (CX) 3. Delhi (ST) 4. Delhi Customs (Import & Genera)	**CENTRAL EXCISE** *1. Ahmedabad-I (Certified) (May 12)* *2. Ahmedabad-III (Certified) (June 12)* *3. Rajkot (Certified) (June 12)* *4. Mumbai-III (Certified) (June 12)* *5. Belapur (Certified) (June 12)* 6. Delhi-II 7. Delhi-III (at BIS Audit) 8. Rohtak *9. Jaipur-I (Certified) (May 12)* **CUSTOMS** *10. Mumbai (Airport) (Certified) (June 12)* 11. Bangalore 12. Mangalore 13. Chennai (Sea-Import 14. Chennai (Sea-Export) 15. Chennai (Airport & Air Cargo) 16. Delhi (ICD) 17. Mumbai (Import) 18. Mumbai (Export) 19. Mumbai (General) (at BIS Audit) 20. Kolkata (Port)	*1. Hyderabad-III (Certified)(June 11)* 2. Hyderabad-I (at BIS Audit) 3.Hyderabad (Appeals) 4. Ahmedabad-II CX	1. Bangalore-I 2. Bhopal 3. Indore 4. Bhubaneswar-I 5. Bhubaneswar-II 6. Chandigarh-I 7. Chennai-I 8.Thiruvananthapuram 9. Coimbatore 10. Hyderabad-II 11. Jaipur-II 12. Siliguri 13. Allahabad 14. Lucknow (CX) 15. Mangalore 16. Mysore 17. Meerut-I 18. Meerut-II 19. Aurangabad 20. Nagpur 21. Pune-I 22. Pune-III 23. Patna 24. Ranchi 25. Guwahati 26. Shillong 27. Surat-I 28. Surat-II 29. Visakhapatnam-I	30.Ahmedabad (Customs) 31. Kandla 32. Tuticorin 33. Cochin Customs 34. Customs (IGI Airport) 35. Amritsar 36. Kolkata (Airport & Admn) 37.Nhava Sheva (Import) 38.Nhava Sheva (Export) 39. Mumbai Air Cargo (Import) 40. Mumbai Air Cargo (Export) 41. Lucknow (Customs)	42.Ahmedabad-(ST) 43.Bangalore- (ST) 44.Chennai- (ST) 45.Kolkata-(ST) 46.Mumbai -(ST-I) 47.Mumbaiï (ST-II)

9.16. Gender Issues/Empowerment of Women

9.16.1 A Committee on sexual harassment has been constituted in each Commissionerate/ Directorate on the recommendations of Hon'ble Supreme Court and National Commission for Women to look after the complaints of women.

The work of specific initiatives for improvement / welfare of women has been entrusted to Directorate of Human Resources Development so that gender issues can be addressed promptly and with greater ease and efficiency. **An amount of Rs 42,25,000/- was sanctioned in 43 cases as ex-gratia to the wives of the employees who died while in service.**

9.16.2 The amount granted as ex-gratia financial assistance to the widows/ dependents of the Departmental officials **was enhanced with effect from 03.10.2012 as follows:**

a. Compensation to the widows/dependents of Departmental officials in cases of death of officials engaged in the anti-evasion/ anti-smuggling, anti-narcotics operations has been enhanced from Rs. 5 Lakh to **Rs. 7.50 lakh**.

b. Compensation in cases of death in harness/ permanent disability sustained in performance of official duties has been enhanced from Rs. 1 lakh to **Rs. 2 lakh.**

c. As a new initiative, w.e.f. 3.10. 2012, an amount of **Rs. 3 lakh** is granted to the widow/ dependents of official in case of death occurring in case of accidents / incidents of violence by terrorists, anti-social elements, etc. while on duty.

9.16.3 In Cash Award scheme, 2009, the eligibility criterion for the girl child has been relaxed by reducing 5% and also amount of Cash Award is Rs.1,000/- more than the boys. In Scholarship Scheme, eligibility criterion has been relaxed for the girl child in terms of rank they obtain in the All India Entrance Test/Examination.

9.16.4 Out of total of 1784 Cash Awards granted during the financial year 2012-13, 1032 Cash Awards were granted to the girl children of Departmental officials.

9.17 **Activities undertaken for Disability Sector, SCs & STs and Other Weaker Section of Society**

9.17.1 The policy of reservation for SCs/STs/OBCs and disabled persons in Government employment, in direct recruitment and promotion, has been followed in letter and spirit. The matter concerning representation of SCs/ STs/OBCs and Persons with Disabilities in CBEC are attended on priority and their grievances are sorted out. Two statements showing representation of Scheduled Castes and Scheduled Tribes and other Backward Castes and representation of the persons with disabilities, as on 1 January, 2012 in CBEC, are given in Annexure **I** & **II** (at the end).

9.17.2 Cash Award Scheme: the meritorious children of departmental officials are awarded with Cash Award on the basis of their performance in Board Examination of class 10th & 12th standard. Under that Scheme, the eligibility criterion, i.e minimum percentage of marks obtained in the Board exams has been reduced for SC/ ST/OBC categories. The eligibility criterion has been relaxed by 10% for SC/ST category and 6% for OBC category.

9.17.3 Scholarship Scheme: scholarship scheme is in operation in which scholarship to the children of officers/ staffs of the department are granted for pursuing professional courses at under graduate level. Under Scholarship Scheme, eligibility criterion has been relaxed for the children of Departmental officers/staff belonging to SCs/STs/OBCs categories, i.e they are eligible for grant of scholarship irrespective of ranks once they secure admission on the basis of common entrance test.

9.17.4 Scholarships are also granted to the children of the Departmental officials where admissions have been secured by them on the basis of the percentage secured in the 12th exams. The eligibility criterion has been relaxed for the children belonging to the SC/ST/OBC categories wherein, the SC/ST category candidates require 10% lower and that of OBC category 6% lower than the percentage required for general category for grant of scholarships.

9.17.5 A total of 1784 Cash Awards were granted during the financial year 2012-13. Out of these, 668 Cash Awards were granted to the children of Departmental officials belonging to SC/ST/OBC categories.

10. CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL

10.1.1 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 ₹10,00,000/-[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.

10.1.2 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.

10.1.3 The Tribunal is headed by the President. There are two posts of Vice-President and 18 posts of Members (Judicial) and Members (Technical).

10.1.4 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	Institution of Appeals	Disposal of Appeals
From April 2012 to November,2012.	12,661	7,584

10.2 E-Governance activities:

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. Efforts are being made to streamline all the benches. CESTAT Chennai, Bangalore, Kolkata and Ahmedabad are in active consideration. Timely updation of judgements, cause list and other information have been done in the website on day to day basis.

11. CUSTOMS & CENTRAL EXCISE SETTLEMENT COMMISSION

11.1 Function & Working of the Organization.

11.1.1 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 Chairmen 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 as an Attached Office of the Ministry of Finance.

11.1.2 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."

11.1.3 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.

11.1.4 By the Finance Act, 2007, drastic amendments were made in the provisions relating to settlement under the Central Excise Act, 1944 and the Customs Act, 1962. This has considerably reduced the scope of the cases in which the assessees, importers and exporters can seek the settlement of the disputes. However, these amendments were reversed in the Budget, 2010, whereby the Settlement Commission was once again allowed to settle cases involving clandestine removal in Central Excise and in respect of those cases of Customs where goods had not been mentioned in bill of entry. This has resulted in increase in number of applications being filed in this Commission seeking settlement.

11.2 Highlights of the Performance and achievements of the Commission during the Year is given below:

No. of applications received during 2012-13 (up to October, 2012)	No. of applications disposed during 2012-13 (up to October, 2012)	Duty Settled (₹in crore) during 2012-13 (up to October, 2012)
804	615	83.76

11.3 Year-wise Performance/achievements of the Customs & Central Excise Settlement Commission :-

Chart Showing Receipt & Disposal of Cases/Applications Upto 2012							
Year	Receipt		Disposal				
			Rejected		Settled		
	No. of Cases	No.of Applications	No. of Cases	No.of Applications	No. of Cases	No.of Applications	Duty Settled (₹In crore)
1999-2000	3	3	1	1			
2000-01	139	327	16	28	52	146	21.28
2001-02	224	559	42	63	75	153	26.64
2002-03	321	656	53	105	176	365	187.51
2003-04	374	753	76	141	211	431	114.04
2004-05	545	1273	98	205	483	1143	181.25
2005-06	656	1587	137	283	532	1207	129.09
2006-07	816	1960	104	219	580	1434	239.02
2007-08	594	1596	157	369	809	2274	507.92
2008-09	231	857	59	124	162	569	125.43
2009-10	198	723	27	68	163	599	67.36
2010-11	365	885	39	103	254	770	114.33
2011-12	375	959	71	247	301	702	462.48
2012-13 (upto Oct, 12)	337	804	39	73	193	542	83.76
Total	**5178**	**12942**	**919**	**2029**	**3991**	**10335**	**2260.11**

12. Authority for Advance Rulings (Central Excise, Customs & Service Tax)

12.1 Functions and working of the Organisation

12.1.1 A scheme of Advance Rulings (Central Excise, Customs & Service Tax) was incorporated in the Customs Act, 1962, the Central Excise Act, 1944 and in the Finance Act, 1994 by the Finance Acts of 1999 and 2003 to provide for issue of binding Rulings, in advance, on Customs, Central Excise and Service Tax matters. The scheme is intended to provide certainty to intending investors. Statutory changes have been brought out to expand the ambit of the Authority over a period of time.

12.1.2 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.

12.1.3 Under the scheme of Advance Rulings the following categories of investors are eligible to apply for a 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;

d) a joint venture in India, that is to say 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 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. The Central Government has specified the following categories of persons as being eligible to seek advance rulings:-

(i) Any Public Sector Company;

(ii) Residents proposing to import goods under the project import facility (heading 9801 of the Customs Tariff) for seeking rulings under the Customs Act, 1962;

(iii) Residents proposing to import goods from Singapore under the Comprehensive Economic Co-operation Agreement for seeking rulings on origin of goods under the Customs Act, 1962.

(iv) Resident Public Limited Company.

12.1.4 Advance rulings can be sought in respect of the following questions/issues:

i. Classification of goods under the Customs Tariff Act, 1975, and Central Excise Tariff Act, 1985 and taxable services under Chapter V of the Finance Act, 1994;

ii. Principles of valuation under the Customs Act, 1962, and the Central Excise Act, 1944;

iii. Valuation of taxable services for charging service tax under the Finance Act, 1994;

iv. 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 notifications issued under Chapter V of the Finance Act, 1994;

v. Admissibility of input-tax credit under Central Excise Law;

vi. Admissibility of credit of duty or tax in terms of the rules made in this regard ;

vii. Determination of origin of goods in terms of the rules notified under the Customs Tariff Act, 1975 and matter related thereto;

viii. Determination of liability to pay duties of excise on any goods under Central Excise Act, 1944;

ix. Determination of the liability to pay service tax on a taxable service under the provisions of Chapter V of the Finance Act, 1994.

12.1.5 The process of obtaining an advance ruling is simple, inexpensive and transparent. A fee of ₹2500/- has 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 Authority are binding on the 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 and Service tax laws. An Advance Ruling remains valid unless there is a change in law or the facts on the basis of which the ruling was pronounced.

12.1.6 Advance rulings would indicate, in advance, the duty liability in respect of an óactivityô, viz. óimportô or óexportô under the Customs Act, óproductionô or ómanufactureô of goods under the Central Excise Act and ótaxable servicesô under the Service Tax law, proposed to be undertaken by an applicant. (Service Tax is administered by Central Excise officers).

12.2 Performance/achievements upto the last year :

12.2.1 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 Notification 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 Notification No. 17/2003-S.Tax (N.T.) dated 23.07.2003. The procedure to regulate the functioning of the Authority was laid down vide Authority for Advance Rulings (Procedural) Rules, 2003 issued vide Notification No. 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 Authority for Advance Rulings (Central Excise, Customs and Service Tax) Procedure Regulations, 2005 issued vide Notification No. 1/2005-AAR dated 07.01.2005.

12.2.2 The first application for seeking an advance ruling was received on 20.11.2002. During the period 20.11.2002 to 31.12 2012, 173 applications were received, out of which rulings were pronounced in 95 cases (71 relating to Customs, 15 relating to Central Excise and 09 relating to Service Tax). During this period, orders were also issued in 60 cases [25 relating to Customs issued under section 28I (2) of the Customs Act, 1962, 09 relating to Central Excise issued under section 23 D(2) of the Central Excise Act, 1944 and 26 relating to Service Tax issued under section 96 D(2) of the Finance Act, 1994]. Two applications were withdrawn by the applicants within 30 days for which no formal orders permitting withdrawal were required to be issued under the provisions relating to advance rulings. Sixteen applications were pending as on 31.12.2012.

12.3 Highlights of performance and achievements during the year

12.3.1 For the period from 01.04.2012 to 31.12.2012, 14 applications seeking advance ruling were received. During the period, the total number of applications for pronouncement of advance rulings with the Authority was 21 including three of the previous year and also four applications which were reopened in view of Hon'ble Gujarat High Court Order. Out of 21 applications, five applications have already been disposed of.

12.3.2 During the period supra, the provisions of Clause (e) of sub-section (2) of Section 96 C of Finance Act, 2012 w.e.f 28.05.2012 so as to read as follows:

> "admissibility of credit of duty or tax in terms of the rules made in this regard"
>
> [Prior to substitution, Clause (e) was read as "admissibility of credit of service tax"].

13. CENTRAL BOARD OF DIRECT TAXES

13.1 ORGANIZATION AND FUNCTIONS

13.1.1 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)
  - d) Directorate of Income Tax (TDS)
  - e) Directorate of Income Tax (Audit)

(ii) Directorate General of Income Tax (Systems)

(iii) Directorate General of Income Tax (Logistics)
  - a) Directorate of Income Tax (O&MS)
  - b) Directorate of Income Tax (Infrastructure)
  - c) Directorate of Income Tax (BPR)
  - d) Directorate of Income Tax (Expenditure Budget)

(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)

13.1.2 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 (Exemption) supervises the work of exemption and DGIT (International Taxation) supervises 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 the tax payers and the assessing officers. The Income Tax department has presence in 530 cities and towns across India. With a taxpayer base of around 3.6 crore, the Income Tax department interfaces with almost every urban family in the country.

13.2 DIRECT TAX COLLECTIONS

Revenue collection from Direct Taxes has been growing consistently. The Direct Tax Collection as a percentage of GDP has grown from 2.68% in F.Y. 1998-1999 to 5.59% in F.Y. 2011-12 as a result of improved tax administration and better tax compliance.

An amount of Rs. 4,94,799 crore (Provisional) was collected during FY 2011-12 at a growth rate of around 10.71% over previous year's corresponding collection of Rs 4,46,935 crore. During the current financial year up to November 2012, collections aggregated ₹270,731 crore as against the Budget Estimate of ₹5,70,257 crore for the Financial Year 2012-13. This is 47.48% of the total BE. The rate of growth of net direct tax collection is 15.04%.

The performance on the Direct Taxes front is commendable considering the fact that the cost of collection has decreased from 1.36% in the FY 2000-2001 to 0.60% during FY 2011-12 being one of the lowest in the world i.e. the Department spends only 60 paisa for each 100 rupees collected.

Table: BE-RE-Actual Collection (₹Crore)

BUDGET ESTIMATES, REVISED ESTIMATES AND ACTUAL COLLECTIONS

(In ₹Crore)

Financial Year	Budget Estimate	Revised Estimate	Actual Collection	Growth Rate of Actual Collection over last year	%age of Budget Estimates Achieved	%age of Revised Estimates Achieved
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	165216	24.44%	93.30%	97.14%
2006-07	210684	229272	230181	39.32%	109.25%	100.40%
2007-08	267490	304760	312213	35.64%	116.72%	102.45%
2008-09	365000	345000	333818	6.92%	91.46%	96.76%
2009-10	370000	387008	378063	13.25%	102.18%	97.69%
2010-11	430000	446000	446935	18.22%	103.94%	100.21%
2011-12*	532651	500651	494799	10.71%	92.89%	98.83%

** The figure for the year 2011-12 are subject to audit.*

COST OF COLLECTION

(₹in crore)

FINANCIAL YEAR	TOTAL COLLECTION (₹Crore)	TOTAL EXPENDITURE (₹Crore)	Expenditure as % of Collection (Revenue)
1995-96	33,384	430	1.29%
1996-97	38,895	486	1.25%
1997-98	48,280	715	1.48%
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	165,216	1194	0.72%
2006-07	230,181	1349	0.59%
2007-08	314,330	1687	0.54%
2008-09	333,818	2248	0.67%
2009-10	378,063	2726	0.72%
2010-11	446,935	2698	0.60%
*2011-12	494,799	2979	0.60%

*FIGURES FOR THE F.Y. 2011-12 ARE PROVISIONAL
Source: Pr.CCA, CBDT.

DIRECT TAX GDP RATIO

(Rs in crore)

FINANCIAL YEAR	NET COLL.OF DIRECT TAXES.	(₹in crore)	DIRECT TAX GDP RATIO	GDP GROWTH RATE%	TAX GROWTH RATE	BUOYANCY FACTOR (%)
1998-99	**46600**	1740985	2.68%	**14.35%**	**-3.48%**	-0.24
1999-00	**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**	3242209	4.10%	**17.70%**	**26.34%**	1.49
2005-06	**165216**	3693369	4.47%	**13.92%**	**24.44%**	1.76
2006-07	**230181**	4294706	5.36%	**16.28%**	**39.32%**	2.42
2007-08	**312213**	4987090	6.26%	**16.12%**	**35.64%**	2.21
2008-09	**333818**	5630063	5.93%	**12.89%**	**6.92%**	0.54
2009-10	**378063**	6457352	5.85%	**14.69%**	**13.25%**	0.90
2010-11	**446935**	7674148	5.82%	**18.84%**	**18.22%**	0.97
2011-12*	**494799**	8855797	5.59%	**15.40%**	**10.71%**	0.70

Source : Pr CCA CBDT and Economic Survey 2012-13/CSOI

Table: Arrear Demand for Financial Years 2010-2011 and 2011-2012 ('Rs. in Crore)

		Financial Year 2010-11	Financial Year 2011-12
A	Total Outstanding Demand	3,33,079	4,82,027
B	Reason wise Analysis		
	1. Amount Not Fallen Due:	41,448	70,445
	2. Amount difficult to recover including, amounts stayed by I.T. Authorities, Courts etc.:	2,71,143	3,87,614
C	Net Collectible Demand (A-B)	20,488	23,968
D	Cash collection during the year	12011	21882

13.3 Results Framework Document 2012-13 (RFD)

The Central Board of Direct Taxes has through its RFD for the FY 2012-13 reiterated its commitment to focussed effective and meaningful implementation of the taxpayer services that will also facilitate voluntary compliance. The RFD for FY 2012-13 has the following objectives:

i. Better communication with taxpayers

ii. Better management and development of human resources in the Income Tax Department to enhance taxpayer services

iii. Strengthening IT enables services for taxpayer services

To achieve these objectives, specific goals were set for five Directorates i.e. Directorate General of Human Resource Development, Directorate General of Systems, Directorate General of Administration, Directorate General of Vigilance and Directorate General of Logistics to ensure that tangible and recordable progress is made within the specified time lines. The progress on RFD was monitored vis-a-vis the commitments made in the document.

13.4 ANNUAL CONFERENCE

The 28th Annual Conference of Chief Commissioners and Director General of Income Tax was held on 11th and 12th June, 2012. In his key note address, the Finance Minister acknowledged that Direct tax collections had seen tremendous growth due to policy innovations, rationalization of tax structure, improvement in tax administration and tax payer's services through intensive use of technology. He emphasized that there was a need to improve the tax-GDP ratio by augmenting tax collections by improving tax administration by leveraging technology and facilitating public interface, where required, through appropriate training and capacity building. The issues of revenue augmentation, promoting voluntary compliance, real time exchange of information on cross-border transactions with other jurisdictions, effective policy response to check the menace of black money were also emphasized.

The Finance Minister's Conference of Chief Commissioners and Directors General of Income Tax was also convened on 3rd September, 2012. The Finance Minister emphasized the need for non-adversarial tax administration, stable tax regime, clarity and simplicity in the law, focus on the big taxpayers and dialogue with them.

13.5 DIRECT TAXES ADVISORY COMMITTEES

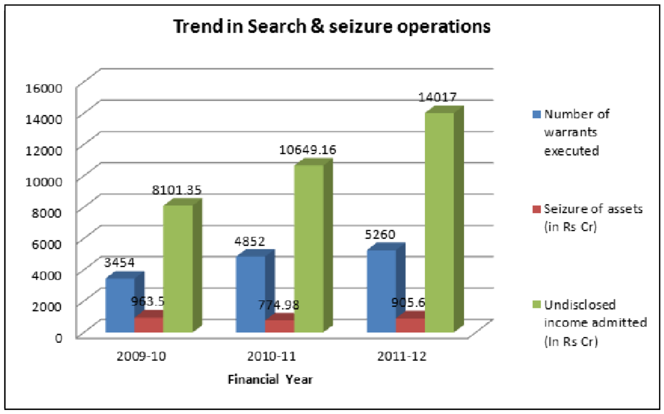
With a view to encouraging mutual understanding between taxpayers and Income Tax officials and to advise the Government on measures for removing difficulties of general nature pertaining to Direct Taxes, a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 61 Regional Direct Taxes Advisory Committees (RDTAC) 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.

13.6 Measures to combat tax evasion

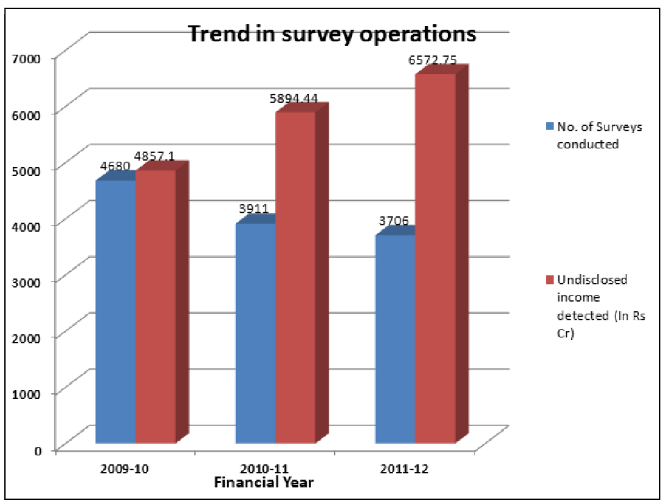
13.6.1 Search, Seizure & Surveys

During the Financial Year 2011-12, the Income Tax Department conducted searches encompassing various sectors / trades of the economy which included real estate, manufacturing, trading, infrastructure, bullion and jewellery, trading in shares and commodities, financial services, etc. The broad modus operandi of tax evasion detected during the searches included acceptance of part sale consideration / receipts in cash that were not accounted for, booking of bogus expenses by obtaining bogus purchase bills, inflating fixed assets' cost, out-of-books sales, unexplained investment, unexplained expenditure, etc. As a result of the searches carried out by the Income Tax Department, in some of the cases admission of undisclosed income in excess of ₹100 crore each was made by the business groups. During the searches conducted by the Department, in some cases undisclosed foreign bank accounts maintained by certain assessees were detected. The assessment and further proceedings are in progress in such cases. The total amount of undisclosed income admitted during the searches conducted during F.Y. 2011-12 was ₹14,017 crore. Undisclosed assets of about ₹905.61 were seized in searches during the same period. Further, the Income Tax Department has detected undisclosed income of about ₹6572.75 crore in surveys in the same period.

The trend in respect of number of warrants executed, assets seized and undisclosed income admitted in the searches conducted during last three FYs (2009-10 to 2011-12) is as per the following graph:-



The trend in respect of number of surveys conducted and undisclosed income detected in the surveys conducted during last three FYs (2009-10 to 2011-12) is as per the following graph:-



13.6.2 Direct Taxes' Investigation relating to Commonwealth Games (CWG), 2010 & Cases relating to allotment of 2G Spectrum licenses

Investigation has been conducted from the perspective of direct tax evasion in cases of certain entities that have executed contracts in respect of Commonwealth Games (CWG), 2010. The assessments of the cases where search / survey or other enquiry was conducted in relation to CWG, 2010 are in progress.

Investigation has been undertaken in the cases of entities related to the matter of allotment of 2G Spectrum licenses, from the perspective of direct tax evasion. The focus of the investigations is on the sources of investment and assessment of incomes.

13.6.3 Prosecutions

During the Financial Year 2011-12, prosecutions were launched in 197 cases. Further, out of 593 prosecution cases disposed off during this period, 14 cases resulted in conviction besides fiscal compounding in 397 cases.

13.6.4 Information received under Double Taxation Avoidance Agreements (DTAAs), Tax Information Exchange Agreements (TIEAs)

Based upon information received since March, 2009 under DTAAs regarding foreign bank accounts maintained by certain persons, tax evasion of about ₹600 crore has been detected and taxes of about ₹200 crore have been realized. Prosecution proceedings have so far been launched in 17 such cases. Enquiries and assessment proceedings in many such cases are part of ongoing process.

Information received from different countries under automatic exchange of information arrangement is under verification. In a number of cases, additional income from undisclosed foreign sources has been brought to tax.

13.6.5 Study on estimation of unaccounted income / wealth both inside and outside the country

The Government has commissioned a study on estimation of unaccounted income / wealth both inside and outside the country. The study is being conducted by three Institutes separately which are National Institute of Public Finance and Policy (NIPFP), National Institute of Financial Management (NIFM) and National Council of Applied Economic Research (NCAER) with inputs from various sources. The study is expected to be completed by the end of the F.Y. 2012-13.

13.6.6 Expenditure Monitoring During Elections

CBDT is coordinating with the Election Commission of India (ECI) for tracking and monitoring expenditure on elections.

13.6.7 Committee to examine the measures to strengthen the existing legal and administrative framework to deal with the menace of generation of black money

In order to strengthen existing laws dealing with black money, the Government constituted a Committee under Chairmanship of the Chairman, CBDT to examine the measures to strengthen the existing legal and administrative framework to deal with the menace of generation of black money. The Committee submitted its report to the Government on 29th March, 2012. The report was examined. The recommendations made in the report require action by different Ministries, Departments and Agencies of the Central and State Governments. This involves bringing fresh legislation or amending existing laws and procedures, as also creating new institutions / administrative structures wherever required. The report was forwarded to all concerned Ministries / Departments / Agencies of the Central Government, and also to the State Governments for further necessary action.

13.6.8 Directorate of Criminal Investigation (DCI)

A Directorate of Criminal Investigation (DCI) has been created to assist the CBDT tracking financial transactions relating to illegal / criminal activities, including illicit cross border transactions, from the direct taxes angle. Creation of DCI is also in line with FATF recommendations to exclusively deal with tax crimes, including direct taxes. The Directorate also continues to do the intelligence functions aimed at widening and deepening of the tax base.

13.6.9 Inputs from FIU-IND

Inputs received from FIU-IND have been beneficially used in many cases investigated by the Income Tax Department. Sustained investigations based upon some of the inputs have resulted in successful search and seizure operations

13.6.10 Strengthening of Anti-evasion Legislative Measures

Various anti-evasion measures have been taken in the Finance Act, 2012 which include the following ï

a) Reporting by residents of assets held outside the country.

b) Reopening of assessments up to 16 years for taxing undisclosed assets kept outside the country.

c) Provisions under section 68 (unexplained cash credits) made more stringent by introducing the requirement of explanation of source of the source in case of companies in which public are not substantially interested.

d) Taxation of amounts charged under sections 68 (unexplained cash credits), 69 (unexplained investments), 69A (unexplained money, etc.), 69B (amounts of investments, etc. not fully disclosed in books of accounts), 69C (unexplained expenditure, etc.) and 69D (amount borrowed or repaid on hundi) at maximum rate of 30%.

e) Tax collection at source (TCS) on trading of minerals being coal or lignite or iron ore, bullion and jewellery in certain cases.

f) Penalties imposable on undisclosed income admitted during searches conducted after 01.07.2012.

g) Director of Income-tax empowered to sanction prosecution.

h) Introduction of enabling provisions for setting up Special Courts and Special Public prosecutors to fast-track prosecution cases.

13.7 WIDENING OF TAX BASE, ASSESSMENT AND REFUNDS

13.7.1 Widening of the Tax Base

The number of new assesses added during the F.Y. 2012-13 upto 30.9.2012 is 1,21,457. Statistics showing the number of assessees over the last 7 years is a follows:-

S. No	Financial Year	Total number of assesses as on 31st March of F.Y(₹in lakh)
1	2006-07	319.26
2	2007-08	326.87
3	2008-09	333.98
4	2009-10	347.73
5	2010-11	355.48
6	2011-12	363.45*
7	2012-13 (upto September 2012)	330.43

Source: CAP-II, *Source: DG(Logistics)

13.7.2 Disposal of refund claims

After processing of returns, the number of refunds granted is as follows:

S. No	Financial Year	Number of refunds encashed (in lakh)
1	2010-11	80.45
2	2011-12	105.45
3	2012-13 (upto 30.11.2012)	49.74

Source: DGIT (Systems)

13.7.3 Valuation Cell:

Valuation Cell has statutory powers in respect of the following:

i. Determining the value of properties for purposes of Wealth Tax and Capital Gains tax.

ii. Determining the fair market value of attached properties which are auctioned for recovery of tax arrears.

The Valuation Cell is often requested by the Assessing Officers to assess the cost of construction of property.

The Valuation Cell had disposed of 1969 out of 3101 cases during the F.Y 2011-12. During the current F.Y 2012-13 (upto September 2012), 500 cases were disposed of out of 1172 cases.

13.8 JUDICIAL WORK

13.8.1 Status of Appeals

(i) Before ITAT, High Court & the Supreme Court:

Number of appeals filed by the Department during F.Y. 2009-10, 2010-11 and 2011-2012 is as mentioned below:-

	F.Y. 2011-12		F.Y. 2010-11		F.Y. 2009-10	
	Pendency of appeals as on 1.4.2011	Total Appeals instituted during the F.Y.	Pendency of appeals as on 1.4.2010	Total Appeals instituted during the F.Y.	Pendency of appeals as on 1.4.2011	Total Appeals instituted during the F.Y.
ITAT	23539	13771	19339	15362	24295	16416
HC	31506	4954	27561	6684	31752	9549
SC	5196	1045	3818	1036	3631	1505

(ii) Before Commissioner of Income Tax (Appeals):

	F.Y. 2011-12	F.Y. 2010-11	F.Y. 2009-10
No. of cases disposed of by CsIT(A)	75,518	70,474	79,709
High Demand cases disposed of by CsIT(A)	21,805	20,770	17,362
Total number of cases pending before CsIT (A) at the end of F.Y.	230,616	187,182	180,991
Number of high Demand Cases in total cases pending before CsIT (A) at the end of F.Y.	17,665	27,896	32,734
Amount locked up in total appeals pending at the end of year. (Rs. In Crore)	242,182	198,088	199,101

13.8.2

During the last 3 years, statistics related to engagement of Standing Counsels, Prosecution Counsels and Special Counsels is as under:

Category of Counsels	2011-12	2010-11	2009-10
Standing Counsels	82	39	22
Prosecution Counsels	17	04	08
Special Counsels	86	60	55

13.8.3 Major Initiatives for streamlining the judicial function:

Several measures are being taken by the Central Board of Direct Taxes with a view to streamline the litigation management system in the department. These measures include the following:

(i) A **National Judicial Reference System** (NJRS) is being setup by the CBDT which will contain judicial pronouncements and data base on all appeals pending before various judicial authorities i.e Income Tax Appellate Tribunal, High Courts, Supreme Court. NJRS will have two components, namely ‘Judicial Reference Repository System (JRRS)’ which would act as the single source of information for all decided cases (of ITATs, High Courts & Supreme Court) and all relevant statutory enactments, circulars etc. with intelligent search capabilities and ‘Judicial Workflow Management System (JWMS)’ for automation of the work-flow of the Judicial wings of the department. This will enable digital storage and retrieval of related documents with search, online dashboard, status tracking and alert capabilities. Such a system will help in tracking all appeals in ITAT, High Courts and the Supreme Court and facilitate issuing alerts and reminders in case of delays in filing appeals. It will enable the Assessing Officers be consistent in framing assessment orders due to easy accessibility to judicial information, case laws and judgments and thus help in improving the quality of assessment orders. It will assist the Departmental Representatives/Counsels in improving the quality of representation before Tribunal & Courts and enhancing the success rate of the department in appeals.

Consultations are being held for seeking inputs on the NJRS project structuring and it is proposed to release the RFP document.

(ii) With a view to streamline the litigation management of the department with reference to timely filing of appeals before Supreme Court, High Courts and ITAT and their proper monitoring, Standard Operating Procedures have been prepared and issued. For effective and proper representation of the departmental cases at various judicial forum all over the country, revised guidelines for engagement of Standing Counsels to represent the Income-tax Department before High Courts and other judicial forum have been issued vide Board’s new Instruction No.3/2012 dated 11.04.2012. In the new Instruction, schedule of fees , allowances and terms of payment have been revised in order to attract competent and efficient counsels towards representing the department cases effectively.

(iii) To provide clarity on contentious legal issues, promote consistency of approach on a given issue and reduce litigation, an institutional mechanism has been set up vide OM dated 28th August 2012, to formulate ‘Departmental View’ on contentious legal issues. For the same, a Standing Committee in the Board known as “Central Technical Committee (CTC) on Departmental View” has been created. In order that the contentious legal issues are first discussed at the local level and duly filtered, each Chief Commissioner of Income Tax (CCA) has constituted a “Regional Technical Committee (RTC). Any issue considered as contentious and having wide implications, may be referred to the CTC by CBDT, RTCs and DsIT (Legal & Research). The CTC may also pick up any issue for consideration *suomotu*. Considering the various aspects and divergent views, CTC takes up references to formulate ‘Departmental View’. Once approved by the CBDT, the ‘Departmental View’ is to be issued as Circular.

13.9 Legislative Measures

Major Changes by Finance Act, 2012

A. Changes in tax rates

13.9.1 Basic exemption limit in the case of resident individual and Hindu Undivided Family has been increased to ₹2 Lakh from 1.80 Lakh.

13.9.2 The tax slabs have been altered. Income exceeding ₹2,00,000/- up to ₹5, 00,000/- will attract tax @ 10 %. Income between ₹5, 00,000 and ₹10, 00,000 will be taxed @ 20 % and income above ₹10, 00,000 will be taxed @ 30 % as against ₹8, 00,000 last year.

13.9.3 The rates for deduction of income-tax at source during the financial year 2012-13 from certain incomes other than “Salaries” have been specified in Part II of the First Schedule to the Act. The rates for all the categories of persons will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2011, for the purposes of deduction of income-tax at source during the financial year 2011-12, except that in case of certain interest payments made to non-residents by a specified Indian company the rates for deduction have been now provided in the proposed new section 194LC i.e., @ 5%.

The amount of tax so deducted, in the case of a company other than a domestic company, shall be increased by a surcharge at the rate of two per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees. No surcharge will be levied on deductions in other cases. ñEducation Cess on income-taxò and ñSecondary and Higher Education Cess on income-taxòshall continue to be levied at the rate of two per cent. and one per cent. respectively, of income tax including surcharge wherever applicable, in the cases of persons not resident in India including companies other than domestic company.

13.9.4 It is further provided that the existing surcharge of five per cent in case of a domestic company shall continue to be levied. In case of companies other than domestic companies, the existing surcharge of two per cent. shall continue to be levied. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees. The existing surcharge of five per cent. in all other cases (including sections 115JB, 115-O, 115R, etc.) shall continue to be levied.

B. Other major changes by Finance Act, 2012.

I. Measures for Widening of Tax Base

Amendment	Rationale for Amendment
Alternate Minimum Tax (AMT) on all persons other than companies	Under the existing provisions of the Income-tax Act, Minimum Alternate Tax (MAT) and Alternate Minimum Tax (AMT) are levied on companies and limited liability partnerships (LLPs) respectively. However, no such tax is levied on the other form of business organizations such as partnership firms, sole proprietorship, association of persons, etc. In order to widen the tax base vis-à-vis profit linked deductions, amendments have been made so as to provide that a person other than a company, who has claimed deduction under any section (other than section 80P) included in Chapter VI-A under the heading ñC ï Deductions in respect of certain incomesò or under section 10AA, shall be liable to pay AMT. It is provided that where the regular income-tax payable for a previous year by a person (other than a company) is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of such person and he shall be liable to pay income-tax on such total income at the rate of eighteen and one-half per cent. For the purpose of the above, (i) ñadjusted total incomeòshall be the total income before giving effect to provisions of Chapter XII-BA as increased by the deductions claimed under any section (other than section 80P) included in Chapter VI-A under the heading ñC ï Deductions in respect of certain incomesò and deduction claimed under section 10AA; (ii) ñalternate minimum tax:ò shall be the amount of tax computed on adjusted total income at a rate of eighteen and one half per cent; and (iii) ñregular income-taxò shall be the income-tax payable for a previous year by a person other than a company on his total income in accordance with the provisions of the Act other than the provisions of Chapter XII-BA.Further it has been provided that the provisions of AMT under Chapter XII-BA shall not apply to an individual or a Hindu undivided family or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person referred to in section 2(31)(vii) if the adjusted total income of such person does not exceed twenty lakh rupees. It is also provided that the credit for tax (tax credit) paid by a person on account of AMT under Chapter XII-BA shall be allowed to the extent of the excess of the AMT paid over the regular income-tax. This tax credit shall

	be allowed to be carried forward up to the tenth assessment year immediately succeeding the assessment year for which such credit becomes allowable. It shall be allowed to be set off for an assessment year in which the regular income-tax exceeds the AMT to the extent of the excess of the regular income-tax over the AMT. These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
TDS on remuneration to a Director	Under the existing provisions of the Income-tax Act, a company, being an employer, is required to deduct tax at the time of payment of salary to its employees including Managing Director/whole time Director. However, there is no specific provision for deduction of tax on the remuneration paid to a director which is not in the nature of salary. Provisions of the Act have been amended to provide that tax is required to be deducted on the remuneration paid to a Director, which is not in the nature of salary, at the rate of 10% of such remuneration. This amendment takes effect from 1st July, 2012.
Tax Collection at Source (TCS) on cash sale of bullion and jewellery	In order to reduce the quantum of cash transaction in bullion and jewellery sector and for curbing the flow of unaccounted money in the trading system of bullion and jewellery, it is provided that the seller of bullion or jewellery shall collect tax at source (TCS) at the rate of 1 per cent of sale consideration received in cash from every buyer of bullion and jewellery if the sale consideration exceeds Rs.2 lakh and Rs. 5 lakh respectively. It has also been provided that bullion shall not include any coin or any other article weighing 10 grams or less. This would be irrespective of the fact whether buyer is a manufacturer, trader or purchase is for personal use. This amendment takes effect from 1st July, 2012.
TCS on sale of certain minerals	Mining sector is an important segment of Indian economy but the trading of minerals remained largely unregulated resulting in non-reporting or under-reporting of minerals trading transactions for the taxation purpose. In order to collect tax at the earliest point of time and also to improve reporting mechanism of transactions in mining sector, amendments have been made to provide that tax at the rate of 1% shall be collected by the seller from the buyer of the following minerals:(a) Coal;(b) Lignite; and(c) Iron ore. However, the seller shall not collect tax on sale of the said minerals if the same are purchased by the buyer for personal consumption. Further, the seller of these minerals shall also not collect tax if the buyer declares that these minerals are to be utilized for the purposes of manufacturing, processing or producing articles or things, or generation of power. This amendment takes effect from 1st July, 2012.
Daily tonnage income of shipping company	The Tonnage Tax Scheme introduced vide Finance Act 2005 provides for taxation of income of a shipping company on presumptive basis. Under this scheme, the operating profit of a shipping company is determined on the basis of tonnage capacity of its ships. The rates of daily tonnage income specified under this scheme remained unchanged since the introduction of this scheme. Section 115VG has been amended so as to revise the rate of daily tonnage income under this scheme as under:

Qualifying ship having net tonnage (1)	Existing amount of daily tonnage income (2)	Proposed amount ofdaily tonnage income (3)
Up to 1,000.	ó46 for each 100 tons	ó70 for each 100 tons
Exceeding 1,000 but not more than 10,000	ó460 *plus* ó35 for each 100 tons exceeding 1,000 tons	ó700 *plus* ó53 for each 100 tons exceeding 1,000 tons
Exceeding 10,000 but not more than 25,000	ó3,610 *plus* ó28 for each 100 tons exceeding 10,000 tons	ó5,470 *plus* ó42 for each 100 tons exceeding 10,000 tons
Exceeding 25,000	ó7,810 *plus* ó19 for each 100 tons exceeding 25,000 tons	ó11,770 *plus* ó29 for each 100 tons exceeding 25,000 tons

This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year2013-14 and subsequent assessment years

II. Measures to Prevent Generation and Circulation of Unaccounted Money

Amendment	Rationale for Amendment
Cash credits under section 68 of the Act	Section 68 of the Act provides that if any sum is found credited in the books of an assessee and such assessee either (i) does not offer any explanation about nature and source of money; or(ii) the explanation offered by the assessee is found to be not satisfactory by the Assessing Officer, then, such amount can be taxed as income of the assessee. The onus of satisfactorily explaining such credits remains on the person in whose books such sum is credited. If such person fails to offer an explanation or the explanation is not found to be satisfactory then the sum is added to the total income of the person. Certain judicial pronouncements have created doubts about the onus of proof and the requirements of this section, particularly, in cases where the sum is credited as share capital, share premium etc. Judicial pronouncements, while recognizing that the pernicious practice of conversion of unaccounted money through masquerade of investment in the share capital of a company needs to be prevented, have advised a balance to be maintained regarding onus of proof to be placed on the company. The Courts have drawn a distinction and emphasized that in case of private placement of shares the legal regime should be different from that which is followed in case of a company seeking share capital from the public at large. In the case of closely held companies, investments are made by known persons. Therefore, a higher onus is required to be placed on such companies besides the general onus to establish identity and credit worthiness of creditor and genuineness of transaction. This additional onus, needs to be placed on such companies to also prove the source of money in the hands of such shareholders or persons making payment towards issue of shares before such sum is accepted as genuine credit. If the company fails to discharge the additional onus, the sum shall be treated as income of the company and added to its income. Section 68 of the Act has, therefore, been amended to provide that the nature and source of any sum credited, as share capital, share premium etc., in the books of a closely held company shall be treated as explained only if the source of funds is also explained by the assessee company in

	the hands of the resident shareholder. This additional onus of satisfactorily explaining the source in the hands of the shareholder, would not apply if the shareholder is a well regulated entity, i.e. a Venture Capital Fund, Venture Capital Company registered with the Securities Exchange Board of India (SEBI). The amendment will take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent years.
Taxation of cash credits, unexplained money, investments etc.	Under the existing provisions of the Income-tax Act, certain unexplained amounts are deemed as income under section 68, section 69, section 69A, section 69B, section 69C and section 69D of the Act and are subject to tax as per the tax rate applicable to the assessee. In case of individuals, HUF, etc., no tax is levied up to the basic exemption limit. Therefore, in these cases, no tax can be levied on these deemed income if the amount of such deemed income is less than the amount of basic exemption limit and even if it is higher, it is levied at the lower slab rate. In order to curb the practice of laundering of unaccounted money by taking advantage of basic exemption limit, amendment has been made to tax the unexplained credits, money, investment, expenditure, etc., which has been deemed as income under section 68, section 69, section 69A, section 69B, section 69C or section 69D, at the rate of 30% (plus surcharge and cess as applicable). It is also provided that no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of the Act in computing deemed income under the said sections. This amendment will take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Compulsory filing of income tax return in relation to assets located outside India	Under the existing provisions of section 139, every person is required to furnish a return of income if his income during the previous year relevant to the assessment year exceeds the maximum amount which is not chargeable to tax. Section 139 has been amended to provide that furnishing of return of income may be made mandatory for every resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India. Furnishing of return by such a resident would be mandatory irrespective of the fact whether the resident taxpayer has taxable income or not. As a category of residents are called ñnot ordinarily residentò and the income of a ñnot ordinarily residentò individual from assets located outside India is not taxable in India, the provision for compulsory filing of income tax return in relation to assets located outside India would not apply to a person, who is ñnot ordinarily residentò. This amendment takes effect retrospectively from the 1st day of April, 2012 and will accordingly apply to assessment year 2012-13 and subsequent assessment years.
Reassessment of income in relation to any asset located outside India	Under the provisions of section 149 of the Income-tax Act, the time limit for issue of notice for reopening an assessment on account of income escaping assessment is 6 years. The time limit of 6 years is not sufficient in cases where assets are located outside India because gathering

	information regarding such assets takes much more time on account of additional procedures and laws of foreign jurisdictions. Section 149 has been amended to increase the time limit for issue of notice for reopening an assessment to 16 years, where the income in relation to any asset (including financial interest in any entity) located outside India, chargeable to tax, has escaped assessment. Further section 147 of Act has been amended to provide that income shall be deemed to have escaped assessment where a person is found to have any asset (including financial interest in any entity) located outside India. The provisions of sections 147 and 149 are procedural in nature and take effect from 1st July, 2012 for enabling reopening of proceedings for and assessment year commencing prior to this date. The provisions of these sections, as amended, by the Finance Act, 2012, shall also be applicable for any assessment year beginning on or before the 1st day of April, 2012. Corresponding amendments have been made to the provisions of section 17 of the Wealth-tax Act. These amendments take effect from the 1st day of July, 2012.
Penalty on undisclosed income found during the course of search	Under the existing provisions of section 271AAA of the Income-tax Act, no penalty is levied if the assessee admits the undisclosed income in a statement under sub-section (4) of section 132 recorded in the course of search and specifies the manner in which such income has been derived and pays the tax together with interest, if any, in respect of such income. As a result, undisclosed income (for the current year in which search takes place or the previous year which has ended before the search and for which return is not yet due) found during the course of search attracts a tax at the rate of 30% and no penalty is leviable. In order to strengthen the penal provisions, it is provided that the provisions of section 271AAA will not be applicable for searches conducted on or after 1st July, 2012. A new section 271AAB has been inserted to provide for levy of penalty in a case where search has been initiated on or after 1st July, 2012. The new section provides that,- (i) If undisclosed income is admitted during the course of search, the taxpayer will be liable for penalty at the rate of 10% of undisclosed income subject to the fulfillment of certain conditions. (ii) If undisclosed income is not admitted during the course of search but disclosed in the return of income filed after the search, the taxpayer will be liable for penalty at the rate of 20% of undisclosed income subject to the fulfillment of certain conditions. (iii) In a case not covered under (i) and (ii) above, the taxpayer will be liable for penalty at the rate ranging from 30% to 90% of undisclosed income. These amendments take effect from the 1st day of July, 2012 and will, accordingly, apply to any search and seizure action taken after this date.

Expediting prosecution proceedings under the Act	Chapter XXII of the Income-tax Act, 1961 details punishable offences and prosecution for such offences. In order to strengthen the prosecution mechanism, new sections 280A, 280B, 280C and 280D have been inserted in the Income-tax Act by ï (i) Providing for constitution of Special Courts for trial of offences. (ii) Application of summons trial for offences under the Act to expedite prosecution proceedings as the procedures in a summons trial are simpler and less time consuming. (iii) Providing for appointment of public prosecutors. The existing provisions of section 276C, 276CC, 277, 277A and section 278 of the Income-tax Act provide that in a case where the amount of tax, penalty or interest which would have been evaded by a person exceeds one hundred thousand rupees, he shall be punishable with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine. In case the amount which would have been evaded by a person does not exceed one hundred thousand rupees, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to three years and with fine.The threshold of one hundred thousand rupees was introduced in 1976. It has been revised to twenty-five hundred thousand rupees. Summons trials apply to offences where the maximum term of imprisonment does not exceed two years. Amendments in the provisions relating to prosecution of offences have been made to provide that where the amount which would have been evaded does not exceed twenty-five hundred thousand rupees, the person shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine. These amendments take effect from the 1st day of July, 2012.
Share premium in excess of the fair market value to be treated as income	Section 56(2) provides for the specific category of incomes that shall be chargeable to income-tax under the head ĩIncome from other sourcesõ A new clause has been inserted in section 56(2) so as to provide that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares and if the consideration received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income tax under the head ĩIncome from other sourcesõ However, this provision shall not apply where the consideration for issue of shares is received by a venture capital undertaking from a venture capital company or a venture capital fund. Further, it also provides the company an opportunity to substantiate its claim regarding the fair market value.Accordingly, it is provided that the fair market value of the shares shall be the higher of the valueð

	(i) as may be determined in accordance with the method as may be prescribed; or (ii) as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value of its assets, including intangible assets, being goodwill, know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature. It has been further provided that such excess share premium shall be income and is accordingly included in the definition of ñincomeò under sub-clause (xvi) of clause (24) of section 2. Considering that the provisions of Clause (vii)(b) of Sub-section (2) of Section 56 may cause avoidable difficulty to investors who invest in start-up companies where it may not be possible to determine the fair market value may not be determined accurately, the Central Government has been given power to make an exemption in case of a class of investors by notification in the official gazette. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

III. Tax Incentives and Reliefs

Amendment	Rationale for Amendment
Deduction in respect of investment made under an equity savings scheme.	Section 80 CCG has been inserted by the Finance Act, 2012, w.e.f. 1-4-2013 which reads as under: 80CCG. (1) Where an assessee, being a resident individual, has, in a previous year, acquired listed equity shares in accordance with a scheme, as may be notified by the Central Government in this behalf, he shall, subject to the provisions of sub-section (3), be allowed a deduction, in the computation of his total income of the assessment year relevant to such previous year, of fifty per cent of the amount invested in such equity shares to the extent such deduction does not exceed twenty-five thousand rupees. (2) Where an assessee has claimed and allowed a deduction under this section for any assessment year in respect of any amount, he shall not be allowed any deduction under this section for any subsequent assessment year. (3) The deduction under sub-section (1) shall be subject to the following conditions, namely:- (i) the gross total income of the assessee for the relevant assessment year shall not exceed ten lakh rupees; (ii) the assessee is a new retail investor as may be specified under the scheme referred to in sub-section (1); (iii) the investment is made in such listed equity shares as may be specified under the scheme referred to in sub-section (1); (iv) the investment is locked-in for a period of three years from the date of acquisition in accordance with the scheme referred to in sub-section (1); and (v) such other condition as may be prescribed.

	(4) If the assessee, in any previous year, fails to comply with any condition specified in sub-section (3), the deduction originally allowed shall be deemed to be the income of the assessee of such previous year and shall be liable to tax for the assessment year relevant to such previous year. The purpose of this section is to encourage flow of savings in financial instruments and further develop domestic capital market. For the purposes of this section, an equity scheme by the name Rajiv Gandhi Equity Savings Scheme has been notified on 23rd November, 2012. The scheme is aimed at channelizing the savings of new retail investors in the equities.
Tax incentive for funding of certain Infrastructure Sectors	Section 115A of the Income Tax Act provides that any interest income received by any non-resident from the Government or an Indian concern shall be taxable at the rate of 20% on the gross amount of such interest income. The interest income received by a non-resident from a notified Infrastructure Debt Fund (IDF) is taxable at a reduced rate of 5% on gross amount of such interest income. Section 195 of the Act provides that in case of any interest payment made to a non-resident tax shall be deducted (withholding tax) at the rate in force. Currently, the rate of 20% withholding tax is prescribed, in case of any interest paid by the Government or Indian concern to a non-resident. In order to augment long-term low cost funds from abroad for the Indian companies, tax incentives for borrowings made in foreign currency are now provided subject to certain conditions. Lower rate of withholding tax is also available for funds raised in foreign currency from a source outside India by the Indian company through long term infrastructure bonds as approved by the Central Government besides borrowing under a loan agreement. Section 115A of the Income Tax Act has been amended to provide that any interest paid by a specified company to a non-resident in respect of borrowing made in foreign currency from sources outside India between 1st July, 2012 and 1st July, 2015, under an agreement, including rate of the interest payable, approved by the Central Government, shall be taxable at the rate of 5% (plus applicable surcharge and cess). This amendment takes effect from 1st July, 2012 and will, accordingly, apply in relation to the Assessment Year 2013-14 and subsequent assessment years. A new section 194LC has been inserted to provide that interest income paid by such specified company to a non-resident shall be subjected to tax deduction at source at the rate of 5% (plus applicable surcharge and cess). This amendment takes effect from 1st July, 2012.
Lower rate of tax on dividends received from foreign companies	Section 115BBD of Income Tax Act (the Act) provides for taxation of gross dividends received by an Indian company from a specified foreign company (in which it has shareholding of 26% or more) at the rate of 15% if such dividend is included in the total income for the Financial Year 2011-12 i.e. Assessment Year 2012-13. The above provision was introduced as an incentive for attracting repatriation of income earned by residents from investments made abroad with certain conditions to check the misuse of the incentive.

	In order to continue these provisions for one more year, section 115BBD has been amended to extend the applicability of this section in respect of income by way of certain foreign dividends received in Financial Year 2012-13 also, subject to the same conditions. This amendment will take effect from 1st April, 2013 and shall apply to the Assessment year 2013-14.
Provisions relating to Venture Capital Fund (VCF) or Venture Capital Company (VCC).	Provisions of Section 10(23FB) and Section 115U of the Act were intended to ensure a tax pass through status to Securities and Exchange Board of India (SEBI) registered Venture Capital Fund (VCF) or Venture Capital Company (VCC). Section 10(23FB) granted exemption in respect of income of such VCF/VCC. The benefit was available if investment by such VCC/VCF was in unlisted shares of a domestic company, i.e. a Venture Capital Undertaking (VCU). Section 115U ensures that income, in the hand of the investor through VCF/VCC is taxed in like manner and to the same extent as if the investment was directly made by investor in the VCU. Further, TDS provisions are not applicable to any payment made by the VCF to its investor and payment by VCC to the investor is exempted from Dividend Distribution Tax (DDT). Section 10(23FB) further provides that income of a SEBI regulated VCF or VCC, derived from investment in a domestic company i.e. Venture Capital Undertaking (VCU), is exempt from taxation, provided the VCU is engaged in only nine specified businesses. The working of VCF, VCC or VCU is regulated by SEBI and RBI. In order to avoid multiplicity of conditions in different regulations for the same entities, the sectoral restriction on business of VCU was required to be removed from the Income-tax Act and such VCU was needed to be governed by conditions imposed by SEBI and RBI. The provisions of section 115U currently allow an opportunity of indefinite deferral of taxation in the hands of investor. With a view to rationalize the above position and to align it with the true intent of a pass-through status, section10(23FB) and section 115U have been amended to provide that.- (i) The venture Capital undertaking shall have the same meaning as provided in relevant SEBI regulations and there would be no sectoral restriction. (ii) Income accruing to VCF/ VCC shall be taxable in the hands of investor on accrual basis with no deferral. These amendments will take effect from 1st April, 2013, and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent years.
Removal of the cascading effect of Dividend Distribution Tax (DDT)	Section 115-O of the Act provides for taxation of distributed profits of domestic company. It provides that any amount declared, distributed or paid by way of dividends, whether out of current or accumulated profits, shall be liable to be taxed at the rate of 15%. The tax is known as Dividend Distribution Tax (DDT). Such distributed dividend is exempt in the hands of recipients. Section 115-O of the Act provides that dividend liable for DDT in case of a company is to be reduced by an amount of dividend received from its

	subsidiary after payment of DDT if the company is not a subsidiary of any other company. This removes the cascading effect of DDT only in a two-tier corporate structure. With a view to remove the cascading effect of DDT in multi-tier corporate structure, Section 115-O of the Act has been amended to provide that in case any company receives, during the year, any dividend from any subsidiary and such subsidiary has paid DDT as payable on such dividend, then, dividend distributed by the holding company in the same year, to that extent, shall not be subject to Dividend Distribution Tax under section 115-O of the Act. This amendment takes effect from 1st July, 2012.
Exemption in respect of income received by certain foreign companies	Section 10 of the Income-tax Act provides for certain incomes which are not included in the total income of a person subject to the conditions specified in the relevant clauses of the section. In the national interest, a mechanism has been devised to make payment to certain foreign companies in India in Indian currency for import of crude oil. The provisions of the Income-tax Act would have rendered such payment taxable in India because payment is being received by these foreign companies in India in Indian currency. This was justified when such payment is based on national interest and particularly when no other activity is being carried out in India by these foreign companies except receipt of payment in Indian currency. Therefore, section 10 of the Income-tax Act has been amended to provide for exemption in respect of any income of a foreign company received in India in Indian currency on account of sale of crude oil to any person in India subject to the following conditions: (i) The receipt of money is under an agreement or an arrangement which is either entered into by the Central Government or approved by it. (ii) The foreign company, and the arrangement or agreement has been notified by the Central Government having regard to the national interest in this behalf. (iii) The receipt of the money is the only activity carried out by the foreign company in India. These amendments take effect retrospectively from 1st April, 2012 and will, accordingly, apply in relation to the assessment year 2012-13 and subsequent years once such arrangement or agreement is notified.
Extending benefit of initial depreciation to the power sector	Section 32(1) (iia) provides for allowance of initial depreciation (in addition to normal depreciation) at the rate of 20% of the actual cost on new machinery or plant (other than ships and aircraft) to the assessee engaged in the business of manufacture or production of any article or thing in the year of acquisition and installment. Under the provisions of the Act prior to its amendment by the Finance Act, 2012, the benefit of initial depreciation was not available on the new machinery or plant installed by an assessee engaged in the business of generation or generation and distribution of power.

	In order to encourage new investment by the assesses engaged in the business of generation or generation and distribution of power, the section has been amended to provide that an assessee engaged in the business of generation or generation and distribution of power shall also be allowed initial depreciation at the rate of 20% of actual cost of new machinery or plant (other than ships and aircraft) acquired and installed in a previous year. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Weighted deduction for scientific research and development	Under the provisions of Section 35(2AB) of the Income-tax Act prior to its amendment by the Finance Act,2012, a company was allowed weighted deduction at the rate of 200% of expenditure (not being in the nature of cost of any land or building) incurred on approved in-house research and development facilities. These provisions were not applicable in respect of any expenditure incurred by a company after 31st March, 2012. In order to incentivize the corporate sector to continue to spend on in-house research, the section has been amended to extend the benefit of the weighted deduction for a further period of five years i.e. up to 31st March, 2017. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years up to assessment year 2017-18.
Weighted deduction for expenditure incurred on agricultural extension project	Agricultural extension services play a critical role in enhancing the productivity in the agricultural sector. In order to incentivize the business entities to provide better and effective agriculture extensive services, a new provision has been inserted in the Income-tax Act to allow weighted deduction of 150% of the expenditure incurred on agricultural extension project. The agricultural extension project eligible for this weighted deduction shall be notified by the Board in accordance with the prescribed guidelines. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Weighted deduction for expenditure for skill development	The Department of Industrial Policy & Promotion (DIPP) has notified the National Manufacturing Policy (NMP) vide Press Note dated 4th November, 2011. The notified NMP inter alia proposes to provide following direct tax incentive for skill development in manufacturing sector: *"To encourage the private sector to set up their own institutions, the government will provide weighted standard deduction of 150% of the expenditure (other than land or building) incurred on Public Private Partnership (PPP) project for skill development in the ITIs in manufacturing sector in separate facilities in coordination with NSDC."* In order to incentivize companies to invest on skill development projects in the manufacturing sector, a new provision is inserted in the Income-tax Act to provide weighted deduction of 150% of expenses (not being expenditure in the nature of cost of any land or building) incurred on skill development project. The skill development project eligible for this weighted deduction shall be notified by the Board in accordance with the prescribed guidelines.

	This takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Turnover or gross receipts for audit of accounts and presumptive taxation	Under the provisions of section 44AB prior to its amendment by the Finance Act, 2012, every person carrying on business was required to get his accounts audited if the total sales, turnover or gross receipts in the previous year exceed sixty lakh rupees. Similarly, a person carrying on a profession is required to get his accounts audited if the total sales, turnover or gross receipts in the previous year exceed fifteen lakh rupees. In order to reduce the compliance burden on small businesses and on professionals, the section has been amended to increase the threshold limit of total sales, turnover or gross receipts, specified under section 44AB for getting accounts audited, from sixty lakh rupees to one crore rupees in the case of persons carrying on business and from fifteen lakh rupees to twenty five lakh rupees in the case of persons carrying on profession. For the purposes of presumptive taxation under section 44AD, the threshold limit of total turnover or gross receipts has also been increased from sixty lakh rupees to one crore rupees. These amendments takes effect from 1st April, 2013 and will, accordingly, apply to the assessment year 2013-14 and subsequent assessment years.
Exemption for Senior Citizens from payment of advance tax	Under the provisions of Income-tax Act prior to its amendment by the Finance Act, 2012, every assessee was required to pay advance tax if the tax liability for the previous year exceeds ten thousand rupees. In case of senior citizens who have passive income of the nature of interest, rent, etc., the requirement of payment of advance tax results in raising compliance burden. In order to reduce the compliance burden of such senior citizens, it is provided that a resident senior citizen, not having any income chargeable under the head "Profits and gains of business or profession", shall not be liable to pay advance tax and such senior citizen shall be allowed to discharge his tax liability (other than TDS) by payment of self-assessment tax. This amendment takes effect from the 1st April, 2012. Accordingly, the aforesaid senior citizen would not be required to pay advance tax for the financial year 2012-13 and subsequent financial years.
Wealth Tax – Exemption of residential house allotted to employee etc. of a company	Under the provisions of section 2 of the Wealth-tax Act, 1957 prior to its amendment by the Finance Act, 2012, the specified assets for the purpose of levy of wealth tax did not include a residential house allotted by a company to an employee or an officer or a whole time director if the gross annual salary of such employee or officer, etc. is less than five lakh rupees. Considering general increase in salary and inflation since revision of this limit, the existing threshold of gross salary has been increased from five lakh rupees to ten lakh rupees for the purpose of levying wealth-tax on residential house allotted by a company to an employee or an officer or a whole time director. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

Relief from long-term capital gains tax on transfer of residential property if invested in a manufacturing small or medium enterprise	The Government announced National Manufacturing Policy (NMP) in 2011, one of the goals of which is to incentivize investment in the Small and Medium Enterprises (SME) in the manufacturing sector. A new section 54GB has been inserted in the Income-tax Act so as to provide rollover relief from long term capital gains tax to an individual or an HUF on sale of a residential property (house or plot of land) in case of re-investment of sale consideration in the equity of a new start-up SME company in the manufacturing sector and the same is utilized by the company for the purchase of new plant and machinery. This relief would be subject to the conditions that- (i) the amount of net consideration is utilised by the individual or HUF before the due date of furnishing of return of income under sub-section (1) of section 139, for subscription in equity shares in the SME company in which he holds more than 50% share capital or more than 50% voting rights. (ii) The amount of subscription as share capital is to be utilized by the SME company for the purchase of new plant and machinery within a period of one year from the date of subscription in the equity shares. (iii) If the amount of net consideration subscribed as equity shares in the SME company is not utilized by the SME company for the purchase of plant and machinery before the due date of filing of return by the individual or HUF, the unutilized amount shall be deposited under a deposit scheme to be notified in this behalf. (iv) Suitable safeguards so as to restrict the transfer of the shares of the company, and of the plant and machinery for a period of 5 years have been provided to prevent diversion of these funds. Further, capital gains would be subject to taxation in case any of the conditions are violated. (v) The relief would be available in case of any transfer of residential property made on or before 31st March, 2017. This amendment is effective from 1st April, 2013 and would accordingly apply to assessment year 2013-14 and subsequent assessment years. Necessary notification amending the Capital Gains Accounts Scheme has been issued making the Scheme applicable in case of assesses covered under section 54GB.
Reduction in the rate of Securities Transaction Tax (STT)	Securities Transaction Tax (STT) on transactions in specified securities was introduced vide Finance (No.2) Act, 2004. STT in Cash Delivery segment has been reduced from the existing 0.125% to 0.1%. The new rates are effective from the 1st day of July, 2012 and will accordingly apply to any transaction made on or after that date.
Deduction in respect of capital expenditure on specified business	I. Under the provisions of section 35AD of the Income-tax Act, prior to its amendment by the Finance Act, 2012, investment-linked tax incentive was provided by way of allowing 100% deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and

financial instrument) incurred wholly and exclusively, for the purposes of the "specified business" during the previous year in which such expenditure is incurred. Accordingly, the following "specified businesses" are eligible for availing the investment-linked deduction under section 35AD(8) (c):-

(i) setting up and operating a cold chain facility;

(ii) setting up and operating a warehousing facility for storage of agricultural produce;

(iii) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network.

(iv) building and operating, anywhere in India, a hotel of two-star or above category as classified by the Central Government;

(v) building and operating, anywhere in India, a hospital with at least one hundred beds for patients;

(vi) developing and building a housing project under a scheme for slum redevelopment or rehabilitation, framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed.

(vii) developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed; and

(viii) production of fertilizer in India.

Three new businesses have been included as "specified business" for the purposes of the investment-linked deduction under section 35AD, namely:-

(a) setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962 (52 of 1962);

(b) bee-keeping and production of honey and beeswax; and

(c) setting up and operating a warehousing facility for storage of sugar.

It has been provided that the date of commencement of operations for availing investment linked deduction in respect of the three new specified businesses shall be on or after 1st April, 2012.

