

Chapter I

Direct Taxes Administration

1.1 Resources of the Union Government

1.1.1 The Government of India's resources include all revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Tax revenue resources of the Union Government consist of revenue receipts from direct and indirect taxes. Table 1.1 below shows the summary of resources of the Union Government for the Financial Year (FY) 2016-17 and FY 2015-16. The figures of Union Finance Accounts for the FY 2016-17 are provisional.

Table 1.1: Resources of the Union Government	₹ in crore)	
	FY 2016-17	FY 2015-16
A. Total Revenue Receipts	22,23,988	19,42,353
i. Direct Taxes Receipts	8,49,801	7,42,012
ii. Indirect Taxes Receipts including other taxes ¹	8,66,167	7,13,879
iii. Non-Tax Receipts	5,06,721	4,84,581
iv. Grants-in-aid & contributions	1,299	1,881
B. Miscellaneous Capital Receipts²	47,743	42,132
C. Recovery of Loan & Advances³	40,971	41,878
D. Public Debt Receipts⁴	61,34,137	43,16,950
Receipts of Government of India (A+B+C+D)	84,46,839	63,43,313

Source: Union Finance Accounts of respective years. Direct Tax receipts and Indirect tax receipts including other taxes have been worked out from the Union Finance Accounts. Total Revenue Receipts include ₹ 6,08,000 crore in FY 2016-17 and ₹ 5,06,193 crore in FY 2015-16, share of net proceeds of direct and indirect taxes directly assigned to states.

1.1.2 The revenue receipts contributed 26.3 *per cent* in total receipts of the Government of India and share of Direct Taxes was 10.1 *per cent* in FY 2016-17. Direct Taxes accounted for 38.2 *per cent* of total revenue receipts in FY 2016-17, growing by 14.5 *per cent* over the last year's receipts.

1.2 Nature of Direct Taxes

1.2.1 Direct taxes levied by the Parliament mainly comprise,

- i. **Corporation Tax** levied on income of the companies;
- ii. **Income Tax** levied on income of persons (other than companies);
- iii. **Other direct taxes** including Securities Transactions Tax⁵, Wealth Tax⁶ etc.

1 Indirect taxes levied on goods and services such as customs duty, excise duty, service tax etc.;

2 This comprises of value of bonus share, disinvestment of public sector and other undertakings and other receipts;

3 Recovery of loans and advances made by the Union Government;

4 Borrowing by the Government of India internally as well as externally;

5 Tax on the value of taxable securities purchased and sold through a recognized stock exchange in India. However, no rebate under section 88E is allowable with effect from Assessment Year 2009-10.

6 Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act, 1957. The Wealth Tax has been abolished through Finance Act, 2015.

1.2.2 Table 1.2 provides a snapshot of direct taxes administration.

Table 1.2: Direct Taxes Administration					
	2012-13	2013-14	2014-15	2015-16	2016-17
₹ in crore					
1. Direct taxes collection	5,58,989	6,38,596	6,95,792	7,42,012	8,49,801
a. Corporation Tax	3,56,326	3,94,678	4,28,925	4,53,228	4,84,924
b. Income Tax	1,96,843	2,37,870	2,58,374	2,80,390	3,40,592
c. Other Direct Tax	5,820	6,048	8,493	8,394	24,285
2. Refunds	83,766	89,060	1,12,163	1,22,596	1,62,582
3. Interest on refunds	6,666	6,598	5,332	6,886	10,312
Number in lakh					
4. Actual returns filed by					
a. Non-corporate Assesseees	367.9	304.0	360.6	398.0	436.9
b. Corporate Assesseees	5.9	6.4	6.8	6.9	7.1
5. Scrutiny assessments completed	3.1	2.9	5.4	3.4	4.0
6. Scrutiny assessments pending	2.9	4.1	4.9	3.7	5.2
7. Non-scrutiny assessments processed	170.5	175.4	125.6	176.2	215.8
8. Officers on assessment duty (in No.)	3,657	4,033	5,159	5,079	5,257
9. Revenue expenditure (₹ in crore)	3,334	3,687	4,148	4,689	5,623
Source: Sl. no. 1 and 9 – Union Finance Accounts; Sl. no. 2 - Pr. CCA, CBDT, Sl. no. 3 to 8 – Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing					

The average number of scrutiny assessment completed by assessing officer ranged from 67 to 105 during the last five years, the number being 76 during FY 2016-17.

