

CHAPTER IV

PART A – INCOME TAX

PART B – FRINGE BENEFIT TAX

PART C – WEALTH TAX

Chapter Summary

This Report includes 165 high value cases pertaining to Income Tax, Fringe Benefit Tax and Wealth Tax with tax effect of ₹ 3806.7 crore issued to the Ministry of Finance during August and November 2010 eliciting their comments. The Ministry has accepted 77 observations involving revenue impact of ₹ 97.3 crore.

(Paragraphs 4.1, 4.7 and 4.9)

These cases of incorrect assessment point towards weaknesses in the internal controls on the assessment process being exercised by the Income Tax Department. The major mistakes in assessments were on account of:

- ♦ Mistakes in assessments of high risk assessees in five cases involving tax effect of ₹ 3,674.5 crore.

(Paragraph 4.2)

- ♦ Arithmetical errors in computation of income and tax in six cases involving tax effect of ₹ 1.6 crore.

(Paragraph 4.3.1)

- ♦ Application of incorrect rates of tax and surcharge in five cases involving tax effect of ₹ 88 lakh.

(Paragraph 4.3.2)

- ♦ Mistakes in levy of interest in 14 cases involving tax effect of ₹ 8.6 crore.

(Paragraph 4.3.3)

- ♦ Incorrect allowance of expenditure in nine cases involving short levy of tax of ₹ 5.6 crore.

(Paragraph 4.4.1)

- ♦ Irregular allowance of exemptions and deductions to trusts/firms/societies in 11 cases involving short levy of tax of ₹ 5 crore.

(Paragraph 4.4.2)

- ♦ Irregular allowance of depreciation and business losses in 11 cases involving short levy of tax of ₹ 5.5 crore.

(Paragraph 4.4.4)

- ◆ Incorrect computation of income in eight cases involving short levy of tax of ₹ 3.3 crore.

(Paragraph 4.5.1)

- ◆ Wealth not assessed to tax due to non-correlation of assessment records in 10 cases involving non-levy of Wealth Tax of ₹ 1.3 crore.

(Paragraph 4.10)

CHAPTER IV

A INCOME TAX

4.1 RESULTS OF AUDIT

4.1.1 This report includes 121 high value cases involving tax effect of ₹ 3,800.5 crore issued to the Ministry of Finance during August 2010 to November 2010 to elicit their comments.

4.1.2 The Ministry has replied in respect of 50 cases (41 *per cent*) accepting our observations in 46 cases involving aggregate revenue impact of ₹ 93 crore as of December 2010. Out of these, the Department effected recovery of ₹ 69.5 lakh in five cases, completed remedial action in 36 cases involving tax effect of ₹ 90 crore and initiated remedial action in five other cases involving tax effect of ₹ 2.3 crore. These 46 cases have been featured in paragraph 2.5.4, 2.5.5 and 2.5.6 of Chapter II of this Report. Replies of the Ministry wherever received, have been examined and suitably incorporated in the report.

4.1.3 This chapter discusses 75 cases, of which 64 cases involve undercharge of ₹ 3,396.7 crore and 11 cases involve overcharge of ₹ 310.8 crore. The errors in most of the assessments were committed despite clear provisions in the Act. These cases of incorrect assessment point towards weaknesses in the internal controls on the assessment process being exercised by the Income Tax Department.

4.1.4 The categories of mistakes have been broadly classified as follows:

- Errors and omissions in computation
- Ineligible concessions given to assessee
- Income not/under assessed
- Others

Chart 4.1: Categories of Mistakes



The category wise details are depicted in Chart 4.1. In terms of tax effect 99 *per cent* of the mistakes pertained to the 'Errors/Omissions in computation'. In the subsequent sections of this chapter, the first paragraph in each category indicates the nature of mistakes made by the Assessing Officer (AO). The four categories are further sub-divided and the sub-category wise description is also given. Interesting cases are illustrated in the subsequent paragraphs of this Chapter.

