

**'NEW ST REGIME FROM 1ST JULY, 2012; CBEC TO PUT BEST EFFORTS TO ACHIEVE IDT COLLECTION TARGETS' : FM SPEECH**

**PRESS RELEASE, DATED 4-6-2012**

**Following is the text of the Speech delivered by the Union Finance Minister, Shri Pranab Mukherjee at the Annual Conference of Chief Commissioners and Directors General of Customs, Central Excise and Service Tax here today:-**

"I am very happy to be here at this Annual Conference of Chief Commissioners and Director Generals of Central Board of Excise and Customs (CBEC). Let me begin by congratulating the officers and staff of the Department for your spirited performance in tax collections in the year 2011-12. Despite a slowdown in growth and the duty cuts effected on petroleum products in June 2011, the indirect tax collection of Rs. 3,92,781 crore (excluding cess) is only marginally short of the Revised Estimates of Rs. 3,94,000 crore in 2011-12.

2. The target for indirect tax collections in 2012-13 has been placed at Rs. 4,99,694 crore. It is a growth of over 27 per cent. This target has been fixed keeping in view the increase in central excise and service rate from 10 to 12 per cent the observed buoyancy in service tax collections. I am confident that the department would leave no stone unturned in ensuring that the targets for the current year are not only met but handsomely exceeded.

3. A strong indirect tax administration is fundamental to the development of a nation's economy. Government's fiscal measure, by way of reduced rates of excise and customs duties, significantly dented revenue collections in the recent past. It was an unavoidable necessity to steer the economy out of the economic slowdown. The Indian economy registered a healthy growth of 8.4 per cent in 2009-10 and 2010-11. However, renewed global uncertainty, emanating mostly from the Euro zone area affected domestic business sentiments in 2011-12. A tight monetary policy directed at taming inflationary pressures in the economy also came in the way of consolidating this recovery. GDP growth in 2011-12 has slowed significantly to just 6.5 per cent. This has been disappointing. Like for most parts of the world, the second round of global uncertainty and the slowdown has come rather quickly on the heels of the previous one, with practically no headroom for running a proactive fiscal policy.

4. Nevertheless, there are some positives for the Indian economy as we look forward. The interest rate cycle has been reversed; mining sector growth has turned around, progress has been made on fuel linkage for coal based power projects; there is a turnaround in the quarterly investment growth rate, which had been negative in the preceding quarters of 2011-12; a normal south west monsoon has been predicted for 2012-13 and there has been a rapid decline in international oil prices in recent weeks. Further, there are no major adverse results on corporate performance in the last quarter of 2011-12. All these factors should help in the recovery of domestic growth momentum.

5. The challenges before your department today are multi-faceted. At a general level, there is an urgent need to reverse the declining trend in tax- GDP ratio by augmenting tax collections. This ratio was nearly 12 per cent in 2007-08 but has dropped to around 10.5 per cent in 2011-12. There is scope for improving tax administration by leveraging technology and facilitating a congenial public interface, where required, through appropriate training and capacity building.

6. The ever increasing demands from trade and industry for faster clearance of import-export cargo, prompt payment of refunds and drawback claims, timely resolution of difficulties faced by the taxpayers etc. has to be balanced with the need for improved tax revenue mobilization. The important task before you is to ensure timely collection of all legitimate tax dues, without, of course, unduly burdening the assessee. You must sharpen your audit skills and conduct intelligent scrutiny of assessee's records to bring to the kitty any tax that might have escaped assessment and to detect frauds which are often intelligently planned and meticulously executed.

7. While the need for trade facilitation and tax payers' satisfaction cannot be over-emphasized, any *mala fide* and corrupt practice to evade payment of legitimate dues, needs to be handled as per established procedure of law. You must also ensure that your actions do not hinder the smooth conduct of any bona fide activity of an honest and law-abiding tax payer and do not, in any way, add to their legitimate compliance cost. You should strive to build a transparent and hassle-free tax regime where the assessee voluntarily complies with the statutory requirements and dreads any breach of regulatory provisions and procedures.

