NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Kaleshwaram project not economically viable, says CAG *(hindustantimes.com)* Jan 25, 2024

A performance audit report of the Kaleshwaram Lift Irrigation Project on the Godavari river has indicated that the entire project is going to be a white elephant for the state

Hyderabad: A performance audit report of the Kaleshwaram Lift Irrigation Project on the Godavari river has indicated that the entire project is going to be a white elephant for the state, said officials. The audit was conducted by the Comptroller and Auditor General (CAG) last year.

According to the confidential report of the CAG, which was reviewed by HT, as per the guidelines of the Union jal shakti ministry, an irrigation project can be considered economically viable only if the Benefit Cost Ratio (BCR) is 1.5 in normal areas. It means, for every rupee spent on the project, the benefit should be ₹ 1.50.

In the 2017 detailed project report (DPR) of the re-engineered Kaleshwaram project submitted to the Central Water Commission and approved in June 2018, the BCR was projected as 1.51. The CAG audit analysis in 2022 disclosed that the BCR was inflated by under-projecting the annual costs and overstating the value of annual benefits expected from the project.

The recent CAG audit analysis revealed that the BCR of the project is only 0.52, taking into consideration the annual costs, including interest on capital, operation and maintenance costs, electricity consumption costs and depreciation on civil works, pumps/motors and pipelines.

"This means that every rupee spent on the project would yield a meagre benefit of 0.52 paise, indicating that the project is not economically viable," the report said.

The project, when it was originally conceived as Pranahita-Chevella Sujala Sravanti (PCSS) in 2007 at an estimated cost of ₹38,500 crore, was aimed at providing irrigation to 1.64 million acres. After the project was re-engineered as Kaleshwaram, it was aimed to create a new command area of 18.25 million acres, besides stabilising another 470,000 acres. The project cost then shot up to ₹85, 596.58 crore.

"Thus, while the targeted command area increased by only 52.22% after re-engineering, there is an increase in the combined project cost by 122%. There were further additions and changes in the scope of the Kaleshwaram project works, as a result of which the project cost was projected to go up to ₹1.49 lakh crore," the CAG report stated.

The CAG report pointed out that the previous government had resorted to massive borrowings in completing the Kaleshwaram project. In August 2016, it incorporated Kaleshwaram Irrigation Project Corporation Limited (KIPCL), a special purpose vehicle to mobilise funds for Kaleshwaram project.

As of March 2022, the KIPCL had concluded 15 loan agreements with banks and other financial institutions for an aggregate loan amount of ₹87,449.15 crore, which included an amount of ₹11.220.22 crore of interest during construction, which would be added to the principal amount of loan. These loans carry interest at the rates ranging from 7.8% to 10.9%.

As per the repayment schedules incorporated in the respective loan agreements, these loans were to be repaid in 12 years, either in 48 quarterly or 144 monthly instalments.

"As per the government orders issued while forming the KIPCL, the state government shall ensure flow of dedicated and substantial revenues to the corporation to repay loans. But it did not happen. In the absence of any sources of revenues to the KIPCL, the burden of repayment of these loans and interest thereon would ultimately fall on the state government," the CAG report said.

It said in the coming years, the state government would require funds to the extent of ₹14,462 crore every year for servicing the debt raised for Kaleshwaram project. Besides, it would also require funds for operational expenses like the energy consumption charges to the extent of ₹10,374 crore for operating the lifts and operation and maintenance charges of ₹272 crore.

"Assuming that the project would be completed and would become fully operational from 2024-25, the requirement of funds for operation of Kaleshwaram project, including debt servicing in the coming years will be as high as ₹25,109,41 crore," the CAG said.

If the government has to bear this burden, it has to make huge allocations to the irrigation sector in the annual budgets.

"In the last six years, the budget allocation made for the Kaleshwaram project ranged from ₹1,382 crore to a maximum of ₹5,072 crore. Thus, the total allocation made for the project in the last six years was only ₹27,137 crore of which only ₹18,659 crore was spent. So, even the allocated budget was not spent," the CAG pointed out.
https://www.hindustantimes.com/india-news/kaleshwaram-project-not-economically-viable-says-cag-101706124599298.html

2. सात साल पहले हिसाब देने का दावा पर महालेखाकार के पास रिकार्ड नहीं *(livehindustan.com)* 24 Jan 2024

मुजफ्फरपुर: स्कूलों ने सात साल पहले ही विभिन्न योजनाओं की राशि का हिसाब जमा करने का दावा किया है। लेकिन, महालेखाकार के पास इसका रिकार्ड नहीं मिल रहा है। जिले के ऐसे 31 स्कूलों को चिह्नित किया गया है। वहीं, यह मामला हाईकोर्ट पहुंच गया है। ऐसे में 29 और 30 जनवरी को अलग-अलग योजनाओं की राशि को लेकर इन स्कूलों के प्राचार्यों को साक्ष्य के साथ तलब किया गया है। कैंप लगाकर इनके कागजात को देखा जाएगा।

डीईओ अजय कुमार सिंह नेइसको लेकर निर्देश दिया है। डीईओ नेकहा कि इन स्कूलों की ओर से बताया गया है कि पूर्व में इनके द्वारा उपयोगिता प्रमाण पत्र लेखा योजना कार्यालय में जमा कराया गया है। लेकिन, महालेखाकार कार्यालय में यह प्रदर्शित नहीं हो रहा है। वहां इन सभी स्कूलों की उपयोगिता लंबित दिख रही है। छह दिसम्बर और एक जनवरी को चेतावनी के साथ इन स्कूलों को

निर्देश दिया गया था, लेकिन हिसाब नहीं मिला। ऐसे में 29 व 30 जनवरी को शिक्षा भवन में कैंप लगाया गया है। इसमें इन स्कूलों के प्राचार्य को सभी कागजात के साथ तलब किया गया है। https://www.livehindustan.com/bihar/muzaffarpur/story-accountant-general-does-not-have-record-on-claim-of-giving-accounts-seven-years-ago-9243391.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

3. Govt's zeal for AI is great but it must complement not replicate private efforts *(livemint.com)* 25 Jan 2024

The real need for state intervention lies in setting up indigenous chipmaking capabilities and transforming India's education system to nurture innovative and critical thinking

The government is readying a ₹10,000 crore initiative to set up supercomputing and quantum computing hubs through public-private partnerships. This initiative, announced by minister of state for electronics and information technology Rajiv Chandrasekhar, aims to propel the Indian economy into the forefront of quantum computing and artificial intelligence (AI) sectors. While this move is commendable, it is crucial that the government does not duplicate the efforts already underway in the private sector.

