ANNUAL REPORT
2017-18

MINISTRY OF FINANCE

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Introduction

The Ministry comprises of the five Departments namely:—

- ❖ Department of Economic Affairs
- ❖ Department of Expenditure
- ❖ Department of Revenue
- ❖ Department of Investment and Public Asset Management
- ❖ Department of Financial Services

1. Department of Economic Affairs

Economic Growth

As per the second advance estimates (2nd AE) of national income released by Central Statistics Office, the growth of GDP at constant (2011-12) market prices for the year 2017-18 is estimated to be 6.6 per cent, which is lower as compared to the growth of 7.1 per cent in 2016-17. The growth of gross value added (GVA) at constant (2011-12) basic prices is estimated to be 6.4 per cent in 2017-18 (2nd AE). The growth in GVA was 7.1 per cent in 2016-17. At the sectoral level, GVA in agriculture and allied sector, industry sector and services sector have been estimated to grow by 3.0 per cent, 4.8 per cent, and 8.3 per cent respectively in 2017-18. The estimated growth of GDP at constant prices for first, second and third quarters of 2017-18 was 5.7 per cent, 6.5 per cent and 7.2 per cent respectively.

On the expenditure side, the share of total final consumption expenditure is estimated to be 70.2 per cent in 2017-18, as compared to 69.9 per cent in 2016-17. The share of fixed investment is estimated to be 28.5 per cent in 2017-18 same as in 2016-17. Exports and imports of goods and non-factor services are expected to grow at the rate of 4.4 per cent and 9.9 per cent respectively in 2017-18.

Savings rate (measured as a share of gross savings to GDP) was 30 per cent in 2016-17 and 31.3 per cent in 2015-16. Investment rate (measured as a share of gross capital formation to GDP) was 30.6 per cent in 2016-17 and 32.3 per cent in 2015-16.

Prices

Consumer Price Index (Combined) (CPI-C) inflation (Base 2012=100) for 2016-17 declined to 4.5 per cent from 4.9 per cent in 2015-16 and 5.9 per cent in 2014-15. It averaged 3.4 per cent in 2017-18 (Apr-Jan) and stood at 5.1 per cent in January 2018. Food inflation based on Consumer Food Price Index (CFPI) declined to 4.2 per cent in 2016-17 from 4.9 per cent in 2015-16 and 6.4 per cent in 2014-15. It averaged 1.6 per cent in 2017-18 (Apr-Jan) and was 4.7 per cent in January 2018. Inflation measured in terms of Wholesale Price Index (WPI), increased to 1.7 per cent in 2016-17 from (-) 3.7 per cent in 2015-16 and 1.2 per cent in 2014-15. It averaged 2.9 per cent in 2017-18 (Apr-Jan) and stood at 2.8 per cent in January 2018 (Table 1).

Table 1: Inflation in WPI and CPI (in per cent)

	CPI-C		**WPI**	
	All Groups	CFPI	All Commodities	Food
Base	2012=100		2011-12=100	
Weight	*100*	*39.1*	*100*	*24.4*
2014-15	**5.9**	**6.4**	**1.2**	**4.3**
2015-16	**4.9**	**4.9**	**-3.7**	**1.2**
2016-17	**4.5**	**4.2**	**1.7**	**5.8**
2017-18 (Apr-Jan)(P)	**3.4**	**1.6**	**2.9**	**2.3**
Apr-17	3.0	0.6	3.9	2.4
May-17	2.2	-1.0	2.3	0.1
Jun-17	1.5	-2.1	0.9	-1.0
Jul-17	2.4	-0.4	1.9	2.2
Aug-17	3.3	1.5	3.2	4.5
Sep-17	3.3	1.2	3.1	2.1
Oct-17	3.6	1.9	3.7	3.2
Nov-17	4.9	4.4	4.0	4.4
Dec-17	5.2	5.0	3.6	2.9
Jan-18	5.1	4.7	2.8	1.7

Source: Office of Economic Adviser, DIPP and Central Statistics Office.

Note: WPI inflation for last two months and CPI-NS inflation for last one month are provisional.

The Government has fixed the inflation target of 4 per cent with tolerance level of +/- 2 per cent for the period beginning from August 5, 2016 to March 31, 2021.

The Government monitors the price situation on a regular basis as controlling inflation is a key priority and has taken a number of measures to control inflation especially food inflation. The steps taken, inter alia, include, (i) A scheme titled Price Stabilization Fund (PSF) is being implemented to control price volatility of agricultural commodities like pulses, onions, etc.; (ii) A dynamic buffer stock of pulses of up to 20 lakh tonnes has been built under the Price Stabilization Fund (PSF) Scheme through both domestic procurement as well as imports.; (iii) Higher Minimum Support Prices (MSP) for pulses has been announced so as to incentivize production and thereby enhance availably of food items which may help moderate prices; (iv) States/UTs have been advised to impose stock limit on Onions. States were requested to indicate their requirement of onions so that import of requisite quantity may be undertaken to improve availability and help moderate the prevailing high prices; (v) Government imposed 20% duty on export of sugar for promoting availability and moderating price rise; and (vi) Export of edible oils was allowed only in branded consumer packs of up to 5 kg. with a minimum export price of USD 900 per MT. With a view to incentivizing domestic production this restriction has been removed on oil except for palm oil, mustard oil and sunflower oil.

Agriculture and Food Management

During the South West Monsoon Season (June-September) of 2017, the country as a whole received rainfall of 95 per cent of its long period average (LPA). Seasonal rainfall over Northwest India, Central India, South Peninsula and Northeast (NE) India were recorded at 90%, 94%, 100% and 96% of respective LPAs. South West Monsoon (June to September 2017) rainfall for the country as a whole and the four broad geographical regions is given in the table below:

Region	Actual (mm)	Long Period Average (LPA) (mm)	Actual % of LPA
All India	841.3	887.5	95
Northwest India	552.9	615.0	90
Central India	918.8	975.5	94
East & India	1386.4	1438.3	96
South Peninsula	717.6	716.1	100

Source: India Meteorological Department.

Out of the total 36 meteorological subdivisions, 25 subdivisions constituting 65% of the total area of the country received normal seasonal rainfall, 5 subdivisions received excess rainfall (18% of the total area), and 6 subdivisions (17% of the total area) received deficient seasonal rainfall.

As per the Fourth Advance Estimates released by Department of Agriculture, Cooperation and Farmers Welfare, the country achieved a record production of food grains estimated at 275.7 million tonnes in 2016-17, which is higher by 10.7 million tonnes than the previous record production of food grains achieved in 2013-14. As per the First Advance Estimates (AE) released by Ministry of Agriculture and Farmers Welfare on 22.09.2017, production of kharif foodgrains during 2017-18 is estimated at 134.7 million tonnes compared to 138.5 million tonnes in 2016-17.

Production of Major Kharif Crops (in Million Tonnes)

S. No.	Crops	2016-17 (4th AE)	2017-18 (First AE)
1	Rice	96.4	94.5
2	Total Coarse Cereals	32.7	31.5
3	Total Pulses	9.4	8.7
4	Total Kharif Foodgrains	138.5	134.7
5	Total Oilseeds	23.4	20.7
6	Sugarcane	306.7	337.7
7	Cotton@	33.1	32.3

@ Production in million bales of 170 kg each

Source: Directorate of Economics & Statistics, Department of Agriculture, Cooperation & Farmers Welfare.

The total area sown under Rabi crops as on 19th January 2018 stands at 617.79 lakh hectares as compared to 620.99 lakh hectare during the same period in 2017.

Agricultural credit in India has been growing consistently at above 17 percent annually during the last decade. During 2017-18, banks have disbursed Rs.5.88 lakh crore (provisional as on 30th September, 2017) against the annual agriculture credit target of `10 lakh crore for 2017-18.

Industry

The performance of the industrial sectors based on the Index of Industrial Production (IIP) comprising mining, manufacturing and electricity shows a fair growth in industrial production during April-December 2017-18. According to the monthly data on the IIP released by the Central Statistics Office (CSO) under the Ministry of Statistics and Programme Implementation (MOSPI), the Index of Industrial Production (IIP) based industrial growth during April-December 2017-18, was 3.7 per cent as compared to 5.1 per cent growth achieved during the corresponding period of the previous year. During December - 2017, the IIP registered 7.1 per cent growth. Out of the three broad sectors, electricity sector has growth of 5.1 per cent during April-December 2017-18 against 6.3 per cent growth achieved during this period of the previous year. Mining and manufacturing sectors grew at 2.8 per cent and 3.8 per cent respectively against the corresponding figures of 4.3 percent and 5.0 per cent of the previous year. The growth of different used based industrial group is given below.

Growth of IIP in April-November, 2017-18 (in Per cent) (Base 2011-12=100)

Growth of IIP in April-December, 2017-18 (in Per cent) (Base 2011-12=100)			
Industry Group	**Weight**	**April-December**	
		2016-17	**2017-18**
Mining	14.4	4.3	2.8
Manufacturing	77.6	5.0	3.8
Electricity	8.0	6.3	5.1
Growth by use-based industrial group			
Primary Goods	34.0	5.4	3.5
Capital Goods	8.2	3.4	3.8
Intermediate Goods	17.2	3.4	1.7
Infrastructure/Construction Goods	12.3	5.1	4.3
Consumer Durables Goods	12.8	4.8	-1.2
Consumer Non-durables Goods	15.3	7.5	10.3
General Index	100.0	**5.1**	**3.7**

Source: CSO

As may be seen from the table, except consumer durables goods, other used based goods sector has attained positive growth. The consumer non-durables goods registered phenomenal higher growth.

Infrastructure Sector

The index for eight core industries comprising coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity with a combined weight of nearly 40 per cent in the IIP grew by 4.0 per cent during April-December, 2017-18 as compared to growth rate of 5.3 per cent achieved during the corresponding period of 2016-17. During April-December, 2017-18, six out of the eight core sectors namely coal, natural gas, refinery products, steel, cement and electricity sectors achieved positive growth and remaining two sectors i.e, crude oil and fertilizers sectors have recorded negative growth. The Eight Core Industries recorded 4.0 per cent growth during December - 2017. The growth of eight core infrastructure supportive industries is given below.

Production growth (per cent) in Core Infrastructure-Supportive Industries		
Industry	**April-December**	
	2016-17	**2017-18**
Coal	1.5	1.3
Crude oil	-3.2	-0.4
Natural Gas	-3.3	4.0
Refinery Products	6.7	3.9
Fertilizers	1.2	-0.6
Steel	10.9	6.7
Cement	2.8	2.7
Electricity	6.4	4.9
Overall growth	**5.3**	**4.0**

Source: Office of the Economic Adviser, DIPP, Ministry of Commerce & Industry.

In major infrastructure sectors, power generation, highways construction, railways freight earnings, cargo & passengers handled at both terminals (international and domestic) of the airport and cargo handled at major ports were higher during April-November of 2017-18 as compared to the same period of previous year.

Services

- As per the First Advance Estimate of National Income 2017-18, released by CSO on January 5, 2018, the services sector with a share of 55.2 per cent in India's gross value added continued to be the key driver of India's economic growth contributing almost 72.5 per cent of gross value added growth in 2017-18. While the growth of service sector as a whole is expected to be at 8.3 per cent in 2017-18, the growth in services exports was 16.2 per cent in H1 of 2017-18.
- As per RBI's BoP data, India's services exports at US$ 163.1 billion grew by 5.7 per cent in 2016-17 compared to negative growth of (-) 2.4 per cent in 2015-16. During April-September of 2017-18, it recorded a robust growth of 16.2 per cent with a turnaround in some major sectors like travel and software services. Notwithstanding domestic software companies facing pricing pressure on traditional services and a challenging global business environment, software services exports, accounting for about 40.4 per cent of total services, increased by 2.3 per cent. India's services imports also exhibited a much higher growth of 17.4 per cent in April-September 2017-18 as payments on transport sector (contributing 15 per cent share) increased by 15.0 per cent. Owing to higher growth of 16.2 per cent in exports of services, net services receipts rose by 14.6 per cent during

April-September of 2017-18 as against a decline of 10 per cent in the corresponding period of 2016-17. Net surplus in services financed about 49 per cent of India's merchandise deficit in 2017-18 H1 and cushioned the current account deficit.

Social Infrastructure

The all India expenditure on social services by the Centre and States as a percentage of GDP has remained stagnant in the range of 6 per cent during 2012-13 to 2014-15. However, there has been a marginal decline to 5.8 per cent in 2015-16 which has further moved up to 6.6 per cent in 2017-18 (BE). The expenditure on education and health as a percentage of GDP is at 2.7 per cent and 1.4 per cent respectively in 2017-18 (BE).

Status on Education

As per the RTE indicators which reflect the effectiveness of universalization of education, majority of the States have shown improvement in total enrolment of children between 2010 and 2016. Further, majority of the States have registered increase in the percentage of schools which complied with the PTR (Pupil Teacher Ratio) norms.

The Gender Parity Index (GPI) is a critical indicator on discrimination against girls in access to education. Government interventions through programmes like Beti Bachao Beti Padhao, has improved levels of enrolment of girls substantially at the primary and secondary levels as reflected in improvement in GPI. However, in higher education, gender disparities in enrolment still prevail, for which various programmes are being implemented by the Government to improve female enrolment in higher education.

Status on Health

The report 'India: Health of the Nation's States', 2017 has for the first time provided comprehensive set of findings on the distribution of diseases and risk factors across all States of the country from 1990 to 2016. Though malnutrition still remains the biggest risk factor (14.6 percent) for disease burden in the country, its share as a factor in disease burden has dropped in India substantially since 1990. Of the total disease burden in India, 33 per cent was due to communicable, maternal, neonatal, and nutritional diseases (termed infectious and associated diseases) in 2016. The contribution of non-communicable diseases has increased from 30 per cent of the total disease burden in 1990 to 55 per cent in 2016 and of injuries from 9 per cent to 12 per cent. Around 5 per cent of health loss is attributable to unsafe water, poor sanitation, and lack of handwashing which is being addressed successfully by the government through the Swachh Bharat Mission (SBM).

Swachh Bharat Mission-Gramin

Taking cognizance of the role of cleanliness in healthy living and to accelerate the efforts to achieve universal sanitation coverage, the Prime Minister of India launched the Swachh Bharat Mission on 2nd October, 2014. As per baseline survey conducted by Ministry of Drinking Water & Sanitation, the number of persons defecating in open rural areas, which were 55 crore in October, 2014, declined to 25 crore in January, 2018, at a much faster pace compared to the trend observed before 2014.

Several studies have pointed out that there are health and economic gains from being ODF (Open Defecation Free) areas. According to the World Bank estimates, the lack of sanitation facilities costs India over 6 per cent of GDP. Further, UNICEF has estimated that a household in an ODF village in rural India saves Rs. 50,000 ($800) every year.

Labour Reforms

The employment sector in India poses great challenge in terms of its structure which is dominated by informal workers, high levels of under employment, skill shortages and labour markets with rigid labour laws and institutions. In this context, the Government has undertaken the exercise of rationalization of the 38 Labour Acts by clubbing them into 4 labour codes viz Code on Wages, Code on Industrial Relations, Code on Social Security and Code on Occupational Safety, Health and Working conditions.

Government has taken several measures to generate employment across different sectors. The technology enabled transformative initiatives such as Shram Suvidha Portal, Ease of Compliance to maintain Registers under various Labour Laws/Rules are some of the steps towards employment generation. The Universal Account Number have been effected in order to reduce the complexity in compliance and to bring transparency and accountability for better enforcement of the labour laws. Further, the government initiated the National Career Service portal (www.ncs.gov.in) by linking all employment exchanges of the country to facilitate online registration and posting of jobs for job-seekers and to provide employment related services like career counselling, vocational guidance, information on skill development courses and internships.

External Sector

India's Merchandise Trade developments during 2017-18

- The World Economic Outlook update January 2018 has pointed out that global economy is gathering pace and is expected to accelerate from 3.2 per cent in 2016 to 3.7 percent in 2017 and 3.9 percent in 2018 which reflects an upward revision of the earlier projections by the IMF. World trade volume is projected to increase from 2.5 percent in 2016 to 4.7 percent in 2017 and 4.6 percent in 2018. The value of India's merchandise exports (customs basis) increased by 5.2 per cent to US$ 275.9 billion in 2016-17. In 2017-18 (April-January), exports increased by 11.8 per cent (US$ 247.9 billion vis-à-vis US$ 221.8 billion in the corresponding period of the previous year).

- Imports had also increased by 0.9 per cent in 2016-17. Imports registered a growth of 22.2 per cent from the US$ 310.2 billion (April-January) 2016-17 to US$ 379.1 billion in (April-January) 2017-18. Imports of petroleum, oil and lubricants (POL) increased by 26.4 per cent in 2017-18 (April-January) to US$ 87.8 billion from US$ 59.7 billion in the corresponding period of the previous year, mainly due to the rise in international crude oil prices. Non-POL imports for 2017-18 (April-January) increased by 21.0 per cent to US$ 291.2 billion from US$ 240.7 billion in the corresponding period of the previous year.
- In 2016-17, trade deficit declined by 8.6 per cent to US$ 108.5 billion. However, during 2017-18 (April-January) trade deficit increased to US$ 131.2 billion from US$ 88.3 billion in the corresponding period of the previous year.

Balance of Payments (BoP) Developments during 2017-18

- India's balance of payments situation which has been benign and comfortable since 2013-14, continued to be so in the first half of 2017-18, despite some rise in current account deficit (CAD) in the first quarter, with a relatively lower CAD in the second quarter. India's CAD stood at US$ 7.2 billion (1.2 per cent of GDP) in Q2 of 2017-18 narrowing sharply from US$ 15.0 billion (2.5 per cent of GDP) in the preceding quarter. On a cumulative basis, India's CAD increased from US$ 3.8 billion (0.4 per cent of GDP) in H1 of 2016 -17 to US$ 22.2 billion (1.8 per cent of GDP) in H1 of 2017-18.
- During, 2017-18 (April-September), merchandise exports (on BOP basis) increased by 11.3 per cent to US$ 149.2 billion from a level of US$ 134.0 billion in 2016-17 (April-September). While imports increased by 22.1 per cent to US$ 224.0 billion in 2017-18 (April-September) as compared to US$ 183.5 billion in the corresponding period of the previous year. This led to higher trade deficit of US$ 74.8 billion in 2017-18 (April-September) as compared to US$ 49.4 billion in the corresponding period of the previous year.
- Net invisibles receipts were higher at US$ 52.5 billion in 2017-18 (April-September) as compared to US$ 45.6 billion in 2016-17 (April-September) mainly due to increase in both net services and net private transfers. Net services receipts increased by 14.6 per cent on a y-o-y basis during H1 of 2017-18.

Major Components of Balance of Payments (US$ billions)

Items	**2016-17 (April-September) PR**	**2017-18 (April-September) P**
Exports	134.0	149.2
Imports	183.5	224.0
Trade Balance	-49.4	-74.8
Net Invisible	45.6	52.5
Current Account Deficit (CAD)	-3.9	-22.2
External Assistance (Net)	0.6	0.7
Commercial Borrowing (Net)	-3.4	-1.5
FDI (Net)	20.9	19.6
Portfolio	8.2	14.5
short Term Debt	-0.5	4.6
NRI Deposits	3.5	1.9
Errors & Omissions	-0.7	1.0
Capital Account (Including errors & omission)	20.0	42.1
Overall Balance	15.5	20.9
Change in reserves (- indicates increase; + indicates decrease) (on BoP basis)	-15.5	-20.9

Source RBI. P : Provisional. PR = Pre Revised.

- During 2017-18 (April-September) net FDI inflows declined to US$ 19.6 billion from US$ 20.9 billion during the corresponding period of the previous year. Net portfolio inflows were increased by 78.0 per cent to US$ 14.5 billion in 2017-18 (April-September) as against US$ 8.2 billion in corresponding period of previous year. Net capital flows remaining higher than the CAD, there was net accretion to India's foreign exchange reserves (on BoP Basis) to the tune of US$ 20.9 billion in

H1 of 2017-18 as compared to the US$ 15.5 billion in H1 of 2016-17.

Foreign Exchange Reserves

- The level of foreign exchange reserves particularly foreign currency assets is largely the outcome of Reserve Bank of India's intervention in the foreign exchange market to stabilize the rupee value. Foreign Exchange Reserves stood at US$ 421.7 billion as on 16th February, 2018 as against US$ 370.0 billion at end-March 2017. The current position is at a comfortable level to cushion the exchange rate volatility from any international macroeconomic uncertainty.

Exchange Rate of Rupee

- During 2017-18 (April-January), the average monthly exchange rate of rupee (RBI's reference rate) varied between `65.08 per US dollar in October 2017 and `63.64 per US dollar in January 2018. The rupee appreciated by 3.5 per cent from `65.88 per US dollar in March 2017 to `63.64 per US dollar in January 2018. In the monthy of January 2018, rupee appreciated against US dollar by 0.9 per cent and depreciated against Pound sterling, Euro and Japanese Yen by 1.8 per cent, 1.9 per cent and 0.7 per cent over the previous month of December 2017.

Monthly Average Exchange of Rupee per Foreign Currency

	US Dollar	Pound Sterling	Euro	Japanese Yen**
Apr-17	64.51	81.54	69.17	58.57
May-17	64.42	83.21	71.23	57.45
Jun-17	64.44	82.51	72.41	58.14
Jul-17	64.46	83.75	74.20	57.34
Aug-17	63.97	83.04	75.60	58.22
Sep-17	64.44	85.73	76.79	58.22
Oct-17	65.08	85.92	76.48	57.64
Nov-17	64.86	85.77	76.12	57.49
Dec-17	64.24	86.11	76.00	56.88
Jan-18	63.64	87.65	77.45	57.26

Source: Reserve bank of India, RBI's reference rate.
*** Per 100 Yen*

External Debt

- India's external debt stock stood at US$ 495.7 billion at end-September 2017 recording an increase of US$ 23.9 billion over the level at end-March 2017. The maturity profile of India's external debt indicates dominance of long-term borrowings. At end-September 2017, long-term external debt was US$ 403.0 billion, witnessing an increase of 5.0 per cent over the end-March 2017 level of US$ 383.8 billion. Long-term external debt accounted for 81.3 per cent of total external debt at end-September 2017 vis-à-vis 81.4 per cent at end-March 2017.
- The share of US dollar denominated debt continued to be the highest in external debt stock at 50.0 per cent at end-September 2017, followed by Indian rupee (35.7 per cent), SDR (5.7 per cent), Japanese yen (4.4 per cent) and Euro (3.2 per cent). Government (Sovereign) external debt at end-September 2017 stood at US$ 107.3 billion. The share of Government external debt in India's total external debt was 21.6 per cent at end-September 2017 compared to 19.4 per cent at end-March 2017.
- India's foreign exchange reserves provided a cover of 80.7 per cent to the external debt stock at end-September 2017 (78.4 per cent at end-March 2017). The ratio of short-term external debt to foreign exchange reserves was 23.2 per cent at end-September 2017, as compared to 23.8 per cent at end-March 2017. The ratio of concessional debt to total external debt was at 9.1 per cent at end-September 2017 from 9.3 per cent at end-March 2017.
- The external debt management policy, followed by the Government of India emphasizes monitoring of long and short-term debt, raising sovereign loans on concessional terms with longer maturities, regulating external commercial borrowings through various restrictions and rationalizing interest rates on Non Resident Indian (NRI) Deposits. As a result, external debt has remained within manageable limits.

Monetary Developments During 2017-18

During 2017-18 (till January), monetary policy remained steady with only one policy rate cut in August. It kept the rates unchanged in both October and the latest meeting held in December. Accordingly, the Reverse Repo Rate under the Liquidity Adjustment Facility (LAF) stands at 5.75 per cent, and the Marginal Standing Facility (MSF) rate and the Bank Rate at 6.25 per cent.

As the Y-o-Y effect of demonetisation wore off, the growth rate of both Currency in Circulation and M0 turned sharply positive. However, bank credit growth remains subdued, especially to the industrial sector. Non Food Credit (NFC) grew at 8.85 per cent Y-o-Y in November 2017 as compared to 4.75 per cent in November 2016. Bank credit lending to Services and Personal Loans segments continue to be the major contributor to overall

NFC growth. Credit growth finally picked up in industrial sector after remaining persistently negative from October 2016 to October 2017.

The performance of the banking sector, Public Sector Banks (PSBs) in particular, continued to be subdued in the current financial year. The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) increased from 9.6 per cent to 10.2 per cent between March 2017 and September 2017, whereas, their Restructured Standard Advances (RSA) ratio declined from 2.5 per cent to 2.0 per cent.

The 10 year G-sec yield, meanwhile, has hardened in the current financial year. In April 2017, G-secs traded with a moderate hardening bias, after the release of the minutes of the Monetary Policy Committee meeting on April 20, 2017, which enunciated upside risks to inflation and was perceived to be hawkish by the market.

An ecosystem for the new insolvency and bankruptcy process took shape in 2017-18. The IBC mechanism is being used actively to resolve the NPA problem of the banking sector. The stock markets also hit record highs this financial year.

The stock markets also hit record highs this financial year. S&P BSE Sensex, the benchmark index of BSE, closed at 34,433 points as on January 10, 2018, witnessing a gain of 16.5 per cent from its closing of 29,621 points on March 31, 2017.

Climate Change Finance

The 23rd session of the Conference of Parties (COP23) to the United Nations Framework Convention on Climate Change was held from 6 to 17 November 2017 in Bonn, Germany. At the multilateral level, the international community is currently engaged in writing the "Paris rule book" which includes guidelines and modalities for the implementation of the Paris Agreement for the transparency framework for action and support, features and accounting of Nationally Determined Contributions (NDCs) etc.

The Paris Agreement pertains to the post-2020 period. At the national level, the roadmap for implementation of India's NDC is being prepared, by constituting an Implementation Committee and six Sub-Committees. A sub-committee chaired by Department of Economic Affairs, is looking into the financing of India's NDC.

Under the Paris Agreement, the developed countries have obligations to provide financial support to developing countries. The developed countries had made a commitment to a goal of mobilising USD 100 billion annually by 2020 for supporting climate action in developing countries. Green Climate Fund (GCF) which is the dedicated multilateral climate fund for international climate finance, has so far been pledged an amount of USD 10.3 billion. As of date only one project from India entitled "Ground Water Recharge and Solar Micro Irrigation to Ensure Food Security and Enhance Resilience in Vulnerable Tribal Areas of Odisha" has been approved for funding by GCF Board.

2. Department of Expenditure

The Department of Expenditure is the nodal Department for overseeing the public financial management system in the Central Government and matters connected with state finances. It is responsible for the implementation of the recommendations of the Finance Commission and Central Pay Commission, monitoring of audit comments/ observations, preparation of Central Government Accounts. It further assists central Ministries/Departments in controlling the costs and prices of public services, reviewing system and procedure to optimize outputs and outcomes of public expenditure. The Department has under its administrative control the National Institute of Financial Management (NIFM), Faridabad, which is an autonomous body. The principal activities of the Department include overseeing the expenditure management in the central Ministries/ Departments through the interface with the Financial Advisers and the administration of the Financial Rules/ Regulations/ Orders, pre-sanction appraisal of major schemes/ projects, handling bulk of the central budgetary resources transferred to State.

The business allocated to the Department of Expenditure is carried out through its Establishment Division, Plan Finance-State and Plan Finance Central Divisions, Office of Chief Adviser Cost, Controller General of Accounts and Central Pension Accounting Office.

3. Department of Revenue

1. The Department of Revenue exercises control in respect of revenue matters relating to Direct and Indirect Union taxes. The Department is also entrusted with the administration and enforcement of regulatory measures provided in the enactments concerning Goods and Service Tax (GST), Central Sales tax, Stamp duties and other relevant fiscal statutes. Control over production and disposal of opium and its products is vested in this Department.

2. Tax policies are formulated in order to mobilize financial resources for the nation, achieve sustained growth of the economy, attain macro-economic stability and promote social welfare. The underlying theme of the tax proposal for the Budget 2017-18 was stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency in political funding and simplification of tax administration.

3. The Income Tax offices throughout the country intensified their drive against tax evaders in the wake of demonetization of high value currency in November, 2016. The Income Tax Department launched 'Operation Clean Money' on 31st January 2017 for collection, collation and analysis of information on cash transactions, extensive use of information technology and data analytics tools for identification of high risk cases, expeditious e-verification of suspect cases and enforcement actions in appropriate cases. Around 18 lakh persons were identified in whose case, cash transactions do not appear to be in line with the tax payer's profile. More than 20,500 I-T returns were selected for scrutiny in 2017 on the basis of cash deposits in their bank account during demonetization. The Department has also issued more than 1.9 lakh notices to such persons in whose bank accounts cash of amount exceeding `15 lakh was deposited during demonetization but they have not filed any return of income. During the F.Y. 2017-18 (up to 31.12.2017), searches were conducted in 423 groups resulting in seizures of assets worth `776 crore and admission of undisclosed income of `11,858 crore. During the same period, 5,020 surveys conducted resulted in detection of undisclosed income of `3,632 crore. Prosecutions were filed in criminal courts in 880 cases (up to October 2017) and 650 prosecutions were compounded. During F.Y. 2016-17, 1.31 crore new taxpayers were added to the tax base. The efforts made to combat the menace of black money are as follows:

(i) **Constitution of the Special Investigation Team (SIT)** on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court;

(ii) **Enactment of a comprehensive law - 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015** which has come into force w.e.f. 01.07.2015 to specifically and more effectively deal with the issue of black money stashed away abroad. Most importantly, for the first time, this law has included the offence of willful attempt to evade tax etc. in relation to undisclosed foreign income/assets as a Scheduled Offence under the Prevention of Money-laundering Act, 2002 (PMLA).

(iii) **Amendment of the Benami Transactions (Prohibition) Act, 1988** with a view to, inter alia, enable confiscation of benami property and provision for prosecution. With a view to bridge the gaps and put in place appropriate effective legislation, the existing Act was amended through Benami Transactions (Prohibition) Amendment Act, 2016, and came into force w.e.f. 1st November 2016. The amended Act defines benami transactions and benami property. The ITD has set up 24 dedicated Benami Prohibition Units across India for taking effective action under the Act.

(iv) Proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/ Multilateral Conventions etc. and proactively furthering global efforts to combat tax evasion/ black money, inter alia, by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI)

(v) A few measures were also taken for combating the menace of Black Money. India and USA signed an Inter-Governmental Agreement (IGA) to implement the Foreign Account Tax Compliance Act (FATCA) of the USA to promote transparency between the two nations on tax matters. Implementation of AEOI under CRS and FATCA. This will enable the Government of India to receive information about tax payers hiding their money in offshore financial centres and low tax or no tax jurisdictions through multi-layered entities with non-transparent ownership from the jurisdictions that are signatories to the MCAA which are 96 in number at present. The number is likely to increase in future. A 'Joint Declaration' for the implementation of AEOI between India and Switzerland was signed for activation of AEOI between India and Switzerland. Multilateral Convention to implement tax treaty related measures to prevent base erosion and profit shifting. On this aspect, the Hon'ble Finance Minister, Shri Arun Jaitley, signed the Multilateral Convention to implement Tax Treaty Related Measures to prevent Base Erosion and Profit Shifting at Paris on 7th June, 2017 on behalf of India. More than 65 countries, including India, signed the convention in Paris on 07.06.2017. Setting up a Multi-Agency Group (MAG) for expeditious and coordinated investigation of revelations in Panama Paper Leaks and Paradise Paper Leaks.

4. The Customs and Central Excise officers continued their drive vigorously against duty evasion. During the F.Y.2017-18 (upto Dec 2017), 614 cases of Central Excise duty evasion involving `7241.75 crores were detected. In respect of Service Tax 2938 cases were registered involving Service Tax evasion amount to `9659.61 crores. Similarly¸2024 cases were registered evading Customs duty amounting to `1056.12 crores during the F.Y 2017-18(upto Nov. 2017). As border control agencies, field formations of CBEC keep constant vigil on the illicit imports through ports, airports, Land Customs Stations (LCS), Inland Container Depots (ICDs), Foreign Post Office (FPOs) and Courier Terminals, Each Customs Commissionerate is having intelligence and investigation units for checking smuggling and other commercial frauds, Besides, the Directorate of Revenue Intelligence, having pan India presence, are the specialized agencies under CBEC involved in anti-smuggling and anti-evasion activities.

5. CBEC has put in place non-intrusive methods of examination and checking by installing X-Ray Baggage Inspection Systems, Container Scanners and Pallet Scanners to check smuggling by concealment besides deploying marine vessels for patrolling. Indian Customs has participated in various global multilateral enforcement operations from time to time organized by World Customs Organization (WCO) is an intergovernmental organization comprising of customs administration of 180 countries comprising 98% of world trade.

6. In a historic tax reform, the Goods and Services Tax was rolled out on 1st July, 2017. It brought a new era of indirect taxation with the motto of "One Tax, One Market, One Nation". It subsumed almost all major indirect taxes like Central Excise Duty, Service Tax, VAT, CST, Entertainment tax, Octroi, Luxury tax, a large number of cesses/surcharges and various other state and central levies on goods and services. Provision has also been made for compensation to states for loss of revenue arsing on account of implementation of Goods and Service Tax with effect from 1st July, 2017 for a period of five years. Significant implications of the GST regime are:

i. Uniform taxation of goods and services across all states. All business process are made common, including the IT processes relating to registration, return, payment and refund of taxes. This has paved the way for making the whole nation a common market.

ii. The pre-GST regime suffered from cascading of taxes in which VAT and other states levies were being imposed on value inclusive of central taxes. GST has removed such cascading of taxes.

iii. Tax neutrality for business as the scope of Input Tax Credit has been widened considerably. It has also ensured that integrity of tax chain is maintained throughout the supply chain up to the stage of consumption. In the erstwhile regime, credit of certain indirect taxes, such as SAD on imports paid by a traders or the CST was not available.

iv. GST has aided in widening of the tax base, e.g., entire textile chain has now been brought under tax net. Further, a segment of land and real estate transactions has been brought into the tax net as "works contracts", referring to housing that is being built. This in turn would allow for greater transparency and formalization of cement, steel, and other sales, which have tended to be outside the tax net. The formalization will occur because builders will need documentation of these input purchases to claim tax credit.

v. Another benefit of GST is in formalization of economy and consequently the information flow that will eventually augment direct tax collections. Under the GST, there will be seamless flow and availability of a common set of data to both the Centre and states, making direct tax collections more effective.

vi. The long-term benefits include the GST's impact on financial inclusion. Small businesses can build up a real time track record of tax payments digitally, and this can be check-posts while others are in process of eliminating them. If this trend continues, the reduction in transport costs, fuel use, and corruption could be significant.

vii. GST makes the supply chain and logistics efficient. With introduction of GST, the check posts in the states have been removed as the whole nation has no same tax and compliance structure. Overall, logistics costs are 3-4 times the international benchmarks. The passage of the GST will dramatically reduce these costs and give a boost to inter-state trade in the country.

viii. To guide taxpayers in relation to GST matters, CBEC has issued a range of frequently asked questions on 11 sectors and other topics related to GST law, procedures, tax rates, specific industry or sector. The information is available on CBEC GST portal http://cbec-gst.gov.in under Services section as well as on www.cbec.gov.in.

ix. GST has significantly raised the turnover threshold to `20 lakh for an entity to be taxable in GST. Further, the threshold for composition has been increased in general to `1 crore (`75 lakh for special category states except Jammu & Kashmir and Uttarakhand). Certain other measures taken to encourage the MSME sector are as follows:

- Service providers whose annual aggregate turnover is less than `20 lacs (`10 lacs in special category states except J & K) have been exempted from obtaining registration even if they are making inter-State taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers.
- Small and medium businesses with annual aggregate turnover up to `1.5 crores would be required to file quarterly return
- The reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 has been suspended till 31.03.2018.
- The requirement to pay GST on advances received was proving to be burdensome for small dealers and manufacturers. In order to mitigate their inconvenience on this account, it has been decided that taxpayers having annual aggregate turnover up to `1.5 crores shall not be required to pay GST at the time of receipt of advances on account of supply of goods.

x. After implementation of GST regime, rates were rationalised significantly to address the concerns of trade and consumers. Revenue collected under GST till January, 2018 stood at `5,40,327 crore.

4. Department of Investment and Public Asset Management

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

The Department of Disinvestment has been re-named as Department of Investment and Public Asset Management (DIPAM) with effect from 14th April, 2016.

5. Department of Financial Services

As per Allocation of Business Rules (AOBR), functions of Department of Financial Services(DFS) inter-alia include matters pertaining to Banking, Insurance, Pension Reforms, Development Financial Institutions etc. The Department of Financial Services (DFS) oversees several key programs / initiatives and reforms of the Government concerning the Banking Sector, the Insurance Sector and the Pension Sector in India. The key flagship schemes being currently run / managed by the Department include the Pradhan Mantri Jan Dhan Yojana (PMJDY), Stand Up India, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Mudra Yojana (PMMY), Atal Pension Yojana (APY) and the Pradhan Mantri Vaya Vandana Yojana (PMVVY).

The Department provides policy support to the Public Sector Banks (PSBs), Public Sector Insurance Companies (PSICs) and Financial Institutions (FIs) like NABARD, SIDBI, IIFCL etc. through policy guidelines, legislative and other administrative changes. It also monitors the performance of these PSBs, PSICs and FIs and undertakes policy formulation in respect of the Banking and Insurance Sector in India. DFS also deals with legislative and other issues pertaining to the concerned regulatory bodies such as the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA) and with certain legislative matters related to Reserve Bank of India (RBI).

In addition to the aforesaid policy issues, the Department is also responsible for certain functional issues concerning the Regulatory Bodies [RBI, IRDAI and PFRDA], the PSBs, PSICs and Financial Institutions. Foremost among these functional issues is the appointment of key functionaries of Governor/Deputy Governor of Reserve Bank of India, Chairman/Members of IRDAI and PFRDA, Chairman/Managing Director and Chief Executive Officers (MD & CEOs), Executive Directors (EDs), Chairman cum Managing Directors (CMDs) etc. of public sector banks, insurance companies and other financial institutions. Matters relating to international banking relations are also dealt by the Department.

Department of Economic Affairs

1. Economic Division

1.1 The Economic Division tenders expert advice to the Government on important issues of economic policy.

1.2 The Division monitors economic developments, domestic and external and advises on policy measures relating to macro management including agriculture, industry and infrastructure sectors of the economy.

1.3 As part of its regular activities, the Economic Division brings out the Economic Survey annually, which is placed in the Parliament prior to the presentation of the Central Government Budget. The Economic Survey provides a comprehensive overview of important developments in the economy. It also analyses recent economic trends and provides an in-depth appraisal of policies. Over the years, the Economic Survey has acquired the status of an authoritative source and a useful compendium of the annual performance of the Indian economy. Further, the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the Ministry of Finance to review every quarter the trends in Receipts and Expenditure in relation to the Budget and place it before both Houses of Parliament. As part of this exercise, the Economic Division prepares the MidYear Economic Analysis in the second quarter of each year for placing it before Parliament. In addition, at the end of first quarter and third quarter a Macro-Economic backdrop statement is prepared and provided to the Budget Division for incorporating in the review of quarterly receipts and expenditure.

1.4 The Division also brings out the Economic and the Functional Classification of the Central Government's Budget, which is circulated among the Hon'ble Members of Parliament. The publication presents an estimate of the savings of the Central Government and its departmental undertakings, gross capital formation and the magnitude of the development and consumption expenditure broken up under broad functional heads.

1.5 The Division also brings out every month an abstract entitled "Monthly Economic Report", which gives the latest available data on the key sectors of the economy. The Division prepares, from time to time briefs on the performance of the infrastructure sector, agriculture and industrial production, trends in tax collection, the balance of payments and the monetary situation. It also monitors the price situation on a weekly basis. In addition, the Division undertakes short term forecasting of key economic variables.

1.6 As part of its advisory functions, the Economic Division prepares analytical notes and background papers on important policy issues and provides briefs for meetings of the Consultative Committees and Working Groups set up by the Government. The officers of the Economic Division participate in consultations with various missions from international institutions, such as International Monetary Fund (IMF), the World Bank and WTO etc. The Division works in close cooperation with the Reserve Bank of India, the Planning Commission, the Central Statistical Organisation, the Ministry of Commerce and Industry and the Economic and Statistical Wings of their Ministries. An international Seminar the 7th Delhi Economics Conclave-(2017) was organized on 22.07.2017 wherein researchers, policy makers, industry leaders, bankers and economists & academicians from India and abroad participated.

1.7 The work of the Economic Division is organized under the following units:

- Macro
- Public Finance
- Prices
- Agriculture and Food Management
- Industry and Infrastructure
- Services
- Trade and BoP Unit
- External Debt Management
- Social Infrastructure, Human Capital and Development
- Financial Intermediation and Monetary Management
- Climate Finance Accounting and Analysis
- Coordination

1.8 Macro Unit

1.8.1 The Macro Unit is responsible for: (a) analyzing and monitoring India's macroeconomic parameters, (viz. gross domestic product, saving, investment, etc.); (b) country coordination for Special Data Dissemination Standard of the International Monetary Fund; (c) maintaining the National Summary Data Page on a routine basis (d) compilation of the Macroeconomic Framework Statement that forms part of the Union Budget and the Macroeconomic Backdrop for the FRBM (Fiscal Responsibility Budget Management) statements that are laid in the Parliament every quarter; (e) some related calculations and projections related to annual budget exercise; (f) drafting the portions of Economic Survey and Mid-year Economic Analysis related to macro-economic parameters; (g) preparation of the Monthly Economic Report; (h) attending to requirements of inputs, briefs, speeches, Parliamentary references, etc. related to the state of economy.

1.9 Public Finance Unit

1.9.1 The Public Finance Unit deals with matters relating to public finance and budgetary operations of the Central Government. It is responsible for the publication of Economic and Functional Classification of Central Government Budget, Indian Public Finance Statistics which includes budgetary transactions of Centre, State and Union Territories. The unit monitors Central fiscal parameters, such as, fiscal deficits, revenue deficits, and analyses policies relating to central plan outlays, resources and expenditure. The unit also undertakes review of fiscal position and analysis of fiscal issues including those relating to tax measures.

1.10 Price Unit

1.10.1 The Price unit is responsible for monitoring and maintaining database on WPI, CPI & International Commodity prices and gives policy advice on price related matters.

1.11 Agriculture & Food Management Unit

1.11.1 The Agriculture and Food Management Unit advises the Government on policy issues relating to Agriculture, Animal Husbandry and allied sectors, Food and Public Distribution and Food Processing. The Unit monitors and appraises on a continuous basis agricultural growth and investment, agricultural research, agricultural production, progress of monsoon and reservoir storage of water resources, pricing of major Rabi and Kharif crops, agricultural credit and insurance. The Unit examines issues pertaining to development of dairy, poultry and fisheries as well as food processing sector and recommends policies. It is also responsible for issues related to Public Distribution System and food security, public procurement, buffer stock norms, Central Issue Price, Open Market Sales Scheme, storage and warehousing. The Unit critically examines proposals related to the agricultural and allied sector, food management and food processing, analyses recent developments and suggests appropriate policy directions.

1.12 Industry & Infrastructure Unit

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

1.13 Services Sector Unit

1.13.1 Services sector unit deals with the issues related to services sector in Indian Economy. It monitors and analyses the performance of India's Services Sector including services trade on an ongoing basis. This unit also prepares comments on notes related to trade in services, WTO, negotiation in services, etc. for Department of Commerce.

1.14 Trade & BoP Unit

1.14.1 The Trade & BoP Unit is responsible for analyzing external sector developments and offering policy advice on related issues. The Unit monitors India's foreign trade and developments on BoP indicators closely through an institutional set-up of a special monitoring group comprising stakeholders in Ministry of Finance, other Ministries concerned and the Reserve Bank of India. The Unit tracks movements in the exchange rate of the rupee, monitors India's foreign exchange reserves and India's foreign trade. This Unit also monitors and analyses issues related to global developments and institutions like IMF, World Bank.

1.15 External Debt Management Unit (EDMU)

1.15.1 The External Debt Management Unit (EDMU) is involved in the collection, compilation and publication of Quarterly External Debt Statistics in compliance with Special Data Dissemination Standards (SDDS) of IMF and Quarterly External Debt Statistics (QEDS) of World Bank. The Unit also brings out an Annual Status Report on India's External Debt. The management information system on external debt management and coordination with the office of Controller of Aid, Audit and Accounts, RBI, Securities Exchange Board of India and Ministry of Defance is handled in the unit.

1.16 Social Infrastructure, Employment and Human Development Unit

1.16.1 The Social Infrastructure, Employment and Human Development Unit prepares analytical notes on poverty, employment, rural development and other topics on the issues like health, education, employment including labour market etc. The unit also advises the Government on specific policy issues in social infrastructure, human capital and development.

1.17 Financial Intermediation and Monetary Management Unit

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

1.18 Climate Finance Accounting and Analysis Unit

1.18.1 Climate Finance Accounting and Analysis Unit serves as the nodal point on all financing matters related to climate change in the Ministry of Finance. It helps shape the firming up of India's stand on financing issues related to climate change and sustainable development in fora like United Nations Framework Convention on Climate Change, G20, Rio+20. It is vested with the task of preparing submissions on behalf of India as well as assessing submissions of other member countries in these fora. The Unit provides inputs on an ongoing basis to Ministry of Environment, Forests and climate change on issues related to National Action Plan on Climate Change and in the capacity development efforts on emerging issues like green growth, innovative financing options for sustainable development by preparing positions papers and analysis of technical issues and policy options.

1.19 Coordination Unit

1.19.1 Coordination Unit is responsible for organizing the pre-budget consultations of Finance Minister with different stakeholder groups like Agriculture Sector, Social Sector related Group, Industry and Trade Sector, Trade Unions, Banking and Financial Institutions, Economists and IT(Software & Hardware). The Unit is also responsible for Organizing Delhi Economics Conclave (DEC). The Administrative and coordination work for printing and submission of Economic Survey to the Parliament are also done by this unit. Inputs/material for Finance Minister's Speeches on different occasions and for Annual/Spring Meetings of the World Bank & IMF, ADB and Credit Rating Agencies; briefs for Economic Editor's meet, Consultative Committee meetings and Parliamentary Standing Committee meetings are collected and put together by this unit. Apart from these the unit is involved in all administrative and Parliament related matters.

2. Budget Division

2.1 Budget Division is responsible for the preparation of and submission, to Parliament, the Annual Budget as well as Supplementary and Excess Demands for Grants of the Central Government and of States under President's Rule. The Division is also responsible for dealing with issues relating to Public Debt, Market Loans of the Central Government and State Government's borrowing and lending, guarantees given by the Government of India and the Contingency Fund of India. The responsibility of the Division also extends to regulate the flow of expenditure by processing proposals from other Ministries/Departments for re-appropriation of savings in a Grant where prior approval of the Ministry of Finance is required. The Division also deals with National Savings Institute (NSI), Small Savings Schemes and National Defence Fund. The work relating to Treasurer, Charitable Endowment is also handled in the Budget Division.

2.2 This Division also deals with matters relating to Duties, Powers and Conditions of Service of the Comptroller and Auditor General of India and submission of the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union to the President for being laid before Parliament. From 1st January, 2017 to 31stDecember, 2017 , 41 Reports of the C&AG of India were laid before the Parliament and 37 entrustments/re-entrustments of audit of various bodies to the C&AG of India were dealt by this Division.

2.3 The Budget Division is also responsible for administration of "Fiscal Responsibility and Budget Management Act, 2003" which was brought into force w.e.f. 5th July, 2004. The Rules made under the Act were also made effective from that date. Quarterly Reviews including Mid-term Review were presented in Parliament in accordance with the requirements of the FRBM Act.

2.4 Budget Division also oversees/facilitates the implementation of 'Gender Budgeting' in various Ministries/Departments.

2.5 The work relating to form of Accounts kept under Article 150 of the Constitution of India is also handled in this Division. Advice on the classification of Government receipts and expenditure and on the accounting procedure drawn up for implementation of new schemes of the Government is also rendered by the Division.

2.6 Supplementary Demands :

2.6.1 Supplementary Demands Section is assigned with coordination and presentation of Supplementary Demands for Grants, Demands for Excess Grants and the connected Appropriation Bills and Parliamentary work. Other activities of the Section relate to administration of the Contingency Fund of India Act

2.6.2. This Section is also assigned the work of overall policy related to Central Government Guarantees and Estimates of Loan Repayments and Interest Payments in respect of Public Sector Units/Financial Institutions.

Responsibilities:

- Supplementary Demands for Grants.
- Demands for Excess Grants.
- Central Government Guarantees.
- Estimates of Loan Repayments and Interest Payments in respect of Public Sector Units/ Financial Institutions.
- Administration of the Contingency Fund of India Act and Rules

2.7 National Small Savings :

2.7.1. Small Savings Scheme:

2.7.1.1 The Small Savings Schemes currently in force are: Post Office Savings Account, National Savings Time Deposits (1,2,3 & 5 year), National Savings Recurring Deposits, National Savings Monthly Income Scheme, Senior Citizens Savings Scheme, National Savings Certificate (VIII-Issue), Public Provident Fund, Kisan Vikas Patra and Sukanya Samriddhi Account.

2.7.2. Small Savings Collections:

2.7.2.1 Gross deposits under various small savings schemes during 2017-18 are estimated (RE) at ` 566680.07 crore as against the deposit of ` 515999.80 crore during 2016-17. An amount of ` 10500.00 crore (RE) is to be transferred as share of net small savings collections to Arunachal Pradesh, Kerala, Madhya Pradesh and UT of Delhi during the current fiscal, as against the sum of ` 7417.38 crore transferred to all States and UTs (with Legislature) during 2016-17.

2.7.3. National Small Savings Fund:

2.7.3.1 In order to account for all the monetary transactions under small savings schemes of the Central Government under one umbrella, the "National Small Savings Fund" (NSSF) was set up in the Public Account of India w.e.f. 1st April, 1999. The net accretions under the small savings schemes were being invested in the special securities of States Governments and UTs (with legislature), in addition to the special securities of the Central Government. However, based on the recommendation of the Fourteenth Finance Commission, it has been decided to advance National Small Savings Fund (NSSF) loans only to the willing states, namely, Arunachal Pradesh, Delhi , Kerala and Madhya Pradesh which have opted for NSSF loan during the year 2017-18. Besides, it has been decided to invest NSSF corpus in various Public Agencies (National Highways Authority of India, Food Corporation of India, Air India etc.) and an amount of Rs. 106684.78 crore (RE) is to be extended to these agencies.

2.7.4. Interest Rates on Small Savings Instruments

2.7.4.1 (i) The rate of interest on small savings schemes has been aligned with G-Sec rates of similar maturity.

(ii) The rate of interest on various small savings schemes for the FY 2017-18 is given below:

2.8 Government Borrowing

2.8.1 The Central Government's normal borrowing through issue of dated securities for financing the fiscal deficit was budgeted in BE 2017-18 at ` 5,80,000 crore (Gross) and ` 4,23,226 crore (net).

Instrument	Rate of interest % From 1.4.17 to 30.6.17	Rate of interest % From 1.7.17 to 30.9.17	Rate of interest % From 1.10.17 to 31.12.17	Rate of interest % From 1.1.18to 31.3.18
Savings Deposit	4.0	4.0	4.0	4.0
1 Year Time Deposit	6.9	6.8	6.8	6.6
2 Year Time Deposit	7.0	6.9	6.9	6.7
3 Year Time Deposit	7.2	7.1	7.1	6.9
5 Year Time Deposit	7.7	7.6	7.6	7.4
5 Year Recurring Deposit	7.2	7.1	7.1	6.9
5 Year SCSS	8.4	8.3	8.3	8.3
5 Year MIS	7.6	7.5	7.5	7.3
5 Year NSC	7.9	7.8	7.8	7.6
PPF	7.9	7.8	7.8	7.6
Sukanya Samriddhi Account	8.4	8.3	8.3	8.1
Kisan Vikas Patra	7.6 (will mature in 113 months)	7.5 (will mature in 115 months)	7.5 (will mature in 115 months)	7.3 (will mature in 118months)

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

2.8.3 During the financial year 2017-18, Government has borrowed ` 5,88,000 crore through issuance of dated securities so far. The final position of issuance of Government securities will only be known at the year-end as the buyback, switching and market making are in progress.

2.8.4 The weighted average yield and maturity of dated securities issued during 2017-18 (April 2017 to February 12, 2018) were 6.97% and 14.12 years respectively, as compared to 7.16% and 14.76 years in the corresponding period of the financial year 2016-17.

2.8.5 Detailed analysis of existing debt and liabilities of the Government is brought out in the annual debt papers, published during 2011-12, 2013-14, 2014-15, 2015-16 and 2016-17 (available on http://dea.gov.in/documents-reports).

2.9 Cash Management

2.9.1 With the objective to improve the Cash Management System in the Central Government, a modified cash management system, including exchequer control based expenditure management system was introduced in respect of 15 Demands for Grants in Central Government w.e.f. April 1, 2006 vide this Ministry's O.M. No.21(1)-PD/2005 dated January 10, 2006. The system was later extended to 23 & 46 Demands for Grants w.e.f. April 1, 2007 and April 1, 2012. It has now been made applicable to all the Demands for Grants of the Union Government vide this Ministry's O.M. No.21(1)-B(PD)/2014 dated July 22, 2015 and F.No. 4(10)-W&M/2016 dated August 4, 2016 and F.No.15(39)-B(R)/2016 dated August 22, 2017. As per the guidelines of the system, all the Demands for Grants are required to prepare and send their Monthly Expenditure Plans (MEPs) and Quarterly Expenditure Allocations (QEAs) to Cash Management Cell for better monitoring and compliance of the guidelines of the Ministry of Finance regarding expenditure management. The guidelines also provide that the expenditure in the last quarter of the financial year may not exceed 33 per cent not exceed 15% of Budget Estimate exceed and MEP for the month of March may not exceed 15% of Budget Estimate.

2.10 Fiscal Responsibility and Budget Management (FRBM) Section:

2.10.1 Administration of Fiscal Responsibility and Budget Management Act (FRBM), 2003 and the Rules framed thereunder is the prime function of the FRBM Section. The FRBM Act provide for the responsibility of the Central Government to ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

2.10.2 During the calendar year (January 1 to December 31) 2017, in compliance with the relevant provisions of the FRBM Act and Rules framed there under"-

1) the following Statements were laid before both Houses of Parliament:

i) Statements of fiscal policy:
   - a) Medium-Term Fiscal Policy Statement
   - b) Fiscal Policy Strategy Statement
   - c) Macro-Economic Framework Statement
   - d) Medium Term Expenditure Framework (MTEF) Statement

ii) Quarterly Statements on Review of the trends in receipts and expenditure in relation to the Budget at the end of –
   - (a) third Quarter of the financial year 2016-17;
   - (b) financial year 2016-17
   - (c) first Quarter of the financial year 2017-18; and
   - (d) second Quarter of the financial year 2017-18

2) the following disclosures were made at the time of presenting the Annual Financial Statement and Demands for Grants for 2017-18 :-
   - a) Tax Revenues raised but not realised.
   - b) Arrears of Non-Tax Revenues.
   - c) Asset Register
   - d) Guarantees given by the Government
   - e) Liability on Annuity Projects
   - f) Grants for creation of capital assets etc.

2.10.3 Fiscal indicators in FY 2016-17 and estimates for RE 2017-18 are as under:-

(% of GDP)

Fiscal Indicator	2016-17	2017-18 (RE)
Fiscal Deficit	3.5	3.5
Revenue Deficit	2.1	2.6
Total outstanding liabilities at the end of the year	50.2	50.1

Notes

(i) "Total outstanding liabilities" as mentioned above also include total outstanding liabilities in the Public Account of India and external public debt valued at current exchange rates.

(ii) "GDP" is Gross Domestic Product at current market prices (as per new series).

2.11 Debt Management Office

2.11.1 As a first step towards the establishment of autonomous Debt Management Office, a Middle Office (MO) was set up in the DEA, MoF in September 2008. This was required to build skills and develop expertise in debt management functions which is a time consuming process.

2.11.2 Consequent upon the announcement in Lok Sabha in April 2015 by FM, the consultation were held with RBI and other stakeholders, to discuss way ahead towards setting up Public Debt Management Agency (PDMA). It was agreed to initially set up a Public Debt Management Cell (PDMC) as an interim arrangement before setting up of an independent PDMA in due course. The interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions. It was decided that the work for moving towards PDMA would be taken up in a phased manner.

2.11.3 Considering the extant legal provision, it was agreed only advisory functions may be assigned to PDMC to avoid any conflict with the statutory functions of RBI. It was also agreed that the operations concerning front office, comprising of electronic auction system and back office, comprising of depository and registry services would continue to be housed with RBI even with an independent PDMA coming into being since RBI has developed adequate infrastructure for the same and the arrangement is working quite smoothly. Duplicating the set-up would create avoidable expenditure. Infrastructure of Public Debt Management, i.e. NDS and NDS-OM for primary and secondary market operations and depository for G-Secs will continue with RBI under this arrangement. Accordingly, a Public Debt Management Cell (PDMC) was set up in DEA, on October 4, 2016.

2.11.4 Formation of PDMC was first step in consolidation of all components of debt under one agency. In addition to carrying out various advisory functions assigned to it under the expanded mandate compared to that of MO, PDMC has been working towards formation of statutory PDMA and initiated many necessary steps in this regard, namely, building an independent debt database and increased interaction with various market participants.

2.11.5 Towards ensuring the enhanced transparency in public debt management operations, the Government of India has been publishing a number of documents detailing overall debt position of the country, consolidated debt data relating to public debt, debt management strategies of central government debt, etc. These publications include an annual Government Debt Status Paper (since 2010), Debt Management Strategy document (2015) and Handbook of Statistics on Central Government Debt (since 2013). Government has consolidated all these publications into this single report to bring complete Government Debt and its Management related information at one place. This report 'Status Paper on Government Debt-September' for year 2015-16 was released last on Oct 21, 2016 and report for year 2016-17 is under compilation and will be published soon. The report covers various facets of public debt including overall debt position of the country, assessment on aspects of debt sustainability, debt management strategy covering various risks, etc. This publication brings all components of public debt under the Debt Management Strategy, thus widening its scope.

2.12 Hindi Branch

2.12.1 The Hindi Branch is entrusted with the job of translating the official documents as envisaged in the Official Languages Act, 1963 and the rules made thereunder. Accordingly, all Budget documents are presented to the Parliament in Hindi and English. Besides Budget documents and Economic Survey, Hindi Branch has also prepared Hindi versions of Supplementary Demands, Economic Classification Report, Reports on Public Statistics and Status Reports of External Debt, FRBM Quarterly Reports which were laid before the Parliament.

2.12.2 Apart from the aforemention documents, other official papers prepared by various divisions in the department, were also translated by the Hindi Branch during the year under report. These include, Cabinet Notes, agreements with Foreign Governments and International Agencies, Parliament Questions' Answers/ Assurances, Notifications, Standing Committee Papers, Action Taken Reports, Monthly Summary for the Cabinet, Official letters and External Assistance Report etc.

3. Financial Markets Division

3.1 Indian Market Performance

3.1.1 The NSE benchmark index NIFTY 50 gained 28.65% and BSE benchmark index Sensex gained 27.91 % since the start of calendar year 2017 till December 31, 2017. Since April 1, 2017 till December 31, 2017, Nifty 50 and Sensex gained 14.79% and 14.98 % respectively. Sensex was up by 16.88% while Nifty was higher by 18.55% for the previous financial year. During this period the Indian equity benchmark indices touched their lifetime closing highs in December 2017 (Sensex closed at 34056.83 on 29 December 2017 and Nifty touched its highest closing of 10531.5 on 26 December 2017).

3.1.2 Financial year 2017-18 was a year of positive growth for equity in world over and performance of Indian markets was better than average of other emerging markets as may be seen from the table below. Gains in Indian equity were comparable to that in US, Brazil and South Korea.

Performance of Major Markets in the World

Performance of Major Markets in the World					
Index	**Last Day of 2015-16 (31.03.2016)**	**Last Day of 2016-17 (31.03.2017)**	**Last Day of 2017-18 (31.12.2017)**	**Performance in FY 2016-17 (% change as on 31.03.2017 over last closing of FY 2015-16)**	**Performance in FY 2017-18 (% change as on 31.12.2017 over last closing of FY 2016-17)**
Indian Markets					
SENSEX, India	25341.86	29620.5	34056.83	16.88	14.98
NIFTY, India	7738.4	9173.75	10530.7	18.55	14.79
Emerging Markets					
SHANGHAI COMPOSITE, China	3003.915	3222.514	3307.17	7.28	2.63
Indice BOVESPA, Brazil	50055.27	64984.07	76402.00	29.82	17.57
KOSPI, South Korea	1995.85	2160.23	2467.49	8.24	14.22
TAIWAN TAIEX, Taiwan	8744.83	9811.52	10642.86	12.2	8.47
Developed Markets					
S&P 500, US	2059.74	2362.72	2673.61	14.71	13.16
DOW JONES, US	17685.09	20663.22	24719.22	16.84	19.63
DAX, Germany	9965.51	12312.87	12917.64	23.55	4.91
FTSE 100, UK	6174.9	7322.92	7687.77	18.59	4.98
CAC-40, France	4385.06	5122.51	5312.56	16.82	3.71
NIKKEI 225, Japan	16758.67	18909.26	22764.94	12.83	20.39
HANG SENG, Hong Kong	20776.7	24111.59	29919.15	16.05	24.09
Straits Times, Singapore	2840.9	3175.11	3402.92	11.76	7.17

3.1.3 The markets were on upward trend since the beginning of the calendar year. One of the impacts of demonetization was the inflow of money into the domestic markets which witnessed uptrend movement, in spite of FPIs being net sellers. The referring of cases under the Insolvency and Bankruptcy Code to the NCLT, the recapitalization of public sector banks, and the announcement of the plan for further consolidation among the public sector banks boosted the sentiments in the market.

3.1.4 India improved its ranking significantly to 100 in 2018 from130 in 2017as per World Bank's Doing Business Report for these two years. The RBI eased the policy rates, after the inflationary pressures were brought under control and has kept it on hold despite some uptick in inflation. There was acceleration in the industrial activity and the manufacturing sector grew on the back of improved demand and restocking post goods and services tax (GST) implementation. At the same time, the growth of real gross value added (GVA) accelerated sequentially in Q2 of 2017-18 to 6.1%, after five consecutive quarters of deceleration.

Net FPI/FII Investment in India in 2011-2012 to 2016-17

Financial Year	INR crores		
	Equity	Debt	Total
2011-12	43738	49988	93726
2012-13	140033	28334	168367
2013-14	79709	-28060	51649
2014-15	111333	166127	277461
2015-16	-14172	-4004	-18176
2016-17	55703	-7292	48411
2017-18 *	11621	119812	131421
** upto31-Dec-2017			

Source : NSDL

3.1.5 Primary Market (Equity and Public Debt Issues)

3.1.5.1 During 2017-18 (April-December), resource mobilization from the Primary Market increased as compared to the corresponding period in the last financial year. During the year 2017-2018 (April-December), the Primary Market witnessed a total of 152 issues that mobilized `72,558 crores as compared to `49,705 crores raised through 85 issues during the corresponding period of FY 2016-17. During 2017-18 (April-December), there were 138 Public issues which raised `68, 037crore and 14 Rights issues which raised `4,521 crores.

Mobilisation of Funds from Primary Market

Particulars	2016-17$		2017-18$	
	No. of Issues	Amount (Rs crore)	No. of Issues	Amount (Rs crore)
1	2	3	4	5
a. Public Issues	80	48,407	138	68,037
(i) Debt	10	23,893	4	3,896
(ii) Equity, of which				
IPOs	70	24,515	133	64,128
FPOs	0	0	1	13
b. Rights Issues	5	1,298	14	4,521
Total Equity Issues a(ii)+b	75	25,812	148	68,662
Grand Total (a+b)	***85***	***49,705***	***152***	***72,558***

Source : SEBI

Notes:

1. IPOs - Initial Public Offers, FPOs - Follow on Public Offers
2. The primary market resource mobilization is inclusive of the amount raised on the SME platform.
3. $ indicates April-December of the respective financial year.

3.2 Primary Markets

3.2.1 Policy Development during the year 2017-18

3.2.1.1 Relaxations for debt restructuring in distressed companies implemented in accordance with the guidelines of Reserve Bank of India and insolvency resolution under the Insolvency and Bankruptcy Code, 2016

3.2.1.1.1 In respect of debt restructuring and insolvency resolution in distressed companies which are listed on stock exchange(s), certain exemptions have been granted by way of amendments notified to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR') and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('SAST') which have been notified on August 14, 2017.

3.2.1.1.1 Additionally, resolution plans approved by NCLT under Section 31 of the Insolvency and Bankruptcy Code, 2016 have also been exempted from the preferential issue requirements (subject to lock-in conditions) stipulated under ICDR and the open offer obligations stipulated under SAST.

3.2.1.2. Inclusion of RBI registered systemically important NBFCs in the category of QIBs

3.2.1.2.1 Systemically important NBFCs which are registered with RBI and having a net worth of more than Rs.500 crore have been included in the category of Qualified Institutional Buyers (QIBs). As NBFCs are well regulated entities, classifying such NBFCs under the definition of QIBs will give Issuers access to a larger pool of funds. Accordingly, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 were suitably amended on May 31, 2017.

3.2.1.3 Exemption under SEBI (ICDR) Regulations, 2009, relating to preferential allotments, extended to Scheduled Banks and Financial Institutions

3.2.1.3.1 SEBI (Issue of Capital and Disclosure

Requirements) Regulations, 2009 [SEBI (ICDR) Regulations, 2009] prohibit the issuer from making preferential issue to any person who has sold any equity shares of the issuer during the six months preceding the relevant date. It also provides that the entire pre-preferential allotment shareholding of the allottees, if any, shall be locked-in from the relevant date up to a period of six months from the date of trading approval. Mutual Funds and Insurance Companies were, however, exempted from both the aforesaid requirements.

3.2.1.3.2 The Board considered and approved the proposal for extending such relaxation to the Scheduled Banks and Public Financial Institutions as is already being extended to Mutual Funds and Insurance Companies. Accordingly, SEBI (ICDR) Regulations, 2009 were suitably amended on May 31, 2017.

3.2.1.4 Strengthening the Monitoring of Utilization of Issue Proceeds

3.2.1.4.1 SEBI (ICDR) Regulations, 2009, required mandatory appointment of 'Monitoring Agency' if the issue size of specified securities exceeds Rs. 100 Cr. The purpose for the same was to ensure adequate supervision of the utilization of the funds raised.

3.2.1.4.2 SEBI Board considered and approved certain proposals to further strengthen the monitoring of issue proceeds raised in IPOs/FPOs/Rights Issues. Key proposals approved by Board are as under:

a) Mandatory appointment of Monitoring Agency where the issue size (excluding offer for sale component) is more than Rs. 100 crore.
b) Frequency of submission of Monitoring Agency Report has been enhanced from half-yearly to quarterly.
c) Introduction of maximum timeline of 45 days for submission of Monitoring Agency Report from the end of quarter in conjunction with the submission of the quarterly results.
d) Mandating the disclosure of the Monitoring Agency Report on Company's website in addition to submitting it to Stock Exchange(s) for wider dissemination.
e) Introduction of new requirement, i.e., comments of Board of Directors and Management on the findings of Monitoring Agency.

3.2.1.5 Extension of Lock-in relaxation to Category II Alternative Investment Funds (AIFs)

3.2.1.5.1 The exemption available to venture capital fund or alternative investment fund of Category I or foreign venture capital investor in respect of lock-in in an IPO has also been extended to Category II AIFs in order to bring about uniformity, ease of doing business and expand the investor base available for capital raising. Accordingly, SEBI (ICDR) Regulations, 2009 were suitably amended on July 31, 2017.

3.2.1.6 Committee on Corporate Governance under the Chairmanship of Shri Uday Kotak

3.2.1.6.1 SEBI formed a committee on corporate governance in June 2017 under the chairmanship of Mr. Uday Kotak with a view to enhancing the standards of corporate governance of listed entities in India. The committee consisted of officials from the government, industry, professional bodies, stock exchanges, academicians, lawyers, proxy advisors, etc.

3.2.1.6.2 The terms of reference of the committee were to make recommendations to SEBI on the issues of ensuring independence in spirit of Independent Directors and their active participation in functioning of the company; improving safeguards and disclosures pertaining to Related Party Transactions; issues in accounting and auditing practices by listed companies; improving effectiveness of Board Evaluation practices; addressing issues faced by investors on voting and participation in general meetings; disclosure and transparency related issues, if any; any other matter, as the Committee deems fit pertaining to corporate governance in India. The committee submitted its report to SEBI on October 5, 2017.

3.2.1.7 H. R. Khan Committee Recommendations

3.2.1.7.1 The Financial Stability and Development Council sub-committee constituted a working group under the former Reserve Bank of India (RBI) Deputy Governor Sh. H.R. Khan with representation from the government and other regulators to study and suggest ways to strengthen corporate Bond market in India.

3.2.1.7.2. In order to strengthen the corporate Bond market in India, till date, the government & regulators have implemented most of the recommendations of the working group headed Sh. H.R. Khan on Development of corporate bonds market in India. These include:

a) Standardization of corporate bond issuance ,
b) Allowing investment by FPIs in unlisted debt securities and pass through securities issued by securitizations SPVs /special purpose distinct entity (SPDE),
c) Making mandatory issuance of private placement of debt securities worth Rs 500 crore or more through electronic book mechanism,
d) Implementing trade repository for corporate bond,
e) Permitting market makers to undertake repo / reverse repo contracts in corporate debt securities,

f) Allowing investment in BaselIII compliant perpetual bonds&in “additional tier 1 (BaselIII compliant) perpetual bonds”,

g) Credit enhancements of bonds by increasing the aggregate exposure limit from the banking system to 50% of the bond issue size,

h) Put in place framework for market making in corporate bonds,

i) Launch of corporate bond index,

j) Reviewing the penalty structure in place for default in delivery of debt securities/funds for trades subject to CCP clearing by the clearing houses of the stock exchanges,

k) Providing provisions pertaining to consolidation and re-issuance and ISIN restriction on debt securities,

l) Reduction of capital requirement for banks on account of Partial Credit Enhancement (PCE), revamping Bankruptcy Act and SARFAESI Act to strengthen the investor protection laws in the country, etc.

3.2.1.8 SEBI, vide its circular dated May 26, 2017 had issued guidelines on “Listing of Non-Convertible Redeemable Preference Shares (NCRPS) / Non-Convertible Debentures (NCDs) through a Scheme of Arrangement”. The said Circular, inter-alia, provides for Eligibility criteria, Tenure/ Maturity, requirement of Credit rating & Valuation Report, Disclosure requirements etc. before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT). The Circular also lays down additional conditions to be complied after the Scheme is sanctioned by the Hon’ble High Court / NCLT and at the time of making application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

3.2.1.9 SEBI, vide its circular dated May 30, 2017 had issued guidelines on “Disclosure requirements for issuance and listing of green debt securities”. The said circular, inter-alia, lays down criteria for the debt securities to be classified as “Green” or “Green debt securities”, disclosure requirements as well as continuous disclosure requirements for green bonds and the responsibility of the issuer of green debt securities.

3.2.1.10 SEBI, vide its circular dated June 19, 2017 had laid down guidelines for continuous disclosures and compliances to be made by the issuers under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

3.2.1.11 SEBI vide its circular dated June 30, 2017 had issued guidelines on Specifications related to International Securities Identification Number (ISINs) for debt securities issued under the SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

3.3 Reforms in Mutual Funds Industry

3.3.1 Disclosure of Executive Remuneration:

3.3.1.1 SEBI vide circular dated April 28, 2017 had given guidelines with regard to disclosure of executive remuneration in mutual funds with the underlying objective to promote transparency in remuneration policies so that executive remuneration is aligned with the interest of investors.

3.3.2 Instant Access Facility (IAF) in Mutual Funds:

3.3.2.1 IAF facilitates credit of redemption proceeds in the bank account of the investor on the same day of redemption request. In order to further enhance the reach of Mutual Funds (MFs) towards the retail investors, SEBI has prescribed the guidelines vide SEBI circular dated May 8, 2017 that IAF can be offered through online mechanism and only for resident individual investors.

3.3.3 Use of e-wallet for investment in MFs:

3.3.3.1 SEBI vide its circular dated May 8, 2017, with an objective to promote digitalization, decided that MFs/ AMCs can accept investment by an investor through e-wallets (Prepaid Payment Instruments (PPIs)) subject to certain conditions like redemption proceeds should be made only to the bank account of the investor/ unit holder as required under SEBI Circular dated September 30, 2002.

a) MFs/ AMCs to ensure that total subscription through e-wallets for an investor is restricted to INR 50,000/- per MF per financial year;

b) The limit of INR 50,000/- would be an umbrella limit for investments by an investor through both e-wallet and/or cash, per MF per financial year;

c) MFs/ AMCs to ensure that e-wallet issuers should not offer any incentives such as cashback, vouchers, etc., directly or indirectly for investing in MF schemes;

d) MFs/ AMCs to ensure that only amounts loaded into e-wallet through cash or debit card or net banking, can be used for subscription to MF schemes and amount loaded into e-wallet through credit card, cash back, promotional scheme etc. should not be allowed for subscription to MF schemes.

3.3.4 Review of norms for participation in derivatives by Mutual Funds:

3.3.4.1 To reduce interest rate risk in a debt portfolio, SEBI vide circular dated September 27, 2017, allowed mutual to hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs), up to a maximum of 20% of the net assets of the scheme, subject to certain conditions:

a) Like hedging should be based on the weighted average modified duration of the bond portfolio or part of the portfolio (including one or more securities);

b) The correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is at least 0.9 at the time of initiation of hedge.

c) In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure limit in terms of Para 3 of SEBI circular dated August 18, 2010.

3.3.5 Categorization and Rationalization of Mutual Fund Schemes:

3.3.5.1 In order to clearly distinguish mutual fund schemes, to bring uniformity in the characteristics of similar type of schemes launched by different Mutual Funds and to ensure that an investor in mutual fund schemes is able to evaluate different available options, SEBI vide circular dated October 6, 2017, inter alia, has laid down the following:

a) **Categories of Schemes:** Schemes have been classified into five categories, namely, Equity Schemes, Debt Schemes, Hybrid Schemes, Solution Oriented Schemes and Other Schemes. Equity Schemes have been further classified into 10 categories, debt schemes into 16 categories, hybrid schemes into 6 categories, Solution oriented schemes into 2 categories and other schemes into 2 categories.

b) **Type of scheme:** The type of scheme has been laid down vide the aforesaid circular to bring in clarity with respect to the objective/ investment strategy of the scheme.

c) **Definition of Large Cap, Mid Cap and Small Cap:** In order to ensure uniformity in respect of the investment universe for equity schemes, the definition of large cap, mid cap and small cap have been laid down, which have to be followed by all mutual funds uniformly. The list of stocks falling in the large cap, mid cap and small cap universe would be prepared by AMFI and the same would be updated every six months.SEBI has also laid down the process to be followed for categorization and rationalization of schemes.

3.3.6 On-line registration of financial market intermediaries:

3.3.6.1 Subsequent to the Budget announcement 2017-18, the process of registration of financial market intermediaries like mutual funds, brokers, portfolio managers, etc has being made fully online by SEBI. Online facility has been operationalized for Stock Brokers, Sub-brokers, Depository Participants, Mutual Funds, Merchant Bankers, Underwriters, Registrar to an Issue and Share Transfer Agents, Debenture Trustees, Bankers to an Issue, Credit Rating Agencies, Investment Advisors, Research Analysts, Portfolio Managers, Venture Capital Funds, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), Alternate Investment Funds (AIFs), Collective Investment Schemes (CIS) etc.

3.4 Major reforms in the Secondary Markets

3.4.1 Strengthening of framework for prevention of unauthorized trading by stock brokers

3.4.1.1 To strengthen regulatory provisions against un-authorized trades and also to harmonise the requirements across markets, SEBI in September 2017, in consultation with Government of India, has decided that all brokers shall execute trades of clients only after keeping evidence of the client placing such order that could be, inter alia, in the form of physical record written and signed by client, telephone recording, email from authorized email id, log for internet transactions, record of SMS messages, or any other legally verifiable record. When dispute arises, the burden of proof will be on the broker to produce the above records for the disputed trades.

3.4.2 Comprehensive Review of Margin Trading Facility

3.4.2.1 SEBI issued on June 13, 2017, comprehensive framework on margin trading facility (MTF) including disclosure norms and eligibility requirements for brokers to provide it to clients. Margin Trading (trading with borrowed funds/securities) is fundamentally a leveraging mechanism which enables investors to take exposure in the market over and above what is possible with their own resources.

3.4.3 Nation-Wide awareness Campaign For SMEs

3.4.3.1 SEBI, in coordination with SIDBI and Stock Exchanges, initiated awareness programs to interact with SMEs from different clusters and familiarize them with the various products that are being offered by the stock exchanges for the benefits of SMEs and showcase the initiatives of SIDBI for the SME sector. During the FY 2017-18 (till September 30, 2017), SME meets were held at Raipur, Jaipur, Aurangabad and Mysore.

3.4.4 Cyber Security and Cyber Resilience framework of Stock Exchanges, Clearing Corporation and Depositories

3.4.4.1 SEBI laid down a detailed framework with regard to cyber security and cyber resilience that Stock Exchanges, Clearing Corporation and Depositories are required to adopt. During FY 2017-18, with regard to cyber security, SEBI issued advisories to MIIs, based on then extant threats such as (a) WannaCry (b) Petya and (c) Locky and based on inputs received from other agencies like National Cyber Security Coordinator (NSCS). Additionally, MIIs were advised to prepare / envisage their Cyber Threat Vectors and Cyber-attack scenarios and also take corrective actions to plug the vulnerabilities.

3.4.5 Outsourcing of activities by Stock Exchanges and Clearing Corporations

3.4.5.1 SEBI mandated that the Core and critical activities of stock exchanges and clearing corporations shall not be outsourced. However, stock exchanges and clearing corporations may outsource activities to associate or group companies / entities of the exchange, provided there is a clear demarcation of activities with clear arms-length relationship.

3.4.6 Acceptance of Central Government Securities by Clearing Corporations towards Core Settlement Guarantee Fund (SGF) Contribution by Clearing Members

3.4.6.1 SEBI, vide Circular dated April 26, 2017, SEBI advised clearing members to bring their contribution towards Core Settlement Guarantee Fund, in the form of Central Government Securities, in addition to Cash and Bank Fixed Deposits as specified earlier.

3.5 Developments in Commodity Derivatives Markets

3.5.1 The current year 2017-18 has been particularly significant from the viewpoint of reforms in Commodity Derivatives Markets. Post the merger of regulatory functions of erstwhile Forward Markets commission (FMC) with Securities and Exchange Board of India in September 2015, the reform process has been accelerated to align the hedging environment in Indian Commodity Derivatives Markets with international standards.

3.5.2 Integration of commodities and securities derivative markets by integrating the participants, brokers, and operational frameworks.

3.5.2.1 As announced in Union budget 2017-18, 'Integration of broking activities in Equity Markets and Commodity Derivatives Markets under single entity' has been achieved. Necessary amendments to Securities Contracts (Regulation) Rules, 1957(SCRR) and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 have been carried out.

3.5.2.2 This integration will achieve dual benefit of leveraging the widespread network of intermediaries in equity markets to commodity derivatives and also, of economizing on the regulatory capital requirements.

3.5.3 Introduction of Options in Commodity Derivatives Market

3.5.3.1 In his Union Budget Speech for the year 2016-17, the Hon'ble Finance Minister had announced that "new derivatives products will be developed by SEBI in the Commodity Derivatives Market". Introduction of new commodity derivatives products has been a subject of deliberation at various forums as it is considered to be conducive for the overall development of the commodity derivatives market, for attracting broad based participation, enhancing liquidity, facilitating hedging and bringing in more depth to the commodity derivatives market.

3.5.3.2 Based upon the recommendations of Commodity Derivatives Advisory Committee (CDAC), Options of Commodity Futures have been introduced in India. On October 17, 2017 Multi Commodity Exchange of India Ltd. (MCX) launched country's first commodity Options on Gold Futures on its platform.Going ahead, Options in Agricultural commodities are expected to offer farmers, alternate insurance instruments to manage price risk in agricultural markets.

3.5.4 Permitting Category III Alternative Investment Funds (AIFs) in the commodity derivatives market

3.5.4.1 The Indian Commodity derivatives market, at present, is running sans any institutional participation thereby lacking in the desired liquidity and depth which is one of the key elements for ensuring the efficient price discovery and price risk management.

3.5.4.2 In this regard, SEBI has taken the initiative of allowing participation of Category III Alternative Investment Funds (AIFs) in the commodity derivatives market, which marks the beginning of institutional participation in the commodity derivatives market. Category III AIFs are privately pooled investment vehicle which invest their corpus as per predefined investment policy which includes leveraged instruments like derivatives.

3.5.5 Participation of Foreign Portfolio Investors (FPIs) in Commodity Derivatives in IFSC:

3.5.5.1 In order to develop the International Financial Services Centre in GIFT City at par with global IFSCs based in London, Singapore etc., Foreign Portfolio Investors (FPIs) have been allowed to participate in commodity derivatives contracts in GIFT – IFSC in September 2017. As a graduated move, FPIs to begin with, would be allowed to participate in derivatives contracts in non-agricultural commodities, which would be cash settled on the settlement price determined on overseas exchanges with transactions denominated in foreign currency.

3.5.6 Banks permitted to offer intermediary and clearing services in Commodity Derivatives Market

3.5.6.1 Following the Reserve Bank of India's (RBI) decision, commercial banks in India are now allowed to offer professional clearing services to recognised Commodity Derivatives Exchanges, extending their current reach limited to Equity Markets. Further, banks have also been allowed to offer broking/intermediation services in Commodity Derivative Market via subsidiaries. This will further expand the reach of commodity derivatives to interiors of the country, especially making hedging instruments accessible to farmers, traders etc.

3.5.6.2 Above regulatory and operational reforms in commodity derivatives markets highlight progressive transformation of financial markets, dedicated to addressing the hedging-related needs of real economy in a prudent and responsive manner.

3.7 Merger of FMC with SEBI

3.7.1 After the merger of functioning of erstwhile Forward Markets Commission, Mumbai with Securities and Exchange Board of India, Mumbai w.e.f. 29.09.2015, an FMC Cell was created as a stop gap arrangement for a period of six months w.e.f. 29.09.2015, or till all the regular 41 employees of the Cell rendered surplus as a result of merger are adjusted elsewhere, or till further orders, whichever is the earliest. The tenure of the Cell has so far been extended four times and the latest extension is upto 28.03.2018.

3.8 Major Developments in External Markets

3.8.1 Revisions under Combined Corporate Debt Limit Scheme

3.8.1.1 On a review, and to further harmonize norms for Masala Bonds issuance with the External Commercial Borrowings (ECB) guidelines, it has been decided that with effect from October 3, 2017, Masala Bonds will no longer form a part of the limit for Foreign Portfolio Investor (FPI) investments in corporate bonds under Combined Corporate Debt Limit (CCDL) Scheme. They will form a part of the ECBs and will be monitored accordingly. Accordingly, an additional amount of Rs. 44,001 crore arising from shifting of Masala Bonds will be released for FPI investment in corporate bonds over the next two quarters of FY 2017-18. An amount of Rs. 9,500 crore in each quarter will be made available only for investment in infrastructure sector by long term FPIs.

3.8.2 Simplified Hedging Facility

3.8.2.1 A Simplified Hedging Facility for any Over-the-Counter Derivative Contract and Exchange Traded Derivative Contract permissible under Foreign Exchange Management Act (FEMA, 1999) has been introduced by easing the restrictions in terms of purpose, products and rebooking of contracts, while not compromising on the basic requirements of FEMA. The facility is targeted towards smaller entities with foreign exchange exposures who find it difficult to meet the process or documentation requirements at banks and therefore keep their exposure unhedged and to promote a more dynamic and efficient hedging culture.

Rating Agency	Date of affirmation of ratings	Foreign Currency		Local Currency	
		Ratings	Outlook	Ratings	Outlook
Moody's	16.11.2017	Baa2 Revised from Baa3	Stable	Baa2 Revised from Baa3	Stable
Fitch	02.05.2017	BBB- (LT) F3 (ST)	Stable	BBB-	Stable
S&P	24.11.2017	BBB- (LT) A-3 (ST)	Stable	BBB- A-3	Stable
JCRA	16.10.2017	BBB+	Stable	BBB+	Stable
R&I	15.09.2017	BBB (LT) A-2 (ST)	Stable	No ratings were given for local currency	

3.9 International Cooperation Division

3.9.1 Sovereign Credit Rating-

3.9.1.1 The following five international Sovereign Credit Rating Agencies (SCRAs) do Sovereign Credit Rating for India:

- Standard and Poor's (S&P)
- Moody's Investors Service
- Fitch Ratings
- Japanese Credit Rating Agency (JCRA)
- Rating and Investment Information, Japan(R&I)

3.9.1.2 These agencies usually visit DEA every year for conducting their annual sovereign credit rating review wherein a meeting takes place. Indian side is usually headed by Secretary-DEA/CEA ansd attended by senior officers of various Departments/ Divisions to answer queries of the agency. The latest sovereign ratings issued by these agencies are given below:

3.9.1.3 Moody's Investors Service ("Moody's") has upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive. India's rating has been upgraded after a period of 13 years. India's sovereign credit rating was last upgraded in January 2004 to Baa3 (from Ba1).

3.10 Securities Appellate Tribunal (SAT)

3.10.1 Securities Appellate Tribunal (SAT) is established under Section 15K of the Securities and Exchange Board of India Act, 1992, to exercise the jurisdiction, powers and authority conferred on the Tribunal under the SEBI Act, 1992, PFRDA Act, 2013, Insurance Act, 1938 and other law for the time being in force.

3.10.2 SAT comprises of one Presiding Officer who is a sitting/retired Judge of the Supreme Court or a sitting/ retired Chief Justice of a High Court; or a sitting or retired Judge of a High Court who has completed not less than 7 years of service as a Judge in a High Court and two Members who are persons of ability, integrity and standing and have shown capacity in dealing with problems relating to securities market and have qualification and experience of corporate law, securities law, finance, economics or accountancy. They are appointed by the Central Government for a term of five years and are eligible for re-appointment, subject to the age limit prescribed by Section 15N.

3.10.3 SAT is not bound by procedure laid down by Code of Civil Procedure but is guided by principles of natural justice and has powers to regulate its own procedure, including the places at which it shall have its sittings.

3.10.4 Appellant may appear in person or authorize chartered accountants, company secretaries, cost accountants and legal practitioners or any of its officers to present his or its case before the Securities Appellate Tribunal.

3.10.5 Civil Courts do not have jurisdiction to entertain any suit or proceeding in respect of any matter which SAT is empowered to determine and no injunction can be granted by any court or any other authority, in respect of any action taken or to be taken, in pursuance to any power conferred upon SAT under the SEBI Act. Any person aggrieved by any decision/order of SAT may file an appeal to Supreme Court. SAT is empowered to review its own decisions.

3.10.6 SAT started functioning in 1997 as a single member Tribunal and thereafter was reconstituted as three members Tribunal in 2003.

3.10.7 As on 31.12.2017, 286 appeals are pending before SAT and its duration wise breakup is as follows:

Month & Year	Appeals file under Act	Balance as on 1.1.2017	New Institution	Total Disposal	Total Appeals Pending	Less than 3 months	Over 3 months	Over 6 months	Over I year	Over2 years	Over5 years	SC Matters
Dec.	SEBI	272	51	45	278	84	36	62	59	0		
2017	IRDAI	08	0	0	08	0	03	03	00	02	0	

4. Financial Stability and Development Council

4.1 With a view to strengthening and institutionalizing the mechanism for maintaining financial stability,enhancing inter-regulatory coordination and promoting financial sector development, the Financial Stability and Development Council (FSDC) was set up by the Government as the apex level forum in December 2010. The Chairman of the Council is the Finance Minister. Its members include the heads of financial sector Regulators [Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Pension Fund Regulatory and Development Authority (PFRDA) & Insurance Regulatory and Development Authority of India (IRDAI)], Chairman, Insolvency and Bankruptcy Board of India (IBBI), Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, Secretary, Ministry of Corporate Affairs and the Chief Economic Adviser. Adviser (FS), DEA is the Secretary of the Council. Secretary, MCA and Chairman, IBBI have been added as members recently, vide Gazette notification dated 18.09.2017. The Council monitors macro prudential supervision of the economy, including functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues, including issues relating to financial literacy and financial inclusion.

4.2 During the year 2017, so far, the Council held three meetings on 5th January 2017, 22nd August 2017 and 29th December 2017. In the January meeting, besides discussing the budget proposals from the Regulators, issues relating to Non-Performing Assets of Indian Banking System, FinTech, Digital Innovations and Cyber Security and Financial Inclusion and Financial Literacy were discussed. In themeeting held in August, apart from assessment of macroeconomic financial stability related issues, issues relating to Financial Sector Assessment Programme (FSAP) 2017, setting up of Financial Data Management Centre (FDMC), setting up of Computer Emergency Response Team in the Financial Sector (CERT-Fin), Central KYC Registry (CKYCR) and Annual Report of FSDC were discussed. The latest meeting of FSDC on 29th December 2017 was held as pre-Budget 2018-19 consultations with the financial sector regulators. The Council has met 18 times so far.

4.3 The Financial Stability Division (erstwhile FSDC Secretariat) provides secretarial assistance to Financial Stability and Development Council (FSDC).Adviser, Financial Stability Division (FSD), Department of Economic Affairs,Ministry of Finance is the Secretary of the Council.

4.4 FSDC Sub-Committee (FSDC-SC)

4.4.1 The FSDC Sub-committee set up under the chairmanship of Governor, RBI, meets to broadly discuss issues related to Assessment of Financial Stability, Inter-regulatory Coordination, financial sector development and updates on the functioning of the various Technical Groups of the Sub Committee. Members of the FSDC are the members of the Sub-committee and in addition, Deputy Governors of RBI and Adviser (FSD), DEA are also members of the Sub Committee. Various activities of the Sub-committee are reported to the Council during the Council Meeting.

4.4.2 During 2017, so far, the Sub-committee held two meetings, i.e. on 17th April 2017 and 23rd November 2017 which reviewed the major developments on the global and domestic fronts that impinge on the financial stability of the country. The roadmap for National Centre for Financial Education (NCFE), orderly growth of pension sector in India,Macroprudentialpolicy framework for India, Framework for Identification of Systemically Important Financial Institutions, operationalization of Information Utilities registered by Insolvency and Bankruptcy Board of India (IBBI), implementation Status of Legal Entity Identifier, recommendations of committee on Household Finance, Fin-Tech and Digital Innovations–Opportunities, Challenges and Risks, Common Stewardship Code for Financial Sector in India etc. were the other topics discussed during the meeting. The meeting also reviewed the functioning of the State Level Co-Ordination Committees (SLCCs) in various States/ Union Territories, the activities of the various Technical Groups of the Subcommittee and the progress achieved on the decisions/ recommendations emanating from the earlier meetings of the Sub-Committee. The Sub-committee has met 20 times so far.

4.4.3 Under the aegis of the FSDC-SC, the following Technical Groups have also been set up:

(i) Inter Regulatory Technical Group (IRTG), which deals with inter regulatory issues concerning financial stability risks and has the representation from all the regulators, has met 22 times in total. The Technical Group for Financial Inclusion and Financial Literacy (TGFIFL) has been constituted to enhance the inter-regulatory co-ordination in the matters related to financial inclusion and literacy and the group has held 15 meetings so far. The Inter Regulatory Forum (IRF) for supervision of financial conglomerates has met 21 times so far. The Early Warning Group, constituted to facilitate coordination between regulators and the Ministryof Finance in order to monitor the early warning signals in the financial markets as also to initiate quick action in the event of crisis has met 9 times so far.

4.5 Financial Stability Board (FSB)

4.5.1 FSB is an international body that monitors and makes recommendations about global financial system that includes all G-20 major countries and Multilateral and Standard Setting Bodies. India is an active member of the Financial Stability Board (FSB) constituted under the aegis of G20. India has three seats in its Plenary represented by Secretary (EA), Deputy Governor-RBI and Chairman-SEBI. Regular interaction with FSB takes place through periodic conference calls and meetings. Information is exchanged with FSB member jurisdictions frequently as per international requirements and norms. The FSD in the Department of Economic Affairs coordinates with the various financial sector regulators and other relevant departments/agencies to represent India's views with the FSB. During 2017, FSB conducted 2 Plenary meetings, 2 SCSI (Standing Committee on Standards Implementation) meetings, 2 RCG (Regional Consultative Group) Asia meetings, 1 Cybersecurity Workshop, 6 SCSI telephonic conference call, 1 IMN (Implementation Monitoring Network) telephonic conference call which discussed varied issues like resolution regimes, shadow banking, compensation practices, OTC derivative market reforms, policy measures for systemically important financial institutions, banking supervision principles, country peer review & thematic peer review, implementation monitoring, compliance of standards, Fintech, resolution regime, vulnerability assessment etc.

4.5.2 The various reform areas of FSB are broadly classified under priority areas and other reform areas. India's position on few areas is as below.

4.5.3 As regards, Resolution framework FSB has been informed regarding the Insolvency and Bankruptcy Code, 2016 that has already been passed by Parliament in May 2016 and published in the Official Gazette on 28th May 2016. The Insolvency and Bankruptcy Board of India was established on October 1, 2016 in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016. Financial Resolution and Deposit Insurance (FRDI) Bill has already been tabled in Lok Sabha as on 10 August 2017 and currently under consideration of Parliament.

4.5.4 Regarding implementation status of Basel Committee on Banking Supervision guidelines, as per Reserve Bank of India, guidelines regarding countercyclical buffer is already in force from 5 February 2015. As per Reserve Bank of India the LCR (Liquidity Coverage Ratio) requirement became effective from January 1, 2015 for banks at 60%. As per the phase-in implementation plan of LCR, the minimum required LCR has become 90% from January 1, 2018. Additionally, as per draft guideline issued in May 2015 by RBI the NSFR (Net Stable Funding Ratio) is implemented at the minimum requirement of 100% from January 1, 2018 without any phase-in arrangement.

4.5.5 Safer Over the Counter (OTC) derivative market is a priority area as per FSB. The OTC derivatives permitted to be traded in India are interest rate swaps (IRS), forward rate agreements (FRA), forex forwards, currency options and swaps and credit default swaps (CDS). The Reserve Bank of India Act, 1934 empowers RBI to regulate OTC products such as interest rate derivatives, foreign currency derivatives and credit derivatives. In India Clearing Corporation of India Ltd. (CCIL) provides guaranteed clearing and settlement functions for transactions in Money, G-Secs, Foreign Exchange and Derivative markets in India that is the central clearing agency.

4.5.6 Another FSB priority area is addressing G-SIFI (Global-Systemically Important Finance Institutions). As regards, G-SIB (Global-Systemically Important Bank), there is no G-SIB in India. In an earlier FSDC Meeting the matter has been discussed. Any regulator declaring any SIFI should bring out the proposal before the FSDC-SC for deliberation especially on the cross-sectoral issues relating to financial stability. Such framework and guidelines may then be considered by FSDC for approval. As on 4 September 2017, RBI in addition to the SBI and ICICI Bank, which continue to be identified as Domestic Systemically Important Banks (D-SIBs) has also identified HDFC Bank as a D-SIB.

4.5.7 Regarding Financial Consumer Protection i.e. under FSB's other priority area, as per Budget Speech 2017-18, the Finance Minister, Government of India had stated that Cyber security is critical for safeguarding the integrity and stability of our financial sector and announced that a Computer Emergency Response Team for the Financial Sector (CERT-Fin) needs to be established. Accordingly, a Working Group was formed that submitted its report for comments/suggestions in June 2017. From time to time the agenda is discussed both in FSDC meetings and FSDC Sub-Committee meeting. Regular meetings with stakeholders are also convened to deliberate and proceed on the matter.

4.6 Financial Sector Assessment Programme (FSAP)

4.6.1 The Financial Sector Assessment Program (FSAP) is a quinquennial comprehensive and in-depth analysis of a country's financial sector and is jointly conducted by International Monetary Fund (IMF) and the World Bank (WB), latter being involved in developing countries and regions. In September 2010, IMF made it mandatory for 25 (now 29) systemically important jurisdictions, including India, to undergo financial stability assessments under the FSAP, every five years. Accordingly, India underwent its first FSAP exercise in 2011-12 and the report was published by IMF on 15th January 2013.

4.6.2 In accordance with regular cycle of mandatory FSAPs, the second FSAP exercise for India has now been successfully conducted, as committed in 2017. The Scoping Mission had visited India during December 2016 which discussed and finalised various topics for coverage during the assessment exercise. This was followed by two more IMF-WB Mission visits in March 2017 and June-July 2017, during which the Financial Stability Division (FSD), DEA facilitated over 400 meetings across various Ministries/Departments, and Government agencies, all financial sector regulators, public and private sector participants for detailed discussions covering wide areas of the Indian financial sector.

4.6.3 The quinquennial Financial Sector Assessment Program (FSAP) of India jointly conducted by IMF and World Bank (WB) was successfully completed in 2017 and the IMF and the WB have published the Financial System Stability Assessment Report (FSSA) (along with IMF Press Release, Supplement on Bank Recapitalization measures and Buff statement of IMFED India) and Financial Sector Assessment (FSA) report respectively on 21/12/2017 on their respective websites. Subsequently, a press release in this regard was also issued by DEA on the same date highlighting the major observations contained in these reports and the opinion of Indian jurisdiction on key matters.

4.6.4 The two Detailed Assessment Reports (DARs) on Observance of Basel Core Principles and Principles of Financial Market Infrastructures are scheduled to be published by IMF-WB in early Jan 2018.

4.7 Macro Financial Monitoring Group(MFMG)

4.7.1 The Macro Financial Monitoring Group was set up in 2012 under the Chairmanship of CEA to discuss any specific emergent issues, and meets regularly in DEA with representation from all the Departments of the Ministry of Finance. It aims at keeping track of the macroeconomic and financial developments, identifying vulnerabilities, and providing early warning signals.

4.7.2 The Group discusses the Macro Financial Monitors, which is essentially the information collated from various "anchor divisions" on important macroeconomic and financial variables. The FSD presents some highlights of global and domestic developments for the information of members. The Group has held 19 meetings so far.

4.8 Financial Data Management Centre(FDMC)

4.8.1 In the Budget Speech 2016-17 {Para 90(iii)}, the Finance Minister has announced setting up of Financial Data Management Centre (FDMC) under the aegis of the FSDC to facilitate integrated data aggregation and analysis in the financial sector. Subsequent to approval of Hon'ble FM for setting up of a Statutory FDMC, a Committee was set up under the chairmanship of the then AS (Inv), DEA to suggest a draft FDMC Bill which is placed in DEA website for public comments. Inter-ministerial consultation were held to explore feasibility of housing FDMC in existing institution such as IICA and NIFM. A consultation meeting with State Governments was also held to consider the involvement of state level regulators in FDMC. Based on the meetings held under the chairmanship of Secretary (EA) the proposed FDMC Bill is under revision after which the same will be processed further for finalization.

4.9 Computer Emergency Response Team for Financial Sector (CERT-Fin)

4.9.1 Department of Economic Affairs agenda on "Fintech, digital innovations and cyber security" was discussed in FSDC meeting held on 5th January 2017 wherein the Council recognized the need for a fully functional CERT in financial sector. Hon'ble FM in his Budget Speech for 2017-18 stated that Cyber security is critical for safeguarding the integrity and stability of our financial sector and announced that "a Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established. This entity will work in close coordination with all financial sector regulators and other stakeholders". A Working Group (WG) under the Chairmanship of Director General, Indian Computer Emergency Response Team (ICERT), Ministry of Electronics & Information Technology (MeitY) with representation from all financial sector regulators, various Departments / organisations including D/o Economic Affairs, D/o Financial Services, MeitY, has been constituted in March 2017, to study and strengthen the cyber security framework through setting up of a computer emergency response team in the financial sector (CERT-Fin). The Working Group submitted its Report and presentation on the report/ recommendation of Working Group on CERT-Fin was held before Hon'ble Finance Minister after which the report was placed in the department's website for public comments. For expansion of the scope of CERT-Fin on which, consultations with various Central agencies are going on. Before finalization of the Government proposal, consultation workshop is also proposed.

5. Financial Sector Reforms and Legislation Division

5.1 Introduction

5.1.1 The Financial Sector Legislative Reforms Commission (FSLRC), set up on 24thMarch, 2011 for re-writing the financial sector laws to bring them in harmony with the current requirements, submitted its Report to the Government on 22nd March, 2013. The Report is in two parts: Volume I titled "Analysis and Recommendations" and Volume II titled "Draft Law" consisting of the draft Indian Financial Code (IFC). The Commission, *inter alia,* recommended a non-sectoral, principle-based legislative architecture for the financial sector, by restructuring existing regulatory agencies and creating new agencies, wherever needed, for better governance and accountability.

5.1.2 A new Division, namely, FSLRC Cell was created in the year 2013 to process the implementation of the FSLRC Report with the following mandate:

a. To firm up the views of the Government on the recommendations of the FSLRC following due consultative process with all the concerned stakeholders, Regulators/Ministries/State Governments/Union Territories and public at large;

b. To implement the recommendations of the FSLRC, duly approved by the Government; and

c. To deal with administrative and establishment matters relating to FSLRC.

5.1.3 On 26th September, 2017, it was decided to rename the FSLRC Division as Financial Sector Reforms and Legislation (FSRL) Division with (i) Legislative Reforms and (ii) Other Financial Sector Reforms Sub-Divisions.

5.2 Financial Sector Legislative Reforms Commission- Main recommendations

5.2.1 The Report of FSLRC was placed in the public domain on 28th March, 2013. The same was examined and discussed in various meetings of the Financial Stability and Development Council (FSDC) chaired by the Finance Minister. The recommendations of the FSLRC can broadly be divided into two parts - Legislative and Non-Legislative. The legislative aspects of the recommendations relate to revamping the legislative framework of the financial sector regulatory architecture by a non-sectoral, principle-based approach and by restructuring existing regulatory agencies and creating new agencies wherever needed.

5.3 Recommendations on the Financial Regulatory Architecture

5.3.1 The Commission has recommended a seven agency regulatory architecture namely, Reserve Bank of India, Unified Financial Agency, Financial Sector Appellate Tribunal, Resolution Corporation, Financial Redress Agency, Public Debt Management Agency and Financial Stability and Development Council in the draft law- Indian Financial Code to replace a number of existing laws. The non-legislative aspects of the FSLRC recommendations are broadly of the nature of governance enhancing principles for stronger consumer protection and greater transparency in the functioning of financial sector regulators. It features following set of changes, which renders it implementable:

(i) The RBI will continue to exist, although with modified functions;

(ii) The existing SEBI, FMC, IRDA, and PFRDA will be merged into a new UFA;

(iii) The existing SAT will be subsumed into the FSAT;

(iv) The existing DICGC will be subsumed into the Resolution Corporation;

(v) A new FRA will be created;

(vi) A new PDMA will be created; and

(vii) The existing FSDC will become a full-fledged statutory agency, with modified functions.

5.4 Implementation Status of the recommendations of the FSLRC

5.4.1 The status and next steps on the implementation of the recommendations of the FSLRC are as follows:-

(i) As agreed to in the meetings of FSDC, financial sector regulatory agencies have been implementing the governance enhancing non-legislative recommendations of the FSLRC on a voluntary basis.

(ii) A Financial Sector Regulatory Appointment Search Committee (FSRASC) has been created for recommending names of suitable persons for appointment to board level positions of financial sector regulatory bodies with the approval of the ACC on 24thNovember, 2015. The FSRASC has been reconstituted on 9th June, 2017. This would bring about uniformity in the selection of board members of financial sector regulators, which was one of the recommendations of the FSLRC on the broad structure of such regulators.

(iii) As regards the establishment of a unified financial agency for the organised trading, by way of an incremental reform effort, the Forward Markets Commission (FMC) has been merged with the Securities and Exchange Board of India (SEBI) with effect from 28thSeptember, 2015 to achieve the convergence of regulations of the securities market and the commodity derivatives markets. FMC stands abolished and the Forward Contracts (Regulation) Act, 1952 has been repealed. However, there is no consensus on merging the existing financial sector regulators into a single Unified Financial Agency.

(iv) The Task Forces for transforming the existing Securities Appellate Tribunal (SAT) into the Financial Sector Appellate Tribunal (FSAT) and for establishing new agencies namely, Resolution Corporation (RC), Public Debt Management Agency (PDMA) and Financial Data Management Centre (FDMC) were set up on 30th September, 2014. These Task Forces submitted their reports during June 2015. Another Task Force for creating a sector-neutral Financial Redress Agency (FRA) that was set up on 5th June, 2015 as announced in the Budget Speech 2015-16 submitted its Report on 30th June, 2016. Its Report is under examination.

(v) Apart from inviting comments on the FSLRC Report and the Draft IFC, the Department of Economic Affairs in collaboration with the Institute of Company Secretaries of India (ICSI) organised a number of workshops and seminars on specific areas of the IFC for building consensus on the Draft. Work on fine tuning the Draft IFC with comments of stakeholders suitably incorporated to make it legally flawless was initiated and the Draft IFC was revised in the light of the comments received and hosted on the website of the Ministry of Finance on 23rd July, 2015, inviting comments of stakeholders by 8thAugust 2015. Moving the Indian Financial Code (IFC) recommended by the FSLRC in totality, after due consideration, is likely to take time. Key aspects of the IFC being fast-tracked are as follows:-

(a) Financial Sector Appellate Tribunal

The Securities and Exchange Board of India Act, 1992 has been amended through the Finance Act 2017, for upgrading / enhancing the capacity of the Securities Appellate Tribunal (SAT) to hear appeals relating to the Insurance and Pension sectors also and for providing for multiple benches. This would facilitate in moving towards a Financial Sector Appellate Tribunal, which was recommended to be the Appellate Tribunal for the entire financial sector.

(b) Establishment of a comprehensive resolution framework for the financial sector

An announcement was made in the Budget Speech of 2016-17 to frame a comprehensive Code on Resolution of Financial Firms and introduce it as a Bill in the Parliament during 2016-17. The Financial Resolution and Deposit Insurance Bill, 2017 (the Bill) was introduced in the Lok Sabha on 10th August 2017 and referred to a Joint Committee of Parliament for making a Report to the Parliament by the last day of the first week of the following Session. The time for submission of the Report to the Parliament by the JPC was subsequently extended upto the last day of the Budget Session, 2018. The enactment of the Bill will establish and empower the Resolution Corporation to contribute to the stability and resilience of the financial system by carrying out speedy and efficient resolution of financial firms in distress, providing deposit insurance to consumers of certain categories of financial services, monitoring the Systemically Important Financial Institutions and protecting the consumers of financial institutions and public funds to the extent possible.

(c) Establishment of an independent Financial Data Management Centre:

A centralised data centre named as Financial Data Management Centre (FDMC) is proposed to be set up under the aegis of the Financial Stability and Development Council (FSDC) which is to be used for the analysis of financial stability and related issues.

(d) Establishment of an independent Public Debt Management Agency

An independent Public Debt Management Agency (PDMA) is proposed to be set up for managing Government's debt and cash balance, etc. To this effect, the Government set up a Public Debt Management Cell (PDMC) on 4th October, 2016, as an interim arrangement before setting up of an independent and statutory debt management Agency namely, Public Debt Management Agency (PDMA) of India, in due course. This interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions. PDMC will have only advisory functions to avoid any conflict with the statutory functions of Reserve Bank of India (RBI).

(e) Institutionalised and Statutory Monetary Policy Framework:

e.i FSLRC has recommended establishment of a statutory and an institutionalised framework to conduct monetary policy, including the creation of a Monetary Policy Committee that would determine the policy interest rate. The Reserve Bank of India Act, 1934 (RBI Act) has accordingly been amended by the Finance Act, 2016, to provide for a statutory and an institutionalised framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth. The Monetary Policy Committee would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. A Committee-based approach for determining the Monetary Policy will add value and transparency to monetary policy decisions. The meetings of the Monetary Policy Committee shall be held at least 4 times a year and it shall publish its decisions after each such meeting.

e.ii. Provisions of the RBI Act relating to the chapter on Monetary Policy have been brought into force through a Notification in the Gazette of India Extraordinary on 27thJune, 2016. The Rules governing the Procedure for Selection of Members of Monetary Policy Committee and Terms and Conditions of their Appointment and factors constituting failure to meet inflation target under the MPC Framework have also been notified in the Gazette of India, Extraordinary on 27th June, 2016. The Government, in consultation with the RBI, has notified the inflation target in the Gazette of India Extraordinary dated 5th August, 2016, for the five years ending on the 31st March, 2021, as under:

Inflation Target : Four per cent.
Upper tolerance level : Six per cent.
Lower tolerance level : Two per cent.

e.iii. As per the provision of section 45ZB of the RBI Act, 1934, out of the six Members of Monetary Policy Committee, three Members will be from the RBI and the other three Members of Monetary Policy Committee will be appointed by the Central Government. The composition of the Monetary Policy Committee of the Reserve Bank of India constituted and notified in the Gazette of India Extraordinary dated 29th September, 2016 is as follows:

(a) Governor of the Bank—Chairperson, ex officio;

(b) Deputy Governor of the Bank, in charge of Monetary Policy—Member, ex officio;

(c) One officer of the Bank to be nominated by the Central Board—Member, ex officio;

(d) Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI) —Member

(e) Professor Pami Dua, Director, Delhi School of Economics (DSE) — Member

(f) Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management (IIM), Ahmedabad — Member

Ahmedabad — Member

e.iv. The Members of the Monetary Policy Committee referred to in sub paragraphs (d) to (f) above would hold office for a period of four years or until further orders, whichever is earlier. The Monetary Policy Committee is now functional.

e.v. The Reserve Bank of India Monetary Policy Committee and Monetary Policy Process Regulations were framed and notified on 14th July, 2017 for ensuring full operationalisation of the MPC. The Regulations were subsequently laid in the Lok Sabha on August 4, 2017 and Rajya Sabha on August 8, 2017.

5.5 Other Legislative Reforms

5.5.1 There have been instances of economic offenders fleeing the jurisdiction of Indian courts, before the commencement, or during the pendency, of criminal proceedings. The absence of such offenders from Indian courts has several deleterious consequences - firstly, it obstructs investigation in criminal cases; secondly, it wastes precious time of courts; and thirdly, it undermines the rule of law in India. Besides, several such cases of economic offences also involve non-repayment of bank loans thereby, worsening the financial health of the banking sector in India. The existing civil and criminal provisions in law are inadequate to deal with the severity of the problem.

5.5.2 In view of the above, an announcement was made in the Budget 2017-18 that the Government is considering to introduce legislative changes or even a new law to confiscate the assets of such persons till they submit to the jurisdiction of the appropriate legal forum in India. In pursuance to this announcement, a draft Bill titled, 'The Fugitive Economic Offenders Bill' ("the Bill") was prepared to lay down measures to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts. The copy of draft Bill along with Explanatory Note explaining key legal provisions of the Bill was hosted (at http://dea.gov.in/recent-update) on the website of the Department of Economic Affairs on 18th May, 2017. Public/stakeholders' comments were invited through the Press Release during 18th May, 2017 to 3rd June, 2017. Draft Bill has been firmed up in consultation with the Ministry of Law and Justice, and after having obtained approval of the Cabinet, the same is being processed for introduction in the Parliament.

6. Infrastructure Policy & Finance (IPF) Division

- Infrastructure Policy & Finance (IPF) Division is headed by Dr. Kumar V. Pratap, Joint Secretary. The Division has the following sections: Infrastructure Finance (Infra-Fin), Infrastructure Policy & Programme (IPP), Energy Sector Policies & Programmes (ESPP) and Public Private Partnerships (PPP). In September 2017, a new section, namely Asian Infrastructure Investment Bank (AIIB) Section has been created under IPF Division. Each Section is headed by Adviser/Director and assisted by Under Secretary/Deputy Director/Assistant Director.

- E-Governance initiatives of the Division: All the Sections of IPF Division have migrated to e-office mode (e-files, leave, advances, etc).

6.1 Infrastructure Finance Section

6.1.1 Major Functions:

6.1.1.1 Infrastructure Finance Section deals with financing requirements of infrastructure including conceiving new initiatives related to infrastructure financing and promotion of investment in infrastructure sectors. The section deals with:

- Matters related to infrastructure financing and promotion of investments in infrastructure sectors;
- Matters relating to Infrastructure Debt Funds (IDFs), Real Estate Investment Trusts (REITs)/ Infrastructure Investment Trusts (InvITs), Tax Free Bonds, Municipal Bonds and other instruments meant for infrastructure financing;
- Matters relating to New Credit Rating System for Infrastructure;
- Matters relating to Special Purpose Vehicle (SPV) for Credit Enhancement of Infrastructure Projects;
- All international interfaces on infrastructure financing (other than PPPs);
- Matters relating to Municipal Bonds by Urban Local Bodies (ULBs);
- Model Tripartite Agreements (MTA) for sectors such as Road, Ports, etc;
- External charge- GCC Countries (United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait, and Yemen), Turkey, Cyprus, Lebanon, Jordan;

- Matters relating to G20 Infrastructure Working Group (IWG);
- All policy matters relating to Project Monitoring Group (PMG) and its coordination within DEA;
- India-Saudi Arabia Joint Commission Meeting for Technical and Economic Cooperation;
- Matters relating to meetings of Board of Directors of India Infrastructure Finance Company Limited (IIFCL) as Joint Secretary (Infrastructure Policy & Finance) is Government nominee on its Board of Directors;
- Examination of proposals for Standing Cost Committee of Ministry of Road Transport & Highways;
- Coordination and general matters pertaining to the Division.

6.1.2 Major Policy Initiatives/Achievements:

6.1.2.1 Infrastructure Debt Funds (IDFs)

6.1.2.1.1 Government of India has conceptualized Infrastructure Debt Funds (IDFs) to accelerate and enhance the flow of long term debt into infrastructure projects to help in the migration of project loans for operating assets from banks to the fixed income markets. IDFs, through innovative credit enhancement, are expected to provide low cost long-term debt for infrastructure projects.

6.1.2.1.2 Potential investors under IDFs include off-shore institutional investors, off-shore High Net Worth Individuals and other institutional investors (Insurance Funds, Pension Funds, Sovereign Wealth Funds, etc). IDFs are set up by sponsoring entities either as Non-Banking Finance Companies (NBFCs) or as Trusts/ Mutual Funds (MF). IDF NBFCs have tax-exempt status and a lower withholding tax for foreign investors (5%). RBI has announced lower (50%) risk weight for assets under the IDF-NBFC Route. As on date, three IDFs under NBFC route and three under MFs route are in operation.

6.1.2.2 Real Estate Investment Trusts (REITs)/ Infrastructure Investment Trusts (InvITs)

6.2.2.2.1 These are trust-based structures that maximize returns through efficient tax pass-through and improved governance structures. Guidelines/Regulations for InvIT and REIT were notified by SEBI on 26 September, 2014. Budget 2016-17 provided that any distribution made out of income of Special Purpose Vehicle (SPV) to the REITs and InvITs having specified shareholding will not be subject to Dividend Distribution Tax.

6.2.2.2.2 As on date, two InvITs have been successfully launched. The first road sector InvIT raised over Rs 5,000 crore through an Initial Public Offer (IPO) and the second InvIT in the power transmission sector raised Rs 2,250 crore through an IPO.

6.1.2.3 New Credit Rating System for Infrastructure Projects

6.1.2.3.1 As announced in the Budget Speech 2016-17, in consultation with DEA, Regulatory Authorities, and other Stakeholders, Credit Rating Agencies (CRAs) have devised a New Credit Rating System based on Expected Loss (EL) approach, which seeks to provide additional risk assessment mechanism for informed decision making by the investors, in addition to the existing Probability of Default (PD) approach. The New Credit Rating System for Infrastructure Projects has been formally launched by CRAs on 12 January, 2017. The New Credit Rating System will run in parallel with the Current Rating System.

6.1.2.4 Creation of a Dedicated Fund to provide credit enhancement to infrastructure projects

6.1.2.4.1 In the Budget Announcement 2016-17, inter-alia it has been announced that a dedicated fund will be set up to provide credit enhancement to infrastructure projects. The fund will help in raising the credit rating of bonds floated by infrastructure companies and facilitate investment from long term investors.

6.1.2.4.2 Pursuant to Budget Announcement 2016-17, it was decided that a Special Purpose Vehicle (SPV) for Credit Enhancement to Infrastructure Projects would be set up as an NBFC-SPV with IIFCL as lead sponsor, and LIC and other PSUs/PSBs as co-investors. Setting up of the Fund is at an advanced stage subject to the notification of the regulatory framework by the Regulator (i.e. RBI).

6.1.2.5 Municipal Borrowing

6.1.2.5.1 Government has initiated a pilot project for developing a framework to build capacities of Urban Local Bodies (ULBs) to raise financing through the Capital Markets for financing infrastructure projects. The pilot initiative aims to develop a replicable model and related documents and demonstration of the model through a successful pilot transaction for a ULB. Guidelines for issuance of Municipal Bonds in India have been notified by SEBI in 2015. A set of Urban Local Bodies (ULBs) have been identified by the Ministry of Houseing & Urban Affairs (MoHUA) for issue of municipal bonds. DEA is providing technical support including for facilitating regulatory compliances, project identification and hand-holding support to the ULBs.

6.1.2.5.2 On 22 June, 2017, Pune Municipal Corporation (PMC) issued Municipal Bonds worth Rs. 200 crore in the first tranche, to raise almost Rs. 2264 crore over the next five years for funding a 24x7 water project. The bonds shall have a structured payment mechanism along with dedicated escrow account to ensure timely servicing of the bonds.

6.1.2.6 Financing Infrastructure in G-20

6.1.2.6.1 The issues pertaining to investment and infrastructure are deliberated by the G-20 in the Investment and Infrastructure Working Group (IIWG). The IIWG was established in 2014 during the Australian Presidency to focus on the following areas of work:

i. Improvement in domestic investment climate;

ii. Intermediation of global private savings for productive investment;

iii. Optimize Multilateral Development Bank (MDB) involvement;

iv. Improve Process and Transparency of planning and prioritization and structuring of bankable investment projects.

