NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Relief from old tax demands: Read the fine print here *(deccanherald.com)* 05 Feb 2024

Given that the waiver is not a blanket one, let's try to understand its nuances, the government's compulsion and what is yet to be unravelled.

While the Interim Budget presented by the Union Finance Minister (FM), Nirmala Sitharaman, left the income tax (I-T) slabs untouched, a relief offered on outstanding tax demands caught many by surprise. She was quick to point out that 1 core taxpayers will benefit from it. Given that the waiver is not a blanket one, let's try to understand its nuances, the government's compulsion and what is yet to be unravelled.

What is the proposed relief?
The FM said that small outstanding disputed tax amounting to Rs 25,000 (per fiscal year) would be waived up to the year 2009-10, pursuant to that disputed tax demands to the tune of Rs 10,000 (per fiscal year) will be withdrawn for the years between 2010-11 and 2014-15.

As per Sanjay Malhotra, Revenue Secretary, Department of Revenue, Ministry of Finance, there are over 2.68 crore disputed demands for I-T, wealth tax and gift tax amounting to Rs 35 lakh crore pending before various legal forums. Out of these, 2.1 crores have a demand of up to Rs 25,000. While these include demands dating back to 1962, Malhotra shared that about 58 lakh demands were eligible for the relief up to the financial year 2009-10. The waiver proposed for the period 2010-11 to 2014-15 involves another 53 lakh demands.

Some clarifications
So what happens to people fighting tax demands for multiple financial years? Is there a cap on the relief they can access? The Revenue Secretary stated that the cap has been set at Rs 1 lakh per individual.

That said, what happens to the interest applied on these demands? That law levies a monthly 1% interest on such outstanding tax demands. Will the relief extend to the interest due, as well? Yes, it will be. In a postbudget interaction, Nitin Gupta, Chairman, Central Board of Direct Taxation (CBDT) said that only the base figure of Rs. 25,000 and Rs. 10,000 would be the deciding factor and not the interest amount riding on the basic demand over the years. Further, he also stated that a 'Speaking Order' explaining the practical details of the relief will be issued.

How will the waiver process be initiated?
In the post-budget interaction, the CBDT chairman has stated that the I-T department will extinguish those demands from its records. The taxpayer does not have to do anything. The department will not get in touch with the taxpayers at all. However, the action will be put on the e-filing portal, which can be verified by the taxpayer on logging in. If there are any issues like rectification, where an appeal effect has not been given, pending refund, then the department will resolve it. Since there is no specific amendment proposed in the Finance Bill, 2024, a detailed circular or instructions are being expected.

What propelled the move?
On the face of it, three compulsions come to mind. For one, the last Comptroller and Auditor General's report on direct taxes, for the year ended March 31, 2021, tabled in the Parliament in December 2022, highlights certain issues such as taxpayers not being traceable, demand being stayed by courts, tribunals or I-T authorities, mismatch of advance tax/ tax deducted at source / tax collected at source, no assets or inadequate assets - all of which are making it difficult to recover the demands.

Secondly, taxpayers have been spooked by demand notices to settle very old tax demands or proposed to adjust current tax refunds against old dues that go back to 2003. Thirdly, general el eral ections-related restrictions and recent direct tax buoyancy may have prompted it to explore this route and extend relief to more than one crore small and mid-level income taxpayers. The expected revenue forgone will be Rs. 3,500 crore.

The relief will be largely helpful to those taxpayers who have mismatches in taxes paid but the department or taxpayer himself does not have the records to prove it. It will speed up their pending tax refunds clogged by old tax demands. Nevertheless, the latest proposal is easier compared to the department's earlier direct tax dispute resolution schemes, where the taxpayers were subject to the cumbersome process of filing a detailed application and follow-ups, with the reliefs delayed on several occasions. The latest relief also helps the department in many ways, to clean its books, reduce tax disputes, save from follow-up/harassing the small, midlevel and senior citizen taxpayers and improve taxpayers' service.
https://www.deccanherald.com/business/relief-from-old-tax-demands-read-the-fine-print-here-2879382

2. Essential reforms *(millenniumpost.in)* 05 Feb 2024

Effective policy framework to regulate the unorganised retail sector is crucial to enhance the performance of the sector — benefiting the economy and society as a whole

India, as one of the five largest retail markets in the world, occupies the fourth position after China, Japan, and Germany in household consumption, valued at USD 2,068.84 billion among 141 nations surveyed by the World Bank in the year 2022. It is a great blessing to have such enormous domestic consumption, guaranteeing markets and fuelling economic growth—a advantage that even most advanced countries do not possess. According to Statista, the retail sector in India—the cutting edge of the economy, both organised and unorganised—is estimated to be at USD 1.2 trillion, with food and grocery holding the maximum share.

However, the glitter of shopping malls and multi-brand outlets in the formal sector doesn't truly reflect the big picture of the retail sector. The formal or organised sector constitutes only 10 per cent of the entire retail industry, contributing about 3-4 per cent to GDP, while the remaining 90 per cent is in the informal or unorganised sector, contributing around 7-8 per cent to GDP. Moreover, the former employs only 1-2 per cent of the workforce, whereas the latter employs 7-8 per cent. With over 12 million retail outlets, the informal sector, as one of the highest densities of retailer countries, plays a pivotal role in the economy.