Industrial policy and state-directed economic activity might be anathema to the champions of leaving everything to market forces, but India's history of development is a tale of successful state activism. At the time of Independence, India's industrial class was too feeble to build infrastructure, basic goods and machines that rapid industrial growth called for. The state stepped in with planning and built steel plants, power generation capacity, and machine tools while leaving the manufacture of consumer goods and cars to the private sector.

Public savings were mopped up by banks, which were directed to finance both the fiscal deficit, by straightforward investment in government bonds, and capital-raising by the private sector, by making the long-term bonds issued by newly set-up development finance institutions eligible for meeting the statutory liquidity ratio obligation on banks.

Heavy tariffs sheltered the domestic market from external competition. The government's investment in building strategic industries and infrastructure created a middle class of professionals and purchasing power for the production of the private sector.

While this building up of the private sector in India was dressed up as a socialistic pattern for political purposes, there is little doubt that such state-directed industrial policy and investment laid the foundation for the private sector's growth to a level of capability that could take on global competition later, when the economy liberalized.

Success of the strategy also called for dynamic calibration of where the state should continue to operate or venture further, and which sectors it should vacate. There have been serious missteps in this regard.

Advanced microelectronics, including chipmaking, and high-end computing represent the enablers of a paradigm shift that is underway in the world of production. While India has, in abundance, the raw human capital to advance in these sectors, it lacks know-how and the ability to deploy production capacity at scale. It makes sense for the government to play a role in both creating and catalysing the production of the needed capacity in these areas of strategic import for the Indian economy.

Artificial intelligence calls for large-scale availability of ultrafast processing and computing capacity. Setting it up on the cloud and providing access to it as either leasing or computing-as-a-service makes eminent sense and lowers the cost of the new technology. This eminently qualifies for commercial investment, however, and already figures in the business plans of prominent business houses, apart from that of computing giants such as Amazon, Microsoft and Google. The government can bring the super-computing capacity of state-owned CDAC to the table, but why that calls for large public outlays is not clear.

The real need for state intervention lies in setting up indigenous chipmaking capabilities, encompassing everything from chip design to the production of ultra-pure chemicals and technologies to produce complex machines for chip manufacturing.

An even bigger challenge is transforming India's education system to nurture innovative and critical thinking, essential for advancing both human knowledge and India's economic capability.

The government, therefore, should focus on these areas. and allow private investment to do what it does best in building cloud computing infrastructure and developing various AI applications.
https://www.livemint.com/opinion/online-views/govts-zeal-for-ai-is-great-but-it-must-complement-not-replicate-private-efforts-11706157375110.html

4. Tax revenue remains buoyant in FY24, divestment a big miss *(moneycontrol.com)* JANUARY 25, 2024

Almost 61 percent of the gross tax collection target for FY24 has already been met in the first eight months, one of the strongest in years

Taxes are the major source of revenue for a government that help shape the economy and infrastructure. It is one of the most keenly watched sub-heads in the Budget.

Finance minister Nirmala Sitharaman will present the Interim Budget on February 1 as this is an election year. The full Budget for the financial year 2024-25 will be presented by the new government likely in July after the Lok Sabha elections.

In the Budget for 2023-24, Sitharaman pegged the gross tax tevenue at about Rs 33.61 lakh crore with an implied tax-GDP ratio of 11.1 percent.

The indirect tax collection was estimated at Rs 15.37 lakh crore in the budget estimate (BE) of FY24. Direct taxes comprising corporate tax and income tax were estimated at Rs 18.24 lakh crore for FY24.

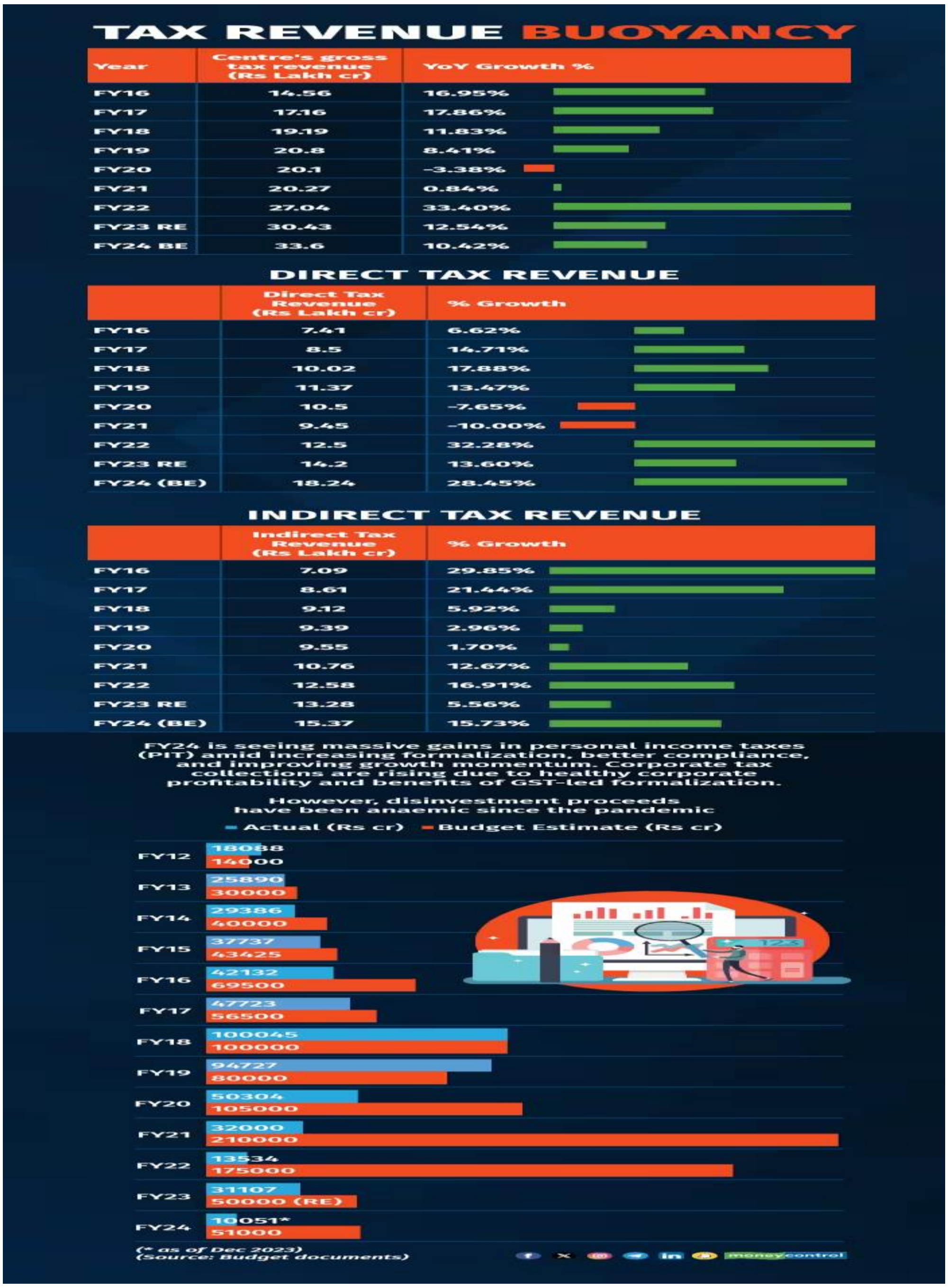
According to Emkay Research, buoyancy in tax receipts in the current financial year, led more by direct taxes, is likely to result in gross tax collections exceeding the FY24 budget estimate by nearly Rs 55,000 crore.

