Ministry of Finance

Department of Expenditure

Major achievements of the Government in the last three years

The Department of Expenditure, Ministry of Finance, Government of India has been overseeing the Public Financial Management System in the Central Government and matters connected with States' finances.

The Key Initiatives of the Department in the past 3 years have been outlined below:

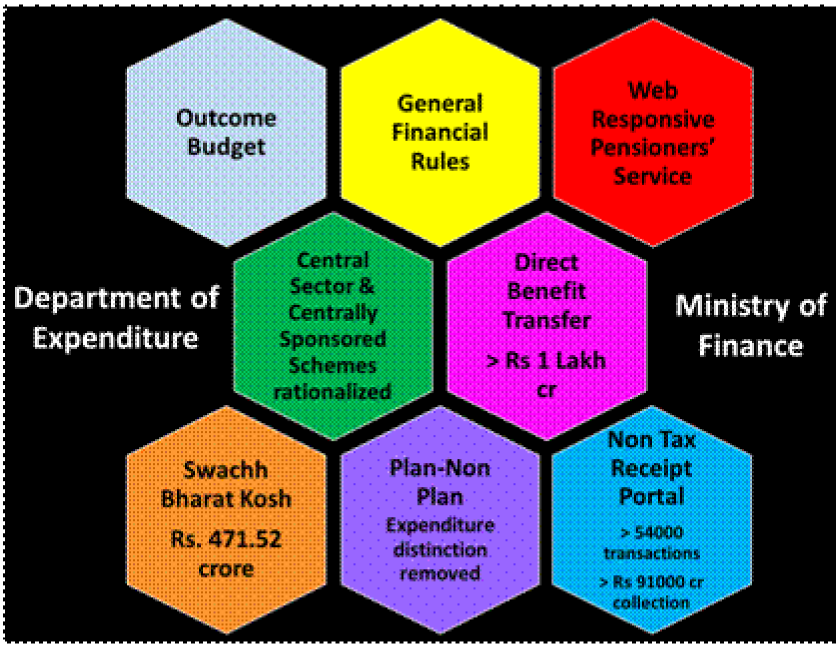


Figure 1: Key Initiatives of Department of Expenditure, Ministry of Finance

- **General Financial Rules (GFRs), 2017** was released by the Union Finance Minister Shri Arun Jaitley on 7th March, 2017 to enable an improved, efficient and effective framework of fiscal management while providing the necessary flexibility to facilitate timely delivery of services.
- Both **Central Sector and Centrally Sponsored Schemes were rationalized** in consultation with the line Ministries, (see **Figure 2 below)**.

The number of Central Sector Schemes (CSS) was brought down to 300 from around 1500 earlier, and the number of Centrally Sponsored Schemes was brought down to 28 from 66 earlier. The same was highlighted in the Para-113 of Budget Speech 2016-17. This has enabled us to better allocate our existing resources and improve the efficiency of government programmes.

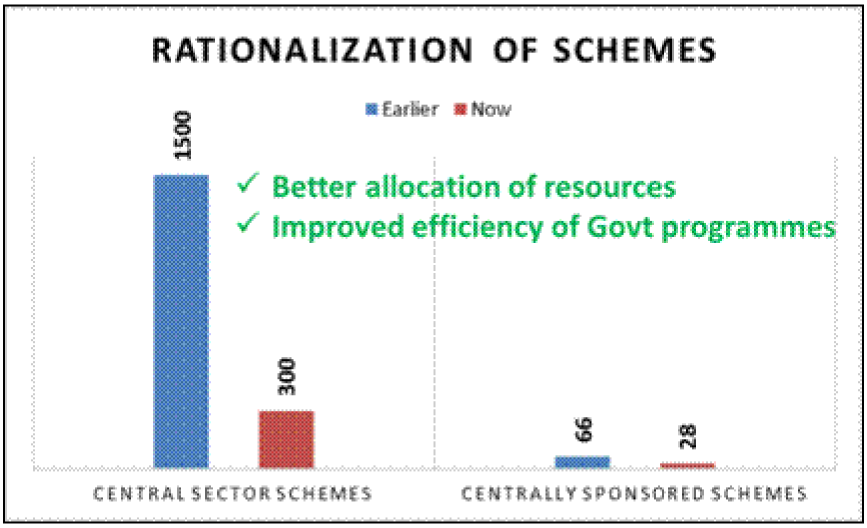


Figure 2: Rationalisation of Central Sector and Centrally Sponsored Schemes

- **Plan and Non-Plan Expenditure distinction done away with**: The distinction between plan and non-plan expenditure has been done away with and consequently the appraisal of non-plan expenditure through Committee of Non Plan Expenditure (CNE) has been done away with.

- **Direct Benefit Transfer (DBT)**: For more effective and transparent utilisation of resources, the Government has embarked upon DBT in respect of Government programmes. Public Financial Management System (PFMS) is facilitating DBT payments in various social sector schemes. An amount of Rs. 1,02,786.77 crore has been paid using PFMS in various programmes of Government viz. MGNREGA, NHM and food subsidy etc. till February 2017.
- **Outcome Budget:** All schemes and projects have now an Outcome Framework, which has been formulated through consultation with the implementing Ministries/ Departments, NITI Aayog and the Department of Expenditure. A consolidated Outcome Budget 2017-18 was presented in the Parliament as a part of the Budget Documents. Each Scheme will now have a start and a sun-set date co-terminus with the Finance Commission Cycle. Third party Evaluation has also been formally built into the appraisal and approval framework to ensure periodic feedback, a more concerted focus on outcomes and enhanced growth performance
- **Special Assistance to States**: During the year 2016-17, a provision for Special assistance of Rs. 11000 crores was kept in the Union Budget at RE stage for 2016-17 considering the critical development needs, spill over liabilities and socio-economic factors etc., of the States. The Union Government provided special assistance of Rs. 10890 crores in total to the States during 2015-16.
- Net borrowing ceilings of the States for the year 2016-17 at Rs. 429353 crore has been fixed anchoring the Fiscal Deficit target of 3% of respective State GSDP as recommended by Fourteenth Finance Commission (FFC) for its award period (2015-20).

- As recommended by the Fourteenth Finance Commission (FFC), the Union Government on 06.04.2016 has approved the **year-to-year flexibility for additional fiscal deficit to States for the period 2016-17 to 2019-20 to a maximum of 0.5% over and above the normal limit of 3% in any given year to the States** subject to the States maintaining the debt-GSDP ratio within 25% and interest payments-revenue receipts ratio within 10% in the previous year. However, the flexibility in availing the additional fiscal deficit will be available to a State if there is no revenue deficit in the year in which borrowing limits are to be fixed and immediately preceding year.
- **Swachh Bharat Kosh (SBK):** Around Rs. 471.25 crore from the Corporate and Rs. 27 lakhs from the general public has been received as voluntary contribution since September, 2014. Projects for renovation of 2,46,307 dysfunctional toilets in Government Schools worth Rs. 427.84 crore were approved.
- **Seventh Central Pay Commission (CPC):** The 7th CPC submitted its Report on the structure of emoluments, allowances, conditions of service and retirement benefits of Central Government Employees on 19th November, 2015. The Cabinet approved the proposal for implementation of recommendations of 7th CPC on pay, pension and related issues in the meeting held on 29.06.2016. Based on the decisions of the Government, the Resolution and the Central Civil Services (Revised Pay) Rules, 2016 have been issued on 25.07.2016, benefitting about 47 lakh Central Government employees and 53 lakh pensioners.
- **Relief for Disaster Response**: During the year 2014-15, 2015-16 and 2016-17 (till 27.02.2017), financial assistance to the tune of Rs. 3460.88 crore, Rs.

12,451.96 crore and Rs. 8,390.87 crore respectively was provided to affected States from NDRF for the management of immediate relief operations for people affected by natural calamities like drought, hailstorm, flood, earthquake and cyclone etc.

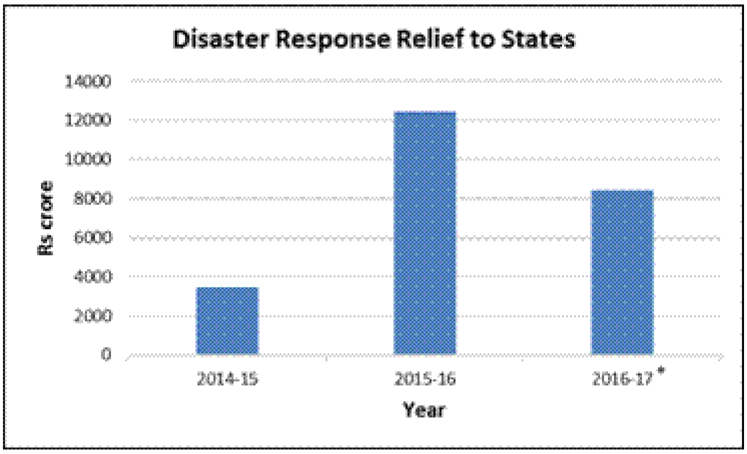


Figure 3: Relief for Disaster Response to States from NDRF

(Figures upto 27.02.2017)*

- **J&K Package**: Prime Minister's Reconstruction Plan of Rs. 80,068 crore for the State of Jammu and Kashmir 2015 was announced for development of the State. Under the J&K Package, Special Assistance of Rs. 1194.85 crore was released in 2015-16 towards additional assistance to flood damaged/destroyed houses. During the year 2016-17 (till January 2017) under the J&K package, special assistance of Rs. 1093.34 crore towards permanent restoration of damaged infrastructure and Rs. 800 crore towards Interest Subvention on assistance for restoration of livelihood for traders/ self-employed / business establishment, etc was provided.
- **Facilitating Fast Decision Making**: To facilitate fast decision making, Delegation of Powers of Publically Funded Schemes and projects have been enhanced on 05.08.2016 for appraisal and approval as below:

Appraisal

- from Rs.25 crore to Rs.100 crore with the concurrence of Financial Adviser
- from Rs.100 crore to Rs.500 crore by the Expenditure Finance Committee (EFC) chaired by the Secretary of the Administrative Ministry / Department
- from Rs. 300 crore and above to Rs.500 crore and above by the Expenditure Finance Committee (EFC) / Public Investment Board (PIB) chaired by the Secretary (Expenditure)

Approval

- from Rs.25 crore at the level of the Secretary to Rs.100 crore
- from Rs.150 crore at the level of the Minister-in-charge to Rs.500 crore
- from Rs.300 crore to Rs.1000 crore at the level of Minister-in-charge and the Minister of Finance and
- from Rs.300 crore and above to Rs.1000 crore and above at the level of Cabinet/Cabinet Committee

- A new mechanism of **Committee on Establishment Expenditure** (CEE) chaired by the Expenditure Secretary has been initiated to appraise the creation of new bodies.
- **Launch of Non-Tax Receipt Portal (NTRP):** In order to ensure faster realization of Government revenue, other than Direct & Indirect Tax receipts, a Non-Tax Receipt Portal was inaugurated by the Union Finance Minister, to

provide a one stop window to citizens, corporates and other users for making online payments of Non-Tax Revenue payable to Govt. of India. The System has helped efficient deposit of receipt in Government Account. So far more than 54,000 transactions have been done using this portal, leading to a collection of Rs. 91,017 Crores.

- **Web Responsive Pensioners' Service (WRPS)**: Central Pension Accounting Office (CPAO), Ministry of Finance took an important step towards empowerment of Central Civil Pensioners. The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley launched 'Web Responsive Pensioners' Service' of CPAO on 14^{th} Sep, 2016. This IT initiative of Central Pension Accounting Office (CPAO) provides various services including Pension & Payment Information, online Pension Process Tracking & online Grievance Redressal and Tracking for the pensioners. Under Web Responsive Pensioners' Service (WRPS), facilities for pensioners' grievance redressal and uploading of list of retiring employees by Ministries/Departments have been provided. Latest reports taken from WRPS show improvement in the disposal of grievances both by the banks and Ministries/Departments.
- **Cabinet approved Modifications in the 7^{th} CPC Recommendations on Pay and Pensionary benefits on 03.05.2017**
  - The Cabinet approved modifications in the recommendations of the 7^{th} CPC relating to the method of revision of pension of pre-2016 pensioners and family pensioners based on suggestions made by the Committee chaired by Secretary (Pensions) constituted with the approval of the Cabinet. **The modified formulation of pension**

revision approved by the Cabinet will entail an additional benefit to the pensioners and an additional expenditure of approximately Rs.5031 crores for 2016-17 over and above the expenditure already incurred in revision of pension as per the second formulation based on fitment factor. It will benefit over 55 lakhs pre-2016 civil and defence pensioners and family pensioners.

- The Cabinet also approved the retention of percentage-based regime of disability pension implemented post 6th CPC, which the 7th CPC had recommended to be replaced by a slab-based system. **The decision which will benefit existing and future Defence pensioners would entail an additional expenditure of approximately Rs. 130 crores per annum.**

Ministry of Finance
Department of Economic Affairs
Economic Division

Major achievements of the Government in the last three years

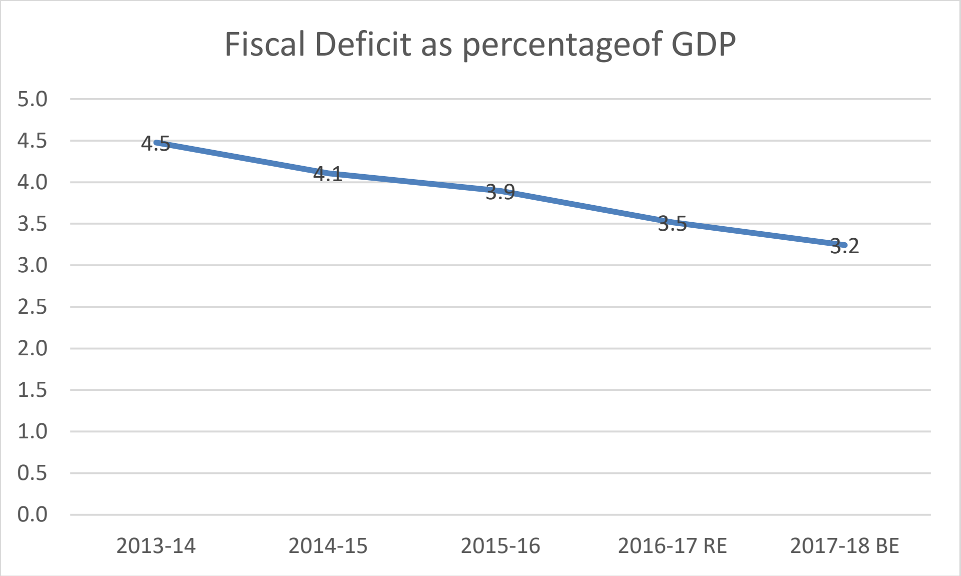
- India is one of the bright spots among the major countries in the subdued global economic context. India recorded a growth of 7.9 per cent in 2015-16, as compared to 7.2 per cent in 2014-15 and 6.5 per cent in 2013-14. The growth pick-up in 2014-15 and 2015-16 was remarkable despite below-normal monsoons. India is estimated to register a robust growth of 7.1 percent in 2016-17, despite the demonetisation of high denomination currencies that aimed at substantive medium to long-term economic benefits. Predictions by expert agencies suggest that India's growth rate is set to improve further in 2017-18. In terms of the Global Competitiveness Index (GCI) prepared by World Economic Forum for 138 countries, India ranked 39 in 2016-17,as compared to India's rank in GCI of 60(among 148 countries) in 2013-14.
- During the last three years, Indian economy has made an improvement in macro-economic stability on the strength of the following indicators.

	2011-12 to 2013-14 (3 year Average)	2014-15 to 2015-16 (2 year Average)	2016-17 *
Inflation CPI (NS)	9.8	5.4	4.6
Inflation WPI	7.4	-0.2	3.5
CAD (% of GDP)	-3.6	-1.2	-0.7

GDP Growth (%)	6.0	7.6	7.1
World GDP growth (%)	3.7	3.3	3.1
Foreign Exchange Reserves (USD Bn)	296.9	350.9	362.8
Net FDI ($ Billion)	21.1	33.6	21.3
Fiscal Deficit (% of GDP)	5.1	4.0	3.5
(*): For 2016-17, CPI inflation till February 2017, WPI inflation till Dec 2016, CAD till December 2016, Net FDI till H1 2016-17, foreign exchange reserves till February 2017, GDP growth is as per 1st advance estimate and fiscal deficit is budget estimate 2016-17			

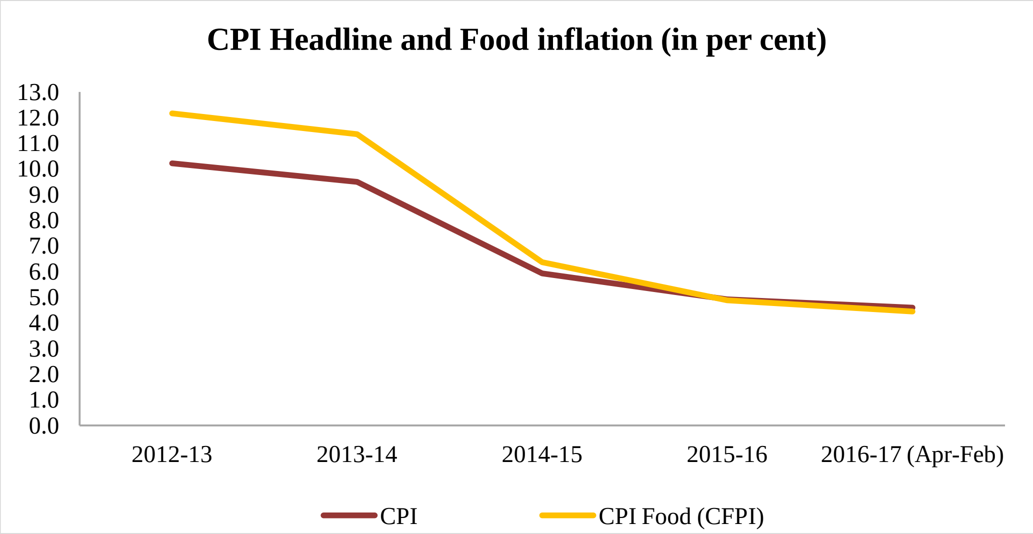
- **Fiscal situation**

The fiscal situation of India has become comfortable, with fiscal deficit as a ratio of GDP steadily declining from 4.5 per cent in 2013-14. Fiscal deficit of the Government of India as a ratio of GDP was 4.1 per cent in 2014-15, 3.9 per cent in 2015-16 and 3.5 per cent for 2016-17 (Revised Estimate). The fiscal deficit is budgeted to be 3.2 per cent of GDP in 2017-18.



- **Inflation**

- The present Government took charge in May 2014 in the backdrop of persistently high inflation, particularly the food inflation. Astute food management and price monitoring by the Government in the last three years helped control the stubbornly persistent inflation. CPI inflation remained under control for the third successive financial year. The average CPI (combined) inflation declined from 9.5 per cent in 2013-14 to 5.9 per cent in 2014-15 and 4.9 per cent in 2015-16. It declined further to 4.6 per cent in the current financial year, upto February 2017 and stood at 3.7 per cent in February 2017 backed by sharp fall in food inflation. Food inflation based on consumer food price index (CFPI) which was in double digits during 2012-2014 declined to 6.4 per cent in 2014-15 and 4.9 per cent in 2015-16. It declined further to 4.4 per cent in the current financial year, upto February 2017 and stood at 2.0 per cent in February 2017.
- The Government, in consultation with RBI has also fixed the inflation target of 4 per cent with tolerance level of +/- 2 per cent for the period beginning from 5th August, 2016 to 31st March, 2021.



Source: CSO

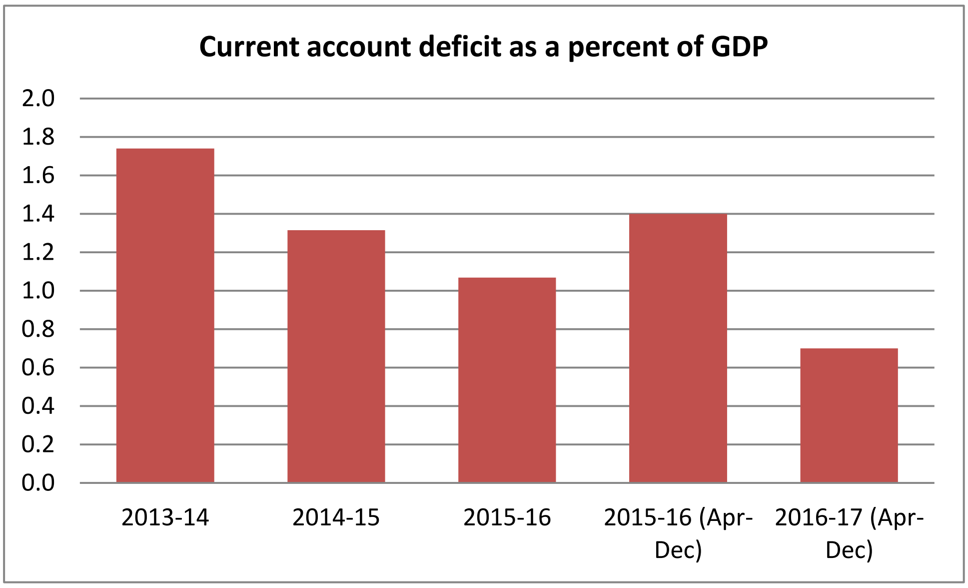
- **Trade**

- In line with subdued global growth and trade, India's exports declined by 1.3 per cent and 15.5 per cent in 2014-15 and 2015-16 respectively. The trend of negative growth was reversed somewhat during 2016-17 (April-February), with exports registering a growth of 2.5 per cent to US$ 245.4 billion from US$ 239.4 billion in 2015-16 (April-February). Monthly export growth rates have been in positive territory since September 2016.
- During 2015-16, India's import declined by 15.0 per cent to US$ 381.0 billion, mainly due to fall in international crude oil prices, as compared to US$ 448.0 billion in 2014-15. During 2016-17(April-February), imports declined by 3.7 per cent to US$ 340.7 billion as compared to 353.7 billion in the corresponding period of previous year.
- India's trade deficit was highest at US$ 190.3 billion in 2012-13. However, it declined by 13.8 per cent to US$ 118.7 billion in 2015-16 which was lower

than the level of US$ 137.7 billion in 2014-15. During 2016-17 (April-February), trade deficit decreased to US$ 95.3 billion as against US$ 114.3 billion in the corresponding period of the previous year.

- **Balance of Payments**

- Despite moderation in India's exports, India's external sector position has been comfortable, with the current account deficit (CAD) progressively contracting from US$ 88.2 billion (4.8 per cent of GDP) in 2012-13 to US$ 22.2 billion (1.1 per cent of GDP) in 2015-16. On a cumulative basis, the CAD narrowed to 0.7 per cent of GDP in April-December 2016 from 1.4 per cent in the corresponding period of 2015-16 on the back of the contraction in the trade deficit.



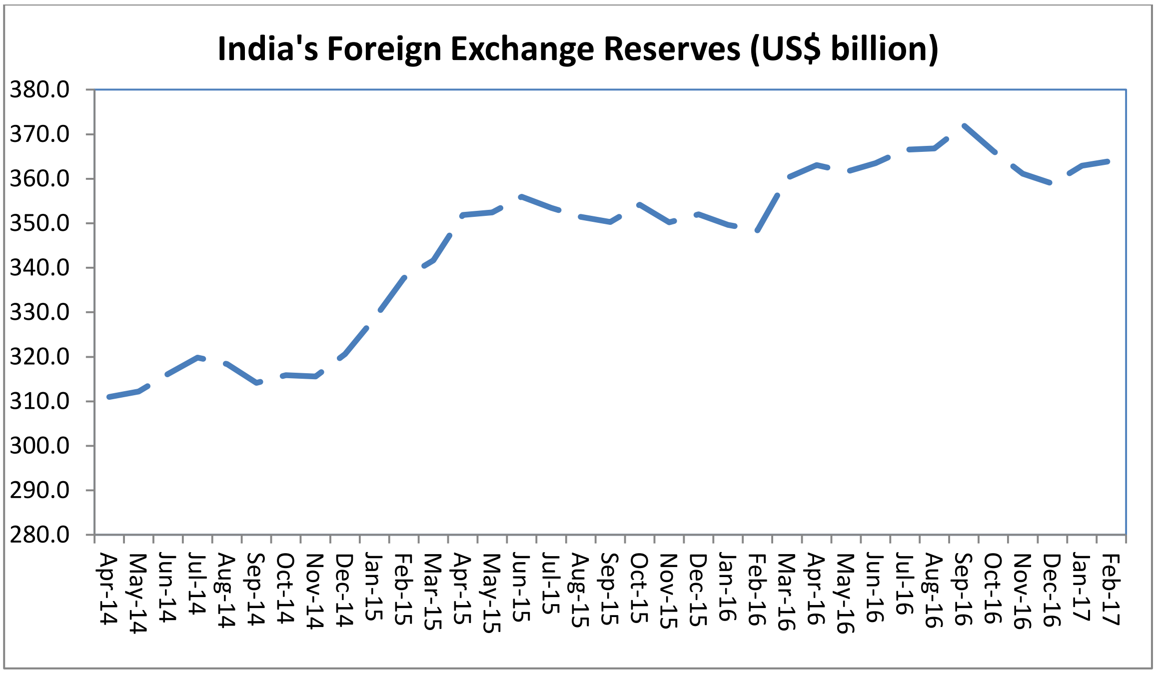
Source: RBI

- **Foreign Investment**

- Inflow of foreign direct investment increased from US$ 43.6 billion 2013-14 to US$ 51.8 billion in 2014-15 and further to US$ 59.5 billion in 2015-16. During 2016-17 (April-December), net FDI was US$ 31.2 billion as compared to US$ 27.2 billion in 2015-16 (April-December). Foreign portfolio investment (net) increased to US$ 8.2 billion in the first half of 2016-17 from US$ (-) 3.5 billion in the first half of 2015-16. However, net foreign portfolio outflow in the month of December 2016 and January 2017 were at US$ 5.8 billion and US$ 0.5 billion respectively- largely a result of the Fed Policy with US Federal Reserve raising interest rates. The FPI outflow was not a phenomenon associated with Indian markets alone as FPIs pulled out of most EMEs due to higher returns in advanced economies.

➢ **Foreign Exchange Reserves**

- Foreign exchange reserves touched an all time high level of US$ 371.9 billion in end-September 2016. However, it declined to US$ 361.1 billion at end-November 2016 due to intervention by RBI in forex exchange market to stabilize the rupee and partly because of repayment of maturity amount of FCNR (B) deposits accrued between September-November 2013 during the special swap window opened for NRIs. Foreign exchange reserves stood at US$ 363.0 billion at end-January 2017 as against US$ 358.9 billion at end-December 2016. The current position is at a comfortable level to cushion the exchange rate volatility from any international macroeconomic uncertainty.



Source: RBI

➢ **Exchange Rate of Rupee**

- The average monthly exchange rate of rupee for 2016-17 (April-February) was Rs.67.2 per US dollar, indicating a depreciation of 2.8 per cent over the corresponding period of previous year. This was mainly due to strengthening of the US dollar globally following the US presidential election results and tightening of monetary policy by the Federal Reserve. Nevertheless, in 2016-17 so far, the rupee has performed better than most of other EMEs.