6.1.2.6.2 Work undertaken under IIWG

a) One of the major outcomes of IIWG has been setting up of Global Infrastructure Hub (GIH) in 2014 with a mandate to grow the global pipeline of quality, bankable infrastructure projects. India has emphasized the need for project information, knowledge dissemination and a common platform where institutional investors can acquire knowledge about a member country's approach and active strategy for investment.

   At the G-20 Infrastructure Working Group (IWG) meeting held in December 2017 at Buenos Aires, Argentina, India extended its willingness to work with GIH so as to achieve higher infrastructure investments. Additionally, better coordination across multiple institutions in the infrastructure space, particularly for addressing data gaps and duplication of work, has been stressed upon.

b) Improvement in best practices for PPP Model: India has suggested that knowledge sharing exercises should be taken up among member countries through standardized documentation and capacity building instruments like tool-kits and training program for PPPs. India has offered assistance and learnings from its own experiences in PPPs to other countries and engage in knowledge sharing exercises that will help build such capacities in member countries.

c) The need for developing separate templates for greenfield and brownfield assets for them to be recognized as separate asset classes has been emphasized. Brownfield assets are generally considerably less risky as compared to greenfield assets and therefore amenable to institutional investment.

d) India has suggested, at various meetings, a need for leveraging the credit rating and balance sheets of MDBs through innovative financing mechanisms that can draw in long term institutional investors without impairing the MDB credit rating.

6.2 Energy Sector Polices & Programmes Section

6.2.1 Major Functions:

- All policy related issues pertaining to energy sector, viz. Petroleum and Natural Gas, Coal, Power, Atomic Energy and New & Renewable Energy;
- Ministries/ Department: MoP&NG, MNRE, Atomic Energy, Space, Coal, Power;
- Examination of the investment proposals in energy sector requiring the approval of Cabinet/ CCEA/ CoS/ PIB/ EFC for their viability and justification;
- Matters relating to ONGC Ltd, ONGC Videsh Ltd (OVL) and International Solar Alliance (ISA);
- Matters related to Committee on Allocation of Natural Resources (CANR);
- International Territorial Charge: Iran, Iraq, Israel;
- States: Maharashtra, Gujarat.

6.2.2 Major Policy Initiatives/Achievements:

6.2.2.1 ESPP Section is the Secretariat of the Monitoring Committee (MC) set up to review the implementation status of the recommendations of the Committee on Allocation of Natural Resources (CANR). The Monitoring Committee is chaired by the Cabinet Secretary. Out of 81 recommendations of CANR, 66 recommendations were accepted as it is and three recommendations with reformulations for implementation by respective Ministries/ Departments. One recommendation was not accepted. Remaining 11 recommendations are to be implemented by the Department of Economic Affairs (DEA) in consultation with the concerned Ministries/ Departments.

6.2.2.2 For implementation of these recommendations, following two committees under the Chairmanship of Secretary, Economic Affairs have been constituted –

(i) Working Committee to create a centralized inventory of all Govt. Land including CPSUs: The Government Land Information System (GLIS) has been created by Ministry of Electronics and Information Technology (MeiTy) and Ministry of Housing & Urban Affairs. 31 Departments/ Ministries have uploaded data on GLIS web portal till date.

(ii) Committee for suggesting Broad Guidelines on the issues relating to Procedures for Exchange, Transfer, Leasing, Licensing and Sale of land held by Govt. and

Govt. Controlled Statutory Authorities and CPSUs: The Report of the Committee has been sent to the Cabinet Secretary for consideration.

6.2.2.3 Nine Cabinet/ CCEA/ CoS Notes/ proposals from the line Ministries/ Departments have been examined during the year.

6.3 Infrastructure Policy & Programme Section

6.3.1 Major Functions:

- Analyzing investment proposals concerning Road Transport & Highways, Ports, Shipping, Inland Water Transport, Railways, Telecommunications, Civil Aviation & Urban Development sectors;
- Matters relating to Projects (non-PPP) of Ministry of Road Transport and Highways;
- Servicing Steering Committee, Inter-Ministerial Committees, High Level Committees, Group of Secretaries, Institutional Mechanism on the Harmonized Master List of Infrastructure Sub-sectors;
- Matters related to Evaluation Committee for finalization of PIM/EOI in respect of strategic disinvestment of CPSEs to Division holding the Sectoral Charge of relevant Ministry;
- States : Madhya Pradesh, Chhattisgarh.

6.3.2 Major Policy Initiatives/Achievements:

6.3.2.1 Following sub-sectors were recommended by the Institutional Mechanism and subsequently approved by the Finance Minister in the year 2017 for inclusion in the Harmonized Master List of Infrastructure sub-sectors:

6.3.2.2 Affordable Housing: Included in the Harmonized Master List of Infrastructure sub-sectors with the objective of achieving the mission of "Housing for All by 2022".

6.3.2.3 Ropeway/Cable Car: Granted infrastructure status for boosting tourism in high altitude terrain in Uttarakhand, North East and other Himalayan States. Ropeways have made great contribution internationally in attracting tourists across the world to the hilly areas. Ropeways are not only environmental friendly and a green technology of transport but also have the potential to help evacuate tourists and pilgrims in extreme weather conditions.

6.3.2.4 Stations Redevelopment: Included in the Harmonized Master List of Infrastructure sub-sectors with the objective of initiating Station Redevelopment program for 400 A1/A category stations across India and the program is intended to provide state of the art amenities, comfort and convenience to passengers and other stakeholders.

6.3.2.5 Logistics Sector: Granted infrastructure status as logistics cost in India is very high compared to developed countries. High logistics cost reduces the competitiveness of Indian goods both in domestic as well as export market. Development of logistics sector would encourage manufacturing and job creation. This will, in turn, be instrumental in improving the country's GDP.

6.3.2.6 When infrastructure status is given, it enables the new sectors/sub-sectors to avail infrastructure lending on easier terms with enhanced limits, access to larger amounts of funds as External Commercial Borrowings (ECB), access to longer tenor funds from insurance companies and pension funds and makes them eligible to borrow from India Infrastructure Finance Company Limited (IIFCL).

6.4 Public Private Partnerships (PPP) Cell

6.4.1 Major Functions:

- PPP Policy & Programmes;
- Scheme for India Infrastructure Project Development Fund (IIPDF);
- PPP Capacity Building programmes;
- Innovative interventions and PPP Pilot project initiative;
- Appraisal & approval of Central Sector PPP Projects as per Cabinet approved guidelines and orders for delegation of powers;
- Scheme for financial support to PPPs in Infrastructure-Viability Gap Funding (VGF) Scheme;
- Mainstreaming PPPs including technical assistance and programmes from bilateral/ multilateral agencies and support to State and local governments;
- International interface on PPPs and other matters concerning PPPs;
- Matters relating to management of PPP related information.

6.4.1.1 Government of India has systematically rolled out the Public Private Partnerships (PPP) program to bridge the infrastructure gap, and create an enabling environment for private sector investment in infrastructure through PPPs for the delivery of high-priority public infrastructure and services. The PPP Cell acts as the Secretariat for Public Private Partnership Appraisal Committee and Empowered Institution (EI)/ Empowered Committee (EC) for the projects posed for financial support through DEA's Scheme for Financial Support to PPPs in Infrastructure [Viability Gap Funding (VGF)].

6.4.2 Major Policy Initiatives/Achievements :

6.4.2.1 Public Private Partnership Appraisal Committee

6.4.2.1.1 The Public Private Partnership Appraisal Committee (PPPAC) was setup to streamline the procedure for approval of PPP projects, ensure speedy appraisal of projects, eliminate delays, adopt international best practices and have uniformity in appraisal mechanisms and guidelines. The PPPAC is chaired by Secretary, Economic Affairs with Secretaries of Department of Expenditure, Department of Legal Affairs, NITI Aayog and the Sponsoring Ministry/Department as members to consider and approve the proposals of Central Sector PPP Projects. **During the period from April 2017 to February 2018, 4 projects with Total Project Cost (TPC) of Rs. 7851.78 crore have been recommended and approved by PPPAC**.

6.4.2.2 Financial Support to Public Private Partnership in Infrastructure (Viability Gap Funding Scheme)

6.4.2.2.1 Infrastructure projects are often not commercially viable on account of their public good nature, having substantial sunk investment and low returns. However, they continue to be economically essential. Accordingly, the Scheme for Financial Support to Public Private Partnership in Infrastructure (Viability Gap Funding Scheme) was formulated to provide financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through PPPs with a view to make them commercially viable. The Scheme provides Viability Gap Funding up to 20% of the Total Project Cost (TPC). The Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget up to further 20% of the TPC. Viability Gap Funding under the Scheme is normally in the form of a capital grant at the stage of project construction. **During the period from April 2017 to February 2018, Empowered Institution has granted In-Principle approval to 6 projects with TPC of Rs. 992.78 crore and Final approval to 2 projects with TPC of Rs. 432.35 crore and VGF of Rs. 84.98 crore.**

6.4.2.3 India Infrastructure Project Development Fund (IIPDF)

6.4.2.3.1 While quality advisory services are fundamental to developing well-structured, value-for-money PPPs, the costs of procuring PPPs, and particularly the costs of transaction advisors, are significant. Development of robust projects with a sound financial structure and optimal risk allocation is critical for evincing market response in respect of the projects. The scheme for 'India Infrastructure Project Development Fund' (IIPDF) had been launched to finance the cost incurred towards development of PPP projects. The IIPDF supports up to 75 % of the project development expenses.

6.4.2.4 PPP Structuring Toolkits

6.4.2.4.1 PPP Toolkits have been designed to assist PPP practitioners to strengthen decision-making at all key stages of the PPP project cycle and also improve the quality of the PPPs that are being developed. It is a web-based on-line Toolkit that facilitates identification, assessment, development, procurement and monitoring of PPP projects. The Toolkit is structured to cover the full life cycle of PPP projects. While the general structure has incorporated international best practices, the Toolkit has been built on specific approaches for project procurement, approval etc currently in place in India to ensure that it forms a relevant resource for practitioners in India. The on-line nature of the Toolkit ensures updating of resource quickly over time as the approaches in place develop and change. The toolkit covers four sectors, viz. highways, ports, solid waste management and urban transport. The toolkit is available to practitioners through DEA PPP Cell's website, www.pppinindia.gov.in.

6.4.2.5 PPP Practitioners Guide

6.4.2.5.1 A comprehensive guidance for PPP practitioners titled "PPP Guide for Practitioners" has been developed to provide step-by-step guidance on various processes in the PPP project life cycle including the pre-award phase. It highlights best practices that could be adopted by practitioners, to ensure transparency, fairness and accountability in the development and implementation of PPPs. The Guide, available on DEA's PPP Cell website, i.e. pppinindia.gov.in, is divided into 17 modules which discusses stages and concepts in the PPP project development process. The Guide is interspersed with examples, key takeaways, web links and case studies.

6.4.2.6 Post-Award Contract Management Guidelines

6.4.2.6.1 Guidelines, Manuals and Online Toolkits have been developed to guide Project Authorities during the Post-Award implementation phase of the PPP project. The Guidelines / Manuals have been designed to deal with the changing contexts over the concession period, uncertainties and effectively handle disputes which are critical for the overall success of the PPP projects. While the Guidelines provide key principles of Contract Management during the Post-Award phase, these have been further adapted to sector specific Manuals based on the contractual obligations enshrined in the Concession Agreements. These are further supported by an interactive web-based toolkit, easily accessible through DEA's PPP Cell website, i.e. www.pppinindia.gov.in, and have been designed to provide practical application-oriented assistance to Project Authorities in undertaking project management.

6.4.2.7 Contingent Liability Management Tool

6.4.2.7.1 An Application Tool has been developed for estimation and management of contingent liabilities arising from PPPs sponsored by Line Ministries, Departments and State Owned Enterprises of the Central and State Governments. The Tool is a browser based application designed to estimate contingent liabilities of PPP projects at different stages of their implementation using an inbuilt contingent liability framework that is aligned to various provisions relating to termination risks and termination payments provided in the concession agreements. This Toolkit is easily accessible through DEA's PPP Cell website, i.e. www.pppinindia.gov.in.

6.4.2.8 Guidance on use of Municipal Bond Financing for Infrastructure projects:

6.4.2.8.1 PPP Cell, DEA has prepared a Guidance Manual which serves as a handy reference to practitioners and policy makers on the use of Municipal Bond Financing for Infrastructure projects and is available at DEA's PPP Cell website (www.pppinindia.gov.in). The initiative has been taken to build capacities of Urban Local Bodies (ULBs) to raise financing through the Capital Market for financing infrastructure projects. The Guidance Manual provides actionable step-wise inputs on preparatory actions, the regulatory framework and process of bond issuance.

6.5 ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB) SECTION

6.5.1 Major Functions:

6.5.1.1 Asian Infrastructure Investment Bank (AIIB) is a Multilateral Development Bank (MDB) established in January 2016 with the objective to foster sustainable economic development, create productive assets and improve infrastructure in Asia through financing of infrastructure projects. While the Bank was mooted by China, as the second largest shareholder and one of the founding members, India also played a critical role in its establishment and operationalization. The Bank commenced its operation on 16.01.2016, and is now fully functional.

6.5.1.2 India's shareholding in the AIIB is 8.5%, with a total of 86,673 shares. As per the Article 5.1 of the Articles of Agreement (AoA) establishing the AIIB, the proportion of paid-in and callable shares is in the ratio of 2:8. Thus, India's paid-in shares amounts to 16,734.6 (rounded off to 16,735) (20% of 83,673). The par value of each share being USD 100,000, India's paid-in component of capital amounts to USD 1,673.46 million. The paid-in capital stock is payable in 5 equal instalments of USD 334.7 million each. India has paid first three instalments of capital subscription in January, 2016, December, 2016 and December, 2017 respectively. As the second largest shareholder, India has an independent and exclusive seat on the Board of Directors of the AIIB. Finance Minister is India's Governor on the AIIB Board of Governors, and Additional Secretary (DEA) is India's Director on the Board of Directors of the AIIB.

6.5.2 Major Policy Initiatives/Achievements:

6.5.2.1 India has so far recommended 17 project proposals for AIIB funding to the tune of USD 4,878.85 million (**Annexure**) (14 projects are in pipeline and 03 are ongoing). Out of these 17 project proposals, three loan agreements have been signed to the tune of USD 589 million.

6.5.2.2 The Letter of Support for the AIIB extending the status, privileges, immunities and exemption set forth in Chapter IX of the Articles of Agreement [as also in Chapter IV (Article 19)], have been incorporated through the Gazette Notification dated 17 February, 2017 issued under UN (P&I) Act, 1947 (Act No.46 of 1947) signed on 5 December, 2017 by the Secretary, Economic Affairs & Alternate Governor on the AIIB Board of Governors.

6.5.2.3 India will host the next Annual Meeting of the Asian Infrastructure Investment Bank (AIIB), which is third in series, with active collaboration of the Government of Maharashtra, in Mumbai during 22-27 June, 2018. The Memorandum of Understanding (MoU) delineating the respective responsibilities of the Government of India and the AIIB regarding the 2018 Annual Meeting of the Board of Governors of the AIIB for the aforesaid event has been signed between the GoI and the AIIB on 12.12.2017.

6.5.3 Projects signed for external funding with the AIIB

6.5.3.1 24x7 Power for All in Andhra Pradesh:

6.5.3.1.1 This project is having developmental objective to increase the delivery of electricity to customers and to improve the operational efficiency and system reliability in distribution of electricity in selected areas in Andhra Pradesh. This project was negotiated on 11.04.2017 for a total external assistance of USD400 million, out of which USD240 million will come in the form of IBRD loan and USD160 million as AIIB loan (in the ratio of 60:40). The AIIB Board approved the loan in its Board meeting on 02.05.2017. The aforesaid project has since been signed on 22.06.2017.

6.5.3.2 Gujarat Rural Roads Project (Mukhya Mantri Gram SadakYojana Project):

6.5.3.2.1 The aforesaid project is having developmental objective to improve rural road connectivity (by providing all weather connectivity) to 1060 villages in all the 33 districts in Gujarat benefitting about eight million people. The project was negotiated for a total external assistance of USD329 million. The AIIB Board approved the loan in its virtual Board meeting on 04.07.2017.The aforesaid project has since been signed on 04.08.2017.

6.5.3.3 AC Transmission System Project of PGCIL:

6.5.3.3.1 This project is having developmental objective to enhance capacity of electricity supply in Southern Region and re-balance the peak and off-peak energy sharing from the surplus areas of Northern and Western regions to the deficit areas in Southern region. The project is estimated to cost USD303.47 million, out of which USD100 million will come from AIIB, USD50 million from ADB and remaining will be domestic financing. Power Grid Corporation of India Limited (PGCIL) is the borrower and GoI is the Guarantor for the aforesaid loan. The project was negotiated on 22.08.2017 for USD100 million. The AIIB Board approved the loan in its Board meeting on 27.09.2017.The aforesaid project has since been signed on 07.12.2017.

7. Investment Division

7.1 Domestic Investment & Outward Investment from India

7.1.1 NIIF has been set up as a trust registered with Securities and Exchange Board of India ("**SEBI**") as a Category II Alternate Investment Fund ("**AIF**") under the SEBI (Alternative Investments Funds) Regulations, 2012 ("**AIF Regulations**") in pursuant to Cabinet approval dated 28th July 2015.

7.1.2 NIIF has been created with the aim to attract equity investments from both domestic and international sources for infrastructure development in commercially viable projects, both greenfield and brownfield, including stalled projects in the country.

7.1.3 **First close of NIIF's Master Fund:**

7.1.3.1 Pursuant to the MoU between Department of Economic Affairs, Ministry of Finance, Government of India and the Government of United Arab Emirates (UAE), signed on 11th February, 2016 to mobilise long term investment into National Investment and Infrastructure Fund (NIIF); NIIFL has announced first close of NIIF's Master Fund for INR 4,166 Crore (approx. US$641 million). A subsidiary of Abu Dhabi Investment Authority (ADIA) has committed $25O million to the fund with another$750million in co-investment rights. GOI has contributed 49% of the fund and the remaining investment has come from Indian private financial investors, with ICICI Bank, HDFC Group, Kotak Life Insurance and Axis bank contributing $75million in total on October 16, 2017.

7.1.4 A Green Growth Equity Fund has been announced with a corpus of GBP 500 million in April, 2017 with Department of international Development (DFID), UK Government. DFID will contribute GBP 125 mn with equivalent amount committed from NIIF. Balance amount to be raised subsequently. The fund manager is to be finalised, and process for selection of the same is underway, jointly between NIIF and UK Government.

7.1.5 National Investment and Infrastructure Fund (NIIF) made its first investment on 22.01.2018 by partnering with DP World; a leading enabler of global trade and an integral part of the supply chain, to create an investment platform for ports, terminals, transportation and logistics businesses in India. The platform will invest up to US$ 3 billion of equity to acquire assets and develop projects in the ports sector, and beyond sea ports into areas such as river ports and transportation, freight corridors, port-led special economic zones, inland container terminals, and logistics infrastructure including cold storage.

7.1.6 During the recent visit of Indian delegation to Singapore from 15th to 16th November, 2017, led by Hon'ble Finance Minister. FM delivered keynote addresses at Fintech festival and 16th Morgan Stanley Asia Pacific Annual Summit. Bilateral meetings with PM, Dy. PM, FM and Permanent Secretary (Finance) of Singapore were held. An investor's roundtable was organised with marquee investors in Singapore on November, 15, 2017. The roundtable was co-chaired by Secretary (EA) and Permanent Secretary (Finance) of Singapore. During the conclave, discussions on the range of issues were held including NIIF's First close with a subsidiary of ADIA and Domestic Institutional Investors. Pursuant to discussion held in Singapore for promoting the mutual cooperation and to develop strong a Fintech Ecosystem in India, a Joint Working Group Co-chaired by senior officials of both sides has been proposed.

7.2 International Investment Treaties & Framework

7.2.1 The main function of this section is to negotiate and concludes Bilateral Investment Treaties with other countries on the basis of the revised Model Bilateral Investment Treaty (BIT) Text which was approved by the Cabinet in December, 2015. The new BIT text aims to provide appropriate protection to foreign investors in India and Indian investors in the foreign country, in the light of relevant international precedents and practices, while maintain a balance between investor's rights and Government obligations. The new Indian Model BIT text is expected to be the base text for replacing the existing BIPA with and for having new agreements.

7.2.2 During 2017 (i) Cabinet has approved the Bilateral Investment Treaty (BIT) between the Republic of India and the Republic of Belarus on 27th September, 2017**.**

(ii) Joint Interpretative Notes ("JIN") on the Agreement between the Government of the Republic of India and the Government of the People's Republic of Bangladesh for the Promotion and Protection of Investment has been signed on 4th October, 2017 during the Hon'ble FM visit to Bangladesh.

(iii) Cabinet has approved the Joint Interpretative Declaration ("JID") between the Government of the Republic of India and the Government of the Republic of Colombia regarding the Agreement for the Promotion and Protection of Investments between the Republic of India and the Republic of Colombia on the 10thNovember, 2017.

(iv) Cabinet has approved the Investment Cooperation and Facilitation Treaty (ICFT) between the Federative Republic of Brazil and the Republic of India on 30th November, 2017.

(v) A Capacity Building Workshop on International Investment Agreements (IIAs) with resource persons from international experts from United Nations Conference on Trade and Development (UNCTAD), International Institute of Sustainable Development (IISD) and Columbia Centre for Sustainable Investments (CCSI) has been concluded on 12th and 13th December 2017 to sensitize various State Governments and Ministries/Departments of Central Government on obligations and other issues such as dispute prevention and settlement under International Investment Agreements.

7.3 Foreign Direct Investment

7.3.1 The main function of this section is to provide policy support on Foreign Investment policies including new policy initiatives in Foreign Direct Investment (FDI) Policy besides FDI policy clarifications & related matters. This Section primarily co-ordinates with DIPP, DFS, RBI and SEBI on foreign investment issues and also offers them our comments / suggestions on any amendment in FDI policy as per need of the Indian economy. It also suggests measures for improving investment environment in India with respect to FDI policy. As an allocated subject, FDI Policy is handled by the Department of Industrial Policy & Promotion (DIPP).

7.3.2 FDI Policy

7.3.2.1 As per the extant policy, FDI up to 100% is allowed, under the automatic route, in most of the sectors/ activities. FDI under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India (RBI). Investors are only required to notify and file documents the Regional office concerned of RBI. Under the Government approval route, applications for FDI proposals are considered and approved by the respective subject matter Ministries.

7.3.2.2 Currently, Department of Economic Affairs has been entrusted with processing of FDI proposals in the following three areas:

(i) Financial services which are not regulated by any Financial Sector Regulator or where only part of the financial services activity is regulated or where there is doubt regarding the regulatory oversight;

(ii) Foreign investment into a Core Investment Company; and

(iii) Foreign investment into an Indian company engaged only in the activity of investing in the capital of other Indian Company/ies.

7.3.2.3 Abolition of Foreign Investment Promotion Board (FIPB) -

7.3.2.3.1 Union Finance Minister in the Budget Speech 2017-18 had announced for abolition of FIPB in 2017-18. Accordingly, Cabinet on 24.05.2017 approved the proposal for abolition of the FIPB. This will provide ease of doing business and will help in promoting the principle of maximum Governance and minimum Government. As per Standard Operating Procedure (SoP) issued by the Department of Industrial Policy & Promotion dated 29.06.2017, eleven Ministries/Departments have been notified as competent authorities for approval of foreign investment. The SoP also prescribes timelines for speedier disposal of FDI proposals.

7.3.2.3.2 Post abolition of FIPB, Department of Economic Affairs has approved thirteen FDI proposals involving an inflow of Rs. 1147.31 crore during the period 1st July 2017 to 31st December 2017. Further, the Department of Economic Affairs have processed and approved these proposals within the timelines as prescribed in SoP.

7.3.2.4 Other Initiatives in 2017

(i) Foreign Investment in Stock Exchange: Government vide FEMA Notification No. 383 dated 10.01.2017 has placed FDI limit of 49% under automatic route in Infrastructure companies in Securities Markets, namely, stock exchanges, commodity derivative exchanges, depositories and clearing corporations, in compliance with SEBI regulations.

(ii) Convertible Note as an eligible instruments for Start-up: Government vide Notification No. 377/RB-2016 dated January 10, 2017 has included convertible note as an eligible financial instrument for start-up so that foreign investor could invest through convertible note in start-up. 'Convertible note' means an instrument issued by a startup company evidencing receipt of money initially as debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of such startup company, within a period not exceeding five years from the date of issue of the convertible note, upon occurrence of specified events as per the other terms and conditions agreed to and indicated in the instrument.

7.4 Foreign Trade and Services

7.4.1 This section deals in Policy matters related to Gold, including Gold Monetisation Scheme (GMS) & and Indian Gold Coin (IGC), deals with Investment Chapters related to CECAs, CEPAs, FTAs etc. negotiated under the aegis of Ministry of Commerce & Industry with various countries and regional blocs, it provides advice to Department of Commerce (DoC) on policy issues related to deemed exports, imports, matters related to ECGC, NEIA, Exim Bank etc. it also deals with policy issues related to Overseas Direct Investment (ODI).

7.4.2 Gold Monetization Scheme:

7.4.2.1 Gold Monetisation Scheme was launched by Hon'ble Prime Minister on 5th November, 2015.This scheme will benefit the manufacturers of gold jewellery who are largely small and medium scale enterprises, by making gold available to them. It will also benefit the common man by allowing him/her to earn interest on their holdings of gold lying idle. In the long-run, this scheme will help in reducing the country's demand for import of gold, to a large extent. The total gold mobilised under the Medium and Long Term Government Deposit scheme (MLTGD) of GMS is 6160 Kilograms. During the Financial Year 2017-18, i.e. from April, 2017 to December, 2017, approximately 4400 kilograms of gold have been mobilized under MLTGD of this scheme.

8. Multilateral Institutions Division

8.1 Introduction

8.1.1 The MI Division is concerned with policy matters of Multilateral Institutions like World Bank Group, International Monetary Fund (IMF), Asian Development Bank (ADB), African Development Bank (AfDB) and related Institutions. MI Division is also the nodal point for facilitating and monitoring Externally Assisted Projects (Central & State Projects all over India) which are being implemented through Multilateral Development Banks and other related Trust Funds / Loans / Grants. In addition, it also deals with Global Alliance for Vaccines and Immunization (GAVI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

8.2 World Bank Group

8.2.1 The World Bank is among the world's leading development institutions with a mission to fight poverty and improve living standards for people in the developing world by promoting sustainable development through loans, guarantees, risk management products, and (non-lending) analytic and advisory services. The World Bank is one of the United Nations' specialized agencies. The World Bank concentrates its efforts on reaching the Millennium Development Goals aimed at sustainable poverty reduction.

8.2.2 India is member of four institutions of the World Bank Group viz., International Bank for Reconstruction and Development (IBRD); International Development Association (IDA); International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). India has been accessing funds from the World Bank (mainly through IBRD and IDA) for various developmental projects. MI division is the focal point for India being represented in the WBG meetings for international level deliberations to discuss policy issues pertaining to the World Bank Group as also to undertake projects with assistance from the World Bank (IBRD and IDA).

8.3 World Bank Reforms

8.3.1 In the last Capital Increase in IBRD (Spring Meetings, April 2010), India was allocated additional 24,092 shares (through General Capital Increase and Selective Capital Increase). As a result India became the 7th largest shareholder in IBRD with voting power of 2.91%. Before this revision, India's voting power was 2.77% at 11th position among shareholders. During 2016, India completed the subscription of allocated additional shares. Discussions are now ongoing to finalise additional capital increase in the IBRD by April 2018.

8.4 World Bank India Portfolio

8.4.1 The World Bank portfolio as of December 2017 comprises approximately 108 projects amounting to approximately US$ 26 billion with an undisbursed balance of USD 16.6 billion. The World Bank projects are spread across sectors like Urban, Transport, Education, Health, Rural Development, Panchayati Raj Institutions, Irrigation, Water Supply Power, Tourism, Governance, Environment & Forest etc.

8.5 Major activities pertaining to the World Bank in 2017-18

8.5.1 India as donor to IDA:

8.5.1.1 During the IDA 18 Replenishment Meetings, it was announced by India that it would prefer the Word Bank Group to meet its needs through IBRD resources and hence, part of the IDA resources offered to India as transition support be made available to meet the needs of other IDA clients. Thus, India would no longer be a borrower from IDA. As a commitment to India's shared objective of eliminating extreme poverty, reducing vulnerability and increasing resilience across countries, India decided to become donor to IDA with a contribution of USD 200 million to IDA 17 replenishment. In furtherance of its commitment towards the IDA countries, India announced a pledge of INR 12.25 billion as its contribution towards IDA 18 replenishment. Payment of the first contribution of INR 4,083,330,000 towards the first instalment of India's contribution to IDA-18 was made in January 2018.

8.5.2 Loan Signed & Disbursement:

8.5.2.1 Total 18 projects were signed during the year 2017, which includes 5 IDA Projects amounting to USD 647.5 million of assistance, 13 IBRD Projects amounting to USD 1467.9 million of assistance. Total Disbursement for the period January to December 2017 was approximately USD 1,769.15 million (IBRD approximately USD 798.71 million and IDA approximately USD 970.43 million).

8.5.3 Monitoring of the World Bank Portfolio:

8.5.3.1 During January-December 2017, the following review meetings were conducted to monitor the ongoing, pipeline and technical assistance projects of the World Bank:

i. Technical Assistance (TA) Projects' Review meeting to review ongoing TA projects of the World Bank Group was held in February 2017.

ii. A pipeline Review meeting was held in North Block, DEA on September 22, 2017. A total of 38 projects pertaining to Agriculture and Water (12), Education (1), Tourism (1), Disaster Management (1), Health (1), Energy (4), Environment (4), Governance (2), Urban (5) and Transport and ICT (7) sector were reviewed.

iii. A Tri-partite Review Meeting for 56 WB aided projects in Agriculture (9), Irrigation/Water Resources (5), Rural and Urban Water Supply (6) Transport (16), Energy (6) and Disaster Management (7) along with a State Review of projects in U.P. (7) was held in Lucknow during 7-8 December 2017.

8.6 Meetings of Fund Bank

8.6.1 Spring meetings, 2017 of World Bank/IMF, FM's meetings of G-20/G-24/IDA-18 Replenishment meeting were held from 20th -24th April 2017 in USA. The Finance Ministry delegation led by the Hon'ble Finance Minister comprised of Secretary (EA), CEA. JS (MI), JS (MR) and other senior officials. Dr.Urjit Patel, Governor (RBI) and other RBI officials also joined the delegation to attend the Spring Meetings. The Plenary Meeting of the Development Committee discussed, inter-alia, the "Forward Look" exercise carried out by the World Bank focussing on "A Vision for the World Bank Group in 2030 – Progress and Challenges", Progress Report on the Shareholding Review and a paper on "A Stronger World Bank Group for All". The Hon'ble Finance Minister also held bilateral meetings with the US Treasury and Commerce Secretaries, World Bank Group President, and Finance Ministers of France, Bangladesh, Australia, Sweden and Indonesia.

8.6.2 The Annual Meetings of the IMF/World Bank, FMs Meetings of G-20 and other associated Meetings were held in USA from 9th to 14th October, 2017. The Finance Ministry Delegation led by the Hon'ble Finance Minister comprised of Secretary (EA) and other senior officials. Dr.Urjit Patel, Governor (RBI) and other RBI officials also joined the delegation to attend the Annual Meetings. The Development Committee session focussed on the capital adequacy question.The 96th Meeting of the Development Committee Plenary of the World Bank discussed the World Development Report 2018, maximising Finance for Development, Progress Report to Governors on Shareholding and Forward Look Implementation Update. The Hon'ble Finance Minister also held bilateral meetings with the US Treasury and Commerce Secretaries, Italian Minister for Economy and Finance, Australian Treasurer, Iranian Minister for Economy and Finance, UK's Chancellor of Exchequer and Finance Minister of Sri Lanka.

8.7 International Finance Corporation (IFC)

8.7.1 International Finance Corporation (IFC), a member of the World Bank Group, focuses exclusively on investing in the private sector in developing countries. Established in 1956, IFC has 184 members. India is founding member of IFC. IFC is an important development partner for India with its operations of financing and advising the private sector in the country. India has a shareholding of 4.01%, the sixth largest along with that of the Russian Federation. India holds 3.27% of the voting Power. India's Executive Director represents a constituency equal to 4.04% voting power. There are three other countries in India's constituency at the IFC, viz. Bangladesh, Bhutan and Sri Lanka. IFC has committed over USD 15 billion in India since the first investment in 1958. Currently, IFC investments are spread over about 200 clients in India. As of August 2017, IFC's committed portfolio in India stoodat approximately USD 5 billion, making India IFC's largest portfolio exposure which accounts for 9% of its global portfolio. India is also IFC's largest advisory client and regional hub for South Asia. The IFC's investments in India are spread across important sectors like infrastructure, manufacturing, financial markets, agribusiness, SMEs and renewable energy. Keeping in alignment with the Country Partnership Strategy (CPS) of the World Bank Group in India, IFC focuses on low-income States in India. IFC's India Commitment during the period July 2016-June 2017 (IFC Fiscal Cycle) was USD 1.96 billion (including mobilised financing), the highest so far. A total of 39 Article III Notifications were approved during July 2016-June 2017 (IFC Fiscal Cycle). Since July 2017 (start of IFC Fiscal year), nine Article III Notifications for IFC investment worth USD 325.81 million in equivalent INR have been received by the DEA and granted no objection. Further, DEA has granted no objection for the signing of two MoU's between the Ministry of Water Resources, River Development and Ganga Rejuvenation and IFC; and posed one TA project to IFC.

8.8 International Monetary Fund

8.8.1 India is a founder member of the International Monetary Fund, which was established to promote a cooperative and stable global monetary framework. At present, 189 nations are members of the IMF. Since the IMF was established, its purposes have remained unchanged but its operations - which involve surveillance, financial assistance and technical assistance - have developed to meet the changing needs of its member countries in an evolving world economy. The Board of Governors of the IMF consists of one Governor and one Alternate Governor from each member country. For India, the Finance Minister is the ex-officio Governor on the Board of Governors of the IMF. There are three other countries in India's constituency at the IMF, viz. Bangladesh, Bhutan and Sri Lanka. Governor, Reserve Bank of India (RBI) is India's Alternate Governor.

8.8.2 Meetings of Board of Governors:

8.8.2.1 The Board of Governors usually meets twice a year to discuss the work of the respective institutions, viz. the Spring meetings and the Annual meetings of the IMF and World Bank. At the heart of the gathering are meetings of the IMF's International Monetary and Financial Committee (India is represented by the Finance Minister in IMFC) and the joint World Bank-IMF Development Committee, which discuss progress on the work of the IMF and World Bank. The 2017 Spring Meeting of the International Monetary Fund and World Bank Group was held in Washington D.C from April 17-24 2017. The Annual Meetings of the IMF and World Bank was held during October 9-15, 2017 at Washington D.C. The 36th Meeting of the IMFC, which is an advisory body made up of 24 IMF Governors was held at Washington D.C on October 13-14, 2017.

8.8.3 a. India and IMF:

8.8.3.1 The membership of the Fund is committed to maintain a strong, quota-based, and adequately resourced IMF. IMF's total resources presently include the following:

a. ***Quotas:*** Primary source of financing for lending;

b. ***New Arrangements to Borrow (NAB)*** acts as the second line of defence i.e. after quota resources are exhausted substantially;

c. ***Bilateral Borrowing Agreements (BBAs)*** provide a third line of defence.

d. ***India's Quota and Ranking:*** The 2010 IMF Quota and Governance Reforms (including the 14th General Reforms of Quotas) came into effect on January 26, 2016. Consequently, India's quota in the IMF is SDR 13,114.40 million with a shareholding of 2.75%. India ranks 8th in terms of quota holding in IMF. Consequent to this Quota Increase in IMF, India has provided for the Quota increase of SDR 7292.9 million under the 14th General Review of Quotas as SDR 1,823,225,000 through India's SDR holdings for Reserve Asset Portion (25% of quota increase) and SDR 5,469,675,000 for Local Currency Portion (75% of quota increase) through issuance of non-interest bearing, non-negotiable Government of India Rupee Securities.

b. India's contribution to New Arrangements to Borrow (NAB)

In April 2009, the G-20 agreed to increase the resources available to the IMF by up to $500 billion (which would triple the total pre-crisis lending resources of about $250 billion) to support growth in emerging market and developing countries, viz. through bilateral financing from IMF member countries; and by incorporating this financing into an expanded and more flexible New Arrangements to Borrow (NAB). As part of efforts to overcome the global financial crisis, in April 2009, G-20 economies agreed to increase the resources available to the IMF by up to $500 billion to support growth in emerging market and developing countries. The increase was made through (i) increase in bilateral financing from IMF members and (ii) by incorporation of this financing into an expanded and more flexible NAB. The amended NAB, which became effective on March 11, 2011 increased the maximum amount of resources available under NAB to SDR 370 billion from SDR 34 billion.

The NAB was rolled back from SDR 370 billion to SDR 182 billion, pursuant to the effectiveness of the 14th Review quota increase resulting in a decline in the financing ratio (NAB: quota) from 3:1 to 1:1. However, the NAB continues as a standing facility and the rolled back NAB resources continue to be counted toward the Fund's overall lending capacity. As NAB arrangement expired on November 16, 2016, India concurred to the proposal to renew the NAB for a period of five more years.

c. India's contribution to Bilateral Borrowing Arrangements (BBA)

BBAs are used as a third line of defense after quota and NAB resources are exhausted substantially. At the Los Cabos G20 Summit in 2012, the IMFC and G20 jointly called for further enhancement of IMF resources for crisis prevention and resolution through temporary bilateral loans. This included BRICS countries wherein US$ 10 billion was contributed each by India, Brazil and Russia. India's commitment of contributing US$ 10 billion is implemented through the mechanism of Note Purchase Agreement (NPA) between Reserve Bank of India (RBI) and the IMF.

India has agreed to commit USD 10 billion to the BBA 2016 as on August 10, 2017. Consequently Draft NPA to effect the BBA 2016 as revised from IMF and vetted by RBI has also been approved and is expected to be signed soon.

8.8.4 South Asia Regional Training and Technical Assistance Center (SARTTAC)

8.8.4.1 A Memorandum of Understanding was signed between India and International Monetary Fund for setting up of South Asia Regional Training and Technical Assistance Center (SARTTAC) in India by the International Monetary Fund on March 11, 2016. The Centre has been officially inaugurated on February 13, 2017. SARTTAC will serve six member countries of Bangladesh, Bhutan, India, Maldives, Nepal& Sri Lanka. It will provide training to government & public sector employees, enhance their technical and analytical skills and improve the quality of their inputs into policy. It will also provide technical assistance to governments and public institutes in various areas such as macroeconomic policy, macro & micro prudential regulation, financial sector supervision as well as national accounts statistics and forecasting.

8.8.4.2 India has committed to contribute USD 32.8 million of which the first instalment of USD 17.8 million to SARTTAC was paid in August, 2016 and the balance USD 17.8 million has been paid in November 2017-18.

8.8.4.3 The SARTTAC has indicated that Technical Assistance across three broad areas namely; Financial Regulation and Supervision, Macroeconomic Statistics & Financial Sector Policies and training across areas of Macroeconomics, Fiscal & Monetary Policy will be included as part of their FY18 program as elaborated in the endorsed points of action of the recently held Interim Steering Committee meeting as on November 17, 2017.

8.8.4.4 Further it may be noted that a one day workshop of all Principal Secretaries of Finance/ Planning Departments of State Governments on Involvement of Multilateral Agencies in Developing Capacity of Finance Departments in States/ Union Territories was held on Sep 11, 2017 at SARTTAC, New Delhi. This workshop was instrumental in (i) Sensitizing the States about SARTTAC (ii) Getting feedback on training, technical assistance in areas where SARTTAC can help (iii) Discussing key current issues in PFM Framework and trends in good practices. As of now, eleven states have submitted their TA and training requirements which have been incorporated in the work program FY 2018.

8.8.5 **Article IV Consultations**

8.8.5.1 Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year, to review the economic status of the member countries. Article IV consultations are generally held in two phases. During this exercise the IMF mission holds discussions with the RBI and various line Ministries / Departments of Central Government. The Article IV Consultations are concluded with a meeting of IMF Executive Board at Washington DC which discusses the Article IV Report. The Mid Year Article IV Mission with International Monetary Fund was held during July 17-21, 2017.

8.9 Asian Development Bank

8.9.1 Membership of ADB:

8.9.1.1 India became a member of the Asian Development Bank (ADB) as a founding member in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region. The main instruments that it uses to do this are making loans and equity investments, providing technical assistance for the preparation and execution of development projects and programs and other advisory services, guarantees, grants and policy dialogues.

8.9.2 **ADB has 67 members (including 48 regional and 19 non-regional members), with its headquarters at Manila, Philippines.** ADB's authorized & subscribed capital stock is US$163.12 billion of which India's subscription is US$10.3 billion. **India is holding 6.33% of shares, totaling 672,030 shares {@US $ 12063.5 per share), in ADB. India has 5.36% voting rights.** Japan and the US represent the largest shareholders with 15.61% each of shares. China and India are the third (6.44%) and fourth (6.33%) largest shareholders, respectively.

8.9.3 India became a donor to **Asian Development Fund (ADF)** since July 2014 and contributed US$ 30 million for the 11th Replenishment of ADF. For ADF-XII, India has pledged an amount of US$40 million. ADB provides concessional finance through the ADF to the Least Developed member countries.

8.9.4 Asian Development Bank has a Board of Governors (BoG), a Board of Directors (BoD), a President, six Vice Presidents and other necessary officers & staff. Like other members, India is also represented on the BoG. The Finance Minister of India is the designated Governor for India. All the powers of the Bank vest in the BoG. The BoG exercises its powers and functions with the assistance of the BoD, to whom powers are delegated for specific functions. India is represented in the BoD by a nominee of the GOI as Executive Director (ED). ED is supported by officers from India (two Advisers and one Executive Assistant).

8.9.5 Annual Meetings of BoG is held in a member country in early May every year. Annual meetings are statutory occasions for Governors of ADB members to provide guidance on ADB administrative, financial, and operational directions. The meetings provide opportunities for member governments to interact with ADB staff, non-government organizations (NGOs), media, and representatives of observer countries, international organizations, academia and the private sector. 46th Annual Meeting of ADB was hosted by India during 2-5 May, 2013 in New Delhi. The last (50th) Annual Meeting of ADB was held at Yokohama, Japan during 4-7 May 2017. The 2018 Annual General Meeting of ADB would be held in Manila in May 2018.

8.9.6 ADB assistance to India commenced in 1986. Average sovereign annual lending increased from $586 million between 1986-96 to $905 million between 1997-2002, $1.094 billion between 2003-07, $1.9 billion between 2008-12, and more than $2.0 billion between 2013-2017. As of 31st December 2017, there are 84 ongoing sovereign loans amounting to $13.467billion.

8.9.7 ADB assistance to India supports the Government's development priorities, evolving focus areas, and flagship initiatives such as Atal Mission for Renewal and Urban Transformation (AMRUT); Smart Cities; 24×7 Power for All; Skill India; and Make in India. The India country partnership strategy (CPS) of ADB provides the overarching framework for ADB's operations in India. In line with the Government of India's guiding principle that multilateral development partners add value beyond tangible investments, ADB leverages knowledge, supports capacity development, and incorporates innovation and best practice into its operations. The new Country Partnership Strategy (CPS) of ADB for 2018-22 has been finalised in September, 2017.

8.9.8 ADB interventions in India span six sectors of operation: transport; energy; urban infrastructure and services; finance; skills; and agriculture and natural resources.

- The ADB transport sector program aims to improve connectivity and accessibility, promote safe and environment-friendly practices, and enhance in-country and subregional trade corridors and facilities.

- Energy sector initiatives contribute to the strengthening of power transmission and distribution networks in India. ADB supported initiatives aim to provide uninterrupted power supply to all, while promoting low-carbon solutions, renewable—including solar energy, and energy efficiency.
- The urban sector program focuses on expanding the coverage, quality, and continuity of basic services to improve the urban quality of life. It is aligned to support the three GoI urban flagship initiatives.
- The finance sector program endeavors to support leveraging of finance for infrastructure through loans and equity finance, investment funds, credit lines, and guarantees.
- ADB's agriculture and natural resources sector interventions provide assistance in the key areas of water use efficiency and climate resilience.
- ADB's skills development program endeavors to contribute to an increase in the supply of qualified labor to industries and services essential to growth. The program includes support to State-level efforts in skills development with a focus on quality and outcomes.

8.9.9 ADB has assured to enhance its India lending programme from the current level of $2 billion a year to $3 billion per annum for the period 2018-22.

8.9.10 ADB shares the vision of Government of India on regional cooperation and integration. South Asia Sub-regional Economic Cooperation (SASEC) Program brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a project-based partnership.Under this flagship Program, ADB has been working with the SASEC member countries for over 13 years to build cross-border power lines, introduce policy measures to facilitate regional trade, and connect roads for movement of goods and people. SASEC countries share a common vision of boosting intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast Asia through Myanmar, to the East Asia, and the global market.The SASEC Vision was launched in April 2017 during the SASEC Finance Ministers Meeting in New Delhi.

8.9.11 Building the capacity of various executing agencies has been an important element of ADB's assistance to India. The Capacity Development Resource Center was established at ADB's India Resident Mission; it collaborates with leading experts and national training institutes to develop and deliver training courses for executing agencies on operational matters as well as technical and substantive issues relating to ADB operations in India.

8.9.12 Technical Assistance (TA) program has also evolved in line with the loan program. TA support is being used to build capacity, improve project preparedness and implementation, and undertake scoping studies and knowledge products.

8.9.13 Portfolio performance has improved since 2005, largely as a result of regular tripartite portfolio review meetings (TPRMs) organized jointly by Government of India and ADB and attended by staff from Department of Economic Affairs (DEA), Ministry of Finance, ADB, and Executing Agencies of ADB projects across all States. Contract awards have increased from $550.5 million in 2004 to $ 2.4 billion in 2017, while loan disbursements have risen from $381 million to $1.9 billion over the same period.

8.9.14 ADB has set up a Technical Assistance Special Fund (TASF) for providing technical assistance to Developing Member Countries (DMCs) for capacity building development in the formulation, design and implementation of projects to facilitate effective use of external financing. India has been voluntarily contributing to TASF since 1970.

8.10 African Development Fund (AFDB)

8.10.1 India is a non-regional member of AfDB and contributes to the resources of the Bank through contributions to African Development Fund (ADF), Multilateral Debt Relief Initiative (MDRI) and Technical Cooperation. During Financial Year 2016-17, India pledged an amount of `100cr. (Grant) and `100cr. (Bridge Loan) each for the 14th Replenishment of ADF (ADF 14), which seeks to contribute to towards poverty reduction and economic and social development in the least developed African Countries.

8.10.2 The 52nd Annual Meetings (AMs) of AfDB were held during 22-26 May, 2017 in Gandhinagar, Gujarat. An Indian delegation led by Hon'ble Finance Minister, Shri. ArunJaitley attended these meetings. On May 23, 2017, Hon'ble Prime Minister of India, Shri Narendra Modi inaugurated the AMs. The theme of the AMs was "Transforming Agriculture for wealthy creation in Africa". Government of India also organized an "Africa India Cooperation" seminar and an exhibition during the AfDB Annual Meetings.

8.11 Global Alliance for Vaccines and Immunizations (GAVI Alliance)

8.11.1 The GAVI Alliance (formerly the Global Alliance for Vaccines and Immunization) was founded in 2000 to reduce the historical gap in access to life saving vaccines and reduce child mortalities. GAVI's mission is to save children's lives and protect people's health by increasing access to immunization in poor countries. GAVI is estimated to have contributed to the immunization of additional 500 million children and in prevention of approximately seven million future deaths with contribution of about USD 12 billion till 2016.

8.11.2 India is not only a recipient, but also a contributor to GAVI Alliance. As per 'Contribution Agreement' signed between Government of India and GAVI, India committed to contributed USD 1 million per annum for the years 2013-14 to 2016-17 to the GAVI Alliance.

8.11.3 A proposal of MoHFW was received in 2017 for enhancement of India's contribution to the GAVI in the next replenishment cycle 2017-21. The proposal was examined in DEA and it was decided with the approval of Hon'ble Finance Minister that the Govt. of India will make a contribution of US$ two million per annum to GAVI, i.e., a cumulative contribution of US$ 8 million for the next replenishment cycle of GAVI of four years. Since the arrangements are to be formalized through a Contribution Agreement, the draft contribution agreement obtained from the GAVI has been forwarded to L&T Division in MEA for comments/concurrence, which are awaited.

8.12 Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)

8.12.1 The Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund / GFATM) is an international financing organization that aims to attract and disburse additional resources to prevent and treat HIV and AIDS, Tuberculosis and Malaria. The organization is public-private partnership with Secretariat at Geneva, Switzerland. The organization began operations in January 2002. GFATM supported programs have estimated to have saved 17 million lives since 2002.

8.12.2 As per the 'Multi-Year Contribution Agreement' signed between Government of India, GFATM and IBRD (as Trustee of the Trust Fund for Global Fund) on 27th January, 2014, India committed USD 16.50 million to GFATM for the fourth replenishment period 2013-16.

8.12.3 With the approval of the Finance Minister, a 'Multi-Year Contribution Agreement' has been signed between Government of India and the GFATM on 05.12.2016 for India's contribution of US$ 20 million to the Global Fund during the Fifth Voluntary Replenishment cycle 2017-19 as per following schedule (i) US$ 6 million in 2017 and (ii) @US$ 7 million in 2018 & 2019. India's contribution for the year 2017 (USD 6 million) has been paid in June, 2017.

9. International Economic Relations Division

9.1. G-20

9.1.1. The G20 was formed in 1999, as a forum of Finance Ministers and Central Bank Governors, in recognition of the fact that there was a major shift in the global economic weight from the advance economies to emerging market economies. However, G20 rose into true prominence in 2008 when it was elevated from a forum of Finance Ministers and Central Bank Governors to that of G20 Heads of Nations in order to effectively respond to the global financial crisis of 2007-2010. This proved to be a very effective strategy and the G20 rose to the occasion and helped in ensuring that the world was kept away from a major economic collapse.

9.1.2. The first G20 Summit was held in November 2008 in Washington DC under the shadow of the greatest financial crisis in the post-war era. This was followed by eleven summits held in London (April, 2009), Pittsburg (September, 2009), Toronto (June, 2010), Seoul (November, 2010), Cannes (November, 2011), Los Cabos (June, 2012), St. Petersburg (September, 2013), Brisbane (November, 2014), Antalya (November, 2015) and Hangzhou (September, 2016). The last G20 Summit was held in Hamburg under German Presidency on 7th -8th July 2017. Argentina took over the G20 Presidency from Germany on December 1, 2017.

9.1.3. The G20 issues are divided into Finance Track and Sherpa Track. Under Finance Track, there are various working/ study groups deliberating on issues like international financial architecture, infrastructure, sustainable financing, growth etc. Among these, G20 Framework Working Group (FWG) is perhaps the most mature working group. India, along with Canada continues to co-chair the G20 FWG that plays a pivotal role in the development and coordination of growth strategies. The other Working/ Study Groups of G20 Finance Track are International Financial Architecture (IFA) Working Group, Sustainable Financing Study Group (SFSG), Infrastructure Working Group (IWG) and Global Partnership for Financial Inclusion (GPFI)

9.1.4. The Working Groups under Sherpa Track include; Trade and Investment Working Group (TIWG), Sustainability Working Group (SWG), Employment Working Group EWG), Anti-corruption Working Group (ACWG), Health Working Group (HWG), Development Working Group (DWG). Apart from these issues relating to digitalisation and agriculture are discussed under Digital Economy Task Force (DETF) and Agriculture Deputies Meetings respectively.

9.2 G20 German Presidency 2017-Priorities

9.2.1. The German Presidency in 2017 delineated its priority as "Building an interconnected world". The focus was on three broad based themes, with each covering different agenda items.

i. **Building Resilience:** World Economy, Trade and Investment, Employment, International Financial Architecture, International Tax Co-operation

ii. **Improving Sustainability:** Climate and Energy, 2030 Agenda, Digitalisation, Global Health, Empowering Women

iii. **Assuming Responsibility:** Tackling the causes of displacement, Partnership with Africa, Fighting Terrorism, Anti-corruption, Agriculture and food security

9.3 Outcomes of G20 Hamburg Summit 2017

1. The G20 Summit 2017 was successfully held in Hamburg on 7th -8th July 2017. India was represented in the Summit by Hon'ble Prime Minister Shri Narendra Modi accompanied by officials from Department of Economic Affairs (DEA) and Ministry of External Affairs (MEA).

2. Through intense negotiations in Sherpa meetings, Finance Ministers & Central Bank Governors meetings, Working Group meetings, Ministerial meetings and pre-Summit meetings, India was successfully able to articulate its interests and ensure that priorities are reflected in Leaders' Communiqué.

9.3.1 Finance Track

1. **Resilient Global Financial System:** Leaders reiterated their commitment to the finalization and timely, full and consistent implementation of the agreed G20 financial sector reform agenda. They agreed to work towards finalizing the Basel III framework without further significantly increasing overall capital requirements across the banking sector, while promoting a level playing field. They welcomed the Financial Stability Board (FSB) assessment of the monitoring and policy tools available to address risks from shadow banking. Leaders also acknowledged that malicious use of ICT could endanger financial stability.

2. **International Financial Architecture:** Leaders pledged to enhance the international financial architecture and the global financial safety net with a strong, quota-based and adequately resourced IMF at its centre. They reiterated their commitment to the completion of the 15th General Review of IMF Quotas, including a new quota formula, by the Spring Meetings 2019 and no later than the Annual Meetings 2019. Leaders supported the ongoing work to further enhance the effectiveness of IMF's lending toolkit. Leaders also endorsed the MDBs' Joint Principles and Ambitions on Crowding-in Private Finance and welcomed their work on optimizing balance sheets and boosting investment in infrastructure and connectivity.

3. **International Tax Cooperation and Financial Transparency:** Leaders expressed their commitment towards implementation of the Base Erosion and Profit Shifting (BEPS) package and encouraged all relevant jurisdictions to join the Inclusive Framework. They reaffirmed their commitment to stick to the deadline of September 2017 for the first automatic exchange of financial account information under the Common Reporting Standard (CRS). They also called on all relevant jurisdictions to begin exchanges by September 2018 at the latest. On the issue of tax transparency, Leaders said that defensive measures will be considered against listed non-cooperative jurisdictions. They called for enhancing tax certainty and tackling tax challenges raised by digitalisation of the economy. To fight corruption, tax evasion, terrorist financing and money laundering, Leaders agreed to advance the effective implementation of the international standards on transparency and beneficial ownership of legal persons and legal arrangements, including the availability of information in the domestic and cross border context.

4. **G20 Compact with Africa:** Leaders highlighted the need for joint measures to enhance sustainable infrastructure and improve investment frameworks in Africa. They expressed their readiness to help African countries and call on other partners to join the initiative.

9.4 Sherpa Track

1. Leaders agreed to remain collectively committed to mitigate greenhouse gas emissions inter alia, through increased innovation on sustainable and clean energies and energy efficiency, and work towards low greenhouse-gas emission energy systems.

2. Leaders welcomed international cooperation on the development, deployment and commercialisation of sustainable and clean energy technologies and support financing by Multilateral Development Banks to promote universal access to affordable, reliable, sustainable and clean energy.

3. As regards safeguarding against health crises and strengthening health systems, Leaders recognised that implementation of and compliance with the International Health Regulations (IHR 2005) is critical for efficient prevention, preparedness and response efforts. They supported the WHO´s central coordinating role, especially for capacity building and response to health emergencies, and encouraged full implementation of its emergency reform.

4. Leaders aimed for implementation of National Action Plans, based on a One-Health approach, well under way by the end of 2018 to tackle the spread of Anti-Microbial Resistance (AMR) in humans, animals and the environment.

5. Leaders noted that migration and forced displacement trends are of major relevance for countries of origin, transit and destination and agreed to address the root cause of displacement. They also recognized that social and economic benefits and the opportunities of safe, orderly and regular migration can be substantial.

6. Leaders endorsed 4 sets of High Level Principles on the Liability of Legal Persons, Organizing against Corruption, Countering Corruption in Customs, Corruption related to Illegal Trade in Wildlife and Wildlife Products. They agreed to continue to fully implement the G20 Anti-Corruption Action Plan and Implementation Plan 2017-18.

7. Supporting the rule-based multilateral trading system with the WTO at its centre to promote trade and investment liberalization and facilitation, Leaders committed to further strengthen G20 trade and investment cooperation and deepen work on investment facilitation and retention. G20 will strive to keep markets open in view of the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination, and continue to fight protectionism.

9.5 India's contribution for the Summit

1. G20 leaders endorsed Hamburg Action Plan (HAP). HAP took note of the India's initiatives for:

a. introducing labor market reforms to provide security to workers, increase female participation in the workforce;

b. promoting the ease of doing business;

c. facilitating external commercial borrowings (ECBs) by startups in order to encourage innovation; and

d. popularizing a number of derivative instruments in exchanges or electronic trading platforms.

2. Amid increasing anti-globalization sentiment world-wide, India, Germany and like- minded countries were successful in inserting strong narrative in G20 Leaders' Communiqué in support of open, rule based, non-discriminatory WTO consistent trade and investment framework, and G20 commitment to fight against protectionism.

3. G20 members also agreed to India's call for reforming international financial architecture by agreeing to completion of the 15th General Review of IMF Quotas, including a new quota formula, by the Spring Meetings 2019 and no later than the Annual Meetings 2019.

4. G20 Leaders expressed their commitment to work to finalise the Basel III framework, but on India's request agreed to do so without further significantly increasing overall capital requirements across the banking sector, while promoting a level playing field

5. On India's behest, deadline for phasing out of fossil fuel subsidy was dropped.

6. A statement on countering terrorism was endorsed by the Leaders' during the Summit on India's strong call to fight against terrorism.

7. India hosted a G20 FWG meeting in March 2017 in Varanasi.

9.6 G20 –Argentina Presidency-2018

Argentina took over the G20 Presidency from Germany on December 1, 2017. The theme of its Presidency is "Building consensus for fair and sustainable development" with a focus on three key issues:

i. Future of work

ii. Infrastructure for development

iii. Sustainable food future

9.7 BRICS

1. The BRICS nations form the five key pillars of south-south cooperation. They continue to play an important role as engines of global growth as well as representative voice of emerging markets and developing countries in the global forums.

2. Under the Chinese Presidency of the BRICS forum in 2017, the economic and financial cooperation gained fresh impetus as the BRICS Finance Ministers and Central Bank Governors worked together to develop a blueprint for enhanced future cooperation in new areas. In this regard, BRICS have agreed to jointly establish a BRICS local currency bond fund and to foster cooperation on Public Private Partnership (PPP) mode of infrastructure financing.

3. The New Development Bank has started its lending operations in India and till date, the Bank has approved financing of more than USD 1.4 billion for the Indian projects. These projects cut across diverse sectors such as renewable energy, road infrastructure development and improvement of water sector. Several other infrastructure projects are currently under consideration for the Bank financing.

4. The framework of swap lines, conceived as BRICS Contingent Reserve Arrangement (CRA) with corpus of USD 100 billion, stands operationalised in case any member nation requires short-term liquidity support. The BRICS Central Banks have also established the CRA System of Exchange in Macroeconomic Information (SEMI) and are further working to strengthen the research capabilities of the CRA.

9.8 G-24

1. G-24 was established in 1971 by the Group of 77 (G-77). The Intergovernmental Group of Twenty Four on International Monetary Affairs and Development(G-24) coordinates the position of developing countries on monetary and development issues in the deliberations and decisions of the Bretton Woods Institutions (BWI). In particular, the G-24 focuses on issues on the agendas of the International Monetary and Financial Committee (IMFC) and the Development Committee (DC) as well as in other relevant International fora.

2. The governing body of the G-24 meets twice a year, preceding the Spring and Fall meetings of the International Monitory and Financial Committee and the Joint Development Committee of the World Bank and the International Monitory Fund (IMF). The plenary G-24 meetings are addressed by the heads of the IMF and the World Bank Group as well as by senior officials of the United Nation (UN) System. Issues are first discussed by the Deputies and culminate at the Ministerial level by the approval of a document that sets out the consensus view of member countries. The Ministerial document is released as a public Communiqué at a press conference held at the end of the meetings. Decision making within the G-24 is by consensus.

3. The last G-24 Ministerial meeting was held on 12th October, 2017 in Washington D.C. The next meeting of the G-24 Ministers is expected to take place in April in 2018 in Washington, D.C.

9.9 OECD

9.9.1 OECD releases Economic Survey of Member countries and other key economies once in about every two years. OECD released Economic Survey of India in 2007, 2011, 2014 and 2017

9.10 Indo-Russia Cooperation

9.10.1 The credit protocol for financing the construction of Kudankulam Nuclear Power Project (units 5 & 6) between India and Russian Federation was signed on 1st June,2017 at St. Petersburg, Russia.

9.11 SAARC and SAARC Development Fund (SDF)

9.11.1 **Framework on Currency Swap Arrangement for SAARC Member Countries:** The "Framework on Currency Swap Arrangement for SAARC Member Countries" was approved by the Government of India on 1st March , 2012. The Framework was formulated with the intention to provide a line of funding for short term foreign exchange requirements or to meet balance of payments crises till longer term arrangements are made or the issue is resolved in the short-term. Under the facility, RBI offers swaps of varying sizes to each SAARC member country (Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka) depending on their two months import requirement and not exceeding US$ 2 billion in total, in USD, Euro or INR. Till date Bhutan (twice), Sri Lanka (thrice) and Maldives (once) have availed this facility.The validity of the Framework has been extended twice. At the first instance on 18thNovember, 2015, and recently the Framework has been for a period of another two years i.e. till 13th November, 2019.

9.11.2 **Operationalization of Economic and Infrastructure (E&I) Windows -** The Board of Directors of SDF during its 20thmeeting held from 1-3 December 2014 at Male, Maldives decided that the fund allocation out of capital contributions of member states will be: 5% towards social window; 47.5% towards economic window and 47.5% towards infrastructure window. Funding of projects under Social Window of SDF is active and 11 projects have already been approved under this window till date. Recently, the Board of Directors of SDF, in its 28th Board Meeting held during 20-22 December, 2017 in Thimphu, Bhutan, approved the Credit Policy and E&I Policy Guidelines of SDF, enabling the activation of E&I windows for project financing.

10. Aid Accounts & Audit Division (AAAD):

10.1 AAAD under Department of Economic Affairs implements the financial covenants of external Loans/ Grants obtained/received by Government of India from various Multilateral and Bilateral donors. Main functions handled by this Division are processing claims received from Project Implementing Authorities, to draw down funds from various donors and timely discharge of debt servicing liability of Government of India. Besides, this Division is responsible for maintaining loan records, External Debt Statistics, Compilation of various management Information Reports, Publication of External Assistance Brochure on annual basis, and framing of estimates of External Aid Receipts and Debt servicing. In addition, audit of Authorizations issued by DGFT offices fro Export Promotion is also conducted by this Division. This division is ISO 9001:2008 certified since 2007 for its functions related to External Assistance.

10.2 Performance/Achievement during Financial Year 2017-18-ending December, 2017)

10.2.1 External receipts on Government Account during financial year 2017-18 (upto 31st December, 2017) stands at `30,107/- crore and Assistance in the form of Cash Grant was of `1,166/- crore. During the same period a sum of `23,648/- crore was repaid/paid as debt servicing.

10.2.2 A comparison with the corresponding period of previous financial year is tabled below:

In ` crore

Sl. No	Description	2016-17	Upto Dec.2016	Upto Dec.2017
1	Receipts	41001	28728	30107
2	Payments (Principal and Interest)	31287	23634	23648
3.	Net Transfer	9714	5094	6459

10.3 E-Governance

10.3.1 The Activities of AAAD have been fully computerized since April 1999. A software known as "Integrated Computerised System" (ICS) has been developed. This covers all the activities in the loan cycle i.e. preparation of Estimates for External Assistance for receipt as well as repayment, preparation of Annual External Assistance Brochure, processing of claims, repayment of debt and maintenance of Debt Records. All the Officers/Staff members of this Division are well versed with the functioning of this system. The computerized system being used in this Division required some extra features to make the reporting more robust. The system has been updated during the current financial year in view of the requirement of using multiple selections to provide input/data for preparation of replies for Parliament Question etc. The new formats allow generating various reports using multiple selections.

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

10.3.3 e-Governance by way of accepting and processing/forwarding of the draw down claims from various PIAs has been initiated by this division. Wherever PIAs have been provided software support for processing the e-claims they submit e-claims to this Division (World Bank and ADB) claims). Such software is being utilized by the PIAs to maximum extent. In case of E-claims, SOE/ Interim Unaudited Financial Report (IUFR), claims from PIAs and faster disbursals. In case of World Bank, claims are processed in E-disbursement mode through the World Bank's software/client connection from this Division to World Bank.

10.4 Trainings

10.4.1 In order to familiarise the officers/staff of the PIAs, training on E-submissions are being organized by this Division from time to time since last few years. In this series, 50 officers/staff members of different PIAs were imparted trainings during current financial year i.e. 2017-18. As a result of initiatives taken by this Division, 625 claims have been received in the current financial year from PIAs to this Division through E-mode.

10.4.2 This office sends its officers to ISTM and other training centres for training in functional and other government areas like ethics in Governance and Administration. Training is most important aspect to increase the capacity of officials. This office has developed; over a period of time; an excellent centre of cross learning due to its continuous interaction at international, national, state and local levels.

10.5 Standards & Improvements in service deliveries

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

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

10.6 Externally Aided Projects/Schemes in operations for Development of North- Eastern Region and Sikkim

10.6.1 As part of development for North-Eastern-Region and Sikkim total 47 Externally Aided Projects are in operation. Out of which 41 are implemented by State Governments and 6 projects by Central Government. These Projects are mainly for development of Infrastructure (Roads & Power Generation) Environment & Forest, Urban Development, Water Resources etc. The total Utilization during April-December 2017 was `1800.84 crore.

10.7 Audit under Export Promotion

10.7.1 AAAD carries out audit of Export Licenses issued by Director General of Foreign Trade located at 44 stations. During the financial year 2017-18 (upto 30.11.2017) a sum of `900 Lakhswere recovered. A total number of 25 cases were adjudicated on the basis of shortcomings pointed out by this division. These cases include an amount of `1653 lakhs. A comparative table of recoveries made during last four years and current financial year (as on 30th Nov. 2017) is shown below:

In ` lakhs

Sl. No	Year	Amount
1	2013-14	1338
2	2014-15	1851
3	2015-16	1901
4	2016-17	1281
5	2017-18 (Nov. 2017)	900

11. Administration Division

11.1 Functions

11.1.1 Administration Division is responsible for personnel and office administration, implementation of Official Language policy of the Government, implementation of the Right to Information Act, 2005 Grants-in-aid, redressal of public grievances, training of officials, Record Retention Schedule, Complaints Committee on Sexual Harassment of Women Employees etc.

11.2 Staff Strength

11.2.1 The staff strength in Department of Economic Affairs and its attached/sub-ordinate offices/statutory bodies along with the representation of Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) and Persons with Disabilities therein is given in Annex. I & II respectively. The information regarding Pending ATN on PAC in respect of Admn.III is NIL.

11.3 Grants-in-aid

11.3.1 During the year 2017, grants-in-aid of Rs.19.25 lac was sanctioned to Consumer Unity & Trust Society, Jaipur, Rajasthan by Department of Economic Affairs to undertake a research work on "Export-oriented FDI, FTAs and GST in India, Issues and Impact on SEZs and EOUs".

11.4 Complaints Committee on Sexual Harassment of Women Employees

11.4.1 In compliance with the Supreme Court's Judgment dated 13 August, 1997 in the Visakha Case relating to preventions of sexual harassment of women at work place, a Complaints Committee for considering complaints of sexual harassment of women employees in Department of Economic Affairs is in existence in the Department.

11.5 Training of Staff Members

11.5.1 Department of Economic Affairs deputes its officials for training to ISTM and other institutes to increase their efficiency and improvement in the quality of their work. During the period 1.1.2017 to 31.12.2017 a total of 61 officials/officers of this Department were deputed to Institute of Secretariat Training and Management (ISTM), New Delhi and other Institutes for undergoing various trainings programmes.

11.6 Redressal Of Public Grievances:

11.6.1 A Centralized Public Grievances Redressal And Monitoring System (CPGRAM) is operational within the Government which attends to all the Public Grievances related to various Ministries/Departments. During the year 2017 a total of 4448 fresh public grievance cases were received in the Department besides 858 brought forward from the previous year. Out of these 5306 cases, 4363 cases were disposed off during the year.

11.6.2 Joint Secretary (ACC) has been nominated as the Public Grievances Officer of Department of Economic Affairs. His contact details have been displayed on the PGRM portal (http:pgportal.gov.in).

11.7 Right To Information Act, 2005

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

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

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

(iii) All Under Secretaries/Deputy Director/Assistant Director/Sr. Accounts Officers and Economic Officers level officers have been designated as Central Public Information Officers (CPIOs) under section 5 (1) of the Act, in respect of subjects being handled by them.

(iv) All Deputy Secretaries/Directors/Addl. Economic Adviser have been designated as First Appellate Authorities in terms of Section 19 (1) of the Act, in respect of US/DD & EO working under them and designated as CPIOs.

(v) The list of CPIOs and AAs is updated and uploaded time to time in the website of DEA for facilitation of the viewer and RTI applicants. To facilitate the receipt of applications under the RTI Act, 2005 a provision has been made to receive the applications at the facilitation counter of the Department at Gate No. 8, where RTI Cell has shifted. The applications are received and further forwarded to the CPIOs/Public Authorities Concerned.

(vi) The RTI application can be filed through online www.rtionline.gov.in. The RTI applicant can see their application status including reply of their question through the website. Further, transfer of application can also be done online. These all process have resulted significant reduction in processing RTI application.

(vii) During the year 2017 from January, 2017 to December, 2017, 2050 RTI applications and 145 appeals/CIC Hearing/complaint including 1303 online applications and 66 appeals, were received in the Department. An amount of Rs. `8652/- (Rupees Eight thousand six hundred and fifty two only) has been collected as RTI fees and Documents fee under the RTI Act.

11.8 Use of Hindi in Official work

11.8.1 During the year under report, progress made in the implementation of various provisions under the Official Language policy of the Government continues to be reviewed.

11.8.2 All documents in Parliament were provided bilingually. Section 3(3) of the Official Language Act, 1963 and Rule 5 of Official Language Rules, 1976 made thereunder and other instructions issued by the Department of Official Language were fully complied with. A number of steps were taken in the Department to promote the use of Hindi in official work during the year which includes :

i. Annual Programme for the year 2017-18 issued by the Department of Official Language was circulated to all the attached/subordinate offices/ divisions /sections under the Department and all efforts were made to achieve the targets fixed therein ;

ii The meeting of the reconstituted Hindi Salahkar Samiti of the Department of Economic Affairs (including Department of Financial Services) has been convened on 27.12.2017;

iii. In order to remove the hesitation amongst officials to do their official work on e-office in Hindi and to acquaint them with the rules and other instructions regarding the Official Language policy of the Government. Hindi workshop was organized on 14.11.2017;

iv. Hon'ble Minister of Finance in his "Message" on the auspicious occasion of Hindi day on 14th September, 2017 appealed to the officers and staff of the Ministry of Finance as well as the Offices under its control to do their official work in Hindi ;

v. To create a conducive atmosphere in the Department for promoting the progressive use of Hindi, "Hindi Month" was celebrated during 1st to 30th September, 2017 ;

vi A Scheme of incentives on Original Book writing in Hindi on Economic subjects has been introduced in this Department. The authors under the Scheme are awarded the first, second and third prizes of Rs. 50,000/-, Rs.40,000/- and Rs.30,000/- respectively. It is an ongoing scheme;

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

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

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

11.9 Finance Library & Publication Section

11.9.1 Introduction

11.9.1.1 Finance Library & Publication Section was established in 1945. Finance Library functions as the Central Research and Reference Library in the Ministry and caters to the needs of Officials of all the Departments of the Ministry of Finance, Ad-hoc Committees and Commissions set from time to time and research scholars from the various Universities in India as well as abroad. This Library also serves as the Publications Section of the Ministry, coordinating in the procurement and distribution of official documents with the various institutions/individuals on demand in India and abroad.

11.9.1.2 A Publication Cell vide O.M. No.F.1 (1) – Ly/59 dated the 2nd April, 1959 was created and later integrated with the Library forming the Finance Library and Publication Section.

11.9.1.3 Finance Library has been categorized as Grade III Library on the basis of Department of Expenditure's O.M. No. 19(1)/IC/85 dated 24.07.1990. All the posts in the Library are ex cadre posts.

11.10 Collection

11.10.1 Library has specialized collection of more than two lakh documents on Economic and Financial matters and subscribe to more than 800 periodicals/newspapers annually and databases like Agriwatch and Indiastate. Access to e-journals and back-filed collection through JSTOR is also available.

11.11 Services

11.11.1 Library provides different kinds of services viz. lending, inter-library loan, consultation, reprographic, circulation of newspapers and magazines, reference service, current awareness service through “WEEKLY BULLETIN” as well as providing services through e-mail and also extended the services of e-governance. The Finance Library also undertakes the work of distribution of publications of Ministry of Finance and Reserve Bank of India to State Governments, Foreign Governments and renowned institutions in India as well as abroad.

11.11.2 A useful links is also provided on intranet by the Library which helps the readers in search and download full text of national and international reports and data.

11.12 Publications

11.12.1 Finance Library brings out two (print + online) publications i.e. “Weekly Bulletin” and “Current contents.

11.13 Digital Records:

11.13.1 A pilot project of digitization of Indian Official Documents relating to Economic and Finance Subject (Center and State since independence) and Ministry of Finance, Gazette Notifications published in the Pt. 2 Sec. 3 Sub-section (i) (ordinary) for the year 1955 to 1990 has been digitized. So far around 03 TB Data has been digitized and available in digital format.

11.14 Computerisation

11.14.1 The Library is fully automated. The Library uses LIBSYS Library package for database management, retrieval, Library automation and other in-house jobs. The internet facility is also available in the Library through which information is provided to the Officers of Ministry of Finance.

11.14.2 As far as accessibility of the online data is concerned, e-governance has been extended to the Ministry of Finance. A link from intranet site “finance.nic.in” is made available to access the library information.

11.15 Other Works:

i. Modernization and infrastructure improvement was undertaken by the Library and 95% work has been completed.

ii. The work of reimbursement of newspapers and magazines of DEA is also undertaken by the Finance Library.

iii. This Library also serves specifically as the Publications Section of the Ministry; coordinating in the procurement and distribution of official documents with the various institutions/ individuals on demand in India and abroad.

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

12. Bilateral Cooperation Division

12.1 Bilateral Official Development Assistance Policy:

12.1.1 India has been accepting external assistance from bilateral partners in the form of loans, grants and technical assistance for development of infrastructure, social sector and for enhancement of knowledge/skills of Indian nationals at both Centre and States level. As per the guidelines issued by this Department in 2005, bilateral development assistance can be accepted from all G-8 countries, namely USA, UK, Japan, Germany, France, Italy, Canada and the Russian Federation as well as from the European Commission. European Union countries outside the G-8 can also provide bilateral development assistance to India provided they commit a minimum annual development assistance of USD 25 million.

12.1.2 The existing policy on bilateral Official Development Assistance (ODA) was reviewed in November, 2015 and it has been decided that ODA may be accepted from other countries also. Finance Minister and External Affairs Minister, with the approval of Prime Minister have been authorized to accept any such proposal. It has also been decided to accept offers of bilateral assistance in the form of “special loans” (i.e. loans which have conditions for sourcing of procurement or executing agency from the funding country) in addition to the assistance on the normal route. A revised set of guidelines were issued in December, 2015. **After issuance of revised guidelines, the Republic of South Korea has been recognized as bilateral partner country for accepting Official Development Assistance from them**

12.2 Bilateral Development Cooperation with Germany

12.2.1 Germany through their Ministry for Economic Cooperation & Development (BMZ) has been providing both financial and technical assistance to India since 1958. In 2008, the German Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) also initiated assistance under German Government’s ‘International Climate Protection Initiative’, which is an additional instrument of the German Government over and above and without undermining the existing sources of Official Development Assistance.

12.2.2 During the Inter-Governmental Consultation held in Germany on 29-30th May 2017 a Joint Declaration of Intent was signed between the Ministry of Finance of the

Republic of India and the Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany on Indo-German Development Cooperation to continue their successful cooperation in order to meet India's development challenges, in coherence with India's reform agenda and the internationally agreed Sustainable Development Goals (SDGs) and to confirm the three priority areas of Indo-German development cooperation: Energy, Sustainable Urban Development as well as Environment and Management of Natural Resources.

12.2.3 Under the bilateral development cooperation, financial assistance is provided as Standard Loan (IDA-pattern loan), Official Development Assistance (ODA)-Reduced Interest Loan (EURIBOR-based loan) as well as grants. The technical assistance is provided in the form of grant and services.

12.2.4 The volume of Financial and Technical cooperation since cooperation began in 1958 stands at € 15.93 billion. In 2017 commitment of € 1054.0 million was made for concessional loans and various technical cooperation projects. Agreements worth €152 million for 5 projects were signed in 2017 including two projects worth € 35 million for North Eastern states.

12.3 Bilateral Development Cooperation with AFD, France

12.3.1 The Government of France has been extending development assistance to India since 1968. The present French development assistance is being provided through the French Agency for Development (AFD). The Memorandum of Understanding in this regard was signed between Department of Economic Affairs and AFD on 29.09.2008. This MoU was revised in May 2012. The priority areas for AFD financing in India are:

(i) Energy efficiency and renewable energy

(ii) Urban infrastructure (public transport, water, etc.)

(iii) The preservation of biodiversity.

12.3.2 In recent years, the cooperation between two countries has witnessed progress and a total commitment of €106 million was made by AFD during 2017. AFD's cumulative commitment is €1517 million till 2017. Project Agreements worth €245 million for 3 projects were signed in 2017. Total amount of Agreements signed with AFD for loans till 2017 stands at €1337 million.

12.4 India-UK Bilateral Development Cooperation Programme

12.4.1 The United Kingdom (UK) has been providing development assistance to India since 1958. Development assistance from UK is received mainly for achieving the (SDG's) in the areas of health, education, administrative reforms, slum development etc.

12.4.2 The assistance from the UK, through its Department for International Development (DFID), flows to mutually agreed government projects and programmes in the form of financial and technical assistance. Presently, Odisha, Madhya Pradesh and Bihar are the three focus states of DFID.

12.5 Changed arrangements in India-UK Development Partnership

12.5.1 With effect from January 2016, all new development cooperation programmes by the UK Government will be either Technical Assistance (TA) programmes focused on sharing skills and expertise, or in investments in private sector under PSDI projects focused on helping the poor. Both sides have agreed to this arrangement.

12.6 Agreement signed/yet to be signed since 2017

12.6.1 The following three new agreements involving technical assistance have been signed/Under consideration in the year 2017 between Government of India and DFID.

S. No.	Project Name	Date of Signing	Project period	DFID Technical Grant Assistance (£ million)
1	Technical Assistance to Smart Urban Development in Indian States (SmUDI)	14. 9.2017	14.9.2017/ 30.9.2021	4.5
2	Extension – Making Skill market deliver jobs for the poor programme	Yet to be signed	2020-2021	10
3	India-UK Growth Equity Fund under NIIF	Yet to be signed	2017- 2030	120 from UK

12.7 Brief on India-European Union (EU) Development Cooperation

12.7.1 The European Union (EU) has been providing development assistance to India in form of Grants. The priority areas include environment, public health and education.'

12.7.2 No new grants are provided by EU after 2013 as per EU's new development Cooperation strategy.

12.8 Investments in India by European Investment Bank (EIB)

12.8.1 The European Investment Bank is the European Union's financing institution which was established in 1958 under the Treaty of Rome (1957) to provide financing for capital investment. The members of the EIB are the Member States of the European Union, who have all subscribed to the Bank's capital. Outside the European Union, EIB financing operations are conducted principally from the Bank's own resources but also, under mandate, from Union or Member States' budgetary resources. Under these arrangements, the EIB's funds are utilized to finance investments in countries signatory to Co-operation Agreements with the EU.

12.9 EIB in India:

12.9.1 EIB's activities in India emanate from the Joint Action Plan (JAP) of the Strategic Partnership between the EU and India. EIB intends to increase its lending activities focusing mainly on environmental sustainability and large infrastructure project through FDI, transfer of technology and know-how.

12.9.2 EIB investments in India are governed by the Framework Agreement for Financial Cooperation. This agreement was signed between India and EIB on 25th November, 1993 by the Charge d'Affaires of India at Brussels. The Framework Agreement was initially valid for a period of three years and later it was extended sine die vide amendment dated 24th November, 1998.

12.10 EIB loans

12.10.1 Approval granted by DEA during 2016-17 and 2017-18.

12.10.2 Finance Contract B of Euro 250 million for Lucknow Metro Rail Project was signed between DEA, Government of India and European Investment Bank on 31st March, 2017 in New Delhi in the presence of Hon'ble FM.

12.10.3 Finance Contract of Euro 300 million out of total loan of Euro 500 million for Bangalore Metro Rail Project has been signed between Government of India and European Investment Bank on 5th October, 2017 in New Delhi.

12.11 Japan-Official Development Assistance

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

12.11.2 The Japanese ODA loans to India are mostly project tied. The interest rates are 1.5% per annum for general projects with 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 1.30% per annum with 30 years tenure including grace period of 10 years. In addition, Government of Japan has introduced Front End Fee which is payable one time @ 0.2% of the loan amount. If disbursement of the project is completed within the agreed period, JICA will reimburse 0.1% of JICA loan to the borrower. The Front End Fee has been introduced from April, 2013 onwards in place of Commitment Charges.

12.11.3 Government of Japan has committed JPY 462.449 billion (`26360 crore approx.) for 14 projects to India from January 1, 2017 to December 31, 2017. As on December 31, 2017, 51 projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is JPY 1612.687 billion (`882652 crore approx.). The cumulative commitment of ODA loan to India has reached JPY 5244.005 billion on commitment basis till December 31, 2017. The ODA loan disbursement to India from January 1, 2017 to, 31st December 2017 was JPY 247.721 billion (`14361.03 crore).

12.12 Grant Aid

12.12.1 The Government of Japan provides Grant Aid to India under the following sectors and criteria:

(i) Criteria

(a) Development impacts;

(b) Utilization of Japanese technology/Know-how and likelihood of its dissemination to other areas.

(ii) Sectors:

(a) Transport Sector, including projects using information and communication technology (ICT) and road projects with slope protection measures (potential line ministries could include Ministry of Road Transport and Highways, Ministry of Urban Development, etc.)

(b) Power Sector, including small-scale hydro power projects and solar power projects (potential line ministries could include Ministry of Power, Ministry of New and Renewable Energy, etc.)

12.12.2 During 1st January, 2017 to 31st December, 2017, 2 proposals were signed with Govt. of Japan.

12.13 Technical Cooperation Programme

12.13.1 Technical Cooperation aims at transfer of technology and knowledge in a bid to develop and improve human resources and thus contribute to the Socio-Economic Development of India. The Technical Cooperation covers a broad spectrum of fields ranging from Basic Human Needs to Agriculture and Industrial Development. Priority areas for JICA in India are (i) public health and medical care, (ii) agriculture and rural development, (iii) environmental conservation and protection, and (iv) improvement of economic infrastructure.

12.13.2 The main components of Technical Cooperation are (i) Project Type Technical Cooperation Projects (ii) Development Study, (iii) Dispatch of Experts, (iv) Japanese Overseas Cooperation Volunteers (JOCV) Programme, (v) Follow-up Cooperation Programme, (i) Training of Indian Government personnel, (vii) Third Country Training Programme involving training of personnel from different countries in India. There are 11 ongoing projects under Technical Cooperation Programme.

12.14 JOCV Programme

12.14.1 JICA's volunteer programs, such as Japan Overseas Cooperation Volunteer (JOCV) and Senior Volunteer (SV), support a wide range of local activities by Japanese citizens who intend to cooperate in the economic and social development as well as in the reconstruction of emerging countries. Through these cooperation activities, participating volunteers can, not only contribute to the development of partner countries but also gain valuable experience in terms of international goodwill, mutual understanding and an expansion in their international perspectives.

During 1st January 2017 to 31st December 2017, 10 proposals were posed to Embassy of Japan and No-objection to 6 Volunteers was issued.

12.15 JICA Partnership Programme

12.15.1 Recognizing the growing importance of NGOs in international cooperation, the JICAPartnership Programme (JPP) was introduced in 2002. JPP is a technical cooperation program implemented by JICA to contribute to the social and economic development of developing countries at the grass-roots level, in collaboration with partners in Japan, such as NGOs, universities, local governments and public interest corporations While applying for JPP Indian NGOs are advised to seek a Japanese partner to take part in the scheme. This has two components :-

1. Japanese NGO/Institution/Local Government through JICA will support Indian organization with Japanese expert personnel, equipment provision and Financial support through FCRA route;
2. Japanese NGO/Institution/Local Government through JICA will provide training of Indian personnel in Japan.

12.16 Grassroots Funding

12.16.1 The Government of Japan also provides small assistance to Indian NGOs under its Grassroots Funding Programme through FCRA route on receipt of no objection from DEA. During 1st January 2017 to 31st December 2017, DEA cleared 7 proposals.

12.17 Green Aid Plan

12.17.1 The Government of Japan (Ministry of Economic Trade and Industry) provides technical assistance under Green Aid Plan through agencies like New Energy and Industrial Development Organization (NEDO), an organization of METI. The areas of ooperation are prevention of water pollution, air pollution, treatment of wastes and recycling and energy conservation and alternative energy source. Model projects are carried out by NEDO on the basis of the MoU signed by NEDO with Department of Economic Affairs, the concerned line ministry and the implementing agency. NEDO sends Japanese experts to Indian organizations to impart training and conducts training programmes in Japan.

12.18 Bilateral Development cooperation with South Korea:

12.18.1 In the Joint statement for Special Partnership signed during the Prime Minister's visit to South Korea during May 18-19, 2015, it was agreed to upgrade the bilateral relationship between the two countries to a 'Special Strategic Partnership' and expand it into a wide range of areas. Accordingly, Republic of Korea was accepted as bilateral partner for development cooperation during October, 2016. In the 5th India-South Korea's Finance Ministers meeting held during the Finance Minister's visit to South Korea during June 14-17, 2017, an MoU was signed on 14.6.2017 between EXIM Bank of India with Korean EXIM Bank for bilateral financial cooperation to the tune of US$ 9 billion; and an Economic Development Cooperation Fund (EDCF) agreement was signed between Government of India and Republic of South Korea for US$ 1 billion Official Development Assistance (ODA) to India. The two countries are in the process of finalizing a Framework Agreement on Development Cooperation between the Government of Korea and the Government of India to facilitate development cooperation projects, technical assistance, multilateral cooperation etc. Mumbai-Nagpur Super Communication Expressway Project has been included in the Rolling Plan and Republic of South Korea has been requested to finance the project.

12.19 India-China Financial Dialogue:

12.19.1 During the visit of Prime Minister of India to China in June 2003, it was decided to launch a Financial Dialogue between the two countries. Subsequently, this framework was formalized through an MoU, which was signed on 11.4.2005, during the visit of Chinese Prime

Minister to India. The India-China Financial Dialogue is aimed at promoting mutual understanding and practical cooperation between the two sides in the financial sector. The financial dialogue is held at the Secretary level every 12-18 months alternatively in India and China. Since signing of the MoU, eight rounds of financial dialogues have been held between India and China. The eighth India-China Financial Dialogue was held in Beijing on 19th August, 2016 in which the two sides agreed to strengthen regular communication and coordination at various levels on macro-economic policies, major international economic and financial issues and bilateral financial cooperation. The 9th round of the Financial Dialogue is due to be held in India in 2018.

12.20 Norway

12.20.1 Norway provides bilateral development assistance directly to autonomous institutions, universities, NHPs etc. Bilateral meetings are periodically held between senior officers of Finance Ministries of India and Norway. The last Annual Consultation was held on 30th March, 2017 in New Delhi.

12.21 United States of America

12.21.1 India-US Financial and Regulatory Dialogue

12.21.1.1 The Indo-US Financial and Regulatory Dialogue is part of the Economic and Financial partnership between India and the US. This dialogue provides opportunity for the financial sector regulators in India and the USA to discuss and exchange views on specific and technical regulatory questions in the context of global regulatory changes. The 1st India-US Regulatory Dialogue meeting was held in June, 2008 and the discussions focused on financial, banking, insurance sector, and commodity markets.

12.21.1.2 The 7th India-US Financial & Regulatory Dialogue was held on 3rd March, 2017 in US Department of Treasury, Washington DC. The Indian delegation was represented by Joint Secretary (FM), Department of Economic Affairs and the US delegation was represented by Director, Department of Treasury, USA. The participants from Indian side were IRDA, Ministry of Finance, RBI and SEBI. From the U.S. side, the participants were International Banking & Securities Markets, US Treasury, Federal Reserve, and FDIC. During the Dialogue, issues covered included Banking Sector Developments, Insurance, Capital Market Developments and Deepening of US-India Financial Sector Ties.

12.21.1.3 U.S. Agency International Development (USAID)

12.21.1.3.1 The United States of America (USA) bilateral development assistance to India started in 1951 and it is mainly administered through the USAID. Since 1951, USAID has provided economic assistance totalling $16.24 billion to India.

12.21.1.3.2 Currently, following projects are being implemented by USAID in partnership with Government of India; viz. (i) Partnership Agreement for Agri. & Food Security Program; (ii) Partnership Agreement for Sustainable Forests and Climate Adaptation Program; (iii) Partnership Agreement for Water, Sanitation and Hygiene (WASH); (iv) Partnership Agreement for Renewable Energy Technology Commercialization & Innovation; (v) Partnership Agreement for Health Project; (vi) Disaster Management Support Project; and (vii) Partnership Agreement for the Energy Efficiency Technology Commercialization and Innovation Project. Apart from these, a MOU was signed between USAID and Government of India to support Financial Inclusion through Expanded Payments Acceptance Networks and other Efforts under Pradhan Mantri Jan DhanYojana.

12.22 United States Trade and Development Agency (USTDA)

12.22.1 USTDA promotes economic growth in emerging economies by facilitating the participation of U.S. businesses in the planning and execution of priority development projects in host countries. The Agency's objectives are to help build the infrastructure for trade, match U.S. technological expertise with overseas development needs, and help create lasting business partnerships between the United States and emerging market economies. Priorities for USTDA's program in India include energy and climate change, transportation (especially aviation), and information and communication technology

12.22.2 During 2016-17 FY, following three USTDA grants were approved by DEA: (i) Smart City Master Planning and Sector-Specific Smart City Infrastructure Project plans for Vishakhapatnam Grant Agreement with Govt. of Andhra Pradesh - Phase II - for US $ 14,59,511; (ii) Feasibility study on Petroleum Coke Utilization at IOCL Refineries in India for US $ 744,675; (iii) Feasibility study on the proposed GAGAN extension Business Case project with Airport Authority of India (AAI) for US $ 831,629.

12.23 Canada

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

12.23.1.1 IDRC extends grant assistance to various Governments and Non-Government organizations for projects in the field of agriculture, health and family welfare etc. A total of 9 proposals involving grants assistance of CAD 3.41 million were received during 2016 by DEA for approval out of which total 6 grant proposals worth CAD 2.80 million were cleared during the year 2017.

12.24 Lines of Credit extended to developing countries

12.24.1 Lines of Credit (LoCs) form an important component of India's diplomatic strategy and have been very useful in generating goodwill and building long term partnerships. The scheme also attempts to promote India's strategic political and economic interest abroad by positioning it as an emerging economic power, investor country and partner for developing countries. Indian Development and Economic Assistance Scheme (IDEAS), initially known as "India Development Initiative" (IDI), flows from the announcement made by the Finance Minister in the Union Budget for FY 2003-04. GoI has been extending Lines of Credit to developing countries under IDEAS since 2005-06. Initially proposed to be operated for five years from 2005-06 to 2009-10, the scheme was granted first extension in 2010 from 2010-11 to 2014-15. Second extension to the scheme has been granted in 2015 for another five years i.e. 2015-16 to 2019-2020, with revised set of guidelines with a view to improve efficiency and make the system robust and transparent. The rate of interest and tenor offered to developing countries has also been made more attractive.

12.24.2 Under the IDEA Scheme, MEA selects specific projects keeping in view diplomatic considerations and requests received from various developing countries. The proposals are discussed and deliberated upon by a Standing Committee comprising officers of MEA and DEA. After obtaining the approval of External Affairs Minister, MEA recommends the proposal to DEA for approval of Finance Minister. DEA then issues a formal letter conveying approval of the Line of Credit.

12.24.3 LoCs are being operated through Export-Import Bank of India, which raises resources from the market and provides LoCs to recipient Governments at concessional rates. GoI backs the LoCs through a Deed of Guarantee in favour of the lending bank to guard against any default by the borrowing Government in payment of interest and principal to the lending bank. GoI also extends Interest Equalization Support (IES) to the lending bank for enabling it to lend on concessional terms.

12.24.4 During the year 2017-18 (i.e. from April 1, 2017 to December 31, 2017), Lines of Credit totalling USD 748.50 million have been approved, the details of which are as under:

Sl. No.	Countries	Amount (in USD million)	Purpose
African countries			
1.	Govt. of Rwanda	81.00	For establishment of 10 vocational training centres and 4 Business Incubation Centres
2.	Mauritius	500.00	For various infrastructure projects
3.	Rwanda	80.00	For Huye-Kiben-Ngoma-Munini Road Project
4.	Senegal	24.50	Upgradation and rehabilitation of Health Care System
5.	Zambia	18.00	For establishment of 650 pre-fabricated Health Posts
	Sub-Total	**703.50**	
Non-African Countries			
6.	Guyana	17.50	For upgradation of three Primary Health Centres
7.	Suriname	27.50	For upgradation of transmission network infrastructure and power generation.
	Sub-Total	**45.00**	
	Grand Total	**748.50 million**	

12.25 Foreign Trainings

12.25.1 Department of Economic Affairs is the nodal point for administering short term foreign training courses offered by some bilateral partner countries under bilateral cooperation programme and some multilateral agencies. These courses are intended for capacity building of the officers in various spheres/fields of activities including sectors such as Education, Health, Water Resources, Disaster Management, Governance, Natural Resources and Energy, Agriculture, Nature Conservation, Environmental Management, etc. Nominations are invited from all Ministries/Departments, State Governments/ Union Territories. The nominations are screened by a Selection Committee in DEA and thereafter recommended to the sponsoring Government/Agency for acceptance.

13. Integrated Finance Division

13.1 The Division is responsible for the following functions:

(i) Tendering financial advice & concurrence to proposals involving expenditure in respect of DEA and DFS as well as their attached and subordinate offices e.g. Security Appellate Tribunal (SAT)/ National Savings Institute/G-20 Secretariat/Fifteenth Finance Commission/Office of Special Court, Mumbai/ Office of Custodian/ Appellate Authority for Industrial and Financial Reconstruction/ Board for Industrial and Financial Reconstruction/ Debt Recovery Tribunals, Pension Fund Regulatory and Development Authority and Office of Court Liquidator, Kolkata.

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

(iii) The Division also administers two Detailed Demands for Grants i.e. Grant No.29-Department of Economic Affairs and Grant No.31-Department of Financial Services. This involves finalizing the Budget Estimates/ the Revised Estimates/estimating final requirements/ surrender of savings, re-appropriations and vetting of Head wise Appropriation Accounts.

(iv) Coordination, compilation, printing and laying of the 'Detailed Demand for Grants(DDG)' of the Ministry of Finance in Parliament.

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

(vi) Monitoring of pending PAC/C&AG Audit Paras.

(vii) Coordination, compilation, printing and presentation of Statements to be made by Hon'ble Finance Minister as required in terms of Rule 73-A, in Lok Sabha/Rajya Sabha in respect of implementation of Reports of the standing Committee.

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

13.2 Budgetary allocation of the Grants (on net basis).

(` in Crore)

Grant		BE 2017-18	RE 2017-18	BE 2018-19
29-Department of Economic Affairs	Revenue	3731.98	4277.36	4359.64
	Capital	7378.02	7333.21	8383.20
	Total	**11110.00**	**11610.57**	**12742.84**
31 - Department of Financial Services	Revenue	2731.98	1961.00	1739.05
	Capital	14718.02	15010.00	4838.01
	Total	**17450.00**	**16971.00**	**6577.06**

The best practices followed for effective expenditure control includes:

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

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

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

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

(e) Regular and close monitoring resulted in finalization of substantial number of cases of Action Taken Notes (ATNs) in respect of C&AG audit para during the year.

14. Directorate of Currency

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

14.1.1 Security Printing and Minting Corporation of India Ltd. (SPMCIL), a Miniratna Category-I, Schedule-'A' Central Public Sector Enterprise (CPSE) was incorporated on 13th January, 2006 to manage four India Government Mints, two Currency Presses, two Security Presses and one Security Paper Mill, which were earlier being managed by the Government of India (Ministry of Finance) directly. The Corporation is wholly owned by the Central Government with Authorized Share Capital of `2500 crore and paid-up Share Capital of `1182.49 crores as on 31.03.2017.

14.1.2 The Reserve Bank of India (RBI) is the customer for currency notes supplied by two Currency Presses of the Corporation, i.e. Bank Note Press (BNP), Dewas and

Currency Note Press (CNP), Nashik. The Ministry of External Affairs (MEA) and Ministry of Home Affairs (MHA) are customers for passports and visa stickers respectively and the State Governments are customers for Non-Judicial Stamp Papers and allied stamps and the Postal Department is the customer for postal stationery, stamps, etc. supplied by the two Security Presses of the Corporation, i.e. Security Printing Press (SPP), Hyderabad and India Security Press (ISP). These Security Presses also produce various security items like cheques, railway warrants, income tax return order forms, saving instruments, commemorative stamps etc. for various customers. The Department of Economic Affairs (DEA), Ministry of Finance is the customer for circulating coins supplied by the four India Govt. Mints (IGMs) of the Company at Mumbai, Kolkata, Hyderabad and Noida. The Corporation has one Security Paper Mill (SPM) at Hoshangabad which manufactures Security Paper for use by Currency / Security Presses.

14.1.3 The Corporation has achieved the targets in production of Bank Notes, Circulating Coins, Passports, Security Inks and other Security Products during the year 2016-17. However, the production of Security Paper is comparatively less in the financial year 2016-17 due to the stoppage of new paper line for some time to rectify the stabilisation defects at Security Paper Mill (SPM), Hoshangabad. While achieving the ever highest production targets of Bank Notes, Circulating Coins, etc. the Corporation has increased productivity per employee considerably.

14.1.4 After demonetisation of `500/- and `1000/- denominations Banknotes by the Government of India during November, 2016, SPMCIL achieved the herculean task of remonetisation by printing the new design of `500/- Bank Notes and Bank Notes of smaller denominations to meet the demand of the Bank Notes of the Country. The Currency Printing Presses of the Corporation at Nasik and Dewas had been kept on 24×7 working to meet the requirement of Bank Notes. The production of Banknotes increased two fold. The process of raw material procurement was streamlined and the delivery of printed Bank Notes was expedited to various RBI Centres with the help of Indian Air Force Aircrafts and Air Cargo.

14.1.5 The Corporation has produced 8785 million pieces of the Bank Notes and supplied 9265 Million pieces of Bank Notes to RBI during the year 2016-17. This is 22.86% higher than the production of 7150 million pieces of the Bank Notes during the last year i.e. 2015-16. Production of the Bank Notes per employee has increased to 2.48 million pieces in 2016-17 as against 1.93 million pieces achieved during the previous year.

14.1.6 The Corporation has produced 9681 million pieces of the Circulating Coins and supplied 9691 million pieces of the Circulating Coins during the year 2016-17. This is 4.61% higher than the production of 9254 million pieces achieved during the previous year i.e. 2015-16. Production of Coins per Employee has increased to 3.37 million pieces in 2016-17 as against 3.07 million pieces achieved during the previous year.

14.1.7 The Corporation has produced 825 Metric Tonnes (MT) of the Security Inks in 2016-17 at Ink Factory, Dewas against 809 MT of Inks produced during the year 2015-16. This is 1.93% higher than the production of Security Inks in the previous year i.e. 2015-16. Production of Security Inks per employee has increased to 11.00 MT in 2016-17 as against 10.93 MT achieved during the previous year. During the year 2016-17, SPM, Hoshangabad has produced 3200 MT of the Security Paper against 3816 MT produced during 2015-16 and supplied 3539 MT Security Paper to the presses.

14.1.8 The financial statements of the Corporation for the year 2016-17 have been prepared in accordance with Ind AS and comparative figures of previous year have been regrouped / rearranged accordingly. The Sales Turnover of the Corporation has increased to `5835.91 crores in 2016-17 from `4646.59 crores in 2015-16 registering a growth of 25.60% over the previous year. The Sales per Employee during 2016-17 has increased by 34.06% to `56.36 lacs from `42.04 lacs during the year 2015-16. The Revenue from Operations of the Corporation has increased to `5966.02 crores in the year 2016-17 from `4730.58 crores during the previous year i.e. 2015-16. The Corporation has achieved a net profit of `615.68 crores in the year 2016-17 as compared to a net profit of `358.96 crores in the year 2015-16. Net profit has increased to `745 crores after taking into account the 50% share of net profit of JV Company, Bank Note Paper Mill India Pvt. Ltd (BNPMIPL). The Company has prepaid the full amount of Term Loan of `1135.14 crores to Govt. of India in FY 2016-17 thus it has become Debt-Free as on 31.03.2017.

14.1.9 The Corporation has paid final Dividend @ 5% of the Net-worth of the Corporation for the year 2016-17 aggregating to `227.64 crores plus applicable Dividend Distribution Tax to the Government of India. Further, the Corporation has also bought back 11,82,49,000 Equity Shares of face value of `10/- each at the book value of `38.50 per share from Government of India being 10% of the paid-up equity share capital and free reserves of the Corporation as on 31st March 2017 aggregating to `4,55,25,86,500/- in accordance with the guidelines on Capital Restructuring of CPSEs issued by DIPAM.

14.1.10 The Corporation has been granted the ‘Very Good’ and ‘Good’ ratings by the Department of Public Enterprises (DPE) for its MoU evaluation for the year 2015-16 and 2016-17 respectively.

14.1.11 Continuing its momentum of modernization, the Corporation has taken many modernization and capacity augmentation initiatives during the year 2016-17. CNP, Nashik has installed Deep pile delivery system on Six Numerota machines. One number of Cutlink machine each at CNP, Nashik and BNP, Dewas has been installed. One number of Computerized Random Numbering (CRN) system on one Super Numerota machine and One number Electronic Numbering Control (ENC) system has been installed on Old Numeropak machine at CNP, Nashik. Automatic label applicator on finishing machines at BNP, Dewas and CNP, Nashik has been installed. BNP, Dewas has completed the installation, commissioning, administration & network training of CToP system (Computer to Offset Plate making system) within a short time which helped a lot during remonetization period. IGM, Hyderabad has upgraded two nos. of MRH 150 Coining Presses. The installation of vacuum furnace has been done at the Mints of the Company. IGM, Kolkata has done up-gradation of Bosch Packaging Line in examination/ packaging section. Hobbing cum Medal Press has been added at IGM, Kolkata and IGM, Mumbai. IGM, Kolkata has also installed gold and silver plating plant. The installation of electroplating plant has been done at IGM, Mumbai, IGM, Kolkata & IGM, Hyderabad. ISP, Nashik has procured and installed a new high speed folding machine for Passport booklets. The DPR for the project of installation and commissioning of two integrated New Paper Lines at Security Paper Mill, Hoshangabad with the capacity of 12,000 ADTPA of CWBN paper has been submitted to Administrative Ministry for approval. ERP-SAP has been implemented across all Units of SPMCIL.

14.1.12 The state-of-the-art Corporate R&D Centre has been setup at CNP, Nashik to carry out research and development activities on currency, passport and other security documents at par with international standards. Infrastructure such as counterfeit deterrence technology laboratory, material characterization laboratory (optics, spectroscopy & microscopy), chemical analysis laboratory, pilot plant has been developed for in-house R&D activities. Ink Factory, Dewas has developed Marker Ink Black (Import substitute) for Paper Machines Web through in-house research and supplying the same to SPM, Hoshangabad on regular basis. Ink Factory, Dewas has also developed through in-house research all the new inks for new design of `500/- banknote, new offset design of `20/- and `50/- banknotes, LP fluorescent numbering ink black for new design `500/- banknote and supplied the same to both the currency presses of the Corporation. New R&D setup has been created at ISP, Nashik and SPM, Hoshangabad. Latest testing equipment & machinery has been procured and installed successfully in the said R&D centers.

14.1.13 The Manpower Strength in the Corporation has come down to 10,354 as on 31.03.2017 which includes 359 executives, 1069 supervisors and 8926 workers working in 9 Units and Corporate office in comparison to previous year's employee strength of 11,052. Training and retraining of Employees to upgrade functional skill and expertise along with development of their soft skill and group dynamics is a thrust area for the Corporation. The Industrial Relations remained peaceful and cordial during the year 2016-17 in all the units of SPMCIL.

14.1.14 **Indigenization:** One new Security Paper line of 6000 MT capacity at SPM, Hoshangabad was started in May, 2015. Since there were issues in Security Paper manufactured through the new paper line, the production of Security Paper was stopped for about six months for attending process lapses through OEM. The Company has setup a 50:50 Joint Venture in October, 2010 with Bhartiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL) in the name of Bank Note Paper Mill India Private Limited (BNPMIPL) to implement a Green-Field project of a bank note paper mill with capacity of 12000 MT per annum to bring two state of the art technology paper lines of capacity of 6000 MT per annum each. The commercial production from both the lines has commenced. These projects shall lead to indigenous production of major CWBN paper requirement, import substitution thereby saving valuable foreign exchange and further aiding India becoming self-reliant in banknote paper production.

14.2 Benefits of Demonetisation

14.2.1 Elimination of Fake Currency and Strike against Terrorist Activities

14.2.1.1 The FICNs were being used by the terrorists/ naxalites to fund their operations in the country. As a result of demonetization of SBNs, terrorist and naxalite financing stopped almost entirely. There has been almost total stoppage of stone pelting and other terrorist demonstration activities in J&K. No high quality FICN has been found/ seized by intelligence operations since the exercise of demonetisation of Specified Bank Notes (SBNs). Further, it also adversely affected the hawala operators and dabba trading.

14.3 Action against Generation of Black Money

14.3.1 To unearth black money out of the SBNs deposited in the Banking system, the Income Tax Department launched 'Operation Clean Money' on 31st January,2017 to "Create a tax compliant society through a fair, transparent and non-intrusive tax administration where every Indian takes pride in paying taxes". When the accounts in which the SBNs were deposited were seen, as many as 17.73 lakh accounts, prima facie, did not appear to be in line with their tax profile, involving 3.68 lakh crores. These account holders were contacted digitally to provide explanation of such deposits. Responses from 11.18 lakh persons were received giving information on 16.92 lakh accounts. 1 lakh high risk cases for enforcement actions have been identified based on responses. 20,572 Income tax Returns have been selected for scrutiny so far under CASS. Till 12th May more than 9.72 lakh taxpayers submitted their response providing information on 13.33 lakh accounts involving cash deposits of around `2.89 lakh crore. Based on continuous data analysis undertaken by ITD, high risk cases were identified where enforcement action was initiated. A record number of 5.27 lakh responses were received in the first 12 days of the e-verification process.

14.4 Formalisation of Economy

14.4.1 Demonetization drive led to significant change of saving habits and formalization of the assets market. Considerably more funds came into the organized financial markets, whereas earlier households were parking much of their savings in unproductive physical assets. The gross financial saving in term of Deposits, Share and Debentures, Insurance funds and Provident & Pension Funds increased from 9 to 13.3 per cent of GNDI (Gross National Disposable Income) in 2016-17 – an increase of about 48%. The Assets under management by mutual funds (AUM) was `13.8 lakh crore in June 2016 which has substantially increased to `20 lakh crore at end of July 2017 – a substantial increase of 45%. The first year premium collected by Private insurance and LIC has been growing robust since November, 2016. The cumulative collections during November 2016 to January 2017 increased by 46% over the same period of the previous years, while from Nov-2016 to Jun-2017 it stabilized at 18%. By bringing informal money into the banking and formal system has increased liquidity in the economy. The Median base rate declined from 9.64% in October 2016 to 9.50% by June 2017. The Marginal Cost of Lending Rate declined from 9.3% in October 2016 to 8.5% in June 2017. This will give boost to investment which will further create more jobs and in general bring more prosperity.

14.4.2 The increase in deposit with banks will cause increase in the demand for loan in general and housing loans in particular. Further, the disincentive to hoard money in high denomination and the adverse effect on the black money will result in cleaning up the real estate sector.

14.4.3 The cancellation of legal tender character of SBN is expected to act as disincentive for hoarding of cash and resultant black money and thereby lowering the inflation level, excess deposit, and decrease in interest rate and increase in credit demand.

14.5 Digitisation

14.5.1 Another major benefit of demonetization is fillip to non-cash modes of transactions, which facilitate both money trail and generating credit history for better monetary regulation.

14.5.2 Cancellation of legal tender character of SBN's has led to a substantial progress in digital transactions in terms of Real Time Gross Settlement (RTGS) and National Electronics Funds Transfer System (NEFT). About 52.4 crore unique Aadhar numbers have been linked to 73.62 crore accounts in India. As a result, every month now, about 7 crore successful payments are made by the poor using their Aadhar identification. The government now makes direct transfer of `74,000 crore to the financial accounts of 35 crore beneficiaries annually, at more than `6,000 crore per month. Now with the BHIM App and the Unified Payments Interface (UPI), a secure and seamless digital payments infrastructure has been created so that all Indians, especially the poor can become part of the digital mainstream. Digital payments have substantially increased both in volume and value since demonetisation. Within reach of the country is what might be called the 1 billion-1 billion -1 billion vision that is 1 billion unique Aadhar numbers linked to 1 billion bank accounts and 1 billion mobile phones. Once that happens and it would happen quite soon, all of India will become part of financial and digital mainstream.

14.6 Introduction of New `200 Note:

14.6.1 New `200 denomination banknotes have been introduced in the Mahatma Gandhi (New) Series, bearing signature of Dr. Urjit R. Patel, Governor, Reserve Bank of India. The new denomination has Motif of Sanchi Stupa on the reverse, depicting the country's cultural heritage. The base colour of the note is Bright Yellow. The `200 new denomination Note would facilitate exchange, particularly for the common man who deals with denominations at the lower end.

14.6.2 Various features have been incorporated in the banknotes for facilitating recognition by visually impaired people, that include Intaglio or raised printing of Mahatma Gandhi portrait, Ashoka Pillar emblem, raised Identification mark H with micro-text `200, four angular bleed lines with two circles in between the lines both on the right and left sides.

14.7 Introduction of `10 and `50 Notes in new design:

14.7.1 `10 and `50 denominations new design banknotes in the Mahatma Gandhi (New) Series, bearing signature of Dr. Urjit R. Patel, Governor, Reserve Bank of India have been introduced. The new note of `10 has motif of Sun Temple, Konark on the reverse, depicting the country's cultural heritage. The base colour of the note is Chocolate Brown. The new `50 Note has motif of Hampi with Chariot on the reverse, depicting the country's cultural heritage. The base colour of the note is Fluorescent Blue.

14.7.2 During the year 2017-18, the following commemorative coins have been issued:

(i) 150th Birth Anniversary of Shrimad Rajchandra
(ii) Nabakalebara Festival, 2015
(iii) Birth Centenary of Dr. M.S. Subbulakshmi
(iv) Birth Centenary of Dr. M.G. Ramachandran

15. Summary of Important Audit Observations in respect of Department of Economic Affairs

Report No. 32 of 2017 – Compliance of Fiscal Responsibility and Budget Management Act, 2003
Laid in Parliament on 19th December, 2017

What the Report covers The present report discusses the compliance by the Union Government of the provisions of FRBM Act, 2003 and the Rules made thereunder for the financial year 2015-16. We have examined amendments made in the FRBM Act and Rules and analysed the trends and targets of various fiscal indicators as set out in the Act/Rules from time to time.

Major observations

Important audit observations relating to compliance of the provisions of the Act and Rules made thereunder, and also on other related topics, are detailed below:

Deviation in performance from the Act and Rules

- For financial year 2015-16, in respect of effective revenue deficit, revenue deficit and fiscal deficit the annual reduction targets set out by the Government in the Budget were not in accordance with the provisions of the Act/Rule applicable. ***(Para 2.1)***
- Effective revenue deficit and fiscal deficit targets were deferred by the Government in Budget 2016-17 and 2017-18 without corresponding amendment in the Act. ***(Para 2.2)***

Progress in achievement of FRBM targets

- For financial year 2015-16, Government was able to achieve the targets as set in Medium Term Fiscal Policy Statements in respect of effective revenue deficit, revenue deficit and fiscal deficits. ***(Paras 3.1.3, 3.2.3 and 3.4.3)***
- The budgeted figure of grants for creation of capital assets (`1,10,551 crore) for the financial year 2015-16 was modified in subsequent year's Budget as `1,32,472 crore (increased by `21,921 crore). Similarly the budgeted figure of effective revenue deficit was also revised from `2,83,921 crore to `2,68,000 crore (reduced by `15,921 crore). ***(Para 3.4.2.1)***
- During the period 2011-12 to 2015-16, the outstanding liability in terms of GDP outstripped the targeted level as contained in the Medium Term Fiscal Policy Statement. Further, due to understatement of liabilities of `7,18,404 crore in the Public Account, the total liabilities of the Union Government were contained at 47.3 *per cent* of GDP, which otherwise would have stood at 52.6 *per cent* of GDP in financial year 2015-16. ***(Paras 3.5.2 and 3.5.3)***

Analysis of components of receipts and expenditure

- Certain transactions and financial eventualities, viz. misclassification of expenditure; short/non-transfer of levy/cess to earmarked funds; non-recognition of losses under NSSF in CFI; unpaid expenditure on subsidies; and short devolution out of net proceeds to States, were noticed which had affected or had the bearing to affect the computation of prescribed deficit indicators set out in the Act and the Rules made thereunder. ***(Para 4.3)***
- As a result of existence of varying practices, certain expenditure of the Government was incorrectly classified as grants for creation of capital assets. ***(Paras 4.4 and 4.5)***

Analysis of projections in fiscal policy statements

- Projection for financial year 2015-16 included in Medium Term Fiscal Policy Statement placed with the Budget for 2013-14 in respect of gross tax revenue, outstanding liabilities, and disinvestment varied significantly from the actuals for the year 2015-16. ***(Para 5.1)***
- Projection under various heads of expenditure for financial year 2015-16 included in Medium Term Expenditure Framework Statements placed in December 2014 varied significantly with Revised Estimates of 2015-16. ***(Para 5.2, Annexure-5.1)***

Disclosure and Transparency in fiscal operations

- Variations were noticed in deficit figures depicted in Budget at a Glance and Annual Financial Statements/ Union Government Finance Accounts. ***(Para 6.1.1)***
- Variation was noticed in disclosure of actual expenditure on grants for creation of capital assets between Expenditure Budget/Budget at a Glance and Union Government Finance Accounts. ***(Para 6.1.2)***
- Variation was noticed in disclosure of liability position shown through Receipt Budget and Union Government Finance Accounts. ***(Para 6.1.3)***
- Refunds of `1,29,482 crore (including interest on refunds of taxes) were made from gross direct tax collection in financial year 2015-16 but no corresponding disclosure was available in the Government accounts. ***(Para 6.2)***
- Disclosure statements mandated under the FRBM Act and the Rules made thereunder placed before the Parliament reflected inconsistencies relating to disclosure of non-tax revenue and assets. ***(Para 6.3)***

Annexure-I

SL. NO.	PROJECT	DATE OF POSING	PROJECT SIZE	LOAN FINANCING	AIIB FINANCING	REMARKS
1	Development of a Satellite Port of JNPT at Vadhavan, DahanuTaluka District Palghar, Maharashtra	22.04.2016	USD 1410 million* (Rs. 9167 crore)	USD 705 m	USD 282 m	The project is to be co-financed with Asian Development Bank. The project is a Greenfield project and will take time to reach financing stage. It is proposed for financing in 2018/2019. DPR is under preparation.
2.	Development of a new Major Port at Colachel (Enayam) in Tamil Nadu	22.04.2016	USD 1000 million* (Rs. 6570 crore)	USD 500 m	USD 200 m	The project is to be co-financed with Asian Development Bank. The project is a Greenfield project and will take time to reach financing stage. It is proposed for financing in 2018/2019. DPR is under preparation.
3.	Amravati Sustainable Capital City Development Project	22.08.2016	USD 715 m	USD 500 m	USD 200 m	The project is to be co-financed with World Bank.
4.	Up-gradation of Rural Roads of Gravel Standards to BT Standards in Madhya Pradesh	05.09.2016	USD 500 m	USD 345 m	USD 140 m	The project is to be co-financed with World Bank. Appraisal Mission has been undertaken.
5.	Rejuvenation and rehabilitation of irrigation network for sustainable develop-ment in Damodar Valley Command area and management of flood in lower Damodar sub-basin of West Bengal	22.09.2016	USD 413 m	USD 290 m	USD 145 m	The project is being co-financed along with World Bank. An identification mission was undertaken in February, 2017. The feasibility study is being initiated by implementing agency. The project appraisal and approval is scheduled for 2018.
6	Andhra Pradesh Roads and Bridges Reconstruction Project (APRBRP)	05.05.2017	USD 485 m** (Rs. 3200 crore)	USD 340 m** (Rs.2240 crore)	USD 340 m** (Rs. 2240 crore)	-
7	Andhra Pradesh Mandal Connectivity and Rural Connectivity Improvement Project (APMCRCIP)	05.05.2017	USD 485 m** (Rs. 3200 crore)	USD 340 m** (Rs.2240 crore)	USD 340 m** (Rs. 2240 crore)	-
8	Andhra Pradesh Urban Water Supply &Septage Management Improvement Project	09.05.2017	USD555.67 m^ (Rs.3723 crore)	USD 388.96 m^ (Rs. 2606 crore)	USD 388.96 m^ (Rs.2606 crore)	AIIB undertook mission during October 5-7, 2017.
9	Bangalore Metro Project Phase 2.	19.06.2017	USD4, 062.33 m* (Rs.26, 405.14 crore)	USD1, 107.69m* (Rs. 7200 crore) [does not include domestic borrowings]	USD332.31 m* (Rs. 2160 crore)	Project has been negotiated on 13.11.2017 and approved in Meeting of Board Of Directors of AIIB held on 08.12.2017(co financed by European Investment Bank).
10	Mumbai Urban Transport Project Phase-III (MUTP-III)	18.07.2017	Estimated cost – USD 1356m (Rs.8679 crore) and completion cost- USD 1710 m (Rs.10,947crore)	USD 958 m (Rs.6129 crore)	USD 479 m (Rs.3064.5 crore)	Concept preparation initiated; Target Board approval in late 2018 or early 2019.