1.2.3 Table 1.3 below gives the details of non-corporate assesseees in different categories of income.

Table 1.3: Non-Corporate Assesseees						(Figures in lakh)
Financial Year	A ⁷	B ₁ ⁸	B ₂ ⁹	C ¹⁰	D ¹¹	Total
2012-13	276.13	58.21	23.94	6.59	3.00	367.87
2013-14	117.23	135.79	34.24	16.72	0.05	304.03
2014-15	76.32	216.31	46.11	21.80	0.01	360.55
2015-16	55.93	264.47	52.94	24.69	0.01	398.04
2016-17	54.17	290.16	61.85	30.69	0.02	436.89

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.

The number of non-corporate assesseees registered an increase of 9.8 *per cent* in FY 2016-17 in comparison to increase of 10.4 *per cent* in FY 2015-16. As can be seen from the Table 1.3 above and Chart 1.1, there has been increase of 16.8 *per cent* and 24.3 *per cent* in Category 'B²' and Category 'C' during FY 2016-17 in comparison to FY 2015-16. However, the increases in both the

7 Category 'A' assesseees – Assessments with income/loss below ₹ two lakh;

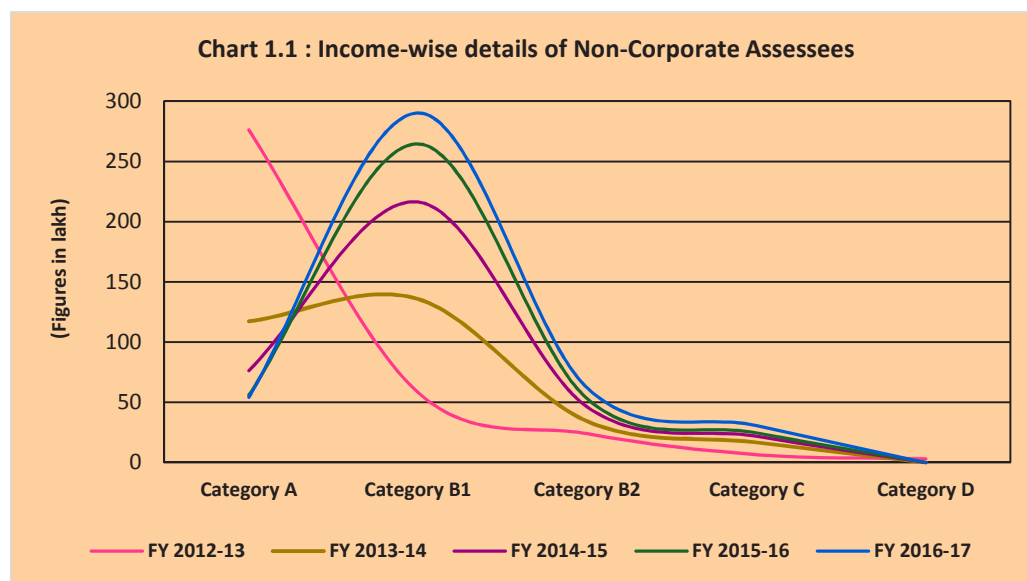
8 Category 'B₁' assesseees (lower income group) - Assessments with income/loss above ₹ two lakh and above; but below ₹ five lakh;

9 Category 'B₂' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

10 Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

11 Category 'D' assesseees – Search and seizure assessments;

categories were 14.8 per cent and 13.3 per cent during FY 2015-16 in comparison to the previous year.



1.2.4 Table 1.4 below gives the details of corporate assesseees belonging to the different categories of income.

Financial Year	A ¹²	B ₁ ¹³	B ₂ ¹⁴	C ¹⁵	D ¹⁶	Total	Assesseees having income above ₹ 25 lakh	Working companies as per RoC as on 31 st March
2012-13	3.05	0.97	0.83	1.02	0.03	5.90	0.14	8.84
2013-14	4.14	0.89	0.31	1.01	0.01	6.36	0.65	9.52
2014-15	3.20	1.51	0.48	1.56	0.00*	6.75	0.69	10.16
2015-16	3.08	1.59	0.50	1.71	0.00 [^]	6.88	0.76	10.82
2016-17	3.14	1.65	0.53	1.81	0.00 [#]	7.13	1.44	11.11

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.

