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MAJOR ECONOMIC COMMITTEES

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MAJOR ECONOMIC COMMITTEES

1. Raja Chelliah Committee on tax reforms

- In, 1991, the Government set up the Tax Reforms Committee under the Chairmanship of Raja J. Chelliah to examine the then tax structure of the country and suggest appropriate changes therein.
- Its recommendations included Lowering tax rate and narrowing spread between the lowest rate and maximum marginal rate (the rate of the highest slab), Avoiding double taxation, Reducing corporate tax rate differences between domestic and foreign companies, Rationalising capital gains tax, Rationalisation of wealth tax, Tariff reduction.

2. Malegam Committee

- To review the definition of 'microfinance' and 'Micro Finance Institutions (MFIs)' for the purpose of regulation of non-banking finance companies (NBFCs) undertaking microfinance by the Reserve Bank of India and make appropriate recommendations.
- Not less than 90% of its total assets (other than cash and bank balances and money market instruments) are in the nature of "qualifying assets.
- For the purpose of above, a "qualifying asset" shall mean a loan which satisfies the following criteria:
  - the loan is given to a borrower who is a member of a household whose annual income does not exceed Rs. 50,000;
  - the amount of the loan does not exceed Rs. 25,000 and the total outstanding indebtedness of the borrower including this loan also do not exceed Rs. 25,000.
  - the loan is without collateral;
  - the aggregate amount of loans given for income generation purposes is not less than 75% of the total loans given by the MFIs;
  - the loan is repayable by weekly, fortnightly, or monthly installments at the choice of the borrower.

3. Kasturirangan Committee

- Sanskrit at all levels of education: Sanskrit should be taught at all levels of school and higher education as one of the optional languages on par with all Schedule 8 languages.
- Extension of the Right To Education (RTE) Act: RTE, which currently applies to classes I to VIII, will now be applicable to the entire school system from pre-school to class XII

- Restructuring of the higher education institutions
- Establishment of a Rashtriya Shiksha Aayog (National Education Commission): as a constitutional body.
- Establishment of one higher education regulator—National Higher Education Regulatory Authority (NHERA)— that will subsume all other bodies like UGC, AICTE and others into it.
- A national programme for the professional development of faculty members of the higher education institutions.

4. C. Rangarajan Committee on Poverty Line Estimation

- The expert committee under C Rangarajan redefined the poverty line.
- According to the report of the committee, the new poverty line should be Rs 32 in rural areas and Rs 47 in urban areas.
- The Rangarajan committee estimation is based on an independent large survey of households by Center for Monitoring Indian Economy (CMIE).
- It has also used different methodology wherein a household is considered poor if it is unable to save.
- The methods also include on certain normative levels of adequate nourishment, clothing, house rent, conveyance, education and also behavioral determination of non-food expenses.
- To calculate normative levels of adequate nourishment, it considered average requirements of calories, protein and fats based on ICMR norms differentiated by age and gender.
- Based on this methodology, Rangarajan committee estimated the number of poor were 19 per cent higher in rural areas and 41 per cent more in urban areas than what was estimated using Tendulkar committee formula.

Earlier Poverty Line Estimations

- The methodology to measure poverty was first devised by expert group headed by Y K Alagh in 1979, which was further improvised by the expert group headed by D T Lakadwala in 1993.
- Tendulkar, an economist, had devised the formula to assess poverty line in 2005, which the Planning Commission had used to estimate poverty in 2009-10 and 2011-12.

5. Kelkar committee on Tax reform

- In 2002, task forces under Dr. Vijay L. Kelkar to recommend measures for simplification and rationalisation of direct and indirect taxes were formed.
- The main recommendations on direct taxes relate to raising of exemption limit of personal income tax, rationalisation of exemptions, abolition of concessional treatment to long-term capital gains, abolition of wealth tax, etc.
- In respect of indirect taxes, the main recommendations relate to widening of the tax base, removal of exemptions, expansion in the coverage of service tax, etc.

6. Rangarajan Committee on Disinvestment

- In April 1993, the Rangarajan Committee recommended disinvesting up to 49% of PSEs equity for industries explicitly reserved for the public sector and over 74% in other industries. But the then Government did not take any decision on the Committee's recommendations.