Almost 61 percent of the gross tax collection target for FY24 was met in the first eight months, one of the strongest in years.

On indirect taxes, Emkay said the average monthly GST collection rate in FY24 has been healthy. Assuming relatively slower growth in the remainder of FY24, the monthly total GST average will still be close to Rs 1.55 lakh crore, which would imply that total GST collections will likely match the budget estimate of Rs 9.57 lakh crore, almost 10-12 percent higher from the previous year.

While bumper RBI dividends have been a big support for non-tax revenues, divestment proceeds have been meagre at Rs 10,000 crore, collected through minority stake sales. At just 20 percent of budget estimate, they face the highest risk of a miss in FY24.

New big-ticket proceeds in the rest of the year are unlikely, as two-three of the prospective asset sales face procedural and administrative delays, Emkay said.



https://www.moneycontrol.com/news/business/economy/mc-graphixstory-tax-revenue-remains-buoyant-in-fy24-divestment-a-big-miss-12119331.html

5. PMO review: Statistical clarity is a must for successful governance *(livemint.com)* 25 Jan 2024

India's statistical system is under the PMO's lens. Given recent data dissonance, it clearly needs a relook. The country's view of itself is too hazy in these digital times of sharp resolution. For reforms, autonomy is key.

It is axiomatic that a country needs high-quality data to guide policy, a clear picture of itself created by statistics, and it's ironic that we have fallen behind the curve on ensuring this for a digital age of precision. In our early decades of freedom, India was known for innovation on this score, given the challenges of placing a vast land of mass poverty and tricky diversity under the lens for data collection, slicing and dicing. Today, however, we have a hazier view of our progress than we should in the 2020s, given the modern tools available, with official readings of key variables contested by critics. To be sure, no complex formula captures the absolute truth. The best we can hope for is a high-rez snapshot, in contrast with one that is too blurry (or badly distorted by dodgy inputs), as an approximation of reality. Even so, statistics need to be as robust as they can be made for their utility to be maximized as policy inputs and the aims of governance to be met. Hence, it is not a surprise that the Prime Minister's Office (PMO) has embarked on a review of India's statistical system, as reported by Mint on Wednesday. The initiative is based on a paper prepared by the Economic Advisory Council to the Prime Minister.

At a basic level, some data dissonance is driven by a long delay in this decade's covid-disrupted census, with projections by global agencies taken as the basis for news of our population having exceeded China's, rather than a recent headcount of our own—a figure from which other numbers could be derived more reliably. Since output-per-head is a critical variable that tracks people's economic well-being, we need accuracy on the country's gross domestic product (GDP) too. As any GDP estimate is formulaic, with its feedstock taken from multiple sources, it is subject to input-quality hazards. The government's 2015 GDP update—and adoption of the 2011-12 base series—was trailed by criticism, some of it over how closely our informal sector was being captured, with proxy data alleged to be vastly exaggerating its output. This critique grew sharp as expert views diverged over the impact of a currency switch in 2016 on cash-reliant businesses, and it has caught fresh wind from today's debate over a V-versus-K shaped recovery from the pandemic. Annual GDP numbers are also prone to a confidence loss on account of revisions that can stretch for three years; so, apart from a relook at how we measure national income, faster data clarity would help, while the GDP deflator used to convert nominal data into inflation-adjusted numbers may call for a tweak to better reflect rising costs across the board. This would mean a look at our price indices, with a producer price index under due consideration. Other metrics, surveys and dashboards will be put to scrutiny too. As continuity on basic trackers would permit cleaner comparisons with the past, sharp snap-offs from old records are best minimized. Even estimates of poverty have been riddled with controversy. Recall how leaked findings of a National Sample Survey on consumption had fanned suspicions of an adversity cover-up half a decade ago. Official numbers have seen an upswell of sceptics on other counts too. To secure the credibility of future revisions, the system demands impeccable transparency.

The efficacy of governance eventually rests on the clarity we obtain on varied aspects of progress. For top-level leadership, a clear view of reality is crucial (and optical illusions risky). All said, a sound statistical apparatus is a must, and that's a function of its autonomy. https://www.livemint.com/opinion/online-views/pmo-review-statistical-clarity-is-a-must-for-successful-governance-11706110524564.html

6. Reckless issuance of GST notices may lead to litigations, CBIC urges caution *(thehindubusinessline.com)* January 25, 2024

The Central Board of Indirect Taxes & Customs (CBIC) has advised its officers to avoid issuing show cause notices (SCNs) under GST recklessly, as it will lead to litigations. This instruction has come as the new due date for issuing SCNs related to FY19 approaches its end on January 31, 2024.

Last week, businessline reported that with the new due date approaching, businesses are bracing for a flurry of show-cause notices from GST officials for FY19 regarding any possible shortfall in tax payment. Similarly, the new due date for SCNs related to FY20 is June 30, 2024.

In a communication to taxmen, CBIC Chairman Sanjay Kumar Agrawal said, "It needs to be kept in mind by proper offices that the issuance of show cause notices should be done after due consideration of facts and circumstances of the case and after examining the relevant documents submitted by the taxpayers. Needless to say, issuance of show cause notices recklessly will lead to unnecessary litigations in future."

Section 73 of the GST Act deals with the determination of tax not paid, or short-paid, or erroneously refunded, or input tax credit wrongly availed or utilised for any reason other than fraud, or any wilful misstatement, or suppression of facts. Under this section, an officer shall issue the notice at least three months prior to the time limit specified for the issuance of an order. Earlier, the time limit for issuance of orders related to the recovery of tax not paid, short paid, or input tax credit wrongly availed or utilised for FY19 was March 31, 2024. However, on December 28, the Finance Ministry, through a notification, extended the timeline to April 30, 2024. This means the timeline for the issuance of SCNs also gets extended by one month, i.e., January 31, 2024. Similarly, for FY20, the due date for issuance of SCNs extended by two months, and now it will be April 30.