SL. NO.	PROJECT	DATE OF POSING	PROJECT SIZE	LOAN FINANCING	AIIB FINANCING	REMARKS
11	National Highways Interconnectivity	15.09.2017	USD 1248m	USD 500m	USD 300m	To be co-financed with the World Bank.
12	Jharkhand Power System Improvement Project	13.10.2017	USD 575m	USD 404m	USD 202m	To be co-financed with the World Bank.
13	Andhra Pradesh Rural Water Supply Project (APRWSP)	17.10.2017	USD 692.30 m*	USD 484.61 m*	USD 484.61 m*	-
14	Andhra Pradesh Rural Road Connectivity to unconnected habitations of 250+ population (Project-I)	17.10.2017	USD 651.38m	USD 455.97m	USD 455.97m	Mission has been undertaken during 12-15 December, 2017.
	TOTAL	**USD 14148.68**	**USD 7319.23**			**USD 4289.85**

* Estimated @ Rs. 65 = 1USD

** Estimated @ Rs.66 = 1USD

^Estimated @ Rs.67 = 1USD

Multi-tranching loan

Annexure-I

DEPARTMENT OF ECONOMIC AFFAIRS (MAIN)

Representation of SCs, STs, and OBCs

(As on 31/12/2017)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017										
					By Direct Recruitment				By Promotion			By Other Methods			
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	OBCs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group A	159	26	3	14	-	-	-	-	-	-	-	6	-	1	-
Group B	294	43	30	25	-	-	-	-	2	-	-	5	1	-	1
Group C (Excluding SafaiKarmachari)	254	83	10	24	2	-	-	-		-	-	-	-	-	-
Group D (Excluding SafaiKarmachari)	10	10	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**717**	**162**	**43**	**63**	**2**	**-**	**-**	**-**	**2**	**-**	**-**	**11**	**1**	**1**	**1**

Annexure-II

DEPARTMENT OF ECONOMIC AFFAIRS (MAIN)

Representation of Persons With Disabilities (PWD)

(As on 31/12/2017)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017													
					BY DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments made				No. of Vacancies reserved			No. of Appointments			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	159	-	-	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-
Group B	294	-	3	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C (Excluding Safai-Karmachari)	254	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai-Karmachari)	10	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**717**	**-**	**3**	**10**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure-I

NATIONAL SAVINGS INSTITUTE, NEW DELHI

Representation of SCs, STs, and OBCs in respect of

(As on 31/12/2017)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2016									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Group A	7	2	1	1	-	-	-	-	-	-	-	-	-	-
Group B	17	2	-	3	4	1	-	-	-	-	-	-	-	-
Group C	45	13	6	12	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karm-achari)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Group D (SafaiKarmachari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**69**	**17**	**7**	**16**	**4**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure-II

NATIONAL SAVINGS INSTITUTE, NEW DELHI

Representation of Persons With Disability (PWD)

(As on 31/12/2017)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year													
					BY DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments made				No. of Vacancies reserved			No. of Appointments			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
Group A	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karm-achari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karm-achari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**69**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure-I

SECURITIES APPELLATE TRIBUNAL, MUMBAI
MINISTRY OF FINANCE, DEPARTMENT OF ECONOMIC AFFAIRS
Representation of SCs, STs, and OBCs
(As on 31/12/2017)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017										
					By Direct Recruitment				By Promotion			By Other Methods			
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	OBCs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
Group A	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	9	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C (Excluding SafaiKarmachari)	13	2	-	4	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding SafaiKarmachari)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**27**	**3**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure-II

SECURITIES APPELLATE TRIBUNAL, MUMBAI
MINISTRY OF FINANCE, DEPARTMENT OF ECONOMIC AFFAIRS
Representation of Persons With Disabilities (PWD)

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017													
					BY DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments made				No. of Vacancies reserved			No. of Appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
Group A	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Excluding Safai Karm-achari)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D (Safai Karm-achari)	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**27**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure-I

SECURITIES EXCHANGE BOARD OF INDIA

Representation of SCs, STs, and OBCs

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017										
					By Direct Recruitment				By Promotion			By Other Methods*			
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	OBCs
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
OFFICERS	680	95	41	187	5	1	1	2	57	4	1	8	1	0	0
SECRETARIES	92	3	0	9	0	0	0	0	1	0	0	0	0	0	0
JUNIOR ASST.	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0
MSNGR	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**776**	**99**	**41**	**197**	**5**	**1**	**1**	**2**	**58**	**4**	**1**	**8**	**1**	**0**	**0**

Annexure-II

SECURITIES EXCHANGE BOARD OF INDIA

Representation of Persons With Disability

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year 2017														
					BY DIRECT RECRUITMENT							PROMOTION							
					No. of Vacancies reserved			No. of Appointments made				No. of Vacancies reserved			No. of Appointments				
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
OFFICERS	680	9	5	11	0	0	0	9	0	1	0	0	0	0	57	0	0	1
SECRETA-RIES	92	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0
JUNIOR ASST.	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MSNGR	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**776**	**10**	**5**	**11**	**0**	**0**	**0**	**9**	**0**	**1**	**0**	**0**	**0**	**0**	**58**	**0**	**0**	**1**

Annexure-I

SECURITY PRINTING & MINTING CORPORATION OF INDIA LIMITED (SPMCIL)

Representation of SCs, STs, and OBCs

Groups	Number of Employees				Number of appointments Made During the Previous Calendar Year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	358	56	18	60	3	0	0	0	57	9	5	0	0	0
Group B	1012	153	88	144	49	7	2	17	51	8	3	6	0	1
Group C	3906	723	422	526	35	8	3	12	343	79	31	2	0	0
Group D (Excluding SafaiKarmachari)	4498	940	299	486	0	0	0	0	210	42	13	3	0	1
Group D (SafaiKarmachari)	69	42	8	3	0	0	0	0	6	3	2	0	0	0
TOTAL	**9843**	**1914**	**835**	**1219**	**87**	**15**	**5**	**29**	**667**	**141**	**54**	**11**	**0**	**2**

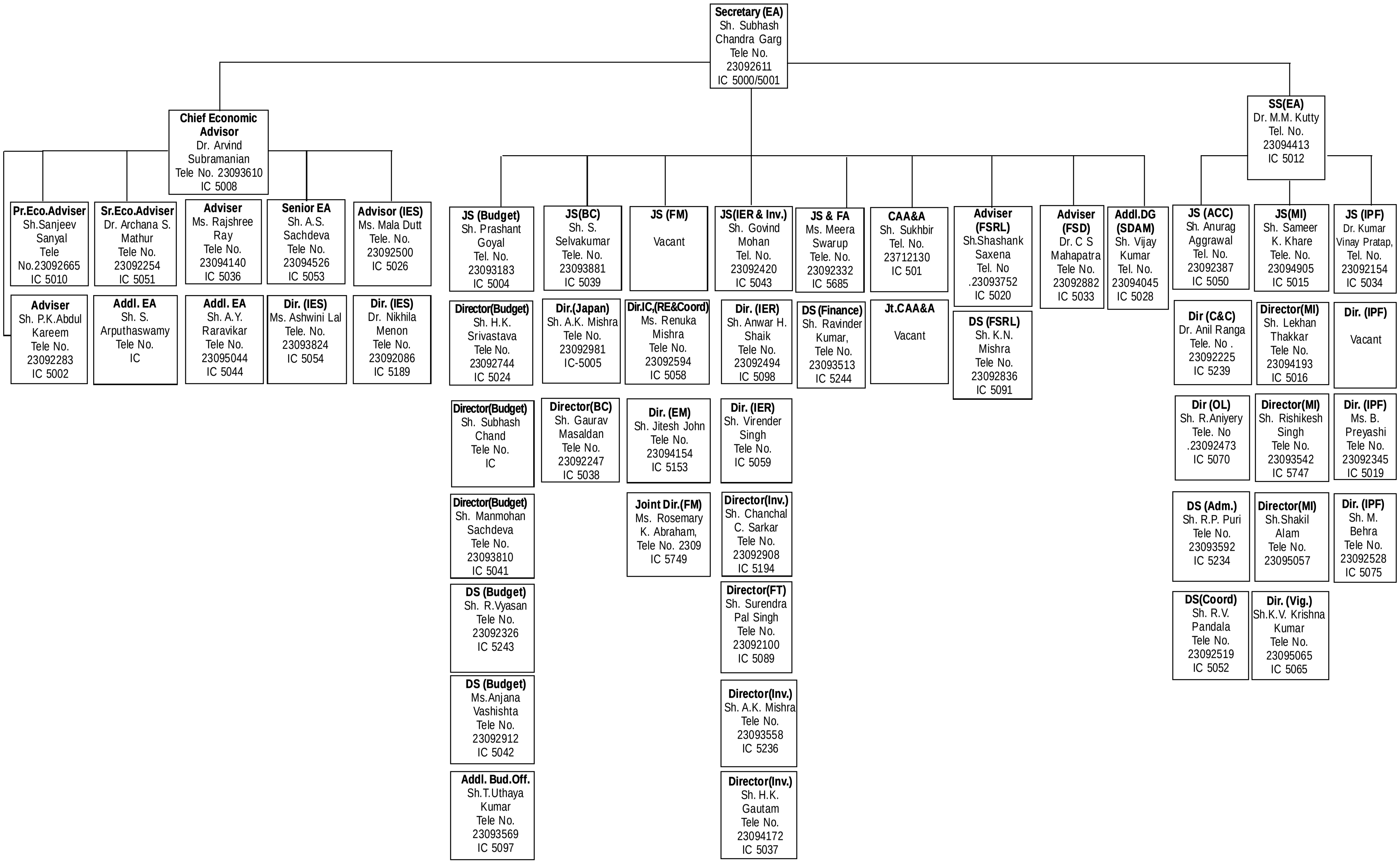
Annexure-II

SECURITY PRINTING & MINTING CORPORATION OF INDIA LTD., (SPMCIL)

Representation of SCs, STs, and OBCs (Divyang)

Groups	Number of Employees																	
					DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies reserved			No. of Appointments made				No. of Vacancies reserved			No. of Appointments			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Group A	358	0	0	3	0	0	0	0	0	0	0	0	0	0	11	0	0	0
Group B	1238	1	0	15	0	0	0	1	0	0	0	0	0	0	17	0	0	1
Group C	5364	17	24	96	3	3	3	9	1	1	0	0	0	0	205	0	0	2
Group D (Excluding Safai Karm-achari)	2858	15	50	85	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Group D (Safai Karm-achari)	25	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**9843**	**33**	**74**	**200**	**3**	**3**	**3**	**10**	**1**	**1**	**0**	**0**	**0**	**0**	**233**	**0**	**0**	**3**

ORGANISATION CHART IN THE DEPARMENT OF ECONOMIC AFFAIRS



Chapter - II

Department of Expenditure

1. Establishment Division

1.1 The Establishment Division works under the Joint Secretary (Personnel) and is responsible for administration of various financial rules and regulations like General Financial Rules (GFRs), Delegation of Financial Power Rules (DFPRs) etc. including those relating to personnel matters of Central Government Employees such as regulation of pay and allowances, policy matters on pension, and staffing of Government establishments by creation and upgradation of posts, as also cadre reviews.

1.2 The Division also deals with proposals seeking to alter service conditions and other benefits to Government employees with significant recurring financial implication. Broad instructions on Expenditure Management, including economy measures and measures for improving quality of expenditure such as through Utilisation Certificates (UC) are issued by the Personnel Division.

1.3 This Division administers the General Financial Rules and the Delegation of Financial Powers Rules including issue of clarifications/ amendments thereto, and coordinates with Financial Advisors of all Ministries/ Departments of the Central Government. All legislative proposals with general financial implications are scrutinized in the Personnel Division.

1.4 Service matters pertaining to the Indian Audit and Accounts Service(IA&AS), Indian Civil Accounts Service (ICAS) and Indian Cost Accounts Service (ICoAS) are dealt with by this Division Administrative assistance to the Finance Minister's Office is also provided by this Division.

1.5 Expenditure Management Commission (EMC) was constituted on 04.09.2014 with a mandate to recommend ways to increase efficiency of public expenditure, to review major areas of Central Government expenditure and to suggest ways of creating fiscal space required to meet development expenditure needs, without compromising fiscal discipline. The Commission submitted its Interim Report in January 2015, Part-I of the Final Report in September 2015, Part-II of the Final Report in December 2015 and Part-III of the Final Report in March 2016.

The areas covered by the Commission are fiscal management, defence expenditure, social sector schemes of school education and health, streamlining administrative processes, public procurement, user charges, rationalizing cesses, interest expenditure, administrative expenditure, public sector enterprises, autonomous bodies, subsidies for LPG, kerosene, food and fertilizer and better targeting through DBT. EMC has sought to identify areas where processes can be streamlined for efficiency improvements and where digital technology capabilities can be leveraged to re-engineer the delivery systems.

The recommendations of EMC were taken up with 20 Ministries/Departments, including Department of Expenditure for implementation. As recommended by the Commission, non-tax revenue portal has been set up for on line deposits of non tax receipts payable to the Government of India. Government e-Market (GeM) Portal has been set up as an end-to-end procurement system for purchase of common use goods and services by the Government buyers. PFMS system has been configured to capture pre-authorisation process and revised General Financial Rules (GFRs) 2017 has been issued. The concerned Ministries/Departments have taken action to digitize Public Distribution System (PDS) beneficiaries, neem coating of urea to check its diversion, finalization of medium term debt management strategy, just in time release of funds through PFMS to States, rationalization of Centrally Sponsored schemes and Central Sector Schemes, rationalization of cess receipts, removal of distinction between plan and non-plan expenditure classification, upgradation of school database to track enrollment and attendance of children, automated monitoring system for near real time monitoring of Mid-Day Meal (MDM) scheme, notification of free drug policy, roadmap for improved coordination between Directorates of Health Services (DHS) and the National Health Mission (NHM), exclusion of well-off consumers from LPG subsidy and review of Autonomous Bodies under Central Government.

As recommended by EMC, a data base on Autonomous Bodies has been set up in the website of Department of Expenditure and all Ministries/ Departments have so far uploaded data relating to 679 Autonomous Bodies. Statement on assistance given to autonomous bodies has been provided in Expenditure Profile 2017-18. Guidelines relating to setting up of new autonomous organizations, review of user charges of Autonomous Bodies, internal audit mechanism in Autonomous Bodies and Memorandum of Understanding (MoU) between Autonomous Bodies and their administrative Ministries/Departments have been issued.

NITI Aayog has been entrusted with the

comprehensive review of all central Autonomous Bodies. NITI Aayog has set up a Committee for the purpose. The Committee has taken up review of Autonomous Bodies incorporated under Societies Registration Act (SRA), 1860 in consultation with the concerned Ministries/Departments and the Ministries/Departments are taking necessary action for rationalization.

1.6 The Division also handles the overall administration of the Department of Expenditure and also controls the cadre for all Central Secretariat Service(CSS)/ Central Secretariat Stenographer Service (CSSS)/ Central Secretariat Clerical Service (CSCS) upto the level of Section Officers/ Private Secretaries in the Ministry of Finance, apart from coordinating Parliament work as well as Right to Information Act (RTI) matters for the Ministry of Finance as a whole.

1.7 **Seventh Pay Commission & Pay related issues:**

The recommendations of the 7th Central Pay Commission in respect of Central Government employees, Armed Forces personnel, Members of All India Services, etc. which were submitted to the Government on 19th November, 2015, were accepted by the Government in respect of matters pertaining to pay and pension in July, 2016. The decision of the Government in regard to the recommendations pertaining to pay and pension entailed an additional financial implication of Rs. 84,933 crores in the year 2016-17.

So far as the issue of revision of pension of pensioners, who retired before 1.1.2016 is concerned the 7th Central Pay Commission had recommended a formula based on a number of increments drawn by an employee in the pay scale at the time of retirement. This issue was examined by a Committee and based on the recommendations of the Committee, the Government decided in May, 2017 to modify the formula recommended by the 7th Pay Commission. The modified formula accepted by the Government is to revise the pension in such cases based on the notional pay fixed as per the pay fixation formula.

The Government also took a decision in May, 2017 to modify the recommendations of the 7th Pay Commission in respect of disability pension applicable to Defence Forces personnel and decided to retain the percentage based disability pension.

The decisions of the Government on the recommendations of the 7th Central Pay Commission benefited over 1 crore Central Government employees, including Armed Forces personnel and Members of All India Services, comprising approximately 53 lakh pensioners including Armed Forces personnel.

The question of revision of key scales of academic staff of Universities and Colleges including State Universities and Colleges under the purview of UGC and Central Technical Institutions like IIMs and IITs based on the recommendations of the Pay Review Committee was considered and the same was agreed to. It was also agreed to provide Central Assistance to State Government to the tune of 50% of additional cost.

Orders on various allowances after 7th CPC were issued were issued as follows:

- Travelling Allowance
- Cycle (maintenance) Allowance
- Conveyance allowance
- Dress Allowance
- House Rent Allowance
- Transport Allowance
- Tough Location Allowance
- Special Duty Allowance
- Island Special Duty Allowance
- Hard Area Allowance
- Split Duty Allowance
- Additional HRA
- Project Allowance

1.8 **Staff Inspection unit (SIU):**

The Staff Inspection Unit (SIU) is functional since 1964 with the objective to review the staffing of government establishments/ organizations through a programme of inspections with a view to rationalizing of posts and also evolve performance standards and work norms. SIU also looks into work simplification in improving organizational effectiveness without sacrificing efficiency. The scientific and technical organizations are studied by SIU as a Core Member in the Committee constituted by the head of the respective organization. The Financial Advisors are main links between the SIU and the Ministries/Departments/Offices/Organizations. All requests for staffing studies by SIU are routed through the concerned FAs. The studies reports are issued after discussion with the management of the organization studied and are treated as mandatory to be implemented by the concerned organization. During the year, SIU has issued Study Reports of North Eastern Region Farm Machinery Training and Testing Institute (NERFMT & TI), Biswanath Chariali, Assam Ministry of Agriculture and Farmers Welfare) and Ali Yavar Jung National Institute of Hearing Handicapped, AYJNHH (renamed as Ali Yavar Jung National Institute of Speech and Hearing Disabilities

9 Divyangjan), Mumbai under Ministry of Social Justice and Empowerment.

1.9 **Pay Research Unit (PRU):**- The Pay Research Unit was established in 1968 and is mainly responsible for collection, compilation and analysis of data on actual expenditure incurred on pay and various types of allowances as well as data pertaining to the strength of the Central Government Civilian Employees and Employees of Union Territory Administration. This unit brings out an annual publication titled **"Annual Report on Pay and Allowances of Central Government Civilian Employees".** The brochure provides statistical information regarding expenditure incurred by the different Ministries/ Departments of the Central Government on pay & various types of allowances such as Dearness Allowance, House Rent Allowance, Transport Allowance, Overtime Allowance, Compensatory Allowance etc. in respect of its regular employees. It also provides information on Ministry-wise/ Department-wise and Group-wise number of sanctioned posts and number of incumbents in position. The unit brought out the Annual Report on Pay and Allowances of Central Government Civilian Employees for the year 2016-17.

1.10 **The Right to Information Act, 2005 :** The RTI is implemented in its true spirit and the information required to be disclosed under the Act has been uploaded on the website of the Department. The Central Public Information Officers (CPIOs) ensure timely supply of information to applicants and prompt action is taken on appeals by Appellate Authorities. The quarterly returns are submitted to the Central Information Commission by the RTI Cell. Suo-motto disclosure has been made mandatory as per orders of the Department of Personnel & Training.

1.11 **Revision of General Financial Rules**

The General Financial Rules (GFRs) 2005 have been revised and GFRs 2017 were released. GFRs are a compilation of rules and orders to be followed by all offices of Government of India while dealing with matters of financial nature. GFRs were first issued in 1947 and were subsequently modified in 1963 and 2005.

In the last few years, Government has made many innovative changes in the way it conducts its business. Reforms in Government budgeting like removal of Non-Plan/ Plan expenditure, focusing on outcomes through an improved Outcome Budget Document are needed to be reflected in the GFRs. Increased focus on Public Finance Management System (PFMS), Direct Benefit Transfer (DBT) scheme, introduction of Central Public Procurement Portal, Government e-Marketplace (GeM) etc. have also necessitated revision of the existing GFRs to keep them in tune with the changing business environment and to make them facilitating efficiency and transparency in Government financial systems. The objective was to make the GFRs facilitate efficiency rather than create impediments in smooth and timely implementations while following principles of accountability and procedures of financial discipline and administrative due diligence.

Towards preparation of GFR 2017, this Ministry set up a Task Force which submitted a draft. The draft was commented upon by all stake holders including Ministries/ Departments, State Governments, CGA and office of C&AG. Duly taking into consideration the inputs received from all stake holders, the GFR 2017 was finalized.

While the basic framework, definitions etc. of GFRs have been retained, 35 new Rules have been added, 32 Rules were modified and 2 Rules deleted. Delegation of powers has been increased under 10 Rules. New rules on non-tax revenues, user charges, e-receipts portal have been added in addition to the manner in which Autonomous Bodies are run. The new GFRs 2017 not only address all the recent policy changes but also aim at promoting efficiency, simplicity and transparency in Government financial system. With the coming into force of the new GFRs 2017, it is expected that this will enable an improved, efficient and effective framework of fiscal management while providing the necessary flexibility to facilitate the timely delivery of services.

2. Public Finance-States Division

2.1 **Special Assistance:** Budgetary allocation of Rs.11,000 crore has been provided under the head 'Special Assistance to the States' in the Union Budget, 2017-18 (BE) under Demand No. 40 of Department of Expenditure. Out of this, Rs.2614 crore has been released during 2017-18 (till December, 2017) to the States. It includes, Rs.2064 crore released under PM's Package for Bihar-2015, Rs.450 crore for development of 9 backward districts of the State of Telangana in terms of AP-Reorganisation Act, 2014 and Rs.100 crore for Fisheries Sector of Tamil Nadu. Besides this, Rs.4,000 crore has been placed at the disposal of Ministry of Drinking Water and Sanitation (MoDW&S) to bridge the resource gap for 2017-18 under National Rural Drinking Water Programme (NRDWP) and Swachh Bharat Mission -Gramin (SBM-G).

2.2 **Additional Central Assistance for Externally Aided Projects**: Additional Central Assistance for Externally-Aided Projects (EAPs) is passed on to the General Category States on back to back basis on the same terms and conditions on which these loans are received by the Central Government from donor agencies. However, in case of Northern Eastern and Himalayan States, special dispensation has been made whereby they receive the assistance for externally aided projects in grant: loan ratio of 90:10. Based on the recommendations of Office of Controller of Aid, Account and Audit, an amount of Rs.18972 crore was released to the State Governments during 2017-18 (till December, 2017) as against Revised Estimates (2017-18) of Rs.20,500 crore.

2.3 **Finance Commission Grants to States:** The States are also supported through Finance Commission Grants as per the recommendations of Finance Commissions. The Fourteenth Finance Commission (FFC) report covering the five year period commencing 1st April, 2015 together with the Explanatory Memorandum as to the action taken on the recommendations of the Finance Commission was laid on the Table of the both Houses of the Parliament on 24.2.2015. The year 2017-18 is the Third year of the award period of FFC.

FFC while making substantial increase in share of the States in the divisible pool of Union taxes from 32% to 42%, has recommended total grants-in-aid of Rs.5.38 lakh crore for the period 2015-20 to cover Revenue Deficit of States; local body Grants (both to rural and urban local bodies); and Grants for State's Disaster Response Fund (SDRF). Of which, Grant of Rs. 1,94,821 crore is to meet Revenue deficit for eleven States comprising Andhra Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal, Grant of Rs.2,87,436 crore for Rural local bodies and Urban local bodies together as Basic Grant (Rs.2,49,978 crore) and Performance Grant (Rs.37,458 crore) for all the States.

In aggregate, Rs.61,219 crore has been recommended as corpus of State Disaster Response Fund (SDRF) for all States for the award period with Union Government's share of 75%.

Following the recommendations of FFC duly accepted by the Union Government, as against provisions (BE-2017-18) of Rs.101490.17 crore, an amount of Rs.68537.14 crore in aggregate was released under the heads of Post Devolution Revenue Deficit Grants (Rs.26864.25 crore), Local Body grants (Rs.34391.13 crore) and Centre's share in State Disaster Response Fund (Rs.7281.76 crore) till 28.12.2017. Further, in order to undertake post disaster relief and immediate restoration measures by the States, Rs. 2082.85 crore from National Disaster Response Fund (NDRF) during the 2017-18 (till 28.12.2017) have been provided to States in the wake of Natural Calamities.

2.4 **Fiscal Performance of States:** The Fourteenth Finance Commission (FFC) for the award period 2015-20 has made far-reaching changes to strengthen fiscal federalism in the country. Consequently, States have obtained larger fund transfers as well as greater autonomy to utilise funds as per their needs. Total transfers to States have been enhanced from Rs. 8.3 lakh crore in 2015-16 to Rs. 9.8 lakh crore in 2016-17 (RE) and further to Rs. 10.8 lakh crore in 2017-18 (BE).

FFC has worked out a revised fiscal roadmap for the States to have zero revenue deficits and the fiscal deficit within 3% of Gross State Domestic Product (GSDP). Additional borrowing options to the States upto 0.5% of GSDP, over and above normal 3% limit have been allowed subject to States maintain their Debt to GSDP ratio within 25% and Interest Payment to Revenue Receipts ratio within 10% and also to have zero revenue deficits in the preceding year .

Aggregate fiscal position of the States is as follows:

Item	2015-16 (FA)	2016-17 (BE)	2017-18 (BE)
	As % of GDP		
Revenue Deficit*	0.04	0.23	-0.04
Fiscal Deficit (excluding UDAY borrowings during 2015-16 and 2016-17)#	2.3	2.8	2.7
Outstanding Debt and Other Liabilities	23.2	24.2	24.3

**(-) sign indicates revenue surplus.*

 # Fiscal deficit has been adjusted according to the permission given for raising UDAY bonds/as given in Finance Accounts for 2015-16 and State Budgets for 2016-17 (RE).

2.5 **Borrowings:** The methodology for determining annual borrowing ceilings of States during the period 2015-20 has been devised in line with the recommendations of Fourteenth Finance Commission (14th FC). The borrowing limits of States are worked out by Ministry of Finance (MoF) in accordance with the prescribed fiscal reform path for each State. For the year 2016-17, the States were permitted to raise aggregate borrowings to the tune of Rs. 4,96,197 crore as against gross borrowings of Rs.5,41,445 crore (Net borrowing ceiling including additional borrowings of Rs.4,41,622 crore). Annual borrowing limits for the States including additional borrowings recommended by FFC have been raised from Rs.4.42 lakh crore in 2016-17 to Rs. 4.99 lakh crore in 2017-18 (till December 2017).

Further, the borrowings raised by the State Governments to take over liabilities of the Power Distribution Companies (DISCOMs) under UDAY (Ujwal DISCOM Assurance Yojna) have been exempted from the fiscal deficit targets during 2015-16 and 2016-17. This Ministry has issued consent of Rs. 2.35 lakh crore (including FRP 2012 of Rs. 0.08 lakh crore) under Article 293 (3) of Constitution of India to fifteen States during 2015-16 and 2016-17 for raising Non-SLR bonds and/ or consideration of the borrowings made by the State under earlier scheme (FRP-2012) beyond FRBM limits.

3. Public Finance Central Division

3.1 **Functions of Public Finance Central Division:** This Division is primarily engaged with all issues relating to the Central Plan of the Government of India. This Division is handled in two units; (i) Public Finance (Central-I) and (ii) Public Finance (Central-II).

3.2 This division is entrusted with the appraisal and approval of all public funded schemes and projects of the Central Ministries/ PSUs. In respect of development schemes and projects, the focus has been on improving the quality of public expenditure though better scheme/ project formulation, emphasis on outputs, deliverables, impact assessment and convergence approach. A continuous endeavour is made to rationalize the Centrally Sponsored Schemes (CSSs) and Central Sector Schemes (CSs) for optimal and focused use of public resources.

3.3 Public Finance (Central) division deals with the financial restructuring of Central PSUs on the recommendations of the Bureau for Restructuring of Public Sector Enterprises (BRPSE).It is also engaged in working out modalities for financial assistance to CPSEs, quantification of their Internal and Extra Budgetary Resource (IEBR) generation for preparation of budget, finalizing modernization of plants and machinery to ensure more efficiency in production. Review of Capex and IEBR of CPSEs is also done periodically.

3.4 Various issues relating to Food, Fertilizers and Petroleum subsidy, including their quantification and extension of assistance to the stake holders are also dealt within this Division. This division is actively involved along with the concerned Department/Ministry, in shaping subsidy policy of the Government as to ensure effective targeting coupled with minimum burden on the Government.

3.5 The PFC division also deals with various issues of Direct Benefit Transfer (DBT) in coordination with the DBT Mission, aadhaar seeding of beneficiaries data base and use of the Public Financial Management System (PFMS) in order to have end to end digitized information on all central expenditures encompassing CSSs, CSs, subsidies and other expenditure.

3.6 It maintains the Swachh Bharat Kosh (SBK) to attract Corporate Social Responsibility (CSR) funds from corporate sector and contributions from individuals and philanthropists for achieving the objective of Clean India (Swachh Bharat) by the year 2019.

3.7 The division is responsible for preparation of outcome budgets for all Central Ministries/Departments in consultation with the NITI Aayog. This output-outcome framework shall be for all CSSs and CSs dealing with identified measurable outcomes in the relevant medium term framework and physical and financial outputs are targeted on a year to year basis. A consolidated Outcome Budget 2017-18 was presented in the Parliament as a part of the Budget Documents of 2017-18

3.8 During the period from 1st January, 2017 to 30th November, 2017 the Expenditure Finance Committee (EFC) chaired by Secretary (Expenditure) considered and recommended 79 investment proposals/schemes of various Ministries/Departments costing Rs. 8,80,816.50 crore.

3.9 Also, during the period, Public Investment Board (PIB) chaired by Secretary(Expenditure) considered and recommended 18 proposals involving an amount of Rs. 4,18,686.34 Crore as per the following:

S. No.	Ministry/ Department	No. of Projects recommended for approval	Project Cost (Rs. In Crore)
1	Civil Aviation	1	479.70
2.	Industrial Policy & Promotion	1	1500
3	Power	4	8280.38
4	Petroleum & Natural Gas	1	2932.99
5	Road, Transport & Highways	6	397304.84
6	Shipping	3	7043.43
7	Urban Development	2	1145
	Total	18	4,18,686.34

3.10 In order to speed up the appraisal process, an online portal for uploading EFC/PIB/SFC/DIB proposals, marking proposals to relevant Ministries, receiving comments, fixing dates for the meetings and despatching minutes after approval has been functional since August, 2017. This portal has processed 323 EFC/PIB/SFC/DIB proposals till 15-01-2018 and ensured speedy disposal.

3.11 In February 2017, instructions regarding continuation of ongoing schemes beyond 12th Five Year Plan were issued.

4. Public Procurement Division

4.1 A Public Procurement Cell (PPC) was set up in this Department in June, 2011 to take follow up action on the Report of the Committee on Public Procurement (CoPP) and for related matters such as drafting of rules and setting up of a Central Public Procurement Portal. The Cell was gradually strengthened and a Division called Procurement Policy Division (PPD) was created.

4.2 **Functions of PPD:**

Subsequently, the scope of work in PPD was enlarged. The Division now deals with Public Procurement legislation and rules, notifications, orders there under; Policies relating to Public Procurement including administration of General Financial Rules 2017 on procurement of goods and services and contract management; policies relating to mandatory or preferential procurement;Matters relating to standardization of procurement related documents;All matters related to Central Public Procurement Portal set up for publishing information relating to Public Procurement;Matters relating to electronic procurement;Professional standards to be achieved by officials dealing with procurement and suitable training and certification requirements for the same and Interface with International bodies on matters relating to Public Procurement.

4.3 **Procurement Manuals:**

Manuals on Policies and Procedures for Purchas of Goods, and Procurement of Consultancy & Other Services were issued in 2017. These Manuals are prepared in conformity with the General Financial Rules, 2017 and contained board generic Guidelines. To suit their local/specialized needs, Ministries / Departments can supplement these manuals by issuing Detailed operating Instructions; Checklists and customized formats to serve as practical instructions.

4.4 **Central Public Procurement Portal & e-Procurement:**

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

ii. Further, it has also been decided to implement e-Procurement in Ministries/ Departments of the Central Government and instructions have also been issued to all Ministries/Departments to commence e-procurement in respect of all procurement with estimated value of Rs. 2 lakh or more in a phased manner. Use of e-procurement has enhanced transparency and accountability and made procurement more efficient. This also helps in monitoring delays and reducing the procurement cycle.

iii. Currently, approximately 20000 tenders are floated per month using facility of CPPP. This translates to around 16.5 lakhs corores worth procurement per annum through CPPPP only. Apart from it, many procurement organizations like Railways, PSUs like ONGC, BHEL etc. have their own e-procurement portals.

4.5: **Capacity Building:**

It is imperative that the executives/officers engaged in public procurement process have through knowledge of all the relevant rules, regulation and procedures of public procurement. One week training programme on Public Procurement and one week training programme on Advance Public Procurement are being conducted through National Financial Management (NIFM) with a view to educate and familiarize the concerned executives/ officers with all the relevant rules, regulations and procedures of public procurement. Around 2000 officers are being trained every year.

5. Official Language

5.1 Hindi Section of the Department of Expenditure is responsible for implementation of the provisions made under Official Language Act, 1963 and Official Language Rules, 1976 as amended from time to time. It is also responsible for coordinating follow-up action on the suggestions/directions given by Kendriya Hindi Samiti, Committee of Parliament on Official Language, Hindi

Advisory Committee and Central Official Language Implementation Committee. Other responsibilities of the section include implementation of various incentive schemes to enhance use of Hindi in official work, facilitation in nomination of officers/employees for Hindi language training, Hindi stenography/typing training and organization of Hindi fortnight/day. In addition to these, efforts for achieving annual targets set by Department of Official Language with regard to usage of Hindi in official work are made in association with the sections/ divisions/offices in the Department.

5.2 Officers/staff of the Department are nominated for Hindi Language, Hindi Stenography/typing training. Hindi Section is facilitating Administration Division for these training programs. During the year 2017, 3 officials were nominated for Hindi Typing training and 8 officials were nominated for hindi Stenography training.

5.3 To increase original correspondence with other Offices/individuals in Hindi, circulars were issued to sections/divisions/ offices from time to time. As per quarterly progress report for the quarter ended on September 30, 2017, original correspondence in Hindi with Region "A", "B" and "C" is 72.74%, 64.92% and 34.19% respectively while original Hindi correspondence during the quarter ended on September 30, 2016, stood at 74.75%, 59.59% and 32.51% respectively.

5.4 Regular Quarterly meetings of the Departmental Official Language Implementation Committee were held. These were held on May 18, 2017, August 02, 2017 and November 29, 2017. Discussions were held on quarterly progress reports received from various sections/ divisions/offices of the Department and where shortcomings found, it was advised to rectify/improve usage of Hindi in official work.

5.5 In order to overcome practical difficulties faced in doing Official work in Hindi and to increase use of Hindi, a workshop was organized on May 3, 2017. Officials of the Department were apprised of the Official Language Policy of the Union and were also imparted training on how to work in Hindi on computers. 26 officers/ officials participated in each of these workshops. The workshops were found very useful by the employees.

5.6 Quarterly Progress Reports regarding progressive use of Hindi were regularly received from sections/offices of the department. A detailed review of progress reports (Part-I & II) in respect of the quarter ending 31.03.2017 was done keeping in view the targets prescribed in the Annual Program and review reports were sent to CGA, CPAO, INGAF and NIFM for follow up and necessary action.

5.7 Replies of letters received from members of Parliament and other VIPs were promptly sent and follow-up action ensured. During January to November, 2017, 03 application received under RTI Act, 2005 were dealt well in time.

5.8 During the year 2017 "Hindi Fortnight" was organized in the Department from 01-15 September, 2017. During "Hindi Fortnight" various competitions were organized which included Hindi Essay Writing, Noting-Drafting, Official Language and General knowledge, Hindi Stenography, Hindi Typing, Shabda Saamarthya, Knowledge of Departmental Glossary, Extempore Speech in Hindi, Hindi Dictation and Sulekh. In addition to these, a campaign was launched for undertaking more and more work in Hindi (minimum 2000 words) during the period from September 01 to September 30, 2017. As many as 259 officers and employees took part in these competitions/campaign enthusiastically.

5.9 Hindi translation of the documents falling under section 3(3) of Official Language Act, 1963, replies to the applications/appeals received under RTI Act, 2005 along with Brochure on Pay and Allowances by Pay and Research Unit of the Department; General Financial Rules, 2017 was carried out. Quality Hindi and English translation, as required, of the documents including those received from the Office of the Finance Minister/MOS (Finance) was also rendered.

6. Integrated Finance Unit (IFU)

6.1 The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with the expenditure and Budget related proposals under Grant No.30 - Department of Expenditure which includes (i) Secretariat General Services covering the establishment budget for the Department of Expenditure, Controller General of Accounts, Central Pension Accounting Office, Finance Commission Division, Staff Inspection Unit, Cost Accounts Branch and Chief Controller of Accounts ; (ii) Other Administrative Services covering the budget for Institute of Government Accounts and Finance, National Institute for Financial Management, Contribution to International Body (AGAOA) and the budget relating to payment of service charges to the Central recordkeeping Agency for the New Pension Scheme; and (iii) Other General Economic Services covering the budget for Public Financial Management System (PFMS).

6.2 This Unit also monitors the expenditure under Grant No.39 - Pension; and Grant No.36 - Indian Audit & Accounts Department.

The allocations under the respective Grants are as under:-

(Rs. in crore)

Grant No.	Budget Estimates 2017-18			Revised Estimates 2017-18		
	Revenue	Capital	Total	Revenue	Capital	Total
30-Deptt. of Expenditure	480.00	0.00	**480.00**	304.49	0.00	**304.49**
36-Indian Audit & Accounts Department	4309.57	12.67	**4332.24**	4395.34	5.22	**4400.56**
39-Pension	35170.00	0.00	**35170.00**	41170.00	4041.31	**41170.00**

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

6.4 The expenditure trend of Grant No. 30, 36 and 39 have consistently been monitored and strict control has been exercised over the Govt. expenditure. A report of the review is regularly submitted to the Secretary (Expenditure) on monthly basis.

7. Chief Advisor Cost

7.1 The Office of Chief Adviser Cost (CAC) is one of the divisions functioning in the Department of Expenditure, Ministry of Finance. This office advises the Ministries and Government Undertakings on cost accounts matters and undertakes cost investigation work on their behalf. It is a professional agency staffed by Cost Accountants/Chartered Accountants.

7.2 The Office of Chief Adviser Cost is dealing with matters relating to costing and pricing, studies for determining fair prices, studies on user charges, cost-benefit analysis of projects, studies on cost reduction, cost efficiency, profitability analysis and application of modern management tools devising cost and commercial financial accounting for Ministries/ Departments of Government of India.

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

7.4 The major areas of professional functions of the office of the Chief Adviser Cost are Assisting Central Government Ministries/ Departments/Organizations in solving complex Price/Cost related issues in fixing fair prices for various services/products and rendering advice to various Ministries/Departments on cost matters; Examination/ Verification of claims between Government Departments / Public Sector undertakings and suppliers arising out of purchase contracts;Determining prices of products and services supplied to Government to enable Government; Departments to negotiate prices with the supplying organizations; Conducting studies for determining cost/fair prices and making recommendations for fair prices/rates for products and services and also to determine reasonableness of prices charged, duty structure, etc; Functioning as Chairman/ Members of various Committees constituted by Government/ different Departments related to cost/ finance and pricing matters; Conducting cost and performance audit of industrial undertaking; Subsidy determination and verification of claims under Market Intervention Schemes (MIS) and Price Support Schemes (PSS) for sharing of losses by State and Central Government; Developing Cost Accounting System for departmental undertakings/Autonomous bodies and Conducting Time and Cost Overruns of major projects.

7.5 During the period January to December 2017, 63 studies/ reports were completed by the Office of Chief Adviser Cost. The studies completed during the year varied widely in nature and may be broadly categorized under the following heads:

7.5.1 **System Study**: Fixation of Common Hourly Rates and Overhead percentages in respect of Government of India Presses at Mysore, Temple Street Kolkata, Mayapuri&Minto Road-Delhi, Koratty-Kerala , Rashtrapati Bhawan, Coimbatore and Nasik for various years.

7.5.2 **Fair selling price of products/service where Government/ Public Sector Undertaking is the**

Producer/ Service provider as well as the user: Fixation of fair price of DDT 50% supplied by HIL to NVBDCP for the year 2015-16 and provisional price for the year 2016-17; Cost of production & Selling Price for items of Postal Stationery produced & supplied by Security Printing Press,Nahsikand Hyderabad to Department of Posts for the year 2014-15;Fixation of Rates of Compensation for nuclear grade ammonium diuranates upplied by Indian Rare Earths Limited to Bhabha Atomic Research Centre for the year 2013-14& 2014-15; Fixation of Fair Selling Price of the year 2016-17 in respect of Tear Gas Gun and Multi Barrel Launcher manufactured by CENWOSTO, BSF, Tekanpur Gwalior; Fixation of terminaling charges to be paid by Oil Marketing Companies to SALPG Pvt. Ltd for LPG import facility at Vishakhapatnam for the year 2010-11 to 2015-16; Fixation of Fair Selling Price of the year 2016-17& 2017-18 in respect of Tear Smoke Munitions (TSMs) manufactured by Tear Smoke Unit (TSU) BSF, Tekanpur Gwalior and Determination of compensation payable for supplying Uranium Concentrate to Uranium Corporation of India Ltd for the year 2014-15 & 2015-16.

7.5.3 **Fixation of service charges for the services rendered by a Govt. Department/Agency on behalf of the other**: Vetting of claims under Market Intervention Scheme (MIS) for Procurement of Grapes in Mizoram for the 2016 season.

7.5.4 **Determination of subsidy**: Vetting of claims of NAFED for reimbursement of losses and recovery of Gains under Price Support Scheme and Market Intervention Scheme for various crops/commodities; Vetting of subsidy claim submitted by Metals and Minerals Trading Corporation of India Ltd (MMTC) in respect of sale of pulses under 20% reimbursement scheme of GoI; Vetting of working of Office of Registrar General, India(ORGI) on the claim of M/s TCIL for conducting SRS base line survey for the year 2014 and Payment of Subsidy to Northern Railway Catering Unit functioning in Prime Minister Office and Parliament House Complex for the year 2015-16.

7.5.5 **User Charges**: Review of User Charges of National Test House; Fee and User Charges in respect of Geological Survey of India, Kolkata and Revision of Storage Charges payable by FCI to CWC for the year 2014-15& 2015-16.

7.5.6 **Balance Sheet on accrual accounting principles in case of Departmental manufacturing units:** Balance Sheet and Income & Expenditure Account of Tear Smoke Unit, Border Security Force (BSF), Tekanpur (Gwalior) for the year 2016-17.

7.5.7 **Other studies:** Report on Valuation of Compensation for Mine Infrastructure of 3 Coal Blocks.

7.6 Major Committees Represented

Officers of Chief Adviser Cost Office owing to their expertise in costing/finance/commercial accounting have also served as Chairman/Members on major multi-disciplinary Inter-Ministerial/ Expert Committees such as National Pharmaceuticals Pricing Authority (NPPA); Rate Structure Committee in the Ministry of Information and Broadcasting to review the DAVP advertisement rates; Committee on "Modernization of Costing System in India Post" in the Department of Post, Ministry of Communications; Advisory Committee for consideration of techno economic viability of major/ medium, flood control and multipurpose projects in the Ministry of Water Resources and Ganga Rejuvenations; M/o New & Renewable Energy- Revision of benchmark cost and inclusion of new products for CFA under Off-Grid &Decentralized Solar Applications Programme for 2017-18; Standing Cost Committee of Ministry of Road Transport & Highways; Committee of Ministry of Home Affairs for fixation of Deployment charges for Central Police Forces/ Rapid Action Force of CRPF; M/o Water Resources, RD&GR -Special Committee for Interlinking of Rivers; M/o Agriculture and FW- Committee on Price Support Scheme; Steering Committee of DoPT- Revision of cost of CIC's new building; Standing Committee of D/o Legal Affairs, M/o Law and Justice- Relating to Electronic Voting Machines; Standing Committee Meeting of Ministry of Home Affairs, Department of Border Management relating to construction of 27 roads along Indo-China Boarder and Revised Cost Committees: In pursuance of MoF, DoE Office Memorandum No.24 (35) PF-II/2012 dated 5th August, 2016 representing in Committees constituted for Revision of Cost Estimates in various Ministries/ Departments.

8. National Institute of Financial Management (NIFM)

8.1 The National Institute of Financial Management (NIFM) was set up in 1993 on the basis of a proposal made by Ministry of Finance, which was approved by the Union Cabinet. The Union Cabinet envisaged that NIFM would begin as a training institution for officers recruited by the Union Public Service Commission (UPSC) through the annual Civil Service Examinations and allocated to the various services responsible for managing senior and top management posts dealing with accounts and finance in the Government of India. NIFM was to develop as a Centre of Excellence in the areas of Financial Management and related disciplines, "not only in India but also in Asia". In order to ensure that NIFM enjoys a greater degree of flexibility and autonomy than the departmental academies that existed at that time for officers training, it was decided that the

Institute would be a legal entity known as 'Society'. Such societies are legally independent entities authorized to frame their own rules and regulations. This structure makes available greater autonomy in both academic and administration matters to the institute, facilitating quick decision making in response to changing perceptions of desired goals and objectives.

8.2 Despite the legally autonomous character of the Institute, having the Finance Minister of Government of India as the President of Society ensure a very close linkage with Government. For administrative purposes, there is a Governing Board chaired by the Secretary (Expenditure). The Director appointed by the Appointments Committee of the Union Cabinet is responsible for the administration and academic programmes of the Institute. It will thus be seen that the Institute has close links and direct access to Government of India. The Institute recruits its Faculty either by deputation from civil services or by selection from the best in the academic field. The Institute therefore has a distinct advantage of a mix of faculty from academic as well as Government sector. The Institute adheres to norms prescribed by the All India Council for Technical Education (AICTE) with respect of faculty qualifications & strength.

8.3 Currently, the Institute imparts Professional Training Course of twenty six weeks for newly recruited probationers of six organized participating services; a one year Diploma Course in Government Financial Management. The Institute runs four long-term programmes approved by AICTE - a two-years Post Graduate Diploma in Management (Financial Management) programme for officers of the Central Government, the State Governments, Public Sector Undertakings and other organizations under Government; and a one-year Post Graduate Diploma in Management (Financial Markets) to produce competent researchers, teachers and Consultants. In addition, NIFM also conducts a one year Weekend Post Graduate Executive Programme in Financial Markets; and various short term programme for Central Government, State Government, PSUs, and Autonomous Bodies. Officers from different foreign countries also participate in the said programmes. NIFM also provides consultancy services to various Departments and organizations of the Government of India, State Government, PSUs, Autonomous Bodies, Universities and Foreign countries. In 2017-18 (April 2017 to November 2017), NIFM trained 3736 participants in 109 Programmes till November, 2017.

8.4 The Institute executed consultancy projects for various Ministries and Departments of Government of India. The Institute publishes two periodicals bi-annual Journal and monthly Newsletter.

8.5 NIFM has established collaborations with several National and International Institutions. The Institute has implemented e-office, bio-metric attendance, CCTV, Security Surveillance and Video Conferencing Systems and tele lectures system, Swachh Bharat Abhiyan, procurement through GeM and Unnat Bharat Abhiyan. It is a matter of great pride that the NIFM has by now emerged as a "Centre of Excellence" in training, education, research and consultancy in the area of Financial Management both within and outside India.

9. Controller General of Accounts

9.1 The Controller General of Accounts (CGA), in the Department of Expenditure, Ministry of Finance, is the Principal Accounting Adviser to Government of India and is responsible for establishing and maintaining a technically sound Management Accounting System.

9.2 The Office of CGA prepares monthly and annual analysis of expenditure, revenues, borrowings and various fiscal indicators for the Union Government. Under Article 150 of the Constitution, the Annual Appropriation Accounts (Civil) and Union Finance Accounts are submitted to Parliament on the advice of Comptroller and Auditor General of India. Along with these documents, an M.I.S Report titled 'Accounts at a Glance' is prepared and circulated to Hon'ble Members of Parliament.

9.3 Functions : Formulate policies relating to general principles, form and procedure of accounting for the Central and State Governments; Administer the process of payments, receipts and accounting in Central Civil Ministries / Departments; Prepare, consolidate and submit the monthly and annual accounts of the Central Government through a robust financial reporting system aimed at effective implementation of the Government fiscal policies; Coordinate and assist in the introduction of Management Accounting Systems in Ministries / Departments with a view to optimizing the utilization of Government resources through efficient cash management and an effective Financial Management Information System (FMIS); Administer banking arrangements for disbursements of Government expenditures and collection of government receipts and interact with the Central Bank for reconciliation of cash balances of the Union Government and Establish a sound Human Resource Management System for recruitment, deployment and improve the career profile management of officers and staff, both at the supervisory level and at the operational level within the Indian Civil Accounts Service.

9.4 Financial Reporting - Monthly and Annual: The office of the Controller General of Accounts is responsible for Monthly Consolidation of the Union Government Accounts, a detailed analysis of the monthly trends of receipts, payments, deficit and its sources of financing are presented to the Union Finance Minister every month. The documents has over a period of time evolved into an extremely useful tool for monitoring budgetary compliance and a handy MIS reference for decision making. In consonance with the Government's policy towards transparency in public functioning, an abstract of the Union Government accounts is also released every month on the Internet. The data can be accessed at the website http://www.cga.nic.in; With the advancement of technology this office has started providing flash figures of receipts, payments and deficit to Ministry of Finance as a tool for quick management decision making. Daily flash figures are provided in the month of March, in order to monitor various financial parameters and targets; In tune with the development in best practices, CGA's office also prepares Provisional Accounts of the Government of India within two months of completion of the financial year. The professionalism with which these accounts are prepared is evident from the high accuracy level attained in the last few years as only marginal variations have been observed between the Provisional Accounts and final audited Annual accounts; The Finance Accounts of the Union Government is submitted to Parliament under the provision of Article 151 of the Constitution of India.

The Finance Accounts of the Union Government presents the accounts of receipts and disbursements for the purpose of the Union Government together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities and assets are worked out from the balances recorded in the accounts.The Finance Accounts of the Central Government comprises of the accounts of the Central Government as a whole and includes transactions of Civil Ministries/ Departments, Ministries of Defence and Railways and the Departments of Posts & Telecommunication. It presents the accounts of receipts and outflows of the Central Government for the year together with the financial results disclosed by different accounts and other data coming under examination. These accounts include the Revenue and Capital Account, Public Debt account and other liabilities and assets worked out from the balances in the accounts. It is supplemented by the accounts separately presented in the form of Appropriation Accounts for Grants and charged Appropriations. The Finance Accounts is an Auditor's presentation of the general accounts of the Government to Parliament. The Finance Accounts comprises of two Parts-Part I and Part II. Part I presents the summarized statements in respect of Revenue, Capital, Debt, Deposit, Suspense and Remittances transactions and Contingency Fund, while Part II has detailed statements in respect of these transactions, along with other related statements. Part II of the Finance Accounts is further sub-divided into two sections `A' & `B'. While section 'A' comprises of detailed accounts and statements relating to Receipts and Expenditure on Revenue and Capital accounts, section 'B' has detailed accounts and statements relating to Debt, Deposit, Suspense & Remittances transactions and Contingency Fund. The basic inputs for compilation of Finance Accounts are as follows:-

(1) Statement of Central Transactions;

(2) Journal Entries;

(3) Prior Periods Adjustments;

(4) Proforma Adjustments; and

(5) Progressive figures up to the end of the previous year.

While the first four inputs mentioned above are received from the various accounting authorities, progressive figures up to the end of previous year are available in the records of Finance Accounts Section. The annual compilation "Accounts at a Glance" provides a macro level overview of the financial information like estimates and actuals of receipts and expenditure, assets and liabilities, savings and reserves, investments, disinvestments, debt and deficits of the Union Government, in reader friendly format with concise analysis and graphical representation, at one place. It is prepared on the basis of audited information contained in Finance Accounts and Appropriation Accounts. The Union Government's Finance and Appropriation Accounts for 2016-17 alongwith the Audit report of the Comptroller & Auditor General of India were presented in Parliament on 19.12.2017. The Annual Accounts of the Union Government have been tabled in Parliament in the same calendar year and this would enable improved data availability for budget exercise of 2018-19.

9.5 Banking Arrangements and Reconciliation

The O/o CGA undertakes an exercise aimed at reconciliation of Reserve Bank Deposit and Public Sector Banks Suspense, Authorization and Change of Accredited Banks for handling Government transactions i.e. for Civil and Non-Civil Ministries/Departments. Standing Committee Meetings, APEX Committee Meetings and Private Sector Banks Meetings are periodically conducted to review the handling of Government transactions by Banks.

During the year 2017-18, Office of the Controller General of Accounts has approved the use of Unified Payment Interface (UPI) and Bharat Interface of Money

(BHIM) for collection of Government Revenue. Guidelines have been issued for use of UPI and BHIM for collection of Government Revenue to promote Digital India initiatives.

9.6 **Public Financial Management System (PFMS)**: The Public Financial Management System (PFMS) is a web-based online software application, developed and implemented by the O/o CGA with technical support of NIC. The primary objective of PFMS is to facilitate a sound Public Financial Management System for Government of India (GoI) by establishing an efficient fund flow system as well as a Payment cum accounting network. It provides various stakeholders with a real time, reliable and meaningful Management Information System and an effective Decision Support System (DSS), as part of the Digital India initiative of GoI. PFMS was initially started in 2009 as a Central Sector Scheme of Planning Commission with the objective of tracking funds released under all Plan schemes of GoI and real time reporting of expenditure at all levels of Programme implementation. Subsequently, in 2013, the scope was enlarged to cover direct payment to beneficiaries under both Plan and Non-Plan Schemes. The latest enhancement in the functionalities of PFMS commenced in late 2014, wherein it has been envisaged that digitization of accounts shall be achieved through PFMS and the additional functionalities would be built into PFMS in different stages. The enhanced application would cater to all Plan and Non Plan payments of GoI, all Tax and Non-Tax Receipts and also functions such as a comprehensive HRMIS and self-contained Pension as well as GPF modules. It is expected that in the coming years, the various existing standalone systems currently catering to these functions shall be integrated into PFMS. The enhanced application is envisaged to cater to all Plan and Non plan payments to GOI, ALL Tax and Non Tax receipts and also functions such as a comprehensive HRMIS and self-contained pension as well GPF modules. Futuristically, all the existing standalone systems currently catering to various functions in GOI will be subsumed in PFMS.The biggest strength of PFMS is its integration with the banking network in the country. As a result, PFMS has the unique capability to push online payments to almost any beneficiary/vendor having account in any bank across the country. At present, PFMS interface is completed with the Core Banking System (CBS) of all Public Sector Banks (21), Regional Rural Banks (54), major private sector banks (16), Reserve Bank of India, India post and Cooperative Banks (91). Government has emphasized the need for improved financial management in implementation of Central government Schemes so as to facilitate Just-in-time releases and monitor the usage of funds including information on its ultimate utilization. In order to abide by the directions to implement Just-in-time releases and monitor the end usage of funds, an action plan for universal roll-out of PFMS for Central Government schemes has been approved which inter alia includes mandatory registration of all implementing Agencies on PFMS and mandatory use of Expenditure Advance and Transfer (EAT) module of PFMS by all IAs.

9.7 **Achievements**: PFMS is being implemented at the Central Government level for all Plan Scheme releases from Civil Ministries / Departments of the Central Govt. The Implementing Agencies are using the PFMS application for both transfer of funds to Agencies below and for e-payment to beneficiaries by direct credit to their accounts either in bank branches or in post offices. So far 22 lakhs (approx.) implementing agencies are registered on PFMS (till 30th November, 2017).The total number of bank accounts of beneficiaries registered in PFMS is 35.91 Crores (till 30th November, 2017). Total Central DBT payments have been made for 38.46 crores transactions amounting Rs. 90690.83 Crores for 71 schemes till 30th November 2017 in 2017-18.Total State DBT payments have been made for 3.78 crores transactions amounting Rs. 6564.22 crores for 109 schemes till 30 November 2017 in 2017-18.Total UT DBT payments have been made for 2.06 lakhs transactions amounting Rs. 101.47 Crores for 24 schemes till 30 November 2017in 2017-18. Pan-India roll out of MNREGS payments for Bank Account holders started from 1st April, 2015 and 34.12 crores credits have been done for Rs. 43261.04 crores through PFMS up to 30th November, 2017 in 2017-18. Pan-India roll out of Indira Awas Yojana (IAY) payments for Bank Account holders started from July, 2015 and 1.08 Crores credits have been done for Rs. 41724.35 crore through PFMS up to 31st March, 2016. E-IGAA i.e. state government payments through RBI advices have been started in all ministries except M/o Finance. NTRP i.e Non Tax Receipts Portal has been started from 16th Feb., 2015 and this is a great step towards Hon'ble PM's Digital India Initiative. It facilitates online receipt of Non Tax Receipts for GoI Departments/Ministries. 1.10 lakhs credits have been received for Rs. 22300.10 crores up to 30.11.2017 in 2017-18. One step Government e-marked place (GeM) which facilitates online procurements of common use Goods and Services required by various Govt. Departments/organizations/ PSUs is integrated with PFMS for facilitating the e-payments of bills received online through GeM portal by the respective Pay and Accounts Offices. PFMS treasury integration is currently operational in 31 states and 7 UT's(gaps in data exchange).

9.8 **Technical advice on Accounting matters**: O/o the Controller General of Accounts is the repository of technical information on Government accounts and is consulted widely by the Central Civil Ministries, Non Civil Ministries and State Governments on various budgeting, accounting and financial issues for core technical advice and guidance. With its technical competence, this section has been assisting these Ministries and Governments in formulating sound accounting policies and procedures over the years within the realm of Central Government Account (Receipts & Payments) Rules, 1983, Pension Rules, Treasury Rules, Government Accounting Rules and Manuals or detailed procedural guidelines based on such rules. Technical Accounts Section has also been providing reasonable assurance to the stakeholders on a variety of accounting issues within the purview of rules and regulations to ensure a systematic accounting and financial reporting. One of the area where work has started has been compiling the Fixed Assets Register by Ministry/ Department of Government of India based on the guidelines issued by TA section. This would eventually lead to office wise consolidated Fixed Assets Register by Ministry/ Department. GST could be introduced in July with TA section proving accounting procedure for GST, IGST and Compensation Cess provided to the office of CBEC and opening of new Heads of Account. The Technical Accounts Section administers the Central Government Account (Receipts & Payments) Rules, 1983 in exercise of the powers conferred by Clause (1) of Article 283 of the Constitution of India regulating the custody of the Consolidated Fund of India, the Contingency Fund of India and the Public Account. These Rules also regulate the withdrawal of money from such funds and any other matter connected therewith

The Technical Accounts Section also administers the Civil Accounts Manual which is the repository of detailed procedural guidelines based on Central Government Account (Receipts & payments) Rules, 1983, Government Accounting Rules, 1990 and Pension Rules etc. The Manual has been amended from time to time by issuance of correction slips to incorporate the changed provisions of various Rules. However, a complete revision of Civil Accounts Manual would be undertaken after revision of Central Government Account (Receipts & payments) Rules, 1983.The List of Major and Minor Heads of Accounts is updated timely by the Codes/ TA Section to cater to the requirements of the Central Ministries and the State Governments with new plans and schemes launched and policies amended.For the first time ever Refunds were paid to exporters through PFMS for CGST Refund and also IGST Refund. Also special cases of Refund of State Levies to Exporters of Textiles were also paid through PFMS as a result of intervention of O/o CGA for Rs. 1,554 Crores.In terms of Rule 26 of GAR, 1990 CGA office administered the 'List of Major and Minor Heads of Account of Union and States (LMMHA)', which contains the classification of account heads upto Minor Head level (and also some Sub/Detailed Heads under some of them) in Government Accounts. Any amendment in this LMMHA is carried out on the advice of C&AG in consultation with Budget Division of Department of Economic Affairs, M/o Finance. Ministries/Departments may open Sub-Heads and Detailed Heads as required by them in consultation with the Budget Division of the Ministry of Finance. Their Principal Accounts Offices may open Sub/Detailed Heads required under the Minor Heads falling within the Public Account of India subject to the above stipulations.

The Object Heads have been prescribed under Government of India's Orders below Rule 8 of Delegation of Financial Power Rules, 1978. The power to amend or modify these object heads and to open new Object Heads rest with Department of Expenditure of Ministry of Finance on the advice of the Comptroller and Auditor General of India. However, during the year the Object Heads were reviewed and Department of Expenditure in consultation with CGA office sent the proposal to C&AG and Budget Division of DEA for their comments. The classification system also applies to the State Governments, with the exception that they are given the flexibility to open their own heads below the third tier in the six tier hierarchy as per their respective needs.The following developments relating to accounting classification took place in O/o CGA:

1. New head of Accounts for classification of Goods and Services Tax (CGST, IGST, SGST, UTGST and GST Compensation Cess) were opened.

2. New Minor Heads for funds like 'Bharat Infrastructure Kosh', 'GST Compensation Cess Fund' were opened.

3. New Minor Heads for classification of expenditure on 'Election', 'Civil Aviation Security', 'Subsidy for Special Operations', 'Fishermen Welfare', 'Interest payment to New Development Bank', 'International Electronic Money Order' were opened.

4. New Minor Heads for classification of Receipts like 'Receipts for classification of penalties under IRDA', 'Loans from New Development Bank', 'Premium & Interest on Market Loans', 'Interest on Loans to Government Servants' were opened during the period.

9.9 **Information Technology Division**

The IT division of O/o CGA has been involved in development and rollout of various modules of payment and accounting functions on Public Financial Management System (PFMS) during 2017-18. Current status of roll-out of this module is as follows:

9.10 **Pay and Accounts Offices (PAO) Module**

- PAO module covers payment and accounting of all PAO bills.
- 476 expenditure (PAOs) are on-board out of 520 i.e. 92% of total PAOs. The 38 PAOs of Indian Audit and Accounts department will be on-boarded with effect from 1st April 2018. Two PAOs of Intelligence Bureau (IB) and one PAO of Supreme Court have sought exemption due to security reasons. One PAO in Department of telecom is pending due to connectivity issues. Two PAOs of Ministry of Finance (Internal debt and DFS) shall be on-boarded within this financial year.
- 121 Revenue PAOs of CBEC and CBDT (for accounting of tax receipts and refunds) will be covered through integration route during 2018-19.
- Ministries of Defence, Post, Railways, Government of NCT, UT Andaman and Nicobar will be taken up next financial year.

9.11 **Employees Information System (EIS) module**

- For processing of salary bills of all Drawing and Disbursing Offices (DDOs).
- 1644 DDOs out of total 11793 are on-board, which is 14%. The target is to on-board all the remaining DDOs by 31st Mar 2018.
- EIS module is not required to be implemented in revenue DDOs of CBEC, CBDT and passport Sevakendras of MEA.
- Functionality for online creation of Subscribers Contribution File and uploading of Subscribers Contribution Details on NSDL through integration is being developed.

9.12 **CDDO Module**

- CDDO module covers payment and accounting function of CDDO bills.
- 459 CDDOs out of 1908 (24%) is on-board.
- The target is on-board all the remaining CDDOs by 31st Mar 2018.

9.13 **Non-Tax Receipts Portal (NTRP)**

- NTRP is a one-stop window to citizens/ corporates/Institutions/other users for making online deposits of Non-Tax receipts (NTR) which are payable to the Government of India (GoI).
- 160 PAOs of 41 ministries are on-board. As on 5th Jan 2018, 155295 transactions amounting to Rs. 30,320 Crores was collected through NTRP.
- Target is to on-board all remaining PAOs by 31st Mar 2018.

9.14 **Pension Module**

- Complete online processing of pension disbursal through integration of Bhavishya (Department of Pension) and PARAS software of Central Pension Accounting Organisation (CPAO).
- The module has been implemented successfully on pilot basis in PAO, NIC and PAO, CGA from Oct 2017 and Nov 2017 respectively. Phased manner implementation is planned from Feb 2018.
- Typical cases of voluntary retirement, family pension and Revision of pension is planned to be developed and tested by 31st Mar 2018.

9.15 **Online General Provident Fund (GPF) Module**

- GPF module covers all the functionalities of GPF like GPF advance, withdrawal, final payment, interest calculation etc.
- The module is implemented successfully in PAO, CGA. Phased implementation is planned from Feb 2018.

9.16 **Annual Accounts**

- The Monthly Accounts consolidation is under development, and the process flow of Appropriation Accounts and Finance Accounts is under finalisation.

9.17 **Integration with Standalone IT applications**

- Integration with the following standalone application is already achieved on the basic premise of the sanction generated through the standalone application being captured at the dealing hand level of PAO module of PFMS.

- Government e-Marketplace (GeM)
- PRAHARI of Boarder Security Force (BSF)
- SELO of Central Reserve Police Force (CRPF)
- E-Wisdom of Lok Sabha
- CFAS of UT Chandigarh
- ICEGATE of CBEC
- Department of Atomic Energy
- Department of Space

9.18 **Internal Auditing**

The scheme of Departmentalization of Union Government accounts provides for setting up of an efficient internal audit organization to ensure accuracy in accounts and efficiency in the operation of the accounts set up. The vision of the O/o Controller General of Accounts is to strengthen governance through excellence in public financial management with a mission to administer an effective, credible and responsive system for budgeting, payment and accounting, to provide a world class, robust government - wide integrated financial information system, develop new paradigms of internal audit for improved transparency and accountability, leverage information and communication technology to achieve intended goals and to promote professional integrity through a dedicated workforce committed to service ethos.

As per the provisions of the Chapter VII of the Inspection Code, Internal Audit Division (IAD) set up in the office of Controller General of Accounts provides guidance and support to Internal Audit Wings of Central Civil Ministries to maintain the requisite technical Standards of accounting in the Departmentalized Accounting Offices. This Division is structured in three sections i.e. i) Centre of Excellence ii) Planning & Coordination and iii) Inspection Wing, meant to upgrade the knowledge, adequate planning and execution of the programs respectively. The organization is regularly reviewing the performance of the internal audit units of the line Ministries / Departments. The annual Review on the performance of Internal Audit Wings of Central Civil Ministries / Departments depicts the information on different short comings in the form of observations. The annual performance reports of different Ministries / Departments are analyzed and summarized by the Internal audit division for the purpose of brevity and ease of presentation. The outcome of Internal audit through recoveries effected in pursuance to the observations of the Internal Audit is also included to reflect the impact of Internal Audit. The annual review also provides the details of units audited and outstanding internal audit paras on the end of the financial year. The summarized information regarding outstanding audit paras and units audited is as under:

9.19 **Outstanding Internal Audit Paras**

Financial year	Opening balance	Paras raised during the year	Paras dropped during the year	Closing balance
2016-17	124789	18862	22698	120953 (as on 31.03.12017)

9.20 **Monitoring cell**

- The Monitoring Cell under the Office of Controller General of Accounts is responsible for:-
- Coordination and monitoring the progress of submission of corrective/remedial action taken notes (ATNs) on the recommendations contained in Public Accounts Committee's (PAC) reports.
- Coordination and monitoring the submission of corrective/remedial Action Taken Notes on various paras contained in C&AG Reports (Civil, Defence Services, Railways and other Autonomous Bodies).
- Coordination, collection and timely submission to the Public Accounts Committee of the relevant Explanatory Notes duly vetted by the Audit on excess expenditure and savings of Rs.100 crores and above, appearing in the Annual Appropriation Accounts.
- Chasing up matters with various Ministries/ Departments of the Government of India to ensure that, the recommendations made in PAC Reports are finalized well within time given by the Lok Sabha Secretariat.
- Bringing to the notice of various Ministries/ Departments the observations made by the PAC in its reports regarding the delay either in sending the Action Taken Notes or in their being vetted by the Audit.

9.21 **Web Based Audit Para Monitoring System (APMS)**

On the recommendations of the Public Accounts

Committee (PAC), Audit Para Monitoring System (APMS) has been implemented for computerized monitoring of the pendency of Action Taken Notes (ATNs) of C&AG Paras at various stages. The application facilitates the submission/vetting of ATNs by their uploading on the portal at every stage. As a result of regular training to the officials, now all Ministries/Departments are on board the APMS portal. In view of this, it has now been decided to dispense with the requirement of submission of hard copies of ATNs to the Lok Sabha Secretariat (PAC Branch).

Another centralized computerized online monitoring system to check the status of the preparation and submission of the Explanatory Notes at every stage by various Ministries/ Departments has been developed & operationalized from 2015-16 onwards in consultation with the Office of Comptroller and Auditor General of India in pursuance to the recommendations contained in Para-8 of the 92nd Report of Public Accounts Committee (15th Lok Sabha). Physical submission of explanatory notes has been discontinued w.e.f. 17th May, 2017.

Recently, in compliance to the recommendations made by the Public Accounts Committee (PAC), vide Para No. 6 of their 66th Report (16th Lok Sabha), the Monitoring Cell, Office of the Controller General of Accounts has developed the PAC Module in the existing Audit Para Monitoring System (APMS) for computerized monitoring of the settlement of PAC paragraphs. This module was rolled out w.e.f. 24.11.2017. All the users have been imparted training for operating PAC module. As on date 330 PAC paragraphs are still pending against various Ministries/Departments.

9.22 Position of ATNs on C&AG Audit paras

Position of ATNs in respect of summary of audit observations as per prescribed format

(Annexure-III) at the end of December, 2017 is as under:-

No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	2879
Details of the Paras/PA reports on which ATNs are pending	
No. of ATNs not sent by the Ministry even for the first time	247
No. of Draft ATNs uploaded by Ministries/ Departments	45
No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	231
No. of ATNs resubmitted by Ministries/ Departments to Audit for vetting	102

- The Committee of Secretaries (CoS) chaired by the Cabinet Secretary in their meeting held on 21st July 2017 recommended for initiation of a special drive for clearance of 100% of the pending ATNs as on 30.06.2017 by 30.11.2017. Advisories in this regard have been issued to all Ministries/Departments.

9.23 Institute of Government Accounts and Finance

The Institute of Government Accounts & Finance (INGAF) is the training arm of the Controller General of Accounts, Government of India. Initially known as the Staff Training Institute, it was set up in February, 1992 to train personnel in specific areas of accounting, administrative matters and financial management. In the years following its inception, the Institute has evolved to become a premier training centre in the spheres of Government Accounting and Public Financial Management. In addition, the Institute has Regional Training Centres (RTCs) at Chennai, Kolkata, Aizawl and Mumbai.

9.24 Aims and Objectives

1. To organize and conduct Induction training courses for Indian Civil Accounts Service officers, newly promoted Assistant Accounts Officers and newly recruited Accountants.
2. In-service and refresher training courses for Group 'A' and Group 'B' officers of the Indian Civil Accounts service and cadre, and other middle level officers of Government of India and State Governments.
3. Conducting Orientation training programmes for employees promoted to Higher Government Accounting Posts.
4. Specialized courses on Government Accounting Systems, Budgetary Process, Public Expenditure Management Computerized Financial Management Information System, Internal Audit & Control Processes, Cash Management, Personnel Management and Management of Public Sector Enterprises for in-service officers, officials of autonomous bodies and Foreign Governments on sponsorship basis.
5. To act as a think tank of the Civil Accounting Organization in India, regarding training needs, review and updating of prescribed procedures and codes, etc.

6. To promote professionalism and efficiency in Public Financial Management.

7. In-service training programmes, such as Executive Development Programmes and Management Development Programmes, are also conducted for practicing financial managers to provide exposure to innovations in the field and to augment knowledge and skills.

10. Chief Controller of Accounts

10.1 The Chief Controller of Accounts (CCA) is in overall charge of the payment and accounting set up of the Ministry, supported by three Controllers of Accounts, one Deputy Controllers of Accounts, 2 Assistant Controller of Accounts, 36 Senior Accounts Officers and approximately 300 other staff members at various levels.

10.2 **Function of the CCA organisation**

I. Budget related works for five Grants of Department of Economic Affairs, Department of Financial Services, Department of Expenditure, Department of Revenue and Department of Investment and Public Asset Management are integrated with O/o CCA.

II. CCA oversees the payments, accounting and internal audit functions of five Departments in Ministry of Finance viz., Department of Economic Affairs, Department of Expenditure, Department of Revenue, Department of Investment and Public Asset Management and Department of Financial Services.

III. Another important function of the CCA is financial reporting to Chief Accounting Authority (i.e. the Secretary of the respective Department) and to the Controller General of Accounts. The monthly accounts and annual accounts of five Departments which comprise 8 Demands/ Appropriation of the Ministry of Finance are sent to the office of the Controller General of Accounts for consolidation into the accounts of Government of India.

IV. The Scheme of Departmentalization of Accounts envisaged a system of management accounts. CCA prepares monthly and quarterly reviews of receipt and expenditure for the information of the Secretaries of the Departments. The summary statements are also uploaded on the Ministry's official website.

V. Internal Audit is the responsibility of the CCA. In the Ministry of Finance, the Internal Audit Wing also undertakes the audit of all DDOs, attached and subordinate offices including Banks handling Government Schemes such as Public Provident Fund, Special Deposit Schemes; and Senior Citizen Savings Scheme. There are about 140 DDOs within the jurisdiction of internal audit.

VI. Providing support staff to Controller of Aid Accounts and Audit (CAAA)

VII. Pension authorization under the Pension Rules to the officials retiring on superannuation, seeking voluntary retirement and to the families of deceased employees/pensioners.

VIII. Pension payment to foreign pensioners residing in India on behalf of Sri Lanka, Singapore, UK and Myanmar.

IX. Accounting and monitoring of Loans advanced to foreign countries.

X. Accounting of total receipts and payments in the entire central Government under the CGEGIS (Central Government Employees Group Insurance Scheme) and calculation & accounting of interest liability of GOI under both the savings fund and Insurance fund components of this scheme.

XI. Oversee the settlement of C&AG audit Para.

XII. Responsible for transfer of funds to and from CFI to Public Accounts. There are 14 such Funds in the Department of Economic Affairs, 2 in Department of Revenue, and one each in Department of Expenditure and Department of Investment and Public Asset Management.

XIII. Formulation of detailed Accounting procedures in respect of the Funds maintained under Public Account of India.

XIV. Settlement of the cases relating to combined pension, pro-rata pension, leave encashment, leave salary and pension contributions, revision of pre-2016 pension cases etc. of the absorbed employees of SPMCIL, after the corporatization of Mints and Presses, in coordination with the Corporate office of SPMCIL, field units and the administrative division in the Ministry.

10.3 **Highlights of important functions**

10.3.1 *Internal debt accounting and reporting:*

a. Issue of New Loans Bringing into account all transactions connected with the issue of New

Loans on the basis of detailed information supplied by the Reserve Bank of India.

b. Accounting of the discharged loans which inter-alia involves the reconciliation of loan balances as in the books of this office with those of the Reserve Bank of India and to prepare a Statement (14A) & further submitted to Finance Account Section, CGA Office. Accounting of Buyback of Government Securities raised by Government of India.

c. Compilation of Consolidated Abstract of Rupee Loans (Transaction connected with the loans dealt with in Internal Debt & Account Section are also brought to account through this abstract.

d. Accounting of Securities, shares etc., purchased or otherwise acquisition held in the Cash Balances Interest or dividend thereon.

e. Watching the timely payment of principal and payment of interest in respect of all loans mentioned here.

f. Accounting of all securities issued to International Financial Institution like International Monetary Fund, International Bank for Reconstruction and Development etc.

g. Accounting of Special Government of India Securities issued against investment made by National Small Saving Fund (NSSF).

h. Accounting of Special Govt. of India Securities/ Bonds issued to Nationalized Banks Special Government of India Bonds issued to Oil companies, FCI, Fertilizer Companies and Special Securities issue against Securitization of balances under Postal life Insurance which are kept under Public Account.

i. Accounting of different Saving Schemes of Government of India.

j. Preparation of the Quarterly and Annual Statement of Internal Debt balances for submission to the Finance Accounts Section of the Controller General of Accounts.

k. Watching the timely payment of Principal and payment of interest in respect of all Securities, Loans, Special Securities, Compensation & Other Bonds etc. and further reconciliation with Quarterly Statement received from DGBA. Central office, Mumbai.

l. Reconciliation of all Treasury Bills & Cash Management Bills with Monthly and Quarterly Statement received from PDO, Mumbai and DGBA, Central Office, Mumbai.

m. Calculation of Average Rate of Interest chargeable on the Capital Outlay of the Central Government.

10.3.2 **Monitoring system for transfer of funds from the Ministry of Finance to state governments**

a. Under the system of Public Financial Management System (PFMS), (earlier known as CPSMS) under the aegis of CGA, scheme wise plan funds released to the states are visible on the PFMS portal. Under this system, the sanctions are received from PF I Division on the "OCEAN" portal. Those sanctions are accepted and settled on the OCEAN portal from where the data get transmitted to Public Financial Management system (PFMS) Portal.

b. The sanctions (in hard copies) are received from various departments including Public Finance State I (PFS-I) Division. The sanctions are processed in the loan Grant Investment (LGI) software. The Inter Government Advices (IGA) generated and faxed to RBI, Nagpur in respect of 29 States. IGA advice in respect of State Government of Sikkim and Delhi are sent to RBI, Delhi by special messenger.

c. The data become visible on PFMS portal showing figures of sanctions settled and the COMPACT figures. Grants-in-aid amounting to Rs. 89978.18/- crore to state government and Rs. 3.72/- crore to autonomous body (NIPFM) were released up to 30.11.2017.

d. During the Financial Year 2017-18 (up to 30.11.2017) Rs. 12589.66/- crore worth loans (Block loans & Back to Back Loans) were released to state govt against the budget provision of Rs 18,500/- crore.

e. The time gap between the processing of sanctions to the job of e-Lekha for PFMS portal has been reduced to one day and thus it has brought up the work closer to the real time basis.

f. In the case of any default made by State Government in making repayment of Principal and Interest, the Consolidated Fund of State maintained by RBI is debited on the advice of this office.

g. At present, O/o CCA is in the process of implements PFMS for all Centrally Sponsored Schemes of M/o Finance.

10.3.3 **Details of loans Advanced to States during 2017-18**

(Up-to November 2017)

(Rs. in Crore)

S. No.	Name of States	Opening Balance as on 31.03.2017	Total Loan given upto Nov. 2017	Principal repaid upto November 2017	Interest upto November, 2017	Closing Balance upto November, 2017 (3+4-5)
1	2	3	4	5	6	7
1	Andhra Pradesh	9304.64	899.27	307.07	166.18	9896.84
2	Arunachal Pradesh	190.38		14.48	8.85	175.90
3	Assam	1235.85	56.27	82.90	60.09	1209.22
4	Bihar	9583.70	1105.99	276.14	153.63	10413.55
5	Chhattisgarh	2056.02	380.62	96.48	69.06	2340.16
6	Goa	1076.51	47.72	15.01	10.26	1109.22
7	Gujarat	6543.79	66.30	392.08	241.68	6218.01
8	Haryana	2141.93	0.00	73.69	47.63	2068.25
9	Himachal Pradesh	1072.07	66.60	47.00	51.74	1091.67
10	Jammu & Kashmir	1111.98	31.60	69.57	52.84	1074.01
11	Jharkhand	2151.17	212.63	82.30	56.96	2281.50
12	Karnataka	13766.43	1403.68	405.55	315.42	14764.56
13	Kerala	7594.86	299.47	203.27	142.00	7691.06
14	Madhya Pradesh	13879.71	1539.73	360.86	279.05	15058.58
15	Maharashtra	7826.61	140.39	311.81	215.43	7655.19
16	Manipur	355.47	3.76	25.55	15.65	333.68
17	Meghalaya	177.63	4.66	11.28	8.42	171.01
18	Mizoram	220.45	6.30	12.87	10.86	213.88
19	Nagaland	135.59	0.33	11.56	6.35	124.36
20	Orissa	7433.07	609.56	285.62	148.64	7757.00
21	Punjab	3862.99	390.66	106.64	63.77	4147.02
22	Rajasthan	11095.72	1166.88	300.81	207.54	11961.79
23	Sikkim	103.99	2.08	5.07	4.98	101.00
24	Telangana	8061.20	498.01	219.46	118.76	8339.76
25	Tamil Nadu	14269.98	1854.26	251.60	170.90	15872.63
26	Tripura	225.12	1.27	16.97	10.76	209.42
27	Uttarakhand	649.80	77.52	23.57	33.58	703.75
28	Uttar Pradesh	13164.01	892.21	804.00	475.92	13252.22
29	West Bengal	12990.29	831.89	400.94	377.22	13421.23
	TOTAL	**152280.96**	**12589.66**	**5214.16**	**3524.19**	**159656.45**

10.3.4 **Details of Grants in Aid to States released by Department of Expenditure**

during 2017-18 (Up-to November 2017)
(Rs. in Crore)

S. No.	Name of States	Total Grant
1	Andhra Pradesh	4124.13
2	Arunachal Pradesh	83.74
3	Assam	1741.22
4	Bihar	4527.92
5	Chhattisgarh	1222.90
6	Goa	35.16
7	Gujarat	1737.62
8	Haryana	615.58
9	Himachal Pradesh	6648.42
10	Jammu & Kashmir	8183.71
11	Jharkhand	792.85
12	Karnataka	3529.74
13	Kerala	2314.57
14	Madhya Pradesh	3105.42
15	Maharashtra	4140.61
16	Manipur	1590.50
17	Meghalaya	407.20
18	Mizoram	1767.60
19	Nagaland	2689.66
20	Orissa	1970.01
21	Punjab	310.09
22	Rajasthan	2629.37
23	Sikkim	62.10
24	Telangana	761.70
25	Tamil Nadu	1893.06
26	Tripura	796.05
27	Uttarakhand	1075.23
28	Uttar Pradesh	3132.63
29	West Bengal	3590.42
	TOTAL	**65479.18**

Grants in Aid to States/UTs by Department of Revenue

(Compensation to State Government for Revenue Rs.24499.00 (crore)

Loss due to phasing out the Goods & Services Tax (GST)

Total Grant in aid released to state Rs. 89978.18 (crore)

10.3.5 **Balance under important component of internal Debt (Rs. in crore)**

S. N.	Name of Scheme	Balance Upto 31.03.2016	Net Addition In 2016-2017	Closing Balance As On 31.03.2017	Net Addition In 2017-2018 (upto Nov' 2017)
1	2	3	4	5	6
1	Market Loan	4300102	349385	4649487	298406
2	Special Securities issued to International Institutions	106726	2013	108739	-6247
3	Compensation and Other Bonds	11114	9210	20324	15512
4	14 day Treasury Bills	121127	35443	156570	-43811
5	91 day Treasury Bills	132854	-26014	106840	119438
6	182 day Treasury Bills	77807	7629	85436	6613
7	364 day Treasury Bills	154033	-11508	142525	-1536
8	Special Securities issued against National Small Saving Fund	313856	67435	381291	18602
9	Marketable Securities issued in conversion of Special Securities	64818	0	64818	-5000
10	Special Security issued against PLI Fund	20894	0	20894	0
11	Collection of fund under PPF – 1968 Scheme (collection through bank only)	315150	51945	367095	15819
12	Balances under Senior Citizen Saving Scheme 2004 (collection through bank only)	18594	13231	31825	12252
13	Balances under Special Deposit Superannuation and Gratuity Fund - 1975	103244	-333	102911	-117
14	Sukanya Samriddhi Account	992	2475	3467	1871
	TOTAL	**5741311**	**500911**	**6242222**	**431802**

10.3.6 **Internal Audit**

a. The Revised Charter of Financial Advisors released by the Ministry of Finance envisages the Roles and Responsibilities of the Chief Controller of Accounts. Accordingly, Internal Audit functions under the control and supervision of the CCA would move beyond the existing system of compliance/ regulatory audit and would focus on the Audit of all DDOs attached and subordinate offices including Banks handling Government Schemes such as Public Provident Fund, Special Deposit Scheme and Senior Citizen Deposit Scheme. This involves appraisal, monitoring and evaluation of individual scheme, assessment of adequacy and effectiveness of internal controls in general, and soundness of financial systems and reliability of financial and accounting reports in particular. Identification and monitoring of risk factors (including those contained in the Outcome Budget). During the year 2017-18 (up-to November 2017), Audits of 18 units (appx) were conducted.

b. The penal interest is levied on all remittances, which are not credited to Government Account at Central Accounts Section RBI, Nagpur within the prescribed time limits i.e. T+3 days (excluding holiday) for public sector banks and T+3 days (including holidays for private banks). Banks are liable to pay penal interest for the entire period commencing from the date of receipt at receiving Branch of the Bank to the date of settlement with RBI (CAS) Nagpur.

10.3.7 **Achievements**

1) Enrolment of N.S.I. and Indian Economic Service into Employee Information System (EIS).

2) During 2017-18 TD&C, SPREAD & TI Program an amount of Rs. 24.13 crore was recovered in the financial year and efforts are being made to recover the balance amount from ICICI bank for the scheme closed in the year 2010.

3) Recovery of outstanding Penal Interest from Banks

Audit of the banks handling PPF-1968 & SCSS-2004 scheme is conducted by Office of CCA (Finance) to check whether all banks are depositing the collections pertaining to PPF & SCSS Schemes in CAS, Nagpur within prescribed time limit. If banks are not following the time limit, penalty is levied on them as per Ministry of Finance, Budget Division O.M. No. F.17/1/2008-NS-II dated 15.05.2008 that states "In case of delays beyond the permissible period (I.e. within 3 days including holidays for private sector banks and excluding holidays for public sector banks), the penalty payable by accredited banks on such delayed remittances shall be the applicable rate of interest payable to the depositor plus 0.5% in case of delays upto 30 days and plus 1% in case of delays beyond 30 days."

Details of Delayed Penal Interest of all the banks upto 2017-18 (30th November, 2017)

(Amount in Rs.)

Details of Delayed Penal Interest of all the banks upto 2017-18 (30th November, 2017)			
(Amount in Rs.)			
	PPF	**SCSS**	**Total**
Outstanding as on 31.03.2016	17,49,24,580	13,45,34,395	**30,94,58,975**
Levied during 2016-17	2,08,18,544	24,32,074	2,32,50,617
Recovered during 2016-17	16,70,01,248	10,69,43,245	27,39,44,493
Contested and dropped during 2016-17	2,08,05,978	4,81,791	2,12,87,769
Total outstanding as on 31.03.2017	79,35,897	2,95,41,433	**3,74,77,330**
Levied during 2017-18 (upto 30th November 2017)	1,59,192	22,479	1,81,671
Total outstanding as on (30th November 2017)	80,95,089	2,95,63,912	**3,76,59,001**
Recovered during 2017-18 (upto 30th November 2017)	19,59,613	14,15,741	33,75,354
Grand Total outstanding upto 30th November 2017	61,35,476	2,81,48,171	**3,42,83,647**

Total outstanding penal interest against all the banks as on 31.03.2016 under both the schemes amounted to Rs. 30,94,58,975/- (Thirty Crore Ninety Four Lakh Fifty Eight Thousand Nine Hundred Seventy Five Rupees Only) which has been brought down to Rs.3,42,83,647/- (Three Crore Forty Two lakh Eighty Three Thousand Six Hundred Forty Seven Rupees only) as on 30.11.2017.

4) Authorization of additional bank branches for participation in PPF & SCSS Schemes

A total of 18,313 branches of Public Sector commercial banks were authorized to make collections for PPF & SCSS schemes on 31.03.2015. This figure does not include the branches of SBI as all branches of SBI are allowed to make collections towards these schemes. Efforts were made to increase the number of bank branches which could participate in these schemes and another 11,094 have been granted permission to participate in these two schemes as on 30.11.2017. This brings the total number of Public Sector bank branches (excluding SBI) participating in these schemes to 29,407 branches.

5) Recovery of Unspent Amounts given to Commercial Banks for various Schemes of Ministry of Finance

The Ministry of Finance operates several schemes for industrial development, interest subsidies for target groups etc. through both Public as well as Private sector financial institution. At times the unspent amount remains with these institutions for years together. During the FY 2016-17 the following amounts were recovered from the banks:

- An unspent amount of Rs. 30,89,93,561/- was recovered from the Canara Bank in the FY 2016-17 in addition to Rs. 873/- crore recovered from Canara Bank in 2015-16 out of Rs. 2600/- crore released for New central Scheme of Interest Subsidy Scheme.
- An amount of Rs. 255.37/- crore was recovered from ICICI Bank under Technology Development & Commercialization Program, Sponsored research & Development (SPREAD) Program & Technology, Institutions-Reflows Program. These programs were discontinued some years back but the money remained with ICICI.

6) During the financial year 2016-17, PAO (DIPAM) had been awarded "Best PAO" in the accounting cadre of Controller General of Accounts, Ministry of Finance. Enrolment of PAO (DIPAM) and SO (Cash) DIPAM into EIS.

7) All of the Pay and Accounts offices of the Ministry have implemented Public Financial Management System. All payments are being made through PFMS. Use of cheques as the mode of payment is considerably eliminated. E-payments are made to concerned parties and now maximum payments are being made electronically. The implementation of PFMS coupled with extensive training to the concerned officials and peer to peer knowledge sharing has resulted in less adaptation time, more organisational efficiency, less response time in payments, improved record keeping/tracking through digital logs and more transparency.

8) This Department has moved to Government e-Market Place for nearly all of the procurements. Officials were provided training on GeM and the procurements are being made through GeM. This remarkably changed the procurement process for good. Now, the procurements are more streamlined, efficient and transparent. This considerably reduced the hurdles in the procurement process, providing the purchasing department with more choices and better recordkeeping as the bills are in digital format.

9) The entire pension cases of this department are being processed through the "Bhavishya Portal" resulting which the fast processing of the pension related work. The check points in the "Bhavishya Portal" ensure the procedural accuracy of the pension cases. Pension cases of Pre-2016 are being revised through electronically on the E-portal eppo.nic.in/revision.

10) Some other important achievements are listed below:

a. All work related to feeding the budget , supplementary , re-appropriation and surrender orders for each grant alongwith mapping of heads to each scheme had been successfully done in 2016-17.

b. Successful implementation of new scheme of Gold Bonds and Gold Monetization scheme.

c. Disposal of 5 ATNs pertaining to 2015 and 2016.

11. Central Pension Accounting Office

11.1 The Central Pension Accounting Office (CPAO) was established w.e.f. 1st January, 1990 for Payment and Accounting of Central (Civil) Pensioners and Pension to Freedom Fighters etc. CPAO is a subordinate office under the O/o Controller General of Accounts, Department of Expenditure, M/o Finance. It has been entrusted with the responsibility of administering the "Scheme of payment of pension to Central Government (Civil) Pensioners through Authorized Banks". Its core functions are:

- Issue of Special Seal Authorities (SSAs) authorizing payment of pension in fresh as well as revision of pension cases to the CPPCs(Central Pension Processing Centers) of pension disbursing Banks;
- Preparation of Budget for the Pension Grant and accounting thereof;
- Audit of CPPCs of pension disbursing Banks;
- Maintenance of Data Bank of Central Civil Pensioners containing all details indicated in the PPOs and Revision Authorities;
- Handle the grievances of Central Civil Pensioners; and
- As an interim arrangement, payment of provisional pension to the pensioners/family pensioners covered under New Pension Scheme as per orders of Ministry of Finance; and
- Co-ordination with Ministries/Departments, Ministry of Finance and Deptt. of Pension & Pensioners' Welfare on all matters related

to Pension Payments, Accounting & Budgeting.

11.2 Significant developments /policy decisions taken during the year including initiatives for improving delivery of public services

- Hon'ble Union Minister for Finance & Corporate Affairs, Shri Arun Jaitley launched 'Web Responsive Pensioners' Service' of CPAO on 14th Sep, 2016. This IT initiative of Central Pension Accounting Office (CPAO) provides various services including Pension & Payment Information, Online Pension Process Tracking, online Grievance Registration & Tracking to the pensioners and also provides dashboards for Ministries/ Departments and Banks strengthening their pension processing and Grievance redressal monitoring system. Till 31st Dec, 2017, 3,584 grievances by banks and 937 grievances by Ministries/Departments have been disposed off through WRPS.
- Under retiring employee module of WRPS, facility of uploading of details of retiring employees has been provided for the monitoring of timely processing of pension cases. Till 31st Dec, 2017, details of 54,735 employees have been uploaded by Ministries/ Departments under this module.
- The WRPS is an important Digital India initiative for improving transparency, accountability and responsiveness.

11.3 **e-Governance Initiatives of CPAO**

CPAO is a fully computerized office. A wide range of softwares/packages have been developed/ implemented in this office for streamlining pension disbursement, accounting and grievance redressal which includes:-

(i) **Pension Authorization, Retrieval & Accounting System (PARAS)**:- All the pension processing activities from receipt to dispatch are managed through PARAS. The web interface of PARAS provides the related information to pensioners; PAOs/Ministries & Banks. About 12lakhs central civil pension cases have been processed by CPAO through this software thereby creating digital database of these pensioners. Various MIS reports are also generated by this software for the monitoring purposes.

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

(iii) **Grievances Redressal Management Software**: - A software for Grievance handling where grievances received from pensioners are registered and processed in an organized manner.

(iv) **e-scroll software** : This software has been development for payment and receipt scrolls from CPPC and 'put through statement' from Reserve Bank of India for speedy accounting and reconciliation at CPAO.

(v) **e-PPO**: This system has been developed for sending online digitally signed revision authorities from CPAO to CPPCs of banks for arranging payment to the pensioners. At present, under this project, digitally signed revision authorities are being sent to all CPPCs from CPAO.

(vi) **Bar-coding software**: Bar - coding module is incorporated in PARAS with the help of postal Department for speedy transmission of pension papers to CPPCs and tracking of dispatch status of pension cases.

(vii) **e-Revision Utility**: CPAO has developed new e-Revision utility for the revision of 7th CPC pension cases. This utility has facility of receiving online revision authorities from PAOs to CPAO under the digital signatures of PAOs.

(viii) **"Web Responsive Pensioners' Service"**: CPAO has developed a mobile responsive facility for pensioners with comprehensive information. This service was launched by Hon'ble Union Minister of Finance Sh. Arun Jaitely on 14/09/2016. Now pensioners can avail following services by registering on CPAO website through PPO number and date of birth & date of retirement/date of death: Pensioner Profile; Digital Record of Pension & Revision Orders; Download Facility of Pension/Revision Orders Sent To Banks; Pension Processing Status Tracking and Monthly Details of Pension Payment.

(ix) **SMS Facility**: To track pension process status at CPAO and at the stage of grievance registration & disposal.

(x) **Link to Jeevan Pramaan, Bhavishya and CPENGRAM Portals**: Link to Jeevan Pramaan Portal has been provided on CPAO website to enable pensioners to use facility of Digital Life Certificate. For retiring employees, a link has been established with Bhavishya Portal of DP&PW to enable them to track status of their pension cases even before the case reaches CPAO. A link to CPENGRAMS (Centralized Pension Grievance Redress and Monitoring System) has also been provided so as to enable pensioners to lodge and track their grievances on CPENGRAMS.

Annex I

DEPARTMENT OF EXPENDITURE

REPRESENTATION OF SCs, STs and OBCs

Groups	Number of employees					Number of appointments made during the previous calendar year														
						By Direct Recruitment					By Promotion					By other methods				
	Total	SCs	STs	OBCs	Others	Total	SCs	STs	OBCs	Others	Total	SCs	STs	OBCs	Others	Total	SCs	STs	OBCs	Others
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Group A	303	43	11	37	212	28	4	01	11	12	2	-	-	-	-	-	-	-	-	-
Group B	672	123	42	75	432	05	04	-	01	-	11	01	01	-	09	01	-	--	-	-
Group C	326	85	14	66	161	38	06	-	19	13	2	01			-	-	-			-
Group D Excluding Safai Karamcharis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D Safai Karamcharis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1301**	**251**	**67**	**178**	**805**	**71**	**14**	**01**	**31**	**25**	**15**	**02**	**01**	**-**	**09**	**01**	**-**	**-**	**-**	**-**

Annex II

DEPARTMENT OF EXPENDITURE

REPRESENTATION OF PERSONS WITH DISABILITIES

Group	Representation of VH/HH/OH (As on 01.01.2016)					Number of Appointments made during the calendar year 2015														
						DIRECT RECRUITMENT										PROMOTION				
						No. of appointments made					No. of vacancies reserved					No. of appointments made				
	Total	VH	HH	OH	Others	Total	VH	HH	OH	Others	Total	VH	HH	OH	Others	Total	VH	HH	OH	Others
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Group A	**275**	-	-	-		**1**	**1**	-	-		-		-	-		-	-	-	-	
Group B	491	1	1	-		-	-	-	-		-		-	-		-	-	-	-	
Group C	241	2	4	3		-	-	3	2		04		02	02		1	-	-	-	
Group D	-	-	-	-		-	-	-	-		-		-	-		-	-	-	-	
Total	**1007**	**3**	**5**	**3**		**1**	**1**	**3**	**2**		**4**		**2**	**2**		**1**	-	-	-	

Note: (i) VH stands for Visually Handicapped (persons suffering from blindness or low vision)
(ii) HH stands for Hearing Handicapped (persons suffering from hearing impairment)
(iii) OH stands for Orthopedically Handicapped (persons suffering from locomotors disability or cerebral palsy)

Annex III

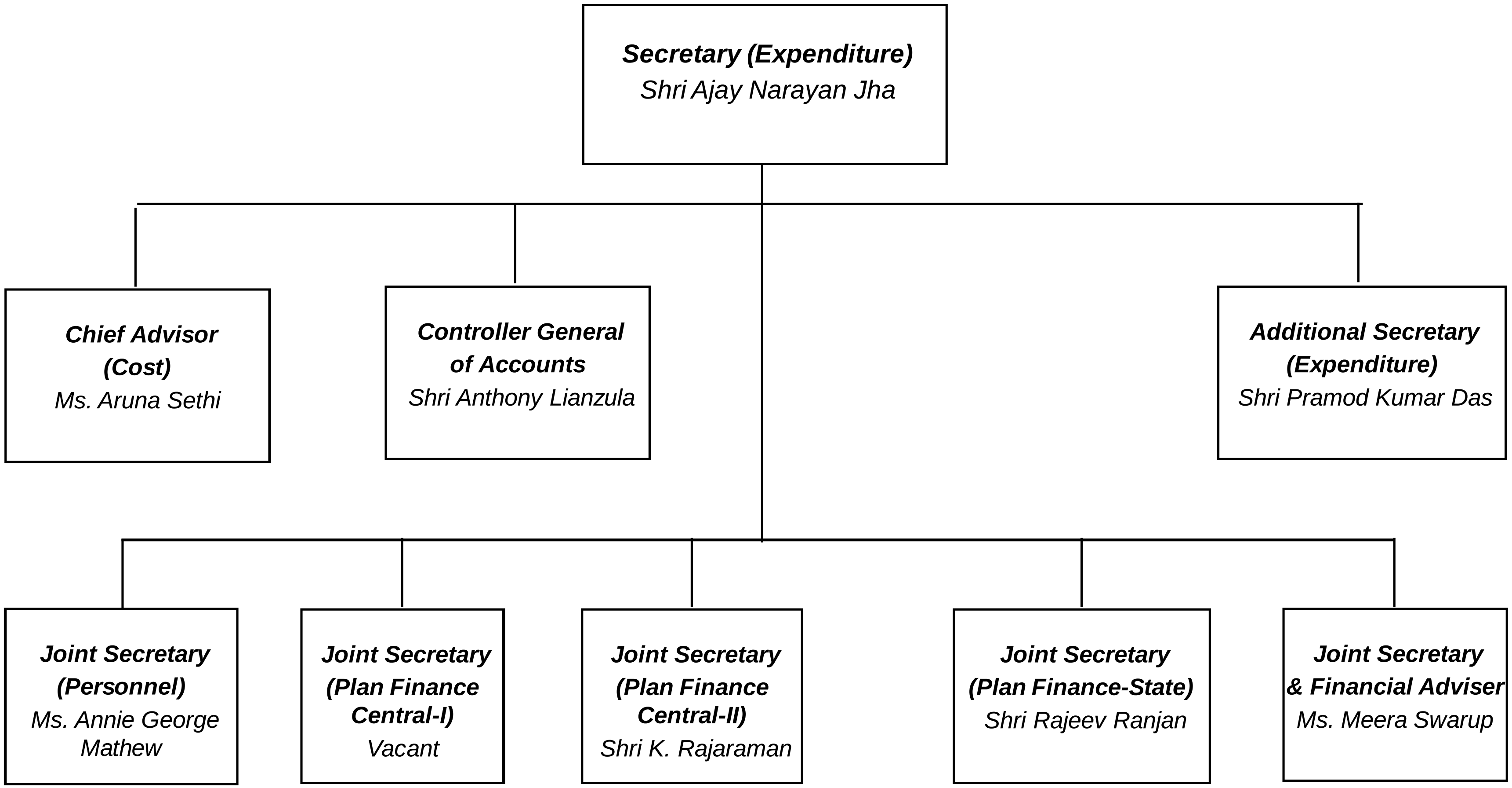
DEPARTMENT OF EXPENDITURE

POSITION OF ATNs IN RESPECT OF SUMMARY OF AUDIT OBSERVATIONS

Sl. No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Paras/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1	2017	2889*	292*	227*	113*

* As on 08.01.2018

ORGANISATIONAL CHART OF DEPARTMENT OF EXPENDITURE



Chapter - III

Department of Revenue

1. Organisation and Functions

1.1 The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control in respect of matters relating to all the Direct and Indirect Union Taxes through two statutory Boards namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all Direct taxes are looked after by the CBDT whereas those relating to levy and collection of Goods and Service Taxes (GST), Customs and Central Excise duties, Service Tax and other Indirect taxes fall within the purview of the CBEC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Each Board have sanctioned strength of 6 (six) members.

1. 2 The Department of Revenue administers the following Acts:

i. Income Tax Act, 1961;

ii. Wealth Tax Act, 1957;

iii. Expenditure Tax Act, 1987;

iv. Benami Transactions (Prohibition) Act, 1988;

v. Chapter-VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)

vi. Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax)

vii. Chapter V of Finance Act, 1994 (relating to Service Tax)

viii. Central Excise Act, 1944 and related matters;

ix. Customs Act, 1962 and related matters;

x. Central Sales Tax Act, 1956;

xi. Custom Tariff Act, 1975

xii. Central Excise Tariff Act 1985

xiii. Narcotic Drugs and Psychotropic Substances Act, 1985;

xiv. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988;

xv. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976;

xvi. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);

xvii. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;

xviii. Prevention of Money Laundering Act, 2002; and

xix. Foreign Exchange Management Act, 1999.

xx. Union Territory Goods & Services Tax Act, 2017

xxi. Goods & Services Tax (compensation to States) Act, 2017

xxii. Central Goods & Services Tax Act, 2017

xxiii. State Goods & Services Tax Act, 2017

xxiv. Integrated Goods & Services Tax Act, 2017

1.3 The Department looks after the matters relating to the above-mentioned Acts through the following attached/ subordinate offices:

i. Commissionerates/Directorates under Central Board of Excise and Customs;

ii. Commissionerates/Directorates under Central Board of Direct Taxes;

iii. Central Economic Intelligence Bureau;

iv. Directorate of Enforcement;

v. Central Bureau of Narcotics;

vi. Chief Controller of Factories;

vii. Appellate Tribunal under SAFEMA;

viii. Income Tax Settlement Commission;

ix. Customs and Central Excise Settlement Commission;

x. Customs, Excise and Service Tax Appellate Tribunal;

xi. Authority for Advance Rulings for Income Tax;

xii. National Committee for Promotion of Social and Economic Welfare;

xiii. Authority for Advance Rulings for Customs and Central Excise;

xiv. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985;

xv. Financial Intelligence Unit, India (FIU-IND);

xvi. Income Tax Ombudsman;

xvii. Adjudicating Authority under Prevention of Money Laundering Act.

xviii. Indirect Tax Ombudsman.

xix. Revision Application Unit.

1.4 A comparison of the collection of Direct and Indirect taxes for the period 2016-17 (April to December) and 2017-18 (April to December) is as follow:

(Rs. in crore)

Sl. No.	Nature of Taxes	Amount collected		
		2016-17 (April-December, 2016)	2017-18 (upto December, 2017)	%age of growth over last year
1.	Corporate Income Tax	320223	376010	17.42%
2.	Personal Income Tax (excluding STT & WT)	222382	261676	17.67%
3.	Other Taxes (STT & WT)	6028	7940	31.71%
4.	Central Excise*	279020	203212	-27.2%
5.	Customs	167294	109795	-34.4%
6.	Service Tax	183265	80348	-56.2%
7.	Goods and Services Tax (from July to January, 2018)	-	540327	

(Exclusive of cesses not administered by Department of Revenue)*

Table Data Source: *CGA/ Pr. CCA, CBDT& CBEC respectively.*

STT - Security Transaction Tax
WT - Wealth Tax

1.5 An **Organisation Chart** of Department of Revenue is given at Annexure-IV.

2. Revenue Headquarters Administration

2.1 The Department of Revenue looks after matters relating to all administration work pertaining to the Department, coordination between the two Boards (CBEC and CBDT), the administration of the Indian Stamp Act 1899 (to the extent falling within the jurisdiction of the Union), the Central Sales Tax Act 1956, Goods and Service Tax (GST) the Narcotic Drugs and Psychotropic Substances Act 1985 (NDPSA), the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (SAFEM (FOP) A), the Foreign Exchange Management Act 1999 (FEMA) and the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA), the Prevention of Money Laundering Act, 2002 (PMLA) and matters relating to the following **attached/ subordinate offices** of the Department:

a. Enforcement Directorate

b. Central Economic Intelligence Bureau (CEIB)

c. Competent Authorities appointed under SAFEM (FOP) A and NDPSA

d. Chief Controller of Factories

e. Central Bureau of Narcotics

f. Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

g. Appellate Tribunal under SAFEMA

h. Customs and Central Excise Settlement Commission (CCESC)

i. Income Tax Settlement Commission (ITSC)

j. Authority for Advance Ruling for Customs and Central Excise

k. Authority for Advance Rulings (AAR) for Income Tax

l. National Committee for Promotion of Social and Economic Welfare (NCPSEW)

m. Financial Intelligence Unit, India (FIU-IND)

n. Income Tax Ombudsman

o. Indirect Tax Ombudsman

p. Adjudicating Authority under Prevention of Money Laundering Act

2.2 The following items of works are also undertaken by the Headquarters:

I. Appointment of –

- √ Chairman and Members of CBEC and CBDT
- √ Chairman, Vice Presidents and Members of CESTAT
- √ Chairmen, Vice Chairmen and Members of CCESC and ITSC
- √ Chairmen, Vice-Chairman and Members of AARs for Customs / Central Excise and Income Tax
- √ Director General of CEIB
- √ Director of Enforcement
- √ Competent Authorities (SAFEM (FOP) A and NDPSA)
- √ Director (FIU-IND)
- √ Income Tax Ombudsman
- √ Indirect Tax Ombudsman
- √ Chairperson and Member of Adjudicating Authority set up under PMLA
- √ Chairman and members of "Appellate Tribunal" established under SAFEMA (FoP) Act, 1976.
- √ Appointment of CVO, CBDT/ CBEC.

II. Setting up of Commissions/Committees under the Department

III. Foreign training and assignment of officers of the Department

IV. Processing of the cases of deputation of IRS/ ICCES officers to Central Government under Central Staffing Scheme or any Board/PSU etc.

V. Issue of sanction for payment of annual contribution to the Customs Cooperation Council, Brussels (Belgium) and other international agencies.

2.3 Internal Work Study Unit (IWSU)

2.3.1 Being the Nodal Agency for dissemination of Government guidelines for bringing about improvement and efficiency, cleanliness and for effecting cost economy in the administration, the Internal Work Study Unit (IWSU) of the Department of Revenue, during the year 2017-18, continued its efforts to improve the quality of administration in the organisations under the Department of Revenue. The Unit continued to liaise with the Department of AR&PG and SIU, Department of Expenditure on the following: -

(i) Compilation and consolidation of orders/ instructions;

(ii) Review of rules & regulations and Manuals;

(iii) Review of periodical reports and returns;

(iv) Monitoring the progress of disposal of VIP and other pending cases;

2.3.2 In addition to the above, the Induction Material of the Department has been updated regularly. The progress of disposal of pending VIP/MP references in the Department has been monitored at the level of Secretary (Revenue) and Additional Secretary (Revenue) with the officers concerned in the Department. The pendency position of VIP references is compiled and circulated to MOS (Revenue) and senior officers of the Department every fortnight. This has reduced the pendency of VIP cases.

2.4 Economic Security (ES) Cell

2.4.1 Economic Security Cell is dealing with the administration and implementation of the Prevention of Money Laundering Act, 2002. Based on PMLA, Economic Security Cell is also looking after framing / amendment of PMLA Rules on matters relating to Know Your Customer (KYC norms, setting up of special Courts under PMLA, Section 66 of PMLA – authorities to whom information to be disseminated etc. from time to time. The ES Cell handles all issues related to Financial Action Task Force (FATF).

2.4.2 Prevention of Money Laundering Act (PMLA) was enacted on 17th January, 2003 and brought into force on 1st July 2005. The object of this Act is to prevent money laundering and to provide for confiscation of property derived from, or involved in, money – laundering and for matters connected therewith or incidental thereto. Two main objectives of the Act are:

- Criminalize money laundering and provide for attachment, seizure and confiscation of property involved in money laundering [Implemented by Enforcement Directorate]; and
- Prescribe obligations on banks, financial Institutions and intermediaries relating to KYC, record keeping and furnishing reports [Implemented by Financial Intelligence Unit (FIU-IND)].

2.4.3 PMLA was amended in 2005, 2009, 2012, 2015 and 2016 to overcome the deficiencies and to meet the international standards on Anti-Money Laundering as prescribed by Financial Action Task Force (FATF).

2.4.4 Financial Action Task Force (FATF)

2.4.4.1 The Financial Action Task Force (FATF) is an inter-governmental body which sets standards, and develops and promotes policies to combat money laundering and terrorist financing.

2.4.4.2 The forty Recommendations of FATF provide a complete set of counter-measures against money laundering, counter financing of terrorism and its proliferation covering the criminal justice system and law enforcement, the financial system and its regulation, and international co-operation. These Recommendations have been recognized, endorsed, or adopted by many international bodies as the international standards for combating money laundering and terrorist financing. India became the member of Financial Action Task Force (FATF) in June 2010.

2.5 Revision Application Unit

2.5.1 Formation, function and working of the Revision Application Unit

2.5.1.1 The mandate of the Revision Application Unit is to dispense justice. Under the scheme operative till 10.10.1982, the appeal against the orders of the Commissioners (then called Collectors), of Customs & Central Excise lay with the Central Board of Excise & Customs. As far as the appeals against the orders passed by the authorities below the rank of the Collectors (now called Commissioners), were concerned, the same were to be filed before the appellate Collectors of Customs & Central Excise. Erstwhile Section 131 of the Customs Act, 1962 and Section 36 of the Central Excise & Salt Act, 1944, empowered the Central Government to revise the orders passed by the CBEC and appellate Collectors in exercise of their appellate jurisdiction. At the Government level, while Secretary (Revenue) or Special Secretary disposed of the Revision Applications against orders passed by the CBEC, and the Addl. Secretary or Joint Secretary disposed of the applications against the orders passed by the appellate Collectors of Customs & Central Excise and executive Collectors of Customs and Central Excise. The Finance (No. 2) Act, 1980 sought to introduce a new system by establishing appellate Tribunal. The appellate jurisdiction of CBEC and Revisionary jurisdiction of the Central Government were abolished with effect from 11.10.1982, except a few residual transitional provisions and the Customs, Excise and Gold Appellate Tribunal (now CESTAT) was set up with effect from 11.10.1982. The Finance Act, 1984, revived the Revisionary powers of the Central Government in specified type of cases. On the Customs side, Section 129 DD read with proviso to Section 129(A) of the Act, empowered Central Government to revise the appellate orders passed by the Commissioner of Customs (Appeals). On Central Excise side, Section 35EE read with first proviso to sub-section (ii) of Section 35B of the Central Excise Act, 1944 gave review and revisionary powers to Central Government to revise the orders passed by the Commissioner of Central Excise (appeals).

2.5.1.2 On the Service Tax side the two provisos inserted in sub-section (1) of Section 86 of the Finance Act 1994 vide Section 117 of the Finance Act 2015 (with effect from 14.5.2015) stipulate that where an order, relating to a service which is exported, has been passed under section 85 and the matter relating to grant of rebate of service tax as input service, or rebate of duty paid on inputs, used in providing such service, such order shall be dealt with in accordance with the provisions of section 35EE of the Central Excise Act 1944. All appeals in such matters pending before the Appellate Tribunal shall also be transferred and dealt with in accordance with the provisions of Section 35 EE of the Central Excise Act 1944.

2.5.1.3 The Revision Applications filed either by parties or department against the orders of Commissioner (Appeals) are considered and decided by Additional Secretary (RA). The Central Government is the highest authority in such revision and review matters and orders thus passed by the Additional Secretary (RA) are final. Petitioners, aggrieved with the revision order passed by Additional Secretary (RA) may take re-course to writ petitions under Article 226 of Constitution of India.

2.5.1.4 The Revision Application Unit is directly responsible to Secretary (Revenue).

2.5.2 Jurisdiction

2.5.2.1 Customs jurisdiction - Section 129 DD read with proviso to Section 129 A (1) of Customs Act, 1962 empowered the Central Government to revise or review the appellate orders passed by Commissioner of Customs (Appeals) if such order related to:-

(a) Any goods imported or exported as baggage;

(b) Any goods loaded in a conveyance for importation into India, but which are not unloaded at their place of destination in India, or so much of the quantity of such goods as has not been unloaded at any such destination if goods unloaded at such destination are short of the quantity required to be unloaded at the destination;

(c) Payment of drawback as provided in Chapter X and the rules made there under.

2.5.2.2 Central Excise jurisdiction - Section 35 EE read with proviso to Section 35 B (1) of Central Excise Act, 1944 empowered the Central Government to revise or review the appellate orders passed by Commissioner of Central Excise (Appeals) if such order related to:-

(a) A case of loss of goods, where the loss occurs in transit from a factory to a warehouse or to another factory, or from one warehouse to another or during the course of processing of the goods in a warehouse or in storage, whether in a factory or in a warehouse;

(b) A rebate of duty of excise on goods exported to any country or territory outside India or on excisable materials used in the manufacture of goods which are exported to any country or territory outside India;

(c) Goods exported outside India (except to Nepal or Bhutan) without payment of duty.

2.5.2.3 Service Tax jurisdiction – The provisions of Section 35EE of the Central Excise Act 1944, which dealt with revision by the Central Government, have been made applicable to Chapter-V of the Finance Act, 1944 dealing with Service Tax. In the Finance Act 2015, the Section 86 has been amended to prescribe that the remedy against the order passed by Commissioner (Appeals) in a matter involving rebate of Service Tax, shall lie in terms of Section 35EE of the Central Excise Act 1944. In such cases against the order passed by the Commissioner (Appeals), revision application is required to be filed before AS (RA).

2.5.2.4 IATT jurisdiction - Rule 13 of Inland Air Travel Tax (IATT) Rules, 1989 empowered the Central Government to revise or review the appellate orders passed by Commissioner of Customs & Central Excise (Appeals) if such order related to payment of IATT.

2.5.2.5 FTT jurisdiction - Rule 15 of Foreign Travel Tax (FTT) Rules, 1979 empowered the Central Government to revise or review the appellate orders passed by Commissioner of Customs & Central Excise (Appeals) if such order related to Payment of Foreign Travel Tax.

2.5.3 Process

The Revision Application Unit receives the revision application in prescribed form EA-8/CA-8 filed by department as well as parties. The stipulated time for filing such applications is 90 days from the date of communication of order-in-appeal. The delay up to 90 days can be condoned by Central Government in deserving cases. The Revision Application Unit on receipt of revision applications issues the acknowledgement to the applicant along with deficiency memo if any deficiency is found. Simultaneously, a check-list in prescribed format is also prepared. Notice is issued to respondent party for filing counter reply. Thereafter, personal hearing is fixed / held in cases, in the order of seniority. Out of turn hearings are allowed only in deserving cases involving substantial revenue, recurring issue resulting into multiplicity of cases, interest liability, the issue is no longer res integra, passenger is going abroad and in cases of financial hardship. After completion of hearing, final revision order is issued by Additional Secretary (RA).

2.5.4 Latest Developments

The Revision Application unit was earlier headed by a Commissioner and ex-officio Joint Secretary. The working of this set-up was stayed by an order of Punjab & Haryana High Court, upheld by the Apex Court also, whereby it was directed that an officer of a higher rank than the Joint Secretary be posted here as the orders of Commissioner (Appeals) are being revised and an officer of the same rank cannot revise these orders. Subsequently, an officer of the rank of Principal Commissioner and ex-officio Additional Secretary was posted in Aug, 2017 and an additional office of Additional Secretary (R.A.) was created at Mumbai to reduce the pending cases which got piled up during the period of stay. The office at Delhi caters to Northern and Eastern regions while the Mumbai Unit takes up the cases pertaining to Southern and Western regions.