- While there is a depreciation of the rupee vis-à-vis US dollar in nominal terms, the impact on the economy is best assessed by the real effective exchange rate (REER) which is defined as a weighted geometric average of nominal exchange rates of the home currency in terms of the foreign currencies adjusted for relative price differential. In terms of REER, there has been an appreciation of 1.7 per cent in 2016-17 (April-January) compared to 2015-16 (April-January).

- **External Debt**

- At end-September 2016, India's external debt stock stood at US$ 484.3 billion, recording a decline of US$ 0.8 billion (0.2 per cent) over the level at end-March 2016.
- Most of the key external debt indicators show an improvement in September 2016. The share of short-term debt in total external debt decreased to 16.8 per cent at end-September 2016 from 17.2 per cent at end-March 2016. India's foreign exchange reserves provided a cover of 76.8 per cent to the total external debt stock at end-September 2016 vis-à-vis 74.3 per cent at end-March 2016.
- India continues to be among the less vulnerable nations in terms of its key debt indicators which compare well with other indebted developing countries. According to the World Bank's "International Debt Statistics, 2017" which gives external debt data of developing countries for 2015, the ratio of India's external debt stock to gross national income (GNI) at 23.4 per cent was the fifth lowest. In terms of the cover provided by foreign exchange reserves to external debt, India's position was sixth highest at 69.7 per cent.

- **Agriculture and Food Management**

- As per the Second Advance Estimates of National Income released on 28th February 2017, the growth rates in Gross Value Added (GVA) of the agriculture and allied sectors were at 4.4 per cent in 2016-17, 0.8 per cent in 2015-16, (-) 0.2 per cent in 2014-15.As per the second Advance Estimates of production of foodgrains released by Ministry of Agriculture & Farmers Welfare on 15th February 2017, production of total foodgrains during 2016-17 is estimated at 271.98 million tonnes compared to 251.57 million tonnes in 2015-16 (Final) and 252.02 million tonnes in 2014-15.

- **Industrial Sector**

- As per the Second Advance Estimates of National Income 2016-17 released by CSO on 28th February 2017, the growth rates in Gross Value Added (GVA) of the industrial sector were 5.8 per cent in 2016-17, 8.2 per cent in 2015-16 and 6.9 per cent in 2014-15. The growth in the GVA from ‘manufacturing’ sector was 7.7 percent in 2016-17 as compared to growth of 10.6 percent in 2015-16 and 7.5 per cent in 2014-15.
- The index for eight core industries (comprising crude oil, natural gas, petroleum refinery products, coal, electricity, cement, steel, and fertilizers) registered 4.8 per cent growth in 2016-17 (April-January) as compared to 3.4 per cent in 2015-16 and 4.5 per cent in 2014-15.
- With the introduction of UDAY scheme in power sector in 2015, most of the States have made significant efforts to reduce AT&C losses. The scheme has already addressed 62% of the DISCOMs’ debt that existed at the end of 2014-15.
- As per the Year End Review-2016 released by the Ministry of Road Transport & Highways, the total length of highways awarded up to November, 2016 was 5688 km and total length of highways constructed up to November, 2016 was 4021 km as against 6029 km in 2015-16 and 4410 km in 2014-15.

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Department of Financial Services
Coordination Section
New Delhi

Major achievements of the Government in the last three years

Financial Literacy

Banks have undertaken financial literacy programmes through 718 Financial Literacy and Credit Counselling Centres (FLCCs). A total of 17,422 skilling centres have been mapped with branches and literacy centres, and financial literacy imparted to 7 lakh students. The literacy materials have been developed in regional languages and disseminated.

Card acceptance infrastructure

To augment card acceptance infrastructure for use of debit cards, a major drive was undertaken between December 2016 and March 2017, resulting in an increase in the number of Point of Sale (PoS) terminals by an additional 12.54 lakh, up from 15.19 lakh as on 30.11.2016. Further, to improve such infrastructure in villages, 2.04 lakh PoS terminals have been sanctioned from the Financial Inclusion Fund by NABARD.

BANKING REFORMS

Gyan Sangam

First "Gyan Sangam" was organized at National Institute of Banking Management (NIBM), Pune. The main purpose of organizing this event was to give an opportunity to Chairman & Managing Directors (CMDs) and Executive Directors (EDs) of all the banks to express their opinion on important issues in the banking sector which called for immediate resolution. The participants of the Retreat were CMDs and EDs of Banks and other Financial Institutions under the DFS, as also all the Public Sector Insurance Companies. The main focus was on Leveraging technology to improve banking operations efficiency, Rethinking priority sector lending, Achieving universal financial inclusion, Improving risk management, asset quality and recovery, Strengthening human capital and HR practices and Consolidation and restructuring of PSBs for better efficiency and governance.

The second "Gyan Sangam 2.0" was organized at State Bank Academy, Gurgaon on 4-5 March, 2016. The main focus was on restructuring/M & A, NPA Management & Recovery, Technology & Digital, Credit Growth and Risk Management.

Bank Board Bureau

With a view to improve the Governance of Public Sector Banks (PSBs), the Government decided to set up an autonomous Banks Board Bureau. The Bureau would recommend for selection, heads of Public Sector Banks and Financial Institutions, and help Banks in developing strategies and capital raising plans. The Banks Board Bureau has three ex-officio members and three expert members in addition to Chairman. Except ex-officio members, all the Members and Chairman are part time. The BBB started functioning from 01.04.2016.

To implement the reforms in Banking, Government decided to separate the post of Chairman & Managing Director in Chairman (Non-executive) and Managing Director & CEO. Accordingly, Government with the approval of ACC appointed five Non-Executive Chairmen in the Public Sector Banks, namely, Bank of Baroda, Bank of India, Canara Bank, Indian Bank and Vijaya Bank.

Government has also decided to open the selection process for the candidates belonging to private sector in five bigger banks namely Bank of Baroda, Bank of India, Punjab National Bank, Canara Bank and IDBI Bank Ltd. Accordingly, guidelines have been revised with the approval of ACC and based on new guidelines, appointment of MD&CEOs in five big Banks, namely, Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank and IDBI Bank Ltd. has been notified. Out of 5 MD&CEO, two are from Private Sector.

Capital for Public Sector Banks (PSBs)

Under the Indradhanush Plan, action relating to (i) Appointment (ii) Bank Board Bureau (iii) Capitalization (iv) De-stressing PSBs (v) Empowerment (vi) Framework of Accountability (vii) Governance Reforms has been initiated by the Government. Further, the Government of India proposed to make available Rs.70, 000 crores out of budgetary allocations for four years as per the figures given below:

(i)	Financial Year 2015 -16	-	Rs. 25,000 crore
(ii)	Financial Year 2016-17	-	Rs. 25,000 crore
(iii)	Financial Year 2017-18	-	Rs. 10,000 crore
(iv)	Financial Year 2018-19	-	Rs. 10,000 crore
	Total	**-**	**Rs. 70,000 crore**

The Government infused a sum of Rs. 25000 crore in 19 PSBs during financial year 2015-16. Further, With the approval of Hon'ble FM, the capital allocation plan for FY 2016-17 was finalized in which capital of Rs. 22915 crore was allocated to 13 PSBs, out of which 75 % (Rs. 16414 crore) was infused upfront.

An amount of Rs. 10,000 crore has been proposed for Re-capitalization of PSBs for the Financial Year 2017-18. Further, the Government has allowed all PSBs to raise capital from Public markets through Follow-on Public Offer (FPO) or Qualified Institutional Placement (QIP) by diluting Government of India holding upto 52% in phased manner, based on their capital requirement, their stock performance, liquidity, market conditions etc.

Merger of SBI Associates with State Bank of India(SBI)

Cabinet in its meeting on 15.02.2017 has approved the proposal for merger of (i) State Bank of Bikaner & Jaipur (SBBJ), (ii) State Bank of Hyderabad (SBH), (iii) State Bank of Mysore (SBM), (iv) State Bank of Patiala (SBP) and (v) State Bank of Travancore (SBT) with State Bank of India (SBI) and the same has been notified in the Gazette of India on 22.02.2017. The merger has come in effect from 1st April, 2017. This will lead to better management of high-value credit exposures common to SBI and Associate Banks, as there would be single, more focused oversight and control over cash flows of large corporate borrowing entities instead of separate and independent monitoring and more effective management of stressed or Non-Performing Assets (NPAs). Subsequent to merger, the existing customers of Subsidiary Banks will have access to SBI's global network which spans across all the time zones. Also, the immediate impact on cost of funds post-merger is expected to be substantial.

Merger of Bhartiya Mahila Bank (BMB) with State Bank of India (SBI)

Cabinet in its meeting on 15.03.2017 has approved the proposal for merger of Bhartiya Mahila Bank (BMB) with SBI and the same has been notified in the Gazette of India on 20.03.2017. The merger is effective from 1st April, 2017. The consolidation will lead to ensure greater banking services outreach to a large number of women, at a faster pace. The decision to merge BMB with SBI has been taken in view of the advantage of the large network of SBI among other things. With over 20,000 branches and the lowest cost of funds among Banks, SBI has a total workforce of around 2 lakh employees of which 22% are women.

Securities Redemption Fund (SRF)

SRF has been created for redeeming the Government securities of Rs. 9996 crore issued to State Bank of India (SBI) towards subscription of its Rights Issue in 2008. These securities have been issued for tenure of 16 years and every year Rs. 625 crore is to be released to the SRF upto 2023-24. In this regard, for FYs 2014-15, 2015-16 and 2016-17, an amount of Rs. 625 crore for each FYs were released well in time.

Stressed Assets Stabilization Fund (SASF)

SASF a Special Purpose Vehicle (SPV) was constituted as a GoI Trust for acquiring, by transfer, stressed assets of IDBI Bank for administering and managing them with a view to recovering the amount due there under. SASF invested Rs.9000 crore in 20 years Non-interest bearing Government of India IDBI Special Securities, 2004. SASF transferred these Special Securities to IDBI who in turn transferred stressed assets valued at Rs.9000 crore to SASF. The said mechanism was cash neutral. In terms of the provisions of the Trust Deed, SASF is required to remit the amounts recovered out of the stressed assets to GoI and GoI would pay to IDBI Bank Ltd. the amount received from SASF. In this regard, Securities to the tune of

Rs. 105 crore and 100 crore was redeemed well in time for FY 2014-15 and 2015-16.

Kreditanstalt Fur Wiederaufbau (KFW)

KFW Interest Differential Funds are being used by ICICI for financing promotional and developmental activities such as support to industrial and technical consultancy organizations, promotion of training institutes etc. In this regard, a sum of Rs. Rs. 46,02,00,000/- and Rs. 37,72,70,000/- were released well in time for FY 2014-15 and 2015-16.

Credit Enhancement Initiative

India Infrastructure Finance Company Limited (IIFCL) has become the first organisation to successfully operationalize the Credit Enhancement Scheme. During the year 2015-16, IIFCL successfully completed the first ever Credit Enhanced Bond Issue transaction in the Indian Infrastructure Sector, with bond issue of Rs. 451 Crore by a wind power project in September 2015, with credit rating enhanced by partial credit guarantee provided by IIFCL. The second transaction under the Scheme was also completed during the year with a bond size of Rs. 126.7 Crore raised for a solar power project. IIFCL is working on more such transactions.

Project Development Fund for CLMV Countries

Export-Import Bank of India (EXIM Bank) has been partnering the GOI under the GOI's 'Act East' policy, to develop a framework to facilitate Indian investments and broaden the Indian presence in Cambodia, Lao PDR, Myanmar and Vietnam (CLMV Countries).On August 31, 2016, the Union Cabinet has approved the creation of a Project Development Fund for CLMV countries with a corpus of Rs. 500 crore.

The Fund is being created under the Department of Commerce, Ministry of Commerce and Industry, and is being managed by Exim Bank, as the Empowered Institution under the initiative. Exim Bank will identify opportunities for investment by Indian companies in the CLMV region, so as to help companies integrate into the Regional Value Chain.

BRICS Interbank Co-operation Mechanism

EXIM Bank is the nominated member development bank from India under the BRICS Interbank Co-operation Mechanism. The Bank entered into a multilateral general co-operation agreement with the New Development Bank, along with other development banks of the BRICS nations. India was the Chairman of the BRICS Forum for 2016. Having assumed the Presidency of the BRICS Interbank Co-operation Mechanism, Exim Bank organized a series of events and seminars in 2016. The Annual Meeting of the BRICS Interbank Cooperation Mechanism, and the Annual Financial Forum were organised in Goa on October 15, 2016.

Concessional Financing Scheme to support Indian companies bidding for strategically important infrastructure projects abroad

Exim Bank with the support of the GoI, has extended commitment to finance the strategic Maitree Power Project in Bangladesh, valued at US$ 1.60 billion. In January 2016, Bharat Heavy Electricals Ltd. (BHEL) emerged as the lowest bidder for the project, against global competition. The project is a 50:50 JV between NTPC and the Bangladesh Power Development Board. Once commissioned, it is expected to be the largest power plant in Bangladesh. The project saw many firsts – it was the first super-critical overseas power project in which BHEL has been involved, and the first being developed by NTPC overseas.

Venture Capital Fund for SC/ST

The Government of India in the Interim Budget of FY 2014-15, announced the setting up of Venture Capital Fund for Scheduled Castes under the head Social Sector Initiatives in order to promote entrepreneurship among the Scheduled Castes (SC) and mandated IFCI as the nodal agency to manage the same so as to provide concessional finance to them. The fund is being managed by IFCI Venture Capital Fund Ltd. (IFCI Venture), one of the subsidiaries of IFCI Ltd. The scheme is operational since 16.01.2015 with a present corpus of Rs. 290.01 crore contributed by Ministry of Social Justice and Empowerment, Govt. of India (Rs. 240.01 crore) and IFCI Ltd. as sponsor and investor (Rs. 50 crore). As of 15.03.2017, IFCI Venture Capital Fund Ltd. has sanctioned and disbursed Rs. 236.66 crore and Rs. 109.68 crore to 65 and 32 beneficiaries, respectively under the scheme since launch of the scheme.

Credit Enhancement Guarantee Scheme for SCs

Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (SCs) was announced by Govt. of India in the Union Budget of 2014-15 wherein a sum of Rs.200 crore was allocated towards credit facility cover for young and energetic start-up entrepreneurs, belonging to SCs, who aspire to be part of neo middle class category with an objective to encourage entrepreneurship in the lower strata of the society resulting in job creation besides creating confidence in SCs. IFCI was designated as the Nodal Agency under the scheme to issue the guarantee cover in favour of Member Lending Institutions, who shall be encouraged to finance Scheduled Caste Entrepreneurs.

Recapitalization of Regional Rural Banks (RRBs)

RRBs have played a pivotal role in institutional credit delivery 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.

Dr.K.C. Chakrabarty Committee on "Recapitalization of RRBs for improving CRAR" had reviewed the financial position of all RRBs in 2010 and recommended for recapitalisation of 40 out of 82 RRBs for strengthening their CRAR to the level of 9% by 31st March, 2012. Accepting the recommendations of the committee, the GoI along with other shareholders decided to recapitalise the RRBs by infusing funds to the extent of Rs.2200 Crore, with proportion of shareholder being 50:35:15 for GoI:SponsorBank:State Government. An amount of Rs.1086.70 crore has been released to 39 RRBs in 20 States by Government of India as on 31.03.2014.

Further, the Government, with the approval of Cabinet on 16.07.2015, has approved the proposal to continue the process of recapitalisation of RRBs for next three years beyond 2013-14 i.e. upto 2016-17 for the RRBs who are unable to maintain minimum CRAR of 9%. The additional sum of Rs.700 crore approved earlier by the Cabinet is proposed to be utilized for providing recapitalization to any RRB who is not able to maintain minimum CRAR of 9%. The Reserve Bank of India has made mandatory for RRBs to maintain CRAR at minimum 9% with effect from 31.3.2014.

During 2015-16, Rs.15 crore was disbursed to three RRBs. In 2016-17, an amount of Rs.5.50 crore has been provided to three RRBs as recapitalisation support.

Guidelines for Statutory Audit of RRBs

Section 19(1) of RRBs Act, inter alia, requires RRBs to obtain approval of the Central Government for appointment of auditors. Accordingly, the appointment of auditors for RRBs is approved every year by the Government based on a panel prepared by NABARD. The guidelines to be followed by NABARD for preparation of the panel of audit firms and appointment of auditors was last considered in 2012. The criteria were reviewed before further appointment of auditors in RRBs in 2016-17 with a view to make the system more pragmatic, objective and transparent. Accordingly, guidelines have been reviewed in consultation with NABARD and the Institute of Chartered Accountants of India(ICAI). The highlights of the revised guidelines are as under:-

- The revised guidelines seek to balance the objective of improved performance of RRBs through high quality audit, with the constraints of size and location of RRB branches. They also clearly codify the criteria to be followed by NABARD in empanelling and selecting Audit Firms thereby making the process transparent and objective.
- Audit firms are to be categorized as per norms prescribed by RBI and followed for selection of auditors for public sector banks.
- In the case of SCAs:
  i. RRBs have been grouped as per level of business and each group has been mapped to a category of audit firms.
  ii. Audit firms in a category are to be ranked on the basis of a scoring pattern on a scale of 0 to 50. The scoring pattern is based on codified parameters

based on the system followed by C&AG with some modification keeping in view the location and size of RRBs.

- A minimum of 5 years of bank audit experience has been prescribed for SCAs and SBAs. However, in the case of SBAs the same can be relaxed to 3 years in case of non-availability of audit firms.
- The Diploma in Information Systems Audit (DISA) offered by ICAI is an essential qualification for partners and emlees of the audit firms for empanelment in 2016-17.
- The guidelines have provisions for dealing with complaints against SCAs and SBAs as well as monitoring of their performance by NABARD.

<u>Agriculture Credit Target</u>

In order to boost agriculture productivity, farmers need access to affordable and timely credit facilities. Year wise position of target and achievement under agricultural credit flow for the last three years is given in the following table:-

(Rs.in Crore)

Year	**Target**	**Achievement**
2014-15	8,00,000	8,45,328.23
2015-16	8,50,000	9,15,509.92#
2016-17 (up to 31.12.2016)	9,00,000	7,98,867.17#

 # Provisional

Source: NABARD

Short term market borrowing by National Bank for Agriculture & Rural Development (NABARD) for on-lending to Cooperative Banks

Approval of the Union Cabinet has been obtained for the following decisions:

i. National Bank for Agriculture & Rural Development (NABARD) will make short term borrowings at prevailing market rate of interest for approx. Rs.20,000 crore for on-lending to Cooperative Banks at 4.5% rate of interest.

ii. Additional capital of Rs.2,000 crore to be provided to NABARD for this purpose through the Union Budget. To start with, additional capital of Rs.500 crore may be released to NABARD during 2016-17 itself.

iii. Interest Subvention of about 1.8% and NABARD's administrative cost of 0.2% to be provided as per the scheme of Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW). The extent of interest subvention may vary depending on the rate at which NABARD raises funds.

iv. NABARD will coordinate the conversion of operative/live KCCs into RuPay/ATM-enabled Kisan Credit Cards (KCCs) by Cooperative Banks and Regional Rural Banks (RRBs) in a mission mode.

NABARD has reported that as on 29th March 2017 it has raised market borrowings of Rs. 19,775 crore, the total amount of refinance sanctioned is Rs. 20,000 crore out of which Rs. 17,774.14 crore has been disbursed.

Conversion of Kisan Credit Card (KCC) into RuPay KCCs

The Government has been closely monitoring the progress of conversion of Kisan Credit Cards (KCCs) to RuPay ATM cum Debit Kisan Credit Cards (RKCCs). The Government has now decided that NABARD will coordinate the conversion of operative/live KCCs into RKCCs by Cooperative Banks and Regional Rural Banks (RRBs) in a mission mode. As on 20.03.2017, 19.62 lakh and 91.17 lakh KCCs has been converted to RKCCs in respect of Cooperative Banks and RRBs respectively.

Producer's Development and Upliftment (PRODUCE)

In compliance to the announcement made in the Union Budget, 2014-15, an amount of Rs.200 crore has been released to NABARD. The Scheme is under implementation by NABARD, under which 800 Producers Organizations (POs) have to be promoted during 2014-15 and 1200 POs during 2015-16. Against the target for forming 2,000 Farmers Producers Organisations (FPOs), NABARD has sanctioned 2172 FPOs as on 31st December, 2016.

Scheme for Revival of 23 unlicensed DCCBs in 4 States

Recognizing the need to revamp ailing Cooperative Banks so that they are able to cater to the needs of farmers at their doorstep, the Government in 2014 announced implementation of the Scheme for Revival of 23 Unlicensed DCCBs in four States viz. 16 in Uttar Pradesh, 3 in Jammu & Kashmir, 3 in Maharashtra and 1 in West Bengal. The total capital infusion required for revival of these 23 DCCBs was assessed to the tune of Rs. 2375.42 crore, out of which the commitment from Central Government was for Rs. 673.29 crore, for State Governments, Rs.1464.59 crore and for National Bank for Agriculture & Rural Development (NABARD) it was

Rs.237.54 crore. The entire share of Central Government under the Scheme has been released to NABARD for onward transmission to Cooperative Banks according to the terms and conditions prescribed in the Memorandum of Understanding governing the Scheme.

BIFR/AAIFR

The Sick Industrial Companies (Special provisions) Repeal Bill which was introduced in Lok Sabha in August, 2001 envisaging repeal of SICA, 1985 and abolition of BIFR/AAIFR was passed by both Houses of Parliament in the Winter Session, 2003 and the same has since become an Act, after the Presidential assent. Nevertheless, the notification relating to the winding up of BIFR/AAIFR (to be effective from the 'appointed day' as per Section 1(2) of the Repeal Bill) could not be issued. In order to maintain the continuity, the winding up of BIFR/AAIFR is to coincide with constitution of the National Company Law Tribunal (NCLT)/ National Company Law Appellant Tribunal (NCLAT), as per the provisions of companies (second Amendment) Act, 2002. However, no notification has since been issued by Ministry of Corporate Affairs (Mo/CA) in this regard.

The Gazette notification regarding bringing into force the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 under section 1(2) of the Act and provisions regarding abetment of cases with BIFR/AAIFR under section 4(b) of the Act have been issued, dated 25.11.2016. Both the notifications come into force with effect from 01.12.2016 resulting into winding up of BIFR and AAIFR and abetment of cases.

Varishtha Pension BimaYojana (VPBY)-2014-

The revived Varishtha Pension Bima Yojana (VPBY) was formally launched by the Finance Minister on 14.08.2014 based on the budget announcement made during 2014-15 and has been opened during the window stretching from 15th August, 2014 to 14th August, 2015. Thus all those who subscribe to the VPBY during this period will receive an assured guaranteed return of 9% under the policy. The scheme is administered through Life Insurance Corporation of India (LIC). Under the Scheme the subscribers on payment of a lump sum amount get pension at a guaranteed rate of 9% per annum (payable monthly). Any gap in the guaranteed return over the return generated by the LIC on the fund is compensated by Government of India by way of subsidy payment in the scheme. The scheme allows withdrawals of deposit amount by the annuitant after fifteen years of purchase of the policy. As per LIC, a total number of 3,23,128 policies with corpus amount of Rs. 9073.20 crore have been subscribed to the Scheme.

प्रधानमंत्रीवयवन्दनायोजना-

Based on the success and popularity of Varishtha Pension Bima Yojana 2003 (VPBY-2003), Varishtha Pension Bima Yojana 2014 (VPBY-2014) schemes, and to protect elderly persons aged 60 years and above against a future fall in their interest income due to the uncertain market conditions, as also to provide social security during old age, it has been decided to launch a simplified scheme of assured pension of 8% called the '**प्रधानमंत्री वय वन्दना योजना**'. This is to be implemented through Life Insurance Corporation (LIC) of India. As per the scheme, on payment of an initial lump sum amount ranging from a minimum purchase price of Rs. 1,50,000/- for a minimum pension of Rs 1000/- per month to a maximum purchase price of Rs. 7, 50,000/- for maximum pension of Rs. 5,000/- per month, subscribers will get an assured pension based on a guaranteed rate of return of 8% per annum, payable monthly.

Listing of Public Sector General Insurance Companies:

To promote the objective of achieving higher levels of transparency and accountability, government has approved listing of the following five Government owned General Insurance Companies on the stock exchanges namely The New India Assurance Company Ltd., United India Insurance Company Ltd., Oriental Insurance Company Ltd., National Insurance Company Ltd. and General Insurance Corporation of India.

The shareholding of these Public Sector General Insurance Companies (PSGICs) will be divested from 100 percent to 75 percent in one or more tranches over a period of time. During the process of dilution/disinvestment, existing rules and regulations of Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority of India (IRDAI) will be followed.

Industrial Relations

- Assurance of freedom of non-intererence in Public Sector Banks on commercial decision/transfer/posting given on 13.01.2015.
- 10th Bipartite Settlement for wage revision of Bank employees was approved on 23.02.2015.
- Guidelines regarding Transfer of female employees of Public Sector Banks to minimise their hardships were issued on 08.08.2014.
- Discontinuation of interview in PSBs recruitment process in December, 2015.

- PSBs have given further liberty to decide the composition of the selection committees for promotions and overseas placement with the approval of their Board in December,2016.
- Compassionate Appointment Scheme in Public Sector Banks liberalized vide orders dated 07.08.2014 and 05.12.2014.

<u>Debt Recovery Tribunals</u>

A two – day workshop was organized for Hon'ble Chairpersons, DRATs and Hon'ble Presiding Officers, DRTs in Lonavala, Mumbai in collaboration with CAFRAL and was inaugurated by Hon'ble Finance Minister from 29th December to 30th December, 2014 and in Gurugram on 5th November, 2016. A web portal for DRTs/DRATs (www.drt.gov.in) was developed in-house and launched. Six New DRT were established at Bengaluru, Chandigarh, Dehradun, Ernakulam, Hyderabad and Siliguri.

The Recovery of Debts Due to Banks and Financial Institutions (RDDB & FI) Act, 1993 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act), 2002 were amended by the Enforcement of Security Interest and Recovery of Debts Laws & Miscellaneous Provisions (Amendment) Act, 2016 to rationalise the procedures and timelines followed by these Tribunals for expeditious adjudication and speedier resolution of defaulted loans in time bound manner.

The Negotiable Instruments (Amendment) Act, 2015

The section 138 of the Negotiable Instruments Act, 1881 (NI Act) deals with the offence pertaining to dishonour of cheque for insufficiency, etc., of funds in the drawer's account on which the cheque is drawn for the discharge of any legally enforceable debt or other liability. The section 138 of the NI Act provides for penalties in case of dishonour of cheques due to insufficiency of funds in the account of the drawer of the cheque.

Pursuant to the judgment of the Supreme Court, dated 1st August, 2014 in the case of Dashrath Roopsingh Rathod Vs State of Maharashtra & Anr, **various financial institutions and industry associations had expressed difficulties, arising out of the legal interpretation of the place of jurisdiction for filing cases under section 138** to be the place of drawers' bank as directed by the Supreme Court. To address the difficulties faced by the payee or the lender of the money in filing the case under section 138 of the NI Act, because of which, large number of cases were stuck, the jurisdiction for offence under section 138 has now been clearly defined.

The clarity on jurisdictional issue for trying the cases of cheque bouncing would increase the credibility of the cheque as financial instruments. This is expected to help the trade and commerce in general and allow the lending institutions, including banks, to continue to extend financing to the productive sectors of economy, as the process of pursuing the cheque bounces cases relating to loan default has been made simpler and efficient through the amendments to the Negotiable Instruments Act, 1881.