4.2 MISTAKES IN ASSESSMENT OF HIGH RISK ASSESSEES

We had pointed out in Para 1.8 of Audit Report no. 4 of 2009-10 that in 2008-09 out of ₹ 2 lakh crore that had remained uncollected, one group namely **Hassan Ali** alone accounted for ₹ 71,874 crore of uncollected demand. We found mistakes in assessments of the same group of high risk assessees. There were two cases of short levy of tax of ₹ 3,369.6 crore and three cases of overcharge of tax of ₹ 304.9 crore. The Department has taken remedial action in all the five cases.

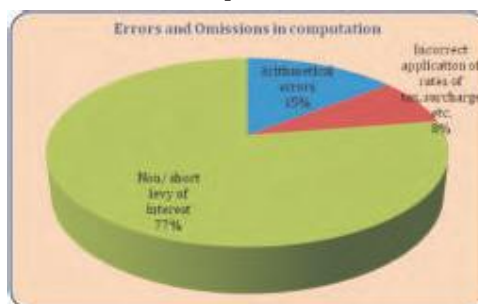
Hassan Ali Khan filed returns⁴⁸ in February 2007 consequent to search⁴⁹ action initiated against him. While computing his tax liability for the assessment years, the Department levied interest of ₹ 706.1 crore instead of ₹ 4,056 crore for default in furnishing of returns and of ₹ 10,033.3 crore instead of ₹ 9,756.9 crore for default in payment of advance tax. Further, while computing tax liability for the AY 2001-02, ₹ 69.5 crore was added back instead of ₹ 69.5 lakh on account of commission income and consulting fees earned by assessee. These mistakes resulted in short levy of interest of ₹ 3,349.9 crore under section 234A; excess levy of interest of ₹ 276.4 crore under section 234B and excess levy of tax of ₹ 24.1 crore respectively.

4.3 ERRORS/OMISSIONS IN COMPUTATION

In a scrutiny assessment the AO is required to make a correct assessment of the total income or loss of the assessee and determine correct amount of tax or refunds, as the case may be.

We found that there were cases where the AOs adopted incorrect figures, committed arithmetical errors, applied incorrect rates of tax and surcharge in 25 cases involving tax effect of ₹ 11 crore

Chart 4.2: Errors and Omissions in computation



in Delhi, Gujarat, Haryana, Madhya Pradesh, Maharashtra and Uttar Pradesh. Out of these 25 cases there was short levy of tax of ₹ 5.1 crore in 17 cases and overcharge of tax of ₹ 5.9 crore in eight cases. The sub-category wise details (based on tax effect) are depicted in Chart 4.2. Three sub-categories are discussed below:

⁴⁸ for the AYs 2001-02, 2002-03, 2003-04, 2005-06 and 2006-07.

⁴⁹ The search action revealed that the assessee had not filed returns of income of AYs 2001-02, 2002-03, 2003-04, 2005-06 and 2006-07. Consequent to notice issued under section 153A in February 2007, the assessee filed all the returns in May 2007. The assessment for above years was completed under section 153A r.w.s. 143(3) in December 2008 determining taxable income of ₹ 528.9 crore, ₹ 54,04.7 crore, ₹ 2,443.5 crore, ₹ 10,494.9 crore and ₹ 54,268.6 crore for AYs 2001-02, 2002-03, 2003-04, 2005-06 and 2006-07 respectively.

4.3.1 ARITHMETICAL ERRORS IN COMPUTATION OF INCOME AND TAX

We found arithmetical errors in computation of income and tax in six cases involving tax effect of ₹ 1.6 crore in Delhi, Madhya Pradesh, Maharashtra and Uttar Pradesh. There were three cases with short levy of tax of ₹ 69.5 lakh and three cases with overcharge of tax of ₹ 89.7 lakh. Details of these cases have been sent to the Ministry.

4.3.2 APPLICATION OF INCORRECT RATES OF TAX AND SURCHARGE

We found mistakes relating to incorrect application of rates of tax and surcharge in five cases involving tax effect of ₹ 88 lakh in Delhi, Gujarat, Maharashtra and Uttar Pradesh. Of these, there were four cases with short levy of tax of ₹ 81.9 lakh and one case of overcharge of tax of ₹ 6.1 lakh. Two cases are illustrated below.

