

“E-Book” on “Good Governance: Ministry of Finance”

FOREWORD

The Government attaches utmost importance to the need for improving Governance and service delivery to the common man. One of the important tenets in this direction is the effective use of IT based applications under e-Governance initiatives. In line with this, the Ministry of Finance has taken-up the initiative of raising an e-Book.

This provides an easy access to various initiatives including good governance initiatives taken under the Ministry of Finance (MoF) and an IT enabled platform. MoF hopes this will be useful to the citizens and an important step in bringing the governance closer to the public.

Ministry of Finance (MoF) is happy to launch this initiative on “Sushashan Diwas” (Good Governance Day).

Ministry of Finance Team

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

(i) As part of the Government's commitment to the principle of '**Minimum Government and Maximum Governance**', **Expenditure Management Commission** was constituted on 5.9.2014 to review the allocative and operational efficiencies of Government expenditure. The Commission will submit its interim report before the Budget of 2015-16 and its final report before the Budget of 2016-17.

(ii) In the wake of severe calamities like Cyclones, Floods and Droughts etc., an amount of Rs. 427.06 crore, Rs. 10.74 crore, Rs. 1.42 crore, Rs. 82.77 crore, Rs. 83.13 crore, Rs. 172.33 crore, Rs. 18.51 crore and Rs. 1000.00 crore has been released to the States of Andhra Pradesh, Arunachal Pradesh, Himachal Pradesh, Karnataka, Madhya Pradesh, Uttarakhand, Telangana and J&K respectively for taking up immediate rescue, relief and restoration works.

(iii) Department of Expenditure has enhanced the delegation of powers for appraisal and approval of Plan Schemes and Projects at all levels. All schemes and projects up to Rs.500 crore can now be approved by Central Ministries themselves, and only projects above Rs.1000 crore are now required to be sent to the Cabinet for approval.

(iv) **Swachh Bharat Kosh (SBK)** has been set up to attract Corporate Social Responsibility (CSR) funds from corporate sector and contributions from individuals and philanthropists in response to the call given by Hon'ble Prime Minister on 15th August, 2014 to achieve the objective of Clean India (Swachh Bharat) by the year 2019, the 150th year of the birth anniversary of Mahatma Gandhi through Swachh Bharat Mission.

(v) **Direct Benefit Transfer (DBT)** : The vision of DBT is to transfer cash or benefits directly to the beneficiaries' accounts, preferably Aadhar seeded, cutting down several layers of the intermediaries in order to achieve timely and more frequent payments, target intended beneficiaries more accurately, remove fake, ghost beneficiaries and de duplicate and improve efficiency in delivery system. This is also to create transparency and accountability in government delivery systems and empower beneficiaries.

(vi) Central Pension Accounting Office (CPAO) has initiated process of issuing e-PPO to the pensioners. The CPAO has introduced the facility to see the first credit of pension in the pensioners/family pensioners bank account through its website.

DEPARTMENT OF FINANCIAL SERVICES

(vii) **Financial Inclusion and Pradhan Mantri Jan Dhan Yojana (PMJDY):** To increase banking penetration and promoting financial inclusion and with the main objective of covering all households with at least one bank account per household across the country , a National

Mission on Financial Inclusion named as *Pradhan Mantri Jan Dhan Yojana* (PMJDY) announced by Hon'ble Prime Minister in his Independence Day Speech on 15th August, 2014 was formally launched on 28th August, 2014 at National level by Hon'ble Prime Minister.

(viii) Licensing small banks, payments banks and other differentiated banks: The Reserve Bank of India (RBI) formulated and released guidelines for licensing of payments banks and small finance banks in the private sector on November 27, 2014.

(ix) Varishta Pension Bima Yojana (VPBY): Government revived the 2003-04 Varishta Pension Bima Yojana (VPBY) for one year for senior citizens over 60 years of age to enable a pension between Rs. 500 and Rs. 5000 per month against a stipulated purchase price, implying a monthly rate of return of 9%. Quarterly, biennial and annual options are also available.