The Negotiable Instruments (Amendment) Act, 2015 has been notified in the Gazette of India, Extraordinary on 29th December, 2015. The provisions of this

Amendment Act came into force on the 15th Day of June, 2015. The Amendment Act is focused on clarifying the jurisdiction related issues for filing cases for offence committed under section 138 of the Negotiable Instruments Act (NI Act). The Amendment Act, facilitates filing of cases only in a court within whose local jurisdiction the bank branch of the payee, where the payee delivers the cheque for payment through his account, is situated, except in case of bearer cheques, which are presented to the branch of the drawee bank and in that case the local Court of that branch would get jurisdiction. The Amendment Act, provides for retrospective validation for the new scheme of determining the jurisdiction of a court to try a case under section 138 of the N.I. Act. The Amendment Act, also mandate centralization of cases against the same drawer.

Major impact

The clarification of jurisdictional issues may be desirable from the equity point of view as this would be in the interests of the complainant and would also ensure a fair trial.

The Payment and Settlement Systems (Amendment) Act, 2015

The Payment and Settlement Systems (Amendment) Act, 2015 was enacted by Parliament and received the assent of President on 13.05.2015. The Amendment Act, inter-alia, sought to introduce reforms to increase transparency and stability of Indian financial markets in line with globally accepted norms. The payment and settlement systems serve as a backbone of financial system of a country. The Payment and Settlement Systems Act, 2007 was enacted with a view to providing a sound legal basis for the regulation and supervision of payment systems in India by Reserve Bank of India. Subsequent to the enactment of the Act, the country has witnessed orderly growth of payment systems, and these payments systems are granted authorisation by the Reserve Bank of India (RBI) on the principles of safety, security, soundness, efficiency and accessibility.

Post the global financial crisis in 2007-08, several developments took place, driven primarily by the G20 countries, for reforming the Over the Counter derivatives markets. Some of the new reform initiatives include setting up of Trade Repositories and Legal Entity Identification System. There was no specific legal provision in any of the laws administered by RBI to regulate and supervise the Trade Repositories and Legal Entity Identification System in India.

In India, Clearing Corporation of India Limited (CCIL) acts as a central counterparty in various critical markets. The new capital requirement norms, laid out by the Bank for International Settlements, permit banks to provide capital on exposure to central counterparties on a net basis only where settlement is legally enforceable on a net basis. It was hence necessary to provide a sound and enforceable legal basis for “netting” of banks exposures to CCIL so that their exposure is reduced significantly with lesser capital requirements which may ensure greater participation by banks, facilitating further development of the over the counter derivatives markets. The Act, though providing for netting protection and settlement finality in the event of insolvency or dissolution of system participants, did not expressly contemplate a situation which might warrant netting on account of insolvency or dissolution of the central counterparty itself, and the amendment Act sought to remove this deficiency by providing clarity to the legal framework for dealing with this situation.

Further, the amendment Act addresses the legal difficulties in securing the customers' interest held in escrowed accounts in the event of insolvency or bankruptcy of operators dealing in prepaid instruments.

Thus, the amendments were necessitated in view of international initiatives flowing from the mandate of the G20, of which India is a member, to introduce reforms to increase transparency of the Over the Counter Derivatives market and to strengthen the payment and settlement system to bring it on par with international norms, so as to ensure that Indian financial sector entities do not face any disruption while dealing with international financial sector entities, which are compliant with those norms.

The Insurance Laws (Amendment) Bill, 2015

The Insurance Laws (Amendment) Bill, 2015 was passed by the Lok Sabha on 4th March, 2015 and by the Rajya Sabha on 12th March, 2015, thus paving the way for major reform related amendments in the Insurance Act, 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority (IRDA) Act, 1999. The Insurance Laws (Amendment) Act 2015 notified on 23rd March, 2015 has seamlessly replaced the Insurance Laws (Amendment) Ordinance, 2014, which came into force on 26th December 2014. The amendment Act removes archaic and redundant provisions in the legislations and incorporates certain provisions to provide Insurance Regulatory and Development Authority of India (IRDAI) with the flexibility to discharge its functions more effectively and efficiently. It also provides for enhancement of the foreign investment cap in an Indian Insurance Company from 26% to an explicitly composite limit of

49% with the safeguard of Indian ownership and control. Twenty four proposals for increase in foreign investment have been approved as on 13th February, 2017.

Amendment in Regional Rural Banks Act, 1976

Regional Rural Banks (RRBs) were established under Regional Rural Banks Act, 1976 (the RRB Act) to create an alternative channel to the cooperative credit structure and to ensure sufficient institutional credit for the rural and agriculture sector. RRBs are jointly owned by Government of India, the concerned State Government and Sponsor Banks. The issued capital of RRB is shared in the proportion of 50%, 15% and 35%, respectively.

In view of the growing role of RRBs in extending banking services in rural areas, a need to amend the Regional Rural Banks Act, 1976 was felt. The following amendments have been undertaken in the RRBs Act, 1976:-

- **Section 3:** Section 3(c) is amended to allow sponsor banks to continue to provide managerial and financial assistance beyond the first five years of functioning of RRBs.
- **Section 5:** Section 5 is amended to raise the authorized capital of RRBs to Rs.2000 crore instead of Rs.500 crore. This has become necessary in view of amalgamation of RRBs and their growth. This will also dispense with the need of separate notification for each RRB under existing provision.
- **Section 6:** In sub-section (1) there was a ceiling of Rs.1.00 crore on the issued capital of each RRB. This section has been amended by providing Rs.1.00 crore as the minimum issued capital.

Proviso - A new proviso under sub-section (2) is added enabling infusion of private capital and for the consequent inter-se change in the shareholding subject to the condition that in no event the consolidated shareholding of Central Government and the Sponsor Bank shall be less than 51%. Another proviso is proposed requiring prior consultation with State Governments if their shareholding is proposed to be lowered below 15%.

Sub-Section - A new sub-section (2A) is added that provides for inter-se change in the shareholding pattern of the RRBs with prior consultation with the State Government concerned.

- **Section 9**: The amendment provides for private shareholder directors which would be consequential to private subscription of capital in RRBs.

  Proviso -- A new proviso Under Section 9 (2) of the Act is added enabling Central Government to appoint an Officer of the Central Government on the Board of RRB, if considers it appropriate to oversee effective functioning of RRB.

- **Substitution of Section 10:** As per Section 10, the term of Director appointed by the Central Government is 2 years and he may, on the expiry of the said period, continue to hold office until his successor has been nominated. It is amended to remove the extant provision that allows Directors appointed by the Central Government on the Board of RRBs to continue office till his successor is appointed. It is further amended that any person can be on the Board of only one RRB at a time. The term of Director would be 3 years and the combined tenure on the Board of one or more RRBs, either separately or continuously shall not exceed 6 years.

- **Section 19**: With a view to bring in uniformity of accounting year, the date of closure of accounts has been amended as ‘31st March’ in place of ‘31st December’.

RRBs (Appointment of Officers and Employees) Rules, 2017

With a view to making the recruitment process in RRBs more rigorous and transparent and also to align the same with the government policy, wherever applicable, this Department, in consultation with NABARD and the Sponsor Banks, has brought in certain improvements in recruitment process in RRBs. In this regard, the RRBs (Appointment of Officers and Employees) Rules, 2017 has been notified on 29.03.2017 in supersession of the RRBs (Appointment and promotion of Officers and Employees) Rules, 2010. The salient features of the changes brought in the said rules are indicated in the following:-

- **Conduct of Interviews:**

  IBPS or any other agency approved by GoI, will handle all direct recruitments for RRBs in different posts/scales other than those of Group ‘C’ employees, including the conduct of interviews and issue of final result.

- **Marks for Written Test & Interview:**

  The marks for Written/Online Test and Interview have been changed to 80 and 20, respectively for Officer Scale I, II & III in place of 70 and 30 earlier. The minimum qualifying marks in written test for Officer Scale I, II & III and Office Assistant has been dispensed with and minimum qualifying marks in interview for Officer Scale I, II & III has been introduced.

- **Upper age limit for Officer Scale-I:**

The upper age limit for recruitment as Officers Scale I has been increased from 28 years to 30 years in line with that prevailing in PSBs.

- **Discontinuation of Interviews for junior level posts:**

  In line with the policy decision of GoI for discontinuation of interviews for junior level posts, consequential changes have been made to discontinue interviews for Office Assistant (Multipurpose) and Office Attendant (Multipurpose) posts.

- **Local Language proficiency:**

  In view of the operational difficulties in testing for language proficiency at interview stage, the candidates are given a time of six months from the date of joining, to acquire the proficiency. The period may be extended each time by 6 months at a time provided that no such extension shall be granted beyond the probation period. The candidates who have studied the language of the State in standard VIII or above in Boards of Education or School recognised by the Government, will be considered proficient in that local language.

- **State-wise merit list:**

  The merit list shall be prepared State/UT-wise, so that all RRBs may get adequate number of candidates against the required vacancies.

- **Two tier written examination:**

  Two tier written/online examination – Preliminary & Main for Officers Scale I and Office Assistants, has been introduced, which is in consonance with the practice prevailing in PSBs.

Amendments to the NABARD Act,1981

Approval of Union Cabinet has been obtained for the following proposals:

- Amendments to National Bank for Agriculture and Rural Development Act, 1981 as proposed in the draft Bill with such changes of drafting and of consequential nature, as may be considered necessary by Legislative Department. The Amendments, include provisions that enable Central Government to increase the authorized capital of NABARD from Rs. 5,000 crore to Rs. 30,000 crore and to increase it beyond Rs. 30,000 crore in consultation with RBI, as deemed necessary from time to time.
- Transfer of 0.4 per cent. equity of RBI in NABARD amounting to Rs. 20 crores to the Government of India.

Recommendation of the President has been obtained for introduction of the NABARD (Amendment) Bill, 2017 as per Article 117(1) & (3) of the Constitution. The Bill is likely to be introduced in the Parliament during current session.

Schemes

Pradhan Mantri Jan Dhan Yojana (PMJDY) :

Hon'ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities with at least one basic bank account to every household, financial literacy, access to credit, insurance and pension facility. Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account. Further, to expand the reach of banking services, all of over 6 lakh villages in the country were mapped into 1.59

lakh Sub Service Areas (SSAs), with each SSA typically comprising of 1,000 to 1,500 households, and in the 1.27 lakh SSAs that did not have a bank branch, Bank Mitras were deployed for branchless banking.

Benefits

Thus, PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 1 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months.

Achievements

PMJDY was conceived as a bold, innovative and ambitious mission. Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7%) had access to banking services. In the first phase of the scheme, these households were targeted for inclusion through opening of a bank account within a year of launch of the scheme. The actual achievement, by 26th January 2015, was 12.55 crore. As on 29.3.2017, the number of accounts has grown to 28.17 crore. Further, in 2011, only 0.33 lakh SSAs had banking facility and through provision of Bank Mitras in 1.26 lakh branchless SSAs, banking services were extended throughout rural India. The inclusive aspect of this is evident from the fact that 16.87 crore (60%) of PMJDY accounts are in rural areas and 14.49 crore (over 51%) PMJDY accountholders are women.

The deposit base of PMJDY accounts has expanded over time. As on 29.3.2017, the deposit balance in PMJDY accounts was Rs. 62,972 crore. The average deposit per account has more than doubled from Rs.1,064 in March 2015 to Rs.2,235 in March 2017.

The Bank Mitra network has also gained in strength and usage. The average number of transactions per Bank Mitra, on the Aadhaar Enabled Payment System operated by Bank Mitras, has risen by over eightyfold, from 52 transactions in 2014-15 to 4,291 transactions in 2016-17.

From Jan Dhan to Jan Suraksha – Pradhan Mantri Jeevan Jyoti Bima Yojana and Prdhan Mantri Suraksha Bima Yojana:

For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

- **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** – The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. Aadhar would be the primary KYC for the bank account. The life cover of Rs. 2 lakhs shall be for the one year period stretching from 1st June to 31st May and will be renewable. Risk coverage under this scheme is for Rs. 2 Lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one instalment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme. The scheme is being offered by Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

As on 29th March, 2017, Cumulative Gross enrolment reported by Banks subject to verification of eligibility, etc. is over 3.09 Crore under PMJJBY. A total of 62006 Claims were registered under PMJJBY of which 58805 have been disbursed.

- **Pradhan Mantri Suraksha Bima Yojana (PMSBY)–** The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.Aadhar would be the primary KYC for the bank account.The risk coverage under the scheme isRs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs. 12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one instalment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

As on 29th March, 2017, Cumulative Gross enrolment reported by Banks subject to verification of eligibility, etc. is over 9.94 Crore under PMSBY. A total of 12488 Claims were registered under PMSBY of which 9364 have been disbursed.

- **Atal Pension Yojana (**APY) was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1000 or Rs. 2000 or Rs. 3000 or Rs. 4000 or Rs. 5000 at the age of 60 years. Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. The minimum pension would be guaranteed by the Government, i.e., if the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy. Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensionary benefits. The Central Government would also co-contribute 50% of the total contribution or Rs. 1000 per annum, whichever is lower, for a period of 5 years for those eligible subscribers joining the scheme between the period 1st June, 2015 and 31st March, 2016 and who are not members of any statutory social security scheme and who are not income-tax payers.

  In the event of pre-mature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The earlier provision was to hand over lump sum amount to spouse on the premature death (death before 60 years of age) of the subscriber. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse. After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber.

As on 21st March, 2017, a total of 46.80 lakh subscribers have been enrolled under APY with a total pension wealth of Rs. 1713.214 crores.

Pradhan Mantri Mudra Yojana

The scheme was launched on 8th April 2015. Under the scheme a loan of upto Rs. 50000 is given under sub-scheme 'Shishu'; between Rs. 50,000 to 5.0 Lakhs under sub-scheme 'Kishore'; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme 'Tarun'. Loans taken do not require collaterals. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activates.

As on 25.03.2017, Rs. 1,59,526.64 crores disbursed (Rs. 78,544.14 cr. – Shishu, Rs. 45,595.67 cr. - Kishore and Rs. 35,386.83 cr. – Tarun category), in 3,84,17,849 accounts.

Stand Up India Scheme

Government of India launched the Stand Up India scheme on 5th April, 2016. The Scheme facilitates bank loans between Rs.10 lakh and Rs.1 crore to at least one Scheduled Caste/ Scheduled Tribe borrower and at least one Woman borrower per bank branch for setting up greenfield enterprises. This enterprise may be in manufacturing, services or the trading sector. The scheme which is being implemented through all Scheduled Commercial Banks is to benefit at least 2.5 lakh borrowers. The scheme is operational and the loan is being extended through Scheduled Commercial Banks across the country.

Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST category i.e those section of the population understood to be facing significant hurdles due to lack of advice/mentorship as well as inadequate and delayed credit. The scheme intends to leverage the institutional credit structure to reach out to these underserved sectors of the population in starting greenfield enterprises. It caters to both ready and trainee borrowers.

To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand Up India (CGFSI). Apart from providing credit facility, Stand Up India Scheme also envisages extending handholding support to the potential borrowers. It also provides for convergence with Central/State Government schemes. Applications under the scheme can also be made online. An online tracking system in the dedicated Stand Up India portal (www.standupmitra.in) is being utilised.

As on 29.03.2017, Rs. 5237.29 crore sanctioned of which Rs. 2704.19 crore disbursed in 25435 accounts (20305 – women, 1086-ST and 4044 – SC).

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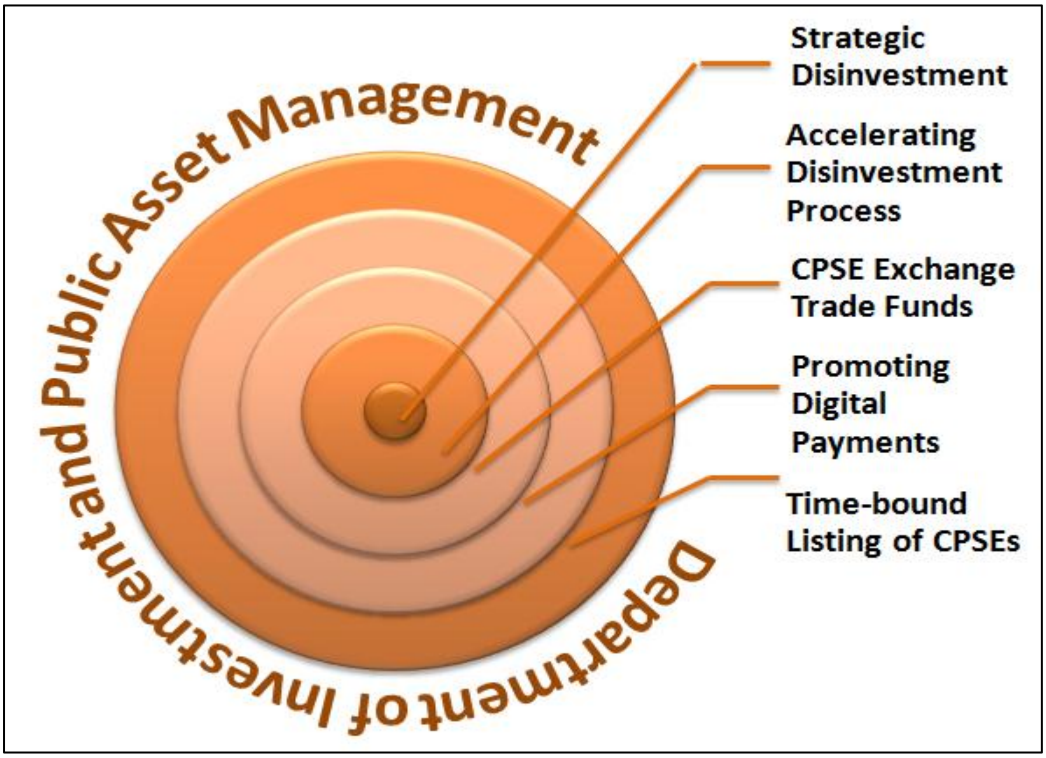
MINISTRY OF FINANCE
DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT

Major achievements of the Government in the last three years



A. <u>Strategic Disinvestment</u>

(i) Hon'ble Finance Minister in his Budget Speech of 2015-16 had stated that "*the budget reflects considerable scaling up of disinvestment figures. This will include both disinvestment in loss making units and some strategic disinvestment* "

(ii) As far as strategic sale of CPSEs was concerned, earlier decisions were based on the recommendations of the Disinvestment Commission. The last strategic sale was done in 2003-04 The Disinvestment Commission was wound up in Oct. 2004. Thereafter, there was no policy framework to handle strategic disinvestment as announced in the Budget 2015-16. Hence, it was important to put in place a mechanism/procedure for taking up strategic disinvestment of CPSEs.

(iii) Accordingly, the Department obtained the approval of Cabinet Committee on Economic Affairs (CCEA) on 17th February, 2016 on the proposal for laying down structure and mechanism for strategic disinvestment of CPSEs. Requisite instructions in this regard had been issued on 29th February, 2016 to all Departments/Ministries concerned, including NITI Ayog, who has been entrusted the responsibility to advise the Government to identify CPSEs for strategic disinvestment. As a part of the initiative to fast-track strategic disinvestment of CPSEs, the Core Group of Secretaries on Disinvestment (CGD) was constituted on 21st March, 2016.

(iv) Strategic disinvestment imply the sale of substantial portion of the Government share holding of a central public sector enterprise (CPSE) of upto 50%, or such higher percentage as the competent authority may determine, along with transfer of management control. The objective of strategic disinvestment, inter-alia, includes Government exiting from non-strategic business, unlocking optimum economic potential by promoting efficiency & professional management in such companies.

(v) NITI Aayog has given its recommendation in 2 Tranches – 14 CPSEs and 9 units of ITDC (First Tranche) and 8 CPSEs and 3 units of SAIL (Second Tranche).

(vi) Based on the report of the NITI Aayog and the recommendations of CGD, the CCEA in its meeting held on 27th October, 2016, has approved, ‘in-principle’ the proposal for strategic disinvestment of some CPSEs, units of CPSEs and subsidiaries of CPSEs.

(vii) Administrative Ministries have been requested to initiate the process of strategic disinvestment of the CPSEs for which 'in-principle' approval has been accorded by CCEA.

(viii) For the purpose of uniformity and efficient implementation of strategic disinvestment transactions, the 'flow of activities' to be completed within a specified time in respect of disinvestment of Government equity as well as disinvestment of equity of parent CPSE, subsidiary and sale of units of CPSEs has been prepared and communicated to the concerned Administrative Ministries/Departments for completion of the activities within the specified timeline.

(ix) The process of strategic disinvestment of the CPSEs has been initiated as per the procedure and mechanism approved by CCEA. IMG for selection of Advisers, Legal Advisers and Asset Valuers have been constituted in DIPAM and the Administrative Departments concerned. Meetings have been held and RFPs have also been floated. In some cases selection of Advisors and Legal advisors are at final stage & appointment letters are being issued.

B. Steps to accelerate the disinvestment process

(i) Rolling plan

- As the earlier system of annual plans for disinvestment of CPSEs provided scope for price hammering through the announcement effect, this arrangement has been replaced with a system of rolling plan.
- Making a departure from the system of annual plan, the Government has started creating a pipeline of proposals by identifying some CPSEs for minority stake sales across various sectors of the economy.
- The underlying strategy is to keep the shares readily available for transactions, to take advantage of the market conditions without any loss of time with an element of surprise for the market players. This helps in minimizing price hammering during disinvestment of CPSEs.

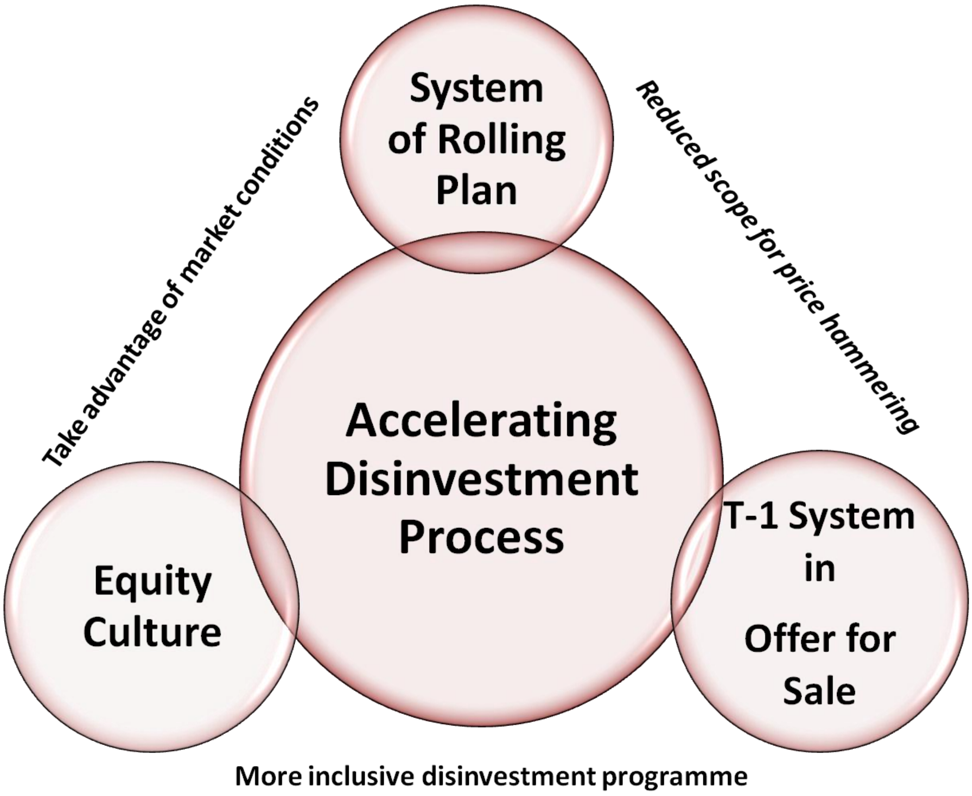
(ii) T-1 dispensation for Offer for Sale (OFS)

- Under the earlier dispensation of T-2 notice period (T being the transaction day) for an OFS transaction, there was enough scope for price hammerings during the trading in the stocks on T-1 day, i.e. the day immediate before the OFS issue.

- Based on the suggestion made by the Department, SEBI vide its circular dated 15th February, 2016 has reduced the notice period for an OFS transaction from T-2 to T-1. In the other words, the OFS transactions takes place on the very next day after the notice for the issue has been given to the stock exchanges.
- This change is now helping in minimizing price hammering between the notice day and the transaction day, taking place earlier under the T-2 dispensation.

(iii) **Need for evolving an Equity Culture**

- SEBI vide its notification dated 08.08.2014 has expanded the framework of Offer for Sale (OFS) of shares through Stock Exchange Mechanism by reserving a minimum of 10 % of the offer size for retail investors.
- Based on this enabling provision, the Government has made the CPSEs' disinvestment programme more inclusive by following an approach to reserve 20 per cent of shares in CPSEs-OFS transactions for retail investors on a case to case basis.



C. **Central Public Sector Enterprises (CPSE) Exchange Traded Fund (ETF)**

(i) Globally ETF is a large and fast growing asset class. It offers the benefits of equity with real time price, liquidity and diversification of Mutual Funds. In India investment through ETF route has grown very fast, especially with new investors like retirement funds investing in ETFs.

(ii) The CPSE ETF was conceptualized as an asset class offering the benefits of diversification, risk management and lower expenses to investors. It allows the Government of India to simultaneously divest multiple stocks spread across various sectors in one bundled instrument, thereby reducing overhang on individual stocks and maximising the sale proceeds for the Government.

(iii) In order to execute this unique idea, a CPSE index was created constituting 10 blue-chip CPSE stocks with different weightages based on their free-float market capitalizations. In order to ensure appropriate diversification, suitable company and sector caps were applied on the same. The 10 stocks included in this CPSE index are ONGC, GAIL, Oil India, Indian Oil Corporation, Engineers India, PFC, REC, Coal India, Bharat Electronics and CONCOR.

(iv) Based on this index, the CPSE ETF New Fund Offer (NFO) was launched on March 18, 2014. The NFO received an encouraging response from all categories of investors, and the issue size of Rs. 3,000 crore was oversubscribed nearly 1.5 times, garnering applications worth approximately Rs. 4,400 crore.

(v) Building on success of the NFO, the Government launched a Further Fund Offer (FFO) of the CPSE ETF Scheme. The FFO was opened for anchor investors on 17^{th} January and for public issue during 18^{th} – 20^{th} January. It offered 5 per cent upfront discount to all investors. In order to encourage retail investors to invest in the FFO, they were given first preference for allotment under the Non-anchor category, followed by the retirement funds and other investors respectively. The issue size had been kept at Rs. 4500 crore with an option to retain an additional amount of Rs. 1500 crore.

(vi) Overall, the issue got oversubscribed by 2.30 times - Rs.13,802 crore worth of applications were received as against the maximum issue size of Rs.6,000 crore. The number of Retail applications was 2,70,712 (approx 7 times the Retail applications received during first tranche held in March 2014), with corresponding value of Rs.2465 crore. This was one of the largest retail offering (Government / Private) in capital market in last few years. The Government realized an amount to the tune of Rs.6000 crore through this offer.

(vii) After getting an overwhelming response especially from the retail investors, Provident/Pension Funds and FIIs, the Government intends to use ETF as a vehicle for further disinvestment in view of its inherent advantages and will launch a new ETF with diversified CPSE stocks and other Government Holdings as announced in the Budget 2017-18.