"The Chief Commissioners of the Zones are advised to keep a close watch on the number of pending investigations, scrutiny, etc., to ensure that the officers under their supervision are working in a methodical manner," Agrawal said. It may be noted that the extended deadlines mentioned above apply specifically to time-barring periods under Section 73. The GST department will still have an additional two years to issue notices and orders under suppression or misrepresentation cases under Section 74. It is expected that following a court ruling, the department might give businesses 15-30 days to reply to ensure that taxpayers have a reasonable opportunity to be heard.

Industry sources say that a large number of notices were issued just before the due date for the fiscal year 2017-18. Various reports suggest that in December itself, GST authorities issued demand notices totalling ₹1.45-lakh crore to around 1,500 businesses for inconsistencies in annual returns and input tax credit claims for the financial year 2018. Now, the expectation is that with advise from Chairman, the situation might not be as seen for last fiscal.

Legacy cases

The Chairman also highlighted the issue of legacy adjudication. He emphasised that nearly 1 lakh legacy cases involving over ₹29,000 crore, need to be adjudicated quickly as it has been more than 6 years since the rollout of GST. "With the promotion of 2,398 officers from Group 'B' to Group 'A' level, there has been a substantial increase in manpower at the level of adjudicating officers. The increase strength should also translate into faster liquidation of pendency," he advised.

According to Rajat Mohan, Executive Director of Moore Singhi, in situations where tax officers rapidly issue notices to meet deadlines, such as the extended deadline for FY19 in January 2024, it risks compromising the quality and fairness of tax assessments. "This approach can lead to errors, unnecessary disputes, and undermine taxpayer rights. It highlights the need for more efficient processes, better tax administration, and policy changes to ensure accurate, fair tax collection," he said.

Experts advise that taxpayers should carefully review such notices and consult professionals if needed, while authorities should focus on balancing procedural efficiency with accuracy and fairness in their assessments. "In recent days, there has been a noticeable increase in the eagerness of field officers to swiftly conclude tax cases and issue notices, frequently overlooking the basic principles of natural justice. Many of these officers are taking extreme measures, compelling taxpayers to settle tax payments on questionable grounds or facing the threat of having their cases escalated to the intelligence unit for alleged non-cooperation. This approach not only disregards the essential norms of procedural fairness but also places undue pressure on taxpayers, coercing them into making unwarranted payments under the menace of increased scrutiny," Mohan said. https://www.thehindubusinessline.com/economy/reckless-issuance-of-gst-notices-may-lead-to-litigations-cbic-urges-caution/article67775213.ece

7. The need for a GST settlement scheme *(financialexpress.com)*

January 25, 2024

The availability of such an option would make it easier to keep up with the ever-evolving regime

The GST regime will complete seven years in July 2024. There has been a substantial increase in the number of show cause notices and other recovery proceedings in the last few years. Timelines have been extended for passing of orders and there have been an avalanche of orders just before the expiry of the timelines, creating various demands on issues such as mere reconciliation, return mismatches, input tax credit (ITC) denials for suppliers' defaults, time-barred ITC claims, and ITC on account of blocked credit. Further, there are classification disputes arising out of differential rates of tax because of multiple notifications, many not fully aligned with Customs Tariff. It is unfortunate that most of the demands pertaining to denial of ITC are based on comparison of GSTR-3B and GSTR-2A, which was not even legally permissible prior to January 1, 2022. A large number of disputes have also arisen because of lack of understanding of the new law and procedures, numerous amendments, and the impact of frequent portal glitches.

In many cases, the First Appellate Authority simply confirms the order of the lower authority and there is no GST Appellate Tribunal in place for relief to be obtained. The GST Tribunal is yet to be formed and the defective drafting of the relevant statutory provisions relating to formation of this Tribunal has resulted in repeated filing of writ petitions. The matter is still pending in the Supreme Court. Even though several amendments have been made, it would still take considerable time for the members to be selected and infrastructure to be set up. The more practical step of increasing the strength of the existing CESTAT was, unfortunately, not accepted.

A number of disputes were referred to the Authority for Advance Ruling and appeals have then been filed to the Appellate Authority for Advance Ruling. As most of these rulings are averse to the assessees, the efficacy of this mechanism, which is manned only by officials, is also doubtful.

In the above context, it is worthwhile to consider a GST settlement scheme to enable assessees to pay a percentage of the disputed tax and bring thousands of pending proceedings to a close. Past experience has shown that Samadhan or Dispute Settlement Schemes are successful only when the percentage of taxes to be paid under the scheme is not high and there is a complete waiver of interest and penalty. The 2016 Direct Tax Settlement Scheme was not a success, though it did facilitate disposal of appeals and even disputes that arose on account of retrospective amendments to the Income Tax Act, 1961 to nullify the decision of Vodafone. This was because assessees had to deposit the entire disputed tax plus a percentage of the interest and penalty. On the contrary, the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 was a roaring success and facilitated settlement of disputes under the erstwhile excise and service tax laws. The scheme provided for the waiver of interest and penalty subject to payment of a reasonable percentage of taxes demanded or disputed. The unique feature of the scheme was its applicability to even cases where show cause notices were issued or demands raised at the pre-show cause notice stage.

The success of the Sab Ka Vishwas paved way for the Direct Tax Vivad Se Viswas Act, 2020. Unlike the simple nature of the settlement scheme for indirect taxes, this Act included not only the tax, but interest, penalty and fees as well. It required deposit of the entire tax in dispute plus an additional percentage of 25% to 30% of the disputed interest, penalty or fees.

Keeping in mind the conditions imposed in these schemes and their mixed success, it would be immensely beneficial if the Union Budget provides for a GST dispute settlement scheme. It is suggested that the scheme should provide for a flat payment of 33% of the disputed tax amount with complete waiver of interest and penalty. This would make the scheme far more attractive and lead to the closure of several disputes. It would also considerably reduce the number of appeals that may come to be filed before the proposed Tribunal.

The GST dispute settlement scheme should cover not only matters pending in appeal but also cases where show-cause notice has been issued or where a demand has been made at the pre-show-cause notice stage. The scheme must provide for the usual immunity from penalty and prosecution.

The GST regime has seen a number of retrospective amendments to the Act and Rules resulting in demands for the past few years. Unlike the 2016 provisions, which required payment of the entire disputed tax, the GST scheme must provide for a much lesser amount on account of any retrospective liability. It is suggested that if a demand has been created for an earlier period, on account of a retrospective amendment, the assessee must be given the option of settling the dispute by paying 25%. https://www.financialexpress.com/opinion/the-need-for-a-gst-settlement-scheme/3374357/

8. How to make GST less taxing *(indianexpress.com)* Updated: January 25, 2024

Union budget should provide for a GST dispute settlement scheme, with a flat payment of 33 per cent of the disputed amount with a complete waiver of interest and penalty

The GST regime will complete seven years in July. There has been a substantial increase in the number of show-cause notices and other recovery proceedings in the last few years. The timelines have been extended for the passing of orders and there has been an avalanche of orders just before the expiry of the timelines, creating various demands on issues such as mere reconciliation, return mismatches, input tax credit (ITC) denials for suppliers' defaults, time-barred ITC claims and ITC on account of blocked credit. Further, there are classification disputes arising out of differential rates of tax because of multiple notifications, many not fully aligned with customs tariff. Unfortunately, most of the demands pertaining to denial of ITC are based on a comparison of GSTR-3B and GSTR-2A which is not even legally permissible before January 1, 2022. A large number of disputes have also arisen because of a lack of understanding of the new law and procedures, numerous amendments and the impact of frequent portal glitches.

