

**Appendix -1**

**Review on Assessments of Banks**

**(Referred to in paragraph 1.3.5)**

- (i) “adjusted total income” means the total income computed in accordance with the provisions of this Act, without giving effect to the allowance referred to in this section or in sub-section (2) of section 32 or the deduction referred to in section 32A or section 33 or section 33A or the first proviso to clause (ix) of sub-section (1) of section 36 or any loss carried forward under sub-section (1) of section 72 or sub-section (2) of section 73 or sub section (1)28 (or sub-section (3)) of section 74 or sub-section (3) of section 74 A or the deductions under Chapter VI-A;
- (ii) “average adjusted total income” means:-
  - (a) in a case where the total income of the assessee is assessable for each of the three assessment years immediately preceding the relevant assessment year, one third of the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid three assessment years;
  - (b) in a case where the total income of the assessee is assessable only for two of the aforesaid three assessment years, one half of the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid two assessment years;
  - (c) in a case where the total income of the assessee is assessable only for one of the aforesaid three assessment years, the amount of the adjusted total income in respect of the previous year relevant to that assessment year;

## Appendix 2

(Rs. in crore)

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
<b>Incorrect allowance of bad debts written off (Paragraph 1.9)</b>				
<b>Private Banks</b>				
1	M/s IDBI Bank Ltd, City 3, Mumbai	2003-04 143(3)	The amount of Rs. 11.00 crore of bad debts written off was not debited to the provision for bad and doubtful debts account which had a credit balance of Rs. 11.40 crore.	4.04
2	M/s ICICI Bank Ltd, City 3, Mumbai	2003-04 143(3)	Bad debts of Rs. 8.11 crore were written off and allowed in respect of eight parties where interest income was claimed exempt under section 10(23G) in previous years. As the income was not offered for tax in the previous years, no deduction can be allowed under section 36(2) towards bad debts written off, when such exempt income and also the corresponding principal loan amount becomes non recoverable.	2.98
3	M/s J&K Bank Ltd, Jammu	2002-03 143(3)	Deduction for bad debts written off of Rs. 3.33 crore was allowed without debiting it to the provision for bad and doubtful debts account which had a credit balance of Rs. 77.78 crore.	1.99
4	M/s Lord Krishna Bank Ltd, Kochi,	2002-03 143(3)	While allowing bad debts written off amounting to Rs. 17.94 crore, credit balance of Rs. 3.11 crore available in the provision for bad and doubtful debts account was not reduced.  The Department has taken remedial action (August 2007).	1.56
5	M/s Karur Vysya Bank Ltd, Trichy I	2004-05 143(3)	Deduction for bad debts written off amounting to Rs. 3.34 crore was allowed without debiting it to the provision for bad and doubtful debts account which had a credit balance of Rs. 35.66 crore.	1.19
6	M/s Kotak Mahindra Bank Ltd, City 3, Mumbai	2003-04 143(3)	While allowing bad debts of Rs. 2.85 crore, credit balance of Rs. 7.13 crore available in the provision for bad and doubtful debts account was not reduced.	1.05
<b>Foreign Banks</b>				
7	M/s American Express Bank, DIT(IT), Mumbai	2002-03 143(3)	The provision for bad and doubtful debt account had a credit balance of Rs. 13.09 crore. Bad debts written off by the assessee totalled was Rs. 21.49 crore. Against the allowable deduction of Rs. 8.40 crore as bad debts written off, deduction of Rs. 15.28 crore was allowed, resulting in excess deduction of Rs. 6.88 crore.	2.89
8	M/s Deutsche Bank, DIT(IT), Mumbai	2003-04 143(3)	Deduction for bad debts written off of Rs.5.55 crore was allowed without debiting it to the provision for bad and doubtful debts account which had a credit balance of Rs. 19.92 crore.  The Department has accepted (October 2007) the audit observation.	2.33