These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

II. It has also been provided that the following specified businesses commencing operations on or after the 1st of April, 2012 shall be allowed a deduction of 150% of the capital expenditure under section 35AD of the Income-tax Act, namely:-

	(i) setting up and operating a cold chain facility; (ii) setting up and operating a warehousing facility for storage of agricultural produce; (iii) building and operating, anywhere in India, a hospital with at least one hundred beds for patients; (iv) developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed; and (v) p roduction of fertilizer in India. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years. III. Prior to the amendment by the Finance Act, 2012, the investment-linked deduction under section 35AD was allowed to an assessee engaged in the business of building and operating a hotel whereby the deduction can only be granted to the owner of a hotel if he himself operates it. In service industries like hotels, a franchisee business system exists where the hotel owner may get the hotel operated through an outsourcing arrangement. Therefore, a suitable clarification is provided so that a hotel owner continues to be eligible for the investment linked deduction under section 35AD if he, while continuing to own the hotel, transfers the operation of such hotel to another person. Accordingly, a new sub-section (6A) has been inserted in section 35AD to provide that where the assessee builds a hotel of two-star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the assessee shall be deemed to be carrying on the specified business of building and operating hotel. This amendment takes effect retrospectively from 1st April, 2011 and accordingly applies in relation to the assessment year 2011-12 and subsequent assessment years.
Extension of sunset date for tax holiday for power sector	Under the provisions of section 80-IA(4)(iv) of the Income-tax Act, prior to its amendment by the Finance Act, 2012, a deduction from profits and gains was allowed to an undertaking which,- (a) is set up for the generation and distribution of power if it begins to generate power at any time during the period beginning on 1st April, 1993 and ending on 31st March, 2012; (b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1st April, 1999 and ending on 31st March, 2012; (c) undertakes substantial renovation and modernization of existing network of transmission or distribution lines at any time during the period beginning on 1st April, 2004 and ending on 31st March, 2012.

	The above provision has been amended to extend the terminal date for a further period of one year, i.e., up to 31st March, 2013. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to assessment year 2013-14 and subsequent assessment years.
Reduction of the eligible age for senior citizens for certain tax reliefs	The Finance Act, 2011 amended the age of a senior citizen, being an Indian resident from sixty-five years of age to sixty years for the purposes of application of various tax slabs and rates of tax under the Income-tax Act, 1961 for income earned during the financial year 2011-12 (assessment year 2012-13). However under the following provisions of the Act the age for qualifying as a senior citizen was specified as 65 years. (i) Section 80D of the Income-tax Act provides for a deduction of ₹ 15000/- in respect of premia paid towards a health insurance policy for the assessee or his family (spouse and dependent children) and a further deduction is allowed for buying a health insurance policy for parent(s). Where the premium is paid to effect or keep in force an insurance on the health of any such person who is a senior citizen, a higher deduction of ₹ 20,000/- instead of ₹ 15,000/- is allowed. (ii) Section 80DDB of the Income-tax Act provides for a deduction up to ₹ 40,000/- for the medical treatment of a specified disease or ailment in the case, inter alia, of an individual or his dependent. An enhanced deduction of ₹ 60,000/- is allowed where the amount actually paid is in respect of any of the above persons who are a senior citizen. (iii) Section 197A(1C) of the Income-tax Act provides that in respect of tax deduction at source under section 193 (interest on securities) or section 194 (dividends) or section 194A (interest other than interest on securities) or section 194EE(payments in respect of deposits under NSS etc.) or section 194K (income in respect of units), no deduction of tax shall be made in the case of a senior citizen, if such individual furnishes a declaration in the prescribed form (Form No. 15H)to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil. In all of the above-mentioned provisions, i.e., under sections 80D, 80DDB and 197A the effective age for a "senior citizen" who can avail of the benefit mentioned as sixty-five years or more at any time during the relevant previous year. Therefore, in order to make the effective age of senior citizens uniform across all the provisions of the Income Tax Act, the age for availing of the benefits by a senior citizen under the aforesaid sections (sections 80D, 80DDB and 197A) was reduced from sixty-five years to sixty years. The amendments to section 80D and section 80DDB take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years. The amendment to section 197A takes effect from 1st July, 2012.

Deduction for expenditure on preventive health check-up	Under the provisions contained in section 80D of the Income-tax Act, prior to its amendment by the Finance Act, 2012, a deduction was allowed in respect of premium paid towards a health insurance policy for insurance of self, spouse and dependent children or any contribution made to the Central Government Health Scheme, up to a maximum of ₹ 15,000 in aggregate. A deduction of ₹ 15,000 was also allowed for buying a health insurance policy in respect of parents. This section has been amended so as to include any payment made by an assessee on account of preventive health check-up of self, spouse, dependent children or parents(s) during the previous year as eligible for deduction within the overall limits prescribed in the section. However, the deduction on account of expenditure on preventive health check-up (for self, spouse, dependent children and parents) shall not exceed in the aggregate ₹ 5,000. It has been further provided that for the purpose of the deduction under section 80D, payment can be made - (i) by any mode, including cash, in respect of any sum paid on account of preventive health check-up and (ii) by any mode other than cash, in all other cases. These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Deduction in respect of interest on deposits in savings accounts	A new section 80TTA has been inserted in the Income-tax Act which provides for a deduction up to an extent of ten thousand rupees in aggregate to an assessee, being an individual or a Hindu undivided family, in respect of any income by way of interest on deposits (not being time deposits) in a savings account with- (i) a banking company to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act); (ii) a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or (iii) a post office, as defined in clause (k) of section 2 of the Indian Post Office Act, 1898 (6 of 1898). However, where the aforesaid income is derived from any deposit in a savings account held by, or on behalf of, a firm, an association of persons or a body of individuals, no deduction shall be allowed in respect of such income in computing the total income of any partner of the firm or any member of the association or body. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Threshold for TDS on payment of interest on debentures	Under the provisions of section 193 of the Income-tax Act, prior to its amendment by the Finance Act, 2012, a person responsible for paying interest to a resident individual on listed debentures of a company, in which the public are substantially interested, was not required to deduct tax on the amount of interest payable if the interest is paid by account

	payee cheque and the aggregate amount of interest paid during a financial year does not exceed ₹ 2,500/-. However, in the case of unlisted debentures of a company, no threshold limit is specified for deduction of tax on payment of interest. In order to reduce the compliance burden on small enterprises and companies, section 193 has been amended to provide that no deduction of tax should be made from payment of interest on any debenture, (whether listed or not) issued by a company, in which the public are substantially interested, to a resident individual or Hindu undivided family, if the aggregate amount of interest on such debenture paid during the financial year does not exceed ₹ 5,000 and the payment is made by account payee cheque. This amendment takes effect from 1st July, 2012.

IV. Rationalization of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) provisions.

Amendment	Rationale for Amendment
Deemed date of payment of tax by the resident payee	Under the provisions of Chapter XVII-B of the Income-tax Act, a person was required to deduct tax on certain specified payments at the specified rates if the payment exceeded specified threshold. In case of non-deduction of tax in accordance with the provisions of the said Chapter, he is deemed to be an assessee in default under section 201(1) in respect of the amount of such non-deduction. However, section 191 of the Act provides that a person shall be deemed to be an assessee in default in respect of non/short deduction of tax only in cases where the payee has also failed to pay the tax directly. Therefore, the deductor cannot be treated as assessee in default in respect of non/short deduction of tax if the payee has discharged his tax liability. The payer is liable to pay interest under section 201(1A) on the amount of non/short deduction of tax from the date on which such tax was deductible to the date on which the payee has discharged his tax liability directly. As there is no one-to-one correlation between the tax to be deducted by the payer and the tax paid by the payee, there is lack of clarity as to when it can be said that payee has paid the taxes directly. Also, there is no clarity on the issue of the cut-off date, i.e. the date on which it can be said that the payee has discharged his tax liability. In order to provide clarity regarding discharge of tax liability by the resident payee on payment of any sum received by him without deduction of tax, section 201 has been amended to provide that the payer who fails to deduct the whole or any part of the tax on the payment made to a resident payee shall not be deemed to be an assessee in default in respect of such tax if such resident payee - (i) has furnished his return of income under section 139; (ii) has taken into account such sum for computing income in such return of income; and (iii) has paid the tax due on the income declared by him in such return of income, and the payer furnishes a certificate to this effect from an accountant in such form as may be prescribed.

	It is also provided that where the payer fails to deduct the whole or any part of the tax on the payment made to a resident and is not deemed to be an assessee in default under section 201(1) on account of payment of taxes by the such resident, the interest under section 201(1A)(i) shall be payable from the date on which such tax was deductible to the date of furnishing of return of income by such resident payee. Amendments on similar lines have also been made in the provisions of section 206C relating to TCS for not deeming receiver as assesse in default and for clarifying the deemed date of discharge of tax liability by the buyer or licensee or lessee. These amendments take effect from 1st July, 2012.
Disallowance of business expenditure on account of non-deduction of tax on payment to resident payee	A related issue to the above is the disallowance under section 40(a)(ia) of certain business expenditure like interest, commission, brokerage, professional fee, etc. due to non-deduction of tax. Under the provisions of section 40(a)(ia) of the Income-tax Act, prior to its amendment by the Finance Act, 2012, if tax is deducted in subsequent previous year, the expenditure is allowed in that subsequent previous year. In order to rationalize the provisions of disallowance on account of non-deduction of tax from the payments made to a resident payee, section 40(a)(ia) has been amended to provide that where an assessee makes payment of the nature specified in the said section to a resident payee without deduction of tax and is not deemed to be an assessee in default under section 201(1) on account of payment of taxes by the payee, then, for the purpose of allowing deduction of such sum, it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the resident payee. These beneficial provisions are applicable only in the case of resident payee. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Fee and penalty for delay in furnishing of TDS/TCS Statement and penalty for incorrect information in TDS/TCS Statement	As per the provisions of the Income-tax Act, prior to its amendment by the Finance Act, 2012, a deductor was required to furnish a periodical TDS statement (quarterly) containing the details of deduction of tax made during the quarter by the prescribed due date. A substantial number of the deductors are not furnishing their TDS statement within the prescribed due date. Delay in furnishing of TDS statement results in delay in granting of credit of TDS to the deductee and consequently results into delay in issue of refunds to the deductee tax payers or raising of infructuous demand against the deductee tax payers. Further, in large number of cases, the deductors are not furnishing correct information like PAN of the deductee, amount of tax deducted, etc. in the TDS statement. Furnishing of correct information in respect of tax deduction is critical for processing of return of income furnished by the deductee because credit for TDS is granted to the deductee on the basis of information furnished by the deductor. Under the provisions of section 272A, prior to its amendment by the Finance Act, 2012, penalty of ₹ 100 per day was levied for delay in furnishing of TDS statement; however, no specific penalty is specified for

	furnishing of incorrect information in the TDS statement. The said provisions of penalty are not proved to be effective in reducing or eliminating defaults relating to late furnishing of TDS statement. In order to provide effective deterrence against delay in furnishing of TDS statement, it has now been provided - (i) to levy a fee of ₹ 200 per day for late furnishing of TDS statement from the due date of furnishing of TDS statement to the date of furnishing of TDS statement. However, the total amount of fee shall not exceed the total amount of tax deductible during the period for which the TDS statement is delayed, and (ii) to levy in addition to said fee, a penalty ranging from ₹ 10,000 to ₹ 1,00,000 for not furnishing TDS statement within the prescribed time. In view of the levy of fee for late furnishing of TDS statement, it is also provided that no penalty shall be levied under Section 271H for delay in furnishing of TDS statement if the TDS statement is furnished within one year of the prescribed due date after payment of tax deducted along with applicable interest and fee. In order to discourage the deductors to furnish incorrect information in TDS statement, it is provided that a penalty ranging from ₹ 10,000 to ₹ 1,00,000 shall be levied for furnishing incorrect information in the TDS statement. Consequential amendment is provided in section 273B so that no penalty shall be levied if the deductor proves that there was a reasonable cause for the failure. Consequential amendment is also provided in section 272A that no penalty under this section shall be levied for late filing of TDS statement in respect of tax deducted on or after 1st July, 2012. Amendments on the similar lines for levy of fee and penalty for delay in furnishing of TCS statement and furnishing of incorrect information in the TCS statement have also been made. These amendments take effect from 1st July, 2012 and will, accordingly, apply to the TDS or TCS statement to be furnished in respect of tax deducted or collected on or after 1st July, 2012.
Intimation after processing of TDS statement	Vide finance (No.2) Act, 2009, section 200A was inserted in the Income-tax Act to provide for processing of TDS statement. After processing of TDS statement, intimation is generated specifying the amount payable or refundable. The intimation generated after processing of TDS statement is not- (i) subject to rectification under section 154; (ii) appealable under section 246A; and (iii) deemed as notice of demand under section 156. In order to reduce the compliance burden of the deductor and also to rationalize the provisions of processing of TDS statement, amendments

	have been made to the relevant provisions of the Income-tax Act so as to provide that the intimation generated after processing of TDS statement shall be(i) subject to rectification under section 154; (ii) appealable under section 246A; and(iii) deemed as notice of demand under section 156. Section 201(1A) contains provision for charging of interest for the non-payment of tax deducted. However, deeming of intimation as notice of demand under section 156 resulted into a situation where interest can be charged on the same unpaid amount of tax both under section 220 and 201(1A). In view of this, amendment has also been made in section 220 to provide that interest under section 220 shall not be charged on the amount of tax specified in the intimation for the period for which interest is charged under section 201(1A). These amendments take effect from 1st July, 2012.
"Person responsible for paying" in case of payment by Central Government or Government of a State	Under the provisions of section 204 of the Income-tax Act, prior to its amendment by the Finance Act, 2012, a "person responsible for paying" had been defined to include employer, company or its principal officer or the payer. There was a lack of clarity in the case of payment made by the Central Government or by a State Government as to who is the person responsible for paying the sum to the payee. In order to provide clarity to the meaning of "person responsible for paying" in case of payment by the Central Government or a State Government, amendment has been made in section 204 to provide that in the case of payment by the Central Government or a State Government, the Drawing and Disbursing Officer or any other person (by whatever name called) responsible for making payment shall be the "person responsible for paying" within the meaning of section 204. This amendment takes effect from 1st July, 2012.
Extension of time for passing an order under section 201 in certain cases	Under the provisions section 201 of the Income-tax Act, a person could be deemed to be an assessee in default, by an order, in respect of non-deduction/short deduction of tax. Such order could be passed within a period of four years from end of financial year in a case where no statement as referred to in section 200 had been filed. Section 201 has been amended so as to extend the time limit from four years to six years. This amendment takes effect retrospectively from 1st April, 2010.
Powers to exempt certain payments from TDS	Under the provisions of Chapter XVII-B of the Act, tax is required to be deducted (TDS) from certain payments. There were situations where collection of tax by way of TDS may cause genuine hardship to the deductee. In order to reduce the hardship and compliance burden in these cases, Section 197A has been amended to provide that no deduction of tax shall be made from such specified payment to such institution, association or body or class of institutions, associations or bodies as may be notified by the Central Government in the Official Gazette. This amendment takes effect from 1st July, 2012.

V. Rationalization of International Taxation Provisions

Amendment	Rationale for Amendment
Income deemed to accrue or arise in India	Section 2 of the Income-tax Act provides definitions of various terms which are relevant for the purposes of the Act. Section 9 of the Income Tax provides cases of income, which are deemed to accrue or arise in India. This is a legal fiction created to tax income, which may or may not arise in India and would not have been taxable but for the deeming provision created by this section. Sub-section (1)(i) provides a set of circumstances in which income accruing or arising, directly or indirectly, is taxable in India. One of the limbs of clause (i) is income accruing or arising directly or indirectly through the transfer of a capital asset situated in India. The legislative intent of this clause is to widen the application as it covers incomes, which are accruing or arising directly or indirectly. The section codifies source rule of taxation wherein the state where the actual economic nexus of income is situated has a right to tax the income irrespective of the place of residence of the entity deriving the income. Where corporate structure is created to route funds, the actual gain or income arises only in consequence of the investment made in the activity to which such gains are attributable and not the mode through which such gains are realized. Internationally this principle is recognized by several countries, which provide that the source country has taxation right on the gains derived from offshore transactions where the value is attributable to the underlying assets. Section 195 of the Income-tax Act requires any person to deduct tax at source before making payments to a non-resident if the income of such non-resident is chargeable to tax in India. "Person", here, will take its meaning from section 2 and would include all persons, whether resident or non-resident. Therefore, a non-resident person is also required to deduct tax at source before making payments to another non-resident, if the payment represents income of the payee non-resident, chargeable to tax in India. There are no other conditions specified in the Act and if the income of the payee non-resident is chargeable to tax, then tax has to be deducted at source, whether the payment is made by a resident or a non-resident. Certain judicial pronouncements have created doubts about the scope and purpose of sections 9 and 195. Further, there are certain issues in respect of income deemed to accrue or arise where there are conflicting decisions of various judicial authorities. Therefore, there was a need to provide clarificatory retrospective amendment to restate the legislative intent in respect of scope and applicability of section 9 and 195 and also to make other clarificatory amendments for providing certainty in law. I. Accordingly the Income Tax Act has been amended in the following manner:- (i) Section 9(1)(i) has been amended to clarify that (a) the expression 'through' shall mean and include and shall be deemed to have always meant and included "by means of", "in consequence of" or "by reason of".

(b) an asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

(ii) Section 2(14) has been amended to clarify that 'property' includes and shall be deemed to have always included any rights in or in relation to an Indian company, including rights of management or control or any other rights whatsoever.

(iii) Section 2(47) has been amended to clarify that 'transfer' includes and shall be deemed to have always included disposing of or parting with an asset or any interest therein, or creating any interest in any asset in any manner whatsoever, directly or indirectly, absolutely or conditionally, voluntarily or involuntarily by way of an agreement (whether entered into in India or outside India) or otherwise, notwithstanding that such transfer of rights has been characterized as being effected or dependent upon or flowing from the transfer of a share or shares of a company registered or incorporated outside India.

(iv) Section 195(1) has been amended to clarify that obligation to comply with sub-section (1) and to make deduction there under applies and shall be deemed to have always applied and extends and shall be deemed to have always extended to all persons, resident or non-resident, whether or not the non-resident has:-

(a) a residence or place of business or business connection in India; or

(b) any other presence in any manner whatsoever in India.

These amendments take effect retrospectively from 1st April, 1962 and will accordingly apply in relation to the assessment year 1962-63 and subsequent assessment years.

II. Section 9(1)(vi) provides that any income payable by way of royalty in respect of any right, property or information is deemed to be accruing or arising in India. The term "royalty" has been defined in Explanation 2 which means consideration received or receivable for transfer of all or any right in respect of certain rights, property or information. Some judicial decisions have interpreted this definition in a manner which has raised doubts as to whether consideration for use of computer software is royalty or not; whether the right, property or information has to be used directly by the payer or is to be located in India or control or possession of it has to be with the payer. Similarly, doubts have been raised regarding the meaning of the term "process".

Considering the conflicting decisions of various courts in respect of income in nature of royalty and to restate the legislative intent, the Income-tax Act has been amended as follows:-

(i) Section 9(1)(vi) has been amended to clarify that the consideration for use or right to use of computer software is royalty by clarifying that transfer of all or any rights in respect of any right, property or information as mentioned in Explanation 2, includes and has always included transfer of all or any right for use or right to use a computer software (including granting of a licence) irrespective of the medium through which such right is transferred.

(ii) Section 9(1)(vi) has been further amended to clarify that royalty includes and has always included consideration in respect of any right, property or information, whether or not-

(a) the possession or control of such right, property or information is with the payer;

(b) such right, property or information is used directly by the payer;

(c) the location of such right, property or information is in India.

(iii) Section 9(1)(vi) has also been amended to clarify that the term "process" includes and shall be deemed to have always included transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal), cable, optic fibre or by any other similar technology, whether or not such process is secret.

These amendments take effect retrospectively from 1st June, 1976 and will accordingly apply in relation to the assessment year 1977-78 and subsequent assessment years.

III. Consequential amendments has been made in section 149, to extend time limit for issue of notice in case of a person who is treated as agent of a non-resident, the time limit presently prescribed of two years has been extended to six years. It is also clarified that these provisions being of procedural nature shall also be applicable for any assessment year beginning on or before the 1st day of April, 2012.

These amendments take effect from 1st July, 2012.

IV. It is also provided to amend section 195 to provide that the Board may, by notification in the Official Gazette, specify a class of persons or cases, where the person responsible for paying to a non-resident, not being a company, or to a foreign company, any sum, whether or not chargeable under the provisions of this Act, shall make an application to the Assessing Officer to determine, by general or special order, the appropriate proportion of sum chargeable, and upon such determination, tax shall be deducted under sub-section (1) on that proportion of the sum which is so chargeable.

This amendment takes effect from 1st July, 2012.

V. A Validation Clause has been included in the Finance Act 2012.The clause provides for validation of demands raised under the Income-tax Act in certain cases in respect of income accruing or arising, through or from transfer of a capital asset situate in India, in consequence of the transfer of a share or shares of a company registered or incorporated outside India or in consequence of agreement or otherwise outside India. It is provided through this validation clause that any notice sent or purporting to have been sent, taxes levied, demanded, assessed, imposed or collected or recovered during any period prior to coming into force of the validating clause shall be deemed to have been validly made and such notice or levy of tax shall not be called in question on the ground that the tax was not chargeable or any ground including that it is a tax on capital

	gains arising out of transactions which have taken place outside India. The validating clause shall operate notwithstanding anything contained in any judgment, decree or order of any Court or Tribunal or any Authority. This section has taken effect from the date of assent by the President of the Finance Act 2012.
Taxation of a non-resident entertainer, sports person etc.	Section 115BBA of the Income-tax Act provides a concessionary tax regime in the case of income of sports persons who are non-citizen and non-resident. The provision covers income received by way of participation in any game or sport, advertising or contribution of article in any newspaper etc. The income of such sportsmen is taxed at the rate of 10% of the gross receipts. The same regime is also available to a non-resident sports association or institution for guarantee money payable to such institution in relation to any game or sport played in India. Under the Double Tax Avoidance Agreement (DTAAs), there is parity between a non-resident sportsman and a non-resident entertainer. A similar tax regime i.e. taxation on the basis of gross receipts rather than net income would simplify the process of taxation in the case of entertainer. The special treatment in respect of entertainer is required because determination of deductible expenses for performance is complicated, especially when the production expenses of an international tour need to be allocated across performances in various countries. Internationally, similar tax rates exist for both entertainer and sportsperson. International comparisons also reveal that the tax rate ranges between 10% to 30% in case of entertainer and sportsperson. Therefore, rate of 20% on gross receipts is a reasonable rate of tax in case of non-resident, non-citizen entertainer. The tax rate in case of non-resident, noncitizen sportspersons and non-resident sports associations also needs to be raised to 20% Section 115BBA has been amended to provide that income arising to a non-citizen, non-resident entertainer (such as theatre, radio or television artists and musicians) from performance in India shall be taxable at the rate of 20% of gross receipts. The taxation rate, in case of non-citizen, non-resident sportsmen and non-resident sports association has been increased from 10% to 20% of the gross receipts. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years. Consequential amendment has been made in section 194E to provide for withholding of tax at the rate of 20% from income payable to non-resident, non-citizen, entertainer, or sportsmen or sports association or institution. This amendment takes effect from 1st July, 2012.
Meaning assigned to a term used in Double Taxation Avoidance Agreement (DTAA)	Section 90 of the Act, empowers the Central Government to enter into an agreement with foreign countries for the purpose of granting reliefs particularly in respect of double taxation. Under this power, the Central

	Government has entered into various treaties commonly known as Double Taxation Avoidance Agreements (DTAAs). Section 90A of the Act similarly empowers the Central Government to adopt and implement an agreement between a specified association in India and any specified association in a specified territory outside India for granting relief from 'double taxation' etc. on the lines of section 90 of the Act. Sub-section (3) of sections 90 and 90A of the Act empowered the Central Government to assign a meaning, through notification, to any term used in the Agreement, which was neither defined in the Act nor in the agreement. Since this assignment of meaning is in respect of a term used in a treaty entered into by the Government with a particular intent and objective as understood during the course of negotiations leading to formalization of treaty, the notification under section 90(3) gives a legal frame work for clarifying the intent, and the clarification should normally apply from the date when the agreement which has used such a term came into force. Therefore, the legislative intent of sub-section (3) to section 90 and section 90A that whenever any term is assigned a meaning through a notification issued under Section 90(3) or section 90A(3), it shall have the effect of clarifying the term from the date of coming into force of the agreement in which such term is used, needs to be clarified. Section 90 of the Act has, therefore, been amended to provide that any meaning assigned through notification to a term used in an agreement but not defined in the Act or agreement, shall be effective from the date of coming into force of the agreement. Similar amendment has been made in Section 90A of the Act. The amendment in section 90 takes effect retrospectively from 1st October, 2009, and the amendment in section 90A take effect retrospectively from 1st June, 2006.
Tax Residence Certificate (TRC) for claiming relief under DTAA	Section 90 of the Income-tax Act empowers the Central Government to enter into an agreement with the Government of any foreign country or specified territory outside India for the purpose of - (i) granting relief in respect of avoidance of double taxation, (ii) exchange of information and (iii) recovery of taxes. Further section 90A of the Act empowers the Central Government to adopt any agreement between specified associations for relief of double taxation. In exercise of this power, the Central Government has entered into various Double Taxation Avoidance Agreements (DTAAs) with different countries and has adopted agreements between specified associations for relief of double taxation. The scheme of interplay of treaty and domestic legislation ensures that a taxpayer, who is resident of one of the contracting country to the treaty, is entitled to claim applicability of beneficial provisions either of treaty or of the domestic law.

Extension of time limit for completion of assessment or reassessment where information is sought under a DTAA	It is noticed that in many instances the taxpayers who are not tax resident of a contracting country do claim benefit under the DTAA entered into by the Government with that country. Thereby, even third party residents claim unintended treaty benefits. Therefore, Section 90 and Section 90A of the Act have been amended to make submission of Tax Residency Certificate containing prescribed particulars, as a necessary but not sufficient condition for availing benefits of the agreements referred to in these Sections. These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent years. Rules in this regard have been notified vide Notification No.39/F. No. 142/13/2012-SO (TPL). During the course of assessment proceedings, in the case of an assessee having income or assets outside India, information is sought from the tax authorities situated outside India, while completing an assessment. Under the provisions of section 90 or section 90A of the Income-tax Act, information can be exchanged with the foreign tax authorities for prevention of evasion or avoidance of income tax chargeable under this Act or under the corresponding law in force in that country or specified territory, as the case may be. The time limit for completion of an assessment or reassessment has been provided in the sections 153 and 153B of the Income-tax Act. These provisions were amended vide Finance Act, 2011 to exclude the time taken in obtaining information (from foreign tax authorities) from the time prescribed for completion of assessment or reassessment in the case of an assessee. This time period to be excluded would start from the date on which the process of getting information is initiated by making a reference by the competent authority in India to the foreign tax authorities and end with the date on which information is received by the Commissioner. This period of exclusion was limited to six months. Foreign inquiries generally by nature take longer time for obtaining information. Amendment has been made to extend this time limit of six months to one year. These amendments take effect from the 1st day of July, 2012.

VI. Rationalization of Transfer Pricing Provisions

Amendment	Rationale for Amendment
Advance Pricing Agreement (APA)	Advance Pricing Agreement is an agreement between a taxpayer and a taxing authority on an appropriate transfer pricing methodology for a set of transactions over a fixed period of time in future. The APAs offer better assurance on transfer pricing methods and are conducive in providing certainty and unanimity of approach. Two new sections i.e., 92CC and 92CD has been inserted in the Income-tax Act to provide a framework for advance pricing agreement under the Act. These sections provide the following. - 1. It empowers Board, to enter into an advance pricing agreement, with the approval of Central Government, with any person undertaking an international transaction.

	2. Such APAs shall include determination of the arm's length price or specify the manner in which arm's length price shall be determined, in relation to an international transaction to be entered into by that person. 3. The manner of determination of arm's length price in such cases shall be any method including those provided in subsection (1) of section 92C, with necessary adjustments or variations. 4. The arm's length price of any international transaction, which is covered under such APA, shall be determined in accordance with the APA so entered and the provisions of section 92C or section 92CA which normally apply for determination of arm's length price would be modified to this extent and arm's length price shall be determined in accordance with APA. 5. The APA shall be valid for such previous years as specified in the agreement which in no case shall exceed five consecutive previous years. 6. The APA shall be binding only on the person and the Commissioner (including income-tax authorities subordinate to him) in respect of the transaction in relation to which the agreement has been entered into. The APA shall not be binding if there is any change in law or facts having bearing on such APA. 7. The Board is empowered to declare, with the approval of Central Government, any such agreement to be void ab initio, if it finds that the agreement has been obtained by the person by fraud or misrepresentation of facts. Once an agreement is declared void ab-initio, all the provisions of the Act shall apply to the person as if such APA had never been entered into. 8. For the purpose of computing any period of limitation under the Act, the period beginning with the date of such APA and ending on the date of order declaring the agreement void ab-initio shall be excluded. However if after the exclusion of the aforesaid period, the period of limitation referred to in any provision of the Act is less than sixty days, such remaining period shall be extended to sixty days. 9. The Board is empowered to prescribe a Scheme providing for the manner, form, procedure and any other matter generally in respect of the advance pricing agreement. 10. Where an application is made by a person for entering into such an APA, proceedings shall be deemed to be pending in the case of the person for the purposes of the Act like for making enquiries under section 133(6) of the Act. 11. The person entering in to such APA shall necessarily have to furnish a modified return in respect of the previous year to which the APA applies even if a return of income has already been filed for such previous year and the modified return has to be furnished within a period of three months from the end of the month in which the said APA was entered into. The modified return has to reflect modification to the income only in respect of the issues arising from the APA and in accordance with it.

	12. Where the assessment or reassessment proceedings for an assessment year relevant to the previous year to which the agreement applies are pending on the date of filing of modified return, the Assessing Officer shall proceed to complete the assessment or reassessment proceedings in accordance with the agreement taking into consideration the modified return so filed and normal period of limitation of completion of proceedings shall be extended by one year. 13. If the assessment or reassessment proceedings for an assessment year relevant to a previous year to which the agreement applies has been completed before the expiry of period allowed for furnishing of modified return ,the Assessing Officer shall, in a case where modified return is filed, proceed to assess or reassess or recompute the total income of the relevant assessment year having regard to and in accordance with the APA and to such assessment, all the provisions relating to assessment shall apply as if the modified return is a return furnished under section 139 of the Act. The period of limitation for completion of such assessment or reassessment is one year from the end of the financial year in which the modified return is furnished. 14. All the other provisions of this Act shall apply accordingly as if the modified return is a return furnished under section 139. These amendments take effect from 1st July, 2012. The Advance Pricing Agreement scheme has been notified vide Notification No. 36/2012.
Examination by the Transfer Pricing Officer of international transactions not reported by the Assessee	Section 92CA of the Act provided that the Assessing Officer, if he considers it necessary or expedient to do so, may with the previous approval of Commissioner of Income tax, refer the matter of determination of Arm's Length Price (ALP) in respect of an international transaction to the Transfer Pricing Officer (TPO). Once reference is made to the TPO, he is competent to exercise all powers that are available to the Assessing Officer under sub-section (3) of Section 92C for determination of ALP and consequent adjustment. Further under section 92E of the Act, there is reporting requirement on the taxpayer and the taxpayer is under obligation to file an audit report in prescribed form before the Assessing Officer (AO) containing details of all international transactions undertaken by the taxpayer during the year. This audit report is the primary document with the Assessing Officer, which contains the details of international transactions undertaken by the taxpayer. If the assessee does not report such a transaction in the report furnished under section 92E then the Assessing Officer would normally not be aware of such an International Transaction so as to make a reference to the Transfer Pricing Officer. The Transfer Pricing Officer may notice such a transaction subsequently during the course of proceeding before him. In the absence of specific power, the determination of Arm's Length Price by the Transfer Pricing Officer would be open to challenge even though the basis of such an action is non-reporting of transaction by the taxpayer at first instance. Section 92CA of the Act has been amended to empower Transfer Pricing Officer (TPO) to determine Arm's Length Price of an international

	transaction noticed by him in the course of proceedings before him, even if the said transaction was not referred to him by the Assessing Officer, provided that such international transaction was not reported by the taxpayer as per the requirement cast upon him under section 92E of the Act. This amendment takes effect retrospectively from 1st June, 2002. It has also been provided that in case where the assessment proceedings have been completed before 1st July, 2012, the same shall not be reopened on account of the aforesaid amendment. This amendment takes effect from 1st July, 2012.
Transfer Pricing Regulations to apply to certain domestic transactions	Section 40A of the Act empowers the Assessing Officer to disallow unreasonable expenditure incurred between related parties. Further, under Chapter VI-A and section 10AA, the Assessing Officer is empowered to re-compute the income (based on fair market value) of the undertaking to which profit linked deduction is provided if there are transactions with the related parties or other undertakings of the same entity. However, no specific method to determine reasonableness of expenditure or fair market value to re-compute the income in such related transactions is provided under these sections. The Supreme Court in the case of CIT Vs. Glaxo SmithKline Asia (P) Ltd., in its order has, after examining the complications which arise in cases where fair market value is to be assigned to transactions between domestic related parties, suggested that Ministry of Finance should consider appropriate provisions in law to make transfer pricing regulations applicable to such related party domestic transactions. The application and extension of scope of transfer pricing regulations to domestic transactions would provide objectivity in determination of income from domestic related party transactions and determination of reasonableness of expenditure between related domestic parties. It will create legally enforceable obligation on assesses to maintain proper documentation. However, extending the transfer pricing requirements to all domestic transactions will lead to increase in compliance burden on all assessees which may not be desirable. Therefore, the transfer pricing regulations need to be extended to the transactions entered into by domestic related parties or by an undertaking with other undertakings of the same entity for the purposes of section 40A, Chapter VI-A and section 10AA. The concerns of administrative and compliance burden are addressed by restricting its applicability to the transactions, which exceed a monetary threshold of ₹ 5 crore in aggregate during the year. In view of the circumstances which were present in the aforesaid case before the Supreme Court, there is a need to expand the definition of related parties for the purpose of section 40A to cover cases of companies which have the same parent company. The Act has therefore been amended to provide applicability of transfer pricing regulations (including procedural and penalty provisions) to transactions between related resident parties for the purposes of computation of income, disallowance of expenses etc. as required under

	provisions of sections 40A, 80-IA, 10AA, 80A, and sections where reference is made to section 80-IA, or to transactions as may be prescribed by the Board, if aggregate amount of all such domestic transactions exceeds ₹ 5 crore in a year. Further, the meaning of "related persons" as provided in section 40A has been amended to include companies having the same holding company. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the Assessment Year 2013-14 and subsequent assessment years.
Determination of Arm's Length Price (ALP)	I. Section 92C of the Act provides for computation of arms lengths price. Sub-section (1) of this section provides the set of methods for determination of arm's length price and mandates application of the most appropriate method for determination of arm's length price (ALP). Sub-Section (2) of section 92C provides that where more than one price is determined by application of most appropriate method, the arm's length price shall be taken to be the arithmetic mean of such prices. The proviso to this sub-section was inserted by Finance Act, 2002 with effect from 01.04.2002 to ensure that in case variation of transaction price from the arithmetic mean is within the tolerance range of 5%, no adjustment was required to be made to transaction value. Subsequently, disputes arose regarding the interpretation of the proviso as to whether the tolerance band is a standard deduction or not, in case variation between ALP and transaction value exceeded the tolerance band. Different courts interpreted it differently. In order to bring more clarity and resolving the controversy the proviso was substituted by Finance Act (No.2), 2009. The substituted proviso not only made clear the intent that 5% tolerance band is not a standard deduction but also changed the base of determination of the allowable band, linked it to the transaction price instead of the earlier base of Arithmetic mean. The amendment clarified the ambiguity about applicability of 5% tolerance band, not being a standard deduction. However, the position prior to amendment by Finance (No.2) Act, 2009 still remained ambiguous with varying judicial decisions. Some favouring departmental stand and others the stand of tax payer. There was, therefore, a need to bring certainty to the issue by clarifying the legislative intent in respect of first proviso to sub-section (2) which was inserted by the Finance Act, 2002. Therefore, section 92C (2) has been amended to provide clarity, with retrospective effect, in respect of first proviso to section 92C (2) as it stood before its substitution by Finance Act (No.2), 2009 so that the tolerance band of 5% is not taken to be a standard deduction while computing Arm's Length Price and also to ensure that due to such retrospective amendment, already completed assessments or proceedings are not reopened only on this ground. The amendments provided above shall be effective retrospectively from 1st April, 2002 and shall accordingly apply in relation to the Assessment Year 2002-03 and subsequent Assessment Years. II. In respect of amendment, which was brought by the Finance (No. 2) Act, 2009, the explanatory memorandum clearly mentioned the legislative

	intent of the amended provision to be applicable to all proceedings pending as on 01.10.2009 before the Transfer Pricing Officer. However, subsequent decisions of certain judicial authorities have created doubts about applicability of this proviso to proceedings pending as on 01.10.2009. There is need to clarify the legislative intent of making the proviso applicable for all assessment proceedings pending as on 01.10.2009 instead of it being attracted only in respect of proceeding for assessment year 2010-11 and subsequent assessment years. Therefore, Section 92C has been amended to provide clarity that second proviso to section 92C shall also be applicable to all proceedings which were pending as on 01.10.2009 i.e the date of coming in force of second proviso inserted by Finance (No.2) Act, 2009]. The amendments take effect retrospectively from 1st October, 2009.
Filing of return of income, definition of international transaction, tolerance band for ALP, penalties and reassessment in transfer pricing cases	I. Section 139 of the Income-tax Act provides for due date of filing return of income in case of various categories of persons. In addition to filing of return of income, the assesses who have undertaken international transactions are also required to prepare and file a Transfer Pricing report in Form 3CEB, as per Section 92E of the Act, before the due date of filing of return of income. Vide the Finance Act, 2011 the due date for filing of return of income in case of corporate assesses who were required to obtain and file Transfer Pricing report (required under section 92E of the Act), was extended to 30th November of the assessment year. It has been noted that assesses other than companies are also faced with similar constraints of absence of sufficient contemporary data in public domain by 30th September which is currently the due date of filing of return of income and Transfer Pricing report in their cases. Therefore, there was a need to extend the due date for filing of return of income in case of non-corporate taxpayers, who have undertaken international transactions and are required to obtain and file Transfer Pricing report as per Section 92E of the Act. The due date of filing of return of income in case of non-corporate assesses has accordingly been extended to 30th November of the assessment year. Section 139 of the Act has been amended to provide that in case of all the assesses who are required to obtain and file Transfer Pricing report as per Section 92E of the Act, the due date would be 30th November of the assessment year. This amendment takes effect retrospectively from 1st April, 2012 and will, accordingly, apply in relation to the assessment year 2012-13 and subsequent assessment years. II. Section 92B of the Act provides an exclusive definition of International Transaction. Although, the definition is worded broadly, the definition of International Transaction, prior to its amendment by the Finance Act, 2012, left scope for its misinterpretation. The definition by its concise nature does not mention all the nature and details of transactions, taking benefit of which a large numbers of International Transactions are not being reported by taxpayers in transfer pricing audit report. In the definition, the term "intangible property" is included. Still, due to lack of clarity in respect of scope of intangible property, the taxpayers are not reporting several such transactions.

Certain judicial authorities have taken a view that in cases of transactions of business restructuring etc. where even if there is an international transaction, the Transfer Pricing provisions would not be applicable if it does not have bearing on profits or loss of current year or impact on profit and loss account is not determinable under normal computation provisions other than transfer pricing regulations. The present scheme of Transfer Pricing provisions does not require that international transaction should have bearing on profits or income of current year.

Therefore, there was a need to amend the definition of international transaction in order to clarify the true scope of the meaning of the term "international transaction" and to clarify the term "intangible property" used in the definition.

For the aforesaid purpose section 92B has been amended to clarify meaning of 'international transaction' and to clarify the term 'intangible property' used in the definition of international transaction and to clarify that the expression 'international transaction' shall include a transaction of business restructuring or reorganization, entered into by an enterprise with an associated enterprise, irrespective of the fact that it has bearing on the profit, income, losses or assets or such enterprises at the time of the transaction or at any future date.

This amendment takes effect retrospectively from 1st April, 2002 and will, accordingly, apply in relation to the assessment year 2002-03 and subsequent assessment years.

III. Section 92C provides methods for determination of Arm's Length Price (ALP). Sub section (1) of the said section prescribes the methods of computation of Arm's Length Price. Sub section (2) of the said sub section provides that if the appropriate method results in more than one price then the arithmetic mean of these prices would be the ALP. The proviso to sub section (2) of section 92C which was amended by Finance Act, 2011 provides that the Central Government may notify a percentage and if variation between the ALP so determined and the transaction price is within the notified percentage (of transaction price), no adjustment shall be made to the transaction price.

There is a need to put an upper ceiling on such tolerance range, which is to be notified, in the legislation.

Section 92C (2) has been amended so as to provide an upper ceiling of 3% in respect of power of Central Government to notify the tolerance range for determination of arm's length price.

This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

IV. Section 271BA of the Income Tax Act provides a penalty of ₹ 1 lakh in cases where any person fails to furnish a report from an accountant as required by Section 92E.Section 271AA provides penalty for failure to keep and maintain information and document in respect of International Transaction.

Section 271G provides penalty for failure to furnish information or document under Section 92D which requires maintenance of certain information and documents in the prescribed proforma by persons entering into an International Transaction. The above scheme of penalty provisions allows for misuse of provisions due to lack of effective deterrence. In order to suppress information about international transactions, some taxpayers may not furnish the report or get the Transfer Pricing audit done.

The meager penalty of Rs.1 lakh as compared to the quantum of international transactions is not an effective deterrent. There is presently no penalty for non-reporting of an international transaction in report filed under section 92E or maintenance or furnishing of incorrect information or documents. Therefore, there was a need to provide effective deterrence based on transaction value to enforce compliance with Transfer Pricing regulations.

Accordingly, Section 271AA has been amended to provide for levy of penalty at the rate of 2% of the value of the international transaction, if the taxpayer.-

(i) fails to keep and maintain prescribed documents or information or;

(ii) fails to report any international transaction which is required to be reported, or;

(iii) maintains or furnishes any incorrect information or documents.

This penalty is in addition to penalties in section 271BA and 271G.This amendment takes effect from 1st July, 2012.

V. Section 147 of the Act provides for reopening of the cases of the previous years, if any income chargeable to tax has escaped assessment. Explanation to this section provides certain circumstances where it will be deemed that income has escaped assessments.

Under the Act, income from an international transaction has to be computed in accordance with arm's length principle and transfer pricing provisions which apply to such transactions. Therefore, in each and every case of international transaction, the income arising from such transaction has to be tested against the benchmark of arm's length price. In the case of certain transactions, transaction value is at arm's length price and no adjustment takes place whereas in others it may lead to adjustments. If an international transaction is not reported by the assessee, such transaction never gets benchmarked against arm's length principle. It becomes, therefore, imperative that non-reporting of international transactions should lead to a presumption of escapement of income.

Therefore, Section 147 of the Act has been amended to provide that in all cases where it is found that an international transaction has not been reported either by non-filing of report or otherwise by not including such transaction in the report mentioned in section 92E then such non-reporting would be considered as a case of deemed escapement of income and such a case can be reopened under section 147 of the Act.

This amendment takes effect from 1st July, 2012.

Appeal against the directions of the Dispute Resolution Panel (DRP)	The institution of Dispute Resolution Panel (DRP) was created by Finance Act 2009 with a view to bring about speedy resolution of disputes in the case of international transactions particularly involving Transfer Pricing issues. Under the provisions of sub-section (8) of section 144C, the DRP has the power to confirm, reduce or enhance the variations proposed in the draft order. The Income Tax Department does not have the right to appeal against the directions given by the DRP. The taxpayer has been given a right to appeal directly to the Income Tax Appellate Tribunal (ITAT) against the order passed by the Assessing Officer in pursuance of the directions of the DRP. As the directions given by the DRP are binding on the Assessing Officer, the section has been amended to provide that the Assessing Officer may also file an appeal before the ITAT against an order passed in pursuance of directions of the DRP. Section 253 and section 254 have, therefore, been amended to provide for filing of appeal by the Assessing Officer against an order passed in pursuance of directions of the DRP in respect of an objection filed on or after 1st July, 2012. These amendments take effect from the 1st day of July, 2012.
Power of the DRP to enhance variations	Dispute Resolution Panel (DRP) had been constituted with a view to expeditiously resolve the cases involving transfer pricing issues in the case of any person having international transactions or in case of a foreign company. It has been provided under sub-section (8) of section 144C that DRP may confirm, reduce or enhance the variations proposed in the draft order of the Assessing Officer. In a recent judgment, it was held that the power of DRP is restricted only to the issues raised in the draft assessment order and therefore it cannot enhance the variation proposed in the order as a result of any new issue which comes to the notice of the panel during the course of proceedings before it. This is not in accordance with the legislative intent. An Explanation has accordingly been inserted in the provisions of section 144C to clarify that the power of the DRP to enhance the variation shall include and shall always be deemed to have included the power to consider any matter arising out of the assessment proceedings relating to the draft assessment order. This power to consider any issue would be irrespective of the fact whether such matter was raised by the eligible assessee or not. This amendment would apply to any proceeding before the DRP as on 1st April, 2009.
Completion of assessment in search cases referred to DRP	Under the provisions of section 144C of the Income-tax Act, prior to its amendment by the Finance Act, 2012, where an eligible assessee files an objection against the draft assessment order before the Dispute Resolution Panel (DRP), then, the time limit for completion of assessments are as provided in section 144C notwithstanding anything in section 153. A similar provision has been inserted where assessments are framed as a result of search and seizure to provide that for such assessments, time limit specified in section 144C will apply, notwithstanding anything in section 153B.

	The orders passed by the Assessing Officer in pursuance of the directions of the DRP have been excluded from the appellate jurisdiction of the Commissioner (Appeals) and appeals can be filed directly to ITAT against such orders. Accordingly, consequential amendments have been made in the provisions of section 246A and 253 of the Income-tax Act. These amendments in the provisions of the Income-tax Act take effect retrospectively from the 1st day of October, 2009.

VII.GENERAL ANTI-AVOIDANCE RULE (GAAR)

Amendment	Rationale for Amendment
GENERAL ANTI-AVOIDANCE RULE (GAAR)	The question of substance over form has consistently arisen in the implementation of taxation laws. In the Indian context, judicial decisions have varied. While some courts in certain circumstances had held that legal form of transactions can be dispensed with and the real substance of transaction can be considered while applying the taxation laws, others have held that the form is to be given sanctity. The existence of anti-avoidance principles is based on various judicial pronouncements. There are some specific anti-avoidance provisions but general anti-avoidance has been dealt only through judicial decisions in specific cases. In an environment of moderate rates of tax, it is necessary that the correct tax base be subject to tax in the face of aggressive tax planning and use of opaque low tax jurisdictions for residence as well as for sourcing capital. Most countries have codified the ñsubstance over formò doctrine in the form of General Anti Avoidance Rule (GAAR). In the above background and keeping in view the aggressive tax planning with the use of sophisticated structures, there is a need for statutory provisions so as to codify the doctrine of ñsubstance over formò where the real intention of the parties and effect of transactions and purpose of an arrangement is taken into account for determining the tax consequences, irrespective of the legal structure that has been superimposed to camouflage the real intent and purpose. Internationally several countries have introduced, and are administering statutory General Anti Avoidance Provisions. It is, therefore, important that Indian taxation law also incorporate a statutory General Anti Avoidance Provisions to deal with aggressive tax planning. The basic criticism of statutory GAAR which is raised worldwide is that it provides a wide discretion and authority to the tax administration which at times is prone to be misused. This vital aspect, therefore, needs to be kept in mind while formulating any GAAR regime. Accordingly General Anti Avoidance Rule has been introduced by inserting sections 95 to 102 in the Income-tax Act to deal with aggressive tax planning. **A**. The main features of such a regime are (i) An arrangement whose main purpose or one of the main purposes is to obtain a tax benefit and which also satisfies at least one of the four tests can be declared as an ñimpermissible avoidance arrangementsò.

(ii) The four tests referred to in (i) are –

(a) The arrangement creates rights and obligations, which are not normally created between parties dealing at arm's length.

(b) It results in misuse or abuse of provisions of tax laws.

(c) It lacks commercial substance or is deemed to lack commercial substance.

(d) Is carried out in a manner, which is normally not employed for bonafide purpose.

(iii) An arrangement will be deemed to lack commercial substance if –

(a) the substance or effect of the arrangement as a whole, is inconsistent with, or differs significantly from, the form of its individual steps or a part; or

(b) it involves or includes -
  (i) round trip financing;
  (ii) an accommodating party ;
  (iii) elements that have effect of offsetting or cancelling each other; or
  (iv) a transaction which is conducted through one or more persons and disguises the value, location, source, ownership or control of fund which is subject matter of such transaction; or

(c) it involves the location of an asset or of a transaction or of the place of residence of any party which would not have been so located for any substantial commercial purpose other than obtaining tax benefit for a party.

(iv) It is also provided that certain circumstances like period of existence of arrangement, payment of taxes under the arrangement, exit route, shall not be taken into account while determining 'lack of commercial substance' test for an arrangement.

(v) Once the arrangement is held to be an impermissible avoidance arrangement then the consequences of the arrangement in relation to tax, including denial of tax benefit or benefit under a tax treaty can be determined by keeping in view the circumstances of the case, however, some of the illustrative steps are:-

(a) disregarding or combining or re-characterising any step of the arrangement.

(b) ignoring the arrangement for the purpose of taxation law.

(c) disregarding or combining any party to the arrangement.

(d) reallocating expenses and income between the parties to the arrangement.

(e) relocating place of residence of a party, or location of a transaction or site of an asset to a place other than that provided in the arrangement.

(f) considering or looking through the arrangement by disregarding any corporate structure.

(g) re-characterizing equity into debt, capital into revenue etc.

(vi) These provisions can be used in addition to or in conjunction with other anti-avoidance provisions or provisions for determination of tax liability, which are provided in the taxation law.

(vii) For effective application in cross border transaction and to prevent treaty abuse a limited treaty override has also been provided.

B. The procedure for invoking GAAR has been laid out in section 144BA as under:-

(i) It is provided that the Assessing Officer shall make a reference to the Commissioner for invoking GAAR and on receipt of reference the Commissioner shall hear the taxpayer and if he is not satisfied by the reply of taxpayer and is of the opinion that GAAR provisions are to be invoked, he shall refer the matter to an Approving Panel. In case the assessee does not object or reply, the Commissioner shall make determination as to whether the arrangement is an impermissible avoidance arrangement or not.

(ii) The Approving Panel has to dispose of the reference within a period of six months from the end of the month in which the reference was received from the Commissioner

(iii) The Approving Panel shall either declare an arrangement to be impermissible or declare it not to be so after examining material and getting further inquiry to be made.

(iv) The Assessing Officer (AO) will determine consequences of such a positive declaration of arrangement as impermissible avoidance arrangement.

(v) The final order in case any consequence of GAAR is determined shall be passed by AO only after approval by Commissioner and, thereafter, first appeal against such order shall lie to the Appellate Tribunal.

(vi) The period taken by the proceedings before Commissioner and Approving Panel shall be excluded from time limitation for completion of assessment.

(vii) The Approving Panel shall be set up by the Board and would comprise of officers of rank of Commissioner and above. The panel will have a minimum of three members. To introduce an independent member in the GAAR approving panel, one member of the approving panel would be an officer of the level of Joint Secretary or above from the Ministry of Law .The procedure and working of Panel shall be administered through subordinate legislation.

Section 245N of the Act has been amended to enable any taxpayer (resident or non-resident) to approach the Authority for Advance Ruling (AAR) for a ruling as to whether an arrangement to be undertaken by him

	is an impermissible avoidance arrangement under the GAAR provisions. The reference can be filed on any date on or after 1-4-2013 to seek an advance ruling regarding an arrangement to be undertaken In addition to the above, it is provided that the Board shall prescribe a scheme for regulating the condition and manner of application of these provisions. In order to provide more time to both taxpayers and the tax administration to address the issues arising from GAAR provisions so that there is clarity and certainty in the matter, it is provided to defer the applicability of the GAAR provisions, proposed in Chapter X-A and section 144BA of the Act, by one year so that they would now apply to income chargeable to tax in respect of assessment year 2014-15 and subsequent years.

VIII. Other Amendments

Amendment	Rationale for Amendment
Extension of time for completion of assessments and reassessments	The provisions of section 153 and 153B, inter alia, provide the time limit for completion of assessment and reassessment of income by the Assessing Officer. Time limits have been provided for completion of assessment or reassessment under section 143(3), 147, 153A, 153C, etc. Further, these time limits get extended if a reference is made under section 92CA to the Transfer Pricing Officer during the course of assessment/reassessment proceedings. These time limits are either from the end of the financial year in which the notice for initiation of the proceedings was served or from the end of the assessment year to which the proceedings relate. Sections 153 and 153B have been amended so as to provide that the time limits for completion of assessments and reassessments shall respectively be increased by three months. Consequential amendments have been made in the provisions of section 17A of the Wealth-tax Act for increasing the time limit by three months for completion of assessment/reassessment proceedings. These amendments take effect from 1st July, 2012.
Assessment of charitable organization in case commercial receipts exceed the specified threshold	Sections 11 and 12 of the Act exempt income of any charitable trust or institution, if such income is applied for charitable purposes in India and such institution is registered under section 12AA of the Act. Section 10(23C) of Income Tax Act also provides exemption in respect of approved charitable funds or institutions. Section 2(15) of the Act provides definition of charitable purpose and inter alia includes "advancement of any other object of general public utility" as charitable purpose provided it does not involve carrying on of any activity in the nature of trade, commerce or business. The 2nd proviso to said section provides that in case where the activity of any trust or institution is of the nature of advancement of any other object of general public utility, and it involves carrying on of any activity in the nature of trade, commerce or business; but the aggregate value of receipts from the commercial activities does not exceed ₹ 25,00,000/- in the previous year, then the purpose of such institution shall be considered as charitable, and accordingly, the benefits of exemption shall be available to it.

	Thus, a charitable trust or institution pursuing advancement of object of general public utility may be a charitable trust in one year and not a charitable trust in another year depending on the aggregate value of receipts from commercial activities. There was, therefore, a need to expressly provide in law that no exemption would be available for a previous year, to a trust or institution to which first proviso of sub-section 2(15) becomes applicable for that particular previous year. However, this temporary excess in one year may not be treated as altering the very nature of the trust or institution so as to lead to cancellation of registration or withdrawal of approval or rescinding of notification issued in respect of trust or institution. Therefore, there was need to ensure that if the purpose of a trust or institution does not remain charitable due to application of first proviso on account of commercial receipt threshold provided in second proviso in a previous year, then, such trust or institution would not be entitled to get benefit of exemption in respect of its income for that previous year for which such proviso is applicable. Such denial of exemption shall be mandatory by operation of law and would not be dependent on any withdrawal of approval or cancellation of registration or a notification being rescinded. Accordingly Section10(23C), section 13 and section 143 of the Act have been amended to ensure that such organization does not get benefit of tax exemption in the year in which it's receipts from commercial activities exceed the threshold whether or not the registration or approval granted or notification issued is cancelled, withdrawn or rescinded. This amendment takes effect retrospectively from 1st April, 2009 and will, accordingly, apply in relation to the assessment year 2009-10 and subsequent assessment years.
Due date of furnishing audit report in case of international transactions	As per the provisions of the Income-tax Act, prior to its amendment by the Finance Act, 2012, the report of audit under section 44AB is required to be furnished by 30th September of the assessment year. Section 139 was amended vide Finance Act 2011 to extend the due date for furnishing of return by the corporate assessees, who have undertaken international transactions, from 30th September to 30th November of the assessment year. In order to align the due date for furnishing tax audit report under section 44AB of the Act and due date specified for furnishing of return under section 139 of the Act, section has been amended to provide that the due date for furnishing tax audit report under section 44AB would be the same as due date specified for furnishing of return under section 139. This amendment takes effect retrospectively from 1st April, 2012 and will, accordingly, apply in relation to the assessment year 2012-13 and subsequent assessment years.
Presumptive taxation not to apply to professions etc.	Finance (No.2) Act, 2009 substituted Section 44AD in the Income-tax Act to provide for a presumptive income scheme for small businesses with effect from 1st April, 2011. Under this scheme a sum equal to 8% of the total turnover or gross receipts is deemed to be the profits and gains from business. This presumptive scheme is applicable to a person carrying on

	any business, except business of plying, hiring or leasing goods carriage, having turnover or gross receipt not exceeding 60 lakh rupees. Section 44AD has been amended to clarify that this presumptive scheme is not applicable to (i) a person carrying on profession as referred to in sub-section (1) of section 44AA; (ii) persons earning income in the nature of commission or brokerage; or (iii) a person carrying on any agency business. This amendment takes effect retrospectively from 1st April, 2011 and will, accordingly, apply in relation to the assessment year 2011-12 and subsequent assessment years.
Minimum Alternate Tax (MAT)	I. Under the existing provisions of section 115JB of the Act, a company is liable to pay MAT of eighteen and one half per cent of its book profit in case tax on its total income computed under the provisions of the Act is less than the MAT liability. Book profit for this purpose is computed by making certain adjustments to the profit disclosed in the profit and loss account prepared by the company in accordance with the Schedule VI to the Companies Act, 1956. As per section 115JB, every company is required to prepare its accounts as per Schedule VI to the Companies Act, 1956.However, as per the provisions of the Companies Act, 1956, certain companies, e.g. insurance, banking or electricity company, are allowed to prepare their profit and loss account in accordance with the provisions specified in their regulatory Acts. In order to align the provisions of Income-tax Act with the Companies Act, 1956, section 115JB has been amended to provide that the companies which are not required under section 211 of the Companies Act,1956, to prepare their profit and loss account in accordance with the Schedule VI to the Companies Act, 1956, profit and loss account prepared in accordance with the provisions of their regulatory Acts shall be taken as a basis for computing the book profit under section 115JB. It has also been clarified that for the assessment year beginning on or before 1st April 2012, an insurance company or a banking company or an electricity company has an option, for the purpose of Section 115JB, to prepare its profit and loss account either in accordance with the provisions of Schedule VI to the Companies Act, 1956 or in accordance with the provisions of its governing Act. II. It is noted that in certain cases, the amount standing in the revaluation reserve is taken directly to general reserve on disposal of a revalued asset. Thus, the gains attributable to revaluation of the asset are not subject to MAT liability. Section 115JB has been amended to provide that the book profit for the purpose of section 115JB shall be increased by the amount standing in the revaluation reserve relating to the revalued asset which has been retired or disposed, if the same is not credited to the profit and loss account. III. Reference of Part III of the Schedule VI of the Companies Act, 1956 has been omitted from section 115JB in view of omission of Part III in the revised Schedule VI under the Companies Act, 1956. These amendments will take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

	IV. Further, under section 115B of the Act, profits and gains of an insurance company from life insurance business are already subject to tax at a specific rate based on actuarial valuation. It has therefore been provided that the provisions of section 115JB of the Act shall not apply to any income accruing or arising to a company from life insurance business referred to in section 115B. This amendment takes effect retrospectively from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-02 and subsequent assessment years.
Liability to pay advance tax in case of non-deduction of tax	Under the provisions of section 209 of the Income-tax Act, the amount of advance tax payable is computed by reducing the amount of income-tax which would be deductible or collectible during the financial year from income-tax on estimated income. Therefore, in cases where the assessee receives or pays any amount (on which the tax was deductible or collectible) without deduction or collection of tax, it has been held by Courts that he is not liable to pay advance tax to the extent the tax is deductible or collectible from such amount. In order to make an assessee liable for payment of advance tax in respect of income which has been received or paid without deduction or collection of tax, the aforesaid section has been amended to provide that where a person has received any income without deduction or collection of tax, he shall be liable to pay advance tax in respect of such income. This amendment takes effect from the 1st April, 2012 and would, accordingly, apply in relation to advance tax payable for the financial year 2012-13 and subsequent financial years.
Exemption from Wealth Tax - Reserve Bank of India	Under the provisions of the Wealth-tax Act, wealth-tax is levied on individual, HUF and company. The definition of "Company" under the Act includes a corporation established by or under the Central, State or Provincial Act. Therefore, the Reserve Bank of India (RBI), being a corporation established under the Central Act, would be deemed as company for the purpose of levy of wealth-tax and shall be liable to pay wealth-tax. However, there is no provision for exempting RBI from the levy of wealth-tax either in the Wealth-tax Act or in Reserve Bank of India Act, 1934. In order to provide that the RBI is not liable to pay wealth-tax, section 45 of the Act has been amended to provide that wealth-tax shall not be levied on the net wealth of RBI. This amendment takes effect retrospectively from 1st April, 1957 and will, accordingly, apply in relation to the assessment year 1957-58 and subsequent assessment years.
Cost of acquisition in case of certain transfers	Where transfer of an asset from one person to another is not regarded as a transfer under section 47, then, for the purpose of computation of capital gains, the cost of the asset in the hands of the successor under section 49 is taken as that of the predecessor. Certain transactions like transfer of assets by a sole proprietorship or a firm to a company on conversion are not regarded as transfer under the provisions of section 47(xiv) and section 47(xiii). While computing capital gains on subsequent sale of such assets by the company, there is no reference in the provisions of section 49 with regard to the cost to be taken for such assets.