D. Task Force for 'promotion of payments through cards and digital means'

(i) The Task Force for 'promotion of payments through cards and digital means' was constituted with the approval of Hon'ble Prime Minister in April 2016, consequent to the decision of the Cabinet in February 2016, wherein 19 short-term steps and 4 medium-term steps were identified and decided to be implemented by various Departments. The mandate of the Task Force was to ensure implementation of the Cabinet decisions on promotion of payments through cards and digital means and to deal with related issues to the extent referred to it.

(ii) Consequent upon the decision of the Government to demonetize the legal tender in November 2016, the Task Force also engaged itself with various implementing agencies to find innovative solutions for digital payments and has suggested various policy measures including incentives for digital payments to ensure quick acceptability of various digital payment options by the consumers and merchants.

(iii) To promote digital payments, BHIM application has been launched that facilitates digital payment transactions through UPI and USSD modes. The acceptance infrastructure is being ramped up through procurement of Aadhaar ready PoS machines. Further, alternative acceptance options through QR code have also been developed.

(iv) A number of incentives have been provided to encourage digital payments amongst merchants and consumers. Capacity building and awareness campaigns have been launched by various Departments and State Governments to promote digital payments. The Business Correspondents network is being expanded through inclusion of Fair Price Shops and Post Offices to provide digital transaction options at various geographically convenient locations. Seeding of Aadhaar and mobile numbers in the bank accounts is also underway to enable the accountholders to undertake transactions through mobiles or Aadhaar authentications.

(v) Further, Regulatory mechanisms are being strengthened and steps being taken to expand telecom reach in rural areas. To promote digital payments and to rationalize the cost associated with digital transactions, while the transaction charges have been waived off by the Railways, the RBI is actively considering rationalization of MDR charges on cards.

E. <u>Mechanism and Procedure for time-bound listing of CPSEs on Stock Exchanges</u>

(i) An announcement in the Budget 2017-18 for the Government to put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.

(ii) An important objective of listing of CPSEs is to unlock the true value of the company and promote ‘people’s ownership’ by encouraging public participation in CPSEs. With general public becoming the shareholder in the company through the listing route, the management is open to public scrutiny and thus become accountable to its shareholders, as per the extant disclosure norms and compliances for listed CPSEs.

(iii) As per the extant disinvestment policy, CPSEs having a positive net-worth, no accumulated losses and having earned net-profits in three preceding consecutive years, be required to achieve mandatory listing norms of 25 per cent public holding for listing on the stock exchanges.

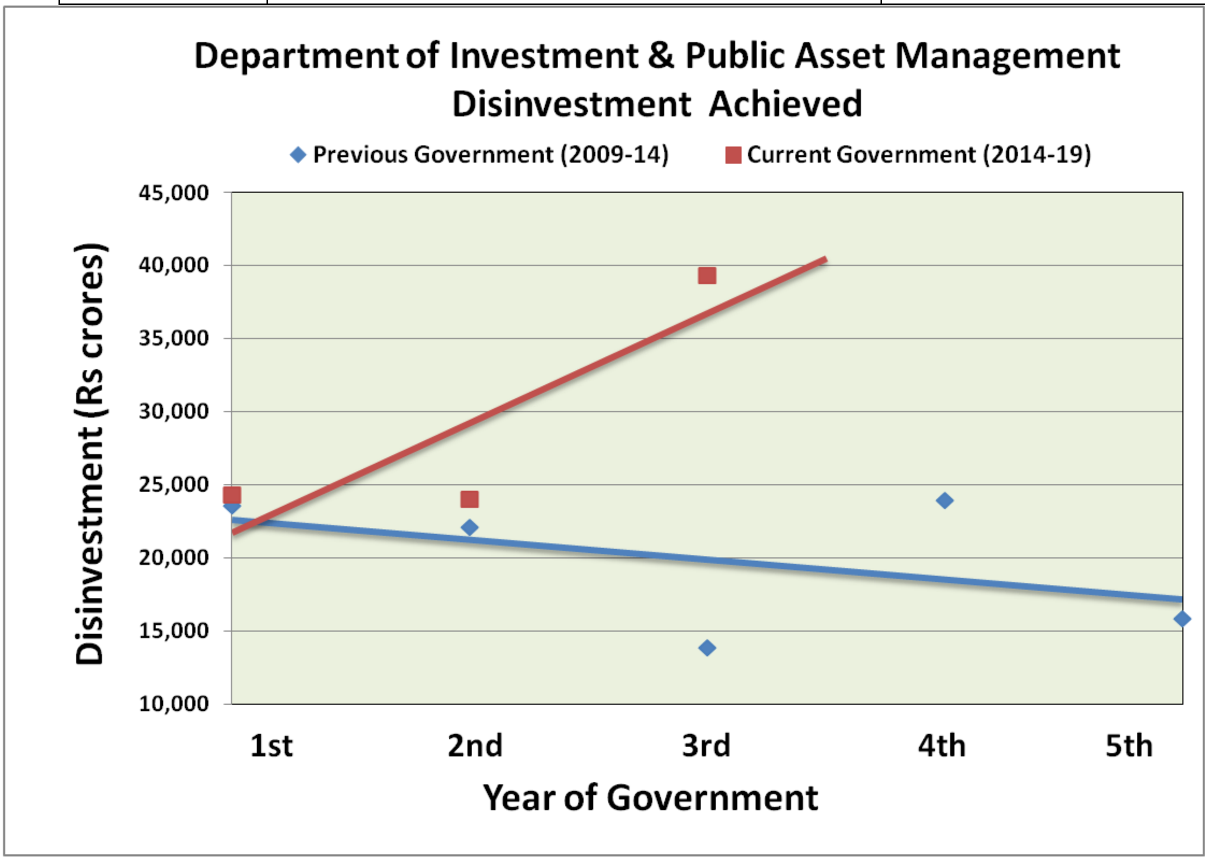
(iv) Keeping in view the objectives and announcement made in the Budget 2017-18, DIPAM has issued a circular dated 17.02.2017 on the mechanism and procedure, alongwith a list of activities with indicative timelines for time bound listing of CPSEs by all the Administrative Ministries/Departments.

F. Disinvestment Target and Performance

(i) Year-wise disinvestment targets and achievements since 2009-10 are as follows:

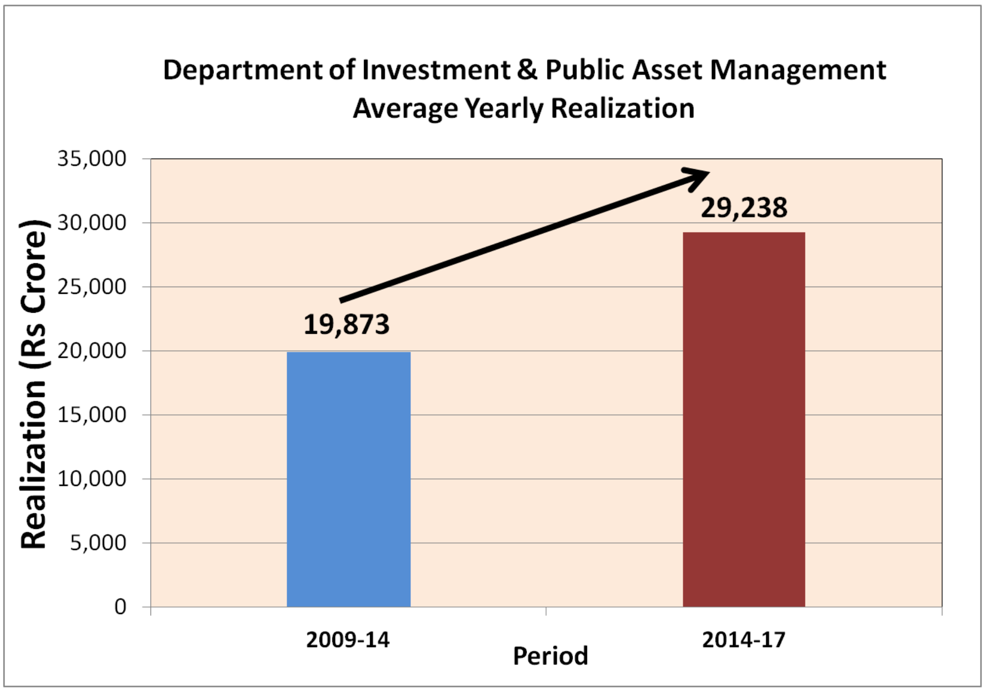
Year	Target	Achievement
2009-10	No Target fixed	23,552.93
2010-11	40,000	22,144.21
2011-12	40,000	13,894.05
2012-13	30,000	23,956.81
2013-14	40,000	15,819.46
2014-15	43,426	24,348.71
2015-16	41,000(excluding Strategies sale target of 28,500) RE for CPSEs' disinvestment -25312	23,996.80
2016-17	56,500 crore (CPSEs' disinvestment –	39,368.69 (end-February,

	36,000 and strategic disinvestment – Rs. 20,500) Revised Estimates -45,500 (40,000 for CPSEs' disinvestment and 5,500 for strategic disinvestment)	2017)
2017-18	72,500 [CPSEs' disinvestment – 46,500, strategic disinvestment – 15,000 and others (listing of Insurance companies) - 11,000]	



(ii) Average Yearly Realization

The average yearly realization of Rs. 29,238 crores during the period between 2014-15 to 2016-17 (last 3 years) vis-à-vis Rs. 19,873 crores for the period between 2009-10 to 2013-14 (5 years) represents an increase of 47%.



(iii) Some of the achievements made during 2016-17 are as follows:

- Total realisation of Rs. 29,590 crore through CPSEs' disinvestment (buyback, disinvestment and ETF), constitutes around 82 per cent of the total Budgeted target of Rs. 36,000 crore for 2016-17 (74% of the Revised estimates of Rs. 40,000 crore)
- Total realization of Rs. 39,369 crore constitutes around 70 per cent of the total Budgeted target of Rs. 56,500 crore for 2016-17 (around 87 per cent of the total revised estimates of Rs. 45,500 crore)

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MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

CENTRAL BOARD OF DIRECT TAXES

Major achievements in the last three years of the present Government

As regards direct taxes, a number of innovative policy measures, programmes and schemes were taken during this period in order to address direct tax challenges and promote ease of doing business during the period of 2014-2017 through successive Finance Acts by amending direct tax laws and by introducing new provisions. Salient policy measures, programmes and schemes are enumerated below:

1. INTRODUCTION OF COUNTRY-BY-COUNTRY REPORTING STANDARDS

In order to implement the global consensus on revised standards for transfer pricing documentation and a template for country-by-country reporting of income, earnings, taxes paid and certain measure of economic activity, and in line with the BEPS Action Plan of OECD, Country-by-Country Reporting (CbCR) standards were introduced in the Income-tax Act, 1961 ('the Act') vide the Finance Act, 2016.

Essentially, the amendment to the Act has provided that an international group having consolidated revenue above a prescribed threshold shall be obligated to furnish a report containing *inter alia* aggregate information in respect of revenue, profit & loss before Income-tax, amount of Income-tax paid and accrued, details of capital, accumulated earnings, number of employees, tangible assets other than cash or cash equivalent in respect of each country or territory along with details of each constituent's residential status, nature and detail of main business activity. This report will have to be furnished by a parent entity of a Multi-National Enterprise

(MNE) if the parent entity is resident in India, or by every Indian entity of an international group (subject to certain conditions). Provisions have also been made for penalising the non-maintenance of information, non-furnishing or inaccurate furnishing of report by such entities.

With this, India has taken a **pioneering step** in implementing BEPS norms discussed at OECD, showing the way forward on tax transparency in international transactions. It has also enabled the Income-tax Department to have a comprehensive database of activities undertaken by an MNE.

2. SPECIAL PROVISIONS FOR START-UPS

With a view to providing an impetus to start-ups and facilitate their growth in the initial phase of their business and in order to promote the start-up ecosystem in the country, Finance Act, 2016 inserted a new provision 80IAC in the Act to provide for a hundred per cent deduction of the profits and gains of eligible start-ups up during the period 1.4.2016 to 31.3.2019 for three consecutive assessment years out of five years. Further section 80IAC has been proposed to be amended vide Finance Bill, 2017 to provide that the deduction shall be allowed for any three consecutive assessment years out of seven years instead of five years, beginning from the year in which such eligible start-up is incorporated.

3. BENAMI TRANSACTIONS (PROHIBITION) ACT

With the intention of curbing domestic black money, it was felt necessary to bring comprehensive amendments to the Benami Transactions (Prohibition) Act, 1988. Hence, the Benami Property Transactions Act, 1988 has been amended by the Benami Transactions (Prohibition) Amendment Act, 2016 (BTP Amendment Act). All the provisions of the BTP Amendment Act have come into force since 1st November, 2016. The amendments *inter alia* provide specific provisions for vesting of confiscated property with Central Government, an appellate mechanism against an action taken by the authorities under the Act and conferring the powers of a civil court upon the tax authorities for its implementation.

4. INTRODUCTION OF EQUALISATION LEVY

Digital business such as e-commerce has fundamentally challenged physical presence-based permanent establishment rules. Increasingly, it had become difficult to tax in India due to inability to prove presence of permanent establishment within India. Several options to tackle the direct tax challenges arising in the context of e-commerce transactions in digital domain were examined. After due examination, the committee on taxation of e-commerce formed by the CBDT, recommended equalisation levy in the form of final withholding tax option for taxation of digital transactions in India in line with internationally aligned practices and suggestions.

Subsequently, a new Chapter VIII titled "Equalisation Levy", to levy tax on e-commerce transactions, was inserted in the Act vide Finance Act, 2016. This Chapter provides for an equalisation levy of 6% of the amount of consideration for specified services (online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement and includes other notified services) received or receivable by a non-resident not having permanent establishment ('PE') in India, from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India.

This has enabled Indian jurisdiction to tax such business in digital domain. The revenue accrued for the Government exchequer through the equalization levy amounted to 146.5 Crore rupees from 1st June 2016 to 3rd December 2016.

5. PRESUMPTIVE TAXATION SCHEME

The threshold limit of presumptive taxation has been increased from Rs. 1 crore to Rs. 2 crore in case of small unorganised businesses, thus reducing the compliance burden on such businesses. Further, a presumptive taxation scheme has also been introduced for professionals whose gross receipts do not exceed Rs. 50 lakh in a financial year, wherein the deemed income under this scheme would be fifty per cent of total gross receipt. Thus, compliance burden has also been reduced for such professionals also.

6. PATENT BOX REGIME

In order to encourage indigenous research & development activities and to make India a global R & D hub, a concessional taxation regime for income from patents has also been introduced. Under this regime, a person resident in India deriving income by way of royalty from patent developed and registered in India will be taxed at flat rate of 10% on gross basis at his own option.

7. THE BLACK MONEY ACT

In order to curb the flow of black money stashed abroad, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) has been enacted. The Black Money Act has stringent provisions, which *inter-alia* include that an offence of willful attempt to evade tax shall be a predicate offence under the Prevention of Money Laundering Act, 2002. A total of 648 declarations involving undisclosed foreign assets worth Rs.4164 crore were filed under the one-time compliance window provided under Chapter VI of this said Act.

8. THE INCOME DECLARATION SCHEME, 2016

The Income Declaration Scheme, 2016 (the Scheme) was an important step by the Government to rein in undisclosed income & assets as it provided an opportunity to all persons who had not declared income correctly in earlier years to come forward and declare such undisclosed income. The Scheme commenced on 1.6.2016 and was open for declarations up to 30.9.2016.The Scheme was available to any person having undisclosed income (whether in the form of investment in any asset or otherwise) for any financial year up to 2015-16. Tax, penalty and surcharge totalling in all to 45% of undisclosed income was payable under the Scheme. The Scheme has been a major success as it resulted in declaration of Rs.67,382 crore by 71,726 declarants.

9. DIRECT TAX DISPUTE RESOLUTION SCHEME, 2016

Litigation has been a major area of concern in direct taxes. In order to reduce the huge backlog of cases and to enable the Government to realise its dues expeditiously, 'the Direct Tax Dispute Resolution Scheme, 2016' was introduced in relation to tax-arrears in respect of which appeal was pending before the Commissioner of Income-tax (Appeals) or the Commissioner of Wealth-tax (Appeals) as on the 29th day of February, 2016 and in respect of any tax determined in consequence of or validated by an amendment made with retrospective effect in the Income-tax Act or Wealth-tax Act, as the case may be, for a period prior to the date of enactment of such amendment and a dispute in respect of which was pending as on 29.02.2016 (referred to as specified tax).

Under the Scheme, if the amount of disputed tax was up to Rs.10 lakh, complete waiver from levy of penalty and from initiation of prosecution was provided on payment of assessed tax along with the interest. For more than Rs.10 lakh, the declarant was required to pay only 25% of the minimum penalty leviable along with the due tax and interest.

In respect of penalty appeals, the declarant got waiver of the 75% of the penalty levied and immunity from prosecution. In respect of specified tax, the declarant got complete waiver of/immunity from levy of penalty and immunity from prosecution.

10. PRADHAN MANTRI GARIB KALYAN YOJANA

In the wake of declaring specified bank notes as not legal tender, and in order to discourage people from finding illegal ways of converting their black money into black again, vide the Taxation Laws (second Amendment) Act, 2016, the Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016 (the Scheme) has been introduced. This provides declarants an opportunity to pay taxes with penalty and allow them to come clean so that not only the Government gets additional revenue for undertaking activities for the welfare of the poor but also the remaining part of the declared income legitimately comes into the formal economy. The Scheme has commenced on 17.12.2016 and is open for declaration up to 31.03.2017.

11. TRANSFORMING TAX ADMINISTRATION THROUGH E-GOVERNANCE

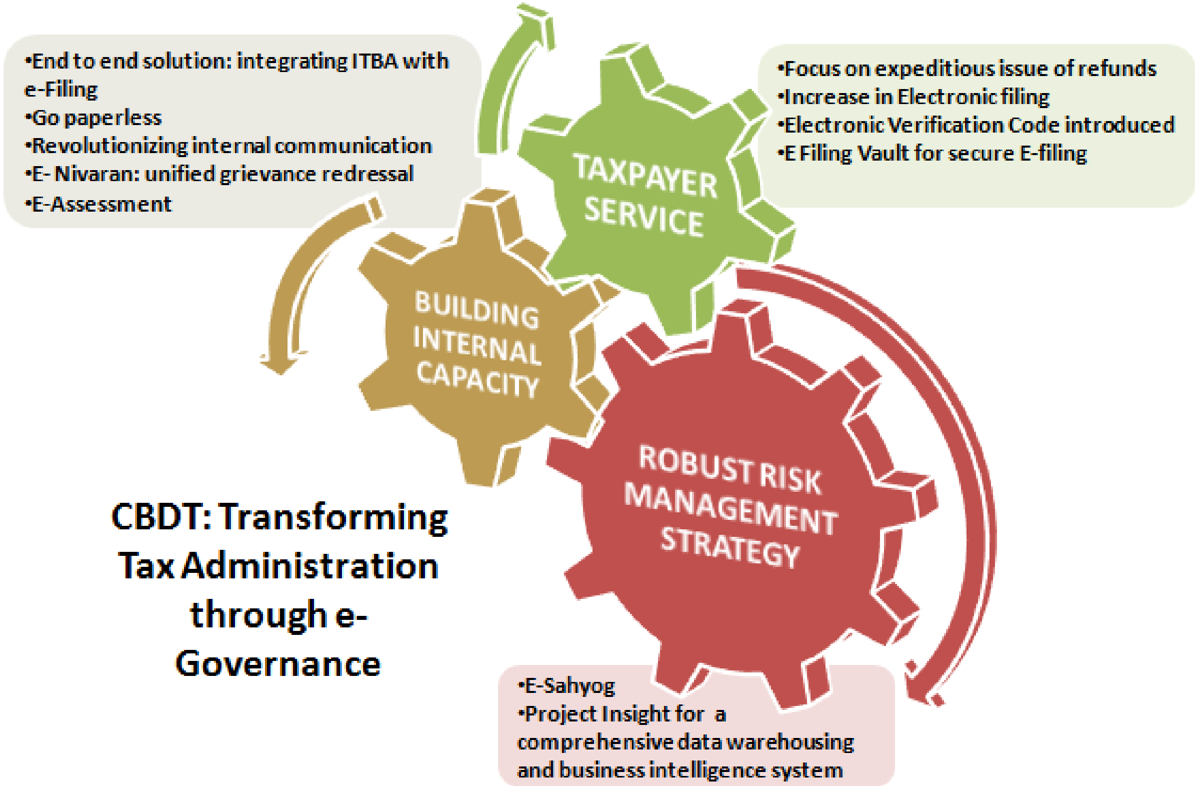
Top class services to taxpayers forms an integral and most important feature of an efficient, effective and transparent tax administration. If the processes are simple, responsive and taxpayer friendly, taxpayer would develop confidence in the tax administration and would favor voluntary compliance. Income Tax department has focused on a multi-pronged strategy to achieve its objectives through its numerous E-governance initiatives for –

(a) providing tax payer service and facilitation;

(b) building internal capacity for efficient and faceless interface with all stakeholders; and

(c) establishing a robust risk management strategy to detect and penalize non-compliance.

These three elements form the core of all e-governance initiatives of the Income Tax Department.



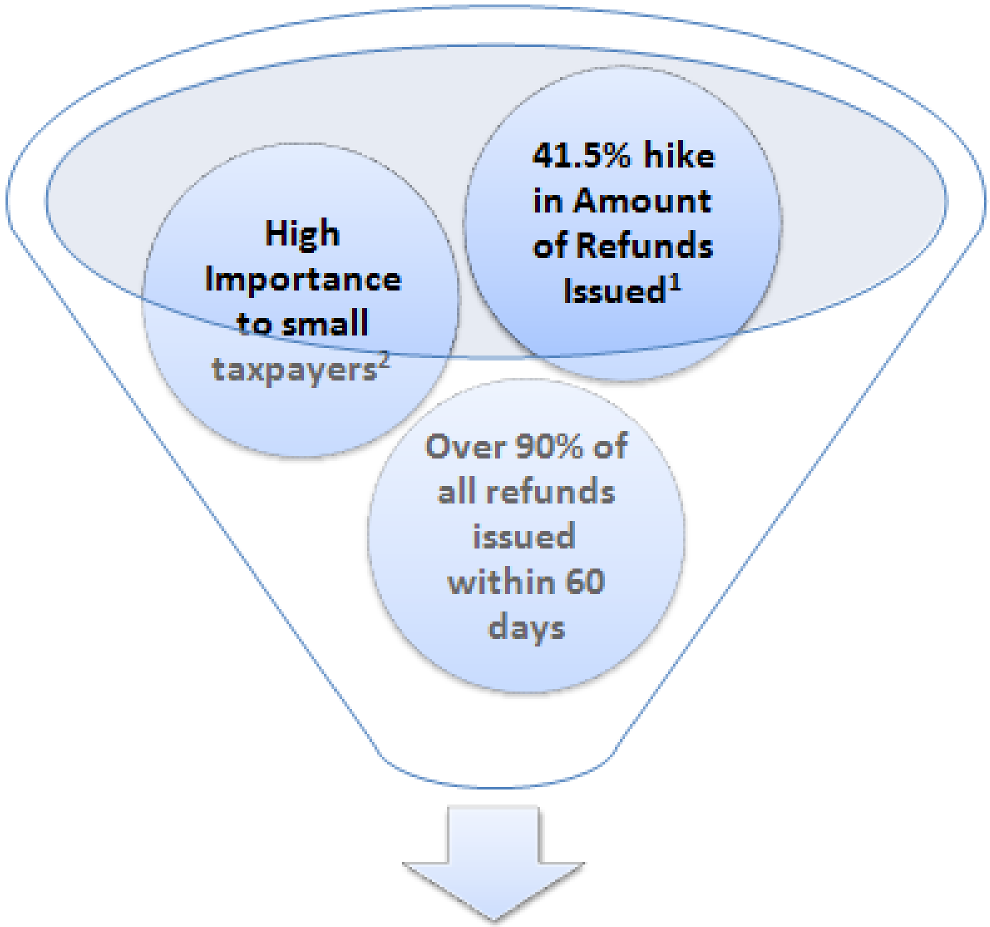
A. Tax payer service and facilitation

The flagship e-governance programs in this category are the Electronic filing of Income tax returns and other Forms and the Centralized Processing Center at Bangalore for processing Income Tax Returns where the focus of CBDT has to been to facilitate greater coverage of E-filing to taxpayers and to expedite processing and issue of refunds.

FOCUS ON EXPEDITIOUS ISSUE OF REFUNDS BY CBDT

The **Centralized Processing Center of Income Tax Department** has processed over 4.19 Cr Income Tax returns and issued over 1.62 Cr refunds till 10th February 2017. This can be compared to 4.14 Cr Income Tax returns and 1.61 Cr refunds for the full year in FY 2015-16. The amount of Refunds issued till 10th February 2017 was Rs 1.42 Lakh Cr which is 41.5% higher as compared to the same period last year.

92% of the refunds issued were below Rs 50,000, demonstrating the high importance placed by CBDT towards smaller taxpayers. As a result of diligent monitoring and emphasis on expeditious issue of refunds over 90% of all refunds were issued within 60 days (of which 67% were issued within 30 days), thereby not only saving costs on account of interest but also demonstrating CBDT's commitment to faster and more efficient taxpayer service. The Department also processed 92% of all Income Tax returns within 60 days.



Expeditious issue of refunds by Central Board of Direct Taxes

1. Till 10th February 2017 as compared to same period last year
2. 92% of the refunds issued were below Rs 50,000

INCREASE IN ELECTRONIC FILING TO NEARLY 97% OF ALL INCOME TAX RETURNS

Taxpayers also reposed faith in CBDT's **e-filing program** by filing a whopping 4.01 Cr e-Income Tax returns in till 10th February 2017 representing an increase of over 20% over the previous year. In addition, over 60.05 lakh other online forms were filed with an increase of nearly 41% compared to the previous year.

Innovations to facilitate taxpayers

The path breaking innovations introduced by the Department in the e-filing of Income Tax returns project are:

INTRODUCTION OF ELECTRONIC VERIFICATION CODE (EVC)

This innovation introduced in July 2015 enables the citizen to electronically verify Income tax returns and other forms using EVC through third party authentication services provided by Aadhaar using Aadhaar OTP, authentication by banks using net banking, ATM, bank account validation and security depositories such as NSDL and CDSL using demat account validation. The taxpayer can use any of these authenticating mechanisms to receive an Electronic Verification Code (EVC) which can be entered after submission of a return to verify and complete the process. This year alone over 1.3 Cr Income Tax returns have been electronically verified using EVC thereby obviating the need to submit a paper copy of the ITR-V to CPC Bangalore as was being done earlier.

SECURING TAXPAYER ACCOUNT USING E-FILING VAULT-

This innovation aims at adding one more level of authentication to the process of login to the “My Account” of the tax payer and for resetting of password by leveraging the EVC concept. E-filing Vault enables the tax payer to completely secure the e-filing account to prevent any unauthorized access.

CERTIFICATE OF APPRECIATION ACKNOWLEDGING TAXPAYERS FOR THEIR TAX CONTRIBUTION

CBDT acknowledged the contribution of tax payers by paying taxes towards nation building and promptness in filing of Income Tax Returns by issuing Certificates of Appreciation to nearly 22.98 Lakh Individual tax payers. Certificates of appreciation were sent by e-mail in various categories on the basis of the taxes paid by them for the current Assessment Year 2016-17, where taxes have been paid in full and tax payers have no outstanding tax liabilities and where the return is e-filed within the prescribed due date and verified through Digital Signature or Electronic Verification Code (EVC) or submission of signed ITR-V to CPC Bangalore.