A. CHARGE: CIT, CENTRAL-II, DELHI; AY 2005-06

As per section 4 of the Act, income tax shall be charged at the prescribed rates.

In the case of **Dr. Naresh Trehan**⁵⁰ surcharge and education cess were levied at 2.5 and 2 *per cent* respectively instead of the correct rate of 10 and 2 *per cent* respectively as applicable to individuals. The mistake resulted in short levy of tax of ₹ 34.5 lakh including interest.

B. CHARGE: CIT, GORAKHPUR; AY 2006-07

While computing tax liability of **Sahara State**⁵¹, an Association of Persons, surcharge at the rate of ten *per cent* was not levied on tax of ₹ 1.7 crore. The omission resulted in short levy of tax of ₹ 23 lakh including interest.

4.3.3 MISTAKES IN LEVY OF INTEREST

We found ten cases involving short levy of tax of ₹ 3.6 crore and four cases involving overcharge of tax of ₹ 5 crore relating to mistakes in levy of interest for delay in submission of return, delay in payment of tax etc. in Delhi, Gujarat, Haryana, Maharashtra and Uttar Pradesh. Two cases are illustrated below:

⁵⁰ Income of ₹ 11.4 crore assessed in December 2007.

⁵¹ Income of ₹ 5.7 crore assessed in December 2008.

A. CHARGE: CIT, CENTRAL-I, AHMEDABAD; AY 2004-05

Section 234A provides that where a return of income is furnished after the due date or is not furnished interest is to be levied at the specified rates.

While computing tax liability of **Vikas A. Shah**⁵², the AO levied interest of ₹ 39.5 lakh instead of ₹ 2.6 crore for default in furnishing return of income. The mistake resulted in short levy of interest of ₹ 2.2 crore.

B. CHARGE: CIT, CENTRAL-I, MUMBAI; AY 2007-08

Section 234C provides for levy of interest for default in payment of advance tax at the prescribed rates.

The AO did not levy interest of ₹ 31.4 lakh under section 234C although the same was computed by **Sanjiv R. Sheth**⁵³ assessee in the return of income. The mistake resulted in short levy of interest of ₹ 5.1 lakh under section 234B and non levy of interest of ₹ 31.4 lakh under section 234C.

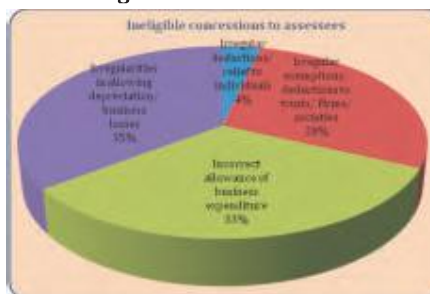
4.4 INELIGIBLE CONCESSIONS GIVEN TO ASSESSEES

An assessee can claim deductions under Chapter VIA of the Act and for certain categories of expenditure under relevant provisions of the Act.

Ineligible concessions and deductions were given to assesseees in 32 cases with a tax effect of ₹ 16.3 crore in Chattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar

Chart 4.3: Ineligible concessions to assesseees

Pradesh and West Bengal. The sub-category wise details (based on tax effect) are depicted in Chart 4.3. Four sub-categories are discussed below:



4.4.1 INCORRECT ALLOWANCE OF EXPENDITURE

We noticed mistakes in allowance of expenditure in nine cases resulting in short levy of tax of ₹ 5.6 crore in Chattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Punjab and West Bengal. One such case is illustrated below:

⁵² Income of ₹ 29.9 crore assessed in December 2006.

⁵³ Income of ₹ 25.5 crore assessed in March 2009.

CHARGE: CIT-XII, DELHI; AY 2005-06

Section 40A(3) read with Rule 6DD provides that if payment in excess of Rs. 20,000 incurred by assessee is made otherwise than by account payee cheque or bank draft, 100 per cent (20 per cent upto AY 2007-08) of such expenditure is not allowable as deduction.

Continental Carriers of India⁵⁴, a firm, incurred expenditure of ₹ 47.5 crore on account of 'lorry hire' which was paid in cash. The fact was also reported in Form 3CD. Despite this ₹ 9.5 crore, being one-fifth of total cash payment, was not disallowed. The mistake resulted in short

levy of tax of ₹ 3.8 crore.