	Section 49 has been amended to provide that in case of conversion of sole proprietorship or firm into a company which is not regarded as a transfer, the cost of acquisition of asset in the hands of the company would be the same as that in the hand of the sole proprietary concern or the firm, as the case may be. This amendment takes effect retrospectively from 1st day of April, 1999 and will accordingly apply to assessment year 1999-2000 and subsequent assessment years.
Capital gains tax from sale of agricultural land by a Hindu undivided family (HUF)	Capital gains on transfer of land which, in the two years preceding the date on which it has been sold, has been used for agricultural purposes by assessee or his parent, is exempt if the whole of capital gains has been reinvested in the purchase of agricultural land in the next two years. With a view to extend this benefit to a HUFs, Section 54B has been amended to provide that the rollover relief would be available if the land is used for agricultural purposes by an individual or his parent, or by a HUF. This amendment takes effect from 1st day of April, 2013 and will accordingly apply to assessment year 2013-14 and subsequent assessment years.
Reference to a Valuation Officer	Under the provisions of section 55A, prior to its amendment by the Finance Act, 2012,where in the opinion of the Assessing Officer value of asset as claimed by the assessee is less than its fair market value, he may refer the valuation of a capital asset to a Valuation Officer. Under section 55 in a case where the capital asset became the property of the assessee before 1st April, 1981, the assessee has the option of substituting the fair market value of the asset as on 1st April, 1981 as the cost of the asset. In such a case the adoption of a higher value for the cost of the asset as the fair market value as on 1st April, 1981, would lead to a lower amount of capital gains being offered for tax. Section 55A has been amended to enable the Assessing Officer to make a reference to the Valuation Officer where in his opinion the value declared by the assessee is at variance with the fair market value. Therefore, in a case where the Assessing Officer is of the opinion that the value towards cost of an asset taken by the assessee as on 1.4.1981 is higher than the fair market value of the asset as on that date, the Assessing Officer would be able to make a reference to the Valuation Officer for determining the fair market value of the property. This amendment takes effect from 1st day of July, 2012.
Capital gains in cases of amalgamation and demerger	(i) Under the provisions of section 47(vii) any transfer by a shareholder, in a scheme of amalgamation of a capital asset being a share or shares held by him in the amalgamating company is not regarded as a transfer if - (a) any transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company, and (b) the amalgamated company is an Indian company. In a case where a subsidiary company amalgamates into the holding company, it is not possible to satisfy one of the conditions at (a) above, i.e. that the amalgamated company (the holding company) issues shares to the shareholders of the amalgamating company (subsidiary company),

	since the holding company is itself the shareholder of the subsidiary company and cannot issue shares to itself. Section 47(vii) has been amended so as to exclude the requirement of issue of shares to the shareholder where such shareholder itself is the amalgamated company. However, the amalgamated company will continue to be required to issue shares to the other shareholders of the amalgamating company. This amendment will take effect from 1st day of April, 2013 and will accordingly apply to assessment year 2013-14 and subsequent assessment years. (ii) Similarly, in the case of a demerger, there is a requirement under section 2(19AA)(iv) that the resulting company has to issue its shares to the shareholders of the demerged company on a proportionate basis. However, it is not possible to satisfy this condition where the demerged company is a subsidiary company and the resulting company is the holding company. Therefore, section 2(19AA) has been amended so as to exclude the requirement of issue of shares where resulting company itself is a shareholder of the demerged company. The requirement of issuing shares would still have to be met by the resulting company in case of other shareholders of the demerged company. This amendment will take effect from 1st day of April, 2013 and will accordingly apply to assessment year 2013-14 and subsequent assessment years.
Fair Market Value to be full value of consideration in certain cases	Capital gains are calculated on transfer of a capital asset, as sale consideration minus cost of acquisition. In some recent rulings, it has been held that where the consideration in respect of transfer of an asset is not determinable under the existing provisions of the Income-tax Act, then, as the machinery provision fails, the gains arising from the transfer of such assets is not taxable. It is, therefore, provided that where in the case of a transfer, consideration for the transfer of a capital asset(s) is not ascertainable or determinable then for purpose of computing income chargeable to tax as gains, the fair market value of the asset on the date of transfer shall be taken to be the full market value of consideration. Accordingly, a new section 50D has been inserted in the Income-tax Act to provide that fair market value of the asset shall be deemed to be the full value of consideration if actual consideration is not ascertainable or determinable. This amendment takes effect from 1st day of April, 2013 and will accordingly apply to assessment year 2013-14 and subsequent assessment years.
Notification of a class of search cases where compulsory reopening of past six years not required	Under the provisions of section 153A of the Income-tax Act, it is mandatory to issue a notice for filing of tax returns for 6 assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A. The provisions of section 153A and 153C have been amended so as to empower the Central Government to notify cases or class of cases in

	which the Assessing Officer shall not issue notice for initiation of proceedings for preceding 6 assessment years. However, action for completion of assessment proceedings for the assessment year relevant to the previous year in such class of cases in which search or requisition has been made would be taken. This would result in initiating assessment proceedings only for the assessment year relevant to the previous year in which search or requisition has been made. Consequential amendments have also been made in the provisions of section 296 of the Act. These amendments take effect from the 1st day of July, 2012.
Fee for filing of applications before Authority for Advance Rulings (AAR)	Under section 245Q of the Income-tax Act, the prescribed fee for filing an application before the Authority for Advance Rulings (AAR) is ₹ 2500. This fee was prescribed in 1993, when the provisions for Advance Rulings were first introduced and there has been no change/review thereafter. Section 245Q has been amended so as to increase the fee for filing an application for advance ruling from ₹ 2500 to ₹ 10,000 or such fee as may be prescribed, whichever is higher. This amendment takes effect from the 1st day of July, 2012 and will accordingly apply to any application for advance ruling filed on or after the 1st day of July, 2012.
Authorisation or requisition and subsequent assessment in search cases	Under the existing provisions of section 132 and section 132A, an authorisation can be issued or a requisition can be made, as the case may be, where the Director General or the Director in consequence of information in his possession has reason to believe that any person is in possession of any money, bullion, jewellery or other valuable article or thing (hereafter referred to as undisclosed income or property), then, he may authorise any Additional Director or Deputy Director, etc. to enter and search any building, place, vehicle, etc. and seize any such books of accounts, other documents, undisclosed property, etc. Where a search is initiated under section 132 or requisition is made under section 132A, assessment is to be completed under the provisions of section 153A or section 153C (and if search was prior to 31st May, 2003 under Chapter XIV-B of the Act) or section 143(3), etc. In a recent Court decision, it has been held that in search cases arising on the basis of warrant of authorisation under section 132 of the Act, warrant of authorisation must be issued individually and if it is not issued individually, assessment cannot be made in an individual capacity. It was also held that if the authorization was issued jointly, the assessment will have to be made collectively in the name of all the persons in the status of association of persons/body of individuals. This decision is not in accordance with the legislative intent. A new section 292CC has been inserted in the Income-tax Act to provide that - (i) it shall not be necessary to issue an authorisation under section 132 or make a requisition under section 132A separately in the name of each person;

	(ii) where an authorisation under section 132 has been issued or a requisition under section 132A has been made mentioning therein the name of more than one person, the mention of such names of more than one person on such authorisation or requisition shall not be deemed to construe that it was issued in the name of an association of persons or body of individuals consisting of such persons; (iii) notwithstanding that an authorisation under section 132 has been issued or requisition under section 132A has been made mentioning therein the name of more than one person, the assessment or reassessment shall be made separately in the name of each of the persons mentioned in such authorisation or requisition. These amendments take effect retrospectively from the 1st day of April, 1976 and will accordingly apply to assessment year 1976-77 and subsequent assessment years.
Prohibition of cash donations in excess of ten thousand rupees	Section 80G of the Income-tax Act provides for a deduction in respect of donations to certain funds, charitable institutions, etc. subject to specified conditions. The deduction is allowed in respect of any donation being a sum of money. Similarly, section 80GGA of the Income-tax Act provides for a deduction in respect of certain donations for scientific research or rural development made to research associations, universities, colleges or other associations/institutions, subject to specified conditions. Currently, there is no provision in either of the aforesaid sections specifying the mode of payment of money. Therefore, sections 80G and 80GGA have been amended so as specify therein that any payment exceeding a sum of ten thousand rupees shall only be allowed as a deduction if such sum is paid by any mode other than cash. These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to assessment year 2013-14 and subsequent assessment years.
Eligibility conditions for exempt life insurance policies	Under the provisions of section 10(10D) of the Income-tax Act, prior to its amendment by the Finance Act, 2012, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, was exempt. For this purpose, it was necessary that the premium payable for any of the years shall not exceed 20% of the actual capital sum assured. The threshold of premium payable has been reduced to 10% of the actual capital sum assured from 20% of the actual capital sum assured. Accordingly, section 10(10D) has been amended so as to restrict the exemption for insurance policies issued on or after 1st April, 2012 to only such policies where the premium payable for any of the years during the term of the policy does not exceed 10% of the actual capital sum assured. Further, in order to ensure that the life insurance products are not designed to circumvent the prescribed limits by varying the capital sum assured from year to year, it is also provided that the capital sum assured would be the minimum of the sum assured on the happening of the assured event at any time during the term of the policy without taking into account

	the value of any premium agreed to be returned or any benefit by way of bonus or otherwise receivable under the policy. This amendment will take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Eligibility condition for deduction in respect of life insurance policies	Section 80C of the Income-tax Act provides that in computing the total income of an assessee, being an individual or a HUF, a deduction in aggregate of up to one lakh rupees for life insurance premia, contributions to any provident fund, tuition fees, subscription to any deposit scheme of a public sector company engaged in financing, construction or purchase of houses in India for residential purposes, fixed term deposits of not less than five years with a scheduled bank, etc., is allowed. The existing provisions contained in section 80C(3) provide that the deduction for life insurance premium shall be allowed for only so much of any premium or other payment made on an insurance policy as is not in excess of 20% of the actual capital sum assured. The provisions have been amended to provide that the deduction for life insurance premium as regards insurance policies issued on or after 1st April, 2012 shall be allowed for only so much of the premium payable as does not exceed 10% of the actual capital sum assured. Further, the definition of "actual capital sum assured" has been inserted so as to provide that the actual capital sum assured in relation to a life insurance policy shall be the minimum amount assured under the policy on happening of the insured event at any time during the term of the policy, not taking into account- (i) the value of any premiums agreed to be returned, or (ii) any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person. This amendment has been provided to ensure that the life insurance products are not designed to circumvent the prescribed limits by varying the capital sum assured from year to year. These amendments take effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Exemption to Prasar Bharati (Broadcasting Corporation of India)	A specific exemption from income tax to the Prasar Bharati (Broadcasting Corporation of India) has been provided by inserting a new clause (23BBH) in section 10 of the Act. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.
Concessional rate of taxation on long term capital gain in case of non-resident investors	Currently, under the Income-tax Act, a long term capital gain arising from sale of unlisted securities in the case of Foreign Institutional Investors (FIIs) is taxed at the rate of 10% without giving benefit of indexation or of currency fluctuation. In the case of other non-resident investors, including Private Equity investors, such capital gains are taxable at the rate of 20% with the benefit of currency fluctuation but without indexation. In order to give parity to such non-resident investors, the Finance Act reduces the rate of tax on long term capital gains arising from transfer of unlisted

	securities from 20% to 10% on the gains computed without giving benefit of currency fluctuations and indexation by amending section 112 of the Income-tax Act. This amendment takes effect from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years. Consequential amendments to provide for tax deduction at source have also been made in the First Schedule and will be effective from 1st April, 2012.
Recognition to provident funds - Extension of time limit for obtaining exemption from EPFO	Rule 4 (in Part A) of the Fourth Schedule to the Income-tax Act provides for the conditions to be satisfied by a Provident Fund for receiving or retaining recognition under the Income-tax Act. One of the requirements of rule 4 [clause (ea)] is that the establishment shall obtain exemption under section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF & MP Act). The first proviso to sub-rule (1) of rule 3 (in Part A) of the Fourth Schedule, inter alia, specifies that in a case where recognition has been accorded to any provident fund on or before 31st March, 2006, and such provident fund does not satisfy the conditions set out in rule 4 [clause (ea)], the recognition to such fund shall be withdrawn if such fund does not satisfy such conditions on or before 31st March, 2012. In order to provide further time to Employees' Provident Fund Organization (EPFO) to process the applications made by establishments seeking exemption under the EPF & MP Act, the proviso has been amended to extend the time limit from 31st March, 2012 to 31st March, 2013. This amendment takes effect retrospectively from 1st April, 2012.
Securities Transaction Tax (STT) on unlisted equity sold as part of an initial public offer and exemption from long-term capital gains	Securities Transaction Tax (STT) is levied, among others, on sale or purchase of an equity share which is entered through a recognized stock exchange. STT therefore applies to listed securities. Income arising from long term capital gain on sale of an equity share in a listed company which is chargeable to STT is exempt from tax under section 10(38) of the Income-tax Act. Through an amendment, the benefit of tax exemption of long term capital gains is extended to an investor who off-loads his shareholding as part of an initial public offer before listing of the company subject to payment of STT at the rate of 0.2 per cent on the transaction. For this purpose, it is provided for levy of STT on the sale of unlisted equity shares under an offer for sale as part of an initial public offer and shares of the company are subsequently listed on the stock exchange. This amendment takes effect from 1st July, 2012 and will accordingly apply to any transaction made on or after that date.

- **Release of Final Report of the Committee constituted for formulating Accounting Standards**

Section 145 (1) of the Income-tax Act, 1961 (óthe Actô) provides that the income chargeable under the head ñProfits and gains of business or professionò or ñIncome from other sourcesò shall [subject to the provisions of sub-section (2)] be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee. Section 145 (2) provides that the Central Government may notify Accounting Standards (óASô) for any class of assessees or for any class of income.

The Central Board of Direct Taxes (óCBDTô) constituted a Committee comprising of departmental officers and professionals in December, 2010 to inter alia suggest Accounting Standards for the purposes of notification under section 145 (2) of the Act.

The Committee submitted its first Interim Report in August 2011. A discussion paper containing the main recommendations of the Committee was issued in October, 2011 for inviting comments/suggestions from all stakeholders.

The Committee has submitted its Final Report in August, 2012. The Committee recommended that the AS notified under the Act should be made applicable only to the computation of taxable income and a taxpayer would not be required to maintain books of account on the basis of AS notified under the Act. The Committee examined all the 31 AS issued by the ICAI and recommended notification of AS on 14 issues under the Act and formulated drafts of AS on these issues. The Committee has termed them as ñTax Accounting Standardsò (TAS) to distinguish from the AS issued by the ICAI/notified under the Companies Act, 1956.

In October, 2012, The Final Report of the Committee (including drafts of the 14 TAS submitted by the Committee) has been put on public domain for comments from stakeholders and general public.

13.10 INTERNATIONAL TAXATION

13.10.1 Negotiation of DTAAs and TIEAs

The Foreign Tax and Tax Research Division negotiates and finalizes the tax agreements, i.e. Double Taxation Avoidance Agreements (DTAAs) and Tax Information Exchange Agreements (TIEAs). During the calendar year 2012, following work has been done in this regard

(a) Two new DTAAs with Estonia and Lithuania entered into force on 20th June, 2012 and 10th July, 2012. Negotiations for entering into two new DTAAs with Latvia and Macedonia were completed.

(b) The Protocol amending the DTAA with Netherlands, entered into force on 2nd November, 2011, which among other things, brought the exchange of information Article to the international standards, including exchange of banking information. An amending Protocol strengthening exchange of information and assistance in tax collection with UK was signed on 30*th* October, 2012 in London and will enter into force after completion of formalities in United Kingdom. An amending Protocol for bringing the exchange of information Article to the international standards was signed with Spain.

(c) The Second Protocol amending India-UAE DTAA was signed by the Ambassador of India to UAE on 16th April, 2012 at Abu Dhabi.

(d) The revised DTAA between India and Malaysia was signed by the High Commissioner of India to Malaysia on 9th May, 2012 at Kuala Lumpur

(e) The revised DTAA between India and Indonesia was signed by Shri S.M. Krishna, Honôble Minister for External Affairs on 27th July, 2012 at New Delhi.

(f) The revised DTAA between India and Nepal was signed on 27th November, 2011 entered into force on 16th March, 2012

(g) The Protocol amending India-Uzbekistan DTAA was signed on 16th April, 2012entered into force on 20th July, 2012

(h) In case of five other DTAAs, that is, with Armenia, Belarus, Denmark, South Africa and Poland, negotiations for modification of the DTAA for bringing the exchange of information article to the international standards, including exchange of banking information, are completed.

(i) Negotiation for revision of India-Singapore DTAA was held from 31st January to 1st February, 2012 .Negotiation for revision of India-Israel DTAC was held from 11th to 13th June, 2012. Negotiation for revision of India-Mauritius DTAC was held from 22nd to 24th August, 2012. Negotiation for revision of India-Kazakhstan DTAC was held from 24th to 26th September, 2012

(j) A Mutual Agreement between the Competent Authorities of India and Switzerland was signed on 20th April, 2012 providing for a liberal interpretation of identity requirements for an exchange of information request wherein it has been provided that it is sufficient if the requesting State identifies the person by other means than by indicating the name and address of the person concerned and indicates to the extent known, the name and address of any person believed to be in possession of the requested information

(k) The TIEA with Jersey and Guernsey came into force on 8th May, 2012 and 11th June, 2012 respectively. A new TIEA with Monaco was signed on 31st July, 2012. The negotiations for entering into new TIEA with two new jurisdictions, that is, Belize and Sint Maarten were completed

(l) The Tax Information Exchange Agreement between India and Bahrain was signed by Shri Namo Naraian Meena, Hon'ble Minister of State for Finance (Expenditure and Financial Services) on 31st May, 2012 at New Delhi.

(m) The Tax Information Exchange Agreement between India and Liberia signed on 3rd October, 2011 entered into force on 30th March, 2012

(n) The Tax Information Exchange Agreement between India and Macau signed on 3rd January, 2012 entered into force on 16thApril, 2012

(o) The Finance Minister has approved starting negotiations of TIEAs with twenty-five more countries/jurisdictions. At present negotiations for TIEAs with 34 jurisdictions are going on and these countries/jurisdictions are Andorra, Anguilla, Antigua and Barbuda, Aruba, Barbados, Belize, Brunei Darussalam, Cook Islands, Curacao, Dominica, Dominican Republic, Faroe Islands, Greenland, Grenada, Honduras, Jamaica, Montserrat, Peru, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sint Maarten, Turks and Caicos, Vanuatu, Argentina, Bahrain, Gibraltar, Liechtenstein, Maldives, Marshall Islands, Panama, Saint Kitts & Nevis and Seychelles.

13.10.2 Multilateral Convention on Mutual Administrative Assistance in Tax Matters

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters, signed on 26th January, 2012, was ratified on 2nd February, 2012 and has entered into force for India on 1st June, 2012. Till the end of December, 2012, the Multilateral Convention has been signed by 42 countries and has entered into force for 16 countries and provides wide ranging administrative assistance amongst the parties to the Convention in the areas of exchange of information. India is the first country outside the block of OECD and Council of Europe to join this Convention and has also been nominated as vice chair of its Coordinating body.

13.10.3 International Taxation Policy

A Committee has been formed with the approval of the Finance Minister to update the Indian Model for entering into Double Taxation Avoidance Agreement. The Committee is headed by the Chairperson, CBDT and consists of Director General of Income-tax (International Taxation), Joint Secretary (FT&TR-I), Joint Secretary (FT&TR-I), Director (FT&TR-I) and Director (FT&TR-II).

On 3rd May, 2012, an Advisory Group for International Taxation and Transfer Pricing has been constituted by Central Board of Direct Taxes headed by the Revenue Secretary and consisting of Chairperson, CBDT, JS (FT&TR-I), JS(FT&TR-II), JS (TPL-I), DGIT (Int. Tax.) and representatives of NASSCOM, CII, FICCI, ASSOCHAM, ICAI, IFA-India and ICC India. The Advisory Group is holding regular discussions on ways and means to improve tax compliance and address the concerns of industry and trade.

Four reports in the area of international taxation are being examined by FT&TR Division. They are (a) Issue on PE and Attribution of tax in e-commerce, (b) Issues of monitoring of taxation of composite contracts, consortiums, AOPs and taxation of international shipping, (c) Issues covered by Retrospective Amendments Litigated at various Appellate Authorities and (d) Issues of taxation of Hybrid instruments and hybrid entities.

13.10.4 Policy Issues on Transfer Pricing

In order to bring uniformity and consistency in approach of the field officers, Guidance has been issued on the importance of FAR analysis, use of RBI and other Government organizations rate for royalty as valid CUP. The work of issuance of guidance on Corporate Guarantees, financial transactions, same issues-divergent views and on specific sectors like insurance, diamond etc is under-way.

DGIT (International Taxation) is also organising technical sessions for the TPOs wherein all the important issues could be discussed in order to avoid frequently noticed mistakes to have consistency in approach which will avoid infructuous litigation.

The Prime Minister's Office constituted the Rangachary Committee in July, 2012 to consider issues of taxation of Development Centres, Safe Harbors for IT and ITeS sectors, Corporate Guarantees and loans and Contract R&D centres. The Committee has submitted two reports to the CBDT, which are being examined by FT&TR Division. The draft comments of CBDT in this regard are being finalized for consideration of the Hon'ble FM.

13.10.5 Advanced Pricing Agreement

Advance Pricing Agreement (APA) provisions, 92CC and 92CD were inserted in the Income-tax Act, 1961 by the Finance Act, 2012. Subsequently, the work of preparation of APA Scheme to be notified in the Rules was undertaken, and the APA rules were notified vide notification number 36/2012 dated 30.08.2012 with effect from the date of the notification. The features of the APA Scheme are as under:

- An APA is an agreement between the Central Board of Direct Taxes and any person, which determines, in advance, the arm's length price or specifies the manner of the determination of arm's length price (or both), in relation to an international transaction. Hence, once APA has been entered into with respect to an international transaction, the arm's length price with respect to that international transaction, for the period specified in the APA, will be determined only in accordance with the APA. The APA process is voluntary and will supplement appeal and other Double Taxation Avoidance Agreement (DTAA) mechanism for resolving transfer pricing dispute. The term of APA can be a maximum of five years.
- The APA scheme notifies three types of APA: unilateral, bilateral and multilateral. The choice is on the applicant to choose a particular type of APA at the time of making the application. Unilateral APA is an agreement between the Board and the applicant and this process does not involve any agreement with the treaty partner. In bilateral and multilateral APA request, the applicant is required to make an application with the Competent Authority of India as well as the Competent Authority of the other country.
- As is the international practice, before formally applying for the APA there will be a pre-filing consultation between the taxpayer and the Government to enable the applicant and the APA team to assess the possibility of entering into an APA.
- The formal APA application can be filed after the pre-filing consultation accompanied by the payment of fees as notified. In case of unilateral APA, the application is required to be furnished with the Director General of Income Tax (International Taxation), New Delhi and in case of bilateral/multilateral APA, the application is required to be furnished with the Competent Authority of India, i.e. Joint Secretary (FT&TR-I) in the Ministry of Finance. In case of bilateral/ multilateral APA, the applicant must initiate the procedure for entering into APA with the other country as well and furnish evidence to the Competent Authority of India regarding the same.
- The APA scheme has many advantages. It will provide tax certainty with regard to determination of arm's length price of the international transaction with respect to which the APA has been entered into, reduce the risk of potential double taxation through bilateral or multilateral APA, reduce compliance cost by eliminating the risk of transfer pricing audit and resolving long drawn and time consuming litigation and other dispute resolution process and alleviate the burden of record keeping as the taxpayer knows in advance the required documentation to be maintained to substantiate the agreed terms and conditions of the agreement.

Since the notification of the APA Scheme, 11 pre-filing requests for bilateral APA have been received in Form 3CEC and pre-filing consultations have taken place in all the 11 cases. The APA applications in these pre-filing cases are expected to be received shortly. The guidance note and FAQs on the APA rules have also been framed and are under consideration by the TPL division before approval by the Hon'ble Finance Minister.

13.10.6 Mutual Agreement Procedure

Joint Secretary (FT&TR-I) is designated as the Competent Authority for India for the Mutual Agreement Proceedings (MAP) with other countries. Three MAP meetings with the US Competent Authority were held during the year, in January, 2012, June, 2012 and September, 2012. In the January, 2012 MAP meeting, seven cases were finalized after detailed discussions on the facts of the cases. In the September, 2012 meeting, another sixteen cases have been finalized. Position papers in about fifty cases were prepared based on the transfer pricing reports submitted by the taxpayers, which gave the detailed functions, assets and risks analysis (FAR) and the view of the Indian Competent Authority.

Two MAP meetings with the Japanese Competent Authority were held in March, 2012 and October, 2012. 13 cases under dispute were finalized after detailed discussions and analysis of cases. In other cases, the position of Indian Competent Authority based on the transfer pricing reports of the taxpayers have been prepared and communicated to the Japanese CA. A formal Implementation Arrangement for streamlining and expediting the MAP proceedings between Indian and Japan has been agreed and is likely to be signed by the Competent Authorities of the two countries in coming months.

One MAP meeting was held with UK Competent Authority in July, 2012, where after detailed discussion, 14 disputed cases were finalized by the Competent Authorities The United Kingdom agreed to relieve the assessee of the double taxation by providing tax credits on additional taxes imposed in India.

13.10.7 Relationship with OECD

(a) Committee of Fiscal Affairs: India is one of the few countries which have been extended an "observer" status (other observers are Russia, China, South Africa and Argentina) in the Committee of Fiscal Affairs of the OECD, which takes all the policy decisions in the field of direct taxes. Indian representatives have attended two meetings of the CFA in 2012

(b) Working Party Meetings of OECD: Indian representatives have participated in the following working party meetings of the OECD during 2012

Working Party	Area being dealt with
Working Party No. 1	Tax Conventions & all matters related to double taxation
Working Party No. 2	Tax Policy Analysis and Statistics
Working Party No. 6	Transfer Pricing
Working Party No. 10	Exchange of Information and Tax Compliance

(c) Forum on Tax Administration: The Forum on Tax Administration was created by the CFA of OECD in 2002 and it consists of 43 members including all G20 countries and select non-OECD countries. This is a Forum for co-operation in the areas of tax administration and tax compliance. India is member of the bureau of the FTA since 1st January, 2012. The Revenue Secretary attended the meeting of the Bureau in January, 2012 and October, 2012

(d) Task Force on Tax and Development: In view of the call given by G20 countries for providing assistance to developing countries in the areas of taxation, the OECD has constituted an informal task force on tax and development. Indian representatives have attended the meetings of the Task Force and offered its support to the work.

(e) Technical Development Programmes: Since 2000, OECD has been conducting technical development programme at NADT, Nagpur. Till date, about 30 such programme has been conducted in which officers from field level participate. OECD has also taken assistance of Indian experts for its technical development programme in other countries. Two such programmes were organized in 2012 at NADT, that is, Advanced Tax Treaties and PE Attribution and Royalties from 29th October to 2nd November, 2012 and International Tax Avoidance from 3rd to 7th December, 2012

(f) As part of the initiative to build capacity of the Departmental Officers, as approved by the Finance Minister under the action plan on strengthening International Taxation, the FT&TR took initiative in sending Departmentôs officers to various OECD training courses held at Ankara, Seoul and Malaysia. During the year 34 officers of the level of Assistant Commissioner of Income-tax to Additional Commissioner of Income-tax have been deputed to various OECD training courses to enhance their professional expertise. The feedback from participants has been highly positive.

(g) India has been requested by the OECD to contribute in its capacity building programs by deputing Experts. In response to the request of the OECD, one officer was deputed as an Expert Faculty for the OECD Training Program conducted in Guangzhou Tax Academy, China for Chinese Officers. OECD has requested more experts to be deputed by India in coming years.

13.10.8 Relationship with United Nations

India has sent detailed comments on the United Nations Model Convention of 2011, which was made public on 15th March, 2012 stating that it had not addressed the concerns of developing countries and emerging economies adequately while developing the standards of international taxation and transfer pricing. The UN Model which has been developed by a Committee of Experts and its predecessor Ad Hoc Group of Experts has not been able to appropriately reflect all the concerns of developing countries, as the proceedings in the Committee and its sub-Committees tend to be dominated by experts from the OECD countries, low tax jurisdictions and non-governmental observer-representatives. In written comments, it has been stated that an inter-Governmental Commission with balanced representation from countries at various stages of development would be a preferred organization to develop international standards for adoption by the countries. Only a commission of such nature can play a crucial role in fostering dialogue and cooperation between national tax authorities and ensure that the views of the developing countries do not get ignored, particularly when the positions of the developed countries on issues on which they have a consensus, are challenged.

The Experts Committee had also constituted a Sub-committee on Transfer Pricing with a mandate to develop a Practical Manual on Transfer Pricing for Developing Countries. India was a member of this Sub-committee.

The UN Transfer Pricing Manual was released in October, 2012 and is expected to address the concerns of developing countries. India being one of the important developing countries/emerging economies played an active role in the drafting of this Manual. Indian delegate to the UN Transfer Pricing Sub-committee, JS (FT & TR-I) was assigned the responsibility of drafting Chapter on ñComparability Analysisò. India also submitted its paper on "Emerging Transfer Pricing Challenges in India", which forms part of the UN TP Manual. The Efforts of the UN Transfer Pricing Sub-Committee in developing this manual were appreciated by the G-20 in its reports released during the year.

13.10.9 Exchange of Information Cell

An Exchange of Information Cell in the FT&TR Division of the CBDT for coordinating the requests received/made for exchange of information under the DTAAs/TIEAs has started functioning from the beginning of 2012 .After establishing the EoI cell, there has been significant increase in inbound and outbound requests for Exchange of Information and the processing time in responding to a request has been significantly reduced.

13.10.10 Global Forum on Transparency and Exchange of Information for Tax Purposes

India is a vice-chair of the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes and has provided valuable inputs, both in written form and also during the meetings of the PRG, for the assessments and peer review of a number of jurisdictions. The recommendations made by the Global Forum in the Peer Review Reports have resulted in changes of laws and administrative procedures of a number of countries for making them compliant with international standards on transparency and exchange of information for tax purposes. In the Global Forum summit in October, 2012, Indian representatives made a strong plea for improving the standards of transparency and a need for continuous monitoring so that every country/jurisdiction adhere to those standards.

13.10.11 Automatic Exchange of Information

India has been a strong proponent of making the automatic exchange of information as the standard which should be adopted by all the countries. The Prime Minister of India in his speech at Cannes in November, 2011 (as quoted by the Finance Minister in the debate on adjournment motion on Black Money in December, 2011) stated as under:

"G-20 countries should take the lead in agreeing to automatic exchange of tax related information with each other, irrespective of artificial distinctions such as present or past, tax evasion or tax fraud in the spirit of our London Summit that the era of bank secrecy is over."

During the G20 meeting in Los Cabos, Mexico, on 18-19 June, 2012, on India's insistence, the following line was included in the official communique:

"We welcome the OECD report on the practice of automatic information exchange, where we will continue to lead by example in implementing this practice. We call on countries to join this growing practice as appropriate and strongly encourage all jurisdictions to sign the Multilateral Convention on Mutual Administrative Assistance."

Subsequent to that, more than 2 million pieces of information were sent to more than 50 countries regarding their taxpayers having source of income in India. Due to these efforts, there has been a marked increase in the number of informations India is receiving under the automatic exchange of information.

13.10.12 Meeting of Head of Tax Administrators of BRICS Countries

For having a common approach at International Forums on the issues relating to International Taxation and Transfer Pricing, sharing of Best Practices in Tax System and Administration, common approach on Cross-border Tax Evasion and Avoidance and resolving of bilateral disputes on issues relating to International Taxation and Transfer Pricing, a meeting of the Head of Tax Administrators of BRICS Countries was organized from 16th to 18th January, 2013, at New Delhi. A preparatory meeting for finalizing the agenda was held on 29th November, 2012. India, as chair of BRICS countries, has taken this initiative for organizing the meeting of the Head of the Tax Administrators for the first time.

13.10.13 INDIA-BRAZIL-SOUTH AFRICA (IBSA) REVENUE ADMINISTRATION WORKING GROUP MEETING

IBSA (India-Brazil-South Africa) Dialogue Forum is a trilateral developmental initiative between India, Brazil and South Africa to promote South-South co-operation and brings together three democracies. The Heads of Revenue Administrations Working Group is one of the several sectoral working groups of the IBSA Dialogue Forum formed in 2006. It is to promote closer co-operation in both tax and customs matters and contribute to the IBSA Dialogue Forum. 7th meeting of IBSA Heads of Revenue Administrations Working Group (HRAWG) was held on 13th September, 2012 and the 10th meeting of IBSA Revenue Administrations Steering Group (RASG) was held on 11th and 12th September, 2012 at Cape Town. Cooperation in the areas of Barriers in Tax and Procedures, Mechanism of Joint Audit, International Taxation and Transfer Pricing, Exchange of Information (through Electronic Centre for Exchange of Tax Information), Revenue Forecasting and Modelling, Risk Profiling, Assessment and Computerization, Investigation Techniques and Trends, Large Taxpayer Units, Trilateral Cooperation and Cooperation in Multilateral Forawere identified and sub-groups constituted to work in the areas for enhanced co-operation.

13.10.14 SOUTH ASIAN ASSOCIATION FOR REGIONAL CO-OPERATION (SAARC)

The SAARC (South Asian Association for Regional Cooperation) Member States have signed a Limited

Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in tax matters on 13th November, 2005 and came into effect from 01.04.2011.SAARC Agreement provides for Training for tax officials, sharing of tax policy and tax experts, exchange of information, etc. In accordance with Article 10 of SAARC Agreement, the training programmes conducted during the year 2012 are Seminar on ‘Corporate Taxation Issues’ in February, 2012 in Sri Lanka and Seminar on ‘Tax Payers Services’ in November, 2012 in Nepal. We have sent our tax experts for these seminars.

13.10.15 FIPB Section in FT&TR Division

During the year 2012, a new section, namely FIPB was set up in FT&TR-I Division of CBDT. This division is required to examine all FDI applications filed under ‘Government Approval route’ from revenue angle and forward its inputs to the FIPB Unit of Department of Economic Affairs. During the current year, 303 proposals were processed in the FIPB section and inputs on these proposals were sent to Foreign Investment Promotion Board.

The FIPB section also coordinates with the Secretariat of Center for Inter American Tax Administration (CIAT) a multilateral organization. India is an Associate member of CIAT. The efforts of CIAT are focused on cooperation between the tax administrations of different jurisdictions with a view to work jointly against international tax evasion. To fulfill this objective, CIAT organizes different activities, studies, workshops, Seminars etc. wherein the tax administrations can share their suggestions, practices, experiences, etc.

During the year, FT&TR division provided inputs for various activities, studies, etc. undertaken by CIAT.

13.11 Directorate General of Income Tax (Intl Taxation)

13.11.1 The charge of DGIT (Intl. Taxn.) deals with International taxation issues pertaining to entities having cross border transactions. It encompasses determination of tax on a person or business subject to the tax laws of different countries. The Income tax system in India imposes tax on local income and/or on worldwide income. Such system of taxation varies widely from country to country and there are no broad general rules. These variations create the potential for double taxation (where the same income is taxed by different countries) and no taxation (where income is not taxed by any country). Generally, where worldwide income is taxed, reductions or foreign credits are provided for taxes paid to other jurisdictions. With any system of taxation, it is possible to shift or re-characterize income in a manner that reduces taxation. Jurisdictions often impose rules relating to shifting income among commonly controlled parties, often referred to as transfer pricing rules. The various Directorates of DGIT (Intl. Taxn.) are continuously in the process of scrutinizing the cases of cross border mergers/acquisition of companies, as and when such transactions happen to tax capital gains arising on transfer of shares consequent to merger and acquisition of companies.

The Government of India has been keen to provide a suitable mechanism for resolution of tax disputes between the tax department and foreign companies operating in India. In this direction, the Government inserted provisions relating to Advance Rulings vide Finance Act, 1993. For this purpose, government has constituted an Authority for Advance Rulings which is headed by a retired judge of Supreme Court.

However, after introduction of advance rulings provisions, new sections were added in the Act relating to Transfer Pricing. This has led to creation of new disputes particularly in determination of “Arm’s Length Price” which is to be followed in international transactions. The advance ruling legislation does not provide any effective remedy for determination of ALP to avoid possible disputes with the tax department. Taking cognizance of the above problem, the Finance Act, 2009 introduced provisions relating to Dispute Resolution Panel (DRP) to provide for an alternate dispute resolution mechanism which will facilitate expeditious resolution of disputes on a fast track basis. At present, the following Dispute Resolution Panels (DRP) are in operation under the charge of DGIT (Intl. Taxn.):–

S. No.	Charge
1	Dispute Resolution Panel, Delhi I
2	Dispute Resolution Panel, Delhi II
3	Dispute Resolution Panel, Mumbai I
4	Dispute Resolution Panel, Mumbai II
5	Dispute Resolution Panel, Chennai
6	Dispute Resolution Panel, Bangalore
7	Dispute Resolution Panel, Kolkatta
8	Dispute Resolution Panel, Pune
9	Dispute Resolution Panel, Ahmedabad
10	Dispute Resolution Panel, Hyderabad

Information of the cases filed before the DRP in the cycle after 30/09/2011 (F.Y 2011-12)

S. No.	DRP Charge	Total cases filed during the current cycle*	Amount involved (in ₹ Lakh)	Decisions taken upto 30/09/12			Amount involved upto 30/09/12 (in ₹ Lakh)			No. of Pending Cases	Amount involved (in ₹ Lakh)
				No. of cases confirmed	No. of cases allowed	No. of cases of enhancement	In cases confirmed	In cases allowed	In cases of enhancement		
1	DRP Delhi I **	202	3291114	60	134	6	1455784	21182	2738	2	333935
2	DRP Delhi II ***	141	789173	49	84	1	185628	23919	15	7	12151
3	DRP Mumbai I ###	170	1099098	165	5	0	1094424	4674	0	0	0
4	DRP Mumbai II	156	737880	107	49	0	714123	23757	0	0	0
5	DRP Chennai	52	302662.73	33	18	1	157436	!@	585.78	0	0
6	DRP Bangalore $	124	259365	118	0	6	259365	0	23526	0	0
7	DRP Kolkatta	12	124505	4	8	0	98752	25753	0	0	0
8	DRP Pune	85	91731.45	67	17	1	90506.11	1383.29	157.95	0	0
9	DRP Ahmedabad	22	65744	13	9	0	#	#	#	0	#
10	DRP Hyderabad##	77	136416	65	11	1	1802	452	51	0	0
	Total	**1041**	**6897689.2**	**681**	**335**	**16**	**4057820.11**	**101120.29**	**27073.73**	**9**	**346086**

* Incl. b/f cases
** Out of 134 allowed cases of DRP, Delhi-I, in 104 cases the amount involved is not ascertainable as directions have been issued by the DRP to AO/TPO to recalculate the same.
*** Out of 84 allowed cases of DRP, Delhi-II, in 55 cases the amount involved is not ascertainable as directions have been issued by the DRP to AO/TPO to recalculate the same.
# To be ascertained
Out of 65 confirmed cases, in 57 cases, the quantum was partially allowed. The amount involved is not ascertainable.
The amount involved in some cases of confirmed cases is not ascertainable as AO s are calculating the same.

In order to bring in more certainty and transparency in Transfer Pricing mechanism, scheme of Advance Pricing Agreement (APA) under Transfer Pricing Regulations, has been introduced in the union budget of the year 2012 -13. Vide CBDT order dated 06/06/2012, 1 CIT (APA) has been appointed along with Addl. CsIT and DCsIT at New Delhi, Mumbai and Bangalore.

13.11.2 Important issues dealt by the charge of DGIT (Intl. Taxn.) during the year 2012-13

i. Efforts have been made to detect new cases of mergers/acquisitions having revenue potential, which are as under:ð

a. Sale of 1.9 cr of shares of Axis Bank by HSBC

b. Acquisition of 32% stake of Multi-screen Media by Sony Pictures Television

c. Takeover of Hutchison Global by Serco and TechM

d. Sale of 77% interest of Thomas Cook Group Plc in Thomas Cook (India) Ltd to Fairbridge Capital (Mauritius Ltd)

e. Sale of 67.7 cr shares of Cairn India by Cairn Energy UK

f. Purchase of 30% share holding of Genpact Ltd by Bain Capital Partners.

ii. In order to streamline tax administration in the Directorate General of Intl Taxn and TP, various Committees on the following subjects were formed, whose reports have been forwarded to CBDT for further action/deliberation:ð

a) Committee to examine cases on issues covered by retrospective amendments litigated at various Appellate Authorities.

b) Committee on monitoring of taxation of composite contracts, consortium, AOPs and taxation of International shipping.

c) Committee on issues of PE & attribution of tax in e-commerce.

d) Committee on ñTrade in diamond and bullionò

e) Committee on Hybrid securities.

13.11.3 Transfer Pricing Audits

F.Y.	No. of TP audits completed	No. of adj. cases	% of adj. cases	Amt. of adj. (in Rs cr.)
2010-11	2368	1207	50.97	24111
2011-12	2638	1343	50.91	44532

13.12 Audit & PAC Division

13.12.1 The Audit and PAC Division of CBDT has been entrusted with the task of coordination of matters pertaining to the C&AG and Public Accounts Committee (PAC) of Parliament. This Division examines the observations of the C&AG by way of Draft Paragraphs (DPs) and System Appraisals. The replies of public comments of the Ministry are compiled in consultation with the field authorities and thereafter furnished to the C&AG and the PAC, as the case may be.

13.12.2 During the year 2012 the C&AG has forwarded 464 Draft Paras (DPs) till the end of Nov 2012, proposed for inclusion in their Audit Report for the year 2011-12 which is yet to be tabled in the Parliament. Replies of 79 DPs out of the above have so far been furnished to C&AG after processing the reports received from field formations. In 80 cases the files are under process and response will be submitted to C&AG shortly. In the remaining DPs replies would be submitted after receiving the report from the field formations.

13.12.3 Besides the above, rejoinders received from C&AG office on DPs of various Audit Reports form 1999-2000 to 2010-11 were also processed after receiving reports from the field offices and replies were sent to the C&AG office regularly during the year.

13.12.4 The Public accounts Committee conducted detailed examination of ñNon Compliance by the Ministries/Departments in timely submission of Action Taken Report (ATRs)/ Action Taken Notes (ATNs) on the reports of the PAC and the CAGò in February 2010, Subsequently, the Committee of Secretaries (COS) headed by the Cabinet Secretary, has taken up the issues for close monitoring. As per the directions of the COS, the Standing Audit Committee (SAC) of the Department of Revenue was setup. The SAC is chaired by the Revenue Secretary with Officers of CBDT, CBEC and the C&AG as members. The SAC regularly monitors the progress of work. In addition to the above, keeping in line with recommendations of the PAC contained in the 15 Report (Fifteenth Lok Sabha), the CBDT has taken up monthly reconciliation of pendency with C&AG and there is regular interaction and coordination between the officers of the C&AG and CBDT.

13.12.5 The position in respect of audit paras pertaining to the CBDT as on 30.11.2012 is as follows:

A.	Pending audit paras up to Audit Report Year (ARY) 2007-08, as on 1.01.2011	781
B.	Add: Audit Paras for ARY 2008-09 added during 2011 (report No 4 of 2009-10)	342
C	Add: Audit Paras for ARY 2009-10 added during 2011(report No. 26 of 2010-11)	453
D.	Add: Audit Paras for ARY 2010-11 added during 2012(report No. 27 of 2011-12)	464
E.	Total Audit Paras for disposal (A+B+C+D)	2040
F.	Disposal up to 30.11.2012	1953
G.	Pendency as on 30.11.2012	87
H.	Percentage of disposal out of work load at E above	95.73%

13.12.6 System Reviews /Appraisals:

(A) Entry conference on Exemptions to Charitable trusts and institutions was held on 10.04.2012

(B) Exit Conference on the Performance Audit of ñIT-Audit of ITD Applicationsòwas held on 23rd August, 2012.

(C) Entry conference on ñPerformance Audit on administration of Penalty and prosecutionòwas held on 05.11.2012.

(D) A Round Table Conference was also held on 05.11.2012 on ñIssues of Direct Taxes between officials of C&AG and CBDT.ò

The outcome of these reviews is likely to be included in the C&AG Audit Report to be tabled in the Parliament during 2012-13. All CCsIT/ DGsIT and concerned Directorates have been requested to issue directions to all officers to extend full cooperation to the Audit teams of C&AG and to ensure that relevant information and records requisitioned are produced / furnished to the Audit Teams without any delay.

(E) The Public Accounts Committee (2012-13) had selected following subjects of Reports No. 27 of 2011-12 Department of Revenue, Direct Taxes for detailed examination:ð

(i) Tax Administration (Chapter-I)

(ii) Under assessment of Income involving short levy of tax (Para 3.2.1A)

(iii) Irregularities in Allowing Depreciation/ Business Losses/Capital Losses (Para 3.3.1)

(iv) Income escaping assessment (Para 3.4.1)

(v) Mistakes in Assessment while Giving Effect to Appellate orders (Para 3.5.1)

On the subject selected, a questionnaire was received from Lok Sabha Secretariat, PAC Branch to which a detailed reply was submitted. An Oral Evidence was held before Sub-Committee IV of PAC on 25th and 26th July, 2012. Subsequent to the oral evidence, supplementary Questionnaire were received from the PAC, reply to which was compiled after coordinating with various divisions of CBDT and submitted on 31.08.2012. Thereafter, there was Oral Evidence before sub-committee IV of PAC on 17.09.2012 followed by Supplementary Questionnaire consisting of 69 questions, reply to which has been submitted to PAC on 31.10.2012. The PAC also undertook study visit to Bengaluru, Mumbai and Bhubaneswar from 29.10.2012 to 03.11.2012 which was coordinated by PAC Division of CBDT and requisite information was submitted to the PAC.

Oral Evidence before PAC on the issue of ‘Expenditure incurred on interest of Refunds of taxes’was held on 30.08.2012. Further, 33rd Report on action taken by the Government on the observations / recommendations of the Committee contained in their 15th Report (15th Lok Sabha) on ‘Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and non-fulfillment of Export obligation’has been received from the Lok Sabha Secretariat and Action Taken Report on the same has been furnished to the Lok Sabha Secretariat.

13.13 Directorate General of Income Tax (Administration)

There are five Directorates under DGIT (Admn.)

i) Directorate of Income Tax (Income Tax)
ii) Directorate of Income Tax (PR,PP&OL)
iii) Directorate of Income Tax (Audit)
iv) Directorate of Income Tax (Recovery)
v) Directorate of Income Tax (TDS)

13.13.1 Directorate of Income-tax (Income-tax)

The Directorate of Income-tax (Income-tax) is an attached office of the CBDT under the administrative control of the Department of Revenue, Ministry of Finance. It is headed by a Director of Income-tax who is an officer in the rank of Commissioner of Income-tax and comprises two wings, namely, Inspection Wing and Examination Wing.

13.13.1.1 Inspection Wing

The instrument of inspection is an effective tool to enhance, upgrade and sustain a high quality of work standard in the assessment/administrative units, maintenance of files/records and various record keeping systems and in dealing with the public grievances. It is also an important tool for providing guidance to the officials in their work. During these Inspections, the work done in the preceding financial year is examined by the Inspecting Officer in a comprehensive manner, highlighting the achievements and shortcomings of the concerned officers in the key areas of their work, with a view to bring out the strengths and weaknesses of the work practices and thereby strengthen the administrative machinery.

A New System of Inspection came into operation vide Instruction No. 16/2008 dated 4th November, 2008 which provided for an annual comprehensive inspection of the CIT (Appeals), Range Offices and Assessing Officers for which the reports were to be in accordance with the prescribed Proforma in each class of inspection. Under the new system of Inspection, the following Inspections are to be carried out as on date:

S. No.	Inspected Office	Inspecting Officer	Reviewing Officer	No. of Inspections to be done
1.	CIT (Appeals)	Concerned CCIT	–	All CIT (Appeals) working in her/his charge
2.	Addl./ JCIT	Concerned administrative CIT	Concerned CCIT	One Range Head
3.	DCIT/ACIT	Concerned administrative CIT	Concerned CCIT	Two DCsIT/ACsIT of her/his charge
4.	ITO	Concerned Range Head	Concerned CIT	Two ITOs of her/his Range

The Proforma for the inspection of the work of TRO, ITO (Hqrs.), DDO, ITO (Judicial), CIT (Audit) and CIT (TDS) is also under preparation in line with the Instruction No. 16/2008.

A concept paper has also been submitted wherein certain modifications/ improvements have been suggested to streamline the inspection Proformae and make it more specific and to draw up new timelines for the conducting of inspection so as make the inspection exercise more effective. This concept paper is an important policy input towards improving the efficacy of the entire inspection exercise.

A comparative analysis of inspections done since F.Y. 2010-11 onwards, till 11.12.2012 is as under:–

Financial Year	Inspection Carried out for the F. Y.	No. of Reports Received	No. of Reports Reviewed
2010-11	2008-09	1803	926
2011-12	2009-10	1554	951
2012-13	2010-11	1363*	1339 (as on date)

* Reports received as on date in accordance with the inspection reports due in this Directorate vide Instruction No. 16/2008 dated 4.11.2008.

13.13.1.2 Examination Wing

The Examination Wing is entrusted with conducting Departmental Examinations for Assistant Commissioner of Income Tax (Probationers) and other Gazetted and Non-Gazetted cadres of Income Tax Department. The Directorate plays an important role in ensuring the conduct of Departmental Examinations in an efficient, time-bound and fair & impartial manner. The Directorate has also been constantly reviewing the Examination rules and policy/syllabus taking into accounts the new developments in the field of Income Tax and E-Governance and thus for providing quality Staff/Officers to the Income Tax Department all over India.

The Examination Wing also deals with the complaints, grievances and representations of the candidates who have appeared in the Departmental Examinations conducted by the Directorate & with RTI Applications connected with Departmental Examinations.

A. Highlights of the performance/achievements during the year :

- ❖ In April, 2012 the results of the 1st Departmental (1st Supplementary) Examination as well as of the 2nd Departmental Examination of the 64th Batch IRS Probationers were compiled and declared.
- ❖ 1st Departmental Examination for ACsIT (Prob.) of 65th Batch were held in the month of August, 2012. The results of the same are under compilation.
- ❖ Verification of examination data of each candidate like name, roll number, subject code, paper set code, centre, status – PQ, Betterment, normal were scrutinized, and wherever required, matched with previous years' records. Alongwith verification, the correction process of this data was initiated.
- ❖ Departmental Examination for ITOs/ITIs 2012 were smoothly conducted in the month of September, 2012 in the new objective type pattern. The total number of candidates appeared for these exams are around 8100.
- ❖ Preparations for declaration of Results of Departmental Examination for ITOs/ITIs 2012 during the month of December, 2012 are under process.

B. New initiative taken this year to curtail the time taken in conducting the exams. and declaration of results :

1. Designing of the application forms – in the form of OMR Sheets, to facilitate computerized capturing and maintenance of candidate's database.
2. Scanning of application forms & capturing the data for allotment of Roll Nos. & generating Admit Cards & Attendance Sheets. The candidates were given the facility to download the admit cards from the Web-link after the same was rigorously tested to ensure error free operation after release.
3. The answer keys of the objective-type question papers validated by NADT for Departmental Examination for ITOs/ITIs 2011 were put on the website.
4. For speedy evaluation of the subjective answer sheets, the centralized evaluation camp for two weeks was held at the Directorate itself starting from 29th October, 2012 in respect of ITO exam.
5. A new initiative taken this year was to communicate with Special Observers via emails. Copies of the Observers' order, Observer report format, examination schedule and Observers' checklist were all emailed to the nominated officers and telephonic confirmations of having received the emails were obtained. This helped in considerable saving of time, labour, postage and paper.
6. The Software was also reworked to allow the facility of 'reprint' and to interlink the subjects for 'new pattern' Partially Qualified (PQ) candidates separately from subjects for 'old pattern' PQ candidates.
7. The centre wise Attendance Sheets were also uploaded on the net and the web-link, user and password were provided to all the CCIT/CIT (Exams) for downloading the Attendance Sheets for their centres.
8. The number of candidates for each subject per centre for ITO/ITI Exams was worked out from the finalized application data. On the basis of these details, the questions papers were packed for each centre and sub centre.

13.13.2 DIRECTORATE OF INCOME-TAX (PR, PP&OL):—

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. Some of the important works done by this Directorate during the period 2012-13 are detailed below:

(i) Increase in channels for Publicity

Department has extended the channels of publicity to extend the reach of its campaigns by adding new publicity media like publicity through Cinema Halls. It also made effective and increased use of various media of publicity such as SMS, Web advertisement and Outdoor campaign in addition to the traditional media like Television, Radio and Print media.

In order to reach out to the daily commuters the Department has also used Metro Stations, Bus Shelters and Kiosks for its campaign.

Campaign through SMS have not only been cost effective but have helped establish one to one contact with the taxpayers or potential taxpayers. Information through SMS are specific and effective.

(ii) Shift in communication strategy of Income-tax Department

The Income Tax Department (ITD) is spread throughout the length and breadth of the country. With a large taxpayer base, it is essential to communicate with the taxpayers in order to educate them and bring awareness about the tax laws so as to promote voluntary compliance. The Directorate of Income-tax (PR, PP&OL), carries out publicity campaigns to communicate with the taxpayers.

Since the last 2 years, the Department has shifted its communication strategy so as to portray itself not as a purely enforcement agency but also, as a service provider and an equal partner in nation building. In the last few years, the Department has effectively communicated with the taxpayers as to how their contribution helps in building a secure, progressive and developed nation.

Several publicity campaigns have been carried out by the Department such as Advance Tax payment campaign, File Your Return, TDS deduction & filing of statement etc, where the thrust has been as to how the contribution of taxpayers through timely payment of taxes helps in the process of building a progressive Nation.

(iii) Communication Strategy for School Children

In order to educate School Children on the need for taxation in civil society, a communication strategy for school in the age group of 10-12 years and 16-18 years to introduce them to the subject "Need for taxation in civil society" was framed and was made part of the Central Action Plan of the Department. During the year, the strategy was taken forward by increasing the participation of children in the Tax Payers' Lounge by having specific activities for children and awarding certificates for the same, by conceiving the idea of an All India Quiz Competition and National contest for designing of the Mascot for Income Tax Department in order to increase the outreach of the Department to the public in general and children in particular.

The sensitization of young children through school curriculum and visits to schools was initiated during the last year. Visits of school children to Income Tax offices were also organized to project the Department as a taxpayer friendly organization. The Department continued these strategies to reach out to young and future taxpayers. Besides, a new "Tax Bubble" computer game was made through which the concept of earning income and paying tax can be imparted to young children in a friendly manner.

(iv) Taxpayers' Lounge – the stall set up by Income Tax Department at India International Trade Fair 2012– receives Prize in the category of Ministries and Government Departments

Tax Payers' Lounge at India International Trade Fair, 2012 was set up by the Directorate of Income Tax (PR, PP & OL), New Delhi to educate the taxpayers about tax laws & procedures, inform them about the taxpayer services launched by the Department to make compliance to tax laws easy, and to inculcate tax payment as a value norm in the young adults and school children. The underlying theme of the pavilion was "Skilling India", which was in sync with the theme of IITF, 2012 and the Department's contribution to the same was suitably brought out through the TRPS training programme undertaken by it.

Taxpayer Education was carried out by distribution of brochures on various tax related topics, sale of books on tax matters at nominal prices and through interaction with TRPs on specific tax queries. To communicate with the taxpayers, the Taxpayers' Lounge used all three modes of communication i.e., information, interaction and transaction. The tax tutorials running on the LCD screens, posters, pamphlets as well as Taxpayer Information series booklets and various Departmental publications such as Let Us Share (public versions) and the coffee table book commemorating 150 years of Income Tax in India were available for the Taxpayers. The Lounge also had counters for PAN application, checking of tax credit by utilizing the facility of 26AS, & e-filing of returns through e-return intermediaries. Several interactive games, quiz kiosks, drawing, painting & craft competitions for children resulted in huge turnout from school children and their parents throughout the duration of IITF. During the entire period of the Trade Fair almost 80-85 thousand (approx.) persons visited the Pavilion. Visitors' books kept for obtaining feedback from the public recorded more than 1143 comments. During the 14 day period about 2700 certificates were awarded to children for participating/ winning the competition organized at the Taxpayers' Lounge. The initiative to sensitize young minds to the importance of taxation was also appreciated.

The Tax Payers' Lounge was awarded by ITPO for 'Excellence in Display' in the category of Ministries & Departments.. **This is the second award for Taxpayers' Lounge in two consecutive years**.

(v) Taxpayers' Lounge at Lucknow

Another pavilion of the Department was set up from 26.11.2012 to 09.12.2012 at Lucknow Mahotsav, Lucknow in much a similar manner as was done at IITF, 2012, New Delhi.

During the entire period of the Lucknow Mahotsav almost 60-70 thousand (approx) persons visited the Pavilion. Visitors' books kept for obtaining feedback from the public recorded more than 800 (approx) comments. The initiative to sensitize young minds to the importance of taxation was also appreciated.

(vi) Ethics in Governance

A presentation on "Ethics in Governance and Tax Payers Service" was made in the 28th Annual Conference of Chief Commissioners and Director Generals of Income Tax. The topic was found extremely relevant by the Chief Commissioners of Income Tax. Ethics in Governance has also been included in the Annual Action Plan 2012-13 for the first time.

(vii) TRP Scheme – Batch II

The **Tax Return Preparer Scheme (TRPS)** was launched by the Government during the year 2006-07 to train unemployed and partially employed graduates from select disciplines to assist small individual and HUF taxpayers file their returns of income. The main objective of the scheme was to make one more channel for filing of return available to small taxpayers, at low cost and to bring new taxpayers into the tax net. The scope of the Scheme was enlarged in the second phase to include within its ambit filing of TDS statements, Service Tax Returns. The Department has further included TRPs as qualified e-return intermediaries so that TRPs can file e-returns of individual and HUF taxpayers in accordance with the provisions of the Electronic Filing of Return of Income Scheme, 2007.

The Scheme has not only added self-employment opportunity for young graduates but also helped the small and marginal taxpayers to file their returns at low or no cost and the Income-tax Department in widening its tax base. TRP as an intermediary improves service delivery as well as remove inhibition of the common taxpayer both in terms of utilization of technology and complying with tax requirements.

The Department is now taking forward the success of this initiative by expanding the numbers and hence the reach of TRPs to larger number of locations. In order to achieve this goal, the Department is in the process of selecting and training 5,000 additional graduates as Tax Return Preparers. Approval of the Finance Secretary was obtained for engaging NIIT as partner organization for training a fresh batch of 5000 TRPs. The advertisement for training of Batch-II came out in newspapers in August 2012 and nearly 70,000 online applications have been received. The enrolment examination was conducted for 50,000 shortlisted candidates at nearly 100 locations after which 5000 candidates were selected, based on merit, to undergo training as TRPs. Officers of the rank of DCIT/ACIT were nominated by the Chief Commissioners of Income Tax to work as observers at the examination centres and the subsequent training process. Training to selected candidates was imparted in two batches (1st Nov. 2012 to 17th Nov. 2012) & (21st Nov. 2012 to 4th Dec. 2012) and thereafter an assessment exam was conducted for both the batches and result has been declared online. In all 3666 trainees have passed the assessment exam for being certified as registered TRPs. Successful candidates will be given a certificate and a Unique Identification Number to perform the role of TRPs.

New initiatives for convenience of taxpayers

The TRP Scheme has been expanded to introduce the following taxpayer services by the Department:

- **Setting up Tax Kiosks at various locations:** As a taxpayer friendly initiative the Department has decided to set up Tax Kiosks at various places within CCIT regions. The Tax Kiosks are temporary structure set up for 1-2 days in a residential area such as apartment blocks in association with RWAs, large offices and other central locations of the cities during the return filing months of June and July. These Tax Kiosks are manned by TRPs who handle queries of taxpayers relating to return filing, PAN applications, refund status as well as assist the taxpayers in preparing their return of income.
- **Single-window Mobile Vans:** The Department had on pilot basis set-up mobile vans in CCIT(CCA) regions which were manned by TRPs who handle queries of tax payers relating to return filing, PAN applications, refund status as well as assist the taxpayers in preparing their returns of income.
- **Online Tax Help:** The TRP Scheme has a Help Desk and a Toll Free Call Centre which TRPs can contact for seeking clarifications on legal issues from tax experts. During the return filing season, the TRP Call Centre and Help Desk has been opened to general public under the 'Online Tax Help' facility. To avail this facility a taxpayer must visit the website www.trpscheme.com and choose for online tax help. On choosing this option, the taxpayer can fill in his tax related query along with his contact details. The online query will be resolved by tax experts through Email or Phone within 24 hours.
- **Register for Home Visit:** To avail this facility a taxpayer has to visit the website www.trpscheme.com and choose 'Register for Home Visit'. The taxpayers are then asked to indicate in short the help required by them and a convenient date and time when the Tax Return Preparer (TRP) can visit them for assistance. The help desk then forwards the query of the taxpayer to the nearest available TRP and fixes the appointment telephonically. The TRP then visits the taxpayer and thereby reducing their cost of compliance. The TRPs are allowed to collect fee

from the taxpayers as per the TRP notification subject to a maximum of ` 250 per return preparation. The facility for home visit by TRPs has been presently made available in few cities such as Bengaluru, Chennai, Guwahati, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai, New Delhi and Patna. The facility would be extended to more cities during the next phase.

(viii) PUBLIC RELATIONS

Booklets and brochures under the "Tax Payers Information Series" have been published 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 Payers Service. The following TPI Series/brochures were brought out:–

1. Permanent Account Number
2. Form No.49A 49AA
3. One Stop Shop (Income-tax Department website)
4. E-filing
5. Date with Direct Tax
6. Wealth Tax
7. Know Your Income Tax Rates for A.Y. 2013-14 (Companies/Co-operatives Societies and Local Authorities)
8. Know Your Income Tax Rates for A.Y. 2013-14 (Individual/ HUF/ AOP/ BOI/ Artificial Juridical Person)
9. Know Your Income Tax Rates for A.Y. 2013-14
10. TDS-Tax Deductor's Guide
11. TDS- Tax Deductee's guide
12. Aaykar Seva Kendra
13. Form 26 AS
14. Non-Profit Organization
15. Income Tax Ombudsman
16. Assessment of Charitable Trust & Institution
17. How to Compute Your Capital Gains
18. Taxation of Salaried Employees, Pensioners and Senior Citizens

(ix) LET US SHARE VOLUME-V

The work relating to compilation of Let Us Share Vol.-V was undertaken during the year and the Directorate constituted regional and national committees for evaluation of the best orders and practices to be included in 'Let Us Share' Vol.-V

This edition of "Let us Share" was published and released by the Hon'ble Finance Minster during the 28th Annual Conference of Chief Commissioners and Director Generals of Income-tax on 11th June 2012. 6000 printed copies of the book were distributed to field formations.

(x) PRINTING AND PUBLICATION

The Directorate printed and distributed several publications for the use of Departmental officers. The important publications during the period included, Let Us Share Vol. V (Departmental), Case Laws in Favour of Department, 2nd Edition, Central Action Plan 2012-13, Income Tax Act & Rules and Wealth Tax Act & Rules, 2012 (English-Hindi), Direct Taxes Bulletin (Half Yearly) Vol. 45(1) (April-Sept., 2006), Appreciation Certificates of "Let Us Share" Vol. V, Quarterly Tax Bulletin Vol. 92+93 (Combined) (April-Sept., 2010) and Quarterly Tax Bulletin Vol. 95-96 (Combined) (Jan-June 2011).

(xi) CD ON DIGEST OF CBDT, CIRCULAR, INSTRUCTIONS & NOTIFICATIONS

This CD of the Digest of CBDT's Circulars, Instructions & Notification w.e.f. 01.04.2010 to 09.11.2012 has been updated and has uploaded on the Departmental website. The proposal for renewal / extension of contract for updating and uploading of CD Digest onwards 09.11.2012 has been processed for seeking approval.

(xii) Implementation of Official Language Policy

78th, 79th, 80th and 81st meetings of Direct Taxes Official Language Implementation Committee were organized in time. An All India Hindi Seminar was organized in Ahmedabad for Hindi Translators. Parliamentary Committee on Official Language inspected the offices of Addl. CIT, Hardwar, CIT-I, Amritsar and ITO Jaisalmer. Hindi Fortnight was organized in September, 2012. Certificates and prizes were distributed to successful candidates in Hindi Fortnight closing ceremony. Hindi Workshops were organized for imparting training to work in Hindi to Officers and Staff of this Directorate.

13.13.3 Directorate of Income Tax (Audit)

13.13.3.1 Introduction

Internal audit was introduced in 1954 in the Income Tax Department with a view to provide a second check over the arithmetical accuracy of assessments made by the Assessing Officers. With the entrustment of audit of Direct Taxes to the Comptroller and Auditor General of India in 1960, the scope of duties of Internal Audit was made co-extensive with that of statutory audit in pointing out errors, omissions and mistakes, if any, committed during assessment and having mistakes remedied without loss of time. Internal Audit is also given a free hand to enlarge its scope of scrutiny to bring out new and interesting points that may come to light. Scope of internal audit has been further extended to tax deduction of source, refund cases, audit of Tax Recovery Officer and maintenance of office records by the Administrative Officer/Superintendent etc vide CBDT Instruction No. 08/ 2001 dated 6-12-2001.

13.13.3.2 The main objectives of Internal Audit are:

(i) To play a corrective role of pointing out mistakes committed during assessments and taking remedial action;

(ii) To exercise vigilance for prevention of mistakes having both deterrent as well as reformative effect;

(iii) To improve the quality of assessment, to reduce errors and omissions which are subsequently detected by Revenue Audit.

Functioning of Internal audit set-up has been regulated through the Internal Audit Manuals which were based upon CBDT Instructions/guidelines issued from time to time. Earlier the Internal audit work was assigned to a separate internal audit wing which was manned by 55 Addl. CsIT/JCsIT, 40 DCs IT/ACs IT/ITOs and about 700 staff consisting of Inspectors, UDCs etc. With the restructuring of Income-Tax Department internal audit set-up existing at that time was replaced by a new Internal Audit System through CBDT Instruction No. 08/2001 dated 6-12-2001 on chain basis.

The chain audit system of the department had not yielded the desired results and there was a considerable backlog of auditable cases. The Public Accounts Committee and the C&AG had also criticized the chain audit system as it lacked the desired sharpness and effectiveness. With a view to revamp the system of Internal Audit a new system has replaced the chain audit system from 1st June 2007 and the parameters have been enumerated in the Instruction no. 03 of 2007.

13.13.3.3 TARGETS OF AUDITABLE CASES

As per Instruction No. 03 of 2007,CCsIT (CCA) and CsIT (Audit) drew an action plan for the year taking into the account the manpower available with them. The normal target for disposal with the Audit setup of CIT (Audit) was as under:

Addl. CIT	-	**25 cases**
SAP	-	**150 cases**
IAP	-	**300 (corporate cases) or 350 (non-corporate cases)**

Accordingly, as per the working strength at different levels, the targets and achievments are as follows:ð

F.Y. 2012-13 up to 30.09.2012

				Target	Achieved
Addl.CIT	ï	25 x 18	=	450	464
SAPs	_	150 x 20.5	=	3,075	2,249
IAPs	_	350 x 210	=	73,550	55,323
		Total		**77,075**	**58,036**

COMPARATIVE CHART OF NUMBER OF CASES AUDITED BY IAPs FOR F.Y 2008-09 TO F.Y . 2012-13 upto September, 2012

Year	Target Set	Target Achieved	% Target Achieved
2008-09	67550	59886	88.65%
2009-10	64050	55570	86.76%
2010-11	71050	67895	95.55%
2011-12 upto 30.09.2012	77025	58036	75.34%

13.13.3.4 NUMBER OF CASES AUDITED

a) **ADDITIONAL CIT:** Nationwide Target ï 450 Cases
Nationwide Achievement ï 464 Cases

b) **SAPs**: Nationwide Target ï 3075 Cases
Nationwide Achievement ï 2249 Cases

c) **IAPs:** Nationwide Target ï 73500 Cases upto Sept., 2012
Nationwide Achievement ï 55323 Cases upto Sept., 2012

13.13.3.5 NUMBER OF OBJECTIONS RAISED upto 30.09.2012

1. **Addl.CIT(Audit)**

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	1313	6,41,718.44	1381	667476.78
Minor	506	392.4658	556	1180.4058
Total	1819	6,42,110.9058	1937	668657.1858

2. SAP

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	1787	1,11,803.78	1782	1,07,689.94
Minor	1281	2,203.08	1378	2,227.99
Total	3068	1,14,006.86	3160	1,09,917.93

3. IAP

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	10056	1,60,457.34	10177	2,19,127.16
Minor	26369	8,066.59	23487	16,663.55
Total	36425	1,68,523.93	33664	2,35,790.71

13.13.3.6 No. OF OBJECTIONS SETTLED upto 30.09.2012

1. Addl.CIT(Audit)

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	101	18,039.82	85	9,161.7
Minor	31	14.43	58	11.36
Total	132	18,054.25	143	9,173.06

2. SAP

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	183	3,946.8	149	6,500.35
Minor	106	24.05	154	29.695
Total	289	3,970.85	303	6,530.05

3. IAP

Year	2010-11 upto 30.09.2011		2011-12 upto 30.09.2012	
	No.	Amount (in ₹ lakh)	No.	Amount (in ₹ lakh)
Major	875	6,797.01	1015	13,921.81
Minor	3138	471.81	4794	733.925
Total	4013	7,268.82	5809	14,655.74

13.13.4 Directorate of Income Tax (Recovery):—

The work assigned to the Directorate of Recovery can broadly be allocated under 3 heads:ð

1. Monitoring collection/reduction of arrear demand and compiling and collating data relating to recovery of tax arrears arising from current and arrear demand primarily with reference to dossiers cases of demand of ₹10 Cr. and above.
2. Processing of write off, partial write off and scaling down of arrear demand proposals received from CCIT charges.
3. Processing of BIFR/AAIFR cases in terms of granting relief/concessions under the Income Tax Act.