Formal and informal retail sectors stand poles apart regarding customer base, business operations, and technology. Organised retail is governed by the Companies Act and, thanks to technological advancement and the digital revolution, is highly evolved, empowering consumers in terms of choice, value, and satisfaction. On the contrary, unorganised retail, consisting of local shopping marts, small outlets, Mom and Dad shops, Kirana stores, etc., suffers from a severe dearth of professionalism in operations such as store management, supply chain, procurement, and the use of information technology (IT). Lack of standardisation, poor financing, and an untrained workforce adversely affect the productivity of unorganised retail, which, in turn, impacts consumer rights.

Today, the average consumer feels insecure in local markets due to the lack of a guarantee for goods at the right value in return for their money. Adulteration in groceries and the sale of fake and substandard goods impact low-income groups the most, as they allocate a significant portion of their earnings to food and groceries. While in 2014-15, according to the Annual Public Laboratory Testing Report, out of 49,290 samples of foodstuffs, around 20 per cent were found to be adulterated. In 2018-19, the National Accreditation Board for Testing & Calibration Laboratories (NABL) found 28.56 per cent of 106,459 samples to be adulterated or non-conforming.

Effective control on unorganised retail is conspicuous by its absence, despite specific laws such as the Prevention of Food Adulteration Act, 1954, Vegetable Oil Products (Control) Order, 1947, Essential Commodities Act, 1955, the Fruit Products Order, 1955, the Solvent Extracted Oil, Deoiled Meal, and Edible Flour (Control) Order, 1967, etc. The Comptroller and Auditor General of India (CAG) observed in the 2019 audit report that "Neither FSSAI nor the state food authorities have documented policies and procedures on risk-based inspections, and the FSSAI does not have any database on food business." The situation is not much different in most other consumer goods either produced by MSMEs or 'dumped' by China in Indian markets. Adding to the misery, compliance with labour laws, including those on minimum wages, child labour, working hours, and safety, is pathetic in unorganised retail.

Unsurprisingly, the dubious performance of the unorganised sector made the way for a revolution in the organised sector when FDI was permitted in retail in 2012. Cities with populations above 1 million have become centres of growth in retail, with shopping malls, retail outlets, and shops in both Multi-Brand Retail Trade (MBRT) and Single-Brand Retail Trade (SBRT). Investment by MNCs helped redefine retail with a consumer-centric approach, ensuring better services and quality products at competitive prices and establishing linkages with the farm sector as well. In 2023, formal retail leased an all-time high of 7.1 million sq. ft across eight cities, marking a 47 per cent increase from the previous year. Alongside brick-and-mortar stores, e-retail has also acquired a huge consumer base over the years. Deloitte India, in its report 'Future of Retail,' forecasts that online retail in India, which stood at USD 70 billion in 2022, will surge to USD 325 billion by 2030.

A study by McKinsey & Company (The State of Grocery Retail in India) suggests that access to knowledge and epicentres of growth momentum are responsible for the transformation of household shopping behaviour. Positive market sentiment and capital inflow have created five disruptions in the grocery ecosystem: E-b2b platforms like UDAN and ShopeX, Payment digitisation and data analytics by Fintech firms, new MT formats and private labels leading to 'minimart'-isation by Walmart and Polymerase, Direct-to-consumer (D2C) Kiranas offering home delivery by Dunzo and D-Mart, etc., and finally, omnichannel end-to-end ecosystems connecting brands and consumers by Reliance, Jio, Flipkart, Walmart, etc.

No doubt, the formal sector has revolutionised the retail narrative in India, but it is primarily city-centric, catering to the educated middle- and higher-income sections, a market barely 10 per cent of the entire retail industry. Moreover, forecasts of a boom in formal retail seem ambitious in the face of an increasing number of ghost Malls (57 out of 271 operational in the country). Expensive foreign brands do not attract average consumers as much as the grandeur, food courts, and amusement avenues do in the Malls. Besides, FDI in retail is potentially a double-edged sword, which, if not controlled, can siphon off the wealth of the nation. Hence, restrictions such as the limit of USD 100 million with 50 per cent of it to be invested in back-end infrastructure, and foreign companies owning more than 51 per cent of equity, to source 30 per cent of goods from MSMEs in India.

The majority population of low-income sections, both in urban and rural areas, still depends on unorganised retail, warts and all. The inequalities in the value of goods in exchange for money are evident between both sectors and become more striking during food inflation. Competition between both sectors is unthinkable as there is no level playing field. Unorganised retail involves a huge public good since ensuring access to goods with quality is a social obligation for the State. Besides, it has tremendous employment potential locally, for skilled, semi-skilled, and unskilled workforces alike. But sadly, unorganised retail is the most unregulated. Necessary interventions to improve the performance of the sector will benefit the economy and society immensely. Schemes such as PMMY, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Stand-Up India, etc., encourage entrepreneurship in retail. But what we need more is an effective policy framework to regulate the sector in terms of consumer welfare and the modernisation of operations. It goes without saying that spreading consumer awareness is equally important.https://www.millenniumpost.in/opinion/essential-reforms-550858

3. Three-day North Zone Football Tournament of CAG department flags off *(millenniumpost.in)* 6 Feb 2024

CHANDIGARH: Three-day North Zone Football Tournament of Indian Audit & Accounts Department organised by the Principal Accountant General (Audit) Haryana flagged off at Sector 42 Stadium on Monday.

The inauguration of the tournament was done by Chief Guest Shailendra Vikram Singh, Principal Accountant General (Audit), Haryana who interacted with all the team players and boosted their morale. Seven teams namely AG Haryana, AG Himachal Pradesh, AG Jammu & Kashmir, AG Punjab, AG Uttar Pradesh, AG Delhi, AG Uttarakhand are participating in the tournament.