In many cases, the First Appellate Authority simply confirms the order of the lower authority and there is no GST Appellate Tribunal in place for relief to be obtained. The GST Tribunal is yet to be formed and the defective drafting of the relevant statutory provisions relating to the formation of this Tribunal has resulted in the repeated filing of writ petitions and the matter is still pending in the Supreme Court. Even though several amendments have been made, it would still take considerable time for the members to be selected and the infrastructure to be set up. The more practical step of increasing the strength of the existing CESTAT was, unfortunately, not accepted.

Several disputes were referred to the Authority for Advance Ruling and appeals have then been filed to the Appellate Authority for Advance Ruling. As most of these rulings are adverse to the assesses, the efficacy of this mechanism, which is manned only by officials, is also doubtful.

In the above context, it is worthwhile to consider a GST settlement scheme to enable assessees to pay a percentage of the disputed tax and bring thousands of pending proceedings to a close. Experience has shown that Samadhan or dispute settlement schemes are successful only when the percentage of taxes to be paid under the scheme is not high and there is a complete waiver of interest and penalty. The 2016 Direct Tax Settlement Scheme was not a success though it did facilitate the settlement of appeals and even disputes that arose on account of retrospective amendments to the Income Tax Act, 1961 to nullify the Vodafone decision. This was because assessees had to deposit the entire disputed tax plus a percentage of the interest and penalty. On the contrary, the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 was a roaring success and facilitated settlement of disputes under the erstwhile excise and service tax laws.

The scheme provided for waiver of interest and penalty subject to payment of a reasonable percentage of taxes demanded or disputed. The unique feature of the scheme was its applicability to even cases where show cause notices were issued or demands raised at the pre-show cause notice stage.

The success of the Sab Ka Vishwas scheme paved the way for the Direct Tax Vivad Se Viswas Act, 2020. Unlike the simple nature of the settlement scheme for indirect taxes, this Act included not only the tax but interest, penalty and fees as well. It required a deposit of the entire tax in dispute plus an additional percentage of 25 per cent to 30 per cent of the disputed interest, penalty or fees.

Keeping in mind the conditions imposed in these schemes and their mixed success, it would be immensely beneficial if the Union budget provides for a GST dispute settlement scheme. It is suggested that the scheme should provide for a flat payment of 33 per cent of the disputed tax amount with a complete waiver of interest and penalty. This would make the scheme far more attractive and lead to the closure of several disputes. It would also considerably reduce the number of appeals that may come to be filed before the proposed Tribunal.

The GST dispute settlement scheme should cover not only matters pending in appeal but also cases where a show cause notice has been issued or where a demand has been made at the pre-show cause notice stage. The scheme must provide for the usual immunity from penalty and prosecution.

The GST regime has seen a number of retrospective amendments to the Act and Rules resulting in demands for the past few years. Unlike the 2016 provisions, which required payment of the entire disputed tax, the GST scheme must provide for a much lesser amount on account of any retrospective liability. It is suggested that if a demand has been created for an earlier period, on account of a retrospective amendment, the assessee must be given the option of settling the dispute by paying 25 per cent. https://indianexpress.com/article/opinion/columns/how-to-make-gst-less-taxing-9126334/

9. K-Shape Widens: In 5 Years, Govt Tax Collection from Individuals up by 76%, From Corporates Only by 24% *(thewire.in)* 24 Jan 2024

This only comes over a series of tax and other policy measures which have unduly squeezed individuals and benefitted the corporate sector, big borrowers

Individual tax collections in India have surged by a whopping 76% between 2018-19 and 2022-23.

But, critically, the corporate sector share in that tax collected has inched by only a fraction, just 24.45%.

Personal income tax collection, which includes Securities Transaction Tax, stood at Rs 4,73,179 crore in 2018-19. It increased to Rs 8,33,307 crore in 2022-23, the Indian Express, citing the Central Board of Direct Taxes, reported.

However, corporate tax collection increased to Rs 8,25,834 crore in 2022-23 from Rs 6,63,572 crore in 2018-19.

This calculation underlines a reinforcing of the trend noticed about individuals being squeezed even as corporates are given relief.

The figures for the graphic have been taken from the Indian Express report, which references CBDT as the source.

Tax relief given to corporates in 2019 caused the ratio between individual contribution to total tax versus that of corporates to start to get skewed. As in this analysis, this was when the finance minister announced “an unprecedented cut in corporate tax rates from the prevailing basic rate of 30% to 22%.” This was apart from other incentives that were also announced.

Indirect taxation too on the rise

The rise in indirect taxation, one which has been regarded universally as regressive, or hurting the poorer sections disproportionately has also been on the rise. The escalating fuel prices contribute significantly to this growing burden of indirect taxation.

As analysed earlier on NewsClick, the Modi government has raised excise duties on petrol, diesel and cooking gas so much that its revenue from this has skyrocketed “from Rs 99,000 crore in 2014-15 to Rs 3.73 lakh crore in 2020-21 – an increase of nearly 277% in seven years.”

As a result, petrol prices have increased by 79% while diesel prices have jumped up by as much as 101% in the same period.

Cooking gas prices have been rising rapidly and sharply, even as the subsidy was cancelled in 2019. After the most recent hike in December, 2023, Mint reported that a 19 kg LPG cylinder is now priced at Rs 1,796.50 in Delhi, Rs 1,908 in Kolkata, Rs 1,749 in Mumbai and Rs 1,968.50 in Chennai. Previously, the price of the 19 kg LPG cylinder in Delhi was Rs 1,775.50, Rs 1,885.50 in Kolkata, Rs 1,728 in Mumbai and Rs 1,942 in Chennai.

Big defaulter loans written off consistently

Outstanding amount due from wilful defaulters has risen at a pace of over Rs 100 crore daily since March 2019, Business Standard reported on October 27, 2023, meaning the amount due from wilful defaulters has risen by at least Rs 1.2 trillion – or Rs 1.2 lakh crore – since then.

The total amount due rose more than 50% to Rs 3 trillion as of June 2023.