13.13.4.1 Recovery of arrear and current demands

a. The target of cash collection for the arrear demand during the year 2012-13 has been fixed at ₹41115 cr. As per the CAP of October 2012 prepared by the DOMS, cash collection out of the arrear demand is shown at ₹ 13432 Cr. as against the arrear collection of ₹ 22882 Crs. for the entire fiscal year 2011-12.

b. Two types of dossier reports are received (i) cases having demand of ₹ 10 Cr.-25 Cr.; (ii) cases having demand above ₹ 25 Cr. The dossier reports of both the categories have been periodically compiled and analysed to identify the trends and areas where further action can speed up recovery. Presently, there are 1005 dossier cases of demand exceeding ₹ 25 Cr. Out of this, there are 643 cases having wholly actionable demand. Dossier cases of demand between ₹ 10 Cr. to ₹ 25 Cr. number 1105. Out of this, there are 743 cases of actionable demand. Tours to major stations are undertaken for discussion with the field officers for strategies for accelerating collection and recovery of outstanding demand.

c. Recovery of ñDemand not under disputeö. The statistical data with the Department shows that substantial arrear demand is reflected as ñDemand not under disputeö. A Special Cell has been constituted for getting information regarding such cases verified at CCIT level, and to identify the reasons for non-recovery and segregate demand which is recoverable by action under the control of the tax authorities. Collection of demand is diligently monitored by this cell.

d. Recovery of demand in the category ñAssessee not traceableò and ñNo assets/inadequate assetsò for recovery: In order to address the issue of mounting tax arrears from a policy perspective, a Committee was constituted which focused on these categories of demand. The Committee examined options for a cost effective and flexible mechanism to manage recovery of such dues and conducted a pilot study with dossier cases of demand of ₹ 10 cr. and above, and certified cases of demand above ₹ 1 cr. which were made available to the Directorate of Recovery. DIT (Systems) and FIU-IND were also approached to provide any available information for these cases from the data available with them. Pursuant to the recommendation of the Committee accepted by CBDT, a time bound methodology for dealing with cases in these categories has been instituted through the Special Cell in Directorate of Recovery. The methodology includes, an exhaustive exercise at field level to explore all possible avenues to locate taxpayers/assets as also utilization of the information available with Directorate of Income Tax (Systems). Moreover, FIU-IND will be periodically approached for getting information from their data base. A process of putting the names of chronic defaulters in public domain is being finalized. Besides, a Reward Scheme for informants who supply information resulting in collection of outstanding demand from such tax defaulters is being formulated.

13.13.4.2 Write off matters

During the year, CBDT had decided to centralize all write off proposals in the Directorate of Recovery and accordingly there are 66 write off proposals currently pending with the Directorate. There are certain deficiencies in these proposals and field authorities have been advised to provide the clarifications/ documents/ information necessary to ensure compliance of administrative procedure for writing off.

13.13.4.3 BIFR Matters

1. The Board for Industrial and Financial Reconstruction (BIFR) is a machinery created under **The Sick Industrial Companies (Special Provisions) Act, 1985** for the purpose of detection of sick companies and to frame scheme for revival of sick companies.

2. DGIT (Admn.) is the nodal agency in all BIFR cases between CBDT and BIFR. The work on behalf of DGIT (Admn.) is done by the BIFR unit in the Directorate of recovery, which is a co-ordinating agency between the BIFR and the CBDT. BIFR approves a Sanctioned Scheme for rehabilitation of a Sick Company, envisaging certain reliefs from CBDT. The report is called from the Assessing Officer and the Company to process such reliefs. The case is processed by this Directorate with the approval of the DGIT (Admn.) as the nodal agency and CBDT.

3. During the year, efforts have been made to address the following:ð

   a) Writ petitions / SLP have been filed in 4 cases.

   b) Appeals / MA have been filed in 37 cases before BIFR / AAIFR.

   c) Objections have been filed in 22 cases of Draft Rehabilitation Scheme before BIFR.

   d) All the statutory notices of the hearing before BIFR/AAIFR have been complied by filing written submission/representation through counsel after obtaining specific information from the company and the field authorities. During the period from 01.04.2011 to 30.11.2011 in 976 cases written submissions have been sent to BIFR/AAIFR in response to the statutory notices of hearing.

   e) The status of outstanding demand and comments on the sickness of the case has been obtained from the field authorities. During this period, Miscellaneous Applications have been filed under section 22(1) in 12 cases before BIFR where demand is outstanding but is stuck in BIFR proceedings.

   f) The IT reliefs and concessions for the sick companies have been processed after taking necessary input from the company and field authorities. During the period from 01.04.2012 to 30.11.2012, 16 cases were processed by this Directorate for considering tax reliefs and concessions.

g) The adverse order of BIFR/AAIFR/High Court have been challenged by filing Miscellaneous Applications/ appeal/ writ petitions/ SLPs before BIFR/ AAIFR/High Courts/Supreme Court in suitable cases. During the period 01.04.2012 to 30.11.2012, total number of MA/ Appeal/Reply to the appeal/Rejoinders/Written Synopsis/SLPs have been filed before BIFR/ AAIFR/High Courts/Supreme Court in 105 cases after making judicial analysis of the cases. Besides this in 88 cases MA/Appeal/ Writ filed by the company/other parties have also been addressed.

13.13.4.4 The important legal issues decided in the favour of Department during this period are as under:ð

a. Where the Central Government is to provide financial assistance in the form of reliefs and concessions, its consent is mandatory u/s 19 of SICA and this consent has to be of the nodal agency who is an authorized person on behalf of Central Government.

a. On behalf of the Central Government, the nodal agency appointed by CBDT to coordinate the aspect of grant of financial concessions or financial assistance to be given to a sick industrial company would be Director General of Income Tax (Admn.).

b. Before consent is sought, the Draft Rehabilitation Scheme (DRS) should quantify the extent of reliefs and concessions to be provided to a sick industrial company. It is necessary for BIFR to quantify the tax leviable on the total sacrifices and consider whether payment of tax on the sacrifices would adversely affect the projected profitability of the scheme and cash flows and also the viability of the company

c. If the sanctioned scheme envisages that the Central Government shall consider grant of tax reliefs and concessions, the authority on behalf of Central Government is not required to grant concessions but to consider the request of the sick company objectively. After considering the reliefs and concessions it can be either accepted fully or partly or can be rejected.

d. If the appellant is not a party before BIFR ,the issuance of order of BIFR is treated as not communicated to the appellant in terms of Regulation 15 of the BIFR Regulation 1987 and for filing appeal before AAIFR the date of obtaining of the certified copy would be the starting point of limitation.

e. The sanctioned scheme stipulates a revival period during which all the provisions of the sanctioned scheme are to be implemented. If the provisions of the sanctioned scheme do not get implemented, the BIFR is competent u/s. 18(5) during the rehabilitation period to re-visit the sanctioned scheme and modify it through appropriate procedure as laid down under SICA i.e. through Modified Draft Rehabilitation Scheme (MDRS).

13.13.4.5 An exercise has been taken by the Directorate to identify cases with outstanding demand stuck in cases covered under BIFR proceedings as reported (a) by various Regions in CAP-1 in ñDemand not under disputeò and (b) in the dossiers of ₹ 10 Crore to ₹ 25 Crore and ₹ 25 Crore and above. Effort has been made to file miscellaneous applications under section 22(1) and 22A of the Sick Industrial Companies (Special Provisions) Act 1985 in all such cases for lifting embargo on recovery proceedings and seeking direction to the company not to dispose assets. The reports have been called for from field authorities.

13.13.5 Directorate of Income Tax (TDS) :—

13.13.5.1 Collection of TDS :—

The budget target for TDS collection as fixed by CCsIT (CCA) for their respective charges totals to ₹ 2,01,088.09 Crs. Total TDS of ₹ **1,42,163.6 Cr**. (1,29,341.9) has been collected up to 30.11.2012. Thus, there is growth of 9.91% over the corresponding figures as on 30/11/11.

13.13.5.2 Initiatives of the Directorate of TDS :—

This Directorate has evolved a system of monthly MIS reports. These reports are standardized and are monitored on regular basis for the purpose of analyzing performance of Charges of TDS.

13.13.5.3 TDS Conferences :—

Directorate of TDS conducts bi-annual Conference of CsIT (TDS) as well as bi-annual Meetings of Standing Committee. Standing Committee includes representatives of Trade/Professional bodies. During these conferences and meetings various issues of TDS Administration are taken up and resolution thereof is worked out in due course. One Conference of CsIT (TDS) was held at Pune during August, 2012. Similarly, one Meetings of Standing Committee was also convened during the month of August, 2012.

13.13.5.4 Tax deductors Education Programme

TDS charges carry out contact programmes for the tax deductors. During the Financial Year, 2012-13, around 400 such contact programmes have been conducted till end of November 2012. These programmes not only sensitize the deductors but also help in removing their doubts, if any. This enables the department to be in touch with deductors and also to monitor the compliance by the deductors. Commissioners of Income Tax (TDS) and the officers there under also discharge functions as focal points for the purpose of grievance redressal.

13.13.5.5 Surveys and spot verification

In the case of defaults in compliance to TDS provisions, TDS charges carry out surveys and spot verifications from time to time. This results in better compliance of TDS provisions. A total of 1770 surveys/ verifications have been carried out during the Financial Year, 2012-13 upto 30.11.2012 by all the CsIT (TDS) across the country taken together.

13.13.5.6 Prosecution cases

For violation of TDS provisions, total 644 prosecution cases upto 30.11.2012 have been reported by different CsIT (TDS). These cases are at different stages before the authorities.

13.14 Directorate of Organization and Management Services (O&MS)

Some of the important assignments completed by the Directorate which is an attached office of the CBDT and assists CBDT by providing inputs on policy and other strategic issues as an internal management consultant are:

13.14.1 Setting up of Aayakar Seva Kendras under Sevottam.

SEVOTTAM is *First of Its Kind Service* aimed at promoting ŒExcellence in Service Deliveryœ through

i) Implementation, monitoring and review of citizenœs charter

ii) Receipt, redressal and prevention of public grievance.

iii) Capacity building both in terms of imparting training of its employees and creating infrastructure.

Aayakar Seva Kendra (ASK) is the mechanism used by CBDT for implementing the philosophy of ŒSevottamœ initiated by the PMO. Aayakar Seva Kendra (ASK) is the single window system for implementation of Citizenœs Charter of the Income Tax Department and a mechanism for achieving excellence in public service delivery. The PMO had selected the Income Tax Department for fast track implementation of Sevottam in 2007. The Cabinet Secretariat has made Sevottam part of its Results Framework Document (RFD) which is being implemented in 62 central government departments. The Income Tax Department has also prepared a Results Framework Document (RFD). As per the RFD, Sevottam has been given 20% weightage in evaluating performance of the Departme nt.

Documents received in ASKs are being monitored in MIS are:

i) Citizenœs Charter

ii) Grievances

iii) Others

The following 13 key services as listed in Citizen's Charter are being monitored in ASKs :

1. Issue of refund along with interest u/s 143(1) of the I.T. Act
   (a) In case of electronically file returns
   (b) other returns
2. Issue of refund including interest from proceedings other than section 143(1) of the I.T. Act
3. Decision on rectification application
4. Giving effect to appellate/revision order
5. Acknowledgement of communications received through electronic media or by hand.
6. Decision on application seeking extension of time for tax payment or for grant of installment.
7. Issue of Tax Clearance Certificate u/s 230 of the I.T. Act
8. Decision on application for recognition/approval to provident fund/superannuation fund/gratuity fund
9. Decision on application for approval to a fund under section 10(23AAA) of the I.T. Act
10. Decision on application for registration of charitable or religious trust or institution
11. Decision on application for grant of approval to institution or fund under section 80G(5) (vi) of the I.T. Act.
12. Redressal of grievance
13. Decision on application for transfer of case from one charge to another

Year wise Setting up of ASKs :

The details of year wise setup of ASKs are as under:

S. No	Financial Year	No. of ASK setup
1.	2010-11	15
2.	2011-12	60
3.	2012-13	57 (in process)

A. The following 15 Aayakar Seva Kendra were setup in Financial Year, 2010-11 (Phase – I):

Ahmedabad, Bhubaneswar, Chandigarh, Mohali, Ludhiana, Chennai, Kochi, Guwahati, Indore, Kolkata (Bamboo Villa), Kolkata (Chinsurah), Pune, Ranchi, Surat and Udaipur.

B. The following 60 Aayakar Seva Kendra were setup in Financial Year, 2011-12 (Phase – II):

Faridabad, Shimla, Gurgaon, Jammu, Hissar, Delhi (Civic Centre), Delhi (Laxmi Nagar), Jaipur, Bikaner, Jodhpur, Ahmedabad (Pratyaksh Kar Bhawan), Rajkot, Baroda, Gandhidham, Nadiad, Mumbai (Bandra), Pune, Aurangabad, Kolhapur, Nashik, Nagpur, Akola, Bangalore, Hubli, Mangalore, Panaji, Trivandrum, Chennai, Madurai, Tiruchirapalli, Salem, Hyderabad (I.T. Towers), Vishakhapatnam, Vijaywada, Hyderabad (Aayakar Bhawan), Rourkela, Sambalpur, Berhampur, Kolkata (Dakshin), Siliguri, Durgapur, Bhopal, Raipur, Gwalior, Jabalpur, Lucknow, Allahabad, Varanasi, Moradabad, Bareilly, Kanpur, Meerut, Dehradun, Agra, Patna, Dhanbad, Shillong, Silchar, Sivasagar and Dimapur.

C. The following 57 ASKs are in process of being setup in Financial Year, 2012-13 (Phase–III) :

Nizamabad, Tirupathy, Rajamundry, Bhavnagar, Himmatnagar, Godhara, Alwar, Ajmer, Bhilwara, Chandrapur, Pune (Praptikar Sadan), Sangli, Solapur, Ahmednagar, Thanjavur, Vellore, Kumbakonam, Kozhikode, Kannur, Palakkad, Trichur, Kollam, Raichur, Shimoga, Tumkur, Mumbai (CGO Complex), Jeypore, Cuttack, Burdwan, Cooch Behar, Kolkata (P-7 & P-13), Kolkata (3 Govt. Place), Tejpur, Tinsukia, Hazaribagh, Darbhanga, Purnea, Ujjain, Bilaspur, Bhilai, Sagar, Katni, Satna, Mathura, Muzaffarnagar, Haldwani, Gorakhpur, Sitapur, Raibareilly, Palampur, Solan, Patiala, Amritsar, Rohtak, Panchkula, Karnal and Delhi (C.R. Building) .

Certification of ASKs by BIS :

Initially, Sevottam was implemented at 5 pilot locations at Pune, Kochi, Chandigarh, Gandhinagar and Surat. These 5 centers were granted accreditation under IS: 15700 by Bureau of Indian Standards in Financial Year, 2010-11.

The following 30 ASKs are in the process of getting certification under IS:15700 by BIS:

Trivandrum, Ludhiana, Shimla, Mohali, Bangalore, Mangalore, Jaipur, Chennai, Coimbatore, Kolhapur, Aurangabad, Delhi, Mumbai (Bandra), Patna, Ranchi, Kanpur, Dehradun, Bareilly, Ahmeadabad, Hyderabad (IT Tower), Hyderabad (Aayakar Bhawan), Bhubaneswar, Baroda, Nadiad, Guwahati, Sivasagar, Indore, Bhopal, Chinsurah and Bamboo Villa.

13.14.2 New comprehensive CAP – II Report

In order to reduce the number of redundant reports and to increase the efficacy of monitoring of performance against key target areas the software of the new / revised / comprehensive CAP ï II as approved by the Board was assigned to DIT (O&MS) and work thereafter was awarded to a vendor.

The software had since been tested offline in CCIT, Pune Region for all units and its online testing was done in CCIT ï III charge Delhi for assessment units only after hosting it on i-TAXNET with the help of DIT (systems). The software pertaining to assessment unit had been successfully compiled in CCIT ï III, Delhi charge.

It has also been decided that as the new software for CAP ï II has been designed and developed by the Directorate of (O&MS), its implementation will be monitored by DIT (O&MS). Since the field formations are now busy in completion of time barring assessment proceedings, the new comprehensive CAP ï II should be made operational with all of its 13 functionalities only from the month of April, 2013.

13.14.3 Mandatory maintenance of office registers online

Part III of Central Action Plan 2012-13 mandated the DGIT (Logistics) to identify and standardize various registers being maintained is the field formation by 30.09.2012. Simultaneously the Central Action Plan for DGIT (Systems) provided for computerization of the Register prescribed by DGIT (Logistics) by 30.11.2010. With the approval of CBDT, the following registers were identified for computerization.

1. Internal Audit Register.
2. Revenue Audit Register.
   a) Receipt Audit Register.
   b) Register of Draft Audit Paras.
3. Appeal Register.
4. Register of Rectification u/s 154.
5. Grievance Register.
6. Penalty Register
   a) Register of Penalties, Other than 271(1)(c).
   b) Register of Penalties u/s 271(1)(c).

After designing the formats of aforesaid registers, the Directorate of Systems was requested to computerize them. The registers have now been computerized by DIT (Systems) and they are available online on ITD.

The detailed functionality of these registers for online use is contained in ñAST Instruction No.112òissued by Directorate of Income-tax (Systems).

It has been desired by the CBDT that all the field officers should mandatorily maintain the above mentioned registers on AST online with effect from January 2013.

All the field formations have been informed accordingly.

13.14.4 Compilation of All India CAP – I and existing CAP- II

DOMS has been compiling both the above statements every month after receiving then from all the CCsIT. This year the aim is to make this exercise completely on-line.

13.15 Directorate of Income Tax (Infrastructure)

(a) Functions/working of the Organization and set-up of the Division, including its various Advisory Boards and Councils:

The Directorate was notified vide Ministry of Finance order dated 21 November, 2005. The functions of the

Directorate include drawing up of construction programme for I.T. Department on all India basis, implementation of construction programme, examination of individual proposals including drawing up a schedule of accommodation, scrutiny of plans and estimates, securing approval of expenditure Finance Committee where necessary. The Directorate also deals with the scrutiny of proposals regarding acquisition of land for construction of building, finalization of budget proposals in respect of construction, acquisition of land and purchase of buildings. Examination of proposals regarding repairs of departmental buildings and minor works, hiring of office/office-cum-residential accommodation, purchase of vehicles for the Department, including replacement and hiring of vehicles are also being dealt by the Directorate.

(b) Highlights of the performance and achievements:

Certain important projects (exceeding ₹ 10 crore) which have been accorded administrative approval and financial sanction during the year are as under:

(i) Proposal for the appointment of Facility Management Services (FMS) agency at Pratyaksh Kar Bhawan, Civic Centre of ₹ 14,97,08,273.

(ii) Release of ₹ 11,55,00,000 for finishing and furnishing works of Civil Centre building, JLN Marg, New Delhi out of ₹ 94,32,00,000.

(iii) Administrative Approval and Financial Sanction to release of ₹ 17,33,00,000 for furnishing and finishing works of Civil Centre building, Delhi of ₹ 94,32,00,000.

(iv) Revision of Lease Rent in respect of office space hired by the Income Tax Department at Poddar Court, 18, Rabindra Saran, Kolkata of ₹ 11,56,22,510.

(v) Construction of office building and staff quarters for Income Tax Department at Plot No.2 and 2A, Sector-17, Panvel (Thane) under the charge of CCIT, Thane (Maharashtra) of ₹ 29,19,00,000.

(vi) Construction of 43 nos. of staff quarters viz. (16 of Type-III, 16 of Type-IV, 3 of Type-V, 7 of Type-VI A and 1 of Type-VI B), Community Centre, Children's Park and Guard Room for Income Tax Department at Hengrabari, Guwahati of ₹ 27,40,61,000.

13.16 E- Governance in the Income Tax Department

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.

13.16.1 Project Name: Issue of PAN.

- PAN (Permanent Account Number) is a 10 digit alpha-numeric number allotted by the Income Tax Department to taxpayers and to the persons who apply for it under the Income Tax Act, 1961. This number enables the department to link all transactions of the "person" with the department. These transactions include tax payments, TDS/TCS credits, returns of income/wealth, specified transactions, correspondence, and so on. PAN, thus, acts as an identifier for the "person" with the Income tax department. In fact, PAN has now taken on the role of "identifier" beyond the Income tax department as it is now required for various activities like opening of bank account, opening of demat accounts, obtaining registration for Service Tax, Sales Tax / VAT etc.
- The services like receiving PAN application forms, verification of the documents submitted, digitizing the PAN application form, upload the data on the NCC (National Computer Centre), printing PAN cards and dispatch of PAN cards have been outsourced to Service Providers, M/s UTIITSL and M/s NSDL. The Service Providers through their network of 11,143 front offices (PAN centres), receive and process the PAN application submitted by applicants. However, the PAN is generated through robust software at National Computer Centre (NCC) of the Income Tax Department and thereafter printed and dispatched through service providers.
- The Income Tax Act permits one person to have only one PAN. To avoid issuance of duplicate PAN the data is checked for duplicity by using the software using the phonetic matching algorithm. However, it was seen that some persons have managed to obtain more than one PAN by making alteration in their personal information submitted in the PAN application form. Department has therefore decided to strengthens the verification process to ensure that no duplicate and fraudulent PANs are issued.
- It was decided to capture the biometric features of the applicant and do the matching of the biometrics feature in the backend against the database to detect the duplicate PAN applicants. The biometrics PAN project was kept in abeyance till the business rules of Unique Identification Authority of India (UIDAI) project are finalized to avoid duplication of efforts. The process of integrating AADHAAR Number issued by UIDAI with PAN data is initiated.
- New PAN application forms have been notified.

FORM 49A is notified for use of Indian Citizens/ Indian Companies/Entities Incorporated in India/ Unincorporated entities formed in India whereas FORM 49AA is for Individuals not being a Citizen of India/Entities incorporated outside India/ Unincorporated entities formed outside India.

- Space for proving AADHAAR Number by PAN applicant has been added in the PAN application Form 49A. As on 5.12.2012 1,75,136 unique AADHAAR numbers have been seeded into PAN database. The work of establishment of on-line AADHAAR authentication facility is under process.
- A proposal has also been received from UIDAI for inclusion of AADHAAR card in the list of valid POI and POA for allotment of PAN. The work is under progress.
- PAN Verification -

(i) PAN verification facility is provided through CBDT's e-filing server to Government departments through the Internet. One by one PAN verification or Bulk verification of 50,000 PANs in one go can be done by the users. PAN can also be verified where Name, Father's Name and DOB/DOI are known through "Know Your PAN" facility on Income-tax official web site www.incometaxindia.gov.in. PAN and Assessing officer is informed in reply for valid PANs.

(ii) Services for PAN verification is also provided by income tax PAN Service Providers(UTITSL and NSDL) to agencies such as (i) Financial Institutions, (ii) Government Agencies, (iii) Persons required to file Annual Information Returns (iv) Companies and Government Deductors of TDS for the purpose of verifying PAN of TDS/TCS deductees (v) Department of Commercial Taxes of various States (vi) Insurance Companies (vii) Educational Institutions established by Regulatory Bodies (viii) KYC Registration Agency (KRA). This facility is on chargeable basis.

Achievements:

(i) PAN database has shown steady growth in tune with economic progress. The progressive number of PANs allotted as on 5th December 2012 is 16,49,95,025. During the current year (upto 5.12.2012) 1,72,52,926 PANs have been allotted.

(ii) PAN has taken role of National identifier. Process of integrating PAN database with other Govt. Department for various projects like e-biz a project of DIPP, pilot project on GST by CBEC and pilot project on Data Exchange between Centre & State are in progress.

13.16.2 Project Name: E-filing of Income Tax Returns

Project Description

The e-filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for better services to the taxpayers and was notified in 2006-2007. During the current F Y 2012-13, the e-filing website has been revamped and made live on 9th November, 2012 with many new utilities like extension of electronic filing of all other forms as prescribed in the I-T Rules 1962, enabling access to history of returns filed, and other Services in the e-filing website. The project is aimed at enabling E-filing of Income tax returns, Audit Reports and other forms of the Income Tax over Internet directly by taxpayers and through e-return intermediaries (ERIs) on Virtual Private Networks, enabling e-filing of Income Tax Returns and other web enabled services using XML to enable public private participation in the filing of returns. A portal https://incometaxindiaefiling.gov.in is functional with a host of services to taxpayers. The new system also offers personalized services including pre-filling of returns with assesssee details and 26AS data; online and offline filing of returns etc. The system include submission of online rectifications, verification of status updates for receipt of ITR-V, processing status and refunds for e-filed returns processed at CPC, Bangaluru. Select information is also available through a mobile interface.

The new e-filing project has following features, apart from the earlier ones:

- Facility to download Pre-filled XML File -(after Login feature).
- PAN Details at one place (Name, D.O.B, Status, Gender, Address) -(after Login feature).
- Request for Intimation - Earlier there was no option to download if mail not received. (Submit request for resend print of Intimation to ITR/PAN Address/New Address or via Email) – (After Login Feature).
- For New Users, Resend Activation Link Feature - Helpful if link not received or mail deleted earlier.
- User Password can be changed now with Digital Signature Verification also.
- Feedback Option for User.
- User can register as a Legal Heir to do e-Filing on behalf of the deceased. This is a new feature provided for Individual user.
- Quick e-File for ITR-1 (No need to download any utility, No requirement of any software. Just Fill and Submit like an Online Application Form).
- Mobile Services can be availed using the url

https://incometaxindiaefiling.gov.in/mobile/.

- Forms to be authorized by CA with Digital Signature and XML to be uploaded in e-filing portal. (3CA, 3CB, 3CD, 3CEB, FORM 29B).
- Tax Professional (CA for now) is a new user on this portal. They can e-File Income Tax audit report Forms (other than Income Tax Returns).
- In the new e-filing project there is dedicated call centre and help desk to deal with any query or grievance related to e-Filing.

Achievements

- Electronic filing of I-T returns over the internet actually picked up from AY 2006-07 and the number of returns filed electronically has risen from around ₹ 4 Lakh in Financial Year, 2006-07 to ₹ 164.12 Lakh in Financial Year, 2011-12.
- The Income Tax Act has, since the Financial Year 2011-12, made e-filing of returns compulsory for the taxpayers having income ₹ 10 Lakh or more. This is in addition to all corporate assesses who have to compulsorily e-file their returns of income w.e.f. 24 July, 2006 and all cases covered by Audit u/s 44 AB of the Income Tax Act.
- E-Filing for all I-T returns for A.Y. 2011-2012 commenced from May 2011. During the Financial Year, 2011-12, the percentage growth rate of e-filing over Financial Year,2010-11 has been 79%.
- In Financial Year, 2012-2013, nearly ₹ 1.39 crore received upto 3rd December, 2012 as compared to ₹ 1.04 Crore for similar period in Financial Year, 2011-2012, representing a handsome growth of around 34%.
- The progressive achievement of e-filing scheme is as under:

Financial Year	No. of e-Returns	% Growth in e-filing
F.Y. 2006-07	4 Lakh	
F.Y. 2007-08	22 Lakh	450%
F.Y. 2008-09	48.5 Lakh	120%
F.Y. 2009-10	52.5 Lakh	8%
F.Y. 2010-11	91.56 Lakh	74%
F.Y. 2011-12	164.12 Lakh	79%
F.Y. 2012-13	138.98 Lakh (Till 3rd Dec., 2012)	34% (Over similar period in last FY)

- Of the e-returns filed, nearly 73% have been filed voluntarily by taxpayers indicating the broader acceptance of the convenience of e-filing.
- It has also been observed that nearly 29% of the online returns filed, have been filed before or after office hours, indicating that more and more people are making use of anytime filing.
- There has been significant growth in the New PANs getting registered on the e-filing site, showing increased used of the e-filing and other facilities through the e-filing website. The number as on date is above 2.5 crore.

Going ahead in e-filing the following activities would be added

- Validation of third party Utilities,
- Access to internal users such as Assessing Officers over departmental intranet,
- E enabling all forms of the Income Tax department.

13.16.3 Project Name: Centralized Processing Center (CPC) for Income Tax Returns

Project Description

Enabling Centralized Processing of all E-filed Income tax returns and paper returns of Karnataka and Goa at Bangalore.

Status and Achievements

- The establishment of the Centralized Processing Center (CPC), Income Tax Department, Bengaluru was approved by the Union Cabinet in February 2009. By October, 2009, the business rules for computation and financial accounting system were tested and first set of I-T returns were processed. The digitization and processing of paper filed salary returns of A.Y. 2008-2009 of Bengaluru were commenced by January 2010 and the processing of E-filed returns of A.Y., 2009-2010 was taken up by April 2010.
- Proactive project management by Directorate of Systems, along with the deep involvement and commitment of the relatively small CPC team at Bengaluru to surmount daily operational challenges; have resulted in smooth functioning of the CPC. Some operational performance statistics are presented below to showcase the staggering scale of CPC operations, implemented in a phased manner:
- CPC has processed 1.32 Cr returns during the Financial Year, 2011-12, with a growth rate of 50% over 88 Lakh returns processed in Financial Year, 2010-11. Till 3rd Dec., 2012, it has processed more than 93 lakh Returns.
- CPC has achieved a peak processing capacity of 1.79 Lakh returns per day.
- CPC has processed in excess of 3 crore E-returns in the 3rd year of operations far in excess

of the 2.7 crore e-filed returns the CPC was to process in 5 years.

- Average processing time reduced to 47 days, less than the period specified in citizens' charter (6 months) and much less than performance in manual processing (~14 months). Prior to CPC, average processing capacity of the department has been approx. 2.5 cr return per annum against receipt of more than 3 cr returns each year.
- Interest saved because of faster processing. The interest rate as a % of refund has come down to as less as 4.7% for returns processed in Financial Year, 2011-12.

Interest outgo as percentage of refund

AY	Refund Amt (₹Cr)	Interest (₹Cr) U/s 244A	Int. U/ s 244A as % of refund
2008-09	56	5	9.80%
2009-10	2450	189	8.30%
2010-11	9300	484	5.50%
2011-12	14731	693	4.70%

Financial Year	Refund in CPC (₹ Cr)	Interest on refunds (₹ Cr)	% of interest paid in CPC	All India Avg % of Interest (other than CPC)	% saving on interest	Savings on interest (₹ Cr)
2010-11	5,189.77	326.21	6.29%	14.54%	7.70%	399.63
2011-12	14,731.40	693.05	4.70%	12.0%*	7.30%	1075.36

* Estimated

- Over 497 lakh digitally signed PDF based intimations sent by email; over 29.37 lakh SMS alerts sent; over 111 lakh Intimations sent by Speed post for preceding years, all over the country. Savings due to e-delivery as compared to postage charges are nearly ₹75 Cr.

	FY 2010-11	FY 2011-12	%age growth	Total saving in 2 FYs
Communication via email sent to taxpayers	5,927,080	36,769,270	520 %	
Postage cost saved (Rs) #	88,906,200	551,539,050		640,445,250

Average cost of speed-post/ordinary post taken as ₹15/-

- 60 call center agents attend to over 4000 calls daily in 3 languages now, with over 9.36 lakh calls attended till date.
- Rectification requests received from taxpayers processed within statutory time limits: over 8.52 Lakh requests processed out of 9.25 Lakh requests filed (92% completion).
- Due to CPC, there has been sharp drop in overall rectification requests:

	Total Returns processed (in ' Lakh)	Rectification Requests received	% to total
FY08-09	4.1	24,449	5.9%
FY09-10	43	2,16,631	5.0%
FY10-11	68	1,09,376	1.5%
FY11-12	128	1,40,020	1.3%

- Refund re-issue requests due to returned refunds, incorrect bank account number processed exceed 1,50,000. All requests are processed within 7 days.
- Over 2000 business rules in software for tax processing of I-T returns designed and implemented.
- Over 44 SLAs prescribed for tracking Technology Partner's performance, and payment linked to SLA adherence.
- Launch of Digitization friendly forms with features such as anchor points, colour drop out, bar codes on each page etc – ITR 1-SAHAJ and ITR 4S- SUGAM for AY 2011-12 and AY 2012-13 **designed by officers at CPC for CBDT** based on learning from digitization of paper returns at CPC.
- Demand Management: To deal with the issue of cleaning and updating of arrear demands, September 3rd to 14th, 2012 was observed as the Demand Management Fortnight which was further extended to 24.09.2012 ending on 05.10.2012. Under this 46 Nodal Officers nominated across the country as single point of contact for taxpayers. The arrear demands as uploaded by AOs are also displayed on "My Account" of e-filing website for information of taxpayers. The correction to arrear demand upload as on date is 62,34,370 entries amounting to ₹3,53,820 Crore.
- This project Enabled Centralized Processing of all E-filed Income tax returns and paper returns

of Karnataka and Goa at Bengaluru. The Hon'ble Finance Minister visited the CPC, Bengaluru on 19th November, 2012 and gave the following laudatory testimonials *I am greatly impressed by what has been created and put in place at the CPC. The CPC represents a technological leap for the I.T. Department. Undoubtedly, the CPC has resulted in better, quicker and more efficient service to the taxpayer community.*

- **The project** has **bagged the Gold Award in the category "Excellence in Government Process Re-engineering" at the 14th National e-Governance Conference** held at Aurangabad, Maharashtra in 2011.

CPC & E-filing: Eco friendly Projects

CPC and e-filing is leading the Income Tax Department to

- ➢ Paper-less office, and
- ➢ Paper-less delivery by phasing out paper based notices, intimations, letters and replacing by email, SMS, website driven delivery to taxpayers,
- ➢ Marks a significant effort by the Department to reduce the carbon imprint and to "Go Green".
- ➢ In fact the CPC initiative promotes E-filing, further reducing the submission of paper return forms to the Department.
- ➢ Saved 35,000 trees in 2010-11 and 2011-12.

13.16.4 Project Name: Refund Banker

Project Description

Refund Banker project is a system driven process for determination, generation, issue, dispatch and credit of refunds and enables efficient and safe delivery of Income Tax refunds. It introduces a third party into the physical issue or credit of refunds so as to make the process completely automated, speedy and transparent, and to achieve a faster Turn Around Time.

Key Features and Achievements

- Under Refund Banker Scheme, the paper and electronic refunds determined by the Income Tax assessing officers are sent in separate electronic files by Income Tax Department to the State Bank of India (SBI), which has been designated as agent (Refund Banker) of the Department. The Refund Banker is then required to, in case of paper refunds, print and dispatch the refund cheques (payable at par through Core Banking all over India), and send NECS or Direct Credits to the bank accounts, where the refunds have been processed for electronic payment. The refunds are dispatched by speed post to the tax-payers or credited to the taxpayers' accounts within 1 day of data being delivered to SBI. The electronic method of payment has reduced delivery time to 1-2 days as against paper refunds which takes 4-8 days. The Assessing Officer's role in issuing refunds is limited to processing the return of income on computer.
- The project was initially launched on 24 January, 2007 in a few Salary charges in Delhi and Patna. After completion of pilots, the Scheme was extended to 6 stations viz., Kolkata, Mumbai, Bangalore, Chennai, Delhi and Patna. In October 2009, the Scheme was extended to nine more stations viz. Ahmadabad, Allahabad, Bhubaneswar, Chandigarh, Cochin, Hyderabad, Kanpur, Pune and Trivandrum, as well as to the refunds issued by CPC, Bangalore. With effect from August/September, 2010, the Scheme has been extended to the non-corporate charges all over India.
- A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) is available under the Scheme.
- The State Bank of India has set up remote printing facility for Income Tax refunds at Chennai, Kolkata, Delhi, Bangalore, Mumbai, Jaipur, Patna, Hyderabad, Bhopal and Lucknow.
- The status of refunds is updated on the departmental application with reasons for non-payment in case of unpaid or returned refunds, to enable the assessing officer re-send the refund for payment after removing the deficiency.
- The SBI has provided for a call centre with toll free number 1800-42-59-760 for tracking status of refunds issued through the scheme.
- There has been steady increase in number and percentage of refunds issued through the scheme, as illustrated in the following Table. With extension of the Scheme to the non-corporate charges all over India (with effect from August/ September 2010), the percentage of number of refunds issued through the scheme in Financial Year, 2010-2011 substantially went up to approx. 73% of the total number of refunds issued all over India. During current Financial Year, 2012-2013 (up to November, 2012), the percentage of number of refunds issued through the scheme is 99.04% of the total number of refunds issued all over India.
- There has been steady increase in the percentage of successfully encashed refunds issued through the scheme.
- Audit trail and MIS on unpaid/unpicked refunds (with ageing) are available on system for monitoring status of issue of refunds.

Achievement of Refund Banker Project

Year	No. of Refunds (Paid) through Refund Banker	No. of Other Refunds (Paid)	Total	Percentage of Refunds Paid through Refunds Banker
F.Y. 2011-2012	1,01,74,550	3,71,158	1,05,45,708	96.48%
F.Y. 2012-2013 (Upto 30-Nov.-12)	49,26,095	47,894	49,73,989	99.04%

13.16.5 Project Name: System Integrator (SI) Project for 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 Mumbai 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, however, 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 ï 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:

Un-interrupted services are rendered at Primary Data Centre (PDC), Business Continuity Process (BCP) and Disaster Recovery Site (DR) to the Income-tax department.

Grievance Redressal Machinery:

Grievance Redressal Machinery related to PAN is well defined and working in the Directorate. Whenever a grievance is received related to PAN appropriate action is taken including forwarding the grievance to field formations with guidance and existing instructions. Grievances are also received through Centralised Public Grievance Redress and Monitoring System(CPGRAMS). All grievance related to PAN are download from the website of CPGRAMS and after analysis appropriate action is taken by the Directorate and appropriate information about redressal action taken in such cases is uploaded on the website.

Grievances are also received by PAN Service Providers i.e. UTIITSL and NSDL. After analysis of the grievances by the Service Providers, action is taken by PAN Service Providers. If required, approval of the Directorate is obtained in specified cases and PAN applicants are informed accordingly.

13.16.6 Project Name: E-Payment

Project Features

- 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.
- Ease of payment: anytime, anywhere
- Data quality can be monitored effectively.
- Credit for taxes given efficiently.
- Income Tax and Corporate Tax can also be paid through ATMs of specified banks

Achievements

- With effect from 1 April, 2008, e-payment of direct taxes has been made mandatory for all Companies and 44AB cases.
- E-payment can be made using net banking account of the taxpayer or of any other person on behalf of the tax-payer.
- E-payment facility has been now extended by to 30 agency banks collecting direct taxes. SBI has started the e-payment facility online through its debit cards as well.
- Facility of payment of direct taxes has been launched through ATMs of Corporation Bank, Bank of Maharashtra, Axis Bank, Central Bank, Bank of India, HDFC Bank, Canara Bank, Union Bank of India, Punjab & Sind Bank, Punjab National Bank, Indian Bank, UCO Bank, Andhra Bank, Bank of Baroda and Oriental Bank of Commerce.

In Financial Year, 2011-12, an amount of ₹4,87,778.29 crore came through e-payment out of total gross tax collection of ó5,85,840.71 crore. In terms of percentage, the count and amount of e-payment challans for F.Y. 2011-12 were **54.41%** and **83.26%** respectively. In Financial Year, 2012-13 (up to November, 2012), the count and amount of e-payment challans have gone up to **60.68%** and **85.62%** respectively, registering substantial increase, both in terms of count and amount.

13.16.7 Project Name: E- TDS

Project Features

- Filing of e-TDS Returns has been made compulsory for following categories of tax payers:
- All Corporate deductors
- All 44AB deductors
- All Govt. deductors both Central and State Govt.
- For all deductors where number of deductee records is 20 or more.
- Filing of newly introduced Form No. 24G has been made compulsory by Pay & Accounts Officer/Treasury Officer/Cheque Drawing & Disbursing Officer (PAO/TO/CDDO) on monthly basis which is the basis to generate BIN (Book Identification Number), to be used for reconciliation of TDS paid without production of challan in the cases of Central/State Governments Deductors.

Achievements

- Base of tax deductors has increased from 9.3 lakh in Financial Year, 2007-2008 to 28 lakh till Financial Year, 2012-2013 Q2.
- Overall PAN quoting has improved from 46% for Financial Year, 2006-2007 to 97% for Salaries and 96% for Non-Salaries for Financial Year, 2012-2013.
- Challan matching with OLTAS has improved to 97% in Financial Year, 2012-2013.
- The Department has taken a new initiative of online dissemination of tax payer specific information in form 26AS (Tax credit statement) which contains the details of TDS/TCS deducted by the deductors, advance tax/self-assessment tax/regular assessment tax and paid refunds. Besides the statements also contains details of certain high value transactions that are being reported by third parties in Annual Information Return (AIR). This is to facilitate taxpayer about ascertaining tax liabilities. Till 30th November, 2012, more than 1.54 crore taxpayers have viewed such statements online. The scheme is intended for online verification of all tax credits available with the ITD and mismatch, if any, to be followed by the tax payer for proper credit. The benefits of form number 26AS include seamless processing of income tax returns and speedy credit of refunds and the verification of tax credits and refunds by the tax payers. Online facility to view Tax Credit Statement (26AS) has been enabled for net banking users of 31 banks.
- Department is in the process of setting up Centralized Processing Centre (CPC) for processing of TDS statements. TDS CPC will generate the annual tax credit statement (Form 26AS) and process TDS statements in a time bound manner so as to ensure speedy credit of taxes paid as well as identification and resolution of TDS defaults. CPC (TDS) will open up new channels of communication including Portal, Call Centre, Document Management Systems etc., to manage the defaults detected in processing of TDS statements and to resolve issues relating to TDS mismatches. Besides it will employ Business Intelligence tools for sensitivity analysis and effective MIS to field officers for enabling enforcement.

Status of e-TDS and e-TCS Filing

TDS Returns for	e-TDS Return Received	e-TCS Return Received
2011-12	59,97,018	97,697
2012-13	19,38,429	39,623

13.16.8 Project Name: OLTAS (Online Tax Accounting System)

Project Description

OLTAS project, a part of TIN (Tax Information Network) of the Income Tax Department, 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 with the paper trail for tax credit and paper validation system. The scheme was uniquely placed to reduce the tax payersô 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 basis.
- Cash payment can be mapped with the bank and the assessee with PAN/TAN irrespective of the place of payment.
- Country wide 30 agency banks and their 13,000 branches including 3 private sector banks are authorized by the RBI for collecting direct tax payments.

Achievements

- OLTAS is now fully operational and is being implemented in close coordination with RBI, Agency Banks and TIN (presently being managed by NSDL). During Financial Year, 2011-12, the count and amount of tax payment challans handled through OLTAS was more than ₹**3.44 crore** and ₹**5,85,840.71 crore** respectively.

- With effect from 1 June, 2008, computerized acknowledgement receipt to the taxpayers has been made operational for the tax payments.
- Modified File validation instructions have been got installed in the software of all collecting banks and at TIN to ensure better data quality. In about 98% of total cases, correct PAN and TAN is being quoted in the challans, which shows definite improvement in quality of tax payment as well as e-payment data linked by the agency banks.
- The banks enter data of tax payment challans in their computer system and transmit the challan information online to the server of the Tax Information Network (TIN) of the Income-tax Department, maintained by NSDL.
- The collecting and nodal branches of banks can verify the status of the tax payment data transmitted by them to TIN through TIN website **tin-nsdl.com**.
- The taxpayers can also verify their tax payments through Challan Status Enquiry at the TIN website, on the basis of TAN/CIN (Challan Identification Number). Challan Identification Number under OLTAS is a unique combination of BSR Code of the bank/branch, Date of deposit and Challan serial number.
- NSDL extracts the data, prepares OLTAS files and transmits the same to the OLTAS server maintained at NCC, New Delhi. From there, the data is populated into the ITD OLTAS database, enabling the Assessing Officers to give due credit to the taxpayers for the tax payments made by them, and generation of Collection reports for AO/ Range Head/CIT/CCIT based on PAN/ TAN jurisdiction, irrespective of the place or mode of payment. Reports on top advance tax payers and TDS payers with quarter-wise comparative analysis w.r.t. previous financial year are also made available to the Commissioners of Income Tax and Commissioners of Income Tax (TDS) for monitoring of collections.
- Monthly MIS reports are generated by TIN for Income Tax Department as well as for Pr. CCA, CBDT and RBI, for monitoring and follow-up.
- TIN is providing OLTAS dashboard to the collecting bank branches, their nodal branches as well as their link cells for monitoring upload of tax payment data and for its reconciliation with funds remitted by them to RBI.

A separate OLTAS dashboard facility has also been introduced through TIN website for the Finance Minister, senior functionaries of CBDT, Chief Commissioners/ Director Generals of Income Tax, Commissioners of Income Tax (TDS) and Commissioners of Income Tax (Computer Operations) for monitoring direct tax collections on a daily basis.

13.16.9 Project Name: Annual Information Return (AIR)

Project Description

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 1 April, 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 (there are at present 2,205 TIN FCs spread over 729 locations all over the country). For this purpose, the Return Preparation and Validation utilities have been made available on the TIN website. Further, AIR Information Booklet and FAQs have also been provided on the TIN website.
- The information on transactions available in the Annual Information Returns is uploaded on departmental systems to be utilized for generating list of non-filers, and for selecting cases for scrutiny under Computer Assisted Scrutiny Selection (CASS). Data (with PAN) coming through AIR, TDS returns, CIB information & OLTAS, and uploaded into ITD database is used to populate ITS (Individual Transactions Statement).
- Individual Transactions Statement (ITS) provides a 360 degree view of a taxpayer. The ITS information is made available to AO/Range-head/ CIT/CCIT for use/ monitoring in scrutiny assessment proceedings as well as for aiding recovery efforts. The information is also made available to Income Tax enforcement authorities

such as Directorates of Investigation and Directorates of Intelligence for investigation and tax-payer profiling.

- The PAN quoting ratio has shown substantial improvement in the AIRs filed for Financial Year, 2011-12 at 73.41% as compared to 35.47% in Financial Year, 2004-05.

Online View has been provided on the TIN website to the AIR Filers, to show the status of AIR files uploaded/ submitted by them, i.e. whether (Accepted/ Rejected/ Duplicate etc.). Further, a feedback is provided to the AIR filers on the total no. of Invalid PANs in the AIR furnished by them, as well as the details of such invalid PANs and the corresponding record numbers in the AIR.

Table 13.16.9.1: Annual Information Return (Status as on 14 December, 2012)

S.No.	Category of Transaction	AIR for F.Y. 2009-2010		AIR for F.Y. 2010-2011		AIR for F.Y. 2011-2012	
		No. of Transaction	Value (₹ in Crore)	No. of Transaction	Value (₹ in Crore)	No. of Transaction	Value (₹ in Crore)
1	Cash deposits aggregating to ₹ 10 Lakh or more in Savings account with a bank	1201956	217325.1	1562561	507086.5	1901362	1410433
2	Payment against Credit Card bills aggregating to ₹ 2 Lakh or more	587256	21985.81	922412	38720.98	786547	36185.08
3	Payment of ₹ 2 Lakh or more for purchase of units of Mutual Fund	1574885	8695158	1827248	7900381	1775960	6550860
4	Payment of ₹ 5 Lakh or more for acquiring Bonds/ debentures issued by a company	50603	818353.4	128217	376759.1	115937	250623.7
5	Payment of ₹ 1 Lakh or more for acquiring shares (through public or rights issue) issued by a company	46175	130032.6	404693	216034.9	28522	19187.45
6	Purchase of Immovable property valued at ₹ 30 Lakh or more	214144	199503.5	290661	196844.2	316228	193556
7	Sale of Immovable property valued at ₹ 30 Lakh or more	248906	203443.2	335103	200158.4	332735	196173.1
8	Payment of ₹ 5 Lakh or more in the aggregate for purchase of RBI Bonds	25072	552322.7	26740	554652	7731	661480.4
	Total	**3948997**	**10838125**	**5497635**	**9990637**	**5265022**	**9318498**

Table 13.16.9.2: Transaction-wise Comparative Statistics of Valid PAN in AIR Info (as on 14 December, 2012)

Txn. Year	Transaction Type	Total	With Valid PAN	Valid PAN Cases (%)
2009-10	Cash deposits in SB a/c	1201956	507723	42.2414
	Credit Card payments	587256	355756	60.57937
	Mutual Fund	1574885	1569928	99.68525
	Bonds /debentures	50603	48669	96.17809
	Shares	46175	45100	97.6719
	Immovable property purchase	214144	123349	57.60096
	Immovable property sale	248906	104700	42.06407
	RBI Bonds	25072	23867	95.19384
	Total	3948997	2779092	70.37463
2010-11	Cash deposits in SB a/c	1562561	738684	47.27
	Credit Card payments	922412	639700	69.35
	Mutual Fund	1827248	1821541	99.69

Txn. Year	Transaction Type	Total	With Valid PAN	Valid PAN Cases (%)
	Bonds /debentures	128217	114184	89.06
	Shares	404693	401697	99.26
	Immovable property purchase	290661	150789	51.88
	Immovable property sale	335103	123323	36.80
	RBI Bonds	26740	26091	97.57
	Total	5497635	4016009	73.05
2011-12	Cash deposits in SB a/c	1901362	1016058	53.44
	Credit Card payments	786547	636836	80.97
	Mutual Fund	1775960	1770300	99.68
	Bonds /debentures	115937	114218	98.52
	Shares	28522	28220	98.94
	Immovable property purchase	316228	164666	52.07
	Immovable property sale	332735	127050	38.18
	RBI Bonds	7731	7624	98.62
	Total	**5265022**	**3864972**	**73.41**

Securities Transaction Tax (STT) Returns

Securities Transaction Tax (STT) was introduced by Finance Act, 2004. The STT returns are proposed to be utilized through TIN (i) for processing by the jurisdictional AO and (ii) for populating the transacting party data into the ITS (Individual Transactions Statement) of the transacting party (on the basis of PAN of the transacting party) for verification with the return. This project is under development.

13.16.10 Project Name: Aayakar Sampark Kendra (ASK)

Project Description

Aayakar Sampark Kendra (ASK) is a Taxpayer Information and Services Center of the Income Tax Department to answer queries related to the Status of PAN and TAN applications, Procedure of filing of Income Tax and Wealth Tax returns. Categories of assesses mandatorily required to file e-returns or to make e-payments. Procedure of e-filing of income tax returns, with or without digital signature. A facility to register grievances on telephone or through email and assist in getting them resolved.

Deliverables

Deliverables from Aayakar Sampark Kendra (ASK) are

- Country wide facilities for assistance in e-filing of income tax returns with or without digital signatures and information related Challan and return preparation software
- Assistance in downloading various forms:ð Income Tax Return Forms, Wealth Tax Return Forms
- Facility to send forms by e-mail
- Procedure of making tax payment, including e-payment and payment through ATM.
- Answering queries related to the status of PAN and TAN applications & related procedures.
- Status of Refunds.
- Answering Queries related assessment jurisdiction.
- Procedure of viewing Tax Credit Statement and registration for Tax Credit Statements.
- List of Tax Information Network Facilitation Centers and the PAN Service Centers.
- Handling misc. queries

Achievements

The Department has setup Aayakar Sampark Kendra with toll free No.18001801961 and short code 1961. There is a National Computer Centre (NCC) at Gurgaon and four Regional Computer Centres (RCCs) at Jammu, Jangipur, Shillong & Kochi and catering to taxpayers in Hindi, English and eight other regional languages. The volume of calls and e-mails during the period from 01-04-2012 to 30-11-2012 are:ð

- **Call received - 6,49,074**
- **Call Answered - 6,39,193**
- **Call success ratio - 98.47%**
- **E-mails Received - 1,99,570**
- **E-mails replied - 1,84,632**
- Calls Answered from September 2011 to March 2012 were 423041.

The estimated expenditure on Aayakar Sampark Kendra project would be ₹5.5 crore for the Financial Year, 2012-13 in addition to reimbursement of Telephone Expenses on actuals.

13.16.11 Project Name: IT Website/http://incometaxindia.gov.in

Project Description

- Provides dissemination of information to taxpayers on the department and its activities.
- The field offices and various Directorates have also got their independent pages at the cadre controlling Chief Commissioner level and at DGIT level respectively.
- Provides tax law related information and downloads online like Acts, Rules, Circulars, Notifications, Returns, Forms and Challans etc. Tutorials on Income- Tax returns and TDS statement, Exempted Institutions and Feedback on Black Money etc. have also been made available during the Financial Year, 2011-2012.
- Provides e-services by acting as an umbrella website which links to various services like e-filing of returns, PAN, TAN, TDS, online tax payment, view of tax credit, refund status, etc. Further, online services, like Tax Return Preparer Locator, Bank Branch Locator for Tax Payment, Challan Correction Mechanism, TIN Facilitation Locator and Public grievances have also been added.

Achievements

- Website has more than 25,000 concurrent visitors on average daily during Financial Year, 2012-2013.
- The Website is witnessing on an average 12 million hits per day and the peak hits of more than 32 million during the month of July, 2012.

A new Website is under process with several enhanced new features.

13.16.12 Project Name: AST

The AST is an on-line, menu driven and windows based software. Presently the majority of work of processing, rectification, completion of assessment order etc is processed through AST for all the paper returns and the e-filed returns transferred from CPC. AST includes calculation of tax, calculation of interest under various sections, selection of cases for scrutiny, time barring checks, deductions limit validations, due date checks and various business rules and validations.

AST supports flexible queries on various system entities such as summary assessment, assessment proceedings, appeals, revisions, and rectifications to meet user requirements. In AST there is provision to generate various reports like list of cases selected for scrutiny, Challan, Demand Notice, Refund Voucher, assessment related portion, Notices u/s 142(1), 148, 143(2), list of non-filers and various register like penalty register, Appeal register, Revision Register, Return Register & Audit registers.

This has not been included in the past as it was never a separate project.

13.16.13 Project Name: ITBA (Income Tax Business Application)

During the period under consideration the Project team for the new ITBA (Income Tax Business Application) was involved in preparation of RFP for the new ITBA. The Project team with the help of consultant M/s Price Waterhouse Corporation finalized the RFP with the approval of the TEC (Technical Evaluation Committee). The file was submitted to IFU for approval on 05/06/2012 and the approval of IFU was received on 16/07/2012. The RFP was floated through open tender on 25th July, 2012. The RFP was approval by Department of Legal Affairs on 06/09/2012.

On 15th October 2012, i.e. the last date for submission bids, two SIs viz M/s TCS & M/s Infosys submitted their bids for the said ITBA project. After evaluation of prequalification & technical bids, financial bids of the above two parties were opened on 8th November, 2012. The WAC (Weighted Average Cost) for calculation of L1 was ₹ **187 Crore for TCS and ₹ 401.81 Crore for Infosys**. Therefore TCS was selected as the SP for the new ITBA application based on L1 Criteria. The matter has been moved for financial approval by CNE.

The LOI will be issued to TCS on receipt of approval from CNE.

13.17 Directorate of BPR

The highlights of the performance of the Directorate of I T (BPR) for the Financial Year, 2012-13 are as under:

13.17.1 Record management:

Record Management Software has been developed by the Directorate of Systems. Training of personnel on this Software is also going on.

13.17.2 Quarterly Progress Report (QPR) of R&S Wing:

All CsIT (A) submit Quarterly Progress Reports to R & S Wing of the DGIT (Logistics) through their respective CCsIT (CCA). The Director General of I T (Logistics) has given this Directorate responsibility to make an in-depth study on this issue. This Directorate has also identified some discrepancies in Data as Reported by CCsIT (CCA)/CCIT and as received from ITAT registry. Analysis of the problems and identification of corrective measures required ,are currently underway.

13.17.3 Issue of e-mail IDs to CsIT (A):

It was noted that the reporting of Monthly Appeal Report by CsIT (A) was not coming from official email IDs. This was perhaps because not all CsIT (A) have official email IDs. This Directorate in co-ordination with the Directorate of Systems has ensured that all CsIT (A) get official email IDs and same has already been communicated to all CsIT (A) through R&S Wing.

13.18 Directorate of L&R

The Directorate of Income Tax (L&R) has been notified as attached office of the Board mainly to render technical assistance to the CBDT for examining proposal for filing Special Leave Petitions in the Supreme Court against the adverse judgments of High Courts not acceptable, co-ordinate between field offices and MOL/ Central Agency Section, carry out research on specific issues referred by the CBDT.

The chart below tabulates the number of SLP proposals received / processed and cases out of such proposals where SLPs were not filed, for the year 2006, 2007, 2008, 2009, 2010, 2011 and 2012:

No. of SLP Proposals:

Year	No. of SLP Proposals received	Not approved
2006	1269	477
2007	1971	958
2008	2167	208
2009	2223	379
2010	1858	569
2011	2281	851
2012 (upto November, 2012)	1396	393

13.19 Directorate of Expenditure Budget

During the year 2011, a new Directorate namely the Directorate of Income Tax (Expenditure Budget) was created. This Directorate acts as the Nodal Authority in respect of all Budget matters for the Grant No. 43-Direct Taxes and performs all work related to the management of Expenditure Budget under this Grant. The Directorate also prepares the statement of Budget Estimates for inclusion in the relevant Budget Documents and monitors the progress in expenditure vis-à-vis sanctioned grant. The details of Expenditure for the financial year 2011-12 are tabulated under.

REVENUE SEGMENT

(₹ in Thousands)

S. NO.	OBJECT HEAD	Budget Estimates (BE)	Revised Estimates (RE)	Final Grant (FG)	ACTUAL EXPENDITURE DURING F.Y. 11-12
		2011-12	**2011-12**	**2011-12**	
1	SALARIES	18315500	17811700	17769412	17799823
2	WAGES	170000	170000	175000	171655
3	O.T.A.	8000	8000	6264	5607
6	M.T.	220000	250000	254000	233633
11	D.T.E	350000	450000	450000	437665
12	FOREIGN TRAVEL	11000	21000	21000	11724
13	OFFICE EXPENSES	0	0	0	0
	O.E.(CHARGED)	0	0	0	0
	O.E.(VOTED)	5139000	5228000	5278000	5348277
14	R.R.T.	1800000	1470000	1184952	1166200
16	PUBLICATIONS	28000	28000	28000	27373
20	O.A.E.	233000	294000	276760	262210
26	A & P	800000	1000000	790673	783504
27	MINOR WORKS	80000	80000	80000	66046
28	PROF. SERVICES	260000	300000	325000	313030
32	CONTRIBUTIONS	4000	4000	4000	3739
41	S.S.E.	45000	56000	56000	55520
50	OTHER CHARGES	45000	45000	33732	31144
99	INFORMATION TECHNOLOGY	2250000	2700000	3151619	3071373
	TOTAL	**29758500**	**29915700**	**29884412**	**29788523**

CAPITAL SEGMENT

(₹ In Thousands)

Capital No.	Description	Budget Estimates (Be) 2011-12	Revised Estimates (Re) 2011-12	Final Grant (Fg) 2011-12	Actual Expenditure During F.y. 11-12
4059	Acquisition Of Office Accomodation	8777000	3175100	2593842	2565267
4075	Acquisition Of Property Xx-c	10000	17000	14100	12869
4216	Acquisition Of Residential Accomodation	270000	50000	31760	31819
Total Capital		**90570000**	**32421000**	**26397022**	**2609955**
Grand Total		**388155000**	**331578000**	**325241144**	**32398478**

In Revenue Segment, the expenditure during Financial Year, 2011-12 is 100.10% of BE of ₹ 2975.85 crore and 99.68% of FG of ₹ 2988.44 crore. Whereas in Capital Segment, the expenditure during Financial Year, 2011-12 is 28.82% of BE of ₹ 905.70 crore and 98.87% of FG of ₹ 263.97 crore.

13.20 Directorate of 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.

13.21 Training

National Academy of Direct Taxes (NADT) is the apex training institution of the Income Tax Department responsible for training of officers of the rank of Asstt. Commissioners and above. There are 7 DTRTIs under NADT located at Ahmadabad, Bangalore, Chandigarh, Chennai, Kolkata, Lucknow and Mumbai and under which there are 26 MSTUs which impart training to all officials of the Department from Ministerial staff upwards. NADT is continuing its mandate of imparting quality training to the Departmental Personnel.

Academic Activities:

NADT being the apex training institution of the Income Tax Department is entrusted with the responsibility of imparting training to the Department Personnel. The flagship programme of NADT is the 18 month Induction Training for the newly recruited officer-trainees of the Indian Revenue Service. In the continuing endeavor to match training inputs to the changing needs of the field, the academic curriculum of the Induction course has undergone a total overhaul. The new changes introduced include a longer spell of on-the-job training and more inputs on topics such as HRD. NADT also conducts a 15 week Foundation Course for Civil Services along with other premier training institutions such as LBSNAA. Besides Induction programmes, NADT also conducts In-Service Programmes for serving officials from the rank of Asstt. Commissioners of Income Tax to Chief Commissioners of Income Tax. The In-Service programmes conducted in the current financial year include courses on Contemporary topics such as Risk Management, International Taxation, Investigation, Judicial, Management, Audit etc. In addition to courses for departmental officials, NADT also conducts Out Reach programmes for officer-trainees of All India Services, Other Central Services such as Indian Revenue Service (Customs and Central Excise), Indian Audit and Accounts (IA & AS), Indian Railway Accounts Service (IRA) etc., and Defence Services. The Direct Taxes Regional Training Institutes working under NADT conduct training programmes for other officials from the rank of Inspectors of Income Tax to Addl. Commissioners of Income Tax. The training programmes are on variety of topics chosen based on the training needs analysis of the field formations.

NADT also partners with OECD to host training programmes on topics such as International Taxation and Transfer Pricing.

13.22 DGIT (Exemption):

Function/working of the organisation and set-up of the Division

The Directorate of Exemption is headed by Director General of Income Tax (Exemptions) with its Headquarters at New Delhi. There are seven Directorates located at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Mumbai. The Directorate of Exemption deals with registration u/s 12AA, Approvals u/s 80G and assessment of Trusts, Societies, Companies u/s 25 of the Companies Act, etc. The DGIT(E) deals with approvals u/s 10(23C), 17(2)(ii)(b), 80G(2)(iii)(f) , 80IB(7),etc., besides recommending cases u/s 35(i)(ii)/(iii) and condonation of delay u/s 119(2)(b) for approval by the CBDT. The data base of charitable organizations is being prepared for uploading on the Department Website which is handled by the DGIT (System).

13.23 Directorate of HRD

This Directorate is mandated to assist the Central Board of Direct Taxes in the following main areas of work:ð

- To develop and design strategic human resources plan, policies and procedures and to assist CBDT in implementing proper HR policies including those related to recruitment of manpower, promotions, career progression, transfers and succession plans, performance appraisal, equal opportunity and employee welfare.
- To operate human resource information system by accessing database maintained by CBDT.
- To assess and determine job requirement, job profiles and skills needed for various jobs in the Income Tax Department.
- To identify training needs, formulate training policies and facilitate skill enhancement and to coordinate with other educational/training institutions in India and abroad.
- To foster international cooperation for incorporating administrative best practices.

Some of the main activities/initiatives of the Directorate of Income Tax (HRD) during the year 2011-12 are as follows:

1. Advanced Mid Career Training Programme: During the relevant period, 8 Batches of Advanced Mid Career Training Programmes for IRS officers of the rank of Addl. CITs and CITs & CCsIT were organized. The programmes consist of three weeks domestic training followed by 2 weeks international training conducted by management institute/international universities of repute. As a result, so far approximately 530 officers have been nominated to undergo training under AMCTP.

2. International Attachment of 65th Batch of Officers Trainees : International attachment for officer Trainees of the 65th Batch of IRS with (i) Tax Policy Centre, University of Kennesaw, USA (ii) IRBM Malaysia, (iii) The International Bureau of Fiscal Documentation, the Netherlands with the Organization of Economic Cooperation and Development (OECD) Paris and (iv) University of Sydney Law School, Australia processed to impart exposure to international best practices to the officer trainees.

3. Training for Trainees: A week-long training programme for officers and officials posted in the training sector (NADT & RTIs) was carried out at civil service college, Singapore.

4. Domestic and International Training Programmes : Nominations of cases of IRS officers for various domestic and international training programmes of long/short duration such as Joint Civil Military Training Programmes at Mussoorie, Programme on Public Policy and Sustainable Development at TERI University, N. Delhi, Post graduate Programme in Public Policy and Management (PGPPM) at IIM Bangalore, ADPPA course, Short-term and long term training courses under DFFT Scheme of DoPT, Management Development Programmes conducted on various topics by the National Institute of Financial Management, Faridabad, Training Programmes conducted by National Productive Council, New Delhi, Trainerô training programme at Civil Services College, Singapore and 52nd NDC Course conducted by the National Defence College.

5. **Human Resource Information System (HRIS)**: The parameters of the proposed Human Resource Information System have been approved by the CBDT. The HRIS envisages speedy response through automation of administrative processes, creation of an Information database for strategic decision-making and a platform for seamless communication between the administration and the workforce through information technology. The HRMS project is being implemented as a part of the ITD application and the activities of data collection by the CCITs CCA, as well as approved for the projects by competent authority are being processed simultaneously.

6. **Performance Management & Evaluation System (PMS):—** The proposal of the Directorate for creating as effective performance management system by identification of key performance indicators (KPIs) in various business units of the Income Tax Department, designing of domain specific APAR system on the basic of such KPIs, and placement and training on the basis of performance appraisals has been approved by the CBDT. The task of mapping of the KPIs has been taken up in respect of the field offices.

7. **Immovable Property Returns:** This area of work was assigned recently to this Directorate and already about 2682 IPRs have been scanned and forwarded for uploading. This list of non-available IPRs is being reconciled and will be put on website shortly.

8**. Reporting of vacancies to SSC**: All the vacancies in the grades of ITI, TAs, Stenographers and MTS were updated well within the stipulated period to SSC. Follow up and co-ordination has resulted in recruitment of almost 7000 employees at the level of TA, Stenos and ITIs.

9. **Follow up of Income Tax Department restructuring**: Constant interaction is being maintained with the concerned authorities in Government to ensure

that all required clarifications are given to them without any loss of time so as to ensure that the restructuring proposal is implemented at the earliest. Process has also been put in place identifying the regions/posts where the additional manpower sought in the proposal will be placed once the proposal is finally approved.

10. **Timely Processing of cadre clearance cases**: Mechanism has been put in place whereby all deputation requests are sent for vigilance clearance on the very day of receipt, the file is put up to CBDT within 1 day of receipt of vigilance clearance and the cadre clearance is conveyed immediately once it is approved by Member/ Chairman. This will ensure that all deputations applications made by IRS officers reach the designated authority well within the stipulated time.

11. The delay in the DPC Calendar has been drastically reduced with the DPC and upgradation of the 2008 batch of IRS being processed and approval obtained w.e.f 01.01.2013.

13.24 Grievance Redressal Machinery

In the Income-tax Department a comprehensive and multi layered Grievance Redressal Machinery is functioning as stated hereunder:

(i) A Central Grievance Cell under the Chairman, Central Board of Direct Taxes at New Delhi which is looked after by an officer of the rank of a Director to the Government of India.

(ii) Regional Grievance Cells are functioning under each Chief Commissioner/ Director General of Income-tax. In places like Delhi, Kolkata, Mumbai and Chennai where there are more than one Chief Commissioner, the Regional Grievance Cell functions under the Cadre Controlling Chief Commissioner. A Commissioner of Income Tax (Helpline) is also functional in these four metropolitan cities for settlement of grievances.