The first match was played between AG Punjab and AG Uttarakhand which remained almost one-sided wherein AG Punjab won by 4-0 by defeating AG Uttarakhand. The second match was played between AG Delhi and AG Himachal Pradesh. The AG Delhi won 5-0 by defeating AG Himachal Pradesh. In the afternoon, the third match was played between AGHaryana and AG Uttar Pradesh which showed a tough competition from both sides. AG Haryana won in Penalties by 4-3 by defeating AG Uttar Pradesh. https://www.millenniumpost.in/nation/three-day-north-zone-football-tournament-of-cag-department-flags-off-550973

STATES NEWS ITEMS

4. Govt to SC: Kerala gets due share from Centre, mishandling to blame for crunch *(indianexpress.com)* February 6, 2024

In a note to the SC which is hearing a suit filed by Kerala against the Centre imposing a ceiling on the amount it can borrow, Attorney General R Venkataramani underlined the need for fiscal discipline by the Centre and states and pointed to the adverse consequences of having unsustainable levels of government debt.

Blaming Kerala's financial woes on its "poor public financial management", the Centre has told the Supreme Court that the state had been allotted substantial resources from Central taxes and duties, highest share of post devolution Revenue Deficit Grant, financial support over and above the recommendations of the Finance Commission and substantial transfer of resources under the centrally sponsored schemes.

In a note to the SC which is hearing a suit filed by Kerala against the Centre imposing a ceiling on the amount it can borrow, Attorney General R Venkataramani underlined the need for fiscal discipline by the Centre and states and pointed to the adverse consequences of having unsustainable levels of government debt.

Painting a grim picture of the state's revenue receipts and expenditure, the Centre said that "to circumvent the borrowing limits, Kerala has resorted to off-budget borrowing of Rs 42,285 crore from 2016-17 to 2021-22 through the Kerala Infrastructure Investment Fund Board (KIIFB) and Kerala Social Security Pension Limited (KSSPL)" which "have no revenue sources of their own".

"Since… the borrowings are to be repaid not from their revenue resources but from funds transferred from the Consolidated Fund of the State, CAG (Comptroller and Auditor General) termed it as an attempt to bypass targets set in Kerala Fiscal Responsibility and Budget Management Act and Net Borrowing Ceiling prescribed by the Centre".

The CAG, said the Centre, has observed that "these off-budget borrowing will have an impact of increasing the liabilities of the state government, leading to a debt trap over a period of time" and that "such off-budget borrowings by SOEs amount to borrowing by the state".

The AG pointed out that "Kerala's financial health and debt situation has attracted adverse observations from successive Finance Commissions as well as the CAG. The RBI has also categorised Kerala among the five highly stressed states requiring urgent corrective measures".

He added that "a study on State Finances of Kerala conducted by the Indian Institute of Management, Kozhikode in 2017 also pointed towards poor public finance management in the state".

The note added that "despite the devolution of substantial resources from Central taxes and duties, highest share of post devolution Revenue Deficit Grant, financial support extended by the Union government over and above the recommendations of the Finance Commission and substantial transfer of resources to the State government under the Centrally Sponsored Schemes, any financial stress that the Government of Kerala is facing is purely due to its own financial mismanagement".
https://indianexpress.com/article/india/govt-to-sc-kerala-gets-due-share-from-centre-mishandling-to-blame-for-crunch-9145922/

5. Karnataka govt forms panel to probe 'irregularities' in KEONICS *(hindustantimes.com)* Feb 06, 2024

The state government has formed a committee to investigate alleged irregularities in the Karnataka State Electronics Development Corporation Ltd. (KEONICS). The inquiry committee will be led by retired IAS officer SD Meena. This decision comes following observations made by the Principal Accountant General during the Compliance Audit of KEONICS for the period spanning from 2018-19 to 2022-23.

The committee, as per the order, will be comprised of a financial expert (a retired SAAD official) and a technical expert to support the auditing process. The order outlines several concerns raised by the Principal Accountant General's audit team, citing 45 audit objections regarding transactions and procurement practices at KEONICS during the specified period.

"The Principal Accountant General audit team has submitted 45 audit enquiries on the transactions and procurements of goods by KEONICS for the above-mentioned period. The proposal from the Managing Director, KEONICS, has been examined. From the major findings of the Principal Accountant General audit team, it is evident that there has been lacunae and gaps like the technical specifications in the products haven't been clearly brought out; the third-party inspection do not have due certifications of the persons who have inspected the goods; the delivery challans do not have the seal/date or seal of recipient organisation; the process of empanelment and selection of vendors for the supply of goods to various departments and organisations are not in conformity with the standard tender document prescribed by the Finance Department," the order said

Cabinet minister Priyank Kharge, in a statement on X (formerly Twitter), accused the previous BJP government of procuring IT peripherals at significantly inflated costs, ranging from 38% to 1577%. He criticized the BJP's reliance on religious issues to divert attention from alleged misdeeds, citing audit objections totalling over ₹430 crore between 2018-19 and 2022-23.

"There have been 45 audit objections raised by the Comptroller & Auditor General between 2018-19 & 2022-23. @BJP4Karnataka Govt procured IT peripherals at escalated costs ranging from 38% to 1577%," Priyank Kharge said on X.

The government has ordered a probe into the alleged Bitcoin scam, Police Sub-Inspector (PSI) recruitment and the alleged accusation by the contractors' association regarding the BJP government demanding 40% commission for clearing development projects.