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
9	M/s Bank of Bahrain and Kuwait, DIT(IT), Mumbai	2002-03 143(3)	While allowing bad debts written off amounting to Rs. 9.99 crore, credit balance of Rs. 3.04 crore available in the provision for bad and doubtful debts account was not reduced.	2.05
10	M/s Calyon Bank, DIT(IT), Mumbai	2002-03 143(3)	While allowing the bad debts written off, credit balance of Rs. 2.30 crore brought forward from the earlier year in the provision for bad and doubtful debts account was not considered.	1.11 (P) <sup>1</sup>
<b>Incorrect allowance of provision for bad and doubtful debts (Paragraph 1.10)</b>				
<b>Private Banks</b>				
11	M/s Lakshmi Vilas Bank Ltd, Trichy I,	2001-02 2002-03 143(3)	Deduction under section 36(1)(vii)(a) is allowable under one of the following options: (i) the prescribed percentage on the amount of total income, and the prescribed percentage on the advances made by the rural advances; (ii) the prescribed percentage of the bad and doubtful debts, classified in accordance with the RBI guidelines. Deduction of Rs. 18.23 crore was allowed under option (i) and deduction of Rs. 10.32 crore was allowed under option (ii) as well instead of allowing only one of these options.	3.85
12	M/s ICICI Bank Ltd, City 3, Mumbai	2003-04 143(3)	While allowing provision for bad and doubtful debts under section 36(1) (vii)(a), total income was not reduced by the amount of deduction allowed under section 36(1) (viii) of Rs. 50 crore resulting in under assessment of income of Rs. 3.75 crore.  The Department has accepted (March 2007) the audit observation in principle and taken remedial action under section 154/147 of the Act.	1.38
13	M/s Karur Vysya Bank Ltd, Trichy I	2002-03 2004-05 143(3)	Deduction was not restricted to the actual provisions of Rs. 11.30 crore and Rs. 16.27 crore made in respect of bad and doubtful assets in the books of accounts during the assessment years 2002-03 and 2004-05 respectively, resulting in excess deduction of Rs. 3.31 crore.	1.21
<b>Foreign Bank</b>				
14	M/s Bank of America, DIT(IT), Mumbai	2003-04 143(3)	While allowing provision for bad and doubtful debts of Rs. 6.43 crore under section 36(1) (vii)(a), deduction towards bad debts written off was not restricted to the provision actually created in the books during the year.	2.70
<b>Deduction towards advances given by rural branches of bank (Paragraph 1.13)</b>				
<b>Public Sector Bank</b>				
15	M/s State Bank of Saurashtra, Ahmedabad-VI	2003-04 2004-05	Branches of bank where population exceeded 10000 were considered as rural branches and deductions were allowed accordingly. This was irregular and resulted in excess deduction aggregating Rs. 7.54 crore.	3.59