The categories for individual taxpayers were:

i. Platinum -Taxpayers who have contributed Rs 1 Crore and above as tax
ii. Gold -Taxpayers who have contributed between Rs 50 Lakh and Rs 1 Crore as tax
iii. Silver -Taxpayers who have contributed between Rs 10 Lakh and Rs 50 Lakh as tax
iv. Bronze -Taxpayers who have contributed between Rs 1 Lakh and Rs 10 Lakh as tax

B. Building internal capacity for efficient and faceless interface with all stakeholders

Department aims to empower the assessing officer and other employees through new generation software for comprehensive computerization of internal business processes called **Income Tax Business Applications (ITBA).** The ITBA has been designed to be adaptive to the changed environment and future requirements of the Department. The new design is aimed to simplify the interaction between the Department and the taxpayer and to facilitate internal working.

END TO END SOLUTION – INTEGRATING ITBA WITH E-FILING

Most of the modules that have an external interface with the taxpayer will be tightly coupled with E-filing website of the Department. This will ensure that if any forms etc are e-filed by taxpayers they are directly routed to the relevant module of ITBA for further working by the respective ITD authority. This will avoid data entry by officers as the data and inputs would be already entered by the taxpayer at the time of e-filing. Taxpayers would also be able to view the history of their interactions with the Department on the E-filing website. Example of this is online filing of First Appeal with CIT (A) – already over 1.35 lakh appeals have been filed online and they are being instantly made available to CIT (A) all over the country for posting hearing notices and passing orders.

REVOLUTIONIZING COMMUNICATION INTERNALLY AND WITH TAXPAYER

Enhancements has been done in ITBA to facilitate multiple modes of communication to taxpayer integrated with application so that a message/letter/notice or order can be composed in the module and sent directly to the taxpayer through Email and the same can also be displayed on the 'My Account' of the taxpayer in E-filing website. Similarly, receipt of inputs from taxpayer can be through upload in E-filing, Email or by the Online Dak system where paper letter can be scanned and digitized. Similarly, any Internal communication within Department can be routed to any ITD Authority across the entire Department through Ad-hoc workflow or email and assignment of dak in the Online DAK system

GO PAPERLESS

The Department is procuring 12500 Digital Signature Certificates for all officers. This will ensure that any message/letter/notice or order can be composed in the module, converted to PDF format which can be digitally signed by the Officer and sent directly to the taxpayer through Email. Simultaneously, the preferred approach in ITBA would be to convert all paper submitted by taxpayer to electronic form. This will ensure that physical movement of paper is avoided and all exchange of information between officers and with taxpayers will be only in electronic format.

UNIFICATION OF GRIEVANCE REDRESSAL SYSTEMS- E-NIVARAN

E-Nivaran launched in August 2016 aims to fast track taxpayer's grievance redressal, ensuring early resolution by integrating all the online and physical grievances received by the Department and keeping track of it until it reaches its logical conclusion. E-nivaran will enable consolidation of all grievances received across CPGRAMS, e-Filing, CPC-ITR, CPC-TDS, NSDL, UTIITSL and SBI portal. Taxpayers will be required to submit a one-page standardized online form for E-Nivaran which helps in easily categorizing and routing the grievance. The system generates an acknowledgement containing Unique Grievance Id which can used for tracking the status of the grievance application through online mode at the e-Filing website and offline at any of the ASK centers and Income Tax Offices through ITBA. Every grievance filed is also acknowledged through email and SMS. Upon resolution of the grievance, a resolution letter is generated and sent to the filer through Email. An SMS will also be sent to inform the filer about the resolution of the grievance petition. Till 20th February 2017, 2.16 Lakh grievance were filed on E-Nivaran and 75% have been resolved.

E-ASSESSMENT

E-Assessment initiative aims to usher in paperless environment while carrying out scrutiny assessment in cases selected under Computer Aided Selection for Scrutiny (CASS). Taxpayers would be able to receive notices and questionnaires electronically and respond to them electronically as well. The scheme has been launched on a pilot basis in select non-corporate charges of 7 major cities i.e. Bangalore, Delhi, Mumbai, Chennai, Ahmedabad, Kolkata and Hyderabad. The Finance Minister has, in his Speech while presenting the Union Budget 2017-18, announced the massive expansion of the initiative. Accordingly, the revamped E-Proceedings functionality is being provided to the taxpayers. Under this initiative, the assessing officer shall issue all statutory notices and questionnaires from the ITBA assessment module to the assessee's designated email ID(s) and the assessee will also be able to view the questionnaire in his e-filing account. In response to the notices, assessee shall be required to submit the details called for through the e-filing portal. All supporting documents shall be submitted as attachment in Scanned PDF format. This initiative will minimize compliance cost to the taxpayer and significantly reduce interface with the Department.

C. Non-Intrusive initiatives to detect and penalize non-compliance

One of the key roles of the tax administration is to detect and penalize non-compliance so as to set sufficient deterrence for promoting voluntary compliance. While providing quality taxpayer service is necessary to foster compliance, it is not sufficient. Therefore, it has to be complemented by appropriate e-enabled, faceless and non-intrusive programs for compliance management. The new initiatives like the ITBA and Project Insight are directed towards this. This imparts comprehensiveness for transforming tax administration through e-governance.

E-SAHYOG

The Income Tax Department (ITD) receives a large volume of information from the taxpayers reported through income tax returns and from third parties reported through Annual Information Returns (AIR), TDS statements etc. Any mismatch leads to selection of the case for scrutiny. An E-Sahyog pilot has been rolled out to facilitate non-intrusive handling of all such cases of “information mismatch”. A new “Return Information Mismatch” section has been developed in the compliance module on the e-filing portal for displaying the mismatch-related information and capturing the response of the taxpayer in a structured manner.

PROJECT INSIGHT

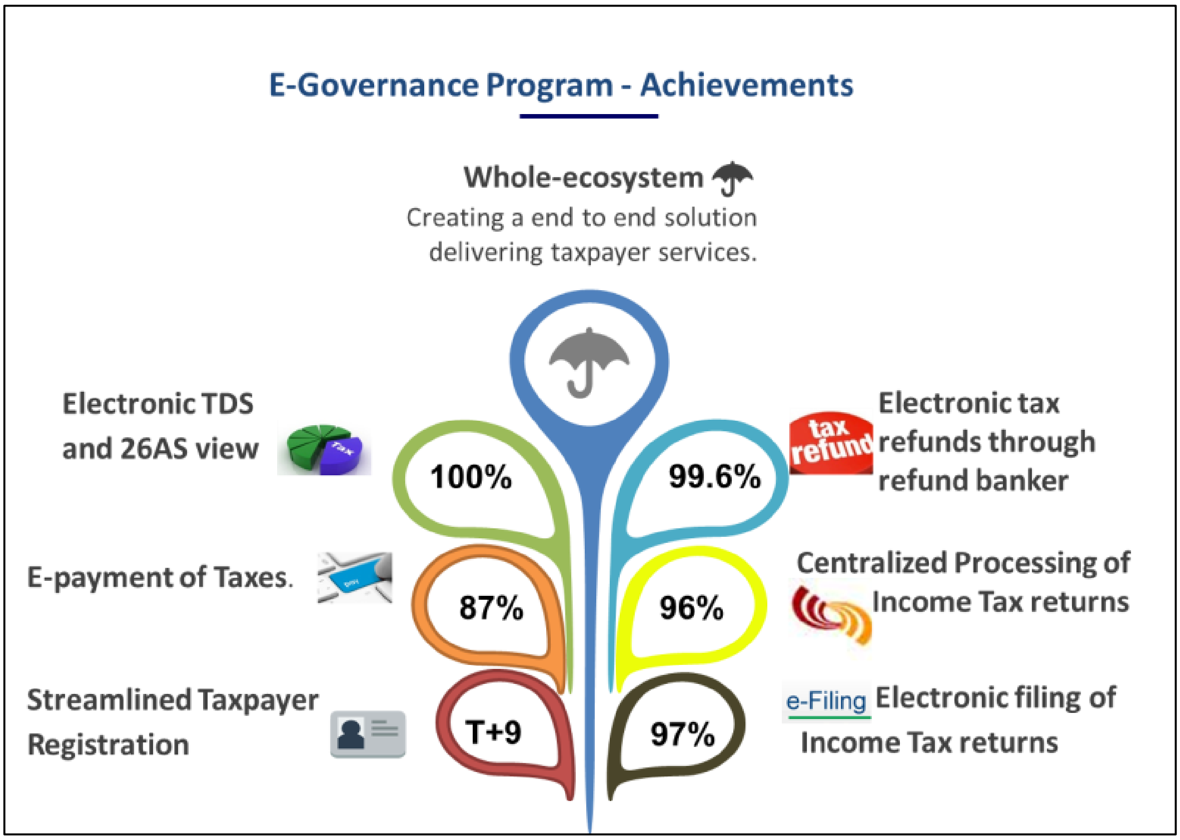
In order to significantly strengthen the compliance management capability of the Department, Project insight has been conceptualized to build a robust and comprehensive data warehousing and business intelligence system. Upon implementation, the Project would play a key role in data mining to track tax evaders and widening of the tax-base. The new technical infrastructure will also be leveraged for implementation of Foreign Account Tax Compliance Act Inter Governmental Agreement (FATCA IGA) and Common Reporting Standard (CRS).

The Project envisages the creation of two new centres, namely (i) a new Compliance Management Central Processing Centre (CMCPC) for handling PAN population, master data management, preliminary verification, generation of bulk letters/notices and follow-up for greater productivity and efficiency; and (ii) an Income Tax Transaction Analysis Centre (INTRAC) for data integration, data processing, data quality monitoring, data analytics, web and text mining, enterprise reporting, alert and compliance management and research support.

D. Conclusion

Income Tax Department (ITD) has been able to leverage information technology to provide taxpayer services of the highest order to improve tax-payer services, reduce compliance cost, and promote voluntary compliance and will continue to do so in future as well.

The Department is also sensitizing the officers and staff to re-orient their role as facilitators while functioning as tax collectors. E-enablement continues to be the running theme in all the initiatives with the objective for having a system driven business environment with minimum discretion, reduction in interface between the taxpayer and the Department to minimize grievances so as to usher in a more taxpayer friendly administration.



To the extent these initiatives have yielded better than expected results, their success is now the driving force for constant change to serve all stakeholders better. With the unqualified success of the e-governance program in the Income Tax Department, the road ahead is exhilarating.

12. TAX TREATIES ETC

An Inter-Governmental Agreement between India and USA was signed for implementation of **Foreign Account Tax Compliance Act** (FATCA). The Government of India has also joined the Multilateral Competent Authority Agreement (MCAA) for Automatic Exchange of Information as per Common Reporting Standard (CRS). For implementation of FATCA and CRS, necessary legislative changes have been made in the Income-tax Act, 1961 and Income-tax Rules, 1962. Rules 114F, 114G & 114H and Form 61B have been inserted to provide legal basis for the Reporting Financial Institutions (RFIs) for maintaining and reporting information about the Reportable Accounts.

The Protocol for amendment of **Double Taxation Avoidance convention between India-Mauritius** was signed by both countries on 10th May, 2016. The Protocol provides for source-based taxation of capital gains on shares, whereby India gets taxation rights on capital gains arising from alienation of shares acquired on or after 1st April, 2017 in a company resident in India with effect from financial year 2017-18. Further, inrespect of such capital gains arising during the transition period from 1st April, 2017 to 31st March, 2019, the tax rate will be limited to 50% of the domestic tax rate of India, subject to the fulfillment of the conditions in the Limitation of Benefits Article. Taxation in India at full domestic tax rate will take place from financial year 2019-20 onwards.

The Protocol will tackle the long pending issues of treaty, abuse and round tripping of funds attributed to the India-Mauritius treaty, curb revenue loss, prevent double non-taxation, and streamline the flow of investment between India and Mauritius. It will improve transparency in tax matters and will help curb tax evasion and tax avoidance.

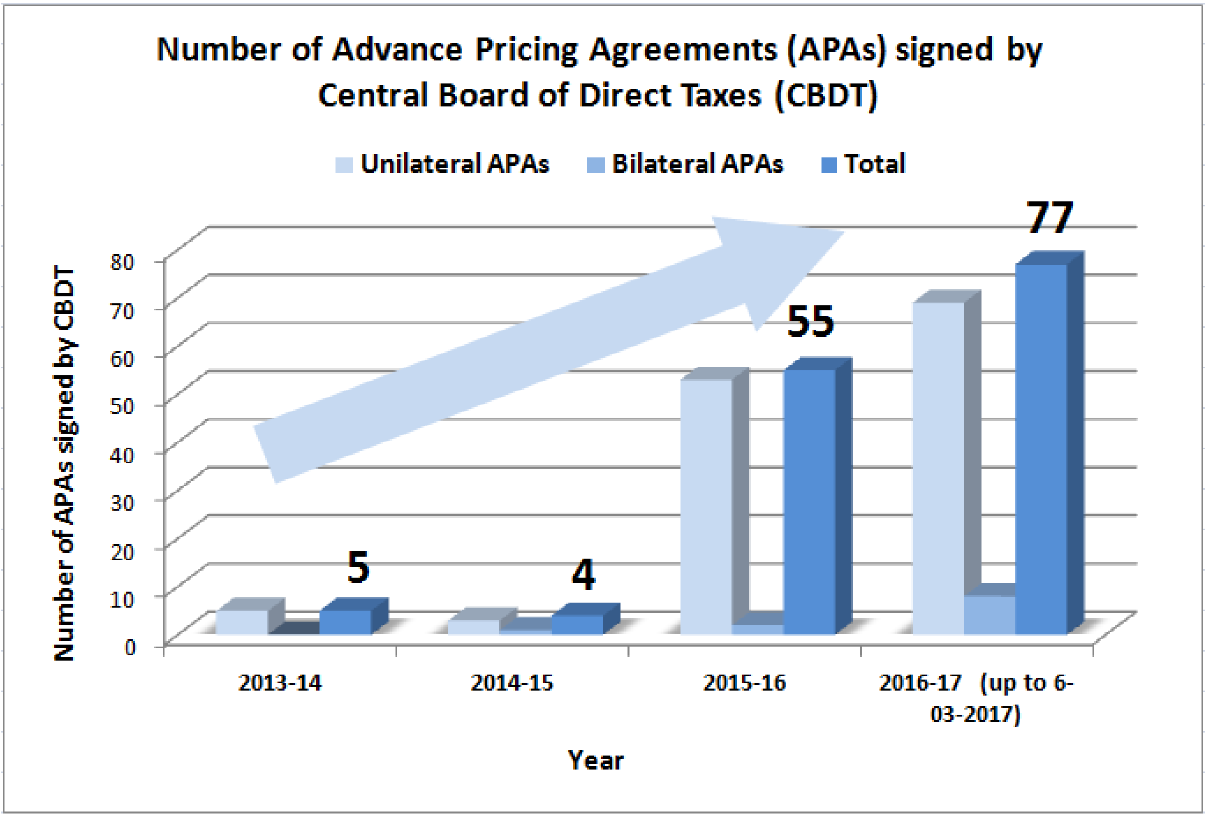
India has renegotiated its **DTAA with Singapore**, by signing Third Protocol on 30th December, 2016 amongst others, to provide source based taxation of capital gains on shares on same lines as in case of Mauritius with effect from 1st April, 2017. In order to provide certainty to investors, investments in shares made before 1st April, 2017 have been grandfathered subject to fulfillment of conditions in Limitations of Benefits clause. A two-year transition period from 1st April, 2017 to 31st March 2019 has been provided during which capital gains on shares will be taxed in source country at half of normal tax rate, subject to fulfillment of conditions in a Limitation of Benefits clause.

DTAAs with other countries such as **Korea, Israel, Tajikistan, Kazakhstan, Vietnam, Thailand etc** have also been amended to update exchange of information provisions to international standard or to provide for source based taxation of capital gains on shares in a company amongst others.

As a measure to resolve disputes, MAP cases with Japan and China have been resolved. Bilateral APAs with Japanese companies have been signed.

Number of Advance Pricing Agreements signed				
S. No	**Financial Year**	**Unilateral APAs**	**Bilateral APAs**	**Total**

1	**2013-14**	5	0	5
2	**2014-15**	3	1	4
3	**2015-16**	53	2	55
4	**2016-17 (up to 6-03-2017)**	69	8	77
Total		**130**	**11**	**141**



ENFORCEMENT DIRECTORATE

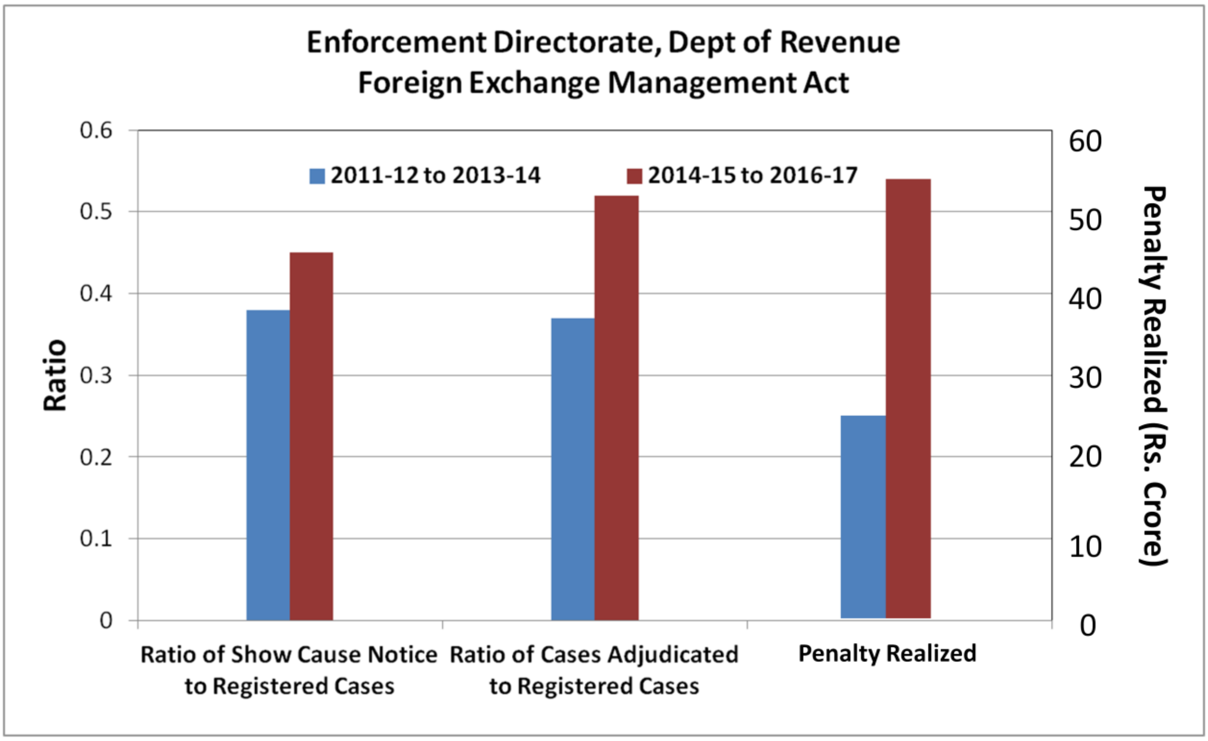
Directorate of Enforcement was set up at New Delhi on 1st May 1956 for enforcement of the provisions of the Foreign Exchange Regulation Act (FERA), 1947. FERA, 1947 was later replaced by Foreign Exchange Regulation Act, 1973. FERA was a Criminal Act, which provided for filing of prosecutions in a Court of law, besides adjudication of violations by the Adjudicating Authorities, FERA was repealed on 31st May 2000 and replaced with Foreign Exchange Management Act, 1999 (FEMA). Subsequently, the Directorate was also entrusted with the responsibility of implementing the Prevention of Money Laundering Act, 2002 (PMLA), which came into force w.e.f. 1st July 2005.

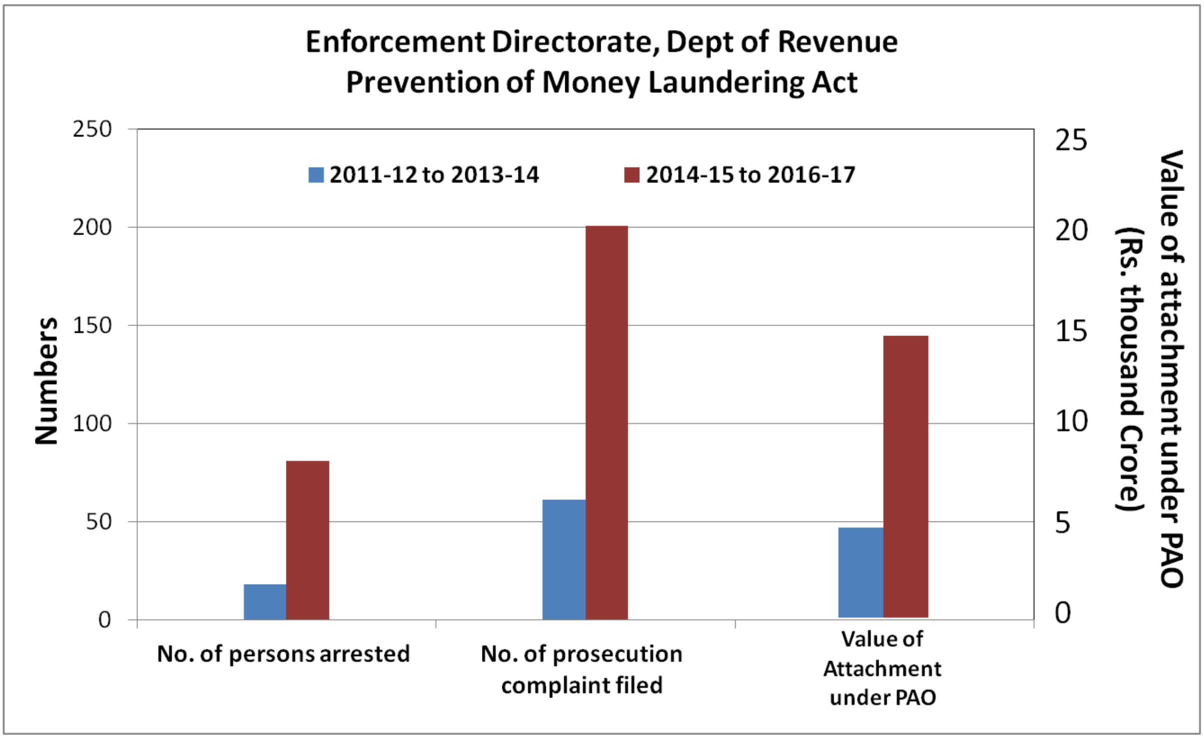
2. At present, the Directorate of Enforcement enforces two laws viz., the Foreign Exchange Management Act, 1999 (FEMA) and the Prevention of Money Laundering Act, 2002 (PMLA) apart from looking after the residual work initiated under FERA. The Directorate initiates investigations under FEMA for contraventions relating to foreign exchange transactions on the basis of specific intelligence/information and takes appropriate action under FEMA. Complaints are filed before the Adjudicating Authority under the Act. In the event, the charge is found substantiated upon adjudication by the competent Adjudicating Authority, penalty upto the maximum of three times of the amount involved in the said contravention can be imposed by the said Authority. Adjudication Authority may also order confiscation of amounts involved in such contravention.

3. The major achievements made by the Directorate during the last three Financial Years i.e. from Financial Year 2014-15 to 2016-17 (upto 31.01.2017) in comparison to previous three Financial Years i.e. from 2011-12 to 2013-14 are as under:-

Description	2011-12 to 2013-14	2014-15 to 2016-17 (upto 31.01.2017)
FEMA		
No. of cases registered	3911	3750
No. of Show Cause Notice issued	1489	1702
No. of cases adjudicated	1442	1954
Penalty realized (Rs. in crore)	24.65	54.29
PMLA		
No. of cases registered	578	540
Value of attachment under PAO (Rs. in crore)	4461	14685
No. of persons arrested	18	81
No. of prosecution complaint filed	61	201

From the above it may be seen that there has been substantial increase during the last three years i.e. between 2014-15 to 2016-17 (upto 31.01.2017) in comparision to previous three financial years in value of attachment made, number of prosecution complaints filed and number of persons arrested, SCNs issued & adjudicated.


Enforcement Directorate, Dept of Revenue
Foreign Exchange Management Act
2011-12 to 2013-14
2014-15 to 2016-17
Ratio
Penalty Realized (Rs. Crore)
0.6
0.5
0.4
0.3
0.2
0.1
0
60
50
40
30
20
10
0
Ratio of Show Cause Notice to Registered Cases
Ratio of Cases Adjudicated to Registered Cases
Penalty Realized


Enforcement Directorate, Dept of Revenue
Prevention of Money Laundering Act
2011-12 to 2013-14
2014-15 to 2016-17
Numbers
Value of attachment under PAO (Rs. thousand Crore)
250
200
150
100
50
0
25
20
15
10
5
0
No. of persons arrested
No. of prosecution complaint filed
Value of Attachment under PAO

4. There has been first conviction in a PMLA case this year where Hon'ble Special Court vide order dated 30.01.2017 has held Hari Narayan Rai, a former Minister in the cabinet of Chief Ministers Shri Arjun Munda, Shri Madhu Koda and Shri Shibu Soren continuously from 12.03.2005 to 19.12.2008, guilty of offences under section 3 & 4 of PMLA, 2002 for laundering the proceeds of crime and sentenced with the maximum sentence under PMLA, 2002 of seven years of imprisonment and fine of Rs.5 Lakhs which is the maximum punishment under PMLA, 2002.

5. During post demonetization period the Directorate has conducted searches under FEMA and PMLA. As a result of such searches total amount of Rs.730.49 lakhs and gold weighing 5.538 KG was seized. Further, 19 persons have been arrested under PMLA and 33 cases have been registered under the provisions of PMLA, 2002.

6. During the last three years many important cases were registered under the provisions of FEMA and PMLA, gist of some of the prominent cases are as under:

a) M/s Kingfisher Airlines Pvt. Ltd. (Vijay Mallya & others)

Based on FIR registered by CBI, a case under the provisions of Prevention of Money Laundering Act, 2002 (PMLA) was registered by the Directorate against M/s Kingfisher Airlines Ltd., Vijay Mallya & Others for offences of money laundering under Section 3 and punishable under Section 4 of the PMLA, 2002.

The investigation revealed that huge outward remittances were effected from the bank account of M/s Kingfisher Airlines Ltd. for making payments towards service maintenance, rental lease payments, etc. by availing loans amounting to Rs.3500

Crore from IDBI Bank and other banks. Shri Vijay Mallya created complex web of shell or investment companies in name of his family members/employees with dummy directors. These companies though being controlled directly or indirectly by Shri Vijay Mallya, do not have any business activities nor any independent source of income, but were holding substantial movable and immovable properties in the form of shares of various public limited companies held in the name of Dr. Vijay Mallya and UBHL, who have given personal & corporate guarantee, respectively. In addition, huge no. of shares were also being held in the name of various other group companies controlled directly or indirectly by Dr. Vijay Mallya. Hence it appeared that even though sufficient funds were available with the promoters of KAL viz. Dr. Vijay Mallya and UBHL, they had no intention to make payment towards the bank loans from the consortium banks. Dr. Vijay Mallya criminally conspired with KAL & UBHL to obtain funds through consortium of banks and out of which, principal amount of Rs. 4930.34 crore still remains unpaid.