2.5.5 Performance

Since the joining of Additional Secretary in Aug, 2017 the work in the unit has picked up very fast and in three months i.e. from Aug, 2017 to November, 2017, 347 Revision Applications have been disposed of by Delhi unit alone.

3. Narcotics Control (NC) Division

The Narcotics control Division administers the Narcotic Drugs and Psychotropic Substances Act,1985 (61 of 1985), which prohibits, except for medical and scientific purposes, the manufacture, production, possession, sale, purchase, transport, warehouse, use, consumption, import inter-State, export inter-State, import into India, export from India or transshipment of narcotic drugs and psychotropic substances. The policy of the Governments has thus been to promote use of Narcotic Drugs and Psychotropic Substances for medical and scientific purposes while preventing their diversion from licit sources, and prohibiting illicit traffic and abuse. The Narcotic Drugs and Psychotropic Substances Act divide the powers and responsibility of regulation of licit activities. Section 9 of the Act has listed various activities which the Central Government can, by rules, regulate while Section 10 lists various activities which the State Governments can, by rules, regulate. Accordingly, Narcotic Drugs and Psychotropic Substances Rules, 1985 have been framed by the Central Government, which regulates cultivation of opium, manufacture, import/export of narcotic drugs and psychotropic substances. Further to prevent diversion of precursor chemicals, of wide industrial use, for illicit manufacturing of, narcotic Drugs and psychotropic Substances, the Narcotic Drugs and Psychotropic Substances (Regulations of Controlled Substances) order, 2013 has been framed under Section 9A of the NDPS Act.

3.1 Functions/ Working of the Central Bureau of Narcotics (CBN)

3.1.1 Organizational set up

The Narcotics Commissioner heads the Central Bureau of Narcotics (CBN) with headquarters at Gwalior. The Narcotics Commissioner exercises control and supervision over opium poppy cultivation, which is presently undertaken in select notified areas of the three states of Madhya Pradesh, Uttar Pradesh & Rajasthan. In addition to the work relating to licensing of opium poppy cultivation, measurement and test measurement of fields and procurement of opium, the CBN also undertakes preventive checks and exercises vigil to prevent diversion of opium into illicit channels as well as enforcement of Narcotic Drugs & Psychotropic Substances Act, 1985.

3.1.2 Responsibilities and Duties

The broad outline of the functions and responsibilities of CBN are as under:

i. Performing the function of the National Opium Agency for India under Single Convention on Narcotic Drugs 1961 to exercise supervision over licit cultivation of opium poppy in the country in terms of Section 5(2) of the NDPS Act.

ii. Survey, detection and eradication of illicit cultivation of opium poppy throughout the country.

iii. Enforcement of provisions of the NDPS Act 1985 to suppress illicit traffic in Narcotic Drugs, Psychotropic Substances and notified Precursor Chemicals including search, seizure, arrest, investigation and prosecution of drug offenders tracing and freezing of illegally acquired properties of drug traffickers derived from illicit drug trafficking for forfeiture and confiscation.

iv. Issue of licences for manufacture of synthetic Narcotic Drugs.

v. Performing the functions of Competent National Authority (CNA) for issue of Export Authorizations and Import Certificate for Export/ Import of Narcotic Drugs & Psychotropic Substances and issue of 'No Objection Certificate' for import/ export of precursor chemicals under the 1961, 1971 and 1988 UN Conventions dealing with narcotic drugs, psychotropic substances and chemicals/substances used for manufacture of these drugs.

vi. 1988 Convention requires CNA of the countries to take all possible measures to prevent diversion from international trade of precursor chemicals used in illicit manufacture of narcotic drugs and psychotropic substances in close cooperation with INCB and competent authorities of concerned countries.

vii. Liaison with the International Narcotics Control Board, United Nations Drug Control Programme as well as with the Competent Authorities of other foreign countries on issues related to international trade in narcotic drugs, psychotropic substances and precursor chemicals.

viii. Co-ordination with other Enforcement Agencies such as Narcotics Control Bureau, Directorate of Revenue Intelligence, Central Excise, Customs, State Police, State Excise and various other enforcement agencies .

3.1.3 Achievements: -

The performance/achievement with respect to issuance of NOCs issued by Central Bureau of Narcotics during the year 2017-18 and for the period from 1.4.17 to 31.12.2017 alongwith projection for the period from 01.01.2018 to 31.03.2018 for the export/import of Precursor Chemicals is as under :-

Number of NOC issued	Actual data for 01.04.2017 to 31.12.2017	Projection for 01.01.18 to 31.3.18
For export of Controlled Substance	1058	350
For import of Controlled Substance	423	140
No. of Pre-export Notifications issued	922	310
Number of Stop Shipments of Controlled Substances	8	-

International Narcotics Control Board (INCB) has developed online PEN system to make exchange of information between the competent National Authorities. CBN had issued 922 PEN's (01-4-2017 to 31-12-2017) to the competent authority of various importing countries, for verifying the legitimacy of the transactions. On the initiative, taken by the CBN, through online PEN system, CBN has identified and stopped suspicious transactions of precursors chemicals suspected to be diverted from the licit channels during the year under report.

The performance/achievement with respect to issuance of Export authorization and Import Certificate issued by Central Bureau of Narcotics during the previous and current financial year for the export/import of narcotic drugs /psychotropic substances is as under:-

	Psychotropic Substances		Narcotic Drugs	
Particular	2017-18 (up to 31.12. 2017)	From 01.01.2018 to 31.03.2018 (Projected)	2017-18 (up to 31.12. 2017)	From 01.01.2018 to 31.03.2018 (Projected)
No. of Export Authorization Issued	2109	700	270	90
No. of Import Certificate issued	309	100	123	40

Number of Manufacturing license, issued/ renewed, for manufacture of synthetic narcotic drugs and number of Registrations for import of poppy seeds issued, are as under :-

No. of Registration certificates issued for import of Poppy Seeds calendar year 2017	No. of Manufacturing license issued in calendar year 2017	Quota Allocation issued in calendar year 2017
37	22	451

During the period from January 2018 to March, 2018 the projected figure is as under:-

No. of Registration certificates for import of Poppy Seeds (projected)	No. of Manufacturing license (projected)	Quota Allocation (projected)
15	20	135

As per Rule 67 E of NDPS Rule 1985, CBN issues allocation of narcotic drugs, during the year 2017, mainly allocation was issued for Codeine Phosphate to 127 companies for quantity of 44874 kgs, whereas 61 companies were issued allocation for 5852 kgs of medicinal opium.

The Government of India has developed web-based software for online registration of manufacturers and wholesalers of psychotropic substances, for both bulk drugs and preparations, with the Central Bureau of Narcotics (CBN), under the guidance of the National Informatics Centre, New Delhi. The system has been made functional to facilitate submission of data on manufacture, utilization, stock, import, export, sale purchase and consumption of psychotropic substances in the country.

The data collected through the system, will facilitate generation of periodical, statistical report on psychotropic substances like form 'P' form 'A/P, form 'B/P' besides other MIS report for monitoring the manufacture and consumption of psychotropic substances in the country.

The Government of India has decided to develop a web based online application for registration of manufacturers and dealers of narcotic drugs with the Central Bureau of Narcotics (CBN) and submission of data on manufacture, utilization, stock trade and consumption of Narcotic Drugs in the country. The objective of the online application is to collect required data on manufacture and consumption of narcotic drugs for generation of Form "C" in respect of India for submission to the International Narcotics Control Board (INCB), Vienna. This office has taken up the matter with National Informatics Centre (NIC), New Delhi. However, development of web based online application for registration of manufacturers and dealers of narcotic drugs with the Central Bureau of Narcotics (CBN) are still under process.

3.1.4 Enforcement of NDPS Act, 1985-

The Central Bureau of Narcotics undertakes action to prevent the illicit trafficking of Narcotic Drugs and Psychotropic Substances. It also undertakes investigations and prosecution of drug related offences, tracing and freezing of illegally acquired property of drug traffickers, derived from illicit drug trafficking, for forfeiture and confiscation.

During the calendar year 2017, several seizures, under NDPS Act, were affected by Central Bureau of Narcotics and details thereof is enclose as **Annexure-A.**

Number of persons convicted/ acquitted in CBN cases, decided by various Courts, during the financial year 2017-18 (up-to-30.11.2016) are as under-

Financial year	Total no. of persons who were facing prosecution	Total no. of persons convicted	Total no. of persons acquitted	Conviction rate (%)
2017-18	578+2	20	12	60%

Number of cases, decided by various Courts, during the financial year 2017-18 (up-to 31.12.2017) are as under-

Financial year	Total no. of cases decided	Total no. of cases in which conviction was obtained	Total no. of cases in which accused were acquitted	Conviction rate (%)
2017-18	24	17	7	70.83%

During the calendar year 2017 (up-to 31.12.2017), the CBN has completed disposal of seized drugs of 238 NDPS cases. The drugs disposed during the period includes opium, Heroin, Poppy Husk, Illicit opium plant, Morphine, Charas, Alprazolam, Acetic Anhydride, Ammonium Chloride, opium solution and opium makh etc. The details of drugs disposed during the period is enclosed herewith as **Annexure- B.**

3.1.5 Activities undertaken for Disability Sector, SCs, & STs and Other weaker Sections of the Society.

As per Ministry's instructions, reservation for SC/ ST and Physically Handicapped are being maintained in the Central Bureau of Narcotics. During the period, Deputy Narcotics Commissioner, Kota was appointed as a Liaison Officer to look after the interest, representation and welfare of ST/ SC and Physically Handicapped employees. Deputy Narcotics Commissioner, Gwalior was appointed as a Liaison Officer to look after the interest, representation and welfare of OBC employees.

3.1.6 Gender Issues/ Empowerment of Women:

A Complaint Committee has been set up in the Headquarters of Madhya Pradesh, Rajasthan, Uttar Pradesh Unit and Headquarters office, Gwalior to look after the complaints of the working women's in respect of any type of harassment of women at work place. No representation or complaint has been received from any employee regarding discrimination on ground of sex.

3.1.7 e-Governance Activities.

As regards, e-Governance activities, it is stated that various instructions of the Government, on issue of e-governance, are noted for compliance and necessary action. Use of CCTV's Camera's at Settlement and Weighment centers was also successfully carried out. Payment to cultivators was made through e-payment.

During the period under report, the cultivation data of farmers from the year 1998-99 to 2016-17 was uploaded on the CBN website to facilitate farmers to check their data and in case of discrepancy report the same to the department for rectification.

Computers have been provided, almost, in each section and have been inter-connected through Network. All urgent reports or replies to the references received from the Ministry are being forwarded to the Ministry of Finance, New Delhi and other offices through e-mail, as far as possible.

The Central Bureau of Narcotics web site has been updated and all the application forms for issue of export/ import authorization for export/ import of Psychotropic substances/ Precursor chemicals and Controlled substances can be downloaded from the CBN website: www.cbn.nic.in.

3.1.8 Other highlights of performance and achievements during the year 2017-18.

Durig the crop year 2016-17, a quantity of 556.072 Metric Tons of opium at 70º consistence was procured. The average yield at 70º consistence on basis of provisional results received from Madhya Pradesh, Rajasthan and Uttar Pradesh for the crop year 2016-17 was 64.06, 64.27 & 46.02 respectively. The All India average yield during 2016-17 was 64.10 kgs./hectare at

70º consistency. The figures are for crop year 2016-17 as the crop cycle for the cultivation of opium is October to September next year. Settlement/ Licensing operation for crop year 2017-18 has been completed during the month of December, 2017 and consequently 57373 cultivators and Area 5739.32 hectares were settled.

Since crop year 2012-13, a new procedure for payment has been adopted. There was high risk in drawing big amount from Banks, carrying it to weighment centres, disbursing it to concerned cultivators/ Lambardar's and carrying it to villages by cultivators from weighment centres in late evening. Banking infrastructure has been improved in opium growing areas and it is developing day by day. Considering all these factors, cost of opium/ commission is being paid through e-payment directly in Bank accounts of cultivators during weighment operation. After receipt of computed challans from Govt. Opium Factories, final payment to cultivators is being done without waiting for Settlement Operation.

World Drug Day, 2017 by Central Bureau of Narcotics: On the International day against drug abuse and trafficking, Central Bureau of Narcotics organized a series of events from 26th June, 2017 to 28th June, 2017. The following events were organized:

i. Motor Cycle Rally: - A Road show/ Motor Cycle Rally of around 100 volunteers was organized on 26th June, 2017. The staff members distributed attractive stickers on drug abuse to the Taxi drivers, Auto-rickshaw drivers and General Public throughout the day with a view to raise awareness among general public. Stickers were also pasted and attractive banners were displayed at prominent places of the city.

ii. Signature Campaign: - For raising awareness of the masses regarding the growing menace of drug abuse, a Signature Campaign was organized at Deen Dayal City Mall, Gwalior on 26th June, 2017. The Signature Campaign attracted an overwhelming response from the general public. The general public was invited to give their messages on the menace of drug abuse. The campaign was an unprecedented success.

iii. Health Check-up camps: - On 27-6-2017, free Health Check-up camp by the doctors of Birla Institute of Medical Research Centre, & Ratan Jyoti Netralaya, Gwalior was organized at the Office premises. The health check-up covered the following areas:

- Blood Pressure;
- Sugar testing;
- Eyes check-up

The Doctors advised the patients on proper diet and other aspects of leading a healthy life.

iv. Poster painting & Quiz competition:- An open poster painting & quiz competition was held at the office premises on 27-6-2017 & 28-06-2017 respectively. The theme of the competition was "NASHA EK ABHISHAP". A large number of persons including young boys and girls participated in the competition and placed their thoughts on the canvas. Entries received were scrutinized by an Expert Panel and rewards were distributed to the winners of the Poster painting competition. Similar programmers including Nukkad Natak at Gwalior & Kota, Essay Writing competition, Quiz competition, Slogan and Debate Competitions were organized at Unit Headquarters, Kota, Lucknow and Neemuch.

3.2. Government Opium and Alkaolids Works (GOAW)

3.2.1 Chief Controller of Factories (CCF)

The Government Opium & Alkaloid Works (GOAW) is engaged in the processing of raw opium for export and manufacturing opiate alkaloids through its two Factories viz Govt. Opium & Alkaloid Works (GOAW) at Ghazipur (U.P.) and Neemuch (M.P.). The Products manufactured at GOAWs are mainly used by pharmaceutical industry of India for Preparation of cough syrup, pain relievers and tablets for terminally ill cancer and HIV patients. The GOAW are administered by a High Powered Body called the "Committee of Management" constituted and notified by the Government of India in 1970. The Additional Secretary (Revenue), Department of Revenue, Ministry of Finance is the Chairman of the Committee of Management. An officer of the rank of Commissioner/Joint Secretary is the Chief Controller of Factories who heads the Organization and each of the two factories at Neemuch and Ghazipur are managed by a General Manager of the rank of Additional Commissioner/Director. The Chief Controller of Factories office is located at New Delhi. Each of the factories comprises two units – the Opium Factory and Alkaloid Works. The Opium Factories undertake the work of receipt of opium from the fields, its storage and processing for exports and domestic consumption. The Alkaloid Works are engaged in processing raw opium into alkaloids of pharmacopeial grades to meet the domestic demand of the pharmaceutical industry. The GOAWs have employed a total work force of about 650 people at its opium and alkaloid plants. The work force comprises of officials and staff drawn from the Central Board of Excise and Customs, Central Bureau of Narcotics, Central Revenues Control Laboratory, apart from personnel selected by the Union Public Services

Commission directly. The security aspects of these factories are looked after by Central Industrial Security Force (CISF), a paramilitary force of the Ministry of Home Affairs. The overall performance / achievements of GOAF for the financial year 2017-18 are as follows :

I. PERFORMANCE OF GOAW FOR THE FINANCIAL YEAR 2017 -18 (Provisional)

Sl. No	Particulars	Unit	Actual Production April to November, 2017	Estimated production from Dec.-17 to March-2018
A	**PRODUCTION**			
1	Drying of opium for Export at 90°C	KG.	NIL	NIL
2	a) Morphine Sulphate	KG.	409	NIL
	b) Codeine Phosphate (C.P.)	KG.	3046	7147
	c) Pure Thebaine	KG.	10	74
	d) Noscapine BP	KG.	70	270
	e) Pholcodine	KG.	NIL	140
	f) IMO Powder	KG.	3800	3200
	g) IMO Cake	KG.	941	4059
3.	C.P. Import for Domestic Market	KG.	8000	7000

Sl. No.	Particulars	Actual Sales April to Nov-2017		Estimated sales from Dec.-17 to March-18	
		Quantity (in Kg.)	Amount (Rs. in Crore)	Quantity (in Kg.)	Amount (Rs. in Crore)
B	**SALES**				
1	Export of opium at 90°C	569	0.27	42000	17.98
2	a) Codeine Sulphate	----	----	62	0.55
	b) Morphine Sulphate	231	0.87	316	1.41
	c) Codeine Phosphate (Ind. & Imp)	13338	56.68	15916	74.98
	d) Dionine	10	0.12	20	0.24
	e) Pure Thebaine	550	2.08	260	0.98
	f) Noscapine BP	1354	4.85	102	0.43
	g) Pholcodine	30	0.17	24	0.16
	h) IMO Powder (Dom. Sales+Export)	1921	1.86	4834	5.10
	i) IMO Cake (Domestic Sales+Export)	2397	2.27	581	0.54
	Total 2 (a to i)	**19831**	**68.90**	**22115**	**84.39**
	Grand Total (1+2)	**20400**	**69.17**	**64115**	**102.37**

C. (a) COUNTRY WISE EXPORT OF OPIUM AT 90°C (excluding IMO Powder & Cake) FOR THE FINANCIAL YEAR 2017-18 (UPTO NOVEMBER, 2017)

(Quantity in Kgs)

	Unit	USA	Japan	Total
1	Ghazipur	----	----	----
2	Neemuch	569	----	569
	Total	569	----	569

(b) ESTIMATED COUNTRY WISE EXPORT OF OPIUM AT 90°C (excluding IMO Powder & Cake) FOR THE FINANCIAL YEAR 2017-18 (FROM DEC-17 TO MAR, 2018)

(Quantity in Kgs)

	Unit	France	Japan	Iran	Total
1	Ghazipur	----	36000	----	36000
2	Neemuch	1000	----	5000	6000
	Total	1000	36000	5000	42000

D. (a) REVENUE RECEIPTS (ON REALISATION BASIS) FOR THE FINANCIAL YEAR 2017-18 (upto November, 2017)

(Rs. in crore)

		Opium Factory	Alkaloid Works	Total
1	Ghazipur	----	36.04	36.04
2	Neemuch	0.38	32.86	33.24
	Total	0.38	68.90	69.28

(b) REVENUE RECEIPTS (ON ESTIMATED BASIS) FOR THE FINANCIAL YEAR 2017-18 (from December-17 to March-2018)

(Rs. in crore)

		Opium Factory	Alkaloid Works	Total
1	Ghazipur	15.17	34.47	49.64
2	Neemuch	2.81	49.92	52.73
	Total	17.98	84.39	102.37

II. ACHIEVEMENT OF CCF ORGANISATION UP TO THE MONTH OF NOVEMBER 2017 WITH COMPARATIVE DATA OF PREVIOUS YEAR i.e. 2016 FOR THE SIMILAR PERIOD:

Provisional

Sl. No.	Particulars	Unit	Actual Production April to November		% age increase over previous year
			2016-17	2017-18 **(*)**	
A.	**PRODUCTION**				
1	Drying of opium for Export at 90°C	KG.	10571	----	0
2	Manufacture of Drugs :				
	a) Morphine Sulphate	KG.	196	409	109 %
	b) Codeine Phosphate	KG.	3567	3046	- 15 %
	c) Pure Thebaine	KG.	0	10	100%
	d) Noscapine BP	KG.	1293	70	-95 %
	e) Pholcodine	KG.	55	----	-100%
	f) IMO Powder	KG.	4400	3800	-14 %
	g) IMO Cake	KG.	1047	941	-10 %
	h) Papavarine S.R.	KG.	596	----	-100%
	Total (2)	**KG.**	**11154**	**8276**	-26 %
3.	Import of Codeine Phosphate				
	For Domestic Market	KG.	0	8000	-

(*) Both factories remained closed from April, 2017 to July, 2017 for up-gradation work.

B. SALES					Provisional
Sl. No.	Particulars	2016-17 April to November		2017-18 April to November	
		Qty. (Kgs.)	(Rs. in Crore)	Qty. (Kgs)	(Rs. in Crore)
(1)	(2)	(3)	(4)	(5)	(6)
1	Export of opium on accrual basis	67500	32.35	569	0.27
2	Domestic Sale of Drugs : (on actual basis)				
	a) Morphine Sulphate	240	0.90	231	0.87
	b) Codeine Phosphate (Indigenous & Imported)	14609	62.09	13338	56.68
	c) Dionine	0	0	10	0.12
	d) Pure Thebaine	346	1.31	550	2.08
	e) Noscapine BP	856	3.06	1354	4.85
	f) Papavarine S.R.	255	0.05	----	----
	g) Pholcodine	67	0.38	30	0.17
	h) IMO Powder (Domestic sale + Export)	7189	7.44	1921	1.86
	i) IMO Cake (Domestic sale + Export)	2118	2.12	2397	2.27
	Total (2)	**25680**	**77.35**	**19831**	**68.90**
	Grand Total (1+2)	**93180**	**109.70**	**20400**	**69.17**

C. COMPARATIVE COUNTRY WISE EXPORT OF OPIUM AT 90°C (upto November of each financial year)

(Qty. in Kgs. at 90ºC)

Unit	USA	FRANCE	JAPAN	IRAN	TOTAL
2016-17					
Ghazipur	----	2500	60000	----	**62500**
Neemuch	----	----	----	5000	**5000**
Total	----	2500	60000	5000	**67500**
2017-18					
Ghazipur	----	----	----	----	----
Neemuch	569	----	----	----	569
Total	**569**	**----**	**----**	**----**	**569**

D. COMPARATIVE REVENUE RECEIPTS ON REALISATION BASIS (upto November of each financial year)

(Rs. in Crores)

				(Provisional)
Unit	**Opium Factories**		**Alkaloid Works**	**Total**
2016-17				
Ghazipur	24.38		45.23	69.61
Neemuch	0.02		44.09	44.11
Total	**24.40**		**89.32**	**113.72**
2017-18				
Ghazipur	----		36.04	36.04
Neemuch	0.38		32.86	33.24
Total	**0.38**		**68.90**	**69.28**

3.2.2 Development of North Eastern Region: The CCF organization including GOAWs are located in Uttar Pradesh, Madhya Pradesh and Delhi only and therefore, there is nothing to specify with regard to work done on the development of North Eastern region and Sikkim Project Schemes.

3.2.3 E-Governance Activities: The Organization of Chief Controller of Factories has launched its own website which contains complete information about the organization, its activities, contact details, etc. All tenders for procurement of material and services are timely loaded in the website for information and participation of the manufacturers / suppliers. The organization has also arranged to display various information pertaining to production of drugs, sale of drugs, etc. through internet. Placing of various other information of the concerned authorities have also been taken up. The organization purchase goods & services through GeM.

3.2.4 Grievances Redressal Machinery: Public Grievances in the CCF's Organization are dealt with promptly. The labour grievances are also dealt with expeditiously and the relations between the Management & workers during this period was harmonious and cordial.

3.2.5 Gender Budgeting/Empowerment of Women: Equal opportunity / status is enjoyed by women in CCF organization. In case of gender bias / harassment reported if any, it is ensured that appropriate action is taken against the erring official. Internal Complaint Committee has already been formed at GOAW, Neemuch & Ghazipur for the purpose of dealing the complaints received regarding sexual harassment at workplace. At the Headquarter Office, as there only two women employees, the Complaint Committee cannot be formed. Therefore, it has been suggested that complaint of the Headquarter may be dealt by Complaint Committee of the Ministry for dealing with the complaints received regarding sexual harassment at workplace.

3.2.6 Activities Undertaken for Disability Sector & SCs/STs & Other Weaker Sections of Society: The CCF organization is strictly adhering to the prescribed rules and regulations for the welfare and development of disabled, SCs, STs and other weaker sections. With an objective to initiate prompt action on grievances of such sections, a committee has been formed with members drawn from such sections. Roster registers for this purpose are also being maintained.

ANNEXURE-A

Seizures effected by CBN during the year 2017		
Type of Drugs/Substances		**2017**
Opium	Quantity(In Kgs.)	33.837
	Cases	14
	P.A. (Persons Accused)	14
		(inc 1-Fe)
Morphine	Quantity (In Kgs.)	-
	Cases	-
	P.A.	-
Heroin	Quantity (In Kgs.)	1.125
	Cases	3
	P.A.	4
Ganja	Quantity (In Kgs.)	-
	Cases	-
	P.A.	-
Charas	Quantity (In Kgs.)	613.25
	Cases	8
	P.A.	22
		(incl 1-Fe & 1-Fo)
Poppy Straw/Husk	Quantity (In Kgs.)	9154.32
	Cases	12
	P.A.	17
		(incl 3-f)

Buprenorphine	Quantity (In Kgs.)	-
	Cases	1
	P.A.	-
	No. of injection	50
Pentazocin	Quantity (In Kgs.)	4010 inj
	Cases	1
	P.A.	1
Codeine Phosphate Cough Syrup	Quantity (In Kgs.)	76200 bottles (100 ml each)
	Cases	1
	P.A.	1
		(Phensedyl)
Alrazolam Tab	Quantity (In Kgs.)	23810 tab
	Cases	1
	P.A.	1
Mephedrone	Quantity (In Kgs.)	5.200
	Cases	1
	P.A.	1
Destruction of Illicit Poppy Cultivation by CBN during the year 2017		
Illicit Poppy Cultn. (in Poppy Cultn. Area)	Area (In Sqm)/Plant	105 Sq M
	Cases	1
	P.A.	1
Illicit Poppy Cultn.		Area (in Hect)
	Arunachal Pradesh	465
	Uttarakhand	668
	Total	**1133.0105**
Cannabis	Kullu(H.P.)	11

P.A.- Persons Accused

ANNEXURE-B

Disposal of drugs carried out during the period from 01.01..2017 to 31.12.2017			
Sr.No.	Name of Drug	Quantity disposed(in kgs)	No. of cases
1	Opium	649.376	148
2	Heroin	51.922	49
3	Ganja	31.54	7
4	Poppy Husk	13151.5	17
5	Morphine	5.9015	8
6	Charas	17.1	3
7	Alprazolam	5.5	2
8	Suspect Powder	2.9	1
9	Acetic Anhydride	9.5	1
10	Ammonium Chloride	0	0
11	Opium Solution	20.75 Litre	0
12	Opium Makh	0	0
13	Illicit Opium Plant	171 Plants	2
	Total	**13925.2395 kgs, 20.75 litre and 171 plants**	**238**

4. State Taxes

There are two State Sections in the Department of Revenue:

a) State Taxes-I

b) State Taxes-II

State Taxes - I Section

State Taxes -I Section of the Department of Revenue deals with legislative work relating to Central Acts having significant interface with the States like the Indian Stamp Act, 1899 and the Constitution (One Hundred and First Amendment) Act, 2016 for implementation of Goods and Services Tax (GST) as well as administrative and budgetary matters in respect to Goods and Services Tax Network (GSTN)- Special Purpose Vehicle incorporated for providing IT platform for the GST. Apart from the above, Union Territory Goods and Services Tax (UTGST) Act, 2017 and GST Settlement of Funds Rules, 2017 are other subject matters of the Section. Brief description of the same are as under.

4.1 Goods and Services Tax (GST):

The introduction of Goods and Services Tax (GST) regime in the country was 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, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. Before implementation of the GST regime in the country, the issue was deliberated in detail by the Empowered Committee of State Finance Ministers, Select Committee of Rajya Sabha and Parliamentary Standing Committee on Finance. After detailed and prolonged deliberation, the Constitution (One Hundred and First Amendment) Act, after ratification by 50% of the States, was assented by the President on 8th September, 2016. Thereafter, Central Goods and Services Tax (CGST) Act, Integrated Goods and Services Tax (IGST) Act, Union Territory Goods and Services Tax (UTGST) Act, and Goods and Services Tax (Compensation to States) Act were enacted in order to successful roll out of the GST regime in the country from 1st July, 2017.

4.2 Union Territories Goods and Services Tax (UTGST):

Like State Goods and Services Tax (SGST) Act, which is enacted by the respective States/ UTs with legislature to levy and collect on all transactions within the respective State/ UT, Union Territories Goods and Services Tax (UTGST) Act, 2017 is enacted to levy and collect GST specifically in the Union Territories without legislature i.e. Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh.

4.3 Goods and Services Tax Settlement of Funds Rules, 2017:

The Goods and Services Tax Settlement of Funds Rules, 2017 have also been notified on 27th July, 2017, which, layout the procedure to be followed for the settlement of funds between the Centre and the States on account of cross-utilisation of input tax credit between IGST and SGST / UTGST, and apportionment of IGST. A total amount of Rs. 96,917.31 crores has been settled from IGST between July to December, 2017 and distributed among Centre and States/ UTs. This included Rs. 60191.40 crores IGST amount released to States/ UTs (SGST/UTGST) and Rs. 36,725.91 crores to Centre (CGST).

4.4 Special Purpose Vehicle for Goods & Services Tax Network (GSTN):

A robust computerized environment of tax administration is essential for smooth functioning of GST. Accordingly, in pursuance of the Cabinet decision, a Special Purpose Vehicle (SPV) for GST Network, a not-for-profit, non-Government Company under section 8 of the new Companies Act, 2013 (Section 25 of the erstwhile Companies Act, 1956) with 49 percent equity held by Government and 51 % held by non-Government institutions, has been set up by the Government on 28th March, 2013 in order to provide IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST).

4.5 Indian Stamp Act, 1899:

4.5.1. The Indian Stamp Act, 1899 (2 of 1899) is a fiscal statute laying down the law relating to tax levied in the form of stamps on instruments recording transactions. Briefly, the scheme relating to stamp duties, provided for in the Constitution is as follows: -

i. Under Article 246, stamp duties on documents specified in Entry 91 of the Union List in Schedule VII of the Constitution (viz. bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts) are levied by the Union but under Article 268, each State, in which they are levied, collects and retains the proceeds (except in the case of Union Territories in which case the proceeds form part of the Consolidated Fund of India). At present duty is levied on all these documents except cheques.

ii. Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of the Entry 63 in the State List in the 7th Schedule of the Constitution.

iii. Provisions other than those relating to rates of duty fall within the legislative power of both the Union and the States under Entry 44 of the Concurrent List in the Schedule-VII of the Constitution.

4.5.2. The rates of stamp duty in respect of Debenture and Promissory Notes have been rationalized by the Central Government in September, 2008. A comprehensive Review of Indian Stamp Act, 1899 is presently underway.

4.6 Highlights of the performance and achievements during the year:

Central Goods and Services Tax (CGST) Act, Integrated Goods and Services Tax (IGST) Act, Union Territory Goods and Services Tax (UTGST) Act, and Goods and Services Tax (Compensation to States) Act were passed by the Parliament on 5th April, 2017 and since been notified on 12th April, 2017. Goods and Services Tax Settlement of Funds Rules, 2017 have also been notified on 27thJuly, 2017.

State Taxes –II Section

State Taxes-II Section of the Department of Revenue handles legislative work relating to Central Acts having significant interface with the States like the Central Sales Tax Act, 1956, the Goods and Services Tax (Compensation to States) Act, 2017. Facilitation in respect of State level Value Added Tax (VALUE ADDED TAX) in the form of assistance for computerization of State Value Added Tax system.

4.7 State Value Added Tax (VAT)

Under Entry 54 of List II (State List) of the Seventh Schedule of the Constitution of India, “tax on sale or purchase of goods within a State” is a State subject. Introduction of State Value Added Tax (VAT) to replace the earlier Sales Tax systems of the States has been one of the important tax reform measures taken on indirect tax side. VAT has been introduced by all the States/UTs, except the UTs of Andaman & Nicobar Islands and Lakshadweep. Sales Tax/VAT being a State subject, the Central Government played the role of a facilitator for successful implementation of VAT. As a part of our endeavor to support institutional capacity building and their up-gradation into national level institutes of public finance and policy, two institutes namely, Centre for Taxation Studies, Kerala and Centre for Studies in Social Sciences, Kolkata have been provided Rs. 22.00 crore and Rs. 14.00 crore respectively till date. During the FY 2014-15, the financial assistant of Rs. 4.00 crore has been provided to Centre for Taxation Studies, Kerala.

4.8 Central Sales Tax (CST)

a) Entry 92A of List-I (Union List) empowers the Central Government to impose tax on inter-State sale of goods. Further, Article 269 (3) empowers the Parliament to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade of commerce. Similarly, Article 286 (2) of Constitution empowers the Parliament to formulate principles for determining when the sale or purchase of goods takes place outside a State or in the course of imports into or exports from India. Besides, Article 286(3) of Constitution authorizes the Parliament to place restrictions on the levy of tax by the States on sale or purchase of goods, declared by the Parliament by law to be goods of special importance in the inter-State trade or commerce.

b) The Central Sales Tax Act, 1956 imposes the tax on inter-state sale of goods and formulates the principles and imposes restrictions as per the powers conferred by the Constitution. The Government of India has also framed the Central Sales Tax (Registration and Turnover) Rules,1957 in exercise of powers conferred by section 13(1) of the Central Sales Tax Act, 1956. Though the Central Sales Tax Act 1956 is a Central Act, the States collect and appropriate the proceeds of Central Sales Tax as per Article 269 of the Constitution of India.

c) The Central Sales Tax however, being an origin-based non-rebatable tax, is inconsistent with the proposed destination based Goods & Services Tax (GST). Central Sales Tax rate had been reduced from 4% to 3% w.e.f. 01.04.2007 and from 3% to 2% w.e.f. 1st June, 2008.

d) A package of compensation to the States for revenue loss on account of phasing out of the Central Sales Tax had been agreed to. The States have been compensated through a combination of revenue enhancing measures and budgetary support. As measures for enhancing revenue and thereby compensating the States for Central Sales Tax revenue loss, the facility of interstate purchases by Government Departments at concessional Central Sales Tax rate against Form-D was withdrawn w.e.f. 01.04.2007. Also, enabling provisions has been made for States to levy Value Added Tax on Tobacco and Tobacco Products without losing any part of the devolution of Central taxes to the States. For the residual losses thereafter, the Central Government has released Rs. 26406.99 crores to States compensation for the loss due to reduction of rate of Central Sales Tax for the claims years 2007-08, 2008-09, 2009-10.

e) Since the GST could not be introduced w.e.f. 1st

April, 2010, States demanded that CST compensation for the financial year 2010-11 should also be paid to them. Hence pending finalization of CST compensation guidelines for financial year 2010-11, while paying the amount for financial year 2010-11, the effect of increase of VAT from 4 to 5 on the revenues of the States/ UTs was taken into account, thereby reducing the 'admissible claims' of the States/ UTs to that extent. Initially, States were paid 50% of the amount of compensation payable for 2010-11 after deducting the likely gain to States because of increase in VAT rate from 4% to 5% from the amount otherwise payable as per 22nd August, 2008 guidelines, as approved by the Cabinet in their meeting held on 10th February, 2011. Thereafter, remaining 50% amount of CST compensation for 2010-11 was also paid to the States with the approval of Prime Minister. Accordingly Rs. 6393.94 crore released to the States/ UTs towards CST compensation for 2010-11.

f) However, States/ UTs had been demanding that CST compensation should be paid to the States without considering the increase in revenues of the States due to increase in VAT rate from 4% to 5%. They had also been demanding that CST compensation be paid to them for the financial years 2011-12 and 2012-13 as well since GST has still not been introduced in the country. In their meeting held on 28-29 January, 2013 at Bhubaneshwar, the Empowered Committee of State Finance Ministers (EC) made the following recommendations:

- ☐ CST compensation should be worked out as per 22nd August, 2008 guidelines for the financial years 2010-11, 2011-12 and 2012-13.
- ☐ CST compensation for the financial years 2010-11, 2011-12 and 2012-13 should be paid in the following manner:

i. 2010-11: 100% compensation worked out as per 2008 guidelines

ii. 2011-12: 75% compensation worked out as per 2008 guidelines

iii. 2012-3: 50% compensation worked out as per 2008 guidelines

g) Pending implementation of GST, Central Government has further agreed in-principle to release of CST Compensation for the year 2010-11, 2011-12 and 2012-13 as per Empowered Committee recommendations. The Union Cabinet in its meeting held on 17th March 2015, decided for payment of 100% CST compensation, for the year 2010-11, 75% CST compensation for year 2011-12 and 50% CST compensation for 2012-13 to be worked out as per 22nd August 2008 guidelines.

h) Accordingly, Rs. 10724.08 crore has been released to States/ UTs in March 2015 towards balance CST compensation for year 2010-11 and as such total amount of Rs. 17118.93 crore (including earlier release of Rs. 6393.94 crore) has been released to the States/ UTs towards CST compensation for 2010-11 and Rs. 16315.25 crore towards CST compensation for the year 2011-12 has been released to all States / UTs in Financial year 2015-16. CST compensation for the states/UT's for 2012-13 is proposed to be released in two installments in Financial year 2016-17. Provision of Rs. 10469.48 crore has been made in BE 2016-17 for payment of CST compensation to the States/ UT's for the year 2012-13. Out of which first installment of Rs. 5854.73 crore has been paid to the States/ UTs in July 2016 towards CST compensation for 2012-13. Balance amount of Rs. 5854.69 crore CST compensation for year 2012-13 to all the States/ UTs was proposed to be released as second installment in the end of FY 2016-17. However, required Budget provision of additional fund of Rs. 1284.94 crore in this regard has not been provided under Head 3601 in last batch of supplementary for FY 2016-17. Therefore, it was decided with approval of Hon'ble FM to release balance CST compensation to all the States on pro-rata basis as per budget availability under head 3601 & 3602 (i.e. 74.74% amount balance CST compensation to States and full CST compensation to UTs for year 2012-13). Accordingly, second installement of Rs 4469.75 crore was released to all the States/ UTs in March, 2017. The balance amount of Rs. 1284.94 crore as CST compensation for year 2012-13 to the all the States and Rs 99 crore to Goa for balance CST compensation 2007-08 - 2009-10 is now proposed to be released in FY 2017-18 for which budget provisions are being made. This would be final CST Compensation to States/UT's as per aforesaid Cabinet decision dated 17.03.2015 and commitment given by FM to States/ UTs.

4.9 GST Compensation

The Goods and Service Tax (Compensation to States) Bill, 2017 was passed by Lok Sabha on 29th March 2017 to provide for compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax in pursuance of the provision of the Constitution (One Hundred and First Amendment) Act, 2016. Accordingly, GST compensation Act, 2017 has been enacted which provides detailed mechanism for compensation to the States for loss on account of implementation of GST. Rs. 28398 crore has been released to the States/ UTs towards GST compensation for July – December, 2017 on bimonthly basis on account of Loss of Revenue due to implementation of GST in conuntry w.e.f. 1.7.2017.

5. Adjudicating Authority under Prevention of Money Laundering Act, 2002

5.1 The Prevention of Money Laundering Act (PMLA), 2002 was enacted by the Parliament to prevent money laundering and connected activities , confiscation of proceeds of crime and setting up of agencies and mechanism for coordinating measures for combating money laundering.

5.2 The Director, Directorate of Enforcement has been designated as the Director for exercising powers under the PMLA, 2002 and is authorised to provisionally attach the property allegedly involved in money laundering. The Adjudicating Authority is empowered to confirm/ relief the provisional Attachment after hearing the aggrieved parties to ensure that property is not disposed off during the pendency of trial for scheduled offences of money laundering or proceeds of crime money laundered.

5.3 The Adjudicating Authority consists of a chairperson and two Members. The post of Chairperson & Member are tenure post after retirement from erstwhile job. The Adjudicating Authority received 171 numbers of Provisional Attachments and 171 numbers of Original Complaints during the year. In addition, 85 numbers Original application and 8 MA (Misc. Application) for retention of seized documents from Directorate of Enforcement was received during the year. Final orders have been pronounced in 106 cases except 39 cases where the Hon'ble courts granted stay in respect of Provisional attachment orders / Original applications furnished by Directorate of Enforcement.

5.4 The staff posted in the Authority is on deputation basis and all the posts are ex cadre. No Appointment made during the previous calendar year either by Direct recruitment / promotion.

5.5. All the post are ex- cadre post and the information regarding Annexure-I and II made be treated as nil. At present one Chairman, Two members and on Administrative Officer and one Assistant is in position and all the remaining post six numbers are lying vacant.

6. Appellate Tribunal under Department of Revenue

6.1 With the passage of Finance Bill 2016 w.e.f 1st June, 2016 the Appellate Tribunal constituted under Prevention of Money Laundering Act (PMLA) and Appellate Tribunal for forfeited property (ATFP) constituted under Narcotics Drugs and Psychotropic Substances Act, 1985 (NDPS) are merged with Appellate Tribunal for forfeited property constituted under SAFEMA (FOP) Act, 1976. The merged tribunal now is called Appellate Tribunal.

6.2 Vide Finance Act, 2017 the Appellate Tribunal constituted under Foreign Exchange Management Act, 1999 (FEMA) is merged with Appellate Tribunal constituted under SAFEM (FOP), Act, 1976.

6.3 Details are given at point number 7.

7. The Appellate Tribunal Under Safema

7.1 The Appellate Tribunal constituted under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA). It started functioning w.e.f. 03.01.1977. It hears the appeals files against the orders of Competent Authority under SAFEM/ NDPS Acts, Adjudicating Authority under PMLA, FEMA and Prohibition of Benami Property Transactions Act 1998.

7.2 The Appellate Tribunal is located at New Delhi. It consists of a Chairman (who is, or has been or is qualified to be a Judge of the Supreme Court or High Court) and four Members. The other four members are appointed from among the officers of the Central Government who are not below the level of Joint Secretary to the Government of India.

7.3 During the period 01.01.2017 to 20.12.2017 in total 737 Appeals (567 in PMLA, 36 in NDPSA, 38 in SAFEMA, 92 in FEMA and 4 in PBPT) were filed and in addition 2108 Miscellaneous petitions (1192 in PMLA, 62 in NDPSA, 17 in SAFEMA, 98 in FEMA and 2 in PBPT) were filed during the said period. Total 173 appeals (103 in PMLA and 14 in NDPSA, 43 in SAFEMA and 13 in FEMA) were disposed during the said period.

8. Set up for Forfeiture of Illegally Acquired Property

8.1 The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property Act, 1976 (SAFEM(FOP)A), provides for forfeiture of illegally acquired property of the persons convicted under the Sea Customs Act, 1878, the Customs Act, 1962 and the Foreign Exchange Regulation Act, 1947 and Foreign Exchange Regulation Act, 1974 and the persons detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. The Narcotics Drugs and Psychotropic Substances Act, 1985 (NDPSA) provides for tracing, freezing, seizure and forfeiture of illegally acquired property of the persons convicted under that Act or any corresponding law of any foreign country, and those who are detained under the Prevention or Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988 and Jammu and Kashmir Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

8.2 SAFEM(FOP) Act and NDPS Acts provide for appointment of Competent Authorities for carrying out forfeiture of illegally acquired properties. At present, the Offices of Competent Authorities are located at Kolkata, Chennai, Delhi, Mumbai and one unit is at Ahmedabad. SAFEM(FOP)A envisages establishment of an appellate forum, namely the Appellate Tribunal to hear the appeals filed against the orders of Competent Authority under SAFEMA/NDPSA Acts. The Appellate Tribunal is located at New Delhi. It consists of a Chairman who is, or has been or is qualified to be a Judge of the Supreme Court or High Court and four Members. The other four members are appointed from among the officers of the Central Government who are not below the level of Joint Secretary to the Government of India.

8.3 The details regarding the number of reports received by the Competent Authorities from enforcement agencies, the number of show cause notices issued and the value of the property involved therein, the number of orders of forfeiture passed and the value of the property involved therein, and the value of sale proceeds of the property disposed of, year-wise, from 2000-01 to 2017-2018 are given in **Annexure 'A'.**

Annexure 'A'

FORFEITURE OF ILLEGALLY ACQUIRED PROPERTY UNDER NDPSA AND SAFEM(FOP)A BY COMPETENT AUTHORITIES

Financial Year	Number of reports received from Enforcement Agencies	Number of Notices for Forfeiture issued and value of Property involved.		Number of Forfeiture Orders issued and value of Property involved.		Value of sale proceeds of Property disposed off (in Rs. lakhs)
		Number	Value (in Rs. Lakhs)	Number	Value (in Rs. Lakhs)	
1	2	3	4	5	6	7
2000-2001	491	159	2755	103	1662	201
2001-2002	228	89	7223.12	50	3202.39	107
2002-2003	995	72	1269.22	53	2498.60	18
2003-2004	1180	97	1547.75	25	977.01	51.6
2004-2005	1357	162	3251.64	25	650.93	73.67
2005-2006	607	214	10074.59	91	744.60	153.27
2006-2007	514	243	3017.27	112	868.57	2.63
2007-2008	507	210	12784.31	24	551.10	366.97
2008-2009	99	39	2065.88	28	1115.33	121.30
2009-2010	48	21	178.5	20	2153.20	Nil
2010-2011	128	19	1394.06	22	45.57	1123.49
2011-2012	112	17	690.85	22	391.58	191.27
2012-2013	40	13	3091.48	10	101.10	Rs.1294.28 lakhs + US $3400
2013-2014	61	5	73.55	3	118.73	608.37
2014-2015	54	24	643.908	18	3253.55	166
2015-2016	92	22	1553.81	12	308.93	11.52
2016-2017	45	22	1232.95	19	2.35	778.44 and $443783.19
2017-2018 (Jan-Dec 2017)	40	7	77.92	3	39.47	1641.45

9. Central Board of Excise & Customs

9.1 Organization and Functions

Central Board of Excise & Customs (CBEC) deals with the task of formulation of policy concerning levy and collection of GST. Customs and Central Excise duties, prevention of smuggling and evasion of duties and all administrative matters relating to Customs. Central Excise & GST formations. The Board discharges various tasks assigned to it with the help of its field formations namely the Zones of Customs and GST& Cx, Commissionerates of Customs and GST& Cx and the Directorates. It also ensures that taxes on foreign & inland travel are administrated as per the law and the collection agencies deposit the taxes collected to the public exchequer promptly.

9.1.1 Zones of GST, Customs and Customs (Preventive)

The details about various field formations are furnished below:-

Field Formations:

Sl. No.	Formations	No. of formations
1	GST Zones	21
2	GST Commissionerates	107
3	GST Audit Commissionerates	48
4	GST Appeal Commissionerate	49
5	Customs (Zones)	11
6	Commissionerates(Customs)	61
7	Customs Appeal Commissionerates	9
8	Directorates Gen./ Directorates/ Other formations	22

(i) Central Goods& Service Tax Formations: There are 21 integrated Central Goods & Service Tax Zones, 107 Central GST Taxpayer Service Commissionerates. Besides there are 49 Appeals and 48 Audit Commissionerates. There are 768 GST Divisions and 3969 GST Ranges.

GST Zones (headed by Principal Chief Commissioner):

Chennai, Delhi, Bengaluru, Lucknow, Mumbai, Kolkata, Ahmedabad

GST Zones (headed by Chief Commissioners):

Bhopal, Bhubaneshwar, Chandigarh, Guwahati, Hyderabad, Jaipur, Meerut, Nagpur, Panchkula, Pune, Ranchi, , Thiruvananthapuram, Vadodara and VishakhapatnamGST.

Commissionerates (headed by Principal Commissioner/Commissioner):Chandigarh, Shimla, Jalandhar, Ludhiana, J & K, Delhi East, Delhi South, Delhi North, Delhi West, Gurugram, Faridabad, Rohtak, Panchkula, Lucknow, Allahabad, Kanpur, Agra, Varanasi, Meerut, Noida, Gautam Buddh Nagar, Ghazaiabad, Dehradun, Hyderabad, Secunderabad, Medchal, Rangareddy, Vizag, Tirupati, Guntur, Bengaluru East, Bengaluru West, Bengaluru North West, Bengaluru North, Bengaluru South, Mysuru, Mangalore, Belgavi, Kochi, Calicut, Thiruvananthapuram, Chennai North, Chennai South, Chenna Outer, Coimbatore, Salem, Trichy, Madurai, Pondicherry, Patna I, Patna II, Ranchi, Jamshedpur, Kolkata North, Kolkata South, Howrah, Haldia, Bolpur, Siliguri, Bhubaneswar, Rourkela, Jaipur, Jodhpur, Alwar, Udaipur, Ahmedabad South, Ahmedabad North, Gandhinagar, Rajkot, Bhavnagar, Kutch, Vadodara I, Vadodara II, Surat, Daman, Mumbai South, Mumbai Central, Mumbai East, Mumbai West, Bhiwandi, Palghar, Navi Mumbai, Thane, Thane Rural, Belapur, Raigarh, Pune I (North), Pune II (South), Kolhapur, Goa, Indore, Bhopal, Jabalpur, Ujjain, Raipur, Nagpur I, Nagpur II, Nashik, Aurangabad, Guwahati, Itanagar, Imphal, Shillong, Aizawl, Kohima, Agartala, Dibrugarh.

Customs Formations:

There are Eleven (11) Customs Zones and Sixty One (61) Customs/ Customs (Preventive) Commissionerates. They have been assigned the following functions:-

(a) Implementation of the provisions of the Customs Act, 1962 and allied acts, which includes levy and collection of customs duties and enforcement functions in their earmarked jurisdictions.

(b) Surveillance of coastal and land borders to prevent smuggling activities. Marine and telecommunications wings are available with the Board to assist these Commissionerates in their anti-smuggling work and surveillance of sensitive coastline.

Following are the details of Zones and Commissionerates:

Customs Zones (headed by Principal Chief Commissioner): Mumbai-I

Customs Zones (headed by Chief Commissioner):

Delhi, Mumbai-II, Mumbai-III, Kolkata, Chennai, Bangalore, Delhi Customs (P), Patna Customs (P), Tiruchirapalli Customs (P), Cochin Customs (P), Ahmedabad.

Customs Commissionerate (headed by Principal Commissioner/ Commissioner):

ACC (Import)Delhi, ICD Tughlakabad Delhi, Mumbai General, NhavaSheva-I, NhavaSheva-II, Mumbai Airport, Mumbai ACC Import, Mumbai Preventive, Kolkata Port, Kolkata Airport & ACC, Chennai-I Airport, Chennai-III, Chennai VII ACC, Bangalore Airport & ACC, Ahmedabad, Mundra, Hyderabad, NOIDA, Vishakhapatnam, Delhi General, Delhi Airport, Delhi ACC Export, ICD Tughlakabad Export, ICD Patpadganj & other ICDs, Mumbai Import-I, Mumbai-Import-II, Mumbai Export-I, Mumbai Export-II, NhavaSheva-III, NhavaSheva-IV, NhavaSheva-V, NhavaSheva General, Mumbai Airport Special Cargo, Mumbai ACC Export, Mumbai ACC General, West Bengal Customs (P), Chennai-II, Chennai-IV, Chennai-VI, Chennai VIII General, Bangalore City, Mangalore, Delhi Customs (P), Amritsar Customs (P), Jodhpur Customs (P), Ludhiana, Patna Customs (P), Lucknow Customs (P), Tiruchirapalli Customs (P), Tuticorin, Cochin, Cochin Customs (P), Jamnagar Customs (P), Kandla, Shillong Customs (P), Bhubaneshwar Customs (P), Vijaywada Customs (P), Pune, Goa, Nagpur and Indore.

Strengthening of Audit Set-up in Goods and Service Tax Zones:

In the present non-intrusive indirect taxes administration, it is necessary to strengthen audit set-up in the Department in order to plug revenue leakages. Accordingly, 48 dedicated Audit Commissionerates, which are responsible for conducting Central Excise and Goods & Service Tax Audit as well as Post-Clearance Audit in Customs, are functioning.

Central Excise & Goods & Service Tax Audit Commissionerates (headed by Commissioner):

Chennai-I, Chennai-II, Delhi-I, Delhi-II, Panchkula, Gurugram, Hyderabad-I, Hyderabad-II, Lucknow, Kanpur, Kolkata-I, Kolkata-II, Durgapur, Vadodara, Surat, Ahmedabad, Rajkot , Bengaluru-I, Bengaluru-II, Bhopal Indore, Raipur, Bhubaneshwar, Chandigarh, Jammu, Ludhiana, Kochi, Coimbatore, Jaipur, Jodhpur, Mysuru, Belgavi, Meerut, Noida, Dehradun, Mumbai-I, Mumbai-II, Mumbai-III, Thane, Raigad, Nagpur, Nasik, Pune-I, Pune-II, Patna, Ranchi, Shillong, Guntur ,

Appellate Machinery:

Presently, there are 58 Commissioners of Goods & Service Tax and Customs (Appeals). The Commissioner (Appeals) work under the supervision of the Zonal Principal Chief Commissioners/ Chief Commissioners. The appellate machinery comprising the Commissioners (Appeals) deals with appeals against the orders passed by the officers lower in rank than Commissioner of Customs and Central Excise under the Customs Act, 1962, the Central Excise Act, 1944 and Goods & Service Tax Act. Orders of the Commissioner of Customs and Central Excise can be appealed against before the Customs, Excise and Service Tax Appellate Tribunals (CESTAT). CESTAT also hears appeals against the orders of Commissioner (Appeals).

Commissioners in CBEC (Board Office):

There are 6 Commissioners of Central Excise &Customs in Central Board of Excise & Customs, who assist the Board in various policy matters. Commissioners in the CBEC are assisted by 6 Additional/ Joint Commissioners.

Attached/ Subordinate Offices (Directorates General / Directorates):

The functional requirement of the Department needs strengthening of Directorates, which have pan-India jurisdiction and assist CBEC in policy formulation and carry out specific assigned functions.

In the performance of administrative and executive functions, the following attached / subordinate offices (Directorate/ Directorate General) assist the Board in the reorganized set up:-

(A) Directorate of GST Intelligence

(B) Directorate General of Revenue Intelligence

(C) Directorate General of Performance Management

(D) Directorate General of Human Resource Development

(E) National Academy of Customs, Indirect Taxes and Narcotics

(F) Directorate General of Vigilance

(G) Directorate General of Systems & Data Management

(H) Directorate General of Audit

(I) Directorate General of Safeguards

(J) Directorate General of Export Promotion

(K) Directorate General of Goods and Service Tax

(L) Directorate General of Valuation

(M) Directorate General of Tax Payer Services

(N) Directorate of Logistics

(O) Directorate of Legal Affairs

(P) Central Revenues Control Laboratory

(Q) Directorate General Analytics and Risk Management

(R) Directorate of International Customs

The functions of the Directorates, the Office of the Chief Departmental Representative and the Central Revenues Control Laboratory, under the Central Board of Excise and Customs, in brief are as follows:-

A. Directorate General of Goods & Service Tax Intelligence

(a) To collect, collate and disseminate intelligence relating to evasion of Central Excise Duty and Goods & Service Tax;

(b) To study the price structure, marking patterns and classification of commodities vulnerable to evasion of Central Excise and GST duties;

(c) To coordinate action with other Departments, such as, Income Tax etc. in cases involving evasion of Central Exciseand GST duties;

(d) To investigate cases of evasion of Central excise duties & GST having inter-Commissionerate ramification; and

(e) To advise the Board and the Commissionerates on the modus operandi of evasion of Central Excise duties and Goods & Service Tax and suggest appropriate remedial measures, procedures and practices in order to plug any loopholes.

B. Directorate General of Revenue Intelligence

(a) To study and disseminate intelligence about smuggling;

(b) To identify the organized gangs of smugglers and areas vulnerable to smuggling, targeting of intelligence against them and their immobilization;

(c) To maintain liaison with the intelligence and enforcement agencies in India and abroad for collection of intelligence and in-depth investigation of important cases having inter-Commissionerate and international ramification;

(d) To alert field formations for interception of suspects and contraband goods, assessment of current and likely trends in smuggling;

(e) To advise the Ministry in all matters pertaining to anti-smuggling measures and in formulating or amending laws, procedures and practices in order to plug any loopholes; and,

(f) To attend to such other matters as may be entrusted to the Directorate by the Ministry or the Board for action/ investigation.

C. Directorate General of Performance Management

(i) To study the working of the Customs and Goods & Service Tax Departmental Machinery throughout the country.

(ii) To suggest measures for improvement in efficiency and rectification of important defects in it through inspection and by laying down procedures for smooth functioning.

(iii) To carry out inspection to determine whether the working of the field formations is as per Customs and Goods and Service Tax procedures and to make recommendations in respect to the procedural flaws, if any noticed.

(iv) To suggest measures for improvement in functioning of the field formations.

(v) To monitor performance of the field formations in key result areas through monthly performance report compilation in Customs, Goods and Service Tax.

(vi) To process rebate claims in terms of Board's notification or a treaty

(vii) To function as the nodal office for implementation of the Rajbhasha (Official Language) Policy of Government in the field formations.

(viii) To function as the Programme Manager to implement Authorized Economic Operator (AEO)Programme.

(ix) Undertake functions and responsibilities of erstwhile Chief Commissioner Tax Arrears Recovery, viz., review the position of Arrears of Revenue of Central Excise and Customs and finalize and implement the strategy for realization of arrears with the objective of meeting the targets.

D. Directorate General of Human Resource Development

I. HRM Wing:

(a) Cadre Management Division:

a) To devise and design CBEC's Human Resource Management plans in congruence with the goals and vision of the department;

b) To analyze and propose changes in the Recruitment Rules;

c) To prepare a charter of duties for various posts and periodically review the charter;

d) To provide support to CBEC in drawing its annual recruitment plan (ARP) or direct recruitment;

e) To support CBEC in framing and implementation of its recruitment policy;

f) To design HR policies, processes and systems, including proposals where posts are diverted temporarily from one functional area to another;

g) To maintain and update the Human Resource Information System (HRIS) for recommending officers/staff for training, placement, skill up-gradation and succession planning;

h) To provide data support to CBEC for placement and transfer of officers as part of the annual general transfer (AGT) and otherwise;

i) To receive feedback on the Transfer Policy and relay the same to CBEC for further action;

j) To provide support to CBEC in its Cadre Review and Restructuring exercise for the department in the context of changing economic scenario and needs;

k) To assist the CBEC in preparing for periodic interaction with associations of officers/staff;

l) To develop a Manual and other reference literature on Human Resource Management (HRM)/Administration related matters; and

m) To provide support to the CBEC in bringing about uniformity/ homogeneity in the administrative practices followed by field formations across the country.

(b) Performance Management Division:

a) To develop an effective Management Information System (MIS) and Performance Management System (PMS) for capturing and assessing individual performances;

b) To develop performance indicators for the organization at the group and individual levels based on objective goal setting, taking into account manpower and infrastructural limitations;

c) To design a scientific appraisal system and a scheme for performance measurement, etc.;

d) To coordinate receipt of Annual Performance Appraisal Reports (APAR);

e) To link rewards with performance and design an appropriate reward policy;

f) To liaison with "external consultants" for developing a suitable system to track, support and monitor individual performance and maintain accountability, and

g) To review formats for annual performance appraisal (APAR) for all cadres and suggest meaningful changes to it from time to time;

(c) Capacity Building and Strategic Vision Division:

a) To identify training needs for officers at all levels and create a training needs inventory;

b) To disseminate information regarding HRD issues among officers and staff;

c) To coordinate in-service training programmes in consultation with DG, NACEN for officers and staff of the department at various service intervals (e.g. 6-9 years of service, 10-16, 17-19 and 20-30 years of service) in consultation with training institutions within and outside the country;

d) To assist the Ministry in development of viable models of 'Training Needs Analysis', 'Designs for Training' etc, and nominate of officers for training based on Training Needs Analysis in consultation with DG, NACIN;

e) To recommend officers for foreign training in those areas which are outside training programmes being conducted at present by NACIN;

f) To provide support to CBEC in the management of organizational relations including vertical relationship (within hierarchy), gender relations and prevention of discrimination and harassment on the basis of sex;

g) To manage changes for working of field formations under CBEC;

h) To form a Strategic Vision Group through inclusion of retired officers and outside experts on the subject;

i) To forecast future developments and suggest changes in the organization, personnel management and procedure to be able to respond to them; and

j) To assist the Ministry in processing the requests of the officers and staff for training programmes under the Domestic Funding Scheme of the Government of India.

II. Infrastructure & Welfare Wing:

(d) Infrastructure Division:

a) To function as 'nodal authority' for examination and processing of all infrastructure proposals received directly by the Division from field formations and forward them alongwith recommendations to the CBEC/Ministry for further action;

b) To consider all issues pertaining to approval and sanction for infrastructural proposals including those for purchase and disposal of land, purchase and disposal of buildings, hiring of accommodation and continuation of hiring of already hired space, construction of office and residential buildings, repair/ maintenance/ renovation/ modifications/replacement/ alternations in the department's buildings, residential complexes etc.,

c) To account and document the assets of CBEC through the creation, maintenance and regular updation of an Asset Register;

d) To consolidate and project budgetary requirement for ready built office space and residential accommodation for departmental staff to CBEC;

e) To ensure conformity of infrastructure proposals, (whether in process or sanctioned) with policy guidelines and administrative instructions pertaining to their sanction;

f) To secure as a link between the CBEC and its field formations by communicating the observations/queries/ approvals/sanctions of the Ministry on the submitted proposals to the field formations.

(e) Welfare Division:

a) To identify and recommend welfare measures to the CBEC;

b) To process proposals received from field formations for sanction of funds by the Governing Body of the Welfare Fund;

c) To coordinate with the Directorate of Logistics and Principal CCA's office for accounting of funds to be allocated between the Welfare Fund and the Special Equipment Fund;

d) To manage superannuation of employees especially regarding their psychological, emotional and financial aspects (by arranging training through NACIN and/ or outside experts to psychologically prepare the employees on the verge of superannuation for life after retirement from service and proper management of retirement benefits);

e) To prepare and maintain an inventory of specialization areas and skills of retiring officers, and advise them about exploring ministries and public sector undertakings, connected to their respective fields of knowledge and experience; and

f) To disseminate information concerning welfare schemes/ measures being promoted/ implemented by the CBEC among officers and staff.

III. Expenditure Management Cell:

a) To issue the Budget Circular as prescribed by the Budget Division, Department of Economic Affairs;

b) To examine the Budget proposals received from various constituent formations /units under the Grant;

c) To consolidate the position at each stage of the Budget exercise i.e. Budget Estimates (BE), Revised Estimates (RE) and Final Requirement (FR) and submit the same to FA (Finance) for further action;

d) To allocate object head wise approved provisions to respective Budget controlling authorities;

e) To prepare the Statement of Budget Estimates (SBEs) for inclusion in the relevant Budget documents;

f) To monitor the progress in Expenditure vis-à-vis Sanctioned Grant and submit the Monthly and Quarterly Expenditure Review to FA (Finance) for further action;

g) To propose Re-appropriation orders, surrender of savings etc. to FA (Finance) for concurrence/ approval of the competent authority;

h) To finalize the Appropriation Accounts in consultation with Principal CCA, CBEC and submit to FA (Finance) for concurrence;

i) To take necessary action in respect of the examination by the Standing Committee on Finance on Detailed Demand for Grants;

j) To take action in respect of Audit references in Expenditure matters, for example Action Taken Notes on Audit Paras /PAC Paras etc.

k) Any other matter related to the above.

E. National Academy of Customs, Indirect Taxes and Narcotics

(a) To impart training to Direct Recruits Officer Trainees and to arrange refresher courses for departmental officers:

(b) To assist in formulation of training policies and to implement the policies approved by the Board by devising schemes and syllabi of studies for training of direct recruits and departmental officers; and,

(c) To arrange study tours of Customs and excise officers from neighbouring countries under United Nations Development Programme.

F. Directorate General of Vigilance

(a) To monitor the vigilance cases against the officers of Customs and Central Excise formations;

(b) To maintain proper surveillance on the officials of doubtful integrity; and,

(c) To maintain close liaison with the Central Bureau of Investigation, Directorate General of Revenue Intelligence and vigilance and anti-corruption in order to ensure that the programmes on vigilance and anti-corruption are implemented in all Commissionerates of customs, central excise and narcotics formations.

G. Directorate General of Systems and Data Management

(a) Directorate of Systems

To look after all aspects of the implantation of customs, central excise and service tax computerization projects including acquisition of hardware, development and maintenance of software, training of personnel and monitoring of expenditure budget on computerization at the central and field levels.

(b) Directorate of Data management

(i) To collect and consolidate data and statistics pertaining to realization of revenue from indirect taxes and advise the Ministry and the Board in forecasting budget estimates; and

(ii) To collect statistics for compilation of statistical bulletins and statistical yearbook in respect of revenue, arrears, seizures, court cases etc. pertaining to indirect taxes.

H. Directorate General of Audit

(a) To provide direction for evolution and improvement of audit techniques and procedures;

(b) To ensure effective and efficient implementation of new audit system by periodic reviews;

(c) To coordinate with the external agencies as well as other formations within the Department;

(d) To suggest measures to improve tax compliance;

(e) To gauge the level of audit standards and assesses satisfaction;

(f) To evolve the policy for development of a sound database as well as enhancing the skills of the auditors with a view to making the audit effective and meaningful;

(g) To aid and advise the Board in policy formulation and to guide and prove functional directions in planning, coordination and supervision of audits at local levels;

(h) To collate and disseminate the relevant information; and,

(i) To implement EA-2000 audits and related projects like risk management, CAAP audits etc.

I. Directorate General of Safeguards

(a) To investigate the existence of serious injury or threat of serious injury to the domestic industry as a consequence of increased imports of an article into India;

(b) To identify the article liable for safeguard duty;

(c) To submit the findings, provisional or otherwise, to the Central Government regarding 'serious injury' OR 'threat of serious injury' to the domestic industry consequent upon increased imports of an article from the specified country.

(d) To recommend the following;

(i) The amount of duty which, if levied, would be adequate to remove the 'injury' or 'threat of injury' to the domestic industry;

(ii) The duration of levy of safeguard duty and where the period so recommended is more than a year, to recommend progressive liberalization adequate to facilitate positive adjustment; and,

(e) To review the need for continuance of safeguard duty.

J. Directorate General of Export Promotion

(a) To interact with the Export Promotion Councils for various categories of export to sort out the difficulties being faced by the genuine exporters;

(b) To function in close liaison with allied agencies concerned with the exports to ensure that genuine exporters get the full advantages of the export schemes without any difficulties;

(c) To monitor the performance of the field formations through monthly and quarterly returns, like duty foregone statements, drawback payment statements and quarterly drawback payment statements and to compare and compile the same to enable the Ministry to review the policy;

(d) To carry out the appraisal studies to examine the efficacy of the existing legal provisions/ rules and procedures and suggest to the Ministry about the changes to be made, if any;

(e) To conduct post-audit of the Brand Rate fixed by the concerned commissioners and carry out physical verification of selected cases independently or with the help of the central excise formations;

(f) To conduct post audit of the select cases of duty free imports allowed under various Export Promotion Schemes in the customs and central excise formations; and,

(g) To work in close coordination with the Board with the Customs-IV Section and FTT Section of the Board's office that deals with 100% EOUs/EPZ Units/SEZ Units and various Technology parks and the schemes relating to the export of gems and jewellery.

K. Directorate General of Goods and Service Tax

(a) Capacity Building– Developing training modules including e-training modules; training of officers of CBEC: other Central Government agencies and State GST officers. co-ordination with NACIN and State GST training centers; vetting of training material developed by NACIN and coordination with DG NACIN for imparting training related to GST.

(b) Research and Analysis– Research and analysis of (a) Subjects relevant to GST; (b) Best practices in global environment; (c) Database and issues relating to collection of CGST. IGST and SGST.

(c) Assist the Policy Wing of GST of CBEC.

(d) To act as a Think Tank and an intermediary between the CBEC and field formations – Examining the issues relating to GST on the basis of inputs received from trade. professionals and other stake holders and forwarding the suggestions to GST policy wing of CBEC; Coordinating with other Ministries of Center and various state bodies for organization of outreach programmes and training sessions.

(e) Coordinating with various Directorates of CBEC Central Government Ministries / Departments and State/UT Government Ministries/ Departments connected to GST- Examining the issues relating to GST on the basis of inputs received from Directorates of CBEC and other stakeholders and officers and forwarding the suggestions to GST policy wing of CBEC; coordination with State/UT GST policy wing.

L. Directorate General of Valuation

(a) To assist and advise the Board in the implementation and monitoring of the working of the WTO Agreement on Customs Valuation;

(b) To build a comprehensive valuation database for internationally traded goods using past precedents, published price information or prices obtained from other authentic sources;

(c) To disseminate the price information on a continuing basis to all customs formations for online viewing as a means of assistance for day to day assessments with a view to detecting and preventing under valuation as also for enabling assessments to be finalized speedily;

(d) To monitor valuation practices at various customs formations and bring to the notice of the Board the significant and emerging pricing patterns and to suggest corrective policy or other measures, where needed;

(e) To maintain liaison with the Valuation Directorates of other customs administrations and customs officers posted abroad;

(f) To study international price trends of sensitive commodities and pricing patterns of transnational corporations (e.g. transfer pricing) and Indian ventures with foreign collaborations and help evolve a system to combat planned under valuation as well as valuation frauds; and,

(g) To carry out inspection of the field formations to determine whether the valuation norms as evolved by the Directorate of Valuation are uniformly applied across the country.

M. Directorate General of Tax Payer Services

- **Taxpayer Services, Stakeholder Consultation & Grievance Redressal:**

i Laying down service standards and monitoring, evaluating & reviewing the same from time to time to assess their effectiveness and efficiency,

ii Monitoring and reviewing Citizen's Charter and 'Sevottam' Programme at regular intervals and suggest improvements. where required

iii Conducting customer satisfaction surveys, independent third party audit and impact analysis so as to monitor the quality and efficiency of tax administration,

iv Assisting the CBEC in enhancing customer understanding and maximizing voluntary compliance

v Monitoring the functioning of PTFCs, RACs and Open House Meetings so as to share good practices across Zones;

vi Monitoring of e-Helplines set up by Customs, Central Excise and Service Tax Zones;

vii Monitoring the implementation of directions and awards given by Ombudsman to make this initiative more effective

viii Monitoring the "Tax Payer Service Centers" in the Commissionerates and Custom Houses and analyzing the activities through periodic activity reports sent by the Commissionerates and Custom Houses and take appropriate steps for improvement in quality and timely delivery of services and

ix Acting as a "Single Window Help Desk" for interface between taxpayers and field formations through a dedicated web based service portal In consultation with DGS&DM

- **Publicity & Public Relations:**

i. Providing taxpayer information, taxpayer education and taxpayer assistance and designing and executing outreach programmes in coordination with NACEN, DG GST;

ii. Ownership, Content Management & updating information on CBEC website through content owners;

iii. Finalising an appropriate channel strategy to ensure that the service delivery is effective and is accessible to all

iv. Educating the tax payers as regards their rights and obligations in the matter of tax compliance

v. Compiling and issuing hand outs, Guidance Notes, brochures, leaflets , FAQs etc. on various subjects viz. baggage allowance, refund, drawback, rebate, Project imports, SSI exemptions, CENVAT scheme, appellate remedies including alternate channels like AAR and Settlement Commission for the benefit of taxpayers

vi. Organising interactive sessions with trade and industry and based on the feedback received suggest changes in tax laws and procedures to the CBEC

vii. Issuing internal communication aimed at attitudinal refinement of officials from that of regulators to facilitators and service providers

viii. Monitoring and executing the stakeholder consultation process for changes in policy and procedures; and

ix. Creating, putting in place and executing an appropriate media policy including social media

N. Directorate of Logistics

(a) To inspect, assess and evaluate the effectiveness of the staff deployed on anti-smuggling duties in the Commissionerates and in vulnerable areas;

(b) To monitor, coordinate and evaluation the progress in cases of adjudications, prosecutions and rewards to informers and officers in various Commissionerates and to watch the progress in disposal of confiscated goods involved in prosecution cases;

(c) To plan and assess the need for staff training, equipments, vehicles, vessels, communications or other resources required for anti smuggling work in various Commissionerates and to evaluate their operational efficiency; and,

(d) To deal with the matters concerning acquisition, procurement, purchase, repair and reallocation of such equipment.

O. Directorate of Legal Affairs

(a) To function as the nodal agency to monitor the legal and judicial work of the Board;

(b) To create a data bank of all the cases decided by the various benches of the Tribunal and monitor cases effectively in order to ensure that the field formations recommend filing of appeals only in deserving cases and not on the issues already decided by the Supreme Court or High Courts and accepted by the department;

(c) To ensure that all orders of the Tribunal are examined by the field formations and timely proposal for filing appeal are sent to the Board wherever necessary and the report about acceptance of an order is sent to the Chief Commissioner.

(d) To intimate the field formations about important decisions of the various High Courts, which are finally accepted by the Department, and about the important decisions of the Supreme Court so that unnecessary litigation work on the issues already settled is not created by the field formations;

(e) To create a database pertaining to the cases pending in various High Courts. The appellant/ respondent Commissioners will assist the Directorate in creating and updating the database pertaining to the High Court cases;

(f) To prepare panels of standing counsels/ panel counsels for various High Courts on the basis of feedback received from the field formations. However, the role of the Directorate is restricted to making recommendations only and the final decision regarding approval of the panel / appointment of the Standing Counsels rests with the Ministry; and

(g) To keep an approved panel of eminent lawyers well versed with customs and central excise laws as well as administration, who may not be on the regular panel of the government but may be engaged by the department for handling important cases.

P. Central Revenues Chemical Laboratory

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

Q. Directorate General Analytics and Risk Management

The DGARM has four Wings viz. (i) Centre for Business Intelligence and Analytics (ii) Risk Management Centre for Goods and Service Tax (iii) Risk Management Centre for Customs and (iv) National Targeting Centre. While the Wings mentioned at (i) and (ii) are associated with Goods and Service Tax, the Wings mentioned at (iii) and (iv) are predominantly Customs oriented but will provide assistance to GST formations also.

R. Directorate of International Customs

The purpose of DIC is to assist the CBEC to achieve the objectives stated in the Mission Statement. Hence there is no change in purpose when 15 posts associated with field formations of GST (erstwhile Central Excise and Service Tax) were reallocated to DIC.

9.2 The revenue collections from indirect taxes since 2013-14 are tabulated below:

Year-wise Trends of Indirect Tax Revenue Collection (Rs. In Crore)						
Sl. No.	MAJOR HEAD	2013-14	2014-15	2015-16	2016-17	2017-18
	CUSTOMS					
	BE	187308	201819	208336	230000	245000
	RE	175056	188713	209500	217000	135242
	Actuals	172085	188016	210338	225370	
	% achievement of BE	91.9	93.2	101.0	98.0	
	% achievement of RE	98.3	99.6	100.4	103.9	
	UNION EXCISE					
	BE	197554	207110	229809	318669.5	406900
	RE	179537	185480	284142	387368.58	276995
	Actuals	170197	188787	287149	381756	
	% achievement of BE	86.2	91.2	125.0	119.8	
	% achievement of RE	94.8	101.8	101.1	98.6	
	SERVICE TAX					
	BE	180141	215973	209774	231000	275000
	RE	164927	168132	210000	247500	79507
	Actuals	154778	167969	211396	79507	
	% achievement of BE	85.9	77.8	100.8	34.4	
	% achievement of RE	93.8	99.9	100.7	32.1	
	GST					
	BE	0.0	0.0	0.0	0.0	0
	RE	0.0	0.0	0.0	0.0	444631
	Actuals					
	% achievement of BE	0.0	0.0	0.0	0.0	0
	% achievement of RE	0.0	0.0	0.0	0.0	0
	INDIRECT TAX TOTAL					
	BE	565003.0	624902.0	647919.0	779669.5	926900.0
	RE	519520.0	542325.0	703642.0	851868.6	936375.0
	Actuals	497060.0	544772.0	708883.0	686633.0	0.0
	% achievement of BE	88.0	87.2	109.4	88.1	
	% achievement of RE	95.7	100.5	100.7	80.6	

9.2.1 Budgetary Changes and Policy Initiatives: Major Achievements of CBEC during 2017

9.2.1.1 Customs duty changes to incentivize 'MAKE IN INDIA'

1. Basic Customs Duty was reduced on the following inputs, raw materials:

Description of goods (Inputs/raw material)	From(%)	To (%)
Liquefied natural gas (LNG)	5	2.5
o-Xylene	2.5	Nil
Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	7.5	2.5
Nickel	2.5	Nil
Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA), so that they attract the same basic customs duty as that on Purified Terephthalic Acid (PTA)	7.5	5
Hot Rolled Coils [7208], when imported for manufacture of welded tubes and pipes falling under heading 7305 and 7306.	12.5	10
2-Ethyl Anthraquinone for manufacture of hydrogen peroxide	7.5	2.5
Vinyl Polyethylene Glycol (VPEG) for manufacture of Poly Carboxylate Ether	10	7.5
Inputs or raw materials for manufacture of following electronic goods:- a) specified printers (8443 32 90); b) ink cartridges (8443 99 51, 8443 99 52); c) ink spray nozzle (8443 99 53); d) cellular mobile phones (8517 12 10, 8517 12 90); e) base stations (8517 61 00).	10-7.5	Nil
Solar tempered glass for the manufacture of solar cells/panels/modules	5	Nil
Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG]	7.5	5
Clay 2 Powder (Alumax) for manufacture of ceramic substrate for catalytic convertors	7.5	5
All parts for manufacture of LED lights or fixtures, including LED lamps	10-7.5	5
All inputs for the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps	10-7.5	5

2. Basic Customs Duty was increased on the following goods (manufactured indigenously in significant quantity)

Description of goods	From%)	To (%)
Ad-valorem Component on 298 items of fabrics on manmade fibres	10	20
co-polymer coated MS steel tape / stainless steel tape for manufacture of specified telecommunication grade optical fibre cables	Nil	10
a) specified printers (8443 32 90); b) ink cartridges (8443 99 51, 8443 99 52); c) ink spray nozzle (8443 99 53); d) cellular mobile phones (8517 12 10, 8517 12 90); e) base stations (8517 61 00); and f) parts of cellular mobile phones (8517 70 90).	Nil	10
Following parts of cellular mobile phones (i) Microphone Rubber Case and Sensor Rubber Case / Sealing Gasket including sealing gaskets / cases from Rubbers like SBR, EPDM, CR, CS, Silicone and all other individual rubbers or combination / combination of rubbers falling under tariff item 4016 99 90 ; (ii) Screw falling under tariff item 7318 15 00; (iii) SIM socket / Other Mechanical items of Metal falling under tariff item 7326 90 99] for manufacture of cellular mobile phones.	Nil	10
a) Microwave Ovens b) Televisions c) Light-emitting diode (LED) lamps d) Lamps and lighting fittings including searchlights and spotlights and parts thereof, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like, having a permanently fixed light source, and parts thereof not elsewhere specified or included	10	20
(i) Cellular Mobile phones (ii) Video recording or reproducing apparatus, whether or not incorporating a video tuner (iii) Electricity meters (iv) Television cameras, digital cameras and video camera recorders	10	15
LCD, LED or OLED panels for manufacture of Television	Nil	7.5
RO membrane element for household type filters	7.5	10
Cashew nut, roasted, salted or roasted and salted	30	45

3. Export duty of 15% was imposed on other aluminium ores, including laterite.

4. Basic customs duty was increased on following goods to protect the interest of farmers and local producers of agricultural products:

Description of goods	From%)	To (%)
Crude palm oil of edible grade	15	30
Refined palm oil of edible grade	25	40
Crude sunflower oil	12.5	25
Refined sunflower oil of edible grade	20	35
Crude soya bean oil	17.5	30
Refined soya bean oil	20	35
Crude rapeseed oil including canola oil (Low erucic acid rapeseed oil), mustard oil and colza oil	12.5	25
Refined rapeseed oil including canola Oil (Low erucic acid rapeseed oil), mustard oil, and colza oil	20	35

In a historic tax reform, the Goods and Services Tax was rolled out on 1st July, 2017. It brought a new era of indirect taxation with the motto of "One Tax, One Market, One Nation". It subsumed almost all major indirect taxes like Central Excise Duty, Service Tax, VAT, CST, Entertainment tax, Octroi, Luxury tax, a large number of cesses/surcharges and various other state and central levies on goods and services. The certain significant implication of GST regime are:

(i) Uniform taxation of goods and services across all states. All business process have been made common, including the IT processes relating to registration, return, payment and refund of taxes. This has paved the way for making the whole nation a common market.

(ii) The pre-GST regime suffered from cascading of taxes in which VAT and other states levies were being imposed on value inclusive of central taxes. GST removed such cascading of taxes.

(iii) Tax neutrality for business as the scope of Input Tax Credit has been widened considerably. It has also ensured that integrity of tax chain is maintained throughout the supply chain upto the stage of consumption. In the erstwhile regime, no credit of certain indirect taxes, such as SAD on imports paid by a traders or the CST was available.

(iv) GST has aided in widening of the tax base, e.g., entire textile chain has now been brought under tax net. Further, a segment of land and real estate transactions has been brought into the tax net "works contracts", referring to housing that is being built. This in turn would allow for greater transparency and formalization of cement, steel, and other sales, which tended to be outside the tax net. The formalization will occur because builders will need documentation of these input purchases to claim tax credit.

(v) There are early signs of tax base expansion. Between June & July 2017, 6.6 lakh new agents previously outside the tax net have sought GST registration. This is expected to rise consistently as the incentives for formalization increase. Preliminary estimates point to potentially large increases in the tax base as a consequence.

(vi) Another benefit will be the impact of GST would be in formalization of economy and consequently the information flow that would eventually augment direct tax collections. In the past, Centre had little data on small manufacturers and consumption (because the excise was imposed at the manufacturing stage), while states had little data on the activities of local firms outside their borders. Under the GST, there will be seamless flow and availability of a common set of data to both the Centre and states, making direct tax collections more effective.

(vii) The longer-term benefits include the GST's impact on financial inclusion. Small businesses can build up a real time track record of tax payments digitally, and this can be check-posts while others are in process of eliminating them. If this trend continues, the reduction in transport costs, fuel use, and corruption could be significant.

(viii) GST makes the supply chain and logistics efficient. With introduction of GST, the check posts in the states have been removed as the whole nation has no same tax and compliance structure. There is ample evidence to suggest that logistical costs within India are high. For example, one study suggests that trucks in India drive just one-third of the daily distance of trucks in the US (280 km vs 800 km). This raises direct costs (especially in terms of time to delivery), indirect costs (firms keeping larger inventory), and location choices (locating closer to suppliers/ customers instead of the best place to produce). Further, only about 40 per cent of total travel time is spent driving; while one quarter is taken up by check points and other official stoppages. Eliminating check point delays could keep trucks moving almost 6 hours more per day, equivalent to additional 164 kms per day – pulling India above global average and to the level of Brazil.

(ix) Overall, logistics costs (broadly defined, and including firms' estimates of lost sales) are 3-4 times the international benchmarks. Studies show that inter-state trade costs exceed intra-state trade costs by a factor of 7-16, thus pointing to clear existence of border barriers to inter-state movement of goods1. The passage of the GST will dramatically reduce these costs and give a boost to inter-state trade in the country.

9.3 Facilitation Measures taken in GST

9.3.1 Ease of doing Business for Small Traders

GST has significantly raised turnover thresholds of Rs 20 lakh for an entity to be taxable in GST. Further, the threshold for composition has been increased in general to Rs. 1 crore (Rs 75 lakh for special category states except Jammu & Kashmir and Uttarakhand). Certain other measures taken to encourage the MSME sector are as foll0ws:

i. Service providers whose annual aggregate turnover is less than Rs. 20 lacs (Rs. 10 lacs in special category states except J & K) have been exempted from obtaining registration even if they are making inter-State taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers.

ii. Small and medium businesses with annual aggregate turnover up to Rs. 1.5 crores would be required to file quarterly return (monthly for other taxpayers)

iii. The reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 has been suspended till 31.03.2018.

iv. The requirement to pay GST on advances received was proving to be burdensome for small dealers and manufacturers. In order to mitigate their inconvenience on this account, it was been decided that taxpayers having annual aggregate turnover up to Rs. 1.5 crores shall not be required to pay GST at the time of receipt of advances on account of supply of goods.

9.3.2 Rationalization of GST rate structure for goods

After implementation of GST regime, rates have been rationalizes significantly to address the concerns of trade and consumers. Major decisions on rate rationalization were taken by the GSTSC Council in its meeting on the 10 November, 2017 (detailed below):

(i) <u>28% to 18%</u>

The list of 28% GST rated goods was pruned substantially, from 228 tariff headings [about 18.5% of total tariff headings at 4-digit] to only 50 tariff headings including 4 headings which have been partially reduced to 18% [about 4% of total tariff headings at 4-digit] with the major items where reductions were made being:-

- Wire, cables, insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors
- Electrical boards, panels, consoles, cabinets etc for electric control or distribution
- Particle/fibre boards and ply wood. Article of wood, wooden frame, paving block
- Furniture, mattress, bedding and similar furnishing
- Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases
- Detergents, washing and cleaning preparations

- Liquid or cream for washing the skin
- Shampoos; Hair cream, Hair dyes (natural, herbal or synthetic) and similar other goods; henna powder or paste, not mixed with any other ingredient;
- Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, perfumery, cosmetic or toilet preparations, room deodorisers
- Perfumes and toilet waters
- Beauty or make-up preparations
- Fans, pumps, compressors
- Lamp and light fitting
- Primary cell and primary batteries
- Sanitary ware and parts thereof of all kind
- Articles of plastic, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic
- Slabs of marbles and granite
- Goods of marble and granite such as tiles
- Ceramic tiles of all kinds
- Chocolates, Chewing gum / bubble gum

(ii) Further, GST rates on a number of goods were rationalised, so as to rationalise the rate structure with a view to minimise classification disputes, on the following goods:-

a) **<u>18% to 12%</u>**

- Condensed milk
- Refined sugar and sugar cubes
- Pasta
- Curry paste, mayonnaise and salad dressings, mixed condiments and mixed seasoning
- Diabetic food
- Medicinal grade oxygen
- Printing ink
- Hand bags and shopping bags of jute and cotton
- Hats (knitted or crocheted)
- Parts of specified agricultural, horticultural, forestry, harvesting or threshing machinery
- Specified parts of sewing machine
- Spectacles frames
- Furniture wholly made of bamboo or cane

b) **<u>18% to 5%</u>**

- Puffed rice chikki, peanut chikki, sesame chikki, revdi, tilrevdi, khaza, kazuali, groundnut sweets gatta, kuliya
- Flour of potatoes put up in unit container bearing a brand name
- Chutney powder
- Fly ash
- Sulphur recovered in refining of crude
- Fly ash aggregate with 90% or more fly ash content

(c) **<u>12% to 5%</u>**

- Desiccated coconut
- Narrow woven fabric including cotton newar [with no refund of unutilised input tax credit]
- Idli, dosa batter
- Finished leather, chamois and composition leather
- Coir cordage and ropes, jute twine, coir products
- Fishing net and fishing hooks
- Worn clothing
- Fly ash brick

(d) **<u>5% to nil</u>**

- Guar meal
- Hop cone (other than grounded, powdered or in pellet form)
- Certain dried vegetables such as sweet potatoes, maniac
- Unworked coconut shell
- Fish frozen or dried (not put up in unit container bearing a brand name)
- Khandsari sugar

(iii) Other significant rationalisation measures relating to GST rates taken after rollout of GST

- ♦ Reduction of GST rate on Dhoop batti,dhoop, sambhrani and other similar items from 12% to 5%
- ♦ Reduction of GST rate on Khadi fabric, sold through Khadi and Village Industries Commission's outlets and other similar items from 5% to Nil
- ♦ Reduction of GST rate on handicrafts from 28% to 12%
- ♦ Reduction of GST rate on synthetic yarns from 18% to 12%
- ♦ Reduction of GST rate on plastic, glass, paper or rubber scrap from 18% to 5%
- ♦ Reduction of GST rate on E-waste from 18% to 5%

9.3.3 Rationalization of GST Rates of Services

9.3.3.1 GST Rates reduced from 18% to 12% for

1. The Composite supply of works contract services :

A. supplied to the Central Government, State Government, Union territory, a local authority, a Governmental Authority or a Government Entity by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of,

(a) a historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);

(b) canal, dam or other irrigation works;

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

(d) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;

(e) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or(iii) an art or cultural establishment; or

(f) involving predominantly earth work (that is, constituting more than 75per cent. of the value of the works contract)

B. supplied by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, -

(a) a road, bridge, tunnel, or terminal for road transportation for use by general public;

(b) a pollution control or effluent treatment plant, except located as a part of a factory; or

(c) a structure meant for funeral, burial or cremation of deceased

C. supplied by way of construction, erection, commissioning, or installation of original works pertaining to, -

(a) railways, excluding monorail and metro;

(b) post-harvest storage infrastructure for agricultural produce including a cold storage for such purposes; or

(c) mechanised food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages.

D. and associated services, in respect of offshore works contract relating to oil and gas exploration and production (E&P) in the offshore area beyond 12 nautical miles from the nearest point of the appropriate base line.

2. Services by way of job work in relation to –

1. manufacture of umbrella

2. printing of all goods falling under Chapter 48 or 49, which attract CGST @ 6%

3. Transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient.

4. Renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient.

5. Transportation of natural gas through pipeline.

6. Services by goods transport agency (GTA) in relation to transportation of goods[those GTAs opting for forward charge].

9.3.3.2 GST Rates reduced from effective rate of 12% to 8% for

1. The Composite supply of works contract services involving transfer of property in land or undivided

share of land, –

A. supplied by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, -

(a) a civil structure or any other original works pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana;

(b) a civil structure or any other original works pertaining to the "In-situ rehabilitation of existing slum dwellers using land as a resource through private participation" under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana, only for existing slum dwellers;

(c) a civil structure or any other original works pertaining to the "Beneficiary led individual house construction / enhancement" under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;

B. supplied by way of construction, erection, commissioning, or installation of original works pertaining to, -

(a) a single residential unit otherwise than as a part of a residential complex;

(b) low-cost houses up to a carpet area of 60 square metres per house in a housing project approved by competent authority empowered under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India;

(c) low cost houses up to a carpet area of 60 square metres per house in a housing project approved by the competent authority under- (1) the "Affordable Housing in Partnership" component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana; (2) any housing scheme of a State Government;

C. to the Central Government, State Government, Union Territory, a local authority, a Governmental Authority or a Government Entity by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, -

(a) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in paragraph 3 of the Schedule III of the Central Goods and Services Tax Act, 2017.

9.3.3.3 Reduction of GST Rates from 18% to 5% on services by way of job work in relation to–

1. Textiles and textile products falling under Chapter 50 to 63 in the First Schedule to the CTA
2. All products falling under Chapter 71 in the First Schedule to the CTA
3. Printing of all goods falling under Chapter 48 or 49, which attract CGST @ 2.5% or Nil
4. All food and food products falling under Chapters 1 to 22 in the First Schedule to the CTA
5. All products falling under Chapter 23 in the First Schedule to the CTA, except dog and cat food put up for retail sale falling under tariff item 23091000 of the said Chapter
6. Manufacture of clay bricks falling under tariff item 69010010 in the First Schedule to the CTA
7. Manufacture of handicraft goods

9.3.3.4 Reduction of GST Rates from 18% with ITC to 5% without ITC

1. Supply of services by a restaurant not located in the premises of a hotel having unit of accommodation with declared tariff above Rs 7500.
2. Transportation of natural gas through pipeline

9.3.3.5 ITC in the same line of business allowed to –

1. Transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient.
2. Renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient.

9.3.3.6 Other rationalization of GST Rates

GST rate on Leasing of motor vehicles purchased and leased prior to 1st July 2017 reduced to 65 per cent. of the rate of central tax as applicable on supply of like goods involving transfer of title in goods.

9.3.3.7 Exemption from levy of GST

1. Services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 World Cup 2017 to be hosted in India.
2. Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries).
3. Supply of service by a Government Entity to

Central Government, State Government, Union territory, local authority or any person specified by Central Government, State Government, Union territory or local authority against consideration received from Central Government, State Government, Union territory or local authority, in the form of grants.

4. Service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin.

5. Services provided by a goods transport agency to an unregistered person, including an unregistered casual taxable person, other than the following recipients, namely: -

(a) any factory registered under or governed by the Factories Act, 1948(63 of 1948); or

(b) any Society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or

(c) any Co-operative Society established by or under any law for the time being in force; or

(d) anybody corporate established, by or under any law for the time being in force; or

(e) any partnership firm whether registered or not under any law including association of persons;

(f) any casual taxable person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act.

6. Service by way of access to a road or a bridge on payment of annuity.

7. Services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites and Remains Act 1958 (24 of 1958) or any of the State Acts, for the time being in force.

8. Services by way of right to admission to the events organised under FIFA U-17 World Cup 2017.

9.4 Goods and Services Tax

9.4.1 Introduction

GST is mammoth change in the indirect tax regime. Considering the magnitude of change. it implementation has been smooth. Needless to say that any change of this magnitude will have teething problems in the initial phase of implementation. However. GSTC Council has taken all possible measure to address the concerns of stake holders. The concerns raised by the stakeholders were related to business processes (relating to migration. registration. return filing and refunds on the portal). GST rates. difficulties faced by MSME sector in compliance. cash flow issues of exporter on account of delayed in getting refunds on exports. The GST Council had several meetings in quick successions post GST implementation and it took specific measures to address all the concerns in a short span of time. To address the IT issues. a GOM (Group of Ministers) has been constituted which since then has taken a number of measures. Another GOM looked into the issue of MSME and made specific far reaching recommendation. A Committee on exports was constituted to address the concerns of exporters. Further. the GST Council also recommended significant rationalization in rates. Besides. extensive exercises have been undertaken for streamlining the tax administration. ensuring that taxpayer has single interface (with either Central or State tax authority). Further. various Committees of officers examined the issues relating to law and processes and sectoral issues like handicrafts. A number of procedure changes have been made to simplify the process. Also extensive exercises were taken for taxpayer education and facilitation by way of knowledge sharing. dissemination of information and replies to frequently asked questions. All these efforts have smoothened the GST implementation to a large extent and lot of work is going on in the background for further simplification.

9.4.2 Genesis:

The idea of moving towards the GST was first mooted by the then Union Finance Minister in his Budget for 2006-07. Initially, it was proposed that GST would be introduced from 1st April, 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within the EC and between the EC and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November, 2009. This spelled out the features of the proposed GST and has formed the basis for discussion between the Centre and the States.

9.4.3 GST and Centre-State Financial Relations:

Before the enactment of the Constitution (One Hundred and First Amendment) Act, 2016, fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre had powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had powers to levy tax on sale of goods. In case of inter-State sales, the Centre had power to levy a tax (Central Sales Tax) but the tax was collected and retained entirely by the originating States. As for services, it was the Centre alone that was empowered to levy service tax. Since the States were not empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportation from India, the Centre levied and collected this tax as additional duties of customs, which was in addition to the Basic Customs Duty. This additional duty of customs (commonly known as CVD and SAD) counter balanced excise duties, sales tax, State VAT and other taxes levied on the like domestic products. Introduction of GST required amendments in the Constitution so as to concurrently empower the Centre and the States to levy and collect the GST.

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST required a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly. For it to be effective, such a mechanism also needed to have Constitutionnel force.

9.4.4 Constitution (One Hundred and First) Amendment Act, 2016:

To address all these and other issues, the Constitution (122nd Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by the Union (central tax - CGST) and the States (including Union Territories with legislatures) (State tax - SGST) / Union territories without legislatures (Union territory tax-UTGST). The Parliament would have exclusive power to levy GST (integrated tax - IGST) on inter-State trade or commerce (including imports) in goods or services. The Central Government will have the power to levy excise duty in addition to the GST on tobacco and tobacco products. The tax on supply of five specified petroleum products namely crude, high speed diesel, petrol, ATF and natural gas would be levied from a later date on the recommendation of GST Council.

A Goods and Services Tax Council (GSTC) was constituted comprising the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features. This mechanism would ensure some degree of harmonization on different aspects of GST between the Centre and the States as well as across States. One half of the total number of members of GSTC would form quorum in meetings of GSTC. Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast. Centre and minimum of 20 States would be required for majority because Centre would have one-third weightage of the total votes cast and all the States taken together would have two-third of weightage of the total votes cast.

The Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill was referred to the Select Committee of Rajya Sabha on 12.05.2015. The Select Committee submitted its Report on the Bill on 22.07.2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further the bill was ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16th September, 2016.

9.4.5 Goods and Services Tax Council (GSTC):

The GSTC has been notified with effect from 12th September, 2016. GSTC is being assisted by a Secretariat. Twenty four meetings of the GSTC have been held so far. The following major decisions have been taken by the GSTC:

(i) The threshold exemption limit would be Rs. 20 lakh. For special category States (except J&K) enumerated in article 279A of the Constitution, threshold exemption limit has been fixed at Rs. 10 lakh.

(ii) Composition threshold shall be Rs. 1 crore. As decided in the 23rd meeting of the GSTC, this limit shall be raised to Rs. 1.5 crore after necessary amendments in the Act. Composition scheme shall not be available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers. For special category States (except J&K and Uttarakhand) enumerated in article 279A of the Constitution, threshold exemption limit has been fixed at Rs. 75 lakh.

(iii) Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST. Further, 50% exemption of the CGST portion will be provided to CSD (Defence Canteens).

(iv) There would be four tax rates namely 5%, 12%, 18% and 28%. The tax rates for different goods and services have been finalized and notified. Besides, some goods and services would be under the list of exempt items. The list of exempted services has been finalized which is same as the services exempted under existing service tax law, except services supplied by Goods and Services Tax Network which is the addition to the list of exempted services under service tax. Rate for precious metals is an exception to 'four-tax slab-rule' and the same has been fixed at 3%. In addition unworked diamonds, precious stones, etc. attracts a rate of 0.25%. A cess over the peak rate of 28% on certain specified luxury and demerit goods, like tobacco and tobacco products, pan masala, aerated waters, motor vehicles, would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST. The list of goods and services in case of which reverse charge would be applicable has also been finalized.

(v) The five laws namely CGST Law, UTGST Law, IGST Law, SGST Law and GST Compensation Law have been recommended.

(vi) In order to ensure single interface, all administrative control over 90% of taxpayers having turnover below Rs. 1.5 crore would vest with State tax administration and over 10% with the Central tax administration. Further all administrative control over taxpayers having turnover above Rs. 1.5 crore shall be divided equally in the ratio of 50% each for the Central and State tax administration.

(vii) Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions.

(viii) Power to collect GST in territorial waters shall be delegated by Central Government to the States.

(ix) Formula and mechanism for GST Compensation Cess has been finalized.

(x) Eighteen rules on composition, registration, input tax credit, invoice, determination of value of supply, accounts and records, returns, payment, refund, assessment and audit, advance ruling, appeals and revision, transitional provisions, anti-profiteering, E-way Bill, inspection, search and seizure, demands and recovery and offences and penalties have been recommended and notified.

(xi) The following classes of taxpayers shall be exempted from obtaining registration:

o Suppliers of services, having turnover upto Rs. 20 lakhs, making inter State supplies;

o Suppliers of services, having turnover upto Rs. 20 lakhs, making supplies through e-commerce platforms.

(xii) The reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 has been suspended till 31.03.2018.

(xiii) There shall be no requirement on payment of tax on advance received for supply of goods by all taxpayers.

(xiv) Supplies from GTA to unregistered persons has been exempted from tax.

(xv) Registration and operationalization of TDS/TCS provisions has been postponed till 31.03.2018.

(xvi) The e-way bill system shall be introduced nation-wide for all inter-state supplies with effect from 01.02.2018. As regards intra-state supplies, option has been given to States to choose any date on or before 01.06.2018.

(xvii) E-Wallet Scheme shall be introduced for exporters from 01.04.2018 and till then relief for exporters shall be given in form of broadly existing practice.

(xviii) All taxpayers are required to file return **FORM GSTR-3B**& pay tax on monthly basis.

(xix) Taxpayers with turnover upto Rs. 1.5 Cr are required to file information in **FORM GSTR-1** on quarterly basis. Other taxpayers would have to file **FORM GSTR-1** on a monthly basis.

(xx) Time period for filing **FORM GSTR-2** and **FORM GSTR-3** for the months of July, 2017 to March 2018 would be worked out by a Committee of Officers.

(xxi) Late fee for delayed filing of return in **FORM GSTR-3B** for themonths of July, 2017 toSeptember, 2017 has been waived. The amount of late fee already paid but subsequently waived off shall be re-credited to the Electronic Cash Ledger of registered person under "Tax" head instead of "Fee" head.

(xxii) From October 2017 onwards, the amount of late fee payable by a registered person is as follows:

o whose tax liability for that month was 'NIL' will be Rs. 20/- per day instead of Rs. 200/- per day;

o whose tax liability for that month was not 'NIL' will be Rs. 50/- per day instead of Rs. 200/- per day.

(xxiii) Facility has been introduced for manual filing of refund application.

(xxiv) Facility shall be introduced for manual filing of application for advance ruling.

(xxv) Supply of services to Nepal and Bhutan shall be exempted from GST if payment not received in foreign convertible currency – such suppliers shall be eligible for input tax credit.

(xxvi) Centralized UIN shall be issued to every Foreign Diplomatic Mission / UN Organization by the Central Government.

(xxvii) www.gst.gov.in, managed by GSTN, shall be the Common Goods and Services Tax Electronic Portal.

(xxviii) Rate of interest on delayed payments and delayed refund has been recommended and notified.

(xxix) The GST Council has recommended the rules for National Anti-Profiteering Authority. The National Anti-Profiteering Authority has been constituted having Chairman and four technical Members.

9.4.6 Salient Features of GST:

The salient features of GST are as under:

(i) GST would be applicable on "supply" of goods or services as against the present concept of tax on manufacture of goods or on sale of goods or on provision of services.

(ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin-based taxation.

(iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (central tax- CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (state tax- SGST). Union territories without legislature would levy Union territory GST (union territory tax- UTGST).

(iv) An Integrated GST (integrated tax- IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.

(v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.

(vi) Import of services would be treated as inter-State supplies and would be subject to IGST.

(vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.

(viii) GST would replace the following taxes currently levied and collected by the Centre:

a) Central Excise Duty;

b) Duties of Excise (Medicinal and Toilet Preparations);

c) Additional Duties of Excise (Goods of Special Importance);

d) Additional Duties of Excise (Textiles and Textile Products);

e) Additional Duties of Customs (commonly known as CVD);

f) Special Additional Duty of Customs (SAD);

g) Service Tax;

h) Cesses and surcharges insofar as they relate to supply of goods or services.

(ix) State taxes that would be subsumed within the GST are:

a) State VAT;

b) Central Sales Tax;

c) Purchase Tax;

d) Luxury Tax;

e) Entry Tax (All forms);

f) Entertainment Tax (except those levied by the local bodies);

g) Taxes on advertisements;

h) Taxes on lotteries, betting and gambling;

i) State cesses and surcharges insofar as they relate to supply of goods or services.

(x) GST would apply to all goods and services except Alcohol for human consumption.

(xi) GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.

(xii) Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.

(xiii) A common threshold exemption would apply to both CGST and SGST. Taxpayers with an annual turnover of Rs. 20 lakh (Rs. 10 lakh for special category States (except J&K) as specified in article 279A of the Constitution) would be exempt from GST. A composition scheme (i.e. to pay tax at a flat rate without credits) would be available to small taxpayers (including to manufacturers other than specified category of manufacturers and service providers) having an annual turnover of up to Rs. 1 crore (Rs. 75 lakh for special category States (except J&K and Uttarakhand) enumerated in article 279A of the Constitution). As decided in the 23rd meeting of the GSTC, this limit shall be raised to Rs. 1.5 crore after necessary amendments in the Act. The threshold exemption and compounding scheme would be optional.

(xiv) The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.

(xv) All Exports and supplies to SEZs and SEZ units would be zero-rated.

(xvi) Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:

a) ITC of CGST allowed for payment of CGST & IGST in that order;

b) ITC of SGST allowed for payment of SGST & IGST in that order;

c) ITC of UTGST allowed for payment of UTGST & IGST in that order;

d) ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order.

ITC of CGST cannot be used for payment of SGST/ UTGST and vice versa.

(xvii) Accounts would be settled periodically between the Centre and the State to ensure that the credit of SGST used for payment of IGST is transferred by the originating State to the Centre. Similarly the IGST used for payment of SGST would be transferred by Centre to the destination State. Further the SGST portion of IGST collected on B2C supplies would also be transferred by Centre to the destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

(xviii) Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.

(xix) Electronic filing of returns by different class of persons at different cut-off dates.

(xx) Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).

(xxi) Obligation on certain persons including government departments, local authorities and government agencies, who are recipients of supply, to deduct tax at the rate of 1% from the payment made or credited to the supplier where total value of supply, under a contract, exceeds two lakh and fifty thousand rupees. The provision for TDS has not been operationalized yet.

(xxii) Refund of tax to be sought by taxpayer or by any other person who has borne the incidence of tax within two years from the relevant date.

(xxiii) Obligation on electronic commerce operators to collect 'tax at source', at such rate not exceeding two per cent. (2%) of net value of taxable supplies, out of payments to suppliers supplying goods or services through their portals. The provision for TCS has not been operationalized yet.

(xxiv) System of self-assessment of the taxes payable by the registered person.

(xxv) Audit of registered persons to be conducted in order to verify compliance with the provisions of Act.

(xxvi) Limitation period for raising demand is three (3) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in normal cases.

(xxvii) Limitation period for raising demand is five (5) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in case of fraud, suppression or wilful mis-statement.

(xxviii) Arrears of tax to be recovered using various modes including detaining and sale of goods, movable and immovable property of defaulting taxable person.

(xxix) Goods and Services Tax Appellate Tribunal would be constituted by the Central Government for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority. States would adopt the provisions relating to Tribunal in respective SGST Act.

(xxx) Provision for penalties for contravention of the provision of the proposed legislation has been made.

(xxxi) Advance Ruling Authority would be constituted by States in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST Act.

(xxxii) An anti-profiteering clause has been provided in order to ensure that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.

(xxxiii) Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

9.4.7 Benefits of GST:

(A) Make in India:

(i) Will help to create a unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign;

(ii) Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;

(iii) Harmonization of laws, procedures and rates of tax;

(iv) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;

(v) Ultimately it will help in poverty eradication by generating more employment and more financial resources;

(vi) More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;

(vii) Improve the overall investment climate in the country which will naturally benefit the development in the states;

(viii) Uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-State sales;

(ix) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption, which in turn means more production thereby helping in the growth of the industries. This will create India as a "Manufacturing hub".

(B) Ease of Doing Business:

(i) Simpler tax regime with fewer exemptions;

(ii) Reduction in multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity;

(iii) Reduction in compliance costs - No multiple record keeping for a variety of taxes- so lesser investment of resources and manpower in maintaining records;

(iv) Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;

(v) All interaction to be through the common GSTN portal- so less public interface between the taxpayer and the tax administration;

(vi) Will improve environment of compliance as all returns to be filed online, input credits to be verified online, encouraging more paper trail of transactions;

(vii) Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system;

(viii) Timelines to be provided for important activities like obtaining registration, refunds, etc;

(C) Benefit to Consumers:

(i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and supplier of services;

(ii) It is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme- purchases from such entities will cost less for the consumers;

(iii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

9.4.8 Goods and Services Tax Network:

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956.

GSTN would provide three front end services to the taxpayers namely registration, payment and return. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 28 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue department of both Centre and States are pursuing the presently registered taxpayers to complete the necessary formalities on the IT system operated by GSTN for successful migration.

GSTN has selected 73 IT, ITeS and financial technology companies and 1 Commissioner of Commercial Taxes (CCT, Karnataka), to be called GST Suvidha Providers (GSPs).GSPs would develop applications to be used by taxpayers for interacting with the GSTN.

9.4.9 Other Legislative Requirements:

Four Laws namely CGST Act, UTGST Act, IGST Act and GST (Compensation to States) Act have been passed by the Parliament and since been notified on 12th April, 2017. All the other States (except J&K) and Union territories with legislature have passed their respective SGST Acts. The economic integration of India was completed on 8th August 2017 when the State of J&K also passed the SGST Act and the Central Government also subsequently extended the CGST Act to J&K.

On 22nd June 2017, the first Notification was issued for GST and notified certain sections under CGST. Since then, 76 notifications under CGST Act have been issued notifying sections, notifying rules, amendment to rules and for waiver of penalty, etc. Twelve, eighteen and one notifications have also been issued under IGST Act, UTGST Act and GST (Compensation to States) Act respectively. Further 47, 50, 47 and 7 rate related notifications each have been issued under the CGST Act, IGST Act, UTGST Act and GST (Compensation to States) Act respectively. Similar notifications have been issued by all the States under the respective SGST Act.

Apart from the notifications, 28 circulars and 11 orders have also been issued by CBEC on various subjects like proper officers, ease of exports, and extension of last dates for filling up various forms, etc.

9.4.10 Role of CBEC:

CBEC is playing an active role in the drafting of GST law and procedures, particularly the CGST and IGST law, which will be exclusive domain of the Centre. This apart, the CBEC has prepared itself for meeting the implementation challenges, which are quite formidable. The number of taxpayers has gone up significantly. The existing IT infrastructure of CBEC has been suitably scaled up to handle such large volumes of data. Based on the legal provisions and procedure for GST, the content of work-flow software such as ACES (Automated Central Excise & Service Tax) would require re-engineering. The name of IT project of CBEC under GST is 'SAKSHAM' involving a total project value of Rs. 2,256 crores.

It was also felt that the organizational structure and deployment of human resources needed a review for smooth and effective implementation of GST. A Working Group has after extensive deliberations and studies, submitted its Report which has been approved by the Government and has since been implemented.

Augmentation of human resources would be necessary to handle large taxpayers' base in GST scattered across the length and breadth of the country. Capacity building, particularly in the field of Accountancy and Information Technology for the departmental officers has to be taken up in a big way. A massive four-tier training programme has been conducted under the leadership of NACIN. This training project is aimed at imparting training on GST law and procedures to more than 60,000 officers of CBEC and Commercial Tax officers of State Governments. Officers of the office of CAG are also participating and getting trained in this training programme. More than 52000 officers (including around 20000 officers from States) have already been trained. Out of these 7000 officers have attended refresher-training course also.

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.

CBEC would be responsible for administration of the CGST and IGST law. In addition, excise duty regime would continue to be administered by the CBEC for levy and collection of central excise duty on five specified petroleum products as well as on tobacco products. CBEC would also continue to handle the work relating to levy and collection of customs duties.

Director General of Safeguards, CBEC has been mandated to conduct detailed enquiry on anti-profiteering cases and should give his recommendation for consideration of the National Anti-profiteering Authority.

CBEC has been instrumental in handholding the implementation of GST. It had set up the Feedback and Action Room which monitored the GST implementation challenges faced by the taxpayer and act as an active interface between the taxpayer and the Government.

EXPERIENCE OF REGISTRATION &RETURN FILING:			
Registration &Returns Snapshot			
S.No.	**Details**	**As on 31-Jul-17**	**As on 21-Dec-17**
1	No. of transited (migrated) taxpayers	71,28,581	70,90,030
2	Of which, yet to be migrated	27,35,378	6,76,926
3	No. of completely migrated taxpayers (1-2)	43,93,203	64,13,104
4	Total No of new applications received for registration	13,51,336	39,59,173
5	No.of applications approved	10,56,973	34,22,609
6	No.of applications rejected	23,375	4,11,149
7	No.of applications which are still in process	2,70,988	1,25,415
8	Total No. of taxpayers; new + migrated (3 + 5)	54,50,176	98,35,713
9	No.of taxpayers who have opted for composition scheme	5,22,438	16,61,494
10	No.of 3 (B) returns filed for July, 2017	#N/A	59,90,466
11	No of 3(B) returns filed for *August,* 2017	#N/A	61,64,384
12	No of 3(B) returns filed for September, 2017	#N/A	61,69,743
13	No of 3(B) returns filed for October, 2017	#N/A	58,06,372
14	No of 3(B) returns filed for November, 2017	#N/A	51,19,965
15	No.of GSTR 1 returns filed for July, 2017	#N/A	49,61,980
16	No.of GSTR 1 returns filed for August, 2017	#N/A	1,25,172
17	No.of GSTR 1 returns filed for September, 2017	#N/A	1,88,243
18	No. of GSTR 1 returns filed for October, 2017	#N/A	24,381
19	No.of GSTR 1 returns filed for November, 2017	#N/A	6,954
20	No.of GSTR 2 returns filed for July, 2017	#N/A	25,72,552
21	No.of GSTR 4 return filed for quarter July-Sep, 2017	#N/A	3,40,592

9.4.11 Frequently Asked Questions released by CBEC

To guide taxpayers in relation to GST matters. CBEC has issued a range of frequently asked questions on 11 sectors and other topics related to GST law procedures, tax rates, specific industry or sector. The information is available on CBEC GST portal http://cbec-gst.gov.inunder Services section as well as on www.cbec.gov.in .

9.5 Customs

9.5.1 Reform measures undertaken for speedy clearance of Cargo and facilitating the trade

(i) SWIFT extended to exporters

Single Window Interface for Facilitating Trade (SWIFT) has been extended to exporters. This has enabled exporters to file a common electronic Declaration on the ICEGATE portal covering requirements of all Partner Government Agencies (PGAs) including Food Safety and Standards Authority of India (FSSAI), Plant Quarantine. Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee. The Benefits of Single Window Scheme include:

a. Reduced cost of doing business

b. Enhances transparency

c. Integration of regulatory requirements at one common platform reduces duplicity and cost of compliance

d. Optimal utilization of manpower.

(ii) Revamped AEO programme

Central Board of Excise and Customs (CBEC) has merged the two facilitation schemes regarding identification of trusted traders. The Authorized Economic Operator(AEO) an international programme and the Accredited Client Programme(ACP) domestic programme has been merged into a combined three tier AEO programme to further provide facilitation/ benefits to the exporters /importers for efficient custom clearance based on their compliance history.Tier1 compliant traders are those who comply with the land laws Tier 2 compliant traders are those whose security processes are trustworthy with regard to movement of goods and supply chain. If they are compliant. trade with other recognized countries is offered to them additionally. Tier 3 compliant traders are those to whom the Government provides additional benefits.Few of the major benefits include:

a. Self-certified copies of FTA/ PTA origin related or any other certificates required for clearance would be accepted

b. Paperless declarations with no supporting documents

c. Facility of Deferred payment of Import Duty has been introduced and importers certified under AEO Programme (Tier-Two) and (Tier-Three) respectively are eligible for availing the benefit of this provision. This has helped in the reduction of border compliance time.

(iii) Phasing out of physical/ manual submission of documents.

Indian Customs has done away with routine print-outs of several documents related to customs clearance including GAR7 Forms/ TR6 Challans, TP copy, Exchange Control Copy of Bill of Entry and Shipping Bill and Export Promotion copy of Shipping Bill, GAR 7 forms/TR 6 Challans are proof of payment in bank. Bank payment and import declaration are electronically integrated. Therefore there is no need for physical copy.

(iv) Exemption or relaxation for furnishing security/surety along with Bond.

To further simplify the business procedures and reduce burden of compliance cost the norms for taking security / surety along with the Bond has been eased. Departments of Central Government, State Government or Union Territory, PSUs or autonomous institute under the aforesaid governments and Authorized Economic Operators are not required to furnish Bank Guarantee/ cash security or surety on their imports. Importers who are manufacturers or service providers registered under GST with annual turnover above Rs. 1 cr. in the previous year are required to give surety for amount of duty foregone and if unable to provide the surety a bank guarantee/ cash security equivalent to not more than 5% of duty forgone is required to be furnished. For other importers the Bank guarantee/ cash security will not be more than 25% of the duty foregone amount. In exceptional cases where the Assistant Commissioner or Deputy Commissioner has reasons to demand a higher quantum of Bank Guarantee or cash security such cases will be referred to the Jurisdictional Commissioner who may order higher quantum within a limit of 100% of total duty foregone after recording reasons in writing. The exemptions and relaxations are available to importers against whom no prosecution has been launched or initiated under any Act administered by the Central Board of Excise and Customs or State Goods and Service Tax Act or Integrated Goods and Service Tax Act or Union Territory Goods and Service Tax Act during the previous three financial years.

(v) Launch of IDPMS

The Import Data Processing and Management System (IDPMS) has also been launched to facilitate efficient data processing for payment of imports and effective monitoring.

(vi) Mandatory filing of Bill of Entry within 24 hours

With the aim to reduce the dwell time. Indian Customs has made it mandatory to file a Bill of Entry before the end of the next day (excluding holidays) on which the vessel or aircraft carrying the goods arrives at a customs station at which goods are to be cleared for home consumption or warehousing. A late charge for delayed filing of bill of entry has also been prescribed. The importers now have to make payment of duty in the same day in case of self-assessed bill of entry and in case of re-assessment or provisional assessment the importers have one day after the bill of entry is returned.

(vii) Introduction of Facility of Deferred payment of Import Duty

Introduction of Facility of Deferred payment of Import Duty has been introduced and importers certified under AEO Programme-Tier Two and Tier Three respectively are eligible for availing the benefit of this provision. This has helped in the reduction of border compliance time.

(viii) Exemption from collection of Merchant Overtime Fee (MoT) Charges at Container Freight Stations (CFS) and/or Ports. Previously if the shipment had to go beyond normal working hours i.e. midnight 1a.m. or 2a.m.the custom facilities were available on payment of charges. This was known as MoT.

(ix) Dispensing of Mate receipt

Manual issuance of mate receipt for containerized cargo has been dispensed with. Mate receipt was a physical copy given to customs or brokers stating that the container has been received by the shipping line and has been put on board the ship. The requirement of this has been abolished because the Export General Manifest is filed electronically i.e. it provides information of every container on board the ship. This information is now communicated electronically to the customs.

9.6 Drawback

9.6.1 The major work done in Drawback during the period 01.01.2017 to 31.12 2017 is as under.

9.6.1.1 Issues raised in representations and feedback received from trade relating to All Industry Rates of Duty Drawback that were made effective from 15.11.2016 were redressed on priority by certain amendments to the All Industry Rates were made (effective from 15.01.2017 vide Notification no. 03/2017-Customs (NT) and dated 12.01.2017. Circular No. 02/2017-Customs dated 13.01.2017 issued explaining the amendments in Notification No. 131/2016-Customs (N.T.) dated 31.10.2016 regarding AIRs of Duty Drawback.