4.4.2 IRREGULAR ALLOWANCE OF EXEMPTIONS AND DEDUCTIONS TO TRUSTS/FIRMS/SOCIETIES

Irregular allowance of exemptions under sections 10(20), 10(23B) and 11 of the Act and incorrect allowance of deductions under sections 80IA, 80IB and 80HHC of the Act resulted in short levy of tax of ₹ 5 crore in 11 cases in Haryana, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh. One such case is illustrated below:

CHARGE: CIT-II TRICHY; AY 2004-05

Section 10(20) of the Act exempts the income of a local authority from charge of tax. Panchayat, Municipality, Municipal Committee and District Board fall within the meaning of local authority for the purposes of this clause.

Thanjavur Market Committee⁵⁵, an Association of Persons, was allowed exemption of ₹ 2.4 crore under section 10(20) against net profit of ₹ 1.6 crore. As the assessee is a market committee⁵⁶ which does not fall within the meaning of local authority, it was ineligible for claiming exemption under section 10(20). The mistake

resulted in underassessment of income of ₹ 1.6 crore and incorrect allowance of set off of brought forward losses of ₹ 82.2 lakh involving short levy of tax of ₹ 86.5 lakh and potential tax effect of ₹ 27.1 lakh.

4.4.3 INCORRECT ALLOWANCE OF DEDUCTIONS TO INDIVIDUALS

The AO committed mistake in allowance of deduction to individual in one case resulting in short levy of tax of ₹ 25 lakh in West Bengal. The case is illustrated below:

⁵⁴ Income of ₹ 47.9 lakh assessed in January 2007.

⁵⁵ Net profit was a positive income of ₹ 1.6 crore and after allowing exemption of ₹ 2.4 crore, income was assessed as 'nil' in December 2006.

⁵⁶ It has been judicially held, in the case of Agricultural Produce Market Committee vs CIT, reported in 305 ITR 1 (SC), that agricultural market committee is not entitled to exemption under section 10(20) of the Act.

CHARGE: CIT-XII KOLKATA; AY 2006-07

An assessee can claim rebate under section 88E (applicable for AYs 2005-06 to 2008-09) in respect of securities transaction tax (STT). The quantum of rebate is equal to STT paid and is limited to the amount of income tax on income arising from taxable securities transactions calculated by applying average rate of income tax.

Kedar Nath Agarwal⁵⁷ was allowed rebate of ₹ 81 lakh under section 88E based on STT paid of ₹ 92.5 lakh. He had business profits⁵⁸ of ₹ 2.2 crore from share dealing, thus rebate⁵⁹ of ₹ 64 lakh only was allowable to him. The incorrect allowance of rebate resulted in short levy of tax of ₹ 25 lakh including interest.

4.4.4 IRREGULAR ALLOWANCE OF DEPRECIATION AND BUSINESS LOSSES

Irregular allowance of depreciation and business losses in 11 cases resulted in short levy of tax of ₹ 5.5 crore in Delhi, Gujarat, Punjab, Rajasthan and West Bengal. Two cases are illustrated below:

A. CHARGE: CIT-XIII DELHI; AY 2004-05

Additional depreciation of 15 per cent is admissible in case of any new machinery or plant acquired and installed after 31 March 2002 by an assessee engaged in the business of manufacture or production of any article or thing.

BSC-C and C Joint Venture⁶⁰, an Association of Persons, was allowed depreciation of ₹ 10.8 crore and ₹ 4.1 crore at 40 per cent including additional depreciation at 15 per cent on plant and machinery and trippers⁶¹. As the assessee is not engaged in manufacture and production of any article or thing it was not eligible to claim additional depreciation. The mistake resulted in incorrect allowance of depreciation of ₹ 5.6 crore involving short levy of tax of ₹ 2.9 crore including interest.

B. CHARGE: CIT-IX, DELHI; AY 2005-06

Section 72 allows carry forward and set-off of net loss of a year against profits, if any, of the next eight assessment years.