Since, Sh. Vijay Mallya failed to appear in response to the summons issued to him on 03 occasions, a request was made to the Passport Authorities for revocation of his passport & his Passport has since been revoked. The Hon'ble Sessions Court for PMLA has issued a Non Bailable Warrant for Arrest against Sh. Vijay Mallya, which has been forwarded to the concerned authorities for executing the same. RCN request has been sent to CBI-NCB for further transmission to Interpol. Properties worth of Rs. 807.82 crore (Market value Rs. 1411.70 crore) have been attached by the Directorate under PMLA.

Further, based on the application filed by the Directorate for issuance of proclamation order under Section 82 of Cr. P.C, Sh. Vijay Mallya has been declared as a proclaimed offender & movable properties viz. shares of the accused person. Accordingly, movable properties viz. Shares worth Rs. 1482.93 crores were attached/seized under Section 83 of Cr.P.C.

Further a Letter of Request addressed to the Competent Authority, UK has been issued by the Special Judge, PMLA, Greater Bombay on 08.02.2017 which is being transmitted o UK through diplomatic channel.

Further Investigation is in progress.

b) Chaggan Bhujbal & others

The Directorate has registered an ECIR dated 17.06.2015 against Shri Chhagan Bhujbal and others in pursuance of FIR registered by ACB, Mumbai Police The estimated POC involved in this case is Rs. 870 crores. It was alleged that the Bhujbals had accepted cash in lieu of awarding the projects to the contractors & then channeled such illegal cash into various companies controlled by them and integrated it into the business activities of the group companies. Shri Chhagan Bhujbal and Sameer Bhujbal were arrested under the provisions of PMLA and are in judicial custody

During the course of investigations assets amounting to Rs. 157.30 crores have been provisionally attached. Out of the above, assets valued at Rs. 131.86 Cores have been confirmed by the Ld. Adjudicating Authority.

The Directorate has filed prosecution complaint on 30.03.2016 under Section 45 of the Prevention of Money Laundering Act, 2002 (PMLA) before the Hon'ble Special PMLA court, Mumbai against Shri Chhagan Bhujbal and others. The Special PMLA Court has taken cognizance to the said complaint and issued process on 27.04.2016. The Special Court has also issued non bailable warrants against 30 individual accused in this case. The case is presently under progress in the Special Court. Apart from the above, the accused have also filed Anticipatory Bail Applications in the High Court, Bombay which is also under progress.

CENTRAL BOARD OF EXCISE AND CUSTOMS

1. Indirect Taxes Collection

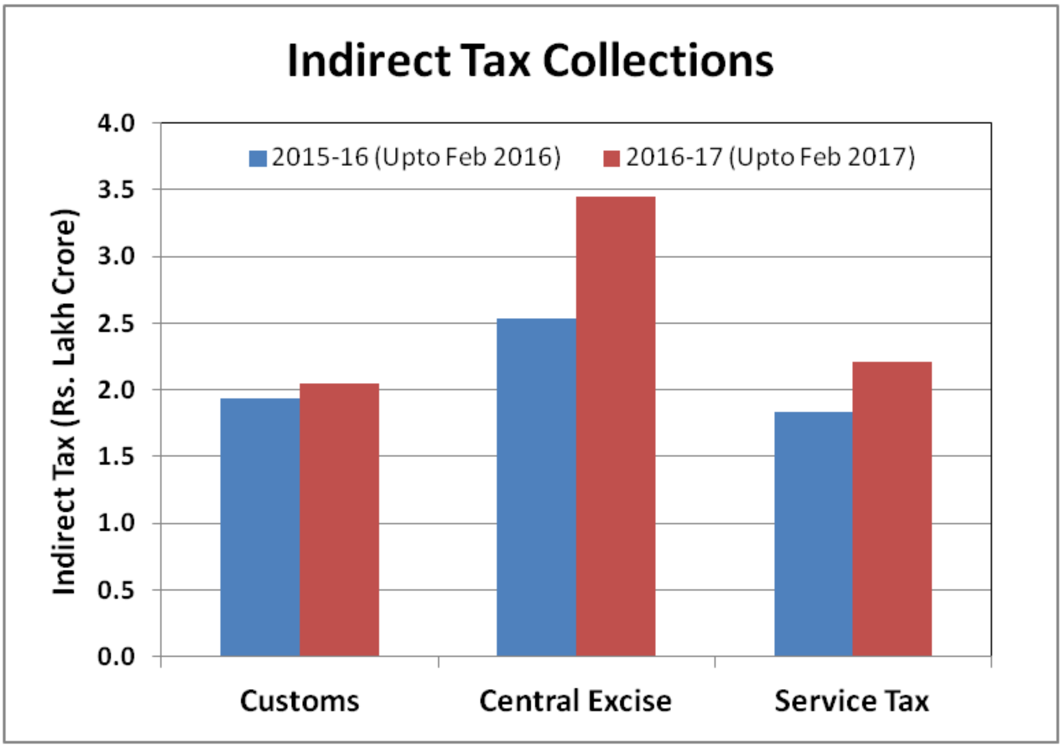
Sl.No	Major head	2014-15	2015-16	2016-17 (up-to Jan, 2017) Provisional*
1.	Customs			
	BE	2,01,819	2,08,336	2,30,000
	RE	1,88,713	2,09,500	2,17,000
	Actuals	1,88,016	2,10,338	1,86,230
	% achievement of BE	93.2	101.0	81.0
	% achievement of RE	99.6	100.4	85.8
	% growth over last year	**9.3**	**11.9**	**4.7**
2.	Central Excise			
	BE	2,07,110	2,29,809	3,17,000
	RE	1,85,480	2,84,142	3,85,500
	Actuals	1,88,787	2,88,073	3,13,962
	% achievement of BE	91.2	125.4	99.0
	% achievement of RE	101.8	101.4	81.4
	% growth over last year	**10.9**	**52.6**	**40.5**
3.	Service Tax			
	BE	2,15,973	2,09,774	2,31,000

	RE	1,68,132	2,10,000	2,47,500
	Actuals	1,67,969	2,11,414	2,03,649
	% achievement of BE	77.8	100.8	88.2
	% achievement of RE	99.9	100.7	82.3
	% growth over last year	**8.5**	**25.9**	**22.0**
4	Total Indirect Tax			
	BE	6,24,902	647919	7,78,000
	RE	5,42,325	703642	8,50,000
	Actuals	**5,44,772**	**7,09,825**	**7,03,841**
	% achievement of BE	87.2	109.6	90.5
	% achievement of RE	100.5	100.6	82.8
	% growth over last year	**9.6**	**30.3**	**23.9**

*Provisional figure & exclusive cesses not administered by CBEC, DoR.

The tax collection figures upto January 2017 show consistent trend of healthy growth. The figures for indirect tax collections (Central Excise, Service Tax and Customs) up to January 2017 show that net revenue collections are at Rs 7.03 lakh crore, which is 23.9% more than the net collections for the corresponding period last year. Till January 2017, about 82.8% of the Revised Estimates (RE) of indirect taxes for Financial Year 2016-17 has been achieved.

The figures for indirect tax collections (Central Excise, Service Tax and Customs) up to February 2017 show that net revenue collections are at Rs **7.72 lakh crore**, which is **22.2%** more than the net collections for the corresponding period last year. Till February 2017, about **90.9%** of the Revised Estimates (RE) of indirect taxes for Financial Year 2016-17 has been achieved. As regards Central Excise, net tax collections stood at **Rs. 3.45 lakh crore** during April-February, 2016-17 as compared to Rs.2.53 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of **36.2%.** Net Tax collections on account of Service Tax during April-February, 2016-17 stood at **Rs. 2.21 lakh crore** as compared to Rs.1.83 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of **20.8%.** Net Tax collections on account of Customs during April-February 2016-17 stood at **Rs. 2.05 lakh crore** as compared to Rs. 1.94 lakh crore during the same period in the previous Financial Year, thereby registering a growth of **5.2%.** During February 2017, the net indirect tax grew at the rate of **8.4%** compared to corresponding month last year. The growth rate in net collection for Customs, Central Excise and Service Tax was **10.9%, 7.4%** and **7.6%** respectively during the month of February 2017, compared to the corresponding month last year.



2. CBEC has taken several initiatives to promote the flagship schemes of the Government as well as to further ease of doing business. The details are given in the following paras

3. To promote **Make in India** and to create jobs **through revival of growth and investment, promote domestic manufacturing,** the following measures were taken:

a. Reduction in duty on certain inputs to address the problem of duty inversion:

- ‘Metal parts’ for use in the manufacture of electrical insulators.
- Ethylene-Propylene-non-conjugated-Diene Rubber (EPDM), Water blocking tape and Mica glass tape for use in the manufacture of insulated wires and cables.
- Magnetron upto 1 KW for use in the manufacture of microwave ovens.
- C- Block for Compressor, Over Load Protector (OLP) & Positive thermal co-efficient and Crank Shaft for compressor, for use in the manufacture of Refrigerator compressors.

- Zeolite, ceria zirconia compounds and cerium compounds for use in the manufacture of washcoats, which are further used in manufacture of catalytic converters.
- Anthraquinone for manufacture of hydrogen peroxide.
- Sulphuric acid for use in the manufacture of fertilizers.
- Parts and components to be used for manufacture of specified Digital Still Image Video Cameras.
- Hot Rolled Coils under heading 7208 for use in the manufacture of welded tubes and pipes under heading 7305 or 7306, from 12.5% to 10%

b. Reduction in Basic Customs Duty to reduce the cost of raw materials:

- Ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) from 2.5% to 2%.
- Isoprene and Liquefied butanes from 5% to 2.5%.
- Butyl acrylate from 7.5% to 5%.
- Ulexite ore from 2.5% to Nil.
- Antimony metal, antimony waste and scrap from 5% to 2.5%.
- Specified components for use in the manufacture of specified CNC lathe machines and machining centres from 7.5% to 2.5%.
- Certain specified inputs for use in the manufacture of flexible medical video endoscopes from 5% to 2.5%.
- HDPE for use in the manufacture of telecommunication grade optical fibre cables from 7.5% to Nil.
- Black Light Unit Module for use in the manufacture of LCD/LED TV panels from 10% to Nil.

- Organic LED (OLED) TV panels from 10% to Nil.
- CVD and SAD exempted on specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers.
- Evacuated Tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system to Nil.
- Active Energy Controller (AEC) for use in the manufacture of Renewable Power System (RPS) Inverters to 5%, subject to certification by MNRE.
- Parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in manufacture of parts, components and accessories exempted from BCD, CVD and SAD.
- Liquefied Natural Gas (LNG) under tariff item 2711 11 00 from 5% to 2.5%.
- Concessional 5% Duty extended to Clay 2 Powder (Alumax) [2818 20 90], for use in ceramic substrate for catalytic convertors.
- O-Xylene [2902 41 00] reduced from 2.5% to Nil.
- 2-Ethyl Anthraquinone [2914 69 90] for use in manufacture of Hydrogen Peroxide, from 7.5% to 2.5%.
- Purified Terephthalic Acid (PTA), Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA), falling under tariff item 2917 36 00, rationalized at 5%.

- Wattle extract [3201 20 00] and Myrobalan fruit extract [3201 90 20] from 7.5% to 2.5%.
- Vinyl Polyethylene Glycol under tariff item 3404 20 00, for use in manufacture of Poly Carboxylate Ether, from 10% to 7.5%.
- Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity Generator [WOEG]from 7.5% to 5%.
- Nylon Monofilament yarn under Tariff Item 5404 19 90, for use in Monofilament long line systems for tuna fishing, from 7.5% to 5%, subject to certain conditions.
- Solar tempered glass or solar tempered (anti-reflective coated) glass for manufacture of Solar cells/panels/modulesfrom 5% to Nil.
- Magnesium Oxide (MgO) coated cold rolled steel coils under tariff item 7225 19 90 for use in the manufacture of cold rolled grain oriented steel (CRGO) under 7225 11 00 reduced to 5%.
- Nickel and articles thereof from 2.5% to Nil.
- Concessional duty of 2.5% extended to Ball Screws [8483 40 00], Linear Motion Guides [8466 93 90] and CNC Systems [8537 10 00] for use in the manufacture of all types of CNC machine tools.
- Exempted on Micro ATMs as per standards version 1.5.1, fingerprint reader / scanner, and Iris Scanner. Also on parts and components for manufacture of these devices.
- Exempted on miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). Also on parts and components for manufacture of these devices.

- 5% concessional duty prescribed on all parts for use in the manufacture of LED lights or fixtures including LED Lamps.
- 5% concessional duty prescribed on inputs for use in the manufacture of LED (Light Emitting Diode) driver or MCPCB (Metal Core Printed Circuit 9 Board) for LED lights and fixtures or LED Lamps.
- All items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for initial setting up of fuel cell based system for generation of power or for demonstration purposes from 10%/7.5% to 5%, subject to certain conditions.
- All items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for balance of systems operating on biogas or bio-methane or byproduct hydrogen,from 10%/7.5% to 5%, subject to certain conditions.

c. Reduction in SAD to address the problem of CENVAT credit accumulation:

- All goods except populated PCBs, falling under any Chapter of the Customs Tariff, for use in manufacture of ITA bound goods from 4% to Nil.
- Naphtha, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and styrene monomer (SM) for manufacture of excisable goods from 4% to 2%.

- Metal scrap of iron & steel, copper, brass and aluminium from 4% to 2%.
- Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps from 4% to Nil.
- SAD exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of WOEG. Exemption from SAD will be valid till 30th June, 2017

d. Increase in Basic Customs Duty:

- Metallurgical coke from 2.5% to 5%.
- Tariff rate on iron & steel and articles of iron or steel, falling under Chapters 72 and 73 of the Customs Tariff, from 10% to 15%. However, there is no change in the existing effective rates of basic customs duty on these goods.
- Tariff rate on Commercial Vehicles from 10% to 40% and effective rate from 10% to 20%.
- Cashew nut, roasted, salted or roasted and salted [20081910] from 30% to 45%.
- Reverse Osmosis (RO) membrane element for household type filters under tariff item 8421 99 00 from 7.5% to 10%.

e. Miscellaneous:

- Export duty on upgraded ilmenite from 5% to 2.5%.
- Excise duty structure for mobiles handsets including cellular phones 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit.

- Excise duty structure of 2% without CENVAT credit or 12.5% with CENVAT credit for tablet computers.
- Basic Customs Duty on Digital Still Image Video Camera capable of recording video with minimum resolution of 800x600 pixels, at minimum 23 frames per second, for at least 30 minutes in a single sequence, using the maximum storage (including the expanded) capacity reduced to Nil. Basic Customs Duty on parts and components of these cameras also reduced from 5% to Nil.
- Concessional customs duty structure of Nil Basic Customs Duty, 6% CVD and Nil SAD on specified parts of electrically operated vehicles and hybrid vehicles, has been extended without any time limit.
- Export duty imposed at an effective rate of 15% on 'Other aluminum ores, including laterite' under tariff item 2606 00 90.
- Goods imported through postal parcels, packets and letters, of CIF value not more than one thousand rupees per consignment exempted from BCD, CVD and consequently from SAD.
- Exemption limit for duty free imports of Buckles; 'D' rings; eyes; rivets; studs; etc. imported by a manufacturer of leather footwear or synthetic footwear or other leather products for exports by that manufacturer increased from 3% of the FOB value of goods exported during the preceding financial year to 5% of the FOB value of goods exported during the preceding financial year.

f. Excise duty:

- Wafers for use in the manufacture of integrated circuit (IC) modules for smart cards from 12% to 6%.

- Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps from 12% to 6%.
- Mobiles handsets, including cellular phones from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit. NCCD of 1% on mobile handsets including cellular phones remains unchanged.
- Tablet computers from 12% to 2% without CENVAT credit or 12.5% with CENVAT credit.
- Specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes, transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in the manufacture of pacemakers to Nil.
- Pig iron SG grade and Ferro-silicon-magnesium for use in the manufacture of cast components of wind operated electricity generators to Nil, subject to certification by MNRE.
- Solar water heater and system from 12% to Nil without CENVAT credit or 12.5% with CENVAT credit.
- Round copper wire and tin alloys for use in the manufacture of Solar PV ribbon for manufacture of solar PV cells to Nil subject to certification by Department of Electronics and Information Technology (DeitY).
- Excise duty on leather footwear (footwear with uppers made of leather of heading 4107 or 4112 to 4114) of Retail Sale Price of more than ` 1000 per pair from 12% to 6%.

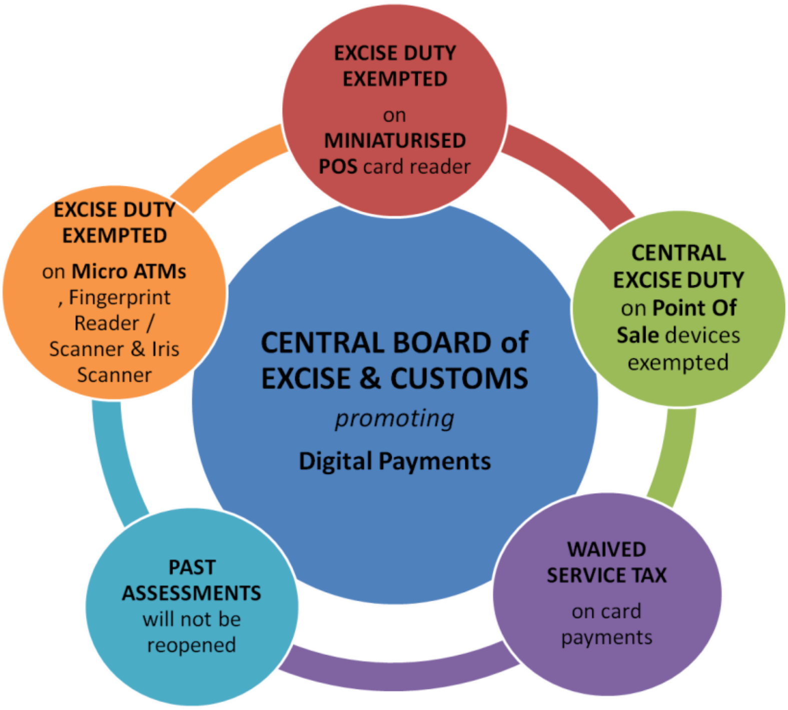
- Excise duty levied on the value of duty paid on rails for manufacture of railway or tramway track construction material is being exempted retrospectively for the period from 17.03.2012 to 02.02.2014, if no CENVAT credit of duty paid on such rails is availed.
- Excise duty exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity. The exemption from excise duty will be valid till 30th June, 2017.
- Excise duty on Membrane Sheet and Tricot / Shaper, falling under tariff item 3921 19 00, for use in the manufacture of Reverse Osmosis (RO) membrane for household type filters reduced from 12.5% to 6%. This concessional excise duty will be valid till 30th June, 2017.
- Excise duty reduced from 12.5% to 6% on parts/raw material for use in the manufacture of solar tempered glass, for use in (a) solar photovoltaic cells or modules; (b) solar power generating equipment or systems, (c) flat plate solar collectors, or (d) solar photovoltaic module and panel for water pumping and other applications. This 6% concessional excise duty will be valid till 30th June, 2017.

g. Service Tax:

Exemption to import freight service when provided by a foreign flag ship to a foreign charterer with respect to goods destined for India (import of goods) has been withdrawn w.e.f. 22nd January, 2017. This has been done in order to promote growth of Indian shipping industry.

4. In order to promote digital payments, the following measures have been taken:-
   - When a customer uses a credit card, debit card, charge card or any other payment card for payment for purchase of goods or services, the merchant/service establishment is charged certain merchant discount rate (MDR) by credit card or debit card issuing banks. With a view to promote digital transactions and encourage merchant establishments to accept such card payments, Government has waived service tax on such amount charged while making payments though credit card, debit card, charge card or any other payment card. This waiver is limited to payments upto two thousand rupees only (Rs.2000) in a single transaction.
   - Central Excise duty Point of Sale [POS] devices and all goods for manufacture of POS devices are exempted from duty up to 30.06.2017.
   - Vide instructions dated 09.12.2016, it has been clarified that past assessments will not be reopened even if there is increased turnover following increased use of digital payments.
   - Excise duty exempted on Micro ATMs as per standards version 1.5.1, fingerprint reader / scanner, and Iris Scanner. Further, excise duty is also being exempted on parts and components for manufacture of these devices. This exemption from excise duty will be valid till 30th June, 2017.
   - Excise duty exempted on miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). Further, excise duty is

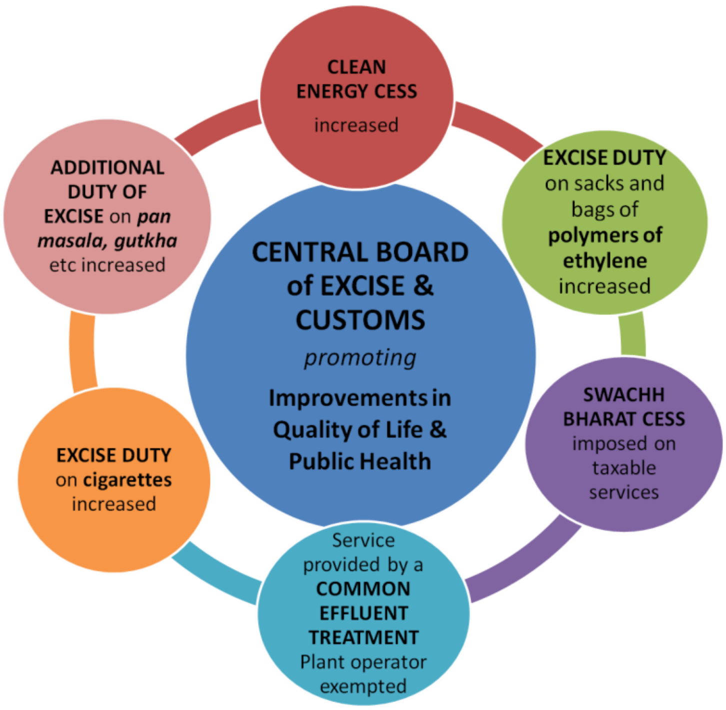
also being exempted on parts and components of miniaturised POS card reader for use in the manufacture of miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer). This exemption from excise duty will be valid till 30th June, 2017.



5. In order to **improve the quality of life and public health through Swachh Bharat Initiatives,** the following measures have been taken:-
    - The Scheduled rate of Clean Energy Cess levied on coal, lignite and peat was increased from Rs.300 per tonne to Rs.400 per tonne. The effective rate of Clean Energy Cess has been increased from Rs.200 per tonne to Rs.400 per tonne.
    - Excise duty on sacks and bags of polymers of ethylene other than for industrial use was increased from 12% to 15%.

- In Budget, 2015, a provision was made for levying Swachh Bharat Cess on all or any of the services, for the purposes of financing and promoting Swachh Bharat initiatives or for any other purpose relating thereto. Swachh Bharat Cess on all the taxable services was imposed with effect from 15th November, 2015 at the rate of 0.5 per cent on taxable value of all taxable services which were not covered in negative list or were not otherwise exempt.
- Service provided by a Common Effluent Treatment Plant operator for treatment of effluent is being exempted.

6. In order to **promote public health,** the following measures have been taken:-
    - Excise duty on cigarettes has been increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Similar increases on cigars, cheroots and cigarillos.
    - Maximum speed of packing machine was specified as a factor relevant to production for determining excise duty payable under the Compounded Levy Scheme presently applicable to pan masala, gutkha and chewing tobacco. Accordingly, deemed production and duty payable per machine per month werenotified with reference to the speed range in which the maximum speed of a packing machine falls.
    - Additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 [commonly known as health cess] on jarda scented tobacco, gutkha and chewing tobacco increased from 6% to 12%.
    - Also effective additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 on pan masala and unmanufactured tobacco, increased from 6% to 9% and 4.2% to 8.3% respectively.



7. Tax Exemption to **Social Security Schemes**

During Budget, 2015-16 and Post-Budget exercise, Service Tax exemptions was provided for the following Social Security Schemes:

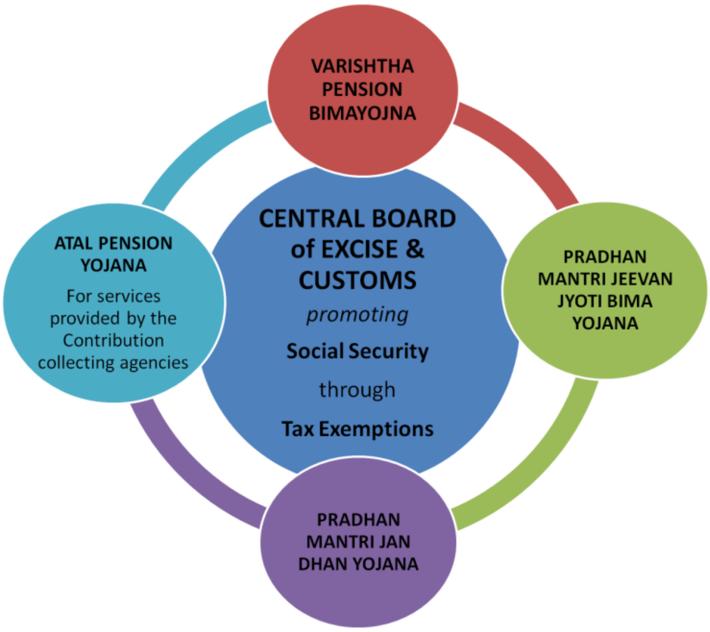
- Exemption from Service Tax on life insurance services provided in respect of,-

    (i) Varishtha Pension BimaYojna to reduce tax burden on insurance welfare scheme meant for senior citizens;

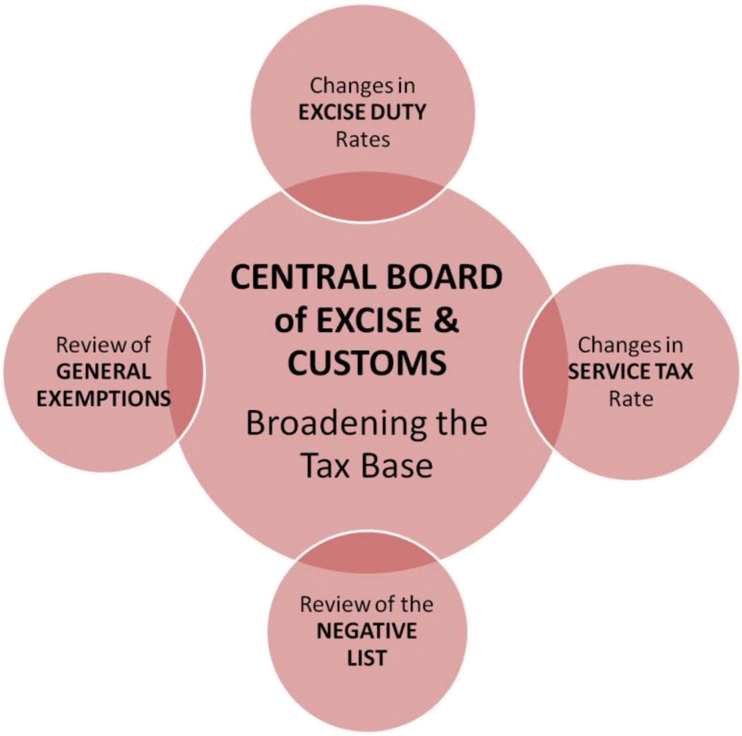
    (ii) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) so as to promote insurance at low cost to large sections of poor and under-privileged{PMJJBY scheme covers both natural and accidental death risk of Rs 2 Lacs at an initial annual premium of Rs 330 for the age group of 18 years to 50 years, which is to be borne by the person insured and there is no subsidy. The scheme is envisaged to be administered as a Group Insurance Scheme.}

(iii) Pradhan Mantri Jan Dhan Yojana (PMJDY)so asto promote insurance at low cost to large sections of the poor and under-privileged.{Pradhan Mantri Jan Dhan Yojana(PMJDY)launched by Hon'ble PM on 28th August, 2014 ,provides life cover of Rs30,000}

- Exemption from Service Tax on services provided by the Contribution collecting agencies in respect of Atal Pension Yojana (APY)so as to incentivize this scheme meant for all citizens of 18 to 40 years of age in the unorganized sector, who join the National Pension System (NPS) administered by the Pension Fund Regulatory and Development Authority (PFRDA). {Under the APY a subscriber would receive the fixed minimum pension of Rs 1000 per month, Rs 2000 per month, Rs 3000 per month, Rs 4000 per month, Rs 5000 per month, at the age of 60 years, depending on their contributions, which varies on the age of joining the APY. This contribution is matched by the Central Government upto a specified limit}



8. Measures to **broaden the tax base**



Changes in Excise duty rates

- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit was levied on condensed milk put up in unit containers. It was also notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price with an abatement of 30%.

- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit was levied on peanut butter.
- Excise duty exemption on solar tempered glass for use in the manufacture of (a) solar photovoltaic cells or modules, (b) solar power generating equipment or systems, (c) flat plate solar collectors, or (d) solar photovoltaic module and panel for water pumping and other applications withdrawn, and 6% concessional excise duty imposed on such solar tempered glass. This 6% concessional excise duty will be valid till 30th June, 2017.

Changes in Service tax rates

- The service tax rate was increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the new service tax rate. The revised rate shall come into effect from a date to be notified.

Review of the Negative List

Budget 2014-15:

Review of the Negative List of services:

- Service tax leviable on sale of space or time for advertisements in broadcast media, namely radio or television [section 66D (g) read with section 66B], has been extended to cover such sales on other segments like online and mobile advertising. The new levy further extended to advertisements in internet websites, out-of-home media, on film screen in theatres, bill boards, conveyances, buildings, cell phones, Automated Teller Machines, tickets, commercial publications, aerial advertising, etc. This change came into effect from 1st October, 2014.

- Service tax has been levied on services provided by radio taxis or radio cabs, whether or not air-conditioned [section 66D (o)(vi)]. The abatement available to rent-a-cab service has also been made available to radio taxi service, to bring them at par. A definition of radio taxi has been included in the exemption notification No.25/2012-ST. Service tax on radio taxi services came into effect from 1st October, 2014.

Budget, 2015-16

- The Negative List entry that covered “admission to entertainment event or access to amusement facility” was omitted [section 66D (j)]. Consequently, the definitions of “amusement facility” [section 65 B (9)] and “entertainment event” [section 65B(24)] were also omitted. The implication of these changes are as follows,-

  (i) Service Tax has been levied on the service provided by way of access to amusement facility providing fun or recreation by means of rides, gaming devices or bowling alleys in amusement parks, amusement arcades, water parks and theme parks.

  (ii) Service tax has been levied on service by way of admission to entertainment event of concerts, pageants, musical performances concerts, award functions and sporting events other than the recognized sporting event, if the amount charged is more than Rs. 500 for right to admission to such an event. However, the existing exemption, by way of the Negative List entry, to service by way of admission to entertainment event, namely, exhibition of cinematographic film, circus, recognized sporting event, dance, theatrical performance including drama and ballet continued, through the route of exemption.

- The entry in the Negative List that covered service by way of any process amounting to manufacture or production of goods [section 66D (f)] has been pruned to exclude any service by way of carrying out any processes for production or manufacture of alcoholic liquor for human consumption. Consequently, Service Tax has been levied on contract manufacturing/job work for production of potable liquor for a consideration.
- Services provided by Government or a local authority, excluding certain services specified under clause (a) of section 66D, were covered by the Negative List. Service Tax applied only on the "support service" provided by the Government or local authority to a business entity. An enabling provision was made, by amending section 66D (a)(iv), to exclude all services provided by the Government or local authority to a business entity from the Negative List. This provision came into effect from 1st April, 2016.
- Accordingly, all services provided by the Government or local authority to a business entity, except the services that are specifically exempted, or covered by any another entry in the Negative List, has been made liable to service tax

Budget 2016-17:

- An enabling provision was made in the Finance Act, 2016 to levy Krishi Kalyan Cess (KKC) on all the taxable services at a rate of 0.5% on the value of such taxable services vide section 161 of the Finance Act, 2016. KKC has come into effect from 1st June, 2016. Amount collected from this cess shall be used for financing the initiatives relating to improvement of agriculture and welfare of farmers.
- Review of the Negative List of services:

  (i) The Negative List entry that covered 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' has been omitted [section 66D (o) (i)]. Service tax has been levied on transportation of passengers, with or without accompanied belongings, only by air-conditioned stage carriage at the same level of abatement as applicable to the transportation of passengers by a contract carriage i.e. 60 per cent without credit of inputs, input services and capital goods.

  (ii) The entry in the Negative List that covered 'services by way of transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance' [section 66D (p)(ii)] has been omitted.Exemption has been provided by way of a notification to services by way of transportation of goods by an aircraft from a place outside India up to the customs station of clearance in India. Thus, service tax is leviable only on service by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India. Indian shipping lines would be able to utilise input tax credit which is sticking to their cost. Further, in respect of exports by a vessel to a place outside the taxable territory, the service providers are being allowed Cenvat credit, so as to zero rate the services of exports by a vessel.

Review of General Exemptions

Budget 2014-15:

The following changes has been made in Notification 25/2012-ST as a result of the review of exemptions.

- Service of passenger transportation by a contract carriage other than for the purposes of tourism, conducted tour, charter or hire, was exempt from service tax [Sl.No.23 (b)]. The scope of exemption has been reduced by withdrawing the exemption in respect of air-conditioned contract carriages. As a result, any service provided for transport of passenger by air-conditioned contract carriage including which are used for point to point travel, attracted service tax, with effect from 11th July, 2014. Service tax has been charged at an abated value of 40% of the amount charged from service receiver; Services by non-air conditioned contract carriages for purposes other than tourism, conducted tour, charter or hire continued to be exempted.
- Exemption to services by way of technical testing or analysis of newly developed drugs, including vaccines and herbal remedies on human participants by a clinical research organization approved to conduct clinical trials by the Drug Controller General of India [Sl.No.7] has been withdrawn, with effect from 11th July, 2014.

- All services provided by educational institutions [providing educational services specified in the negative list] to their students, faculty and staff are exempted [section 66 D (l) of the Finance Act, 1994]; this has been continued. However, in respect of services received by such educational institutions, the following services received by eligible educational institutions has been exempted from service tax: (i) transportation of students, faculty and staff of the eligible educational institution; (ii) catering service including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services in such educational institution; (iv) services relating to admission to such institution or conduct of examination. Further, for the purposes of this exemption, “educational institution” has been defined in the exemption notification 25/2012-ST.
- Further as a rationalization measure, the exemption hitherto available to services provided by way of renting of immovable property to educational institutions stands withdrawn, with effect from 11th July, 2014.

Budget 2015-16

The following changes have been made in Notification 25/2012-ST as a result of the review of exemptions.

- Exemption available on specified services of construction, repair, maintenance, renovation or alteration service provided to the Government, a local authority, or a governmental authority (vide S. No. 12 of the notification No. 25/12-ST) has been limited only to,-

a historical monument, archaeological site or remains of national importance, archeological excavation or antiquity;

canal, dam or other irrigation work; and

pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal.

- Exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port has been withdrawn (S. No 14 of the notification No. 25/12-ST). The other exemptions covered under S. No. 14 of notification No. 25/12-ST continued unchanged.
- Exemption to services provided by a performing artist in folk or classical art form of (i) music, or (ii) dance, or (iii) theater, has been limited only to such cases where amount charged is upto Rs 1,00,000 for a performance (S. No 16 of notification No. 25/12-ST).
- Exemption to transportation of food stuff by rail, or vessels or road will be limited to food grains including rice and pulses, flour, milk and salt. Transportation of agricultural produce is separately exempt, and this exemption would continue (S. Nos. 20 and 21 of notification No. 25/12-ST).
- Exemptions were withdrawn on the following services:

services provided by a mutual fund agent to a mutual fund or assets management company, distributor to a mutual fund or AMC, selling or marketing agent of lottery ticket to a distributor. Service Tax on these services shall be levied on reverse charge basis.

Budget 2016-17 and after Budget.

The following changes has been made in Notification 25/2012-ST as a result of the review of exemptions.

- Exemption to construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into after 1st March 2016 has been withdrawn.
- Exemption to the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway has been withdrawn.
- In Budget 2015-16, provision was made to tax all services provided by the Government or local authority to business entities; however, it came into force with effect from 1st April, 2016.
- The exemption from service tax on provision of Online Information and Database Access or Retrieval (OIDAR) services was withdrawn, with effect from 1st December, 2016, which are received from a provider of service located in non-taxable territory (cross-border supply of services) by government, local authority, governmental authority, or an individual in relation to any purpose other than commerce, industry or any other business or profession.

Other Measures towards Simplification/ Facilitation

I. To remove ambiguity

- Services provided by educational institutions [providing educational services specified in the negative list] to students, faculty and staff, are exempted. However, to remove any ambiguity, exemptions in respect of services received by such educational institutions was specified: (i) transportation of students, faculty and staff; (ii) catering service including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services performed in such educational institution; (iv) services relating to admission to such institution or conduct of examination.

- Definition of term “service” has been amended to specifically state the intention of legislature to levy service tax on:

i. chit fund foremen by way of conducting a chit; and

ii. distributor or selling agent of lottery, as appointed or authorized by the organizing state for promoting, marketing, distributing, selling, or assisting the state in any other way for organizing and conducting a lottery.

- It has been specifically prescribed in the Act that value of a taxable service shall include any reimbursable cost or expenditure incurred and charged by the service provider to make legal position clear and avoid disputes.

II. Simplification

- M/s. ESIC is a statutory body created by an Act of Parliament to secure the lives of workers in the organized or semi-organized sector, by way of insurance.Services provided by Employees’ State Insurance Corporation (ESIC) during the period prior to 1.7.2012 exempted from service tax. They had not collected service tax during the said period
- Service provided by a Director to a body corporate has been brought under the reverse charge mechanism; service receiver, who is a body corporateis the person liable to pay service tax.

- A service provided by Recovery Agents to Banks and Financial Institutions hasbeen brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax.
- Consequent to the upward revision in Service Tax rate, the composition rate on specified services, namely, life insurance service, services of air travel agent, money changing service provided by banks or authorized dealers, and service provided by lottery distributor and selling agent, is proposed to be revised proportionately.
- Manpower supply and security services when provided by individual, HUF, partnership firm to a body corporate has been brought to full reverse charge as a simplification measure.

III. Facilitation:

- Cenvat Credit Rules have been amended to allow credit of service tax paid under partial or full reverse charge by the service receiver without linking it to the payments of value of service to service provider as a trade facilitation measure.
- Sometime export proceeds are not received in prescribed time period and exporter has to reverse Credit. Re-credit of such reversed Cenvat credit has been allowed, if such export proceeds are received within one year from the specified period on production of documents.
- GTA service: cenvat credit is made available to service receiver, without having certificate from service provider fornon-availment of Cenvat Credit.
- Rent-a-cab operator and tour operator: service tax paid by sub-contractor in the same line of business has been allowed as eligible credit to the

main service provider to avoid double taxation, subject to certain conditions. This would remove cascading of taxes.

- To bring certainty in the determination of point of taxation in case of reverse charge services, it has been provided that point of taxation will be the payment date or first day after three months from the date of invoice, whichever is earlier.
- Facility of direct dispatch of goods by registered dealer from seller to customer's premises has been provided. Similar facility is also being allowed in respect of job-workers. Registered importer can also send goods directly to customer from the port of importation.
- Penalty provisions in Customs, Central Excise & Service Tax have been rationalized to encourage compliance and early dispute resolution.
- Central Excise/Service Tax assesses have been allowed to issue digitally signed invoices and maintain other records electronically.

IV. Relief Measures

Following services have been exempted from service tax-

- Life micro-insurance schemes for the poor upto assured sum of Rupees Fifty Thousand per life insured. It is expected to benefit the common man.
- Transport of organic manure by vessel, rail or road (by GTA).
- Loading, unloading, packing, storage or warehousing, transport by vessel, rail, road(GTA), of cotton, ginned or baled.
- Services provided by common bio-medical waste treatment facility operators for safe disposal of waste.

- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India. This would benefit the tourism industry.
- Services by common affluent treatment plants.
- Services of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables so as to incentivise value addition in this crucial sector.
- Service provided by way of exhibition of movie by the exhibitor/theatre owner to the distributor or association of persons consisting of exhibitor as one of it’s member.
- All ambulance services provided to patients.
- Service provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve.
- Transport of goods for export by road from the factory to a land customs station (LCS).
- Taxable services by way of, re-gasification of Liquefied Natural Gas imported by the Gas Authority of India Limited (GAIL) and transportation of the incremental Re-gasified Liquefied Natural Gas (RLNG) to the specified power generating companies or plants, provided under the Power System Development Fund Scheme of the Ministry of Power.

V. In the **Budget 2016-17**, the following **important measures** have been taken (some of these took effect immediately, while others are effective either from 1.4.2016 or post enactment)

- Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer’s Welfare, Government of India, by way of knowledge dissemination, exempted from service tax, with effect from 01.04.2016.

- With effect from 01.03.2016, Service Tax on services in respect of the following has been exempted
  - construction services under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);
  - construction projects under “Affordable housing in partnership” component of PMAY, subject to carpet area of dwelling units of such projects not exceeding 60 square metres;
  - low cost houses up to a carpet area of 60 square metres per house in a housing project under any housing scheme of the State Government.
- Service Tax on service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) has been exempted, with effect from 01.04.2016.
- Service tax on services provided by Employees’ Provident Fund Organization (EPFO) to employees has been exempted, with effect from 01.04.2016.
- Composition rate of service tax on single premium annuity (insurance) policies has been reduced from 3.5% to 1.4% of the premium charged, with effect from 01.04.2016.
- Service Tax on the services of general insurance business provided under ‘Niramaya’ Health Insurance scheme launched by National Trust for the

Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability has been exempted, with effect from 01.04.2016.

- The services provided by mutual fund agent/distributor to a mutual fund or asset management company are being taxed under forward charge, with effect from 01.04.2016.
- Service tax on the regulatory services provided by Securities and Exchange Board of India and Insurance Regulatory Development Authority has been exempted, with effect from 01.04.2016.
- Additional options being provided for reversal of actual input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans, and advances to banking companies and financial institutions, including non-banking financial companies. This came into effect from 01.04.2016.

VI. Following more **exemptions provided from service tax**

- Services provided by Government or a local authority to another Government or a local authority with some exceptions;
- Specified services provided by Government or a local authority to an individual who may be carrying out a profession or business;
- Services provided by the Government or a local authority by way of: (i) registration required under the law; (ii) testing, calibration, safety check or certification as specified;
- Services by way of allocation of natural resources to an individual farmer for the purposes of agriculture;

- Regulation of land-use, construction of buildings and other services listed in the Twelfth Schedule to the Constitution, when provided by Government or a local authority;
- Service Tax payable on one time charge, payable in full upfront or in installments, for assignment of right to use any natural resource and not to any periodic payment required to be made by the assignee on yearly installments due after 1.4.2016 in respect of spectrum assigned before 1.4.2016 and on spectrum user charges and license fee payable after 1.4.2016 for the year 2015-16;
- Fines and liquidated damages payable to Government or a local authority for non-performance of contract entered into with Government or local authority

VII. Following **Clarifications** have been provided:

- Taxes, cesses or duties levied or penalty are not consideration for any particular service as such and hence not leviable to Service Tax;
- Any activity undertaken by Government or a local authority against a consideration constitutes a service and the amount charged for performing such activities is liable to Service Tax;
- In case of services provided by Government or a local authority to any business entity, the point of taxation shall be the earlier of the dates on which: (a) any payment, part or full, in respect of such service becomes due, or (b) such payment is made;
- Interest chargeable on deferred payment in case of any service provided by Government or a local authority to a business entity, where payment for

such service is allowed to be deferred on payment of interest, shall be included in the value of the taxable service;

- CENVAT Credit of the Service Tax on one time charges (whether paid upfront or in installments) paid in a year, allowed to be taken evenly over a period of 3 (three) years. However, the Service Tax paid on spectrum user charges, license fee, transfer fee charged by the Government on trading of spectrum would be available in the year in which the same is paid. Likewise, Service Tax paid on royalty in respect of natural resources and any periodic payments shall be available as credit in the year in which the same is paid;
- Service Tax liability for services provided by an arbitral tribunal (including the individual arbitrators of the tribunal) shall be on the service recipient if it is a business entity located in the taxable territory with a turnover exceeding rupees ten lakh in the preceding financial year;
- It was directed that the discretion vested in the jurisdictional Deputy/Assistant Commissioner under rule 6(2) of the Service Tax Rules, 1994, should be exercised judiciously and rationally;
- When the freight forwarder acts as an agent of an air line/carrier/ocean liner, the service of transportation is provided by the air line/carrier/ocean-liner and the freight forwarder is merely an agent and the service of the freight forwarder will be subjected to tax while the service of actual transportation will not be liable for service tax under Rule 10 of POPS. In cases where the freight forwarder is undertaking all the legal responsibility for the transportation of the goods and undertakes all the attendant risks, he is providing the service of transportation of goods, from a place in India

to a place outside India. It follows therefore that a freight forwarder, when acting as a principal, will not be liable to pay service tax when the destination of the goods is from a place in India to a place outside India;

- In any given case involving hiring, leasing or licensing of goods, it is essential to determine whether, in terms of the contract, there is a transfer of the right to use the goods. Criteria laid down by the Supreme Court in the case of *Bharat Sanchar Nigam Limited vs Union of India, reported in 2006 (2) STR 161 SC* = **2006-TIOL-15-SC-CT-LB**, must invariably be followed and applied to cases involving hiring, leasing or licensing of goods;
- The exemption under the entries at Serial No. 12(e) and 25(a) of notification 25/2012-Service Tax, will cover a wide range of activities/services provided to a government, a local authority or a governmental authority and will include the activity of construction of tube wells;
- The immovable property located in the immediate vicinity and surrounding of the religious place and owned by the religious place or under the same management as the religious place, may be considered as being located in the precincts of the religious place and extended the benefit of exemption under Notification No. 25/2012-Service Tax, Sl. No. 5(a).

VIII. Further **steps taken in Budget 2017-18**

- Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, is being made effective from 10th day of September, 2004 (Clauses 127 of the Bill refers).

- Benefit of the exemption notification No.41/2016-ST dated 22.09.2016 is being extended with effect from 1.6.2007, the date when the services of renting of immovable property became taxable.Notification No.41/2016-ST dated 22.09.2016, exempts one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/ undertakings to industrial units was exempted (Clauses 127 of the Bill refers).
- The exemption vide S. No. 9B of notification No. 25/2012-ST dated 20.06.2012, has been amended so as to omit the word “residential” appearing in the notification. The exemption remains the same in all other respects. S. No. 9B of notification No. 25/2012-ST exempts services provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM.
- Under the Regional Connectivity Scheme (RCS), exemption from service tax has been provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of

commencement of operations of the Regional Connectivity Scheme (RCS) as notified by Ministry of Civil Aviation.

9. In order to **provide Ease of Doing Business and increase automation of processes,** the following measures have been taken:-

- **Reduction in Number of Levies**:- Education Cess and Secondary & Higher Education Cess leviable on excisable goods were subsumed in Basic Excise duty. Consequently, Education Cess and Secondary & Higher Education Cess leviable on excisable goods are being fully exempted. The standard ad valorem rate of Basic Excise Duty was increased from 12% to 12.5% and specific rates of Basic Excise Duty on petrol, diesel, cement, cigarettes & other tobacco products (other than biris) are being suitably changed. Other Basic Excise Duty rates (ad valorem as well as specific) with a few exceptions has not been changed. Customs Education Cesses continues to be levied on imported goods.
- **Express Cargo Clearance System:-** In order to further ease the facilitation measures for customs related transactions, Circular No. 58/2016-Customs(N.T.) dated 2.12.2016 issued for Roll Out of Express Cargo Clearance System (ECCS) at Courier Terminal, Sahara, Mumbai and Circular No. 59/2016-Customs(N.T.) dated 2.12.2016 issued for relaxation of permission for outsourcing by an authorized courier for certain functions, namely, pick-up or local delivery of export/import courier packages/shipments, transportation for official /housekeeping activities etc.
- **Facility for NRI for depositing Specified Bank Notes:-** Circular 60/2016-Customs dated 31st December, 2016 issued to facilitate resident

Indians and non-resident Indians to fill Declaration forms for depositing Specified Bank Notes (SBNs) on arrival at International Airports.

- **Operationalization of Import Data Processing & Monitoring System (IDPMS)**:- The Import Data Processing & Monitoring System (IDPMS), for import data exchange between the Customs EDI system and the RBI was implemented from 10th October, 2016. This has reduced paperwork/ transaction cost to the trade by eliminating the need for the physical exchange control copy of the Bills of Entry. It also provides centralized system to monitor the outstanding payments and outstanding import by the banks. Both these are crucial for the management of Foreign Exchange which will now be carried out in an automated online environment.
- **Elimination of paper documents:-** The Central Board of Excise and Customs (CBEC) issued circular No. 55/2016- Customs dated 23rd November, 2016, wherein importers and exporters will NOT required to be submit paper documents such as GAR 7 forms /TR 6 Challans, Transshipment Permit (TP), Shipping Bill (Exchange Control copy and Export Promotion copy) & Bill of Entry (Exchange Control Copy) to Banks/DGFT/Customs Ports etc., reducing printing of copies of documents significantly. Further, vide Circular No. 56/2016-Customs (N.T.) dated 23.11.2016, the requirement of mate receipt has been abolished.
- **24X7 Customs clearance** facility established in 17 airports and 19 seaports.

- **Customs Single Window Clearance Project(SWIFT)** for faster Customs clearance has been initiated and pilot project implemented with the Plant Quarantine authority and the Food Safety Standards Authority of India in JNCH and ICD (Tkd) from 01.04.2015.
- Implementation of **e-BRC** (BRC –Bank Realization Certificate) module
- **Help Desks** established at prominent places at international airports for facilitating passengers including business travelers.
- Number of export and import documents required by Customs reduced from 5 to 3 so as to reduce transaction cost.
- Integrated Customs EDI – SEZ Online system to facilitate paper-less movement of export and import goods between SEZs and Gateway ports.
- Automated Risk Management System **(Advance Passenger Information System)** to identify suspect passengers in a scientific manner and facilitate others.
- Dual use of infrastructure of SEZs in non-processing areas allowed so as to cater to both SEZ and domestic entities to ensure optimum utilization of existing infrastructure.
- **Customs Accredited Client Programme (ACP)** reviewed with a view to allow a graded re-entry to disqualified ACP clients to facilitate major importers.
- In consultation with M/o Civil Aviation, **Guidelines for establishing Air Freight Stations** were approved, so as to encourage international air cargo.
- Rationalization of penal provisions in Customs, Central Excise and Service Tax.

- New Central Excise/Service Tax registrations to given within two days of filing of application, with post facto verification if required.
- **E-payment of service tax and central excise** made mandatory for all assessees/ taxpayers to reduce the cost of compliance for the trade and industry.
- Acceptance of Digitally signed invoices and providing for maintenance of electronic records with duly authenticated digital signature.
- Direct dispatch of goods allowed for job workers as well as registered dealers and importers.
- Time limit for availing Cenvat Credit increased from 6 months to One year.
- Clarification issued regarding place of removal in case of exports.
- Clarification issued regarding withdrawal of prosecution when the quasi-judicial proceedings have failed for identical set of facts.
- Circular issued extending facility to pay arrears in installments extended and for amendment of Garnishee order.
- Rules amended to provide clarity regarding valuation of goods in Central Excise when the transaction value is below the cost of manufacture of goods
- To avoid disputes, exemption in respect of services provided to Government or local authority or governmental authority, by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation has been made more specific. [Notification No.25/2012-Service Tax dated 20.06.2012, as amended by the notification No.6/2014-Service Tax dated 11.07.2014 refers].

- Categories of works contracts have been rationalized to reduce litigation and improve compliance with a uniform service tax of 14% on 70% of the gross value of service. [Notification No.11/2014-Service Tax dated 11.07.2014 refers].

10. Measures for the **progressive roll-out of GST**

- The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth.

Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

- The journey to rollout the GST has commenced with the enactment of the 101st Constitution Amendment Act, 2016 on 8th September, 2016 and the subsequent notifications.
- Revised draft Model GST Law and IGST Law were made available in the public domain in November, 2016. The feedback received has been examined and draft laws have been modified wherever required and placed before Goods and Services Tax Council (GSTC).
- The Committee to draft model GST Rules have framed draft GST Rules on Registration, Return, Payment, Refund and Invoice which were put in public domain on 26th September 2016. The comments and feedback on these rules have been examined and draft laws have been modified wherever required. The officers Committee has already discussed the rules on composition scheme and the framing of other rules is in progress.
- The GSTC has been notified w.e.f. 12thSeptember, 2016. In eleven meetings held so far, GSTC has taken, inter alia, following decisions namely:
    - Approved the draft Model GST Law (CGST law and SGST law would be based on this) and IGST law.
    - There would be four tax rates namely 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rate for precious metals is yet to be fixed. The GSTC has asked the Committee of officers to fit various goods and services in these four slabs keeping in view of the present incidence of tax.

- The compensation to the States for any loss of revenue on account of introduction of GST will be paid out of the GST compensation Cess that would be levied on luxury and sin goods. The base year for calculation of Compensation will be the revenue of the States in financial year 2015-16 with an annual growth rate of 14%.

- Training of the officers and staff in new laws and procedures, and their ability to efficiently work in the new IT environment would be very crucial in successful implementation of GST. The training on GST law is being pivoted by the NACEN which has trained more than 44000 officers (around 24000 of CBEC& 20000 of States) so far.
- It is the experience of the past that taxpayers need lot of hand holding especially in the initial few years of implementation of a new law. It is expected that a momentous reform like GST is popularized and familiarized to the trade and industry who are the vital stakeholders in successful implementation of this reform. The field formations are conducting outreach and knowledge sharing programmes which needs to be scaled up. CBEC as a part of capacity building exercise has prepared a compilation of FAQs on GST available in 10 languages (including English and Hindi). The FAQ serves as a training tool for helping the officers as well as public, to get acquainted with the Model GST law and its nuances.
- GST Publicity campaign, which started with an advertisement inviting Valuable feedback/comments and suggestions on the draft Model GST laws, has so far seen 23 print advertisements on GST, aimed at creating awareness about the features & benefits of GST including enrolment for GST. These advertisements were published in the print

media across the country in major newspapers of Hindi, English & Regional Languages. Four TV commercials have been produced and since October, 2016 these TV commercials are regularly being telecast on DD National, DD News, Lok Sabha TV and important Hindi/English - news/business/infotainment TV channels. Three of these TV commercials are featuring Ms. P.V. Sindhu, Olympian and sports icon. Since September, 2016, GST campaigns have also been carried through radio broadcast, on more than 250 All India Radio stations and more than 100 private FM stations across the country. Outdoor campaigns were also undertaken since September, 2016 in major cities across the country. GST audio-visual were placed for display in more than 1500 Cinema Theatres across the country since October, 2016. Advertisements were also carried through LCD/LED screens installed at prominent locations viz airport, railway stations, public transports etc., across the country. The focus of CBEC Pavilion set up at India International Trade Fair – 2016 (IITF) held at New Delhi from 14 - 27.11.2016 was GST. Information on GST was displayed through panels, translites, blowups & digital screens displaying departmental films/audio-visuals. Updated booklets/pamphlets titled “Goods and Services Tax Concept and Status” and “CBEC’s digital strategy for GST” were made available for distribution to visitors to CBEC pavilion at IITF including other activities on GST and attracting general public. A tableau was fittingly displayed at Rajpath during Republic Day Parade, 2017, as GST is seen as the biggest tax reform in indirect taxes since Independence. Social media viz. Facebook page (@cbecindia) and

Twitter handle (@CBEC_India) of CBEC are being adequately used for dissemination of information on GST.