(x) Cabinet Approval for Revival of 23 District Central Cooperative Banks: The Cabinet approved the Scheme for revival of 23 unlicensed District Central Cooperative Banks (DCCBs) in four States, comprising 16 in Uttar Pradesh, 3 in Jammu & Kashmir, 3 in Maharashtra and 1 in West Bengal. Under the Scheme, the total capital infusion envisaged would be Rs. 2375.42 Crore, of which the commitment from the Central Government would be Rs. 673.29 Crore. State Governments would provide Rs. 1464.59 Crore and NABARD Rs. 237.54 Crore.

DEPARTMENT OF ECONOMIC AFFAIRS

(xi) Several measures taken by the Government in the past seven months which augur well for the growth of Indian economy as evidenced in the following outcomes:

- **GDP growth** which was below 5 percent in the last two years has grown at **5.5 per cent in the first half of the current year.**
- **Inflation as measured by Consumer Price Index is at its lowest ever level in November 2014 (4.4 per cent)** since the introduction of the new series in 2011-12.
- **Wholesale Price Index inflation is 0.0 per cent for November, 2014**, lowest since 2009. This has been achieved largely due to constant monitoring and measures taken such as delisting of vegetables and perishables from APMC Act, release of food grains stocks, fixing of minimum export prices for key commodities.
- India's external sector is now far more resilient and robust than before. Current account deficit was 1.9 per cent of GDP in the first half of 2014-15 as against 3.1 percent of GDP in the first half of 2013-14.
- Capital flows particularly investment flows have been buoyant in the first half of 2014-15 and there has been significant addition to the foreign exchange reserves. Total Investment Flows are placed at USD 43.4 billion in April-October, 2014 as against USD 9.4 billion

in April-October, 2013. Foreign Exchange Reserves stood at US\$ 314.7 billion as on December 5, 2014.

(xii) Initiatives to promote savings rate in the economy:

- Investment limit under Public Provident Fund increased from Rs 1 lakh to Rs 1.5 lakh;
- A scheme exclusively for the girl child has been notified. The scheme will provide funds at the stage of “Education” and “Marriage” of the girl child.

(xiii) Initiatives taken by SEBI on Good Governance in past seven (7) months:

- To strengthen regulatory framework dealing with the insider trading SEBI Board in its meeting held on 19.11.14 approved amendments to SEBI (Prohibition of Insider Trading) Regulations 1992. The amendments provide for strengthening the legal and enforcement framework, align insider trading norms with international practices, clarity in definitions and concepts and facilitate legitimate business transactions.
- To address these concerns and to make the delisting process less cumbersome, SEBI Board in its meeting held on 19th November 2014 has approved certain proposals to review the existing regulatory framework on delisting for making it more effective by amending the SEBI (Delisting of Equity Shares) Regulations, 2009. The proposals approved, among others, includes conditions for the delisting to be successful, the process of the determination of offer price through reverse book building process, reducing timeline for completing the delisting process etc.
- SEBI vide its circular dated 12.11.14 provided for a framework to enable a single consolidated view of all the investments of an investor in Mutual Funds (MF) and securities held in demat form with the Depositories.
- SEBI vide circular dated 13.10.2014 approved single registration for operating in all stock exchanges and / clearing corporations. This would simplify the registration requirements for stock brokers and clearing members.
- SEBI has been taking various measures to create awareness among investors about grievance mechanisms available to them through workshops as well as through print and electronic media. Vide circular dated 28.8.14 provided that all Stock Brokers and Depository Participants shall prominently display basic information about the grievance redressal mechanism available to investors in their offices in a prescribed format.
- SEBI vide its circular dated 8.8.2014 expanded the framework of the Offer for Sale of shares through Stock exchange mechanism which inter alia provided that a minimum of 10% of the offer size shall be reserved for retail investors.