(iii) In all other places, where there is no Chief Commissioner or Director General of Income Tax, Grievance Cell functions under the Commissioner of Income Tax.

(iv) Income-tax Ombudsman are functioning in 12 cities for speedy and independent resolution of complaints relating to public grievances against the Income Tax Department.

(v) The Sevottam Scheme has been introduced under which Aaykar Sewa Kendras have been opened in identified stations all over India to help tax payers in filing income tax returns as well as to redress their grievances related to income tax matters.

(vi) Besides, CBDT has also adopted the web based Centralized Public Grievance Redress and Monitoring System (CPGRAMS) introduced by the Department of Admn. Reforms & Public Grievance for redressal and effective monitoring of grievances lodged online, by the citizens on various issues against the Income Tax Department. 55 subordinate offices at the level of the Chief Commissioner & Director General of Income Tax have been created in CBDT by giving them user ID and Password to speed up the redressal of grievances received online through this system.

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. Presently, Deputy Secretary (Hqrs.), CBDT who is the designated nodal officer for grievances in CBDT is responsible for the activities of the Central Grievance Cell.

The applicant should give his name, address and PAN so that the Grievance Cell can make further communication with him, if required.

The number of grievances received and disposed of by the Central Grievance Cell during the year 2012 (from 1.1.2012 to 30.11.2012) is as under:

	Number of application received	Number of applications disposed of
In Dak	3390	936
Online	9692	5058
Total	**13082**	**5994**

13.25 MEDIA CENTRE

The Media Centre, 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, various press releases were issued to bring different important decisions and tax issues to the public notice and to highlight different achievements of the Income Tax Department. Several press briefings of senior functionaries were organized. As a result of regular interface with the media, a more realistic and positive image of the Department could be projected.

14. Income Tax Settlement Commission

14.1 The Income Tax Settlement Commission (ITSC) was set up in pursuance of the recommendations of the Wanchoo Committee (1971) w.e.f. 01.04.1976. It is an Alternate Disputes Resolution (ADR) body within the realm of Direct Taxes for settlement of Income Tax and Wealth Tax cases. The main objective for setting up of this Commission was to give a statutory basis for settlement of cases in the interest of revenue. The Settlement Commission was established as a forum of mediation in place of litigation. This was envisaged as an institution for statutory arbitration.

14.2 The objective behind this institution is aptly summarized in the off-quoted passage from the report of the Wanchoo Committee as under:ð

> ñThis, however, does not mean that the door for compromise with an errant tax payer should forever remain closed. In the administration of fiscal laws, whose primary objective is to raise revenue, there has to be room for compromise and settlement. A rigid attitude would not only inhibit a one-time tax evader or an un-intending defaulter from making a clean breast of his affairs, but also unnecessarily strain the investigational resources of the Department in cases of doubtful benefit to revenue, while needlessly proliferating litigation and holding up collectionsò

14.3 The Settlement Commission has following benches:ð

(i) One Principal Bench at New Delhi.

(ii) Two Additional Bench at Mumbai.

(iii) One Additional Bench at Kolkata.

(iv) One Additional Bench at Chennai.

14.4 In December, 2011, two new Additional Benches at New Delhi and one New Additional Bench at Mumbai have been notified. These benches are made operational in the financial year 2012-13.

14.5 Each bench has three Members. The Principal Bench is presided over by the Chairman and each Additional Bench is presided over by a Vice Chairman. The Chairman is of the rank of a Secretary to Government of India. The Vice-Chairman and the Members are of the rank of an Additional Secretary to the Government of India.

14.6 An assessee is required to make an application to the Settlement Commission in the prescribed form to get his case settled. He has to disclose Additional Income which has not been disclosed before the Assessing Officer and the additional tax payable on the additional income should be more than ₹ 50 Lakh in search cases and ₹ 10 Lakh in other cases.

14.7 The applicants are required to pay the additional tax together with the interest before filing the application in the Settlement Commission. The Application is to be disposed off by the Settlement Commission within 18 months from the date of filing of the application. Further details about Commission are available on its website www.itscindia.gov.in. A statement regarding additional tax applications received during the year is as under:ð

Statement Regarding Additional Taxes in Applications Received From 1.4.2012 to 30.09.2012

S.No	Benches	No. of applications received	No. of applications admitted	Amount of additional Taxes (₹ in Crore)
1.	Delhi	16	15	11.16
2.	Mumbai	14	13	12.68
3.	Kolkata	10	12	8.97
4.	Chennai	04	04	8.56
	Total	44	44	41.37

14.8 A statement showing the number of Applications filed and disposed of from the year 2001-02 till 2012-13 (Upto Sept., 2012) is given below:ð

Statement of Consolidated Receipt and Disposal of Applications by the Settlement Commission (IT&WT)

Financial Year	Total No. of cases pending at the beginning of the year i.e. 1st April	No. of cases received during the year	Addition due to High Court order	Total for disposal	Total disposal u/s 245D(4) during the year (including rejection)	Total pendency for disposal
1	2	3	4	5	6	7
2001-02	1974	671	-	2645	340	2305
2002-03	2305	560	-	2865	273	2592
2003-04	2592	491	-	3083	188	2895
2004-05	2895	434	-	3329	373	2956
2005-06	2956	479	-	3435	301	3134
2006-07	3134	602	-	3736	350	3386
2007-08	3386	668	-	4054	1845	2085
2008-09	2100	39	-	2139	799	1340
2009-10	1340	48	53	1388	203	1238
2010-11	1356	108	138	1611	423	1184
2011-12	1209	350	(-) 06	1159	342	1211
2012-13 Upto Sept. 2012	1137	44	(+)04	1185	168	1017

15. AUTHORITY FOR ADVANCE RULINGS (INCOME TAX)

15.1 Introduction

15.1.1 The Authority for Advance Rulings (Income Tax) (AAR) 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. 01.06.1993. The Authority gives rulings on the taxation issues raised by non-residents relating to transactions undertaken/proposed to be undertaken with a resident. Residents having transactions with non-residents can also seek ruling in relation to the tax liability of a non-resident. PSUs can also apply to the AAR for a ruling.

15.1.2 Since its inception, the Authority has been quite active and has given rulings on the diverse issues concerning taxation of non-residents. It has been much in demand by the Industry. The issues referred to the Authority involve the interpretation of various provisions of the IT Act and also that of Double Taxation Avoidance Agreements. The rulings given by the Authority on various key issues have been hailed as landmark decisions both in India and abroad, and have played a key role in shaping the interpretation of tax laws in India.

15.1.3 In the present era international trade is the sine qua non of all modern economics. 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.

15.2 Organizational set-up

15.2.1 The Authority is headed by a retired judge of the Supreme Court of India and has two members of the rank of Additional Secretary to the Govt. of India- one each from Indian Revenue Service & Indian Legal service. It is a quasi judicial body and has the 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.

15.3 Functions:

15.3.1 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 and hearing the parties if need be, the Authority passes an order in writing either admitting or rejecting the application 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 issue referred to, is pronounced by the authority in writing. Section 245T of the IT Act 1961 provides certain circumstances under which an advance ruling pronounced by the AAR becomes void. This happens when the Authority finds, on a representation made to it by the Commissioner of Income-tax or otherwise, that an advance ruling pronounced by it has been obtained by the applicant by fraud or misrepresentation of facts. Further, the ruling is binding on the applicant who has sought it. However, the applicant can invoke, in appropriate cases, the writ jurisdiction of the High Courts in terms of Articles 226 and 227 of the Constitution. Similarly, extraordinary jurisdiction as conferred upon the Supreme Court of India can also be invoked in appropriate case.

15.3.2 As Central Sales Tax Applellate Authority

The Authority for Advance Rulings has also been notified vide notification dated 17.03.2005 (as amended by notification dated 07.06.2005) 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. 01.03.2006 vide notification dated 03.02.2006.

15.4 Performance:

18.4.1 The Authority has so far pronounced rulings/ passed orders of 1150 (approx.) cases in Income tax and 62 (approx.) cases in CSTAA, 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.

15.4.2 This Authority has been making sincere efforts for widening the awareness about this facility created by Government of India. The official website of the AAR (www.aar.gov.in) is regularly updated.

15.4.3 The recently published Edition of Handbook on Advance Rulings, clarifying the role and provisions relating to AAR has been circulated widely and has been received well.

Statistical information about the performance of the Authority since inception upto 11.12.2012 is given in tables 1 & 2

Table - 1

Figures pertaining to Income-tax.

Financial Year	Opening Balance	Applications received	Total	Decisions	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
2008-2009	28	34	62	37	25
2009-2010	25	75	100	56	44
2010-2011	44	182	226	13	213
2011-2012	213	246	459	105	354
2012-2013 (Upto 11.12.2012)	354	99	453	75	378

Table - 2

Figures pertaining to Central Sales Tax.

Financial Year	Opening Balance	Applications received	Total	Decisions	C/f.
2006-2007	05	18	23	03	20
2007-2008	20	08	28	08	20
2008-2009	20	14	34	14	20
2009-2010	20	12	32	25	07
2010-2011	07	09	16	01	15
2011-2012	15	41	56	11	45
2012-2013(upto 11.12.2012)	45	07	52	NIL	52

16. CENTRAL ECONOMIC INTELLIGENCE BUREAU

16.1 Organization and Functions:

6.1.1 The Central Economic Intelligence Bureau is the nodal agency on Economic Intelligence. It was set up in 1985 for coordinating and strengthening the Economic Intelligence and enforcement activities under Department of Revenue, Ministry of Finance.

16.1.2 The Bureau is headed by a Special Secretary cum Director General who is assisted by two Deputy Director Generals, Joint Secretary (COFEPOSA), Assistant Director Generals, Under Secretaries, Senior Technical Officers and other staff. The Bureau has a sanctioned strength of 113 officers & staff. Presently it is working with a reduced working strength of 78.

16.1.3 In terms of its existing Charter, the CEIB functions as

a) The Secretariat to the Economic Intelligence Council (EIC)

b) Coordinator and repository of economic intelligence (ECOINT) and

c) Administrator of the COFEPOSA Act 1974 at Central Government level.

16.1.4 As part of its mandate, the CEIB

i) Maintains database on economic offenders and offences

ii. Act as a Think Tank and studies and analyses macro level economic activities

iii. Supervises and monitors the functioning of 22 Regional Economic Intelligence Committees (REICs) which is a coordinating body at the field level and comprise of representatives from various Central and State enforcement and investigative agencies dealing with economic offences.

iv. Organizes training programmes in premier training institutions for Officers of the Department of Revenue/ Member agencies of REICs.

16.1.5 In addition, the Bureau implements the directions received from Economic Intelligence Council (EIC) headed by the Honðble Finance Minister and the Working Group on Intelligence Apparatus chaired by the Revenue Secretary. For coordinating Intelligence and Investigations, the Bureau works with the Heads of Agencies Committee and the Group on Economic Intelligence (GEI) set up in CEIB.

16.2 Major activities undertaken by the Bureau during the current financial year (April-November, 2012-13) are as follows:

a. Head of Agencies (HOA):—

The Head of Agencies Committee comprises of Heads of Intelligence and Investigative Agencies under the Department of Revenue and discusses the trends of intelligence emerging in the economic field. It shares strategic intelligence in the areas of Customs, Central Excise and Service Tax, Income Tax, Hawala, Drugs and FICN, and identifies other cases with inter agency ramifications, for joint and /or coordinated action.

b. Group on Economic Intelligence (GEI):—

The Group on Economic Intelligence (GEI) provides a co-ordination platform for sharing of intelligence between the Member Agencies. Inputs shared through this platform help in pooling of resources for co-coordinated action for combating economic offences. The Bureau, on its own, also develops inputs in the field of economic offences and shares them with appropriate Intelligence and Enforcement Agencies for further action.

During the current year, intelligence inputs developed by the Bureau as well as received from other agencies were disseminated to the Member Agencies for further action. The inputs covered various fields such as smuggling of; FICN, Drugs, Hawala networks, receipt of foreign funds from suspect sources, violation of MTSS guidelines, PPP, Excise duty evasion.

Other issues discussed/ monitored under the GEI were:ð

i. Information on important offenders.
ii. Dossier Status
iii. Status of connectivity of the Secure Information Exchange Network (SIEN) Project and its use by Agencies.
iv. Identification of issues for examination by GEI/ Core-Committees.

16.3 Study/ Reports of Inter-Ministerial Groups

Reports of Inter-ministerial Groups constituted in the Bureau on following issues were submitted:

A. Money Transfer Service Scheme

The issue and concerns related to Money Transfer Service Scheme were deliberated in the meeting of Economic Intelligence Council held on 18th January, 2010, wherein, IB had suggested making it obligatory for MTSS providers to digitally capture the photograph of recipient and to maintain the photo ID of the remitter, and making it mandatory for service provider to maintain such records as it is permissible under existing provision of Rule 9 of the PMLA. The RBI is of the view that only personal remittances, with amount and velocity limit, are permitted under MTSS and that mandating photo identity requirements at remitters end for small value remittances may lead to migration of remitters to other channels such as banking/RDA or even informal. Since, the views of IB and RBI are not converging the Sub-group constituted in this case is yet to firm up its recommendation.

B. Detection/Destruction of illicit opium poppy cultivation:

The Bureau is coordinating with field Agencies for detection/destruction of illicit opium cultivation in various states based on certain information/inputs.

C. Secure Information Exchange Network (SIEN):

As per the decision of the EIC in 2007, a secure network platform for online exchange of intelligence and information has become fully operational this year. At present, the network facilitates secure exchange of information/intelligence among eleven Investigation and Intelligence Agencies.

D. CEIB's Database on Economic Offences and Offenders:

CEIB is maintaining & building up a comprehensive database of economic offenders and offences. Inputs from Intelligence and Investigative Agencies of Central and State are received in pre defined formats and entered into the system. At present it contains dossiers of about 2436 Economic Offenders and about 15247 cases of Economic Offences relating to FICN, Drugs, evasion of duties, Hawala, Commercial fraud based on cases received from field formations of Customs, Central Excise, Service Tax and Income Tax and other agencies like IB, CBI etc.

16.4 Some major cases coordinated in Bureau relate to:

a. An information developed in Bureau that some brokers/companies were approaching High Net Worth Individuals in India, for blocking of their white money in banks for a short period with assured returns of over 300% per month (PPP scheme) was disseminated to concerned agencies for further action. Results of investigation confirmed the modus operandi besides unearthing of ₹ 1350 Crore of unaccounted income.

b. Generation of unaccounted money of ₹ 600 crore approx. and its infusion back in a particular company.

c. Manipulation of stock of Iron Ore & consequent evasion of Railway freight and Central Excise Duty.

d. Central Excise Duty evasion on account of clandestine removal of goods which led to unearthing of clandestine clearances of ₹ 60 crore involving Excise duty evasion of ₹ 6 crore.

16.5 Multi Level Marketing Schemes:

The rapid profusion of the schemes, pyramidical in structure, inviting membership/investment from public on promise of very high returns, which are initiated and run ostensibly as Multi-Level Marketing(MLM) schemes or Direct selling or Network Marketing Schemes. The issue was discussed in the EIC meeting dated 28.2.2012 and opinion was sought on need for central Agency to regulate/scrutinize the schemes at initial stages of operation before large numbers of persons get cheated and operators disappear with huge amount of money.

CEIB has written to Department of Financial Services for the amendment of Section 7(ii) of Prize Chit and Money Circulation Schemes (Banning) Act,1978 (PCMCSBA) to empowering the Central Government to nominate an authorized officer or agency to take necessary preventive or enforcement action. CEIB has shared 27 MLM inputs received from FIU-IND and other agencies with concerned State authorities (during the period January 2012 to December 2012) to take appropriate action. The issue was discussed in the Working Group on Intelligence Apparatus Meeting on 23.11.2012. As per the directions of Revenue Secretary a small group of concerned Agencies met & deliberated the issue on 13.12.2012 for having a Central Agency for checking the menace of Multi level Marketing schemes.

16.6 Income Tax Intelligence Inputs

During the financial Year 2012-13, Intelligence Inputs were culled out from the Telex Reports received from field formations of Income-Tax Departments. The inputs were also processed to study the modus operandi adopted by the tax evaders, to study the prevailing business practices and associated tax evasion methods in such business activities.

Specific information regarding tax evasion cases were gathered in a number of cases from cultivated and reliable sources and were forwarded to the jurisdictional DGITs for further processing and initiating action against such persons/concerns.

16.7 FICN Report

In pursuance of GOM Report tasking the NSCS, in accordance with CEIB, to tract the developments relating to Fake Indian Currency and to alert concerned Agencies, the Central Economic Intelligence Bureau was directed vide the Cabinet Secretariat (NSCS) U.O. No.C-183/1/2001/NSCS (CS) dated 22nd May, 2001 to take steps to keep NSCS informed on a continual basis regarding the development as far as printing, smuggling and circulation of Fake Indian Currency was concerned. Accordingly the Bureau collected data from all agencies like DRI, IB, CBI, R&AW and State Police in prescribed proforma. On the basis of this FICN data, a half yearly nationwide comprehensive analysis report on printing, smuggling and circulation of Fake Indian Currency Notes was submitted to the National Security Council Secretariat. Report was shared with the 22 Regional Economic Intelligence Committees operating in different parts of the country. All economic and other law enforcement agencies in the

Regions both of Central and State Governments are represented in these Committees.

16.8 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 Governments is one of the functions performed by CEIB. The COFEPOSA Act, 1974 acts provides for preventive detention for purposes of conversion & augmentation of foreign exchange and prevention of smuggling activities and for matters connected therewith. During the period from 1st January 2012 to 10th December, 2012, 45 Detention Orders were issued under the Act. 30 persons were, however, actually detained during this period, including those against whom Detention Orders were issued during this year and previous year.

16.9 Coordination with FIU-IND:

There is a regular inflow of inputs from FIU-IND, which is disseminated for further action by the Bureau after due process. The inputs are found useful for economic intelligence.

16.10 Training

To enhance the investigative skills of officers of Department of Revenue in intelligence gathering techniques etc. the Bureau coordinates training courses at various specialized training institutions. During 2012-13, the following programmes were organized:

- ôPrevention of Insurance Fraudsô at the National Insurance Academy, Pune;
- óComputer and Internet Crimesô at Sardar Vallabhai Patel Police Academy, Hyderabad;
- ôBanking operations & Fiscal Law Enforcementô at State Bank Staff College, Hyderabad;
- ñInvestigating Economic Crimes in Financial Marketsò at Indian Institute of Capital Markets, Mumbai
- ñIntelligence Gathering & Intelligence Tradecraftò at Cabinet Sectt. Training Institute, Gurgaon

17. DIRECTORATE OF ENFORCEMENT

17.1 ORGANIZATION AND FUNCTIONS:

17.1.1 The Directorate of Enforcement is headed by the Director of Enforcement. The other officers of the Directorate are Special Directors, Additional Directors, Joint Directors, Deputy Legal Advisor, Deputy Directors, Assistant Legal Advisors, Assistant Directors, Enforcement Officers and Assistant Enforcement Officers assisted by other ministerial staff. In view of the enhanced role of the Directorate in the enforcement of the Prevention of the Money Laundering Act (PMLA), 2002, the strength of the Directorate was restructured by Government in March, 2011. The total strength of the Directorate is now 2064 at various levels as under:ð

Post	Strength
Executive	1218
Ministerial	376
Computer Staff/Official Language Staff	69
Operational Staff	375
Legal Staff	26
Total	2064

17.1.2 The Directorate has already initiated the process of opening new offices as well as to fill up the posts in a phased manner. Restructuring of the Directorate envisage opening of new offices in phased manner. The structure of the Directorate, after implimentation of restructuring process would be Head Quarters Office at New Delhi, 05 Regional Offices at New Delhi, Mumbai, Kolkata, Chennai and Chandigarh besides 16 Zonal Offices and 22 Sub Zonal Offices as under:ð

Zones (16)	Ahmedabad, Bangalore, Chandigarh, Chennai, Cochin, Delhi, Goa, Guwahati, Hyderabad, Jaipur, Jalandhar, Kolkata, Lucknow, Mumbai, Patna, Srinagar.
Sub Zones (22)	Agartla, Aizwal, Bhopal, Dehradun, Gangtok, Imphal, Itanagar, Jammu, Kohima, Raipur, Ranchi, Shilong, Mangalore, Shimla, Surat, Vishakapattnam, Allahabad, Calicut, Indore, Nagpur, Bhubaneswar & Madurai.

17.1.3 Functions of Executive Wing:

The Directorate of Enforcement implements two Acts viz. Foreign Exchange Management Act, 1999 (FEMA) and Prevention of Money Laundering Act, 2002 (PMLA). FEMA replaced the Foreign Exchange Regulation Act, 1973 (FERA) with effect from 01.06.2000. The Directorate also continues to perform the residual work under the repealed FERA, 1973. The Directorate also implements the provisions of COFEPOSA, 1974.

The main functions of the Directorate are as under:ð

i) To collect, develop and share intelligence relating to contraventions of FEMA. The intelligence inputs are received from various sources such as Central and State Intelligence agencies, RBI, complaints, information gathered by officers, etc.

ii) To investigate suspected contraventions of the provisions of FEMA relating to activities such as Hawala, unauthorized dealings in foreign exchange, non-realization of export proceeds, unauthorized retention of funds abroad including bank accounts, unauthorized acquisition of immovable properties abroad, contraventions relating to Foreign Direct Investments (FDIs), External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), etc.

iii) To adjudicate cases of violations of the erstwhile FERA, 1973 and FEMA, 1999.

iv) To realize penalties imposed on conclusion of adjudication proceedings.

v) To handle appeals under FEMA.

vi) To handle appeals and prosecution cases under the erstwhile FERA, 1973.

vii) To process and recommend cases for detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA) in respect of contraventions under FEMA.

viii) To initiate investigations under PMLA to ascertain whether proceeds of crime have been generated from the Scheduled offence booked by the concerned Law Enforcement Agency and such proceeds have been laundered. If a prima facie case of money laundering is made out, to attach the property derived from the proceeds of crime.

ix) To file prosecution complaints in the designated PMLA Court for the offence of money laundering under PMLA.

x) To provide and seek mutual legal assistance to/from contracting states in respect of attachment/confiscation of proceeds of crime as well as in respect of transfer of accused persons under PMLA.

xi) To facilitate international cooperation in Anti-Money Laundering (AML) matters.

17.1.4 Functions of Legal Wing

i) The Officers of the Legal Wing renders legal assistance and perform advisory duties besides presenting cases before the Adjudicating Authority, Appellate Tribunal for Foreign Exchange, Appellate Tribunal under PMLA, Special Courts, High Courts and Supreme Court. In addition, the Law Officers review the adjudication and judicial orders and suggest appropriate course of action.

ii) The Officers of the Legal Wing also brief the Senior Counsels, the learned ASGs, SG and AG on case to case basis as and when so required.

17.2 HIGHLIGHTS OF THE PERFORMANCE AND ACHIEVEMENTS DURING THE YEAR 2012-13 (UPTO NOV, 2012)

The performance and achievements of the Directorate during the year 2012-13 (up to November, 2012) are as per **Annexure 'I'** (in respect of FEMA and FERA) and **Annexure 'II'** (in respect of PMLA).

17.3 PERFORMANCE/ACHIEVEMENTS UPTO THE LAST YEAR (2011-12)

The performance and achievements of the Directorate during the financial year 2011-12 are as per **Annexure 'III'** (in respect of FEMA and FERA). The performance and achievements of the Directorate during the financial year 2011-12 are as per **Annexure 'IV'** (in respect of PMLA).

Comparison in disposal of the cases viz-a-viz the corresponding period of 2011 are as under: -

	Cases Under Investigation				
	Pending at beginning of the year, 01.01.2012	Registered during the year, 01.01.2012-30.11.2012	Disposed off during 01.01.2012-30.11.2012	Pendency as on 30.11.2012	Percentage disposal w.r.t. pendency
FEMA	5821 (5335)	753 (1212)	907 (703)	5667 (5846)	16% (12%)

Remarks:- Figure in the brackets are the figures for the corresponding period of 2011

Percentage comparison in respect of value of property attached under PMLA is as under:ð

	Value of Property Attached during 01.01.2012 – 30.11.2012 (In ₹ Lakh)	Value of Property Attached during 01.01.2011 – 30.11.2011 (In ₹ Lakh)	Percentage increase in attachment of property over the last year
PMLA	132227.16	64502.64	104.99%

17.4 E-GOVERNANCE:

Enforcement Directorate, Headquarters Office and zonal offices have their own LAN, which is connected to NICNET WAN.

Some e-governance initiatives taken by the Directorate of Enforcement are as under:ð

i) **Website** - Directorate has a web site having the contents in both English and Hindi, where citizen can get information related to this office, various acts enforced and other related information.

ii) **FTS** - A file tracing system has been implemented for monitoring the file movement for ED HQ.

iii) **Comp DDO -** A pay roll system has been implemented for managing the salary of its employees.

iv) **E-mail** - NIC email id has been provided to officials.

v) **Video Conferencing** - A web based Video Conferencing system has been introduced in the Directorate.

vi) **MPR (Monthly Progressive Report)** - A web based application has been developed to enter and consolidate the statistical information related to monthly progressive report to FERA, FEMA, and PMLA related cases.

vii) **MIP (Monthly Integrated Proforma)** - A web based application has been developed to enter and consolidate the information related to monthly Integrated Proforma for PMLA.

viii) **Employee Information System (EIS)** - This is a web based application to store, process and generate the various reports of an employee. It provides the information of an employee such as present post, place of posting, date of joining in Enforcement Directorate, date of birth and retirement, mode of recruitment, next date of promotion and post, information of sanctioned post, working post and vacant post at Directorate and its subordinate offices.

ix) **Legal Cases Monitoring System (LCMS)** - This is a web based application to monitor the status of the legal cases filed by the Directorate or by the Party in Supreme Court, PMLA Tribunal, PMLA Adjudication Authority and PMLA Special Court. It captures the information such as Petition Number, Petitioner Name, Role of DoE, Concern Zone Name, ECIR Number, PAO Number etc. It records the status/progress of the case on last date hearing.

17.5 GRIEVANCES REDRESSAL MACHINERY

Grievances officers have been nominated at Headquarters Office and Zonal / Sub-Zonal Offices of the Directorate for redressal of public/staff grievances and prompt action is being taken to redress their grievances.

17.6 GENDER BUDGETING/ EMPOWERMENT OF WOMEN:

No case of gender discrimination or harassment of women at work place has come to notice in the jurisdiction of the Committee which was constituted in the Directorate for prevention of sexual harassment of women at workplace.

17.7 ACTIVITIES UNDERTAKEN FOR DISABILITY SECTOR & SC/ST & OTHER WEAKER SECTIONS OF THE SOCIETY.

The rules framed by the Government and guidelines issued from time to time are adhered to and followed by the Directorate.

ANNEXURE - I

DIRECTORATE OF ENFORCEMENT

STATISTICAL DATA FOR THE YEAR 2012-13

FROM JAN, 2012 TO NOV, 2012

A	**Searches & Seizures**			**FEMA**	
1	Searches Conducted			17	
2	FE seized (₹ in Lakh)			34.2	
3	IC seized (₹ in Lakh)			134.98	
B	**Investigation**			**FEMA**	
1	Initiated			753	
2	Disposed			907	
3	Pending			5667	
4	SCNs issued			395	
C	**Adjudication**	**FERA**		**FEMA**	**Total**
1	Cases Adjudicated	40	+	150	190
2	Cases pending adjudication	1181	+	1783	2964
3	Confiscation of Foreign Exchange (in Lakh)	0	+	2.09	2.09
4	Confiscation of Indian Currency (₹ in Lakh)	5.26	+	64.81	70.07
D	**Penalties**	**FERA**		**FEMA**	**Total**
1	Imposed (₹ in Lakh)	120.54	+	631.77	752.31
2	Realized (₹ in Lakh)	387.34	+	29.05	416.39
3	Pending for realization (₹ in Lakh)	870338.46	+	155774.4	1026112.86
E	**COFEPOSA**	**FERA**		**FEMA**	**Total**
1	Orders issued	0	+	0	0
2	Detained	0	+	1	1
F	**Prosecutions**	**FERA**	**Total**		
1	Disposal	376	376		
	i) Conviction	58	58		
	ii) Acquittal	4	4		
	iii) Discharge	5	5		
	iv) Withdrawn	7	7		
	v) Otherwise disposed off	12	12		
	vi) Cases reduced	290	290		
2	Pending	3404	3404		

ANNEXURE - II

STATISTICAL DATA OF PMLA CASES
FOR THE TIME PERIOD OF 01.01.2012 TO 30.11.2012

Sl. No.	Key item of work	Total at the end of the month
1.	No. of ECIRs	140
2.	No. of Provisional Attachment Orders issued	47
3.	Value of properties under attachment (in Lakh of Rupees)	132227.16
4.	No. of PAOs confirmed	38
5.	Value of assets under PAO confirmed by the Adjudicating Authority (in Lakh of Rupees)	13311.72
6.	No. of PAOs under confirmation/Pending before the Adjudicating Authority	8
7.	No. of PAOs not confirmed by the Adjudicating Authority	0
8.	Value of Assets in respect of PAOs not confirmed by the Adjudicating Authority (in Lakh of rupees)	76.24
9.	No. of Appeals before Tribunal	
	a) Filed by the party	89
	b) Filed by the Directorate	2
	Total:	**91**
10.	No. of persons arrested	2
11.	No. of cases in which prosecution complaints filed	3

ANNEXURE - III

DIRECTORATE OF ENFORCEMENT

STATISTICAL DATA FOR THE YEAR 2011-12
FROM JAN,2011 TO DEC, 2011

A	**Searches & Seizures**	**FEMA**			
1	Searches Conducted	72			
2	FE seized (₹ in lakh)	31.55			
3	IC seized (₹ in Lakh)	1331.17			
B	**Investigation**	**FEMA**			
1	Initiated	1244			
2	Disposed	760			
3	Pending	5821			
4	SCNs issued	314			
C	**Adjudication**	**FERA**		**FEMA**	**Total**
1	Cases Adjudicated	22	+	208	230
2	Case pending adjudication	1219	+	1533	2752
3	Confiscation of Foreign Exchange (₹ in Lakh)	3.31	+	42.37	45.68
4	Confiscation of Indian Currency (₹ in Lakh)	5.67	+	506.48	512.15
D	**Penalties**	**FERA**		**FEMA**	**Total**
1	Imposed (₹ in Lakh)	353.99	+	32344.73	32698.72
2	Realized (₹ in Lakh)	494.82	+	1578.07	2072.89
3	Pending for realization (₹ in Lakh)	871354.08	+	158186.26	1029540.34
E	**COFEPOSA**	**FERA**		**FEMA**	**Total**
1	Orders issued	0	+	0	0
2	Detained	0	+	0	0
F	**Prosecutions**	**FERA**	**Total**		
1	Disposal	108	108		
	i) Conviction	20	20		
	ii) Acquittal	28	28		
	iii) Discharge	21	21		
	iv) Withdrawn	0	0		
	v) Otherwise disposed off	39	39		
	vi) Cases reduced	0	0		
2	Pending	3611	3611		

ANNEXURE - IV

STATISTICAL DATA OF PMLA CASES
FOR THE TIME PERIOD OF 01.01.2011 TO 31.12.2011

Sl. No.	Key item of work	Total at the end of the month
1.	No. of ECIRs	174
2.	No. of provisional Attachment Orders issued	43
3.	Value of properties under attachment (₹ in Lakh)	64807.22
4.	No. of PAOs confirmed	37
5.	Value of assets under PAO confirmed by the Adjudicating Authority (₹ in Lakh)	12770.73
6.	No. of PAOs under confirmation/Pending before the Adjudicating Authority	22
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 (₹ in Lakh)	14675
9.	No. of Appeals before Tribunal	
	a) Filed by the party	50
	b) Filed by the Directorate	1
	Total:	**51**
10.	No. of persons arrested	9
11.	No. of cases in which prosecution complaints filed	23

18. FINANCIAL INTELLIGENCE UNIT-INDIA (FIU-IND)

18.1 Background and function of FIU-IND:

Financial Intelligence Unit-India (FIU-IND) was set up by the Government of India vide Ministry of Finance, Department of Revenue Office Memorandum dated 18th November 2004 as a central national agency responsible for receiving, processing, analyzing and disseminating information related to suspicious financial transactions. It receives prescribed information from various entities in financial sector under the Prevention of Money Laundering Act 2002 (PMLA) and in appropriate cases disseminates information to relevant intelligence/ law enforcement agencies which include Central Board of Direct Taxes, Central Board of Excise & Customs Enforcement Directorate, Narcotics Control Bureau, Central Bureau of Investigation, Intelligence agencies and regulators of financial sector. FIU-IND does not investigate cases.

The main functions of FIU-IND include all matters pertaining to

a. Analysis of information/reports received from Reporting Entities as per the provisions of PMLA 2002 and Rules made thereunder and their dissemination to authorized domestic agencies for further action.

b. Enforcement of the provision of PMLA insofar as it relates to FIU-IND

c. Egmont Group and exchange of information with foreign FIUs

d. Interface with reporting entities and their regulators and domestic agencies authorized to receive information from FIU-IND including promoting awareness about AML/CFT, capacity building and training.

18.2 Highlights of the Performance/ achievements during 2012-13 (up to Nov. 2012)

Collection of Information

- 6.4 Million Cash Transaction Reports (CTRs) received; 99.99% in electronic form.
- 18,847 Suspicious Transaction Reports (STRs) received.
- 2, 13,346 Counterfeit Currency Reports (CCRs) received.

Analysis and Dissemination of Information

- 14,953 STRs processed
- 11,376 STRs disseminated

Collaboration with domestic Law Enforcement and Intelligence Agencies

- Received 438 requests for information from Intelligence & Law Enforcement Agencies
- Provided information in 348 cases requested by the agencies

Regional and global AML/CFT efforts

- 64 Requests received from foreign FIUs
- 77 Requests sent to foreign FIUs

Increasing awareness about money laundering and terrorist financing

- Contribution in 35 seminars and training workshops covering 2,228 participants
- Organised Sixth Annual ôTrain the Trainers Workshopô for AML/CFT capacity building in which 63 trainers of Reporting Entities were trained.

Improving compliance with the PMLA

- 23 Review meetings held with Principal Officers

Strengthening IT infrastructure

- FINnet Gateway went live on 20th October, 2012 and reporting entities have begun upload of reports in the XML reporting format on the Gateway.

18.3 Performance/achievements up to the last year (Upto 2011-12)

Collection of Information

- 37.19 Million Cash Transaction Reports (CTRs) received; 99.68% in electronic form.
- 69,224 Suspicious Transaction Reports (STRs) received.
- 7, 50,921Counterfeit Currency Reports (CCRs) received.

Analysis and Dissemination of Information

- 67,411 STRs processed
- 47,600 STRs disseminated

Collaboration with domestic Law Enforcement and Intelligence Agencies

- Regular interaction and exchange of information
- Received 1,920 requests for information from Intelligence & Law Enforcement Agencies
- Provided information in 1896 cases requested by the agencies

Regional and global AML/CFT efforts

- 412 Requests received from foreign FIUs

- 191 Requests sent to foreign FIUs
- MoUs signed with 19 foreign FIUs

Increasing awareness about money laundering and terrorist financing

- Contribution in 492 seminars and training workshops covering 22,644 participants
- Organising annual ớTrain the Trainersô programme for AML/CFT capacity building for Reporting Entities.

Improving compliance with the PMLA

- 137 Review meetings held with Principal Officers

Strengthening legislative and regulatory framework

- Regular interaction with the Department of Revenue and regulators
- Participation in AML/CFT Regulatory Framework Assessment Committee (ARFAC)

Strengthening IT infrastructure

- FINnet Exchange (FINex) portal was deployed in the production environment
- Registration process for the nodal officers of reporting entities initiated
- Phase II of the Project FINnet provisionally accepted
- Development of performance based reports (KPI, KGI, MIS) completed
- Development of FINcore processes under way.

18.4 Virtual Office:

A virtual office has been set up by the Department to monitor the feedback on the Suspicious Transaction Reports (STR) disseminated by Financial Intelligence Unit (FIU). The Office has an officer each from CBDT, CBEC, CEIB and FIU. A closed Under Group (CUG) has been created on the NIC portal for the officers to interact with one another and for sending feedback to FIU regularly.

18.5 E-Governance Activities

FIU-IND initiated project FINnet in 2006 with the objective to ớAdopt Industry Best Practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes.

2. The first phase commenced in March, 2007 during which the functional and technical specifications of project FINnet were finalised and a detailed Request for Proposal (RFP) for selection of System Integrator (SI) was also finalised.

3. The second phase started with signing of contract with SI on 25th February, 2010. All the phases of the implementation of the project have been completed and the Gateway Portal became live on 20th October, 2012.

4. With the implementation of the project FINnet, the earlier fixed-width, multiple data files reporting format has been replaced by a new single XML file format. FIU-IND has provided report generation utility and report validation utility to facilitate Reporting Entities in submission of reports through the FINnet Gateway Portal. FINnet Exchange (FINex) enables seamless exchange of information with domestic agencies. FINex also enables the users i.e. Domestic Intelligence/Law Enforcement Agencies to make requests for information to FIU utilising the portal.

19 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).

19.1 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 (CESTAT), Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Adjudicating Authority under PMLA, 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 and other field offices under the Central Board of Direct Taxes, all field offices under Central Board of Excise & Customs which include Directorate General of Systems & Data Management, Directorate General of Human Resource Development, Directorate of Revenue Intelligence, Directorate General of Central Excise Intelligence, Directorate General of Service Tax, National Academy of Customs, Excise & Narcotics, 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.

19.2 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, CBDT, CBEC and their field offices.

(d) Restructuring proposals, redeployment of personnel in field formations and constituent units.

(e) Comprehensive Computerization of Department of Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.

(f) Computerization of States for Value Added Tax (VAT) purposes.

(g) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

(h) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports Board.

(i) 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, Mission Mode Project for Commercial Taxes (MMP-CT) Project and NEVAT Computerization project.

(j) Proposals received 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 ðDô staff was revised. As a result, more wards of the employees were benefited.

(k) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme for obtaining approvals of Department of Expenditure/FM.

(l) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

19.2.1 The expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2012-13/RE 2012-13 and BE 2013-14 was prepared, discussed with Secretary (E) and finalized as below:ð

(₹ in crore)

Grant	Gr. No.	2012-13 BE	2013-14 RE	2013-14 BE
D/o Revenue	42	1178.59	864.15	10214.90
Direct Taxes	43	3880.46	3735.51	4361.89
Indirect Taxes	44	3601.08	3570.61	3979.50

19.2.2 Integrated Finance Division has taken the following steps/initiatives in 2012-13:ð

(i) The work related to Budget was transferred to CBDT and CBEC. DIT (Exp. Budget) in CBDT and ADG (EMC) are now responsible for formulation of Budgetary Estimates, distribution of budget to their field offices and monitoring of expenditure for financial year 2012-13 onwards.

(ii) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division.

(iii) 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.

(iv) Enforcement of instructions on economy in expenditure by periodic review of expenditure and advisories to spending authorities for expenditure control in line with the economy instructions issued by the Department of Expenditure.

(v) Preparation and review of Outcome Budget and monitoring of Outputs and Outcomes, with reference to the targets and budgetary allocation, was done in respect of important schemes of Implementation of VAT Scheme and compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Setting up of Tax Information Exchange System (TINXSYS); Government Opium & Alkaloid Works; Comprehensive computerization of the Income Tax Department; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

19.2.3 In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Vehicle Advance, Computer Advance etc. was also done.

19.2.4 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.

19.2.5 The status of Action Taken Notes of the Audit Para concerning Department of Revenue is given in table below:

Status of Action Taken Notes of the Audit Paras concerning Department of Revenue

S. No.	Year	Details of the Paras/PA reports on which ATNs are pending			
		No. of paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to the PAC
1	1995	-	-	-	-
2	2000		-	1	-
3	2008	-	-	1	-
4	2009	-	-	1	-
5	2011	-	1	-	
	Total	**-**	**1**	**3**	**-**

20. NATIONAL COMMITTEE FOR PROMOTION OF SOCIAL AND ECONOMIC WELFARE

20.1 Constituted in early 1992 under the Chairmanship of Justice P.N. Bhagwati former Chief Justice of India, the Committee recommends projects of social importance which include construction of drinking water projects, dwelling units, school buildings for economically weaker sections of the society and establishment & running of hospitals in rural areas. The Committee also recommends projects relating to promotion of sports, pollution control, establishment and running of non-conventional & renewal source of energy systems, etc. The recommendations of the Committee are considered by the Central Government for Notification under Section 35 AC of Income Tax Act, 1961. The funding of the approved project is through donations on which the donors are entitled to 100% tax exemption under the Income Tax Law.

20.1.1 The National Committee is constituted for a term of (03) three years and consists of 14 Members including with its Chairman being former Chief Justice of India and other 13 are members of public eminence hailing from various walks of life. The Secretariat of the National Committee comprises of:ð

(i) Secretary (of the level of Joint Secretary);

(ii) Director/ Deputy Secretary &

(iii) Section Officer

20.1.2. Present Committee was formed on 1st February, 2011. The names of the Committee members are as follows:ð

S. No.	Name of the Committee Members	Designation	Place
1.	Mr. Justice S.P. Bharucha	Chairman	Mumbai
2.	Dr. Kaanchana Kamalanathan	Member	Tamil Nadu
3.	Mrs. Veena Singh	Member	New Delhi
4.	Prof (Ms.) Sabra Habib	Member	Lucknow
5.	Dr. Bhagirath Prasad	Member	Indore
6.	Dr. Md. Abbas Ali	Member	Hyderabad
7.	Prof. Margaret Ch. Zama	Member	Mizoram
8.	Dr. J. Prabhakar Reddy	Member	Hyderabad
9.	Ms. Atiya Habib Kidwai	Member	New Delhi
10.	Shri D.R. Mehta	Member	Jaipur
11.	Shri Michael Ferrira	Member	Mumbai
12.	Shri Amardeep Singh Cheema	Member	Chandigarh
13.	Dr Jatin De	Member	Lucknow
14.	Shri Sanjiv Kumar Arora	Member	New Delhi

20.1.3 The functions and procedures of the National Committee are governed by Rules 11-F to 11-O of the Income Tax Rules, 1962. The procedure of filing the application and the manner in which the applications are to be considered and decided by the National Committee are enumerated in Rules 11-L and 11-M of the Income Tax Rules, 1962. Upon receipt of the application, the Secretariat of the National Committee processes and scrutinizes it to verify that they are complete in all respect and all documents/information as required under the Rule are enclosed.

20.1.4 Thereafter an appraisal report containing the salient points of the applicant is prepared and put up for consideration of the Committee. The Committee either grants or rejects its approval of an association or institution. The Committee records only summary findings for the decisions taken by it. If, approved, it recommends the project or scheme to the Central Government for being notified as eligible project or scheme. The Committee's decisions to approve a project or scheme are of recommendatory value and are subject to acceptance by the Central Government. In cases where the project/ scheme of the institution/ association is recommended by the Committee and accepted by the Central Government, the same are notified in the Official Gazette. And in cases where the Committee does not find it fit for approval, the decision of the Committee is communicated to the applicants by the Secretariat of the National Committee.

20.1.5 In the financial year 2012-13(upto 27.11.2012), a total number of (03) three Business Meetings were held in which 330 applications/projects were considered and 153 cases were approved.

20.1.6 It is not feasible to facilitate online filing of application for approval of National Committee for Promotion of Social and Economic Welfare as the Committee requires certified documents/information from the applicants for further processing of the case.

21. NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY

21.1 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. Established in 1976 as an autonomous institution under the Societies Registration Act, it has grown into an important think tank on public finance and fiscal policy. The Governing Body is chaired by an Economist of Eminence and at present Prof. C.Rangarajan, Chairman of Economic Advisory Council to the Prime Minister is the Chairman of the Governing Body. Government is represented by the Secretary (Revenue), Secretary (Economic Affairs) and Chief Economic Adviser of the Ministry of Finance. There are three eminent Economists in the Governing Body and representatives of FICCI and ASSOCCHAM. There is an Academic Committee advising the Director.

21.2 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.

21.3 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.

22. IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

22.1. 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 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. 8 sections of the Department have been specified for doing their entire work in Hindi.

22.2 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.

22.3 Hindi Salahkar Samiti and OLIC meetings:

22.3.1. A meeting of the reconstituted Joint Hindi Advisory Committee was held on 17 September, 2012 under the chairmanship of the Minister of State for Finance (E & FS) in which the position regarding implementation of Official Language Policy of the Union in the Department of Revenue was reviewed and discussed in detail. Suggestions were put forth by the Members regarding ways for increasing the use of the Official language in the official work and follow-up action has been taken up by the concerned sections/offices thereon.

22.3.2. The meetings of the Official Language Implementation Committee of the Department of Revenue were also organized . In the meetings, members discussed the steps required to be taken for effective implementation of the Official Language Policy of the Union. Apart from this, the representatives of the OL Division of the Department of Revenue also attended the Official Language Implementation Committee meetings of the attached and subordinate offices situated in Delhi.

22.4 Inspection related to Official Language:

22.4.1. 7 offices of Central Excise & Customs/Income 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 given by the Committee for the use of Official Language Hindi in the day-to-day work were taken by the respective office.

22.4.2. The officers of the Hindi Division of the Department also carried out inspection of 1 office under the control of the Department during the year under report with the view to assess the progress in the use of Hindi in the office and suggested ways to accelerate the use of Hindi in the official work.

22.5 Hindi Day/Hindi Pakhwara:

22.5.1 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.

22.5.2. Hindi Pakhwara was celebrated from 01 September, 2012 to 15 September, 2012. Various competitions like Hindi noting & drafting, Essay writing, Extempore Speech competition, Quiz competition, Hindi typing and Hindi Shorthand competition were organized during the Hindi Pakhwara. Also, there was an award scheme for doing maximum work in Hindi during the Hindi fortnight separately. Those who secured first, second and third positions in these competitions will be given cash prizes of ₹ 5000/-(First prize), ₹ 3000/- (Second prize) and ₹ 2000/- (Third prize) and 3 consolation prizes of ₹ 1000/- each.

22.6 Incentive Schemes:

Under the incentive scheme of the Department of Official Language, Ministry of Home Affairs , cash awards of Rs. 2000/-, Rs. 1200/- and Rs. 600/- are given to those officials who do noting/drafting and other official work in Hindi.

22.7 Training:

During the year 2012-13, 05 LDCs/UDCs/Assistants and 6 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively, in the courses run by the Central Hindi Training Institute, Ministry of Home Affairs.

22.8 Hindi Workshop:

In order to remove hesitation amongst Hindi knowing employees to do their work in Hindi, a two day Departmental Hindi workshop was organized on 19 & 23 September, 2012 in which 9 officials were imparted training in Hindi noting/drafting.

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 Direct Taxes

23.2.1 Right to Information Act, 2005 is fully implemented. CPIOs and first appellate authorities stand nominated. On receipt of RTI application it is forwarded to respective CPIOs for the compliance.

23.2.2 Data in respect of some of the divisions on number of RTI applications received disposed of and denied during the year 2012-13 (upto September / November / December 2012) is as follows:

23.2.2.1 Systems:

During the year till 5.12.2012, 32 RTI applications were received. Replies were given in 28 cases. Information was supplied in 15 cases (1 partly rejected), in 13 cases (4 partly rejected) applications were rejected and as on 5.12.2012, 4 applications are in process. In respect of above RTI applications only 3 appeals were filed and disposed of.

23.2.2.2 Exemption:

The number of RTI applications received, disposed of and denied during the year 2012-13 (upto November,2012)

(i) RTI application received:- 479

(ii) RTI application disposed off:- 309

(iii) RTI application denied:- 161

23.2.2.3 Exams:

Applications under Right to information Act (RTI) and RTI Appeals filed by the candidates on different issues were processed and disposed from 01.04.2012 to 06.12.2012 out of 38 RTI Applications received, 36 applications have already been disposed of. In one application part reply has been rejected.

23.2.2.4 Investigation:

During the current year, the Investigation Division of CBDT has received 328 RTI applications, wherein 100 applications have been transferred under section 6(3) of the RTI Act 2005 to relevant CPIOs, and 228 applications have been responded to by the CPIOs of the Investigation Division.

23.2.2.5 ITJ Division:

	F.Y. 2012-13 (till Nov.2012)	F.Y.2011-12
Total RTI applications received	23	11
Transferred to other sections	6	4
Information provided	17	7
Information denied	0	0

23.2.2.6 OT Division:

F.Y.	No. of applications received on transfer from other PAs u/s 6(3)	Applications received during the year	No. of cases transferred to other Pas u/s 6(3)	Decisions where requests rejected	Decisions where requests accepted
2011-12	10	23	11	4	18
2012-13 (upto Sept 2012)	5	12	6	3	8

23.3 Central Board of Excise and Customs

23.3.1 CBEC is implementing the provisions of Right to Information Act, 2005 since its enforcement. In the Headquarters office, there are 32 CPIOs, one CPIO for each of the section. The no. of applications received, applications rejected and requests accepted by the CPIOs in CBEC during the last three quarters of the year 2012 are given below:ð

Quarter ending on	No. of applications received during the quarter	No. of requests rejected	No. of requests accepted
31.03.2012	431	3	372
30.06.2012	444	1	434
30.09.2012	593	21	562

23.3.2 There are 30 Appellate Authorities, who decides the appeals received under the RTI Act from various applicants. The no. of appeals received, appeals rejected and appeals accepted by the CPIOs in CBEC during the last three quarters of the year 2012 are given below:ð

Quarter ending on	No. of applications received during the quarter	No. of requests rejected	No. of requests accepted
31.03.2012	22	1	21
30.06.2012	25	3	22
30.09.2012	51	3	48

23.3.3 Registration fee collected under section 7(1) and the additional fee collected under section 7(3) during these three quarters is as given below:ð

Quarter ending on	Fee collected under section 7(1) (in ₹)	Additional fee collected under section 7(3) (in ₹)
31.03.2012	2800	11434
30.06.2012	3100	14897
30.09.2012	2472	15374

23.4 Central Economic Intelligence Bureau

This Bureau has appointed CAPIO, CPIO, and 1st Appellant Authority, as per provisions of RTI Act-2005, During the period 2012-13 (Till 2.12.2012) this Bureau has received 26 numbers of applications under the Act. All the applications have been disposed of/transferred as per the provisions of the act within the specified time frame.

23.5 Narcotics Control Division

23.5.1 Central Bureau of Narcotics:

The various provisions relating to the Right to Information Act, 2005 have been implemented in the Central Bureau of Narcotics. Central Public Information Officer have been nominated. Detail functions and various aspects of the work done by the Department are also available on CBN website http://www.cbn.nic.in

23.5.2 Government Opium and Alkaloid Works:

A cell in each unit of this organization, such as the factories at Ghazipur and Neemuch, as also at the Delhi and Gwalior office of the CCF have been set up. These cells function directly under the officials designated as CPIO/APIO. The applications received are regularly disposed of within the prescribed time-frame.

23.6 State Tax 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 Sales Tax Section. These Manuals have been posted on the website of the Ministry of Finance to facilitate easy access to the 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 at the earliest. Upto 30.12.2012, 94 applications seeking information under RTI Act, 2005 were received in the State Taxes Section and all these applications have been disposed of.

23.7 Directorate of Enforcement

During the year 2012-13 (up to November, 2012), 140 RTI applications were received in Headquarters office of the Directorate, which were promptly disposed of within the stipulated period.

23.8 Customs, Excise & Service Tax Appellate Tribunal

Public Information Officer and 1st Appellate Authority have been nominated by the Public Authority in each Bench of the Tribunal, and they are acting in accordance with the provisions of the Right to Information Act, 2005, in sharing the information.

23.9 National Committee for Promotion of Social and Economic Welfare

During the financial year 2012-13, a total number of 18 RTI applications were received in the Secretariat of National Committee and all the applications were dealt in a proper and time bound manner.

23.10 Income Tax Settlement Commission

Various authorities are required under RTI Act, 2005 have been appointed. There are four Public Information Officer, one each in four Benches. The Director of Income Tax (Inv) in the Principal Bench has been appointed as the Appellate Authority in respect of all the four benches.

23.11 Customs & Central Excise Settlement Commission

Right to Information Act, 2005 has been implemented. Twelve manuals, as prescribed under RTI related to the Commission were duly prepared. CPIOs and ACPIOs have been nominated to provide information to the applicants.

23.12 Set up for Forfeiture of Illegally Acquired Property

During the year, the Competent Authorities have received 38 applications under Right to Information Act, 2005. The applications were disposed of within time limit to the satisfaction of the RTI applicants.

23.13 Authority for Advance Rulings (Income Tax)

The Authority has implemented its own R.T.I wing, which received and disposed of 2 cases so far during the year 2012-13 (up to 11th December 2012) under R.T.I. Act.

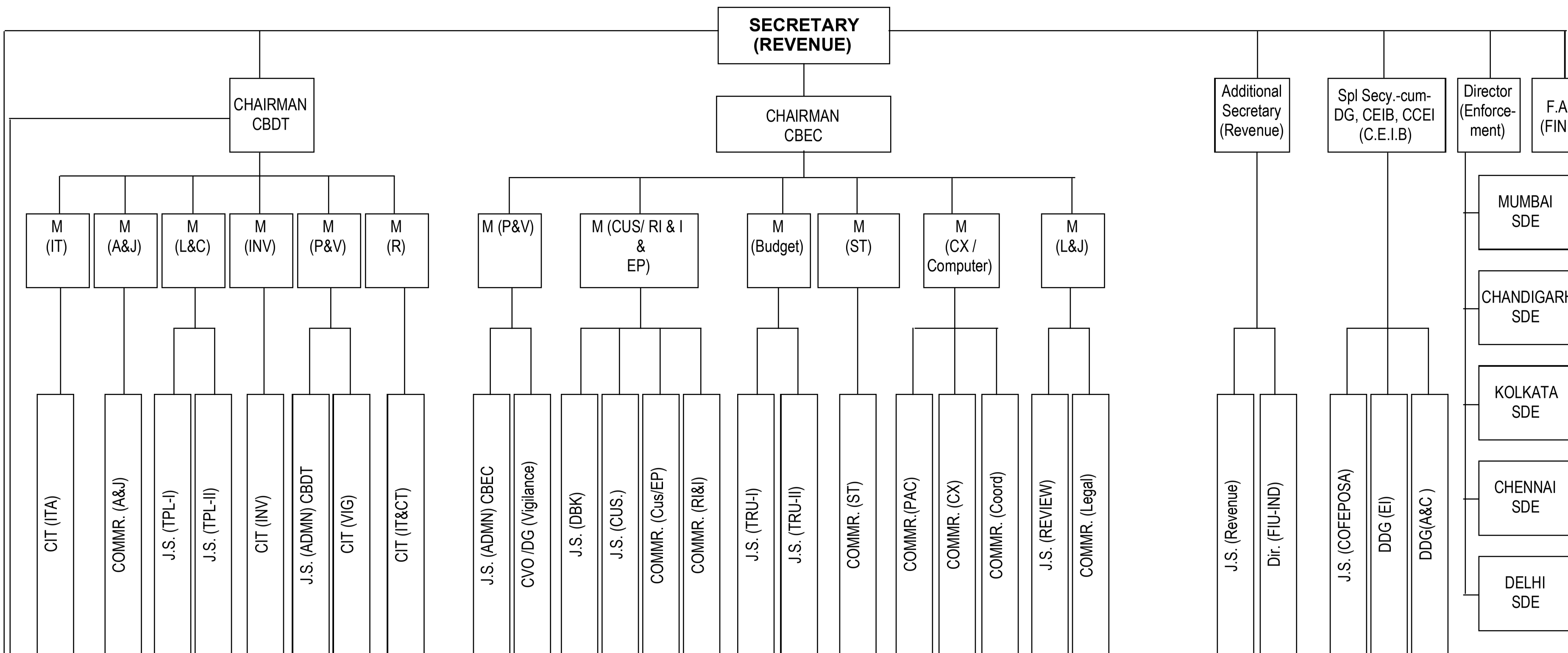
23.14 Financial Intelligence Unit-India (FIU-IND)

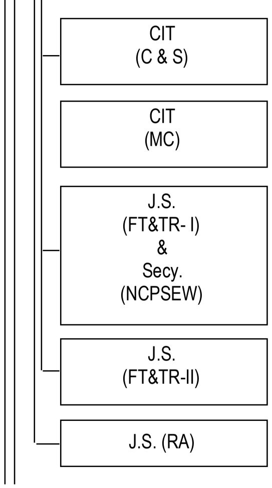
Right to Information Act, 2005 has been implemented. 9 applications have been received during the year 2012-13 (upto December, 2012). Out of which 5 have been dispensed with information and 4 were denied.

23.15 Authority for Advance Rulings (Central Excise, Customs & Service Tax)

The provision of the Right to Information Act, 2005 has been implemented. Twelve manuals, as prescribed under Right to Information Act and related to the Authority, have been updated regularly on the website of the Authority i.e. http://www.cbec.gov.in/aar/aar.htm. PIO/Appellate Authority/ Transparency Officer under the said Act has also been duly designated and details are posted on the website as well as on the Notice Boards of the Authority. During the year 2012-13 (upto 31.12.2012) 10 applications have been received and out of which one is transferred to other concerned Public Authority and the remaining 9 were disposed of.

ORGANISATION CHART IN THE DEPARMENT 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&I & EP): Member (Customs/Revenue Intelligence and Investigation/ Export Promotion)
M(Bgt/Comp.): Member(Budget/Computerization)
M(ST): Member (Service Tax)
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
ADMN: Administration
TPL: Tax Policy 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
Enf. : Enforcement.
ITA: Income Tax Assessment
C&S: Coordination and Systems

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
16. Indirect Tax Ombudsman
17. National Institute of Public Finance & Policy (NIPFP)
18. Adjudicating Authority under PMLA
19. Appellate Tribunal under PMLA

ANNEUXRE – I

REPRESENTATION OF SC's, ST's, AND OBC's

Organisation: Headquarter (Revenue)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	201	18	08	03	--	--	--	--	--	--	--	--	--	--
Group B	313	58	32	13	11	1	4	4	--	--	--	--	--	--
Group C	360	121	17	18	--	--	--	--	8	1	--	--	--	--
Group D	Group D posts now has been UPGRADED as MTS (Multi Tasking Staff) under Group C as per 6 Central Pay Commission's recommendation													
Total	874	197	57	34	11	1	4	4	8	1	--	--	--	--

REPRESENTATION OF SC's ST's AND OBC's

Organisation: Central Board of Excise and Customs (CBEC)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	2,247	330	181	261	134	20	10	36	ð	ð	ð	ð	ð	ð
Group B	33,740	5,262	2,451	2,102	1,176	168	101	452	2,236	334	222	33	10	3
Group C (Excluding Safai Karamchari)	17,716	3,853	1,415	2,134	394	85	34	125	865	233	102	21	2	3
Group C (Safai Karamchari)	276	116	30	16	2	ð	ð	ð	ð	ð	ð	ð	ð	ð
Group D	Group D posts now has been UPGRADED as MTS (Multi Tasking Staff) under Group C as per 6 Central Pay Commission's recommendation													
Total	**53,979**	**9,561**	**4,077**	**4,513**	**1,706**	**273**	**145**	**613**	**3,101**	**567**	**324**	**54**	**12**	**6**

Organisation: **Central Board of Direct Taxes (CBDT)**

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	2927	448	244	231	258	52	24	61	124	43	23	-	-	-
Group B	6820	1345	497	397	-	-	-	-	1151	238	72	3	1	1
Group C	25485	5018	1743	2779	1438	170	80	365	3336	656	198	38	13	18
Group D (Excluding Safai Karamchari)	4512	1480	266	553	63	22	7	13	139	29	5	3	-	-
Group D (Safai Karamchari)	232	161	13	17	1	-	-	-	-	-	-	-	-	-
Total	39976	8452	2763	3977	1760	244	111	439	4750	966	298	44	14	19

Organisation: **Central Board of Narcotics (CBN)**

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	8	2	-	1	Recruitment/Promotion is done by the Ministry.									
Group B	56	8	7	4	No Direct Recruitment				15	-	3	-	-	-
Group C	346	59	28	26	7	-	-	2	14	4	-	-	-	-
Group D (Excluding Safai Karamchari)	242	57	25	5	3	2	-	1	-	-	-	-	-	-
Group D (Safai Karamchari)	10	10	-	-	-	-	-	-	-	-	-	-	-	-
Total	662	136	60	36	10	2	-	3	29	4	3	-	-	-

Organisation: Directorate of Enforcement

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	37	02	ð	1	ð	ð	ð	ð	03	ð	ð	02	ð	ð
Group B	175	17	6	ð	ð	ð	ð	ð	49	5	ð	30	ð	ð
Group C	233	43	8	18	16	ð	1	04	31	7	02	12	ð	ð
Group D (Excluding Safai Karamchari)	126	28	9	1	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
Group D (Safai Karamchari)	ð	ð	ð	ð	ð	ð -	ð	ð	ð	ð	ð	ð	ð	ð
Total	571	90	23	20	16	ð	1	4	83	12	2	44	ð	ð

Organisation: Competent Authorities for 'Forfeiture of Illegally Acquired Property'

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	8	1	2	2	-	-	-	-	-	-	-	3	-	1
Group B	10	-	-	1	-	-	-	-	-	-	-	2	-	-
Group C	20	3	1	3	-	-	-	-	-	-	-	10	2	-
Group D (Excluding Safai Karamchari)	8	2	-	1	-	-	-	-	-	-	-	2	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	46	6	3	7	-	-	-	-	-	-	-	17	2	1

Organisation: Appellate Tribunal for Forfeited Property (ATFP)

Group	Number of Employees				Number of appointments made during the previous calendar year										
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	6	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	3	-	1	-	-	-	-	-	-	-	-	-	-	-
Group C	5	1	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	6	3	1	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	20	4	2	-	-	-	-	-	-	-	-	-	-	-

Organisation: Financial Intelligence Unit – India (FIU – IND)

Group	Number of Employees				Number of appointments made during the previous calendar year										
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	20*	01	-	-	-	-	-	-	-	-	-	05	-	-
Group B	6**	1	-	-	-	-	-	-	-	-	-	-	-	-
Group C	1	-	-	-	-	-	-	-	-	-	-	01	-	-
Group D (Excluding Safai Karamchari)	4***	2	-	1	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	31	04	-	1	-	-	-	-	-	-	-	06	-	-

* 02 Posts are encadered with NIC **04 Posts are encadered with NIC

*** 04 Peons are continuing under stay granted by Principle Bench of Hon'ble CAT, New Delhi

Organisation: Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	6	2	-	4	-	-	-	-	-	-	-	-	-	-
Group B	6	4	-	2	-	-	-	-	-	-	-	-	-	-
Group C	47	21	6	20	-	-	-	-	-	-	-	1	1	-
Group D (Excluding Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	38	27	1	10	-	-	-	-	-	-	-	-	-	-
Total	97	54	7	36	-	-	-	-	-	-	-	1	1	-

Organisation: Income Tax Settlement Commission

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	36	4	-	-	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
Group B	23	1	-	-	-	-	-	-	-	-	-	-	-	-
Group C	111	14	2	7	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	42	8	3	4	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	4	4	-	-	-	-	-	-	-	-	-	-	-	-
Total	216	31	5	11	-	-	-	-	-	-	-	-	-	-

Organisation: Authority for Advance Ruling (Income Tax)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	3	2	1	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	5	2	1	2	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	9	5	2	2	-	-	-	-	-	-	-	-	-	-

Organisation: Authority for Advance Ruling (Central Excise, Customs and Service Tax)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3	1	-	-	-	-	-	-	-	-	-	-	-	-

Organisation: National Institute of Public Finance & Policy (NIPFP)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	35	2	-	-	1	-	-	-	-	-	-	-	-	-
Group B	20	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	23	3	-	3	-	-	-	1	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	78	5	-	3	1	-	-	1	-	-	-	-	-	-

Organisation: Central Economic Intelligence Bureau (CEIB)

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	17	3	ð	-	-	-	-	-	-	-	-	-	-	-
Group B	23	3	1	1	-	-	-	-	-	-	-	-	-	-
Group C	27	10	3	1	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karamchari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karamchari)	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	68	17	4	2	-	-	-	-	-	-	-	-	-	-

Organisation: Customs & Central Excise Settlement Commission

Group	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	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	6	1	1	-	-	-	-	-	-	-	-	-	-	1
Group B	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	6	-	-	1	-	-	-	-	-	-	-	-	-	-
Group D	4	1	-	1	-	-	-	-	-	-	-	-	-	-
Total	17	2	1	2	-	-	-	-	-	-	-	-	-	-

N.B.: Appellate Tribunal for Forfeited Property (ATFP) , Adjudicating Authority under Prevention of Money Laundering Act, 2002 and Appellate Tribunal under Prevention of Money Laundering Act have furnished ôNilô information.