Present Disinvestment Policy

The salient features of the Policy are:

- Citizens have every right to own part of the shares of Public Sector Undertakings.
- Public Sector Undertakings are the wealth of the Nation and this wealth should rest in the hands of the people.
- While pursuing disinvestment, Government has to retain majority shareholding, i.e. at least 51% and management control of the Public Sector Undertakings Approach for Disinvestment

7. Narasimham committee on Financial sector reforms

- As India liberalised its economy in 1991, it was felt that banks were not performing efficiently. During the economic crises, it was recognised that banks have a crucial role to play in the economy and, hence, the banking sector had to be more competitive and effective. For that, Ministry of Finance under then finance minister Dr Manmohan Singh set up Narasimham Committee to analyse India's banking sector and recommend reforms.
- The Committee was set up under the chairmanship of Maidavolu Narasimham.
- There was another Committee, this time under P Chidambaram as the finance minister, headed by Narasimham, which was formed in 1998.
- The first Committee was set up in 1991 and is referred to as the Narasimham Committee- I, and the 1998 Committee is known as the Narasimham Committee – II.

MAJOR RECOMMENDATIONS

1. Narasimham Committee- I

- A 4-tier hierarchy for the Indian banking system with 3 or 4 major public sector banks at the top and rural development banks for agricultural activities at the bottom
- A quasi-autonomous body under RBI for supervising banks and financial institutions
- Reduction in statutory liquidity ratio
- Reaching of 8% capital adequacy ratio
- Deregulation of Interest rates
- Full discloser banks' accounts and proper classification of assets
- Setting up Asset Reconstruction fund

2. Narasimham Committee- II

- This Committee is also known as the Banking Sector Committee. The task of the Committee was to review the progress of the implementation of reforms and to suggest a design for further strengthening of the sector.

- **Stronger banking system:** The Committee recommended the merger of major public sector banks to boost international trade. However, the Committee warned against merging stronger banks with weaker banks.
- **Narrow Banking:** Some of the public sector banks at that time had the problem of high non-performing assets (NPAs). For successful rehabilitation of such banks, the Committee recommended Narrow Banking Concept where the banks were allowed to put their funds in short-term and risk-free assets.
- **Reform in the role of RBI:** The Committee also recommended reforms in the role of the RBI in the banking sector. The Committee felt that RBI being the regulator, it should not have ownership in any bank.
- **Government ownership:** It also recommended that government ownership of banks should be reviewed as it hampers the autonomy of banks resulting in mismanagement.
- **NPAs:** The Committee wanted the banks to reduce their NPAs to 3% by 2002. It also recommended the formation of Asset Reconstruction Funds or Asset Reconstruction Companies. The recommendations led to the introduction of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- **Capital Adequacy Ratio:** It also proposed that the government should raise the Capital Adequacy Ratio norms.
- **Foreign banks:** It also proposed to raise the minimum start-up capital to $25 million for foreign banks from $10 million.

3. PK Mohanty Committee

- RBI constituted a five-member Internal Working Group to review present ownership guidelines and corporate structure for Indian Private Sector Banks.
- To review the extant licensing guidelines and regulations relating to ownership and control in Indian private sector banks and suggest appropriate norms;
- To examine and review the eligibility criteria for individuals/ entities to apply for banking license and study the current regulations on holding of financial subsidiaries through non-operative financial holding company (NOFHC) and suggest the manner of migrating all banks to a uniform regulation in the matter.

4. Arun Goel Committee

- It is an inter-ministerial committee for strengthening India''s capital goods sector.
- It will look into issues faced by the industry pertaining to technology development, global value chains, testing infrastructure, skill training, global standards, and customs duties.

5. Market Data Advisory Committee (MDAC)

- The committee is headed by Madhabi Puri Buch
- Purpose is to securities market data, identify segment wise data perimeters, data needs and gaps, recommend data privacy and data access regulations applicable to market data.

6. Company Law Committee (CLC)

- Headed by the Corporate Affairs Secretary Rajesh Verma.
- It was constituted for examining and making recommendations to the Government on various provisions and issues pertaining to implementation of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008 and other related matters.

- The Company Law Committee (CLC), has recommended that 12 offences under the LLP Act be decriminalised and that LLPs be allowed to issue NCDs to raise funds with the aim of improving ease of doing business for limited liability partnership (LLP) firms.
- Several offences related to timely filings, including annual reports and filings on changes in partnership status of the LLP, not related to fraud have been recommended for decriminalisation.

7. Rajesh Pant Committee

- It is expert committee, led by Lt Gen (retd) Rajesh Pant, India's chief coordinator on cyber security.
- It will evaluate the implications of the digital surveillance by Zhenhua Data Information Technology Co. Limited and assess any violations of law.