* 256 assesseees; [^] 337 assesseees, # 134 assesseees

The corporate assesseees registered an increase of 3.6 per cent in FY 2016-17 in comparison to increase of 1.9 per cent in FY 2015-16. As can be seen from the Table 1.4 above and Chart 1.2 below, there have been marginal increases in the number of assesseees in all categories during FY 2016-17.

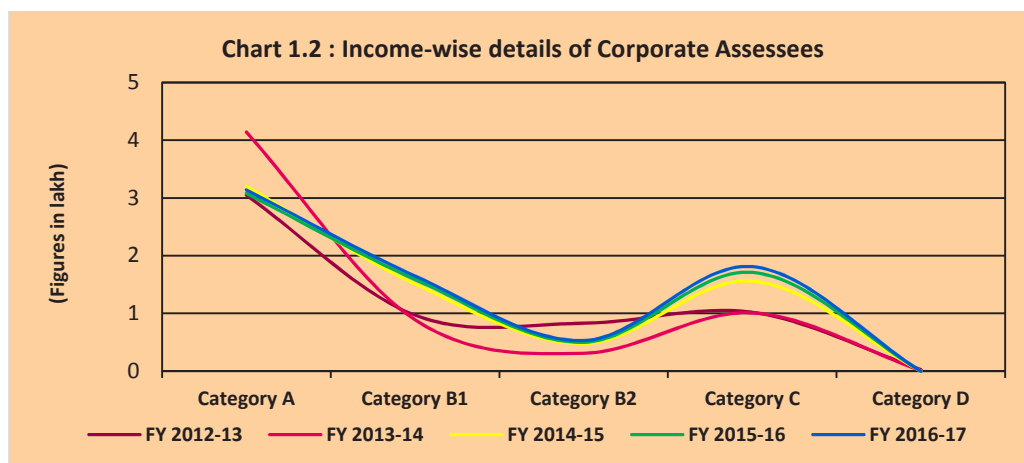
12 Category 'A' assesseees – Assessments with income/loss below ₹ 50,000;

13 Category 'B₁' assesseees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ five lakh;

14 Category 'B₂' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

15 Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

16 Category 'D' assesseees – Search and seizure assessments;



1.2.5 A comparison of the figure on total working companies as per the Registrar of Companies (ROCs)¹⁷ data with the total filers as per the ITD would suggest that ensuring compliance by indentifying non-filers has not been effective. As in FY 2015-16, there were 10.82 lakh companies registered with ROC, against which it is observed that in FY 2016-17, 7.13 lakh companies only filed income tax returns. Though all working companies (whether profit earning or loss incurring) are required by the provision of the Income Tax Act, 1961, to file their return of income, 34.1 *per cent* of such working companies in FY 2015-16 did not file their returns of income.

1.3 Functions and responsibilities of the CBDT

1.3.1 The Central Board of Direct Taxes (CBDT) under the Department of Revenue (DOR) in the Ministry of Finance provides essential inputs for policy and planning in respect of direct taxes in India. At the same time, it is also responsible for administration of direct taxes laws through Income Tax Department (ITD). ITD deals with matters relating to levy and collection of direct taxes and the issues of tax evasion, revenue intelligence, widening of tax-base, providing tax payers services, grievance redressal mechanism etc.

1.3.2 As on 31 March 2016, the overall staff strength and working strength of the ITD is 78,552 and 45,045 respectively. The sanctioned and working strength of the officers¹⁸ is 11,052 and 9,200 respectively. The revenue expenditure for the year 2016-17 is ₹ 5,623 crore¹⁹.

1.4 Budgeting of Direct Taxation

1.4.1 The Budget reflects the Government's vision and intent. The revenue budget consists of the revenue receipts of the Government (tax revenues and other revenues). Comparison of budget estimates with the corresponding

¹⁷ Source: Ministry of Corporate Affairs, Statistics Division, New Delhi.