Chief minister Siddaramaiah responded to complaints from contractors in 10 districts regarding delays in bill processing under the Nagarothana project during a media interaction in Davangere. He pledged to investigate any claims of state officials causing delays in bill processing under the project, which was initiated in 2016-17 with an allocation of ₹2890.00 Crore, comprising a 50% grant from the government and a 50% loan from KUIDFC. https://www.hindustantimes.com/india-news/karnataka-govt-forms-panel-to-probe-irregularities-in-keonics-101707162455742.html

6. Deonar's waste-energy plant to be ready by Oct 2025: BMC *(timesofindia.indiatimes.com)* Feb 06, 2024

MUMBAI: BMC, under scrutiny over delays regarding its Deonar waste-to-energy plant plan, has promised to commission it by October 2025. The plant, to be of 600 ton per day capacity, is expected to produce 4 MW of power daily.

CAG had slammed BMC for delays in the project. Recently, the state govt approved Deonar dumpyard plot reservation modification for the plant to come up. It was in 2016 that BMC decided to issue a global e-tender for a 3,000 ton per day capacity plant to process municipal waste scientifically. This was later downsized to 600 ton per day. The project was awarded in June 2022 to Chennai MSW for Rs 648 crore, with a design and build period of 40 months and an operations and maintenance period of 15 years.

"The plant's capacity will be enough to process the daily waste dumped at the Deonar yard. Construction work is underway on the plant, expected to come up on 12 hectares. Work right now is at the plinth level," said a BMC official.

Locals are apprehensive about the project on environmental grounds. "They are already suffering due to bio-medical waste plants as well as due to the very presence of the dumping ground, which releases harmful gases. People are worried the waste-to-energy plant will contribute to increased pollution. Most such plants in other cities have not been successful," said Shaikh Faiyaz Alam, president, Govandi New Sangam Welfare Society. Responding to the criticism, a BMC official said the plant will effectively remove waste, which in itself will be a positive outcome.

CAG in its special audit report released last year had pointed out poor monitoring by BMC and "abnormal delays" in obtaining clearances. It also stated that physical progress of work as of Dec 2022 was only 10%. The report stated that the BMC-appointed consultant delayed obtaining various clearances, including the crucial forest clearance. That, coupled with BMC's poor monitoring, had defeated the very purpose of awarding the consultancy to a single bidder on an urgent basis, leading to a time overrun, CAG said. https://timesofindia.indiatimes.com/city/mumbai/deonars-waste-energy-plant-to-be-ready-by-oct-2025-bmc/articleshow/107442447.cms

7. बाजार से भारी कर्ज लेकर योजनाएं चला रही है ममता सरकार, CAG रिपोर्ट में खुलासा *(samacharnama.com)* 05 Feb 2024

बंगाल में ममता बनर्जी की सरकार बाजार से भारी कर्ज लेकर अपनी विभिन्न जनकल्याणकारी योजनाएं चला रही है. इनमें कन्याश्री, रूपश्री, स्वास्थ्य साथी समेत कई योजनाएं शामिल हैं। यह खुलासा CAG की ताजा रिपोर्ट में हुआ है. इसमें कहा गया कि वित्तीय वर्ष 2021-22 में बंगाल सरकार ने बाजार से 4,312 करोड़ रुपये का कर्ज लिया है.

राज्य सरकार ने कोई ब्योरा नहीं दिया

गौर करने वाली बात यह है कि राज्य सरकार ने अपने बजट में इसका कोई ब्योरा पेश नहीं किया है. विभिन्न सरकारी संस्थानों के माध्यम से ऋण लिया गया। स्वास्थ्य साथी के लिए 720 करोड़ रुपये, कन्याश्री के लिए 1122 करोड़ रुपये और रूपाश्री के लिए 485 करोड़ रुपये का कर्ज लिया गया। अन्य योजनाएं चलाने के लिए भी कर्ज लिया गया. सीएजी रिपोर्ट 2016-17 से 2020-21 तक पांच वित्तीय वर्षों में बंगाल सरकार की आय और व्यय और उस अवधि के दौरान लिए गए ऋण पर आधारित है। https://samacharnama.com/city/darjeeling/mamata-govt-running-schemes-by-taking-huge-loans-from/cid13498139.htm

SELECTED NEWS ITEMS/ARTICLES FOR READING

8. GST officials detect 14,597 tax evasion cases in Apr-Dec: Govt informs LS *(business-standard.com)* Feb 05 2024

GST officers are using data analytic and artificial intelligence tools like Business Intelligence and Fraud Analytics to identify risky taxpayers suspected of passing or availing fake input tax credits, Parliament was informed on Monday.

In a written reply to the Lok Sabha, Minister of State for Finance Pankaj Chaudhary said a total of 14,597 cases of Goods and Services Tax (GST) evasion have been registered by central tax officers during April-December 2023.

A maximum number of such cases was registered in Maharashtra (2,716), followed by Gujarat (2,589), Haryana (1,123) and West Bengal (1,098).

"Various data analytic and artificial intelligence tools such as NETRA (Networking Exploration Tools for Revenue Augmentation), BIFA (Business Intelligence and Fraud Analytics) & ADVAIT (Advanced Analytics in Indirect Taxation) are being used to identify risky taxpayers, suspected of passing or availing fake input tax credit, including in the State of Andhra Pradesh," Chaudhary said.

GST intelligence officers have detected fake input tax credit (ITC) cases worth Rs 18,000 crore in April-December of the current fiscal and arrested 98 fraudsters/ masterminds.

Based on the feedback received from the field formations, these tools are updated/modified from time to time, he added.

Chaudhary said the GST registration process has robust checks in the form of physical verification of premises and Aadhar authentication.

The said checks have enabled in early detection of fraudulent registrations and also curbed fraudulent registrations to a great extent.