<sup>1</sup> Potential

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
<b>Incorrect allowance of depreciation on valuation of investments made by banks (Paragraph 1.14)</b>				
<b>Public sector Banks</b>				
16	M/s Central Bank of India, City 2, Mumbai	2002-03 2003-04 143 (3)	The gain/loss on the sale of investment held for maturity was allowed as long term capital gain. In view of the judgment (251 ITR 522 SC), the said loss/gain should have been treated as business income and benefit of indexation was required to be disallowed. This resulted in under assessment of income of Rs. 10.05 crore and Rs. 1.91 crore in these assessment years.  The Department has accepted (May 2005) the audit observation and taken remedial action.	4.29
17	M/s State Bank of Saurashtra, Ahmedabad-VI	2002-03 143 (3)	Rs. 2.57 crore being appreciation on investment in securities was disallowed by the assessing officer. However, while computing the taxable income, he first reduced this amount from income and then again added it back thus making the net effect nil.	0.92
<b>Private Banks</b>				
18	M/s Indusind Bank Ltd, City 2, Mumbai	2002-03 143(3)	Provision for depreciation in the value of investments held under the category Held To Maturity (HTM) of Rs. 2.83 crore was incorrectly allowed. Further depreciation of Rs. 4.25 crore on bond and debentures including deep discount bond and mutual funds were allowed, although these were not categorised under any of the three categories of investments prescribed by the RBI guidelines.  The Department has accepted (March 2006) the audit observation.	3.47
19	M/s Federal Bank Ltd, Kochi,	2005-06 143(3)	While allowing depreciation of Rs. 5.47 crore on AFS category of investments, appreciation of Rs. 72.40 crore was ignored.	2.00
20	M/s Dhanalakshmi Bank Ltd, Thrissur,	2003-04 143(3)	Depreciation of Rs. 2.69 crore was allowed without netting the appreciation of Rs. 2.84 crore.	0.82
<b>Foreign Bank</b>				
21	M/s American Express Bank, DIT(IT), Mumbai	2004-05 143(3)	Although Rs. 5.90 crore being depreciation in the value of securities, was disallowed by the assessing officer at the time of scrutiny assessment, only Rs. 1.14 crore was added at the time of computation of income, resulting in under assessment of income by Rs. 4.76 crore.	2.60
<b>Incorrect allowance of expense towards exempt income (Paragraph 1.15)</b>				
<b>Public Sector Banks</b>				
22	M/s Central Bank of India, City 2, Mumbai	2003-04 143(3)	The assessment was completed determining taxable income of Rs. 786.39 crore after allowing deduction of Rs.15 crore towards gross dividend income without deducting the expenses incurred to earn such income. The assessing officer while computing the expenditure relating to exempt income towards	4.83

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
			<p>interest earned on tax-free bonds, had adopted 70 percent of the income as expenditure based on the earlier year's assessment. On the same analogy, the assessing officer should have disallowed 70 percent of the dividend income as expenditure against exempt income and added it back. Omission to do so resulted in excess allowance of deduction of Rs. 10.50 crore.</p> <p>The Department has accepted (May 2005) the audit observation.</p>	
23	M/s State Bank of Saurashtra, Ahmedabad VI	2002-03 143(3)	Proportionate expenditure in respect of exempt interest income of Rs. 11.52 crore earned u/s 10 (23G) was not disallowed.	2.85
24	M/s Allahabad Bank, Kolkata II	2002-03 143(3)	<p>Assessee bank had earned dividend income for Rs. 14.89 crore and interest from tax free loan for Rs. 38.67 crore which were allowed as exempt income u/s 10(33) and u/s 10(15) respectively. But related expenses for earning such exempt income, which worked out to Rs. 4.99 crore, was not disallowed.</p> <p>The Department has taken remedial action (August 2007).</p>	2.00
25	M/s State Bank of Bikaner & Jaipur, Jaipur	2004-05 143(3)	The assessee has reduced the income by Rs. 4.89 crore earned as interest on tax free debentures and Rs. 11.61 crore from mutual funds calculated on due basis, whereas the assessee bank had accounted for Rs. 4.74 crore and Rs. 8.07 crore respectively in its accounts computed on accrual basis. The omission has involved excess reduction of exempt income by Rs. 3.7 crore.	1.77
26	M/s State Bank of Mysore, Bangalore III	2003-04 2004-05 143(3)	<p>Proportionate expenditure in respect of exempt interest income of Rs. 3.12 crore earned u/s 10 (23G) was not disallowed.</p> <p>The Department accepted (November 2007) the audit observation.</p>	1.12
27	M/s UCO Bank Kolkata - II	2002-03 143(3)	<p>Assessee bank earned dividend income u/s 115 O for Rs. 7.26 crore which was allowed as exempt u/s 10(33) of Act by the assessing officer. But related expenses for earning such exempt income, worked out as Rs. 1.94 crore were not disallowed.</p> <p>The Department has taken remedial action. (August 2007).</p>	0.69
<b>Private Banks</b>				
28	M/s J&K Bank Ltd, Jammu	2002-03 143(3)	The assessee has been allowed a deduction of Rs. 12.11 crore under section 80M of the Act representing gross dividend received during 2002-03 without disallowing corresponding expenses incurred in earning this dividend income.	4.59