ANNEXURE II

REPRESENTATION OF THE PERSONS WITH DISABILITIES

Organisation: Headquarter (Revenue)

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	313	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	147	-	1	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D	Group D posts now stands Upgraded as MTS (Multi Tasking Staff) under Group C as per the recommendations of 6th Central Pay Commission																	
TOTAL	661	-	1	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Organisation: Central Board of Excise and Customs (CBEC)

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	2,247	-	13	12	-	2	1	3	-	2	1	-	-	-	-	-	-	-
ðBô	33,740	11	27	283	4	16	17	798	ð	2	6	ð	-	ð	1,061	ð	-	21
ðCô	17,992	30	18	83	12	13	13	294	03	ð	8	5	4	7	295	1	1	3
ðDô	Group D posts now stands Upgraded as MTS (Multi Tasking Staff) under Group C as per the recommendations of 6th Central Pay Commission																	
Total	50679	27	34	404	15	25	61	1214	25	-	22	3	2	21	1278	2	-	21

Organisation: Central Board of Direct Taxes (CBDT)

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	1308	-	1	18	-	-	-	86	-	2	1	-	-	-	7	-	-	1
‘B’	6820	3	4	106	-	-	-	-	-	-	-	-	-	-	200	1	2	10
‘C’	25485	47	41	518	17	18	57	692	15	12	36	20	23	69	1161	1	1	59
‘D’	4744	3	3	44	1	5	11	29	-	-	1	2	1	5	2	-	-	5
Total	38357	53	49	686	18	23	68	807	15	14	38	22	24	74	1370	2	3	75

Organisation: Central Bureau of Narcotics (CBN)

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘B’	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘C’	5	3	-	2	2	-	-	2	2	-	-	-	-	-	-	-	-	-
‘D’	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6	3	-	3	2	-	-	2	2	-	-	-	-	-	-	-	-	-

Organisation: Competent Authorities for 'Forfeiture of Illegally Acquired Property'

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ðBô	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ðCô	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ðDô	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Organisation: Directorate of Enforcement

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	39	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	07	ð	ð	ð
ðBô	195	ð	ð	01	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	21	ð	ð	ð
ðCô	283	ð	ð	02	ð	ð	ð	72	ð	ð	ð	ð	ð	ð	13	ð	ð	ð
ðDô	107	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð	ð
Total	624	ð	ð	03	ð	ð	ð	72	ð	ð	ð	ð	ð	ð	41	ð	ð	ð

Organisation: Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

GRADE	Number of Employees				DIRECT RECUITMENT							PROMOTION						
					No. of vacancies reserved			No. of Appointments made				No. of vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ôBô	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ôCô	2	-	2	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-
ôDô	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5	-	5	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-

N.B.: Central Economic Intelligence Bureau (CEIB), Appellate Tribunal for Forfeited Property (ATFP), Financial Intelligence Unit-India (FIU-IND), Income Tax Settlement Commission (ITSC), Customs and Central Excise Settlement Commission, Authority for Advance Rulings (Income Tax), Authority for Advance Rulings (Central Excise, Customs & Service Tax), Adjudicating Authority under PMLA, 2002, Appellate Tribunal under PMLA, 2002 and National Institute of Public Finance and Policy (NIPFP) have furnished 'Nil' information.

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).

Department of Disinvestment

I FUNCTIONS

As per Government of India (Allocation of Business) Rules, 1961 the mandate of the Department is as follows:

1. a. All matters relating to disinvestment of Central Government equity from Central Public Sector Enterprises (CPSEs).

   b All matters relating to sale of Central Government equity through offer for sale or private placement in the erstwhile CPSEs(inserted through amendment Notification dated 28 June 2007).

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 CPSEs, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Disinvestment.

2. Decisions on the recommendations of the Disinvestment Commission on the modalities of Disinvestment, including restructuring.

3. Implementation of disinvestment decisions, including appointment of advisers, pricing of shares, and other terms and conditions of disinvestment.

4. Disinvestment Commission wound up with effect from 31st October, 2004

5. CPSEs for purposes of disinvestment of Government equity only.

6. Financial Policy in regard to the utilization of the proceeds of disinvestment channelized into the National Investment Fund

II VISION

Promote people's ownership of Central Public Sector Enterprises to share in their prosperity through disinvestment. Enhanced People's ownership shall lead to better corporate governance.

III MISSION

1. List all profitable Central Public Sector Enterprises on stock exchanges and increase public shareholding in the ones listed, to facilitate in:

   (a) Higher disclosure levels that bring about greater transparency and accountability in the functioning of the Central Public Sector Enterprises.

   (b) Bringing market discipline to the functioning of Central Public Sector Enterprises.

   (c) Unlocking the true value of the Central Public Sector Enterprises for all stakeholders – investors, employees, Company and the Government.

2. Already listed profitable Central Public Sector Enterprises (not meeting mandatory minimum public shareholding of 10%) are to be made compliant by 'Offer for Sale' by Government or through issue of fresh shares by the CPSEs or a combination of both.

3. To raise budgetary resources.

IV ORGANISATIONAL STRUCTURE

Shri Ravi Mathur assumed the charge of Secretary, Department of Disinvestment on 14th January, 2013. The Secretary is assisted by four Joint Secretaries. One of the Joint Secretaries is also functioning as Chief Executive Officer, NIF. The Department functions on the Desk Officer pattern and the disinvestment work is handled at the level of Under Secretary.

The Organisational Structure of the Department is placed at Appendix –I

V POLICY ON DISINVESTMENT

The present disinvestment policy has been articulated in the President's addresses to Joint Sessions of Parliament and the Finance Minister's Budget Speeches. The policy envisages the development of "People ownership" of Central Public Sector Enterprises.

The salient features of the Policy are:

(i) Citizens have every right to own part of the shares of Central Public Sector Enterprises.

(ii) Central Public Sector Enterprises are the wealth of the Nation and this wealth should rest in the hands of the people.

(iii) While pursuing disinvestment, the majority shareholding of at least 51% and management control of the Central Public Sector Enterprises to be retained by the Government.

VI APPROACH TO DISINVESTMENT

Presently the following approach has been adopted for disinvestment:

(i) Already listed profitable Central Public Sector Enterprises (CPSEs) not meeting the mandatory public shareholding of 10% are to be made compliant by public offering out of Government shareholding or issue of fresh equity by the CPSEs concerned or a combination of both;

(ii) All unlisted CPSEs having positive net worth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both;

(iii) Further public offerings by listed CPSEs taking into consideration their capital investment requirements with Government of India simultaneously or independently offering a portion of its shareholding in such CPSEs;

(iv) All cases of disinvestment are to be decided on a case by case basis as each CPSE has different equity structure, financial strength, fund requirement, sector of operation, etc., factors that will not permit a uniform pattern;

(v) Government retains at least 51 per cent equity and management control in all cases of disinvestment through public offerings.

VII BENEFITS OF DISINVESTMENT

(i) Disinvestment and listing of CPSEs on stock exchanges takes the economic reform agenda forward and inter alia,

➢ **Improves corporate governance**

- Higher disclosure levels as mandated by SEBI/ stock exchanges and under Company Law bring in greater transparency and answerability. The oversight mechanism therefore becomes robust and multilayered.
- Enhanced corporate governance with the induction of independent Directors.
- Higher levels of investor focused scrutiny and research demand adherence to professional conduct of business resulting in improved corporate culture.
- The company will be subject to market discipline that helps improve the working culture both at the managerial level as well as at the shop floor level. Day to day variations in trading price not only benchmarks the performance but also signifies the impact of everyday events.

➢ **Develops and deepens the capital market through spread of equity culture**

- The process of listing of CPSEs on stock exchanges facilitates development and deepening of capital market and spread of equity culture.
- Resources locked in sectors developed enough to raise money from the market are channelized into areas of economy that are less likely to access resources from the market because of their stage of economic development.
- When more resources are used for infrastructure development, it creates jobs for large number of unemployed and simultaneously provides platform for higher economic growth.

(ii) This also creates fiscal space for relocation of resources locked in CPSEs.

➢ **Unlocks true value of the Enterprises for all stakeholders, namely, investors, employees of the CPSE concerned, the Company and the Government**

- Consequent to listing, the CPSEs will be able to approach the capital market to raise resources for their capital expenditure requirements as is the case among private companies. Thus, the dependence on Government funding will be reduced.

(iii) Raise budgetary resources for the Government.

VIII REFORM MEASURE AND POLICY INITIATIVES

The following measures have been taken this year to make the process of disinvestment more efficient and transparent.

➢ **Buyback:** On 07.02.2012 SEBI amended the guidelines relating to buyback of securities to provide for tendering of the shares by all shareholders in proportion to their shareholding. This is just like the provisions relating to Rights Issue of Shares by companies. Through this amendment the provisions have been made equitable to all shareholders compared to a favourable treatment to small shareholders. CPSEs have been enabled to use surplus funds to buyback their share and buy shares of other CPSEs from Government.

➢ **Exchange Traded Fund:** On the part of the Department of Disinvestment, an innovative method for disinvestment is being looked into. The new method, Exchange Traded Fund (ETF), based on CPSE shares when launched, would provide investors, particularly the small investors, an opportunity to buy a product that will represent number of public sector shares, comprising the basket of ETF and thus, the risk gets minimized. For the Government, this method would provide an additional mechanism for monetization of its stakes in CPSEs in a stock neutral, time-efficient and non-disruptive manner.

➢ **National Investment Fund:** The restructuring of National Investment Fund (NIF) has been approved by Government on 17th January 2013. The NIF will account for all disinvestment proceeds w.e.f. 01st April 2013. The disinvestment proceeds will be utilized for recapitalization needs of CPSEs, Public Sector Banks and Public Sector Insurance Companies. The proceeds could also be used to subscribe to shares of CPSEs on rights basis or on preferential basis, so as to ensure that Government's shareholding in the CPSEs does not fall below 51%.

IX PERFORMANCE/ACHIEVEMENTS

The Department of Disinvestment has no plan or non-plan scheme. The entire Budget of the Department is under non-plan for payment of salary, wages, professional services and other administrative expenses, etc. The Budget Estimate for the financial year 2012-13 for the Revenue was Rs. 63.24 crore and Revised Estimate for financial year 2012-13 is Rs. 25.83 crore.

1. (i) Disinvestment transactions completed during 2012-13 (upto December, 2012).

(a) **National Buildings Construction Corporation Ltd. (NBCC)** – Disinvestment of 10% paid-up equity capital of the Company through an Initial Public Offer in the Domestic Market. Government of India shareholding has come down from 100% to 90%. Government realized an amount of Rs.124.97 crore. The company got listed on the stock exchanges.

(b) **Hindustan Copper Ltd. (HCL)** – Disinvestment of 5.58% paid-up equity capital of the Company through Offer for Sale in the Domestic Market. Government of India shareholding has come down from 99.59% to 94.01%. Government realized an amount of Rs. 807.02 crore.

(c) **National Mineral Development Corporation Ltd. (NMDC)** – Disinvestment of 10% paid-up equity capital of the Company through Offer for Sale in the Domestic Market. Government of India shareholding has come down from 90% to 80%. Government realized an amount of Rs. 5973.27 crore.

(ii) Disinvestment transaction(s) under implementation:

(a) **Oil India Ltd. (OIL)** – Government has approved disinvestment of 10% paid-up equity capital of Oil India Limited out of Government's holding of 78.43% through an "Offer for Sale of Shares through Stock Exchanges" as per SEBI Rules and Regulations. Transaction is likely to be completed during current financial year.

(b) **National Thermal Power Corporation Ltd. (NTPC) -** Government has approved disinvestment of 9.50% paid up equity capital in NTPC out of Government's shareholding of 84.50% through OFS method. Transaction is likely to be completed during current financial year.

(c) **MMTC Limited (MMTC)** – Government has approved disinvestment of 9.33% paid-up equity capital of MMTC out of Government's holding of 99.33% through an "Offer for Sale of Shares through Stock Exchanges" as per SEBI Rules and Regulations. Transaction is likely to be completed during current financial year.

(d) **Bharat Heavy Electricals Ltd. (BHEL) -** Government has approved disinvestment of 5% equity out of Government shareholding. DRHP was filed with SEBI on 30.09.11. The Issue could not be launched due to non-availability of requisite numbers of Independent Directors. Due to restrictions imposed on investor relations activity, the DRHP filed with SEBI has been allowed to be withdrawn by the Company. As SEBI has now provided auction route for sale of shares, the possibility of the same in respect of BHEL is under consideration. A decision to commence with the transaction is yet to be taken in consultation with Department of Heavy Industry.

(e) **Rashtriya Ispat Nigam Ltd. (RINL) -** Government has approved disinvestment of 10% paid up equity capital of RINL. The RHP was filed with SEBI on 27.09.2012. Preparatory action for appointment of advisors has been completed. The Issue has been deferred for the time being.

(f) **Steel Authority of India Ltd. (SAIL)** - Government has approved disinvestment of 10.82% paid up equity capital of SAIL out of GoI shareholding through Stock Exchanges Mechanism. The Merchant Bankers/Selling Brokers and Legal Advisers for the Issue of SAIL have been appointed. The implementation of the decision of Government is under process.

(g) **National Aluminium Company Ltd. (NALCO**) - Government has approved disinvestment of 12.15% paid up equity capital in NALCO out of GOI's holding of 87.15% through an 'Offer for Sale of Shares through Stock Exchanges' as per SEBI Rules and Regulations. Merchant Bankers/Selling Brokers and the Legal Advisors for the Issue have been appointed. The OFS transaction would be carried out after there is clarity with regard to the improvement in the performance in 3rd quarter.

(h) **Hindustan Aeronautics Ltd. (HAL**) - Government has approved disinvestment of 10% paid up equity in HAL out of GOI's shareholding of 100% through an Initial Public Offering (IPO). The Book Running Lead Managers and Legal Counsels to the Issue have been appointed. Issue is expected in financial year 2013-14.

(i) **Rashtriya Chemicals and Fertilizers Ltd. (RCF**) - Government has approved disinvestment of 12.5% paid up equity in RCF out of GOI's shareholding through stock exchange mechanism. The procedure for appointment of Merchant Bankers/Selling Brokers is in progress.

(j) **Neyveli Lignite Corporation Ltd. (NLC**) - Proposal for disinvestment of 5% paid up equity of NLC out of GOI's shareholding of 93.56% through an Offer for Sale (OFS) has been mooted. Merchant bankers/Selling brokers and Legal Advisors for the OFS in NLC transaction have been appointed. Transaction is likely to be carried out in financial year 2013-14.

(k) **Engineers India Ltd. (EIL)** – Government has approved disinvestment of 10% paid-up equity capital in Engineers India Limited (EIL) out of Government shareholding of 80.40% through a prospectus based Further Public Offering (FPO) in the domestic market. Transaction is likely to be carried out in FY 2013-14.

(l) **Tyre Corporation of India Limited (TCIL) -** Pursuant to the passage of the TCIL (Disinvestment of Ownership) Bill 2007 by the Parliament, the CCEA on 16th Nov. 2008 approved disinvestment in TCIL through outright sale. Pursuant to the above decisions, Department of Disinvestment constituted an Inter-Ministerial Group(IMG) on 13th October, 2011 for guiding the process of disinvestment through strategic sale in TCIL. The Advisor, the Legal Advisor and the Asset Valuer for the transaction have been appointed. In response to Advertisement requesting Global Expression of Interest for TCIL transaction issued on 13th and 20th July, 2012, three parties have submitted their EOIs. IMG in its meeting held on 22nd November, 2012 considered and approved the Draft Sale documents viz CIM, SPA, DD&DR Rules and RFP for TCIL transaction. Site visits and due diligence by the bidders were completed in December, 2012.

X PROCEEDS FROM DISINVESTMENT

The budgetary target for disinvestment for 2012-13 was Rs. 30,000 crore. The Government has, till December, 2012, realized an amount of Rs.6905.26 crore from disinvestment of 10% equity of National Building Construction Corporation Ltd. by way of IPO, 5.58% equity of Hindustan Copper limited and 10% equity of National Mineral Development Corporation through Offer For Sale (OFS) of shares by Promoters through the Stock Exchange Mechanism.

XI NATIONAL INVESTMENT FUND (NIF)

On 27 January 2005, the Government decided to constitute a 'National Investment Fund' (NIF) into which the realization from sale of minority shareholding of the Government in profitable CPSEs would be channelized. The Fund would be maintained outside the Consolidated Fund of India. The income from the Fund would be used for the following broad investment objectives:-

(a) Investment in social sector projects which promote education, health care and employment.

(b) Capital investment in selected profitable and revivable Public Sector Enterprises that yield adequate returns in order to enlarge their capital base to finance expansion/ diversification.

Corpus of the NIF

A sum of Rs. 1814.45 crore only, forms part of NIF corpus as on 1st April, 2012 which stands invested outside Government account, with public sector Fund Managers. For FY 2012-13 out of the expected income of Rs. 196 crore on NIF, Rs. 115.47 crore has been received and balance income would be received by end of March, 2013.

Restructuring of NIF

From April, 2009 till 31st March, 2013 the disinvestment proceeds were utilized for funding capital expenditure of selected social sector programmes.

In order to ensure that all disinvestment proceeds are channelized into NIF and the same are available within the fiscal space of GOI, the Government have restructured the NIF w.e.f. April, 2013. The CCEA approved the restructuring on 17th January, 2013, whereby all the disinvestment proceeds will be credited to the NIF; the corpus which lies invested through Public Sector Fund Managers will also be credited to NIF and the NIF will be utilized for recapitalization needs of CPSEs, Public Sector Banks and Public Sector Insurance Companies. The proceeds could also be used to subscribe to shares of CPSEs on rights basis or on preferential basis, so as to ensure that Government's shareholding in the CPSEs does not fall below 51%.

XII OFFICIAL LANGUAGE POLICY

The Department has a full-fledged Official Language Unit for handling all work relating to Official Language.

XIII E-GOVERNANCE

As a part of good governance through the use of information technology, the website of the Department of Disinvestment (www.divest.nic.in) is updated on a regular basis. The website is user friendly and makes available information in an organized and systematic fashion.

XIV GRIEVANCE REDRESSAL MECHANISM

The Department is using the Centralized Public Grievance Monitoring System (CPGRAMS). Also the website of the Department has an in built mechanism for receiving grievances from public. A Joint Secretary has been nominated as Director of Public Grievances.

Internal Complaints Committee on Sexual harassment of women employees

In compliance with Supreme Court's Judgement dated 13th August, 1997 in Visakha case relating to prevention of sexual harassment of women at work place, an internal complaints committee has been put in place for considering complaints of sexual harassment of women employees in Department of Disinvestment.

XV VIGILANCE MACHINERY

A Joint Secretary has been designated as Chief Vigilance Officer of the Department.

XVI IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005.

In pursuance of the Right to Information Act., 2005, the following officers have been designated to handle RTI matters of the Department:-

- Shri V. N. Gaba, Deputy Secretary as Central Public Information Officer (CPIO)
- Shri Pramod Agrawal, Joint Secretary as Appellate Authority and "Transparency Officer"

Information relating to the Department of Disinvestment has been posted on the Department's website in compliance with Section 4(1) (b) of the RTI Act., 2005. The information is updated from time to time.

XVII RESULT FRAMEWORK DOCUMENT 2012-13

As required under the "Performance Monitoring and Evaluation System (PMES) for Government Departments", the Department has prepared a Results Framework Document (RFD) for 2012-13 which is placed on its website www.divest.nic.in.

Initiative for good governance

As per the mandate provided by the Government of India (Allocation of Business) Rules, 1961 the Department is not involved in the delivery of any public services or has any direct interface with the citizens or public at large. However, the Department has prescribed timelines for disposal of transaction related bills to avoid delay and any scope of corruption as also to promote good governance. These have been included under "Service Standards" in the Citizen/Client's Charter which is also placed on the website of the department.

XVIII AUDIT PARAS/OBJECTIONS

The office of the Principal Director of Audit conducted audit in the Department during October, 2011. No Audit paras/Objections are pending in the Department.

XIX INTEGRATED FINANCE UNIT

The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with expenditure and Budget related proposals of Grant No. 45 – Department of Disinvestment - which includes Secretariat General Services covering the establishment budget for the Department of Disinvestment.

The budget allocation under Grant No. 45 is as under:-

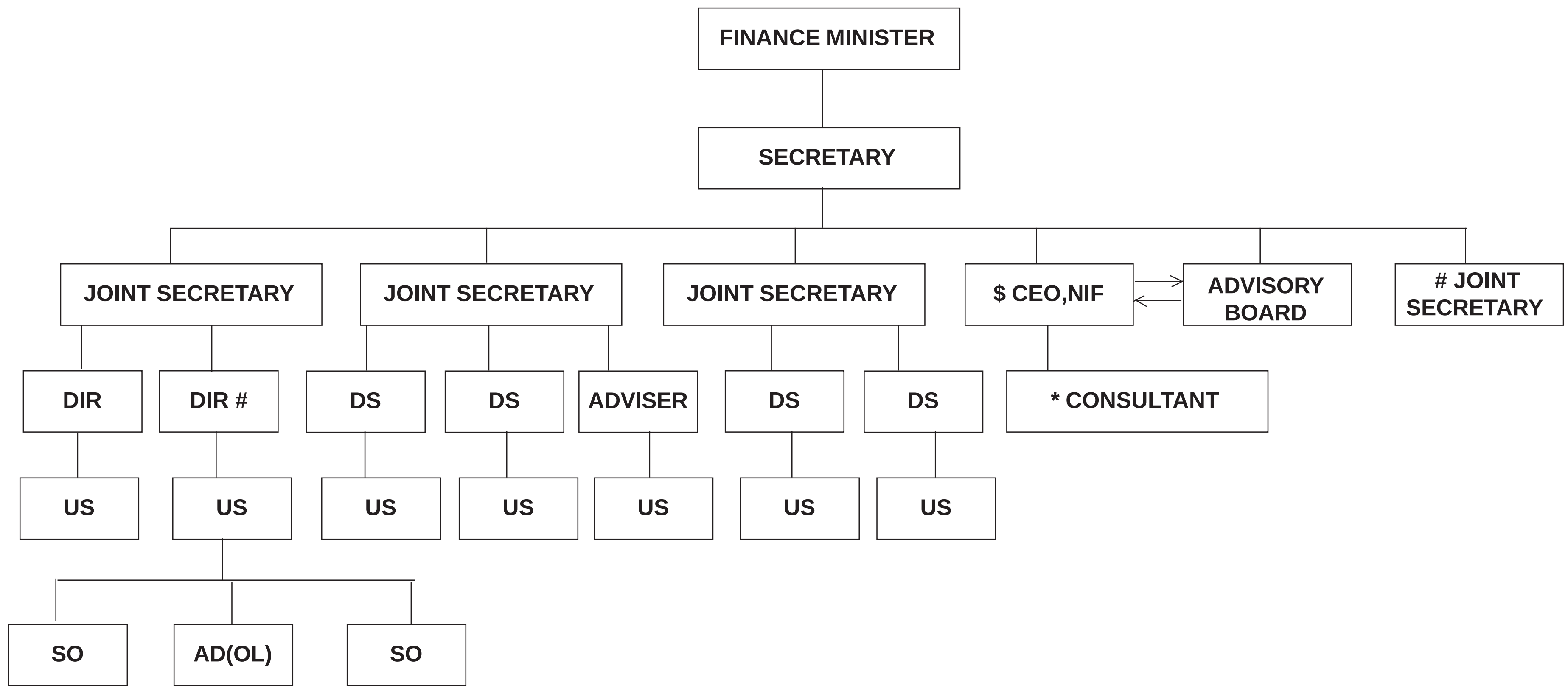
(₹ in crores)

Grant No.	Budget Estimates 2012-13			Revised Estimates2012-13		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
45 - Department of Disinvestment	—	63.24	63.24	—	25.83	25.83

The Integrated Finance Unit monitors all financial and expenditure related proposals of the Department like appointment of consultants, foreign deputation/ visits of officers etc. The expenditure trend of the Department is consistently monitored by the IF Unit. All budget related matters including issues concerning Standing Committee on Finance come within the purview of this unit.

ORGANISATIONAL STRUCTURE

DEPARTMENT OF DISINVESTMENT



$ Chief Executive Officer (National Investment Fund). Additional charge held by one of the Joint Secretaries.

* At present, one Director is posted against post of Consultant.

One Director (CSS) has been promoted as Joint Secretary (in-situ) w.e.f. 27-12-2012.

Department of Financial Services

Work Allocation among Sections

Banking Operation-I (BO-I) - Appointment of Governor/Deputy Governor of RBI, Chairman & MDs of SBI, CMDs and EDs of Nationalised Banks, CMDs of NABARD and NHB; appointments of Whole Time Director in Exim BANK, SIDBI and IDBI, salary allowances and other terms and conditions of Whole Time Directors of PSBs and FIs/ above institutions; constitution of Boards of Directors of RBI and PSBs;-appointment of Workmen Employee Directors, appointment of Part Time Non Official Directors and Officer Employee Directors of PSBs.

Banking Operation-II (BO-II) - Publicity in PSBs; functioning of PSBs; disputes and arbitration between PSBs and between PSBs and other Govt. Depts.,/PSEs; appointment of advocates in PSBs, acquisition/leasing/ renting/ vacation of premises; residuary matters of Portuguese Banks in Goa, Estate Officers under Public Premises Act, 1971; opening and shifting of administrative offices of banks including currency chests; office of the Court Liquidator at Kolkata High Court; terrorist financing matters. All acts and laws relating to commercial banks(excluding those specifically allotted to other Sections); banking sector reforms, subordinate legislations on the aforesaid matters. Matters relating to Appellate Authority on NBFCs. NBFCs/Asset Restructuring Companies; Deposit Insurance and Credit Guarantee Corporation (DICGC) policy matters; Local Area Banks. Receipt and payment work of Government. International Relations (Banking, Insurance and Pensions Reforms); Financial Action Task Force (FATF); International Cooperation in Joint Investment Fund-Oman-India Fund and Indo-Saudi Fund. WTO and Border Banking facilities.

Banking Operation-III (BO-III) - Customer Service in Banks, All kinds of complaints/representations received from individual/ associations for redressal of their grievances on delay in clearance of cheques, non-payment/non-issue of drafts, non issue/delay in issue of duplicate drafts, misbehaviour/rude behaviour/ harassment on the part of staff of the Bank, non settlement/delay in settlement of deceased accounts, non-transfer/delay in transfer of accounts from one office to another, non opening/delay in opening of new accounts, non-compliance with standing instructions of the customers, non-payment of term deposits before maturity, delay in payment to pensioners, including those related to credit cards against PSBs, All kinds of complaints received from MPs/VIPs/PMO/President Sett. , received against PSBs on items allotted to the Section, All kind of complaints received from DARPG/DPG relating to Public/ Private Sector and Foreign Banks, All kind of complaints received from MPs/VIPs /PMO against Private Sector & Foreign Banks. Banking Customer Service Centres; Banking Ombudsman.

Banking Operation & Accounts (BOA) -Licensing, amalgamation, reconstruction, moratorium funds, and acquisition of private sector banks; overseas branches of Indian banks; operation of foreign banks in India; preparation of annual consolidated review on the working of Public Sector Banks and laying it on the Tables of both Houses of Parliament; pattern of accounting and final accounts in Public Sector Banks; study and analysis of the working results of PSU Banks; audit of banks, IFSC, appointment and fixation of remuneration of auditors of PSBs/FIs; laying of annual reports and audit reports etc., of PSU Banks, in Parliament; taxation matters of PSBs/ FIs; dividend payable to Central Government by PSBs; scrutiny of the annual financial reviews of PSBs conducted by RBI under Section 35 of the Banking Regulation Act, 1949 and follow up action; operation of the schemes of bank guarantee and complaints; matters regarding PSBs; capital restructuring of banks *(including restructuring of weak public sector banks)* and Government's contribution to share capital, public issue of banks; notification regarding exemption from various sections of the Banking Regulation Act, 1949 and Payment and Settlement System Act, 2007 for public as well as private sector banks; appointment of appellate authority to hear appeals under BR Act and PSBs Act; Release of externally aided grants to ICICI Bank under USAID. Citizen's Charter of Public Sector Banks/RBI.

Agriculture Credit (AC) – Agriculture Credit; Agricultural Debt Waiver and Debt Relief Scheme, 2008; matters relating to NABARD (except service matters), Agriculture Finance Corporation(except Service matters), State Legislations on the subject, Co-operative Banks (including Urban Co-operative Banks), World Bank, ADB and kfw aided projects relating to rural/agriculture credit, appeals made by co-operative banks, matters relating to Micro Finance, financial assistance to persons affected by natural calamities, riots disturbances, etc. Bank credit to KVIC, handloom and handicraft sector. Citizen Charter of NABARD.

Credit Policy (CP) - Priority Sector Lending,; lending to weaker sections of Priority Sector including *SC/ST*; PM's New 15 Point Programme for the Welfare of Minorities; Credit to Minorities; Follow up action of Select Parameters recommended by Sachar Committee; DRI Scheme; Govt. Sponsored Schemes-PMEGP, Education, employment generation scheme of SJSRY; SGSY and other poverty alleviation programmes, educational loans.

Regional Rural Banks (RRB) – Legislative matters with regard to RRB Act, 1976 and framing of rules thereunder; nomination of non-official directors on the Board of RRB, appointment of Chairman, Recommendation of RRBs, review of performance of RRBs, wage revision, manpower planning; laying of Annual Reports of all RRBs along with review thereof; formation of Staff Service Regulation and Promotion Rules for employees and officers of RRBs, IR matters of RRBs. Citizen's Charter of RRBs.

Financial Inclusion (FI) - Work relating to financial inclusion, coordination with other sections, offices, institutions etc on Financial inclusion; Branch expansion of banks; Lead Bank Scheme and Service Area Approach; District and State Level Bankers' Committee(SLBC); Regional imbalances of banking network, matters related to Business Correspondents/Business Facilitators, Mobile Banking etc., matters relating to e-Governance in all FIs and e-Payments in banking system and computerisation of PSBs.

Industrial Relations (IR) – Service matters of PSBs including IDBI/FIs/NABARD/RBI; Industrial Disputes Act matters, HR matters relating to PSBs and RBI Unions and Associations in the Banking Industry, Bipartite settlements of, policy of transfer, promotion, and HRD in banks; IB reports about political activities of bank employees; Pay and Allowances of bank employees in overseas branches; HR Reforms.

Coordination (Coord.) – Organisation of FM's meetings with CEOs of PSBs; and regional consultative committee meetings; Presidential address to the Joint Session of Parliament; Staff Meeting of Secretary (FS); monitoring & review of disposal of VIP references, PMO references, coordination of RBI pending matters; compilation and submission of material for Parliament Questions to other Ministries/Departments; Parliament Questions regarding VIP references; Monthly DO letter to Cabinet Secretary from Secretary (FS);Appointment of CPIOs, ACPIOs, AA and Nodal Section for RTI matters of DFS and to deal with CIC for Annual Report etc.; Updation of Induction Material for DFS; Co-ordination of VIP, PMO, President Sectt., etc. references involving more than two Divisions of DFS.

Establishment (Estt.) – Matters pertaining to the Officers and Staff of DFS, including RRs, appointment, ACRs, deputation(including abroad), training, IWSU, SIU, welfare, review of officers under FR 56(J), internal vigilance, staff grievances, pension, etc.; grant of various advances to officers and staff, payment of fees to advocates, settlement of medical claims and CGHS matters, family welfare programme.

General Administration (GA) - House keeping, cleanliness, stores, canteen, R&I, library, Staff Car Drivers, vehicles to the officers of DFS, purchase of Computer Hardware and Maintenance of Computers, Printers and other equipments. Providing of Identity Cards to the Staff of DFS and CMDs/EDs/PROs of Public Sector Banks/Financial Institutions/Insurance companies, etc.

Parliament – Collection, identification and marking of Parliament Questions, Notices, admitted Questions, and getting the files approved from the Minister. Preparation of facts and replies for pads of Ministers; keeping track and record of pending Assurances, Special Mentions and References under 377 and other matters as mentioned in the Induction Material.

Office of Custodian - Joint Parliamentary Committee (JPC) (which enquired into irregularities in securities transactions); disciplinary action against bank employees/executives involved in irregularities in securities transactions; establishment matters relating to Special Courts/Office of the Custodian; all issues pertaining to continuation of posts, budget matters of the O/o Custodian and Special Court including extension of the Office of Custodian and appointment of Custodian.

Welfare – matters relating to recruitment, promotion and welfare measures of SC/ST/OBC/PH and Ex-servicemen in PSBs/FIs; matter of policy regarding reservation for these categories in PSBs/FIs, Insurance Companies, reservation matters in RRBs etc.

Data Analysis (DA) - Reserve Bank of India Credit Policy – Busy Season – Slack Season and selective credit control; financial sector assessment and sectoral credit analysis; Banking Statistics regarding bank deposits and advances; deposits and advances of banks; rates of interest on bank deposits and advances; Dissemination of results and important information relating to RBI, IBA, studies on banking reforms; analysis of other international reports relevant to banking sector in India; Analysis of Reports of committees on Financial Sector Reforms etc. Management Information System – collection, collation of data relating to Banking Industry. Result Framework Document (RFD), Speeches of FM/MOS on different occasions.

Industrial Finance-I – Administration of the Export-Import Bank Sct-1981 and Scheme for financing Viable Infrastructure Projects (SIFTI) of IIFCL, Operational/Policy/Budgetary matters relating to Exim Bank, IIFCL, IWRFC and IIBI Ltd; Matters related to IFCI Ltd, IDFC Ltd, Closure of IIBI Ltd, related matters; Board level appointments-Whole Time Directors- IIFCL, IWRFC and IIBI Ltd; Government Nominee Directors-Exim Bank, IIFCL, IWRFC, IIBI Ltd, IFCI Ltd. and IDFC Ltd; Non-official Directors-Exim Bank, IIFCL, IWRFC and IIBI Ltd; Sector-specific matters like infrastructure, power, textiles, exports; commerce etc.; Administration of Exim Bank Act; laying of annual reports of FIs; matters related to Ratnagiri Gas and Power Pvt. Ltd (RGPPL). Citizen's Charter of EXIM Bank and IIFCL.

Industrial Finance-II – Matters relating to NHB and Housing Policy, BIFR, Appellate Authority for Industrial and Financial Reconstruction (AAIFR), Sick Industrial Companies (Special Provisions) Act (SICA), appointment of members of BIFR, AAIFR; Small and Medium Enterprises (SMEs), SIDBI, SFCs, Credit Guarantee Fund for Micro and Small Enterprises; MLIs, Credit Guarantee Scheme and other related matters on the subject. Citizens Charter of NHB and SIDBI.

Housing - Issues relating to operation of 1% Interest Subvention Scheme on housing loans upto ₹ 10 lakh where the cost of the house does not exceed ₹ 20 Lakh. National Housing Bank (NHB) and Reserve Bank of India (RBI) are the nodal agencies for the scheme for Housing Finance Companies (HFCs) and Scheduled Commercial Banks (SCBs) respectively. All claims received are being released to NHB and RBI for further sanction to HFCs and SCBs. Implementation of Credit Guarantee Fund Trust for Low Income Housing (CGFTLIH) being managed by Ministry of Housing and Urban Poverty Alleviation (M/o HUPA) Issues relating to Rural Housing Fund (RHF).Issued related to Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) being operated by Ministry of HUPA. Administration of National Housing Bank Act, 1987.

Vigilance - Consultation with CVC/CTE; nomination of CVOs for PSBs/FIs; correspondence with CBI; Annual Action Plan on Anti Corruption measures; investigation of cases of frauds by CBI & RBI; matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures in RBI/PSBs/FIs and Insurance Companies; inquiry into complaints against GMs/EDs and CMDs of PSBs/FIs and Vigilance Surveillance over them; major frauds in PSBs (in India and abroad); PMO references on anti corruption measures; bank security; robberies & loss prevention in banks; sanction of prosecution in case of ED/CMDs; War Book matters; Annual Reports of CVC; Conduct Regulation in PSBs/FIs, employment after retirement regulations in PSBs; CVC/CBI references relating to DRTs/DRATs.

Debts Recovery Tribunals (DRT) – Establishment of DRTs/DRATs under the Recovery of Debts due to Banks and Financial Institutions Act, 1993; framing or amending rules for implementing of the provisions of the DRT Act; filling up of the posts of Chairpersons, Presiding Officers, Registrars, Assistant Registrars, Recovery officers, and other posts in DRTs/ DRATs; issuing clarifications/guidelines etc. on administrative matters/review; progress and disposal of cases by DRT/DRATs; budget provisions, monitoring, etc relating to DRTs/DRATs. SARFEASI/DRT, Central Registry and CIBIL, Securitisation and Foreclosure, subordinate legislation on the aforesaid matters; resolution of NPAs of PSBs etc.

Micro Finance

Matters related to Micro Finance Institutions and Legislation thereon, Self Help Groups, as well as NABARD's Micro Finance, etc.

Insurance-I

LIC Business -Review of the performance of LIC; Laying of Reports of LIC in Parliament; Opening/ winding up of branches of LIC in India; Appointment of Auditors for LIC; Administration of PP Act in LIC and references relating to Estate matters in LIC; Foreign operations/ subsidiaries of LIC; References on Social Security Schemes and other life insurance schemes; Review of performance and making budgetary provisions for various GOI funded schemes such as Janashree Bima Yojana, Shiksha Sahayog Yojana, Varishatha Bima Yojana and Aam Aadmi Bima Yojana; Other Social Security Group Insurance Schemes under LIC; Central Government Employees Group Insurance Scheme; Postal Life Insurance Scheme; Employees' Provident Fund Scheme; All Government sponsored/ supported schemes in life insurance; Any other life insurance or social security products/ scheme proposals; Others: Appellate Authority constituted under Section 110H of the Insurance Act, 1938;

Coordination work relating to the following Committees: Committee for the Welfare of Women; Committee for the Welfare of SC/ST; Estimates Committee;

Appointments - LIC - Selection & appointment of Chairman/ MDs, LIC, appointment of Directors on the Board of LIC, appointment of ex-officio members on the subsidiaries of LIC; Permission for foreign deputation of Chairman and MDs of LIC; Permission for commercial Employment after Retirement for Chairman/ MDs, LIC and other ––––-executives of LIC; **IRDA -** Appointments of Chairperson and Members of IRDA; Service condition of Chairman, Members and employees of IRDA; Budget and Funds of IRDA; Other matters relating to Brokerage agencies, entry of new companies and regulations of IRDA.

Service Matters - Service matters, rules and regulations in all public sector insurance companies; Representations on service matters by employees of public sector insurance companies; Service matters of Development Officers/ Agents/Intermediaries; Wage Revision/ Bonus/ VRS in LIC / Public Sector General Insurance Cos; Implementation of Pension Scheme/ policy matters on commercial employment. Citizen's Charter of Life Insurance Corporation Ltd.

Insurance-II

Grievances - Public grievances against services provided by Public Sector Insurance Companies including

AICL and IRDA other than on service matters; Periodical meetings of Public Grievances Officers of public sector insurance companies; Functioning of internal public grievances redressal machinery in public sector insurance companies; Functioning of external redressal machinery like Consumer Courts, Ombudsmen, Lok Adalats, MACT and Courts etc; Appellate Authority constituted under Section 110H of the Insurance Act 1938. Citizen's Charter of Non Life Insurance Companies.

**Insurance Sector Reforms - ** All matters relating to reforms in insurance sector; Reforms related amendments to Insurance Act, 1938, LIC Act, 1956, GIBNA, 1972, IRDA Act, 1999 and Actuaries Act, 2006; Implementation of Law Commission Reports..

Appointments - Policy issues concerning selection of Chief Executives in the PSU insurance companies including AICL; Appointment on the Boards of public sector non-life companies including AICL; Foreign deputation of Insurance executives; permission for Chief Executives of non-life companies including AICL.

General Insurance: Review of the performance of General Insurance Companies including AICL; Matters relating to Insurance Schemes of Public Sector General Insurance Companies including AICL and audit paras thereon; Computerization of public sector general insurance companies; References relating to Surveyors and Agents of non-life PSICs; Foreign operations of public sector general insurance companies; Reference relating to Re-insurance, Third Party Administrators, Tariff Advisory Committee; Opening/ winding up of branches ; Administration of War Risk (Marine Hull) Reinsurance Schemes, 1976; Reference from RBI on permission for release of foreign exchange for insurance policy abroad; Laying down of Annual reports of General Insurance Companies/ GIC/ AICL; Administration of PP Act in non-life insurance companies and references relating to Estate matters in those companies.

Coordination - Work relating to Budgeting, Tax proposals, Budget Announcements relating to insurance, Annual Report, Economic Survey, India Reference Annual, Economic Editors Conference, PMO/ Cabinet References, CII & FICCI, within Insurance Division, matter related to e-payments in Insurance Companies, computerization of Insurance Companies.

Coordination work relating to the following Committees: - Standing Committee on Finance; Committee on Subordinate Legislation; Petitions Committee; Committee on Public Undertaking (COPU).

Others - WTO multi-lateral/ bilateral agreements; Inter-Government agreement between India and any other country.

Pension Reforms (PR) - Coordinating and introducing Pension Reforms; Introduction of New Pension System and extension of its coverage to State Governments and unorganised sector and implementation of the Co-Contributory Swavalamban Scheme; Creation of a Non-statutory Interim Pension Fund Regulatory and Development Authority and administrative matters relating thereto; Formulation of the Pension Fund Regulatory and Development Authority Bill, 2011 and its passage through the Parliament; Matters relating to the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds.

Work relating to Parliament Questions, Legislation, Cabinet Notes, Court Cases, VIP References, RTI applications will be attended to by the respective Sections.

1. Banking Operations and Accounts

1.1 Capitalization of Public Sector Banks

As capital is a key measure of bank's capacity for generating loan assets and is essential for balance sheet expansion, Government of India has regularly been investing additional capital in the Public Sector Banks (PSBs) to support their growth and keep them financially sound and healthy so as to ensure that the growing credit needs of the economy are adequately met. A sum of ₹12,000 crore has been infused in seven PSBs during 2011-12 to enable them to maintain a minimum Tier I CRAR of 8% and also to increase shareholding of the Government of India in these PSBs.

For the year 2012-13 also, the Government has approved infusion of capital in PSBs to augment their Tier-I CRAR so as to maintain their Tier-I CRAR at comfortable level and to ensure that they remain compliant with the capital adequacy norms under BASEL-III as well as to support internationally active PSBs for their national and international banking operations undertaken through their subsidiaries and associates. For this purpose an amount of ₹12,517 Crore is being released to 13 PSBs.

1.2 Formation of Non operating Financial Holding Company

The High Level Committee to assess the capitalization of PSBs in the next 10 years, headed by Finance Secretary has, inter-alia, recommended various options for funding of PSBs. One of the options is raising of Extra Budgetary Resources through formation of Holding Company.

Given the budgetary constraints, it may not be feasible for GoI to infuse huge sums into the PSBs as it will impact the budget deficit. Given the fact that PSBs are playing a critical role in financial inclusion and poverty alleviation, the GoI needs to have control over the PSBs. Therefore, to reduce pressure on Budget, there is a need to leverage budgetary support by raising extra budgetary resources.

The Government is, therefore, considering formation of a non- operating Financial Holding Company (HoldCo) under a Special Act of Parliament with the following key objectives:

a. to act as an investment company for the Government of India;

b. to hold a major portion of Government of India's holdings in all PSBs;

c. to raise long term debt from domestic and international markets to infuse equity into PSBs; and

d. to service the debt from within its sources.

1.3. The Banking Laws (Amendment) Act, 2012

i. In order to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 / 1980 and other certain Acts, such as, RBI Act, 1934, Indian Stamp Act, 1899 and the Indian Contract Act, 1872, the Government has enacted the Banking Laws (Amendment) Act, 2012 (No. 4 of 2013).

ii. The Banking Laws (Amendment) Act, 2012 seeks to strengthen the regulatory and supervisory powers of Reserve Bank of India (RBI) and it would increase the access of the banks to capital market to raise capital required for expansion of banking business.

iii. The strengthening of RBI's power would quicken the process of finalization of guidelines 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

1.4 Central Know Your Customer (KYC) Registry.

The limitations and weaknesses in the existing KYC framework in financial, triggered the need for a Central KYC Registry covering the entire gamut of financial services in the country. Finance Minister in his Budget Speech, 2012 announced setting-up of Central KYC Registry to avoid multiplicity of registration and data upkeep. The Registry would be operationalised soon.

2. Regional Rural Banks

2.1 Branch Network of Regional Rural Banks

The number of branches of RRBs has increased from 16001 as on 31st March, 2011 to 16,909 as on 31 March, 2012 taking the network of RRBs to 620 districts in 26 states and 1 Union Territory.

2.2 Capital Infusion for Improving CRAR

Dr. K. C. Chakrabarty Committee had recommended recapitalisation support to 40 RRBs to enhance their CRAR to 9% .The amount of recapitalisation was assessed to be ₹ 2200 crore, to be shared by the stake holders in proportion of their shareholding, i.e, 50%,(Central Govt.),15% (State Govt) and 35% (Sponsor banks). The share of Central Government came to ₹ 1100 crore. The recapitalisation process was started in 2010-11. As per the approved scheme, the release of Central Government share was subject to release of the share by the respective State Government and Sponsor Banks. An amount of ₹ 468.92 crore was released to 21 RRBs in 2010-11 and 2011-12. Since all the State Governments did not release their share towards recapitalisation, the scheme has been extended upto March 31, 2014. An amount of ₹ 200 crore has been released during 2012-13 up to December, 2012. A provision of ₹ 535.00 crore has been made in RE of 2012-13 and ₹ 98 crore has been proposed for BE of 2013-14.

2.3 Financial Performance

The financial performance of RRBs improved during 2011-12 with 79 RRBs recording profit (before tax) of ₹ 2,549 crore as on 31 March, 2012. The total profit of the RRBs has increased from ₹ 2,349 crore in 2010-11 to ₹ 2,521 crore during 2011-12. After payment of Income Tax of ₹663 crore, the net profit aggregated to ₹1,886 crore during the year. The number of loss making RRBs decreased from 7 in 2010-11 to 3 during 2011-12 and their losses decreased from ₹ 71 crore to ₹ 29 crore in the corresponding period. As on 31 March 2012, 22 of the 82 RRBs reported accumulated losses to the tune of ₹ 1,333 crore as against ₹ 1,532 crore reported by 23 RRBs, as on 31 March, 2011. The accumulated loss has decreased by ₹ 199 crore during this period. As a result of improved financial performance, the aggregate reserves of RRBs stood at ₹ 11262.99 crore, as on 31st March, 2012 as against ₹ 9,565.58 crore, as on 31 March, 2011.

2.4 Non-performing Assets (NPA)

The Gross NPA of RRBs, increased from ₹ 3,712, crore as on 31 March, 2011 to ₹5859 crore, as on

31.3.2012. The Gross NPA as a percentage has increased from 3.75% to 5.03% in the corresponding period. The Net NPA of RRBs increased from ₹1,941 crore, as on 31 March, 2011 to ₹3372 crore, as on 31 March, 2012. The percentage of Net NPA also increased from 2.05% to 2.98% in the corresponding period.

2.5 Amalgamation of geographically contiguous RRBs in a State.

RRBs have played a pivotal role in institutional credit delivery network in rural areas, particularly to the agriculture sector. To enhance their outreach and provide banking services more effectively to rural masses, RRBs need to undertake a continuous process of technology and capital up-gradation.

With a view to minimise overhead expenses and optimise the use of technology in RRBs, the Government has, in consultation with National Bank for Agriculture and Rural Development (NABARD), the concerned State Government and sponsor banks, initiated the process of amalgamation of geographically contiguous RRBs in a State. With amalgamation, the capital base and area of operation of amalgamated RRBs will be enhanced and the amalgamated entities will be able to serve their area better. Till 7th January, 2013, 25 RRBs have been amalgamated into 10 RRBs bringing the number of RRBs to 67

3. Financial Inclusion

Effective access to and usage of financial services, particularly to the hitherto uncovered areas and sections of population is an important priority of the Government. Efficient delivery of financial services not only helps in unlocking the growth potential of the economy but also helps in a more equitable growth. It is with this objective that the Department of Financial Services has been pursuing the agenda of Financial Inclusion in the country, with the following key initiatives and achievements:

3.1 Initiatives and Achievements:

(a) "Swabhimaan" – the Financial Inclusion:

Under ‟Swabhimaan" - the Financial Inclusion Campaign launched in February 2011, banking facilities to over 74,000 habitations having a population of 2000 and above have been provided by engaging over 62,000 business correspondent agents (BCAs) and opening branches. About 3.16 crore Financial Inclusion accounts have been opened till March, 2012. Further, Public Sector Banks and Regional Rural Banks (RRBs) have operationalised over 43,000 Ultra Small Branches so far.

In pursuance to the announcement made by Finance Minister in budget speech 2012-13, the ‟Swabhimaan" campaign is being extended to about 45,000 habitations with population of more than 1000 in North Eastern and hilly States and with 1600-2000 population (as per 2001 census) in other States.

(b) Opening of Bank Branches:

Scheduled Commercial Banks have opened 6,503 branches during 2012-13, out of which 2,051 are in rural areas, 2,479 in semi-urban areas, 1,065 in urban areas and 908 branches in metropolitan areas.

(c) Reserve Bank of India (RBI)'s Branch Authorization Policy : To strengthen the Banking Infrastructure –

(i) RBI has permitted domestic Scheduled Commercial Banks (excluding RRBs) to open branches in Tier 2 to Tier 6 Centres (with population upto 99,999 as per census 2001) without the need to take permission from RBI in each case, subject to reporting.

(ii) RBI has also permitted SCBs (excluding RRBs) to open branches in rural, semi urban and urban centres in North Eastern States and Sikkim without having the need to take permission from RBI in each case, subject to reporting.

(iii) Domestic SCBs have been advised that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate atleast 25% of the total number of branches proposed to be opened during the year in unbanked Tier 5 and Tier 6 centres i.e. (population upto 9999) centres which do not have a brick and mortar structure of any SCB for customer based banking transactions.

(iv) Regional Rural Banks (RRBs) are also allowed to open branches in Tier 2 centres (with population of 50,000 to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting, provided they fulfill the following conditions, as per the latest inspection report:

a) CRAR of at least 9%;

b) Net NPA less than 5%;

c) No default in CRR / SLR for the last year;

d) Net profit in the last financial year;

e) CBS compliant.

(v) RRBs have also been advised to allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) Centres.

(d) Roll out of Direct Benefit Transfer w.e.f. 01.01.2013 :

The Government of India has introduced Direct Benefit Transfer in respect of 26 schemes in 43 pilot districts to begin with, directly into the bank accounts of beneficiaries with effect from 1st January, 2013. The purpose of Direct Benefit Transfer is to ensure that benefits go to beneficiaries' bank accounts electronically, cutting down delays. The scheme is to extended to other districts and schemes in a phased manner.

Under the Direct Benefit Transfer, Government will transfer cash benefits like scholarships, pensions, etc. directly to the Bank or Post Office Accounts of identified beneficiaries. Direct Benefit Transfer will be undertaken using Aadhaar issued by UIDAI. All Public Sector Banks are in a state of readiness for benefit transfer using beneficiaries Aadhaar. Regional Rural Banks (RRBs) sponsored by Public Sector Banks, are also getting ready for accepting and executing Aadhaar based benefit transfer advice.

Direct Benefit Transfer requires strengthening of banking infrastructure in the districts taken up under the scheme. At present Scheduled Commercials Banks have 97,473 bank branches (as on 30th June, 2012 and 1,05,784 ATMs (as on December, 2012) in the country. Besides, under the Financial Inclusion Campaign – "Swabhimaan", to extend banking services to habitations of 2000 or more population, banks have extended banking services to over 74,000 such habitations. Banks have been advised to complete mapping of the entire service area of districts under Direct Benefit Transfer to assess the requirement of additional bank branches, Business Correspondents, etc., to cater to the requirement of Direct Benefit Transfer. It is the endeavour that one banking outlet {branch / Business Correspondent Agent (BCA)} is available for, on an average, 1000-1500 households, taking the geographical and local conditions in consideration.

4. Agriculture Credit Targets

In order to boost agriculture productivity, farmers need access to affordable and timely credit facilities. As against the farm credit target of ₹5,75,000 crore for the year 2012-13, an amount ₹ 239,628.93 crore was disbursed upto September, 2012. Year wise position of target flow to agricultural credit and achievement is given in the following table:-

(₹ 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	2,54,658
2008-09	2,80,000	3,01,908
2009-10	3,25,000	3,84,514
2010-11	3,75,000	4,59,341
2011-12	4,75,000	5,11,029
2012-13	5,75,000	239,628.93*

* Provisional figures upto, September 2012

4.1 Interest Subvention Scheme

The Government of India has since 2006-07 been subsidizing short term crop loans to farmers in order to ensure the availability of crop loans to farmers for loans up to ₹3.00 lakh, at 7% p.a. This Interest Subvention Scheme has been further continued for 2011-12 for Public Sector Banks, Regional Rural Banks and Cooperative Banks. In the year 2010-11, an additional subvention of 2% was being provided to farmers who repay timely. This additional subvention has been increased from 2% in 2010-11 to 3% in 2011-12. Thus, the effective rate of interest for such farmers will be 4% per annum.

Around Rs.870 crore, ₹1,856 crore, ₹2,472 crore, ₹3,083 crore, ₹2,011 crore and 3531 crore have already been reimbursed to the lending institutions during the years 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 respectively for implementation of the Scheme. A provision of ₹6000 crore has been made in the BE 2012-13, out of which, ₹4377.99 crore has been released upto 19th November, 2012.

In order to discourage distress by farmers and to encourage them to store their produce in warehousing against warehouse receipts, the benefit of interest subvention will be available during 2011-12 to small and marginal farmers having Kisan Credit Card for a further period of up to six months post harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

4.2 Kisan Credit Card (KCC)

The Kisan Credit Card (KCC) Scheme was introduced in 1998-99, as an innovative credit delivery system aiming at adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, convenient and cost effective manner. The Scheme is being implemented by all the District Central Cooperative

Banks, Regional Rural Banks (RRBs) and Public Sector Commercial Banks throughout the country. KCC is one of the most effective tools for delivering agriculture credit. As per report received from NABARD, as on 31st March 2012, the banking system has issued 11.39 crore KCCs (since inception). Total amount sanctioned is ₹5,72,617 crore. Banks have been advised to issue Kisan Credit Cards (KCC) to all eligible farmers and General Credit Cards (GCC) to non-farmers. A new scheme for KCC has been circulated by NABARD which provides for KCC as an ATM card which can be used at ATM/ Point of sale (POS) terminals. This Department has advised all banks to implement the new KCC Scheme and issue ATM/Debit Cards to farmers in July, 2012.The progress of KCC during the year 2011-12 is as under

Institutions	No of KCCs issued	Amount sanctioned (in Crore)
Cooperative Banks	2959043	10642.52
Regional Rural Banks	1995565	11516.20
Public Sector Banks	5118549	50087.53
Total	10073157	72246.25

4.3 SHG-Bank Linkage Programme

The Self Help Group (SHG) ï 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 31.03.2012, 79.60 lakh SHGs were linked and 43.54 lakh SHGs were credit linked with various Banks across the country.

4.4 Rural Infrastructure Development Fund (RIDF)

The GOI established a fund to be operationalized by NABARD in the Union Budget **1995–96** called the RIDF which was set up within NABARD by way of deposits, from Scheduled Commercial Banks operating in India from the shortfall in their agricultural lending / priority sector/ weaker sections. The Fund has since been continued, with its allocation being announced every year in the Union Budget. Over the years, coverage under the RIDF has been broad based, in each tranche, and at present, ***a wide range of 31 activities*** are financed under various sectors. The annual allocation of funds announced in the Union Budget has gradually increased from ₹2,000 crore in 1995ï 96 (RIDF I) to ₹ 18,000 crore in 2011-12(RIDF XVII). The aggregate allocations have reached ₹1,52,500 crore. In the Budget speech 2012-13(RIDF XVIII), allocation of ₹20,000 crore has been made out of which ₹5,000 crore has been earmarked exclusively for creating warehousing facilities under RIDF.

4.5 Main Programmes and Schemes

Some of the important Programmes and schemes of AC Section during the year were:

(i) Interest Subvention Scheme for interest relief to farmers on short term production credit

(ii) Scheme for financing to warehousing infrastructure under specific allocation of ₹ 2,000 crore under RIDF.

(iii) Augmentation of Capital base of NABARD by infusing equity of ₹3,000 crore.

4.6 Other Legislations

The Micro Finance Institutions (Development and Regulation) Bill, 2011, for promotion, development and regulation of Micro Finance Institutions in rural and urban areas, is under formulation in the Ministry.

4.7 Revitalisation of Long Term Cooperative Credit Structure

The revival package for the Long Term Cooperative Credit Structure (LTCCS), based on the recommendations of Vaidyanathan Task Force-II was approved by the Government of India. Total outlay for implementation of this Revival Package is for ₹3,070 crore (₹2,206 crore for GoI, ₹482 crore for State Governments and ₹382 crore for Agriculture and Rural Development Banks or LTCCS). ₹20 crore has been released to NABARD for implementation of this Package during 2008-09. A provision of ₹1,000 crore has been made in the BE 2010-11 for the same. However, the Government of India had constituted a Task Force to assess the impact of the implementation of the Agricultural Debt Waiver & Debt Relief Scheme (ADWDRS), 2008 and STCCS package on the financial health of the LTCCS. The report of the Task Force has been accepted by the Government. A revival package for LTCCS (merger of STCCS and LTCCS) is under consideration of the Government.

4.8 Strengthening of the Capital Base of NABARD.

To enhance its borrowing capacity to ensure availability of adequate and affordable credit to farmers and to also meet the growing refinance needs of the Banks that are extending agriculture loans and are undertaking other development activities in the rural areas. The Union Finance Minister in his Budget Speech 2011-12 has proposed to strengthen NABARDõs capital base by infusing ₹3,000 crore in a phased manner, so far ₹1500 crore have been released.

5. Industrial Relations

5.1 Scheme for Training in Left Wing Extremist affected areas

To achieve the target of inclusive growth, Indian Banksô Association was advised to take steps to operationalize a coaching programme in Left Wing Extremist (LWE) affected areas of the Country as well as in the state of Jammu and Kashmir to prepare candidates to appear in the Common Written Examination (CWE) conducted by IBPS. Greater participation of youth from such areas in the Examination would also help the banks in getting over the problem of recruiting local staff in such areas.

5.2 Sabbatical leave for female employees

In view the dual responsibility held by the female employees, a welfare measure was taken and a concept of Sabbatical Leave to female Employees of Public Sector Banks(PSBs) was introduced for the first time in the PSBs. A Sabbatical leave of 2 years is allowed to female employees to meet their special problems during their career such as medical grounds, care of family members or children, higher studies, visit spouses, etc.

6. Debts Recovery Tribunals

The Central Government has established 33 Debts Recovery Tribunals (DRTs) and 5 Debts Recovery Appellate Tribunals (DRATs) established 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.

DRTs are providing valuable services to the banks and Financial Institutions for effecting recovery of dues. The role of the DRTs has been further enhahced by enacting the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, which provides for aggrieved parties to make appeals before the DRTs.

As per data (Provision) made available by DRTs, a total number of 9125 cases (OA) involving ₹ 16078 crores were disposed off by the DRTs during the period 01.01.2012 to 31.12.2012.

6.1 Recovery : The Recovery of Debts due to Banks and Financial Institutions Act, 1993 & SARFAESI Act, 2002 and their Rules, Central Registry, Credit Information Companies including CIBIL, Securitisation and Foreclosure, resolution/recovery of Non-Performing Assets (NPAs) of Public Sector Banks (PSBs), One Time Settlement / Compromise of loan accounts etc.

a. Non-Performing Assets of Public Sector Banks (PSBs)

i) As per data made available by the Reserve Bank of India (RBI), Gross NPAs of PSBs have shown an increase during the last three years i.e. ₹ 59,972 crore (March, 2010), ₹ 71,080 crore (March, 2011), ₹ 112,489 crore (March, 2012) and ₹ 143,610 (September, 2012). Although GNPAs have increased at system level, the GNPAs ratios of PSBs do not indicate any systemic vulnerability.

ii). Main reasons for increase in NPAs of banks, inter-alia, are switch over to System Based Identification of NPAs, current macro-economic situation in the country, increased interest rates in the recent past, lower economic growth during 2011 and aggressive lending by banks in the past, especially during good times.

iii). Some recent initiatives taken by the Government include appointment of Nodal officers by banks for recovery at the Head Office/ Zonal Office/ for each Debts Recovery Tribunal (DRT), thrust on recovery of loss Assets by banks, close watch on NPA by picking up early warning signals and taking of timely corrective steps by banks, directing the State Level Bankersô Committee to be proactive in resolving with the State Governments and designating of Asset Reconstruction Companies (ARCs) as Resolution Agents of banks.

iv). Pursuant to the second review of the Monetary Policy, RBI has also announced the following remedial measures: the provision for restructured standard accounts is to be raised from the existing 2 per cent to 2.75 per cent; the sanction of fresh loans/ad-hoc loans from 1st Jan 2013 will be made on the basis of sharing of information among the banks; the banks will conduct sector / activity wise analysis of NPAs; banks will put in place a robust mechanism for early detection of sign of distress, amendments in recovery laws and strengthening of credit appraisal and post credit monitoring.

v). The steps taken by the Government and RBI have resulted in improvement in recovery of NPAs. The recovery of NPA by Public Sector Banks has increased from ₹ 10,237 crore (March 2010) to ₹ 14,650 crore (March 2011) and ₹ 17,202 crore (March 2012).

6.2. Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012

Pursuant to the Budget announcement 2011-2012, in order to ensure expeditious recovery of defaulted loans of Banks and Financial Institutions through effective enforcement of their security interest, it was decided to amend the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Recovery of Debts due to Banks and Financial Institutions Act (DRT Act), 1993. Accordingly, the aforesaid Bill was introduced in the Lok Sabha on 12 December, 2011 and passed by both the Houses of Parliament in the Winter Session of Parliament, 2012. The Act has come into force w.e.f 15.01.2013.

The amendment Act empowers the banks to accept the immovable property in full or partial satisfaction of the claim of the bank against the defaulting borrower at any subsequent sale, in case there is no acceptable bid in the first auction; lays down the procedure to be followed by the Chief Metropolitan Magistrate or the District Magistrate before taking possession of the secured assets on any application filed by a bank or an FI; enable the banks or any other person to file caveat so that before granting any stay, the bank or any other person is heard by the Debt Recovery Tribunal so as to expedite recovery of defaulting loans; allows the Central Registry to register the existing transaction of securitisation, reconstruction or creation of security interest; and enable the banks and financial institutions to enter into settlement or compromise with the borrower and empower the Debt Recovery Tribunal to pass an order acknowledging such settlement or compromise.

7. Financial Institutions

7.1. India Infrastructure Finance Company Ltd

IIFCL was incorporated under the Companies Act as a wholly-owned Government of India company in January 2006 and commenced operations from April 2006 to provide long term finance to viable infrastructure projects through the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called India Infrastructure Finance Company Ltd (IIFCL), broadly referred to as SIFTI. The sectors eligible for financial assistance from IIFCL are roads and highways, power, airport, port, railways, urban infrastructure, Gas pipelines, Infrastructure projects in Special Economic Zones, International convention centres and other tourism infrastructure projects, cold storage chain, warehouses, and fertilizer manufacturing. IIFCL accords overriding priority to Public-Private Partnership (PPP) Projects. The authorised & paid up capital of the company as on 31st December 2012 was ₹ 5,000 crore and ₹ 2,900 crores respectively. The company is operating profitably since commencement of operations in April 2006.

Within 7 years of its operations, on a consolidated basis, till 31st December 2012, under direct lending IIFCL has made gross sanctions of ₹ 72,906 crore and has disbursed ₹ 28,214 crore (including refinance of ₹ 4,168 crore and takeout finance of ₹ 2,165 crore). Commercial Operation Date (CoD) has been achieved in 63 projects (including 3 in IIFC(UK)).

Till 31st December 2012, IIFCL financing as part of the consortium would help in development/four laning/ six laning of around 17,000 Kms of roads, addition of around 50,000 MW of power generation capacity, addition of more than 50 million tonnes of port capacity, and redevelopment of Delhi & Mumbai airports which together handle majority of India's passenger and cargo traffic.

For the first time in Infrastructure Sector in India, IIFCL raised resources for tenors in excess of 25 years in July 2012 to enable lending for longer tenure to infrastructure sector. IIFCL has also established strong relationships with bilateral and multilateral institutions like ADB, World Bank and KfW and has committed lines of credit. Till December 2012, the company has availed USD 1041 million out of ADB's line of credit of USD 1200 million, USD 22.93 million out of World Bank line of credit of USD 1195 million and has availed Euro 29.51 million out of KfW line of credit of Euro 50 million.

7.2. New Initiatives

To facilitate incremental lending to the infrastructure sector by addressing banks' exposure and asset-liability mismatch constraints, IIFCL has implemented the Takeout Finance Scheme. IIFCL operationalized its Modified Takeout Finance Scheme in December 2011 subsequent to suitable modifications. IIFCL also has introduced non-discriminatory and non-discretionary external rating based pricing mechanism for takeout of infrastructure loans. IIFCL is also considering replacing debt from other lenders debt with longer-tenor loans to infrastructure projects by carrying further amendments in the scheme. Till 31st December 2012, IIFCL has sanctioned ₹ 7,098 crore and has disbursed ₹ 2165 crore.

To enable channelization of long term funds from investors like insurance companies and pension funds, IIFCL is presently undertaking pilot transactions under its Credit Enhancement initiative wherein IIFCL provides partial credit guarantee to enhance the ratings of the project bond issue by infrastructure project companies. During the pilot phase, Asian Development Bank (ADB) is participating in this endeavor by committing to support IIFCL by providing up to 50% backstop guarantee facility. Till 31st December 2012, IIFCL has accorded in-principle approval to two pilot transactions for extending partial credit guarantee to bonds worth around ₹ 1500 crore.

7.3 Subsidiaries of IIFCL

IIFC(UK)

IIFCL has set up its wholly owned subsidiary, IIFC (UK) Ltd at London with the objective of borrowing up to USD 5 billion from the Reserve Bank of India and on-lend to Indian companies implementing infrastructure projects in the country for the purpose of meeting the capital expenditure solely outside India. IIFC (UK) began its operations from April 2008 and till end December 2012 has made gross sanction of USD 4.17 billion to 40 infrastructure projects. The company has disbursed USD 930 million including outstanding Letter of Comfort of USD 262 million, till end December 2012. Recently, IIFC(UK) has reduced its lending rates on foreign currency loans to infrastructure sector to around LIBOR+200 bps as compared to earlier rate of around LIBOR+450 bps. This would enable lowering of the financial debt service burden on infrastructure projects thereby increasing viability of many infrastructure projects.

IIFCL Infrastructure Debt Fund (Mutual Fund route)

IIFCL has set-up an Asset Management Company and is in the process of operationalisation of the Infrastructure Debt Fund (IDF) through Mutual Fund route in line with the SEBI guidelines.

IIFCL Projects Ltd

IIFCL has also established a wholly owned subsidiary, IIFCL Projects Limited to provide varied advisory services from the point of identification and conception of infrastructure project and gauging their feasibility to the point of monitoring and supervision.