In Gujarat, Andhra Pradesh and Puducherry a pilot on risk-based biometric-based Aadhaar authentication is being carried out for registration applications. https://www.business-standard.com/india-news/gst-officials-detect-14-597-tax-evasion-cases-in-apr-dec-govt-informs-ls-124020501122_1.html

9. 'Flexibility to change GST liability to go' *(newindianexpress.com)* February 05, 2024

In an interaction with this paper, Revenue Secretary Sanjay Malhotra revealed that the flexibility to change the GST liability without changing the input tax will be removed to prevent tax evasion.

In a bid to curb the practice of claiming bogus or higher input tax credit (ITC), finance ministry will bring a major reform to the GSTN system.

In an interaction with this paper, Revenue Secretary Sanjay Malhotra revealed that the flexibility to change the GST liability without changing the input tax will be removed to prevent tax evasion.

"The facility to edit given to the buyers to increase their input tax credit and sellers to reduce their output liabilities without corresponding changes will be removed. This will reduce the problem of bogus firms, non-existent firms, and revenue loss," Malhotra said. Meanwhile, he also informed that there is no need to implement the reverse charge mechanism to tackle the issue, as the above measure would be sufficient to prevent tax evasion.

According to experts, it would probably take two to three month for the industry to adapt to the changes made in the GSTN System. "Measures to curb bogus input tax credits are welcome. However, it is important for industry to get some time to test and implement the changes," Pratik Jain, Partner, Price Waterhouse & Co LLP said.

Abhishek A Rastogi, founder of Rastogi Chambers, who has been arguing various such petitions in courts with respect to tax cascading said, "Any mechanism which increases the burden on genuine taxpayers will be subject to judicial review as the unwarranted burden is against the objectives and framework of GST". He says that under no circumstances, the genuine purchases must be denied credit due to the default of the supplier, added Rastogi.

To curb frauds in GST and increase compliance, the GST formations, under the Central Board of Indirect Taxes and Customs (CBIC) and the State/UT Governments, across the country are carrying out a focused drive on the issue of non-existent / bogus registrations and issuance of fake invoices without any underlying supply of goods and services. https://www.newindianexpress.com/business/2024/Feb/06/flexibility-to-change-gst-liability-to-go

10. Indirect taxes in the journey of India's economic growth *(moneycontrol.com)* February 06, 2024

Indirect taxes have played an important role in contributing towards the economic development by replacing a fragmented indirect tax system

The Vote-on-Account presented on Thursday by the Finance Minister, is an interim budget before the General Elections. A full-fledged budget is likely to be presented by the new Cabinet, possibly in July, following the conclusion of the election. The Finance Minister's speech highlighted the advancements made by the Indian economy, progressing rapidly towards the goal of $5 trillion in the next three years and attaining the status of the third largest economy in the world.

In her budget speech, the Finance Minister attributed GST as one of the key elements for people-centric inclusive development. The "one nation, one market, one tax" agenda has helped in expanding taxpayers' base and increasing tax collections. She mentioned that there has been an increase in the revenue of states, post introduction of GST, which has led to an overall growth in the economy. Consumers have also benefitted from GST, with removal of cascading effects due to multiple indirect taxes, resulting in reduction of prices of goods and services.

According to data released on 31 January, GST collections for January 2024 rank the second highest since July 2017, yet another macro indicator of the health of the economy.

A survey conducted by Deloitte providing insights into the sixth year of GST, was referred to by the Finance Minister in her speech. This survey invited views from the industry which acknowledged the government's proactive measures to simplify compliance that played a crucial role in the efficient adoption of the GST. The survey reflected a positive outlook towards ease of doing business in India with enhanced supply-chain efficiencies, working capital rationalisation, input cost reduction, etc. Continued focus on simpler and more efficient tax technology initiatives were also optimistically received. The survey results showed that while large taxpayers have been able to adapt to the technology tools introduced in GST, MSMEs have been facing challenges in e-invoicing and matching requirements for availing input credits.

Ambiguity regarding the application of the Input Service Distributor (ISD) and cross-charge mechanism have been resolved in the budget, with the amendment of the relevant provisions of GST law making ISD mechanism mandatory on a prospective basis. This is in line with the recommendations by the GST Council in recent meetings.

Measures have been taken under Customs to reduce the time taken for clearance of goods where the import release time at inland container depots have declined by 47 percent to 71 hours, air cargo complexes by 28 percent to 44 hours and sea ports by 27 percent to 85 hours. Leading to supply chain optimisation. Changes with respect to lowering of Customs duties on mobile phone components, extension of Customs duty concessions on lithium-ion cells for mobile phone, were recently made to provide the smartphone industry the ability to import components at lower rates and help this industry play a larger role globally.

Industry had expectations that an amnesty scheme could probably be introduced under Customs law to reduce litigation and for the digitalization of the Customs litigation processes, etc. These expectations may be taken up in the full budget to be presented after the elections.

Indirect taxes have played a pivotal role in contributing towards the economic development of India where a fragmented indirect tax system has been replaced. Compliances could be made simpler as there are sections (MSMEs and smaller players) who find rules tough to maneuver and to ease doing business in India. https://www.moneycontrol.com/news/opinion/indirect-taxes-in-the-journey-of-indias-economic-growth-12204571.html

11. Let Them Buy — Why MoD Should Not Restrict Emergency Procurement *(swarajyamag.com)* February 5, 2024

The Ministry of Defence (MoD) and the Indian armed forces are at odds over the utilisation of the emergency financial powers granted to the vice chiefs of the three services.

The MoD wants the powers be used for revenue procurement (for buying spare parts, etc), while the armed forces advocate for their use in capital procurement (for purchasing new weapons and equipment).