8. Rajiv Mehrishi Committee

- It was constituted in 2020 under former comptroller and auditor general Rajiv Mehrishi to assess the impact of "waiving of interest and waiving of interest on interest on the Covid-19-related moratorium" on the economy and financial stability.
- Purpose was to give suggestions to mitigate financial constraints of various sections of society in this respect and measures to be adopted in this regard.

9. KV Kamath Committee

- RBI set up a committee headed by K.V. Kamath on restructuring of loans impacted by the Covid-19 pandemic.
- The Committee was tasked to recommend parameters for one-time restructuring of corporate loans.
- It recommended graded approach to restructuring of stressed accounts based on severity of the impact on the borrowers- Banks can classify the accounts into mild, moderate and severe as recommended by the committee.
- Also it suggested five financial parameters to gauge the health of sectors facing difficulties- total outside liabilities to adjusted tangible networth, total debt to earnings before interest, taxes, depreciation, and amortization (Ebitda), debt service coverage ratio (DSCR), current ratio and average debt service coverage ratio (ADSCR).

10. Committee For Analysis of QR Code

- Set up under the Chairmanship of DB Phatak to review the prevalent system of QR Codes in India for facilitating digital payments.
- Report highlighted that the government should provide incentives to popularise usage of QR code transactions among consumers.
- Report noted that there should be a clear plan to phase out proprietary, closed loop QR codes in favour of open, interoperable standards. Considering the scale of the country, multiple interoperable QR codes should drive the acceptance infrastructure in coming years.
- It also summed up that the government / RBI should allow a controlled interchange instead of zero MDR on QR code / UPI / RuPay Debit card transactions, as well as give tax incentives to merchants who accept payments through electronic mode.

11. Committee on the pandemic risk pool

- Insurance Regulatory and Development Authority of India (IRDAI) considered recommendation by its working committee to set up a pandemic risk pool to address losses and displacement caused to the informal and low-income sectors in case of another similar crisis in the future.

12. Injeti Srinivas Committee

- The expenses towards CSR should be eligible for deduction in the computation of taxable income.
- A clarification may be issued that for newly incorporated companies, the CSR obligation under Section 135 of the Companies Act shall lie only after they have been in existence for three years.
- A provision to carry forward unspent CSR balance for three to five years.
- Central government funds should be discontinued as CSR spend, and instead a specially designated fund should be created for transfer of unspent CSR money beyond three to five years.
- Violation of CSR compliance may be made a civil offense and shifted to the penalty regime.

13. Ramesh Chandra Committee

- The Commodities markets require further reforms for the benefits of farmers. An expert committee under Chairmanship of Prof. Ramesh Chand, Member, NITI Aayog, constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for commodities trading.
- e-NAM would be an integral part of such framework.
- The Committee dwelt on the salient features of the spot and derivatives markets, the operational complexity and legal challenges that confront these markets, and various remedial measures that are required to be taken to make them operate in a harmonized manner.

Recommendations

- The change in existing APMC Act on the lines suggested in Model APLM Act, 2017 is critical to improve the efficiency in agricultural markets and to integrate farm level production with end-uses.
- There should be multiple modes of selling of farm produce, so that farmers can sell their produce at the competitive prevailing price.
- Restriction on farmer to sell his produce only though recognized APMCs should be removed.
- Farmers' Producers Organizations (FPOs) /cooperatives can be formed to enhance the collective bargaining power of the farmers.
- All the warehouses, should be required to register with the Warehousing Development and Regulatory Authority (WDRA). This would help in creating a robust and standardized warehousing infrastructure.
- Ministry of Agriculture should unify the grades and standards of different facilities such as FSSAI, APEDA, FCI etc.
- Regulated electronic platforms such as electronic spot markets and spot exchanges should be deemed as market yards under the present system of marketing.
- The Committee is of the view that there should be a sound institutional mechanism to collect, collate and disseminate the data of spot market transactions both primary and secondary markets on a regular basis.
- WDRA should actively pursue developing rules for registration of warehouses storing non-agricultural commodities.
- Government of India may review Free Trade Agreements (FTA) signed with a host of neighboring countries as some of these FTAs are reportedly having adverse impact on the growth of the domestic sector.
- For the development of the spot markets of these two segments, regulated market structure such as electronic commodity spot exchange or electronic market platforms like eNAM (in case of agricultural markets) are developed for better price discovery and realization.