Equity stake in Delhi Mumbai Industrial Corridor Development Corporation

IIFCL has also acquired a 41% stake in the Delhi Mumbai Industrial Corridor Development Corporation (DMICDC).

7.4 Export-Import Bank of India (Exim Bank)

Export-Import 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. It is wholly owned by the Government of India. Exim Bank lays special emphasis on extension of Lines of Credit (LOC) to overseas entities, national governments, regional financial institutions and commercial banks. During the year 2011-12, Exim Bank extended 18 LOCs, aggregating US$ 1.50 billion, to support export of projects, goods and services from India. Several of these lines have been extended at the behest of Government of India.

During the financial year 2011-12, the Bank approved loans of ₹ 44,411 crore as against ₹ 47,798 crore during 2010-11. Disbursements during the year amounted to ₹ 37,045 crore as compared to ₹ 34,423 crore during the previous year. Loan assets increased to ₹ 58,889 crore as on March 31, 2012 from ₹ 45,655 crore as on March 31, 2011.

Exim Bank also actively supports and facilitates outward investments by Indian companies in their quest for enhanced access to global markets. During the year 2011-12, 53 corporates were sanctioned funded and non-funded assistance aggregating ₹ 41.78 billion for part financing their overseas investment in 24 countries. Exim Bank has provided finance to 387 ventures set up by 313 companies in 69 countries so far, including Austria, Bangladesh, Brazil, Canada, China, Croatia, Egypt, Indonesia, Ireland, Israel, Italy, Malaysia, Malta, Mauritius, Morocco, Nepal, Netherlands, Oman, Romania, Singapore, South Africa, Spain, Sri Lanka, Sudan, UAE, UK, USA, and Vietnam

7.5 BRICS Interbank Cooperation Mechanism

Exim Bank is the nominated member development bank under the BRICS Interbank Coorperation Mechanism. Other nominated development banks of BRICS nations, viz., Banco Nacional de Desenvolvimento Economicoe Social – BNDES, Brazil; State Corporation Bank for Development and Foreign Economic Affairs – Vnesheconombank, Russia; China Development Bank Corporation, (CDB) China; and Development Bank of Southern Africa (DBSA), South Africa. Exim Bank and other nominated member development banks under the BRICS Interbank Cooperation Mechanism have signed two Agreements, viz., 'Master Agreement on Extending Credit Facility in Local Currency' and 'BRICS Multilateral Letter of Credit Confirmation Facility', in the presence of Heads of States / Government of all the five BRICS countries, during the BRICS Summit 2012, hosted by India during March 2012. Exim Bank hosted the Annual Meeting and Financial Forum under the BRICS Interbank Coorperation mechanism during the BRICS Summit 2012 at New Delhi.

7.6 GOI supported Exim Bank of India Lines of Credit extended to foreign countries

In the year 2012-13 (during April 2012 to December 2012), the following proposals for extension of GOI supported lines of credit to be routed through the Exim Bank of India have been approved:

i. USD15 million credit line to the Government of Benin;

ii. USD 19.72 million credit line to the Government of Mozambique;

iii. USD 28.60 million credit line to the Government of Zimbabwe;

iv. USD 247.20 million credit line to the Myanma Foreign Trade Bank, Myanmar; and

v. USD 2.71 million credit line to the Government of Cuba.

7.7 New Initiatives by department

Exim Bank has, in conjunction with the Export Credit Guarantee Corporation of India (ECGC), introduced a new product viz. Buyer's Credit under the National Export Insurance Account (NEIA), which is a non-recourse financing option and an effective market entry tool for the Indian exporters. Under this product, Exim Bank finances and facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms. In order to make the Scheme gain momentum, it is proposed by the Government to provide Interest Equalization Support of 2% for the Buyer's Credit under NEIA Programme.

7.8 Interest Subvention of Exporters

To help exporters, Government of India has extended 2% Interest Subvention Scheme on pre and post shipment export for the following employment incentive sectors w.e.f. April 1, 2013 to March 31, 2014:

a) Handicraft

b) Carpets

c) Handlooms

d) Small and Medium Enterprises (SMEs)

e) Readymade Garments

f) Processed Agriculture Products

g) Sport Goods

h) Toys

i) 134 Tariff lines on Engineering Products

7.9 National Housing Bank(NHB) :

(The financial year of National Housing Bank (NHB) is from July to June)

National Housing Bank (NHB), a wholly owned subsidiary of Reserve Bank of India (RBI), was set up by an Act of Parliament in 1987. NHB is an apex financial institution for housing. It commenced its operations in 9th July 1988. NHB has been established with an objective ***to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support incidental to such institutions and for matters connected therewith.***

NHB registers, regulates and supervises Housing Finance Company (HFCs), keeps surveillance through On-site & Off-site Mechanisms and co-ordinates with other Regulators.

7.10 Refinance Operations Department Performance during the year

During the year 2011-12 (July - June), refinance aggregating ₹14389.91 crore was disbursed, out of which ₹5607.54 crore was disbursed for rural housing under the Golden Jubilee Rural Housing Refinance Scheme and the Rural Housing Fund.

For the year 2012-13 (July to December, 2012) refinance aggregating ₹9453.23 was disbursed, out of which ₹3747.22 crore was disbursed for rural housing under the Golden Jubilee Rural Housing Refinance Scheme and the Rural Housing Fund.

The breakup of the releases made during 2011-12 (July - June) is as under:

(₹ in crore)

Institution Category	REGULAR Scheme	RHF	GJRHRS	Total
I	II	III	IV	V
HFCs	2772.37	2125.25	404.51	5302.13
Banks (SBs)	6010.00	877.78	2200.00	9087.78
Total	**8782.37**	**3003.03**	**2604.51**	**14389.91**

The breakup of the releases made during 2012-13 (July to December, 2012) is as under:

(₹ in crore)

Institution Category	REGULAR Scheme	RHF	GJRHRS	Total
I	II	III	IV	V
HFCs	1769.23	831.87	1836.72	4437.82
Banks (SBs)	3936.78	728.63	350.00	5015.41
Total	**5706.01**	**1560.50**	**2186.72**	**9453.23**

7.11 Performance under Rural Housing

During the year 2012-13 (July to December, 2012), 39.64% of total disbursements of ₹ 9453.23 crore i.e. ₹ 3747.22 crore have been made under the Rural Housing Fund (RHF) and the Golden Jubilee Rural Housing Refinance Scheme (GJRHRS) in respect of loans given by Primary Lending Institutions (PLIs) in rural areas.

The breakup of the disbursements made for rural housing (RHF and GJRHRS) is as under:

Institution Category	2011-12 Amount (₹ crore)	2011-12 (Jul-Dec, 2011) Amount (₹ crore)
Housing Finance Companies	2529.76	2668.59
Scheduled Banks	3077.78	1078.63
Total	**5607.54**	**3747.22**

7.12 Rural Housing Fund

The Hon'ble Finance Minister, in his Union Budget speech for 2008-09, announced the setting up of the Rural Housing Fund to enable primary lending institutions to access funds for extending housing finance to targeted groups in rural areas at competitive rates. The corpus of the fund for 2008-09 was ₹ 1778.18 crore, which was enhanced by ₹ 2000 crore during 2009-10, another ₹ 2000 crore for 2010-11, another ₹ 3000 crore for 2011-12 and further by ₹ 4000 crore by 2012-13. A total amount of ₹ 8778.18 crore has been received by the Bank under the Fund till June, 2012 and the Bank has been able to deploy the full amount towards refinance for rural housing for the target groups. For the year 2012-13 (July-December, 2012), the Bank has disbursed ₹ 1560.50 crore under this scheme.

The breakup of the disbursements made under RHF is as under:

Institution Category	2011-12 Amount (₹ crore)	2011-12 (Jul-Dec, 2012) Amount (₹ crore)
Housing Finance Companies	2125.25	831.87
Scheduled Banks	877.78	728.63
Total	**3003.03**	**1560.50**

Many of the large housing finance companies which were hitherto only urban-centric, have been persuaded to extend housing loans in rural areas. This has resulted in not only a better geographical distribution of housing finance, but has also brought about increased penetration of housing loans among the under privileged segments of the society, including the women, marginal farmers, small artisans, members of scheduled castes and scheduled tribes and minority communities. The success of these forays into the rural market has enthused these companies to make efforts towards increasing their disbursements in the rural areas, and has also encouraged other HFCs, which have not yet entered the rural markets to actively look at the rural housing finance market as a channel for future growth.

Also, one of the benefits of the Rural Housing Fund has been that availability of funds at competitive rates for housing has encouraged the Regional Rural Banks (RRBs) to take up housing finance as a major focus area. The RRBs have an active presence in the rural areas throughout the country and are well acquainted with the contours of the rural market, thereby putting them in a good position to promote housing finance in their respective areas of operations. The Bank has, during 2011-12, added 7 new Regional Rural Banks as its refinance clients. Efforts are on to encourage RRBs across the country to take up rural housing finance in a major way and to avail refinance from NHB for this purpose, which will go a long way in promoting housing finance in rural areas throughout the country.

7.13 Focus on EWS and LIG

The disbursement of refinance during the year 2011-12 focused on EWS and LIG. The refinance disbursements in respect of housing loans under ₹ 15 lakhs amounted to 76% of the total disbursements, with refinance in respect of housing loans upto ₹ 5 lakhs amounting to more than 34% of the total disbursements.

7.14 Equity Participation by NHB

As part of its promotional role, National Housing Bank participates in the equity of housing finance companies and other institutions which can play an important role in the development of the sector. Currently, the Bank's contribution in the equity of two housing finance companies, namely, Cent Bank Home Finance Limited and Mahindra Rural Housing Finance Limited, stood at 16% and 12.50%, of their total paid up capital, respectively.

The Bank also has contributed 5% equity shareholding in Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). The Company is a Government Company with Central Government shareholding of 51%. 10 Public Sector Banks hold the balance amount of equity capital.

7.15 Energy Efficient Housing Programme

NHB, in partnership with KfW, Germany, is promoting energy efficiency in the housing sector. The Bank, in 2010-11, launched the Energy Efficient Housing Refinance Scheme, aimed at encouraging energy efficiency in the residential sector. During the year 2011-12, refinance disbursements aggregating ₹128.96 crore were made under this Scheme. The refinance assistance under the Scheme is expected to improve the demand for energy efficient residential units. For the year 2012-13 (July-December, 2012), the Bank has disbursed ₹ 63.06 crore under this scheme.

7.16 Launch of New Schemes

During the year 2012-13, the Bank launched two new refinance schemes, Special Refinance Scheme for Urban Low Income Housing, and the Refinance Scheme for Installation of Solar Water Heating and Solar Lighting Equipments in Homes. The two schemes were launched by the Hon'ble Union Minister for Housing and Urban Poverty Alleviation, Government of India, Kumari Selja, at the inaugural ceremony of the Bank's Silver Jubilee Year on 09-07-2012. For the year 2012-13 (July-December, 2012), the Bank has disbursed ₹15.25 crore under Special Refinance Scheme for Urban Low Income Housing, and the Refinance Scheme for Installation of Solar Water Heating and Solar Lighting Equipments in Homes.

7.17 Project Finance Department

Till December 31, 2012 (2012-13), NHB has sanctioned 444 projects having project cost of ₹6839.37 crore and loan component of ₹4,996.92 crore to provide low income housing for the poor and has financed various agencies including Public Housing Agencies, MFIs, NGOs, and Public Private Partnership projects. NHB through its long term financial support, technical assistance and training, engaged many MFIs/NGOs in doing housing finance for low income families.

During the year 2012-13 till December 31,2012 the Bank has sanctioned Project Finance assistance for 4 projects amounting to ₹154.26 crore and disbursed ₹ 62.33 crore including unutilized sanctions of previous years. The disbursements were made to Housing Micro Finance Institutions, Public Agencies and Public Private Partnerships.

Under Housing Micro Finance, the Bank's focus is to develop sustainable human habitats which are eco friendly, cost effective and productive. So far, the Bank has sanctioned ₹101.68 crore to 32 Microfinance Institutions spread across in 11 states for financing 40,210 urban and rural housing/sanitation units. The beneficiaries include farmers, petty traders, artisans, dairy workers and other low income households. More than 90% of the beneficiaries were women.

NHB has launched the water and sanitation programme along with UN-HABITAT, and financed ₹ 7.91 crore for construction of about 16,612 toilets for members of SHGs/MFIs in the States of Tamil Nadu and Gujarat.

7.18 Resource Mobilization and Management Department

Resources mobilised during the half year ended 31st December 2012 (2012-13)

NHB raised both short term and long term resources. Short term resources included issuance of Commercial Papers (CPs) and Short Term Loans from Banks. Long Term borrowings included issuance of Zero-coupon Bonds (ZCB), Coupon Bonds, Term Loans from Banks, Rural Housing Fund (RHF), Deposits from Housing Finance Companies (HFCs) and Deposits from public under "SUNIDHI" and "SUVRIDDHI" term deposit schemes. While the gross incremental borrowing during the period was ₹25,504.32 Crores net incremental borrowing was ₹9262.27 Crores.

The total borrowing outstanding as on 31st December 2012 (2012-13) was ₹30689.56 Crores.

7.19 Main Avenues of Resources

a) Rural Housing Fund (RHF)

While presenting the Finance Bill for the year 2008-09, the Hon'ble Finance Minister established a Rural Housing Fund administered by National Housing Bank. Contributions to this fund are done by various banks based on allocation made by Reserve Bank of India which fall short in their lending to priority sector.

The position of RHF Mobilized year wise till date is as follows:

Year	Allocation in ₹ crores	Amount received in ₹ crores
2008-09	2,000.00	1,778.18
2009-10	2,000.00	2,000.00
2010-11	2,000.00	2,000.00
2011-12	3,000.00	3,000.00
2012-13	4,000.00	2,000.00
Total	13,000.00	10,778.18

As against allocation of ₹4000 Crores for the year 2012-2013, the Bank has received an amount of ₹2000 Crores till the end of December 31, 2012 (2012-13).

Further, demand for the third & fourth instalment each of ₹1000 Crores will be issued to the contributing scheduled Commercial Banks in due course of time.

b) Bonds

1. One of the main components of resources raised during the half year was through issuance of Bonds. Bonds issued by NHB are rated ñAAAò by at least two of the rating agencies approved by SEBI viz. CARE ratings, CRISIL, Fitch ratings and Brickwork ratings and are listed on Bombay Stock Exchange / National Stock Exchange. Commercial Papers issued by NHB during the year were rated ñA1+òby ICRA. These ratings indicate highest degree of certainty regarding timely payment of financial obligation on the instruments. Bonds for a face value of ₹2730 crs were issued during the half year.

2. **Tax Free Bonds**: Hon'ble Finance Minister, while presenting the Union Budget for 2012-13, has allocated Tax-free bonds to the tune of ₹5000 Crores for NHB. Consequently, CBDT vide gazette [Notification No. 46/2012 F.No. 178/60/2012-(ITA.1)] dated 06.11.2012 has authorized National Housing Bank to issue ***tax-free secured redeemable non-convertible*** Bonds aggregating to ₹5000 crs during the financial year 2012-13. NHB is raised first tranche of private placement of tax free bond of ₹126.01 Crores.

c) "SUNIDHI" & "SUVRIDDHI" term deposit schemes

NHB launched two new term deposit schemes viz. ñSUNIDHIò & ñSUVRIDDHIò during the year 2008-09. ñSUNIDHIò term deposit is open for individuals/HUFs/ Partnerships/ Societies & Trusts / Association of Persons. Minimum tenor is one year and the maximum is five years. ñSUVRIDDHIò is term deposit scheme open only for individuals / and HUFs and the tenor is five years. ñSUVRIDDHIòis notified under section 80C of Income Tax Act, 1961.The total amount outstanding as on 31.12.2012 under both the schemes is ₹200 Crores out of which ₹ 19 Crores was mobilised during the half year.

D. National Housing Bank (Amendment) Bill, 2012

A Bill to amend the National Housing Bank (Amendment) Bill, 2012 was introduced in the Lok Sabha on April 30, 2012. The Bill aims to transfer the ownership of the Reserve Bank of India (RBI) in the National Housing Bank (NHB) to the Central Government. It also aims to transfer the power of NHB to regulate and register Housing Finance Companies (HFCs) to RBI. The supervision of the housing finance companies will continue to remain with NHB. Further, the Bill proposes the empower the Company Law Board (CLB) to redress the grievances of the depositors by ordering repayments by CLB in case of failure of HFC to do so.

To enlarge the scope of functions of NHB, the Bill proposes to include certain additional businesses which NHB may undertake viz., refinancing of housing loans by NBFCs, securitization of housing loans and advances, promotion of mortgage guarantee companies, credit information companies, etc.. The proposal in the Bill will enable NHB to close its books of accounts on 31st March instead of 30th June each year. NHB is also being empowered to collect information from any institution engaged in housing activities which will enable policy formulation and implementation at Centre and Sate level in the light of information/data received.

The Bill also proposes to cover all HFCs registered under the NHB Act, 1987 for the purposes of the SARFAESI Act, 2002.

The Bill introduced in Lok Sabha on 30^{th} April 2012. Further sent to Standing Committee on Finance for examiniation

E. Scheme of 1% Interest Subvention on Housing Loan up to Rs. 10 lakhs

The Finance Minister had announced a Scheme of 1% Interest Subvention on Housing Loan up to ₹10 lakhs. An allocation of ₹1,000 Crores was also announced for the purpose.

Pursuant to the above mentioned announcement, the Government of India has approved a Scheme of Interest Subvention on Housing Loan up to ₹10 lakhs, provided the cost of the unit does not exceed ₹20 lakhs. The Scheme will be implemented throughout the country and will be in operation for a period of 1 year starting from 1^{st} October, 2009 to 30^{th} September, 2010. Interest subsidy of 1%, by way of reduction in interest rate by 100 basis point per annum, will be applicable for first 12 months of eligible loans sanctioned and disbursed during the currency of the Scheme.

The Scheme will be implemented through the Scheduled Commercial Banks (SCBs) and Housing Finance Companies (HFCs) registered with National Housing Bank (NHB). The Reserve Bank of India (RBI) and NHB will be Nodal Agencies for the Scheme for SCBs and HFCs respectively.

The Government has allocated an initial sum of ₹ 300 crores for implementation of the Scheme during the current financial year. The Department of Financial Services (DFS) has framed guidelines for implementation of the Scheme.

The Scheme guidelines along with Operational modalities have been circulated among the HFCs. National Housing Bank has received claims totaling ₹ 87.80 lakh from 4 HFCs as on 31.12.2009. Accordingly, The Ministry of Finance has been requested for release of interest subsidy for onward release of the same to the HFCs concerned.

7.20 SIDBI :

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. Financial support is provided by way of (a) refinance to eligible Primary Lending Institutions (PLIs), such as, banks, State Financial Corporation (SFCs), etc. for onward lending to MSMEs, (b) direct assistance to MSMEs which is channelised through the Bank's branch offices and (c) financing other activities as per SIDBI Act.

The business strategy of SIDBI has been reoriented towards filling up the financial and non-financial gaps in the MSME eco-system. The financial gaps which are being addressed by SIDBI are in the niche areas like risk capital/equity, sustainable finance (promoting energy efficiency and cleaner production technologies in the MSME sector), factoring & reverse factoring, service sector financing through tailor-made products, etc. This way, SIDBI would be complementing and supplementing the efforts of banks in meeting the diverse credit needs of MSMEs. The highlights of such niche financing support are given below:

- **Risk Capital:** SIDBI offers risk capital assistance through its Growth Capital and Equity Assistance Scheme for MSMEs (GEMs) scheme to bridge the gap between the two chief sources of finance viz. bank loans (senior debt) and promoter's capital. SIDBI offers this assistance in form of mezzanine/ convertible instruments, subordinated debt and equity (in deserving cases). This niche assistance is based on project viability and its future earnings rather than asset / collateral based.

  In order to channalise more equity funding to the MSME sector, the Union Budget 2012-13 announced setting up of a ₹ 5,000 crore India Opportunities Venture Fund (IOVF) with SIDBI. The Fund would be sector agnostic and utilized for providing equity assistance to MSMEs. SIDBI would act as the Fund of Funds to help create sufficient number of venture equity funds in the country, as also tap various channel partners like Banks, NBFCs, etc., apart from providing such equity / quasi-equity support directly to MSMEs. As on December 31, 2012, commitments aggregating ₹ 174 have been made under the Fund of Funds to 8 MSME dedicated VC funds.

- **Sustainable Finance:** As a part of its Green initiative, SIDBI has formulated certain specialized loan schemes to promote energy efficiency, environment protection and improving social standards in the MSME sector. With a view to promoting energy saving and facilitate adoption of clean production technologies in MSMEs, SIDBI has devised special schemes for providing assistance for investment in Energy Efficiency Projects and Cleaner Production Options to MSMEs, under which assistance is provided at concessional terms.

- **Addressing Delayed Payments:** In order to help the MSMEs for quicker realization of their receivables, SIDBI fixes limits to well-performing purchaser companies and discounts usance bills of MSMEs / eligible service sector units supplying components, parts, sub-assemblies, services, etc. so that the MSME / service sector units realise their sale proceeds quickly. SIDBI also offers invoice discounting facilities to the MSME suppliers of purchaser companies.

  NTREES: SIDBI, alongwith National Stock Exchange, took the initiative to set up an electronic platform for discounting of trade receivables SIDBI. The e-platform is named as NTREES (NSE Trade Receivables Engine for E-discounting in association with SIDBI). Operations on the platform are on RTGS basis. So far, more than 430 vendors are registered through the purchaser company and are getting advantages of discounting their bills on real time basis within 1 or 2 hours as against earlier time of 3 to 4 days and paper based transactions.

- **Service Sector –** In order to address lower credit flow to services sector which could be due lack of adequate security, inadequate banking skill on cash flow based project appraisal, as also valuation of intangibles, many MSMEs operating from leased premises, lack of financial literacy among MSMEs resulting in improper maintaining of balance sheet, etc., SIDBI has identified service sector as one of the niche areas for extending financial assistance by working out tailor-made products.

- **Promoting responsible micro finance -** SIDBI has created a consortium of lenders called Lendersô Forum, wherein all the major lenders of MFIs have agreed to work together to impress upon the Micro Finance Institutions (MFIs) to implement the same through a common set of loan covenants. SIDBI is actively involved in development of a Code of Conduct Assessment Tool, which applies to providing credit services, recovery of credit, collection of thrift etc, for MFIs to assess their degree of adherence to the voluntary microfinance Code of Conduct formulated by the MFIs. Further, SIDBI proposes to develop in line with the MIX Market, which is a global, web-based, microfinance information platform, a MIX market tailored for India i.e., the India Microfinance Platform (IMFP) - to provide and disseminate valuable information on the Indian MFIs

  The socially motivated efforts of SIDBI have also been strengthened by setting up of the ñIndia Microfinance Equity Fundò of ₹ 100 crore with SIDBI, as announced in the Union Budget 2012-13, with the primary emphasis of providing equity and quasi-equity support to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. As on December 31, 2012, the Bank has committed an amount of ₹ 98.25 crore to 35 MFIs out of the ₹ 100 crore fund. The fund is expected to be fully committed/ utilized in FY 2013.

7.21 Developmental Support

In the overreaching framework of MSME eco-system, capacity building of MSME sector is an important component of the Bankôs business model. This is being primarily addressed by SIDBI through its Promotional & Developmental (P&D) activities which are designed to achieve the twin objectives of national importance, viz. (a) Promotional- enterprise promotion resulting in setting up of new units , thereby creating additional employment and (b) Developmental- enterprise strengthening to enable MSMEs to face the emerging challenges of globalization and growing competition. SIDBI has benefitted the MSME sector through its P&D activities, i.e. setting up of over 1 lakh enterprises, which generated employment of around 3 lakh and benefitting around 4 lakh persons.

Some of SIDBIôs important initiatives to address the developmental gaps in the MSME sector are given below:

7.22 Credit Advisory Centres – As a part of the capacity building of MSMEs, SIDBI provides a number of escort services to MSMEs at the cluster level. These services include guiding new / existing entrepreneurs regarding availability of schemes of commercial banks, government subsidies / benefits, provide borrowers with debt counseling, answering queries raised by banks etc and support in the areas of rehabilitation of viable units / capacity building of bankers etc. Till December 31, 2012, SIDBI has set up 41 Credit Advisory Centres (CACs) covering more than 150 clusters in partnership with industry associations, more than 1500 MSME units have been interacted by the CACs.

7.23 Loan Facilitation - SIDBI also provides loan facilitation / syndication to MSMEs to help them avail credit from banks/FIs. This is a validated model which is expected to go a long way in facilitating access to credit by MSMEs.

7.24 Capacity building of smaller banks - Regional Rural Banks (RRBs) / Urban Cooperative Banks (UCBs) / District Central Cooperative Banks (DCCBs) are well suited to meet last mile credit requirement of micro enterprises. In order to enable these banks to purvey credit to small, micro enterprises, SIDBI is extending capacity building support to these institutions for handling micro enterprises loans (MEL). The assistance will be in the areas of free access to software on Downscaling Methodology developed for lending to micro enterprises.

7.25 Information gap - SIDBI has been consistently addressing the information gap in the MSME sector by ensuring availability of trustworthy information to MSMEs. Whether it is financial literacy programmes for MSMEs, stakeholders, bankers, it has been addressing these all along. Accordingly, SIDBI has set up a website *www.smallb.in* which aims at inspiring all existing and potential entrepreneurs to look at the business opportunities available all around. It will act as virtual mentor and handholding tool for new entrepreneurs to set up new units and for the existing entrepreneurs, to grow their businesses.

7.26 Representation of SCs, STs, OBCs and PWDs

The representation of SCs, STs, OBCs and Persons with Disabilities (PWDs) are annexed at **Annexure – III and IV** respectively.

7.27 Implementation of Right to Information Act, 2005

The Bank is implementing the Right to Information Act, 2005, (RTI Act). Accordingly, the Bank has displayed in its website *(www.sidbi.in)* functions and duties of the organization, norms set by the Bank for discharge of its functions, powers and duties of its officers and employees, organization chart, sub-ordinate legislations, etc. as envisaged under Section 4(1) (b) of the Act. The

Bank has designated a Central Public Information Officer (CPIO), Alternate Central Public Information Officer, Central Assistant Public Information Officers, the First Appellate Authority and the Alternate First Appellate Authority, the details of which are available on the Bank's website. In terms of the directives of Central Information Commission (CIC), the Bank has also designated a Transparency Officer for the better implementation of Section 4 of RTI Act with a view to promote congenial conditions for timely response by CPIO to RTI queries. A standing Committee for Implementation of the RTI Act (CIRA) has been constituted by the Bank to assist the Transparency Officer for the effective implementation of the RTI Act in the Bank.

7.28 E-Governance

Several activities were taken up as part of e-Governance and Green Initiative in the Bank, e.g. facilitating transactions through electronic channel, sending 'demand advice' through e-mails and extending Video Conferencing (VC) facility to 62 offices covering almost three-fourth of offices / branches, for providing faster and cost effective communication channel to Branches and Departments. A drive was initiated to handle all payments / receipts using electronic channel so as to move towards chequeless payment / receipts. Some new modules / changes were implemented, e.g. introduction of handling charges, accrual of Interest on monthly basis, booking penal interest on accrual basis, software for third party entities (TPEs) - facilitating due diligence for TPEs and certain new exception alerts assisting the Branches to effectively monitor NPAs, etc. 'Integrated Risk Management Software' and workflow based software for Micro Enterprise Loan was also implemented in the Bank.

7.29 Initiatives in NER

SIDBI accords special attention to the development of North Eastern Region (NER) in terms of (i) credit support including micro finance assistance and (ii) various promotional and developmental (P & D) initiatives.

- SIDBI has implemented Micro Enterprise Promotion Programme (MEPP erstwhile Rural Industries Programme) in 22 districts in NER. MEPP aims at promoting viable rural enterprises leading to employment generation in rural areas. The programme addresses problems of rural unemployment, urban migration, under-utilisation of know-how and latent rural resources and marketing of rural products. These MEPPs have cumulatively resulted in promotion of about 2500 units.

- The Bank has supported 39 Cluster Development Programmes (CDPs) in different states of NER covering activities like bamboo mat weaving, carpet weaving, handicrafts, handloom weaving, etc. These cluster development initiatives would benefit about 6000 artisans. Out of above, skill and entrepreneurship training programme are presently being conducted in 9 different clusters of NER.

- SIDBI has signed a Memorandum of Understanding (MoU) with The North Eastern Development Finance Corporation Ltd (NEDFi) in March 2012 for providing various financial and developmental services including MSME finance, Micro Finance and also for undertaking various developmental activities in NER. Under this arrangement, Credit Counseling Centers were also opened. There are five such centres in operation in NER, which includes Shillong (Meghalaya), Silchar (Assam), Aizawl (Mizoram), Gangtok (Sikkim) and Agartala (Tripura).

7.30 Nodal / Implementing Agency for Government Schemes

SIDBI is the Nodal Agency for implementation of some of the schemes of the Government of India (GoI) for encouraging implementation of technology upgradation and modernisation in the MSME sector. SIDBI provides Nodal Agency services for implementation of Credit Linked Capital Subsidy Scheme (Ministry of MSME), Technology Upgradation Fund Scheme for Textile Industry (TUFS) (Ministry of Textiles), Integrated Development of Leather Sector Scheme (IDLSS) (Ministry of Commerce & Industry) and Scheme of Technology Upgradation of Food Processing Industries (Ministry of Food Processing Industries).

7.31 Associate and Subsidiaries

SIDBI Venture Capital Limited (SVCL) was set up in July, 1999 for providing venture capital assistance to knowledge based MSMEs. Under these two funds viz. National Venture Fund for Software and Information Technology Industry (NFSIT) and SIDBI Growth Fund (SGF). Under NFSIT, SVCL has provided VC assistance ₹ 84.40 crore to 31 companies with average investment per unit being less than ₹ 3 crore and under SGF it has provided assistance of ₹ 456.09 crore to 25 companies in diverse sectors. SVCL has launched its third fund viz., India Opportunities Fund with a corpus of ₹ 600 crore.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up in July 2000 by the Government of India and SIDBI to provide credit guarantee support to collateral free / third-party guarantee free loans upto ₹ 1 crore extended by banks/FIs to micro and small enterprises. Cumulatively, as December 31, 2012, a total of 9.85 lakh accounts have been accorded guarantee approval for ₹ 47,622 crore.

SME Rating Agency of India Ltd. (SMERA) was established in September 2005 by SIDBI, alongwith few Public Sector banks and Dun & Bradstreet (D&B) as an MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling. SMERA has so far rated more than 19,000 MSMEs as on December 31, 2012.

India SME Technology Services Ltd. (ISTSL) set up in November, 2005, provides a platform for MSMEs for transfer of technology and acquisition of modern technologies. ISTSL has also identified Clean Development Mechanism (CDM) and carbon credit as its thrust areas and has been working actively in this regard in select MSME clusters, organising awareness campaigns, seminars and guiding MSMEs to take advantage of the opportunities existing in carbon credit market.

India SME Asset Reconstruction Company Ltd. (ISARC) is the country's first MSME focused ARC striving for speedier resolution of non-performing assets (NPA) by unlocking the idle NPAs for productive purposes which would facilitate greater and easier flow of credit from the banking sector to the MSMEs. It started operations in April 2009. As of December 31, 2012, ISARC has assets under management of ₹ 573 crore.

8. Vigilance

8.1 Department of Financial Services is the administrative department of Public Sector Banks(PSBs), Financial Institutions (FIs) and Public Sector Insurance Companies(PSICs). Joint Secretary (IF) has been designated as Chief Vigilance Officer of the Department. He is assisted by a Director (Vig.) and Under Secretary (Vig.) in the discharge of his functions. The Vigilance Section in the DFS deals with, inter alia, the following issues pertaining to PSBs, FIs and PSICs:-

8.2 Vigilance matters of all Public Sector Banks/ Financial Institutions/ Insurance Companies/ and RBI

a. Consultation with CVC/CTE/CBI on matters relating to complaints, clearances, sanction of prosecution and any other matter of the Board level appointees.

b. Appointment of CVOs.

c. Annual Action Plan on Anti-Corruption measures.

d. Matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures; Conduct Regulation;

e. Annual Reports of CVC.

8.3 Reports on Bank security; robberies & loss prevention in banks.

8.4 CVC/CBI/Vigilance references relating to:

a. All officials in the Department of Financial Services.

b. Government appointees in DRTs/ DRATs.

c. Members and Chairman in of BIFR and AAIFR.

d. Officers of Custodian's office, BIFR and AAIFR.

8.5 To strengthen the preventive vigilance, steps taken by Vigilance Department are briefly summarized below:-

a) To ensure timely completion of various tasks relating to vigilance work, a close liaison is maintained with all CVOs in PSBs/F1s/PSICs.

b) CVOs implemented the Annual Action Plan for vigilance/anti corruption measures of the DoPT. The CVOs in the PSBs etc. are asked to implement the Plan effectively and report the progress every quarter to the Department. Regular reviews of vigilance activities in these institutions are undertaken and reports sent to the DoPT at the end of every quarter.

c) All reports required to be sent to CVC and DoPT, are sent to the concerned authorities at the prescribed periodic intervals.

d) Banks and FIs are advised to ensure regular rotation of staff posted in sensitive posts. It serves as an effective tool in ensuring that only persons with unimpeachable integrity are posted in sensitive places. It also helps to curb development of vested interest. Guidelines have also been issued for checking delay in completion of Departmental proceedings.

e) The Vigilance Division of the Department monitors the progress on disposal of complaints received from various sources and pendency of disciplinary/vigilance cases regularly and meeting with CVOs is undertaken in this Department at appropriate intervals. Last review meeting was held at the level of CVO, DFS on 19.07.2012.

f) During the period 01.01.2012 - 31.12.2012 a total of 159 CVC references have been received out of which 111 cases have been disposed off.

g) During the period 01.01.2012 - 31.12.2012 a total of 15 CVO's have been appointed in PSBs/PSICs/FIs.

8.6. The Vigilance Awareness Week was observed from 29.10.2012 to 03.11.2012. A pledge was administered by the Secretary (Financial Services) on 29.10.2012 to the officers of the Department. During Vigilance awareness week, Department of Financial Services has organized an Essay Competition in Hindi and English amongst the officers/officials of the Department. The First and Second winners in each category were given cash prizes in a function chaired by Secretary (FS) on 02.11.2012. A report in this regard has also been given to Central Vigilance Commission on 14.11.2012.

9. Pension Reforms

The pension sector reforms were initiated in India to establish a robust and sustainable social security arrangement in the country against the backdrop that only about 12-13 per cent of the total workforce was covered by any formal social security system.

9.1 Pension Reforms Initiative

The New Pension System (NPS) was introduced w.e.f. 1st January, 2004 for newly recruited Central Government employees (Except for the Armed Forces) replacing the existing Defined Benefit Pension System. Pension Fund Regulatory and Development Authority (PFRDA) was set up by the Government of India to develop the Pension Market and to regulate the NPS.

9.2 Main Programmes and Schemes

Some of the important Programmes and Schemes of the Department during the year were

NPS-Lite / Swavalamban Scheme ï a co-contributory pension scheme was introduced on 26.09.2010, to extend the benefit of NPS to the people from unorganized sector.

9.3 Pension Sector

With a view to providing adequate retirement income, the New Pension System (NPS) has been introduced by the Government of India with a view to develop the pension sector. It has been made mandatory for all new recruits to the Government (except armed forces) with effect from 1st January, 2004 and has also been rolled out to all citizens with effect from 1st May, 2009 on a voluntary basis. The features of the NPS design are self-sustainability, portability and scalability. Based on individual choice, it is envisaged as a low-cost and efficient pension system backed by sound regulation. As a pure ñdefined contributionò product with no defined benefit element, returns would be totally market driven. The NPS provides various investment options and choices to individuals to switch over from one option to another or from one fund manager to another, subject to certain regulatory restriction.

9.4 The NPS architecture is transparent and web-enabled. It allows a subscriber to monitor his/her investments and returns. The facility for seamless portability is designed to enable subscribers to maintain a single pension account throughout the saving period.

9.5 Pension Fund Regulatory and Development Authority (PFRDA), set up as a regulatory body for the pension sector, is engaged in consolidating the initiatives taken so far regarding the full NPS architecture and expanding the reach of NPS distribution network. The process of making NPS available to all citizens entailed the appointment of NPS intermediaries, including twenty eight institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centres, a Centralised Record Keeping Agency (CRA) and five Pension Fund Managers to manage the pension wealth of the investors. PFRDA adopted a transparent, non-discretionary, competitive bidding process for selection of NPS intermediaries, in line with best international practice, which ensured high quality service delivery for NPS subscribers at optimum cost.

9.6 As of date, **27 States and UT Governments have notified and joined NPS for their employees. Of these, 26 states and UTs have already signed agreement with NPS Trust and 27 States and UTs have signed agreements with CRA for carrying forward the implementation of NPS. The other states are at different stages of preparation for roll out of NPS. In addition, over 26.10 lakh employees of the Central and various state governments are already a part of NPS. The corpus being managed under the NPS is ₹ 24720 crore.**

9.7 NPS has also been rolled out to all citizens with effect from 1st May, 2009 on a voluntary basis. The process of making NPS available to all citizens entailed the appointment of NPS intermediaries, including **Fifty five** institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centers (26830 branches so far), a Centralised Record Keeping Agency (CRA) and five Pension Fund Managers to manage the pension wealth of the investors. PFRDA adopted a transparent, non-discretionary, competitive bidding process for selection of NPS intermediaries, in line with best international practice, which ensured high quality service delivery for NPS subscribers at optimum cost.

9.8 The Department of Posts has also been appointed as PoP in addition to other financial institutions which will expand the PoP-SP network by more than five times. While Tier-I, the non-withdrawable pension account under the NPS has been in operation since May1, 2009. Tier-II, the withdrawable account has been made operational from December 1, 2009. These initiatives are expected to help realize the full potential of the NPS in terms of economies of scale and benefit the subscribers in terms of lower fees and charges and higher returns.

9.9 In order to facilitate the organised entities to move their existing and the new employees to NPS architecture, a customised version of the core NPS Model, known as the ñNPS- Corporate Sector Modelò has been introduced since December 2011. As on December 8, 2012, 340 corporates and 1.09 lac employees have been enrolled under this model. The AUM under NPS-Corporate Sector Model is ₹ 805.51 crore.

9.10 The PFMs manage three separate schemes consisting of three asset classes, namely (i) equity, (ii) Government securities and (iii) credit risk-bearing fixed income instruments, with the investment in equity subject to a cap of 50 percent. The fund managers will invest only in index funds that replicate either the BSE sensitive index or NSE Nifty 50 index. The subscriber will have the option to decide the investment mix of his pension wealth. In case the subscriber is unable / unwilling to exercise any choice regarding asset allocation, his contribution will be invested in accordance with the ñauto choiceò option with a predefined portfolio. The offer document containing details of the NPS, application form for opening NPS account is available on the website of PFRDA (www.pfrda.org.in) as well as the website of other NPS intermediaries.

9.11 Swavalamban Scheme - The Government of India is extremely concerned about the old age income security of the working poor and is focused on encouraging and enabling them to join the NPS. To encourage the workers in the unorgnised sector to save voluntarily for their old age, an initiative called Swavalamban Scheme was launched on 26.09.2010. It is a co-contributory pension scheme whereby the Central Government would contribute a sum of ₹ 1000 per annum in each NPS account opened having a saving of ₹ 1000 to ₹ 12000 per annum. Government will provide contribution for 5 years to the beneficiaries who register in the year 2010-11, 2011-12 and 2012-13. The Scheme otherwise is extended up to the year 2016-17 on a yearly contribution basis from Government for the remaining years from 2013-14.

9.12 The scheme operates **through 69 Aggregators out of which 22 Public Sector Banks (PSBs) and 12 Regional Rural Banks (RRBs) have also been appointed Aggregator. A total of 3,01,920 subscribers during 2010-11, 6,39,480 subscribers have been enrolled in 2012-13 and 3,31,690 new subscribers have been registered as on December 31, 2012. For all citizens including workers of unorganized sector, NPS was available through nearly 26830 service provider branches of 55 Points of Presence (PoPs). The PSBs have been asked to utilize the services of their Business Correspondents to increase the enrollment under Swavalamban Scheme.**

9.13 It is important that the pension reforms in India are carried forward. Substantial interest has been generated in the defined contribution pension schemes and market related investments, notwithstanding the turbulence in the financial sector. Pension funds, with their long investment horizons, have the inherent advantage of providing the stabilising force to the financial markets. It is felt that as the pension sector in India grows, it will play an important role in providing socio- economic stability as well as in meeting the long term financing needs of the economy.

Number of Subscribers registered under NPS (as on 7th January, 2013)

S. No.	Employer/Sector	Number of subscribers	Corpus under NPS (In crore)
1.	Central Government	11,00 ,241	16,165
2.	State Government	15,09,927	8,555
3.	Private Sector	1,83,755	1,092
4.	NPS-Lite	14,23,062	377
Total		**42,16,985**	**26,189**

10. Credit Policy

10.1 Educational Loans

The Government is aware that in order to realize the demographic dividend of the country, every meritorious student should have access to bank credit. Indian Banksô Association (IBA) had prepared the Model Educational Loan Scheme and circulated to banks in the year 2001. The Scheme is for all students including students belonging to the economically weaker sections and those below the poverty line. Indian Nationals who have secured admission to a higher education course in recognised Institutions in India or abroad through an entrance test/merit based selection process are eligible for educational loans under the Scheme.

The Scheme has been modified from time to time keeping in view the changing needs of the students. IBA has vide circular letter No. CE/220 dated 27th September, 2012, revised the existing Model Educational Loan Scheme and circulated to Banks for adopting the scheme. The main features of revised Model Educational Loan Scheme are as under:

I. Banks may consider a meritorious student (who qualifies for a seat under merit quota) eligible for loan under this scheme even if the student chooses to pursue a course under Management Quota. The revised scheme also includes Degree/diploma in nursing or any other discipline approved by Indian Nursing Council;

II. The quantum of loan is to be justified by the employment potential;

III. Extension of repayment period upto 15 years depending on the quantum of loan;

IV. Banks may offer differential interest rates based on rating of institutions/students. Tracking of students after completion of course may be done in co-ordination with educational institutions.

10.2 Service Area Norms for Education Loans- RBI guidelines:

RBI has advised the banks on November 09, 2012 that Service Area Norms are to be followed only in the case of Government Sponsored Schemes as advised in its circular dated December 8, 2004 and are not applicable to sanction of educational loans. Hence, banks have been advised not to reject any educational loan application for reasons that the residence of the borrower does not fall under the bankȍs service area.

10.3 Interest Subsidy Scheme for Educational Loans:

Ministry of Human Resource Development had formulated and circulated in May, 2010 to all Scheduled Banks a Central Scheme to provide ȁInterest Subsidyȃ for the period of moratorium on educational loans taken by students of economically weaker sections from scheduled banks under the Educational Loan Scheme of the Indian Banksȃ Association. The scheme is applicable to the following categories of loans:

- Educational loan disbursed/availed after 1st April, 2009 from scheduled Banks which follow IBA Model Educational Loan Scheme;
- Students belonging to economically weaker sections, i.e, whose parental income from all sources do not exceed ₹ 4.5 lakhs per annum;
- The scheme is applicable starting from academic year 2009-10, disbursement starting on or after 01.04.2009, irrespective of date of sanction;

10.4 Performance of Education Loans:

The total outstanding education loans of Public Sector Banks (PSBs) as on March 31, 2012 stood at ₹ 49,069 crore in 24,60,493 accounts. The increase in total loans outstanding over previous year in absolute and percentage terms was ₹ 5,995 crore and 13.92 per cent respectively.

Year-wise break-up of education loans outstanding as on March 31, 2004 to September 30, 2012 is given below:

As on March 31st	No. of A/c	Amt. O/s (Rs. Crore)	Year on Year Growth (%) No. of A/c	Amt.
2004	3,19,337	4,550		
2005	4,68,207	6,713	46.62	47.54
2006	6,79,945	10,012	45.22	49.14
2007	9,44,397	14,283	38.89	42.65
2008	12,46,870	19,847	32.03	38.75
2009	16,03,385	27,646	28.59	39.51
2010	19,28,350	35,628	19.21	29.81
2011*	22,37,031	43,074	17.03	20.03
2012*	24,60,493	49,069	9.99	13.92
As on				
30.9.2012	24,62,948	52,481	0.10#	6.95#

Source: IBA * Source: PSBs (Figures are provisional), # Growth over March, 2012.

Bank-wise (PSBs) details of education loan outstanding as on March 31, 2012 and September 30, 2012 are given at **Annex-I.**

10.5 Educational Loan Scheme for Vocational Courses

Skill development is critical to sustain the growth of the country and about 500 million people in the country would need skilling/up skilling by 2022. Banks will play an important part in funding the acquisition of these skill sets. Indian Banksȃ Association (IBA) had formulated ȁModel Educational Loan Scheme for Vocational Coursesȃ as an extension of the existing Model Educational Loan Scheme for pursuing higher education in India & Abroad, to support the national initiatives for skill development. The aim of the scheme is to provide financial support from the banking system to Indian Nationals who have secured admission in a course run or supported by a Ministry / Department/ Organisation of the Government or a company / society / organization supported by National Skill Development Corporation or State Skill Missions / State Skill Corporations, preferably leading to a certificate / diploma / degree, etc. issued by a Government organization or an organization recognized / authorized by the Government to do so.

10.6 Priority Sector Lending

As per extant guidelines of Reserve Bank of India on lending to priority sector, a target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic Scheduled Commercial Banks and Foreign Banks with 20 and above branches. Within this, sub-targets of 18 percent and 10 percent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, have been mandated for lending to agriculture and the weaker sections, respectively. Indirect lending in excess of 4.5 percent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, does not reckon for computing performance under 18 percent target of agriculture credit.

For Foreign Banks with less than 20 branches, a target of 32 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector.

For Foreign Banks with 20 and above branches, priority sector targets and sub-targets have to be achieved within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018. Foreign Banks with 20 and above branches will submit an action plan for achieving the targets over a specific time frame to be approved by RBI.

The outstanding priority sector advances of Public Sector Banks (PSBs) increased from ₹10,21,496 crore, as on the last reporting Friday of March 2011 to ₹11,29,993 crore, as on the last reporting Friday of March 2012, showing a growth of 10.6 percent. Advances to agriculture by PSBs amounted to ₹4,75,148 crore, constituting 15.7 percent of ANBC, as on the last reporting Friday of March, 2012. Sector-wise break up of priority sector advances of PSBs, as on the last reporting Friday of March 2012, is given at Annex- II.

10.7 Economic Empowerment of Women

To help overcome the hurdles faced by women in accessing bank credit and credit plus services, the Government of India had drawn up a 14-point action plan (now 13-point action plan) in the year 2000 for implementation by PSBs. The PSBs were advised to earmark 5 per cent of their ANBC for lending to women. As reported by RBI, as on March 31, 2012, the amount outstanding towards credit to women was ₹2,23,061.09 crore, forming 7.34 per cent of ANBC of public sector banks. Further, as at the end of March 2012, ten public sector banks (Canara Bank, Dena Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab National Bank, State Bank of Travancore, Union Bank of India, United Bank of India, Bank of Baroda and Bank of Maharashtra) have opened 36 specialized branches for women. Particulars of Credit to women are given at **Annex-III (a), Annex-III (b) and Annex-III (c).**

10.8 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 issued a Consolidated Master Circular dated July 02, 2012 to all scheduled commercial banks 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 2, 2012 to all SCBs 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.

10.9 Apart from the above, the Public Sector Banks (PSBs) have been directed by the Government of India in October 2007 to step up lending to minorities. As per progress reported by PSBs, total outstanding loans to minority communities as on March 31, 2012 stood at ₹1,64,748 crore which works out to 14.55 per cent of total priority sector advances of PSBs. Further, as per reports of PSBs, the total outstanding loans to Minority Communities, as on September 30, 2012 stood at ₹1,71,960 crore (provisional) which works to 15.10% of total priority sector advances of PSBs. As reported by PSBs, the total number of new branches opened by PSBs in Minority Concentrated Districts/areas during 2011-12 was 1098 and during the year 2012-13, upto September 30, 2012, the total number of new branches opened by PSBs in these areas was 288.

Annex I

Total Educational Loan outstanding of Public Sector Banks

(₹ in crore)

Name of the Bank	As on March 31, 2012		As on September 30, 2012	
	No. of A/cs	Amount	No. of A/cs	Amount
Allahabad Bank	47310	1179.60	47449	1235.55
Andhra Bank	71360	1515.88	64405	1477.25
Bank of Baroda	87876	1881.28	87576	1960.57
Bank of India	124028	2190.03	117826	2378.65
Bank of Maharashtra	24811	503.86	25243	537.82
Canara Bank	208943	3948.26	208188	4189.31
Central Bank of India	101536	2100.58	104951	2331.25
Corporation Bank	47291	1037.96	47634	1119.72
Dena Bank	15319	325.14	15160	333.46
Indian Bank	203159	3281.62	202091	3593.49
Indian Overseas Bank	189475	2512.17	191646	2851.84
Oriental Bank of Commerce	47234	1191.09	48450	1225.51
Punjab National Bank	152730	3309.22	154152	3547.90
Punjab & Sind Bank	7409	226.67	7275	223.61
Syndicate Bank	118092	2290.85	121305	2424.77
Union Bank of India	86692	1859.59	88234	2044.98
United Bank of India	23654	530.24	23836	518.97
UCO Bank	46959	995.72	48619	1093.74
Vijaya Bank	33067	643.43	33293	674.42
State Bank of Bik & Jaipur	22158	476.98	22241	505.37
State Bank of Hyderabad	53367	1140.04	51958	1147.13
State Bank of India	586573	12565.11	590309	13491.06
State Bank of Mysore	29212	585.18	29424	614.41
State Bank of Patiala	14338	373.38	14869	394.04
State bank of Travancore	112430	2266.77	111015	2414.89
IDBI BK Ltd	5470	138.31	5799	150.85
TOTAL	**24,60,493**	**49,068.96**	**24,62,948**	**52,480.56**

Source: PSBs (Data is provisional)

Annex-II

Advances to Priority Sector by Public Sector Banks

Sector	No. of Accounts (in lakh)				Amount Outstanding (₹ crore)			
	As on last reporting Friday of March							
	2009	2010	2011	2012	2009	2010	2011	2012@
Agriculture	288	316	339	384	2,99,415 (17.7%)	3,72,463 (17.3%)	4,14,973 (16.6%)	4,75,148 (15.7%)
i) Direct	283	310	332	375	2,17,931 (12.86%)	2,65,826 (12.8%)	3,00,190 (12%)	3,66,398 (12.1%)
ii) Indirect	5	6	7	9	81,483 (4.8%)	1,06,637 (5.1%)	1,14,782 (4.6%)	1,11,872 (3.7%)
Small Enterprises	41	72	74	71	1,91,408 (11.3%)	2,76,319 (13.3%)	3,69,430 (14.8%)	3,96,343 (13.1%)
Micro Credit	12	13	8	11	4,505	5,916	7,243	6,861
Education	15	19	22	24	27,002	35,855	41,342	46,740
Housing	36	37	40	40	1,57,441	1,73,184	1,88,472	2,01,672
Total Priority Sector Advances	425	458	483	531	7,24,150 (42.8%)	8,37,777 (41.6%)	10,21,496 (40.9%)	11,29,993 (37.4%)
Adjusted Net Bank Credit	-	-	-		16,93,437	20,78,398	24,93,499	30,18,475
Source: RBI.	@ Provisional							

Note:

(i) The figures in parenthesis show percentage of advances to Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-balance Sheet Exposure (CE of OBE), whichever is higher, as on March 31 of the previous year.

(ii) In terms of guidelines on lending to priority sector (applicable as of March 2012), broad categories of advances under priority sector include agriculture, micro and small enterprises sector, microcredit, education and housing.

(iii) Indirect agriculture is reckoned only up to 4.5% of the ANBC or credit equivalent of off-balance sheet exposures, whichever is higher.

(iv) The 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.

11. Insurance Division

The functions of the Insurance Division include formulation of policy for the orderly growth of the insurance sector, monitoring of the performance of the nationalized insurance companies, framing of rules and regulations in respect of service conditions of employees of nationalized insurance companies; framing of rules in respect of terms and conditions of service of the Chairpersons and Members of Insurance Regulatory and Development Authority (IRDA), appointment of Chief Executives and Directors on the Boards of nationalised insurance companies, framing of rules under IRDA Act, 1999 and appointment of Chairperson and Members of the IRDA.

The following main Acts, inter alia, 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 Aam Aadmi Bima Yojana, etc..

11.1 Reforms in the Insurance Sector:

The insurance sector was opened up to private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The IRDA at present consists of the Chairman, 4 full-time members and 4 part-time members. The Authority is functioning from its Head Office at Hyderabad, Andhra Pradesh. The core functions of the Authority include (i) licensing of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) regulate premium rates; and (iv) protection of the interests of the policyholders. With a view to facilitating development of the insurance sector, the Authority has issued regulations on protection of the interests of policyholders; obligations towards the rural and social sectors; micro insurance and licensing of agents, corporate agents, brokers and third party administrators. This is in addition to the regulatory framework provided for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements.

11.2 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 52 insurers operating in the life, non-life and re-insurance segments (including specialized insurers, viz., Export Credit Guarantee Corporation and Agricultural Insurance Company). Four of the general insurance companies, viz., Star Health and Alliance Insurance Company, Apollo MUNICH Health Insurance Company, Max BUPA Health Insurance Company and Religare Health Insurance Company function as standalone health insurance companies. Of the twenty three insurance companies which have set up operations in the life segment post opening up of the sector, twenty one are in joint venture with foreign partners. Of the twenty one insurers (including standalone health insurers) who have commenced operations in the non-life segment, sixteen had been set-up in collaboration with the foreign joint venture partners. Thus, as on date, thirty seven insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe.

11.3 Industry Statistics:

(a) Life insurance industry: The post liberalization period has been witness to tremendous growth in the insurance industry, more particularly so in the life segment. The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2011-12 was Rs. 113942 crore as compared to Rs. 126398 crore in 2010-11 registering a decline of 9.85 per cent against a growth rate of 15.02 during the year 2010-11. In terms of linked and non-linked business during the year 2010-11, 15.25 per cent of the first year premium was underwritten in the linked segment while 84.75 per cent of the business was in non-linked segment as against 42.37 & 57.63 in the previous year. The total premium, which includes first year premium and renewal premium during 2011-12, was Rs. 287072 crore as compared to Rs. 291639 crore in 2010-11 registering a decline of 1.57 per cent against 9.87 per cent growth in the previous year. In terms of linked and non-linked business during the year 2011-12, 24.26 per cent of the total premium was procured in the linked segment while 75.74 per cent of the business was in non-linked segment as against 37.39 & 62.61 in the previous year.

The life insurers underwrote new business of Rs. 69184 crore during the period April to December 2012 in the current financial year, 2012-13 as against Rs. 71954 crore in the corresponding period of 2011-12, recording a decline of 3.85 per cent. Of the new business premium underwritten, LIC accounted for Rs. 50277 crore (72.67

per cent market share) and the private insurers accounted for Rs. 18907 crore (27.33 percent market share). The market share of these insurers was 72.34 per cent and 27.66 per cent respectively in the corresponding period of 2011-12.

11.4 Non-life insurance industry: The non-life insurers (excluding specialized institutions like ECGC and AIC and the standalone health insurance companies) underwrote premium of Rs. 54578 crore in 2011-12, as against Rs. 43842 crore in 2010-11 registering a growth of 24.49 per cent. This premium includes the business done outside India by the public sector insurers. The net premium for the financial year 2011-12 was Rs. 44451 crore as against Rs. 34933 crore in the year 2010-11. One of the benefits of opening up of the insurance sector has been the extension of health cover to a wider cross-section of the society. Health premium accounted for 22.27 per cent (Rs. 11777 crore) of the gross premium underwritten by the non-life insurance industry in 2011-12 as against 23.35 per cent (Rs. 9944 crore) in 2010-11. Health insurance is one of the fastest growing segments in the non-life insurance industry in recent years, and has grown 18.43 per cent during 2011-12.

At the time of opening up of the sector in 2000-01, the health premium was Rs. 519 crore, viz., 5.29 per cent of the gross premium underwritten. It has grown to Rs. 11777 in 2011-12.In addition, standalone health insurers underwrote premium of Rs. 1660 crore in 2011-12 as against Rs. 1536 crore in 2010-11.

The non-life insurers underwrote a premium of Rs. 49891 crore during the period April to December 2012 in the current financial year recording a growth of 19.17 per cent over Rs. 41867 crore underwritten in the same period in 2011-12. The private sector non-life insurers underwrote a premium of Rs. 21268 crore in April-December, 2012 as against Rs. 17373 crore in April-December, 2011, reporting a growth of 22.42 per cent. The public sector non-life insurers underwrote a premium of Rs. 28623 crore which was higher by 16.86 per cent (Rs. 24493 crore in the April-December 2011). The market share of the public and private insurers stood at 57.37 and 42.63 per cent at the end of December, 2012 (58.50 and 41.50 at the end of December, 2011).

11.5 Penetration and Density: The potential and performance of the insurance sector is universally assessed in the context of two parameters, viz., Insurance Penetration and Insurance Density. Insurance penetration is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP). Insurance density is defined as the ratio of premium underwritten in a given year to the total population (measured in US$ for convenience of comparison).

The Insurance Penetration was 2.32 (Life 1.77 and Non-life 0.55) in the year 2000 when the sector was opened up for private sector, and has increased to 4.10 in 2011 (Life 3.40 and Non- life 0.70). Insurance Penetration in some of the emerging economies in Asia, i.e., Malaysia, Thailand and China during the same period was 5.1, 4.4 and 3.0 respectively. The insurance density in India was US$9.9 in 2000 which has increased to US$59 in 2011 (Life 49 and Non-life 10). The comparative figures for Malaysia, Thailand and China during the same period were US$502, 222 and 163 respectively.

11.6 Investment of the Insurance sector:

As on 31st March, 2012 the accumulated total investments held by the insurance sector was Rs. 16,80,527 crore. During 2011-12, Assets Under Management (AUM) had grown by 11.10 per cent. Life insurers continue to contribute a major share with around 94 per cent of the total investments held by the insurance industry. Similarly, public sector insurers continue to contribute a major share (around 80 per cent) in total investments; although investments by private sector insurers have also been growing at a fast pace in recent years.

The various sources of funds available for Investment by life insurers are from traditional products and ULIP products. Out of the total amount of invested funds i.e., Rs. 15,81,259 crore, Rs. 3,69,972 crore (23.40 per cent of total funds) are ULIP funds and Rs. 12,11,287 crore (76.60 per cent) are traditional funds. The share of ULIP funds slipped in the year 2011-12 by 7.30 per cent compared to the previous year.

The total investments of the non-life sector, as on 31st March, 2012, stood at Rs. 99,268 crore comprising 6 per cent of the total AUM and increased by Rs. 16,748 crore in 2011-12.

During the current financial year the accumulated total investments held by the insurance sector increased from Rs. 15,60,204 crore as at 30th September, 2011 to Rs. 17,89,048 crore as at 30th September, 2012 registering a growth of 14.66 per cent.

The total amount of funds invested by life insurers as at 30th September, 2012 was Rs. 16,76,738 crore as against Rs. 14,68,482 crore as at 30th September 2011 an increase of Rs. 2,08,256 crore (14.18 per cent). This consists of Rs. 3,74,733 crore i.e., 22.35 per cent of life funds (Rs. 3,53,628 crore i.e., 24.08 per cent of life funds in September, 2011) from the ULIP funds and the remaining Rs. 13,02,005 crore i.e.,77.65 per cent of life funds was from the traditional funds (Rs. 11,14,854 crore i.e., 75.92 per cent of life funds in September, 2011).

During the current financial year the non-life insurers contributed to the extent of 6.28 per cent of total investments held by the insurance industry. The total investments of the sector, as at 30th September, 2012, stood at Rs. 1,12,310 crore, viz., an increase of Rs. 20,588 crore from the corresponding period of the previous year.

11.7 Rural & Social Sector Business:

The life insurers underwrote 140 lakh policies in the rural sector, viz., 31.67 per cent of the new policies underwritten (442 lakh policies) by them in 2011-12. LIC underwrote 32.68 per cent of the new policies and private insurers underwrote 27.38 per cent of the new policies in the rural sector. Of the total number of lives covered (657 lakh) under the new schemes underwritten during 2011-12, 145 lakh lives, viz., 22.07 per cent lives were covered in the social sector. LIC covered 24.87 per cent of their lives and private insurers covered 18.28 per cent in the social sector.

The non-life insurers underwrote gross direct premium of Rs. 7,470 crore in the rural sector, viz., 14.13 per cent of the gross direct premium underwritten (Rs. 52,876 crore) by them in 2011-12. Public insurers underwrote 11.49 per cent of their gross direct premium and private insurers underwrote 17.73 per cent in the rural sector. In the social sector 1093 lakh lives were covered during the year 2011-12. The contribution of private sector was 218 lakh lives and public sector accounted for 875 lakh lives.

The insurance companies are by and large fulfilling the obligations in the rural and social sectors.

11.8 Micro insurance

In an effort to ensure a balanced and speedy expansion of insurance coverage in the country, the Authority has put in place the regulatory framework laying down the obligations of insurers to the rural and social sectors. These regulations impose obligations on insurers towards the rural population - to sell a specified percentage of policies and underwrite specified percentage of gross premium underwritten for life and non-life insurance companies respectively; and cover a specified number of lives/assets belonging to people below poverty line or those pursuing certain traditional occupations. These obligations have been linked to the number of years of having been in operations of the respective insurer. The Government of India had set up a consulting group in 2003 to examine the existing insurance schemes for the rural poor; and on the basis of the groupõs recommendations, the Authority issued IRDA (Micro insurance) Regulations, 2005. Since notification of the Micro Insurance Regulations in November, 2005, the Authority has been monitoring the progress of micro insurance business and examining the possibilities of offering a facilitative approach to the industry so that the micro insurance business could take off as a class of business to further extend insurance penetration amongst various sections of the society. Towards this direction, the Authority permitted Non-Governmental Organizations (NGOs) registered as Non Profit Companies, including NGOs registered under Section 25 of the Companies Act, 1956 to act as micro insurance agents vide its circular dated 13th March, 2008, in addition to NGOs registered as societies that were already permitted to act as agents under the Micro Insurance Regulations.

With a view to giving a further fillip to micro insurance business, the Authority has reviewed comprehensively the extant regulatory architecture of the micro insurance business and issued an exposure draft on 26th July, 2012 proposing modifications to the existing IRDA (Micro Insurance) Regulations, 2005. The intent of the review is to create an encouraging regulatory environment for promoting micro insurance business in the country. Towards this end, the existing standalone delivery channel is proposed to be strengthened; encourage diversity in the products offered by insurance companies under this stream; customize products to meet the needs of the targeted sections of society; expand the coverage to include micro, small and medium enterprises; and strengthen regulatory oversight.

Micro insurance regulations issued by the IRDA have provided the necessary impetus in promoting insurance to the needy rural sector. There were 12,797 micro insurance agents operating in the micro insurance sector as at the end of 2011-12 (10,482 agents in 2010-11). In micro-insurance-life, the individual new business premium in the year was Rs. 115.68 crore under 46.20 lakh policies (Rs. 130.40 crore under 36.51 lakh policies in 2010-11) and the group business amounted to Rs. 109.82 crore premium under 101.94 lakh lives (Rs. 155.23 crore under 152.59 lakh lives in 2010-11). Individual death claims paid under micro insurance portfolio for the year 2011-12 amounted to Rs. 21.09 crore on 14,509 policies (Rs. 16.79 crore on 11,283 policies in 2010-11) and in the group category Rs. 415.97 crore was paid as death claims on 1, 30,261 lives (Rs. 206.36 crore on 50, 250 lives in 2010-11).

11.9 Recent Initiatives Taken by IRDA

Recent initiatives taken by the Authority in the insurance sector include:

11.10 Dismantling the Indian Motor Third Party Insurance Pool (IMTPIP)

During the year, one of the significant measures taken by IRDA was to dismantle the IMTPIP. The Authority chose to prescribe the clean-cut method which is a well accepted principle of settling long-tail outstanding liabilities. By this method the motor third party pool liabilities could be determined and settled for all times on 31st March, 2012. This would thereby de-risk the general insurance industry. The long-tail outstanding liabilities could be determined on actuarial principles. This is a quick and efficient way of settling liabilities. On the other hand, the run-off method of settling claim would have meant that the actual and true liability would be ascertained and shared amongst all the players in the proportion agreed at the beginning. However this would have meant that the companies would have to keep their books open till the settlement of last claim and so the process could run through many years.

11.11 Provisioning for Third Party Liability:

Authority during the financial year undertook Actuarial valuation of the Indian Motor Third Party Insurance Pool (IMTPIP) in order to assess adequacy of the reserves which are to be calculated as per the IRDA Regulations. The actuarial report established that the ultimate loss ratios are 172.3 per cent, 181.81 per cent and 194.15 per cent for the years 2007-08, 2008-09 and 2009-10 respectively. Against this estimate, the pool had maintained reserves at 126 per cent for all these years which was considered to be insufficient. Hence, the Authority, under Section 14 of the IRDA Act, 1999 issued directions to the non-life insurers to maintain a solvency ratio of not less than 130 per cent for all lines of business as on 31st March, 2012 for the IMTPIP losses being valued at an ultimate loss ratio of not less than 159 per cent for all the years the pool was underwriting business. It also directed the insurers not to declare dividends to the shareholders without the prior specific approval of the Authority for any year wherein the solvency ratio is reported below 150 per cent. It also directed the companies to submit a financial plan as approved by the Board of Directors, to the Authority within a period of two months, indicating a course of action proposed to correct the deficiency for the said three year period up to March 2014.