These powers were first granted to the vice chiefs in 2016, following surgical strikes in Pakistan.

The emergency powers allow the vice chiefs to directly purchase weapons worth up to Rs 300 crore from manufacturers, bypassing the MoD's tedious and lengthy Defence Procurement Procedure (DPP) — that takes years to fructify — thus avoiding red tape and rapidly inducting urgently needed equipment for immediate operational use.

Since then, the government has renewed these powers three more times — the most recent in August 2023.

These powers have allowed the three services to plug critical operational gaps, and induct urgently needed equipment and shore up their ammunition reserves, particularly for the northern frontier, where Indian and Chinese forces are in an eyeball-to-eyeball confrontation along the entire Himalayan border.

For instance, the army procured equipment worth Rs 18,000 crore in 140 projects, including rifles, surveillance drones, loitering munitions, counter-drone systems, etc. The air force and the navy purchased bombs, communication systems, and high-mobility vehicles, among others.

However, disagreements between the armed forces and the MoD over restricting these powers to either revenue or capital procurement have sparked concerns.

As the term suggests, emergency powers should be flexible, allowing the procurement of any product 'urgently' required, without being restricted to just spare parts or new weapons.

Consider a hypothetical scenario: if an adversary introduces a hitherto new weapon or tech against the forces, how are they supposed to counter this new weapon, if emergency powers are restricted to purchasing only existing weapons or spare parts?

Limiting these powers will be counterproductive and defeat the whole point of having emergency powers — to help induct operationally critical weapon systems to the frontline, as soon as possible.

Whether the equipment required is an entirely new weapon or just spare parts for 'sustenance', is immaterial.

The government should also stop cribbing, since its utter failure to fix the broken procurement process that led to shortfalls, in the first place, necessitating the need for emergency powers.

The proposal for acquiring six Airbus A-330 MRTT mid-air refuelers for the air force is a prime example of this.

The MoD has denied the procurement of A-330 MRTT mid-air refuelers for the IAF twice, over the last decade and more, citing lack of funds, forcing the IAF to make do with the two-decade-old IL-78 refuelers, that are reportedly suffering from low availability rates.

The armed forces, on the other hand, also bear some of the responsibility, as some shortfalls also stemmed from their own penchant for drafting 'marvel comics' like unrealistic quality requirements (QRs) — sometimes so stringent that even foreign vendors can't match.

The saga of procuring replacement of INSAS rifles is a case in point, where the QRs stipulated changing the caliber of the rifles — from 5.56 mm to 7.62 mm and vice versa, supposedly by simply changing the barrel and magazine of the rifle.

Suffice to say, that project never reached its conclusion, and the forces had to import AK-203 rifles from Russia, the induction of which is also delayed due to protracted cost negotiations and Covid-related shutdown.

Furthermore, the trials and tribulations that the now successful Tejas fighter jet and Arjun tanks had to go through, before their induction in the air force and army, are also noteworthy — marred by delays due to the ever-changing requirements midway in the product development phase, leading to the final product significantly shooting the timeline.

Efforts of both the MoD and the armed forces should be better spent towards addressing the broken procurement process, the very fact that forced the government to grant emergency procurement powers to the services. https://swarajyamag.com/defence/let-armed-forces-use-emergency-procurement-powers-as-they-deem-fit

12. PSE policy is dying a slow death. More than half are non-operational or loss-making *(theprint.in)* 06 Feb 2024

Nobody is calling for haste in the disinvestment process, but there’s no reason for the current pace. Perhaps for political reasons, govt can’t take back the policy—it's admitting defeat.

One of the biggest reforms announced by the Modi Government, the privatisation of public sector companies, seems to be dying a slow death brought on by utter policy confusion. What else can one call it when the government sets ambitious disinvestment targets year after year, but then conducts fewer rounds of disinvestment each year?

Or what do you call it when the government’s policy envisages the shutting down of public sector companies, but more than one-third of the current central public sector enterprises remain active on paper, yet are classified as ‘not operational’.

A short recap before we start. The Modi Government used the Atmanirbhar Bharat package of May 2020 to announce a number of sectoral reforms, one of which was the Public Sector Enterprises Policy (PSE policy). Under this policy, the government said it would restrict itself to a minimum presence in key strategic sectors and would entirely exit the non-strategic ones. The exits were to take place through disinvestment and closures.

Now, given the large number of companies across diverse sectors that the government has a presence in, it was expected that such a process would take time. You can’t exit from multiple sectors of the economy overnight. Apart from the economic fallout, there are also the political implications. Privatisation has always been a politically tricky thing to pull off.

However, while nobody is calling for haste in the disinvestment process — although it might be good to see — there’s no reason for the current level of seeming inaction. For example, in 2022-23, the government managed to reach just Rs 35,293.52 crore of its disinvestment target of Rs 65,000 crore for the year. That’s just a little over half.

In the current financial year, the government has managed to disinvest just about Rs 12,500 crore, out of an initial target of Rs 61,000 crore for the year, which has since been revised downwards to a still-optimistic Rs 30,000 crore.

This is the first element of confusion evident in the government’s disinvestment-related policymaking. Perhaps for political reasons, the government can’t be seen to be taking back its PSE policy — it would be seen as admitting defeat.

Instead, what it seems to be doing is setting disinvestment targets for the year that would suggest it intends to plough ahead with the policy, but then go slow on actually doing anything about it. Why else would it set a target of Rs 50,000 crore for FY25, when none of the trends show it will come close to that number?

Dividends and disinvestment

Compounding the confusion are the repeated statements by the Secretary, Department of Investment and Public Asset Management (DIPAM), saying that the government is going to be relying as much on dividends as it is on proceeds from disinvestment.