9.6.1.2 In view of implementation of GST following changes were made in duty drawback-

(a) Vide Notification no. 58/2017-Cus dated 29.6.2017, the work related to fixation of Brand rate of drawback was transferred from Central Excise formations to Customs formations having jurisdiction over place of export. Circular No. 23/2017-Customs dated 30.6.2017, was also issued to guide field formations and stake holders in this regard.

(b) In respect of re-export of imported goods. Notification No. 57/2017-Customs (N.T.) dated ,9/06/2017, to amend Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995 was issued to provide that drawback under Section 74 shall include Integrated Tax and Compensation Cess paid on imported goods upon re-export under Section 74 of the Customs Act. 1962.

(c) Notification No. 59/2017-Customs (N.T.) dated 29/06/2017, issued to amend the Notification No. 131/2016-Cus (N.T.) dated 31/10/2016, to allow the extant Duty Drawback Scheme to continue for a period of three months from 1.7.2017 to 30.9.2017 in order to ensure smooth transition to GST regime and certain changes were made in AIRs of Duty Drawback based on prevailing prices of inputs and export goods, budgetary changes, representations received and for removing anomalies. For ease of the trade and the field formations Circular No. 22/2017-Cus dated 30.06.2017, issued highlighting some of the important changes.

(d) Circular No. 24/2017-Customs dated 30/06/2017, issued to allocate work relating to Duty Drawback for supplies made by DTA units to Special Economic Zones where the SEZ unit issues a disclaimer to DTA unit and DTA unit claims the Drawback. to Customs formations in whose jurisdiction the DTA unit falls.

(e) Circular No. 34/2017-Customs dated 09.08.2017, regarding continuation of pre-GST rates of Rebates of State Levies (RoSL) for transition period of three months i.e. 01.07.2017 to 30.09.2017 for export of garments and textile made-up articles was issued for ease of trade and field formations.

9.6.1.3 Port transition period. Notification No. 88/2017-Customs (N.T.) dated 21.09.2017, was issued to notify the Customs and Central Excise Duties Drawback Rules, 2017 incorporating changes in duty drawback scheme required in the GST regime. Further, to provide and maintain competiveness of export goods in the international market in the GST regime. All Industry Rates (AIR) of Duty Drawback were revised w.e.f. 01.10.2017 vide notification no. 89/2017-Customs (NT) dated 21.9.2017, taking into account certain average parameters including prevailing prices of inputs. input output norms. share of imports in input consumption. incidence of Customs and remnant Central Excise duties paid in manufacturing and processing of export goods, value of export goods etc. For ease of the trade and the field formations, Circular No. 38/2017-Cus dated 22.09.2017, issued highlighting some of the important changes in the AIR of Duty Drawback Schedule.

9.6.1.4 Circular No. 05/2017-Customs dated 28.02.2017, issued for exempting AEO certificates holders from drawal of samples for the purpose of grant of drawback. Circular No. 18/2017-Customs dated 29.05.2017 issued exempting AEO certificate holder (Tier-I) from drawal of samples for the purpose of grant of drawback.

9.6.1.5 Circular No. 06/2017-Customs dated 28.02.2017, providing acceptance of e-BRC of DGFT towards proof of realization of sale proceed for exports with LEO dates

12.08.2012, onwards till 31.03.2014 under drawback scheme issued.

9.6.1.6 Notification No. 08/2017-Customs Dated 23.03.2017, issued to include Seaport located at Hazira (Surat) Port in the list of specified Seaports for import and export under export promotion schemes.

9.6.1.7 Circular No. 10/2017-Customs dated 30.03.2017, providing for manner of examination of carpets for composition price determination etc. for export of Carpet under duty drawback was issued.

9.6.1.8 Circular No. 16/2017-Customs dated 02.05.2017, was issued providing for issuance of simple notice by filed formations to call EODC/proof of fulfilment of EO instead of a Show Cause Notice in EPCG and Advance Authorization cases.

9.6.1.9 Notification no. 22/2017-Customs dated 31.05.2017, was issued to amend Notification No. 73/2006-Customs dated 10.07.2006, which exempts import against duty credit certificate issued under Target Plus Scheme for implementation of Hon'ble Supreme Court Judgement dated 27.10.2015, in CA No. 554 of 2006 filled DGFT v/s Kanak Export. Circular No. 19/2017-Customs dated 31.05.2017, also issued for guidance of the trade and the field formations.

9.6.1.10 Notification No. 79/2017-Customs dated 13.10.2017 was issued to amend various AA/EPCG notifications to extend exemption from Integrated duty/ Compensation Cess and Countervailing duty as per import of goods under the AA/EPCG Scheme for period upto 31.3.2018.

9.6.1.11 Circular No. 47/2017-Customs dated 27.11.2017, issued was to do away with the monetary limits with respect of drawing of samples for the purpose of grant of drawback. in order to further facilitate trade and enhance the ease of doing business. The export shipment shall now be subjected to risk based criteria provided in Risk Management System of CBEC.

9.6.1.12 Circular No. 49/2017-Customs dated 12.12.2017, issued to clarify that CVD leviable under Section 9 of the CTA. 1975 is available as brand rate of duty drawback and also u/s Section 74 of the CA. 1962 as duty drawback.

9.6.1.13 Information relating to legislative and other developments of the Division are being regularly uploaded of the web-site of CBEC incompliance of provisions of the Right to information Act.

9.6.1.14 Efforts are being made to introduce e-file system to the extent possible.

9.7 Anti-Smuggling Performance

9.7.1 The Anti-Smuggling Unit assists the Central Board of Excise & Customs (CBEC) in the formulation of the policy and provisions of logistics for effective implementation of anti-smuggling measures through the Directorate of Revenue Intelligence (DRI), Directorate of Logistics (DoL) and other Customs Field Formations. The Anti-Smuggling Unit coordinates with other Ministries, National Security Council Secretariat (NSCS), Central Economic Intelligence Bureau (CEIB), Economic Intelligence Council (EIC) and National Committee on Strengthening Maritime and Coastal Security (NCSMCS) etc. on issues relating to economic, marine, coastal and national security.

9.7.2 Anti-Smuggling performance (up to November. 2017)

	F.Y.2017-18 (up to November. 2017)	
Seizures effected	**No. of cases**	**Value (Rs. In Crores)**
Outright Smuggling Cases	23206	1711.58
Commercial Fraud Cases	993	1686.29
	No. of cases	**Duty involved (Rs. In Crores)**
Duty Evasion Cases	2024	1056.12
	No. of cases	**Duty (in Crores)**
Amount Recovered	1130	624.67

9.7.3 Measures for strengthening enforcement capabilities:-

As border control agencies, field formations of CBEC keep constant vigil on the illicit imports through ports, airports, Land Customs Stations (LCS), Inland Container Depots (ICDs), Foreign Post Office (FPOs) and Courier Terminals. Each Customs Commissionerate is having intelligence and investigation units for checking smuggling and other commercial frauds. Besides the Directorate General of Revenue Intelligence having pan India presence are the specialized agencies under CBEC involved in anti-smuggling and anti-evasion activities.

CBEC has put in place non-intrusive methods of examination and checking by installing X-Ray Baggage Inspection Systems, Container Scanners and Pallet Scanners to check smuggling by concealment besides deploying marine vessels for patrolling.

Indian Customs has participated in various global multilateral enforcement operations from time to time organized by World Customs Organization (WCO is an intergovernmental organization comprising of customs administration of 180 countries comprising 98% of world trade.

9.7.4 Anti-Smuggling Equipments procured during 2017-18.

(i) X-Ray Baggage Inspection Systems (XBIS) have been installed at Airports, Inland Container Depots (ICD), Land Customs Stations (LCS) and Foreign Post Offices (FPO).

(ii) 90 Videoscopes have been procured for various locations.

9.7.5 Projects are under implementation.

(i) Drive-through Container Scanners (Road) at an estimated cost of Rs125 crores at JNPT, Mundra and Cochin ports.

(ii) Mail Inspection Systems at an estimated cost of Rs. 8 Crore. to be installed at 12 Foreign Post Offices.

(iii) Radionuclide Identification Devices (RID) and Personal Radiation Detectors (PRD) to protect Frontline officers from hazardous radioactive substances.

(iv) Laboratory equipments for upgradation of seven CRCL laboratories and 2 laboratories of Govt. Opium and Alkaloid Works at an estimated expenditure of Rs. 29.88 crores.

(v) 82 new X-Ray Baggage Inspection Systems had been installed to replace the old machines and to take care of additional requirements.

9.8 ANTI EVAISION PERFORMANCE

Central Excise:

(Rs in Crores)

Year	No. of Cases	Amount Involved	Recovery during the period
2014-15	2123	4434.80	546.15
2015-16	2366	5296.83	803.77
2016-17	2127	5772.96	794.67
2017-18 (upto Dec, 2017)	614	7241.75	286.28

SERVICE TAX

(Rs in Crores)

Items of work	F.Y 2015-16		F.Y 2016-17		F.Y 2017-18 (upto Dec)	
	No. of cases	Amount of Tax Evasion	No. of cases	Amount of Tax Evasion	No. of cases	Amount of Tax Evasion
Detection	7521	18969.23	8085	17845.66	2938	9659.61
Realisation	9072	4657.95	9616	5313.29	2815	1566.54

GST

July 2017 to November 2017

Detection		Recovery	
No. of Cases	Amount (Rs In Cr.)	No. of Cases	Amount (Rs In Crores)
16	5.70	10	3.08

9.9. Performance Highlights and Acheivement of Directorate General of Performance Management (DGPM)

9.9.1 Analysis of Part V of Monthly Performance Report (MPR) :

As per the Board's instructions issued under F. No. 296/236/2014-CX,9 (Pt-II) dated 17.09.2015 and Member's DOF No, 296/236/2014-CX,9 dated 24.2.2014, the Directorate General of Performance Management (DGPM) is the Functional Owner of the reports prescribed under Part V of the MIS Monthly Performance Report (MPR) of Customs, Central Excise & Service Tax, The monthly reports in Part V in the three streams of Central Excise, Customs & Service Tax are downloaded from MIS web-based utility, compiled and analyzed,

The Monthly Performance Report for Central Excise covers Key Areas viz, Adjudication, Call Book, Provisional Assessments, Refund-Rebate & Bank Guarantee, Monthly Performance Report for Customs covers all the Key Areas in Customs viz, Adjudication, Call Book, Provisional Assessments, Refund Bank Guarantee, monitoring of Bonds, Drawback, Monitoring of fulfilment of Export Obligation-EPCG & AA/DFIA, Monthly Performance Report for Service Tax covers all the Key Areas in Service Tax viz, Adjudication Cases, Major Adjudication, Call Book, Provisional Assessments & Refunds, The reports are compiled on the basis of the data of all the Zones and DG-CEI/DRI and every month a note containing our analysis and comments on the performance of various Zones on the above mentioned Key Areas is sent to the Member (Central Excise)/(Customs)/(Service Tax) & Commissioner (Coordination), A copy is also marked to the Chairman, The analysis indicates top 5 Zones showing highest pendency in each of the Key Area,

9.9.2 Monitoring of Key Areas of Performance:

To monitor the performance of the Zones in key areas, DGPM has been communicating with the Zonal Chief Commissioners exhorting them to supervise the areas where their Zones are lagging in performance viz. Central Excise/ Customs/ Service Tax,

9.9.3 Inspection of field formations:

The DGPM is tasked with inspection of field Commissionerate to ensure that the field offices are working as per Board's policy guidelines, This is ensured through a periodic review of Commissionerate records, making an assessment of how the formation is performing and issuing inspection note highlighting the specific shortcomings with observed trends, if any, A copy of the inspection report is also sent to the zonal Chief Commissioner, The field Commissionerate is required to send its compliance to ensure that the shortcomings are removed in a time bound manner.

Board has revised the norms of frequency for inspection of field formation Central Excise, Customs and Service Tax vide BMB No, 32/ 2010 dated 12,5,10, As per the new norms, DGPM is to inspect the Commissionerate headquarter once in three years, Additional inspections would be based on careful profiling of the risk parameters, Each Commissionerate shall be inspected each year by either DGPM or jurisdictional Chief Commissioners, For this DGPM shall form annual inspection plan allocating Commissionerates for inspection to DGCCI or Chief Commissioner, Accordingly an annual plan is prepared for the year,

(i) CGST:

As per approved Annual Action Plan for the year 2017-18, 51 CGST Commissionerates were scheduled for inspection by DGPM (HQ and its Regional Units), The remaining 56 CGST formations were allocated to jurisdictional Chief Commissioners,

Table showing Numbers of Inspection allotted and conducted:

Formation	Allotted(2017-18)	Conducted (Upto Dec 2017)
CGST HQ	9	7
NRU	9	7
SRU	9	6
ERU	9	3
CRU	6	4
WRU	9	5
Jurisdictional C,C,	56	18*
Total CGST	**107**	**50**

*18 CGST Commissionerates have been inspected as per the information received from jurisdictional Chief Commissioners,

(i) Customs Section:

As per approved Annual Customs Action Plan for the year 2017-18, 23 Customs Commissionerates have been scheduled for inspection by Headquarters and its Regional Units, The remaining 39 Customs formations have been allocated to jurisdictional Chief Commissioners for inspection,

Table showing Numbers of Inspection allotted and conducted:

Formation	Allotted (2017-18)	Conducted (Upto December 2017)
Customs		
Customs, HQ	10	07
NRU	02	01
ERU	03	03
CRU	02	02
SRU	02	01
WRU	04	04
Jurisdictional C,C	38	07*
Total	**61**	**25**

*07 Customs Commissionerates have been scheduled to be completed as per the information received from jurisdictional Chief Commissioners.

9.9.4 Implementation of official language policy:

DGPM is required to function as the nodal agency of Central Board of Excise and Customs for implementing various works relating to Hindi (Rajbhasha) in the field formations and to coordinate with Grih Mantralya (Rajbhasha vibhag), These directions have been approved by the Chairman (CBEC),

In the financial Year 2017-18 (from 01.04.2017 to 31.12.2017) the following major work for promotion of the Official Language was undertaken: -

- ♦ 69 inspections of different field formations with respect to implementation of Official Language Policy during the year are proposed to be conducted,
- ♦ Translation of various materials in Hindi along with new website of DGPM ,
- ♦ Hindi week was celebrated and various competitions were held,
- ♦ Workshops on Official Language Policy and Unicode were conducted in DGPM,
- ♦ Quarterly Official Language Implementation Committee meetings were organized in DGPM,
- ♦ Incentive scheme regarding Official Language was implemented,
- ♦ Ministry's requisition with regard to Official Language was fulfilled,
- ♦ Correspondences with diverse offices were made,
- ♦ Periodic reports received from Commissionerates and Directorates were reviewed, consolidated and forwarded to Official Language section of Department of Revenue,
- ♦ Quarterly Progress Report of DGPM was prepared and forwarded to Ministry,
- ♦ Orders & Instructions received from Official Language section of Department of Revenue were circulated amongst field formations,
- ♦ Eight Meetings of Hon'ble Parliamentary Committee on Official Language were coordinated and attended, Full help was given in preparations of questionnaire,

Implementation Plan for the Year 2017-18,

- ♦ Official Language inspections of offices under CBEC are proposed to be conducted as per the Annual Programme 2017-18 of Department of Official Language, Ministry of Home Affairs,
- ♦ Participation in forthcoming meetings of Hon'ble Parliamentary Committee on Official Language,
- ♦ Official Language implementation Committee meetings proposed to be organized as per the Annual Programme 2017-18 of Department of Official Language,
- ♦ Periodical review of quarterly Progress report on Official Language received from Commissionerates and Directorates proposed to be done,

- Apart from these, all type of works related to Nodal agency of CBIC for Official Language proposed to be performed,

9.9.5 Process and Sanction refund to Government of Bhutan

Government of India has been annually paying refund of excise duties collected on goods exported from India to Bhutan, On reference from MEA, exercise to work out approximate refund amount is undertaken by DGPM, The documents regarding claim of refund from Bhutan are sent from MEA to the Board which in turn are sent to DGPM,

Year (Jan - Dec)	Amount of refund (in Rs.)
Amount claimed for the year 2015	**Rs, 300,24,84,964**
Amount Finalized	**Rs, 291,69,23,214**

9.9.6 Conduct of examination for issuance of license to Customs Brokers (CB):

Customs Brokers examination at all India level is being conducted by the DGPM in terms of Customs Brokers Licensing Regulations (CBLC), 2013 issued vide notification no, 65/2013-Customs (N.T) dated 21.06.2013. The examination consists of two parts, written examination & oral examination, The written examination is conducted on all India level, The successful candidates are called for oral examination, being held at 5 different centres, The mark sheets are prepared at DGPM Hqrs, Delhi for both written and oral examination are sent to the jurisdictional Commissionerates for declaration of result at their end.

In 2017, written examination under Customs Brokers Licensing Regulation, 2013 was conducted on 20.01.2017 throughout India wherein 1180 candidates appeared. The oral examination was conducted from 27th to 30th , June, 2017 wherein 447 candidates appeared.

For CBLR, 2013 written examination is to be conducted on 19.01.2018 advertisement was published in different Newspapers at all India level in the month of May, 2017.

9.10 Directorate General (Human Resources Development)

9.10.1 Major Achievements of HRM - I Wing of DGHRD for the Year 2017

- Bringing into place the organizational structure prior to the actual implementation of GST w.e.f. 01.07.2017 for smooth transition in the GST regime gave CBEC the head start in GST implementation. This was done by the re-organising Central Excise and Service Tax formations into 21 Zones, 107 Commissionerates, 48 Audits and 49 Appeal Commissionerates, the reorganization also created two Directorates viz, Directorate General of Analytics and Risk Management and Directorate of International Customs while simultaneously strengthening Directorate General of GST Intelligence; National Academy of Customs, Indirect Tax and Narcotics; Directorate General of Taxpayer Service and Directorate general of Systems and Data Management. Induction of online filing of IPR w.e.f. 01.01.2017 and Smart Performance Appraisal Report Recording Online Window 'SPARROW' for online Writing of APAR for the Reporting year 10.04.2017 w.e.f. 01.04.2017.
- Judgement dated 10.04.2017 of Hon'ble Allahabad High Court paved the way for Regularization of Assistant Commissioner 1980-96 batch which could be completed consequent to Allahabad High Court decision. Final Seniority List in grade of Assistant Commissioner (JTS) up to 1996-97 issued on 27.09.2017.
- DPCs have been held for promotion of officers as detailed below;
- DPC for Apex grade held, 3 officers promoted,
- DPC for HAG+ grade held, 31 officers promoted,
- DPC for HAG grade held, 25 officers promoted,
- DPC for regular promotion to SAG held, 31 officers assessed by DPC,
- DPC for SAG held, 113 officers promoted,
- 2 DPC for JAG held, 179 officers promoted,
- 1 DPC for STS grade held, 88 officers promoted,
- JS Empanelment: Proposal of 1988, 1989 and 1990 batches have been submitted to DOP&T.

9.10.2 Major Achievements of HRM - II Wing of DG (HRD) for the Year 2017

(a) Placement related Work:

- Prepared data related to Transfer / Placement of IRS (C&CE) officers as and when called for by Board,
- 1750 representations received from IRS (C&CE) officers for Posting / Transfer from 01.01.2017 to 31.12.2017 were scrutinized for submission to the Board,

- Scrutinized and forwarded the representations received from field formations for deployment of Group A officers in Zones / Dtes to Board. Inputs / data to CBEC and other formations on various HR related issues of IRS (C&CE) officers, whenever called for by the CBEC were provided promptly and meticulously,
- Preparation of vacancy charts in various grades for Placement of IRS (C&CE) officers,
- Based on above data, Board issued 76 Posting / Transfers Orders of 2111 IRS (C&CE) officers from 01.01.2017 to 31.12.2017. Apart from this, Board also issued 16 Orders (involving 27 officers) for posting of officers on deputation basis to other organizations.
- Assisted Board in issuing order relating to nomination of chain / Link Officers in CC/DG grade,
- Work related to preparation of DUE LIST of officers who will be due for transfer during AGT-2018 as per extant Transfer Policy, is in progress which consists of manually checking of HOP of more than 4000 IRS (C&CE) officers,
- Compiled data in respect of pendency of Appeals with Commissioner (Appeals) and Pending Adjudication cases of Commissioner's competency.

(b) Data Bank related Work:

- Updation & maintenance of HOPs of all the Group 'A' officers under CBEC, apart from the creation of new HOPs of newly appointed & promoted Group 'A' officers,
- Compilation of verified data of all those officers whose verified data was not available and scrutiny and verification of approx. 1400 number of verified data received from field formations,
- Updation of Intellimate software and HOPs of all Group' A' IRS (C&CE) officers as per various formation created post-GST cadre restructuring,
- Assistance to the committee formed for examining the officers on unauthorized absence,
- Compilation of Draft Civil List-2018 as on 01.01.2018.
- Assistance to the committee formed for examining the representation of Dr. Lalaiah Dhandem for change in DOB.
- Other major highlights include disposal of representations received for correction in their HOP and in Civil List and publication of Civil List-20 17 thereof, preparation of Compliance report in respect of Board's transfer orders of Group 'A' officers, compilation of officers' list for Expenditure Observers, maintenance of disposition List for every month of all Group-' A' officers, preparation of vacancy/Incumbency Position for all Group-' A' officers.

(c) **56 J related Work:**

- 42 Group' A' officers were screened and reviewed with respect to the provisions of 56 J,
- Similarly, the figure stands to 835 Group 'B' Officers and 403 Group 'C' Officers,
- Bhavishya Software for Pensioners related Work: Till now, total 1117 DDOs have been got registered under "Bhavishya" portal. Further, letters to all the CCOs and the concerned ACs/ DCs, in charge of "not registered" DDOs were issued, after finding their exact address/ formation to which they belonged,
- Creation of NIC mail id of "Non registered" DDOs through Nodal Officer of DGHRD, who were finding difficulty in registering themselves at NIC mail,
- Sending mails to Bhavishya Software Team to delete redundant/ "not in use" DDOs codes, Post GST w.e.f 01.07.2017, after the new ODO Codes were allocated to few new formations, all have been updated in BHAVISHYA software,
- Issuance of letters to all the CCOs regarding issuing of PPOs to the retired employees on regular basis
- Regular correspondence with the PAO office to provide list of redundant/ non-operative DDO codes.

(d) **Swachhta Action Plan related Work:**

- Implementation of SAP is being closely monitored by the office of the DGHRD and the photographs of the implementation of SAP have been uploaded on the portal www.swachhtaaactionpaln.com. Further, the reports are being sought quarterly from all the Zones/Directorates under CBEC. They have sent Projects related to Swachhta Action Plan. Further, "Swachhata Pakhwada" from 16th January 2018 to 31st January 2018 was scheduled and action plan was circulated to all the field formations under CBEC, which was to be monitored by

DGHRD, by way of seeking photographs and reports, the compiled version of which, shall be monitored by DGHRD, by way of seeking photographs and reports, the compile version of which shall be sent to the Board,

- Further, Swachhta Team of DGHRD has inspected few Zones with respect to Swachhta and reports were submitted to concerned CCs.

(e) Allocation related Work:

- Allocation of Stenographer Grade-II (446) in CBEC through SSC Examination. Verification of Options given by the candidates (Stenographer Grade-II (No. of Options 24) and checking the allocation of the candidates to the field formations selected through Examination for appointment to the grade of Stenographer-II, Option Sheets of all the candidates (446) selected through Examination for CBEC were scanned and converted in PDF form.

- Collection of information regarding DR Quota Vacancies in the grade of Inspector (CE/PO/ Examiner)TA/Stenographer Grade-II/JHT/ Havaldar/MTS/Canteen Staff / Motor Driver/ Executive Assistant for the years 2016 and 2017.

f) Policy related work:

- The office of DGHRD actively assisted the Board in various HR Policy related matters,

- Comments were sent time to time to the Board on all the 4 TARC Reports, apart from the processing and replying of various VIP references,

- Comments on various Representations of different grades' Staff Associations were also sent to the Board from time to time,

- From 01.08.2017, a new system of Online uploading of Reports by field formations on DGHRD website has been started thus doing away of sending Reports through Speed-post resulting in saving paper and timely report collection. User ids and Passwords have been circulated to field formations for login into the system for the same.

- Preparation of various Reports of the Working Groups as formed by the Board from time to time on various policy issues:

- Matters such as Re-engineering of the functioning of all the Customs Preventive formations (Report submitted in March, 2017) and Various HR and promotion related issues of Havaldars (Report submitted in July, 2017) were actively taken up.

9.10.3 Major Achievements of EMC Wing of DGHRD for the Year 2017

- The Expenditure Management Cell (EMC), DGHRD, is mandated to act as the Nodal Authority in respect of all Budget matters for the Grant No. 35 - Indirect Taxes,

- Consequent to proper budget planning by EMC Wing of DGHRD, substantial additional Supplementary Demand (in the 1st and 2nd phases) of Rs. 1760.49 crore was secured to fulfil the urgent fund requirement for setting up/hiring new offices created under GST, for payment of GSTN user charges and development of software for GST, etc.

- Timely securing of funds in FY 2017-18 could enable purchase of 210 ready built flats at a cost of Rs. 207.00 crore at Khargar from CIDCO,

- For the first time, an "EMC Manual" on budgeting and expenditure procedures incorporating the updated GFRs2017, and relevant instructions by Deptt. of Expenditure has been drafted in DGHRD, It is likely to be published within FY 2017-18,

- Since the previous 3 years, the trend of expenditure is almost 100due to effective planning and close monitoring of expenditure trends. In 2016-17, it was 99.52% (out of Rs.5830.50 crore, the expenditure was Rs. 5802.43 crore) and the trend in FY 2017-18 vis-a-vis corresponding months of previous FY is consistently ahead, This is exceptional as more often than not, the funds were surrendered hitherto and had been inviting adverse audit objections

- As a Digital India initiative, EMC wing promoted the usage of procurements using e-procurement and Government e-Marketplace (GeM). To generate awareness, trainings at several sites all over the country (Hyderabad, Pune, Delhi Customs, Amritsar, Chandigarh, Kolkata, Goa and Kochi) have been conducted in FY 2017-18. A Standing Committee has been constituted to closely monitor the progress of procurements using GeM.

- For the first time, in 2017, norms for deploying

2198 operational vehicles in the new reorganized GST formations have been prescribed by EMC wing. This will enable correct fund provisioning in future.

9.10.4 Major Achievements of Infrastructure Division, DGHRD for the Year 2017

(i) Construction proposals sanctioned during F.Y. 2017-18 (as on date)

S. No.	Proposal in brief	Amount (in Rs.)	Date of A/A & E/S
1.	Construction of Office-cum-Residential Building and Boundary Wall on 6 acres of land purchased from Jalandhar Improvement Trust at Surya Enclave, Jalandhar-Amritsar By Pass, G.T, Road, Jalandhar.	67,23,56,189/-	04.08.2017
2.	Construction of Office building for Central Excise Commissionerate and Customs Division, Bhavnagar	40,61,74,023/-	30.08.2017
3.	Construction of residential quarters, Guest House/Multipurpose Hall and Boundary wall at Land Customs Station Raxual.	11,85,37,303/-	22.09.2017
4.	Construction of multi-storied (G+ 18) new residential quarters in the campus of Chennai Revenue Quarters, Anna Nagar, Chennai after demolition of old quarters.	348,77 ,24,000/-	13.10.2017
5.	Construction of office building at Jamnagar.	43,66,56,000/-	13.12.2017

(ii) Land proposals sanctioned during F.Y. 2017-18(as on date)

S. No.	Proposal in brief	Amount Sanctioned (In Rupees)	Date of A/A &E/S
1.	Acquisition of land at Rajnandgaon on outright purchase basis from Chhattisgarh Government for construction of residential &office building for C. Excise &CGST Range, Rajnandgaon - grant of post facto ala &e/s.	25/-	17.04.2017
2	Transfer of Salt Department land of area 2023.43 Sq Mtr to the Central GST Department for construction of Commissionerate and Staff Quarters at Kakinada.	14,01,000/-	18.05.2017
3	Payment of Total Station Survey charges to be conducted by CPWD for plot of land at Mulund Survey No. 389 Pt., CTS No.1069 Pt. belonging to CGST &Central Excise, Navi Mumbai Commissionerate	77,806/-	05.07.2017
4	Administrative approval & Expenditure sanction for payment of Service Charges to M/sCIDCO in respect of plot no. 16, Sector- 7, Kharghar, Raigad, Maharashtra allotted to the Commissioner of Customs & Central Excise, Raigad	34,74,119/-	30.08.2017
5	Purchase of land admeasuring 3.50 Acres from Government of Kerala for construction of RTI, Munnar (Kochi)	14,16,50,900/-	05.09.2017
6	Administrative approval and Expenditure Sanction for payment of ground rent in respect of plot of land located at Retail Business Centre, Nangal Raya, New Delhi	12,70,000/-	15.09.2017
7	Acquisition of Land for Jaigaon (LCS) (Passakha on Bhutan Side)	1,69,67,178/-	21.09.2017

(iii) Ready Built Accommodation proposals during F.Y. 2017-18 (as on date)

s. No.	File No.	Sanction order No.	Zone / Commiss ionerate	Subject	Amount (In Rupees)	Revalidation
1	917/04/RBF/CIDCO-Khargar/HRD-ID/2016	RBFI03/2016-17-SANCTION Dated 23.12.20 I 6	Customs Mumbai	Purchase of 210 (150 MIG + 60 HIG) Ready Built flats from CTDCO at Khargar Mumbai.	164.02 Crore	15.05.2017
2	917 /03/RBF/HRD-ID/2013/Pt.	RBF 102/2016-17-SANCTION Dated 20.12.2016	Central Excise, Guwahati	Purchase of ready built office accommodation (1,03,951 Sq. Ft.) from HOUSEFED, Assam at Fency Bazar, Kedar road, Guwahati.	87,28,62,022/-	09.05.2017

9.10.5 Major Achievements of Welfare Division, 1& W Wing, DGHRD for the Year 2017

- **Cash Awards:**377 Cash Awards to the meritorious children of Departmental officials on the basis of their performance in the 10th / 12th Board Examinations have been approved by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec.2017) involving an amount of Rs.20.99 Lakhs.

- **Scholarships:**121 Scholarships were sanctioned to the children of Departmental officials for pursuing the undergraduate level professional courses by the Governing Body of the Customs &Central Excise Welfare Fund during the financial year 2017-18 (till Dec.2017) involving an amount of Rs, 24.07 Lakhs.

- **Medical:**65 requests for medical expenses of the Departmental officials not reimbursed under CGHS / CS (MA) Rules have been sanctioned by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec. 2017) involving an amount of Rs. 30.75 Lakhs.

- **Ex-gratia:** 72 requests of the widows/ dependents of the deceased/ permanently disabled Departmental officials have been approved by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec. 2017) involving an amount of Rs. 139.5 Lakhs.

- **Guest Houses**: 3 requests / proposals from the field formations for setting up / refurbishing of the Guest Houses have been approved by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec.2017) involving an amount of Rs. 28.80 Lakhs.

- **Canteens/ Kitchenettes/ Tiffin Rooms:** 4 requests/proposals from the field formations for setting up / refurbishing of the Canteens / Kitchenettes / Tiffin Rooms have been approved by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec. 2017) involving an amount of Rs. 8.00 Lakhs.

- **Financial assistance for the Subsidized transport facility for the Staff posted at JNCH, Nhava Sheva, Raigarh:** As reimbursement under the Scheme for partial funding of the subsidized transport facility for the officers / staff posted at JNCH, Nhava Sheva, Raigarh, an amount of Rs.24.01 Lakh was approved by the Governing Body of the Customs &Central Excise Welfare Fund in the year 2017-18 (till Dec,2017).

- **Financial assistance to sports persons:** Amounts of Rs.80,000/- and Rs. 1.75 Lakhs were have been sanctioned by the Governing Body of the Customs &Central Excise Welfare Fund to Shri Joseph Kuok, Asstt. Commissioner and Shri M. Yogendra, Suptt, for participation international sports competitions/ events in the year 2017 -18 (till Dec. 2017),

- **Financial Assistance for organization of Walkathon in Delhi:**An amount of Rs. *75,000/-* was sanctioned by the Governing Body of the Customs &Central Excise Welfare Fund for organization of Walkathon on 4.11.2017 during the Vigilance Awareness Week by Delhi Customs Zone,

9.10.6 New Initiatives /Schemes:

- A proposal for implementation of PFMS for C&CE Welfare Fund and delegation of powers in favour of the Zonal Chief Commissioners /Directors General for grant of financial assistance under six identified Welfare Schemes is under process in consultation with the Pr.CCA, CBEC,

- A revised scheme for grant of Scholarships to the children of Departmental officials pursuing professional undergraduate level degree courses for the academic years 2014- 15, 2015-16 and 2016-17 and onwards is under process and is expected to be formulated with the approval of the Governing Body of the Welfare Fund during the current financial year,

- A revised scheme for grant of Cash Awards to the meritorious children of Departmental officials on the basis of their performance in the 10th/ I2th Board Examinations for the academic years 2015-16, 2016-17 and 2017-18 and onwards is under process and is expected to be formulated with the approval of the Governing Body of the Welfare Fund during the current financial year,

9.11 E-Governance activities

As a part of good governance through the use of information technology, the following initiatives have been taken:

9.11.1 GeM (Government e-Marketplace)

- **Government e-Marketplace (GeM), the integrated portal, was launched by** DGS&D (under Department of Commerce) on 9th August, 2016.It is an end-to-end procurement system for procurement of goods and services by Government buyers. GeM has been included in GFR 2017 under Rule 149 and has become mandatory,

- The introductory training to Government e-Marketplace (GeM) was organised in August and September, 2016 and was attended by eleven (11) officers/staff of DGHRD,

- A Nodal Officer Account has been created on GeM Portal for procurement of goods and services, So far, in CBEC, 668 orders have been placed on GeM for various goods for office items like vehicles, stationery, photocopy paper, pen, pencil, punch, tag, register, file board, note sheet, tape, highlighter, fax roll, toner, cartridge, computer, printers, UPS, pen drive, water purifier, drinking water cooler and antivirus software,

- Further, EMC, DGHRD has been imparting on-site training for familiarization with GeM and for hands-on training and on-the-spot registration of participating trainee formations,

- Till date, **fifteen (15) trainings** have been conducted all over India at NACEN Faridabad, Mumbai, Shillong, Vadodara, Chennai, Bhubaneswar, Jaipur, Hyderabad, Pune, Delhi, Amritsar, Chandigarh, Kolkata, Goa and Kochi,

- 502 officers from 169 CBEC formations have been imparted the hands on training for enabling procurement of goods and services in the formations of CBEC through GeM portal,

- As on December, 2017, 89 CBEC formations have been registered on the GeM portal for procurement of goods/services available on the portal,

9.11.2 E-Procurement

- In pursuance to the Department of Expenditure's O.M. No. 10/3/2012-PPC dated 30.03.2012, vide which instructions were issued for the implementation of comprehensive end-to-end e-Procurement in respect of all procurements with estimated value of Rs. 2.00 Lakh or more, for the Ministries / Departments of Central Government, their attached and subordinate offices, Central Public Sector Enterprises (CPSEs) autonomous / statutory bodies, DGHRD entered into a contract with NIC to use the e-procurement solution developed by NIC accessible through Central Public Procurement Portal (CPP Portal).

- DGHRD, in coordination with NIC, has organized trainings on e-Procurement in a phased manner to the officers of CBEC in pursuance of the instructions of Department of Expenditure's O.M. No. 10/3/2012-PPC dated 30.03.2012 for implementation of comprehensive end-to-end e-Procurement.

- Consequent to mapping of the organizational structure of CBEC on the CPP Portal by NIC, Login IDs have been issued to 254 Sub-Nodal Officers from different zones ,

- NIC Resource person deputed in EMC, DGHRD has enabled support in floating of 120 numbers of Tenders on the CPP Portal,

9.11.3 Directorate General (SYSTEMS)

The Directorate General of Systems and Data Management performs the critical role of IT enabling all the business processes that fall within the domain of C,B,E,C, as well as work functions of the field formations, From conceptualision, implementation, running, maintenance and upgradation of various IT applications to procurement and maintenance of the IT hardware underpinning the applications, the Directorate performs a vast gamut of roles to build, sustain and strengthen the invisible IT backbone of C,B,E,C's domain functions, It has in a large way enabled the transformation of CBEC into a tax administration which delivers Citizen-centric services through "single window" interface on an "anytime, anywhere" basis, ushered in transparency and accountability, reduced transaction costs, raised the ease of doing business etc,

9.11.4 Customs

The Indian Customs EDI System (ICES) is an EDI based workflow application which enables electronic (1) filing and processing of import and export declarations/ manifests (2) system appraisal of select goods (3) messaging with banks for collection of duties and disbursal of duty drawback and (4) messaging with custodians and other agencies concerned with cargo clearance, Operational at 215 locations, ICES cover more than 98 of the country's international trade consignment wise and 90 value wise, With more than 200 crore hits annually, the e-commerce web portal, Indian Customs EDI Gateway (ICEGATE), is the single point of interaction between ICES and partners in the Customs community and provides such services as registration, e-filing, e-payment,document status and helpdesk as well as data exchange between Customs and various regulatory and licensing authorities, Facilitation of compliant trade (with concomitant reduction in transaction costs and cargo dwell time) and targeting of non-compliant or risky transactions is achieved through the Risk Management System, The Single Window Interface for Facilitating Trade (SWIFT) acts as the single point interface between importers on the one hand and Customs and six major Participating Government Agencies (PGAs) on the other, SWIFT enables importers to file a common electronic 'Integrated Declaration' which compiles the information requirements of Customs, FSSAI, Plant Quarantine,Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee and replaces nine separate forms earlier required by these agencies,

In the GST regime, the front-end interface for business processes such as registration, Return, Payments and Refunds is GSTN portal, Appropriate CBEC-GST Application is under development to manage the back-end functionalities like receipt, storage, processing of API data, presentation of data to the departmental user for decision taking, analysis and reporting, The Registration Module to deal with new applications and migrated registrants, amendment and cancellation processes is in place and Returns, Payments, Refund modules are under development, The Application also takes care of Tax Compliance Monitoring and Verification System of Audit, Investigation, Dispute Resolution and Recovery by way of building appropriate front-end and back-end modules independently, A GST mobile application has been launched which enables taxpayers to readily access a host of GST information, provide feedback and contact CBECs 24x7 helpdesk *a* CBEC Mitra" through a toll-free number or email, at the touch of a button,

9.11.5 Central Excise

Automation of Central Excise &Service Tax (ACES) (now restricted to the goods which continue under Central Excise levy) is a comprehensive workflow based application for ell processes related to Central Excise duties, such as registration, filing of returns and refunds, payment of duty, dispute resolution etc, and also enables online PAN and IEC verification,

9.11.6 Enterprise Data Warehouse

C,B,E,C is one of the first government departments to have implemented an Enterprise Data Warehouse, a central repository of clean and consistent, near real time data pertaining to the taxes/duties collected by CBEC, It employs best-in-class Business Intelligence tools for online analytical processing and data mining, and is today the primary source of data and reports required by C,B,E,C, other ministries and external agencies,

9.11.7 Advance Passenger Information System (APIS)

On account of an increase in the number of passengers travelling on international flights, the challenges before the Air Customs to prevent smuggling of commodities such as gold, fake Indian currency notes, narcotic drugs &psychotropic substances etc, have increased in recent times, 'Advance Passenger Information System' (APIS) is an application that assists in profiling of international passengers, so that clearance of bona-fide passengers is facilitated and suspects can be identified for suitable action, The application has been implemented at all major international airports in the country and has proved to be of immense help in detecting cases of smuggling,

9.11.8 Major achievements in 2017

In anticipation of the ushering in of the GST regime, DG Systems, CBEC significantly augmented and upgraded the IT infrastructure (hardware, networks, connectivity etc,) at the central and local levels, and is implementing a new business application (CBEC-GST) that caters to the functionalities of receipt, storage and processing of data to do with registration of taxpayers in the GST regime, and subsequent activities such as filing of returns, payment of taxes etc,

Post roll out of GST, the Central Tax authority viz, CBEC is facilitating taxpayers 24x7 in their transition to GST by through Help-Desks, mobile apps as well as twitter, It is working closely with State GST administrations in allocation of taxpayers amongst the two administrations, This exercise is covering more than 65 lakhs existing taxpayers either of Central Excise, Service Tax or State VAT who have migrated to the GST regime and around 32 Lakhs persons who have taken new registration, To promote 'Digital India', different modes of digital payments allow the taxpayer anywhere tax payment facility and online invoices allow seamless transfer of input credits between suppliers across India,

DG Systems, CBEC is especially geared to facilitate exporters by providing automated clearances of export goods and timely grant of refunds, Thus, after introduction of GST, more than 50 Customs ports/airports, ICDs etc, have been brought online within a short period of 2 months, taking the total number of Customs EDI sites to 215, This has ensured seamless flow of credit and refund of IGST for exports,

A sound IT system is the backbone of an efficient GST and DG Systems, CBEC is making available required IT utilities to taxpayers to enhance the ease of doing business as well as achieve revenue collection targets; IGST averaging Rs,20,000 crore and Compensation Cess of average Rs, 700 crore is being collected each month on imports,

Another significant measure that DG, Systems, CBEC has taken during the year is the operationalisation of an application (Express Cargo Clearance System) that enables faster clearance, better compliance, enhanced data security and paperless processing of express cargo,

9.11.9 Central Excise

a) With the implementation of OST, the new Central Excise Rules, 2017 and CENV AT Credit Rules 2017 have been notified vide notification no, 19/ 2017-CX dated 30,06,2017 and 20/2017-CX dated 30,06,2017,

b) After phasing out of excise exemption, w,e,f, 01,07,17 for the units located in the Himalayan states, J&K and north eastern states, new scheme of budgetary support for these eligible units was drafted and forwarded to Deptt, ofIndustrial Policy & Promotion (DIPP) for issuing notification, The scheme was notified on *5,10,17,* Two circulars 1060/9/2017- CX and *1061110/ 2017-CX* dated 27,11,17 and 30,11,17 respectively were issued for implementation of scheme of budgetary support by the field formation of CBEC,

9.12 Litigation Managements

(i) Proposals received from field formations for filing Special leave Petitions (SLPs) in Supreme Court against High Court orders in central indirect taxation matters are examined critically at the higher level in the Board and opinion of the Ld, Law officer also taken through Ministry of Law & Justice so that the SLPs are filed only in deserving cases,

(ii) Department in consultation with Ministry of Law and Justice filed Transfer Petitions in Supreme Court, where petitions are pending in various High Courts involving identical issue so that Supreme Court is able to adjudicate the issue timely and conclusively,

(iii) The Department has issued a number of instructions to guide and streamline the

litigation in respect of GST related petitions in High Courts,

9.12.1 Engagement of Counsels:

Legal Cell engages/appoints Senior Standing Counsels and Junior Standing Counsels for conducting CBEC matters before various High Courts etc, Accordingly, a panel of 120 Sr/Jr, Standing Counsels has been constituted on 5th October, 2017, Department also appoints retired officers (IRS;C&CE) as Special Counsels to conduct CBEC cases before CESTAT etc, Special Public Prosecutors (SPPs) are also appointed by department for handling criminal matters at various Lower/Session/High Courts, CBEC has issued instructions streamlining the procedure for selection of SPPs, In exceptional cases Special Fee Counsels are also appointed by CBEC with the concurrence of Ministry of Law,

9.12.2 Functions of the formation include following list of Subjects:

i. Examination of the proposal for filling CA before the Supreme Court against orders passed by the CESTAT, The jurisdictional Commissioners are required to first examine each order of the CESTAT and send CA proposal in deserving cases,

ii. Briefing the Advocates; handling appeals in Supreme Court as and when required,

iii. Issue of implemental or other instructions,

iv. Settlement of disputes between one Govt, department and another and one Govt, department and public sector undertaking,

v. Appointments of Committee of Chief Commissioner/ Commissioners for the purpose of review of Order in Originals and Order in Appeals for Customs and Central Excise,

vi. Legislative work relating to CESTAT under Customs Act, Central Excise act and Finance Act and related work

- Highlights of performance and achievement of judicial cell include monitoring of Withdrawal of appeals by field formations with regards to which it is informed that as on 15,12,2017, the Department was able to withdraw 6005 appeals out of 6213 total appeals filed for withdrawal from CESTAT and High Court on the ground of low monetary limits and identical cases decided by the Supreme Court as part of National Litigation Policy of reduction in litigation, Thus the success rate of 97% has been achieved in withdrawal of departmental appeals as on 15/12/17,
- The Department is also in advanced stages at the process of increasing monetary limits for filing of appeals in CESTAT/HC and Supreme Court and introducing a monetary limit at the level of Commissioner (Appeals) as part of National Litigation Policy and the file has been sent to the competent authority for approval, After this is implemented, more departmental cases would be withdrawn,
- As part of the continuing drive to reduce litigation, the pendency of legacy cases as on dated 30.06.2017, before the Commissioner (Appeals) was sought to be reduced by first legally empowering other Commissioner rank officers in a Zone to hear these appeals and then redistributing the cases among them.

9.13 Gender Issues/Empowerment of Women and girl child

A Committee has been constituted in each Commissionerate/ Directorate on the recommendations of Hon'ble Supreme Court and the National Commission for Women, to look after the complaints of women employees regarding sexual harassment.

The Directorate General of Human Resource Development has also taken specific initiatives for welfare of women.

The amount granted as ex-gratia financial assistance to the widows/dependents of the Departmental officials (in case of death during anti-evasion/anti-smuggling/anti-narcotics operations or death in harness) has been enhanced w.e.f 03.10.2012. During the financial year 2017-18, an amount of Rs.97,00,000/- was sanctioned in 50 cases as ex-gratia financial assistance to the widows of the deceased employees who died while in service.

In Cash Award scheme, the eligibility criterion for the girl child has been relaxed since the year 2007-08 wherein they require marks 5% lower than boys for grant of Cash Awards. The amount of Cash Award granted to girls is Rs.1,000/- more than the boys. During the financial year 2017-18, out of total 377 Cash Awards granted, 214 Cash Awards involving an amount of Rs. 12,84,000/- were granted to the girl children.

Under the revised Scholarship Scheme, eligibility criterion has been relaxed since the year 2006-07 for the girl child in terms of the rank they obtain in the Entrance Test/Examination. During the current financial year 2017-18, out of total of 121 Scholarships granted, 48 scholarships involving an amount of Rs. 9,16,292/- were granted to the girl children.

9.14 Activities undertaken for Disability Sector, SCs & STs and other Weaker Section of Society

The policy of reservations for SCs/STs/OBCs and disabled persons in Government employment, in direct recruitment and promotion, has been followed in letter and spirit. The matters concerning representation of SCs/STs/OBCs and Persons with Disabilities in CBEC are attended on priority and their grievances are redressed.

Cash Award Scheme: the meritorious children of departmental officials are given Cash Awards on the basis of their performance in Board Examinations of class 10th & 12th. Under that scheme, the eligibility criterion has been relaxed for SC/ST/OBC categories. The eligibility criterion has been relaxed by 10% for SC/ST category and 6% for OBC category.

During the current financial year 2017-18, out of 377 total Cash Awards granted, 149 Cash Awards involving an amount of Rs. 8,24,000/- have been granted to the children of Department officials belonging to SC/ST/OBC categories.

Scholarship Scheme: A scholarship scheme is in operation in which scholarship to the children of officers/staffs of the Department are granted for pursuing under graduate professional courses. Under Scholarship Scheme, the eligibility criterion has been relaxed for the children of Departmental officers/staff belonging to SCs/STs/OBCs categories, i.e they are eligible for grant of scholarship irrespective of ranks once they secure admission on the basis of common entrance test.

Scholarships are also granted to the children of the Departmental officials where admissions have been secured by them on the basis of the percentage secured in the 12th exams. The eligibility criterion has been relaxed for the children belonging to the SC/ST/OBC categories, wherein the SC/ST category candidates require 10% lower, and that of OBC category 6% lower, than the percentage required for general category for grant of scholarships.

During the financial year 2017-18, out of total 121 scholarships granted, 47 scholarships involving an amount of Rs. 10,48,074/- have been granted to the children of Departmental officials belonging to SC/ST/OBC categories.

9.15 Sevottam Implementation

As a part of the Central Government initiative to improve the quality of public services, the Central Board of Excise & Customs (CBEC) was identified as one of the organizations with large citizens' interface to implement the quality management system for public services. This is based on Indian standard IS 15700:2005, prepared by the Bureau of Indian Standards (BIS), under the name "SEVOTTAM".

The Citizens' Charter, revised in terms of the requirements of IS 15700:2005 (Quality Management Systems – Requirements for Service Quality by Public Service Organizations) was prepared and issued on 1st December, 2008 after approval of the Board. The service organizations are also required to establish a documented procedure for complaints handling process. Improvements in the delivery infrastructure to meet promises made in Citizens Charter have been identified as sine qua non to sustain services. After detailed deliberations, CBEC has adopted the Centralized Public Grievance Redress and Monitoring (CPGRAM) Systems in May, 2009. A Service Quality Manual (SQM) has already been circulated by CBEC for creating capability in all the field formations.

10. Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

10.1 Functions/ working of the Organisation

10.1.1. The Customs, Excise & Service Tax Appellate Tribunal (earlier Customs Excise & Gold (Control) Appellate Tribunal) was created to provide an independent forum to hear the appeals against orders and decisions passed by the Commissioners of Customs & Excise under the Customs Act, 1962, Central Excise Act, 1944 and Gold (Control) Act, 1968. The Gold (Control) Act, 1968 has now been repealed. Now, Service Tax appeals are filed before this Tribunal under Finance Act, 1994. The Tribunal is also having appellate jurisdiction in Anti dumping matters and the special bench headed by the President, CESTAT, hears the appeals against the orders passed by the designated authority in the Ministry of Commerce. The Head Quarter as well as the Principal Bench of the Tribunal is situated at Delhi and other regional benches are situated at Mumbai, Kolkata, Chennai, Bangalore and Ahmedabad. In order to ensure the speedy disposal of appeals and for the benefit of the litigants and t cater to the needs of the industries of various regions, the Ministry of Finance, vide notification no. 7/2013 has notified the creation of additional three benches of Customs Excise & Service Tax Appellate Tribunal at Chandigarh, Allahabad and Hyderabad_ and three additional Benches each at Delhi Mumbai and Chennai. The regional benches at Allahabad, Chandigarh and Hyderabad have s been set up and started functioning w.e.f. 1.10.2015, 1.12.2015 and 14.12.2015 respectively.

10.1.2 Each Bench consists of a Judicial Member and a Technical Member. To expedite the disposal of small cases with financial stake involving upto Rs. 50,00,000/- [Rs. Fifty lacs], wherein no question of rate of duty or valuation issue is involved, a single member bench is also constituted. The Tribunal is the appellate authority hearing appeals arising against the order of the Commissioner of Customs, Excise, Service Tax and the order of the Commissioner (Appeals). An appeal against the Tribunal's order lies before the Hon'ble Supreme Court in respect of issues such as Classification, valuation etc.

10.1.3 As a result of an amendment by the Finance Act, 1995 the distinction between the special benches and other benches was done away with and now any bench of two or more members is competent to hear all the matters which were earlier being heard at Delhi except anti-dumping matters.

10.1.4 The Tribunal is headed by the Hon'ble President. There are 16 posts of Members (Judicial) and 16 posts of Members (Technical).

10.2 Highlights of the performance and achievements during the year.

10.2.1 In spite of various constraints including several vacancies of Members and required staff, the disposal of the appeals has not been affected. A comparative statement showing the institution and disposal of appeals is given below :

(Nos.)

Year		Institutions		Disposal
	Appeals	**Stay**	**Appeal**	**Stat**
From January, 2017 to November, 2017	**18**	**756**	**35084**	**687**

10.2.2 Effective steps have been taken to dispose appeals wherein high stakes are involved, by setting up of circuit benches at various centres thereby reducing the pendency of appeals. The new benches of the Tribunal at Chandigarh, Allahabad and Hyderabad have also become functional from October/ December 2015, onwards, thereby the disposal rate can be increased and pendency of appeals are reduced considerably.

10.2.3 Speedy disposal of appeals is a major measure to curtail the pendency. Ever since new President Hon'ble Justice Satish Chandra has taken charge, the disposal rate has shoot up and early disposal of all pending appeals are expedited.

10.2.4 Regarding development of North Eastern Region, since Tribunal is a higher judicial appellate body to hear the appeals in the matters of Customs, Excise, Service Tax and Anti-dumping and no bench of the Tribunal is situated in the north-eastern regions, hence, on this point the Tribunal has no information.

10.2.5 Facilities as stipulated by the Government of India vide its Orders/circulars issued from time to time are being extended to the disability sector & SCs/STs & other weaker sections of the society.

10.2.6 As per the O.M. No.13018/4/2009-Estt.(L) dated 08/07/2009 of DOPT, all facilities are being extended to female employees of this Tribunal. To redress the grievances of women, a complaint committee under the Chairmanship of Hon'ble Smt. Archana Wadhwa, Member (J), CESTAT, has been constituted.

10.2.7 The website of the Tribunal was launched in August 2003 and now the cause lists and orders of the Tribunal are being displayed on it. Important judgments are being highlighted specially in separate ICON. Efforts are being made to streamline all the benches of the Tribunal. As for developments which have taken place in the current financial year are like timely updation of judgements and cause list and other information on day to day basis. The same can be accessed by parties, advocates, litigants etc. on cestat.gov.in. Apart from this, the reply to the RTI applications are also being uploaded in the website. To put more information in the website, this Tribunal has undertaken the task in close coordination with NIC. Of late, the NIC has developed a new dynamic website for CESTAT which intends to proactively disclose all information including daily updation of Court proceedings. Some of the areas which are left for computerization in respect of this Tribunal will be sorted out in near future. In line with the DOPT O.M. No. 1/6/2011 dated 15.4.2013, steps have been taken to upload the information on the website of the Tribunal for the benefit of the public.

10.2.8 The Tribunal is trying to strictly adhere to the FRBM Act and rules and limit its expenditures to the budget allocated for the Tribunal. However, due to escalation in prices of various items/ services and sanction of additional benches, the Tribunal had some problem in restricting expenditures to the overall ceiling. However, sincere efforts are being put forward to control the budget for the coming year.

11. Customs, Central Excise & Service Tax Settlement Commission

11.1 Function & Working of the Organization.

The Central Government have constituted the Customs & Central Excise Settlement Commission under section 32 of the Central Excise Act, 1944 vide Notification No. 40/99-CX(NT) dated 09.06.99 and 41/99-CX(NT). The Commission consists of a Principal Bench presided over by the Chairman at New Delhi and 3 Additional Benches at Chennai, Mumbai and Kolkata presided over by Vice Chairman with 2 Members in each Bench. The Commission functions under the Department of Revenue in the Ministry of Finance.

The Settlement Commission has been set up to expedite recovery of Customs, Central Excise & Service Tax revenue locked up in adjudication proceedings. It offers a one time opportunity to tax payers to make a true and full disclosure of their liabilities. Settlement Commission has also been empowered to grant immunities from penalty and from prosecution, thus offering an opportunity to tax payers to settle the disputes expeditiously.

11.2 Highlights of the Performance and achievements of the Commission during the Year is given below:

No. of applications received from April, 2017 to November, 2017	No. of applications disposed from April, 2017 to November, 2017	Duty Settled (Rs. in crores) from April, 2017 to November, 2017
350	105	346.5

11.3 Year-Wise Performance/achievements of the Settlement Commission:-

Year	No. of Applications Received	Disposal		
		No. of Applications Rejected	No. of Application Settled	Duty settled (Rs. in Crores)
1999-2000	3	1	-	-
2000-01	327	28	146	21.28
2001-02	559	63	153	26.64
2002-03	656	105	365	187.51
2003-04	753	141	431	114.04
2004-05	1273	205	1143	181.25
2005-06	1587	283	1207	129.09
2006-07	1960	219	1434	239.02
2007-08	1596	369	2274	507.92
2008-09	857	124	569	125.43
2009-10	723	68	599	67.36
2010-11	885	103	770	114.33
2011-12	959	247	702	462.48
2012-13	1610	74	934	198.06
2013-14	1623	156	1680	482.99
2014-15	1525	353	1469	743.32
2015-16	1262	208	1154	654.31
2016-17	844	174	814	1037.13
2017-18 (upto November, 2017)	350	105	353	346.5
Total	**19352**	**3026**	**16197**	**5638.66**

12. Authority for Advance Ruling (Central Excise, Customs & service Tax)

12.1 Vide Section 93 of the Finance Act, 2017 amending Section 28F of the Customs Act, Authority for Advance Ruling (Customs, Central Excise & Service Tax) constituted vide section 28F of the Customs Act, 1962 has been merged with Authority for Advance Ruling (Income Tax) constituted under section 245-O of the Income Tax- Act, 1961

12.2 Details are given at point number15.

13 Central Board of Direct Taxes

13.1 Organization and Functionss

The Central Board of Direct Taxes (CBDT), created by the Central Boards of Revenue Act 1963, is the apex body entrusted with the responsibility of administering direct tax laws in India. The CBDT consists of a Chairman and six Members, all in the apex scale of pay and ex-officio Special Secretary to the Government. It is the cadre controlling authority for the Income Tax Department. In its functioning, the CBDT is assisted by the following Directorates:

(i) Principal Directorate General of Income Tax (Administration & TPS)
   - a) Directorate of Income Tax (PR & PP)
   - b) Directorate of Income Tax (Recovery & TDS)
   - c) Directorate of Income Tax (Organization & Management Services)
   - d) Directorate of Income Tax (TPS-I)
   - e) Directorate of Income Tax (TPS-II)

(ii) Principal Directorate General of Income Tax (Systems)

(iii) Principal Directorate General of Income Tax (Logistics)
   - a) Directorate of Income Tax (Infrastructure)
   - b) Directorate of Income Tax (Expenditure Budget)

(iv) Principal Directorate General of Income Tax (HRD)
   - a) Directorate of Income Tax (Exam & Official Language)

(v) Principal Directorate General of Income Tax (Legal & Research)
   - a) Directorate of Income Tax (Audit)

(vi) Principal Directorate General of Income Tax (Vigilance)

(vii) Directorate General of Income Tax (Risk Assessment)

(viii) Principal Directorate General of Income Tax (Training)

The Principal Chief Commissioners of Income Tax numbering 18 stationed all over the country supervise collection of direct taxes and provide taxpayer services. Directors General of Income Tax (Investigation) supervise the investigation machinery, which is tasked with curbing tax evasion and unearthing unaccounted money. DGIT (Intelligence and Criminal Investigation) supervises the intelligence gathering and investigation in tax related crimes. CCIT (Exemptions) supervises the work of exemption and non-profit sector across the country and Principal CCIT (International Taxation) supervises the work in the field of International Tax and Transfer Pricing. Principal Chief Commissioners of Income Tax are assisted by Chief Commissioners, Principal Commissioners and Commissioners of Income Tax and Principal Directors General/Directors General of Income Tax are assisted by Principal Directors/ Directors of Income Tax within their jurisdictions. Commissioners of Income Tax posted as CIT (Appeals) perform appellate functions, adjudicating disputes between taxpayers and assessing officers. The Income Tax department has its presence in 530 cities and towns across India, having a tax base of around 8.32 crore at the beginning of AY 2017-18.

With modern information technology as a key driver, the CBDT is implementing a comprehensive computerization programme in the Income Tax Department. The programme is aimed to establish a taxpayer friendly regime, increase the tax-base, improve supervision and generate more revenue for the Government. The endeavour is to promote voluntary compliance by taxpayers and create a non-intrusive and non-adversarial tax administration.

The National Academy of Direct Taxes (NADT) stationed at Nagpur along with Regional Training Institutes at different locations functions under overall supervision of a Pr. Director General of Income Tax (Training) to cater to the training needs of officers and officials.

The Principal Chief Controller of Accounts, CBDT with the assistance of Zonal Accounts Officers is responsible for accounting the revenue collections as well as expenditure incurred by the Income Tax Department.

13.2 Direct Taxes Collections:

13.2.1 The Collections of direct taxes in the current year are showing robust growth. In FY 2017-18 up to January 2018, an amount of Rs.6.95 lakh crore (net of refunds) has been collected, which is 19.3% higher than the amount collected during the corresponding period of last financial year. The growth rate under Corporate Income Tax is 19.2% and that under Personal Income Tax is 18.6%. About 69% of the Revised Estimates for 2017-18 (Rs.10.05 lakh crore) has been collected till January 2018.

13.2.2 The growth in collections under Personal Income Tax (PIT) has been particularly significant, which is indicative of salubrious effect of demonetization on the level of voluntary compliance by the non-corporate taxpayers (individuals, small businesses, etc.). During the period of April 2017 to January 2018, PIT Advance Tax has increased by 22.2.0% and PIT Self-Assessment Tax by 24.0% over the collections under these heads during corresponding period of last financial year.

13.2.3 The number of taxpayers has also increased significantly post demonetization. During the current financial year (up to 7.11.2017), 3.89 crore income-tax e-returns were filed as compared to 3.25 crore e-returns filed during corresponding period of last financial year, which translates into a growth rate of 19.5%. There has also been a large increase in the number of new return filers. Till January 2018, more than 70 lakh new income tax returns have been filed.

13.3 Rajaswa Gyan Sangam

Annual Conference of Tax Administrators, 2017 was held at Vigyan Bhavan, New Delhi on 1st and 2nd September, 2017. This was the first time that the Hon'ble Prime Minister was addressing a joint conference of CBDT and CBEC and the representatives of the State Governments on GST. In order to fulfil the vision of "Sankalp se Siddhi Tak" by 2022, the Prime Minister desired that comprehensive review of the entire system and appropriate reforms be carried out simultaneously at different stages of the business process. Systemic deficiencies/ shortcomings should be identified and technology/ digital coding used for surveillance on each stage of functional chain. To reduce human interface, new online systems like e-assessments etc. should be put in place. The functional areas like assessments and audits, etc. should not be interdependent. He emphasised the need for an Action Plan to liquidate appeals and adjudications in mission mode. He advised a systemic approach to handle tax evasion issues by using technology. He underlined the importance of data collection & intelligence gathering, effective utilisation thereof and advised focussed, meaningful and demonstrative actions. He underlined the need for a strong eco-system to obviate the creation of benami properties, formation of shell companies and indulging in doubtful transactions.

The Hon'ble Prime Minister wanted immediate action in the area of widening of Tax base. He added that in any economically advanced country, the direct tax collections should be more than the indirect tax collections. He desired that the department think about bringing in a new Income tax law, if the need be, to enable the country to widen & broaden its tax base.

13.4 Direct Taxes Advisory Committees

With a view to encouraging mutual understanding between taxpayers and Income tax officials and to advise the Government on measures for removing the difficulties of general nature pertaining to Direct Taxes, a Central Direct Taxes Advisory Committee (CDTAC) at Delhi and 64 Regional Direct Taxes Advisory Committees (RDTAC) exist at important stations. Representatives of Trade and Professionals Associations are also nominated to these Committees. The term of these Committees is two years from the date of their constitution.

13.5 Investigation Division

During the current financial year, the Government has taken several steps, by way of policy- level initiatives and more effective enforcement actions on the ground to tackle the issue of black money. These steps include legislative and administrative measures, creation of more advanced systems and processes with due focus on capacity building and greater use of information technology.

(i) **Search and seizure and survey actions:** During F.Y. 2017-18 (upto November 2017), search and seizure actions were carried out in over 360 groups. The actions in these cases led to seizure of assets worth over Rs. 700 crores and an admission of undisclosed income of over Rs. 10100 crores.

Further, during F.Y. 2017-18 (upto October 2017), over 3100 surveys were conducted leading to detection of undisclosed income of over Rs. 2400 crores.

(ii) **Prosecution & Compounding:** Various measures have been taken by the Income- tax Department (ITD) in the recent past to strengthen the prosecution mechanism with a view to identify the prosecutable cases at the earliest and pursue the same with due seriousness.

During F.Y. 2016-17 over, 1250 prosecutions complaints were filed and 16 persons were convicted. Whereas, during F.Y. 2017-18 (upto October 2017), more than 880 prosecution complaints have been filed and 44 persons have been convicted during this period.

Further, during F.Y. 2017-8, (up to October 2017), more than 650 cases have been compounded.

It may be seen from the above that as part of enforcement measures, a large number of actions were undertaken resulting in detection of undisclosed income, seizure of assets and launching of prosecutions.

(iii) **Action under the Black Money (Undisclosed Foreign Income and Assets) and Impositions of Tax Act, 2015 (" the BM Act")** – The BM Act has come into force w.e.f 01.07.2015 to specifically and more effectively deal with the issue of black money stashed away abroad. With a view to have more expeditions and efficient administrative framework for implementation of the BM Act and for achieving the intended objection of the separate law (BM Act) enacted to deal with undisclosed foreign assets cases, the CBDT has authorized DGIT(Inv.)./ ADIT(Inv.) concerned for exercising the powers and functions of AO under the BM Act vide notification issued during May 2017.

- **Actions under the Benami Transactions (Prohibitions) Act, 1988 :** The amended Act came into force w.e.f. 1st November 2016. The income-tax Department (ITD) has set up 24 dedicated benami prohibition Units across India for taking effective action under the Act. Due to intensive efforts undertaken by the Department, at the end of December 2017, provisional attachment has been made in more than 900 cases of properties under the Benami Act. These include plots of land, flats, shops, jewellery, vehicles, deposits in bank accounts, fixed deposits etc. The value of properties under attachment is more than Rs. 3500 crore including immovable properties of more than Rs. 2900 crore. In five cases, the provisional attachments of *benami* properties, amounting to more than Rs.150 crore have been confirmed by the Adjudicating Authority.

(iv) **Investigation in foreign in foreign assets cases:-** In HSBC bank accounts cases, as an outcome of investigation, undisclosed income of about Rs. 8448 crore has been brought to tax on account of deposits made in unreported foreign bank accounts. Further, concealments penalty of about Rs. 1290 crore has been levied in 164 cases. So far, 199 prosecutions complaints in HSCB cases have been filed in 84 cases. In international Consortium of investigative Journalists (ICIJ) cases, sustained investigations conducted have led to detection of more than Rs. 11,010 crore of credits in the undisclosed foreign accounts so far. 72 prosecution complaints in 31 such cases have already been filed before criminal courts, Investigation in the cases revealed in " PANAMA PAPPERS LEAKS have let to initiation of search and seizure action in 41 cases and survey action in 11 cases. In 15 cases, criminal prosecution complaints have been sanctioned. Investigations so far have detected undisclosed credits of about Rs.901 crore.

Revelations on paradise papers were made in The Indian Express newspaper on 6/11/2017 and subsequent days, based upon expose by ICIJ. ICIJ website indicated that the Paradise Papers contain data on offshore entities spread across various tax havens/foreign jurisdictions. The Government Acted on the same day i.e. 6/11/ 2014 to reconstitute the Multi Agency Group (MAG) comprising members of CBDT, ED, RBI & FIU with Chairman, CBDT as Convener to coordinate and monitor expeditious investigation in cases emanating out of Paradise Papers, in addition to ongoing monitoring of investigations into Panama Paper Leaks.

(v) **Action against shell companies:** The Task Force (TF) on Shall companies was constituted under the joint chairmanship of Revenue Secretary and Secretary , MCA in February, 2017 to enable a whole of the government approach to wiping out shell companies indulging in illegal activates. TF has held 6 meeting so far. As decided by the TF, ITD has completed sharing of particulars of shell companies identified during its investigations with SFIO for preparing consolidated database. Data in respect of more than 14000 such entities was shared with the SFIO. ITD is taking appropriate action on the basis of the first set of data received from banks and shared by MCA.

Further, linking of Aadhar with PAN has been made mandatory form July 2017. This significant measure is an important step as it would inter alia reduce possibilities of fictitious / bogus/ dummy persons being made directors of shell companies. It would also enable more effective enforcement actions.

Steps have been taken for integration of PAN and TAN with MCA Portal. E-PAN card for Company Applicants are issued with 1 day (95% within 4 hrs) from March, 2017 onwards.

(vi) **Actions under Operation Clean Money:** The operation which was launched on 31/01/2017 has enabled greater categorization and risk assessment of data on cash deposits to launch more focused punitive actions in the near future. It entails collection of relevant information on cash transactions, its collation and analysis, extensive use of information technology and data analytics tools for identification of high risk cases based on approved criteria, expeditious verification of suspect cases and enforcement actions in appropriate cases. Around 17 lakhs suspicious cases (No. of PANs) identified for further verification. Responses of nearly 11 lakh persons taken online.

(vii) **Other regulatory steps:** Restriction on cash transaction of Rs. 2 lakh or more (Section 269ST of IT Act), no deduction under section 80G if cash donation exceeds Rs.2000 effective from 01.04.2018, restriction on donations of Rs.2000/- or more to political parties otherwise than by a bank account or through electoral bonds, widening of the scope of taxability of receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of Rs. 50,000 and deeming of fair market value as the full value of consideration for computation of capital gains in case of transfer of shares other than quoted shares (Section 50 of IT Act) have been taken. Linking of Aadhar with PAN has been made mandatory for filing Income Tax Returns effective 01.07.2017 and obtaining new PAN.

13.6 Widening of Tax Base

13.6.1 Widening/ Deepening of tax base and increasing the tax-GDP ratio are priority areas of the Government.

In this direction, the following legislative steps have been taken:

(a) Vide Finance Act, 2012, TCS at the rate of 1% was introduced on sale of minerals being Coal, Lignite, and Iron ore for trading purpose.

(b) Vide Finance Act, 2013, TDS was introduced at the rate of 1% on payment for acquisition of immovable property (other than rural agricultural land) having value of Rs. 50 lakh or more.

(c) For expanding the ambit of the TDS provisions, the scope of TDS on interest on bank deposits was expanded vide Finance Act, 2015 by bringing the interest on recurring deposits within the ambit of TDS and also providing that for the purpose of TDS, a bank having core banking solution shall aggregate the interest customer-wise at the bank level to discourage the practice of splitting the deposits among various branches of the bank to avoid TDS.

(d) The scope of TCS has been expanded vide Finance Act, 2016 by providing for TCS at the rate of 1% on sale of motor vehicle of the value exceeding Rs. 10 lakh.

(e) The scope of presumptive taxation for small businesses has also been expanded vide Finance Act, 2016 by providing for new presumptive taxation regime in case of professionals to bring small tax payers and the unorganized sector within the tax fold by reducing the compliance burden of maintenance of books of accounts in case of small business and professionals covered in the presumptive taxation regime thereby widening the tax base also.

(f) A new tax in the form of "Equalisation Levy" (inserted vide Chapter VIII to the Finance Act, 2016) at the rate of 6% of the amount paid was imposed on e-commerce transactions. The Central Government vide Notification. No 37 [SO 1904(E)] dated 27th May, 2016 appointed 1st of June, 2016 as the date from which the provisions of the said Chapter will come into force. The revenue accrued for the Government exchequer through the equalization levy amounts to Rs. 274.2 crore from 1st June, 2016 to the latest 21st February 2017.

(g) A new section 115BBDA was inserted in the Income-tax Act, 1961 (the Act) to provide for additional chargeability of tax on income exceeding Rs. 10 lakh by way of dividends @10% in the hands of shareholders being individuals/ Hindu Undivided Family (HUF)/ Firms.

(h) The Finance Act, 2016 amended the Act to provide that the non-compete fee received/ receivable in relation to not carrying out any profession will be chargeable to tax as an income from business or profession.

(i) Through the Finance Act, 2016 many incentives (Profit linked Deductions/ weighted deduction) available under the Act were phased out which in turn shall enhance tax collection in future.

(j) Through the Finance Act, 2017, the tax rate for the slab of income from Rs. 2.5 lakh to Rs. 5 lakh was reduced from 10% to 5% in order to encourage voluntary compliance and promote people to file tax returns.

(k) Through the Finance Act, 2017, a new section 194-IB has been inserted in the Act to provide that individuals or HUF (other than those covered under 44AB of the Act) responsible for paying to a resident any income by way of rent exceeding Rs. 50,000 for a month or part of month during the previous year shall make TDS at the rate of 5% of such income as income-tax thereon.

(l) The scope of section 115BBDA of the Act was expanded through the Finance Act, 2017, so as to include all resident assessee except domestic company and certain funds, trusts, institutions etc. within the ambit and impose tax at the rate of 10% on dividend income exceeding Rs. 10 lakhs earned by such assessees. Various measures have also been taken to increase the number of tax payers by not only bringing new tax payers into the tax net, but also to encourage non-filers to file their tax returns. In order to achieve this, information is being collected in a non-intrusive manner. The scope of information collection under the Statement of Financial Transactions (SFT) to be furnished under the amended rule 114E of the Income-tax Rules, 1962 (the Rules) has been widened. Keeping in view the economic framework of the country and policy intent to curb generation and circulation of black money, the threshold limit for reporting specified transactions under rule 114E have also been rationalised. quoting of Permanent Account Number (PAN) has been made mandatory for all transactions above Rs.2 Lakh and for specified transactions in respect of property, shares, bonds, insurance, foreign travel, demat account etc. Moreover, non-intrusive data collection has also been introduced vide insertion of section 139AA in the Act which mandates quoting of AADHAR – the unique identity number – in the Return of Income and PAN application Form. Further, rule 114B of the Rules has been amended to inter alia link specified bank account of an account holder, maintained with a banking company or co-operative bank with the PAN or Form No. 60, as the case may be.

(m) Vide successive Finance Acts; filing of returns has been made mandatory for some of the entities taking tax exemption/deduction including, inter alia, Mutual Funds, Securitisation Trusts, Venture Capital Companies/ Funds, trade unions/ associations, infrastructure debt funds, etc. as referred to in Section 10 of the Act. Similarly, filing of returns has been made mandatory for a resident individual having an asset or financial interest in an entity located outside India, even if he or she may not be earning income chargeable to tax in India.

(n) Important statutory provisions introduced in last few years also include reducing the time frame for filing a revised return, introduction of compulsory fee for delayed filing of income-tax return after the due date instead of earlier provision of levying penalty at the discretion of the Assessing Officer, linkage of PAN with Aadhaar etc.

13.6.2 Besides the above, following proposals have been made in Finance Bill, 2018 in order to widen/deepen the tax base and increase the direct tax-GDP ratio:

(a) In order to use PAN as Unique Entity Number (UEN) for non-individual entities, it is proposed that every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs. 2.5 lakhs or more in a financial year, and the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such person shall be required to apply for allotment of PAN.

(b) With a view to prevent abusive arrangements in order to escape liability of paying tax on distributed profits, it is proposed to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

(c) With a view to bringing clarity and certainty in the taxation of deemed dividends, it is proposed to bring deemed dividends also under the scope of dividend distribution tax under section 115-O of the Act and to tax such deemed dividend at the rate of 30% (without grossing up) in order to prevent camouflaging dividend in various ways such as loans and advances.

(d) In order to minimize economic distortions and curb erosion of tax base, it is proposed to withdraw the exemption under section 10(38) of the Act and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding one lakh rupees. Foreign Institutional Investors (FIIs) will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding one lakh rupees.

(e) With a view to providing a level playing field between growth oriented funds and dividend paying funds, in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to provide that where any income is distributed by an equity-oriented Mutual Fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

(f) In order to check cash transactions by charitable or religious trusts or institutions and to reduce the generation and circulation of black money, it is proposed to provide that for the purposes of determining the application of income under the provisions of section 10(23C) or section 11, the provisions of section 40(a)(ia) and section 40A(3) or (3A) of the Act shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

(g) In line with the provisions of OECD's Multilateral Instrument (MLI), it is proposed to widen the scope of 'Permanent Establishment' to provide that "business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident, subject to certain conditions specified in section 9 of the Act.

(h) In order to bring a large segment of compensation receipts in connection with business and employment within the purview of taxation and thereby prevent base erosion and revenue loss, it is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.

13.6.3 Other steps

- For widening/deepening tax base and increase the tax-GDP ratio, techniques like data mining and data analytics are being used to monitor defaults in filing income-tax return by assessees having potential tax liability under the Non-filers Monitoring System **(NMS).** The list of such cases is generated on the basis of information available from various sources such as Statement of Financial Transaction (SFT) *(High Value Financial Transactions information report),* TDS/TCS Statements etc., The cases are thereafter pushed to the concerned Assessing Officer after prioritization for further necessary action as per provisions of Income-tax Act.

- The Income Tax Department Launched 'Operation Clean Money' on 31st January 2017 for collection, collation and analysis of information on cash transactions, extensive use of information technology and data analytics tools for identification of high risk cases, expeditious e-verification of suspect cases and enforcement actions in appropriate cases, which include searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable. On the basis of data analytics and information gathered during the first phase of online verification under 'Operation Clean Money', in cases where tax-payer had deposited substantial cash in bank account(s) during the demonetization period (8th November, 2016 to 30th December, 2016) but did not file Income-tax return for Assessment Year 2017-2018, further follow up action is being taken.

- In the first batch, around 18 lakh persons have been identified in whose case, cash transactions do not appear to be in line with the tax payer's profile. More than 20,500 I-T returns were selected for scrutiny in 2017 on the basis of cash deposits in their bank account during demonetization. The Department has also issued more than 1.9 lakh notices to such persons in whose bank accounts cash of amount exceeding Rs.15 lakh was deposited during demonetization but they have not filed any return of income.

- A detailed Instruction (3/2017 dated 21.02.2017) was issued to the field formations for electronic verification of cash deposited in bank accounts during the demonetization phase. This measure has led to a significant increase in number of income-tax filers, post demonetization.

- The Income Tax Department has initiated Project Insight to strengthen the non–intrusive information driven approach for improving tax compliance and effective utilization of information in tax administration. A new Compliance Management Centralized Processing Centre (CMCPC) will also be setup as part of the Project for handling preliminary verification, campaign management, generation of bulk letters/notices and follow-up. The new CPC will not only promote voluntary compliance but also enable taxpayers to resolve simple compliance related issues online without visiting the Income tax office.

- The Income Tax Department has also set a target of adding 1.25 crore new return filers during F.Y. 2017-18. Till January 2018, more than 70 lakh new ITR filers have already been added and further efforts are underway.

13.7 Judicial Work

Judicial Division of CBDT is handling work relating to litigation of Income Tax Department by monitoring the disposal of appeals by CsIT (Appeals), appointment of Standing Counsel, Special Counsel and Special Public Prosecutors to represent the Department before judicial fora with a view to ensure that the litigation of the Income Tax Department is minimized and effectively handled.

13.7.1 Direct Tax Dispute Resolution Scheme, 2016

To reduce tax payer grievance and uncertainty caused due to long pending litigation before the Commissioner of Income Tax (Appeals), the Direct Tax Dispute Resolution Scheme, 2016 (DTDRS) was introduced by Finance Act 2016. The scheme provided for various benefits subject to fulfilment of certain conditions. Under this Scheme 8,653 orders have been passed resulting in a collection of total tax of Rs. 631 Crore (approx.)

13.7.2 Processing of Special Leave Petitions (SLP) proposals

The Directorate of Income-tax (Legal & Research) has been notified as an attached office of the CBDT mainly to render technical assistance to the CBDT for examining proposals for filing Special Leave Petitions in the Supreme Court against the adverse judgments of High Courts that are not acceptable. A Chart indicating the number of SLP Proposals received / processed and cases where out of such proposals SLPs were not filed, year-wise is submitted as under:

Year	No. of SLP proposals received	Proposals Not Approved
2011	2288	852
2012	1576	496
2013	1875	704
2014	1519	748
2015	1730	795
2016	1642	892
2017	2289	435

The data of pendency of appeals and amount locked in various years before various fora is as given under:

PENDENCY OF APPEALS AND TAX EFFECT LOCKED UP FOR THE LAST THREE YEARS AND FOR THE CURRENT F.Y.								
F.Y.	**CIT (A)**		**ITAT**		**HC**		**SC**	
	Cases	**Amt. (Rs. Crore)**	**Cases**	**Amt. (Rs. Crore)**	**Cases**	**Amt. (Rs. Crore)**	**Cases**	**Amt. (Rs. Crore)**
2014-15	2,32,126	3,83,797	Data not available		34,281	37,683	5,661	4,654
2015-16	2,58,898	5,16,250	91,971	135,983	32,138	1,61,417	5,399	7,091
2016-17	2,90,227	6,11,227	92,388	143,770	38,481	2,87,817	6,357	8,047
2017-18	2,62,617	4,74,762	94,481	1,66,016	38,864	3,15,107	5,876	9,877

Note:

- *The figures for pendency of appeals and tax effect locked is as per data provided by R&S Wing for CIT(A), HC and SC.*
- *The figures of pendency for ITAT are based upon the flash figures of ITAT Registry, Mumbai. However, the tax effect locked before ITAT is as per data provided by R&S Wing.*
- For the Year 2017-18 the data w.r.t. CIT (A) is up to 31.11.2017 and for the other appellate fora i.e., ITAT, HC& SC is for the quarter ending June 2017.

13.7.3 Measures initiated to reduce litigation before the appellate forums:

a. The Income Tax Department has initiated several measures for reducing litigation with the Tax-payer. One of such measures is the creation of a platform in the form of Central Technical Committee (CTC) to formulate Departmental view on contentious issues. The CTC examines contentious issues and suggests issue of circulars or amendments in the Act. From August 2012 to December 2017, 30 circulars clarifying the Departmental view on contentious issues have been issued by the CBDT on the basis of inputs provided by the CTC. Further, upto December 2017, 27 references have been submitted to the TPL Division of CBDT, suggesting amendments. Also, the Department is taking steps to identify issues, which have been accepted by the Department, to give wide publicity of these issues so as to increase awareness amongst the officers of Department, as well as the Tax-payers, which will reduce litigation.

b. Further, standard procedures for applying provisions u/s 14A and 68 of the Income Tax Act which were generating substantial litigation have been issued. The standard procedure for recording satisfaction u/s 147 has also been issued. It is expected that these will go a long way in minimizing litigation.

c. Two broad categories of appeals pending before CIT (A) are those having tax effect locked in appeals below and above Rs.10 lakh. 66% of the appeals in numbers where tax effect is below Rs. 10 lakh account for only 1.6% of tax effect, whereas 34% of the high demand appeals involving tax effect of more than 10 lakh account for 98.4% of the total tax effect locked in all appeals before CIT (A). Taking cognizance of the high tax effect locked in appeals, the Board had issued directions last year for disposal of appeals having tax effect of more than Rs.100 crore. This resulted in disputed demands of Rs.1.92 lakh crore being unlocked in 362 appeals. This Financial Year also the CsIT(A) have been directed to dispose of all appeals involving tax effect of above 50 cr. which are pending on 31.03.2017 latest by 31.3.2018. It is expected that this measure will reduce that tax effect locked in pending appeals substantially.

d. In order to increase disposal by CIT(A) the target for disposal has been increased and the following target has been given in the Central Action Plan for FY 2017-18:

Each CIT (A) shall dispose of a minimum number of 500 appeals or earn 700 units during the year, which must include disposal in ratios as below:

- Disposal of at least 30% of appeals that involve demand of Rs.10 lakhs and above, and 100% of appeals pending as on 01.04.2017 that involve demand of Rs.50 crore and above.
- Disposal of at least 70% of appeals that involve demand of less than Rs.10 lakhs

e. The monetary limits for filing appeals has been enhanced with retrospective effect and with the directions to withdraw appeals covered by the new monetary limit.

f. Extensive workshops by the Directorate of Income Tax (L&R) have been held at various field stations and Training Institutes to sensitise/train officers about improving quality of litigation.

g. Field formations have been directed to move applications for early hearings, in consultation with the Counsel, in cases which were pending before various appellate forums. Instructions have been issued that Departmental Representatives before ITAT should desist from taking adjournments, particularly in cases where demand has been stayed. It has also been directed that proper representation must be ensured before ITAT.

h. To expedite the process of dispute resolution at the level of ITAT, vide Finance Act, 2016, the provision of sub-section (3) of section 255 of the Act has been amended w.e.f. 1st June, 2016, increasing the income limit for SMC Bench from 15 lakh to 50 lakh.

i. Department has introduced a new functionality of CIT(A) on the Income Tax Business Application (ITBA) platform for e-filing of the appeals before CIT (A). The same ensures transparency and ease of doing business. About 85% of the 1.42 lakh appeals filed in FY 2016-17 were e-filed on ITBA. Further, 31,825 appeals have been filed in FY 2017-18 till Dec 2017. Filing of appeals and their disposal of the same is recorded on ITBA. ITBA has enabled generation of MIS for effective monitoring of appeals.

j. The Central Board of Direct Taxes has taken up an initiative to create an electronic database containing all appeals and decisions of the ITATs, High Courts and the Supreme Court of India, in Direct Tax matters. This project is titled as “National Judicial Reference System”(NJRS) and is a repository of appeals and judgments. It will help in identifying issues, that have already attained finality avoiding litigation on settled issues, bunching of similar cases, prioritization of important cases, capacity building and in tax policy analysis. Upto the month of December, 2017, 9,654 officers of the Department have already registered for use of the NJRS. 1,74,063 Direct Tax Appeal Documents, have been scanned for the NJRS Project. Further, 2,24,266 judgments and data of 6,52,681 appeals have also been made available in the NJRS. The data of the Supreme Court of India, 14 High Courts and 27 ITATs has already been integrated in the NJRS. Further, 157 Circulars and 717 notifications issued by CBDT have been made available in the NJRS.

k. Legal and Research Tracking System (LRTS), tracks SLP proposals from inception to filing. It has contributed in a major way in reducing delay in filing appeals before the Supreme Court. A database of note sheets of past decisions is available for uniform decision making in filing SLPs and bunching appeals entity wise and issue-wise.

l. Vide Instruction No.7/2017, earlier instructions relating to the guidelines and procedures for attending to Revenue Audit objections have been revised. As a step towards reducing litigation, mandatory remedial action in cases where audit objection has not been found acceptable has been done away with.

13.7.4 Matters relating to appointment of Standing Counsel, Special Public Prosecutors and Special Counsel.

(i) **Instruction No. 6/2016 and Instruction No. 7/ 2016.** These instructions, both issued on 7.9.2016, have provided for revised guidelines for engaging the Special Public Prosecutors and Standing Counsel, respectively, to effectively represent the Income Tax Department before various Courts. The Instructions have also increased the rates of fee payable to the counsel, thereby ensuring quality representation before the courts.

(ii) The data of the number of Counsel appointed year-wise for the recent years is provided below.

Category of Counsel	F.Y. 2015-16	F.Y. 2016-17	F.Y. 2017-18 (till date)
Standing Counsel	63	13	55
Special Public Prosecutors	9	10	53
Special Counsel	14	13	21

13.8 TPL Division

❖ Tax policies are formulated in order to mobilize financial resources for the nation, achieve sustained growth of the economy, ensure macro-economic stability and promote social welfare by providing fiscal incentives for investments in the social sector. The underlying theme of the tax proposals for the Budget 2017-18 is stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency of political funding and simplification of tax administration.

❖ The notable legislative measures taken through Finance Act, 2017 include reduction in tax rates for individuals in the income slab of Rs. 2.5 lakh to Rs. 5 lakh, relaxation in tax concessions to Start-ups, relaxation in presumptive taxation scheme to promote digital payments, removal of complexities in chargeability of tax in the case of Joint Development Agreements and relaxation in period of holding for computation of long term capital gains in order to give a boost to the housing sector, Capital Gains exemption to land transfer under land pooling scheme notified under the provisions of Andhra Pradesh Capital Region Development Authority Act, 2014. Further, measures taken in the direction of improving delivery of public services include introduction of 1-page ITR-1 return form for taxpayers having income up to Rs. 50 Lakh from salary and one house property, PAN-Aaadhar linking to eliminate bogus and multiple PANs and allotment of PAN and TAN through a common application form.

13.9 FT&TR Division

13.9.1 Negotiation of Tax Treaties

The Foreign Tax and Tax Research (FT&TR) Division negotiates and finalizes the Double Taxation Avoidance Agreements (DTAAs) which are entered into for twin purpose of (a) allocation of taxation rights between the Contracting States with a view to avoid double taxation and (b) prevention of fiscal evasion through exchange of information, assistance in collection of taxes etc. As on 31.12.2017, 94 DTAAs are in force.

In old DTAAs (before 2009), there were generally no provisions for exchange of banking information. Further, the information could be exchanged only if it was relevant for application of DTAA and not for enforcement of domestic laws. In addition, under the old DTAAs, the information received could generally not be used for non-tax purposes even after the consent of the supplying State. Accordingly, from 2009 onwards, a number of tax treaties were modified through amending Protocols. During the year 2017:

- Protocol for amending the Convention between the Republic of India and the Republic of Austria for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which was signed at Vienna on 8th November, 1999 has been signed on 06.02.2017
- Protocol amending the Agreement and the Protocol between the Government of the Republic of India and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income has been signed on 09.03.2017
- Agreement between the Government of the Republic of India and the Government of the Republic of Cyprus for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income has been notified in Gazette of India on 10.01.2017
- Protocol amending the Convention between the Govt. of the Republic of India and the Govt. of the Portuguese Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income has been signed on 24.06.2017
- Protocol amending the Convention between India and Slovenia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income which was signed at Ljubljana on January 13, 2003 has been notified on 27.10.2017
- The Protocol amending the Agreement between India and Kazakhstan was signed on 6th January, 2017.
- The Protocol amending the Agreement between India and Kuwait was signed on 15th January, 2017.
- Third Protocol amending the Agreement between India and Singapore signed on 30th December, 2016 has entered into force on 27th February, 2017.
- The Protocol amending the Agreement between the Government of the Republic of India and the Government of the Socialist Republic of Vietnam for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income signed on 03.09.2016 has entered into force on 21st February, 2017.
- The Protocol amending the Double Taxation Avoidance Convention (DTAC) between India and Brazil signed on 15.10.2013 has entered into force on 06.08.2017.
- The Third Protocol Amending the Convention between New Zealand and India signed on 26.10.2016 has entered into force on 07.09.2017.
- Revised Agreement between the Government of the Republic of India and the Republic of Kenya for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income which was signed on 11.07.2016 has entered into force on 30.08.2017
- With countries/jurisdictions with which it is felt that there is no need for allocation of taxation rights for avoidance of double taxation, such as offshore jurisdictions, the FT&TR Division negotiates and enters into Tax Information Exchange Agreements (TIEAs) containing provisions for exchange of information. As on 30.12.2017, 19 TIEAs are in force.
- India has also joined the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention) which came into force for India on 01.06.2012 and which provides a wide range of administrative assistance in tax matters, including exchange of information, assistance in collection of taxes, tax examination abroad, joint audit etc. India has been actively pursuing with other countries to join this Convention. As on 30.11.2017, 116 countries/ jurisdictions have signed/joined the Multilateral Convention and it has come into force for 99 countries/jurisdictions as on 15.12.2017.
- The SAARC Countries have signed agreement on Mutual Administrative Assistance in tax matters on 13.11.2005 which came into effect for India from 01.04.2011. It provides wide range of administrative assistance.

- In the modified/renegotiated DTAAs as also in the new DTAAs/TIEAs entered after 2009 and also under the Multilateral Convention and SAARC Multilateral Agreement, the banking information and information for domestic tax purposes can also be exchanged. Further, generally the information received may be used for non-tax purposes if such use is permitted under the laws of both the supplying and receiving State and with the consent of the supplying State.

13.9.2 Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting:

- The Hon'ble Finance Minister Sh. Arun Jaitley signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting at Paris on 07/06/2017 on behalf of India. More than 65 countries, including India, signed the Convention in Paris on 07/06/2017.
- The Multilateral Convention is an outcome of the OECD / G20 Project to tackle Base Erosion and Profit Shifting (the "BEPS Project") i.e., tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid. The BEPS Project identified 15 actions to address base erosion and profit shifting (BEPS) in a comprehensive manner.
- India was part of the Ad hoc Group of more than 100 countries and jurisdictions from G20, OECD, BEPS associates and other interested countries, which worked on an equal footing on the finalization of the text of the Multilateral Convention, starting May 2015.
- The Convention will modify India's treaties in order to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out and where value is created.

13.9.3 Role of Tax Treaties in Prevention of Fiscal Evasion and Tackling of the Menace of Black Money

(i) Effective investigation of tax evasion and avoidance, including unearthing of unaccounted money stashed abroad, is possible only if there is access to information from foreign countries. However, foreign governments, particularly offshore financial centres, are most unlikely to provide information on the basis of just letters or on a plea regarding their moral obligations to prevent tax evasion. Among other factors, parting with information without a legal basis may be challenged in their own Courts and may be against their own public policy or public opinion of their citizens. Such information about money and assets hidden abroad and about undisclosed transactions entered into overseas, can be obtained only through "legal instruments" or treaties entered between India and those countries.

(ii) The "legal instruments" through which information can be efficiently obtained for the purposes of investigation under Indian tax laws are the DTAAs, TIEAs, Multilateral Convention and SAARC Multilateral Agreement, which create a legal obligation on a bilateral basis to provide information. These agreements have, over the years, taken the shape of instruments of co-operation between the countries party to the agreements, for sharing of tax revenues and elimination of double taxation; for the prevention of fiscal evasion, tax avoidance and fraud, primarily through exchange of information in relation to the taxpayers concerned; and for assistance in collection of taxes.

(iii) The Government of India can obtain information which is "foreseeably relevant" for administration and enforcement of domestic laws concerning taxes from 151 countries/jurisdiction under DTAAs/TIEAs/Multilateral Convention/SAARC Multilateral Agreement. With some countries/ jurisdictions, there can be more than one agreement e.g. DTAA as well as Multilateral Convention, under which information can be received. Table at **Annexure-1** lists the countries/ jurisdictions and the current status of tax treaty with that country/jurisdiction.

(iv) Information received under the tax treaties shall be disclosed only to persons or authorities concerned with tax purposes and they may use the information only for such purposes. They may, however, disclose the information in public court proceedings or in judicial decisions, which may for instance be in the form of filing a complaint or prosecution in a competent court. The information so disclosed becomes public and may be used by other law enforcement agencies dealing with corruption, money laundering, terrorist financing etc.

(v) The following additional steps have been taken by the Government in recent past for effectively utilizing the above mechanism of Exchange of Information:

a) In November 2016, India and Switzerland had signed 'Joint Declaration' for the implementation of Automatic Exchange of Information (AEOI) between the two countries. Further, after completion of domestic procedures in Switzerland, a mutual agreement was signed on 21st December, 2017 to enable Switzerland to exchange data with respect to calendar year 2018. As a result, it will now be possible for India to receive from September, 2019 onwards, the financial information of accounts held by Indian residents in Switzerland for 2018 and subsequent years, on an automatic basis.

b) Bilateral meeting was held with the British Virgin Islands in the month of July, 2017 wherein detailed discussion was held on the pendency of requests for information. This has resulted in better responsiveness from the BVI.

c) Meetings were held with other tax authorities on side lines of other international meetings such as those with the tax authorities of France, UK, Switzerland, Norway, etc. These bilateral meetings will help us in making targeted and specific requests for information and to understand the problems, if any, which prevent them in providing the information, and how the same can be addressed.

d) The Central Action Plan issued by the CBDT in June 2017, read with Manual on Exchange of Information, explains the process and emphasizes the need to make exchange of information references seeking information under the tax treaties. The Central Action Plan 2017 also mandates that every Pr. CIT charge will organize training and sensitization programme for making proper references under tax treaties.

e) Regular trainings programs have also been held at places like Mumbai, Delhi etc. to equip the officers with requisite knowledge and skills to make appropriate requests/ enquiries under the prevailing tax-treaties of India, to address the issue of offshore-based tax evasion and Black Money stashed abroad.

f) Steps are also being taken to ensure that the information received from our treaty partners are effectively utilized to combat tax evasion and avoidance.

g) Efforts are also being made to complete investigations quickly and file complaints/ prosecutions in appropriate cases expeditiously.

(vi) Under tax treaties, the Contracting States may also provide information to their treaty partners with a view to prevent fiscal evasion even if no specific reference is received in this regard under "spontaneous exchange of information". As of now, number of information received under this route is not many and efforts are being made at bilateral level to improve cooperation in this regard.

(vii) Under most of the DTAAs and Multilateral Convention, Automatic Exchange of Information (AEOI), which is systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country, is also possible. India is receiving information from some countries under AEOI. However, the information received under the AEOI mostly relates to interest, dividend, salary, pension etc. and further is not in a standard format and thus are not very effective in prevention of offshore tax evasion. The global standard on AEOI has, therefore, been developed under guidance and leadership of G20 countries which has made a sea change in our ability to address offshore tax evasion.

(viii) In many Indian DTAAs, there is provision for assistance in collection of taxes under which the Contracting States are obliged to collect tax dues from assets located in their country. The provision for assistance in collection of taxes is also present in some TIEAs. Assistance in Collection of taxes is also possible under the Multilateral Convention if the signatory country has not given a reservation and also under the SAARC Multilateral Agreement.

(iv) The other form of administrative assistance possible under tax treaties are tax examination abroad, simultaneous examination, joint audit, service of notices, etc. which are presently not being used much.

13.9.4 Tax Issues in G20

India is a leading contributor to the discourse on international tax issues at G-20 in all its meetings at the level of Leaders (represented by Hon'ble PM of India), Finance Ministers, Central Bank Governors and Deputies. The International Tax Issues features prominently in the G20 Agenda and primarily consist of Base Erosion and Profit Shifting (BEPS) and Automatic Exchange of Information (AEOI). The paragraph on tax issues in the recent communique of the G-20 Leaders at the Hamburg, Germany in July, 2017 states as follows:

> *"We will continue our work for a globally fair and modern international tax system and welcome international cooperation on pro-growth tax policies. We remain committed to the implementation of the Base Erosion and Profit Shifting (BEPS) package and encourage all relevant jurisdictions to join the Inclusive Framework. We look forward to the first automatic exchange of financial account information under the Common Reporting Standard (CRS) in September 2017. We call on all relevant jurisdictions to begin exchanges by September 2018 at the latest. We commend the recent progress made by jurisdictions to meet a satisfactory level of implementation of the agreed international standards on tax transparency and look forward to an updated list by the OECD by our next Summit reflecting further progress made towards implementation. Defensive measures will be considered against listed jurisdictions. We continue to support assistance to developing countries in building their tax capacity. We are also working on enhancing tax certainty and with the OECD on the tax challenges raised by digitalization of the economy. As an important tool in our fight against corruption, tax evasion, terrorist financing and money laundering, we will advance the effective implementation of the international standards on transparency and beneficial ownership of legal persons and legal arrangements, including the availability of information in the domestic and cross-border context."*

India has consistently stated that all the committed jurisdictions should strictly adhere to the implementation of AEOI as per the timelines committed to G-20 (i.e. September 2017, 2018) and the Global Forum should evolve mechanisms to effectively monitor and review the same and report to the G20 Finance Ministers and Leaders the progress including in respect of AEOI relationships activated between interested appropriate partners. Timely implementation of the AEOI Standard by the commitment i.e. first exchange by 2017 or 2018 is particularly important as any delay in actual implementation of AEOI may give an opportunity to the tax evaders to close their financial accounts in other jurisdictions whereby the committed jurisdictions would fail to receive the information about their residents rendering the commitment ineffective. The possible defensive measures against jurisdictions that do not exchange information under CRS within the committed timelines need to be finalized quickly. Further, the objective criteria for identifying non-cooperative jurisdictions for defensive measures should also be updated in view of the progress made.

13.9.5 G20/OECD Project on Base Erosion and Project Shifting (BEPS)

Base Erosion and Profit Shifting (BEPS) refers to strategies adopted by taxpayers having cross-border operations to exploit gaps and mismatches in tax rules of different jurisdictions which enable them to shift profits outside the jurisdiction where the economic activities giving rise to profits are performed and where value is created. BEPS has been a cause of concern for developing and emerging economies for long as it erodes their tax base depriving them of much needed resources for developmental activities. It is also unfair to general taxpaying public and further provides an unfair competitive advantage to Multinational Enterprises (MNEs) vis-à-vis domestic companies having no opportunities for the BEPS strategies.

At the request of G20 Finance Ministers, in July 2013 the OECD, working with G20 countries, launched an Action Plan on BEPS, identifying 15 specific actions needed in order to equip governments with the domestic and international instruments to address this challenge. The Action Plan provides for 15 actions to be undertaken to put an end to double non-taxation and ensure that profits are taxed where the economic activities that generate them are carried out and where value is created. The actions outlined in the plan and expected outcome are summarized below:

Action	*Expected Output*
1. Address the Tax Challenges of the Digital Economy	Report identifying key issues raised by the digital economy and possible actions to address them
2. Neutralise the effects of hybrid mismatch arrangements	Changes to the Model Tax Convention
	Recommendations regarding the design of domestic rules
3. Strengthen CFC rules	Recommendations regarding the design of domestic rules
4. Limit Base Erosion via Interest Deductions and other financial payments	Recommendations regarding the design of domestic rules
	Changes to the Transfer Pricing Guidelines
5. Counter harmful tax practices more effectively, taking into account transparency and substance	Finalise review of member country regimes
	Strategy to expand participation to non-OECD members
	Revision of existing criteria
6. Prevent Treaty Abuse	Changes to the Model Tax Convention
	Recommendations regarding the design of domestic rules
7. Prevent the artificial avoidance of PE status	Changes to the Model Tax Convention
8. Assure that Transfer Pricing Outcomes are in Line with Value Creation / Intangibles	Changes to the Transfer Pricing Guidelines and possibly to the Model Tax Convention
	Changes to the Transfer Pricing Guidelines and possibly to the Model Tax Convention
9. Assure that Transfer Pricing Outcomes are in Line with Value Creation / Risks and Capital	Changes to the Transfer Pricing Guidelines and possibly to the Model Tax Convention
10. Assure that Transfer Pricing Outcomes are in Line with Value Creation / Other High-risk transactions	Changes to the Transfer Pricing Guidelines and possibly to the Model Tax Convention
11. Establish methodologies to collect and analyse data on BEPS	Recommendations regarding data to be collected and methodologies to analyse them
12. Require taxpayers to disclose their aggressive tax planning arrangements	Recommendations regarding the design of domestic rules
13. Re-examine Transfer Pricing Documentation	Changes to Transfer Pricing Guidelines and Recommendations regarding the design of domestic rules
14. Make dispute resolution mechanisms more effective	Changes to the Model Tax Convention
15. Develop a Multilateral Instrument	Report identifying relevant public international law issues
	Develop a multilateral instrument

The G20 countries entrusted the work of development of recommendations on these 15-point Action Plan to the OECD. During the G20 meeting, India and some other non-OECD G20 countries raised an issue that the base erosion and profit shifting is a global concern and accordingly the recommendations should be developed through global consensus and not by the OECD countries only. After detailed negotiations in G20, it was agreed that all the eight non-OECD G20 countries (Argentina, Brazil, China, India, Russia, Saudi Arabia and South Africa) would participate in the "Project on BEPS" on an equal footing. The OECD agreed to modify its rules for associating non-OECD G20 countries on an equal footing and a formal letter requesting the non-OECD G20 countries to become an Associate was made. It was also decided that the other developing and low-income countries will also be associated with the work on BEPS and their inputs will be taken while developing the recommendations.

India accepted the offer to become an "Associate" in the BEPS Project through our acceptance letter dated 31st July, 2013. The other seven non-OECD G20 countries also accepted the offer. In accordance with the OECD Council's resolution, the eight "Associates" are participating on an equal footing with OECD countries, including participation in its Bureau in the Committee overseeing the project in the discussions and in the decision-making process. As per this resolution, the Associates "would be expected to associate themselves in the outcome of the project or of the discussions unless they state otherwise".

The CFA has a Bureau consisting of 12 members. The Bureau oversees the progress of the Project and participate in the decision-making process. Since in the BEPS Project, 8 non-OECD G20 countries are participating on an equal footing, it was decided to expand the Bureau to "Bureau Plus" for BEPS Project and it was also decided to include 3 out of 8 non-OECD G20 countries in the Bureau Plus through a process of elections by these 8 countries. Accordingly, India, Brazil, China and South Africa now represent the eight non-OECD G20 countries in the Bureau Plus.

The Indian delegates participated in the meetings of the Focus Group, Working Parties and CFA on an equal footing in finalizing these deliverables with the twin purpose of (a) collaborating with other countries in development of recommendations to prevent base erosion and profit shifting and (b) safeguarding the interests of developing countries in development of new standards.

Developing countries and other non-OECD/non-G20 economies have been extensively consulted through numerous regional and global fora meetings and their input has been fed into the work. Business representatives, trade unions, civil society organizations and academics have also been very involved in the process through opportunities to comment on discussion drafts and their comments were discussed through consultation meetings and webcasts.

The first set of seven deliverables described in the Action Plan was presented to G20 Finance Ministers in September 2014 and to Leaders in November, 2014. These include recommendations for realigning taxation and relevant substance to restore the intended benefits of international standards both in the area of bilateral tax treaties by preventing treaty abuse and in the area of transfer pricing to assure that transfer pricing outcomes are in line with value creation in the area of intangibles and ensuring better transparency for tax administrations and better consistency of requirements for taxpayers through improved transfer pricing documentation and a template for country-by-country reporting.

After an elaborate exercise and discussions in Focus Groups, Working Parties and the Committee of Fiscal Affairs, a holistic package of measures have been agreed upon, and have been made public on 5th October, 2015, and the same was presented to G20 Finance Ministers during the meeting in Lima, Peru on 8th October, 2015 and were endorsed by the G20 Leaders at Antalya, Turkey in November, 2015.

The recommendations made under the BEPS Project will be implemented through domestic legislations and treaty provisions in a coordinated manner, and will be supported by targeted monitoring and strengthened transparency. These measures include the following:

(a) Adoption of minimum standards to tackle issues in cases where no action by some countries would have created negative spill overs (inclusive adverse competitiveness impacts) on other countries such as consistent implementation in the areas of treaty shopping, country by country reporting, fighting harmful tax practices and improving dispute resolution.

(b) Agreement on common approaches for changing domestic legislation relating to neutralizing hybrid mismatches and limiting interest deductibility.

(c) Providing guidance based on best practices for countries which seek to strengthen their domestic legislation relating to mandatory disclosure by taxpayers of aggressive or abusive transactions, arrangements, or structures, and the building blocks of effective Controlled Foreign Company (CFC) rules.

(d) Development and analysis of options to tackle the problems posed by digital economy including digital presence test, introduction of a withholding tax and equalization levy in addition to identification of implementation mechanism to facilitate VAT collection in the country where the consumer is located which is particularly relevant for online ordering and delivery of goods and services.

(e) Launch of an innovative mechanism to update the global network of more than 3 500 bilateral tax treaties. 90 countries had joined an ad hoc group to draft a multilateral instrument which has been finalized and adopted in November 2016. This will implement the treaty-related BEPS measures and facilitate the modification of bilateral tax treaties in a synchronized and efficient manner, without the need to invest resources to bilaterally renegotiate each treaty.

Implementation of BEPS Recommendations

Countries are sovereign and it is therefore up to them to implement the changes but it is expected that they will implement their commitments in the case of the standards, and that they will seek consistency and convergence when deciding upon the implementation of the other measures. G20 and OECD countries continued to work on equal footing to complete the areas which required further work in 2016 and continue to do so in 2017, such as finalizing transfer pricing guidance on the application of transactional profit split methods and on financial transactions, discussing the rules for the attribution of profits to permanent establishments in light of the changes to the permanent establishment definition, a continued examination of the issues relating to the broader question of treaty entitlement of investment funds (other than collective investment funds i.e. non-CIV funds).G20 and OECD countries will keep working on an equal footing to monitor the implementation of the BEPS measures. The monitoring will consist of an assessment of compliance with the minimum standards in the form of a periodic and public report on what countries have done to implement the BEPS recommendations. It will involve some form of peer review which will have to be defined and adapted to the different actions with a view to establishing a level playing field by ensuring all countries implement their commitments so that no country would gain unfair competitive advantage.

It may be noted that India participated in the BEPS Project on an equal footing engaging constructively and extensively through different mechanisms including direct participation in Working Parties and Focus Groups set up under the Committee on Fiscal Affairs (CFA) of OECD in finalizing the deliverables with the twin purpose of:

(a) collaborating with other countries in development of recommendations to prevent base erosion and profit shifting; and

(b) safeguarding the interests of India and other developing countries in development of new standards.

The recommendations made under the BEPS Project have been made on the basis of consensus arrived at by the OECD (34 in number) and non-OECD G20 countries (8 in number) and thus India is an equal participant in making such recommendations. A summary of the recommendations in the final report with regard to the 15 Action Points along with action taken on those recommendations is placed at **Annexure-2**.

BEPS Inclusive Framework

In Ankara in September 2015, the OECD was mandated by the G20 Finance Ministers to build an inclusive framework for implementation and to report to them by early 2016. The architecture for the inclusive framework was agreed at the January and March meetings of the CFA and welcomed by G20 Finance Ministers at their meeting in Shanghai on 26-27 February and 14-15 April 2016 at Washington D.C. In the April meeting, the G20 Finance Ministers, noting that the first meeting on inclusive framework was to be held in June 2016, encouraged all relevant and interested jurisdictions to join the new inclusive framework on an equal footing. The work of Inclusive Framework includes consideration of the manner in which non-OECD countries will consider themselves committed to the agreed rules and their implementation. India continues to contribute to this important phase of the BEPS Project.

The first meeting of the CFA and BEPS Inclusive Framework was held in Kyoto, Japan from 30th June 2016 and 1st July 2016. In this meeting several governance issues for the inclusive framework as well as future road map were discussed and decided. As on December 31, 2017, total 111 members have joined the Inclusive Framework. The Steering Group of the Inclusive Framework comprises members from 22 countries. India has a representation in the Steering Group of the Inclusive Framework. India strongly supports the inclusive approach of the framework to monitor and review the success of implementation of the BEPS recommendations, and would collaborate with all the G-20, developing countries and international organizations to ensure that there is a level playing field amongst various economies. India shall actively participate in the Inclusive Framework to also ensure that the concerns of the developing countries are appropriately addressed in the implementation phase.

Today 111 countries and jurisdictions who have joined the Inclusive Framework have all committed to implement the BEPS package, and are now progressing the Inclusive Framework's mandate, which is to:

i. Review the implementation of the four BEPS minimum standards;

ii. Gather data for the monitoring of the other aspects of implementation, including under BEPS Action 1 (on the tax challenges of the digital economy) and Action 11 (on measuring and monitoring BEPS);

iii. Finalize the remaining technical work to address BEPS challenges; and

iv. Support jurisdictions in their implementation of the BEPS package, including by providing further guidance on the standards and by developing toolkits for low income countries.

In last one-year significant progress has been made in implementation of the BEPS package, including the four minimum standards, and these measures are already having major impact on BEPS activities. The work of the Inclusive Framework in this 12-month period has been related to the establishment of the peer review processes, the ongoing standard-setting work and delivery of guidance on implementation, as well as the assistance being delivered, often in partnership with other international organizations and regional bodies, to ensure all countries and jurisdictions are supported in the BEPS implementation process. In all these processes India has played active role and supported positive initiatives keeping in mind concerns of developing nations.

13.9.6 Automatic Exchange of Information (AEOI)

Automatic Exchange of Information (AEOI) is systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country, which is possible under most of the DTAAs and Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Although exchange on "request basis" has resulted in improving transparency, its scope is limited since the offshore financial centres and tax havens are obliged to provide information only when the requesting State has some information already in its possession and investigation in the particular case has already commenced. The information on "request" thus may have limited effect in identifying the financial assets hidden in offshore jurisdictions and tax havens through a complex web of entities.

Accordingly, the Government of India took a leading role in international fora, including at G20 and Working Party 10 of the OECD, towards building an international consensus amongst major economies of the world that the problem of offshore tax evasion and flow of illicit money can be addressed only by the free flow of financial account information, exchanged amongst countries on an automatic basis.

On the request of the G20, the OECD, working with all the non-OECD G20 countries, including India, developed a single uniform standard for automatic exchange of information, the Common Reporting Standards (CRS) on AEOI. This new global standard was endorsed by the G20 Finance Ministers in their meeting in Cairns on 21.09.2014 and by the G20 Leaders in their summit at Brisbane on 16th November, 2014. As stated earlier, the Hon'ble Prime Minister in his intervention at the G20 Leaders' Summit on 16.11.2014 in Brisbane strongly supported the new global standard on automatic exchange of information and stated that this would be instrumental in getting information about unaccounted money hoarded abroad and enable its eventual repatriation. Government of India is emphasising at various international fora, the need to ensure that every financial centre commits to the new reporting standards and further, that their implementation at global level is monitored by the Global Forum.

In keeping with its leadership role in this area, India also joined a group of 49 countries as "early adopters" of the new standards and has commenced exchange of information in 2017. As on date, while 105 countries/jurisdictions, including India, have expressed their commitment to implement CRS on AEOI in certain timeframe, 41 developing countries are yet to set the date for first automatic exchange.The current status of commitment for AEOI is tabulated below:

AEOI: STATUS OF COMMITMENTS

The table below summarises the intended implementation timelines of the new standard.[1]

JURISDICTIONS UNDERTAKING FIRST EXCHANGES IN 2017 (49)
Anguilla, Argentina, Belgium, Bermuda, British Virgin Islands, Bulgaria, Cayman Islands, Colombia, Croatia, Cyprus[2], Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, India, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Turks and Caicos Islands, United Kingdom
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2018 (53)
Andorra, Antigua and Barbuda, Aruba, Australia, Austria, Azerbaijan[3], The Bahamas, Bahrain, Barbados, Belize, Brazil, Brunei Darussalam, Canada, Chile, China, Cook Islands, Costa Rica, Curacao, Dominica, Ghana[3], Greenland, Grenada, Hong Kong (China), Indonesia, Israel, Japan, Kuwait, Lebanon, Macau (China), Malaysia, Marshall Islands, Mauritius, Monaco, Nauru, New Zealand, Niue, Pakistan[3], Panama, Qatar, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Singapore, Sint Maarten, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates, Uruguay, Vanuatu
JURISDICTIONS UNDERTAKING FIRST EXCHANGES BY 2019/2020 (3)
Albania (2020), Maldives (2020), Nigeria (2019)
DEVELOPING COUNTRIES HAVING NOT YET SET THE DATE FOR FIRST AUTOMATIC EXCHANGE (41)
Armenia, Benin, Botswana, Burkina Faso, Cambodia, Cameroon, Chad, Côte d'Ivoire, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Georgia, Guatemala, Guyana, Haiti, Jamaica, Kazakhstan, Kenya, Lesotho, Liberia, Madagascar, Mauritania, Moldova, Morocco, Niger, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Senegal, Tanzania, Thailand, Togo, Tunisia, Uganda, Ukraine

For implementation of AEOI under CRS, as on 31.12.2017 98 countries/jurisdictions have joined the Multilateral Competent Authority Agreement ("MCAA")which provides a framework for exchange of information on automatic basis as per the new global standards. They have also signed a declaration to comply with the provisions of the MCAA with an intended date for commencement of exchange of information on automatic basis, which for most countries/jurisdictions is from 2017. After joining the framework of the MCAA, as above, countries/jurisdictions need to enter into bilateral/ multilateral arrangements for exchanging information subject to confidentiality and data safeguards requirements in the recipient country/jurisdiction. India has signed MCAA on 3rd June 2015.

As committed by India, the first exchanges have taken place in September 2017and the same has is reflected in the AEOI Report of the Global Forum. India has automatically exchanged information for calendar year 2016 on reciprocal basiswith 40 jurisdictions with whom AEOI has been activated. Further, four jurisdictions have provided information to India on non-reciprocal basis.

The new global standards are very wide in scope and oblige the treaty partners to exchange wide range of financial information after collecting the same from financial institutions in their country/jurisdictions including information about the ultimate controlling persons and beneficial owners of entities.

AEOI based on CRS, when fully implemented, would enable India to receive information from every country in the world including offshore financial centres and tax havens and would be the key to prevent international tax evasion and avoidance and would be instrumental in getting information about money stashed abroad and ultimately bringing it back.

13.9.7 Inter-Governmental Agreement (IGA) with USA for purposes of FATCA

India entered into Inter-Governmental Agreement (IGA) with the USA under the Foreign Account Tax Compliance Act (FATCA) on 9th July 2015. This will obligate the Indian financial institutions to provide financial information to Indian tax authorities, which will then be transmitted to USA automatically. Similarly, under the IGA the USA financial institutions will also be providing information to USA tax authorities, which will be transmitted to India automatically. The USA had enacted the FATCA in 2010 with the objective of tackling tax evasion by obtaining information in respect of offshore financial accounts maintained by USA residents and citizens. The provisions of FATCA essentially provide for 30% withholding tax on US source payments made to Foreign Financial Institutions (FFIs) unless they enter into an agreement with the Internal Revenue Service (IRS) to provide information about accounts held with them by USA persons or entities (firms/companies/trusts) controlled by USA persons.

Under IGA, India will receive information about Indian tax residents who have financial accounts in the USA, which will include,

- The name, address and Indian TIN of any person that is resident of India and is an account holder of the account;
- Account number;
- Gross amount of interest, US source dividends or other income paid or credited, depending on the nature of the financial account.

Reporting of information under the IGA with USA began from 30th September, 2015 and information pertaining to the calendar year 2014, 2015 and 2016 has already been exchanged between the two countries.

Implementation of AEOI and FATCA

For implementation of FATCA and CRS, necessary legislative changes were made through Finance (No. 2) Act, 2014, by amending section 285BA of the Income-tax Act, 1961. Income-tax Rules, 1962 were amended vide Notification No. 62 of 2015 dated 7th August, 2015 by inserting Rules 114F to 114H and Form 61B to provide a legal basis for the Reporting Financial Institutions (RFIs) for maintaining and reporting information about the Reportable Accounts.

A Guidance Note was released on 31st August 2015 to provide guidance to the Financial Institutions, Regulators and officers of the Income Tax Department for ensuring compliance with the reporting requirements provided in Rules 114F to 114H and Form 61B of the Income-tax Rules, 1962. The Guidance Note is intended to explain the complex reporting requirements and provide further guidance wherever required. To address the evolving issues in the implementation the Guidance Note has been updated on 31.12.2015, 31.05.2016 and 30.11.2016. The financial institutions submitted their report in form 61B by 31.05.2017 based on which India has exchanged information automatically under FATCA and CRS on 30th September, 2017. India has also received information from the USA in 2017.