(xiv) ECB / trade credit permission has been digitalized using the on-line application tracking system (ATS) of the RBI. The ATS, which can be accessed via a web browser over the internet, allows applicants to submit and track the status of the submitted application.

(xv) Real Estate Investment Trusts (REITs)/Infrastructure Investment Trust (InvITs) - Government has announced REITs and InvITs – innovative financing instruments for financing real estate and infrastructure projects. REITs have been successfully used as instruments for pooling of investments in several countries. InvITs seeks to facilitate similar structure for infrastructure projects. This will allow original equity investor to exit their investments which is expected to give a fillip to both, cash strapped real estate projects and infrastructure projects. Guidelines/ Regulations issued by SEBI.

DEPARTMENT OF REVENUE

Central Board of Direct Taxes (CBDT)

(xvi) While broadening the tax base and providing an equitable tax regime has been the underlying theme of the tax policy of the government, sustained economic growth continues to be the prime objective. Even in the limited fiscal space several important and path breaking initiatives for reviving the economy, promoting investment in manufacturing sector and measures of rationalising tax provisions so as to reduce litigation were introduced through the Finance (No.2) Act , 2014.

(xvii) Tax clarity and Dispute Resolution:

- Introduction of a “**Roll Back**” provision in the Advanced Pricing Agreement (APA) scheme so that an APA entered into for future transactions is also applicable to international transactions undertaken in previous four years in specified circumstances.
- Introduction of range concept for determination of arm’s length price in transfer pricing regulations.
- To allow use of multiple year data for comparability analysis under transfer pricing regulations.
- Resident taxpayers enabled to obtain an advance ruling in respect of their income tax liability above a defined threshold.
- The scope of the Income-tax Settlement Commission enlarged.
- High Level Committee has been set up to interact with trade and industry on a regular basis and ascertain areas where clarity in tax laws is required and based on their recommendation the Central Boards of Direct and Indirect Taxes would issue appropriate clarifications in a time bound manner, wherever considered necessary.

(xviii) Non-adversarial tax regime:

In furtherance of its objective to improve the efficiency and equity of the tax system and to promote voluntary compliance, the emphasis of the government has been for providing a non-adversarial tax regime. Accordingly, the Central Board of Direct Taxes has issued detailed instructions to its field formations to ensure that the dignity of the taxpayers is respected while dealing with them, no frivolous demands are raised and no unnecessary litigation is continued.

(xix) Measures to curb Black Money

The Government is committed to take all possible measures to check the menace of black money in the country. These measures include putting in place robust legislative and administrative frameworks, systems and processes with due focus on capacity building and integration of information and its mining through increasing use of information technology. Certain major recent initiatives include the following:

- Constitution of a Special Investigation Team (SIT), in May 2014, with two former judges of the Hon'ble Supreme Court as Chairman and Vice-Chairman, inter alia, to deal with issues relating to black money stashed abroad;
- While focusing upon non-intrusive measures, due emphasis on intrusive enforcement measures in high impact cases with a view to prosecute the offenders at the earliest possible, for creating effective deterrence against tax evasion;
- Joining the global efforts to combat tax evasion, including supporting implementation of a uniform global standard on Automatic Exchange of Information on a fully reciprocal basis, facilitating exchange of information regarding persons hiding money in offshore centres;
- Legislative measures, wherever required, including amendment to section 285BA of the Income-tax Act, 1961 vide Finance (No.2) Act, 2014 facilitating the Automatic Exchange of Information;

Central Board of Excise and Customs (CBEC)

(xx) Measures to boost domestic manufacturing sector: A number of changes in the customs and excise duty structure including rectification of inverted duty structure have been made to promote domestic manufacture, attract new investment, increase capacity utilization & enable domestic value addition in sectors, such as electronics & IT, steel, chemicals & petrochemicals, and renewable energy.