Indeed, the numbers in the budget seem to confirm this. In 2022-23, the government received Rs 99,900 crore as dividends from public sector enterprises, the RBI, and the public sector banks. In the current year, it budgeted to receive Rs 91,000 crore and revised this upwards to Rs 1.54 lakh crore. For the next financial year (2024-25), it’s started off with an assumption that it will get Rs 1.5 lakh crore from dividends.

A large part of this dividend income comes from the RBI, but the contributions of the public sector enterprises and banks are significant. The confusion here comes from the fact that, conventionally, the debate of disinvestments versus dividends is usually couched as a zero-sum game — that if more disinvestment is done, then fewer dividends will come, and if more dividends are needed, then less disinvestment can be done.

This would be the case if all public sector companies were profit-making, and therefore capable of paying dividends. The unfortunate truth is that a large number of these companies are simply not operational, and of the ones that are operational, many are loss-making.

Here’s what the latest annual report of the Ministry of Finance has to show. Of the 389 central public sector enterprises, as of March 2022 (the latest period for which there is data), 141 were not operational. Of the 248 that were still operational, 60 were loss-making. So, taken together, that means more than half of the public sector enterprises were either not operational or were loss-making.

Disinvestment and exit need to start with these. The PSE policy is quite clear about the fact that exiting from non-strategic sectors would include the closure of several companies. There’s very little justification for having 141 non-operational companies on the government’s books. And if those 60 loss-making companies can’t be turned around, then they too should be shut down.

RSS excuse

What this shutting down involves is something worth exploring. If it’s just a matter of paperwork, then that should be fast-tracked. Even if no money is earned from shutting these companies down, they will no longer even be an accounting entry for the government.

What the government will be left with is the profit-making companies, which can pay it dividends. At the same time, it would have substantially reduced its presence in a number of sectors, a stated aim of the PSE policy.

One argument being made about why the government is going slow on disinvestment is that the RSS is not in favour of the policy. However, if the Swadeshi Jagran Manch — the economic policy arm of the RSS — is to be believed, then it’s not true. As Ashwani Mahajan, the national co-convener of the SJM, said in a recent interview with ThePrint, it is only against strategic disinvestment which is where the government’s stake is sold to a single buyer.

The RSS and SJM are in fact totally fine with the government selling its stake in the open market, with general investors picking up small pieces of government companies. This way, the government earns money from disinvestment, and the common citizenry becomes a stakeholder in public sector companies.

The other major hurdle in the disinvestment process is the fact that many of these companies were set up in pre-Independence and so a lot of the paperwork is in physical form, and, unfortunately, lost. For example, many companies have leased land from state governments and now the lease papers are lost, so there's no way to dispose of that land.

However, here, too, the government has a solution that could work. The details of the PSE policy say that land leased from states be returned to the state government "without insisting on any compensation". In other words, the land is to be returned, no questions asked.

Whether this can work or not is something the administration has to figure out. My point is that complications arising out of paperwork can easily be dealt with, should the will to do it exist.

The Modi government has a number of policies that exist only on paper. Unfortunately, the PSE policy — one that could have really distinguished the Modi government from its predecessors — is quickly becoming another such example. https://theprint.in/opinion/pse-policy-is-dying-a-slow-death-more-than-half-are-non-operational-or-loss-making/1955463/

13. Bhopal Municipal Corporation Accused of Diverting AMRUT Yojana Fund *(freepressjournal.in)* February 05, 2024

While the BMC already raised the fund of crores of rupees at a rate of Rs 50 per square feet on PPP mode in 240 illegal colonies through colonisers over some head as well as nullah works.

The Bhopal Municipal Corporation (BMC) has allegedly diverted the fund which it received under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for sewage lines in illegal colonies. While the BMC already raised the fund of crores of rupees at a rate of Rs 50 per square feet on PPP mode in 240 illegal colonies through colonisers over some head as well as nullah works.

New Colonies Welfare Association president Sunil Upadhyaya said, "There are 240 illegal colonies in which the BMC raised the fund at rate of Rs 50 per square feet on sewage head. The BMC got crores of rupees through colonisers in the name of development, but it is diverting the AMRUT Yojana fund for it instead of using its own fund."

BMC leader of opposition Shabista Zaki said, "The BMC had collected the fund on PPP mode in the name of sewage lines from 240 illegal colonies. But the sewage line and all the related work is being done through the AMRUT Yojana of the Central government. So my point is where the BMC has used the fund raised through the PPP mode in the name of sewage. The BMC has even floated a tender of Rs 350 crore on the basis of the fund which it received under the AMRUT Yojana.

It is misappropriation of the fund. If the BMC has transferred the fund, it should come out with clarification in the parishad meet." On the other hand, BMC chairman Kishan Suryavanshi said, "The BMC has to take approval from the parishad (council) for the transfer of the fund. No one, even BMC commissioner, mayor has the power to divert the funds. Without parishad approval, the fund which is dumped in any head, cannot be utilised for other purposes except education cess." https://www.freepressjournal.in/bhopal/bhopal-municipal-corporation-accused-of-diverting-amrut-yojana-fund

14. Madhya Pradesh: Land Allotted for Atal Ashray Yojana 5 Yrs Ago Lying Unused *(freepressjournal.in)* February 05, 2024

Five years have passed since five hectares were allotted to set up Uchh Kalp Colony in Unchahara where houses for the poor were to be built under Atal Ashray Yojna, but nothing has been done to construct the houses. There is only a board containing the name – Uchh Kalp colony.