Sudhir Sekhri⁶² was allowed to set off brought forward losses of earlier

⁵⁷ Income of ₹ 3.1 crore assessed in November 2008.

⁵⁸ Gross receipts of ₹ 2.7 crore from share dealing less expenditure of ₹ 59 lakh relating to the same. The gross receipts of ₹ 2.7 crore included amount of STT paid of ₹ 92.5 lakh, the expenditure related to which was not disallowed in the scrutiny assessment completed in November 2008.

⁵⁹ Rebate under section 88E ($\frac{\text{Business income} \times \text{Total tax}}{\text{Total income}}$) = $\frac{₹ 2.2 \text{ crore} \times ₹ 92.9 \text{ lakh}}{₹ 3.1 \text{ crore}}$ = ₹ 64 lakh

⁶⁰ Income of ₹ 13.5 crore assessed in December 2006.

⁶¹ The admissible rate of depreciation on plant and machinery and trippers is 25 per cent. Besides, additional depreciation of 15 per cent is allowed as deduction where such machinery or plant has been acquired and installed after 31 March 2002 by any industrial undertaking engaged in manufacture or production of any article or thing.

⁶² Income of ₹ 1.4 crore assessed in September 2007.

years of ₹ 1.8 crore although there were no brought forward losses available in the AY 2005-06 for set-off. The mistake resulted in short levy of tax of ₹ 80.3 lakh including interest.

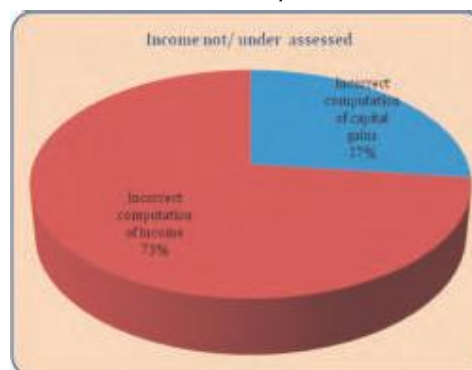
4.5 INCOME NOT/UNDER ASSESSED

The total income of a person for any previous year shall include all incomes from whatever source derived; actually received or accrued or deemed to be received or accrued.

Orissa, Punjab, Tamil Nadu and West Bengal. The sub-category wise details (based on tax effect) are depicted in Chart 4.4. Three sub-categories are discussed below:

Income was under assessed in 11 cases involving tax effect of ₹ 4.5 crore in Delhi, Jharkhand,

Chart 4.4: Income not/under assessed



4.5.1 INCORRECT COMPUTATION OF INCOME

The AOs committed mistakes in computation of income in eight cases resulting in short levy of tax of ₹ 3.3 crore in Delhi, Jharkhand, Orissa, Tamil Nadu and West Bengal. Two cases are illustrated below:

A. CHARGE: CIT-III, COIMBATORE; AY 2004-05, 2005-06

As per section 143(3) the AOs are required to make a correct assessment of the total income or loss of the assessee and determine correct amount of tax or refunds.

G. B. Sundararajan⁶³ offered remuneration of ₹ 9.6 lakh and ₹ 1.3 crore for AYs 2004-05 and 2005-06 respectively whereas, as per the statement of accounts of M/s Suguna Poultry Farm Ltd., of which the assessee is Joint Managing Director, he had

received remuneration of ₹ 1.2 crore and ₹ 1.8 crore for AYs 2004-05 and 2005-06 respectively. Thus remuneration of ₹ 1.6 crore escaped assessment resulting in short levy of tax of ₹ 51.7 lakh.

B. CHARGE: CIT, CUTTACK; AY 2005-06

Anil Kumar Agarwal⁶⁴ exhibited total sales of ₹ 3.4 crore whereas in the assessment order of the Sales Tax Department the total sales were assessed as ₹ 4.3 crore. The difference in sales of ₹ 95.4 lakh escaped assessment resulting in short levy of tax of ₹ 44.5 lakh.

⁶³ Income of ₹ 17.3 lakh and ₹ 1.3 crore assessed in November 2006 and March 2007 for AYs 2004-05 and 2005-06 respectively.