¹⁸ Pr. CCIT/Pr. DGIT, CCIT/DGIT, Pr. CIT/Pr. DIT, CIT/DIT, Addl. CIT/Addl. DIT/JCIT/JDIT, DCIT/DDIT/ACIT/ADIT and ITOs.

¹⁹ Union Finance Accounts for FY 2016-17.

actuals is an indicator of quality of fiscal management. Actuals may differ from the estimates because of unanticipated and random external events or methodological inadequacies or unrealistic assumptions about critical parameters.

1.4.2 Table 1.5 below shows the details of Budget Estimates (BE), Revised Estimates (RE) and Actual collection of Direct Taxes during FYs from 2012-13 to FY 2016-17.

Table 1.5: Budget Estimates, Revised Estimates vis-à-vis Actual							(₹ in crore)	
Financial Year	Budget estimates	Revised estimates	Actual	Actual minus budget estimates	Actual minus Revised estimates	Difference as per cent of budget estimates	Difference as per cent of Revised estimates	
2012-13	5,70,257	5,65,835	5,58,989	(-) 11,268	(-) 6,846	(-) 2.0	(-) 1.2	
2013-14	6,68,109	6,36,318	6,38,596	(-) 29,513	2,278	(-) 4.4	0.4	
2014-15	7,36,221	7,05,628	6,95,792	(-) 40,429	(-) 9,836	(-) 5.5	(-) 1.4	
2015-16	7,97,995	7,52,021	7,42,012	(-) 55,983	(-) 10,009	(-) 7.0	(-) 1.3	
2016-17	8,47,097	8,47,097	8,49,801	2,704	2,704	0.3	0.3	

Note: BE and RE figures are as per respective Receipts Budget and Actual are as per respective Finance Accounts

1.4.3 The variation between RE and actual collection ranged from (-) 1.4 per cent to 0.3 per cent of RE whereas the variation between BE and actuals were much higher, as seen for the period from FY 2012-13 to FY 2016-17, indicating that the budget estimates, on which expenditure proposals were formulated, were based on somewhat unrealistic assumptions, except for FY 2016-17 provisional figures.

1.5 Growth of Direct Taxes

1.5.1 Table 1.6 below gives the relative growth of direct taxes (DT) with reference to Gross Tax Receipts²⁰ (GTR) and Gross Domestic Products (GDP) during FY 2012-13 to FY 2016-17.

Table 1.6: Growth of Direct Taxes						(₹ in crore)
Financial Year	DT	GTR	DT as per cent of GTR	GDP	DT as per cent of GDP	
2012-13	5,58,989	10,36,460	53.9	99,88,540	5.6	
2013-14	6,38,596	11,38,996	56.1	1,13,45,056	5.6	
2014-15	6,95,792	12,45,135	55.9	1,25,41,208	5.5	
2015-16	7,42,012	14,55,891	51.0	1,35,76,086	5.5	
2016-17	8,49,801	17,15,968	49.5	1,51,83,709	5.6	

Source: DT and GTR - Union Finance Accounts, GDP-Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation; GDP for FY 2016-17 – Press note released by CSO on 31 May 2017. The Figures of GDP are continually being revised by CSO.

²⁰ It includes all direct and indirect taxes.

1.5.2 Though the DT increased by 14.5 *per cent* in FY 2016-17 as compared to FY 2015-16, there was marginal decrease (1.5 *per cent*) in the share of DT to GTR in FY 2016-17 as compared to FY 2015-16. This is because of growth of 21.3 *per cent* in Indirect Taxes during FY 2016-17 as shown in Table 1.1. DT is 5.6 *per cent* of GDP during FY 2016-17, which has been constant over the years.

1.5.3 Table 1.7 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT) during FY 2012-13 to FY 2016-17.

Financial Year	Direct Taxes	Per cent growth over previous year	Corporation Tax	Per cent growth over previous year	Income Tax	Per cent growth over previous year
2012-13	5,58,989	13.2	3,56,326	10.4	1,96,843	19.6
2013-14	6,38,596	14.2	3,94,678	10.8	2,37,870	20.8
2014-15	6,95,792	9.0	4,28,925	8.7	2,58,374	8.6
2015-16	7,42,012	6.6	4,53,228	5.7	2,80,390	8.5
2016-17	8,49,801	14.5	4,84,924	7.0	3,40,592	21.5

Source: Union Finance Accounts

1.5.4 There was growth of 21.5 *per cent* in Income Tax as compared to growth of 7.0 *per cent* in Corporation Tax in FY 2016-17.