13.9.8 India's Association with OECD

The OECD is an organization of 34-member countries who are signatories to the Convention on the Organization for Economic Co-operation and Development. Tax issues have always been an important part of OECD's overall activities and are undertaken by the Committee on Fiscal Affairs (CFA) and its subsidiary bodies. These subsidiary bodies carry out the work on a number of different topics, including development of the Model Tax Convention (Working Party 1), Tax Policy and

Statistics (Working Party 2), Transfer Pricing (Working Party 6), Consumption Taxes (Working Party 9), Exchange of Information (Working Party 10) and Aggressive Tax Planning (Working Party 11).

In addition the CFA has established a number of other subsidiary bodies such as the Forum on Tax Administration, the Forum on Harmful tax Practices, the Task Forces on Tax Crime and Other Crimes, the Task Force on the Digital Economy and the Task Force on Tax and Development. The Centre for Tax Policy and Administration (CTPA) acts as the Secretariat to the CFA and its subsidiary bodies and provides technical expertise and support to the CFA.

India's engagement with OECD in the field of Direct Taxes began in the 1990s in the form of delivery of technical development programme at the National Academy of Direct Taxes at Nagpur. Since then, India has been associated with the taxation work of OECD and since 2006 have been accorded the status of "Participant" (earlier known as "Observer") to the work of CFA and in this capacity was participating in the meetings of CFA and its subsidiary bodies, although as "participant", India do not take part in the decision-making process and is not bound by the CFA's conclusions, proposals or decisions.

The Indian delegates have been participating in the meetings of Working Parties and Task Force in view of the prominent role of OECD in development of international standards in the areas of international taxation, transfer pricing and exchange of information. The policy adopted by India was that of continuous engagement and participation, and influencing the development of international standards to protect our revenue interests while ensuring at the same time that in areas where the stand and position taken by India is not in conformity with the stand taken by the OECD, the reservations and positions of India are taken into account during the updating of various standards and guidelines being developed by the OECD.

For the last two years, the work of OECD is primarily concentrated on BEPS and AEOI discussed above. Some of the other areas of OECD's work related to taxation in which India is associated are summarized below:

(a) OECD Global Relations Training Programme

Each year, under the Global Relations Programme (GRP), OECD holds around 75 events on a variety of international tax policy and administration topics bringing together some 2000 serving tax officials from over 100 countries in more than 20 venues globally.

India's engagement with OECD's Global Relations Programme (GRP) includes participation of tax officers in training events abroad both in the capacity of participants as well as experts. During 2017, 39 Indian officers participated in 23 events abroad. Further, training events are hosted in NADT, Nagpur and OECD experts are invited to lead these events.

During the year 2017, following two events were held at NADT, Nagpur:

i. Advanced Tax Treaties from 4th-8thSeptember, 2017

ii. TPG and Toolkits for Implementation from 4th-8th December, 2017

(b) Forum on Tax Administration (FTA)

Active participation of India was ensured in the various activities for tax cooperation undertaken by OECD through the Forum on Tax Administration (FTA), which is an international forum for co-operation between revenue bodies. The activities and projects undertaken by FTA aim to improve taxpayer services and tax compliance by helping revenue bodies increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance. During the year, India has participated in meeting on digital tax payer services organized by FTA and the best practices and the meeting were meaningfully shared with the Tax Payer Services (TPS) Division of the Income Tax Department.

Representation of India and active participation of India was also ensured in Working Party-1 (WP-1) meeting and in the follow-up work undertaken as per the agreed Final Reports of Base Erosion and Profit Shifting (BEPS) project, particularly in action 6 for preventing treaty abuse, action 7 in preventing artificial avoidance of PE status and action 1 for addressing tax challenges of digital economy. Participation of India was also ensured in the development of the draft Multilateral Instrument (MLI), which is a multilateral treaty which seeks to modify bilateral tax treaties of signatory states to implement the tax treaty measures developed in the BEPS Project. Concerns of India and its preferences were brought to the notice of global community as part of India's participation and it was ensured that the outcomes proposed and agreed therein are in accordance with India's interests.

(c) Forum on Harmful Tax Practices (FHTP)

Forum on Harmful Tax Practices (FHTP) was established following the publication of OECD's 1998 report on "Harmful Tax Competition: An

Emerging Global Issue" to identify those preferential tax regimes that have harmful effects. Main work of FHTP is to review preferential tax regimes of member countries and to make recommendations to remove features that create harmful effect or to abolish the regime.

Forum on Harmful Tax Practices (FHTP) of CFA, OECD is presently undertaking work under Action 5 of Base Erosion and Profit Shifting (BEPS) Action Plan. Under Action Item 5 of BEPS Action Plan, FHTP is required to deliver three outputs (i) Finalisation of review of member/associate country regimes; (ii) A strategy to expand participation to non-OECD member countries; (iii) Revision of existing criteria.

During 2017, India's transparency framework under Action 5 of the Base Erosion and Profit Shifting was reviewed. The information gathering process of India has been held ot be sound. India has the necessary legal framework and administrative processes in place for exchanging information and India has met all the terms of reference for confidentiality during the course of the review process.

(d) OECD's Working Party 2

India participated in Working Party 2 (WP2) meeting in the capacity of being a G-20 member. India's engagement with Working Party No.2 of OECD started in the year 2011. In the changing international tax environment, a number of countries expressed concern about how international standards, on which bilateral tax treaties are based, allocate taxing rights between source and residence States. The G20 finance ministers called on the OECD to develop an action plan to address BEPS issues in a co-ordinated and comprehensive manner. OECD therefore formulated Action Plan focused on addressing Base Erosion and Profit Shifting (BEPS).

One of the main items in the agenda is Base Erosion and Profit Shifting (BEPS)'s Action Item No.11. The object of this action item is to develop recommendations regarding indicators of the scale and economic impact of BEPS and ensure that tools are available to monitor and evaluate the effectiveness and economic impact of the actions taken to address BEPS on an ongoing basis. This will involve developing an economic analysis of the scale and impact of BEPS (including spillover effects across countries) and actions to address it.

India has been regularly attending the previous meetings of Working Party 2 and provided inputs for Measuring and Monitoring the Scale of BEPS and its Countermeasures. The Working Party No. 2 provides us an opportunity to convey India's views on BEPS Action 11 recommendations and next steps. Engagement with WP2 will help us in learning international best practices and sharing valuable experience.

(e) OECD's Working Part 10

The mandate of OECD Working Party 10 (WP 10) on Exchange of information and Tax Compliance is to provide support for improvements in the legal, practical and administrative framework to facilitate exchange of information and mutual administrative assistance between the countries with the view to improving tax compliance and ensuring protection of taxpayers' rights.

The financial crisis of 2009 was a watershed for fighting tax havens when the G20 announced that the "era of bank secrecy is over". Global Forum on Transparency and Exchange of Information for Tax Purposes was restructured to strengthen the capacity for co-operation in international tax matters and it developed a standard of transparency and exchange of information for tax purposes (EOIR). It was also decided to implement automatic exchange of information (AEOI), which is systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country, on a global basis to curb offshore tax evasion. The G20 Leaders in the Los Cabos summit in June, 2012, accordingly requested the OECD to work with G20 countries to develop a Common Reporting Standard (CRS) on Automatic Exchange of Information (AEOI). The OECD Working Party 10 (WP 10) on Exchange of information and Tax Compliance was entrusted with the work of developing standards for AEOI. WP 10, working with G20 countries, developed the CRS on AEOI which was endorsed by the G20 Finance Ministers in their meeting in Cairns on 21.09.2014. The Hon'ble Prime Minister in his intervention at the G20 Leaders' Summit on 16th November, 2014, in Brisbane strongly supported the new global standard on AEOI and stated that this would be instrumental in getting information about unaccounted money hoarded abroad and enable its eventual repatriation.

The Government of India took a leading role in international fora, including at Working Party 10 of the OECD, towards building an international consensus amongst major economies of the world that the problem of offshore tax evasion and flow of illicit money can be addressed only by the free flow of financial account information, exchanged amongst countries on an automatic basis. In keeping with its leadership role in this area, India has also joined a group of 48 countries as “early adopters” of the new standards and has committed to exchange information automatically starting from 2017.WP 10 has not only played the instrumental role in development of AEOI Standards, it is even now continuously issuing FAQs and other guidance to clarify the matters pertaining to implementation of CRS on AEOI. A meeting of the WP 10 was held in March, 2017 in which various issues related to AEOI were discussed and clarified. The Business Advisory Group pointed out the issues that were being faced by the financial institutions in reporting the data as mandated under CRS. Also, FAQs with respect to the due diligence procedures expected from the financial institutions were decided during the meeting. Deliberations on CRS Loophole Strategy i.e. strategies being adopted to avoid getting reported under CRS, were also discussed.

In the WP 10 meeting in October, 2017, among other issues, there was a discussion on draft report of Model Mandatory Disclosure Rules for CRS avoidance arrangements and Opaque Offshore Structures. The report sets out the key elements of mandatory disclosure rules that are designed to target the most high risk structures and promoters, while limiting the compliance burdens on low-risk taxpayers. This initiative is likely to benefit participating jurisdictions including India in detecting and dealing with CRS avoidance arrangements and hence India is actively participating in finalisation of these Rules.

To take the benefit of the AEOI platform that was designed as per CRS, the Tax Relief and Compliance Enhancement (“TRACE”) project has been taken up by WP 10 during 2017. The TRACE system aims to remove the administrative barriers that currently affect the ability of portfolio investors to effectively claim the reduced rates of withholding tax to which they are entitled under tax treaties or the domestic law of the country of investment, thereby providing tax certainty.

(f) OECD’s Working Part 11

WP11 is entrusted with the responsibility of addressing the following BEPS Action Points related to ‘Aggressive Tax Planning’ (ATP):

- Action Item No. 2 – Neutralize the effects of hybrid mismatch arrangements;
- Action Item No. 3 – Strengthening Controlled Foreign Corporation (CFC) Rules;
- Action Item No. 4 – Limit Base Erosion via Interest Deductions and other Financial payments; and
- Action Item No. 12 – Require taxpayers to disclose their aggressive tax planning arrangements [Mandatory Disclosure Regime (MDR)].

India has been actively associated with WP11 and in 2015 Indian delegate was elected as a Vice-chair of Working Party 11, being only the second non-OECD country (China is the other) to have a representation in a leadership position of the subsidiary body of OECD. As a Vice-Chair of WP11 Indian delegate has the additional responsibility of conducting WP11 meetings, participating in the decision-making process of the Bureau of WP11, to determine the agenda/program of work for WP11 etc.

The main issues that have been discussed and finalized in WP 11 in 2017 are the report on Hybrid Branches, Mandatory Disclosure Rules on CRS Avoidance Arrangements and Opaque Offshore Structures.

13.9.9 Cooperation with BRICS Countries on Tax Matters

BRICS is an important multilateral block that seeks to represent the interests of the developing countries. The BRICS countries together account for 30% of the global land, 43% of the global population and 21% of the world’s GDP. This platform aims to promote peace, security, prosperity and development in multi polar, interconnected and globalized world. The BRICS countries represent Asia, Africa, Europe and Latina America, which gives their cooperation a transcontinental dimension making it especially valuable and significant.

A meeting of the BRICS Heads of Revenue and Experts on Tax Matters was held at Hangzhou, China from the 25th to the 28th of July, 2017 in which taxation of the digital economy, Mutual Agreement procedures, Anti treaty abuse, capacity building and multilateral tax cooperation amongst BRICS countries was discussed. A memorandum of cooperation in respect of tax matters was signed by India during the course of this meeting. This MoC will further facilitate and strengthen international cooperation and capacity building in taxation leading to increase in effectiveness of tax administrations.

South Africa hosts the BRICS Heads of Tax Authorities and Experts meeting in 2018. Accordingly, officers of the South African Revenue Service (SARS) visited India in December 2017 to interact with the logistics team that made the arrangements for logistics, security, transport arrangements at BRICS Heads of Tax Authorities and Experts meeting at Mumbai in 2016.

13.9.10 Coordination with other Multilateral Agencies

India is an Associate member of Center for Inter American Tax Administration (CIAT), a multilateral organization. The efforts of CIAT are focused on cooperation between the tax administrations of different jurisdictions with a view to work jointly against international tax evasion. To fulfil this objective, CIAT organizes different activities, studies, workshops, seminars etc. wherein tax administrations can share their suggestions, practices, experiences, etc. During 2017, India participated in the General Assembly, Technical Conference and Risk Assessment Network meeting held by CIAT. Indian contributions to the event were appreciated.

Commonwealth Association of Tax Administrators (CATA) was established as a result of decision taken at the meeting of the Commonwealth Finance Ministers in Barbados in 1977. India has been an important member of Commonwealth Association of Tax Administrators (CATA) since 1979. CATA's activities include organizing annual technical workshops, high quality training programmes for tax officials, in country training programmes tailored to meet specific needs of members, publication of a quarterly newsletter, provision of consultancy services and research facilities for members upon request, supply of information to members, etc.

In August 2017, on request by CATA, a workshop on investigation and intelligence gathering was conducted by the National Academy of Direct Taxes in which 29 tax officials from 15 CATA member countries had attended. The workshop was appreciated and requests for the second workshop have been received.

India participated in the Technical Conference by CATA during the year in Accra, Ghana. Indian contribution was widely appreciated.

13.9.11 Income Tax Overseas Units

During the year 2017, Income Tax Overseas Units (ITOUs) remained functional in eight Indian Missions viz. Mauritius, Singapore, France, Japan, Netherlands, UK, Germany and USA. IRS officers have been posted as First Secretary (Economic), in these Income Tax Overseas Units (ITOUs). During this year tenure of incumbents posted at seven ITOUs, namely Mauritius, Singapore, France, Japan, Netherlands, UK and USA expired. The process of appointing replacement officers as per approved policy, has been completed and these officers are in the process of joining the Missions.

The ITOU posts were created to assist Indian Competent Authority on matters relating to exchange of information under DTAAs, other matters concerning Double Taxation Avoidance Agreements (DTAAs), facilitate Mutual Agreement Procedure (MAP) cases under DTAAs, facilitate Advance Pricing Agreements (APA) and to liaison with various Departments, liaison with investors, etc.

13.9.12 Mutual Agreement Procedure

Multinational Enterprises (MNEs) operating across the world are subjected to transfer pricing audit in various countries to ensure that their related party international transactions are priced at arm's length. Sometimes, the income of the group is taxed in various jurisdictions and disputes arise due to economic double taxation of the same income in the hands of different taxpayers of the same MNE group. Similarly, MNEs also face juridical double taxation where the same income is taxed in the hands of the same taxpayer in different jurisdictions. To resolve such disputes, the Double Taxation Avoidance Agreements (DTAAs) provide a mechanism through the "Mutual Agreement Procedure" Article of such DTAAs. Under this mechanism, the competent authorities of countries having a DTAA between them may consult each other and reach an understanding to avoid double taxation.

India has a wide network of DTAAs and has been able to successfully resolve double taxation issues with various treaty partners by effectively using the Mutual Agreement Procedure (MAP) Article. The largest number of tax disputes is with the United States of America, which is not surprising because both countries have a very high volume of trade and American MNEs have significant business presence in India. This calls for a constant and deep engagement by the Indian competent authority with the American competent authority. India also has a number of tax disputes with United Kingdom, Japan, China, Netherlands, Canada, Switzerland, Australia, Denmark, Sweden, Finland, etc. Both the Joint Secretaries in the Foreign Tax and Tax Research (FT & TR) Division of CBDT (JS, FT & TR-I and JS, FT & TR-II) are the two Indian competent authorities. While JS, FT & TR-I is the competent authority for North American and European countries, JS, FT & TR-II is the competent authority for the rest of the world.

Between 1st April, 2017 to 31st December, 2017, bilateral meetings for resolving tax disputes under MAP have been held with the competent authorities of USA (twice), United Kingdom, Japan, Switzerland, Australia, Netherlands, Finland, etc. More such meetings have been scheduled till 31st March, 2018 with USA, Japan, Canada, UK, etc. The meetings have proved to be very successful in resolving various disputes relating to double taxation. At the October-November, 2017 meeting between the competent authorities of India and USA at Washington D.C., about 100 pending disputes of double taxation were agreed to be resolved. Similarly, a number of disputes were agreed to be resolved during meetings with Japan and United Kingdom.

The Mutual Agreement Procedure (MAP) has proved to be a very useful instrument for India in resolving long-standing and complex issues of double taxation. During the period 1st April, 2014 to 31st December, 2017, almost 500 tax disputes have been resolved under MAP by the Competent Authorities of India through negotiations with their counterparts of various countries. Along with the Advance Pricing Agreement (APA) scheme of the Government of India, MAP has come to be recognized as an effective and efficient alternate dispute resolution mechanism. Together, APA and MAP have helped in reducing tax disputes, fostering a non-adversarial tax regime and have helped in creating a conducive taxation environment in India.

13.9.13 Advance Pricing Agreements

Advance Pricing Agreement (APA) provisions were introduced in the Income-tax Act, 1961 through the Finance Act 2012. Sections 92CC and 92CD were introduced in the Act to provide the legislative backing to the APA Scheme, which was notified in the Income-tax Rules, 1962 on 30th August, 2012 [Rules 10F to 10T]. These rules lay down the detailed procedures for filing of pre-filing consultation application; pre-filing consultation; payments of fees; filing of APA application; processing of APA application; withdrawal of APA application; terms and conditions of APA; filing of Annual Compliance Report; Compliance Audit; revision, cancellation and renewal of APA; etc. Besides, Rule 44GA was inserted to provide for procedural aspects while dealing with bilateral or multilateral APAs. In May 2013, a Taxpayers Information Series on "Advance Pricing Agreement Guidance with FAQs" was released to provide clarifications on certain issues.

The Advance Pricing Agreement (APA) Scheme was introduced to reduce litigation in transfer pricing matters and provide tax certainty to Multinational Enterprises (MNEs) doing business in India. It was provided that APAs could be entered into with taxpayers for a maximum period of 5 years in respect of international transactions between Associated Enterprises (AEs) within a MNE group. The APAs would determine the Arm's Length Price (ALP) of such international transactions and/ or specify the manner in which the ALP is to be determined.

Legislative provisions for Rollback of APAs were brought into the Income-tax Act, 1961 through the Finance (No. 2), Act 2014 in July, 2014. The Rules governing the Rollback of APAs were notified in the Income-tax Rules, 1962 on 14th March, 2015 [Rules 10 MA and 10 RA] and the existing APA Scheme got amended accordingly. Subsequently, CBDT issued a Circular on 10th June, 2015 [Circular No. 10/2015] to provide clarifications on certain issues related to the Rollback provisions in a question and answer format.

The Rollback provisions allow the terms and conditions of the APA to be rolled back for a maximum of 4 years prior to the first year of the APA period. Thus, a taxpayer would be able to have certainty in matters of transfer pricing for a maximum period of 9 years by applying for an APA with Rollback.

Under the APA Scheme, APAs can be multilateral or bilateral (involving CBDT and 1 or more countries and the taxpayers) or unilateral (involving the CBDT only and the taxpayer). Over the last four and a half years, more than 700 APA applications have been filed in India. A large majority of these applications (about 85%) are for unilateral APAs between the Indian taxpayer and the CBDT. Till 31st December, 2017, 189 Agreements have been entered into and it is expected that some more APAs could possibly be entered into by 31st March, 2018. The average time taken by CBDT to conclude an APA is about 30 months, which is less than the average time taken by advanced tax jurisdictions like USA and UK.

The Competent Authorities of India and Japan have been meeting regularly to discuss and resolve Mutual Agreement Procedure (MAP) and bi-lateral Advance Pricing Agreement (APA) cases as per provisions of Double Taxation Avoidance Convention

(DTAC) between India and Japan. During the year 12 cases of dispute resolution through Mutual Agreement Procedure have been concluded.

The details of APA applications received and APAs entered into have been provided in the two tables below.

Table 1: Details of APA Applications Received and Disposed

Financial Year	No. of Applications Filed	No. of Agreements Signed till 31st December, 2017	No. of Applications disposed of due to withdrawal or other reasons till 31st December, 2017	No. of Applications under Processing as on 31st December, 2017
2012-13	146	85	13	48
2013-14	232	82	8	142
2014-15	206	17	2	187
2015-16	132	4	2	126
2016-17	100	1	-	99
2017-18*	6	-		6
Total	**822**	**189**	**25**	**608**

** Till 31st December, 2017*

Table 2: Details of Agreements Signed

Financial Year	Unilateral APA	Bilateral APA	Total
2013-14	5	-	5
2014-15	3	1	4
2015-16	53	2	55
2016-17	80	8	88
2017-18*	32	5	37
Total	**173**	**16**	**189**

*** Till 31st December, 2017**

In April, 2017 the Central Board of Direct Taxes published an APA Annual Report for the first time. The Annual Report was an initiative of the CBDT to bring into the public domain various statistical and qualitative aspects of India's APA programme, with a view to encouraging discussion and debate amongst taxpayers, policy makers, media, economists, etc. on the strengths and weaknesses of the programme. The first Annual Report on the APA programme could not have been published for a year better than 2016-17, a year in which the CBDT managed to enter into 88 APAs. This is a phenomenal achievement by the CBDT and its officers working in the Foreign Tax & Tax Research Division and in the APA teams at the field level.

The Annual Report is also unique because it actually condenses the first five years of the programme (1st July, 2012 to 31st March, 2017) into one report. This was necessary to lend proper perspective to the programme and also to cover all the years in one document. It would be the CBDT's endeavour to come out with regular Annual Reports henceforth.

13.9.14 Policy Issues on International Taxation

- **India's Active participation in Task Force on Digital Economy (TFDE):**

  As a part of follow up work on outcomes of Action 1 report of BEPS project on addressing the challenges of digital economy, India has been active participant on OECD initiatives relating to digital economy and has consistently supported the need to address the tax challenges arising out of new business models in digital technology which have transformed the way the business operates. The Task Force on the Digital Economy (TFDE), a subsidiary body of the Committee on Fiscal Affairs (CFA) in which non-OECD G-20 countries participate as Associates on an equal footing with OECD member countries, was established in September 2013 to develop a report identifying tax issues raised by the digital economy and detailed options to address these challenges. India being a member of the TFDE Bureau, has actively participated in all the meeting of TFDE during the year and submitted its inputs and comments on various issues raised during the meetings. Recently, India has submitted its inputs and comments on Public Consultation meeting held at USA and reiterated its position by stating that the issues arising out of digital economy are not simple BEPS issues and they cannot be addressed by other BEPS measure but they have to dealt separately as suggested in Action 1 report. During the last meeting held in December 2017, India actively participated in drafting of the interim report of TFDE which is scheduled to be submitted in G-20 Finance Ministers meeting in April 2018. The taxation of digital economy is an important component of the evolving international tax landscape and this report has significant implication for India which is an exporter and user of digital services.

- **Circulars issued**

Circular 7 of 2017 was issued on 27.1.2017 providing clarification and tax certainty on implementation of GAAR provisions under the Income tax Act 1961, which came into effect from 1st April, 2017.

Circular No. 13 of 2017 was issued by this Division on 11.04.2017 to clarify with respect to taxation of income of sea-farers on foreign going ships

Circular 28 of 2017 was issued on 7.11.2017 clarifying that indirect transfer provision under the IT Act, 1961 shall not apply to non-residents in case of redemption or buyback of share or interest indirectly held in specified funds in India, where income therefrom is chargeable to tax in India.

13.10 Audit & PAC Division

General Functioning:

Given the importance of C&AG and Public Accounts Committee of Parliament in providing checks and balances to the functioning of the Income Tax Department, the observations of the C&AG by way of Draft Paragraphs (DPs) and System Appraisals are thoroughly examined by the Audit & Public Accounts Committee (A&PAC) Section of CBDT. The replies/ comments of the Ministry are compiled in consultation with the field authorities and then furnished to the C&AG and the PAC as the case may be.

The Performance Audit Reports and draft paras reported by the Comptroller and Auditor General and the report of PAC on the subjects selected by the PAC are examined in the Ministry and Action Taken Notes (ATNs) are prepared and furnished to the C & AG on which C & AG issues vetting comments, either finalizing the ATN or issuing a rejoinder with comments for reconsideration. After incorporating the vetting comments of C & AG and rebuttal by the Ministry, the Ministry sends the ATNs online (through APMS portal) to the Monitoring Cell (MC) under the Department of Expenditure (DoE) for placing before the Public Accounts Committee.

Performance:

Committee of Secretaries (CoS) Meeting: This year, meeting of CoS was held on 21/07/2017. As per guidelines issued by CoS, Draft paras are required to be liquidated within 120 days from the date the report is tabled before Parliament.

SAC Meeting: The CoS has mandated that Standing Audit Committee's monthly meetings be held under the chairmanship of Secretary / FA of the Ministry. The SAC meetings are held regularly.

Internal Audit

During the year, Instruction No. 6 for Internal Audit in the Department has been issued.

Details of work done by different authorities under the internal audit up to quarter ending on 31/12/2017, are given below:

Cases audited by the authorities			
Addl. CIT	**SAP**	**IAP**	**Total**
1063	2268	61,140	64,471

A statement of Internal Audit Objections which are pending, raised and Settled with revenue effect is given below:

Objections Raised/Settled & Balance for the period 01/04/2017 to 31/12/2017 (FY 2017-18) are as under:

No. of Objections		
	Number	**Amount (Rs. In lakh)**
Opening balance as on 01/04/2017	21,133	11,29,573.14
Raised	8,850	1,99,652.91
Total	29,983	13,29,226.05
Settled	5,665	74,,397.88
Outstanding as on 31/12/2017	24,318	12,54,828.17

Monthly and quarterly reports are regularly prepared and submitted. Review meetings to settle audit objections and workshop, on internal audit are also held periodically. Besides these the work of inspection is also carried out as per Instruction No. 16 of 2008.

13.11 Pr. DGIT (Systems)

13.11.1 Project Name: PAN

a) Permanent Account Number (PAN)

PAN (Permanent Account Number) is a 10 digit alpha-numeric number allotted by the Income-tax department to taxpayers and to the persons who apply for it under the Income- tax Act, 1961. Permanent Account Number (PAN) enables the department to link all transactions of the "person" with the department. The transactions linked through PAN include tax payments, TDS/TCS credits, returns of income, specified transactions, correspondences, and so on. PAN, thus, acts as an identifier for the "person" vis-à-vis the Income-tax department.

b) Common Business Identification Number (CBIN or BIN)

PAN has now taken on the role of "identifier" beyond the Income- tax department as it is now required for various activities like opening of bank accounts, opening of demat accounts, obtaining registration for Goods and Services Tax (GST) etc. PAN is leveraged to become Common Business Identification Number (CBIN) or simply Business Identification Number (BIN) for providing registration to a number of Government departments and services.

c) One Person- One PAN

The Income-tax Act permits one person to have only one PAN. To avoid issuance of duplicate PAN, the data is checked for duplication by using the software having phonetic matching algorithm. In order to leverage the biometric data collected through Aadhaar enrolment it was decided to include Aadhaar card as a valid proof of identity (POI), proof of date of birth (PDOB) and proof of address (POA) document for allotment of PAN under Income-tax Rules, 1962. In order to further strengthen the de-duplication process, the PAN database is being seeded with Aadhaar number for individuals and Company Identification Number (CIN) for corporate entities.

d) PAN Service Providers

The services related to PAN such as receiving PAN application forms, verification of the documents submitted, digitizing the PAN application form, uploading the data on the NCC (National Computer Centre), printing PAN cards and dispatching of PAN cards have been outsourced to two PAN service providers, M/s UTI Infrastructure Technology and Services Limited (UTIITSL) and M/s NSDL e-Governance Infrastructure Limited (NSDL e-Gov). The service providers through their network of more than 17,500 front offices (PAN centres), receive and process the PAN application submitted by applicants. However, the PAN is generated centrally in the Income-tax department database through a robust software at its National Computer Centre (NCC) of the Income- tax department. Thereafter it is printed and dispatched through the service providers.

e) PAN Verification Facility

PAN verification facility is provided to the Government departments through The Central Board of Direct Taxes' (CBDT) e-filing server through the internet. One by one PAN verification or bulk verification can be done by the users. PAN can also be verified through "Know Your PAN" facility on official website www.incometaxindia.gov.in if name, father's name and date of birth (DOB) /date of incorporation (DOI) are known.

Service for PAN verification is also provided by Income-tax PAN Service Providers (UTITSL and NSDLeGov) to agencies such as (i) Financial institutions (RBI/banks), (ii) Government agencies, (iii) Persons/entities required to file Annual Information Returns, (iv) Credit card companies/institutions (v) Companies and government deductors of TDS for the purpose of verifying PAN of TDS/TCS deductees (vi) Department of Commercial Taxes of various States (vii) Insurance companies (viii) Educational Institutions established by regulatory bodies (ix) KYC registration agency (KRA) (x) Depositories and depository participants (xi) Mutual funds (xii) Stock exchanges/commodity exchanges/clearing corporations (xiii) Credit information companies approved by RBI (xiv) Non-banking financial companies approved by RBI (xv) Insurance repositories (xvi) DSC Providers and (xvii) GSTN Network etc. The PAN verification facility provided by PAN service providers is on chargeable basis.

f) Grievances Redressal Machinery:

Grievance redressal machinery related to PAN is well defined. Whenever a grievance is received related to PAN, appropriate action is taken including forwarding the grievance to field formations with guidance and existing instructions. The Income-tax department has also launched a special electronic grievance redressal system called **e-Nivaran** in order to fast track income taxpayer's grievances and ensure early resolution of the complaints. In the **e-Nivaran** website i.e. **incometaxindia efiling.gov.in** after submitting the grievance, an acknowledgement number is generated based on which taxpayers' can track its status. The new system is being used by the Income-tax department to record, search, view, transfer, seek information from grievance filer, and resolve the complaints online. Grievances are also received through Centralised Public Grievance Redressal and Monitoring System **(CPGRAMS**)/. All grievance related to PAN are downloaded from the websites of **CPGRAMS/e-Nivaran** and after examination, appropriate action is taken. Further, the information about redressal/action taken in such cases, is uploaded on the website.

Grievances are also received by PAN Service Providers i.e. UTIITSL and NSDL e-Gov. After examination of the grievances, appropriate remedial action is taken by the PAN Service Providers. If required, approval of the Systems Directorate is obtained in specific cases and PAN applicants are informed accordingly.

g) New Initiatives

a. Integration with e-Biz portal of DIPP

E-Biz programme is a mission mode project of Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry to facilitate the investors by providing Single Window clearance like licensing, environment & land clearances, approvals from various ministries and departments for start-up businesses. L1 and L3 integration of PAN and TAN services with e-Biz portal of DIPP has been completed. In L1 integration, the applications for PAN and TAN are received through e-Biz portal and forwarded to PAN Service Providers. In L3 integration, five services of CIN, PAN, TAN, EPFO and ESIC have been combined through common application form INC-29 for corporate entities. The applications received through L3 integration are serviced in T+1 day by the Income- tax department i.e. PAN are being be allotted within nearly 24 hours.

b. Adoption of PAN as BIN

PAN has been adopted as Business Identification Number(BIN) for which integration of PAN and Ministry of Corporate Affairs(MCA) portal has been taken up for issue of PAN in 4 hours of registration of a company by the Registrar of companies and issue of Corporate Identification Number(CIN). Further PAN is also envisaged to serve as an identifier for different registered entities. As per the recommendations of Inter-Ministerial Technical Group (IMTG), PAN will serve as Unique Entity Number (UEN) for different entities registered with different authorities. Legislative changes are being incorporated in the Income-tax Act/Rules for facilitating the use of PAN as UEN.

c. Paperless Application using Digital Signature Certificate

An online paperless procedure for application of PAN using digital signature certificate has been launched at websites of both service providers, M/s NSDL e-Gov and M/s UTIITSL. In this procedure a person having digital signature certificate can apply for PAN through online form 49A and upload digitally signed application with scanned copies of proof of identity, proof of date of birth, proof of address, photograph and signature without any need for sending physical documents by post.

d. Paperless Application using Aadhaar based eKYC and eSignature

An online paperless procedure for application of PAN using Aadhaar based eKYC and eSignature has been launched at website of PAN service provider M/s NSDL e-Gov. In this procedure Aadhaar data is used for allotment of PAN and PAN applicant has no need to upload any documents.

e. Issue of digitally signed ePAN card

Digitally signed ePAN card is sent on the email id provided in PAN application form immediately after allotment of PAN or confirmation of changes in PAN data by the Income-tax department. From 1.4.2017 to 31.12.2017; 1,67,08,060 ePAN cards have been issued.

f. Integration with Aadhaar based Digital Locker

Integration of DSC based on-line PAN application process with Aadhaar based Digital Locker facility of DeitY is available for use by PAN applicants by PAN service provider UTIITSL & NSDL eGov. In this facility PAN applicant is able to upload scanned copies of their POI, POA and PDOB documents from their Digital Locker to on-line PAN application.

g. PAN Camps

From 1.4.2017 to 31.12.2017, 524 and 935 PAN camps were held by PAN Service Providers M/s NSDL e-Gov and M/s UTIITSL respectively at different remote and rural sites across the country for providing ease of access for obtaining PAN in view of mandate for quoting of PAN for financial transactions. PAN camps are regularly held during the current financial year to increase the coverage of PAN.

PAN database has shown steady growth in tune with economic progress. The progressive **number of PANs** allotted up to 31st December, 2017 (cumulative) is **35,94,59,294.** During the current year (up to 31st December, 2017) **6,50,33,254** PANs have been allotted.

h. Integration of PAN with AADHAAR UIDAI: Integration of database with UIDAI has already taken place for seeding of Aadhaar with PAN. The seeding of authenticated Aadhaar has started w.e.f 01/05/2015 and till 31/12/2017, 15,01,42,059 PANs of individuals have been seeded with Aadhaar data base, which is approximately 43% of total PANs allotted. During the month of December 2017, total 75,85,235 PANs have been authenticated with the Aadhaar database. Seeding of Aadhaar in remaining PANs is presently going on.

13.11.2 Project Name: Project Insight

Project Insight

Project Insight was conceptualized to enable ITD to meet three goals namely (i) to promote voluntary compliance and deter noncompliance; (ii) to impart confidence that all eligible persons pay appropriate tax; and (iii) to promote fair and judicious tax administration. Under this project, an integrated data warehousing and business intelligence platform is being rolled out in a phased manner.

The major achievements are as under:

i. A State-of-the-Art Data warehouse has been operationalized under Project Insight with end-of-day integration of key projects/data sources of Income Tax Department. The new platform is being used for identifying high risk non-filers, IT returns and tax deductors for further verification/ investigation.

i. Income Tax Transaction Analysis Centre (INTRAC) has been operationalized for handling data integration, data processing, data quality monitoring, data warehousing, master data management and data analytics.

ii. A dedicated reporting portal (https://report.insight.gov.in) has been rolled out (soft launch) to provide a comprehensive interface between Reporting Entities and the Income-tax Department. The Reporting Portal enables seamless data processing, data quality monitoring and report rectification.

iii. A dedicated compliance portal (https://compliance.insight.gov.in) has been rolled out (soft launch) to capture response on compliance issues in a structured manner for effective compliance monitoring and evaluation.

iv. A new Compliance Management Central Processing Centre (CMCPC) has been operationalized for leveraging campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance and resolution of compliance issues.

13.11.3 Project Name: Operation Clean Money

As a part of post-demonetisation exercise, Income Tax Department (ITD) had to analyse cash deposit data and seek information to identify possible cases of tax evasion. Operation Clean Money (OCM) was launched on 31st January 2017, with the mission to "***Create a tax compliant society through a fair, transparent and non-intrusive tax administration where every Indian takes pride in paying taxes***"**.** ITD on-boarded two specialised data analytics agencies and a business process management agency to augment departmental capability in analysing the large volume of cash deposit data and tracking the compliance status of taxpayers and reporting entities. The major achievements are as under:

- The cash deposit data was analysed to identify persons whose cash transactions did not appear in line with the tax payers' profile. Preliminary assessment was undertaken to analyse distribution of large cash deposits across various taxpayer segments (e.g. Business, Non-business etc.). This analysis resulted in identification of about 17.92 lakh persons for verification process in the first phase.
- Online verification of cash transactions was enabled and the information in respect of the identified cases was made available in the e-filing window of the PAN holder (after log in) at the portal https://incometaxindiaefiling.gov.in. The taxpayer was able to submit online explanation without any need to visit Income Tax office. Email and SMS were sent to the taxpayers for submitting online response on the e-filing portal. There was an overwhelming response to online verification and nearly 11 Lakh persons submitted online response.
- High risk cases were made available to the field formation using an internal online portal for effective monitoring and follow-up. The internal and external portals were integrated to enable seamless electronic communication with the taxpayer.
- A dedicated web portal for 'Operation Clean Money' (OCM) (https://www.cleanmoney.gov.in) was launched to enable citizen engagement (pledge, contribution, feedback, social media integration etc.) and taxpayer education.
- With the continuous flow of information from various sources including Statement of Financial Transactions (SFT), incremental data analysis was conducted (based on fuzzy matching of account numbers) to identify new cases for e-verification.
- Data analytics is being used to match information in IT return with cash deposit data (including fuzzy matching) and identify high risk cases/groups for further verification/investigation.

13.11.4 Project Name: Non-filers Monitoring System (NMS) Pilot Project

The Non-filers Monitoring System (NMS) was conceptualised as a pilot project under the Data Warehouse and Business Intelligence (DW&BI) Project to prioritise action on potential non-filers. Data analysis was carried out to identify potential non-filers about whom specific information was available in AIR, CIB data and TDS/TCS Returns. The number of non-filers with potential tax liabilities identified in various NMS cycles is as under:

- NMS Cycle 1 (2013): **12.19 lakh**
- NMS Cycle 2 (2014): **22.09 lakh**
- NMS Cycle 3 (2015): **44.07 lakh**
- NMS Cycle 4 (2016): **58.95 lakh**
- NMS Cycle 5 (2017): **67.54 lakh**

Prioritization rules were applied to classify the cases as P1, P2, P3, P4 and P5 priority (P1 being the highest priority) for follow-up and monitoring. Bulk letters were sent in high priority cases seeking to know the submission details of Income tax return. The letters also included summary of the information available with the Department along with a customized response sheet.

A Compliance Management Cell was set up under the Directorate of Systems to capture the response and take follow-up action. A comprehensive online monitoring system was implemented in June, 2013 to ensure that information related to non-filers was effectively used by the field Assessing Officers. The information in respect of the target segment was made available to the jurisdictional assessing officers for continuous monitoring and relevant follow up action.

CBDT issued SOP to ensure that the field formations followed a standard procedure in NMS cases to maintain consistency in their approach. The results of the pilot project are very encouraging and many taxpayers have paid self-assessment tax and filed returns after initiation of the pilot project.

A 'Compliance Module' has been created on the e-filing portal to address various compliance related issues. The compliance module shows the underlying reasons for non-compliance to the taxpayer and enables online capture of response from the taxpayer for further processing.

Under **NMS Cycle 6** (AY 2016-17), 35.10 lakh cases were identified adopting the thematic risk assessment approach, where income, investment, nature of transaction and type of business criteria has been applied. Cases with priority P1 to P3 identified under NMS Cycle 6 have been pushed on compliance portal for identified non-filers to submit online response.

Project Name: Refund Banker

The Refund Banker project has enabled system driven process for determination, generation, issue, dispatch and credit of refunds. This project has made the process of delivery of refund completely automated, speedy and transparent.

Under the Refund Banker Scheme, paper and electronic refunds determined by the Income Tax Assessing Officers are sent in electronic files by Income Tax Department to the State Bank of India (SBI), which has been designated as the Refund Banker agent of the Department. The Refund Banker sends ECS or Direct Credits to the bank accounts, where the refunds have been processed for electronic payment. In case of paper refunds, Refund Banker prints and dispatches the refund cheques (payable at par through Core Banking all over India) by speed post to the tax-payers. The electronic method of payment has reduced the delivery time to 1-2 days as against paper refund which takes 4-8 days. The Assessing Officer's role in issuing refunds is limited to processing the return of income on computer.

A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) is available under the Scheme. Call centre facility with toll free number 1800-42-59-760 is also available for tracking status of refunds issued through the scheme.

The status of refunds is updated on the departmental application with reasons for non- payment in case of unpaid or returned refunds, to enable the assessing officers to re-send the refund for payment after removing the deficiency. Audit trail and MIS on unpaid/ unpicked refunds (with ageing) are available on system for monitoring status of issue of refunds.

There has been a steady increase in number and percentage of refunds issued through the scheme. During current Financial Year, 2017- 18 (up to October, 2017), the percentage of refunds issued through the scheme is 99.96% of the total number of refunds issued all over India as under:

Financial Year	No. of Refunds (Paid)through Refund Banker	No. of Other Refunds (Paid)	Total	Percentage of Refunds Paid through Refunds Banker
2012-2013	81,48,839	66,733	82,15,572	99.19%
2013-2014	1,03,18,595	41,501	1,03,60,096	99.60%
2014-2015	1,35,56,088	22,517	1,35,78,605	99.84%
2015-16	21,008,960	13,162	2,10,22,122	99.93%
2016-17	1,76,59,245	10,617	1,76,69,862	99.94%
2017-18 (upto Oct. 2017)	1,28,87,974	5,622	1,28,93,596	99.96%

A new mechanism of PAN Account validation using PFMS has been implemented since last two years to shift to electronic payment of refund. Under this arrangement, the PAN Account information is transmitted to the banks using PFMS interface and banks provided the PAN seeded in the account to enable validation of PAN and Account linkage. In case of validated PAN Account record, the refund exceeding the predefined threshold (50,000) is issued electronically. As a result of this initiative, the number of electronic refunds has increased substantially in last two years.

13.11.5 Project Name: OLTAS (Online Tax Accounting System)

OLTAS project integrates online tax payments made by tax payers with the running ledger accounts of tax payers maintained by the Income tax department for tax credit. OLTAS functions in close coordination with RBI, Agency Banks and TIN (presently being managed by NSDL).

The objective of OLTAS project was to do away with the paper trail for tax credit and paper validation system. OLTAS project has been one of the landmark e-governance initiatives undertaken by the department. Under the project, all payments made in bank are uploaded on T+3 basis. Cash payments can be mapped with the bank and the assessee with PAN/TAN irrespective of the place of payment. A country wide network of 30 agency banks and their 13,000 branches including 3 private sector banks are authorized by the RBI for collecting direct tax payments under OLTAS.

Under this Project, the banks enter data of tax payment challans in their computer system and transmit the challan information online to the server of the Tax Information Network (TIN) of the Income-tax Department, maintained by NSDL. Modified File validation instructions have been installed in the software of all collecting banks and at TIN to ensure better data quality. In over 99% of total cases, correct PAN and TAN is being quoted in the challans, which shows definite improvement in quality of tax payment as well as payment data linked by the agency banks.

NSDL extracts the data, prepares OLTAS files and transmits the same to the OLTAS server maintained at NCC, New Delhi. From there, the data is populated into the ITD OLTAS database, enabling the Assessing Officers to give due credit to the taxpayers for the tax payments made by them, and generation of collection reports for AO/ Range Head/CIT/Pr. CIT/CCIT based on PAN/ TAN jurisdiction, irrespective of the place or mode of payment.

The salient features of the OLTAS Project are as under:

- The collecting and nodal branches of banks can verify the status of the tax payment data transmitted by them to TIN through TIN website tin-nsdl.com.
- The taxpayers can verify their tax payments through Challan Status Enquiry at the TIN website, on the basis of TAN/CIN (Challan Identification Number). Challan Identification Number under OLTAS is a unique combination of BSR Code of the bank/branch, Date of deposit and Challan serial number.
- Reports on top advance tax payers and TDS payers with quarter-wise comparative analysis with preceding financial year are also available to the Commissioners of Income Tax and Commissioners of Income Tax (TDS) for monitoring of collections.
- Monthly MIS reports are generated by TIN for Income Tax Department as well as for Pr. CCA, CBDT and RBI, for monitoring and follow-up.
- TIN provides an OLTAS dashboard facility to the collecting bank branches, their nodal branches as well as their link cells for monitoring upload of tax payment data and for its reconciliation with funds remitted by them to RBI.
- A separate OLTAS dashboard facility is also available through TIN website for the Finance Minister, senior functionaries of CBDT, Chief Commissioners/Directors General of Income Tax, Commissioners of Income Tax (TDS) and Commissioners of Income Tax (Computer Operations) for monitoring direct tax collections on a daily basis.

During Financial Year, 2017-18 (till Oct 31, 2017) the count and amount of tax payment challans handled through OLTAS were 2.99 crore and Rs 5,30,707.83 crore respectively.

13.11.6 Project Name: E-Payment

The E-Payment project has enabled online payment of all direct taxes using net banking facility. The scheme provides for ease of payment anytime, anywhere. With effect from 1 April, 2008, e-payment of direct taxes was made mandatory for all Companies and 44AB audit cases.

E-payment facility has been now extended to 30 agency banks collecting direct taxes. SBI has started the e-payment facility online through its debit cards as well. Facility of payment of direct taxes has been launched through ATMs of Corporation Bank, Bank of Maharashtra, Axis Bank, Central Bank of India, Bank of India, HDFC Bank, Canara Bank, Union Bank of India, Punjab & Sind Bank, Punjab National Bank, Indian Bank, UCO Bank, Andhra Bank, Bank of Baroda and Oriental Bank of Commerce.

In Financial Year 2013-14, the percentage of count and amount of e-tax payments was 64.41 % and 86.48% respectively. In Financial Year 2014-15, the percentage of such count and amount went up to 69.20 % and 87.10% respectively. In F Y 2015-16, the percentage of count and amount of such payment was 74% and 88% respectively. In F Y 2016-17, the percentage of count and amount of such payment was 77% and 89% respectively. In F Y 2017-18 (upto Oct 2017), the percentage of count and amount of such payment has gone upto 79.91% and 90.23% respectively.

13.11.7 TAXNET project

Aim and object of the ongoing TAXNET project is to provide seamless connectivity (IP- VPN services) to the departmental users in the Income Tax department all over India.

The TAXNET project acts as the architectural backbone of the entire digital edifice of the Direct tax administration in India. It provides seamless, secure, efficient & dedicated connectivity to more than 770 locations spread over more than 500 cities in India. It is like a golden thread which permeates through all modules, applications & platforms of the Income Tax Department. In effect, it serves as a force multiplier for the entire digital machinery of the department. The ultimate success & the execution of the all the modules like Operation Clean Money, ITBA, CPC-TDS and CPC-ITR-Bangalore, Project Insight etc. entirely rest on its shoulders. It works silently in the background, being successfully executed since the year 2008.

Change Order Management is an integral part of the management of the TAXNET contract. The department has to place change orders to ensure the connectivity and optimize the intranet NETWORK. In the instant dynamic environment, it provides much needed operational flexibility. The major activities in change orders are as follows:

- Relocation of nodes/ Additional nodes
- Establishing New Site
- Shifting of site
- Bandwidth Augmentation

These are executed as per the departmental requirement and requisitions from the field formations.

13.11.8 Web Master Project

National Website (https://www.incometax india.gov.in) hosts a number of services with user friendly functionalities and features. The various services that the website hosts, includes a list of all the facilities put online viz. PAN, TAN etc., besides providing returns & statements of e-filed cases, international tax related contents, FAQs/ tutorials/tax information, press release, latest news etc. The number of visitors to the website has been continuously increasing which shows its efficacy and popularity.

New web site of the Income Tax Department was launched on 22nd September 2014. The same was revamped in November 2015 and new services incorporated keeping in mind feedback received from various users, trade associations and other stakeholders. The feedback received on the website is analysed by a team of the officers on regular basis and suitable follow up is done wherever required.

Some of the existing features of the website are:

1. Website is now one of the most educative sites, built on state of the art technology, having a rich repository of more than 100 Tax and Allied Laws, Rules, approximately 10,000 Circulars and Notifications which are cross-referenced & hyperlinked for users' convenience.

2. International Taxation related contents includes:

   a. More than 130 Tax Treaties which India had entered into with Foreign Countries- (With Unique Facility of Treaty Comparison)

   b. International Business- Sections to be remembered.

   c. Tax rates as per Income Tax Act vis-à-vis Tax Treaties.

   d. Relevant provisions under Income-Tax Act, Companies Act, Service Tax and FEMA for Non-resident

3. Providing information to the Tax Payer in the form of FAQs/Tutorials.

4. Cross linking: **-** Cross linking across all the sections of Income-Tax Act 1961, has been provided. Further, all related Income-Tax Rules 1962, FAQs, Tax Services, Income-Tax from are available on that page itself.

5. Services centric information Page for various services such as PAN/TAN, Return Filing, Tax Payment, Tax calendar, Tax Chart & Tables, Tax utilities, Tax Helplines and more have been provided.

6. Website is friendly toward the differently-abled. The website is friendly for blind users, users with partial or poor sight including colour blind users and deaf users.

7. Website is bilingual and Rajbhasha compliant.

8. Separate corner for Senior Citizen.

9. Web site has information and videos for children.

10. Latest News & Press Releases are updated on real time basis.

11. Other facilities

   a. Income Tax Office Locator (Covers details of all Income-tax Offices across India)

   b. Separate pages of Pr. CCIT/DGIT-Includes information about field offices, Grievance Redressal Mechanism, respective CPIOs, Appellate Authorities under RTI Act.

   c. Tenders from Department.

12. Complete information regarding '**Income Disclosure Scheme 2016'** on a single click was provided on the home page of the website.

13. Complete information regarding **"Pradhan Mantri Garib Kalyan Yojana 2016 (PMGKY 2016)"** is provided on home page.

From Jan' 2017 to Dec' 2017, total **4,99,55,455 visitors** accessed the website as against 4,25,21,806 visitors during Jan' 2016 to Dec' 2016 which shows increasing utility and popularity of new layout of the National website. There were 180,642 visitors of Hindi Version also.

A new '**Tax Payer Services Module'** and **'Aayakar Setu (Mobile Application on Android)'** had been launched at the website on 10th July, 2017 by Hon'ble Finance Minister of India, Shri Arun Jaitley.

The main highlights of the Aayakar Setu are-

1. **ASK IT** – It functions as a CHATBOT (A virtual machine chatting with the user) which provides solution to queries of taxpayers relating to PAN, TAN, TDS, Return Filing, Refund Status, Tax Payment etc. on real time basis.

2. **Live Chat with Tax Experts** – In case users have any query they can use the chat option at TPS section. This facility will be available on all working days (i.e. Monday to Friday) between 10:00 AM to 06:00 PM.

3. **Tax Return Preparers at your doorstep** – It helps to locate the TRP on Google map. A Tax Payer can locate/search the TRP at the desktop as well as on his mobile App.

4. **Tax Tools** – It facilitates tax calculations for filing ITR. Various tax tools are available, which will give the output required for ITR on the basis of inputs/information available with user.

5. **PAN/TAN** – All the services related to PAN/TAN i.e. PAN/TAN application, De-duplication, PAN surrender, PAN-Aadhar Linking are available through the portal

6. **TDS/TRACES** – It provides links to all the services useful for a tax deductor/collector, tax deductee in one place along with proper bifurcation of services between Tax Deductor/Deductee etc.

7. **Payment of Taxes** – It provides ease of use of all the services related to tax payment including tax calculation, View tax credit statement etc.

8. **Latest Updates on website and email/SMS** – It will help the taxpayers in finding out the information required as per upcoming compliance dates on the main window of the Tax Payer Services.

9. **Tax Gyaan** –Tax Gyaan is a multiple choice question web-based game to provide knowledge to the youths accessible from mobile as well as desktop.

13.11.9 Other New Features:

1. **Complete information related to Direct Taxes Dates**

2. **Promoting Tax Payers to take Integrity Pledge –** Integrity pledge is being promoted through publishing of relevant link to take Integrity Pledge at Home Page of the Website

   The new modules of the website have been widely appreciated by a large number of Tax Payers.

13.11.10 Video Conferencing

Video Conference facility is available across 48 stations (57 sites), which is assigned to Telecommunications Consultants India Limited (TCIL) with effect from April 2017. While the bandwidth is being provided by the TAXNET MSP under TAXNET project, the maintenance of VIDEO CONFERENCE devices and facilitation during VIDEO CONFERENCEs, have been ensured by the Unit-4 team. The VIDEO CONFERENCE facility that covers 57 locations across India, is one of the major activities of Unit-4 given the fact that authorities now frequently used such conferences to save precious time and resources. The frequency of VIDEO CONFERENCE has been increased many fold since its inception in the year 2006.

13.11.11 Facility Management Services

Facility Management Services (FMS). The Project -4 Unit, through its MSP, provides the Facility Management Services (FMS). Till 1st June-2014 FMS was supporting 13,000 network users. Network user count increased to 14500 in 2015, 15500 in 2016 and as on December 2017 this further increased to **17000**. **RSA tokens** are supplied and supported by TCS and distributed by the FMS team through respective CIT (Admin & TPS) concerned. In the month of September 2017 the FMS team has distributed 11800 RSA tokens to all the 18 Regions. FMS team also facilitates the Video conference organized by the Hon'ble Chairperson and Members of CBDT.

13.11.12 Project Name: E-TDS

Project Features

The Centralized Processing Cell for Tax Deduction at source (CPC-TDS) is a technology driven initiative of the Income Tax Department to put in place Non-Intrusive, Non-Adversarial administration in the country. The robust technology platform has been leveraged to provide value added services to more than 19.33 lakh deductors, 5 crore taxpayers from all over India and abroad and more than 500 officers of the Income Tax Department who are administering TDS across India.

Centralized Processing Cell – TDS (CPC-TDS) undertakes **end to end processing of TDS statements through a Rule Based Technology enabled system and offers** e-enabled services that are accessible on any-time, any-where basis with no cost to the taxpayers / deductors. The rule based automated processing of 'Statements' facilitates uniform interpretation of laws, faster turnaround time besides ensuring seamless flow of data for tax credits. CPC-TDS introduces transparency in the processes through online display of information and provides an integrated platform for tax deductors, taxpayers and the officers of Income tax department. Thus, **it forms the backbone of overall TDS administration** in the Income Tax Department.

India is one of the very few countries to put in place an initiative of this scale for reconciliation of Tax Deducted at Source.

Attributes of the CPC-TDS

i. Database size – 2600 crores transactional data**.**

ii. State of the art Data Centres at NOIDA and Pune.

iii. 250 plus operational resources.

iv. Processing Capacity

- Processing capacity of more than 1 crore deductee records in 24 hours.
- Average processing time < 5 days from the date of receipt of statements at CPC-TDS.
- Processing capacity of nearly 2000 inbound letters in a day.
- Processing capacity of nearly 30000 outbound intimations in a day.

v. Intimation of defaults is also sent to the registered email IDs of the deductors. l anmgraphi

Demographic spread

CPC-TDS brings value to various institutions, organizations (both within and outside government). It touches all government establishments, banks, financial institutions, corporates on one hand and on the other, provides services to all the taxpayers, whether filing tax returns or otherwise. The users of the facilities at CPC-TDS include –

- More than 5.2crores Taxpayers including corporates, individuals, business entities and others. 43 banks& E-filling website are linked to the CPC-TDS System for online access to Tax Credit Statement (26AS). Around 6.49 Crore registered users of e-filing website of the Income Tax Department have online access to Tax Credit Statement (26AS) with over 56.22 crore 26AS viewed till date.
- **More than 19.33 Lakh Deductors** including more than 1,75,000 offices of the Central & State Governments.
- **More than 5,000 Government** (Central & state) treasuries, sub-treasuries in each district and other Principal Accounts officers.
- **More than 500 Field Officers** of the **Income Tax Department**, spread across the country, who are responsible for TDS administration.
- **Tax policy wing** of the Central Board of Direct Taxes.

Re-engineered process through CPC-TDS

With the inception of CPC-TDS, following processes have been reengineered:-

Issue of Digital TDS Certificate

The traditional practice of manual TDS certificates was a major cause of TDS mismatch in the processing of Income Tax Returns.

The CPC-TDS now generates TDS certificates from the data reported by the deductors and after matching tax payments (reported through banks or other competent entities). **These certificates, having a reference number, are verifiable online and unique for a deductor-deductee combination**. In this way, the amount depicted in the TDS certificate matches with the amount reflected in the Annual Tax Credit Statement. This rules out possibility of a mismatch while processing of Income Tax Returns. More than 107.07 Crore digital TDS certificates have been downloaded by deductors from TRACES website till date.

The matching of TDS credits, while processing of Income Tax Returns has improved upto 96%. Verifiable single version of truth, through reengineering, also eliminates any possibility of fraudulent claim of TDS based on bogus TDS certificates.

Online Correction of TDS statements

The CPC-TDS provides facility for online correction of TDS statements. Thus the deductors can now correct PANs and other attributes of the transactions by promptly filing a correction **any time anywhere**. At the same time, with this facility, any correction, for resolution of defaults can also be carried out at deductors' convenience. More than 45 lakh corrections were received and resolved by the CPC-TDS till date.

E-Office

The CPC-TDS provides an integrated technology driven platform for enabling e-office in the Income Tax Department. **Over 500 Officers of the Income Tax Department, administering TDS provisions across India, connect with CPC-TDS system through its Intranet services.** In addition, a dedicated Helpdesk for assistance to these officers has been enabled.

Proactive dissemination of Information - PROMOTING voluntary compliance

The inception of CPC-TDS marks a paradigm shift in the TDS administration towards achieving a Non-

Adversarial, Non-Intrusive Tax administration. Around 4.72 Crore of educational e-mails on various issues have already been sent by CPC-TDS to the deductors. E-mails sent through manual campaign are 3.22 Crore & through automated server are 1.50 Crore.

The impact is clearly visible in the following areas of TDS administration:

- Improvement in filers of TDS Statements within due date.
- Improvement in deposit of tax within due date.
- Reduction in TDS default cases.
- Reduction in quoting of invalid PANs.

Institutionalized mechanisms for Grievance redressal & Communications

The CPC-TDS has put in place a Call Centre for real time support to all the stakeholders. Further, the stakeholders can also reach CPC-TDS through e-mail, Grievance Portal on the website and by writing a letter. The grievances are being handled in a centralized manner and all the stakeholders are given visibility regarding grievance by virtue of an integrated system. More than 48.20 lakhs grievances have been responded by CPC-TDS since inception.

Data for Policy Formulation and Social Policy Planning

Using data mining and analytics tools, CPC-TDS provides an updated **Management Information System (MIS) and Business Intelligence (BI) reports** to the field authorities. This helps them to focus on the potential cases involving high-risk. Field authorities stand empowered and equipped to take up the enforcement work in effective and efficient manner.

The output of analytical tools also acts as an input for effective policy formulation.

Citizen Centricity

The operationalization of CPC-TDS has benefitted multiple stakeholders involved in TDS administration by way of an integrated interactive platform for Service Delivery. This has made a tremendous impact on effort, time and cost.

Taxpayers

1. With CPC-TDS generating TDS certificates centrally, the initiative has **eliminated mismatch of tax credits at the time of claiming credit for TDS** in the Income Tax Return.
2. The taxpayers do not have to maintain record of manual paper TDS certificates. All information related to TDS credits, is available online in the form of Annual Tax Credit statement (Form 26AS). The taxpayer has to only verify it from time to time.
3. With the elimination of manual issuance of TDS certificate by the deductor, verification by the Income Tax Department is not required. This **has cut down unnecessary delays in the granting of tax credits**.
4. The availability of Form 26AS online has facilitated accurate & complete reporting of Income. As a consequence, **compliance cost for the taxpayer has come down**.
5. The e-filing website of the Income tax department pre-populates Tax Credit data in the Income Tax Return based on information sent by CPC-TDS. This has made the process of filing **Income Tax Return easy.**
6. **The Annual Tax Credit Statement is updated on a near real time basis**. Hence discrepancies in the TDS reported by the deductor, can be reported by **taxpayer to deductor, while the transaction is very recent**.
7. **Malpractices in the issuance of refunds, etc have been minimized**.

Deductors

1. **Single Window Delivery:** A comprehensive web based service delivery platform takes care of all the compliance needs of deductors and is a source of constant feedback.
2. **Online and Offline Correction facility is available on anytime anywhere basis.** This is one of the major components of the integrated interactive platform of CPC-TDS.
3. **The CPC-TDS has promoted voluntary compliance by the deductors**. Through **proactive** dissemination of Information, CPC-TDS has been able to **help the deductors in avoiding defaults and consequent costs by providing valuable updates through educational emails and other sources**.

Feedback and Grievance Redressal: The centralized tracking of grievance ensures that the time taken for redressal is minimized.

The performance of CPC(TDS) during the year is presented below:

a. Overall performace:

Description	From 1.4.2017 to 30.11.2017
TDS statements processed for 26AS	81.32 lakhs
TDS certificates downloaded	25.44 Crore
TDS statements processed for defaults	5.83 lalkhs
No. of intimation issued	Via e-mail- 28.29 lakhs (for TDS statements/26 QB statements/RUD/Reprocessing of statement Via print- 9.25 lakhs

b. Download statistics

Download Type	From 1st April 2017 to 30th Nov., 2017
Form 16A	21.05 Crores
Form 16	4.37 Crores
Form 16B	2.45 Lakhs

c. 26AS views:

Total 26ASviews : Over 11.04 Crores

Unique PANs viewing 26AS : Over 3 Crores

(From 1st April, 2017 to 30th Nov., 2017)

13.11.13 Project Name: E-filing of Income Tax Returns

Project Description

The e-Filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for providing web- enabled services to the taxpayers. The project aims at enabling e-filing of Income tax returns, audit reports and other Forms prescribed under the Income Tax Act over Internet directly by taxpayers and through e-return intermediaries (ERIs).The project also provides other web- enabled services to facilitate public private participation in the filing of returns.

The e-Filing portal https://incometax indiaefiling.gov.in provides following personalized services to the taxpayer:

- Status of returns – Processing/Demand/Refund
- PAN Aadhaar Linking
- Rectification uploads and status after processing
- Refund Re-issue Request
- Request for Intimation u/s 143(1) and 154
- Outstanding Tax Demand
- Tax Credit Mismatch Summary
- View Form 26AS
- ITR-V Receipt Status
- Register as Legal Heir
- Add / Disengage CA and ERI
- Profile Settings -Change Password, Update Contact details etc
- E-Vault Additional Security Option
- Using PINS (OTP to mobile number and e-mail id)
- Login through Net Banking
- Verification and Validation of Contact details of Taxpayers
- Compliance Module updated with NMS-3 (FY 2012) data
- Filing of Form 6 (Disclosure of Foreign Income & Assets)
- Submitting Response to Outstanding Tax Demand
- E-Nivaran – Grievance Submission for multiple entities
- Schematron Implementation – ITR Validation Rule engine
- Electronic Verification Code for filing of ITRs(EVC)
- TDS Statement submission

The dedicated help desk deals with query or grievance related to e-Filing. The portal also provides help and static content 'in Hindi' for users.

Electronic filing of IT returns over the internet picked up from AY 2006-07 and the number of returns filed electronically has risen from around 4 Lakh in Financial Year, 2006-07 to **528.68** Lakh in Financial Year 2016-17. In Financial Year, 2017-18, 441.41 Lakh returns were received up to 8th January 2018 as compared to 374.84 Lakh returns for same period in Financial Year 2016-17, representing a growth of around 17.76%. The progressive achievement of e-filing scheme is as under:

Financial Year	Number of e-returns (in lacs)	Growth
2006-07	4	
2007-08	22	450%
2008-09	48.5	120%
2009-10	52.5	8%
2010-11	91.56	74%
2011-12	164.12	79%
2012-13	214.87	31%
2013-14	296.81	38.67%
2014-15	341.73	15.13%
2015-16	433.43	26.83%
2016-17	528.68	21.97%
2017-18 (Upto 08-01-2018)	441.41	17.76%

There has been significant growth in the New PANs getting registered on the e-filing site, showing increased use of the e-Filing and other facilities through the e-Filing website. The number of registered users of the e-Filing portal as on 8th January 2018 is 6.97 Crore.

13.11.14 Project Name: CPC, Bengaluru Central Processing Centre for Income Tax Returns

- CPC has processed 4.57 crore returns of income during Financial Year 2016-17 with a year on year growth rate of 10%, (4.14 crores processed during Financial Year 2015-16). Further, till 31st December 2017, CPC has processed 4.48 crore returns in Financial Year 2017-18.
- CPC has achieved a peak processing capacity of 7.37 lakhs returns per day.
- CPC has processed 22,50,10,970 E-Returns till 31st December 2017, as against the target of 2.7 crore e-filled returns, that CPC was to process in 5 years.
- Electronic Verification Code (EVC) process implemented in April 2015 is successful and more than 50 lakh taxpayers have adopted this Green Initiative. CPC has already processed 308.02 lakhs returns validated through EVC.
- Average processing time is reduced to 67 days, which is less than the period specified in citizen's charter (6 months) and much less than performance in manual processing (approx. 14 months). Prior to CPC, average processing capacity of the department was approx. 2.5 crore return per annum against receipt of more than 3 crore returns each year.
- Projected/Estimated Volumes for the period January 2018 - March 2018 and Actuals as on 31st March 2017 are as under: -

Activity	Achievements during 01-04-2017 to 31-12-2017 (In Lakhs)	Projections for Jan 2018 - Mar 2018 (in Lakhs)	Achievements during 01-04-2016 to 31-03-2017 (in Lakhs)
Processing of Returns	448	114	457
Rectifications	3.02	1	6.23
Calls handling	6.44	2	7.10
E-mail Communications	1,415	295	1,182
SMS Communications	1,663	287	1,149

- Till date, CPC has sent around 73.73 Crore digitally signed PDF based intimations by email, around 67.96Crore SMS alerts and around 4.17 Crore intimations sent by Speed Post all over the country. Savings due to e-delivery as compared to postage is Rs. 1106 crore.

Description	Communications via email sent to taxpayers count	Postage cost saved (Rs. Crores) #
FY 2010-11	5927080	8.89
FY 2011-12	36769270	55.15
FY 2012-13	42943613	64.42
FY 2013-14	65630267	98.45
FY 2014-15	93941486	140.91
FY 2015-16	232366069	348.55
FY 2016-17	118245615	177.36
FY 2017-18 (Up to 31st December 2017)	141519754	212.27
%age Growth over last year	20%	
Total Savings in 8 FYs		**1106**

 # Average cost of speed-post/ordinary post taken as Rs.15/-.

- To enable handling of large volume and managing size of the e-mails and improving aesthetics of intimations, email through HTML template has been enabled and used.
- 90 call centre agents attend to over 5,000 calls daily in 3 languages. Around 59.87 lakh calls attended till 31st December 2017.
- CPC, call centre made 3,31,352 outbound calls for Demand Management to Assessing Officers.
- CPC has enabled Web based Taxpayer Grievance Mechanism in the last Financial year. Under this system, the taxpayers can login to the e-filing web portal of the department and submit their grievances online. The resolution of the grievances and other assistance is provided through registered e-mails of the taxpayers. Status of redressal of the grievance is also updated on the e-filing web portal. Up to 31st December 2016, 6.01 lakh grievances have been received out of which 5.98 (99%) grievance have been addressed. E-Nivaran Centralized Grievance System has been integrated with Online Grievance Portal from 19th August 2016, 3.83lakh grievances were received and 3.80 lakh were processed till 31st December 2017.
- Rectification requests received from taxpayers are processed within the statutory limits. For financial year 2017-18(till 31.12.2017) CPC has processed 3.02 lakh rectification request out of 2.97 lakh rectification requests received.
- Due to the higher accuracy level of processing at CPC, there has been a sharp drop in overall rectification requests.
- Refund reissue requests due to refund failures, incorrect bank account number involving amount of Rs.128.47 cr. for A.Y. 2017-18 were processed. All such requests are processed within 7 days of request accepted by CPC.
- In addition to processing of Income Tax returns, CPC has processed 125,978 Wealth Tax Returns Form BB filed electronically.
- **Demand Management:** To deal with the issue of cleaning and updating of arrear demands, the outstanding demand position in CPC FAS (Financial Accounting System) was made available to field AO's through the AO Portal and to taxpayers through 'My Account' on efiling website. As on 31st December 2017, AO has acted on 14,59,219 entries involving arrear demand of Rs. 2,20,119.97 Crore. CPC has also facilitated Tax payers to revert on the demand position by agreeing/disagreeing to the demand through E filing website. Responses received in 35,38,163 entries totalling to Rs.2,47,578.63 Crores have been received from Taxpayers through efiling website.
- CPC has stored over 18.59 Crore ITR V physical documents through a Record Management Service and has been awarded ISO 15489 certification, the first entity in Asia to achieve this.

13.11.15 Other Significant Initiatives:

- Online Grievance Portal of CPC has been integrated with **E-Nivaran Centralized Grievance System** from 19th August 2016 which facilitates speedier redressal of taxpayer grievances in co-ordination with the Assessing Officers.
- **Auto Dialler** introduced in CPC Call Centre to make reminder calls notifying the taxpayers to submit their ITRV/to do e-verification so that the return can be taken up for processing. Through auto dialler CPC is able to make 10,000 out-bound calls in a day.
- **Enabling Online condonation request on e-filing portal -** Using this facility online request can be raised by tax payer where he has not filed his ITRV within 120 days or has not e-verified the returns within the prescribed time seeking condonation of the delay so that the returns can be taken up for processing
- **Enhancing Life cycle of ITR status in e-filing -** To facilitate the assesse to view the complete life cycle of the Income Tax Return (ITR), system was enhanced to share more processing feed status of taxpayer to e-filing at various stages in CPC. This will enable tax payer to know more details on the return processing status including the communication details.
- **Enabling E pay link for DDT and BBS demands -** A separate option/Link is provided in Intimation for tax payer to pay his DDT and BBS demands which will re-direct to NSDL website with pre filled details.

13.12 Vigilance

1. Functions/Working of Organization

The Vigilance set-up of the Income Tax Department is headed by the Principal Director General of Income Tax (Vigilance). Who is also the Chief Vigilance Officer of the Organization. CVO is responsible for taking the initial decision on complaints against Group-A officers. CVO is also required to maintain an up to date record of such complaints and their latest status, through the prescribed registers, for submission of reports to the CVC, DOP&T etc. All the complaints against Group-A officers are, therefore, required to be forwarded to her for registration in the CVO's register as well as for further necessary action.

CVO is required to examine and comment on all proposals where a reference to the CVC is required to be made. Four regional Directorates of Income Tax (Vigilance) assist her in conduct of preliminary verifications or investigations.

CVO attends to all matters concerning disciplinary proceedings against all serving Group 'A' officers and all retired Group 'A' to Group 'C' officers/ officials. Thus, Pr. DGIT(V)/CVO, CBDT, Delhi assists the Disciplinary Authority (DA) i.e. the Finance Minister on all vigilance matters in consultation with CVC, UPSC and DoP&T.

Four Zonal Directorates of Income Tax (Vigilance) assist CVO in the handling of vigilance matters pertaining to their respective regional jurisdictions. These Directorates process complaints against Group 'B' officers and also conduct preliminary verifications and investigations in respect of both Group - A and Group - B officers.

Zonal offices are headed by officers of the rank of Commissioners who work under the control and supervision of DGIT(V)/CVO, CBDT. They are CVOs for more than 15000 Group 'B' officers under their respective jurisdictions. Besides, they assist Pr. DGIT(V)/CVO, CBDT in respect of all enquiries/ investigation etc. assigned to them by Pr. DGIT(V)/CVO, CBDT from time to time.

2. Performance and Achievements during Current Year January-December, 2017

SR. NO	ITEMS OF WORK (DISPOSAL)	Achievements
	A . CORE AREAS OF ACTION	
1	Disciplinary proceedings concluded	59
1 a).	Penalties Imposed	37
1 b).	Out of above J.S. and above Rank	5
2	Dept. Inquiry disposed	71
3	Sanction for prosecution approved/granted	1
4	Vigilance clearance issued	9190

3. Significant Developments

The process of Vigilance Clearance (VC) has been modified and made faster and less cumbersome. The VCs earlier were granted in a period varying from 10/15 days to even two/three months. Now with the revised procedure it has been reduced to 1 day in the case of individual officers and not more than 7 days in the case of panel of officers. This also finds a mention in the RFD.

(i) Systems Improvement

Systems studies are carried out regularly by the Vigilance Directorate. Based upon the findings of the study, feedback and suggestions are given to the concerned wing of the Department. Recently, systems study was carried out by the Vigilance Directorate with regard to the Survey actions u/s 133A of the I. T. Act as a measure of preventive vigilance in pursuance of frequent receipt of complaints. Based on the findings of the system study, vide letter dated 09.08.2017, guidelines regarding conduct of survey under Section 133A of the Income Tax Act were issued by CBDT to all the Pr. CCsIT, Pr. DGsIT for circulation to all the officers. A Central Inspection Team has been formed to conduct immediate vigilance inspections in cases of serious complaints. Pursuant to spot inspection in a recent case, the earlier CBDT instructions regarding Limited Scrutiny and maintenance of proper order-sheet were reiterated by issue of OM dated 30.11.2017. Also, to strengthen Vigilance Administration it has been decided (OM dated 08.06.2017) that quarterly meetings of Pr. CCsIT and Zonal ADsG(Vigilance) will be held by the 15th of the month following the end of each quarter. The agenda of the meeting includes issues like sharing of information regarding officers and officials of suspected integrity, discussion on implementation of rotational transfer policy, status of pending IO reports, status of complaints and pending DP matters in respect of Group 'B' and 'C' employees, systemic improvements etc.

4. Significant developments/policy decisions taken during the year for the development of a particular sector, including initiatives for improving delivery of public services and for ensuring inclusive growth:

4.1 Preventive Vigilance

Preventive Vigilance: steps taken and achievements:

(i) Preventive Vigilance - Steps already taken as part of Preventive Vigilance: -

Institutional Level

Reduced interface between Tax Payers and Departmental Officials by use of technology:-

- E-filing: Online Return Filing
- E-assessment: Online assessment proceedings
- E-appeal: Online Appeal filing
- E-nivaran: Online grievance redressal
- Centralized Processing of Returns at CPC Bengaluru
- Refund Banker Scheme
- Computer Assisted Selection for Scrutiny (CASS)
- Aayakar Sewa Kendras (ASK)
- Call Centre Helpline

Supervisory level

CCsIT - Monitoring of orders u/s 263/ 264 of I T Act, 1961, Review of Appellate Orders

CsIT - Monitoring of surveys, Central Scrutiny Reports, directions u/s 144A, Routine inspection of assessments

Addl. CsIT - Monitoring of appeal effect registers, rectification registers

A.O. - Monitoring of grievance petitions, Monitoring of Return Receipt

Registers (where ever maintained)

Directorate General of Income Tax (Vigilance) - Guidance to Officers on Do's and Don'ts, Dissemination of information by Seminars and Lectures, Scrutiny of Private Foreign visits, IPRs, High Value intimations

Way Forward

(a) Increasing awareness

i. Counselling of suspect officials

ii. Training and seminars

iii. Printing of books on Do's and Don'ts

(b) Being vigilant

i. Vigilance Inspections

ii. Feedback from zonal ADG (Vig) in transfer and posting

iii. Complete profiling of suspect officers

(ii) Sensitive posts and rotation transfers - implementation status

The Transfer Policy of the CBDT lays down the guidelines for transfer & posting of IRS officers. As per the policy, the officers posted in sensitive posts are transferred out on a regular basis. It is ensured that no Officer continues in such posts for more than three years at a stretch. The process of the Annual General Transfers for the year 2017 has been carried out by the CBDT strictly in accordance with the Transfer Policy.

(iii) Scrutiny of APARs

The CBDT is the custodian of the APARs. Any adverse remarks in APAR about integrity of any officer are communicated to the DGIT (Vigilance) for investigation and further necessary action.

(iv) Training and awareness campaigns conducted and proposed

Many training and awareness programmes on vigilance issues have been conducted for officers and staff at various levels. These programmes were held at the National Academy of Direct Taxes at Nagpur as well as at different Direct Tax Regional Training Institutes and Ministerial Staff Training Units.

Officers from the Directorate of Vigilance have been taking sessions at the National Academy of Direct Taxes at Nagpur for probationers of the Indian Revenue Service as well as for Senior IRS Officers undergoing refresher courses. Apart from these programmes, seminars were conducted by various field offices during the Vigilance Awareness Week held in 2017.

4.2 e-Nivaran

e-Nivaran is the online grievance redressal system of the Income Tax Department. All types of Grievances such as PAN application, processing, assessment, appeals, TDS etc can be filed by tax payers. It is a cent percent paperless system, where communication is enabled through, e-mail & SMS.

4.3 Central Inspection team

A Central Inspection Team has been formed to conduct immediate vigilance inspections in cases of serious complaints.

5. Mechanism put in place to measure development outcomes of major schemes/ programmers implemented through the department/Division.

5.1 Probity

Steps to ensure probity in Government Servants:

In order to ensure probity in income Tax Department following steps have been taken.

i) (Review of Officers under FR 56(j) is now being done for all Officers between 50 to 60 years of age.

ii) In review meetings of FR56(j) not only IPR, APAR but also Secret note in integrity column, doubtful reputation etc. are made the basis of examination.

iii) Separate efforts are being made to bring comprehensive data updation on absconding/ resigned/ expired Officers.

iv) Offices of Pr. CCIT (CCA) have been asked to conduct review under FR 56(j) for grade B & C employees with due seriousness.

v) This exercise of review under Rule 56-(j) is being done regularly on quarterly basis for all employees (Group-'A', 'B'& 'C'). Till date 2196 cases have been reviewed. During the year, action on 1 group 'B' officer and 3 group 'C' officials has been taken u/r 56 (j) of FR.

vi) Besides inspections by the Central Inspection Team, a total of 33 Inspections made by the Zonal ADGs.

6. Inputs on E-Governance activities :

Income Tax Department has undertaken the following reform initiatives in last few years by harnessing latest technology to enable a System driven working environment in the Department. These measures are aimed to introduce objectivity and reduce human interface between the taxpayer and the officials. The following initiatives have been taken:

6.1 Undertaking a comprehensive Business Process Re-engineering (BPR)study to understand AS-IS processes and to recommend TO-BE processes;

- Setting up of Tax Information Network;
- Taxnet project for networking of all its offices across the country;
- Setting up of Centralized Processing Center at Bengaluru
- Setting up of Centralized Processing Cell (TDS) at Vaishali
- E-filing of returns,
- Refund Banker Scheme to improve channel delivery of refunds;
- Sevottam Scheme for moni toring of dak and grievances;
- Dedicated Call Centre
- Comprehensive Website that consolidated all e-services etc.

6.2 Through comprehensive computerisation initiatives, the department has enabled end-to-end e-delivery services that inter alia include:

- E-Payment of taxes
- E-filing of TDS statements
- E-Processing of TDS statements
- E-view of tax credits
- E-filing of Income Tax Returns
- E-Processing of Income Tax Returns
- E-Matching of tax Credits
- E-tracking of processing of the Income Tax Returns
- E-Delivery of Refunds
- E-tracking of Refunds

6.3 Therefore the present initiatives of the department have made it possible to comply with the tax obligations without visiting the Income Tax Office on anywhere, anytime basis. This is reflected in the latest initiatives of the Department regarding e-Assessment, e-Nivaran and e-Appeal. Thus, the tax payers can participate in scrutiny assessment proceedings using e-Assessment facility, get their grievances redressed through e-Nivaran and file appeals online through e-Appeal.

13.13 Grievance Redressal Machinery:

A comprehensive and multi-layered Grievance Redressal Machinery is functioning in the CBDT and its subordinate offices all across the country as detailed hereunder:

(i) A Central Grievance Cell under the Chairman, Central Board of Direct Taxes at New Delhi which is looked after by an officer of the rank of Deputy Secretary/Director to the Government.

(ii) Regional Grievance Cells under each Chief Commissioner/Director General of Income-tax. In places like Delhi, Kolkata, Mumbai and Chennai. Where there are more than one Chief Commissioners, the Regional Grievance Cell functions under the Cade Controlling Principal

Chief Commissioner of Income Tax. A Commissioner of Income Tax(Helpline) is also functional in the four metropolitan cities for settlement of public grievances.

(iii) Out station Grievance Cells which function under Commissioners/Directors of Income Tax in all other places, where there is no Chief Commissioner or Director General of Income Tax.

Grievance application can be made on a plain paper to the Grievance Cell functioning under the concerned Commissioner or by directly approaching the concerned officer who needs to redress the grievances, with a copy to the Grievance Cell. The applicant should give his name, address and PAN so that the Grievance Cell can make further communication with him, if required. If the grievance is not redressed even after month of making the application, the applicant may address the grievance to the Regional Grievance Cell functioning under the concerned Principal CCIT or the Chief Commissioner of Income Tax. Nodal Officer has been placed in charge of these Cells. Besides, there are facilitation Counters to receive grievance petitions and to assist the public. If the grievance is not redressed by the Regional Grievance Cell within 2 months, an application may be sent to the Central Grievance Cell functioning under the Chairman, Central Board of Direct Taxes. Presently, Deputy Secretary (Hqrs), CBDT who is the designated Nodal Officer for grievances in CBDT, is responsible for the activities of the Central Grievance Cell, CBDT.

The number of grievances received and disposed of by the Central Grievance Cell during the year 2017-18 (from 01.04.2017 to 11.01.2018) is as under:

No. of grievances as on 01.04.2017	Number of grievances received	Number of grievances disposed off
3577	32705	34507

(iv) Besides, CBDT has adopted the web Centralised Public Grievance Redress and Monitoring System(CPGRAMS) introduced by the Department of Administrative Reforms & Public Grievances for redressal and effective monitoring of grievances lodged online, by the citizens on various issues against the Income Tax Department. 56 subordinate offices at the level of the Chief Commissioner & Director General of Income Tax have been created in CBDT by giving them user ID and Password to monitor and redress grievances received online through this system. Even grievances received through Dak are also now being scanned and forwarded online to concerned offices for necessary action and report.

(v) e-Nivaran

e-Nivaran is the online grievance redressal system of the Income Tax Department. All types of Grievances such as PAN application, processing, assessment, appeals, TDS etc can be filed by tax payers. It is a cent percent paperless system, where communication is enabled through, e-mail & SMS.

13.14 Media Centre (M&TP)

The Media Centre, set up in the CBDT in August 2006, disseminates information of public value relating to Direct Taxes through the Print and Electronic Media. During the year, various press releases were issued to bring different important decisions and tax issues to the public notice and to highlight different achievements of the Income Tax Department. Several press briefings of senior functionaries were organized. As a result of regular interface with the media, a more realistic and positive image of the Department could be projected.

13.15 ADG (PR,P&P)

The Directorate of PR, P&P is tasked with carrying out the advertisement and awareness campaign for the Income Tax Department in print, electronic media, internet, social media and outdoor publicity to bring awareness amongst taxpayers about income tax provisions and statutory timelines. It also brings out booklets, brochures/pamphlets pertaining to various tax related issues in the form of Tax Payer Information Series and publications for internal use of Income Tax Department and sets up and operates the Tax Payer Lounge at the Indian International Trade Fair, New Delhi and also in other fair/exhibitions in India. The Twitter account of the Income Tax Department is managed by the Publicity Wing of the DIT(PR, P&P).

The Twitter account of the Department as on date has over 1.94 lakh followers including Hon'ble President of India, Prime Minister of India (@PMOIndia), Sh. Narendra Modi (@narendramodi.in), MOS Finance Sh. Shiv Pratap Shukla, NDMA India, Dr. Hasmukh Adhia (@adhia03), Finance Secretary , Central Board of Excise and Custom etc.

For the first time the tableau of the Department was selected for participation in Republic Day Parade, 2018.

Annexure - 1 : India's DTAA/TIEA/Multilateral Agreement as on 31st December, 2017

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
1.	Afghanistan	SAARC Multilateral Agreement	13.11.2005	19.5.2010
2.	Albania	Double Taxation Avoidance Agreement ("DTAA")	08.07.2013	4.12.2013
		Multilateral Convention on Mutual Administrative Assistance in Tax Matters ("Multilateral Convention")	1.3.2013	1.12.2013
3.	Andorra	Multilateral Convention	05.11.2013	01.12.2016
4.	Anguilla	Multilateral Convention	Extension by the United Kingdom	01.03.2014
5.	Argentina	Taxation Information Exchange Agreement ("TIEA")	21.11.2011	28.01.2013
		Multilateral Convention	03.11.2011	01.01.2013
6.	Armenia	DTAA	31.10.2003	09.09.2004
		Protocol	27.01.2016	Not yet entered into force
7.	Aruba	Multilateral Convention	Extension by the Netherlands	01.09.2013
8.	Australia	DTAA	25.07.1991	30.12.1991
		Protocol	16.12.2011	02.04.2013
		Multilateral Convention	03.11.2011	01.12.2012
9.	Austria	DTAA	08.11.1999	05.09.2001
		Protocol	06.02.2017	Not yet entered into force
		Multilateral Convention	29.5.2013	01.12.2014
10.	Azerbaijan	Multilateral Convention	23.5.2014	01.09.2015
11.	Bahamas	TIEA	11.02.2011	01.03.2011
		Multilateral Convention	15.12.2017	Not Yet in force in Bahamas
12.	Bahrain	TIEA	31.05.2012	11.04.2013
		Multilateral Convention	29.06.2017	Not Yet in force in Bahrain
13.	Bangladesh	DTAA	27.08.1991	27.05.1992
		Protocol	16.02.2013	13.06.2013
		SAARC Multilateral Agreement	13.11.2005	19.05.2010
14.	Barbados	Multilateral Convention	28.10.2015	01.11.2016
15.	Belarus	DTAA	27.09.1997	17.07.1998
		Amending Protocol	03.06.2015	19.11.2015
16.	Belgium	DTAA	26.04.1993	01.10.1997
		Protocol	09.03.2017	Not yet entered into force
		Multilateral Convention	04.04.2011	01.04.2015
17.	Belize	TIEA	18.09.2013	25.11.2013
		Multilateral Convention	29.05.2013	01.09.2013
18.	Bermuda	TIEA	07.10.2010	03.11.2010
		Multilateral Convention	Extension by United Kingdom	01.03.2014

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
19.	Bhutan	SAARC Multilateral Agreement	13.11.2005	19.05.2010
		DTAA	04.03.2013	17.07.2014
20.	Botswana	DTAA	08.12.2006	30.01.2008
21.	Brazil	DTAA	26.04.1988	11.03.1992
		Protocol	15.10.2013	Not yet in force
		Multilateral Convention	03.11.2011	01.10.2016
22.	British Virgin Islands	TIEA	09.02.2011	22.08.2011
		Multilateral Convention	Extension by United Kingdom	01.03.2014
23.	Brunei Darussalam	Multilateral Convention	12.09.2017	Not yet in force in Brunei Darussalam
24.	Bulgaria	DTAA	26.05.1994	23.06.1995
		Multilateral Convention	26.10.2015	01.07.2016
25.	Burkina Faso	Multilateral Convention	25.08.2016	Not yet in force in Burkina Faso
26.	Canada	DTAA	11.01.1996	06.05.1997
		Multilateral Convention	03.11.2011	01.03.2014
27.	Cameroon	Multilateral Convention	25.06.2014	01.10.2015
28.	Cayman Islands	TIEA	21.03.2011	08.11.2011
		Multilateral Convention	Extension by United Kingdom	01.01.2014
29.	China	DTAA	18.07.1994	21.11.1994
		Multilateral Convention	27.08.2013	01.02.2016
30.	Chinese Taipei (Taiwan)	DTAA	12.07.2011	12.08.2011
31.	Chile	Multilateral Convention	24.10.2013	01.11.2016
32.	Colombia	DTAA	13.05.2011	07.07.2014
		Multilateral Convention	23.05.2012	01.07.2014
33.	Cook Island	Multilateral Convention	28.10.2016	01.09.2017
34.	Costa Rica	Multilateral Convention	01.03.2012	01.08.2013
35.	Croatia	DTAA	12.02.2014	06.02.2015
		Multilateral Convention	11.10.2013	01.06.2014
36.	Curacao	Multilateral Convention	Extension by the Netherlands	01.09.2013
37.	Cyprus	DTAA	13.06.1994	21.12.1994
		Protocol	18.11.2016	14.12.2016
		Multilateral Convention	10.07.2014	05.09.2014
38.	Czech Republic	DTAA	01.10.1998	27.09.1999
		Multilateral Convention	26.10.2012	01.02.2014
39.	Denmark[1]	DTAA	08.03.1989	13.06.1989
		Protocol	10.10.2013	01.02.2015
		Multilateral Convention	27.05.2010	01.06.2011
40.	Dominican Republic	Multilateral Convention	28.06.2016	Not yet in force in Dominican Republic
41.	Egypt (United Arab Republic)	DTAA	20.02.1969	30.09.1969

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
42.	El Salvador	Multilateral Convention	01.06.2015	Not yet into force in El Salvador
43.	Estonia	DTAA	19.09.2011	20.06.2012
		Multilateral Convention	29.05.2013	01.11.2014
44.	Ethiopia	DTAA	25.05.2011	15.10.2012
45.	Faroe Islands	Multilateral Convention	Extension by Denmark	01.06.2011
46.	Fiji	DTAA	30.01.2014	15.05.2014
47.	Finland	DTAA	15.01.2010	19.04.2010
		Multilateral Convention	27.05.2010	01.06.2011
48.	France	DTAA	29.09.1992	01.08.1994
		Multilateral Convention	27.05.2010	01.04.2012
49.	Gabon	Multilateral Convention	03.07.2014	Not yet in force in Gabon
50.	Georgia	DTAA	24.08.2011	08.12.2011
		Multilateral Convention	03.11.2010	01.06.2011
51.	Germany	DTAA	19.06.1995	26.10.1996
		Multilateral Convention	03.11.2011	01.12.2015
52.	Ghana	Multilateral Convention	10.07.2012	01.09.2013
53.	Gibraltar	TIEA	01.02.2013	11.03.2013
		Multilateral Convention	Extension by the United Kingdom	01.03.2014
54.	Green Land	Multilateral Convention	Extension by the Denmark	01.06.2011
55.	Greece	DTAA	11.02.1965	17.03.1967
		Multilateral Convention	21.02.2012	01.09.2013
56.	Guatemala	Multilateral Convention	05.12.2012	01.10.2017
57.	Guernsey	TIEA	20.12.2011	11.06.2012
		Multilateral Convention	Extension by the United Kingdom	01.08.2014
58.	Hungary	DTAA	03.11.2003	04.03.2005
		Multilateral Convention	12.11.2013	01.11.2014
59.	Iceland	DTAA	23.11.2007	21.12.2007
		Multilateral Convention	27.05.2010	01.02.2012
60.	Indonesia	DTAA	07.08.1987	19.12.1987
		Revised DTAA	27.07.2012	05.02.2016
		Multilateral Convention	03.11.2011	01.05.2015
61.	Ireland	DTAA	06.11.2000	26.12.2001
		Multilateral Convention	30.06.2011	01.09.2013
62.	Isle of Man	TIEA	04.02.2011	17.03.2011
		Multilateral Convention	Extension by the United Kingdom	01.03.2014
63.	Israel	DTAA	29.01.1996	15.05.1996
		Protocol	14.10.2015	19.12.2016
		Multilateral Convention	24.11.2015	01.12.2016
64.	Italy	DTAA	19.02.1993	23.11.1995
		Multilateral Convention	27.05.2010	01.05.2012
65.	Japan	DTAA	07.03.1989	29.12.1989
		Protocol	11.12.2015	29.10.2016
		Multilateral Convention	03.11.2011	01.10.2013

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
66.	Jamaica	Multilateral Convention	01.06.2016	Yet to be in force in Jamaica
67.	Jersey	TIEA	03.11.2011	08.05.2012
		Multilateral Convention	Extension by the United Kingdom	01.06.2014
68.	Jordan	DTAA	20.04.1999	16.10.1999
69.	Kazakhstan	DTAA	09.12.1996	02.10.1997
		Multilateral Convention	23.12.2013	01.08.2015
		Protocol	06.01.2017	Yet to be in force
70.	Kenya	DTAA	12.04.1985	20.08.1985
		Revised DTAA	07.11.2016	Yet to be entered into force
		Multilateral Convention	08.02.2016	Yet to be in force in Kenya
71.	Korea (Republic of)	DTAA	19.07.1985	01.08.1986
		Revised DTAA	18.05.2015	Yet to be in force
		Multilateral Convention	27.05.2010	01.07.2012
72.	Kuwait	DTAA	15.06.2006	17.10.2007
		Multilateral Convention	05.05.2017	Yet to be in force in Kuwait
73.	Kyrgyz Republic	DTAA	13.04.1999	10.01.2001
74.	Latvia	DTAA	18.09.2013	28.12.2013
		Multilateral Convention	29.05.2013	01.11.2014
75.	Lebanon	Multilateral Convention	12.05.2017	01.09.2017
76.	Liechtenstein	TIEA	28.03.2013	20.01.2014
		Multilateral Convention	21.11.2013	01.12.2016
77.	Liberia	TIEA	03.10.2011	30.03.2012
78.	Libya	DTAA	02.03.1981	01.07.1982
79.	Lithuania	DTAA	26.07.2011	10.07.2012
		Multilateral Convention	07.03.2013	01.06.2014
80.	Luxembourg	DTAA	02.06.2008	09.07.2009
		Multilateral Convention	29.05.2013	01.11.2014
81.	Macau, China	TIEA	03.01.2012	16.04.2012
82.	Macedonia	DTAA	17.12.2013	12.9.2014
83.	Malaysia	DTAA	14.05.2001	14.08.2003
		Revised DTAA	09.05.2012	26.12.2012
		Multilateral Convention	25.08.2016	01.05.2017
84.	Maldives	SAARC Multilateral Agreement	13.11.2005	19.05.2010
		TIEA	11.04.2016	02.09.2016
85.	Malta	DTAA	28.09.1994	08.02.1995
		Revised DTAA	08.04.2013	07.02.2014
		Multilateral Convention	26.10.2012	01.09.2013
86.	Marshall Island	TIEA	18.03.2016	Yet to be in force
		Multilateral Convention	22.12.2016	01.04.2017

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
87.	Mauritius	DTAA	24.08.1982	06.12.1983
		Protocol	10.05.2016	19.07.2016
		Multilateral Convention	23.06.2015	01.12.2015
88.	Mexico	DTAA	10.09.2007	01.02.2010
		Multilateral Convention	27.05.2010	01.09.2012
89.	Moldova	Multilateral Convention	27.01.2011	01.03.2012
90.	Monaco	TIEA	31.07.2012	27.03.2013
		Multilateral Convention	13.10.2014	01.04.2017
91.	Mongolia	DTAA	22.02.1994	29.03.1996
92.	Montenegro	DTAA	08.02.2006	23.09.2008
93.	Montserrat	Multilateral Convention	Extension by the United Kingdom	01.10.2013
94.	Morocco	DTAA	30.10.1998	20.02.2000
		Protocol	08.08.2013	Not yet in force
		Multilateral Convention	21.05.2013	Not yet in force in Morocco
95.	Mozambique	DTAA	30.09.2010	28.02.2011
96.	Myanmar	DTAA	02.04.2008	30.01.2009
97.	Namibia	DTAA	15.02.1997	22.01.1999
98.	Nauru	Multilateral Convention	28.06.2016	01.10.2016
99.	Nepal	DTAA	18.01.1987	01.11.1988
		Revised DTAA	27.11.2011	16.03.2012
		SAARC Multilateral Agreement	13.11.2005	19.05.2010
100.	Netherlands	DTAA	30.07.1988	21.01.1989
		Protocol	10.05.2012	02.11.2012
		Multilateral Convention	27.05.2010	01.09.2013
101.	New Zealand	DTAA	17.10.1986	03.12.1986
		Protocol	26.10.2016	07.09.2017
		Multilateral Convention	26.10.2012	01.03.2014
102.	Nigeria	Multilateral Convention	29.05.2013	01.09.2015
103.	Niue	Multilateral Convention	27.11.2015	01.10.2016
104.	Norway	DTAA	02.02.2011	20.12.2011
		Multilateral Convention	27.05.2010	01.06.2011
105.	Oman	DTAA	02.04.1997	03.06.1997
106.	Pakistan	SAARC Multilateral Agreement	13.11.2005	19.05.2010
		Multilateral Convention	14.09.2016	01.04.2017
107.	Panama	Multilateral Convention	27.10.2016	01.07.2017
108.	Peru	Multilateral Convention	25.10.2017	Not yet in force in Peru
109.	Philippines	DTAA	12.02.1990	21.03.1994
		Multilateral Convention	26.09.2014	Not yet in force in Philippines
110.	Poland	DTAA	21.06.1989	26.10.1989
		Protocol	29.01.2013	01.06.2014
		Multilateral Convention	09.07.2010	01.10.2011
111.	Portugal	DTAA	11.09.1998	30.04.2000
		Protocol	24.06.2017	Yet to be entered into force
		Multilateral Convention	27.05.2010	01.03.2015

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
112.	Qatar	DTAA	07.04.1999	15.01.2000
		Multilateral Convention	10.11.2017	Not yet in force in Qatar
113.	Romania	DTAA	10.03.1987	14.11.1987
		Revised DTAA	08.03.2013	16.12.2013
		Multilateral Convention	15.10.2012	01.11.2014
114.	Russia	DTAA	25.03.1997	11.04.1998
		Multilateral Convention	03.11.2011	01.07.2015
115.	Samoa	Multilateral Convention	25.08.2016	01.12.2016
116.	San Marino	TIEA	19.12.2013	29.08.2014
		Multilateral Convention	21.11.2013	01.12.2015
117.	Saint Kitts and Nevis	TIEA	11.11.2014	02.02.2016
		Multilateral Convention	25.08.2016	01.12.2016
118.	Saint Lucia	Multilateral Convention	21.11.2016	01.03.2017
119.	Saint Vincent and the Grenadines	Multilateral Convention	25.08.2016	01.12.2016
120.	Saudi Arabia	DTAA	25.01.2006	01.11.2006
		Multilateral Convention	29.05.2013	01.04.2016
121.	Senegal	Multilateral Convention	04.02.2016	01.12.2016
122.	Serbia	DTAA	08.02.2006	23.09.2008
123.	Seychelles	TIEA	26.08.2015	28.09.2016
		Multilateral Convention	24.02.2015	01.10.2015
124.	Singapore	DTAA	24.01.1994	27.05.1994
		Protocol	29.06.2005	01.08.2005
		Protocol	24.06.2011	01.09.2011
		Protocol	31.12.2016	27.02.2017
		Multilateral Convention	29.05.2013	01.05.2016
125.	Sint Maarten	Multilateral Convention	Extension by the Netherlands	01.09.2013
126.	Slovak Republic	DTAA	01.10.1998	27.09.1999
		Multilateral Convention	29.05.2013	01.03.2014
127.	Slovenia	DTAA	13.01.2003	17.02.2005
		Protocol	17.05.2016	21.12.2016
		Multilateral Convention	27.05.2010	01.06.2011
128.	South Africa	DTAA	04.12.1996	28.11.1997
		Protocol	26.7.2013	26.11.2014
		Multilateral Convention	03.11.2011	01.03.2014
129.	Spain	DTAA	08.02.1993	12.01.1995
		Protocol	26.10.2012	Not yet in force
		Multilateral Convention	11.03.2011	01.01.2013
130.	Sri Lanka	DTAA	27.01.1982	19.04.1983
		Revised DTAA	22.01.2013	22.10.2013
		SAARC Multilateral Agreement	13.11.2005	19.05.2010
131.	Sudan	DTAA	22.10.2003	15.04.2004
132.	Sweden	DTAA	24.06.1997	25.12.1997
		Protocol	07.02.2013	16.08.2013
		Multilateral Convention	27.05.2011	01.09.2011

No.	Jurisdiction	Type of EOI agreement	Date signed	Date from which in force
133.	Switzerland	DTAA	02.11.1994	29.12.1994
		Protocol	30.08.2010	07.10.2011
		Multilateral Convention	15.10.2013	01.01.2017
134.	Syria	DTAA	06.02.1984	25.06.1985
		Revised DTAA	18.06.2008	10.11.2008
135.	Tanzania	DTAA	27.05.2011	12.12.2011
136.	Tajikistan	DTAA	20.11.2008	10.04.2009
		Protocol	17.12.2016	Not yet in force
137.	Thailand	DTAA	22.03.1985	13.03.1986
		Revised DTAA	29.06.2015	13.10.2015
138.	Trinidad and Tobago	DTAA	08.02.1999	13.10.1999
139.	Tunisia	Multilateral Convention	16.07.2012	01.02.2014
140.	Turkey	DTAA	31.01.1995	01.02.1997
		Multilateral Convention	03.11.2011	Not yet in force in Turkey
141.	Turkmenistan	DTAA	25.02.1997	07.07.1997
142.	Turks & Caicos	Multilateral Convention	Extension by the United Kingdom	01.12.2013
143.	Uganda	DTAA	30.04.2004	27.08.2004
		Multilateral Convention	04.11.2015	01.09.2016
144.	Ukraine	DTAA	07.04.1999	31.10.2001
		Multilateral Convention	27.05.2010	01.09.2013
145.	United Arab Emirates	DTAA	29.04.1992	22.09.1993
		Protocol	26.03.2007	03.10.2007
		Protocol	16.04.2012	12.03.2013
		Multilateral Convention	21.04.2017	Not yet in force in UAE
146.	United Kingdom	DTAA	25.01.1993	26.10.1993
		Protocol	30.10.2012	27.12.2013
		Multilateral Convention	27.05.2010	01.10.2011
147.	United States	DTAA	12.09.1989	18.12.1990
		Multilateral Convention	27.05.2010	Not yet in force in United States
		Foreign Account Tax Compliance Act (FATCA)	09.07.2015	31.08.2015
148.	Uruguay	DTAA	08.09.2011	21.6.2013
		Multilateral Convention	01.06.2016	01.12.2016
149.	Uzbekistan	DTAA	29.07.1993	25.01.1994
		Protocol	11.04.2012	20.07.2012
150.	Vietnam	DTAA	07.09.1994	02.02.1995
		Protocol	03.09.2016	21.02.2017
151.	Zambia	DTAA	05.06.1981	18.01.1984

[1] Under a protocol, the DTC with Denmark is extended to apply in its entirety to the territory of the Faroe Islands.

Annexure - 2

Summary of Outcome under BEPS Project

Action 1 – Address the Tax Challenges of the Digital Economy

The Action 1 report concludes that the digital economy cannot be ring-fenced as it is the economy itself. The report analyses BEPS risks exacerbated in the digital economy and shows the expected impact of the measures developed across the BEPS Project. Rules and implementation mechanisms have been developed to help collect value-added tax (VAT) in the country where the consumer is located in the case of cross-border business-to-consumers transactions. This will help to level the playing field between domestic and foreign suppliers and facilitate the efficient collection of VAT due on these transactions. Technical options to deal with the broader tax challenges raised by the digital economy such as nexus and data have been discussed and analysed. As both the challenges and the potential options raise systemic issues regarding the future framework for the taxation of cross-border activities that go beyond BEPS issues, OECD and G20 countries have agreed to monitor developments in this regard.

India has been a participant in the Task Force on Digital Economy, which was created to carry out the work of „the tax challenges of digital economy . In 2016, India has introduced Equalization Levy which is one of the three options to deal with the taxation challenges presented by digital economy recognized in the Final Report on Action 1 of BEPS.

Action 2 – Neutralize the Effects of Hybrid Mismatch Arrangements

A common approach which will facilitate the convergence of national practices through domestic and treaty rules have been developed under Action 2 to neutralize hybrid mismatch arrangements. This will help to prevent double non-taxation by eliminating the tax benefits of mismatches and to put an end to costly multiple deductions for a single expense, deductions in one country without corresponding taxation in another, and the generation of multiple foreign tax credits for one amount of foreign tax paid. By neutralizing the mismatch in tax outcomes, but not otherwise interfering with the use of such instruments or entities, the rules will inhibit the use of these arrangements as a tool for BEPS without adversely impacting cross-border trade and investment.

Action 3 – Strengthen CFC Rules

The report on Controlled Foreign Company Rules (CFC Rules) establishes guidance based on best practices for the building blocks of effective CFC Rules, while recognizing that the policy objectives of these rules vary among jurisdictions. The recommendations are designed to ensure that jurisdictions that choose to implement them will have rules that effectively prevent taxpayers from shifting income into foreign subsidiaries. It identifies the challenges to existing CFC Rules posed by mobile income such as that from intellectual property, services and digital transactions, and allows jurisdictions to reflect on appropriate policies in this regard. The work emphasizes that CFC Rules have a continuing, important role in tackling BEPS, as a backstop to transfer pricing and other rules.

Action 4 – Limit base erosion via interest deductions and other financial payments

A common approach to facilitate the convergence of national rules has been elaborated in the area of interest deductibility. The influence of tax rules on the location of debt within multinational groups has been established in a number of academic studies and various media reports have shown how groups can easily multiply the level of debt at the individual group entity level via intra-group financing. At the same time, the ability to achieve excessive interest deductions including those that finance the production of exempt or deferred income is best addressed in a coordinated manner given the importance of addressing competitiveness considerations and of ensuring that appropriate interest expense limitations do not themselves lead to double taxation. The common approach aims at ensuring that an entitys net interest deductions are directly linked to the taxable income generated by its economic activities and fostering increased coordination of national rules in this space.

India has introduced limit on interest deduction through Finance Bill, 2017. The new section 94B of the Income-tax Act provides that interest income claimed by an entity as a payment to its Associated Enterprise (AE) shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid/payable to AE, whichever is less.

Action 5 - Counter Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance

Current concerns on harmful tax practices are primarily about preferential regimes which can be used for artificial profit shifting and about a lack of transparency in connection with certain rulings. The Action 5 report sets out a minimum standard based on an agreed methodology to assess whether there is substantial activity in a preferential regime. In the context of IP regimes such as patent boxes, consensus was reached on the “nexus” approach. This approach uses expenditures in the country as a proxy for substantial activity and ensures that taxpayers benefiting from these regimes did in fact engage in research and development and incurred actual expenditures on such activities. The same principle can also be applied to other preferential regimes. In the area of transparency, a framework has been agreed for mandatory spontaneous exchange of information on rulings that could give rise to BEPS concerns in the absence of such exchange. The results of the application of the elaborated substantial activity and transparency factors to a number of preferential regimes are included in the report. India has created the necessary framework for implementation of transparency framework and the same has been subject to peer review also.

Action 6 - Prevent Treaty Abuse

The Action 6 report includes a minimum standard on preventing abuse including through treaty shopping and new rules that provide safeguards to prevent treaty abuse and offer a certain degree of flexibility regarding how to do so. The new treaty anti-abuse rules included in the report first address treaty shopping, which involves strategies through which a person who is not a resident of a State attempts to obtain the benefits of a tax treaty concluded by that State. More targeted rules have been designed to address other forms of treaty abuse. Other changes to the OECD Model Tax Convention have been agreed to ensure that treaties do not inadvertently prevent the application of domestic anti-abuse rules. A clarification that tax treaties are not intended to be used to generate double non-taxation is provided through a reformulation of the title and preamble of the Model Tax Convention. Finally, the report contains the policy considerations to be taken into account when entering into tax treaties with certain low or no-tax jurisdictions. To achieve this minimum standard in a swift manner, India has signed the Multilateral Instrument (MLI).

Action 7 – Prevent the Artificial Avoidance of PE Status

Tax treaties generally provide that the business profits of a foreign enterprise are taxable in a State only to the extent that the enterprise has in that State a permanent establishment to which the profits are attributable. The definition of permanent establishment included in tax treaties is therefore crucial in determining whether a non-resident enterprise must pay income tax in another State. The report includes changes to the definition of permanent establishment in Article 5 of the OECD Model Tax Convention, which is widely used as the basis for negotiating tax treaties. These changes address techniques used to inappropriately avoid tax nexus, including via replacement of distributors with commissionaire arrangements or via the artificial fragmentation of business activities. Together with the changes to tax treaties proposed in the reports on Actions 2 and 6, the changes will restore taxation in a number of cases where cross-border income would otherwise go untaxed or would be taxed at very low rates as result of the current provisions in tax treaties.

Actions 8-10 Assure that transfer pricing outcomes are in line with value creation

Transfer pricing rules, which are set out in Article 9 of tax treaties and the Transfer Pricing Guidelines, are used to determine on the basis of the arms length principle the price for transactions within an MNE group. The existing standards in this area have been strengthened, including the guidance on the arms length principle and an approach to ensure the appropriate pricing of hard-to-value-intangibles has been agreed upon within the arms length principle. The work has focused on three key areas. Action 8 looked at transfer pricing issues relating to controlled transactions involving intangibles, since intangibles are by definition mobile and they are often hard-to-value. Misallocation of the profits generated by valuable intangibles has heavily contributed to base erosion and profit shifting. Under action 9, contractual allocations of risk are respected only when they are supported by actual decision-making and thus exercising control over these risks. Action 10 has focused on other high-risk areas, including the scope for addressing profit allocations resulting from controlled transactions which are not commercially rational, the scope for targeting the use of transfer pricing methods in a way which results in diverting profits from the most economically important activities of the MNE group, and the use of certain type of payments between members of the MNE group (such as management fees and head office expenses) to erode the tax base in the absence of alignment with the value-creation activity undertaken. The combined report contains revised guidance which responds to these issues and ensures that the Transfer Pricing Guidelines secure outcomes that see operational profits aligned with the economic activities which generate them.

BEPS creates additional transfer pricing challenges for developing countries beyond those also experienced by developed countries. The report contains guidance on transactions involving cross-border commodity transactions as well as on low value-adding intra-group services, two areas identified by developing countries as of critical importance. This guidance will be supplemented with further work mandated by the G20 Development Working Group, which will provide knowledge, best practices, and tools for developing countries to price commodity transactions for transfer pricing purposes and to prevent the erosion of their tax bases through common types of base-eroding payments.

Action 11 – Measuring and monitoring BEPS

There are hundreds of empirical studies finding evidence of tax-motivated profit shifting, using different data sources and estimation strategies. While measuring the scope of BEPS is challenging given the complexity of BEPS and existing data limitations, a number of recent studies suggest that global CIT revenue losses due to BEPS could be significant. Action 11 assesses currently available data and methodologies and concludes that significant limitations severely constrain economic analyses of the scale and economic impact of BEPS and improved data and methodologies are required. Noting these data limitations, a dashboard of six BEPS indicators has been constructed, using different data sources and assessing different BEPS channels. These indicators provide strong signals that BEPS exists and suggest it has been increasing over time. New OECD empirical analyses estimate, while acknowledging the complexity of BEPS as well as methodological and data limitations, that the scale of global corporate income tax revenue losses could be between USD 100 to 240 billion annually. The research also finds significant non-fiscal economic distortions arising from BEPS, and proposes recommendations for taking better advantage of available tax data and improving analyses to support the monitoring of BEPS in the future, including through analytical tools to assist countries to evaluate the fiscal effects of BEPS and countermeasures for their countries. Going forward enhancing the economic analysis and monitoring of BEPS will require countries to improve the collection, compilation and analysis of data.

Action 12 – Require taxpayers to disclose their aggressive tax planning arrangements

The lack of timely, comprehensive and relevant information on aggressive tax planning strategies is one of the main challenges faced by tax authorities worldwide. Early access to such information provides the opportunity to quickly respond to tax risks through informed risk assessment, audits, or changes to legislation. The Action 12 report provides a modular framework of guidance drawn from best practices for use by countries with mandatory disclosure rules which seeks to design a regime that fits host countries need to obtain early information on aggressive or abusive tax planning schemes and their users. The framework is also intended as a reference for countries that already have mandatory disclosure regimes, in order to enhance the effectiveness of those regimes. The recommendations provide the necessary flexibility to balance a countrys need for better and more timely information with the compliance burdens for taxpayers. It also sets out specific best practice recommendations for rules targeting international tax schemes, coupled with the development and implementation of more effective information exchange and co-operation between tax administrations.

Action 13 – Re-examine Transfer Pricing Documentation

Improved and better-coordinated transfer pricing documentation will increase the quality of information provided to tax administrations and limit the compliance burden on businesses. The Action 13 report contains a minimum standard based on a three-tiered standardised approach to transfer pricing documentation. First, the guidance on transfer pricing documentation requires multinational enterprises (MNEs) to provide tax administrations with high-level information regarding their global business operations and transfer pricing policies in a “master file” that is to be available to all relevant tax administrations. Second, it requires that detailed transactional transfer pricing documentation be provided in a “local file” specific to each country, identifying material related-party transactions, the amounts involved in those transactions, and the companys analysis of the transfer pricing determinations they have made with regard to those transactions. Third, large MNEs are required to file a country-by-country report that will provide annually and for each tax jurisdiction in which they do business the amount of revenue, profit before income tax and income tax paid and accrued and other indicators of economic activities. Country-by-country reports should be filed in the ultimate parent entity’s jurisdiction and shared automatically through government-to-government exchange of information. In limited circumstances, secondary mechanisms, including local filing can be used as a backup. An agreed implementation plan will ensure that information is provided to the tax administration in a timely manner, that confidentiality of the reported information is preserved and that the Country-by-Country reports are used appropriately. Taken together, these three documentation tiers will require taxpayers to articulate consistent transfer pricing positions, and will provide tax administrations with useful information to assess transfer pricing risks, make determinations about where audit resources can most effectively be deployed, and, in the event audits are called for, provide information to commence and target audit enquiries. By ensuring a consistent approach to transfer pricing documentation across countries, and by limiting the need for multiple filings of country-by-country reports through making use of information exchange among tax administrations, MNEs will also see the benefits in terms of a more limited compliance burden. Law enabling exchange of CbC report was introduced through Finance Act, 2016. Subsequently, amendments have been brought in the Rules by inserting new rules (rules 10DA & 10DB) and the rules were notified on 1-11-2017, with effect from 31-10-2017.

Action 14 – Make dispute resolution mechanisms more effective

Countries recognize that the changes introduced by the BEPS Project may lead to some uncertainty, and could, without action, increase double taxation and MAP disputes in the short term. Recognizing the importance of removing double taxation as an obstacle to cross-border trade and investment, countries have committed to a minimum standard that will address obstacles that currently prevent the effective and efficient resolution of double taxation cases. In particular, this includes a strong political commitment to the effective and timely resolution of disputes through the mutual agreement procedure. The commitment also includes the establishment of an effective monitoring mechanism to ensure the minimum standard is met and countries make further progress to rapidly resolve disputes.

Action 15 - Develop a Multilateral Instrument

Drawing on the expertise of public international law and tax experts, the Action 15 report explores the technical feasibility of a multilateral instrument (MLI) to implement the BEPS treaty-related measures and amend bilateral tax treaties. It concludes that a multilateral instrument is desirable and feasible, and that negotiations for such an instrument should be convened quickly. Based on this analysis, a mandate was developed for an ad-hoc group, open to the participation of all countries, to develop the multilateral instrument and open it for signature in 2016. More than 100 countries participated in the work on an equal footing. The MLI has been finalized and on the first date for signing the MLI on 7th June, 2017, 68 jurisdictions including India signed the MLI.

14. Income Tax Settlement Commission

14.1 The Income Tax Settlement Commission (ITSC) was set up in pursuance of the recommendations of the Wanchoo Committee (1971) w.e.f. 01.04.1976. It is an Alternate Disputes Resolution (ADR) body within the realm of Direct Taxes for settlement of Income Tax and Wealth Tax cases. The main objective for setting up of this commission was to give a statutory basis for settlement of cases in the interest of revenue. The Settlement Commission was established as a forum of mediation in place of litigation. The aim was to move the conflicting parties to a consensus rather than subjecting them to adversial procedure inherent in the regular administration of justice. This was envisaged as an institution for statutory arbitration.

14.2 The objective behind this institution is aptly summarized in the off-quoted passage from the report of the Wanchoo Committee as under:

"This, however, does not mean that the door for compromise with an errant tax payer should forever remain closed. In the administration of fiscal laws, whose primary objective is to raise revenue, there has to be room for compromise and settlement. A rigid attitude would not only inhibit a one-time tax evader or an un-intending defaulter from making a clean breast of his affairs, but also unnecessarily strain the investigational resources of the Department in cases of doubtful benefit to revenue, while needlessly proliferating litigation and holding up collections".

14.3 The Settlement Commission has seven benches as under:-

(i) One Principal Bench and Two Additional Benches at New Delhi.

(ii) Two Additional Bench at Mumbai.

(iii) One Additional Bench at Kolkata.

(iv) One Additional Bench at Chennai.

14.4 The Commission comprises of Members who are appointed by the Central Government from amongst the persons of integrity and outstanding ability, having special knowledge of and experience in problems relating to the direct taxes and business accounts.

14.5 Each bench has three Members. The Principal is presided over by the Chairman and each Additional Bench is presided over by Vice Chairman. The Chairman is of the rank of a Secretary to Government of India. The Vice-Chairman and the Members are of the rank of an Additional Secretary to the Government of India. Members of the Commission are appointed from the serving Chief Commissioners or Principal Chief Commissioners or Principal Commissioner of Income Tax or of equivalent rank. The senior most Member of every Bench, other than the Principal Bench is called Vice-Chairman of the respective Bench. The Chairman in the Principal Bench is appointed from amongst the serving Members of the Commission having minimum remaining service of six months on the date of notifying the vacancy for the post of Chairman of the Commission.

14.6 An assessee is required to make an application to the Settlement Commission in the prescribed form to get his case settled. He has to disclose Additional Income not disclosed before the assessing officer and the Additional Tax Payable on the Additional Income should be more than Rs. 50 lakhs in search cases and Rs. 10

lakhs in other cases. The applicants are required to pay the Additional Tax together with the interest before filing the application in the Settlement Commission. The Commission then decides upon the admissibility of the application and in case of admitted applications, the Commission carries out the process of Settlement in a time bound manner by giving opportunity to both the parties. An Application filed before the Commission, if admitted, is required to be disposed of by the Settlement Commission within 18 months from the date of filing of the application. The Commission has wide power of granting immunity from penalty and prosecution under the Income Tax Act, 1961 and Wealth Tax Act, 1957, which in usual course, would involve prolonged litigation between the department and the taxpayer. An order passed by the Commission is final and conclusive. At present the benefit of the Settlement mechanism can be availed by a tax payer only once in life-time, who has made the first application as on or after 1st June, 2007. Further details about the Commission are available on its Website.*[www.itscindia.gov.in]*

14.7 **A** statement showing the number of Application files and disposal of is as under:

Disposal and Pendency of cases u/s 245 D(4)				
FY	Pendency (Opening + received during the year	Disposal	Balance	Percentage Disposal
2015-16	742	242	500	32.6
2016-17	1117	541	576	48.4
2017-18(upto 30.11.2017	747	249	498	33.3

14.8 E- Governance Activities

This Commission has its own official website i.e. itscindia.gov. in. All the officers and staff members have been provided the personal computers. Salary and other dues are being paid to the officers of the Commission thorough e. transfer system.