⁶⁴ Income of ₹ 12.8 lakh assessed in December 2007.

4.5.2 INCORRECT COMPUTATION OF CAPITAL GAINS

We noticed mistakes in three cases in computation of capital gains resulting in short levy of tax of ₹ 1.2 crore in Punjab and Tamil Nadu. One case is illustrated below:

CHARGE: CIT-II, COIMBATORE; AY 2006-07

Section 50C provides that any gains arising from transfer of land and building shall be taxed under the head capital gains. If the sale consideration is less than the value adopted or assessed by the Stamp Duty Authority for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed shall be taken as 'full value of consideration' for the purpose of computation of capital gains.

Shanthi Selvaraj and her husband **S. Sambasivam**⁶⁵ received sale consideration of ₹ 89.7 lakh on sale of land⁶⁶ at Ooty, and individually offered their share out of ₹ 44.9 lakh towards long term capital gains. We found that the value of the land as per the Stamp Valuation Authority's guideline rates

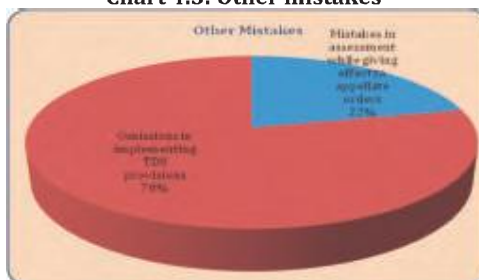
was ₹ 4.6 crore⁶⁷ which was greater than the sale consideration declared by them. Thus the incorrect adoption of sale value of land resulted in short computation of long term capital gains of ₹ 3.7 crore involving tax impact of ₹ 83 lakh.

4.6 OTHERS

The issues relating to mistakes in assessments while giving effect to appellate orders and omissions in implementing provisions are discussed in this category.

Other mistakes namely, mistake in assessment while giving effect to the appellate order and mistake in

Chart 4.5: Other mistakes



implementation of provisions of tax deduction at source (TDS) resulted in short levy of tax of ₹ 1.2 crore in two cases in Delhi and Gujarat. The sub-category wise details (based on tax effect) are depicted in Chart 4.5. Two sub-categories are discussed below:

4.6.1 OMISSIONS IN IMPLEMENTING PROVISIONS OF TDS

Omission in implementation of provisions of TDS in one case resulted in short levy of tax of ₹ 90 lakh in Delhi.

⁶⁵ Income of ₹ 25.1 lakh assessed under Long Term Capital Gains in October 2007 for each assessee.

⁶⁶ 5.97 acres of land sold at the rate of ₹ 34.49 per square feet with conversion rate as 1 acre = 43561.311 square feet.

⁶⁷ ₹ 177*5.97acres*43561.311 square feet where the guideline rate was ₹ 177 per square feet.

4.6.2 MISTAKES IN ASSESSMENT OF FIRMS WHILE GIVING EFFECT TO APPELLATE ORDERS

The AO committed a mistake in assessment of a firm while giving effect to the appellate order in one case resulting in short levy of tax of ₹ 30 lakh in Gujarat.

B FRINGE BENEFIT TAX

4.7 RESULTS OF AUDIT

4.7.1 We reported 15 cases involving tax effect of ₹ 4.6 crore to the Ministry during August 2010 to November 2010 to elicit their comments.

4.7.2 The Ministry has replied in respect of 14 cases (93 *per cent*) accepting our observations in 12 cases involving aggregate revenue impact of ₹ 4 crore. Out of these, the Department took remedial action in all 12 cases. These 12 cases have been featured in paragraph 2.5.5 of Chapter II of this report.

4.7.3 Out of 15 cases issued to the Ministry, three cases involving short levy of Fringe Benefit Tax (FBT) of ₹ 59.6 lakh have been included in this chapter.

4.8 MISTAKES IN COMPUTATION OF FRINGE BENEFIT

Non-compliance with the provisions related to FBT resulted in short levy of FBT aggregating ₹ 59.6 lakh in three cases in West Bengal. One case is illustrated below:

CHARGE: CIT CENTRAL-I, KOLKATA; AY 2006-07

Section 115WE(3) of the Act provides that the AO shall make an assessment of the value of fringe benefits paid or payable by the assessee after taking into account all the relevant material gathered therefor.