(A wilful defaulter is defined as a borrower who, despite having the ability to do so, does not pay back a loan. It does not refer to small borrowers like a farmer in distress.)

This massive rise of Rs 100 crore a day since March 2019 severely dents the claim by Prime Minister Narendra Modi on July 22, 2023, that the previous UPA government had “destroyed” the banking sector with “scams”, while his dispensation has restored its “good financial health”, as per The Hindu.

Politically, it has hurt the BJP to be termed the suit-boot ki sarkar by the Opposition leader, Rahul Gandhi. https://thewire.in/government/k-shape-widens-govt-personal-income-tax-collection-corporate-tax

10. Can Budget 2024 leverage technology for effective tax administration in India? *(economictimes.indiatimes.com)* Jan 24, 2024

India’s leapfrog from largely manual to significantly automated tax jurisdiction has become a leading example globally of transformation through technology. Government continues to be at the forefront of this, with businesses leveraging this change to bring more accuracy, timeliness, certainty, and efficiency. While different taxpayers may be at various points on the maturity curve, the need for embedding technology to address the requirements of tax regulations is universal.

From invoice level reporting in 2017, to e-way bills in 2018 and e-invoicing in 2020, India has progressively embraced better transparency in statutory reporting. With the expansion of e-invoicing requirements, nearly 10 lakh taxpayers reporting close to 3 billion B2B transactions annually are now covered under real-time reporting. Input tax credits are permitted when they match reporting by vendors. This ensures that the entire supply chain is compliant.

Government has leveraged this big data performing reconciliations, audits, and triangulations with non-tax sources to administer. For example, triangulation of e-way bills with e-invoices and FASTag. National Informatics Centre has enabled access to “GST Prime” to field officers to support compliance tracking, patterns in output tax and input tax credit, risk-based analysis for audit selection, sectoral tracking and comparisons, identifying potentially carousel frauds or fake invoicing, and predictive analysis using AI. “Project ADVAIT” or Advanced Analytics in Indirect Tax is CBIC’s flagship analytics tool for data matching, network analysis, pattern recognition, predictive analytics, text mining, forecasting and policy studies.

Finance Minister recently shared that in three years between April 2020 and March 2023 more than 40,000 cases of tax evasion amounting to 2.5 lakh crores were detected. In 2022-23, total detection was nearly 10% of total tax collected during the year.

Taxpayers have focussed on six aspects in their response (i) technology requirements (ii) data management (iii) process changes (iv) talent (v) reconciliations and analytics, and (vi) continuous monitoring of all the five aspects

Businesses have moved away from a 1-to-1 approach to deal with questions from tax officers. This is passe and no longer sustainable. There is a need to

achieve a record-to-report-to return, and a return-to-report-to-record reconciliation at all times. This requires tax sensitization of ERPs and P2P, O2C and R2R processes in the organization. The focus should be to create a “single source of truth”.

There is a need to reuse data and leverage technology. This helps focusing only on exceptions, where the regular compliances and tax queries get addressed as a BAU process. The regulations and reporting requirements are continually evolving. Taxpayers are therefore choosing SAAS based solution rather than creating their own solutions.

Businesses also need to invest in data reconciliation, analytics and triangulation reports. While this helps in responding to tax questions, it would also help identify errors or gaps in currently processes. This check can mitigate tax, interest and penalty implications. This can also help in identifying opportunities to optimize taxes.

As input tax credits are available only post matching, taxpayers should continue to invest in two key solutions (i) matching vendor reporting before payment (ii) monitoring GST compliance quality of the vendor. Real time reporting by a significant majority of B2B taxpayers, and GSTN portals taxpayer information databases are helping achieve these goals. It is possible to integrate a 3-way or 4-way match for all entries in the AP module.

Real time reporting is also enabling buyers to transform their AP function. Today, the entire e-invoice JSON of the vendor is available near real time to the buyer. This can substitute the OCR or similar scrolling processes. It enables capture of data in standard formats and their seamless recording. PO references can be incorporated, to integrate with vendor modules. Faster feedback loops, through vendor/ customer communication portals, can be created to get to higher levels of data accuracy. OTT frameworks like bill discounting and financing can be built.

As regards audit and review by the Government, businesses should leverage AI to validate tax notices with regard to jurisdiction, DIN, time limits, key asks etc. This can then trigger sub processes within the organization to enable responses. A more mature model of AI should also enable businesses to do "quality tax research" to determine appropriate positions and processes, and "quality tax responses" to complex notices issued by tax office. Aided by these enablers, a more impactful and comprehensive response can be done for tax risks.

Overall, the Government continues to invest and grow its leverage on technology as a catalyst for effective tax administration. This journey should expand into capturing B2C transactions under "Mera Bill Mera Adhikar"framework and plugging leakages. Businesses at once are taking advantage of digitization of data to implement automation, transformation and management by exception. Continued opportunities would be available for better audit readiness, tax risk mitigation and qualitative legal representation. https://economictimes.indiatimes.com/news/economy/policy/can-budget-2024-leverage-technology-for-effective-tax-administration-in-india/articleshow/107111135.cms?from=mdr

11. Local taxes, fees contribute 1.1% to Panchayats' total revenue: RBI report *(business-standard.com)* Jan 24, 2024

States like Tamil Nadu, Himachal Pradesh, Maharashtra, and Telangana reported higher non-tax revenue than others, according to the RBI report on the Finances of Panchayati Raj Institutions.

Local taxes and fees contributed only 1.1 per cent to Panchayats' total revenue, according to a report by the Reserve Bank of India (RBI).

Non-tax revenue, primarily from Panchayati Raj programmes and interest earnings, constituted 3.3 per cent of the total revenue receipts.

States like Tamil Nadu, Himachal Pradesh, Maharashtra, and Telangana reported higher non-tax revenue than others, according to the RBI report on the Finances of Panchayati Raj Institutions.

"The own revenues of the Panchayats --- generated by imposing local taxes, fees, and charges on various activities, including land revenue, professional and trade taxes, and miscellaneous fees --- were only 1.1 per cent of their total revenue during the study period," the report said.

According to the report, the average revenue per Panchayat, encompassing taxes, non-taxes, and grants, was at 21.2 lakh in 2020-21, 23.2 lakh in 2021-22, and experienced a slight dip to 21.23 lakh in 2022-23.

This decline is attributed to a reduced devolution of grants during that fiscal period.

"Panchayats' sources of revenue are limited, mainly property taxes, fees, and fines --- around 95 per cent of their revenues take the form of grants from higher levels of government, restricting their spending ability that is already hampered by delays in the constitution of State Finance Commissions," the report said.

The aggregate revenue receipts exhibit a broad correlation with the populations of the respective states, the report said. The ratio of Panchayats' revenue receipts to the states' revenues ranges from 0.1 per cent in Andhra Pradesh to 2.5 per cent in Uttar Pradesh, suggesting that Panchayat revenues, relative to those of the states, are moderate.