- In the context of globalization of the commodities markets, steps should be taken to link Indian derivatives market with their global peers.
- In order to attract more participants in the commodity derivatives, awareness programs for various stakeholders may be carried out with special focus on the efficient use and benefits of commodity derivatives market for risk management and price discovery.
- Derivatives market can achieve better convergence with the spot markets when transparent and reliable spot prices would be available on a pan-India electronic trading platforms in the same products that would be concurrently traded on both the platforms during same/similar trading hours.

14. Dr. Parthasarathi Shome Committee on General Anti Avoidance Rules (GAAR) in Income-tax Act, 1961

- India's Finance Act, 2012 (the "Act") inserted in the Indian Income Tax Act a general anti-avoidance rule (the "GAAR") permitting the Indian Revenue Service to disregard, in assessing a taxpayer's liability, any agreement, structure, or device (referred to in the Act as an "arrangement") employed not for bona fide commercial reasons but rather "to obtain, directly or indirectly, a tax benefit." The GAAR was intended to be effective from April 1, 2014.
- The GAAR attracted strong opposition from Indian businesses, foreign investors, and even select foreign governments, such as the Government of Mauritius, which argued that the GAAR would violate benefits secured under that country's tax treaty with India.
- Consequently, Prime Minister Manmohan Singh constituted an Expert Committee under the leadership of Dr. Parthasarathi Shome (the "Shome Committee").
- An Expert Committee consisting of **Dr. Parthasarathi Shome** and three others was constituted on July 17, 2012 with broad terms of reference including consultation with stakeholders and finalizing the GAAR guidelines and a roadmap for implementation.
- The Central Government carefully considered the report of the Expert Committee on General Anti Avoidance Rules (GAAR) and accepted the major recommendations of the Expert Committee with some modifications.
- The following decisions have been taken by Government in this regard:
  - The effective date for implementation of the GAAR will be pushed back by two years to April 1, 2016.
  - An arrangement, the main purpose of which is to obtain a tax benefit, would be considered as an impermissible avoidance arrangement.
  - The assessing officer will be required to issue a show cause notice, containing reasons, to the assessee before invoking the provisions of Chapter X-A.
  - The assessee shall have an opportunity to prove that the arrangement is not an impermissible avoidance arrangement.
  - The directions issued by the Approving Panel shall be binding on the assessee as well as the Income-tax authorities.
  - While determining whether an arrangement is an impermissible avoidance arrangement, it will be ensured that the same income is not taxed twice in the hands of the same tax payer in the same year or in different assessment years.
  - Investments made before August 30, 2010, the date of introduction of the Direct Taxes Code, Bill, 2010, will be grandfathered.
  - GAAR will not apply to such FIIs that choose not to take any benefit under an agreement under section 90 or section 90A of the Income-tax Act, 1961. GAAR will also not apply to non-resident investors in FIIs.

- A monetary threshold of Rs. 3 crore of tax benefit in the arrangement will be provided in order to attract the provisions of GAAR.
- Where a part of the arrangement is an impermissible avoidance arrangement, GAAR will be restricted to the tax consequence of that part which is impermissible and not to the whole arrangement.
- Where GAAR and SAAR are both in force, only one of them will apply to a given case, and guidelines will be made regarding the applicability of one or the other.
- Statutory forms will be prescribed for the different authorities to exercise their powers under section 144BA.
- Time limits will be provided for action by the various authorities under GAAR.
- Section 245N(a)(iv) that provides for an advance ruling by the Authority for Advance Rulings (AAR) whether an arrangement is an impermissible avoidance arrangement will be retained and the administration of the AAR will be strengthened.
- The tax auditor will be required to report any tax avoidance arrangement.

Other Important Economic Committees

- Abid Hussain committee – Small-scale industries
- Basel committee – Banking supervision
- Chakravarty committee – Working on the monetary system and suggest measure for improving the effectiveness of monetary policy in promoting economic development.
- Hanumanth Rao committee – Fertiliser
- Parikh committee infrastructure financing
- Tarapur committee – Capital account convertibility
- Vaghul Committee – Money market in India
- YV Reddy – Review of income tax rebates
- Abhijit Sen committee – Long term food policy
- Chandrashekar committee – Venture capital
- Shah committee – Reforms relating to NBFC
- Kumaramangalam Birla committee – Corporate governance
- NK Singh committee – Review of FRBM act
- Naresh Chandra Committee on Corporate Audit and Governance
- Vijay Kelkar committee on revisiting and revitalising public private partnership model of infrastructure
- Dr. T. K. Viswanathan - Bankruptcy Law Reforms Committee

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