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
29	M/s Federal Bank Ltd, Kochi,	2003-04 143(3)	Deduction of Rs. 6.36 crore under section 80M of the Act was allowed but the expenditure incurred to earn this income was not disallowed. This expenditure relatable to the dividend income (computed in accordance with the formula adopted by the assessing officer in the case of interest in tax free bonds) would work out to Rs. 4.42 crore.  The Department has revised the assessment in December 2006 disallowing the expenditure under section 14A in respect of dividend received.	1.66
30	M/s Bharat Overseas Bank Ltd, Chennai I	2004-05 143(3)	The amounts of 'unclaimed balances' of Rs. 4.07 crore represented inoperative savings accounts, current accounts and overdue deposits which had not been operated for more than five years and expired drafts not encashed for more than 5 years. These were required to be treated as income under section 41(1).	1.46
31	M/s Karur Vysya Bank Ltd, Trichy I	2004-05 143(3)	The amounts of 'unclaimed deposits' of Rs. 3.05 crore represented inoperative savings accounts, current accounts and overdue deposits which were not operated for more than five years and expired drafts not encashed for more than 5 years. These were required to be treated as income under section 41(1).	1.10
32	M/s Karur Vysya Bank Ltd, Trichy I	2001-02 2002-03 143(3)	Expenditure of Rs. 1.72 crore to earn exempt income from investment was omitted to be disallowed.	0.65
<b>Irregular allowance of deductions (Paragraph 1.16)</b>				
<b>Public Sector Banks</b>				
33	M/s Indian Overseas Bank, Chennai I	2004-05 143(3)	Deduction of Rs. 7.17 crore was allowed towards 'exchange gain on return of capital on account of repatriation'. Exchange gain had arisen in course of repatriation and recognised in the profit and loss account. Thus, deduction of such gain which was in the nature of revenue receipt, was incorrect.	2.57
34	M/s Indian Overseas Bank, Chennai I	2003-04 143(3)	Deduction of Rs. 0.09 crore u/s 80G and Rs.6.85 crore u/s 80M was allowed once in the regular assessment and again in the revision made in December 2006.	2.55
35	M/s Allahabad Bank, Kolkata-II	2003-04 143(3)	The assessee issued Initial Public Offer (IPO) in October 2002 and claimed 'IPO expenses' of Rs. 4.97 crore which was allowed in full instead of one fifth as required under section 35D of the Act.	1.82
36	M/s State Bank of Hyderabad, Hyderabad III	2000-01 2001-02 143(3)	Prior period expenses of Rs. 0.64 crore and Rs. 1.32 crore representing interest on deposits, TA bills, Overtime allowances etc. had been allowed incorrectly as the same did not relate to previous years relevant to assessment years 2000-01 and 2001-02.  Further in the assessment year 2000-01, AMC charges of Rs. 0.65 crore was not brought to tax	1.18