While determining fringe benefit liability of **Allied Resins and Chemicals Ltd.**⁶⁸, the AO did not levy FBT on several⁶⁹ expenses incurred by the assessee amounting to ₹ 97.6 lakh. The mistake resulted in underassessment of fringe benefit of ₹ 25 lakh involving short levy of Fringe Benefit Tax of ₹ 10.5 lakh including interest.

⁶⁸ Fringe Benefit determined as 'nil' in December 2008.

⁶⁹ Expenses incurred on account of contribution to pension fund, staff welfare expense, travelling and conveyance expenses, telephone expenses, motor vehicle expenses and depreciation on motor vehicle.

C WEALTH TAX

4.9 RESULTS OF AUDIT

4.9.1 We reported 29 cases involving tax effect of ₹ 1.6 crore to the Ministry during August 2010 to November 2010 to elicit their comments.

4.9.2 The Ministry has replied in respect of 21 cases (72 per cent) accepting 19 cases⁷⁰ involving aggregate revenue impact of ₹ 30.7 lakh. Out of these 19 cases, the Department effected recovery of ₹ 6.5 lakh in five cases and completed remedial action in 14 other cases involving tax effect of ₹ 24.2 lakh. These 19 cases have been featured in paragraphs 2.5.4 and 2.5.5 of Chapter II of this report.

4.9.3 Out of 29 cases issued to the Ministry, ten cases involving revenue impact of ₹ 1.3 crore have been included in this chapter.

4.10 NON-CORRELATION OF ASSESSMENT RECORDS

Non-compliance with the Board's instructions⁷¹ resulted in non-levy of wealth tax aggregating ₹ 1.3 crore in ten cases in Andhra Pradesh, Bihar, Delhi, Goa, Gujarat, Maharashtra and West Bengal. Two cases are illustrated below.

A. CHARGE: CIT PANAJI, GOA; AY 2001-02 to 2005-06

The Board issued instructions to the AOs to ensure coordination between assessments pertaining to different direct taxes and for simultaneous disposal of wealth tax and income tax assessment cases to prevent tax evasion. The charge of the wealth tax is on the assets net of liabilities.

EDC Ltd made a provision of ₹ 38.4 lakh towards wealth tax in its annual accounts relating to AY 2003-04. Although the assessee was in possession of assets liable to be taxed as wealth, it did not file wealth tax returns for the relevant years. The AO did not initiate any wealth tax proceedings for the AYs 2001-02 to 2005-06. The omission resulted in non-levy of wealth tax of ₹ 1.1 crore including interest.

⁷⁰ The Ministry has not accepted the audit observation in two summarily processed cases involving tax effect of ₹ 2.2 lakh as a matter of principle citing the Assessing Officers' limitations. However, remedial action has been taken without contesting the facts of the cases.

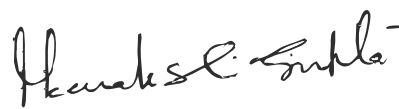
⁷¹ CBDT's instructions issued to the AOs in November 1973, April 1979 and September 1984.

B. CHARGE: CIT CENTRAL-I, DELHI; AY 2005-06

As per section 2(ea)(ii) of the Wealth Tax Act assets liable to be taxed as wealth include motor cars.

Jagrit Khaitan⁷² had motor cars worth ₹ 4.8 crore liable to be taxed as wealth. However, neither did the assessee file the return of wealth nor did the AO initiate any wealth tax proceedings to call for the same. The omission resulted in non-levy of wealth tax of ₹ 5.8 lakh including interest.

New Delhi
Dated:


(MEENAKSHI GUPTA)
Director General
(Direct Taxes)

Countersigned

New Delhi
Dated:


(VINOD RAI)
Comptroller and Auditor General of India

⁷² The income tax assessment of the assessee for the AY 2005-06 was completed under section 144 (Best judgement) determining income of ₹ 5.8 lakh in December 2007.