1.5.5 There are different stages of direct taxes collection such as Tax deducted at source (TDS), advance tax, self assessment tax, and regular assessment tax in respect of both corporation and income tax. The pre-assessment collection through TDS, advance tax and self assessment tax is indicative of voluntary compliance in the system. The collection of tax through regular assessment stage occurs post assessment.

1.5.6 Table 1.8 below shows the collection of Coporation and Income Tax under different stages during FY 2012-13 to FY 2016-17.

Financial Year	TDS	Advance Tax	Self assessment tax	Pre-assessment collection (Col. 2 + 3 + 4)	Percentage of total pre-assessment collection	Regular Assessment Tax	Other receipts	Total Collection (Col. 6 + 7 + 8)
1.	2.	3.	4.	5.	6.	7.	8.	9.
2012-13	2,10,654	2,75,794	39,470	5,25,918	82.6	62,418	48,596	6,36,932
2013-14	2,48,547	2,92,522	44,123	5,85,192	81.1	72,528	63,884	7,21,604
2014-15	2,59,106	3,26,525	52,050	6,37,681	79.8	80,189	81,589	7,99,459
2015-16	2,87,412	3,52,899	54,860	6,95,171	81.2	63,814	96,940	8,55,925
2016-17	3,43,134	4,06,769	68,160	8,18,063	82.8	74,138	95,886	9,88,087

Note: The above figures were received from the Pr. CCA, CBDT during the respective years. The other receipts includes surcharge and cess. The figures of collection comprises of refunds also. In FY 2016-17, there is a difference of ₹ 11.0 crore in collection of Corporation Tax and Income Tax as compared with the Union Finance Accounts.

1.5.7 The data of Tax deducted at source as shown in Table 1.8 indicates that the TDS has increased to ₹ 3.4 lakh crore in FY 2016-17 from ₹ 2.1 lakh crore in FY 2012-13, showing an increase of 62.9 *per cent* over the period from FY 2012-13 to FY 2016-17. There was increase of 72.7 *per cent* and 47.5 *per cent* in Self-assessment Tax and Advance Tax respectively over the period. The TDS in respect of Corporate and Income tax was ₹ 1,05,077 crore and ₹ 2,38,057 crore, respectively for FY 2016-17 in comparison to ₹ 94,061 crore and ₹ 1,93,351 crore respectively in FY 2015-16.

1.6 Revenue impact of tax incentives

1.6.1 The primary objective of any tax law and its administration is to raise revenues for the purpose of funding government expenditure. The revenues raised are primarily dependent upon the tax base and effective tax rate. The determinant of these two factors is a range of measures which includes special tax rates, exemptions, deductions, rebates, deferrals and credits. These measures are collectively called as “tax incentives or tax preferences”. These are also referred as tax expenditure.

1.6.2 The Income Tax Act, 1961, *inter alia*, provides for tax incentives to promote exports, balanced regional development, creation of infrastructure facilities, employment, rural development, scientific research and development, growth of the cooperative sector and encourages savings by individuals and donations for charity. Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers.

1.6.3 The Union Receipt Budget depicts statement of revenue impact of major incentives on corporate taxpayers and non-corporate taxpayers based on returns filed electronically. Table 1.9 shows the revenue impact of major tax incentives for FY 2012-13 to FY 2016-17.

Financial Year	Total Revenue impact of tax incentives	Revenue impact as <i>per cent</i> of		
		GDP	DT	GTR
2012-13	1,02,256	1.0	18.3	9.9
2013-14	93,047	0.8	14.6	8.2
2014-15	1,18,593	0.9	17.0	9.5
2015-16	1,38,658	1.0	18.7	9.5
2016-17	1,63,526	1.1	19.2	9.5

Note: The figures of revenue impact of tax incentives are actuals except FY 2016-17 (projected) as per respective Receipt Budget. These do not cover Charitable Institutions. However, the amount applied by Charitable Institutions was ₹ 2,67,534 crores in respect of 1,31,705 electronically filed returns till November 2016 as per Receipt Budget 2017-18.