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
			stating that the method of accounting was changed during the previous year from accrual to cash basis in respect of this item. As the change in method of accounting in respect of single item is not permissible under the Income Tax Act this amount was required to be added back to total income.  The Department has taken remedial action (August 2007).	
37	M/s Bank of Maharashtra, Pune- I	2003-04 143(3)	Deduction towards donation under section 80G was allowed though donation did not pertain to the previous year.  The Department has accepted (June 2006) the audit observation and rectified the mistake.	1.09
38	M/s Allahabad Bank, Kolkata II	2003-04 143(3)	Employer's contribution towards provident fund amounting to Rs. 1.97 crore was deposited after due date. As the late payment of provident fund dues is not allowable under the provision of section 43B (b), allowance of the same resulted in underassessment of income by Rs. 1.97 crore.	0.73
39	M/s UCO Bank, Kolkata II	2002-03 143(3)	The assessee issued Initial Public Offer (IPO) and claimed 'IPO expenses' for Rs. 1.18 crore which was allowed in full instead of one fifth as required under section 35D of the Act..	0.56
<b>Private Banks</b>				
40	M/s Karur Vysya Bank Ltd, Trichy I	2001-02 2002-03 2004-05 143(3)	Deduction towards ex-gratia payments of Rs. 3.13 crore was disallowed in the assessment year 2003-04 as it was in nature of distribution of profits to employees and it has not been incurred out of any business necessity or statutory obligation. Similar such claims amounting to Rs. 8.78 crore allowed during assessment year 2001-02, 2002-03 and 2004-05 were also required to be disallowed.	3.28
41	M/s Global Trust Bank Ltd, Delhi V	2002-03 143(3)	Rs. 724.22 crore was credited under the head 'interest earned' in the P&L account. However, as per schedule XIII, Rs. 727.91 crore had been credited during the year. The mistake resulted in under assessment of income by Rs. 3.69 crore.	1.32 (P)
42	M/s Tamil Nad Mercantile Bank Ltd, Madurai I	2003-04 2004-05 143(3)	No interest is payable on overdue deposits after its maturity. Therefore, the interest on overdue deposits paid amounting to Rs. 3.28 crore was not allowable.	1.18
43	M/s Karur Vysya Bank Ltd, Trichy I	2002-03 to 2004-05 143(3)	Deduction of Rs. 2.66 crore was allowed even though the details regarding the actual payment were not furnished.	0.97
44	J&K Bank Ltd, Jammu	2002-03 2003-04 143(3)	Deduction of Rs. 21.23 lakh and Rs. 1.12 crore towards expenditure incurred for development of park was required to be disallowed as the same did not constitute the legitimate business expenditure of the assessee.	0.75

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
<b>Income not offered to tax (Paragraph 1.17)</b>				
<b>Public Sector Banks</b>				
45	M/s Andhra Bank , Hyderabad -I	2002-03	The assessee reduced Rs. 5.16 crore from gross interest income being 'unrealised interest income of earlier years, reversed during current financial year relevant to assessment year' which was not allowable. Further, a provision of Rs. 6.50 crore for 'switching over to 90 days norm for identification on NPAs' was also not admissible.	4.17
46	M/s Indian Overseas Bank, Chennai I	2001-02 to 2004-05	The interest element (estimated at 10%) contained in the Deposit Insurance Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims of Rs. 91.56 crore received was not treated as income under section 43 D.	3.20
47	M/s State Bank of Patiala,, Patialab	2002-03 143(3)	Bad debts of Rs. 2.93 crore written off during the past year and recovered during the year were credited into P&L account but while computing taxable income, it was not included.	1.05
48	M/s State Bank of Travancore, Thiruvananthapuram	2004-05 143(3)	During the assessment year 2004-05, the policy where recoveries made in NPA accounts are first taken to principal amount due in the accounts and balances, if any, is recognised as interest income, was followed instead of the policy of adjusting the recoveries first to interest and balance, if any, to the principal, which was followed till then. This change in the method of accounting resulted in the interest income for the assessment year 2004-05 being lower by Rs. 1.98 crore.	0.71
<b>Private Banks</b>				
49	M/s Lakshmi Vilas Bank Ltd, Trichy I	2002-03 to 2004-05	The interest element (estimated at 10%) contained in the Deposit Insurance Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims of Rs. 23.44 crore received was not treated as income under section 43 D.	0.82
50	M/s Tamil Nad Mercantile Bank Ltd, Madurai I	2001-02 to 2004-05	The interest element (estimated at 10%) contained in the Deposit Insurance Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims of Rs. 18.37 crore received was not treated as income under section 43 D.	0.64
51	M/s Karur Vysya Bank Ltd, Trichy I	2001-02 to 2004-05	The interest element (estimated at 10%) contained in the Deposit Insurance Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims of Rs. 17.63 crore received was not treated as income under section 43 D.	0.62
<b>Incorrect allowance of depreciation and set off of losses (Paragraph 1.18)</b>				
<b>Private Bank</b>				
52	M/s Global Trust Bank Ltd, (now amalgamated with M/s Oriental Bank of	2002-03 2003-04 143(3)	Depreciation at 60 percent on LAN/WAN and ATM was allowed under the head 'computer hardware'. As LAN/WAN and ATM should be treated under the heading 'plant and machinery' for which applicable rate of depreciation is 25 percent, excess depreciation of Rs. 3.34 crore and Rs. 74.34 lakh was	1.47 (P)



Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
	Commerce) Delhi V		allowed.  Though the Department has not accepted (November 2006) the observation on the ground that these were integral part of computers/telecommunication device, they have taken the same stand as audit in the next assessment year 2004-05.	
<b>Allowance of provisions, capital expenditure &amp; liabilities (Paragraph 1.20)</b>				
<b>Public Sector Banks</b>				
53	M/s Indian Overseas Bank, Chennai I	2003-04 143(3)	Deduction on account of provision of Rs. 12.00 crore for wage arrears (for which negotiations were yet to be finalised) was not added back to income.	4.41
54	M/s Andhra Bank, Hyderabad	2001-02 143(3)	Deduction of Rs. 4.50 crore on account of provision towards standard assets was allowed though the standard assets are to be treated as good and cannot be considered for creating provisions for bad and doubtful debts.  The Department has taken remedial action (August 2007).	2.21
55	M/s Indian Overseas Bank, Chennai I	2002-03 143(3)	Incorrect claim of deduction of Rs. 1.64 crore towards expenditure met out of 'reserves', was required to be disallowed as it had not been passed through the profit and loss account.	0.58
<b>Private Banks</b>				
56	M/s Tamil Nad Mercantile Bank Ltd, Madurai I	2003-04 2004-05 143(3)	Rs. 3.15 crore and Rs. 6.92 crore during the assessment years 2003-04 and 2004-05 in respect of provision for pension was claimed and allowed as deduction. As the above amounts represent provision towards contingent liability, it is not allowable.	3.64
57	M/s Karur Vysya Bank Ltd, Trichy I	2004-05 143(3)	Provision of Rs. 8.00 crore towards 'arrears of wages' (for which negotiations were yet to be finalised) was not added back.	2.87
58	M/s J&K Bank Ltd, Jammu	2002-03 to 2004-05 143(3)	The assessee had claimed and was allowed deduction of Rs. 8.19 crore and Rs. 1.72 crore on account of cost of computer software and additions/renovation of the bank property respectively. As the expenditure incurred was of enduring nature, it was required to be capitalised and applicable rate of depreciation was to be allowed.	2.57
59	M/s Tamil Nad Mercantile Bank Ltd, Madurai I	2004-05 143(3)	Provision of Rs. 4.80 crore towards arrears of salary pending wage settlement was not added back.	1.72
60	M/s Karur Vysya Bank Ltd, Trichy I	2001-02 2002-03 143(3)	Deduction towards direct payment of pension amounting to Rs. 3.54 crore was allowed in the assessment years 2001-02 and 2002-03 in addition to the contribution to the pension fund. As the bank contributes to pension fund, pensionary benefits are	1.33