The average revenue per Panchayat ranged from 2.7 lakh in Andhra Pradesh to a substantial 64 lakh in West Bengal.

The average expenditure per Panchayat witnessed a decline from 17.3 lakh in 2020-21 to 12.5 lakh in 2022-23, attributed to elevated spending during the pandemic year.

States like Goa, Karnataka, Odisha, Sikkim, Kerala, and Tamil Nadu recorded the highest average expenditure at the Panchayat level.

Despite fluctuations, the ratio of revenue expenditure of Panchayats to nominal Gross State Domestic Product (GSDP) remained below 0.6 per cent for all states.

The composition of expenditure indicated a consistent rise in spending on water and sanitation, reflecting an increased emphasis on cleanliness and access to clean water supply.

Investment in capital projects accounted for 29.6 per cent of the total expenditure of Panchayats in 2022-23, with a significant share allocated to Panchayati Raj programmes, transportation, water supply and sanitation, rural electrification, and rural housing.

Over 2.5 lakh Panchayati Raj Institutions (PRIs) utilised the eGramSwaraj platform for accounting purposes as of September 2023.

Additionally, more than 2.4 lakh PRIs have seamlessly integrated the eGramSwaraj-PFMS Interface for online transactions, facilitating online payments totaling Rs 25,694 crore during the first half of the financial year 2023-24, the report said.

eGramSwaraj, introduced in 2020, serves as a simplified, work-based accounting application for PRIs.

It addresses diverse aspects of Panchayat operations, including planning, accounting, budgeting, and online payments through the eGramSwaraj-PFMS interface.

The platform facilitates efficient financial management and provides a platform for higher authorities to monitor Panchayat activities effectively. The introduction of the Audit Online application by the Ministry of Panchayati Raj (MoPR) further strengthens financial management and transparency by enabling online audits of Panchayat accounts. https://www.business-standard.com/economy/news/panchayats-own-revenue-contribute-only-1-1-of-their-total-revenue-rbi-124012400989_1.html

12. Panchayats need to intensify their efforts to augment own revenues: RBI report *(thehindubusinessline.com)* January 24, 2024

Panchayats must bridge the gap between local and higher levels of government for sustainable growth, according to an RBI report

Panchayats need to intensify their efforts to augment their own tax and non-tax revenue resources and improve their governance for sustainable growth, according to a RBI report on 'Finances of Panchayati Raj Institutions'.

The report noted that with 68.8 per cent of India's population residing in rural areas (as per the 2011 Census), local governments at the panchayat level assume a significant role in translating the vision and developmental policies of both the Central and State governments into action.

Panchayats bridge the gap between the masses and higher levels of government and can be catalysts for grassroots development by encouraging community participation, fostering local stewardship, and advancing sustainability initiatives, the report said.

The report underscored that the prompt establishment of State Finance Commissions (SFCs), eschewing the sizeable delays that occur currently, assumes importance.

SFCs, with roles identical to those of the Central Finance Commission (CFC) and with the obligation of tabling their action-taken reports in State legislatures, can fortify the financial position of Panchayati Raj Institutions (PRIs) and help them in the better delivery of their responsibilities for the upliftment of the rural economy.

In 1992, the 73rd Amendment to the Indian Constitution institutionalised the PRIs at three levels in rural India: Gram Panchayats at the village level, Mandal Panchayats at the intermediate/block level, and Zila Parishad at the district level.

There are a total of 2.62 lakh PRIs in India, with 2.55 lakh Gram Panchayats, 6,707 Mandal Panchayats, and 665 Zila Parishads as of October 2023.

Effective measures
The report said PRIs can use their limited resources more efficiently and effectively through measures such as transparent budgeting and fiscal discipline, active involvement of the local community to prioritise development needs, staff training, robust monitoring and evaluation processes, prudent asset management, raising public awareness, and adopting digital tools.

A comprehensive evaluation of PRIs' fiscal position and quality of expenditure is constrained by the lack of adequate and appropriate data, per the report.

"There are more instances of non-reporting for revenue expenditure relative to revenue receipts, while the reporting for capital receipts and capital expenditure is even poorer," it said.

The report suggested that reporting their finances in standardised formats would strengthen fiscal transparency and accountability at the panchayat level, thereby contributing to the empowerment of panchayats.

RBI said financially and functionally empowered PRIs can also contribute actively to climate change resilience.

"Due to their proximity to communities and possession of valuable local knowledge about the environment, PRIs are well-equipped to identify climate-related risks and devise effective adaptation strategies.

"PRIs can also facilitate the adoption of climate-resilient farming methods and promote renewable energy sources like solar panels and biogas plants, thus reducing reliance on fossil fuels and mitigating climate change. A part of the grants-in-aid from the upper tiers of the government could be linked to the climate resilience efforts of PRIs," per the report.

RBI emphasised that overall, given the pivotal role of PRIs in local governance and rural development in India, it is imperative to empower local leaders and officials by providing them with ample and diverse funding sources, promoting greater decentralisation, implementing capacity-building programs, and upgrading infrastructure.

There is also a need to raise citizens' awareness about the functions and significance of PRIs by encouraging their increased participation in local governance processes and by enhancing people-centric administration and communication.
https://www.thehindubusinessline.com/economy/panchayats-need-to-intensify-their-efforts-to-augment-own-revenues-rbi-report/article67773499.ece

13. Defence ministry set to acquire 14 fast patrol vessels for Coast Guard *(newindianexpress.com)* 25 Jan 2024

In a significant step towards enhancing maritime security, the Ministry of Defence (MoD) on Wednesday signed a contract with Mazagon Dock Shipbuilders Ltd (MDL), Mumbai, for the acquisition of 14 fast patrol vessels for the Indian Coast Guard.

The Ministry of Defence said, "The value of the contract is Rs 1070.47 crore. These multi-role fast patrol vessels will be indigenously designed, developed and manufactured by MDL under the Buy (Indian-IDDM) category and will be delivered in total of 63 months."

"These patrol vessels will be equipped with several high-tech advanced features and equipment, including multipurpose drones, wirelessly controlled remote water rescue craft lifebuoy and AI capability, enabling greater flexibility and operational edge to the Indian Coast Guard to face new age multidimensional challenges," the ministry said.

These modern fast patrol vessels will play a critical role in enhancing fisheries protection and monitoring, control and surveillance, anti-smuggling operations, search and rescue operations including in shallow waters, assistance to ships/crafts in distress, towing capabilities, assistance and monitoring during marine pollution response operations, anti-piracy operations.