Some people have encroached upon the land and sown crops on it. Nevertheless, those who have registered themselves for houses are moving from pillar to post for loan, sources said. The banks say that they give loans only to income-tax payers, but those who have applied for loans under the Atal Ashray Yojna belong to the economically weaker section.

The poor and the middle class people are facing problems because of the government's inaction. On the other hand, the Housing Construction Infrastructure Development Department has clearly mentioned in the advertisement that Atal Ashray Yojna is only for the poor and the weaker section.

But none of the banks are ready to give loans, sources further said. The banks are not even ready to accept the debt certificate. The beneficiaries demanded the banks to accept the debt certificates and give loans. The department is not ready to take the land allotted for Atal Ashray Yojna. So, it is trying to find another plot of land for which the Housing Board has written letters.

But nothing has been done to give up the present plot of land, sources in the Tehsil office said. According to sources, the Housing Board has sent applications to the Tehsil office for allotment of fresh land. As a result, the construction of houses is getting delayed, and the beneficiaries are waiting for it, sources further said. https://www.freepressjournal.in/bhopal/madhya-pradesh-land-allotted-for-atal-ashray-yojana-5-yrs-ago-lying-unused

15. VACB unearths widespread irregularities linked to waste management in Kochi Corp *(english.mathrubhumi.com)* 06 Feb 2024

Kochi: Vigilance and Anti-Corruption Bureau, Kerala (VACB), has unearthed massive misappropriation of funds in relation to managing degradable and biodegradable wastes in Kochi Municipal Corporation.

According to VACB officials, the officials of the Corporation's health unit siphoned off a considerable portion of the payment received to the Corporation. It is said that only a small portion of the sum reached the Corporation's account.

The vigilance unit conducted a preliminary inquiry and compiled a report on the basis of a complaint received from Ravipuram native Sethu Janardhanan Pillai. In the report, VACB recommended action against Health Inspector C. Prasannan and Junior Health Inspector P.S. Shanu. Furthermore, Vigilance calls for a department-level inquiry against Junior Health Inspectors V.S. Dhanya and L. Dhanya for failing to take action despite learning of the fund embezzlement.

According to VACB, the accused health officials fined a business establishment Rs 25,000 for dumping degradable waste in public areas. However, the Corporation records show that the Corporation received only Rs 5010 in fines.

VACB had also unearthed similar frauds linked to the officials. The report also calls for a special audit to ascertain the loss suffered by the Corporation and uncover the involvement of other officials. https://english.mathrubhumi.com/news/kerala/vacb-unearths-widespread-irregularities-linked-in-kochi-corporation-1.9300966

16. 32% of Delhi's daily waste at mercy of elements: ASCI *(hindustantimes.com)* Feb 06, 2024

An audit of Delhi's garbage management, and the implementation of the Capital's municipal solid waste (MSW) management rules, revealed that nearly 32% of the waste that the city generates is leaking into the environment and needs immediate attention.

The audit conducted by the Administrative Staff College of India (ASCI), Hyderabad, also flagged the shortcomings in the Municipal Corporation of Delhi's primary process of door-to-door collection of waste.

Delhi produces an estimated 11,000 tonne of waste per day. In April 2023, the Solid Waste Management Committee headed by the lieutenant governor had directed MCD to carry out a third-party audit of Delhi's solid waste management, collection, transportation, recycling, processing and disposal system.

Subsequently, a team from ASCI studied Delhi's waste collection between September and December. Municipal commissioner Gyanesh Bharti, while presenting MCD's annual budget proposals for 2024-25 on December 9, shared that ASCI will assess the Capital's garbage management, and identify the areas of improvement.

The audit report found that 32% of the waste generated daily "is leaking into environment and needs immediate attention". The report revealed that around 7% of this garbage (770 tonne per day) is not collected and leaks from the primary collection at source, around 20% of the daily generation of waste is dumped on to oversaturated dump sites, and 5% is left after wet waste processing.

HT has seen a copy of the report.

The audit noted that at the primary, door-to-door collection level, only 43% of garbage ends up at dhalaos and dustbins. "It was observed that door-to-door collection is significantly lacking within the city and is predominantly managed by informal waste pickers... The primary collection is done mainly using auto tippers," the report said.

The report said that the primary waste collection varies from 17% (Rohini zone) to 78% (Najafgarh zone), with an average of about 48% for the entire MCD area, and recommended that the civic body implement a pilot system with the help of NGOs in 12 wards (one in each zone) and scale it up in phases while learning from models in Indore, Hyderabad and Ambikapur.

"There is a crucial need for a comprehensive analysis and categorisation of the city's waste to establish a reliable baseline for planning and obtaining waste quantity and characterisation," the report added.

The audit also made a set of 11 recommendations, including short-term measures such as introducing a robust door-to-door waste collection system, establishing a comprehensive monitoring system, a command-and-control centre, strengthening the bulk waste management system, and changes in street sweeping management.

The audit said that in long term, the corporation will have to upgrade its secondary collection and transportation system, and improve planning at the ward- and zonal-level.

An MCD spokesperson said: "The report is under study and is not finalised yet as MCD has reservations to many of its findings. Having said this, it is also stated that MCD is committed to find efficacious and sustainable solutions to any weak link in its solid waste management."

Environmentalist Bharti Chaturvedi, founder of Chintan Environmental and Action Group, said, "MCD needs to incentivise the informal sector by providing them space for recycling and bringing them into the system by generating their ID cards." https://www.hindustantimes.com/cities/delhi-news/32-of-delhi-s-daily-waste-at-mercy-of-elements-asci-101707157710846.html