8. I am particularly happy to note the buoyancy in Service Tax collection in 2011-12 which, at Rs. 97,389 crore, far exceeded the Budget Estimate of Rs. 82,000 crore. The rate of Service Tax has been enhanced to 12 per cent in the Union Budget, 2012 in order to gradually move towards a unified GST regime. A 'Negative List' approach for taxation of services is being introduced in the current fiscal. Under the new approach, all services except those in the 'Negative List' or otherwise exempted, would come into the tax net. The new system will come into effect from 1<sup>st</sup> July, 2012. The new comprehensive approach to taxation of services is a shining piece of tax reform, preparatory to the introduction of GST. In a nutshell, the comprehensive approach to taxation of services implies larger tax base with limited number of exemptions. On the Central Excise side the standard rate of excise duty has been increased from 10 to 12 per cent in the Finance Bill, 2012. These changes are likely to help the Department in garnering additional tax revenue.

9. Central Board of Excise & Customs is celebrating 50 years of the Customs Act, 1962. The Department has consistently strived to put in place a transparent and efficient system of indirect tax administration. It has evolved through in-house innovations and adoption of international best practices. The facilitation measures introduced recently include a trust-based system of self assessment of Customs duty by the importers and exporters coupled with a Risk Management System

(RMS) to identify risky consignments for assessment and examination by the Customs officer. This is expected to substantially raise the level of facilitation of imported consignments. I am confident that these measures will encourage voluntary compliance and reduced transaction costs. Our long term goal should be to achieve the global standard for time taken to clear the goods at port, airport and land customs stations.

10. I am aware of the recent advances made by your department in harnessing information technology in indirect tax administration by way of e-payment of taxes, e-filing of returns, electronic credit of refund and drawback amounts directly to the assessee's bank account. Apart from undertaking a pilot project for developing a common portal for GST with the Centre and 11 States, the Government has also approved a proposal to set up a Special Purpose Vehicle (SPV) for GST called GSTN to implement and maintain the IT infrastructure required for a smooth roll-out of GST.

11. Smuggling of FICN, narcotics and psychotropic substances, illicit export of flora and fauna; antiques and other prohibited goods pose a grave threat to our economy. Commercial frauds perpetuated to evade payment of legitimate duty are another area of growing concern. To enable you to deal with these concerns effectively the initiatives taken to improve the infrastructural and technological capabilities at your command need to be rapidly implemented.

12. Customs Overseas Intelligence Network (COIN) of CBEC in various countries plays an important role in exchange of information related to cross border transactions. The existing nine COIN offices are contributing substantially to support the functioning of DRI. Ministry of External Affairs has agreed for creation of two more COIN posts in China to further expand the network. The enlarged network will add to the operational capacity of Directorate of Revenue Intelligence of CBEC.

13. Capacity building needs to be accorded a high priority so that we are able to build a team of dedicated and motivated workforce to respond to the challenges confronting the department. The issues related to human resource development should be given priority, and necessary steps to promote an administration with a humane face earnestly pursued. You all at the senior level cannot remain insensitive to the genuine concerns of your workforce, be it the legitimate demand for a timely promotion or holding of DPCs or timely sanction of annual increments, or payment of retirement benefits.

14. I urge you all to put in your best efforts to augment the tax collections and remain firmly committed to providing an efficient, responsive and tax payer friendly administration. I understand that CBEC has constituted four Breakaway Groups for in depth examination of some of the current issues that need the immediate attention of the department. I expect each one of you to contribute actively to the deliberations, brain-storm collectively to find out solutions to the problems thrown up by these groups and draw road maps for future course of action. I am sure, your

active participation, enthusiasm and insight will make this Conference a resounding success.

15. I would conclude by reiterating what I said in my Budget Speech for 2012. A number of global and domestic factors militated against the growth that had revived in the last two years. But India has thrived under challenges and India will do so now.....Whether or not today's announcements make tomorrow morning's headlines matters little, as long as they help in shaping the headlines that describes India a decade from now. I look forward to the outcomes of this conference."