In line with the 'Atmanirbhar Bharat' initiative, the contract will boost the nation's indigenous ship-building capability, bolstering maritime economic activities and fostering growth of ancillary industries, especially the MSME (micro, small and medium enterprises) sector. The project will effectively generate employment opportunities and expertise development in the country.

The force came into being in February 1977 with a fleet strength of just seven ships for surveillance in the Indian waters and 2.01 million square kilometers of Exclusive Economic Zone. At present, it comprises 184 surface ships.

India, as per the Ministry of Home Affairs, has 15,106.7 kilometres of land border and a coastline of 7,516.6 kilometres, including island territories. The Indian Coast Guard is an auxiliary service for Maritime Law Enforcement, undertaking "safety and protection" tasks in Indian waters.
https://www.newindianexpress.com/nation/2024/Jan/25/bharat-jodo-nyay-yatra-to-enter-bengal-from-assam-on-thursday

14. Cabinet approves viability gap funding of ₹8,500 crore for coal gasification *(livemint.com)* 24 Jan 2024

In category I, Rs.4,050 crore provisioned for Government PSUs in which upto 3 projects will be supported by providing lump-sum grant of Rs.1,350 crore or 15% of capex, whichever is lower

The Cabinet on Wednesday chaired by Prime Minister Narendra Modi approved the scheme for the promotion of coal/lignite gasification projects of government PSUs and private sector with an outlay of Rs.8,500 crore towards incentive for coal gasification projects under three categories.

"We went to the cabinet and we have sanctioned an outlay of ₹8,500 towards incentive for coal gasification projects," Coal Minister Pralhad Joshi told reporters . The financial assistance has been made under three categories, he said.

The cabinet has approved the scheme as follows:
Total outlay of Rs.8,500 crore will be provided as financial assistance for coal gasification projects under three categories.

In category I, Rs.4,050 crore provisioned for Government PSUs in which upto 3 projects will be supported by providing a lump-sum grant of Rs.1,350 crore or 15% of capex, whichever is lower.

In category II, Rs.3,850 crore is provisioned for the private sector as well as Government PSUs in which a lump-sum grant of Rs.1,000 crore or 15% of capex, whichever is lower provided for each project. At least one project will be bid out on a tariff-based bidding process and its criteria will be designed in consultation with NITI Aayog.

In category III, Rs.600 crore provisioned for demonstration Projects (indigenous technology) and/or small-scale product-based Gasification Plants under which a lump-sum grant of Rs.100 crore or 15% of capex, whichever is lower, will be given to the selected entity that will have a minimum Capex of Rs. 100 Crore and minimum production of 1500 Nm3/hr Syn gas.

The selection of entities under category II and III shall be carried out through a competitive and transparent bidding process.

The grant will be paid to the selected entity in two equal installments.

EGoS chaired by Secretary Coal shall be fully empowered to make any changes required in the modalities of the scheme subject to the condition that overall financial outlay remain within Rs.8,500 crore.
https://www.livemint.com/industry/energy/cabinet-approves-viability-gap-funding-of-rs-8-500-crore-for-coal-gasification-says-coal-minister-pralhad-joshi-11706101366118.html

15. Oil's well? Not quite *(timesofindia.indiatimes.com)* **January 25, 2024**

Modi government heads into its last budget this term with international crude prices working in its favour. Indian basket was priced at $80.5 a barrel on Tuesday. Price trends since Israel-Hamas conflict began in October have defied market fears of a surge. Separately, oil marketing companies (OMCs) are sitting pretty, getting a healthy profit margin out of each litre of petrol or diesel sold. This confluence of favourable factors, however, masks a worrisome reality. Oil pricing reforms are in cold storage.

Market-linked, on paper | Retail petrol and diesel pricing has been market-linked since 2010 and 2014, respectively. GOI introduced a daily reset of prices from 2017 to allow fluctuations in international crude price to be passed on to retail consumers. That remains policy, but only in name.

Frozen pump prices | Retail prices of petrol and diesel have been frozen since May 2022. International crude prices kept fluctuating. But prices have trended downwards since 2022. This played a key role in helping central banks control inflation faster than initially expected after Russia-Ukraine conflict broke out in February 2022.

No economic case | Countries often shield consumers from oil shocks through subsidies. But it's usually a temporary measure and is meant to help markets adjust without sudden disruptions. This happened in May 2022 as monthly average oil price shot past psychologically important $100/barrel just after the outbreak of conflict in Europe. But this spike lasted just five months. After that, monthly average prices have consistently stayed below $100/barrel.

Budgetary consequences | Expanding subsidies for petrol, diesel and cooking gas comes from GOI's budget. In 2022-23, there was a one-time grant of ₹25,288 crore to OMCs to offset subsidies on cooking gas. In budget estimates of 2023-24, GOI set aside ₹30,000 crore as capital support to OMCs, something that hasn't happened for a while.

Don't mess with market | Real damage from burying oil reform is that it's shut down price mechanism. When prices are allowed to fluctuate in response to demand and supply, it forces everyone to adjust to reality. But once price signals are switched off, it distorts consumer, producer decisions. https://timesofindia.indiatimes.com/blogs/toi-editorials/oils-well-not-quite/

16. Ministry of Finance clears Rs 200 crore for Lakshadweep projects *(newindianexpress.com)* 25 Jan 2024

The development comes at a time when Maldives is facing a potential tourism boycott after three officials mocked Prime Minister Narendra Modi.

Amid the India-Maldives controversy, the government has taken a bold step to enhance the allure of Lakshadweep for tourists by giving green signal to two projects there.

As per insiders, the Ministry of Finance has granted preliminary approval for two projects of Rs 200 crore in Lakshadweep -- development of western side port facilities at Kadamat Island and the development of western side port facilities at Kalpeni Island -- will be completed in two years time, say sources.

While the development of western side port facilities at Kadamat Island will cost Rs 107.86 crore, development of western side port at Kalpeni Island will cost Rs 139.96 crore.

“In terms of revised Sagarmala funding guidelines, Union Territory of Lakshadweep Administration (UTLA) will proceed with required clearances and initiate tendering process. After tendering, the bidding process will begin,” a top source close to the development said.

The development comes at a time when Maldives is facing a potential tourism boycott after three officials mocked Prime Minister Narendra Modi. This came after Modi posted images of himself on social media platform X, walking along a beach in Lakshadweep. Though Modi didn’t mention Maldives, his post may have been seen as an attempt to draw tourists to Indian islands rather than Maldives. In response, three Maldives officials made derogatory remarks about Modi, leading to their suspension by the Maldives government.

Maldives’ tourism industry majorly thrives on Indian tourists. As per the Maldives’ tourism website, Indian tourists made maximum trips there by registering more than 2 lakh trips, followed by Russia and then China.
https://www.newindianexpress.com/business/2024/Jan/25/ministry-of-finance-clears-rs-200-crore-for-lakshadweep-projects