As reported in the Receipts Budget for the FY 2017-18, the effective rate of corporation tax for the FY 2015-16 was 28.24 *per cent*, as against the statutory

rates ranging from of 33.06 *per cent* to 34.6 *per cent* depending on the incomes of the companies.

1.6.4 The major tax incentives given were deductions under section 80C (worth ₹ 55,299 crore in 2016-17), accelerated depreciation under section 32 (₹ 55,194), deduction of export profits to SEZ units under section 10A and 10AA (₹ 20,914 crore), deductions to undertakings in generation/ transmission and distribution of power under section 80IA (₹ 12,591 crore), deductions for scientific research under sections 35(1), (2AA) and (2AB) (₹ 10,993 crore).

1.6.5 The revenue impact of tax incentives has been increasing in absolute terms over the years (except FY 2013-14). The Public Accounts Committee (PAC) in their 87th Report (15th Lok Sabha) observed, *inter alia*, that the Government needed to consider some measures to phase out unwarranted tax exemptions/deductions. The Finance Minister in his Budget speech of 2015 had announced that exemption for corporate taxpayers would be rationalized and removed. In pursuance of this, the Government, in order to rationalize the deductions, had reduced or abolished deductions under section 35, 35AC, 35AD, 35CCC, 35CCD, 80IA, 80IAB and 80IB(9) through the Finance Act, 2016.

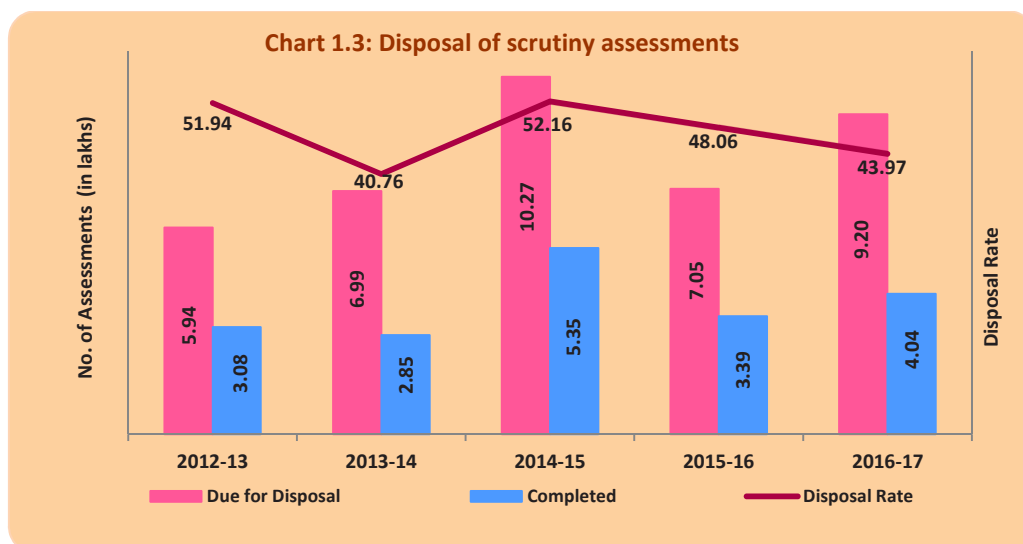
1.7 Widening of tax base

1.7.1 The ITD has different mechanisms available to enhance the assessee base which includes survey, information sharing with other tax departments and third party information available in annual information returns (AIRs). In the Central Action Plan 2016-17 of ITD, key result areas for widening of tax base are:

- a. Action on non-PAN/invalid PAN cases reported in AIR transactions disseminated by the Directorate of Systems in FY 2015-16 and FY 2016-17;
- b. Non-filers of return identified by the Directorate of Systems under Non-filers Monitoring System (NMS) cycle 1 (2013) : 12.2 lakh; cycle 2 (2014) : 22.1 lakh; cycle 3 (2015) : 44.1 lakh; & cycle 4 (2016): 58.9 lakh; and subsequent NMS cycle : 67.5 lakh.