15.Authority for Advance Rulings (Income Tax)

The Authority for Advance Rulings (Income-Tax) (in short “the Authority”) is a quasi-judicial body under the Ministry of Finance, Department of Revenue. It consists of a Chairman and two Members, one each from the Indian Revenue Service and the Indian Legal Service. It was established through introduction of Chapter XIX-B in the Income Tax Act, 1961 (in short “the Act”) vide Finance Act 1993 w.e.f. 01.06.1993.

The Authority gives rulings on the taxation issues raised by non-residents relating to transactions undertaken/proposed to be undertaken with a resident. Residents having transactions with non-residents can also seek ruling in relation to the tax liability of a non-resident. Public Sector Undertakings can also apply to the AAR for a ruling.

The scope of the Authority has been expanded further vide notification dated 28.11.2014 and now a resident taxpayer can also seek ruling in relation to his Income tax liability arising out of one or more transactions valuing rupees one hundred crore or more in total.

The ruling given by the Authority is of binding nature and no further appeal against this is provided under the Act.

Authority for Advance Rulings (Customs, Central Excise & Service Tax) was constituted vide Finance Acts of 1998, 1999 and 2003. Vide Section 93 of the Finance Act, 2017 amending section 28F of the Custom Act, Authority for Advance Rulings(Customs, Central Excise & Service Tax) constituted vide section 28F of the Custom Act, 1962 has been merged with Authority for Advance Rulings(Income Tax) constituted under section 245-O of the Income-tax Act, 1961.

15.1 Central Sales Tax Appellate Authority

The Authority for Advance Rulings (Income-tax) has also been notified vide notification dated 17.03.2005 (as amended vide notification dated 07.06.2005) as Central Sales Tax Appellate Authority to settle inter-state disputes falling under Section 6A read with Section 9 of the Central Sales Tax Act, 1956. It started functioning w.e.f. 01.03.2006.

(i) Two New Benches of the Authority namely NCR Bench and Mumbai Bench have been constituted in the year 2015. Mumbai Bench has become functional since 01st December, 2017 and process to make NCR Bench functional is ongoing.

(ii) Statistical data about performance for financial year 2017-18 up to 30th Nov, 2017 are as under:

Table - 1

PENDENCY POSITIION OF IT CASES AS ON 30TH NOVEMBER, 2017

Financial Year	Opening balance	Applications received	Total	Disposed off	Closing Balance
2017-18	434	71	505	33	472

Table - 2

PENDENCY LIST OF CST CASES AS ON 30TH NOVEMBER, 2017

Financial Year	Opening balance	Applications received	Total	Decision	Closing Balance
2017-18	163	21	184	57	127

Table - 3

PENDENCY LIST OF (CUSTOM, CENTRAL EXCISE & SERVICE TAX) CASES AS ON 30TH NOVEMBER, 2017

Financial Year	Opening balance	Applications received	Total	Decision	Closing Balance
2017-18	46	11	57	16	41

16. Central Economic Intelligence Bureau (CEIB)

16.1 Organization and Functions

16.1.1 The Central Economic Intelligence Bureau is the nodal agency on economic intelligence. It was set up in 1985 for coordinating and strengthening the economic intelligence and enforcement activities under the Ministry of Finance

16.1.2 The Bureau is headed by a Director General who is assisted by two Additional Directors General (JS-Equivalent), Joint Secretary (COFEPOSA), Additional/ Joint Directors (DS/Director equivalent), Under Secretaries, Deputy Directors (US equivalent) and other staff. The Bureau has a sanctioned strength of 113 Officers & Staff. At present, its working strength is 65 only.

16.1.3 In terms of its existing charter, the CEIB functions as

a) The Secretariat for the Economic Intelligence Council (EIC)

b) Coordination between various agencies for coordinating action and repository of economic intelligence (ECOINT) and

c) Administers the COFEPOSA Act 1974 at Central Government Level.

16.1.4 As part of its mandate, the CEIB

i) Maintains databases on economic offenders and offences

ii) Acts as a Think Tank and studies and analyses macro level economic activities

iii) Supervises and monitors the functioning of Regional Economic Intelligence Councils (REICs), which are coordinating bodies at the field level and comprise of representatives from various Central and State enforcement and investigative agencies dealing with economic offences.

iv) Organizes training programmes in premier training institutions for officers of the Department of Revenue/ Member agencies of REICs.

v) Vets applications under Global Entry Program (GEP)

16.2 Major activities undertaken by the Bureau during the current financial year 2017-18 (upto November 2017) are as follows:

16.2.1 Head of Agencies (HOA):

The Head of Agencies Committee comprises of Heads of Intelligence and Investigative Agencies under the Department of Revenue and discusses the trends of intelligence emerging in the economic field. It shares strategic intelligence in the areas of Customs, Central Excise and Service Tax, Income Tax, Hawala, Drugs and FICN and identifies other cases with inter agency ramifications, for joint and / or coordinated action.

16.2.2 Group on Economic Intelligence (GEI):

A GEI was formed on prevention of smuggling, foreign exchange manipulation, trade based money laundering and terror financing under the chairmanship of ADG (EI) consisting member agencies COFEPOSA/ CEIB, DGFT, NIA, ED, SFIO, DGGSTI, DRI, RBI & NCB. The group met on 30.08.2017 and 22.09.2017 and the recommendations of the group are to be approved by the Economic Intelligence Council.

The Group on Economic Intelligence (GEI) provides a co-ordination platform for sharing of intelligence between the Member Agencies. Inputs shared through this platform help in pooling of resources for coordinated action for combating economic offences, some of which also form predicate offences and the Intelligence so gathered on Trade Based Money Laundering is instrumental in booking cases under PMLA & FEMA. The Bureau, on its own, also develops inputs in the field of economic offences and shares them with appropriate Intelligence and Enforcement Agencies for further action.

16.2.3. Regional Economic Intelligence Councils (REICs): The Bureau monitors the functioning of 30 REICs which are Nodal Agencies at the Regional level for coordinating action of the Enforcement/Intelligence Agencies at the field level.

16.2.4 Coordination:

a. Coordination regarding detection and destruction of illicit opium poppy cultivation:-

The Bureau coordinates with field Agencies for reporting on illicit opium cultivation in various States and in destruction thereof.

b. Secure Information Exchange Network (SIEN): As per the decision of the EIC in 2007, a secured network platform for online exchange of intelligence and information is fully operationalised in the Bureau where under fourteen Member Agencies can communicate with each other in a secured environment. Two agencies have been added to the network recently.

16.2.5 Studies in the Bureau and Reports of Inter-Ministerial Groups:

A. Economic Frauds by Bogus Invoices / Fake Bills: It had come to the notice of the Bureau that producing and using fake/ bogus bills is a common method of committing economic fraud by submitting them before one or more agencies like to avail loan, to claim CENVAT credit and VAT credit and to inflate expenses etc. The issue was raised during the Working Group on Intelligence Apparatus (WGIA) meeting dated 23.12.2015 and on the direction of WGIA, a group was constituted in CEIB with representation from DGCEI, CBDT, DFS, RBI, ED, various State Commercial Tax authorities and commercial Banks.

The group is scheduled to submit its final report shortly.

B. Export Outstanding (XOS) Statement:

The issue of non-sharing of Export Outstanding (XOS) Statement by RBI with the concerned Law Enforcement Agencies was raised during the EIC meeting dated 06.04.2016 and on the direction of Finance Minister, a group was constituted in CEIB with representation from RBI, ED, DFS and IBA to resolve the issue. Subsequently, the group had decided that RBI would share the XOS data with CEIB and CEIB would transmit the data to ED and the concerned agencies after examination as it has ramifications on defaulters under FT (D&R) Act etc. Further, on an another platform, RBI suggested that CEIB can obtain the data from CBEC as they share the XOS with CBEC on regular basis. Matter has been taken up with CBEC and sharing of the XOS data is expected in due course of time.

C. Sharing of data on FETERS:

CBEC had desired various types of data from FETERS (Foreign Exchange Transaction-Electronics Reporting System) database of RBI and a group constituted in CEIB with representation from DRI, FIU-IND and RBI decided that Authorized Dealers would be instructed by RBI for pushing data as required by DRI to DRI and FIU on real time basis. Later on, RBI expressed difficulty in sharing the FETERS data due to oimitations within the available statute. Accordingly, Finance Act has been amended and corresponding rules are to be notified shortly to enable RBI to share the FETERS data.

D. During the current year, intelligence inputs developed by the Bureau as well as received from other agencies were disseminated to the Member Agencies for further action. The inputs covered various fields such as smuggling of FICN, Drugs, Hawala networks, Customs frauds, Excise Duty and Service Tax evasion, Income Tax evasion, Bank Loan Frauds, illegal mining, Multi-level marketing, corrupt and suspicious activities by officials and ploughing back of concealed income by companies, etc.

Other issues discussed / monitored were:

i. Information on important offenders.

ii. Dossier Status.

iii. Identification of issues for examination like unlawful imports, use of Fake Bills/ Bogus invoices, MLM Schemes, Cross Border Money Laundering, etc.

All above tasks relating to examination/ analysis of Economic offences are spread across vast spectrum ranging from illegal export/ import, money laundering, Fake Indian Currency detection, use of fake bills/ bogus invoices, mis-use of financial channels like Commercial Banks, Insurance, NBFCs etc which bring to the fore the policy gaps highlighted by CEIB. This data & modus operandi can be used for National Risk Assessment.

16.2.6 Disclosure of the Source of undisclosed income: Pertains to Coordination Section.

16.2.7 Some major cases coordinated by the Bureau relate to:

(i) Dissemination of cases culled out from reports received in the Bureau:

(a) On account of sharing of the information having inter Agency implication, an amount of Rs. 1 Crore has been realized by various agencies and demands/ SCNs for an amount of more than Rs. 1100 Crores were raised / issued by various departments. During the period January 2017 to November 2017, Bureau has developed and shared 98 intelligence inputs having estimated amount involved more than 16000 crores and covering new tactical modus operandi and issues with concerned law enforcement agencies like IB, CBEC, CBDT, CBI, ED, DGFT and State Government authorities.

(b) During the period January 2017 to Novemebr 2017, 173 cases related to Service Tax/Central Excise duty/ Customs duty evasion amounting Rs. 3884 crores have been shared with 30 Regional Economic Intelligence Council (REIC) forums.

(c) Intelligence regarding evasion of Customs duty on import of various brand of beers through Mumbai Port (JNPT) and ICD Tughalakabad, Delhi by M/s Crown Beers India Pvt. Ltd., was developed in the Bureau and referred to the Customs authorities. As on date, demand of more than Rs.2 crores has been raised by various commissionerates of CBEC. As further investigation is in process, t*his seems only a fraction of total revenue deferred, which is estimated to Rs. 10 crores.*

*(d) Recently, i*ntelligence regarding Central Excise duty evasion at huge scale by 28 numbers of zip manufacturing units in UP on manufacturing of Polyester (CFC) ZIP without getting registered with the Central Excise authorities, was developed in the Bureau and shared with Central Excise authorities. The factual aspects of the intelligence are confirmed and amount of duty evaded would be quantified in due course.

(e) Intelligence regarding evasion of Service Tax by a company who had cheated people through ponzi schemes and instead of repaying the investor's money to the tune of Rs.7500 crore, siphoned off a large amount of money to sister companies, was coordinated by the Bureau among various agencies. In this case, demand of more than Rs.900 crores has been raised by DGGSTI against the company.

(f) Information regarding money laundering by overvaluation of imported coal from Indonesia was referred to various agencies. Difference of the declared and correct value by an importer was noticed approx. Rs.600 crores.

(g) CEIB developed intelligence inputs on corrupt activities being adopted post-demonetization and disseminated the same to the concerned law enforcement agencies.

16.2.8 Bank Fraud

Information on misuse of Bank Loans and Technology Up-gradation Fund Scheme (TUFS) of more than Rs. 3000 Crores and violation of various Acts by a Group Company was recorded and developed in the Bureau. The Group consisting of 8 companies has taken more than Rs. 3000 Crores from various Public Sector Banks by submitting forged/ fake documents and instead of investing this money in the projects has diverted more than 95% of the same for:

- Buying Lands/ Flats/Building/Malls at various places across the country.
- Buying shares;
- Jacking up prices of shares of listed companies;
- Parking of money overseas.

On the basis of information shared by the Bureau, DGCEI had issued 16 Show Cause Notice (SCNs) demanding duty of Rs.17.46 Crores. Income Tax Department has raised demand for an amount of Rs. 1377.95 crores and total tax liability comes to Rs.169.41 crores.

16.2.9 Money Stashed in Overseas Accounts

The Bureau had forwarded to CBDT, ED, FIU, DRI and DGCEI, a list containing over 600 names and addresses of individuals/entities of Indian origin who may have stashed funds abroad in tax havens. Certificates of Incorporation of 11 legal entities listed in the ICIJ Report which were received from two FIUs of foreign countries were shared with CBDT for further action.

CBDT has informed that 542 Indian persons have been traced so far and 431 persons found to be 'Resident's. On verification of Income Tax Returns in these cases, it was found that details of offshore entities/ transactions were not disclosed to the Income Tax Department. During the course of investigation, 183 persons have admitted their relationship with such offshore entities/transactions. An amount of about Rs. 135 Crore has been admitted by certain assesses as their undisclosed income relatable to offshore transactions. Out of these, in 3 cases prosecution complaints have been filed under Income Tax Act 1961.

16.2.10 Information sought from CEIB

CEIB receives requests from Agencies like IB, FIU, SFIO, RBI, CBDT and DGCEI seeking information on economic offenders/ offence(s), which are promptly responded to. The Bureau has sensitized the field formations across the country, through the REICs, on the information available in CEIB, urging them to maximize its use.

Further, as per the guidelines on detection, reporting, investigation etc. relating to large value bank frauds of more than Rs. 50 Crores, report on borrowers are being sought from CEIB by Public Sector Banks. Such reports are being furnished by CEIB as and when such references are received from banks. During the period January 2017 to November 2017, 630 references were replied to.

16.2.11 Other Steps taken by Bureau:

(i) Non-payment of central excise duty by Ready Mix Concrete (RMC) manufacturers prior to 1st March, 2016 was noticed in the bureau. Manufacturing of Ready Mix Concrete (RMC) (classification under Chapter 3824 50 10 of the Central Excise Tariff Act, 1985) had effective rate of Central Excise duty of 1% ad valorem as per notification no. 01/2011-CE.,dated 1.03.2011 which was increased to 2% ad valorem vide notification 16/2012-CE dated 17.03.2012, chargeable irrespective of place of manufacturing (at site or away from site). In the budgetary changes of 2016 the RMC manufactured at the site of construction for use in construction work was exempted vide notification no. 12/2016 - CE dated 01.03.2016 (This provision of manufacturing at site was not there in the notification 1/2011-CE and 16/2012-CE referred above). It was gathered that many RMC manufacturer had neither taken Central Excise registration nor paid any Central Excise duty on RMC manufactured during the period prior to 01.03.2016. Accordingly, the concerned authorities were intimated to initiate the recovery proceedings. Consequently, demand of more than Rs.8 Crores has been raised by various CBEC commissionerates / DGCEI.

(ii) Bureau observed that violations under Passport Act may have ramifications on serious crimes like terror financing and cross-border crimes etc as offenders of such crimes can resort to violations under Passport Act to avoid easy detection. Hence, coordination among various intelligence / investigation agencies is warranted. CEIB, being the apex coordination agency has taken up the matter with the Ministry of External Affairs (MEA).

(iii) It was also observed that bank frauds may provide lead to other offences like evasion of taxes, manipulation of foreign exchange, siphoning of funds and culpability of officials etc. Also, there is possibility of impending offences which has a corrosive effect on a country's economy, government, and social well-being. To prevent further offences, coordination among the concerned intelligence / investigation agencies is required and the Bureau has taken up the matter with all the Public Sector banks.

(iv) Bureau has been providing its opinion/suggestions/ comments as and when sought by other Ministry/ Department on various draft bills/ reports/ schemes with the prospective of protecting revenue and curbing the economic offences. During the period comments / inputs for on following were provided by the Bureau:

(a) Proposal for Padma Awards-2017 received from Ministry of Home Affairs.

(b) Report of National Tea for Threat and Vulnerability Assessment f0r Money Laundering for National Risk Assessment exercise.

(c) Bureau is a member agency in Inter-Disciplinary Committee formed in Ministry of Finance on Crypto-currencies.

(d) Bureau is a member agency in Committee on Combating Terror Financing, formed in Ministry of Home Affairs.

(e) Rules for rewards for cases booked under NDPS Act, 1985.

16.2.12 NEIN DATABASE

CEIB maintains a database of Dossiers of Economic Offenders/ Suspected Tax Evaders, on the basis of the inputs received from the Law Enforcement Agencies across the country. CEIB so far has more than 6600 dossiers. The Bureau periodically reviews the dossiers and seeks updates from concerned member agencies to keep data base current and relevant. Bureau also has details of over 36,000 offence cases, booked by various agencies. The DATA Base of dossier maintained in CEIB has been designed to capture the data subject-wise and stored accordingly which could be instantly retrieved and viewed for the requesting agency. The DATA Base of dossier maintained in CEIB has been designed to capture the data subject-wise and stored accordingly which could be instantly retrieved and viewed for the requesting agency. To make the system robust and user-friendly, hardware and operating system has been upgraded.

Member agencies of Secured Information Exchange Network (SIEN) have been provided simultaneous access to National Economic Intelligence Network (NEIN) database for their utilization during investigation/ intelligence development.

16.3 Fake Indian Currency Notes (FICN):

In pursuance of GOM Report tasking the NSCS to track the developments relating to Fake Indian Currency Notes and to alert concerned Agencies, the Central Economic Intelligence Bureau was directed vide the Cabinet Secretariat (NSCS) U.O. No.C-183/1/2001/ NSCS (CS) dated 22nd May, 2001 to take steps to keep NSCS informed on a continual basis regarding the development as far as printing, smuggling and circulation of Fake Indian Currency were concerned. Accordingly, the Bureau collects data from all concerned Agencies and prepares a half yearly nationwide comprehensive analysis report on printing, smuggling and circulation of Fake Indian Currency Notes which is sent to the National Security Council Secretariat and shared with National Security Advisor (NSA), MEA, MHA, CBI, IB, ED, DRI and the Regional Economic Intelligence Councils operating in different parts of the country. Last report on FICN was circulated on 21.11.2017.

16.4 Administration of COFEPOSA Act

Smuggling, foreign exchange racketeering and related activities have a deleterious effect on the national economy and thereby a serious adverse effect on the security of the state. To deal with this menace, the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA Act, 1974) has been enacted to provide for preventive detention law to detain smugglers and foreign exchange manipulators from indulging in these prejudicial activities. The COFEPOSA Division of the Department functioning under the Central Economic Intelligence Bureau administers this Act. During the year2017, Preventive Detention Orders were passed against 24 persons and 28 persons (including absconders from Detention Orders of previous years) were detained under the COFEPOSA Act.

16.5 Coordination with FIU-IND:-

There is a regular inflow of inputs from FIU-IND, which are analysed and disseminated for further action by the Bureau after due process. The inputs are found useful for economic intelligence.

16.6 *Training:*

The Bureau organized training courses at various specialized training institutions to enhance the investigative skills and intelligence gathering techniques for the Revenue Officers. The following programmes have organized in the year 2017:

(1) "Intelligence Gathering & Intelligence Tradecraft" at Cabinet Secretariat Training Institute, Gurgaon.

(2) "Capsule course on legal aspects/court matters" at National Law University, Delhi.

(3) "Investigating Economic Crime in Securities Market" at NISM, Mumbai.

(4) "Banking Operations & Fiscal Law Enforcement" at State Bank Staff College, Hyderabad.

(5) "Intelligence Gathering & Intelligence Tradecraft" at Intelligence Bureau Central Training School, New Delhi.

16.7 Global Entry Program (GEP)

GEP is a US Customs and Border Protection (CBP) program for expedited clearance of travellers arriving at US airports which has been rolled out for India during the last visit of Hon'ble Prime Minister to US and India has becomes only the 11th country whose citizens are eligible to enrol in the program along with Argentina, Colombia, Germany, Mexico, the Netherlands, Panama, the Republic of Korea, Singapore, Switzerland, and the United Kingdom. Before granting GEP membership to any applicant, United States seeks cooperation from our nation in background check of the applicant as the MOU in this regard emphasize the need for vetting process.

In order to complete the vetting process, Ministry of External Affairs (MEA) seeks reports from Ministry of Finance (MOF). ADG (EI), CEIB has been designated as nodal officer on behalf of Ministry of Finance to provide clearance report to MEA. Bureau has provided clearance report w.r.t. more than 600 GEP applicants to MEA. For expedite clearances of GEP applications, an online GEP clearance system has been developed. The system is a cloud based system which uses Virtual Private Network (VPN) and expansion of the same to field offices of member agencies across the nation, is under consideration.

17. Directorate of Enforcement

17.1 ORGANIZATION AND FUNCTIONS:

17.1.1 The Directorate of Enforcement is headed by the Director of Enforcement. The other officers of the Directorate are Special Directors, Additional Directors, Joint Directors, Deputy Legal Advisor, Deputy Directors, Assistant Legal Advisors, Assistant Directors, Enforcement Officers and Assistant Enforcement Officers assisted by other ministerial staff. In view of the enhanced role of the Directorate in the enforcement of the Prevention of the Money Laundering Act (PMLA), 2002, the strength of the Directorate was restructured by Government in March, 2011.

17.1.2 The Directorate is in the process of opening new offices as well as to fill up the posts in a phased manner, keeping in view the need to ensure the quality of intake necessary for an investigative agency. The Directorate has a Head Quarters Office at New Delhi, 05 Regional Offices at New Delhi, Mumbai, Kolkata, Chennai and Chandigarh besides 19 Zonal Offices and 13 Sub Zonal Offices.

The total sanctioned strength of the Directorate is now 2064, as under:-

Post	Sanctioned Strength	In position (as of 30.11.2017)
Executive	1218	620
Ministerial	376	217
Computer Staff/ Official Language Staff	69	06
Operational Staff	375	62
Legal Staff	26	08
Total	**2064**	**913**

(I) Functions of Executive Wing:-

The Directorate of Enforcement implements two Acts viz. Foreign Exchange Management Act, 1999 (FEMA) and Prevention of Money Laundering Act, 2002 (PMLA). FEMA replaced the Foreign Exchange Regulation Act, 1973 (FERA) with effect from 01.06.2000. The Directorate also continues to perform the residual work under the repealed FERA, 1973. The Directorate also implements the provisions of COFEPOSA, 1974.

The main functions of the Directorate are as under:-

i) To collect, develop and disseminate intelligence relating to contraventions of FEMA. The intelligence inputs are received from various sources such as Central and State Intelligence agencies, RBI, complaints, information gathered by officers, etc.

ii) To investigate suspected contraventions of the provisions of FEMA relating to activities such as Hawala, unauthorized dealings in foreign exchange, non-realization of export proceeds, unauthorized retention of funds abroad including bank accounts, unauthorized acquisition of immovable properties abroad, contraventions relating to Foreign Direct Investments (FDIs), External Commercial Borrowings (ECBs), Foreign Currency Convertible Bonds (FCCBs), etc.

iii) To adjudicate cases of violations of the erstwhile FERA, 1973 and FEMA, 1999.

iv) To realize penalties imposed on conclusion of adjudication proceedings.

v) To handle appeals under FEMA.

vi) To handle appeals and prosecution cases under the erstwhile FERA, 1973.

vii) To process and recommend cases for detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act (COFEPOSA) in respect of contraventions under FEMA.

viii) To initiate investigations under PMLA to ascertain whether proceeds of crime have been generated from the Scheduled offences in the cases booked by the concerned Law Enforcement Agencies and such proceeds have been laundered. If a prima facie case of money laundering is made out, Enforcement Directorate attaches the property derived from the proceeds of crime for its ultimate confiscation.

ix) To file prosecution complaints in the designated PMLA Court for the offence of money laundering under PMLA.

x) To provide and seek mutual legal assistance to/from contracting states inrespect of attachment/ confiscation of proceeds of crime as well as in respect of transfer of accused persons under PMLA.

xi) To facilitate international cooperation in Anti-Money Laundering (AML) efforts.

II) Functions of Legal Wing

i) The Legal Wing in the Directorate of Enforcement is headed by the Additional Director (Prosecution) which is lying vacant and Deputy Legal Adviser is presently discharging all such function/duties. The Deputy Legal Adviser is assisted by the ALA and AD Legal in the Headquarter and the Zones.

ii) The Officers in the Legal Wing render legal assistance and perform advisory duties besides presenting cases before the Adjudicating Authority and Appellate Tribunals. The Legal Wing makes use of the services of the competent lawyers to represent the Directorate in cases of significance. The Officers of the Legal Wing make significant contribution while attending to matters pending before the Adjudicating Authority, Appellate Tribunal for Foreign Exchange, Appellate Tribunal under PMLA, Special Courts, High Courts and Supreme Court. In addition, the Law Officers review the adjudication and judicial orders and suggest appropriate course of action in accordance with law.

iii) The Officers in the Legal Wing of the Directorate do the vetting of Prosecution complaints under PMLA Appeals, LRs and other documents from legal angle.

iv) The Legal Wing also monitors the progress and speedy disposal of prosecution cases under FERA and PMLA. The Officers of the Legal Wing also brief the Senior Counsels, the learned AG, SG and ASG on case to case basis as and when so required.

v) The Legal Wing monitors the Legal Cases Monitoring System (LCMS) for its day to day updates for effective and speedy disposal of PMLA cases pertaining to Adjudicating Authority/Appellate Tribunal under PMLA/High Courts and the Supreme Court.

17.2 HIGHLIGHTS OF THE PERFORMANCE AND ACHIEVEMENTS DURING THE YEAR 2017-18 (1st January-30st November)

The performance and achievements of the Directorate during the year 2017-18 (up to November, 2017) are as per **Annexure 'I'** (in respect of FEMA and FERA) and **Annexure 'II'** (in respect of PMLA).

17.3 PERFORMANCE/ACHIEVEMENTS UPTO THE LAST YEAR (2016-17)

The performance and achievements of the Directorate during the financial year 2016-17 are as per **Annexure 'III'** (in respect of FEMA and FERA). The performance and achievements of the Directorate during the financial year 2016-17 are as per **Annexure 'IV'** (in respect of PMLA).

Comparison in performance of the cases viz-a-viz the corresponding period of 2016-17 are as under: -

FEMA	Cases under Investigation									
	Pending at beginning of the year		Registered during the year		Disposed off		Pendency		Percentage disposal w.r.t. pendency	
	As on 01.01.17	As on 01.01.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16
	4707	4758	3693	1355	1709	1525	6798	4588	36.20	32.05

PMLA	Cases under Investigation									
	Pending at beginning of the year		Registered during the year		Disposed off		Pendency		Percentage disposal w.r.t. pendency	
	As on 01.01.17	As on 01.01.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16	From 01.01.17-30.11.17	From 01.01.16-30.11.16
	1155	1336	154	122	237	337	1072	1121	20.52	25.76

17.4 e- GOVERNANCE

Enforcement Directorate, Headquarters Office and zonal offices have their own LAN, which is connected to NICNET WAN, ED HQ and Zonal offices are using the office automation tool like Microsoft Office, to accomplish the day to day activities like preparing letter, excel sheet and graphs.

Some e-governance initiatives taken by the Directorate of Enforcement are as under:-

i) Website - Directorate has a web site having the contents in both English and Hindi, where citizen can get information related to this office, various acts enforced and other related information. Recently, the website has been completely revamped to provide for a new and user friendly interface. Apart from it, various new features like Details of Confirmed Attached Properties, Information about senior officers, Contact Information of PIOs for providing information under RTI Act etc. have also been added.

ii) Comp DDO - A pay roll system has been implemented for managing the salary of its employees.

iii) E-mail - NIC email id has been provided to officials.

iv) Video Conferencing-- A web based Video Conferencing system has been introduced in the Directorate.

The Directorate of Enforcement has also developed an internal website for its internal use. The website contains following items:

v) MPR (Monthly Progressive Report) - A web based application has been developed to enter and consolidate the statistical information related to monthly progressive report to FERA, FEMA, and PMLA related cases.

vi) MIP (Monthly Integrated Proforma) - A web based application has been developed to enter and consolidate the information related to monthly Integrated Proforma for PMLA.

vii) Employee Information System (EIS) - This is a web based application to store, process and generate the various reports of an employee. It provides the information of an employee such as present post, place of posting, date of joining in Enforcement Directorate, date of birth and retirement, mode of recruitment, next date of promotion and post, information of sanctioned post, working post and vacant post at Directorate and its subordinate offices.

viii) Legal Cases Monitoring System (LCMS) - This is a web based application to monitor the status of the legal cases filed by the Directorate or by the Party in Supreme Court, PMLA Tribunal, PMLA Adjudication Authority and PMLA Special Court. It captures the information such as Petition Number, Petitioner Name, Role of DoE, Concern Zone Name, ECIR Number, PAO Number etc. It records the status/ progress of the case on last date hearing.

ix) Enforcement Directorate Offenders Tracking System (E-DOT)- A web based application for FEMA and PMLA cases has been developed to capture and create a database for FEMA and PMLA related cases starting from the T-3 file stage. This has been developed in ASP.Net technology to provide the user friendly interface to the users, and SQL Server as a backend database to store the data. Forms have been designed with user friendly interface.

x) Notice Board Application- A new application 'Notice Board' has been developed for uploading/publishing/ viewing the various circulars/downloadable forms/ training related information/important judgments under FEMA/PMLA etc. The uploaded information is grouped into major category and then in sub categories. On login, it will display the list of all the major categories and which in turn is hyperlinked to display the details of uploaded information for this major category. This application is a ROLE based and there are four pre-defined ROLE viz. 'ADMIN', 'ENTRY', 'PUBLISH' and 'VIEW'. There are further options for raising queries based on various parameters like Category, Circular Year, Circular Number and subject.

xi) Expenditure Monitoring System (EMS) This application is developed to capture the details of budget estimates, budget allocation, and monthly expenditure by the various officers of the directorate.

xii) National Risk Assessment Monitoring System: This is a web based application developed for creating a database with respect to National Risk Assessment exercise being undertaken at the Directorate. The basic objectives of this application is to provide the option for capturing the offender's details such as ECIR No., FIR No., Predicate offence and its corresponding section, status of predicate offence and total value of POC accessed by LEA and ED, status of LR sent to foreign countries and modus operandi used by the offenders/conspirator.

xiii) Discussion forum: This is a web based application for collaboration or discussion where officials can hold conversations in the form of posted messages/ replies. A discussion forum is an area where participants can discuss a topic or a group of related topic. Within each subject, participants can create multiple threads. A thread includes the initial post and all replies to it. Users can participate in any available topics relevant to the department.

xiv) FTS: FTS application is being reconfigured to meet the requirement of the Directorate. A new instance of data base and application has been created on the existing server. New sections and users are being created as per the requirement of the Directorate.

17.5 GRIEVANCES REDRESSAL MACHINERY

Grievance officers have been nominated at Headquarters Office and Zonal / Sub-Zonal Offices of the Directorate for redressal of public/staff grievances and prompt action is being taken to redress their grievances. As on date there are 12 grievances pending as on 30.11.2017.

17.6 GENDER BUDGETING/EMPOWERMENT OF WOMEN:

No case has been reported regarding sexual harassment at work place during the year 2017-18 (upto 30.11.2017).

17.7 ACTIVITIES UNDERTAKEN FOR DISABILITY SECTOR & SC/ST & OTHER WEAKER SECTIONS OF THE SOCIETY.

The rules framed by the Government and guidelines issued from time to time are adhered to and followed by the Directorate.

17.8 OTHER INITIATIVES IN ED

The activities initiated in ED viz. Swachch Bharat Abhiyan, Biometric Attendance System, Creation of Cyber Lab and acquisition of Field Kits, Intelligence Information Monitoring System (IIMS) and Vigilance Awareness Weak is mentioned in **Annexure V**.

Annexure I

(FERA & FEMA)

STATISTICAL DATA FROM JAN, 2017 TO NOV, 2017

		Jan-Nov			
A	Searches & Seizures	FEMA			
1	Searches Conducted	110			
2	FE seized (Rs. in Lakhs)	547.41			
3	IC seized (Rs. in Lakhs)	753.49			
B	Investigation	FEMA			
1	Initiated	3693			
2	Disposed	1709			
3	Pending	6798			
4	SCNs issued	622			
C	Adjudication	FERA		FEMA	Total
1	Cases Adjudicated	38	+	1022	1060
2	Cases pending adjudication	395	+	1121	1516
3	Confiscation of Foreign Exchange (Rs. in Lakhs)	0.18	+	221.71	221.89
4	Confiscation of Indian Currency (Rs. in Lakhs)	34.6	+	553.04	587.64
D	Penalties	FERA		FEMA	Total
1	Imposed (Rs. in Lakhs)	1306.94	+	5082.6	6389.54
2	Realized (Rs. in Lakhs)	207.63	+	1018.29	1225.92
3	Pending for realization (Rs. in Lakhs)	866406.87	+	186665.55	1053072.42
E	COFEPOSA	FERA		FEMA	Total
1	Orders issued	0	+	0	0
2	Detained	0	+	0	0
F	Prosecutions	FERA			Total
1	Disposal	59			59
i)	Conviction	19			19
ii)	Acquittal	10			10
iii)	Discharge	15			15
iv)	Withdrawn	0			0
v)	Otherwise disposed off	15			15
vi)	Cases reduced	0			0
2	Pending	2314			2314

Annexure II

(PMLA)

STATISTICAL DATA OF PMLA CASES FROM JAN, 2017 TO NOV, 2017

Sl. No.	ACTIONS	Total at the end of the month
1.	No. of ECIRs	154
2.	No. of provisional Attachment Orders issued	177
3.	Value of properties under attachment (in Lacs of Rupees)	505698.59
4.	No. of PAOs confirmed	165
5.	Value of assets under PAO confirmed by the Adjudicating Authority (in Lacs of Rupees)	1033291.45
6.	No. of PAOs not confirmed by the Adjudicating Authority	3
7.	Value of Assets in respect of PAOs not confirmed by the Adjudicating Authority (in Lacs of rupees)	24927.63
8.	No. of Appeals before Tribunal	
	a) Filed by the party	275
	b) Filed by the Directorate	10
	Total:	285
9.	No. of persons arrested	40
10.	No. of cases in which prosecution complaints filed	92

Annexure III

(FERA & FEMA)

STATISTICAL DATA FROM JAN, 2017 TO NOV, 2016

A	**Searches & Seizures**	**FEMA**			
1	Searches Conducted	141			
2	FE seized (Rs. in Lakhs)	1047.6			
3	IC seized (Rs. in Lakhs)	1128.53			
B	**Investigation**	**FEMA**			
1	Initiated	1355			
2	Disposed	1525			
3	Pending	4588			
4	SCNs issued	668			
C	**Adjudication**	**FERA**		**FEMA**	**Total**
1	Cases Adjudicated	132	+	652	784
2	Cases pending adjudication	434	+	1370	1804
3	Confiscation of Foreign Exchange (Rs. in Lakhs)	60.028	+	79.34	139.368
4	Confiscation of Indian Currency (Rs. in Lakhs)	6.11	+	448.66	454.77
D	**Penalties**	**FERA**		**FEMA**	**Total**
1	Imposed (Rs. in Lakhs)	676.63	+	2359.96	3036.59
2	Realized (Rs. in Lakhs)	118.15	+	701.21	819.36
3	Pending for realization (Rs. in Lakhs)	864273.27	+	181283.8	1045557.07
E	**COFEPOSA**	**FERA**		**FEMA**	**Total**
1	Orders issued	0	+	0	0
2	Detained	-2	+	1	-1
F	**Prosecutions**	**FERA**			**Total**
1	Disposal	133			133
i)	Conviction	6			6
ii)	Acquittal	13			13
iii)	Discharge	9			9
iv)	Withdrawn	1			1
v)	Otherwise disposed off	97			97
vi)	Cases reduced	7			7
2	Pending	2369			2369

Annexure IV

(PMLA)

STATISTICAL DATA OF PMLA CASES FROM FROM JAN, 2016 TO NOV, 2016

Sl. No.	ACTIONS	Total at the end of the month of Nov 2016
1.	No. of ECIRs	122
2.	No. of provisional Attachment Orders issued	126
3.	Value of properties under attachment (in Lacs of Rupees)	841548.89
4.	No. of PAOs confirmed	90
5.	Value of assets under PAO confirmed by the Adjudicating Authority (in Lacs of Rupees)	128526.81
6.	No. of PAOs not confirmed by the Adjudicating Authority	0
7.	Value of Assets in respect of PAOs not confirmed by the Adjudicating Authority (in Lacs of rupees)	0
8.	No. of Appeals before Tribunal	
	a) Filed by the party	181
	b) Filed by the Directorate	-1
	Total:	180
9.	No. of persons arrested	3
10.	No. of cases in which prosecution complaints filed	78

Annexure V

1. **Swachh Bharat Abhiyan** launched by our Hon'ble Prime Minister on 2nd October, 2014 is being vigorously followed by this Directorate. On 2nd October, a pledge ceremony was organized across all offices of Enforcement Directorate where all the officers and staff members took pledge to keep our nation 'Swachh'. Further, various drives have been organized including installation of banners for creating awareness among citizens and government officials towards the cause of this "Abhiyan". Regular inspection of the office premises is also being done.

2. The **Biometric Attendance System** has also been installed in various offices of this Directorate including the Headquarters where it was installed during October, 2014. The same is being continuously monitored for any aberrations from defined inputs/complaints have been lodged in the software and rules & regulations by employees.

3. **Creation of Cyber Lab and acquisition of Field Kits:** Enforcement Directorate has commissioned its own Cyber Lab in January 2015. Earlier on, ED used to send the seized Digital Media (Phones, hard Drives, Pen Drives, Computers, Laptops, etc) to Forensic Science Laboratory (FSL) to analyse digital evidence. This used to delay the investigation proceedings. At times the analysis from FSL used to come to ED after a long delay which at times used to affect /delay the investigation proceedings. Thus ED came up with the idea of commissioning its own Cyber lab. Now with the commissioning of this lab we can analyse digital media like phones, hard drives, pen drives, laptops, etc for digital evidence with our own workforce. The lab also has the capability to recover data from damaged media. 7 ED personnel were trained as a capacity building measure to operate the newly commissioned lab. Further, the Directorate has taken the initiative to open 5 more such cyber labs at its regional offices with more advanced technology and provision to train at least 5 officials at each cyber lab. It is also mentioned that the Directorate is providing Cyber Forensics Field Acquisition Kits to each Zonal and Sub-zonal office for instant analysis from digital evidences for getting investigation leads and to enhance the quality of intelligence and investigation follow ups.

4. **Intelligence Information Monitoring System (IIMS):** It is software designed by NIC in line with

Government of India policy of digitalization with active inputs from Intelligence Section of this Directorate and hosted over Intranet of the Directorate. It is a database of intelligence inputs received by this Directorate, which includes every correspondence received from FIU-IND viz. STR, ESW or EGMONT Request raised by the zones of this Directorate. 19272 inputs/complaints have been lodged in the software and 12523 FIU-IND related correspondences including 11627 STRs, 603 ESWs and 293 EGMONT Requests have been entered so far in the software.

5. **A Vigilance Awareness Weak** was also organized by the Directorate during 30th October to 4th November, 2017 to create awareness among staff to check corruption at every level so that a corruption free society could be attained.

18. Financial Intelligence Unit–India (FIU-IND)

18.1 Background and function of FIU-IND

Financial Intelligence Unit-India (FIU-IND) was set up by the Govt. of India to coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes.

18.2 The main functions of FIU-IND include all matters pertaining to

a) Analysis of information/reports received from Reporting Entities as per the provisions of PMLA 2002 and Rules made thereunder and their dissemination to authorized domestic agencies for further action.

b) Enforcement of the provision of PMLA insofar as it relates to FIU-IND.

c) Egmont Group and exchange of information with foreign FIUs.

d) Interface with reporting entities and their regulators and domestic agencies authorized to receive information from FIU-IND including promoting awareness about AML/CFT, capacity building and training.

18.3 Highlights of the Performance /achievements during 2017-18 (upto Nov, 2017)

Ø **Collection of information:-**

√ 9033784 Cash Transaction Report (CTRs) received.

√ 1411140 Suspicious Transaction Reports (STRs) received

√ 222806 Counterfeit Currency Reports (CCRs) received.

√ 477911 NPO Transaction Report (NTRs) received.

Ø **Analysis and dissemination of information:-**

√ 60460 STRs processed.

√ 44115 STRs disseminated.

Ø **Collaboration with domestic Law Enforcement and Intelligence Agencies:-**

√ Regular interaction and exchange of information.

√ Received 915 requests for information from intelligence and Law Enforcement Agencies.

√ Provided information in 648 cases requested by the agencies.

Ø **Regional and global AML/CFT efforts:-**

√ 120 requests received from foreign FIUs during 01.01.2017 to 31.12.2017.

√ 159 requests sent to foreign FIUs during 01.01.2017 to 31.12.2017.

Ø **Increasing awareness about money laundering and terrorists financing:**

√ Contribution in 03 seminars and training RE/ workshops covering 83 participants.

Ö In all 18 trainings programmes (07 by FIU-IND and 11 by LEAs) were arranged with LEAs in which 629 participants participated.

Ø **Improving compliance with the PMLA:**

√ 07 review meetings held with Reporting Entities.

Ø **Strengthening legislative and regulatory framework:**

√ Regular interaction with the Department of Revenue and Regulators.

√ Suggestions received from stake holders or through Department of Revenue for amendments to the Prevention of Money Laundering Act, 2002 and the PML (Maintenance of Records) Rules, 2005 were dealt with.

√ Participated in proceedings of the AML Steering Committee for evolving Risk based approach and framing of the National ML/TF Risk Assessment.

Ø **Strengthening IT information:**

√ Strengthening of data validation so as to improve the quality of data reported by various reporting entities.

√ Introduction of user-friendly features in FInex as per the feedback received from various agencies.

√ Appointment of Consultant for designing project FINnet 2.0

18.4 IT Information

18.4.1. FIU-IND initiated project FINnet in 2006 with the objective to 'Adopt Industry Best Practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering, related crimes and terrorist financing.

18.4.2. The first phase commenced in March, 2007 during which the functional and technical specifications of project FINnet were finalised and a detailed Request for Proposal (RFP) for selection of System Integrator (SI) was also finalised.

18.4.3. The second phase started with signing of contract with SI on 25th February, 2010. All the phases of the implementation of the project have been completed and the Gateway Portal became live on 20th October, 2012.

18.4.4. Changes in the legal and operational framework have necessitated the re-assessment of processes and Technology. With this in view FIU-IND has initiated the design of FINnet 2.0.

18.4.5. Main functionalities envisaged in FINnet 2.0 are as given below:

- **Advanced case analysis capabilities**
  - Advanced Analysis
  - Parallel processing of data
  - Integration of Open source Intelligence
  - Strategic Analysis Module
  - Alert Module enhancement
  - Machine Learning
    - Automatic case assignment and review
    - The processing module to learn from the history of cases analysed and disseminated
    - Faster case analysis and subsequent dissemination
    - Algorithms to decode patterns of case analysis in the past and use these insights to accelerate case dissemination.
- **Expansion of FINnet ecosystem**
  - Mobile Application
    - Secure mobile eco-system for FINnet users
    - Seamless and real time information sharing between entities
    - Comprehensive notification Framework (email, mobile, sms)
    - Automated reporting to FIU
  - API Integration
- **Ensuring Compliance**
  - ELearning Module

19. Integrated Financial Unit (IFU)

Integrated Finance Division of the Department of Revenue is under the direct supervision of Joint Secretary & Financial Advisor (Finance). There are three units dealing with budget, finance and expenditure management in respect of the grants pertaining to Department of Revenue, Direct Taxes and Indirect Taxes. Director (Finance), D/o Revenue/Excise & Customs and Director (Finance), Direct Taxes/Expenditure assist the JS&FA (Fin).

19.1 Activities undertaken by the Integrated Finance Unit:

All offices under the Department of Revenue, which inter-alia include Revenue headquarters, Central Board of Direct Taxes, Central Board of Excise & Customs, Narcotics Control Division, Central Bureau of Narcotics, Chief Controller of Factories, Central Economic Intelligence Bureau, Financial Intelligence Unit (FIU-IND), Goods & Service Tax Council Secretariat, Enforcement Directorate, Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Settlement Commission (IT/WT), Authority for Advance Rulings, Appellate Tribunal for Forfeited Property, Adjudicating Authority under PMLA, Income Tax Ombudsman, National Committee for Promotion of Social & Economic Welfare, all field offices of Income Tax Department which include Directorate General of Income Tax (Systems), Directorate General of Income Tax (Legal & Research), Directorate of Income Tax (O&M Services), Directorate of Income Tax (Infrastructure), National Academy of Direct Taxes and other field offices under the Central Board of Direct Taxes, all field offices under Central Board of Excise & Customs which include Directorate General of Systems & Data Management, Directorate General of Human Resource Development, Directorate of Revenue Intelligence, Directorate General of Goods and Service Tax Intelligence, Directorate General of Goods and Service Tax, National Academy of Customs, Indirect Taxes & Narcotics, etc., are serviced by the three units of Integrated Finance Division in terms of Budget formulation, allocation, expenditure monitoring, control, enforcing economy, scrutiny and sanction of expenditure proposals beyond the delegated powers of field offices.

19.2 Details of expenditure and financial proposals scrutinized and approved

(a) Creation and continuation of posts, construction/ purchase/hiring of offices, as well as residential accommodation for the field formations of Central Board of Excise & Customs and Central Board of Direct Taxes, Department of Revenue and its attached offices.

(b) Procurement of goods and services including procurement of anti-smuggling equipments i.e. scanners and marine vessels.

(c) Proposals for deputation abroad of officers of the Department, CBDT, CBEC and their field offices.

(d) Restructuring proposals, redeployment of personnel in field formations and constituent units.

(e) Comprehensive Computerization of Department of

Revenue, its field formation including Customs and Central Excise formations and Income Tax field formations.

(f) Proposals from Committee of Management (COM), D/o Revenue which oversees the functioning of Government Opium & Alkaloid Works (GOAWs).

(g) Grants-in-aid to National Institute of Public Finance & Policy and Central Revenue Sports & Cultural Board.

(h) Proposals for Delegated Investment Board (DIB), Public Investment Board and Cabinet Committee on Economic Affairs (CCEA) relating to comprehensive computerization plan of CBDT/CBEC, capital expenditure involving construction of office/residential complexes and readymade office/residential buildings of all the three Departments, and construction of Rajaswa Bhawan.

(i) Proposals received for sanction of financial assistance from the Customs & Central Excise Welfare Fund and Special Equipment Fund. Revision of norms were finalized in respect of setting up of/ refurbishing of recreation/sports clubs, gymnasiums, Departmental Canteens, crèches for children of Departmental officials and guest houses. Scope of cash award scheme for meritorious children with special emphasis on girl children and children of group 'D' staff was revised. As a result, more wards of the employees were benefited.

(j) Schemes proposed by CBDT/CBEC for utilizing the budget provision under 1% Incremental Revenue Incentive Scheme for obtaining approvals of the competent authority.

(k) Proposals involving relaxation/interpretation of financial rules and all proposals requiring reference to the Department of Expenditure.

19.3 The expenditure budget/non-tax revenue receipts of Department of Revenue, Direct Taxes and Indirect Taxes for BE 2017-18 was prepared. RE 2017-18 and BE 2018-19 ceiling has been communicated by the Budget Division, Department of Economic Affairs. The Details of RE 2017-18 and BE 2018-19 in respect of all the three grants are as below:

(Rs. in crore)

Grant	Gr. No.	2017-18		2018-19
		BE	RE	BE
D/o Revenue	33	500.68	63396.62	90736.44
Direct Taxes	34	6108.64	6500.00	6980.00
Indirect Taxes	35	6089.51	7850.00	7825.00

19.4 Integrated Finance Division has taken the following steps/initiatives in 2017-18:-

(i) Implementation of Cash Management Plan as per Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocations (QEA) as envisaged by Budget Division of Department of Economic Affairs, Ministry of Finance.

(ii) Review of Monthly and Quarterly Expenditure vis-à-vis budgetary allocations and MEP/QEA and report to Revenue Secretary and Expenditure Secretary in compliance to the guidelines of the Department of Expenditure , Ministry of Finance for strict financial discipline.

(iii) Review of specific activities/developments of Department of Revenue and report to Secretary (Expenditure) through monthly DOs.

(iv) Enforcement of instructions on economy in expenditure by periodic review of expenditure and advisories to spending authorities for expenditure control in line with the economy instructions issued by the Department of Expenditure.

(v) Preparation and budgetary allocation for Compensation to States/UTs for loss of revenue due to implementation of VAT/CST; Compensation to States/UTs for revenue loss on roll out of GST; Compensation to States/UTs for revenue loss due to phasing out of CST; Government Opium & Alkaloid Works; Acquisition of residential and office accommodation; Strengthening of IT capability for e-governance of CBEC and CBDT; Acquisition of ships and fleets to strengthen Marine capability & Acquisition of Anti-Smuggling equipments.

19.5 In addition, the allocation and monitoring of the budget relating to advances, viz. House Building Advance, Computer Advance etc. was also done.

19.6. The Integrated Finance Division has also been entrusted in the formulation of schemes of important expenditure proposals from their initial stage. It also followed up with the Department/Boards for the settlement of audit objections, inspection reports, draft audit paras and reports of PAC/Standing Committee.

20. National Committee for Promotion of Social and Economic Welfare

20.1 The Government of India constituted the National Committee for Promotion of Social & Economic Welfare in 1992 for recommending the projects for promotion of sports, social and economic welfare, pollution control, etc. received from Trusts/Institutions, to the Central Government for Notification under Section 35 AC of Income Tax Act, 1961. The funding of the approved projects is through donations on which the donors are entitled to 100% deduction under the Income Tax Law.

20.2 The National Committee for Promotion of Social and Economic Welfare is constituted by the Central Government for a term of (03) three years and consists of 14 Members including its Chairman. The Government appoints former Chief Justice of India as Chairman of the Committee and other 13 persons of public eminence, hailing from various walks of life, as Members of the Committee. So far 9 such Committees have been constituted, all headed by a retired Chief Justice of India.

20.3 In this context, it may be stated that Section 35AC of IT Act, as amended by the Finance Act, 2016, provides that no deduction under this section shall be allowed in respect of any assessment year on or after 1st April, 2018. Accordingly, the benefit of deduction under Section 35AC of Income tax Act was available only upto previous year ending 31.3.2017 (Assessment year 2017-18) in respect of payment made to association or institution already approved by the National Committee for carrying out any eligible project or scheme and as such no deduction u/s 35 AC is available after 31.3.2017 (F.Y.).

20.4 In view of the above, the 9th National Committee for Promotion of Social and Economic Welfare was reconstituted and subsequently notified on 31st March, 2017 only for a period of one year. The composition of the Committee is as follows:-

S.No.	Name of the Committee Members	Designation	Place
1.	Justice Mr. R.C. Lahoti, former Chief Justice of India	Chairman	Noida, Uttar Pradesh
2.	Shri Amardeep Singh Cheema	Member	Batala, Punjab
3.	Shri Amiya Kumar Sharma	Member	Guwahati, Assam
4.	Shri Baldev Chowdhary	Member	Lucknow, Uttar Pradesh
5.	Smt. Chetna Sinha	Member	Satara Maharashtra
6.	Shri D.R. Mehta	Member	Jaipur, Rajasthan
7.	Shri Enrico Piperno	Member	Kolkata, West Bengal
8.	Shri Habib A. Fakih	Member	Mumbai, Maharashtra
9.	Prof. Naladi Samuyelu	Member	Guntur, Andhra Pradesh
10.	Dr. Naresh Gupta	Member	New Delhi
11.	Shri Sanjiv Kumar Arora	Member	New Delhi.
12.	Smt. Shameema Raina	Member	Srinagar, J&K.
13.	Smt. Shashikala Vamanan	Member	Chegalpattu, Tamil Nadu.
14.	Shri Vinayak Lohani	Member	Kolkata, West Bengal

20.5 The functions and procedures of the National Committee are governed by Rules 11-F to 11-O of the Income Tax Rules, 1962. The procedure of filing the application and the manner in which the applications are to be considered and decided by the National Committee are enumerated in Rules 11-L and 11-M of the Income Tax Rules, 1962. The projects/schemes of the institutions/organizations recommended by the National Committee and accepted by the Central Government are notified in the Official Gazette. In cases where the National Committee does not recommend the scheme or project for approval, the decision of the Committee is communicated to the applicants by the Secretariat of the National Committee.

21. National Institute of Public Finance and Policy (NIPFP)

21.1. The NIPFP is a premier research organization for conducting research, policy advocacy, and capacity building activities in the field of public economics and macro finance. Established in 1976 as an autonomous institution under the Societies Registration Act, 1860 the Institute has made significant contribution to policy reforms at all levels of Government of India. The NIPFP provides research, advisory, and capacity building support on macroeconomics, fiscal policy, and intergovernmental finance at both national and international levels. The vision of the Institute is to "promote stable and sustainable development".

21.2. The Governing Body is chaired by an Economist of Eminence and at present Dr. Vijay Kelkar, Chairman of the Forum of Federations, Ottawa & India Development Foundation, New Delhi and Chairman of Janwani, is the Chairman of the Governing Body. Government is represented by the Secretary (Revenue), Secretary (Economic Affairs), Chief Economic Adviser of the Ministry of Finance. There are three eminent Economists on the Governing Body and representatives of FICCI and ASSOCHAM. There is an Academic Committee advising the Director.

22. Implementation of Official Language Policy

22.1 The Department of Revenue has a full-fledged Official Language Division which is entrusted with the task of implementing the Official Language Policy of the Government of India. The Division is headed by a Director (OL) and operates through four Official Language Sections; each headed by an Assistant Director (OL) and supervised by two Deputy Directors (OL). The Division deals with matters relating to implementation of Official Language Policy of the Union and takes follow up action on the orders and instructions issued by the Department of Official Language from time to time. Entire translation work of the Department from English to Hindi and vice-versa is ensured by the Official Language Division.

The Department of Revenue is notified under Rule 10(4) of the Official Language Rules, 1976. 30 sections of the Department have been specified for doing their entire work in Hindi.

22.2 Performance of the OL Division during the year under report:

a. All the documents pertaining to CBEC, CBDT & Revenue HQs were invariably issued bilingually as per the requirement under Section 3(3) of the Official Languages Act, 1963 ;

b. All gazette notifications, replies to Parliament Questions and Assurances pertaining to CBEC, CBDT and Revenue HQs were furnished bilingually;

c. Notes and monthly summaries for the Cabinet, Action Taken Reports(ATRs) on the Report of the Comptroller & Auditor General of India, Annual Report and Outcome Budget of the Ministry of Finance were translated and made available bilingually; and

d. A number of Double Tax Avoidance Agreements entered into with various countries were translated into Hindi; and

e. Website material received from all the sections of the Department of Revenue (HQs), CBDT and CBEC was translated into Hindi and uploaded on the Ministry's website.

22.3 Hindi Salahkar Samiti and OLIC meetings:

A meeting of the Joint Hindi Advisory Committee of the Departments of Revenue, Expenditure and Investment & Public Asset Management and Office of the Comptroller and Auditor General of India was held on 27 December, 2017 under the chairmanship of the Minister of State for Finance (Revenue & FS) in which the position regarding implementation of Official Language Policy of the Union in the Department of Revenue was reviewed and discussed in detail. Suggestions were put forth by the Members regarding ways for increasing the use of the Official language in the official work and follow-up action is being taken up by the concerned sections/offices thereon.

The meetings of the Official Language Implementation Committee of the Department of Revenue were also organized. In the meetings, members discussed the steps required to be taken for effective implementation of the Official Language Policy of the Union. Apart from this, the representatives of the OL Division of the Department of Revenue also attended the Official Language Implementation Committee meetings of the attached and subordinate offices situated in Delhi.

22.4 Official Language Inspections:

The officers of the Hindi Division of the Department also carried out inspections of 3 offices of Income Tax under the control of the Department during the year under report with the view to assess the progress in use of Hindi in the office and suggested ways to accelerate the use of Hindi in the official work.

22.5 Hindi Day/Hindi Pakhwara:

On the occasion of Hindi Day, a message was issued by the Hon'ble Finance Minister exhorting all the officers/ employees of the Department to do their maximum official work in Hindi.

Hindi Pakhwara was celebrated from 01 September, 2017 to 15 September, 2017. Various competitions like Hindi noting & drafting, Essay writing, Extempore Speech competition, Quiz competition, Hindi typing and Hindi Shorthand competition were organized during the Hindi Pakhwara. Also, there was an award scheme for doing maximum work in Hindi during the Hindi fortnight for the gazetted officers, Hindi speaking non-gazetted officers as well as the non-Hindi Speaking non-gazetted officers separately. Those who secured first, second and third positions in these competitions have been given cash prizes of Rs. 5000/-(First prize), Rs. 3000/- (Second prize) and Rs. 2000/- (Third prize) and also 3 consolation prizes of Rs. 1000/- each were given.

22.6 Incentive Schemes:

Under the incentive scheme of the Department of Official Language, Ministry of Home Affairs, cash awards of Rs. 5000/-, Rs. 3000/- and Rs. 2000/- are given to those officials who do noting/drafting and other official work in Hindi.

22.7 Training:

During the year 2017-18, 3 LDC/ASOs and 6 Stenographers were nominated for training in Hindi typing and Hindi stenography, respectively, in the courses run by the Central Hindi Training Institute, Ministry of Home Affairs.

22.8 Hindi Workshop:

In order to remove hesitation amongst Hindi knowing employees to do their work in Hindi, a two day Departmental Hindi workshop was organized on 07 & 09 June, 2017 in which 21 officers/employees were imparted training in Hindi noting/drafting.

23. Implementation of the Right to Information Act, 2005

23.1 CBEC is implementing the provisions of Right to Information Act, 2005 since its enforcement. In the Headquarters office, there are 34 CPIOs, one CPIO for each of the section. The no. of applications received, applications rejected and requests accepted by the CPIOs in CBEC during the year 2017 are given below:-

Quarter ending on	no. of applications received during the quarter	No. of cases transferred to other Public Authorities under Section 6 (3)	No. of requests rejected	No. of requests accepted
31.03.2017	777	173	8	568
30.06.2017	812	229	22	540
30.09.2017	926	236	4	686

There are 21 Appellate Authorities, who decides the appeals received under the RTI Act from various applicants. The no. of appeals received, appeals rejected and appeals accepted by the CPIOs in CBEC during the year 2017 are given below:-

Quarter ending on	no. of appeals received during the quarter	No. of appeals rejected	No. of appeals accepted
31.03.2017	34	0	32
30.06.2017	83	0	73
30.09.2017	37	0	37

Registration fee collected under section 7(1) and the additional fee collected under section 7(3) during these three quarters is as given below:-

Quarter ending on	Fee collected under section 7(1) (in Rs.)	Additional fee collected under section 7(3) (in Rs.)
31.03.2017	1170	8498
30.06.2017	1240	9806
30.09.2017	1580	11169

The fee is excluding the amount of fee received for submitting applications online on the RTI portal.

The Government has also launched RTI Portal which facilitates filing of applications online by the Citizens. The applications concerning Department of Revenue are accessed by the two Nodal Officers, one for Customs and the other for rest of the matters pertaining to CBEC. Thereafter, these applications are transferred, online, to concern CPIOs in the Board, who are required to provide requisite information, online, on the Portal itself so that the applicant may immediately access the requisite information. So far, CBEC has received 2668applications from January, 2017 to September, 2017.

At present, the facility for transferring the applications received on the RTI portal is limited to the CPIOs in the Board and 44 CCs/DGs of CBEC. Hence, applications pertaining to the remaining field formations are transferred manually with the direction provide information directly to the citizen.

Appeals against the information provided in response to RTI online applications are also made online, which are transferred to concerned First Appellate Authority, who also provide requisite reply to the citizen on the portal itself. CBEC has received 211 appeals from January, 2017 to September, 2017.

23.2 Financial Intelligence Unit- India (FIU-IND)

During the financial year 2017-2018 44 number of RTI applications were received which were disposed of promptly within the stipulated period.

23.3 Customs, Excise & Service Tax Appellate Tribunal

The Public Information Officer and 1st Appellate Authority have been nominated by the Public Authority in each Bench of the Tribunal, and they are acting in accordance to the provisions of the Right to Information Act, 2005, in dispensing the information.

23.4 Customs & Central Excise Settlement Commission

Right to information Act, 2005 has been implemented. Twelve manuals, as prescribed under RTI related to the Commission were duly prepared. CPIOs & ACPIOs have been nominated.

23.5 Income Tax Settlement Commission

The Settlement Commission is very sensitive to the implementation of the RTI Act, 2005. In the all four (04) Benches including Principal at New Delhi. The JDI/ADI and Administrative Officer has been designated as CPIO under the said Act. The Secretary and Director of Income Tax (Investigation) who is equivalent to the Joint Secretary to the Government of India in each Bench has been designated as Appellate Authority under the said Act.

23.6 Directorate of Enforcement

During the year 2017-18 (up to November, 2017), 423 RTI applications were received in Headquarters office of the Directorate, which were promptly disposed of within the stipulated period.

23.7 Central Bureau of Narcotics

Various provisions of Right to Information Act, 2005 have been implemented in the Central Bureau of Narcotics. Central Public Information Officers have been nominated. Detailed functions and various aspects of the work done by the Department are also available on CBN website http://www.cbn.nic.in

23.8 Chief Controller of Factories

A cell in each unit of this organization, such as the factories at Ghazipur and Neemuch, as also at the Delhi office of the CCF have been set up. These cells function directly under the officials designated as CPIO/APIO. The applications received are regularly disposed off within the prescribed time-frame.

23.9 NIPFP

During the year (from 1.1.2017 to 31.12.2017) 18 RTI application (including transferred to other Public Authority) were disposed off within the prescribed time-frame.

24. Swachh Bharat Campaign

24.1 Department of Revenue has taken several steps as a part of Swachh Bharat Campaign initiated by Government of India on the occasion of 150th Anniversary of Mahatma Gandhi.

24.2 Under Swachhta Action Plan 2017-18, various activities have been taken viz. Swatchhta Pakhwara from 16.01.2018 to 31.01.2018 comprising of various activities including Swatchhta pledge by Minister of State(Finance); and 26 activities' documents and 324 images have been uploaded on the web portal as provided by Ministry of Drinking Water and Sanitation. The Department has been monitoring the implementation of Swatchhta Action Plan of all field formations of CBDT and CBEC.

24.3 During 2017-18, to encourage cleanliness in the office complexes, awareness drives for maintaining cleanliness with the participation of the officers and employees were done in this Department in addition to routine cleaning, sweeping, mopping of floor / corridors including staircases and all the rooms / halls and placing appropriate warning signs to avoid accidents during cleaning activities including cleaning of toilets and adjoining areas using disinfectors with necessary provisioning of soap, toilet paper, hand dryer, dustbins and necessary items. Collection of all obsolete equipments and removal thereof viz. newspapers/ magazines, old computers & peripherals through e-waste auction and general waste through normal auction, disposal of old cars/vehicles following due procedure following the provisions of GFR, 2017. Renovation work to create better working ambience has been done in several rooms with a view to optimization of office space. Weeding/recording drive was also done and simultaneously digitization/scanning of old records/files have been done through a hired private company targeting optimization of office space.

24.4 To increase awareness amongst personnel of this Department, several competitions have been conducted and the winners have been appreciated with mementos.

Annexure - I

REPRESENTATION OF SC's, ST's AND OBC's for the period of 01/01/2016 to 31/12/2016

Organization: Central Board of Direct Taxes (CBDT)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitments				By Promotion			By other methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	4229	678	386	512	200*	30	15	54	229	28	41	-	-	-
Group B	2618	560	155	337	11	1	-	6	295	59	14	-	-	-
Group C	30984	6238	2021	6076	1974	322	144	399	2289	364	156	277	68	7
Total	**37831**	**7476**	**2562**	**6925**	**2185**	**353**	**159**	**453**	**2813**	**451**	**211**	**277**	**68**	**7**

*Appointment made in the year 2017. The officers are undergoing in the training institution, NADT, Nagpur and not included in the column 2 to 5 above

Annexure - I

Organization: Central Board of Excise and Customs (CBEC)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13	(14)	(15)
Group A	4050	365	187	406	240	35	18	64	2029	107	58	-	-	-
Group B	36112	5543	2286	4345	4536	681	362	1350	1095	150	116	28	5	2
Group C	12757	3635	1031	2025	1677	507	137	327	825	208	74	8	-	-
Total	**52919**	**9543**	**3504**	**6776**	**6453**	**1223**	**517**	**1741**	**3949**	**465**	**248**	**36**	**5**	**2**

Annexure - I

Organization: Revenue Head Quarter

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13	(14)	(15)
Group A	30	7	1	-	-	-	-	-	-	-	-	-	-	-
Group B	369	61	49	37	-	-	-	-	-	-	-	-	-	-
Group C	281	95	22	50	3	-	1	-	-	-	-	-	-	-
Total	**680**	**163**	**73**	**87**	3	-	1	-	-	-	-	-	-	-

Annexure - I

Organization: Financial Intelligence Unit (FIU-IND)

Groups	Number of Employees				Number of appointments made during the previous calendar year										
					By Direct Recruitment				By Promotion			By Other Methods			
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs	OBCs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*	*(16)*
Group A	19	3	-	1	-	-	-	-	-	-	-	5	2	-	-
Group B	4	-	-	1	-	-	-	-	-	-	-	1	-	-	-
Group C	7	3	-	2	-	-	-	-	-	-	-	2	1	-	-
Group D *Safai Karamcharis*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**30**	**6**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**3**	**-**	**-**

* FIU-IND is having sanctioned strength of 42 Group A officers out of these 42 posts, 10 are encadered with NIC. Against which posting of the incumbents are made by NIC cadre. Out of remaining 32 posts, 23 are filed as on 30.12.2016

.** 04 MTS posts were filled by the order oh Hon'ble High Court of Delhi vide order dated 09.02.2015.

***Note**: the mode of appointment is deputation only except for posts of 04 MTS (Group C).*

Annexure - I

Organization: The Appellate Tribunal under SAFEMA

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total		SCs STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	5	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	8	2	1	-	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	6	4	1	-	-	-	-	-	-	-	-	-	-	-
Total	**20**	**6**	**2**	-	-	-	-	-	-	-	-	-	-	-

Annexure - I

Organization: Competent Authority for Forfeiture of Illegal Acquired Property

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group A	7	-	-	1	-	-	-	-	-	-	-	1	-	-
Group B	12	1	-	-	-	-	-	-	-	-	-	1	-	-
Group C	16	3	1	-	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	5	1	-	2	-	-	-	-	-	-	-	-	-	-
Total	**40**	**5**	**1**	**3**		**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**

Annexure - I

Organization: Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	4	1	-	3	-	-	-	-	-	-	-	-	-	-
Group B	12	7	1	4	-	1	-	-	-	-	1	-	-	-
Group C	45	21	5	19	-	-	-	1	-	-	1	1	1	-
Group D *(Excluding Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	35	25	-	10	-	-	-	-	-	-	-	-	-	-
Total	**91**	**51**	**6**	**34**	**-**	**1**	**-**	**1**	**-**	**1**	**2**	**1**	**1**	**-**

Annexure - I

Organization: Customs & Central Excise Settlement Commission

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	16	3	-	-	-	-	-	-	2	2	-	-	-	-
Group B	7	2	-	-	-	-	-	-	-	-	-	-	-	-
Group C	13	3	-	3	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**36**	**8**	**-**	**3**	**-**	**-**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**-**

* *The Posts in Settlement Commission Group "A" are being filled up by Ministry. Group "B" & "C" posts are being filled up on deputation basis.*

Annexure - I

Organization: Central Bureau of Narcotics

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group B	169	34	11	16	1	1	-	-	32	3	2	-	-	-
Group C	243	52	25	34	13	2	-	1	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*												-	-	-
Group D *(Safai Karamcharis)*												-	-	-
Total	**412**	**86**	**36**	**50**	**14**	**3**	**-**	**1**	**32**	**3**	**2**	**-**	**-**	**-**

Annexure - I

Organization: Directorate of Enforcement

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	94	3	-	2	-	-	-	-	-	-	-	-	-	-
Group B	591	56	24	53	10	6	1	3	16	10	6	-	-	-
Group C	140	16	9	27	3	1	2	-	1	-	1	-	-	-
Group D *(Excluding Safai Karamcharis)*	82	29	-	4	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**907**	**104**	**33**	**86**	**13**	**7**	**3**	**3**	**17**	**10**	**7**	**-**	**-**	**-**

Annexure - I

Organization: National Institute of Public Finance and policy

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	36	2	-	4	1	-	-	-	-	-	-	-	-	-
Group B	21	-	-	1	-	-	-	-	-	-	-	-	-	-
Group C	19	4	-	5	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	-	-	-	-	-	-	-	-	-					
Group D *(Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**76**	**6**	**-**	**10**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure - I

Organization: Central Economic Intelligence Bureau

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13*	*(14)*	*(15)*
Group A	13	3	1	-	-	-	-	-	-	-	-	-	-	-
Group B	32	3	3	6	-	-	-	-	-	-	-	-	-	-
Group C	19	9	2	1	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**64**	**15**	**6**	**7**	-	-	-	-	-	-	-	-	-	-

Annexure - I

Organization: Authority for Advance Rulings (Income Tax)

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	9	1	-	2	-	-	-	-	-	-	-	-	-	-
Group B	8	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C *(Excluding Safai Karamchari)*	16	6	1	2	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Total	**34**	**8**	**1**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Organization: Income Tax Settlement Commission

Groups	Number of Employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By Promotion			By Other Methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*
Group A	132	13	6	19	-	-	-	-	-	-	-	9	1	3
Group B	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group C	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D *(Excluding Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Group D *(Safai Karamcharis)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**132**	**13**	**6**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**1**	**3**

(i) SCs stand for Scheduled Castes
(ii) STs stand for Scheduled Tribes
(iii) OBCs stand for Other Backward Castes

REPRESENTATION OF THE PERSONS WITH DIABILITIES

Organization: Central Board of Direct Taxes (CBDT)

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	4229	1	16	45	2	2	2	6*	2	2	2	-	-	-	-	-	-	-
'B'	2618	6	4	53	-	-	-	11	-	-	-	33	21	37	295	4	3	14
'C'	30984	114	113	606	72	77	113	1974	27	28	82	79	100	118	2289	9	6	93
TOTAL	**37831**	**121**	**133**	**704**	**74**	**79**	**115**	**1991**	**29**	**30**	**84**	**112**	**121**	**155**	**2584**	**13**	**9**	**107**

*Appointment made in the year 2017. The officers are undergoing in the training institution, NADT, Nagpur and not included in the column 2 to 5 above.

Annexure -II

Organization: Central Board of Excise and Customs (CBEC)

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	4050	-	26	24	-	4	3	240	-	4	3	-	-	-	-	-	-	-
'B'	36112	26	107	394	6	64	67	2177	2	59	56	-	1	1	240	-	2	3
'C'	12757	38	25	83	22	29	38	1549	12	16	33	7	13	14	840	2	1	3
TOTAL	**52919**	**64**	**158**	**501**	**28**	**97**	**108**	**3966**	**14**	**79**	**92**	**7**	**14**	**15**	**1080**	**2**	**3**	**6**

Annexure -II

Organization: Revenue Head Quarter

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
‘A’	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘B’	369	2	1	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘C’	281	-	1	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**680**	**2**	**2**	**5**	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure - II

Organization: Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-
'C'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'D'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Annexure -II

Organization: The Appellate Tribunal Under SAFEMA

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'C'	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'D'	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**20**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure -II

Organization: Competent Authority for Forfeiture of Illegal Acquired Property

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'C'	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'D'	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**40**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure - II

Organization: Directorate of Enforcement

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	94	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	591	-	-	-	-	-	-	13	-	-	-	-	-	-	60	-	-	-
'C'	140	-	-	5	1	1	1	10	-	-	3	-	-	-	3	-	-	-
'D'	82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**907**	**-**	**-**	**5**	**1**	**1**	**1**	**23**	**-**	**-**	**3**	**-**	**-**	**-**	**63**	**-**	**-**	**-**

Organization: National Institute of Public Finance and Policy

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'C'	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-
'D'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* *The post has gone under deemed abolition category. Therefore, sanction for revival has been sought from the M/o Finance is awaited.*

Annexure -II

Organization: Central Bureau of Narcotics

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	169	-	-	-	-	-	-	1	-	-	-	-	-	-	32	-	-	-
'C'	243	1	-	5	-	-	-	13	-	-	-	-	-	-	-	-	-	-
'D'																-	-	-
Total	**412**	**1**	**-**	**5**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**-**	**-**	**-**

Note:
(i) VH stands for Visually Handicapped (persons suffering from blindness or low vision)
(ii) HH stands for Hearing Handicapped (persons suffering from hearing impairment)
(iii) OH stands for Orthopedically Handicapped (persons suffering from locomotor disability or cerebral palsy).

Annexure -II

Organization: Authority for Advance Rulings (Income Tax)

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
'A'	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'B'	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'C'	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
'D'	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**33**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure -II

Organization: Central Economic Intelligence Bureau

Group	Number of Employees				DIRECT RECRUITMENT							PROMOTION						
					No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
‘A’	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘B’	32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘C’	19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
‘D’	82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**64**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure - III

Summary of important observations included in Audit Reports presented to Parliament during 2017

CBEC

During this financial year **2017-18**, 320 Draft Audit Paras (DAPs) of **A**, **B**&**D** category (Central Excise & Service Tax) and 90 Audit Paras(28 Audit Paras of AR No. 03 of 2017 & 62 Audit paras of AR No. 41 of 2016) and 122 Audit Paras (46 Audit Paras of AR No. 42 of 2017 & 79 Audit Paras of AR No. 43 of 2017 which are received in the last week of December 2017) in respect of Central Excise & Service Tax were received from C&AG office.

The Ministry's Comments and replies on all the DAPs and Audit Paras have been sent to C&AG Office except latest 122 Audit Paras of Audit Report No. 42 & 43 of 2017 which are received from the O/o C&AG in the last week of December 2017.

During the year, 4 Draft Review Paras were received from C&AG office, and Ministry's Comments on all of them have been sent to C&AG Office.

Audit Report No. 3 of 2017 of Central Excise and Audit Report No. 41 of 2016 of Service Tax was laid in the Parliament 10th March, 2017. Similarly, Audit Report No.31 of 2017 was laid in the parliament on 4th August, 2017. Recently, Audit Report No. 42 of 2017 and Audit Report No.43 of 2017 were laid in the parliament 19th December, 2017.

During the year, PAC had selected 2 Audit Reports for detailed examination and Ministry's Detailed Background Note was sent in all the reports to Lok Sabha Secretariat well in time. The details of the audit reports are as follows:-

S. NO.	AUDIT REPORT NO.	SUBJECT	DATE OF SENDING DBN TO LOK SABHA
1.	3 of 2017 (Indirect Taxes – Central Excise) Para No.s 1.12, 1.14, 1.18, 2.8.2, 2.8.3, 2.8.6, 2.11.1	Recovery of Arrears in Central Excise	12.07.2017
2.	41 of 2016 (Indirect Taxes – Service Tax) Para No.s 1.12, 1.17, 1.18, 2.8.2, 2.8.3, 2.8.5, 2.11.1, 5.4, 5.4.1, 5.4.2 in respect of Chapter I, II and V	Recovery of Arrears in Service Tax	12.07.2017

Further, it may be stated that after finalisation of ATN/ settled by C&AG, the same will be upload in the portal of Monitoring Cell during the year on the direction of Committee of Secretaries (CoS).

Sl. No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Paras/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
01	2017-18	234	Nil	6	10 **#**

Settled Audit Paras/Report have been sent to Hindi Section for Hindi translation for onward submission to Monitoring Cell

CBDT

Instruction No. 7 has been issued on 21/07/2017 to bring uniformity in the procedure to deal with the Revenue Audit Objection, Draft Audit Paras etc. The ITBA module to deal with the revenue audit objections has also be rolled out and it will be fully function from 31/03/2018.

During the year, compliance Report No. 2 of 2017 [Tabled before Parliament on 10/03/2017] having 463 draft paras was dealt wi9th. Besides draft paras, there were five chapters / long draft paras involving multiple illustrated cases. Initial replies in all the draft paras as well as chapters were physically sent and draft ATNs were uploaded in all the cases and chapters.

In addition to the Report No. 2 of 2017, Report No. 4, Report No. 27 and Report No. 30 of 2017 have also been tabled during the year before the Lok Sabha. Action Taken Notes (ATNs) have been submitted in these cases also to the C & AG and uploaded on APMS portal.

Besides, the draft compliance report having 459 draft paras is being dealt with this year and present status is as under:

Status of Draft Paras for Audit Year 2016-17 i.e. Current DP Cases

Particulars		PAC-I	PAC-II	Total
Total DP from C & AG		132	327	459
Present Status break up – as on 31/12/2017				
1	Letters sent to C & AG (disposed of) till 31 Dec 2017	108	297	405
2	Pending	24	30	54

Apart from above, there are 5 chapters containing multiple paras and illustrative cases. Initial reply has been sent in respect of one chapter.

No PAC report is pending as on 30/11/2017 for furnishing Action Taken Reports.

The Ministry has submitted a background note on the subject selected by PAC on the para 2.6.2 and chapter 5 of Report No. 2 of 2017 during the year and also submitted updated background note on Report No. 28 of 2016.

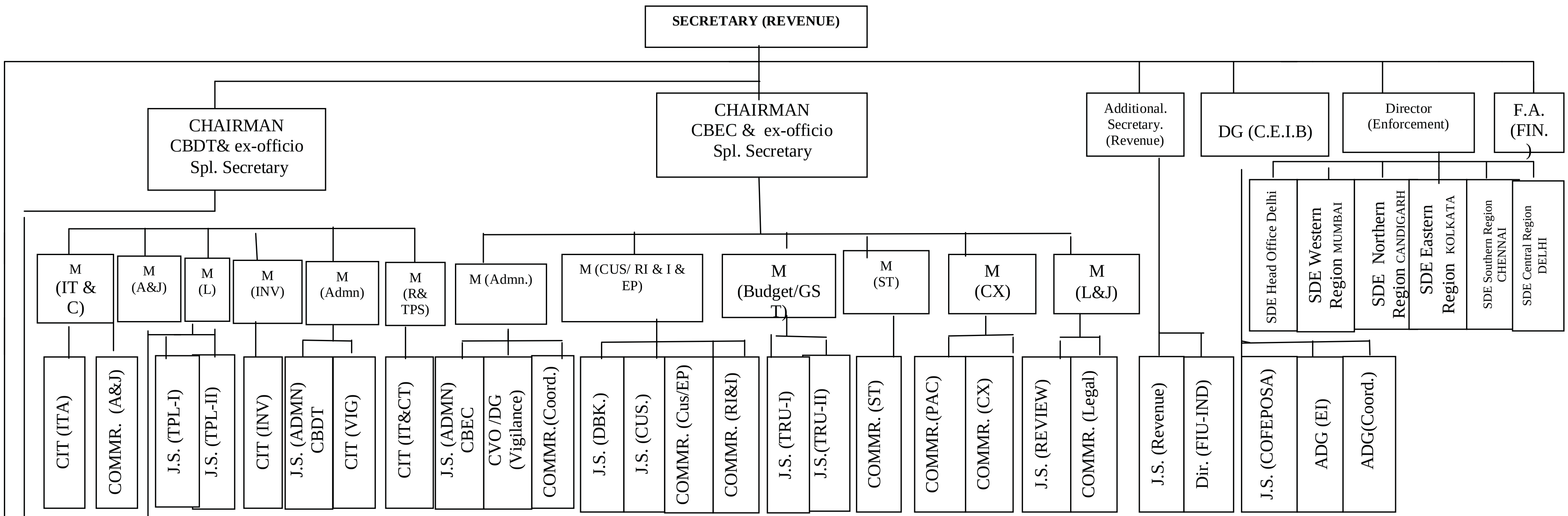
For starting a performance audit, the C & AG takes an entry conference to discuss the modalities. In this year, following entry conferences were held:

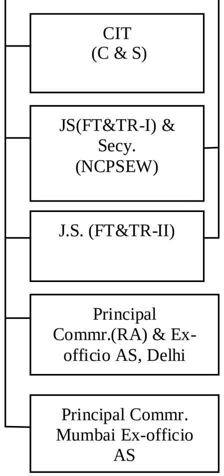
S. No.	Subject	Date of Entry Conference
1	Assessment of assessees in Real Estate Sector	25/10/2017
2	Assessment in assessees in Entertainment Sector	25/10/2017

INTEGRATED FINANCIAL UNIT (IFU)

Sl. No.	**Year**		**Details of the Paras / PA reports on which ATNs are pending**		
		No. of paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to the PAC
1	2017	-	2	-	-
	Total	**-**	**2**	**-**	**-**

ORGANISATION CHART OF DEPARMENT OF REVENUE





LEGEND

CBDT : Central Board of Direct Taxes
CBEC : Central Board of Excise & Customs
M (IT&C) : Member (Income Tax and Computerisation & ex-officio Spl. Secretary)
M (A&J) : Member (Audit & Judicial & ex-officio Spl. Secretary)
M(L)) : Member (Legislation & ex-officio Spl. Secretary)
M (Inv.) : Member (Investigation & ex-officio Spl. Secretary)
M (Admn) : Member (Administration & ex-officio Spl. Secretary)
M(R) : Member (Revenue & ex-officio Spl. Secretary)
M(Admn) : Member(Administration & ex-officio Spl. Secretary)
M (Cus/RI&I & EP) : Member (Customs/Revenue Intelligence and Investigation/Export/Promotion & ex-officio Spl. Secretary)
M(Bgt/GST) : Member(Budget/Goods & Services & ex-officio Spl. Secretary)
M(ST) : Member (Service Tax & ex-officio Spl. Secretary)
M(CX) : Member (Central Excise & ex-officio Spl. Secretary)
M(L&J) : Member(Legal & Judicial & ex-officio Spl. Secretary)
NCPSEW : National Committee for Promotion of Social & Economic Welfare
CVO & DG (VIG) : Chief Vigilance Officer & Director General (Vigilance)
J.S. : Joint Secretary
CIT : Commissioner of Income Tax
COMMR. : Commissioner

LEGEND

SDE :- Special Director Enforcement
TRU: Tax Research Unit
CUS: Customs
DBK: Drawback
ADMN: Administration
TPL: Tax Policy and Legislation
FT&TR: Foreign Tax and Tax Research
FA (FIN): Financial Advisor (Finance)
RA: Revision Application
Rev.: Revenue
JS (COFEPOSA): Joint Secretary (Conservation of Foreign Exchange & Prevention of Smuggling Activities)
DG(CEIB): Director General (Central Economic Intelligence Bureau)
ADG: Additional Director General
PAC: Public Accounts Committee
Enf. : Enforcement.
ITA: Income Tax Assessment
C&S: Coordination and Systems

Attached Offices/ other Bodies of the Deptt. of Revenue (H.Q.)

1. Enforcement Directorate
2. Central Economic Intelligence Bureau
3. Central Bureau of Narcotics
4. Chief Controller of Factories
5. Competent Authorities (SAFEM (FOP) Act & NDPS Act)
6. National Committee for Promotion of Social & Economic Welfare
7. Customs & Central Excise Settlement Commission
8. Income Tax Settlement Commission
9. Appellate Tribunal (under SAFEMA)
10. Customs Excise & Service Tax Appellate Tribunal
11. Authority for Advance Rulings
12. Financial Intelligence Unit-India (FIU-IND)
13. Income Tax Ombudsman
14. National Institute of Public Finance & Policy (NIPFP)
15. Adjudicating Authority under PMLA
16. Indirect Tax Ombudsman

Chapter - IV

Department of Investment and Public Asset Management

I Functions

As per the present Allocation of Business rules, the mandate of the Department is as follows:

1. (a) All matters relating to management of Central Government investments in equity including disinvestment of equity in Central Public Sector Undertakings.

   (b) All matters relating to sale of Central Government equity through offer for sale or private placement or any other mode in the erstwhile Central Public Sector Undertakings.

Note: All other post disinvestment matters, including those relating to and arising out of the exercise of Call option by the Strategic Partner in the erstwhile Central Public Sector Undertakings, shall continue to be handled by the administrative Ministry or Department concerned, where necessary, in consultation with the Department of Investment and Public Asset Management (DIPAM).

2. Decisions on the recommendations of Administrative Ministries, NITI Aayog, etc. for disinvestment including strategic disinvestment.

3. All matters related to Independent External Monitor (s) for disinvestment and public asset management.

4. (a). Decisions in matters relating to Central Public Sector Undertakings for purposes of Government investment in equity like capital restructuring, bonus, dividends, disinvestment of government equity and other related issues.

   (b) Advise the Government in matters of financial restructuring of the Central Public Sector Enterprises and for attracting investment in the said Enterprises through capital market.

5. The Unit Trust of India Act, 1963 (52 of 1963) along with subjects relating to Specified Undertaking of the Unit Trust of India (SUUTI).

II. Vision

(i) Promote people's ownership of Central Public Sector Enterprises (CPSEs) to share in their prosperity through disinvestment.

(ii) Efficient management of public investment in CPSEs for accelerating economic development and augmenting Government's resources for higher expenditure.

III. Mission

(i) List CPSEs on stock exchanges to promote people's ownership through public participation and improving efficiencies of CPSEs through accountability to its shareholders.

(ii) To bring in operational efficiencies in CPSEs through strategic disinvestment, ensuring their greater contribution to economy.

(iii) Adopt a professional approach for financial management of CPSEs in the national interest and disinvestment aimed at expanding public participation in ownership of CPSEs.

IV. Organisational Strcture

Shri Neeraj Kumar Gupta assumed the charge of Secretary, Department of Disinvestment on 4th January, 2016. The Secretary is assisted by four Joint Secretaries and one Economic Adviser. The Department functions on the Desk Officer pattern and the work is handled at the levels of Joint Secretary, Director/Deputy Secretary and Under Secretary.

2. The Organizational Structure of the Department is placed at Appendix –I.

V. Policy and Approach to Disinvestment of CPSEs

The current policy envisages development of people's ownership of Central Public Sector Enterprises (CPSEs) so as to share in their wealth and prosperity, while ensuring that the Government equity does not fall below 51% and Government retains management control.

The salient features of the Current Policy on Disinvestment of CPSEs are:

(i) Public Sector Undertakings are the wealth of the nation and to ensure this wealth rests in the hands of the people, promote public ownership of CPSEs;

(ii) While pursuing disinvestment through minority stake sale in listed CPSEs, the Government will retain majority shareholding, i.e. at least 51 per cent of the shareholding and management control of the Public Sector Undertakings;

(iii) Strategic disinvestment by way of sale of substantial portion of Government shareholding in identified CPSEs upto 50 per cent or more, alongwith transfer of management control.

(iv) Efficient management of GoI's investment in CPSEs, with the overall focus on higher economic growth.

Approach for Disinvestment

(a) Disinvestment through minority stake sale

On 5th November 2009, Government approved the following action plan for disinvestment in profit making Government companies:

(i) Already listed profitable CPSEs (not meeting mandatory shareholding of 10 per cent which stands revised to 25 per cent) are to be made compliant through 'Offer for Sale' (OFS) by the Government or by the CPSEs through issue of fresh shares or a combination of both;

(ii) Unlisted CPSEs with no accumulated losses and having earned net profit in three preceding consecutive years to be listed;

(iii) Follow-on public offers would be considered, taking into consideration the needs for capital investment of CPSEs on a case by case basis, and the Government could simultaneously or independently offer a portion of its equity shareholding;

(iv) All cases of disinvestment are to be decided on a case by case basis;

(v) The Department of Investment and Public Asset Management (DIPAM) is to identify CPSEs in consultation with respective administrative ministries and submit proposal to Government in cases requiring Offer for Sale of Government equity.

(b) Strategic Disinvestment

(i) To be undertaken through a consultation process among different Ministries/Departments, including NITI Aayog.

(ii) NITI Aayog to identify CPSEs for strategic disinvestment and advice on the mode of sale, percentage of shares to be sold of the CPSE and method for valuation of the CPSE.

(iii) The Core Group of Secretaries on Disinvestment (CGD) to consider the recommendations of NITI Aayog to facilitate a decision by the Cabinet Committee on Economic Affairs (CCEA) on strategic disinvestment and to supervise/monitor the process of implementation.

(c) Comprehensive management of GoI's investment in CPSEs

(i) The Government recognises its investment in CPSEs as an important asset for accelerating economic growth and is committed to the efficient use of these resources to achieve optimum return.

(ii) The Government to achieve these objectives by adopting a comprehensive approach for addressing critical inter-linked issues such as leveraging of assets to attract fresh investment, capital restructuring, financial restructuring, etc.

(iii) Different options are assessed to adopt suitable investment management strategies to improve investors' confidence in the CPSEs and support their market capitalization which is essential for raising fresh investment from the capital market for their expansion and growth.

(iv) Efficient management of investment in CPSEs is ensured through rationalization of decision making process for all related issues and seamless inter-departmental coordination in the matter.

VI. Policy Initiatives And Performance:

i. Disinvestment to Investment Management Approach

- The thrust of the Government is presently directed towards efficient management of GoI's investment in CPSEs, with the overall focus on higher economic growth through consistent long-term policies as well as efficient and effective allocation of resources.
- Based on this philosophy, Budget 2016-17 focused on the need to migrate from the 'divestment based approach' to 'investment based approach' for CPSEs. Accordingly, renaming the Department as 'Department of Investment & Public Asset Management' (DIPAM) with expanded mandate denotes a paradigm shift in the thinking process of the Government on its strategy to manage its investment in CPSEs.
- Efficient management of GoI's investment in CPSEs by adopting suitable strategies is aimed at bringing a professional approach in investment management, improving investors' confidence in CPSEs and supports their market capitalization, which is essential for raising fresh investment for their expansion and growth.

ii. Guidelines on "Capital Restructuring of CPSEs"

- As announced in the Budget, guidelines on "Capital Restructuring of CPSEs" have also been issued by this Department on 27th May, 2016. These guidelines supersede all previously issued guidelines by various Ministries/Departments from time to time and comprehensively deal with the inter-related issues on payment of dividend, buy back of shares, issue of bonus shares and splitting of shares. The focus of these guidelines is on optimum utilization of funds by CPSEs/Government to spur economic growth.
- With this policy intervention, the Government could realise Rs 51729 crore by way of payment of dividend by CPSEs during 2016-17 as compared to Rs 30616 crore during 2015-16, which represents a jump of 69 per cent over a span of just one year and has benefited both Government and other investors.
- Payment of higher dividend has also resulted into improvement in investors' confidence in the CPSEs.

iii. Listing of large sized CPSEs in a time-bound manner:

- In the past, the Government was able to facilitate listing of only 13 CPSEs over a span of 9 years between 2003-04 and 2011-12. In the subsequent 5 years, there was no listing of even a single CPSE on the stock exchanges.
- The commitment for listing of unlisted CPSEs has

been taken on-board as an integral part of the reforms initiatives of the Government by making an announcement to this effect in the Budget 2017-18.

- Pursuant to the announcement made in the Budget on 1st February, 2016, the Government put in place a mechanism/procedure alongwith indicative timelines for listing of CPSEs on 17th February, 2017. All Ministries/Departments have been requested to follow the suggested timelines, aimed at time-bound listing of identified CPSEs as per the extant Act, Rules and Regulations.
- In line with the budget announcement, the Government also approved listing of 14 CPSEs (including 2 insurance companies) on the stock exchanges.
- During the current FY, 4 IPO issues of Housing and Urban Development Corporation (HUDCO), Cochin Shipyard Ltd. (CSL), General Insurance Corporation and New India Assurance Company Ltd have been successfully listed on the stock exchange.
- Regulatory compliances and other procedural requirements are being expedited for the listing of remaining CPSEs.
- The decision to list CPSEs on stock exchanges will not only help in unlocking their true value, but will also promote ‘people’s ownership’ by encouraging their public participation, trigger multilayered oversight mechanism which not only enhances shareholders’ value but also promotes corporate governance norms in such companies.
- With general public becoming the shareholder in the CPSEs through the listing route, the management is open to public scrutiny and thus become more accountable to its shareholders, as per the disclosure and compliance norms for listed companies.
- Presently, CPSEs listed on the stock exchanges accounts for approx. 11 per cent of the total market capitalization. With the listing of other identified CPSEs, not only the share of market capitalization of CPSEs is expected to go up substantially, but at the same time, it will also expand the universe of stocks, thereby, providing enough headroom and flexibility to the Government for divestment of CPSEs’ stocks.
- After listing, value of CPSEs is generally unlocked in multiples of book value of its equity with the resultant increase in their respective market capitalization. A positive and healthy growth in market capitalization of CPSEs will thus enable them to raise fresh capital from the market for their business expansion, thereby, also facilitating higher economic activities and growth in the economy.

iv. Strategic Divestment

- The process of strategic disinvestment was initiated after a gap of approx. 12 years. The last strategic sale was done in 2003-04.
- Strategic divestment involves divestment of major shareholding of the Government alongwith transfer of management in the CPSEs. It involves legal and financial issues having implications for the future performance of the CPSEs undergoing strategic divestment. Hence, as a precursor to this process, the Government has laid down an elaborate policy framework, structure & mechanism for strategic disinvestment in February, 2016.
- Based on the report of NITI Aayog and recommendations of core group on divestment (CGD), 24 cases of CPSEs/Subsidiaries/Units of CPSEs (including Air India) have been approved ‘in principle’ for strategic divestment by the Government.
- The process of strategic divestment is in progress. Expression of Interests (EoIs) for strategic divestment has been invited in 7 cases, namely, Hindustan Prefab Ltd, Engineering Projects India Ltd. (EPIL), Hospital Services Consultancy Corporation (HSCC), National Project Construction Corporation (NPCC), Project and Development India (PDIL), Bridge & Roof Company India Ltd and Pawan Hans Ltd.
- An in-principle approval for the strategic divestment of Air India has also been recommended by CGD and approved by the Government in June, 2017. Specific Alternative Mechanism created by Government has also settled the broad contours of the transaction. Transaction advisor and legal advisor have been appointed.

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

- ETF, as an asset class offers the benefits of liquidity and diversification of risk with similar tax benefits as applicable for equity. With stable and better yield than broader market index and low transaction cost, this instrument has grown very fast, especially among the new investors like retirement funds and retail. Globally also ETF is popular a large and fast growing asset class.
- Keeping in view its inherent benefits, beginning January, 2017 the Government started using index based ETF to offer an investment opportunity in CPSEs to pension funds and retail investors in India.
- Understanding the demand and popularity of this instrument, an announcement was also made in the budget 2017-18 to use ETF as a vehicle to offer opportunities to large no. of investors to participate in India’s growth story and to launch a new ETF during 2017-18.
- In pursuance of the announcement made, Government decided to launch a New Exchange Trade Fund (ETF), named BHARAT 22 in August, 2017.
- This New ETF consists of a basket of 22 stocks (including 16 CPSEs, 3 banks, and 3 private companies’ stocks held by SUUTI) from 6 sectors,

namely, basic materials, energy, finance, FMCG, industrials and utilities.

- The CPSEs are taken from sectors driven by a large number of economic reforms implemented by the Government which is driving the domestic economic growth. Reforms in the pipeline will further boost the growth prospects of sectors forming part of the New ETF, thereby further playing on India's growth story.
- The New Fund Offer (NFO) of BHARAT 22 which opened for subscription from November 14, 2017 was oversubscribed in all segments of investors, such as, anchor investors, retirement funds, retail investors and others, i.e. QIB/HNI.
- In order to satisfy the demand from large number of investors, especially from the retail and the retirement fund category the Government has decided to retain a portion of the oversubscription by increasing the issue size of the offer to Rs. 14,500 crore.

vi. Disinvestment Target and Achievements, 2016-17 & 2017-18

2016-17

- During 2016-17, there had been 16 transactions generating Revenue from investment management in CPSEs to the tune of Rs. 46,247 crore against the revised budget estimate of Rs. 45,500 crore.

2017-18

- The budget estimate (BE) for disinvestment during the year 2017-18 is Rs. 72,500 crore. This comprises Rs. 46,500 crore from disinvestment of Central Public Sector Enterprises (CPSEs). Rs. 15,000 crore from Strategic disinvestment and Rs. 11,000 crore from listing of Insurance Companies. This is the highest ever disinvestment target and far exceeds Rs.46,247 crore achieved during the year 2016-17.
- During the current financial year, Goyernment has so far realized Rs. 92,505.69 crore, which include Rs.34,079.56 crore through minority stake sale in 25 CPSEs, Rs.41,068.65 crore through disinvestment of strategic holdings in SUUTI & HPCL - ONGC Deal and Rs.17,357.48 crore through listing of Insurance Companies.

vii. Disinvestment Transactions during 2017-18 (As on 31.01.2018):

(a) **Hindustan Copper Ltd. (HCL):** The Government received an amount of Rs.3.73 crore through employees OFS transaction on 22-28.3.2017.

(b) **National Aluminium Company Limited (NALCO):** The Government received an amount of Rs. 1191.73 crore through disinvestment of its 9.2125% paid up equity capital in NALCO through an OFS transaction on 19-20.4.2017.

(c) **Housing and Urban Development Corporation Limited (HUDCO):** The Government received an amount of Rs. 1207.35 crore through disinvestment of its 10.193% paid up equity capital in HUDCO through an IPO transaction on 08-11.05.2017.

(d) **Oil India Ltd. (OIL):** The Government received an amount of Rs. 1135.26 crore through buyback transaction on 13.06.2017.

(e) **Rashtriya Chemicals & Fertilizers Ltd. (RCFL):** The Government received an amount of Rs.205.15 crore through disinvestment of its 5% paid up equity capital in RCFL through an OFS transaction on 29-30.06.2017.

(f) **National Fertilizers Ltd. (NFL):** The Government received an amount of Rs.530.72 crore through disinvestment of its 15% paid up equity capital in NFL through an OFS transaction on 26-27.07.2017.

(g) **Hindustan Copper Ltd. (HCL):** The Government received an amount of Rs.404.71 crore through disinvestment of its 6.83% paid up equity capital in HCL through an OFS transaction on 02-03.08.2017.

(h) **Cochin Shipyard Ltd.(CSL) :** The Government received an amount of Rs. 470.01 crore through Piggy back transaction on 01-03.08.2017.

(i) **Engineers India Limited (EIL):** The Government received an amount of Rs. 657.81 crore through buyback transaction on 25.7 – 07.08.2017.

(j) **National Thermal Power Corporation Ltd.(NTPC):** The Government received an amount of Rs.9117.92 crore through disinvestment of its 6.63% paid up equity capital in NTPC through an OFS transaction on 11-13.09.2017.

(k) **Bharat Electronics Ltd.(BEL):** The Government received an amount of Rs. 79.51 crore through employees OFS transaction on 14-23.08.2017.

(l) **National Thermal Power Corporation Ltd. (NTPC):** The Government received an amount of Rs.151.14 crore through Employees OFS transaction on 11-13.09.2017.

(m) **Bharat Dynamics Ltd. (BDL):** The Government received an amount of Rs.450.53 crore through buyback transaction on 22-25.09.2017.

(n) **Neyveli Lignite Corporation Ltd. (NLC) :** The Government received an amount of Rs.722.29 crore through disinvestment of its 5% paid up equity capital in NLC through an OFS transaction on 25-26.10.2017.

(o) **Hindustan Copper Ltd. (HCL):** The Government received an amount of Rs. 0.36 crore through employees OFS transaction on 10-18.10.2017.

(p) **National Aluminium Company Limited (NALCO):** The Government received an amount of Rs. 50.51 crore through employees OFS transaction on 01-09.11.2017.

(q) **Bharat 22:** The Government received an amount of Rs. 14,500 crore through NFO transaction on 14-17.11.2017.

(r) **Mazagaon Dock Ltd. (MDL):** The Government received an amount of Rs. 253.48 crore through buyback transaction on 28.11 – 04.12.2017.

(s) **Ircon International Ltd. (IRCON):** The Government received an amount of Rs. 190.59 crore through buyback transaction on 15.11 – 04.12.2017.

(t) **Hindustan Aeronautics Ltd. (HAL):** The Government received an amount of Rs. 921.49 crore through buyback transaction on 04-11.12.2017.

(u) **Garden Reach Shipbuilders & Engineers Ltd. (GRSE):** The Government received an amount of Rs.77.62 crore through buyback transaction on 14-28.12.2017.

(v) **Hospital Services Consultancy Corporation (India) Ltd. (HSCC):** The Government received an amount of Rs. 49.55 crore through buyback transaction on 13-29.12.2017.

(w) **General Insurance Corporation of India (GIC):** The Government received an amount of Rs.9,704.16 crore through Piggy back transaction on 11-13.10.2017.

(x) **New India Assurance Company Ltd. (NIACL):** The Government received an amount of Rs. 7,653.32 crore through Piggy back transaction on 01-03.11.2017.

(y) **Disinvestment of strategic holdings in SUUTI:** The Government received an amount of Rs. 4,153.65 crore through disinvestment of strategic holdings in SUUTI.

(z) **Security Printing & Minting Corporation of India Ltd. (SPMCIL)**: The Governmentreceived an amount of Rs. 455.00 crore through buyback transaction on 29.11.2017.

(aa) **National Buildings Construction Corporation Ltd. (NBCC)**: The Government received an amount of Rs. 29.96 crore through employees OFS transaction on 28.12.2017 -05.01.2018.

(bb) **National Mineral Development Corporation Ltd. (NMDC)**: The Government received an amount of Rs.l,223.13 crore through disinvestment of its 2.52% paid up equity capital in NMDC through an OFS transaction on 09-10.01,2018.

(cc) **Hindustan Petroleum Corporation Ltd, (HPCL)** - Oil and Natural Gas Corporation Ltd. (ONGC) Deal: The Government received an amount of Rs.36,915.00 crore through HPCL-ONGC deal.

VII. Initiatives undertaken for Persons with Disabilities, Scheduled Castes, Scheduled Tribes and other Backward classes:

A Special Reservation Cell for Scheduled Castes, Scheduled Tribes, Persons with disabilities and Other Backward Classes has been set up, along with a liaison officer, for enforcement of orders of reservation in posts and services of the Central Government.

The staff strength in the Department along with representation of Scheduled Castes, Scheduled Tribes, Persons with disabilities and Other Backward Classes is given in Annexure II.

VIII. Initiatives relating to Gender Budgeting and Empowerment of Women

The nature of allocated work of the Department does not have any scope for gender budgeting and empowerment of women.

IX. Official Language Policy

The Department has a full-fledged Official Language Unit to implement the Official Language Policy. The website of the Department is bilingual.

X. E-governance

As a part of good governance through the use of information technology, the following initiatives have been taken:

(i) Website of the Department (www.dipam.gov.in) has been made compliant with the Guidelines for Indian Government Websites (GIGW). It is updated on a regular basis, both in English and Hindi.

(ii) Maintenance of the Payroll Package.

(iii) Use of e-Office Portal

(iv) Following web based monitoring systems are in place:

- (a) Rajya Sabha Question, Answer Monitoring System.
- (b) Public Grievance information system
- (c) Centralized Tender/Procurement Monitoring System. Tenders are regularly put on the website and e-Publishing in e-procurement portal is being done regularly.
- (d) Representations of Reserved Categories in Posts and Services in Government of India (RRCPS) Monitoring System (SC/ST Commission Portal).
- (e) APAR Monitoring system for IAS Officers (JS level & above), CSS/ CSSS Officers (DS level & above).
- (f) Cadre Management System (for CSS Officers).
- (g) Pension Portal
- (h) RTI Annual Return Information Systems.
- (i) Quarterly Rolling Plan
- (j) Data Portal (Data.gov.in).

XI. Redressal of Public Grievances

The Department is using the Centralized Public Grievance Monitoring System (CPGRAMS). The website of the Department also has an in built mechanism for receiving grievances from public. A Joint Secretary has been designated as Director of Public Grievances for the purpose.

Internal Complaints Committee on Sexual harassment of women employees

In compliance with Supreme Court's Judgement dated 13th August, 1997 in Visakha case relating to prevention of sexual harassment of women at work place, an internal complaints committee has been put in place for considering complaints of sexual harassment of women employees in Department of Investment and Public Asset Management (DIPAM).

XII. Vigilance Machinery

A Joint Secretary has been designated as part-time Chief Vigilance Officer in the Department.

XIII. Right to Information Act, 2005.

In order to facilitate dissemination of information under the provisions of the Right to Information Act, 2005, the following initiatives have been taken by the Department:

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

(ii) Details of functions of the Department along with its functionaries etc. have been placed on Department's website (www.dipam.gov.in) in compliance with Section 4(1)(b) of the RTI Act and is updated from time to time.

(iii) One Under Secretary has been designated as the Nodal Central Public Information Officer and eight other Under Secretaries as Central Public Information Officers under Section 5(1) of the Act, in respect of subjects handled by them.

(iv) Five Joint Secretary level officers have been designated as First Appellate Authorities in terms of Section 19(1) of the Act for all matters relating to their respective divisions of this Department.

XIV. Initiatives for Good Governance

As per the mandate provided by the Government of India (Allocation of Business) Rules, 1961, the Department is not involved in the delivery of any public services and thus, does not have any direct interface with the citizens or public at large. However, the Department has initiated the following measures as a part of good governance:

- Timelines have been prescribed for disposal of transaction related bills to avoid delay and any scope of corruption as also to promote good governance.

XV. Audit Paras/Objections

No Audit paras/Objections are pending in the Department.

XVI. Integrated Finance Unit

The Integrated Finance Unit works under Joint Secretary & Financial Adviser (Finance) and deals with expenditure and Budget related proposals of Grant No. 32 – Department of Investment & Public Asset Management - which includes Secretariat General Services covering the establishment budget for the Department of Investment & Public Asset Management.

The budget allocation under Grant No. 32 is as under:-

(Rs. in crores)

Grant No.	Budget Estimates 2017-18			Revised Estimates 2017-18		
	Capital	Revenue	Total	Capital	Revenue	Total
32 - Department of Investment & Public Asset Management	----	44.00	44.00	----	42.50	42.50

The Integrated Finance Unit monitors all financial and expenditure related proposals of the Department like appointment of consultants, foreign deputation/visits of officers etc. The expenditure trend of the Department is consistently monitored by the IF Unit. All budget related matters including issues concerning Standing Committee on Finance come within the purview of this unit.

Annexure- I

Representation of SCs, STs, OBCs in respect of Department of Investment & Public Asset Management

Groups	Number of employees				Number of appointments made during the previous calendar year									
					By Direct Recruitment				By promotion			By other methods		
	Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
A	20	2	1	1	0	0	0	0	0	0	0	2	0	0
B	21	3	0	1	0	0	0	0	0	0	0	0	0	0
C	12	5	0	5	0	0	0	0	0	0	0	0	0	0
Total	53	10	1	7	0	0	0	0	0	0	0	2	0	0

Annexure- II

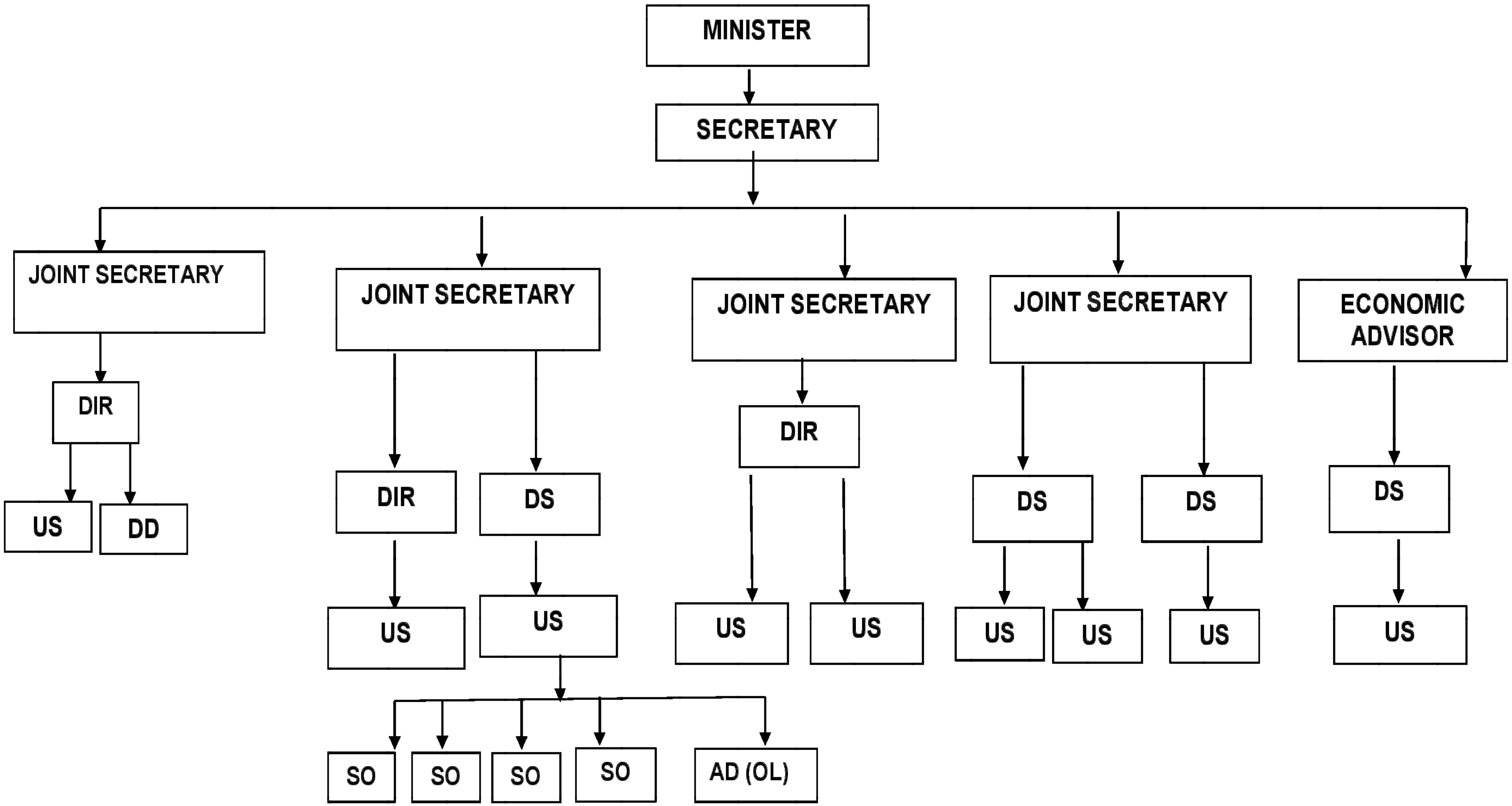
Representation of SCs, STs, Persons with Disabilities & OBC

Groups	Number of employees				DIRECT RECRUITMENT							PROMOTION						
					No. of Vacancies Reserved			No. of Appointments Made				No. of Vacancies Reserved			No. of Appointments Made			
	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
A	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Appendix-I

ORGANISATIONAL CHART

DEPARTMENT OF INVESTMENT & PUBLIC ASSET MANAGEMENT



Chapter - V

Department of Financial Services

1. Work allocation among Sections

1.1 Banking Operation-I (BO-I)

Appointment of Governor/Deputy Governor of RBI, Chairman & MDs of SBI, CMDs and EDs of Nationalised Banks, CMDs of NABARD; appointments of Whole Time Director in IDBI, salary allowances and other terms and conditions of Whole Time Directors of PSBs and NABARD; constitution of Boards of Directors of RBI and PSBs: appointment of Workmen Employee Directors, appointment of Part Time Non Official Directors and Officer Employee Directors of PSBs.

1.2 Banking Operation-II (BO-II)

1.2.1 Deposit Insurance and Credit Guarantee Corporation (DICGC) policy matters and publicity in Public Sector Banks (PSBs), IFSC.

1.2.2 Administration of all Acts/Regulations/Rules related to Financial Systems like the Negotiable Instruments Act, 1881, the Chit Funds Act, 1982, the Price Chits and Money Circulation Schemes(Banning) Act, 1978 and the Payment and Settlement System Act, 2007. International Relations (Banking, Insurance and Pensions Reforms), Financial Action Task Force (FATF); Administration of the Office of Court Liquidator, Kolkata.

1.2.3 International Cooperation in Joint Investment Funds- Oman-India Fund and Indo-Saudi Fund. WTO and Border Banking facilities. Matters relating to operation of bank accounts of shell companies. KYC matters (other than CKYC).

1.3 Banking Operation-III (BO-III)

Customer Service in Banks/FI/Ins. All kinds of complaints/representations received from individual/ associations for redressal of their grievances in these institutions such as delay in clearance of cheques, non-payment/non-issue of drafts, non issue/delay in issue of duplicate drafts, misbehaviour/rude behaviour/ harassment on the part of staff of these institutions, non settlement/delay in settlement of deceased accounts, non-transfer/delay in transfer of accounts from one office to another, non opening/delay in opening of new accounts, non-compliance with standing instructions of the customers, non-payment of term deposits before maturity, delay in payment to pensioners, including those related to credit cards, ATMs, etc. All kind of complaints received from DARPG/DPG relating to Public/ Private Sector/Foreign Banks/FI/Ins. All kinds of complaints received from MPs/VIPs /PMO against Private Sector & Foreign Banks. Banking Customer Service Centres; Banking Ombudsman.

1.4 Banking Operation & Accounts (BOA)

1.4.1 Preparation of annual consolidated review on the working of Public Sector Banks (PSBs) and laying it on the Tables of both Houses of Parliament; pattern of accounting and final accounts in Public Sector Banks; study and analysis of the working results of PSU Banks; audit of banks, appointment and fixation of remuneration of auditors of PSBs/FIs; laying of annual reports and audit reports etc., of PSU Banks in Parliament.

1.4.2 Taxation matters of PSBs/FIs; dividend payable to Central Government by PSBs; scrutiny of the annual financial reviews of PSBs conducted by RBI under Section 35 of the Banking Regulation Act, 1949 and follow up action; operation of the schemes of bank guarantee by PSBs and related complaints.

1.4.3 Capital restructuring of PSBs *(*including restructuring of weak PSBs*)* and Government's contribution to share capital, public issue of banks; Release of externally aided grants to ICICI Bank under USAID, Citizen's Charter of Public Sector Banks/RBI.

1.4.4 Disputes and arbitration between PSBs and between PSBs and other Govt. Departments/PSEs; appointment of advocates in PSBs, acquisition/ leasing/ renting/ vacation of premises; residuary matters of Portuguese Banks in Goa, Estate Officers under Public Premises Act, 1971; opening and shifting of administrative offices of banks.

1.4.5 All Policy matters related to Banking Operation such as Licensing, amalgamation, reconstruction, moratorium funds, and acquisition of private sector banks; overseas branches of Indian banks; operation of foreign banks in India and functioning of PSBs, Banking Sector Reforms.

1.4.6 Notification regarding exemption from various sections of the Banking Regulation Act, 1949 and appointment of appellate authority to hear appeals under the BR Act and PSBs Act. Administration of all Acts/ Regulations/ Rules related to Public Sector Banks, RBI and State Level Banks. Appellate Authority on NBFCs and NBFCs.

1.5 Agriculture Credit (AC)

Credit flow to agriculture and allied sector, Kisan Credit Card Scheme, matters related to NABARD (except service matters), Banking related matters of Co-operative Banks, Secretarial assistance to the designated appellate authority in regard to appeals by Urban Cooperative Banks against cancellation of license by RBI, externally aided projects related to agriculture and allied sectors, relief measures to farmers affected by natural calamities, bank credit to artisans of handloom and handicraft sector.

1.6 Regional Rural Banks (RRB)

Legislative matters relating to RRB Act, 1976 and guidelines framing of rules thereunder; nomination of non-official directors on the Board of RRBs; Appointment of Chairman of RRBs, review of performance of RRBs, wage revision for RRB employees, Staff Service Regulation and Promotion Rules for employees and officers of RRBs. Matters related to Priority Sector Lending, lending to weaker sections including SC/ST, credit to minorities including PM's New 15 point programme for the welfare of Minorities; DRI Scheme.

1.7 Financial Inclusion (FI)

Work relating to financial inclusion, coordination with other sections, offices, institutions etc on Financial inclusion; Branch expansion of banks; Lead Bank Scheme and Service Area Approach; District and State Level Bankers' Committee(SLBC); Regional imbalances of banking network, matters related to Business Correspondents/Business Facilitators, Mobile Banking etc., matters relating to e-Governance in all FIs and e-Payments in banking system and computerisation of PSBs. Matters relating to Payment Regulatory board (PRB) constitution and matters related to PRB.

1.8 Industrial Relations (IR)

Service matters of PSBs including IDBI / RBI; Industrial Disputes Act matters, HR matters relating to PSBs and RBI Unions and Associations in the Banking Industry, Bipartite settlements or policy of transfer, promotion, and HRD in banks; IB reports about political activities of bank employees; Pay and Allowances of bank employees in overseas branches; HR Reforms.

1.9 Coordination (Coord.)

Organisation of FM's meetings with CEOs of PSBs; and regional consultative committee meetings; Presidential address to the Joint Session of Parliament; Staff Meeting of Secretary (FS); monitoring & review of disposal of VIP references, PMO references, coordination of RBI pending matters; compilation and submission of material for Parliament Questions to other Ministries/ Departments; Parliament Questions regarding VIP references; Monthly DO letter to Cabinet Secretary from Secretary (FS); Appointment of CPIOs, ACPIOs, AAs and Nodal Section for RTI matters of DFS and to deal with CIC for Annual Report etc.; Updation of Induction Material for DFS; Co-ordination of VIP, PMO, President Sectt. etc. references involving more than two Divisions of DFS.