(xxi) Rationalization of customs duty structure:

- on non-agglomerated coal of various types at 2.5% BCD and 2% CVD
- reduction in customs duty from 5% to 2.5% on ships imported for breaking up
- increase in customs duty on half-cut or broken diamonds from NIL to 2.5% and on cut & on polished diamonds and colored gemstones from 2% to 2.5%

(xxii) Relief Measures:

- Life micro-insurance schemes for the poor exempted from service tax
- Transport of organic manure by vessel, rail or road (by GTA) exempted from service tax
- Loading, unloading, packing, storage or warehousing, transport by vessel, rail, road(GTA), of cotton, ginned or baled, exempted from service tax
- Services provided by common bio-medical waste treatment facility operators for safe disposal of waste exempted from service tax

(xxiii) Clean Environment Initiative:

- Rate of Clean Energy Cess, levied on coal, lignite and peat, increased from Rs. 50 per tonne to Rs. 100 per tonne so as to replenish the National Clean Energy Fund for clean environment and energy purposes.
- Services provided by common bio-medical waste treatment facility operators for safe disposal of waste exempted from service tax.

(xxiv) Trade Facilitation:

- 24X7 Customs clearance facility is being established in 17 airports and 18 seaports by 31.12.2014. This would cover all exports in the 17 airports and exports involving free shipping bills and factory stuffed exports in the 18 sea ports.
- Customs Single Window Clearance Project for faster Customs clearance has been initiated and to begin with will be implemented with Plant Quarantine and Food Safety Standards Authority of India.
- Customs Accredited Client Programme (ACP) has been reviewed with a view to allow a graded re-entry to disqualified ACP clients. This will greatly facilitate major importers.
- Guidelines for establishing Air Freight Stations have been approved in consultation with M/o Civil Aviation with a view to encourage international air cargo.
- An integrated Customs EDI – SEZ Online system would be implemented w.e.f. 31.12.2014 for expediting the paper-less movement of export and import goods between SEZs and Gateway ports.
- The dual use of infrastructure created by developers of SEZs in the non-processing areas has been allowed. Thus, such infrastructure can now cater to both SEZ and domestic entities, which will ensure optimum utilization of existing infrastructure as well as incentivize development of new infrastructure.

- An automated risk management system (Advance Passenger Information System) has been initiated to facilitate genuine passengers at international airports by identifying suspect passengers in a scientific manner.
- E-payment of service tax and central excise has been made mandatory for all assesseees/taxpayers in order to reduce the cost of compliance for the trade and industry

DEPARTMENT OF DISINVESTMENT

(xxv) Actual disinvestment: Government has disinvested 5% equity in SAIL and realized Rs.1,720 crore. This Offer for Sale (OFS) of Shares through Stock Exchange Mechanism was one of the best ever by the Government in terms of high percent subscription and low discount offered.

(xxvi) Operationalizing the Action Plan on Disinvestment: CCEA approved the disinvestment proposals of Coal India Ltd (10% equity), ONGC (5%), NHPC (11.36%), PFC (5%) and REC (5%). Government sees disinvestment of CPSEs as a tool for realizing their productive potential, while improving corporate governance, public accountability, participation of the people and raising resources for priority Government social and economic programs.

(xxvii) Making the disinvestment program more inclusive: Earlier there was no reservation for retail investors in OFS. However, on 8 August, 2014, SEBI has mandated that minimum 10% of the offer size shall be reserved for retail investors in OFS and a discount has also been made admissible to them. Subsequent to this amendment in OFS Guidelines, Government has approved upto 20% of the offer size being reserved for retail investors. Further, retail investors may be allocated shares at a discount. This is likely to improve public participation in the disinvestment program.

(xxviii) Minimum Public Shareholding norms: In August 2014, SEBI has amended the minimum public shareholding norms for every listed CPSE. After this amendment, every listed CPSE has to increase its public shareholding to at least 25%, within a period of 3 years. This is likely to give further impetus to disinvestment of CPSEs with attendant benefits.
