

Summary of Recommendations

With reference to coordination effort within/outside the department and expansion of tax base

Audit recommends that

- a. CBDT may consider allocating separate codes to film artist and to emerging segments in entertainment industry viz. sports, event management etc. to ensure better monitoring, improved vigilance and identification of assesseees for detailed scrutiny.

{Para 2.6(a)}

- b. The ITD may strengthen the existing mechanism for sharing and cross-verification of needful information within the department to ensure quality assessments.

{Para 2.6(b)}

- c. The CBDT may effectively coordinate with external agencies such as central/state revenue departments/authorities for cross verification of revenue collection figures disclosed by assesseees in its ITRs.

{Para 2.6(c)}

- d. The CBDT may ensure that cases related to film and television industry are assessed in the film circles/wards so that the related transactions could be cross verified and leakage of revenue could be prevented.

{Para 2.6(d)}

With reference to internal control and ambiguity in the provisions of the Act/Rules

Audit recommends that

- a. The CBDT may issue instructions to AOs for comprehensive verification of transactions with respect to cases involving:
 - i. the reimbursement of production cost by Indian producers to foreign line producers
 - ii. receipt of quantum of subsidies/incentives by Indian producers from foreign government
 - iii. Adoption of different accounting methods by inter related parties of this sector and revenues earned by movie producers from overflow and from various movie rights

{Para 3.10(a)}

- b.** In respect of effective utilisation of Form 52A, the CBDT may consider:
- i. to pursue pro-actively the receipt of Form 52A from all movie producers
 - ii. extending disclosure requirement vide Form 52A for assessee engaged in other emerging sub-sectors of Entertainment Industry, viz. documentary producer, event management firms/companies etc.
 - iii. changing template of Form 52A to include PAN of payees receiving payments from the producers.
 - iv. capturing the details of receipts earned by movie producers from various movie rights/ overflow (surplus receipts)
 - v. making it mandatory to disclose all details sought as per Form 52A
 - vi. making it necessary to disclose, separately, details of amounts actually paid during the financial year and amounts due for payment as on the date of filing of Form 52A to facilitate cross verification of receipts in respect of the assessee who are following cash/mercantile basis of accounting.

{Para 3.10(b)}

With reference to Compliance Issues

Audit recommends that:

- a.** The CBDT may ensure that assessment orders are self explanatory (speaking orders) while arriving at ad hoc additions and thus also avoiding non-uniformity in ad hoc additions in similar cases.
{Para 4.9(a)}
- b.** CBDT may ensure that the provisions/conditions laid down in the Income Tax Act with respect to allowances of deductions/expenses/set off and carry forward of losses/ MAT etc. are duly complied with by the Assessing Officers in order to improve the quality of assessments.
{Para 4.9(b)}
- c.** CBDT may make it mandatory for the Assessing Officers, at all stages of assessments, to auto generate tax demand through its assessment module having in built checks and validations to prevent recurring and avoidable mistakes in computation of tax and interest.
{Para 4.9(c)}