1.8 Disposal of Scrutiny assessments

1.8.1 Chart 1.3 gives the trend of disposal of scrutiny assessments during FY 2012-13 to FY 2016-17.



1.8.2 The numbers due for disposal of scrutiny assessment cases and the actual scrutiny assessment cases completed increased to 9.2 lakh and 4.0 lakh respectively in FY 2016-17 as compared to 7.0 lakh and 3.4 lakh respectively in FY 2015-16. Though the numbers for disposal of scrutiny assessment cases and the actual scrutiny assessment cases completed increased in absolute terms in FY 2016-17, in percentage, the disposal of scrutiny assessment cases in FY 2016-17 has decreased to 44.0 per cent as compared to 48.1 per cent in FY 2015-16.

1.9 Disposal of Refund cases

1.9.1 Table 1.10 gives the trend of disposal and pendency of direct refund cases during FY 2012-13 to FY 2016-17.

Table 1.10: Disposal of Direct Refund Cases				(Number in lakh)
Financial Year	Direct Refund cases due for disposal	Direct Refund cases disposed of	Direct Refund cases pending	Pendency in percentage
2012-13	38.8	27.6	11.2	28.9
2013-14	34.5	25.7	8.8	25.5
2014-15	31.5	22.6	8.9	28.1
2015-16	38.9	33.4	5.5	14.2
2016-17	43.6	38.9	4.7	10.7

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

1.9.2 It is seen that there has been significant reduction in pendency of direct refund cases over the years.

1.9.3 The Government has refunded ₹ 1,62,582 crore which included interest of ₹ 10,312 crore (6.3 per cent) in FY 2016-17. The interest paid on refunds in FY 2015-16 was ₹ 6,886 crore (5.6 per cent) on ₹ 1,22,596 crore refunded during 2015-16.

1.10 Arrears of demand

1.10.1 Table 1.11 gives the trend of arrears of demand pending during the period FY 2012-13 to FY 2016-17.

Table 1.11: Arrears of Demand				(₹ in crore)
Financial Year	Arrears of earlier year's demand	Current year's demand	Total arrears of demand	Demand difficult to recover
2012-13	4,09,456	76,724	4,86,180	4,66,854
2013-14	4,80,066	95,274	5,75,340	5,52,538
2014-15	5,68,724	1,31,424	7,00,148	6,73,032
2015-16	6,67,855	1,56,356	8,24,211	8,02,256
2016-17	7,33,229	3,11,459	10,44,688	10,29,725

Source: Directorate of Income Tax (Organisation & Management Services), Demand & Collection report (CAP-1) for the month of March of respective FY

1.10.2 Demand & Collection report for the month of March of respective FYs analysed various factors viz. no assets/inadequate assets for recovery, cases under liquidation/BIFR, assessee's not traceable, demand stayed by Courts/ITAT/IT authorities, TDS/prepaid taxes mismatch etc. leading to an estimation of the demands difficult to recover. These demands have been increasing year after year and accounted for 98.6 *per cent* of the total arrears of demands in FY 2016-17 as against 97.3 *per cent* in FY 2015-16.

1.10.3 Defaults in payment of taxes are referred to the Tax Recovery Officers (TROs) who draw up a certificate specifying the amounts of arrears due from the assessee's and then proceed to recover the amount. The certified demands remaining uncollected were increased to ₹ 3.2 lakh crore in FY 2016-17 in comparison to ₹ 2.4 lakh crore in FY 2015-16. TROs could dispose only 5.6 *per cent* (₹ 19.1 crore) of the pending certified demands in FY 2016-17. The quarterly progress report on Tax Recovery officer's work for the quarter ending March 2017 as provided by Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing indicates the reasons as 'stayed by court/other authorities, pending from ITOs, cases of doubtful recovery and others'.

1.11 Disposal of Appeal cases

1.11.1 Table 1.12 gives the trend of disposal and pendency of appeal cases before CIT (Appeals) during FY 2012-13 to FY 2016-17.