During the year, one of the significant measures taken by IRDA was to dismantle the IMTPIP. The Authority chose to prescribe the clean-cut method which is a well accepted principle of settling long-tail outstanding liabilities. By this method the motor third party pool liabilities could be determined and settled for all times on 31st March, 2012. This would thereby de-risk the general insurance industry. The long-tail outstanding liabilities could be determined on actuarial principles. This is a quick and efficient way of settling liabilities. On the other hand, the run-off method of settling claim would have meant that the actual and true liability would be ascertained and shared amongst all the players in the proportion agreed at the beginning. However this would have meant that the companies would have to keep their books open till the settlement of last claim and so the process could run through many years.

11.12 Formation of Indian Motor Third Party Declined Risk Insurance Pool:

The Authority issued an Order in December 2011 and created a declined risk pool for Liability Only Commercial Vehicle Third Party Insurance with effect from 1st April, 2012. The purpose of creating the Indian Motor Third Party Declined Risk Insurance Pool for Commercial vehicles (Act only Insurance) is (a) Equitable and fair sharing by all insurers; (b) No supply side constraints; (c) Simple to administer; and (d) To bring claims management efficiency. The Pool shall apply to the commercial vehicles for standalone third party liability insurance. No comprehensive motor insurance policy or part thereof shall be ceded to the Pool. All existing general insurers and every newly registered general insurer shall automatically be admitted as member of the Indian Motor Third Party Declined Risk Insurance Pool (Declined Risk Pool) and specialist insurers not licensed for motor insurance business shall not be members of the declined risk pool. GIC shall act as the pool administrator of the Declined Risk Pool. The premium for declined risk pool shall be determined in accordance with the actuarial principles which shall be used by all the insurers and shall be notified by the Authority from time to time.

11.13 Initiatives towards policyholder protection:

IRDA has brought out regulations providing for various do's and don'ts for insurers and intermediaries at the point of sale, point of claim etc. Timeframes have been set for servicing policyholders under the Regulations. Further, the Regulations mandate insurers to have in place an effective mechanism for redressal of policyholder grievances. IRDA has set up a "Grievances Cell" for policyholders of life and nonlife insurance companies and a separate channel for senior citizens for expressing their grievances with regard to health insurance policies. Apart from playing a facilitative role in helping policyholders getting their grievances redressed by insurers within the stipulated time, IRDA examines on a continuous basis the underlying issues that cause grievances and works towards rectifying the systemic issues involved.

IRDA has advised all the life and non-life insurance companies not to reject the genuine claims intimated or submitted, at a later date than the time specified in the policy, due to unavoidable circumstances. It has also been advised that the insurer's decision, to reject a claim due to delay in submission of intimation or documents, shall have to be based on sound logic and valid grounds as the time limitation clause is neither absolute nor does it work in isolation. As such it has been advised not to repudiate any claim unless and until the reasons for delay are specifically ascertained, recorded and insurers satisfy themselves that those claims would have even otherwise been rejected even if reported in time.

11.14 Public Grievances

With the successful implementation of the IGMS, the status of complaints across the industry is available to the Authority on a real time basis. The IGMS has now the repository of the industry's complaints including the status as well as the various analytical reports on public grievances. The insurer is the first port of call for a complainant and in case he/she is not satisfied with the insurer's decision, the policyholder may escalate the complaint online on the IGMS or through the Integrated Grievance Call Centre (IGCC). All complaints received are now part of a single repository, viz. IGMS complaints. The Authority also regularly accesses the portal of the Department of Administration and Public Grievances (DARPG), Government of India and ensures that complaints relating to the insurance sector are downloaded and necessary action is initiated to ensure that the complaints are examined and redressed by the insurance companies.

11.15 Fraud:

In order to improve the governance standards of insurance industry with regard to Fraud, IRDA has issued the guidelines on insurance fraud monitoring framework for life/non-life and re-insurance sectors.

The framework envisages the adoption of anti-fraud policy by the Boards of the insurance companies and will enable them to identity potential areas of fraud, and to develop strategies to identify, detect, investigate and report such instances to the management or to law enforcement agencies to mitigate the risks of frauds in the insurance industry.

The Guidelines mandate insurance companies to put in place, as part of their corporate governance structure, fraud detection and mitigation measures and submit periodic reports to the Authority in the formats prescribed therein. All insurers are required to ensure that the risk management function is organized in such a way that the insurer is able to monitor all the risks across all lines of business on a continuing basis and initiates measures to address them suitably.

11.16 Insurance Education and Research:

IRDA has initiated an insurance awareness campaign through mass media, mainly through print, television and internet. This program aims at educating the public on the benefits, as well as the policyholders on the available insurance plans. IRDA is also working on the need and types of internal channels such as consumer education web-page and publication of booklets on the aforementioned topics, in simple terms and language. The booklets will contain generic information on the benefits of insurance and will be supplied to the public.

As a part of its developmental role in spreading insurance in the country, IRDA along with Government of Andhra Pradesh established an Institute of Insurance and Risk Management (IIRM) at Hyderabad. The institute provides opportunities to students wishing to pursue PG Diploma in Insurance. Earlier, accreditation was accorded by the CII to the International Post Graduate Diploma in Insurance conducted by IIRM. A Distance Learning Wing has been opened in IIRM to provide opportunities to students wishing to pursue the diploma in a distance mode. Diploma obtained from this mode also received accreditation from the CII, London. As there has been a shortage of actuaries with the opening up of the sector and recognizing the need for more actuaries in the insurance industry, International School of Actuarial Sciences was also established at IIRM.

Data is paramount for taking policy decisions; as such IRDA has been concentrating on the improvements in data collection as well as disseminating the data to the public at large and to promote research in insurance. Further, IRDA has brought out a Handbook on Indian Insurance Statistics 2011-12, putting at one place the time series data on various financial variables submitted by the insurance companies as a compliance of the regulations. This is the fifth edition of the Handbook. As a part of research activity, R&D department of IRDA has been engaged in preparing and presenting research papers on insurance related data.

11.17 Health Insurance Regulations:

Health Insurance continues to be one of the most rapidly growing sectors in the Indian insurance industry. The growth of health insurance industry lies mainly in better customer orientation in terms of servicing the customers, standardization of procedures and definitions across the industry. Standardization provides simple yet innovative products, better understanding of the terms by the public, less complaints and easy penetration in the market. Increased awareness about the benefits of Health insurance, particularly in urban areas has occurred due to rise in medical costs and also as a result of popular Government schemes. Simultaneously, this has led to increase in both number of complaints and queries under the Right to Information Act (RTI) from the general public on Health insurance. This in turn has steered the regulator to take a number of corrective measures for strengthening protection of health insurance policyholders and for the orderly growth of the sector. The Authority has also taken up key initiatives including constitution of the Health Insurance Forum, standardizing of claims formats and other documents. With the objective to track the business progress of health insurance industry as also to regulate the health insurance industry in India, IRDA has formulated IRDA (Health Insurance) Regulations, 2012, which are presently in the advanced stage of discussions for notification.

11.18 Economic Capital:

The framework for assessment of Economic Capital plays an important role in the entire risk management mechanism of insurance companies, which enables insurers to determine the right amount of capital to be allocated to each and every risk encountered by individual insurers in carrying out the insurance business. Economic Capital reflects the individual company's specific risk profile; and provides the framework for quantification of optimum capital to be allocated against each risk based on company specific internal models. Keeping in view the importance and necessity of assessment of 'Economic Capital' in the insurance sector, the Authority has mandated both life and non-life insurance companies to submit the Economic Capital report annually. The computation is based on a one year time horizon calibrated on a Value at Risk (VaR) level of 99.50 per cent with risks categorized as Insurance, Operational, Market, Liquidity and Credit risks for life insurers; and Underwriting, Market, Expense, Operational and Liquidity risks, for non life insurers. Insurers are allowed to reduce the total economic capital requirement to the extent of diversification effect which has been capped at 30 per cent of the Economic Capital for life insurers. This move of the Authority can be considered as the starting point to sensitize all insurers of the need for moving towards the risk based capital regime from the current fixed factor based formula approach.

11.19 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 Corporation was to spread the message of life insurance in the country and to mobilize people's savings for nation building activities.

The Corporation also has Branch Offices in Fiji, Mauritius and United Kingdom. It also operates through Joint Venture(JV) Companies in overseas Insurance Market, namely Life Insurance Corporation (International) B.S.C.(c), registered in Manama (Bahrain); Kenindia Assurance Company Ltd. registered in Nairobi; Life Insurance Corporation (Nepal) Ltd. registered in Kathmandu; Life Insurance Corporation (Lanka) Ltd. registered in Colombo and Saudi Indian Company for Co-operative Insurance(SICCI) registered in Riyadh.

A Wholly owned subsidiary, Life Insurance Corporation (Singapore) Pte Ltd. has been established on 30.4.2012 and the Company is awaiting operating license from the local Regulator.

Among the above two Joint Ventures (JVs), Kenindia Assurance Co. Ltd., Nairobi, Kenya and Saudi Indian Company for Co-operative Insurance (SICCI), Riyadh, Kingdom of Saudi Arabia are composite companies transacting life and non-life business; and two JVs, LIC (Nepal) Ltd. & SICCI are listed on their respective Stock Exchanges.

As on 31st December, 2012, LIC has 8 Zonal Offices, 113 Divisional Offices, 2048 Branch Offices , P& GS units 77 , SSS units 4 and 1268 Satellite Offices

New business procured during the calendar year is as follows:-

New Business Performance for the period 01.01.2012 to 31.12.2012

	First Year Premium (‘ figures in crore)		%Growth rate	Policies		% Growth rate
	Jan'12 to Dec"11	12Jan to Dec'11		Jan'12 to Dec'12	Jan'11 to Dec'11	
Total	45580.49	39893.50	14.25	3,62,17,521	3,59,59,926	0.72
Single Premium	14273.98	13633.33	4.70	20,50,857	22,61,298	-9.30
Non-Single Premium	31306.51	26260.17	19.22	3,41,66,664	3,36,98,628	1.39

We have an agency force of 12,05,161 including new recruitment of 86,214 agents during the current calendar year up to December 2012.

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. The schemes are as under.

11.20 **Janashree Bima Yojana:** In pursuance to Governmentõs announcement in the Budget 2000-2001, LIC launched a new scheme of group insurance namely, óJanashree Bima Yojanaô 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 ` 30,000/- on natural death of the member,

Rs.75,000/- on death / total permanent disability due to accident. On partial permanent disability due to an accident the benefit is Rs. 37,500/-. 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 31.12.2012, 2,89,93,690 lives were covered under the scheme.

11.21 **Shiksha Sahayog Yojana (SSY):** In pursuance to the Governmentõs announcement in the Budget 2001-2002, LIC launched the óShiksha Sahayog Yojanaô for the benefit of children of members of Janashree Bima Yojana. The scheme provides for the scholarship of Rs. 600/- per half year without any additional premium for availing the supplementary benefit of scholarship. Numbers of scholarships disbursed during the last 5 years are:

Financial Year	No. of Scholarships	Total Amount (in Rs.)
2007-08	13,01,136	76,29,88,382
2008-09	13,08,858	97,21,43,040
2009-10	9,13,281	67,58,87,984
2010-11	13,78,744	1,02,52,96,780
2011-12	20,90,972	1,80,25,27,977

During the period: 01.04.2012 to 31.12.2012 total number of scholarships paid were 14,36,081 amounting to Rs. **1,38,55,42,380/-**

11.22 Aam Aadmi Bima Yojana (AABY)

AABY was launched on 2nd October, 2007 by the Honõble 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. 600/- per half year 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. 2000 crore has been placed in a Fund by Government of India during 2007-08 & 2008-2009, 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 Indiaõs share of LICõs 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 31.12.2012, 2,29,38,610 Rural landless households were covered under this scheme since inception and 1,84,43,461 lives are in force

11.23 **Scholarships settled under AABY since inception**:

FINANCIAL	SCHOLARSHIPS	YEAR NO. AMOUNT (Rs.)
2007-08	0	0
2008-09	2,17,211	13,03,26,600
2009-10	86,905	5,44,86,600
2010-11	8,40,568	81,84,77,200
2011-12	4,44,750	47,24,83,200

During the period: 01.01.2012 to 31.12.2012 total number of scholarships paid were 5,53,703 amounting to Rs. 57,81,28,200/-

11.24 Micro-Insurance Products:

The IRDA Micro Insurance Regulations, 2005 provides a platform to distribute insurance products which are affordable to the rural and urban poor. The Micro Insurance (MI) business channel of LIC was initiated in the year 2006 and the first MI plan ñ**JEEVAN MADHUR**ò for low income persons was launched on 28th September, 2006 by the then President of India, Honõble Dr. A. P. J. Abdul Kalaam. Jeevan Madhur is a simple savings related life insurance plan with unique feature of Auto Cover. The second micro insurance product ñ**Jeevan Mangal**ò, a term assurance plan with refund of premium, was launched on 3rd September, 2009. The third product ñJeevan Deepò was launched on 01.09.2012 which is an endowment product with benefit of guaranteed addition and loyalty addition, if any.

The salient features of these products are as follows.

11.25 Jeevan Madhur:

- With Profit Endowment Plan
- In-built Accident Benefit
- Min/Max Age at entry ï 18/60 yrs
- Maximum Maturity age ï 65 years.
- Min/Max Policy term 5/15 years
- Minimum/Maximum Sum Assured Rs. 5000/ 30000
- Premium payment mode: Weekly/Fortnightly/ Monthly/Quarterly/Hal-year/Yearly.
- Minimum premium: Rs. 25/- Weekly, Rs. 50/- Fortnightly, Rs. 100/- Monthly and Rs. 250/- for other modes.
- Maturity Benefit : Maturity Sum Assured + Accrued Bonuses
- Death Benefit: Total premiums payable during the policy term alongwith vested bonuses, if any.
- Auto Cover: If at least two full years premiums have been paid in respect of this policy, any subsequent premium be not duly paid, full death cover shall continue from the date of First Unpaid Premium (FUP) for a period of two years or till the end of policy term which ever is earlier.

11.26 Jeevan Mangal

- Term assurance plan with return of premium paid on maturity
- Accident Benefit Optional/available as a rider
- Min/Max Age at entry ï 18/60 yrs
- Maximum Maturity age ï 70 years.
- Min/Max Policy term 10/15 years
- Minimum/Maximum Sum Assured Rs. 10000/ 50000
- Premium payment mode:

  Weekly / Fortnightly/ Monthly/ Quarterly/ Half-year / Yearly and Single Premium.
- Minimum premium: Rs. 15/-
- Maturity Benefit: Return of premiums (excluding accident benefits and any other extra premiums)
- Death Benefit: In case of death under natural circumstances, Basic Sum Assured is payable. In case of death due to accident, an additional amount equal to the sum assured is payable if accident benefit rider is opted for.
- Grace period: Two calendar months or 60 days (for all modes)

  whichever is higher.

11.27 **Jeevan Deep**

- With Profit Endowment Plan
- Optional Accident Benefit rider for regular modes only.
- Min/Max Age at entry ï 18/60 yrs
- Maximum Maturity age ï 65 years.
- Min/Max Policy term 5/15 years
- Minimum/Maximum Sum Assured Rs. 5000/ 30000
- Premium payment mode: Monthly/Quarterly/ Hal-year/Yearly & Single Premium, Minimum Premium- Rs. 29 / p.m.
- Maturity Benefit : Basic Sum Assured + Accrued Guranteed Addition @Rs. 20/- per 1000 SA per year & Loyalty addition, if any
- Death Benefit: Basic Sum Assured with Guaranteed Addition of Rs. 20/- per thousand SA per year.
- Auto Cover: If at least two full years premiums have been paid in respect of this policy, any subsequent premium be not duly paid, full death cover shall continue from the date of First Unpaid Premium (FUP) for a period of two years or till the end of policy term which ever is earlier.

The progress of MI since inception till 31.12.2012 has been as under.

- MI policies sold: 1.37 crore
- Number of Death Claims settled: 22953 (up to 30.11.2012)
- Claim Amount disbursed: Rs. 36.83 crore
- Number of Micro Insurance Agents: 14103

11.28 Inspection by various Parliamentary Committees

संसदीय राजभाषा समिति द्वारा निरीक्षण	Goa Division,WZ	19.01.2012
संसदीय राजभाषा समिति द्वारा निरीक्षण	Branch office Bolpur, EZ	10.02.2012
संसदीय राजभाषा समिति द्वारा निरीक्षण	Uttarkashi, NCZ	02.06.2012
संसदीय राजभाषा समिति द्वारा निरीक्षण	Branch office Gopeshwar, NCZ	22.06.2012
Visit of Committee on Subordinate Legislation	Srinagar, NZ	29.06.2012
संसदीय राजभाषा समिति द्वारा निरीक्षण	Divisional office Jalandhar, NZ	29.09.2012
Visit of Parliamentary Committee on Welfare of OBCs	Chennai, SZ	29.09.2012
संसदीय राजभाषा समिति द्वारा निरीक्षण	Branch office Jaisalmer,NZ	15.10.2012
Visit of Committee on Subordinate Legislation-Rajya Sabha	Hyderabad, SCZ	09.11.2012

11.29 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 period 01/01/2012 to 31/12/2012, the Corporation has settled 1.72 Crore number of claims out of the total 1.86 Crore claims payable. It is our endeavour to settle the claims before the due date. LIC has adopted the Electronic Mode of payment for directly crediting the policy money into Bank Account of respective policyholders.

11.30 Redressal of Public Grievances:

The Corporation (LIC) has Grievance Redressal Officers (GRO) at Branch/ Divisional/ Zonal/ Central Office to redress grievances of customers. Their names with contact numbers are available on our website ‘www.licindia.in’ Also GROs names and availability timings are published in newspapers of wide circulation from time to time. The spirit of customer relations and customer care have been ingrained in our complaint redressal system with emphasis on placing customer oriented personnel at all touch points.

IT enabled proactive support systems have been operationalised to reduce manual interventions and minimize grievances. For ensuring quick redressal of customer grievances Corporation has introduced a Customer friendly **Integrated Complaint Management System (ICMS)** through our **Customer Portal (website) which is http://www.licindia.in**, where policy holder can directly register complaint/grievance and track its status (online). This ICMS system has been integrated with IRDA's Integrated Grievance Management System (IGMS) w.e.f. 01/06/2011.

As per the Corporate Governance Guidelines 2009 issued by IRDA, the Corporation has constituted 'Policyholders Protection Committee' consisting of 3 Members of the Corporation to look into the issues related to the protection of the interest of the policyholders as well as the grievance redressal mechanism of the Corporation.

A Grievance Redressal Committee has also been constituted by the Chairman of the Corporation under the supervision of Executive Director (CRM) to monitor the functioning of the grievance redressal mechanism, with Chief (Health), Chief (Pension & Group Scheme) and Secretary (Micro Insurance) as members of the committee.

The Corporation has Board approved Grievance Redressal Policy framed as per the Guidelines issued by IRDA.

A Claims Review Committee is in place to review repudiated death claims. These committees at Central & Zonal Offices have among their Members, a retired High Court / District Court judge. This has helped providing transparency and confidence in our operations and has resulted in greater satisfaction among claimants, policyholders and public.

Apart from the Claims Review Committee, a Standing Committee is also formed at Divisional, Zonal & Central Office level to deal with issues related to customer service which cannot be decided at the respective servicing departments on account of procedural constraints.

11.31 Aam Aadmi Bima Yojana

Vide Cabinet Resolution dated 22ndNov 2012 the Government has merged the two social sector life insurance Schemes viz. Janashree Bima Yojana (JBY) and the Aam Aadmi Bima Yojana (AABY) into the **Aam Aadmi Bima Yojana (AABY)**. The merger would enable better administration and services in providing life insurance cover to the economically backward sections of society.

The Scheme extends life and disability cover to persons between the age of 18 years to 59 years, living below and marginally above the poverty line under 47 identified vocational/occupational groups, including ôrural landless householdsö The member should be the head of the family or one earning member of the family under the eligible groups.

The Scheme provides for insurance cover for a sum of Rs. 30,000/- on natural death, Rs.75,000/- on death due to accident, Rs.37,500/- for partial permanent disability (loss of one eye or one limb) due to accident and Rs. 75,000/- on death or total permanent disability (loss of two eyes or two limbs or loss of one eye and one limb) due to accident. The Scheme also provides an add-on benefit, wherein Scholarship of Rs100 per month per child is paid on a half-yearly basis to a maximum of two children per member, studying in 9th to 12th Standard (including ITI courses).

The total annual premium under the Scheme is Rs.200/- per beneficiary of which 50 per cent is contributed from the Social Security Fund created by the Central Government and maintained by LIC. The balance 50 per cent of the premium is contributed by the State Government/UTs in the case of ôRural Landless Householdsö and for the other groups, it is contributed by the State Government / Nodal agency/ Individual. The Central Ministerial Dept./State Government/Union Territories/ any other institutionalized arrangement/ registered NGOs may act as nodal agencies under the Scheme. However, in case of ôRural Landless Householdsö category, it is the State Government/ UT which will be the Nodal Agency.

The Scheme is being implemented through Life Insurance Corporation of India (LIC) in the country.

11.32 General Insurance Corporation of India

General Insurance Corporation of India (GIC Re) was approved as ôIndian Reinsurerö on 3rd November, 2000. GIC Re aims at optimizing the retention within the country and developing adequate reinsurance capacity.

As an Indian Reinsurer, GIC Re has been giving reinsurance support to non-life insurance companies in India. GIC Re also manages Marine Hull Pool, Indian Terrorism Insurance Pool and India Motor Third Party Insurance Pool for Commercial vehicles on behalf of Indian Insurance industry. The Motor Third Party Insurance Pool for Commercial vehicles was dismantled on 31st March 2012 and w.e.f 1.4.2012, GIC Re is the administrator of the new Indian Motor Third Party Declined Risk Insurance Pool.

The Reinsurance Programme of GIC Re aims at optimizing the retention within the country and developing adequate reinsurance capacity.

GIC Re continues to lead the reinsurance programme of the Companies in SAARC nations, African countries and Middle East. In the process, it has emerged as a preferred Reinsurer in the Afro-Asian region. GIC Re is expanding its global presence and now plans to enter the Latin American market having got the ôEventual Reinsurerö status in Brazil. GIC Re has been selected as a Manager for Nat Cat Pool promoted by the Federation of Afro-Asian Insurers & Reinsurers (FAIR).

GIC Re is financially strong as reflected by its high grade ratings from credit rating agencies. It is rated A- (Excellent) by A M Best & AAA (In) by CARE. GIC Re is also the 5th largest aviation reinsurer globally. During the year 2011-12, the net premium of the GIC Re was Rs. 12558.24 crores as against Rs. 10512.57 crore in the previous year. The net incurred claims were at Rs. 13986.41crores i.e.,123.6 % as against Rs. 8625.87 crores in the previous year i.e., 90.4%. Catastrophic losses in Thailand, Japan, New Zealand , Australia ; loss provisioning on the dismantling of the Motor Pool and the Regulator IRDA instructing to settle liabilities of the Motor Pool on Ultimate Liability, resulted in GIC Re incurring loss after tax amounting to Rs. 2468.75 crores as on 31st March 2012 compared to Profit after tax of Rs. 1033.41 crores as on 31st March 2011. The total assets and networth as on 31st March 2012 was Rs. 53730.92 crores and Rs. 7690.51 crores, respectively. The present paid up capital of the Corporation is Rs. 430.00 crores

The Corporation has its presence in foreign reinsurance business through its Branch offices in Dubai , London and Kuala Lumpur and a Representative office in Moscow. Apart from reinsurance business, GIC Re continues to participate in the share capital of Kenindia Assurance Company Ltd., Kenya; India International Insurance Pvt. Ltd., Singapore; Asian Reinsurance Corporation, Thailand; East Africa Reinsurance Company Ltd., Kenya . It also holds 35% share in Agricultural Insurance Company of India Ltd.

11.33 Public Sector General Insurance Companies

The General insurance industry was nationalized in 1972 and 107 insurers were amalgamated and grouped into four Companies ï National Insurance Co. Ltd., the New India Assurance Co. Ltd., the Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd. The four entities were set up as subsidiaries of General Insurance Corporation of India (GIC) which also played the role of Re-insurer.

With the opening up of the insurance sector the Insurance Regulatory and Development Authority (IRDA) came into existence in 1999 and GIC became the Indian Reinsurer and the four Public Sector General Insurance Companies got delinked from GIC.

The details of premium and growth of GIPSA companiesôvis-à-vis industry are given in the following table.

Year	GIPSA		
	Amt (Rs.Crore)	Growth %	Market Share (%)
2007-08	16829	3	60.00
2008-09	18027	7	57.80
2009-10	20619	14	57.36
2010-11	25151	21	56.48
2011-12	30531	21	55.76

(Source: IRDA)

Market Share: It may be observed that the market share of GIPSA companies has come down to 55.76%.

Financial strength: The Financial strength of the GIPSA companies is reflected in the following table.

(Rs. crs.)	NIACL		NICL		OICL		UIICL	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Paid-up equity capital	200	200	100	100	100	100	150	150
Solvency Ratio	*3.2	3.2	1.37	1.3	1.38	1.3	2.71	2.89
Reserves	7531	6912	1883	1557	2145	1884	4392	4095

Source: GIPSA

Combined Ratio: The operational efficiency of the insurance companies is reflected by the combined ratio. The combined ratio measures the ratio of outgo as a percentage of inflow of resources. In case of GIPSA companies, it has been observed that this ratio has remained adverse over the last many years. Details of the combined ratio of the last five years are given on the following table. (%)

Company	2007-08	2008-09	2009-10	2010-11	2011-12
National	133.45	135.46	125.17	136.04	**122.82**
New India	117	127	130	140.84	**129.03**
Oriental	123.67	136.06	129.56	137.29	**125.32**
United	131.58	117.09	122.95	137.33	**120.09**

Source: GIPSA

Underwriting results: Adverse combined ratio gets reflected in negative underwriting results. During the last five years GIPSA companies have shown negative underwriting results(losses) to the extent of Rs.26156.24 crore. The details of underwriting results for the last five years are reflected in the following table.

Year	National	New India	Oriental	United India	Total
2007-08	-1010	-845.09	-680.95	-853.35	-3389.39
2008-09	-1213	-1439.9	-1106	-546.79	-4305.69
2009-10	-960.6	-1719.8	-1061.19	-880.98	-4622.57
2010-11	-1717	-2643.4	-1608.91	-1734.93	-7704.24
2011-12	-1386	-2286.3	-1239.37	-1222.68	-6134.35
Total	-6286.6	-8934.49	-5696.42	-5238.73	**-26156.24**

Source: GIPSA

11.34 Investment income: The GIPSA companies have built up their stock of investment fund over a period of time which has helped them to generate investment income through earning from interest, dividend and from sale of equities in the secondary market. The details of investment income generated by the GIPSA companies during the last two years are given in the following table.

Company	2011-12	2010-11
National	1,711.68	1,820.13
New India	2,344.42	2,352.00
Oriental	1,554.00	1796.56
United India	1,600.09	1831.8

Source: GIPSA

11.35 Profitability: Because of the huge investment income the companies are able to generate some profits. The following table gives details of profit after tax during the last five years generated by the GIPSA companies.

(Rs. Cr.)

Year	National	New India	Oriental	United India	Total
2007-08	163.43	1401.15	9.3	631.62	2205.5
2008-09	-149.2	224.14	-52.66	476.05	498.33
2009-10	224.86	404.69	-44.25	707.79	1293.09
2010-11	74.89	-421.56	54.62	130.54	-161.51
2011-12	325.21	179.31	261.16	386.79	1152.47
Total	639.19	1787.73	228.17	2332.79	4987.88

Source: IRDA, GIPSA

11.36 Dividend to Government: The GIPSA companies are supposed to declare dividend to the Government since they are 100% owned by the Government. As per the instant procedure, the companies are expected to declare dividend to the extent of 20% of the equity capital or 20% of the profit after tax whichever is higher. In case any company wishes to build its reserve by not declaring dividend has to seek specific exemption from the Government. The following table gives details the dividend declared by the GIPSA companies to the Government during the last five years.

(Rs. Cr.)

Year	National	New India	Oriental	United India	Total
2007-08	32.66	283	7.5	126	449.16
2008-09	0	45	0	96	141
2009-10	43.98	85	0	142	270.98
2010-11	0	0	0	30	30
2011-12	0	40	50.67	78	168.67
Total	76.64	453	58.17	472	1059.81

Source: GIPSA

One of the major contributory factor for not declaration of dividend to the government is the low solvency ratio against the prescribed statutory limit (1.3).

11.37 Major reasons for losses: The following three segments are the major contributors to the losses.

- Motor Segment
- Fire segment
- Health Segment

The government has asked the companies to set up working groups to look into these portfolios and the companies have to fine tune their policies to improve performance of these segments. Details of claims ratio on net earned premium basis are as under:

INCURRED CLAIMS RATIO (ON NET EARNED PREMIUM) %

FY2011-12	United	Oriental	National	New India
Fire	75.61	100.29	82.07	130.61
Motor(TP)	148.66	156.05	121.73	106.29
Motor (Total)	101.12	103.76	86.55	84.32
Health (Individual)	94.05	93.03	116.49	94.41
Health (Group)	99.09	104.54	97.90	100.69
Health (Total)	97.68	100.45	104.96	97.24

Source: GIPSA

It was considered necessary that the companies be more cautious and prudent in underwriting polices under these three segments. Accordingly, Government has issued advisory to the companies to formulate strategy to be adopted by the companies in order to improve upon the pricing of these products viz. Health, Fire and Motor insurance.

11.38 Cost reduction: There is an urgent need to cut down management cost in order to reduce the combined ratio which is unviable for all the PSU general insurers. It was informed that the ratio of salary and other overheads is 70:30. In this regard it was decided that expenses on rent, travelling, paper, power and conveyance be examined in order to cut down the same without effecting efficiency. On the salary component it was emphasized that the companies must work out a 10 year vision and accordingly dovetail the recruitment plan keeping in view BPR and e-governance implementation.

All efforts be made to market products directly to the customers rather than through intermediaries. In this regard online issuance of policies be given priority. In health and motor segment maximum number of policies be sold online. Massive media campaigns should also be launched in this regard. Companies may also work out an incentive scheme for employees in order to encourage direct sales.

The PSGICs have various policies to provide insurance cover to the poor for reconstruction of their houses in case of natural calamities like fire, flood, cyclone, earthquake etc. Policies like Gramin Suraksha Micro Policy, Farmers Package Policy, Hut Insurance Policy, Tribal Package Policy, Uni-Micro Policy. Long Term House Policy to cover houses constructed under Weaker Section Housing Scheme for a period of 10 years is also available. Strategic Alliances spearhead the retail focus of the companies through tie-up arrangements with automobile manufacturers, banks and other entities with large distribution network. Besides providing cover through traditional policies, the PSGICs are continually evolving themselves to provide tailor made policies to suit the changing / emerging needs of the customers.

11.39 Agriculture Insurance Company of India Limited (AICIL)

Agriculture Insurance Company of India Limited (AICIL) was established on 20th December, 2002 to promote crop insurance in order 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 Rs. 200 crore towards the paid-up share capital out of the authorized capital of Rs. 1500 crore. The Company having received approval from Insurance Regulatory & Development Authority (IRDA) commenced its business operations w. e. f. 1st April, 2003. The total number of employees as on 31.12.2012 is 243 all over the country. It has its Head Office in New Delhi and 17 Regional Offices in various State Capitals. The Company is implementing National Agricultural Insurance Scheme (NAIS), a central sector crop insurance programme of GoI and also implementing the Government introduced Pilot Weather Based Crop Insurance Scheme (WBCIS), Pilot Modified NAIS and Pilot Coconut Palm Insurance Scheme (CPIS)along with its other commercial crop insurance products.

The various Flagship programmes of the Company and performance under such programmes are detailed as under:

11.40 National Agricultural Insurance Scheme (NAIS): The Government of India introduced the Scheme from Rabi 1999-2000 seasons to protect the farmers against losses suffered by them due to crop failure on account of all non-preventable natural calamities so as to restore their credit worthiness of the loanee farmers. The Scheme is available to non-loanee farmers as well. The Scheme, at present covers 73 different crops during the year which includes food crops (cereals, millets and pulses) and oilseeds. Annual commercial / horticultural crops presently covered are sugarcane, potato, cotton, ginger, onion, turmeric, chilly, jute, tapioca, annual banana, pineapple, garlic, cumin, coriander and isabgol. Other crops can also be covered under NAIS, subject to the availability of the past yield data. In Kharif season, the premium rates for Bajra and Oilseeds are 3.5%, while for cereals and other millets and pulses, the premium rates are 2.5% of the sum insured or actuarial rates, whichever is less. In Rabi season, the premium rates for Wheat is 1.5%, while for other cereals and millets and pulses, the premium rates are 2% of the sum insured or the actuarial rates, whichever is less. At present, 10% subsidy on premium is available to small & marginal farmers.

11.41 Weather Based Crop Insurance Scheme : Weather Based Crop Insurance Scheme aims to mitigate the hardship of the insured farmers against the likelihood of 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, WBCIS 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, WBCIS uses weather parameters as ‘proxy’ for crop yield in compensating the cultivators for deemed crop losses. Pursuant to the budget proposals, AICIL introduced a Pilot Weather Based Crop Insurance Scheme (WBCIS) in Karnataka during Kharif 2007 season covering 70 Hoblis in respect of eight rain-fed crops. The Pilot is continuing since Kharif 2007 onwards, and it was implemented in 15 States during 2012-13. Four insurers from private sector are also being allowed to pilot WBCIS for both loanee and non-loanee farmers.

The performance under Pilot WBCIS during Kharif 2007 to Kharif 2012 is given in Table below:

Rs. in 00,000)

Particulars	Rabi 09-10	Kharif 2010	Rabi 2010-11	Kharif 2011	Rabi 11-Dec	Kharif 2012
Farmers covered	873352	3915052	2822499	5263741	3169869	3595649
Sum Insured	197636	443618	524668	834181	669485	728211
Farmers' premium	3998	13067	11452	27181	14785	24672
Claims	13790	15009	28888	35396	58779	13244

* Claims payable figures for Kharif 2012 are estimated. The Scheme is being continued in Rabi 2012-13.

11.42 Pilot Modified National Agricultural Insurance Scheme (MNAIS) was launched for implementation in 50 districts during Rabi 2010-11 seasons. Modified NAIS has many improvements over NAIS like the insurance unit for major crops has been lowered down to village / village Panchayat, minimum indemnity level has been raised to 70%, threshold yield is based on past seven yearsôyield excluding a maximum of two calamity years, pre-sowing and post-harvest loss are covered. Besides these, ŏOn-accountô payment of claims during the season and payment of claims for sowing failure have also been included. The benefit of individual assessment of claims due to localized calamities i.e. hailstorm and landslide has been extended to all the notified areas.

AICIL implemented MNAIS during Rabi 2010-11 in 32 Districts across 12 States. Four private insurance companies have also been empanelled to implement MNAIS. During Kharif 2012, the pilot was implemented by AIC in 29 districts across 12 States. The coverage so far under MNAIS is as under:-

(₹ in 00,000)

S N	Particulars	Rabi 2012	Kharif 2010-11	Rabi 2011	Kharif 2011-12
1	Farmers covered	336724	417831	603814	1360013
2	Sum Insured	66679	112748	157481	368176
3	Farmersô premium	2271	4424	5750	17268
4	Claims	1596	7672	6478	Yield data yet to be received

The pilot is being continued during Rabi 2012-13 season.

11.43 AIC is also implementing **Pilot Coconut Palm Insurance Scheme (CPIS)** from the year 2009 for the benefit of coconut growers with the premium subsidy being borne by Coconut Development Board (CDB) and the concerned State Govt. The pilot is available to eight major coconut growing States i.e. Andhra Pradesh, Goa, Karnataka, Kerala, Orissa, Maharashtra, Tamil Nadu and West Bengal. The coverage so far under CPIS is as under:-

(Rs. in 00,000)

S N	Particulars	2009	2010	2011	2012
1	Farmers covered	436	35257	7960	5062
2	Sum Insured	269	19834	4600	2246
3	Farmersô premium	1.22	27.48	6.08	2.95
4	Claims	0	121.21	30.03*	**

* More claims are likely to be reported as the risk period is continuing.

** Provisional as the coverage period is on.

11.44 AICIL's own Commercial Products: Besides the above, AIC has designed and is implementing few crop specific products to cater to the needs of diverse farming community of India to meet their diversified risks. These products are supplementing the coverage already available under NAIS and WBCIS.

11.45 Utilisation of agency network of GIPSA companies: In order to increase the penetration of crop insurance it has been decided to use the agency network of the four GIPSA companies to sell crop insurance. In this regard IRDA has given its approval for the Co-Insurance arrangement between AICIL & the four GIPSA companies which will cover only Non-Loanee farmers. As per the Co-Insurance agreement and MOU, business will be co-shared in the ratio of 51:49 with AICIL and the four GIPSA companies. Also, AICIL shall be solely and exclusively responsible for claim assessment and payment so as to ensure smooth implementation of the schemes.

11.46 Index-Plus Insurance product: WBCIS broadly captures parametric weather risks like rainfall, temperature, humidity etc. However, a risk like hailstorm cannot be included in WBCIS due to its non-parametric nature. Apple and grapes growers who invest heavily in these crops fear hailstorm as a serious risk. WBCIS being used for these crops could not address the hailstorm risk. In order to capture and mitigate the hailstorm risk of apples and grapes where WBCIS is implemented, AIC with approval from the Government of India launched a pilot on ŏndex plusŏnsurance. The product gives payout based on weather deviations in case of parametric weather, and on individual loss assessment basis for hailstorm and other localized risks. The pilot is introduced during Rabi 2011-12 season for apple in Shimla district of Himachal Pradesh and for grapes in Nasik district of Maharashtra.

Annexure III (a)

STATEMENT SHOWING PARTICULARS OF CREDIT TO WOMEN IN THE BOOKS OF PUBLIC SECTOR BANKS FOR THE QUARTER ENDED MARCH- 2012

Adjusted					Credit to Women						Of the credit to Women under Priority Sector					
		Credit to Women			Under P/S		Under P/S		Under Mircro Credit		Under SSI		Under Government Sponsored Programme		Others	
Name of the Bank	Adjusted Net Bank Credit	No. of A/cs	Amt O/s	%of ANBC	No. of A/cs	Amt.O/s	no. of A/cs	Amt. O/s	No. of A/cs	Amt.O/c	No. of A/cs	Amt. O/c	No. of A/cs	Amt.O/c	No. of A/cs	Amt O/c
Allahabad Bank	9078200	324205	476513.00	5.25	279890	335746.00	44315	140767.00	145348	136968.00	33154	73303.00	64571	104013.00	36817	21462.00
Andhra Bank	7248025	593824	511321.78	7.05	399441	348905.49	194383	162416.29	230668	291142.00	1214	4323.01	40074	16302.22	127485	37138.26
Bank of Baroda	15802210	696043	799129.78	5.06	607992	634251.73	88051	164878.05	18334	9641.68	46051	42260.00	82038	34591.75	461569	547758.30
Bank of India	17850591	586917	1577131.00	8.84	503104	724700.00	83813	852431.00	279889	72116.00	79043	250212.00	136081	104097.00	366753	363679.00
Bank of Maharashtra	4704243	143603	219144.57	4.66	119325	167367.25	24278	51777.32	12899	2763.42	22729	23075.62	19414	13150.43	64283	128377.78
Canara Bank	20142094	1340433	2526921.01	12.55	1268191	1354155.50	72242	1172765.51	37463	11278.41	8148	177983.01	45297	15103.46	1222580	1164894.09
Central Bank of India	13127700	629472	658514.00	5.02	427300	431317.00	202172	227197.00	96568	108128.00	43522	65412.00	147757	86022.00	139453	171755.00
Corporation Bank	8685040	194682	454476.00	5.23	158834	ó	35848	180259.00	23785	96933.00	14985	52178.00	7727	7970.00	112337	117135.00
Dena Bank	4450234	151545	226116.09	5.08	130212	165650.13	21333	60465.96	23341	9711.20	26347	45894.05	30929	9498.69	49595	100546.19
Indian Bank	7229116.00	1022295	959080.48	13.27	568725	522077.93	453570	437002.55	52872	61575.08	3246	18638.30	10154	6102.66	502453	435761.89
Indian Overseas Bank	10318927	1248478	1405965.00	13.63	1148834	1034463.00	99644	371502.00	109834	102845.00	67911	197672.00	114948	45273.00	856141	688673.00
Oriental Bank of Commerce	9590821	137566	480624.00	5.01	110332	374097.00	27234	106527.00	19572	5665.00	18678	85271.00	16671	8159.00	68316	279912.00
Punjab National Bank	23036200	750329	1175890.00	5.10	639093	842100.00	111236	333790.00	74850	51246.00	57438	73021.00	151619	92579.00	355186	625254.00
Punjan and Sind Bank	4215512	50247	205487.85	4.87	38968	156641.46	11279	48846.39	1504	19476.99	9105	45030.20	9216	7368.00	19723	84848.45
Syndicate Bank	9154215	691041	734410.84	8.03	560178	601687.60	130863	132723.24	18714	15992.65	90378	120526.96	13798	9884.05	451086	465167.99
Union Bank of India	14175927	478911	691681.67	4.88	443708	535906.12	35203	155775.55	43994	43978.76	64685	57050.28	58570	22874.08	276459	412003.00
United Bank of India	5393400	410253	320834.11	5.95	363069	260417.02	47184	60417.09	165209	87801.55	28189	32158.47	124118	67034.75	45553	73422.25
UCO Bank	8434000	314653	524141.24	6.21	295106	345010.24	19547	179131.00	102479	80000.97	10415	43615.88	86427	44245.00	95785	177148.39
Vijaya Bank	4930400	205961	359343.00	7.29	170354	316517.00	35607	42826.00	22852	27555.00	22597	25955.00	17132	12493.00	107773	250513.00
State Bank of India	66402300	3225842	4528441.00	6.82	2500400	2894980.00	725442	1633461.00	1032578	284725.00	24981	301675.00	405290	290557.00	1442841	2308580.00
State Bank of Bikaner & Jaipur	4174350	190781	229009.00	5.49	141582	152877.00	49199	76132.00	72694.00	14397.00	4529	1531.00	21008	4936.00	43351	132013.00
State Bank of Hyderabad	6542676	561552	576808.00	8.82	461469	420577.00	100083	156231.00	889	1740.00	220	4532.00	128518	126783.00	331842	287522.00
State Bank of Mysore	3405030	140461	200613.00	5.89	94983	133063.00	45478	67550.00	17373	8031.00	1374	2152.00	5359	2495.00	70877	120385.00
State Bank of Patiala	5234261	124522	319445.00	6.10	90928	238202.00	33594	81243.00	31681	17471.00	6370	2067.00	8701	3115.00	44166	215549.00
State Bank of Travancore	4648395	575882	697724.00	15.01	320535	402043.00	255347	295681.00	82094	68610.00	28913	95292.00	40160	45554.00	169368	192587.00
IDBI Bank Ltd.	15581577.20	150402	1447343.81	9.29	136502	1287899.06	13900	159444.75	232	37624.23	2785	35243.25	3090	1586.75	130395	1213445.00
Total	**303555444.20**	**14939900**	**22306109.23**	**7.34**	**11979055**	**14680651.53**	**2960845**	**7351240.70**	**2717716**	**1667416.94**	**717007**	**1876072.03**	**1788667**	**1181787.84**	**7592187**	**10615530.59**

Source: RBI

Annexure III (b)

STATEMENT SHOWING PARTICULARS OF CREDIT TO WOMEN IN THE BOOKS OF PUBLIC SECTOR BANKS FOR THE QUARTER ENDED MARCH- 2012

	Of the Credit to Women Under Non-Priority Sector						Credit Extended under different Government Sponsored Programmes									
	Other						PMRY				SJSRY					
	Under Medium & Large Industries				Total Outstanding		Against Women		Percentage		Total Outstanding		Against Women		Percentage	
Name of the Bank	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/c	No. of A/cs	Amt. O/c	No. of A/cs	Amt.O/c	No. of A/cs	Amt O/c
Allahabad Bank	636	2743.00	43679	138024.00	51723	174413.00	6743	57031.00	13.04	32.7	26154	15828.00	5910	5395.00	22.60	34.09
Andhra Bank	389	11253.41	193994	151162.88	10838	4912.26	3109	1145.23	28.69	23.31	6507	3017.50	2659	840.44	40.86	27.85
Bank of Baroda	13	3564.16	88038	161313.89	28787	13261.91	4152	715.61	14.42	5.40	32528	9621.19	8314	1841.46	25.56	19.14
Bank of India	313	634058.00	83500	218373.00	29383	18070.00	4560	2542.00	15.52	14.07	25061	9396.00	6863	2423.00	27.39	25.79
Bank of Maharashtra	944	4194.25	23334	47583.07	16284	14482.08	3289	2868.41	20.19	19.81	9280	4788.75	2335	754.90	25.16	15.76
Canara Bank	1638	673950.07	70604	498815.44	310473	18597.55	8545	4236.90	27.53	22.78	13873	6428.45	5298	1791.88	38.19	27.87
Central Bank of India	4627	25475.00	197545	201722.00	92647	69641.00	13847	11462.00	14.95	16.46	63759	21838.00	11717	7225.00	18.38	33.08
Corporation Bank	43	19080.00	35805	161179.00	9452	9439.00	2620	3369.00	27.72	35.69	3535	1676.00	1484	735.00	41.98	43.86
Dena Bank	32	9637.23	21301	50828.73	18060	10610.65	3352	1897.94	18.56	17.89	11405	2824.46	3775	1233.44	33.10	43.67
Indian Bank	0	1759.85	453570	435242.70	7749	10110.13	3033	3153.02	39.14	31.19	6854	2588.15	3797	1227.75	55.40	47.44
Indian Overseas Bank	2	723.00	99642	370779.00	10353	8964.00	2858	2485.00	27.60	27.72	7423	3222.00	3988	1726.00	53.72	53.57
Oriental Bank of Commerce	46	8164	27188	98363.00	18134	20401.00	2986	3346.00	16.00	16.00	11072	3411.00	2793	745.00	25.00	22.00
Punjab National Bank	16	15420.00	111220	318370.00	60737	34067.00	13098	5277.00	22.00	15.00	23771	8243.00	6668	2461.00	28.00	30.00
Punjan and Sind Bank	0	0.00	11279	48846.39	12913	7644.00	2016	1692.00	15.61	22.14	2883	1150.00	610	246.00	21.16	21.39
Syndicate Bank	258	348.62	130605	132374.62	2606	9543.98	455	1702.54	17.46	17.84	10476	5470.34	2621	1622.06	25.02	29.66
Union Bank of India	195	21507.40	35008	134268.15	56715	34775.36	9440	4643.70	17.00	13.00	27723	8685.60	7229	2064.66	26.00	24.00
United Bank of India	1278	7165.79	45906	53251.30	40497	44516.59	10613	11385.80	26.2	25.57	22492	12947.19	6936	3766.72	30.83	29.09
UCO Bank	543	78603.13	19004	100527.87	30248	26895.00	9552	8792.26	31.58	32.69	23968	10105.60	12305	3986.62	51.34	39.45
Vijaya Bank	7	1509	35600	41317.00	10824	9474.00	3399	2574.00	31	27	4353	2347.00	1687	852.00	39	36
State Bank of India	2409	102162.00	723033	1531299.00	185060	144632.00	30068	19999.00	16.20	13.80	92872	34953.00	23571	6822.00	25.40	19.50
State Bank of Bikaner & Jaipur	1	1537.00	49198	74595.00	14984	7199.00	1378	624.00	9.20	8.67	21279	4663.00	6378	1329.00	29.97	28.50
State Bank of Hyderabad	77	970.00	100006	155261.00	10796	7507.00	2180	1073.00	20.19	14.29	5501	2443.00	2123	850.00	38.59	37.79
State Bank of Mysore	0	0.00	45478	67550.00	8219	4222.00	2587	1143.00	31.48	27.07	4232	2070.00	2050	726.00	48.44	35.07
State Bank of Patiala	3314	52870	30280	28373.00	9436	5257.00	1444	683.00	15.30	12.99	2819	1039.00	676	208.00	23.98	20.04
State Bank of Travancore	944	139916.00	254403	155765.00	6866	2462.00	2815	1034.00	41.00	42.00	2934	837.00	1232	410.00	42.00	49.00
IDBI Bank Ltd.	26	1243.36	13874	158201.39	2037	1137.82	430	236.83	21.00	20.81	1871	875.91	712	448.84	38.00	51.24
Total			**177511817854.27**		**29430945533386.43**	**1055821**	**712235.33**	**148569**	**155112.24**			**464625**	**180469.14**	**133731**	**51731.77**	

Source: RBI

Annexure III (C)

STATEMENT SHOWING PARTICULARS OF CREDIT TO WOMEN IN THE BOOKS OF PUBLIC SECTOR BANKS FOR THE QUARTER ENDED MARCH- 2012

	Credit Extended under different Government Sponsored Programmes														
	SGSY						Others								
	Total Outstanding		Against Women		Percentage		Total Outstanding		Against Women		Percentage		Of total credit to Women Non-Perorrming Assets		
Name of the Bank	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/c	No. of A/cs	Amt. O/c	No. of A/cs	Amt.O/c	% of NPA to totla credit to Women
Allahabad Bank	137435	107563.00	39845	25652.00	28.99	23.85	76030	73277.00	12073	15935.00	15.88	21.75	16304	75168.00	8.17
Andhra Bank	5194	3034.13	1411	410.18	27.17	13.52	137472	206399.12	32895	13906.37	23.93	6.74	53813	21873.00	4.28
Bank of Baroda	100819	50129.81	29238	9480.06	29.00	18.91	148148	147260.06	40334	22554.62	27.23	15.32	38302	25430.17	3.18
Bank of India	104735	39961.00	31094	14222.00	29.69	35.59	796030	839306.00	93564	84910.00	11.75	10.12	60594	115702.00	7.34
Bank of Maharashtra	24264	14395.22	3876	1208.13	15.97	8.39	25705	69053.13	9914	8318.99	21.69	12.05	23840	11055.55	5.04
Canara Bank	39905	21214.64	4431	1759.34	11.10	8.29	158249	40749.09	27023	7315.35	17.08	17.95	83385	80643.41	3.19
Central Bank of India	149786	80272.00	77772	45400.00	51.92	56.56	210898	88976.00	44421	21935.00	21.06	24.65	39032	30422.00	4.62
Corporation Bank	2338	1547.00	1349	1196.00	57.70	77.27	3832	9053.00	2274	2670.00	59.34	29.50	25460	16401.00	3.61
Dena Bank	31600	7177.99	11496	3202.61	36.38	44.62	29846	25598.61	12306	3164.70	41.23	12.36	19611	10188.47	4.51
Indian Bank	6172	2481.90	2924	16383.97	47.38	67.85	870	80.10	400	37.92	45.98	47.35	1022295	959080.48	3.09
Indian Overseas Bank	62275	23186.00	56047	19939.00	89.99	86.00	71045	24568.00	52055	21123.00	73.27	85.98	37890	27912.00	1.99
Oriental Bank of Commerce	11643	3542.00	3364	1050.00	29.00	30.00	27394	18466.00	7528	3018.00	27.48	16.34	18927	21744.00	4.52
Punjab National Bank	116679	39979.00	47757	16319.00	41.00	41.00	241560	563585.00	84096	68522.00	35.00	12.00	81945	27701.00	2.36
Punjan and Sind Bank9242	5019.00	2560	2117.00	27.70	42.18	15251	20438.00	4030	3583.00	26.12	17.53	6261	4572.69	2.23	
Syndicate Bank	14896	9093.52	4502	3120.67	32.23	34.32	39986	25681.47	6220	3438.78	15.56	13.39	11410	8960.21	1.22
Union Bank of India	63881	22411.11	23172	9896.58	36.00	44.00	75943	226993.87	18729	6269.14	25.00	3.00	99582	55341.23	8.00
United Bank of India	105090	55355.93	62501	27918.95	59.47	50.43	162597	59750.49	44068	23963.28	27.10	40.10	30744	12895.60	4.02
UCO Bank	67456	25418.97	36865	14398.02	54.65	56.64	70801	59025.25	27705	17068.10	39.13	28.92	18467	15022.33	2.87
Vijaya Bank	4547	3335.00	2637	1707.00	58.00	51.00	21197	20977.00	9409	7360.00	44.00	35.00	28692	14065.00	3.91
State Bank of India	353567	147587.00	84275	37312.00	23.80	25.30	698555	763325.00	267376	226424.00	38.30	29.70	319124	190172.00	4.20
State Bank of Bikaner & Jaipur	31879	7695.00	11742	2699.00	36.83	35.07	5338	1524.00	1510	284.00	28.28	18.63	26085	10209	4.46
State Bank of Hyderabad	4554	4153.00	1594	826.00	35.00	19.89	208502	338700.00	122621	124034.00	58.81	36.62	33043	14043.00	2.43
State Bank of Mysore	1864	1506.00	619	334.00	33.21	22.18	456	1833.00	103	292.00	22.59	15.93	7413	1915.00	0.95
State Bank of Patiala	4319	1458.00	1167	306.00	27.02	21	18889	35384.00	5414	1918.00	28.66	5.42	8203	7891.00	2.47
State Bank of Travancore	5069	3554.00	2889	1351.00	57.00	38.00	53198	68730.00	33224	42759.00	62.00	62.00	32944	27891.00	4.00
IDBI Bank Ltd.	2316	1370.68	1037	742.37	45.00	54.16	2633	759.29	911	158.71	35.00	20.90	4808	16705.42	1.15
Total	1461525	682440.90	546164	258950.88			3300425	3729492.48	960203	730962.96			2148174	1803004.56	

Source: RBI

Statement I

CONSOLIDATED TOTAL REPRESENTATION OF SCs, STs & OBC.

Statement of filling up of Representation SC/ST/OBC identified up to 31.12.2011 (Position furnished by Public Sector Banks/ Financial Institutions/ RBI and Insurance Companies)

GROUP	Number of Employees				Number of appointments made during the previous calendar year											
					By direct recruitment				By Promotion				By other Methods			
GROUP	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs
*Group óAô&óôB	422520	72625	27860	40354	24895	3973	1829	7092	24101	5115	1763	105	141	26	9	-
GroupôCô	390012	73482	28791	127407	23894	4467	2489	6467	5737	1743	507	29	180	52	20	-
Group óDôExcluding Safai Karmachari.	135313	40575	9596	20347	9596	2025	397	2258	764	429	30	1	20	7	2	-
Group óDôSafai Karmachari	38533	20428	2518	6331	2999	1299	208	824	50	25	2	-	10	7	-	-
Total	**986378**	**207110**	**68765**	**194439**	**61384**	**11764**	**4923**	**16641**	**30652**	**7312**	**2302**	**135**	**351**	**92**	**31**	**-**

***In the PSBs/FIs /Ins.Co. there is only one officers grad**

Statement II

CONSOLIDATED TOTAL REPRESENTATION OF THE PERSONS WITH DISABILITIES

Statement of filling up of Representation Persons with Disabilities identified up to 31.12.2011 (Position furnished by Public Sector Banks/ Financial Institutions/ RBI and Insurance Companies).

GROUP	Number of Employees as On 31.12.2010				Number of appointments made during the previous calendar year 2010							Promotion						
					No. of Vacancies reserved							No. of Vacancies reserved			No of appointments made			
GROUP	**Total**	**VH**	**HH**	**OH**	**VH**	**HH**	**HH**	**Total**	**VH**	**HH**	**OH**	**VH**	**HH**	**OH**	**Total**	**VH**	**HH**	**OH**
*Group óAô& Bô	345346	558	337	4018	384	283	369	14513	179	66	302	-	-	-	3244	23	22	43
Group óCô	316964	1273	1101	5835	452	460	477	16266	260	194	288	17	13	68	2252	5	8	46
GroupóDô(Excluding Safai Karmachaies	22754	33	56	375	1	1	4	773	-	1	8	-	-	5	137	-	-	5
GroupóDô(Safai Karmachaies	105225	92	166	1142	81	67	60	6306	4	11	71	-	-	1	57	-	-	-
Total	**790289**	**1956**	**1660**	**11370**	**918**	**811**	**910**	**37858**	**443**	**272**	**669**	**17**	**13**	**74**	**5690**	**28**	**30**	**94**

***In the PSBs/FIs /Ins.Co. there is only one officers grad**

Annexure-A

CAG's Report No.1 for the year 2011-12 on Accounts for the year 2010-11

of the Union Government

Ministry of Finance

Para No. 2.1.4: Public funds of SEBI and IRDA lying outside Government accounts

The Ministry of Finance, Department of Economic Affairs (DEA) directed all Ministries and departments of the Government in January 2005 to ensure that funds of regulatory bodies were maintained in the Public Account.

However, the funds of two regulatory bodies, viz., Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority (IRDA) aggregating Rs 2,323.29 crore (SEBI Rs 1,617.43 crore and IRDA Rs 705.86 crore) at the end of March 2011 remained outside Government account. The Finance Accounts of the Union Government, therefore, do not present a correct and complete picture of Government finances to the extent of funds of Rs 2,323.29 crore lying outside Government accounts.

Audit Report No 8 of 2012-13

General Insurance Corporation of India

8.1 Forgoing profit on non-disposal of shares against initial open offer from the promoters

The decision of General Insurance Corporation of India not to accept open offer of promoters of Alfa Laval (India) Limited for acquisition of shares at Rs1300 per share in May 2007 without comprehensive analysis as envisaged in its Investment Policy resulted in forgoing profit of Rs12.56 crore on subsequent disposal.

National Insurance Company Limited

8.2 Motor Own Damage Portfolio

Competition from the private general insurance companies adversely affected the growth of the motor OD business of all the general insurance companies in public sector, including NICL. The strategic alliances with different automobile and finance companies, especially with Maruti helped NICL to garner motor OD policies and premium, but the high ICRs resulted in underwriting losses in all the years from 2007-08 to 2010-11. Thus, the growth of motor OD business had little rationalization and did not result in profits.

In conclusion, the survey process and appointment of surveyors is required to be streamlined to bring down the ICR. Customer satisfaction has to be improved through speedier settlement of claims and redressal of grievances.

The existing software has distributed database and no on-line processing facilities are available and the database was not reliable for monitoring and analyses. The controls were inadequate, leading to inefficiencies in underwriting and claims-processing. Operationalisation of EASI software and optimal utilisation of Information and Communication Technology coupled with deployment of trained and sensitised staff would immensely help the Company in gaining a competitive edge through competitive pricing, prudent underwriting, effective control over claims, reduced ‘turn-around time’ and customer satisfaction.

8.3 Irregular settlement of an aviation claim

Settlement of a claim by ignoring the policy conditions led to a loss of Rs 16.62 crore

The New India Assurance Company Limited

8.4 Investment in equities

A study was undertaken to assess the adequacy of systems for investments, compliance with regulatory requirements and the adequacy of risk mitigation measures mainly with reference to investment in equities. The study covered a period of three years from April 2008 to March 2011. It was seen in audit that despite the overall appreciation of investments in equities as shown above, there were areas that needed closer monitoring to achieve better results, as discussed below:

Non-Compliance with regulatory requirements

Audit observed that the CIO of NIA was not represented in the IC for three years ending 31 March 2011. One post of NED was also lying vacant since August 2010. Further, in the Standard Operating procedures (SOP) approved in March 2010, the DGM and Chief Manager of Investment department were designated as CFO and CIO respectively, although they were not the members of the IC. The post of DGM (Investment) i.e. the designated CFO as per SOP, also remained vacant since September 2010 to-date (November 2011). NIA also did not have a separate mid office for investment management and the same was clubbed with the back office resulting in non-compliance with investment risk management systems and processes mandated by IRDA.

Stop loss limits

It was observed that NIA did not have a stop loss policy.

Audit observed that on account of non-existence of stop loss policy, the market value of equity shares of 29 companies with a book value of Rs 94.92 crore deteriorated beyond 25 per cent and upto 94.75 per cent resulting in erosion of the value to the extent of Rs 47.02 crore (March 2011).

Non-acceptance of open offer

Taking a decision of not disposing off shares at a higher price of Rs 1300 per share without obtaining the approval of the competent authority and disposal of the same at ó1000 per share at a later date resulted in foregoing of a profit of Rs 14.27 crore.

Delay in implementation of Investment Management System

NIA placed a work order (February 2004) for implementation of Investment Application Software on M/s. Wipro Limited at a cost of Rs 0.63 crore with a timeline of 19 weeks. The system was expected to provide total systems solution taking into account the enterprise-wide book keeping, information and reporting requirements of Investment Department catering to a wide array of investment products. The implementation of the system was fraught with shortcomings like frequent changes in the user requirement, non-integration of investment accounting with the corporate accounting module of NIA etc. The system was not able to generate the required reports though an amount of Rs 0.48 crore had been released (upto August 2010). Taking into account the limitations, NIA decided (October 2010) to go in for upgraded version of the software to be commissioned by 31 March 2011 at an additional cost of Rs 0.30 crore. However, the system was yet to be completed (September 2011).

The non-completion of the project resulted in non-compliance to the IRDA's regulations on 'Investment Risk Management Systems and Processes' as there was no seamless transfer of data from front office to back without manual intervention, non-monitoring of group and industry exposure norms through the system, incapability to upload corporate actions such as stock splits, dividend, rights issue etc.

NIA agreed (October 2011) that there was delay in implementation of the application software and attributed the same to changes in composition of the supplier's and company's team, cost over run and difficulties in changing from legacy to the new system.

The Ministry stated (June 2012) that the company (NIA) would ensure full implementation of the project during the current year.

The fact remained that despite initiating the process seven years ago, NIA did not have a full-fledged investment management system compliant with IRDA guidelines.

The Oriental Insurance Company Limited

8.5 Undue favour extended to M/s. Paramount Airways Private Limited in underwriting of credit insurance policies

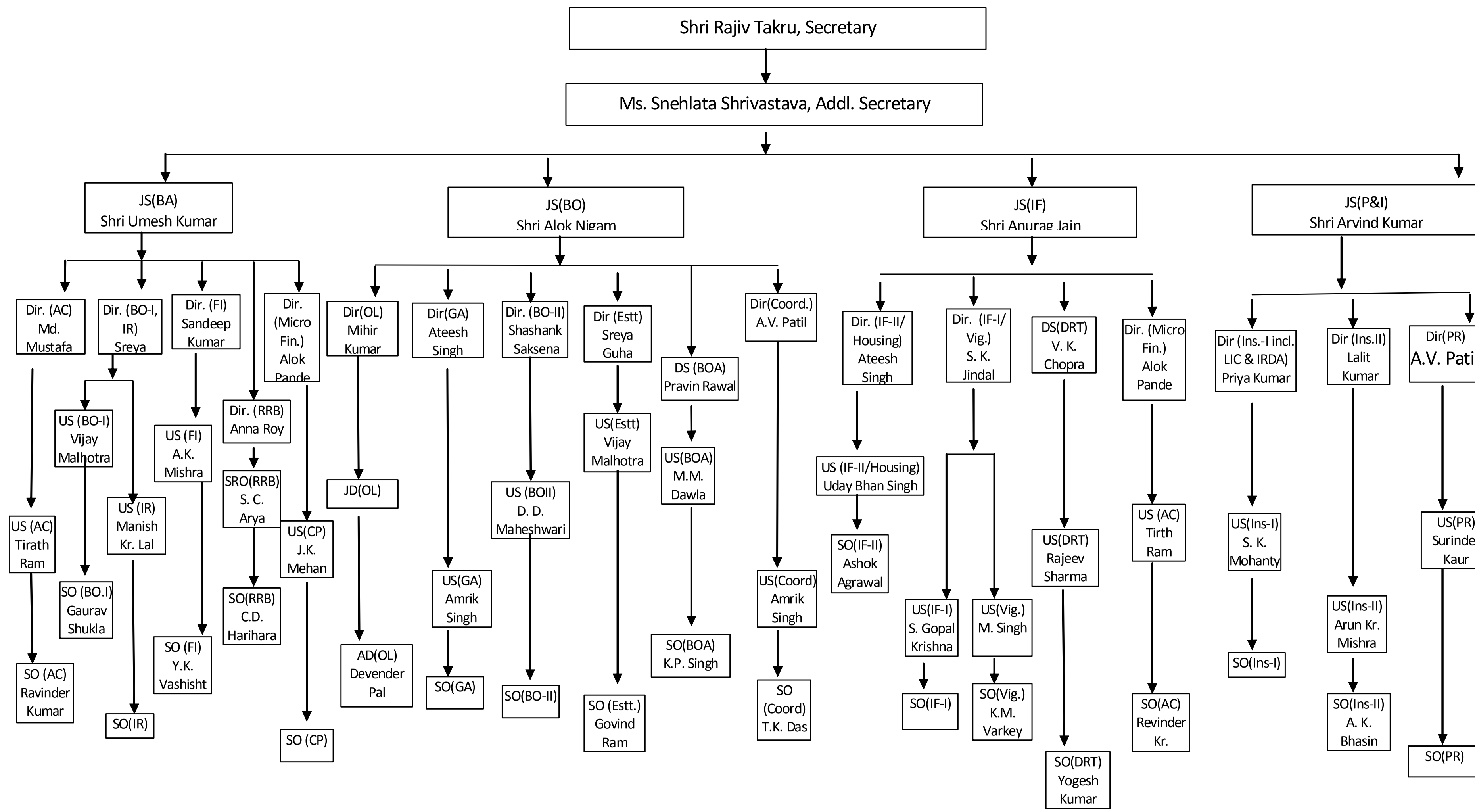
The Company issued credit insurance policies in violation of IRDA instructions, re-insurance program and insurance principles. Besides, there was significant delay in appointment of surveyors, receipt of survey reports and processing of the claims, which led to further insurance cover by the Company to the benefit of M/s. Paramount Airways.

United India Insurance Company Limited

8.6 Short Collection of Premium and revenue loss

Non compliance with policy guidelines resulted in short collection of premium of Rs 5.49 crore leading to revenue loss of Rs 3.96 crore

ORGANISATION CHART IN THE DEPARMENT OF FINANCIAL SERVICES



ORGANISATION CHART IN THE DEPARMENT OF FINANCIAL SERVICES