11. **Measures to curb Black Money:** The Central Board of Excise and Customs (CBEC) has taken several steps to curb black money (since May 2014). Its two premier intelligence agencies viz. Directorate General of Revenue Intelligence and Directorate General of Central Excise Intelligence are collecting intelligence on smuggling and tax evasion cases to curb use of black money and dirty money that finances illegal activities and promote black economy.

Directorate General of Revenue Intelligence

(a) Commercial Fraud Cases: Tax evasion by resorting to commercial fraud, such as mis-declaration/undervaluation of imported goods and misuse of export promotion schemes, is one of the prime sources of generation of black money. The DRI maintains a strict vigil to curb such activities, thereby ensuring payment of due taxes and preventing creation of black economy. During May, 2014 to Nov, 2016, the DRI has detected a number of cases involving evasion of Customs duties. Details are as in Table 1:

Table 1

Financial Year	No. of cases	Duty involved (in Rs crores)
2014-15 (May, 14 to Mar, 15)	395	3150.54

2015-16	547	2951.33
2016-17 (upto Nov, 2016)	382	833.39

(b) Smuggling of Gold: Gold, being a high value-low volume commodity, is considered as one of the means to stash unaccounted wealth, thereby aiding the black economy. Apart from legal import of gold, a considerable quantity is illegally smuggled into India, primarily from countries like Myanmar, Nepal, Singapore and Middle Eastern countries. This Directorate keeps a strict check on smuggling of gold, which has resulted in huge quantity of gold seizures. These are listed in Table 2:

Table 2

Financial Year	No. of cases	Value (in Rs crores)
2014-15 (May, 14 to Mar, 15)	146	302.85
2015-16	127	236.29
2016-17 (upto Nov, 2016)	72	150.92

(c) Foreign Currency: Outward smuggling of Foreign Currency is one of the means to circulate black money and proceeds of crime out of legal banking channels. This Directorate has detected cases of outward smuggling of foreign currency during the relevant period. Details are in Table 3:

Table 3

Financial Year	No. of cases	Value (in Rs crores)

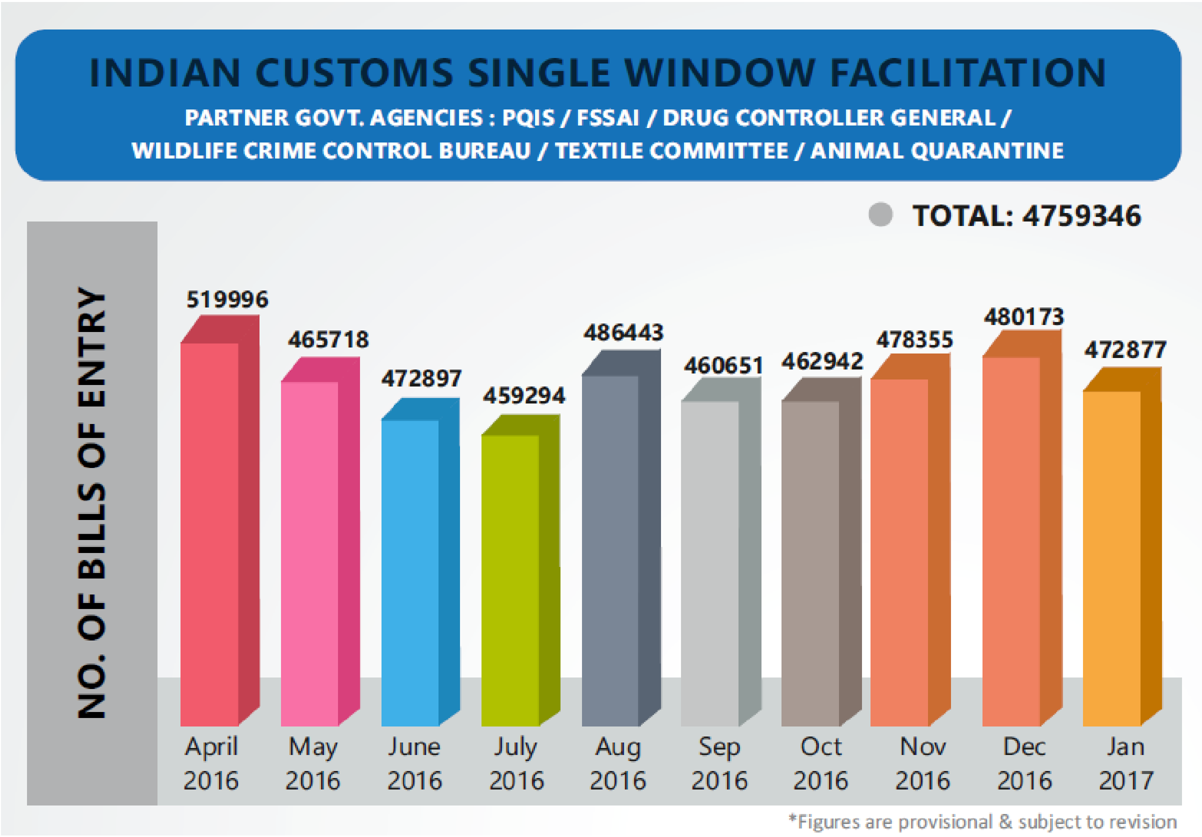
2014-15 (May, 14 to Mar, 15)	07	4.81
2015-16	21	17.68
2016-17 (upto Nov, 2016)	32	28.79

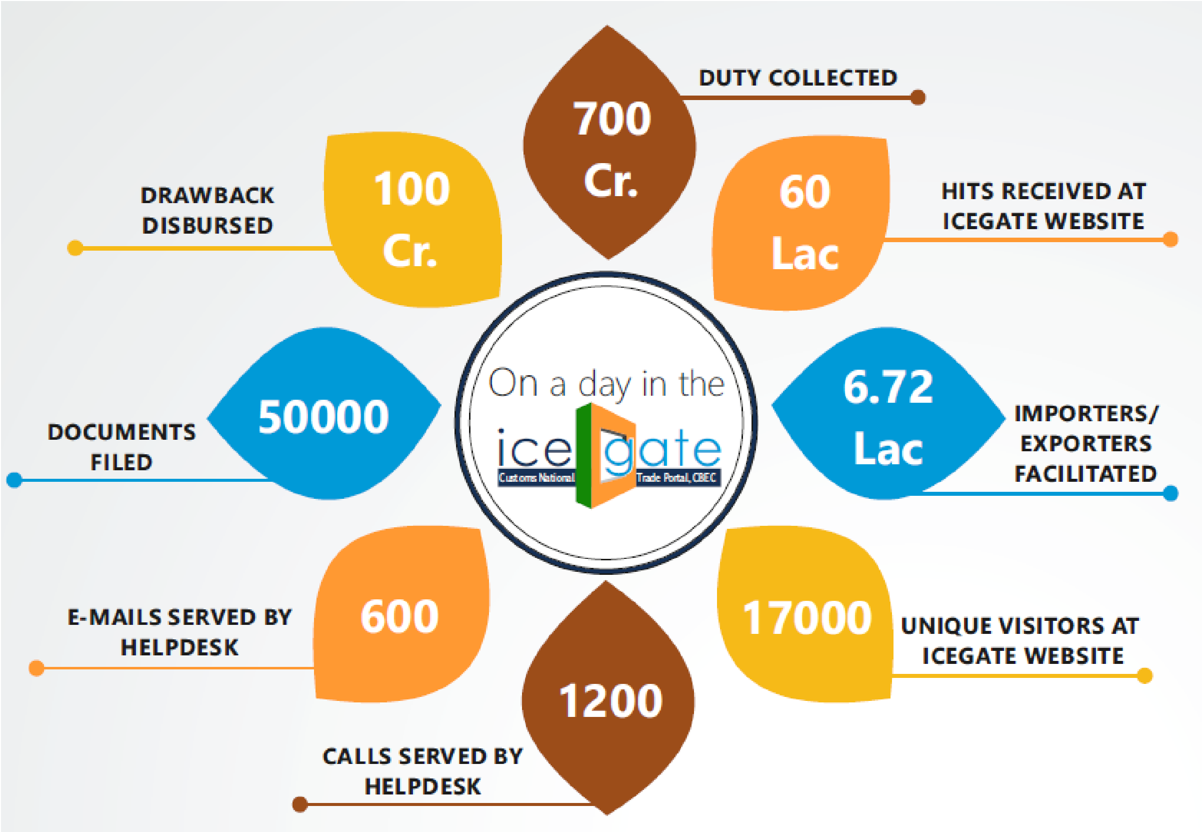
(d) Narcotics: Narcotic drugs and psychotropic substances smuggling/trafficking is a major source of black money forming a major proportion of parallel economy. During the relevant period (May 2014 to Nov, 2016), this Directorate has effected considerable seizures of narcotic drugs and psychotropic substances such as Heroin (334 kg), Hasish/Charas (1146 Kg), Mandrax/methaqualone (23763 Kg) and Ganja (19865 Kg).

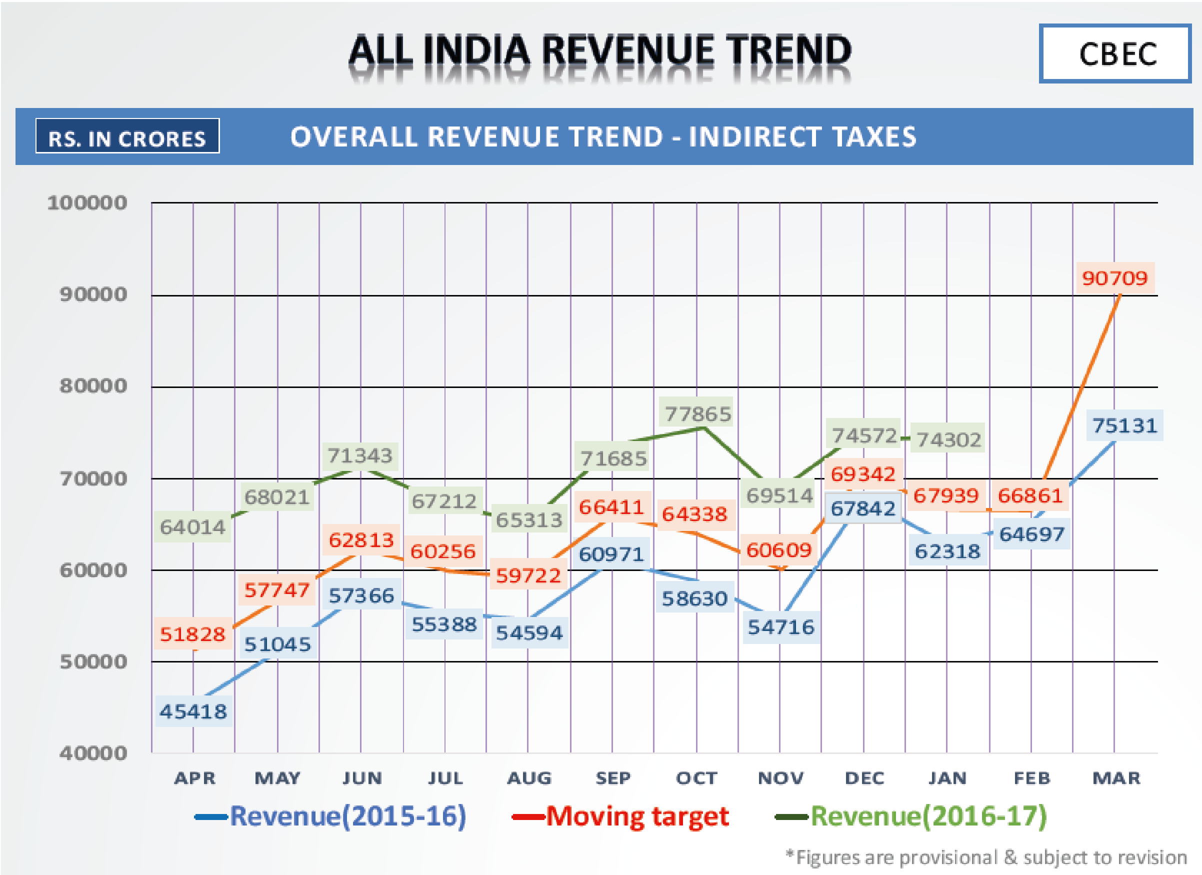
Activities like outright smuggling of gold, foreign currency, narcotic drugs and psychotropic substances, as well as tax evasion by means of commercial fraud, are major sources of generating and aiding black economy. As apparent from details above, the DRI has made concerted efforts for thwarting these activities.

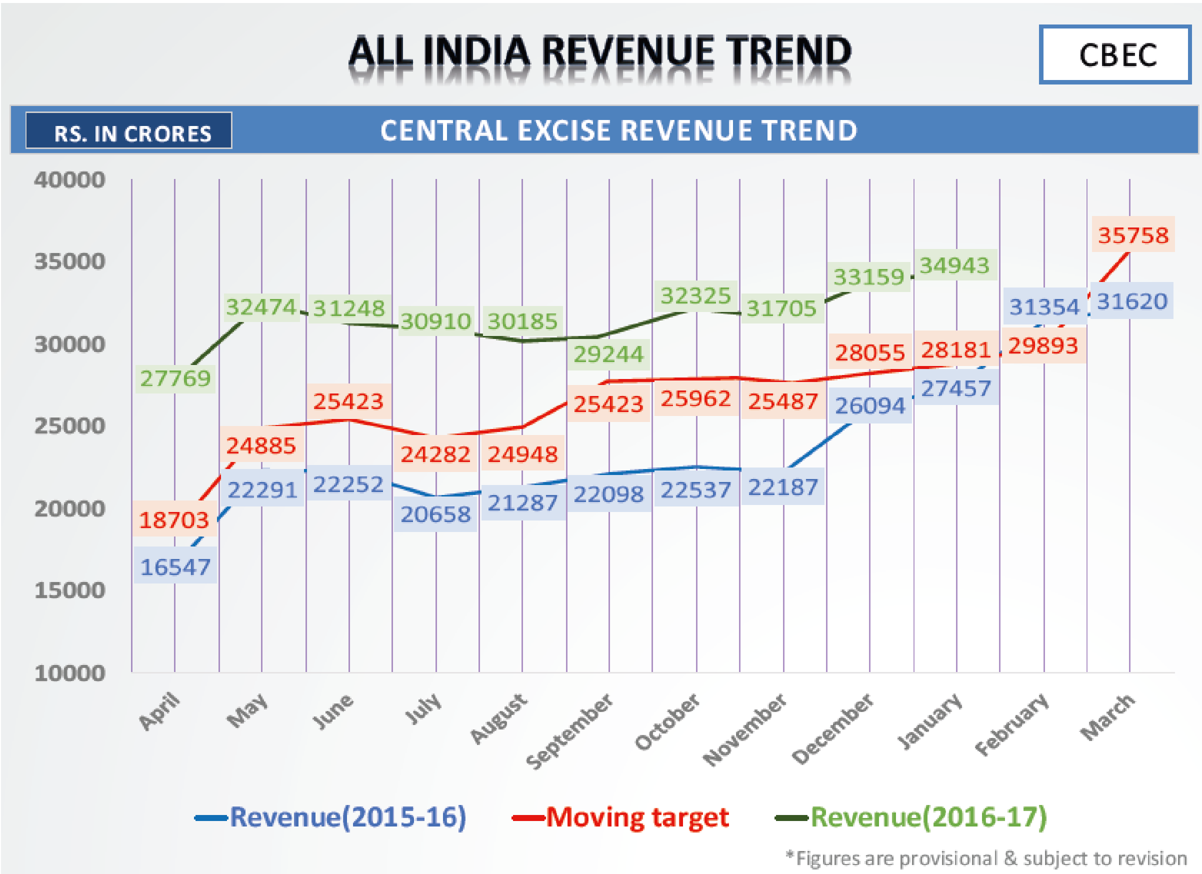
Directorate General of Central Excise Intelligence:-

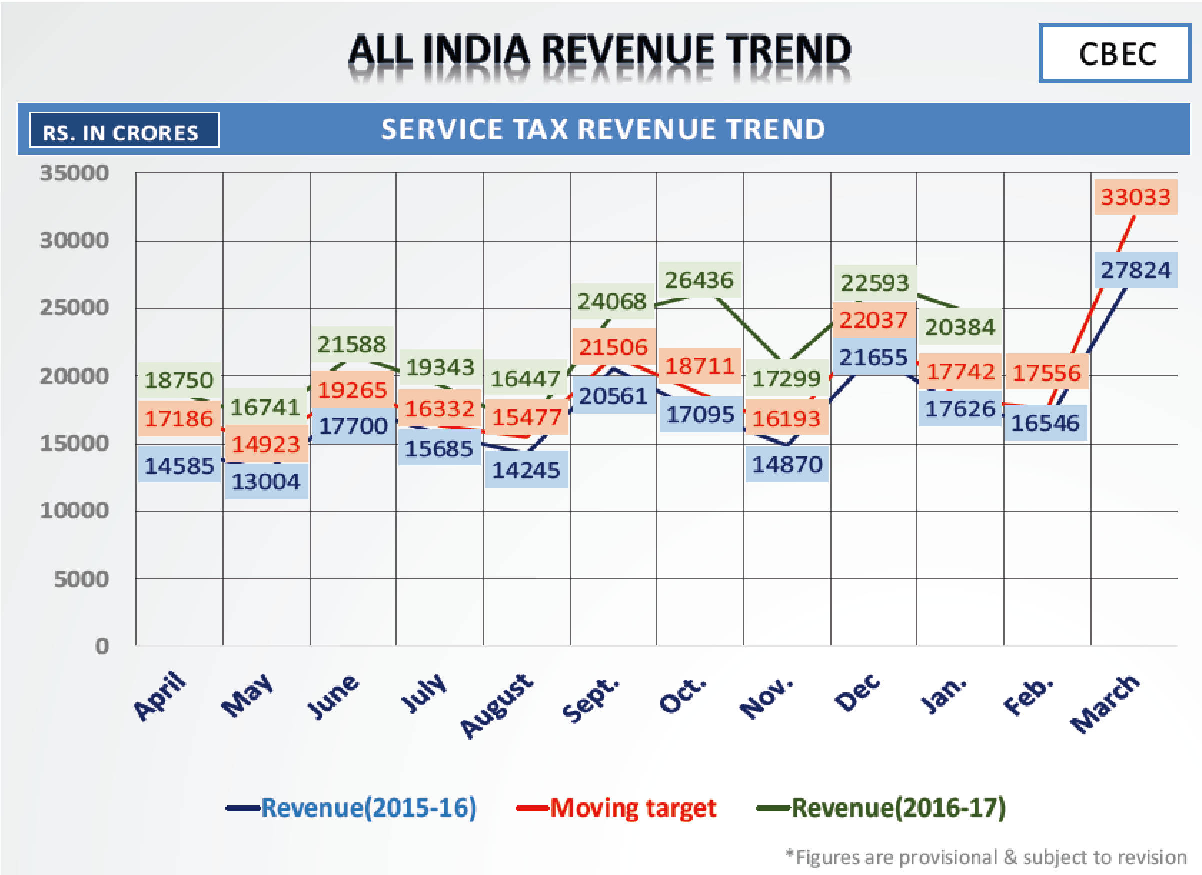
(a) **Anti Evasion measures**:- After the demonetisation of Rs. 500 and Rs. 1000 currency notes announced on 08.11.2016 by the Hon'ble Prime Minister, information about large scale purchase of jewellery and conversion of black money into bullion/jewellery was received by this Directorate. Subsequently, summons based enquiries were initiated against 400 jewellery manufacturers to enquire about their sales from 07th November to 10th November,2016. From the enquiries conducted, it was found that there was huge and abnormal sale of jewellery in some cases during this period particularly on 8th November,2016. Subsequently, detailed verification was carried out against 46 jewellers having either major aberrations in their sale figures or sale of more than 20 Kgs of jewellery during those four days. The verification exercise showed that many jewellers were not paying applicable Central Excise Duty from the date of levy i.e., 1st March, 2016. So far, Central Excise Duty evasion amounting to Rs. 44.55 Crore has been noticed against 14 major Jewellery manufacturers, out of which Rs.26.66 Crore has been realised. Further, the detailed data of the 374 Jewellers received by CBEC was also shared on 28.11.2016 with Commissioner (Inv.), CBDT for further necessary action at their end.

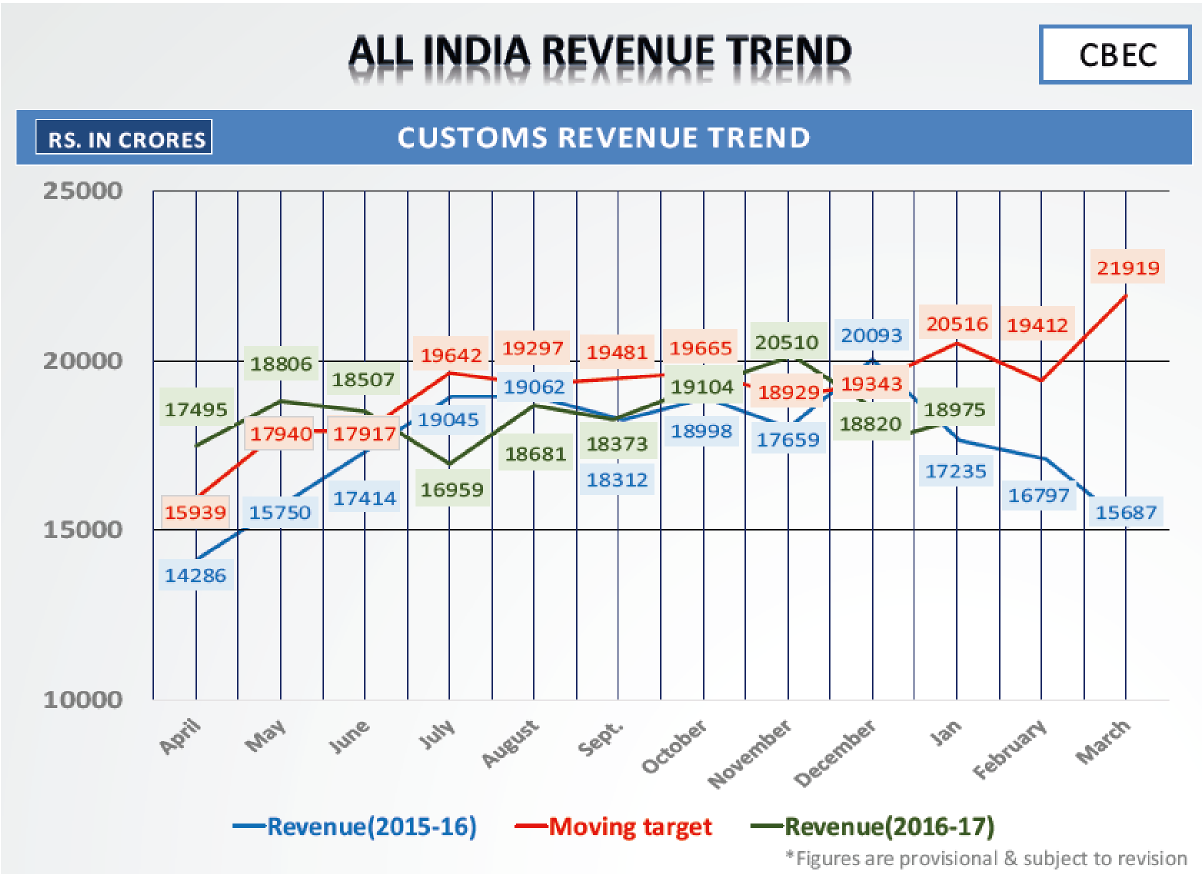



700
Cr.
DUTY COLLECTED
100
Cr.
DRAWBACK
DISBURSED
60
Lac
HITS RECEIVED AT
ICEGATE WEBSITE
On a day in the
icegate
Customs National Trade Portal, CBEC
50000
DOCUMENTS
FILED
6.72
Lac
IMPORTERS/
EXPORTERS
FACILITATED
600
E-MAILS SERVED BY
HELPDESK
17000
UNIQUE VISITORS AT
ICEGATE WEBSITE
1200
CALLS SERVED BY
HELPDESK


ALL INDIA REVENUE TREND
CBEC
RS. IN CRORES
OVERALL REVENUE TREND - INDIRECT TAXES
100000
90000
80000
70000
60000
50000
40000
APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR
45418 51045 57366 55388 54594 60971 58630 54716 67842 62318 64697 75131
51828 57747 62813 60256 59722 66411 64338 60609 69342 67939 66861 90709
64014 68021 71343 67212 65313 71685 77865 69514 74572 74302
Revenue(2015-16)
Moving target
Revenue(2016-17)
*Figures are provisional & subject to revision


ALL INDIA REVENUE TREND
CBEC
RS. IN CRORES
CENTRAL EXCISE REVENUE TREND
40000
35000
30000
25000
20000
15000
10000
April May June July August September October November December January February March
16547 22291 22252 20658 21287 22098 22537 22187 26094 27457 31354 31620
18703 24885 25423 24282 24948 25423 25962 25487 28055 28181 29893 35758
27769 32474 31248 30910 30185 29244 32325 31705 33159 34943
Revenue(2015-16)
Moving target
Revenue(2016-17)
*Figures are provisional & subject to revision


ALL INDIA REVENUE TREND
CBEC
RS. IN CRORES
SERVICE TAX REVENUE TREND
35000
30000
25000
20000
15000
10000
5000
0
April
May
June
July
August
Sept.
Oct.
Nov.
Dec
Jan.
Feb.
March
18750
17186
14585
16741
14923
13004
21588
19265
17700
19343
16332
15685
16447
15477
14245
24068
21506
20561
26436
18711
17095
17299
16193
14870
22593
22037
21655
20384
17742
17626
17556
16546
33033
27824
Revenue(2015-16)
Moving target
Revenue(2016-17)
*Figures are provisional & subject to revision


ALL INDIA REVENUE TREND
CBEC
RS. IN CRORES
CUSTOMS REVENUE TREND
25000
20000
15000
10000
April
May
June
July
August
Sept.
October
November
December
Jan
February
March
17495
15939
14286
18806
17940
15750
18507
17917
17414
19642
19045
16959
19297
19062
18681
19481
18373
18312
19665
19104
18998
20510
18929
17659
20093
19343
18820
20516
18975
17235
19412
16797
21919
15687
Revenue(2015-16)
Moving target
Revenue(2016-17)
*Figures are provisional & subject to revision