Financial Year	Appeal cases due for disposal	Appeal cases disposed of	Appeal cases pending	Pendency in percentage	Amount locked up in Appeal cases
	(Number in lakh)				(₹ in crore)
2012-13	2.84	0.85	1.99	70.1	2,59,556
2013-14	3.03	0.88	2.15	71.0	2,87,444
2014-15	3.06	0.74	2.32	75.8	3,83,797
2015-16	3.53	0.94	2.59	73.3	5,16,250
2016-17	4.08	1.18	2.90	71.1	6,11,227

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

1.11.2 As per the information provided by DGIT (Logistics, Research & Statistics), appeal cases decided by CIT (A) against the department were 30 per cent, 27 per cent and 33 per cent during 2013-14, 2014-15 and 2015-16 respectively (refer para 7.8.3, chart 7.1). The amount locked up in appeal cases with CIT (Appeals) is equivalent to 1.97 times of the revised revenue deficit of the Government of India in FY 2016-17 against 1.51 times of actual revenue deficit in FY 2015-16.

1.11.3 Table 1.13 below gives the position of Appeals/Writs and other matters pending with the Income Tax Appellate Tribunals (ITATs)/High Courts and Supreme Court as on 31 March 2017.

Authority with whom pending	Cases pending (Numbers)	Amount locked up (₹ in crore)
ITATs	37,968	1,43,771
High Courts	38,481	2,87,818
Supreme Court	6,375	8,048
Total	82,806	4,39,637

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

1.11.4 The amount locked up at higher levels (ITATs/High Courts/Supreme Court) increased to ₹ 4.4 lakh crore (82,806 cases) as on 31 March 2017 in comparison to ₹ 3.0 lakh crore (70,371 cases) as on 31 March 2016.

1.12 Search & Seizure and Survey

The Search & seizure and survey are amongst the main evidence collecting mechanisms which are used in cases where credible information about tax evasion is in possession of the ITD. Table 1.14 below shows the details of search & seizure and survey conducted and the undisclosed income admitted/detected during FY 2012-13 to FY 2016-17.

Table 1.14: Status of search & seizure and survey cases				(₹ in crore)
Financial Year	Number of groups searched	Undisclosed income admitted	Number of survey conducted	Undisclosed income detected
2012-13	422	10,292	4,630	19,337
2013-14	569	10,792	5,327	90,391
2014-15	545	10,288	5,035	12,820
2015-16	447	11,226	4,428	9,700
2016-17	1,152	15,497	12,526	13,716

Source: Investigation Wing, CBDT

During FY 2016-17, undisclosed income admitted during search & seizure increased by 38.0 *per cent* and undisclosed income detected during survey increased by 41.4 *per cent*.

1.13 Effectiveness of Internal Audit

1.13.1 Internal audit is an important part of the Departmental control that provides assurance that demands/refunds are processed accurately by the correct application of the provisions of the Act. The internal audit of ITD completed audit of 1,80,110 cases in FY 2016-17 as against 1,78,793 cases audited in FY 2015-16.

1.13.2 Table 1.15 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2012-13 to FY 2016-17:

Table 1.15: Details of Internal audit observations								(₹ in crore)
Financial Year	Opening balance		Addition		Settled		Pending	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
2012-13	34,563	9,278	18,275	4,135	16,626	2,736	36,212	10,677
2013-14	36,212	10,677	14,423	8,951	26,322	8,610	24,313	11,018
2014-15	20,834 [^]	8,368	9,927	2,292	15,586	3,805	15,175	6,855
2015-16	19,137 [^]	8,023	13,148	6,463	12,891	2,205	19,394	12,281
2016-17	19,405 [^]	12,283	12,972	2,451	11,256	3,352	21,121	11,382

Source: Directorate of Income Tax (Income Tax & Audit); [^]Figures revised after verification by respective CsIT(Audit) subsequent to submission of quarterly statement for the quarter ending March

1.13.3 Out of 12,439 major finding cases ²¹ raised by internal audit, the assessing officers (AOs) acted upon only in 4,126 cases (33.2 *per cent*) in FY 2016-17 in comparison to 3,730 cases (32.4 *per cent*) out of 11,509 cases in FY 2015-16. This needs improvement.

²¹ Audit objection above ₹ two lakh in Income tax and above ₹ 30,000 in other taxes.