1.10 Establishment (Estt.)

Matters pertaining to the Officers and Staff of DFS including RRs, appointment, ACRs, deputation (including abroad), training, IWSU, SIU, welfare, review of officers under FR 56(J), internal vigilance, staff grievances, pension, etc.; grant of various advances to officers and staff, payment of fees to advocates, settlement of medical claims and CGHS matters, family welfare programme.

1.11 General Administration (GA)

Housekeeping, cleanliness, stores, canteen, R&I, library, Staff Car Drivers, vehicles to the officers of DFS, purchase of Computer Hardware and Maintenance of Computers, Printers and other equipments. Arranging farewell of staff of DFS. Providing of Identity Cards to the Staff of DFS and CMDs/EDs/PROs of Public Sector Banks/Financial Institutions/Insurance companies, etc.

1.12 Parliament

Collection, identification and marking of Parliament Questions, Notices, admitted Questions, and getting the files approved from the Minister. Preparation of facts and replies for pads of Ministers; keeping track and record of pending Assurances, Special Mentions and References under 377 and other matters as mentioned in the Induction Material.

1.13 Hindi

Implementation of Official Language Policy of the Government, translation work relating to Parliament Questions, Standing Committees, Minutes of the Meetings; Hindi Teaching Scheme and other miscellaneous work as mentioned in induction material of DFS.

1.14 Welfare Section (SCT)

Matters relating to recruitment, promotion and welfare measures of SCs/STs/OBCs/ Persons with disabilities and Ex-servicemen in Public Sector Banks/ Financial Institutions and Insurance Companies; matter of policy regarding reservation for these categories in PSBs/FIs, Insurance Companies, reservation matters in RRBs etc.

1.15 Data Analysis (DA)

Reserve Bank of India Credit Policy – Busy Season – Slack Season and selective credit control; financial sector assessment and sectoral credit analysis; Banking Statistics regarding bank deposits and advances; deposits and advances of banks; rates of interest on bank deposits and advances; Dissemination of results and important information relating to RBI, IBA, studies on banking reforms; analysis of other international reports relevant to banking sector in India; Analysis of Reports of committees on Financial Sector Reforms etc. Management Information System – collection, collation of data relating to Banking Industry. Audit Paras.

1.16 Industrial Finance-I (IF-I)

Administration of the "Export-Import Bank (EXIM Bank) Act-1981" and Scheme for financing viable Infrastructure Projects (SIFTI) of IIFCL, Policy and Budgetary matters relating to EXIM Bank, IIFCL and IFCI Ltd.; Winding up of IIBI Ltd. and related matters; Appointment of Whole Time Directors (WTDs), Non-official Directors (NoDs) and Government Nominee Directors in IIFCL, EXIM Bank, IFCI Ltd., IDFC Ltd.; Appointment of Statutory Auditor in EXIM Bank; Issues related to sector specific stressed assets; Laying of annual reports of IIFCL, EXIM Bank, IFCI Ltd. and IIBI Ltd.; Project Monitoring Group (PMG) meeting etc.; Matters relating to IDFC Ltd. & IDFC Bank, Publicity.

1.17 Industrial Finance-II (IF-II)

1.17.1 Matters relating to NHB and Housing Policy, Post winding up of BIFR & AAIFR matters, Small and Medium Enterprises (SMEs), SIDBI, SFCs, Credit Guarantee Fund for Micro and Small Enterprises; MLIs, Credit Guarantee Scheme and other related matters on the subject. Citizens Charter of NHB and SIDBI. Appointment and all personnel matters of Whole Time Director in SIDBI and NHB. Govt. Sponsored Schemes-PMEGP, Education, Employment generation scheme of SJSRY, SGSY and other poverty alleviation programmes and other related matters, VIP references, Audit Paras, CPGRAM, RTI, Parliament Questions, Assurances, Grievances, Budget Announcements, Coordination with RBI and State Govts, Administration of National Housing Bank Act, 1987;

1.17.2 All matters related to Educational Loans, matters related to Micro Finance Institutions and Legislation thereon, Self Help Groups as well as NABARD's Micro Finance, etc.

1.17.3 All matters related to Pradhan Mantri Mudra Yojana. All matters related to Stand Up India.

1.18 Vigilance

1.18.1 Consultation with CVC/CTE; nomination of CVOs for PSBs/FIs; correspondence with CBI; Annual Action Plan on Anti Corruption measures; investigation of cases of frauds by CBI & RBI; matters under Prevention of Corruption Act; preventive vigilance; vigilance systems and procedures in RBI/PSBs/FIs and Insurance Companies; inquiry into complaints against GMs/EDs and CMDs of PSBs/FIs and Vigilance Surveillance over them; major frauds in PSBs (in India and abroad); PMO references on anti corruption measures; bank security; robberies & loss prevention in banks; sanction of prosecution in case of EDs/CMDs; War Book matters; Annual Reports of CVC; Conduct Regulation in PSBs/FIs, employment after retirement regulations in PSBs; CVC/CBI references relating to DRTs/DRATs.

1.18.2 All issues pertaining to continuation of posts, budget matters of the O/o Custodian and Special Court including extension of the Office of Custodian and appointment of Custodian.

1.19 Debts Recovery Tribunals (DRT)

Administration of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act). Establishment of Debts Recovery Tribunals / Debts Recovery Appellate Tribunals (DRATs) under RDDBFI Act; filling up of the posts of Chairpersons, Presiding Officers, Registrars, Assistant Registrars and Recovery officers, and monitoring filling up of other posts in DRTs/DRATs; issuing clarifications / guidelines etc. on administrative matters/review; monitoring progress and disposal of cases by DRT/DRATs; budget provisions, monitoring, etc. relating to DRTs/DRATs. Administration of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), all matters relating to registration of ARCs and legal cases thereof, ease of doing business agenda - flowing from recent amendments, appointment of Registrar/MD & CEO, Central Registry of Securitisation Asset Reconstruction and Security Interest (***CERSAI***) and Central Know Your Customer (CKYC) Registry matters.

1.20 Recovery Section

CIBIL; Work relating to monitoring of NPAs and Recovery including compromises and OTS of all PSBs, Parliament matters, VIP/PMO references, Complaints and other matters relating to above works. All matters related to NPA/Stressed Assets (other than Sectoral Stress).

1.21 Insurance-I (Ins.-I)

1.21.1 Life Insurance Corporation of India (LIC) Business - Review of the performance of LIC; Laying of

Reports of LIC in Parliament; Opening / winding up of branches of LIC in India; Appointment of Auditors for LIC; Administration of PP Act in LIC and references relating to Estate matters in LIC; Foreign operations / subsidiaries of LIC; References on Social Security Schemes and other life insurance schemes; Review of performance and making budgetary provisions for various GOI funded schemes such as Janashree Bima Yojana, Shiksha Sahayog Yojana, Varishatha Bima Yojana and Aam Aadmi Bima Yojana; Other Social Security Group Insurance Schemes under LIC; Central Government Employees Group Insurance Scheme; Postal Life Insurance Scheme; Employees' Provident Fund Scheme; All Government sponsored / supported schemes in life insurance; Any other life insurance or social security products / scheme proposals; Others: Appellate Authority constituted under Section 110H of the Insurance Act, 1938.

1.21.2 Coordination work relating to the following Committees - Committee for the Welfare of Women; Committee for the Welfare of SC/ST; Estimates Committee.

1.21.3 Appointments (LIC) **-** Selection & appointment of Chairman/ MDs, LIC, appointment of Directors on the Board of LIC, appointment of ex-officio members on the subsidiaries of LIC; Permission for foreign deputation of Chairman and MDs of LIC; Permission for commercial employment after retirement for Chairman/ MDs, LIC and other executives of LIC.

1.21.4 ***Insurance Regulatory and Development Authority of India (***IRDA) **-** Appointments of Chairperson and Members of IRDA; Service condition of Chairman, Members and employees of IRDA; Budget and Funds of IRDA; Other matters relating to Brokerage agencies, entry of new companies and regulations of IRDA.

1.21.5 Service Matters - Service matters, rules and regulations in all public sector insurance companies; Representations on service matters by employees of public sector insurance companies; Service matters of Development Officers/ Agents/Intermediaries; Wage Revision/ Bonus/ VRS in LIC / Public Sector General Insurance Cos; Implementation of Pension Scheme/ policy matters on commercial employment. Citizen's Charter of Life Insurance Corporation Ltd.

1.22 Insurance-II (Ins.-II)

1.22.1 Grievances - Public grievances against services provided by Public Sector Insurance Companies including Agricultural Insurance Corporation of India Ltd. (AICL) and IRDA other than on service matters; Periodical meetings of Public Grievances Officers of public sector insurance companies; Functioning of internal public grievances redressal machinery in public sector insurance companies; Functioning of external redressal machinery like Consumer Courts, Ombudsmen, Lok Adalats, MACT and Courts etc; Appellate Authority constituted under Section 110H of the Insurance Act 1938. Citizen's Charter of Non Life Insurance Companies.

1.22.2 Housekeeping - Care taking and maintenance of computers, furniture, photocopiers etc. in Insurance Division. I-card for staff and executives of Insurance Companies.

1.22.3 Insurance Sector Reforms - All matters relating to reforms in insurance sector; Reforms related amendments to Insurance Act, 1938, LIC Act, 1956, GIBNA, 1972, IRDA Act, 1999 and Actuaries Act, 2006; Implementation of Law Commission Reports..

1.22.4 Appointments - Policy issues concerning selection of Chief Executives in the PSU insurance companies including AICL; Appointment on the Boards of public sector non-life companies including AICL; Foreign deputation of Insurance executives; permission for Chief Executives of non-life companies including AICL.

1.22.5 General Insurance - Review of the performance of General Insurance Companies including AICL; Matters relating to Insurance Schemes of Public Sector General Insurance Companies including AICL and audit paras thereon; Computerization of public sector general insurance companies; References relating to Surveyors and Agents of non-life PSICs; Foreign operations of public sector general insurance companies; Reference relating to Re-insurance, Third Party Administrators, Tariff Advisory Committee; Opening/ winding up of branches ; Administration of War Risk (Marine Hull) Reinsurance Schemes, 1976; Reference from RBI on permission for release of foreign exchange for insurance policy abroad; Laying down of Annual reports of General Insurance Companies/ GIC/ AICL; Administration of PP Act in non-life insurance companies and references relating to Estate matters in those companies.

1.22.6 Coordination - Work relating to Budgeting, Tax proposals, Budget Announcements relating to insurance, Annual Report, Economic Survey, India Reference Annual, Economic Editors Conference, PMO/ Cabinet References, CII & FICCI, within Insurance Division, matter related to e-payments in Insurance Companies, computerization of Insurance Companies.

1.22.7 Coordination work relating to the following Committees - Standing Committee on Finance; Committee on Subordinate Legislation; Petitions Committee; Committee on Public Undertaking (COPU).

1.22.8 Others - WTO multi-lateral/ bilateral agreements; Inter-Government agreement between India and any other country.

1.23 Pension Reforms (PR)

Coordinating and introducing Pension Reforms; Introduction of New Pension System and extension of its coverage to State Governments and unorganised sector and implementation of the Co-Contributory Atal Pension Yojana (APY); Administrative and legislative matters relating to Pension Fund Regulatory and Development Authority (PFRDA); Swavalamban Scheme; Matters relating to the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds, matters relating to New Pension System.

1.24 IT Cell

IT cell in this Department deals with the work related to the website, information technology, digitalization, Digital India initiative, liaison/coordination with NIC, etc.

1.25 GST Cell

Oversee the preparedness of all institutions under DFS to implement GST, to provide inputs to the "Banking, Financial and Insurance" Sectoral Group with reference to GST, other matters related to coordination, rollout and implementation of GST w.r.t institutions under administrative control of DFS etc.

Performance and significant developments.

2. Banking

The Scheduled Commercial Banks (SCBs) in the country comprise the public sector banks, private sector banks, regional rural banks, and foreign banks. Presently, the total business of SCBs, as on 30.9.17 amounts to Rs. 198,86,961 crore (deposits Rs. 112,45,251 crore and advances Rs. 86,41,710 crore).The Public Sector Banks (PSBs), presently numbering 21, have, as on 30.9.17, total business of Rs. 139,31,155 crore, comprising aggregate deposits and advances of Rs. 81,00,858 crore and Rs. 58,30,300 crore respectively. PSBs thus constitute about 70% of the banking industry in India. They are also the principal source of finance for several segments and areas underserved by private banks, financial institutions and financial markets, including segments such as agriculture, MSMEs, housing, education and infrastructure project financing. Therefore, the health of the PSBs is of prime importance to enable the credit-offtake for economic growth.

The Government of India wanting to adequately capitalize all the banks to keep a safe buffer over and above the minimum norms of Basel III, had, in Aug. 2015, announced the Indradhanush Plan for recapitalizing and revamping PSBs. Government having envisaged capital need of Rs. 1,80,000 crore till 2018-19, had then made a provision of Rs. 70,000 crore to be infused over a period of four years to supplement the projected market-raising of capital to the tune of Rs. 1,10,000 crore by the PSBs. So far capital of Rs. 59,435 crore, including Rs 9,438 crore in 2017-18, has been infused by the Government.

RBI's Asset Quality Review (AQR) findings in Dec. 2015 and consequent classification of large stressed assets, which till then were being treated as non-NPA through flexibility in loan classification and restructuring, revealed high incidence of NPAs requiring manifold increase in provisions to meet expected losses from transparent recognition for clean balance sheets. Thus, Gross NPAs in PSBs rose rapidly from 4.96% of advances in Mar. 2015 to 12.75% in Jun 2017 with provisioning for expected losses too growing substantially – Rs. 3.79 lakh crore provisioning made for the period 2014-15 to 2017-18 being almost double of Rs. 1.97 lakh crore made for the preceding ten years. Thus, the PSBs needed to be recapitalized more.

2.1 Measures taken in 2017-18 - Recapitalisation announcement and framework

The Government thus announced its decision in Oct. 2017 to recapitalize PSBs to essentially supplement the latter's own efforts to adhere to the regulatory capital adequacy norms and to also enable increased credit off-take and catalyse faster economic growth. The announced recapitalization entails mobilization of capital, with maximum allocation in the current year, to the tune of Rs. 2,11,000 crore over the next two years, through budgetary provisions of Rs. 18,139 crore (balance capital infusion under Indradhanush), recapitalization bonds to the tune of Rs. 1,35,000 crore, and the balance through capital raising by banks from the market while diluting government equity (estimated potential Rs. 58,000 crore). A differentiated approach in infusing capital, keeping in view the strength of banks, would be followed. In the Third Supplementary Demand for Grants for FY 2017-18, an amount of Rs. 80,000 crore has already been provided, in addition to Rs. 10,000 crore already provided in the budget of FY 2016-17.

2.2 Other measures

i. The Banking Regulation Act, 1949 has been amended in 2017, to enable Government of India to authorise RBI to issue directions to banks to initiate the insolvency resolution process (IRP) under Insolvency Bankruptcy Code 2016 (IBC) for time-bound resolution of stressed assets and cases instituted under it. RBI has, since then, initiated insolvency resolution process under the IBC against twelve major defaulter accounts involving NPAs of Rs. 1,75,000 crore.

ii. Based on the request of Department of Investment and Public Asset Management (DIPAM), the shares of Banks namely State Bank of India, Bank of Baroda and Indian Bank were transferred to DIPAM's Demat ESCROW account for New Fund Offer (NFO) under the new Exchange Traded Fund (ETF) Bharat-22 ETF amounting to Rs. 1,556.64 crore.

2.3 State Bank of India Merger

State Bank of India (SBI), with the sanction of Government of India and in consultation with Reserve Bank of India, acquired the business including all the assets and liabilities of its associate banks (State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank, in 2017. SBI, due to its enhanced balance sheet size, now figures among the top-50 banks in the world. The merger has benefitted the customers of the associate banks, by offering products not earlier available to them and by enhancing access through a bigger branch network etc. and thus improving the customer services. It has benefitted the business by improving efficiencies of scale through optimal utilisation of the infrastructure network, rationalization of resources, reduction of costs, better profitability, lower cost of funds leading to better rate of interests for public at large, etc. and has benefitted the employees, by increased opportunities and avenues for professional growth.

3. Financial Inclusion

3.1 Introduction

Financial inclusion **at a micro-level** is about convenient and affordable access to formal financial products and services like transaction, payment, saving, credit, insurance, pension etc. for individuals and enterprises. From **a macro-level** perspective, financial inclusion is the basis for an inclusive growth that is broad-based, equitous and sustainably integrated with the mainstream financial systems.

3.2 The context

Inclusive growth has been a paramount and continuous governance concern in India. While political and social inclusion have always occupied the public and governance discourse prominently, financial inclusion has attained focus recently. The **history of financial inclusion** in India goes back to the 1960s, since then various steps promoting financial inclusion were taken. Basic banking "no frills" accounts (subsequently renamed Basic Savings Bank Deposit (BSBD) accounts) and business correspondent (BC) framework introduced by RBI in 2005/06 provided greater impetus and focus to these efforts.

The need for a comprehensive financial inclusion was **underlined by several important reports**. **Census 2011** estimated that only 58.7% households had access to banking ; within this, rural households at 54.5% had lower access as compared to 67.7% urban households. It was also assessed that **in 2012** only 35% Indian adults had access to a formal bank account, but a much lower only 8% had borrowed from formal financial institutions within a year. **RBI's Annual Report of 2013** showed that only 7% of 5.92 lakh villages had a bank branch. Critical issues remained in the delivery of banking services at the last mile. In the absence of a robust, interoperable payment mechanism, BC network in rural areas was limited not only in terms of access across banks but also across service points of the same bank. Thus, despite significant progress, considerable ground remained to be covered.

At the same time, India was also **on the cusp of a three-pronged revolution**. By 2013, the branchless banking network was expanding, with 2.48 lakh Bank Mitras engaged by banks and significant collective outreach of India Post, PoS, ATM terminals and network of CSCs. A reliable national ID (Aadhaar) system had emerged that had covered 65 crore individuals, and was growing ; and a modern nation-wide telecom network had by then reached 88.6 crore mobile connections and 72% mobile penetration. In short, though the financial exclusion was still significant, elements of JAM were offering a source of hope and opportunity.

3.3 National Mission for Financial Inclusion – Pradhan Mantri Jan Dhan Yojana

For a major push to holistic financial inclusion for unbanked households, Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched as the National Mission for Financial Inclusion (NMFI) in August 2014. PMJDY aimed comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities, at least one basic bank account to every household, financial literacy, access to credit, and social security cover. Out of the multiple complementary dimensions of PMJDY, six have been defined as its pillars.

The **financial pillars** of the Mission were convenient access to a banking outlet for every habitation in the country; providing every household – since expanded to every eligible adult citizen – a basic savings bank deposit (BSBD) account with overdraft facility and associated RuPay debit card; and creating awareness about financial products and an environment for participation by all in the Mission through financial literacy. The final destination thus is to afford hitherto excluded households micro-credit within the formal financial system, thereby helping them escape the usurious informal money-lending and become financially secure / self-employed.

The **social security pillars** of the Mission aim at extending micro-insurance to the account holders for accident and life risk cover and introducing them to an unorganized sector pension for support during old age. To complement these dimensions of the NMFI, specific social security schemes have also been launched by the Hon'ble Prime Minister in May 2015, for all eligible account holders. Pradhan Mantri Suraksha Bima Yojana (PMSBY) offers insurance of Rs. 2 lakh against accidental death/permanent disability and Rs. 1 lakh for partial disability due to accident, at annual premium of Rs. 12 for savings bank account holders (18-70 years). Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) offers life insurance of Rs. 2 lakh at annual premium of Rs. 330 for bank account holders (18-50 years). Atal Pension Yojana (APY) offers guaranteed minimum monthly pension between Rs. 1000-Rs. 5000 per month after age of 60 years to subscribers (18-40 years) based on their contribution.

4. Flagship Schemes of DFS for Financial Inclusion

4.1 Pradhan Mantri Jan Dhan Yojana (PMJDY)

The launch of the National Mission for Financial Inclusion titled the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 committed India to an ambitious and comprehensive agenda of financial inclusion in mission mode. Its component dimensions aim at providing universal access to banking facilities with at least one basic bank account to every household, financial literacy, access to credit, and social security cover.

4.1.1 Banking Service Points for universal access to banking

A significant expansion of the effective banking presence in rural areas was an identified target dimension of PMJDY. Preparatory to this, over six lakh villages were mapped into 1.59 lakh Sub Service Areas (SSAs). Each SSA, typically comprising of 1,000 to 1,500 households, has to be covered by a bank branch or by deploying Business Correspondents (BCs) wherever needed.

For meeting the target of universal access set out, the strength of bank branches, ATMs and BCs has been augmented over the years by the Scheduled Commercial Banks (SCBs) as part of their financial inclusion plans. The Table following shows the summary progress in banking service points of the Scheduled Commercial Banks:

Table-1: Number of Branches and ATMs and BCs

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
I. Number of brick and mortar branches of SCBs					
i. Rural	41,924	45,158	47,457	48,865	49,223
ii. Semi-Urban	32,629	35,003	36959	38,170	38,581
iii. Urban	20,844	22,363	23,618	24,575	24,922
iv. Metropolitan	22,514	24,032	25,436	26,464	26,742
Total	**1,17,911**	**1,26,556**	**1,33,470**	**1,38,074**	**1,39,468**
II. Number of ATMs of SCBs	1,60,055	1,81,398	1,99,099	2,08,354	2,07,375
III. Rural banking outlets- branchless	3,37,678	5,04,142	5,34,477	5,47,233	5,11,383
IV. Urban locations covered by BCs	60,730	96,847	1,02,552	1,02,865	1,23,941

Source: Reserve Bank of India

4.1.2 Bank accounts opened under PMJDY

Basic Saving Bank Deposit (BSBD) accounts were introduced under RBI guidelines in 2005. Since then and till July 2014, the number of such accounts had grown to 25.54 crore. After the launch of PMJDY, the Jan Dhan accounts also being deemed as BSBD in nature, number of BSBD accounts rose rapidly to 53.30 crore by March 2017, of which 28.17 crore were accounts opened under PMJDY, representing more than half of the total. Since then, another 2.63 crore BSBD accounts have been opened under PMJDY, raising the total to 30.80 crore as on 27.12.2017.

Since the Jan Dhan accounts were introduced specifically for unbanked persons, the growth in these accounts is a key parameter for assessing PMJDY's contribution to enhanced financial inclusion.Following table shows the cumulative number of BSBD accounts during 31.3.2014 to 30.9.2017.

Table-2: Number of BSBD accounts opened since launch of PMJDY *(Figures in crore)*

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
i. BSBD accounts through branches	12.6	21.03	23.8	25.4	24.5
ii. BSBD accounts through BCs	11.69	18.78	23.1	28.0	27.8
iii. Total number of BSBD accounts	24.3	39.81	46.9	53.3	52.2

Source: RBI

4.1.3 Gender

Gender sensitization is a core issue in financial inclusion. As of March 2014, women account holders with 33.69 crore accounts constituted about 28% of all savings accounts. As of December 2017, women account holder's share is about 53% (16.25 crore) within the Jan Dhan accounts opened under PMJDY, representing a sizeable and rapid growth in financial inclusion of women.

4.1.4 Use of Bank accounts

Effective financial inclusion should find reflection not only in terms of access to but use of financial services. Following table depicts the use of BSBD accounts in terms of deposit mobilisation.

Table-3: Deposits in BSBD accounts *(Figures in crore)*

	As on 31.3.2014	As on 31.3.2015	As on 31.3.2016	As on 31.3.2017	As on 30.9.2017
No. of BSBD accounts	**24.3**	**39.81**	**46.9**	**53.3**	**52.2**
Total deposit in BSBD accounts	**31,230**	**43,900**	**63,800**	**97,700**	**94,100**
Average deposit per BSBD account	**1285.19**	**1102.74**	**1360.34**	**1833.02**	**1802.68**

Source: RBI

4.1.5 Transactions at BC outlets

Aadhaar-enabled payments, the principal mode of transactions at BC outlets, have also witnessed a rapid growth, growing from 0.3 crore per month in August 2015 to 2.3 crore in August 2016, 6.8 crore in May 2017 and 8.6 crore in December 2017. As a result of expansion in the network and strengthening of interoperability, the share of transactions performed by customers of one bank at the BC outlet of another bank ("off-us" transactions) has also risen, growing steadily from less than 1% of all transactions at BC outlets till April 2016 to nearly 20.4% in December 2017. This has happened even as the number of BCs has remained steady.

4.1.6 RuPay debit card

23.23 crore RuPay debit cards have been issued till 27.12.2017 to PMJDY account-holders. Apart from banking convenience, these cards come with an inbuilt accident insurance cover of Rs. 1 lakh. As on 22.12.2017, total 2,254 accidental claims, under this RuPay card linked insurance coverage, have been paid.

4.1.7 Financial literacy under PMJDY

As per advice of the Reserve Bank of India, financial literacy centres (FLCs) and rural branches of banks conduct special camps on financial literacy awareness including digital transactions. FLCs conduct target-specific camps as well for target audience like farmers, small entrepreneurs, Self-Help Groups (SHGs), school students, senior citizens, etc.For the quarter ended September 2017, 29,746 financial literacy camps have been conducted by FLCs and 58,489 by rural bank branches.

4.1.8 Micro-Credit under PMJDY - Overdraft facility for Jan Dhan Accounts

Overdraft facility was introduced in Phase-II of PMJDY since 15 August, 2015. Under this facility, an overdraft of amount up to Rs. 5,000 is made available to one PMJDY account holder (preferably the lady) per household, after 6 months of satisfactory conduct of PMJDY account. Up to 15.12.2017, overdraft amount Rs. 35,387.17 lakh has been availed by 31.04 lakh PMJDY accounts-holders. Post launch of Pradhan Mantri Mudra Yojana (PMMY), overdraft has been included in the 'Shishu' category of credits under PMMY.

4.1.9 Life Insurance cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)

Pradhan Mantri Jan Dhan Yojana was launched on 28.08.2014. Under this scheme Bank accounts were opened and benefits were given to the account holders. One of the benefits is providing the Life Insurance cover of Rs 30,000/- for the Natural Death only through Life Insurance Corporation of India. There is also a benefit of Accident Insurance Cover of Rs 1 lakh, provided by Government through General Insurance Companies. For availing the Life insurance coverage of Rs 30000/- * on death arising out of any cause under this scheme, a Person should be between 18 to 59 years of age and he/she should have been enrolled under PMJDY between 15.08.2014 to 31.01.2015. During the financial year 2017-2018, an amount of Rs 221.70 lakhs has been paid towards total number of 739 claims (Up to Dec 2017).

(Subject to Govt guidelines and eligibility criteria provided)*

4.2 Pradhan Mantri MUDRA Yojana (PMMY)

An important aspect of financial inclusion is enabling the flow of credit to small businesses. In pursuance of the announcement in the Union Budget 2015-16, the Micro Units Development finance Agency (MUDRA) was set-up and the Pradhan Mantri Mudra Yojana (PMMY) launched on 8th April, 2015.

For achieving sustained expansion in the flow of credit to the non-corporate small business sector, loans upto Rs. 10 lakh without collateral at reasonable rates of interest term loans and composite loans are extended to borrowers under PMMY. These loans are extended through partner Member Lending Institutions (MLIs) – such as Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Micro-Finance Institutions (MFIs). In turn, MUDRA Ltd. offers refinance to MLIs for PMMY loans extended by them.

The loans under PMMY are categorized as Shishu (up to Rs.50,000), Kishor (Rs.50,000 to Rs.5 lakh) and Tarun (Rs.5 lakh to Rs.10 lakh). Activities allied to agriculture and services supporting these (excluding crop loans, land improvement such as canals, irrigation, wells) have also been included uner PMMY from April, 2016 onwards.

PMMY credit rose from Rs. 1,37,449 crore in 2015-16 to Rs. 1,80,528 crore in 2016-17. For the current financial year, out of the target of Rs. 2,44,000 crore under PMMY, Rs. 1,34,433.55 crore has already been sanctioned by December 2017. This includes Rs. 61,615.26 crore that has been sanctioned under Shishu, Rs. 42,020.99 crore under Kishor and Rs.30,797.30 crore under Tarun categories. In all, over 2.71 crore loans have been sanctioned during 2017-18 till December 2017, of which 1.94 crore were for women borrowers, 62.80 lakh for new entrepreneurs and 1.57 crore for borrowers belonging to Scheduled Caste/Scheduled Tribe/Other Backward Classes category.

Figure-1

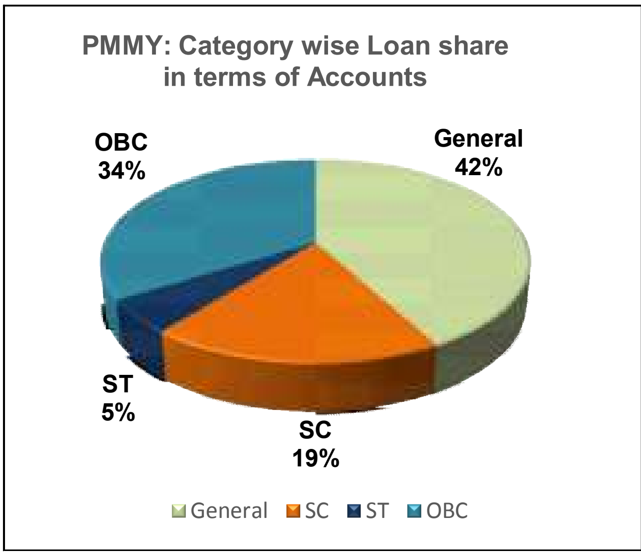


Figure-2

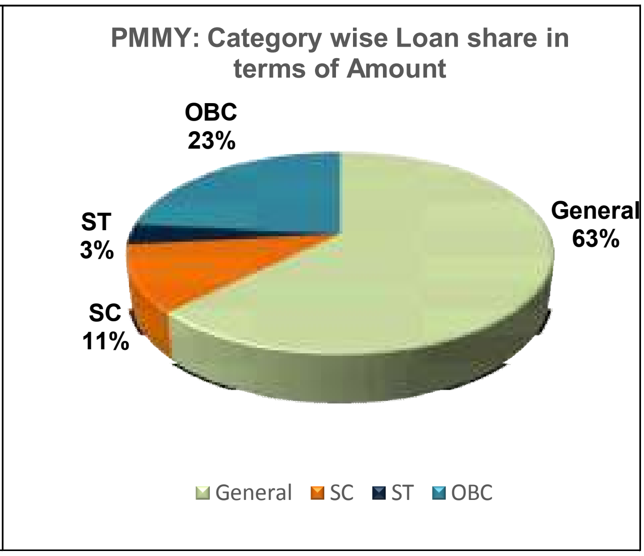


Figure-3

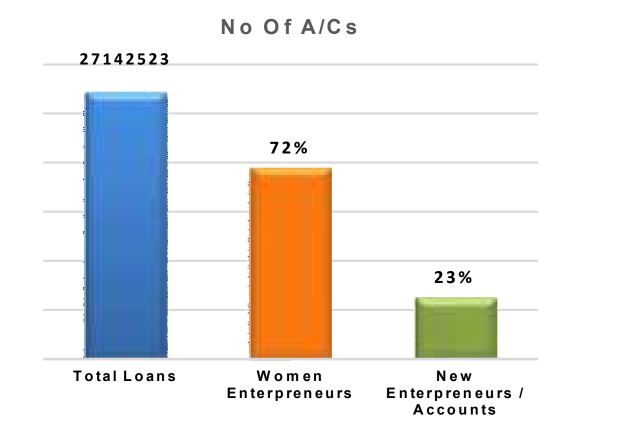
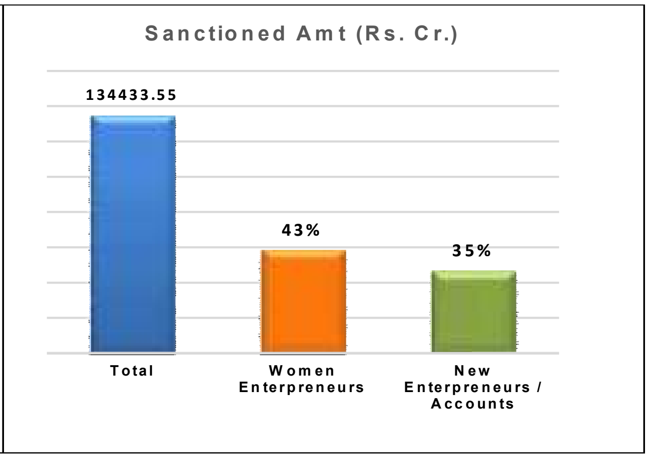


Figure-4



4.3 Stand Up India Scheme

Government of India launched the Stand Up India scheme on 5th April, 2016. Stand Up India scheme caters to promoting entrepreneurship amongst women, SC & ST category i.e those section of the population 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 enterprise. It caters to both ready and trainee borrowers. 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 of Scheduled Commercial Banks for setting up greenfield enterprises in trading, manufacturing and services sector.

To extend collateral free coverage, Government of India has set up the Credit Guarantee Fund for Stand Up India (CGFSI). The scheme is built on the concept of providing handholding support to those borrowers who might have a project in mind but lack the confidence and capability to start up. 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.

A Credit Guarantee corpus fund of Rs.5000 crores for Stand Up India scheme, operated by National Credit Guarantee Trustee Company Ltd. (NCGTC) has been approved.

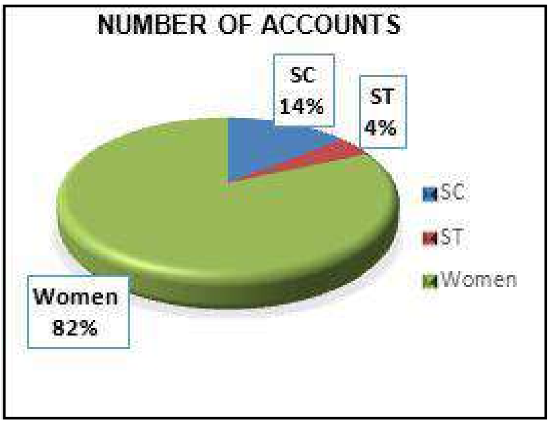
Total number of entrepreneurs benefited under Stand Up India scheme, as on 10.01.2018 is tabulated below:

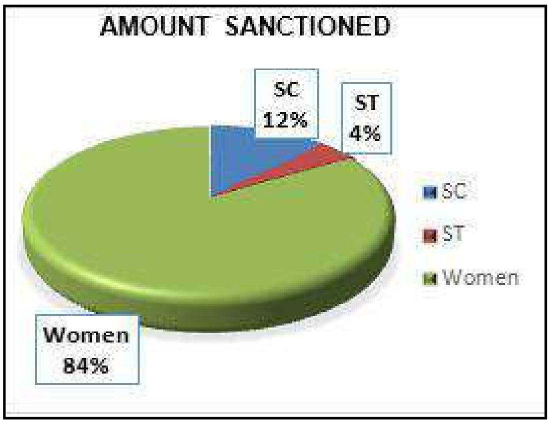
Table-4: Entrepreneurs benefited under Stand Up India

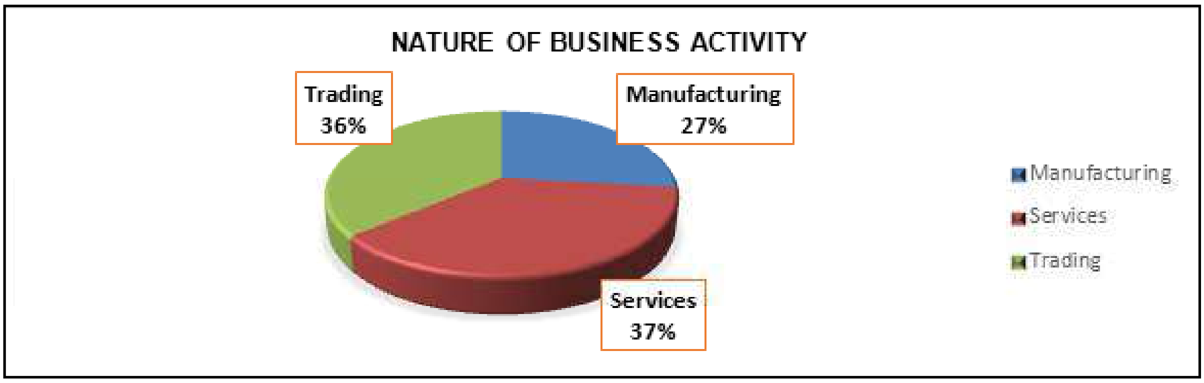
(Amount in Rs. Crores)

SC		ST		Women		Total	
Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned	Number of accounts	Amount Sanctioned
7086	1344.7	2162	427.79	41639	9214.47	50887	10986.96

Fig- 5 : Stand Up India







4.4 Micro-insurance under PMJDY

In order to move towards creating a universal social security system for all Indians, specially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes pertaining to Insurance and Pension Sector were announced by the Government in the Budget for 2015-16.

Eventually, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) insurance schemes were launched on 9th May, 2015, for providing life and accident risk insurance at a very affordable cost.

4.4.1 Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY offers renewable annual life cover of Rupees two lakh to all subscribing bank account holders in the age group of 18 to 50 years, covering death due' to any reason, for a premium of Rs.330/- per annum per subscriber.

The scheme is administered through LIC and 10 other Life Insurance companies offering the product on similar terms at the choice of the Bank / RRB / Cooperative Bank concerned. The initial cover period from 1st June 2015 to 31st May 2016 now stands renewed every year from 1st of June to 31st May the next year.

5.22 crore account-holders have insured themselves for life insurance cover under PMJJBY till December 2017.

4.4.2 Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY offers a renewable one year accidental death cum disability cover of Rupees two Lakh to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs.12/- per annum per subscriber.

The benefits under PMSBY are as follows:

Table 5 : Benefits under PMSBY

	Table of Benefits	Sum Insured
a.	Death	Rs. 2
b.	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lakh
c.	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 1 Lakh

The scheme is offered / administered through Public Sector General Insurance Companies (PSGICs) and 8 other General Insurance companies offering the product on similar terms. The initial cover period from 1st June 2015 to 31st May 2016 now stands renewed every year from 1st of June to 31st May the next year.

13.25 crore account-holders have insured themselves for personal accident cover under PMSBY till December 2017. Accordingly, the achievements under PMJJBY and PMSBY as on 28th December, 2017 are as follows -

Table- 6: Achievements under PMJJBY and PMSBY

(Enrolment and Amount in crores)

Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY)		
Enrolments	No. of Claims Paid	Amount disbursed
5.22	79,312	1586.24
Pradhan Mantri Suraksha BimaYojana (PMSBY)		
Enrolments	No. of Claims Paid	Amount disbursed
13.25	14,292	285.84
TOTAL (PMJJBY + PMSBY)		
Enrolments	No. of Claims Paid	Amount disbursed
18.47	93,604	1872.08

Jan Dhan account holders can also subscribe to PMJJBY and PMSBY, besides the personal accident insurance cover inbuilt with the RuPay debit cards. As up to December 2017, 29.47 lakh Jan Dhan account holders have subscribed to PMJJBY and 1.25 crore Jan Dhan account holders have subscribed to PMSBY. This has been achieved while substantially lowering the premium amount, to make it affordable to large sections of population.

4.4.3 Convergence of life and accident insurance schemes to PMJJBY and PMSBY - In view of decisions taken in the meeting of Committee of Secretaries on Convergence of Insurance Schemes held on 9th May, 2017, all Ministries / Departments except Ministry of Labour and Employment (for Aam Aadmi Bima Yojana (AABY)) have completed convergence of their life and accident insurance schemes to PMJJBY and PMSBY as on 1st June, 2017. For convergence of AABY to PMJJBY / PMSBY, which is under process, Ministry of Labour has held several meetings with the State Governments and LIC.

4.5 Unorganised sector pension

With the aim to provide monthly pension to the persons not covered under any organized pension scheme, unorganized sector pension schemes were launched to protect elderly persons aged 60 and above against a future fall in their income, as also to provide social security during old age.

4.5.1 Atal Pension Yojana

Atal Pension Yojana (APY) was launched by the Hon'ble Prime Minister on 9th May 2015 and is being implemented with effect from 1st June, 2015. This aims to provide monthly pension to eligible subscribers not covered under any organized pension scheme. APY is open to all bank account holders in the age group of 18 to 40 years. Under APY, any subscriber can opt a guaranteed pension of Rs 1000 to Rs 5000 (in multiples of Rs. 1,000) receivable at the age of 60 years. The contributions to be made vary based on pension amount chosen.

The monthly pension is available to the subscriber, and after him/her to his/her 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. In case of death of subscriber before the age of 60 years, spouse of the subscriber has the option 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 Central Government would co-contribute 50% of the total contribution or Rs. 1,000 per annum, whichever is lower, for a period of 5 years for those eligible subscribers who joined 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. Contributions under APY can be made on monthly/ quarterly/ half yearly basis. APY enjoys tax benefits at par with National Pension System (NPS). As on 30th December, 2017, 79.20 lakh subscribers have been enrolled under APY.

4.5.2 Pradhan Mantri Vaya Vandana Yojana

Government has also launched a scheme namely 'Pradhan Mantri Vaya Vandana Yojana ' (PMVVY)to protect elderly persons aged 60 and above against a future fall in their interest income due to the uncertain market condition, as also to provide social security during old age.

The scheme is being implemented through Life Insurance Corporation (LIC) of India. The scheme provides an assured return of 8% per annum payable monthly for 10 years. The differential return i.e. the difference between return generated by LIC and the assured return of 8% per annum would be borne by Government of India as subsidy on annual basis.

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 1,000/- 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. LIC had conducted soft launch of Pradhan Mantri Vaya Vandana Yojana (PMVVY) on 4th May, 2017. The duration of the scheme will be for a period of ten years and the scheme is open for subscription for a period of one year i.e. from 4th May, 2017 to 3rd May, 2018. As on 15.12.2017, a total of number of 1,96,641 subscribers consisting corpus of Rs.9163.93 crore are being benefited under PMVVY.

5. Aadhaar-based authentication and digital payment as facilitators

5.1 Aadhaar seeding and mobile seeding

Out of 106 crore operative current and savings bank accounts more than 82 crore accounts are seeded with biometric ID and more than 85 crore accounts are seeded with mobile. Also, with 82% operative accounts opened under PMJDY being seeded with Aadhaar number on user consent basis, customers have been enabled for interoperable and immediate Aadhaar-enabled transactions, including those for direct benefit transfer.

5.2 Digital payment infrastructure

A digital revolution is in making with more than 110 crore Indians having digital identity through Aadhaar, enabling them to authenticate and carry out financial transactions. Using biometric ID, highly cost-effective payments solutions have been created both for banking services and for retail payments.

National Bank for Agriculture and Rural Development (NABARD) has extended supports to banks from the Financial Inclusion Fund for deployment of (i) 2.17 lakh Aadhaar-ready PoS terminals in villages in Tier 5 and Tier 6 centres and (ii) 20 lakh BHIM Aadhaar Pay devices including merchant on-boarding for merchant transactions. The number of card acceptance devices at Point of Sale (POS) has increased from 10.7 lakh in March 2014 to 29 lakh in September 2017.

5.3 Digital payment systems including Aadhaar based payment systems

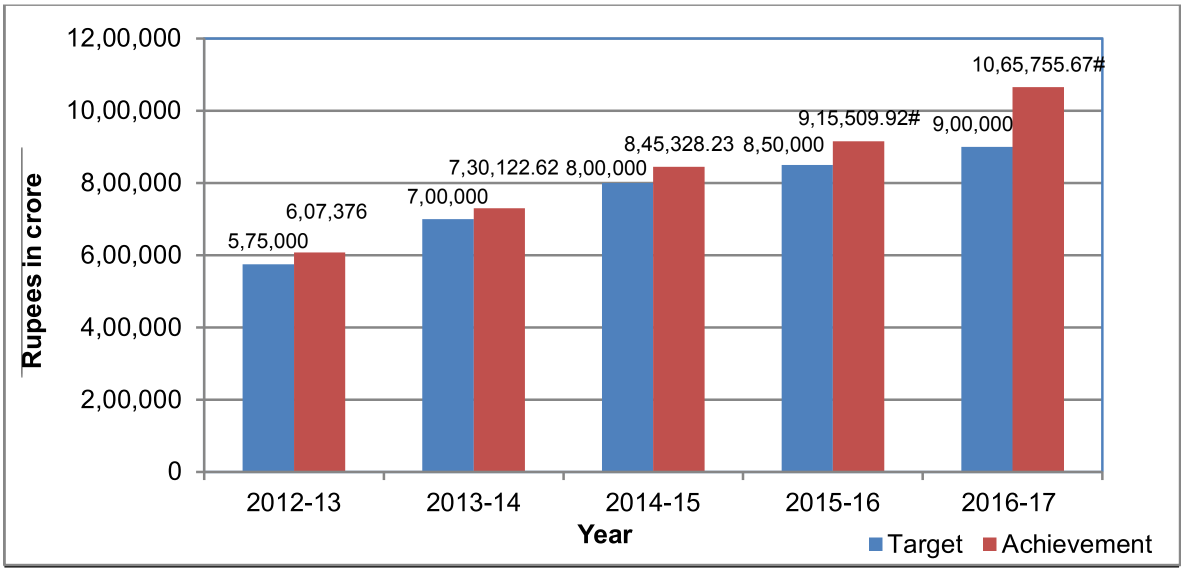
- **AEPS:** Business Correspondents deployed in rural areas also provide interoperable Aadhaar Enabled Payment System (AePS) banking services. In December 2017, there were nearly 8.61 crore transactions through AEPS.
- **BHIM Aadhaar Pay:** National Payments Corporation of India (NPCI) has launched this mobile application for Aadhaar-based payments through merchants, using the AePS. It allows the customer to make purchases using their Aadhaar number linked with their bank account. The transaction requires only the customer's fingerprint for authentication. Installation has been taken up of 20 lakh biometric enabled BHIM Aadhaar Point of Sale (PoS) terminals with merchants.
- **UPI:** NPCI launched Unified Payment Interface (UPI) to enable customers to transfer funds securely using any one of virtual payment address, bank account number and Indian Financial System Code (IFSC), mobile numberor Mobile Money Identifier, Quick Response (QR) Code or Aadhaar number. In financial year 2017-18 (till December 2017), 41.40 crore transactions have taken place on UPI.
- **USSD** : Further, NPCI has introduced Unstructured Supplementary Service Data (USSD) for service for mobile banking. USSD as an interoperable payment platform which provides basic banking services to account-holders in 12 different languages across the country that works on both smart phones and feature phones, without internet connectivity.

6. Agriculture Credit

In order to boost the agriculture sector with the help of effective and hassle-free agriculture credit, the Government has been fixing annual targets for ground level agriculture credit by Scheduled Commercial Banks, Regional Rural Banks (RRBs) and Cooperative Banks.

Year wise position of target and achievement under agricultural credit flow for the last five years given below indicates the sustained trend of actual disbursement, surpassing the incremental annual targets year after year. As against the annual target of Rs. 9,00,000 crore for 2016-17, agriculture credit was disbursed to the tune of Rs. 10,65,755.67 crore during 2016-17, registering 118.42 % achievement.

Figure 6: Agricultural credit flow



 # Provisional *Source: NABARD*

6.1 Increase in the coverage of small & marginal farmers:

To increase the flow of credit to small and marginal farmers a sub-target of 8% for small and marginal farmers (SF/MF) (to be achieved in a phased manner, i.e. 7% by March 31, 2016 and 8% by March 2017) has been set by RBI through its revised guidelines on Priority Sector Lending issued in July, 2016. As against the target of 8% of Adjusted Net Bank Credit (ANBC) to SF/MF, Public Sector Banks (PSBs) have achieved 9.12% as on 31.03.2017, as reported by RBI.

6.2 Kisan Credit Card

The Kisan Credit Card (KCC) scheme was introduced in 1998-99, as an innovative credit delivery system aiming at adequate and timely credit support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible, convenient and cost effective manner. The Scheme is being implemented by all Cooperative Banks, Regional Rural Banks (RRBs) and Public Sector Commercial Banks throughout the country. NABARD monitors the scheme in respect of Cooperative Banks and RRBs, whereas RBI monitors the scheme in respect of Commercial Banks. A revised scheme for KCC was circulated by RBI and NABARD in 2012 prescribing the provision for ATM enabled debit card which can be used at ATM/Point of sale (POS) terminal, with inter alia, facilities of one-time documentation and built-in cost escalation in the credit limit, etc.

Hon'ble Prime Minister in his address to the nation on 31.12.2016 announced that 3 crore Kisan Credit Cards (KCCs) would be covered under Rupay Kisan Credit Cards (RKCCs) within next 3 months. As on 31.03.2017, a total number of 3.71 crore KCCs had been converted to RKCCs. Further, keeping with the spirit of 'Digital' India by facilitating digital and cashless transactions by farmers a total of 4.70 crore KCCs have been converted to RKCCs as on 03.01.2018.

6.3 Rural Infrastructure Development Fund (RIDF)

The Rural Infrastructure Development Fund(RIDF) was set up in NABARD during 1995-96, out of Priority Sector Lending Shortfall of Scheduled Commercial Banks, with a view to increase investment in critical infrastructure in rural areas in sectors such as irrigation, rural connectivity, health, education, drinking water etc. RIDF now covers 36 activities which are broadly classified as: (i) agriculture and related sectors, (ii) rural connectivity and (iii) social sector.

The annual allocation of funds has gradually increased from Rs.2000 crore in 1995-96 (RIDF I) to Rs.25,000 crore in 2017-18 (RIDF XXIII). The aggregate allocations till 2017-18 have reached Rs.2,92,500 crore including Rs. 18,500 crore for the Bharat Nirman component sanctioned to National Rural Roads Development Agency (NRRDA) under RIDF XII-XV.

As against the allocation of Rs. 25,000 crore made for RIDF XXIII tranche during 2017-18, sanctions were accorded to the extent of Rs. 22,059 crore to various State Governments upto 31.12.2017.

6.4 Short Term Cooperative Rural Credit (Refinance) Fund:

The Short Term Cooperative Rural Credit-STCRC (Refinance) Fund came into existence 2008-09 with an initial corpus of Rs. 5,000 crore, to enable NABARD to provide Short Term refinance to assist Cooperatives to meet the production and working capital needs of farmers, thus channelling ground level credit flow towards agriculture and allied activities so as to ensure increased and uninterrupted credit flow to farmers at concessional rate of interest.

An allocation of Rs.45,000 crore was made for the STCRC (Refinance) Fund during 2016-17. In addition to this, in order to meet the increased credit demand of cooperative banks, the Government decided that NABARD would make additional short term borrowings of Rs. 20000 crore at prevailing market rate of interest for on-lending to cooperative banks at 4.5% rate of interest. Out of this NABARD disbursed Rs. 17,880.78 crore to Cooperative Banks at 4.5% rate of interest during 2016-17.

6.5 Financing and supporting Producer Organisations through Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund

Recognizing the various constraints and difficulties faced by farmers such as continued fragmentation of farm holdings, declining profitability of small farm holding and farmers' lack of access to technology, credit and market, the Government of India in, 2014-15, took a novel initiative for setting up of Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund of Rs.200 crore in NABARD to be utilised for promoting 2,000 Farmers' Producers Organizations across the country over the next two years.

Strategies for promoting agriculture growth and sustainability, also include and efficient value-chain approach through farmer producer organisation (FPOs). In this context, NABARD successfully supported promotion of, 2154 FPOs, as on 28.12.2017, under PRODUCE fund.

6.6 Strengthening the Capital Base of NABARD

In view of the increasing commitments of NABARD under various initiatives relating to agriculture and rural development, Parliament has passed a Bill, inter alia, to enable increase in the authorized capital of NABARD from the existing Rs. 5,000 crore to Rs. 30,000 crore. This could be increased further in consultation with RBI. This will enable NABARD to potentially increase its borrowing in future for funding the large investments being made in rural infrastructure in sectors like irrigation, housing, dairy, fisheries etc.

6.7 Initiatives of NABARD

The Government in the Ministry Water Resources, River Development and Ganga Rejuvenation has taken a major initiative to complete various stalled irrigation projects in the country for which a Long Term Irrigation Fund (LTIF) was set up in NABARD. As on 26.12.2017, against the total estimated amount of Rs. 77,908 crore, sanctions to the tune of Rs.53,456.75 crore have been accorded by NABARD for 99 identified projects under LTIF and Rs. 3,960.90 crore for the Polavaram project.

6.8 Regional Rural Banks

6.8.1 Introduction

Regional Rural Banks (RRBs) were set up with the objective to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas for development of agriculture, trade, commerce, industry and other productive activities. As per Section 6 of RRBs Act, 1976, the RRBs are jointly owned by Government of India, respective State Governments and sponsor banks in the proportion of 50%, 15% & 35% respectively. Presently, there are 56 RRBs functioning in the country.

6.8.2 Revitalizing Regional Rural Banks (RRBs)

With the view to strengthening the RRBs for playing a greater role in agriculture, rural lending and financial inclusion, the following measures were taken during the year 2016-17.

6.8.3 Branch Network of Regional Rural Banks

The number of branches of RRBs has increased from 20920 as on 31st March, 2016 to 21422 as on 31st March, 2017 covering 645 districts. During the year 2016-17, 502 new branches have been opened by RRBs. All branches of RRBs are on Core Banking Solution(CBS) Platform.

6.8.4 Capital Infusion for Improving CRAR

Based on recommendations of the Dr. K.C. Chakrabarty Committee, recapitalization assistance is provided to the RRBs for maintaining minimum requirement of CRAR of 9% prescribed by RBI. The GOI has released an amount of Rs.1107.20 crore as recapitalization support to RRBs upto 31st March 2017.

6.8.5 Amalgamation of RRBs

The structural consolidation of RRBs was initiated by Government in 2005-06 by amalgamating RRBs sponsored by same bank in a State. The process was completed in 2009-10 and the number of RRBs were reduced from 196 to 82.

With a view to minimize overhead expenses and optimize the use of technology in RRBs, amalgamation of geographically contiguous RRBs, sponsored by different banks in State was started in 2011-12. 44 RRBs were amalgamated into 18 entities in 12 states. Thus the number of RRBs has been brought down to 56 from 82.

To bring about higher productivity and robust financial health of RRBs, the proposal for further consolidation of RRBs, is under consideration of the Department.

6.8.6 Systemic Reforms

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, the Government, in consultation with NABARD and the Sponsor Banks, brought in improvements in recruitment process in RRBs by notifying the RRBs (Appointment of Officers and Employees) Rules, 2017. Further, to make the system of appointment of Auditors for RRBs more objective and transparent and to improve the quality of audit, the Government has revised the guidelines for Statutory Audit of RRBs and the remuneration of Auditors.

6.8.7 Financial Performance

During 2016-17, 49 RRBs earned profit of Rs.2650 crore. However, 7 RRBs viz., Ellaquai Dehati Bank, Madhyanchal Gramin Bank, Utkal Gramin Bank, J & K Gramin Bank, Sutlej Gramin Bank, Uttar Bihar Gramin Bank and Nagaland Rural Bank incurred losses during the year aggregating to Rs.387 crore. Therefore, RRBs as an agency earned profit of Rs. 2264 crore as on 31st March, 2017 as against Rs.2018 crore earned in 2015-16. The aggregate reserves of RRBs stood at Rs. 23086 crore as on 31st March, 2017 as against Rs. 20665 crore as on 31st March, 2016, while their 'owned funds' increased from Rs.27149 crore in 2015-16 to Rs. 29472 crore during 2016-17.

6.8.8 Priority Sector Lending (PSL)

RBI has prescribed a higher target of 75% PSL for RRBs as against the target of 40% for Scheduled Commercial Banks (SCBs). During 2016-17 as against the target of 75%, RRBs have extended 89% of their total loans, under Priority Sector Lending.

7. Priority Sector Lending and Lending to Women and Minorities

7.1 Priority Sector Lending (PSL)

As per guidelines issued by Reserve Bank of India (RBI) on Priority Sector Lending, a target of 40 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed to all Scheduled Commercial Banks (excluding Regional Rural Banks) for lending to Priority Sector.Within this, sub-targets of 18 percent, 10 percent and 7.5 percent of ANBC Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher have been mandated for lending to agriculture, weaker sections, and micro enterprises, respectively.

The objective of PSL is to ensure that vulnerable sections of society get access to credit and there is adequate flow of resources to those segments of the economy. This includes loans to Small and Marginal Farmers, Micro, Small and Medium Enterprises, weaker sections, housing for poor, education, social infrastructure and renewable energy.

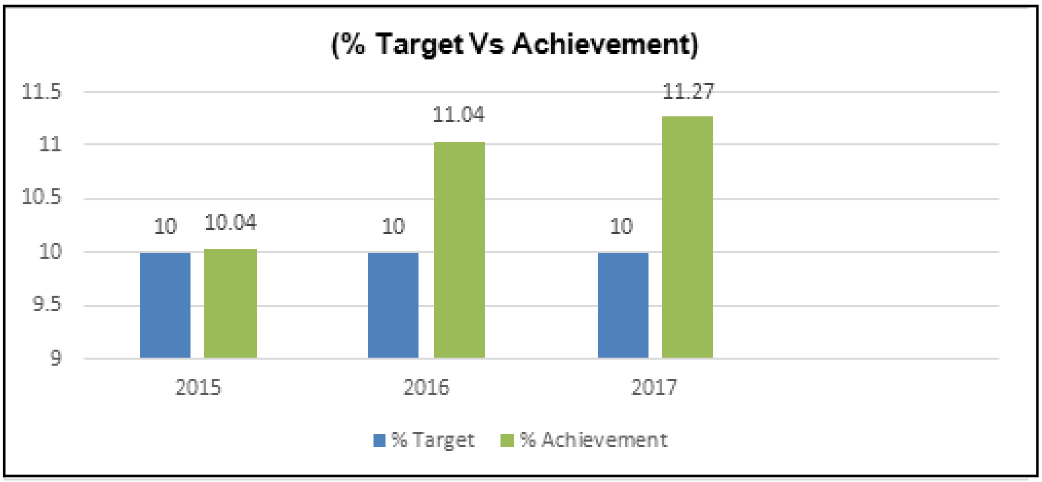
The Priority Sector advances of Public Sector Banks increased from **Rs. 19,85,036** crore as on March 31, 2016 to **Rs. 20,43,475** crore as on March 31, 2017, registering a growth of **2.94** per cent.

7.2 Lending to Weaker Sections and Credit to Minorities

RBI's PSL guidelines include a target of 10 per cent of ANBC or Credit Equivalent amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Weaker sections. To achieve inclusive growth, priority sector loans to distressed persons (other than farmers) not exceeding Rs. 1,00,000 per borrower to prepay their debt to non-institutional lenders and loans to individual women beneficiaries up to Rs. 1,00,000 per borrower are allowed to be categorized under Weaker sections.

The performance of PSBs on lending to Weaker sections as on March 2015, 2016 and 2017 is as under:-

Figure 7 : Lending to Weaker Sections



Further, in order to ensure improved financial services for the welfare of minorities, Reserve Bank of India issued a Consolidated Master Circular dated July 1, 2017 to all scheduled commercial banks advising them to take care to see that minority communities secure, in a fair and adequate measure, the benefits flowing from various Government sponsored special programmes. This Master Circular also envisages creating a separate cell in each bank to ensure smooth flow of credit to minority communities and also covers the role of the lead bank in the 121 districts identified for purpose of earmarking of targets and location of development projects under the Prime Minister's New 15 Point Programme for the welfare of minorities.

Total loans to minority communities as on March 31, 2017 stood at Rs. 3,67,593.12 crores which works out to 13.91 per cent of total priority sector advances. Total loans to minority communities as on March 31, 2017 in the 121 identified districts stood at Rs. 1,15,226.24 crores which works out to 16.42 per cent of total priority sector advances, in the identified districts(Minority Concentrated Districts).

7.3 Economic Empowerment of Women

To help overcome the hurdles faced by women in accessing bank credit and credit plus services, the Government of India had drawn up a 14-point action plan (now 13-point action plan) in the year 2000 for implementation by PSBs. The PSBs were advised to earmark 5 per cent of their ANBC for lending to women. As on March 31, 2017, credit to women was Rs. 4,28,098 crore, forming 8.04 per cent of ANBC of public sector banks.

7.4 Education Loan

Every meritorious student should have access to bank credit to pursue higher education, if they so desire. Indian Banks' Association (IBA) had prepared the Model Educational Loan Scheme and circulated to banks in the year 2001. The Scheme is for all students including students belonging to the economically weaker sections and those below the poverty line. Indian Nationals who have secured admission to a higher education course in a recognized Institution in India or abroad through an entrance test/merit based selection process are eligible for educational loans under the Scheme. The Scheme has been modified from time to time keeping in view the changing needs of the students. The last revision of the Model Educational Loan Scheme was carried out on 17.08.2015 and circulated to Banks. The main features of revised Model Educational Loan Scheme are as under.

a) Provision for charging of differential interest rates based on status of collateral, employability and reputation of institutions.

b) Relaxation in margin and security for loans guaranteed by NCGTC.

c) Extension of repayment period (after moratorium) upto 15 years for all loans.

d) Uniform one year moratorium for repayment after completion of studies in all cases.

e) Provision for moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan. Moratorium may also be provided for the incubation period if the student wants to take up a start-up venture after graduation.

7.4.1 Service Area Norms for Education Loans- RBI guidelines

RBI has advised the banks on November 09, 2012 that Service Area Norms are to be followed only in the case of Government Sponsored Schemes, circulated vide their circular dated December 8, 2004 and are not applicable to sanction of educational loans. Hence, banks have been advised not to reject any educational loan application for reasons that the residence of the borrower does not fall under the bank's service area.

7.4.2 Performance of Education Loans

The total outstanding education loans of Public Sector Banks (PSBs) as on September 30, 2017 stood at Rs. 72,289 crore in 24,28,380 accounts. This reflects increase of Rs. 3590 crore in total outstanding loans over the correspondence period of the last year. In percentage terms it is an increase of 5.51 per cent.

7.4.3 Vidya Lakshmi Portal:

Vidya Lakshmi Portal is a first of its kind portal providing single window for Students to access information and make application for Educational Loans provided by Banks. The Portal has the following features:

1) Information about Educational Loan Schemes of Banks;

2) Common Educational Loan Application Form for Students;

3) Facility to apply to multiple Banks for Educational Loans;

4) Facility for Banks to download Students' Loan Applications;

5) Facility for Banks to upload loan processing status;

6) Facility for Students to email grievances/queries relating to Educational Loans to Banks;

7) Dashboard facility for Students to view status of their loan application

8) Linkage to National Scholarship Portal for information and application for Government Scholarships.

Banks have been requested to give wide publicity to this Portal so that students wanting education loans can apply for it and indicate their bank of choice.

7.4.4 Interest Subsidy Scheme for Educational Loans

Ministry of Human Resource Development had formulated, in May, 2010, a Central Scheme to provide 'Interest Subsidy' for the period of moratorium on educational loans taken by students of economically weaker sections from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association. The scheme is applicable to the following categories of loans.

- Educational loan disbursed/availed after 1st April, 2009 from Scheduled Banks which follow IBA Model Educational Loan Scheme.
- Students belonging to economically weaker sections, i.e, whose parental income from all sources do not exceed Rs.4.5 lakhs per annum.
- The scheme is applicable starting from academic year 2009-10, disbursement starting on or after 01.04.2009, irrespective of date of sanction.

7.4.5 Skill Loan Scheme

Given a huge thrust on skill development, a need is felt to provide institutional credit to individuals for taking skill development courses aligned to National Occupation Standards and Qualification Packs and leading to a certificate/diploma/degree by the Training Institutes as per National Skill Qualification Framework (NSQF). Ministry of Skill Development and Entrepreneurship, Govt of India has launched a Skill India Mission on 15th July, 2015. The, "Skill Loan Scheme" has been developed to support the national initiatives for skill development.

Skill Loan Scheme aims at providing a loan facility to individuals who intend to take up skill development courses as per the Skilling Loan Eligibility Criteria.

8. Industrial Finance

8.1 India Infrastructure Finance Company Ltd

Conceptualized in the Union Budget 2005-06, IIFCL provides long-term financial assistance to infrastructure projects in India with overriding priority to Public-Private-Partnership (PPP) projects. The sectors eligible for financial assistance from IIFCL are as per the Harmonized list of Infrastructure Sub-Sectors as approved by the Government and as amended from time to time. These broadly include transportation, energy, water, sanitation, communication, social and commercial infrastructure. IIFCL is registered with the Reserve Bank of India as Non-Banking Finance Company – Infrastructure Finance Company (NBFC-IFC). The authorized and paid up capital of the company as on 30th September 2017 stood at Rs 6,000 crore and Rs. 4,102 crore, respectively.

On a standalone basis, till 30th September 2017, IIFCL has made cumulative gross sanctions of Rs 1,09,894 crore under Direct lending, Takeout Finance and Refinance schemes. This includes cumulative gross sanctions of 78,167 crore to 447 projects under Direct Lending. The Company has made cumulative disbursements of Rs 57,417 crore, including disbursements of Rs 6,256 crore under Refinance and Rs 14,899 crore under Takeout Finance till September 2017. The company raises long-term resources both from domestic markets and overseas. IIFCL has also established strong relationships with bilateral and multilateral institutions like Asian Development Bank (ADB), World Bank, KfW & European Investment Bank (EIB) and has committed lines of credit.

IIFCL, through its wholly-owned subsidiary IIFC(UK), has played a crucial role in providing foreign currency loans for financing import of capital equipment by infrastructure projects in India. Till 30th September 2017, IIFC (UK) has made cumulative disbursements of USD 1.97 billion. IIFCL has also set up an Infrastructure Debt Fund (IDF) subsidiary, IIFCL Asset Management Company Limited (IAMCL) and IIFCL Projects Limited (IPL) to provide advisory services for the development of infrastructure in India.

8.2 Export-Import Bank Of India (Exim Bank)

Exim Bank ('the Bank') has been established as a statutory, apex financial institution in 1982 under an Act of the Parliament, for financing, facilitating and promoting India's international trade, for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade, and to function as a key policy-input provider to the GOI. EXIM Bank seeks to serve the long-term objective outlined in the Foreign Trade Policy of the GOI, 2015-20, *viz.* doubling of India's exports to US$ 900 billion by 2020.

8.2.1 Performance

During April-November 2017, the Bank extended 8 GOI-guaranteed Lines of Credit (LOCs) to 8 countries, with credits aggregating US$ 5.51 billion. As on November 30, 2017, there are 217 operative GOI LOCs to 59 countries, with credits aggregating US$ 21.14 billion guaranteed by the Government of India. Besides LOCs, the Bank's other flagship product - Buyer's Credit under the National Export Insurance Account (BC-NEIA), aims at catalysing project exports from India. The Bank has till date sanctioned an aggregate amount of US$ 2.82 billion for 22 projects, and has a robust pipeline of US$ 7.70 billion across 64 projects. As regards Overseas Investment Finance, during April-November 2017, the Bank sanctioned funded and non-funded assistance aggregating Rs. 11.76 billion to 14 Indian corporate for part financing their overseas investments in 9 countries. As on November 30 2017, Exim Bank has provided finance to 597 ventures set up by 458 companies in 78 countries. During FY 2016-17, the Bank recorded 4% growth in (net) loans and advances, 4% growth in the overall customer assets portfolio (aggregate of funded and non-funded portfolio) and 3% growth in total business (customer portfolio + borrowings). Net worth of the Bank as on March 31, 2017 stood at Rs. 12,023 crore.

The Exim Bank is the principal agency for medium and long term export credit and needs large amount of capital to fulfil its objective. In the near term, Exim Bank is focused on credit quality, recovery & resolution of NPAs to shore up its balance sheet, in the long term, its capital base will require strengthening. As equity infusion is a necessary imperative, in view of the competing demand and fiscal situation there is possibly a case for exploring alternate mechanisms for financing the ever increasing capital need of Exim Bank.

8.3 Industrial Finance Corporation of India Ltd. (IFCI Ltd).

IFCI Ltd. is a Systemically Important Non-Deposit taking Non-Banking Finance Company (NBFC-ND-SI) registered with Reserve Bank of India (RBI) as per RBI Act, 1949 and a notified Public Financial Institution under Section 2(72) of the Companies Act, 2013.

The Operational and Financial Performance of IFCI for the 2nd Quarter and its 1st half year ended as on 30th September, 2017 for FY 2017-18 are indicated below:

- Made gross sanctions and disbursements of Rs 4,303 crore & Rs. 2,172 crore for the half year ending September, 2017 as against Rs. 3,095 crore and Rs. 1,001 crore, respectively for the half –year ended September, 2016.
- Net profit in Q2 of FY 2017-18 was Rs. 12 crore as against profit of Rs. 15 crore in Q2 of FY 2016-17 and loss of Rs. 277 crore in Q1 of FY 2017-18.
- Business Assets as on 30th September, 2017 were Rs. 26,838 crore;
- Capital Adequacy Ratio as on 30th September, 2017 was 15.02% with Tier 1 capital at 18%.
- Debt Equity Ratio as on 30th September, 2017 was 4.1 times.

8.4 National Housing Bank

8.4.1 Operational Highlights during 2016-17

- Subscribed Equity share capital of NHB stood at Rs. 1,450 crore.
- Outstanding Loans & Advances of NHB stood at Rs. 54,384 crore as on 30-06-2017.

8.4.2 Financing

- Disbursements of Rs. 22,759 crore were made during the year ended 30-06-2017.

8.4.3 Promotion & Development

- NHB has extended Rs. 5.40 crore to the Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC) under equity participation window to facilitate the setting up of "Shelter Fund" by Government of Tamil Nadu (GoT), to provide houses for slum dwellers. This is a new idea conceptualized by NHB, in consultation with GoT.
- NHB has provided draft Habitat & Housing Policy to Govt. of Tamil Nadu.
- It has made available NHB RESIDEX on-line with easy interactive user interface at https://residex.nhbonline.org.in under Digital India Initiative, after transforming to provide housing price indices with wider geographic coverage and automated computation of indices.
- Research study on the 'Impact of the Land Acquisition Act with special reference to Land Pooling' was completed by NHB.
- Till 30-06-2017, 174 PLIs have signed MoU under Pradhan Mantri Awas Yojana, Credit Linked Subsidy Scheme (PMAY-CLSS) for EWS/LIG and 174 PLIs have signed MoU under PMAY-CLSS for MIG with NHB as Central Nodal Agency.
- NHB has disbursed interest subsidy of Rs. 624.81 crore to 32,328 households under PMAY-CLSS for EWS/LIG, and Rs. 4.94 crore to 239 households under PMAY-CLSS for MIG till 30-06-2017.

8.5 Small Industries Development Bank of India

Small Industries Development Bank of India(SIDBI) was set up on April 2, 1990 under an Act of Parliament for the promotion, financing and development of industry in the small-scale sector and to co-ordinate the functions of the institutions engaged in the promotion, financing or developing industry in the small-scale sector and for matters connected therewith or incidental thereto.

8.5.1 Performance of SIDBI

The total MSME outstanding credit of SIDBI was Rs. 82,242 crores as at end December 31, 2017 as against outstanding credit of Rs.68,290 crores- as on 31 March 2017, mainly driven by refinance activities.

8.5.2 Addressing Financial Gaps

SIDBI provides financial support by way of (a) indirect finance / refinance to eligible Primary Lending Institutions (PLIs), such as, Banks, Non-Banking finance and Micro finance companies for onward lending and (b) direct assistance with focus on the niche areas like equity, sustainable finance, receivable financing, service sector financing, etc. SIDBI has promoted Receivables Exchange of India Ltd. to address the issues relating to receivable financing and bill discounting.

8.5.3 Addressing Non-Financial / Promotional & Developmental Gaps

SIDBI's promotional and developmental support has cumulatively helped in setting up of about 83,000 enterprises, providing employment to about 1.65 lakh people and benefitting more than 2.5 lakh people in the small-scale sector as on December 31, 2017. SIDBI has partnered with CRISIL to bring out a quarterly MSME Sentiment Index Report known as CriSidEx to provide a sustainable outlook to policy makers and financiers.

SIDBI has also created a loan market place for micro and small enterprises known as *www.udyamimitra.in*. This universal enterprise portal hosts more than 140 lending institutions. On the portal more than 3200 online sanctions and 2500+ disbursements have been done. The portal provides an opportunity to micro and small borrowers to seek loan without hassles of visiting bank branches etc. The portal also extends handholding services, basket of project profiles and enables convergence with other stakeholders. There is a separate portal www.standupmitra.in for Stand Up India Mission extending credit connect to SC/ST and Women aspirants seeking to set up green field enterprises.

8.5.4 SIDBI as Nodal / Implementing Agency for Government Schemes.

SIDBI is the Nodal Agency for implementation of certain MSME related schemes of the Government of India (GoI) for encouraging implementation of technology up-gradation and modernization in the MSME sector.

SIDBI provides Nodal Agency services for implementation of Credit Linked Capital Subsidy Scheme (CLCSS) and Technology and Quality Up-gradation Programme (TEQUP) (Ministry of MSME), Technology Up-gradation Fund Scheme for Textile Industry (TUFS) (Ministry of Textiles), Integrated Development of Leather Sector Scheme (IDLSS) (Ministry of Commerce & Industry) and Scheme of Technology Up-gradation of Food Processing Industries (Ministry of Food Processing Industries).

- Since the launching of the CLCS Scheme in October 2000, a total number of 24,152 capital subsidy claims aggregating Rs.1,459 crore (cumulative) were settled through SIDBI till December 31, 2017.
- Since the launching of the TUF Scheme in April 1999, a total number of 3362 subsidy claims aggregating Rs. 858 Crore (cumulative) were settled through SIDBI till December 31, 2017.
- Since the launching of the IDLSS in November 2005, a total number of 1775 claims aggregating Rs. 296 crore (cumulative) were settled through SIDBI till December 31, 2017.
- Under FPTUFS, subsequent to the decentralization of the scheme from April 2007, 48 claims aggregating Rs. 13 crore till December 31, 2017.
- Regarding TEQUP, towards 152 claims eligible subsidy of Rs.11 crore was disbursed till December 31, 2017.

9. Insurance Sector

9.1 Insurance in India

Insurance, being an integral part of the financial sector, plays a significant role in India's economy. Apart from protecting against mortality, property and casualty risks and providing a safety net for individuals and enterprises in urban and rural areas, the insurance sector encourages savings and provides long-term funds for infrastructure development and other long gestation projects of the Nation. The development of the insurance sector in India is necessary to support its continued economic transformation.

9.2 The Insurance Division of the Department of Financial Services

The Insurance Division deals with policy and legislative matters as well as monitoring of the performance of both life and general insurance segments of the public sector insurance industry. It is also the administrative division for the Insurance Regulatory and Development Authority of India (IRDAI). The name 'Insurance Regulatory and Development Authority' was changed to 'Insurance Regulatory and Development Authority of India' through the Insurance Laws (Amendment) Act, 2015.

9.3 The Public Sector Insurance Companies operating in the sector are as follows:-

a) Life Insurance Corporation of India

b) National Insurance Company Limited

c) Oriental insurance Company Limited

d) United India Insurance Company Limited

e) New India Assurance Company Limited

f) General Insurance Corporation of India – GIC Re (Re-Insurer)

g) Agriculture Insurance Company of India Limited – Specialised Insurer (Company floated by Public Sector general insurance companies along with NABARD)

h) Export Credit Guarantee Corporation of India Limited – Specialised Insurer (Government of India enterprise for export credit guarantee)

9.4 Legislative Framework governing the Insurance Sector

The Insurance Division is responsible for policy formulation and administration of the following Acts:

a) The Insurance Act, 1938

b) The Life Insurance Corporation Act, 1956

c) The General Insurance Business (Nationalisation) Act, 1972

d) The IRDA Act, 1999

e) The Actuaries Act, 2006

f) The Securities and Insurance Laws (Amendment and Validation) Act, 2010.

The Government promulgated an Ordinance namely - the Insurance Laws (Amendment) Ordinance, 2014 on 26th December, 2014 to make amendments to the Insurance Act, 1938, the General Insurance Business (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority Act, 1999 in accordance with the Insurance Laws (Amendment) Bill 2008 as reported by the Select Committee of the Rajya Sabha. The Ordinance was replaced by the Insurance Laws (Amendment) Act, 2015. With the coming into force of the Insurance Laws (Amendment) Act, 2015, the foreign investment cap in an Indian Insurance Company has gone up from 26 to 49% with the safeguard of Indian ownership and control.

9.5 Reforms in the Insurance Sector

The insurance sector was opened up for private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. The IRDAI at present consists of the Chairman, 3 full-time members and 3 part-time members. The Authority is functioning from its Head Office at Hyderabad, Telangana. The core functions of the Authority include (i) licensing/ registration of insurers and insurance intermediaries; (ii) financial and regulatory supervision; (iii) regulation of premium rates; and (iv) protection of the interests of the policyholders. With a view to facilitating development of the insurance sector, the Authority has issued regulations on protection of the interests of policyholders; obligations towards the rural and social sectors; micro insurance and registration of agents, licensing/registration of corporate agents, brokers and third party administrators. IRDAI has also laid down the regulatory framework for registration of insurance companies, maintenance of solvency margin, investments and financial reporting requirements.

9.6 New entrants in the insurance industry

Since its opening up in 2000 the number of participants in the Insurance industry has gone up from seven insurers (including the Life Insurance Corporation of India [LIC], four public-sector general insurers, one specialized insurer, and the General Insurance Corporation as the national re-insurer) in 2000 to sixty two insurers as on 31st March 2017 operating in the life, general, health and re-insurance segments; of which 24 are life insurers, 23 are general insurers, 6 are health insurers exclusively doing health insurance business and 9 are re-insurers including foreign reinsurance branches and Lloyd's India. Of the 62 insurers eight are in the public sector and the remaining fifty four are in the private sector. Two specialised insurers, namely Export Credit Guarantee Corporation of India Limited and Agricultural Insurance Company of India Limited, one life insurer namely LIC of India, four in general insurers and one in re-insurance namely GIC are in public sector. Twenty three life insurers, seventeen general insurers, six standalone health insurers and eight reinsurers including foreign reinsurance branches and Lloyd's India are in private sector. During the current financial year (2017-18) as on date, 4 general insurance companies under private sector and 2 foreign reinsurers' branches have been granted certificate of registration.

9.7 Industry Statistics

(a) Life insurance industry

The post liberalization period has been witness to sharp growth in the insurance industry, more particularly in the life segment. The first year premium is a measure of new business procured/underwritten by the life insurers. During 2016-17 this was Rs 1,75,202.68 crore as compared to Rs 1,38,765.99 crore in 2015-16 registering a growth of 26.26**%** against 22.44% during the previous year. In terms of linked and non-linked business during the year 2016-17, 12.10 percent of the first year premium was underwritten in the linked segment while 87.90 percent of the business was in non-linked segment as against 12.68 per cent and 87.32 per cent in the previous year. The total premium, which includes first year premium and renewal premium during 2016-17, was Rs 4,18,476.62 crore as compared to Rs 3,66,943.23 crore in 2015-16 registering a growth of 14.04 per cent against 11.84 percent in the previous year. Of the new business premium underwritten, LIC accounted for Rs 1,24,583.31 crore (71.11 per cent market share) and the private insurers accounted for Rs 50,619.37 crore (28.89 percent market share). The market share of these insurers was 70.54 per cent and 29.46 per cent respectively during the year 2015-16.

(b) General insurance industry

The general insurers had underwritten gross direct premium of Rs 1,28,128.34 crore in 2016-17, as against Rs 96,379.38 crore in 2015-16 registering a growth of 32.94 per cent. This premium excludes the business done outside India by the public sector insurers. The private sector (including standalone health insurers) had underwritten Rs 59,662.79 crore as against Rs 43,846.75 crore in the previous year achieving a growth rate of 36.07 percent whereas the public sector (including specialized insurers) had underwritten premium of Rs 68,465.56 crore as against Rs 52,532.63 crore in the previous year with a growth rate of 30.33 percent. The market share of the public and private insurers stood at 53.44 and 46.56 percent during the year 2016-17 as against 54.51 and 45.49 respectively in 2015-16. One of the benefits of opening up of the insurance sector has been the extension of health cover to a wider cross-section of the society. Health premium accounted for 26.95 percent (Rs 34,526.61 crore) of the gross direct premium of the general insurance industry within India (including standalone health insurance companies) in 2016-17 as against 28.49 per cent (Rs 27,457.30 crore) in 2015-16.

9.8 Investments of the Insurance sector

As on 31st March, 2017 the accumulated total investments held by the insurance sector was Rs. 30,76,537 crore. During 2016-17, Assets under Management (AUM) had grown by 14.36 per cent. Life insurers continue to contribute a major share with around 92.77 per cent of the total investments held by the insurance industry. Similarly, public sector insurers continue to contribute a major share of 78.47 per cent in total investments though investments by private sector insurers are growing at a fast pace in recent years.

9.9 Rural and Social Sector Business

All the life insurers including LIC fulfilled their rural sector obligations for the year 2016-17.The life insurers underwrote 60.45 lakh policies in the rural sector, viz., 22.9 percent of the new individual policies underwritten (264.20 lakh policies) by them in 2016-17 . LIC underwrote 22.44 percent of the new individual policies and private insurers underwrote 24.3 per cent of the new individual policies in the rural sector. All life insurers including LIC were compliant with their social sector obligations in terms of number of lives covered. All the public and private sector general insurance companies including standalone health insurance companies have fulfilled their obligations in the rural and social sector for the year 2016-17.

9.10 Micro insurance

In order to facilitate penetration of insurance to the lower income segments of population, IRDAI had notified the micro insurance regulations, 2005. They provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to play its role in financial inclusion. In micro-insurance-life, the individual new business premium for the year 2016-17 was Rs 38.22 crore through 9.56 lakh policies and the group business amounted to Rs 460.43 crore premium for 322.46 lakh lives. Individual death claims paid under micro insurance portfolio for the year 2016-17 amounted to Rs 20.22 crore on 12,714 policies and in the group category Rs 550.04 crore was paid as death claims on 1,79,542 lives There were 35,200 micro insurance agents operating in the micro insurance sector at the end of 2016-17.

There are around sixty products offered by the registered general insurance companies targeting low income segment of the population. IRDAI has permitted PMFBY covering non-loanee farmers, to be solicited and marketed by Micro Insurance Agents under IRDAI (Micro Insurance) Regulations, 2015. Further, general insurance policies issued to Micro, Small and Medium Enterprises as classified in MSMED Act, 2006 under various lines of general insurance business upto Rs 10,000 premium per annum per MSM enterprise. Total numbers of general insurance policies issued by Micro Insurance Agents (excluding Micro insurance policies issued by Standalone health insurers) in the year 2016-17 are 35,065.

9.11 Life Insurance Corporation of India (LIC)

LIC of India was incorporated on 1st September, 1956 by amalgamating 243 Companies by the Act of Parliament called Insurance Act, 1956. LIC is governed by the Insurance Act 1938, LIC Act 1956, LIC Regulations 1959 and Insurance Regulatory and Development Authority Act 1999. As on 31st March, 2017, LIC has 8 Zonal Offices, 113 Divisional Offices, 2048 Branch Offices, 73 Customer Zones, 1408 Satellite Offices and 1238 Mini Offices in India. The Corporation also has Branch Offices in Fiji, Mauritius and United Kingdom. It also operates through Joint Venture (JV) Companies in several overseas Insurance Markets. LIC has also formed a Joint Venture Company, Life Insurance Corporation (LIC) of Bangladesh Limited, between Life Insurance Corporation of India, Strategic Equity Management Ltd and Mutual Trust Bank Ltd on 14.12.2015. A Wholly owned subsidiary, Life Insurance Corporation (Singapore) Pte Ltd. has been established on 30.4.2012.

LIC of India procured Rs 1,24,565.00 crore First Year Premium (FYP) under 2,01,03,242 policies thereby registering growth of 27.53% in FYP as at 31st March 2017. The market share of the Corporation in First Year Premium is 71.04 % (Last Year- 70.44%) and 76.09% (Last Year- 76.84%) in Number of Policies. The Total Premium Income of the Corporation for the financial year (FY) ending 31st March, 2017 is Rs 3,00,196.69 crore. Gross investments of the Corporation for FY 2016-17 stand at Rs 3,41,534.59 crore and the total investments as on 31/3/2017 stand at 24,72,388.82 crore. The Conservation Ratio was more than 92% and the Overall Expenses Ratio was 15.17%. In 2016-17, LIC has settled 205.11 lakh Maturity Claims having paid Rs 99,119.27 crore. Similarly 10.47 lakh Death claims have been settled for an amount of Rs 13,581.14 crore. The percentage of claims outstanding to claims payable as on 31/3/2017 stands at 2.87%.

9.12 Public Sector General Insurance Companies

The Public Sector General Insurance Companies provide coverage for insurance other than Life such as, Fire, Marine (Cargo & Hull), Motor, Workmen's Compensation, Personal Accident, Aviation, Engineering, Liability, Health, etc. The Public Sector General Insurance

Companies witnessed a growth rate of 24.51% during 2016-17 collecting a total GDPI (Gross Domestic Premium Income) of Rs.63,058.92 crores against Rs.50,644.29 crores during 2015-16. Motor, Health and Crop Insurance have been the major drivers of growth. The Company-wise details are as follows:

(a) National Insurance Company Limited

Incorporated in 1906 with Headquarters at Kolkata has a Paid-up Share Capital of Rs.100 crore. Gross Direct Premium Income (GDPI) in 2016-17 was Rs.14,282 Crores against GDPI of Rs.12,018.98 Crores in 2015-16 showing a growth of 18.83% against a growth of 6.53% in the previous year. The Incurred Claim Ratio for the year 2016-17 is 97.00% as against 95.28% in 2015-16. Profit After Tax was Rs.46 crores in 2016-17 against Rs.151 crores in 2015-16. It has 1,997 offices including micro offices and 13,900 employees. Foreign Operations: National has foreign operations in Nepal and operations are conducted through 8 offices there.

(b) The New India Assurance Company Limited

Incorporated in 1919, with Headquarters at Mumbai has a Paid-up Share Capital of Rs.200 crore. Gross Direct Premium Income (GDPI) in 2016-17 is Rs.21597.92 crores against GDPI of Rs.17763.31 crores in 2015-16 showing a growth of 21.59 % against a growth of 14.75 % in the previous year. The Incurred claim Ratio for the year 2016-17 is 91.26% as against 87.84% in 2015-16. Profit After Tax is Rs.1007.93 crores in 2016-17 against Rs.828.67 crores in 2015-16. It has 2457 offices and 17,615 employees. Foreign Operations: NIA has a presence in 28 countries. It has taken a license to operate in DIFC, Dubai through a Regional Office and is in the process of Registering with Qatar Financial Services, Doha.

(c) The Oriental Insurance Company Limited

Incorporated in 1947 with headquarters at New Delhi and has a Paid-up Share Capital of Rs.200 crores. Gross Direct Premium Income (GDPI) in 2016-17 was Rs.11,117 Crores against GDPI of Rs.8,612 crores in 2015-16 showing a growth of 29.09% in 2016-17 as against a growth of 13.88% in 2015-16. The Incurred Claim Ratio for the year 2016-17 is 112% against 84% in 2015-16. Profit After Tax was (-) Rs.1,691 crores in 2016-17 as against Rs.300 crores in 2015-16. It has 1955 offices with 13923 employees. Foreign Operations: 'Oriental' has its foreign operations in Nepal, Dubai & Kuwait with "B++"(very good) rating from AM Best & Co.(Europe) and given the highest rating by CRISIL and ICRA also.

(d) United India Insurance Company Limited

Incorporated in 1938 with headquarters at Chennai has a Paid-up Share Capital of Rs.150 crores. Gross Direct Premium Income (GDPI) in 2016-17 was Rs.16,062 Crores against GDPI of Rs.12,250 crores in 2015-16 showing a growth of 31.12% in 2016-17 against 14.58 % in 2015-16. The Incurred Claim Ratio for the year 2016-17 is 107% against 88% in 2015-16. Profit after Tax was (-) Rs.1,913 crores in 2016-17 as against Rs.221 Crores in 2015-16. 'United India' has 2128 offices with 16,167 employees. Rated "iAAA" by ICRA.

e) General Insurance Corporation of India (GIC Re)

General Insurance Corporation of India (GIC Re) was approved as 'Indian Reinsurer' on 3rd November, 2000. As an Indian Reinsurer, GIC Re has been giving reinsurance support to non-life as well as Life Insurance companies in India. GIC Re also manages Marine Hull Pool, Indian Market Terrorism Risk Insurance Pool and Indian Nuclear Insurance Pool on behalf of Indian Insurance industry apart from FAIR Natural Catastrophe Reinsurance Pool.

During the year 2016-17, Gross premium of GIC Re was Rs 33,585.44 crore as against Rs 18,435.81 crore in the previous year. The Net premium of the GIC Re was Rs 30,174.55 crore as against Rs 16,374.78 crore and net earned premium was Rs 26,714.89 crore as against Rs 15,172.83 crore in the previous year. The net incurred claims were at Rs 21,646.41 crore i.e., 81.03% of net earned premium as against Rs 12,899.86 crore i.e. 85.0% of net earned premium in the previous year. GIC Re's Profit after tax amounted to Rs 3,127.67 crore as on 31st March 2017 compared to Profit after tax of Rs 2,848.39 crore as on 31st March 2016. The total assets and net worth as on 31st March 2017 was Rs 94,948.62 crore and Rs 17,946.63 crore, respectively. The present paid up capital of the Corporation is Rs 430.00 crore.

9.13 Grievance Redressal

Public Sector General Insurance Companies redressed 98.21% Grievances (21,486 out of a total of 21,695) and had only 209 outstanding Grievances in 2016-17. 'National' redressed 99.61% out of a total of 5987 and outstanding grievances were 23. 'New India' redressed 99.15% out of a total of 4,449 Grievances and 38 grievances were outstanding. 'Oriental' redressed 99.64% grievances out of a total of 3,525 and 35 grievances were outstanding. 'United India' redressed 98.54% of grievances out of a total of 7734 and 113 grievances were outstanding.

9.14 Agriculture Insurance Company of India Limited

'Agriculture Insurance Company of India Limited' (AIC) was established exclusively to cater to the insurance needs of the persons engaged in agriculture and allied activities in India under the Companies Act, 1956 on 20th December 2002. It has its Head Office in New Delhi, 18 Regional Offices in various State Capitals and one-man office at District levels. The total number of employees as on 31st March 2017 is 285 all over the country.

The erstwhile crop insurance schemes have recently been reviewed in consultation with various stakeholders including States/UTs. Accordingly, the Company has during the year implemented Pradhan Mantri Fasal Bima Yojana (PMFBY) from Kharif 2016 along with the pilot Unified Package Insurance Scheme (UPIS) and the Restructured Weather Based Crop Insurance Scheme (restructured based on premium structure and administrative lines of PMFBY and available in the Country from Kharif 2016 as RWBCIS). The Coconut Palm Insurance Scheme (CPIS) has also been continued. Apart from the above, the Company continued to market various in-house products, including Rainfall Insurance, Coffee Rainfall Insurance Scheme, Pulp Wood, Bio fuel Insurance and Rubber Plantation Insurance.

Pradhan Mantri Fasal Bima Yojna (PMFBY) is operated on a commercial / actuarial basis with premium subsidy contribution from Union and State Governments. AIC has implemented PMFBY in 14 States during Kharif 2016-17 season and in 13 States and 1 UT during Rabi 2016-17 season. Under the scheme, States are divided into Clusters which are allotted to the empanelled insurance companies by State Governments through bidding process. PMFBY provides the following covers:

- Individual loss assessment claims due to localised calamities viz. Hail Storm, Landslide, and Inundation.
- Post-harvest losses due to cyclone, cyclonic and unseasonal rains. Losses are assessed on individual basis.
- Prevented Sowing/Planting risk due to deficit rainfall or adverse seasonal conditions.
- On-account claims due to mid-season adversity viz. floods, prolonged dry spells, severe drought etc.
- Wide spread calamities claim based on yield data submitted by the State Governments.

During Kharif 2016 and Rabi 2016 seasons about 571 lakh farmers for a sum insured of Rs. 2,02,231 crore have been covered under PMFBY and WBCIS. Further, Unified Package Insurance Scheme (UPIS) has been approved for implementation in selected 45 Districts of the country on pilot basis from Kharif 2016 to provide financial protection and comprehensive risk coverage of crops, assets, life, and student safety to farmers. Pilot includes seven section, viz., crop Insurance (PMFBY/ WBCIS), Loss of Life (PMJJBY), Accidental Death and Disability (PMSBY), Student Safety, Household, Agriculture implements & Tractor. Crop Insurance Section is compulsory. However, farmers can choose at least two sections from remaining. Two flagship schemes of the Government viz PMSBY and PMJJBY have been included apart from insurance of assets.

9.15 Other Social Security Schemes

a) Aam Admi Bima Yojana (AABY)

The Scheme provides life insurance protection to the rural & urban persons living below poverty line or marginally above poverty line. Persons between age 18 years and 59 years and who are the members of the identified 48 occupational groups are eligible to be covered under this scheme. The Scheme provides coverage of Rs. 30,000/- on natural death and Rs. 75,000/- on death/ total permanent disability due to accident. The premium for the scheme is Rs. 200/- per member per annum and Scholarship as a free add-on benefit is also provided to a maximum of two children of the beneficiary studying between 9th to 12th standard (including ITI courses) @ Rs.100/- per month for each child payable half yearly on 1st July and 1st January , each year. As on 30th November 2017, about 4.71 crore people have been covered under AABY Scheme and about 45 lakh lives were covered under Social Security Group Schemes (SSGS - closed). During the financial year (2017-18), 33,94,100 scholarships were disbursed to beneficiaries for an amount of Rs. 235.80 crore and an amount of Rs. 257.95 crore has been paid towards total number of 83,699 claims (Up to November 2017). AABY stands transferred to the Ministry of Labour and Employment w.e.f 21st June, 2017.

b) Varishtha Pension Bima Yojana (VPBY)

The Varishtha Pension Bima Yojana (VPBY) 2003 launched on 14th July, 2003 and Varistha Pension Bima Yojana (VPBY) 2014 launched on 14th August, 2014, are social security schemes for Senior Citizens intended to give an assured minimum pension to them based on an guaranteed minimum return on the subscription amount. The pension is envisaged until death from the date of subscription or upto 15 years whichever is earlier with payback of the subscription amount on death of the subscriber to the nominee or after 15 years to the subscriber on surrender of policy.These Schemes are implemented through Life Insurance Corporation (LIC) of India, which is paid the difference between the actual yield earned by LIC on the funds invested under the Scheme and the assured return of 9% committed by the Government. Both the schemes VPBY 2003 and VPBY 2014 are closed for future subscriptions. However, policies sold during the currency of policy are being serviced as per the commitment of guaranteed 9% return announced by the Government under the schemes. As on 31.03.2017, a total of number of 2,74,885 beneficiaries and 3,11,981 beneficiaries are being benefited under VPBY-2003 and VPBY-2014 respectively.

9.16 New Initiatives- 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 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. Out of these five companies, General Insurance Corporation of India and the New India Assurance Company Ltd have already been successfully listed on the stock exchanges.

10 Pension Sector

10.1 National Pension System (NPS)

With a view to providing adequate retirement income on cost effective basis, the National Pension System (NPS) has been introduced by the Government of India. It has been made mandatory for all new recruits to the Government (except armed forces) with effect from 1st January, 2004 and has also been rolled out for all citizens with effect from 1st May, 2009 on a voluntary basis. The features of the NPS design are self-sustainability, portability and scalability. It is envisaged as a low-cost and efficient pension system backed by sound regulation. As a pure "defined contribution" product, returns would be totally market driven. The NPS-all citizen model provides various investment options and choices to individuals to switch over from one option to another or from one fund manager to another, subject to certain regulatory restrictions.

The NPS architecture is transparent and web-enabled. It allows a subscriber to monitor his/her investments and returns. The facility for seamless portability is designed to enable subscribers to maintain a single pension account throughout the saving period.

Pension Fund Regulatory and Development Authority (PFRDA), set up as a regulatory body for the pension sector, is engaged in consolidating the initiatives taken so far regarding the full NPS architecture and expanding the reach of NPS distribution network. The process of making NPS available to all citizens entailed the appointment of NPS intermediaries, including institutional entities as Points of Presence (POPs) that will serve as pension account opening and collection centers, Central Record Keeping Agencies (CRAs) and Pension Fund Managers to manage the pension wealth of the subscribers.

Till 30th December 2017, a total of around 191.7 lakh subscribers (including Atal Pension Yojana) have been enrolled under the NPS. Assets Under Management (AUM) which includes the returns on the corpus, under the NPS have witnessed an increase from Rs. 1,74,561 crore as on 31st March 2017 to Rs. 2,19,046 crore as on 30th December 2017, registering an increase of 25.48 per cent. The APY has a total of about 79.20 lakh subscribers and AUM of Rs. 3,269 crore as on 30th December 2017.

PFRDA as a statutory body has notified regulations for governing the intermediaries under NPS involved in collection and remittance of subscribers' contribution, record keeping, fund management and other related functions keeping in view the subscribers' interest. These regulations spell out the eligibility norms for registration, functions, roles and responsibilities of the intermediaries, the provisions for inspection, audit and grievance handling and the process for adjudication.

Following developments have taken place in the recent past to facilitate subscribers interface with the NPS architecture.

- Atal Pension Yojana–eNPS Channel (APY@eNPS)- With a view to expand the outreach of APY, "APY@eNPS" has been launched which is a complete digital enrolment process without need of a physical application form and visiting a bank branch.
- Aadhaar seeding - The Subscriber can now link his/her Aadhaar to NPS account using Mobile App. The Subscriber logs into the App with his/her User ID and password and select the option of 'Add/Update Aadhaar Number'. Once Aadhaar is entered, the details of Subscriber registered under NPS get authenticated with details available in UIDAI database. Post authentication, an OTP is sent to the Subscriber's mobile number registered with UIDAI. The Subscriber enters the OTP and on submitting the correct OTP, Aadhaar will get seeded for the PRAN.
- Increase in maximum age of joining NPS from 60 years to 65 years under NPS-Private Sector: With a view to increase the pension coverage in the country, the maximum age of joining NPS has been increased from the existing 60 years to 65 years of age. Any Indian Citizen, resident or non-resident, in the age of 18- 65 years can also join NPS and continue in NPS upto the age of 70 years.
- Modification in the partial withdrawal from Tier 1 accounts - Now a subscriber is allowed to partially withdraw from her/his NPS account upto 25% of her/his own contribution for certain specified purposes after 3 years of joining the NPS. Further, the requirement of 5 years gap for applying for next partial withdrawal is now dispensed with.
- NPS Mobile App is now available on Windows platform besides the Android and IOS platforms. Apart from viewing the current holding status on mobile app by logging using PRAN and password, a subscriber can do the following activities though the mobile app: (i) Make contribution (ii) Address Change (iii) Scheme Change (iv) Tier II Withdrawal (v) Grievance lodgment.

11. Legislative

11.1 Proposal to amend the Negotiable Instruments Act, 1881

Government has introduced "the Negotiable Instruments (Amendment) Bill, 2017" in the Parliament on 02.01.2018 to address the issue of undue delay in final resolution of cheque bounce cases by suitably amending the Negotiable Instruments Act, 1881 ("NI Act"). The Bill proposes to insert a new section 143A in the NI Act, giving Courts trying an offence under section 138, the power to direct the drawer of the cheque to pay interim compensation to the complainant, not exceeding 20% of the amount of the cheque. Further, the Bill proposes to insert a new section 148 in the NI Act, giving Appellate Courts the power to order a deposit of a minimum of 20% of the fine or compensation awarded by the Trial Court pending appeal against conviction. The Bill also provides that if the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer the amount of interim compensation, with interest at the bank rate prevalent at the beginning of the relevant financial year. Similarly, if the appellant is acquitted, the court shall direct the complainant to repay to the appellant the amount so released, with interest at the bank rate prevalent at the beginning of the relevant financial year.

11.2 The Banning of Unregulated Deposit Schemes Bill ("Banning Bill")

The regulatory framework for deposit taking activity in the country is not seamless. The regulators operate in well-defined areas within the financial sector by regulating particular kinds of entities or activities. For instance, Non-Banking Financial Companies (NBFCs) are under the regulatory and supervisory jurisdiction of the RBI, Chit Funds and Money Circulation including multi-level marketing schemes are under the domain of State Governments, Collective Investment Schemes come under the purview of SEBI, schemes offered by Cooperative Societies are under State Governments, Multi State Cooperative Societies come under Central Registrar, Ministry of Agriculture and deposits taken by non-NBFC Companies are regulated by the Ministry of Corporate Affairs under the Companies Act. Despite such diverse and regulatory framework, schemes and arrangements designed to avoid oversight by these regulators and leading to unauthorized collection of money and deposits fraudulently by inducing public to invest in dubious schemes promising high returns or other benefits, keep coming to notice.

Enactment of laws such as the Prize Chit and Money Circulation Schemes (Banning) Act, 1978 and The Chit Fund Act, 1982 by the Central Government and Protection of Interest of Depositors in Financial Establishment Act by various State Governments has not been able to completely address the issue of unregulated deposit taking by unscrupulous elements.

In view of the above, Government is in process of bringing a new law "The Banning of Unregulated Deposit Schemes Bill ("Banning Bill") to ensure a comprehensive ban on unregulated deposit taking activity and consequent enablement of effective enforcement. The "Banning Bill" aims to prevent such unregulated deposit schemes or arrangements at their inception and at the same time make soliciting, inviting or accepting deposits pursuant to an unregulated scheme a punishable offence. The Bill proposes severe punishment and heavy pecuniary fines to act as deterrent.

11.3 Amendments to the Chit Funds Act, 1982.

Chit Funds are indigenous financial institutions in India, which satisfy the financial needs of the low-income households, which may or may not have access to the formal financial system. It is a mechanism which combines credit and savings in a single scheme. In a Chit Fund Scheme, a group of individuals come together for a pre-determined duration and contribute to a common pool (savings) at regular intervals. Every month, up until the end of the tenure of the scheme, the collected pool of money is loaned out internally through a bidding mechanism to the most deserving member. This way, people who are in need of funds and those who want to save are able to meet their requirements simultaneously. With a view to address some of the challenges being faced and to facilitate orderly growth of the Chit Fund industry, it is proposed to carry out certain amendments to the Chit Funds Act, 1982 by introducing the Chit Funds (Amendment) Bill in the Parliament.

12. Miscellaneous

12.1 Debts Recovery Tribunal

The Central Government has established 39 Debts Recovery Tribunals (DRTs) including 6 new DRTs at Bengaluru, Chandigarh, Dehradun, Ernakulam, Hyderabad and Siliguri and 5 Debts Recovery Appellate Tribunals (DRATs) across the country, under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. These tribunals have been set up for expeditious adjudication and speedy recovery of debts due to banks and financial institutions and matters connected therewith.

As per data made available by DRTs, a total number of 19,199 cases (Original Applications) involving Rs. 57,550.48 crore approximately were disposed of by 39 DRTs during the period 01.04.2017 to 30.11.2017.

12.2 Representation of SCs, STs, OBCs and PWDs.

Inspection/examination of Reservation Rosters SCs/STs/OBCs in Public Sector Banks/ Financial Institutions and Insurance Companies has been conducted.

After examining the proposal for establishing the equivalence of posts in Central Public Sector Undertakings (PSUs), Banks, Insurance Institutions with posts in Government for establishing Creamy Layer criteria amongst Other Backward Classes, the Government has approved principles for determining the equivalence in respect of Public Sector Banks (PSBs), Public Sector Financial Institutions (PFIs), Public Sector Insurance Companies (PSICs) as conveyed vide DOP&T O.M. No. 41034/5/2014 Estt. (Res.) Vol. IV-Part dated 6.10.2017 which inter-alia provide as follows:

i) Junior Management Scale-I of PSBs/PFIs/PSICs will be treated as equivalence to Group A in the Government of India.

ii) Clerks and Peons in PSBs/PFIs/PSICs will be treated as equivalence to Group C in the Government of India.

An Office Memorandum has been issued to all PSBs/PFIs/PSICs and Regulators in this regard vide this Department's O.M. No. 19/04/2017-Welfare dated 06.12.2017.

The Representation of SCs/STs/OBCs and Persons with Disabilities (PWDs) in Public Sector Banks/ Financial Institutions and Insurance Companies is at ***Annexure I & Annexure II*** respectively.

12.3 Disposal of Public Grievances

Timely redressal of public grievances relating to banking and insurance sectors is an important step towards upgrading the quality of customer service in this crucial segment of financial sector. Department of Administrative Reforms and Public Grievances (DARPG) has established CPGRAMS (Centralised Public Grievance Redressal and Monitoring System), (an online web-based system), to resolve public grievances.

In the Department of Financial Services, a large number of grievances/complaints concerning Banking and Insurance Sectors are received directly from citizens, both online and by post. The postal grievances are also digitized and processed through CPGRAMS for redressal within a maximum time limit of 60 days. All organisations under DFS have made efforts to maximise the use of technology for reducing the grievance redressal time to one month from the existing two months. Action taken reports are uploaded on the system and a scanned copy of the reply is provided to the complainant as pdf file that can be viewed by the complainant online. Replies through post are also sent to those complainants who have lodged their grievances physically.

Banks and Insurance Companies have grievance redressal mechanism in place and are also hosted on their respective websites for information and access by the customers. The first level of grievance redressal is Branch Manager in Banks and Insurance Companies followed by Zonal Managers and then General Manager (Customer Care) in Head Office. Grievances concerning private banks and private insurance companies are resolved through Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority (IRDA) respectively. The unresolved grievances are placed before the Customer Service Committee of the Board chaired by CMD/CEO for final settlement of grievances / complaints. The Reserve Bank of India (RBI) has set up 20 Banking Ombudsmen across the country under Banking Ombudsmen Scheme 2006. Similarly, there are 17 Insurance Ombudsmen set up by IRDA.

Grievances received from PMO are also attended promptly and the status is uploaded on portal by concerned Banks/ Insurance companies. Most of the grievances pertain to issues related to ATM, Pension, Loan Applications, Bank transactions, claim payment and fraud cases, which are handled by Bank / Insurance officers. Grievances are monitored regularly and followed by periodical reminders through emails to the concerned Nodal Public Grievance Officers in Banks and Insurance Companies and concerned Sections in the Department.

As per CPGRAMS database the details of receipt, disposal and pending grievances during the period 01.01.2017 to 31.12.2017 in respect of banking and insurance sectors are as follows:

Table 7: Details of Pending Grievances

Sector	Brought Forward	Received	Disposed	Pending as on 31.12.2017	% of Disposal as on 31.12.2017	Less than 60 days old	More than 60 days old
Banking	20420	106299	121162	5557	95.61	5275	282
Insurance	717	11517	11695	539	95.59	511	28
Total	**21137**	**117816**	**132857**	**6096**	**95.61**	**5786**	**310**

Table 8: Status of Grievances on PG Portal from 01.01.2017 to 31.12.2017

Total Grievances received	Grievances Disposed Off	Balance	% of disposal as on 31/12/2017	Average time of disposal
138953	132857	6096	95.61	40 days

The present status of public grievances for the period 01/01/2017 to 31/12/2017 relating to social security schemes launched by the Government is as under:

Table 9: Grievances relating to Social Security Schemes from 01.01.2017 to 31.12.2017.

Name of the scheme	Total Grievance	Grievance disposed	Grievance pending	% of disposal
Atal Pension Yojna	214	189	25	88.32
Pradhan Mantri Jan Dhan Yojna	671	654	17	97.47
Pradhan Mantri Mudra Yojna	3932	3709	223	94.33
Pradhan Mantri Suraksha Bima Yojna	164	158	06	96.34
Pradhan Mantri Jeevan Jyoti Bima Yojna	143	132	11	92.31

The present status of public grievances received from PMO for the period 01.01.2017 to 31.12.2017 is as under:

Table 10: Stats of Public Grievances received from Prime Minister Office

Name of the Sector	Total Grievances	Grievances disposed	Grievances pending	% of disposal
Banking	73517	70950	2567	96.51
Insurance	5830	5630	200	96.56

\12.4 Vigilance

12.4.1 Vigilance Machinery In Department Of Financial Services

Department of Financial Services is the administrative department for Public Sector Banks(PSBs), Financial Institutions (FIs) and Public Sector Insurance Companies(PSICs). An Additional Secretary level officer has been designated as Chief Vigilance Officer of the Department. He is assisted by a Joint Secretary(Vig.), Director(Vig.) and Under Secretary (Vig.) in the discharge of his functions. The Vigilance Section in the DFS deals with, inter alia, the following issues pertaining to PSBs, FIs and PSICs:-

Vigilance Section deals the following matters: -

a) Processing of cases relating to complaints, Vigilance clearance, sanction of prosecution and related matters of

- The Board level appointees of PSBs, FIs, PSICs, PFRDA, IRDA and RBI.
- All officials in the Department of Financial Services, officers of office of Custodian and Government officials in DRTs/ DRATs.

b) Appointment of CVOs in PSBs, FIs and PSICs.

Vigilance Section has the organisations of Special Court and Custodian working under it. Details of cases filed, disposed off for the last four years by Special Court are given below:

Table 11: Cases disposed off by Special Court

Year	Filed	Disposed
2014	149	217
2015	165	167
2016	141	140
2017	88	140

12.4.2 Performance

- The Vigilance Division of the Department monitors the progress on disposal of complaints received from various sources and pendency of disciplinary / vigilance cases regularly and meeting with CVOs is undertaken in this Department at appropriate intervals.
- During the period of 01.01.2017 to 31.12.2017 a total no. of - 7 CVOs have been appointed in PSBs/PSICs/FIs.
- Instructions have been issued from time to time as and when any gap in the system is observed to strengthen the preventive vigilance in these organisations.

12.4.3 The Vigilance Awareness Week was observed from 30th Oct., 2017 to 4th November, 2017. A pledge was administered by the Secretary (Financial Services) on 30.10.2017 to the officers of the Department.

12.5 Audit Paras

A Summary of Audit observations made available by the Office of C&AG pertaining to DFS is at **Annexure-III**.

Annexure-I

Group-wise Representation - SCs, STs and OBCs up to 31.12.2017

(Data Source - Public Sector Banks/Public Financial Institutions/Public Sector Insurance Companies)

Sl. No.	Group	Number of Employees (as on 31.12.2016)				Number of appointments/promotions made during the calender year 2017 (i.e. 01.01.2017 to 31.12.2017)									
						By Direct Recruitment				By Promotions			By Other Methods		
		Total	SCs	STs	OBCs	Total	SCs	STs	OBCs	Total	SCs	STs	Total	SCs	STs
1	Group-A	442831	79477	34027	76518	18660	2797	1383	5650	27957	4205	1724	64	3	1
2	Group-B	30078	4318	1898	4227	428	58	34	137	16	3	1	0	0	0
3	Group-C	370495	68121	28231	72382	17101	2974	1588	4503	9587	1968	632	770	210	45
4	Group-D (Excluding Safai Karamchari)	113003	34660	8449	22917	3461	622	228	1046	1075	330	89	214	101	25
5	Group-D (Safai Karamcharies)	34996	18906	2439	7899	2697	761	219	684	34	16	1	99	27	8
	Total	991403	205482	75044	183943	42347	7212	3452	12020	38669	6522	2447	1147	341	79

Annexure-II

Group-wise Representation of Persons with Disabilities upto 31.12.2017

(Data Source - Public Sector Banks/Public Financial Institutions/Public Sector Insurance Companies)

Sl. No.	Group	Number of Employees (as on 31.12.2016)				Number of appointments/promotions made during the calender year 2017 (i.e. 01.01.2017 to 31.12.2017)														
						Appointment by Direct Recruitment							Appointment by Promotion							
						No. of vacancies reserved			No. of appointments made				No. of vacancies reserved			No. of appointments made				
		Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH	VH	HH	OH	Total	VH	HH	OH
1	Group-A	341145	1703	658	5897	221	234	221	13448	206	32	206	30	30	30	17585	83	41	298
2	Group-B	1889	8	0	57	1	0	1	2	1	0	1	0	0	0	0	0	0	0
3	Group-C	266746	1788	1100	5427	235	228	217	10562	229	79	211	140	25	203	4346	20	14	83
4	Group-D (Excluding Safai Karamchari)	100334	187	219	1375	37	34	38	3077	40	27	49	4	4	10	646	2	3	18
5	Group-D (Safai Karamcharies)	26907	58	86	468	25	26	25	2500	13	7	45	0	0	0	0	0	0	0
	Total	737021	3744	2063	13224	519	522	502	29589	489	145	512	174	59	243	22577	105	58	399

Annexure III

Summary of Audit Observations pertaining to DFS

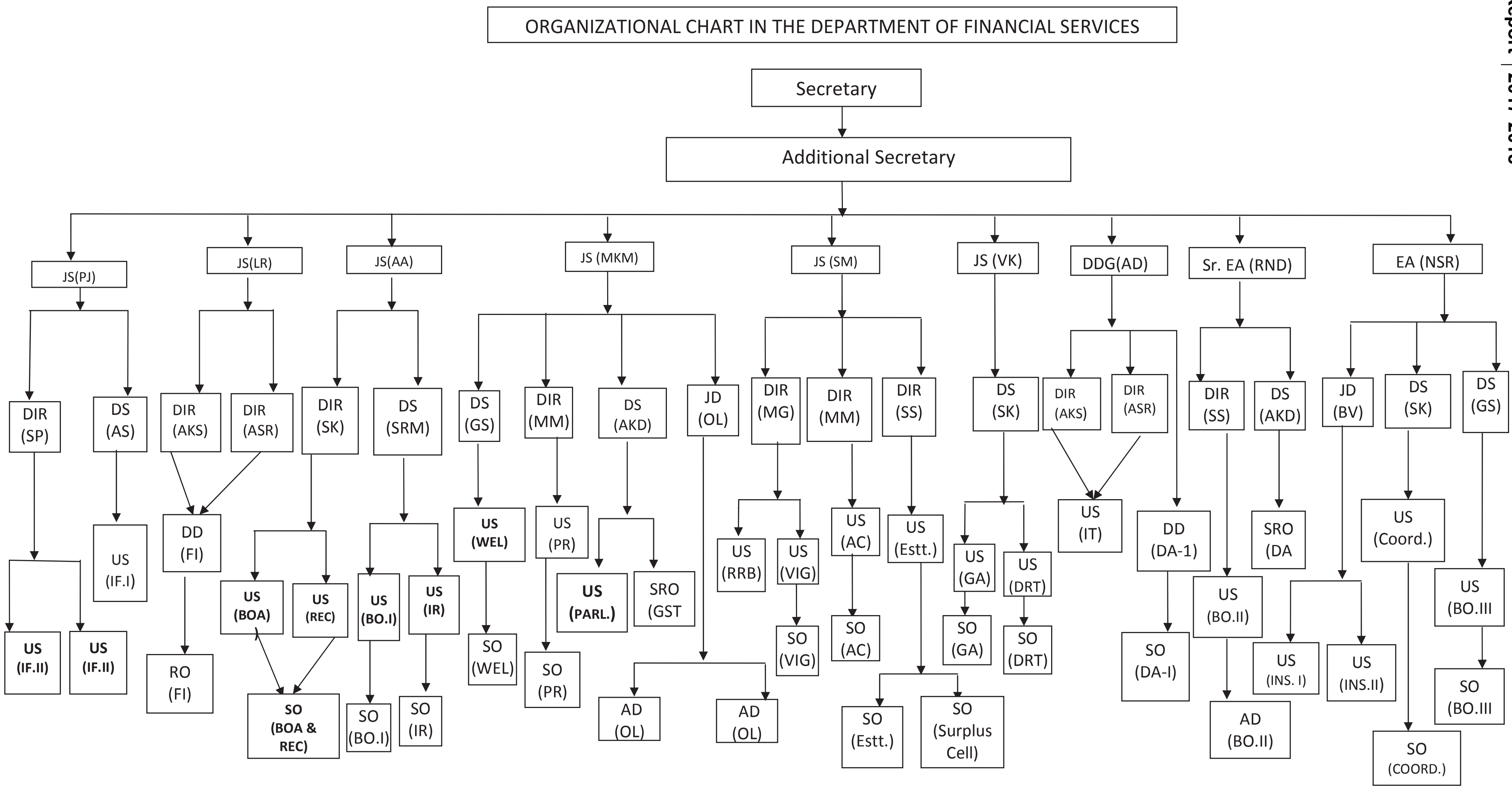
(As on 19.1.2018)

Sl.No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Para/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1.	2017-18	1	22#	Nil	Nil

#13 paras relate to Report No. 44 of 2017 laid on the table of the Parliament on 19.12.2017

Sl.No.	Year	No. of Paras/PA reports on which ATNs have been submitted to PAC after vetting by Audit	Details of the Para/PA reports on which ATNs are pending		
			No. of ATNs not sent by the Ministry even for the first time	No. of ATNs sent but returned with observations and Audit is awaiting their resubmission by the Ministry	No. of ATNs which have been finally vetted by Audit but have not been submitted by the Ministry to PAC
1.	2010-11	1	Nil	Nil	Nil
2.	2011-12	3	Nil	Nil	Nil
3.	2013-14	1	Nil	Nil	Nil
4.	2014-15	4	Nil	Nil	Nil
5.	2015-16	1	Nil	Nil	Nil
6.	2016-17	2	Nil	Nil	Nil

AS ON 23.01.2018



For Public Contact Purposes

Ministry of Finance

Department of Economic Affairs
North Block, New Delhi-110001
Phone: 23095120, 23092453
Website: http://www.finmin.nic.in/the_ministry/dept_eco_affairs/index.asp

Department of Expenditure

North Block, New Delhi-110001
Phone : 23095661, 23095613
Website: http://www.finmin.nic.in/the_ministry/dept_expenditure/index.asp

Department of Revenue

North Block, New Delhi-110001
Phone : 23095384, 23095385
Website: http://www.finmin.nic.in/the_ministry/dept_revenue/index.html

Department of Investment and Public Asset Management

Block 11 & 14, CGO Complex, Lodhi Road, New Delhi-110003
Phone : 24368528, 24368523, 24368044
Website: http://www.divest.nic.in

Department of Financial Services

Jeevan Deep Building, Parliament Street, New Delhi-110001
Phone : 23748721, 23748734
Website: http://www.finmin.nic.in/the_ministry/dept_fin_services/fin_services.asp