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
			to be met out of pension fund only. Direct payment of pension was disallowed in the assessment years 2003-04 and 2004-05. Adopting a consistent stand, claims allowed in respect of assessment years 2001-02 and 2002-03 need to be withdrawn.	
61	M/s Lakshmi Vilas Bank Ltd, Trichy I	2001-02 143(3)	Provision of Rs. 1.46 crore towards 'leave encashment' was not added back.	0.58
<b>Foreign Bank</b>				
62	M/s UFJ Bank, Ltd, DIT (IT) Delhi	2003-04 143(3)	The assessee had claimed and was allowed an expenditure of Rs. 4.49 crore on loss on sale on investment. Loss on sale of investment being of capital nature should have been disallowed.	1.89 (P)
<b>Incorrect allowance of expenditure on investments (Paragraph 1.21)</b>				
<b>Private Banks</b>				
63	M/s Tamil Nad Mercantile Bank Ltd, Madurai I,	2001-02 to 2004-05	Broken period interest paid on purchase of HTM securities amounting to Rs. 8.34 crore was incorrectly allowed as deduction.	3.04
64	M/s Karur Vysya Bank Ltd, Trichy I	2002-03 143(3)	Net broken period interest of Rs. 6.49 crore paid was allowed incorrectly though similar claims of Rs. 24.99 crore and Rs. 30.20 crore were disallowed for the assessment years 2003-04 and 2004-05.	2.32
<b>Incorrect deduction of income from securities (Paragraph 1.22)</b>				
<b>Private Bank</b>				
65	M/s Karur Vysya Bank Ltd, Trichy I	2001-02 143 (3)	Incorrect method of accounting followed by the bank resulted in underassessment of income of Rs. 5.79 crore.	2.29
<b>Incorrect computation of income under special provisions (Paragraph 1.23)</b>				
<b>Public Sector Banks</b>				
66	M/s Indian Bank, Chennai I	2002-03 143(3)	Incorrect deduction towards unabsorbed depreciation/business loss resulted in under assessment of book profit by Rs. 58.44 crore.	4.47
67	M/s Indian Overseas Bank, Chennai I	2002-03 143(3)	Arithmetical mistake in the computation of book profit u/s 115 JB resulted in under assessment of income by Rs. 35.42 crore.	2.71
68	M/s Indian Overseas Bank, Chennai I	2001-02 143(3)	Incorrect deduction from the book profits towards brought forward losses or unabsorbed depreciation amounting to Rs. 8.55 crore as against 'Nil' amount.	0.72
<b>Foreign Bank</b>				
69	M/s Calyon Bank, DIT(IT), Mumbai	2002-03 143(3)	Income at (-) Rs. 12.55 crore under normal provision and nil income under section 115JB was assessed though income under section 115JB worked out to Rs. 12.30 crore.	1.21
<b>Incorrect allowance of deduction towards head office expenses / interest relating to foreign banks (Paragraph 1.24)</b>				
<b>Foreign Banks</b>				
70	M/s BNP Paribas, DIT(IT), Mumbai	2002-03 to 2004-05 143(3)	Interest amounting to Rs. 4.89 crore paid to head office/overseas branches was allowed as deduction though it is not an allowable expenditure as the payment is made to self.	1.98

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
71	M/s Bank of Nova Scotia, DIT(IT), Mumbai)	2004-05 143(3)	Interest amounting to Rs. 2.81 crore paid to head office/overseas branches was allowed as deduction though it is not an allowable expenditure as the payment is made to self.	1.15
<b>Incorrect computation of income and other mistakes (Paragraph 1.25)</b>				
<b>Public Sector Banks</b>				
72	M/s State Bank of Saurashtra, Ahmedabad-VI	2002-03 143(3)	Withholding of refund due to the assessee after processing of return under section 143(1) was irregular and interest paid under section 244A to the extent of Rs. 4.89 crore could have been avoided.  The Department has accepted (June 2007) the audit observation.	4.89
73	M/s Indian Bank, Chennai I	2002-03 143(3)	Under the special provisions, deduction of the entire amount of provisions and contingencies of Rs. 273.93 crore was given though CIT (A) gave relief to the extent of Rs. 213.59 crore only. This resulted in excess relief of Rs. 60.34 crore.	4.62
74	M/s Punjab and Sindh Bank, Delhi V	2003-04 143(3)	Interest charged under section 234B for default in payment of advance tax was incorrectly charged to Rs. 3.06 crore instead of Rs. 6.23 crore.	3.17
75	M/s State Bank of Patiala; Patiala	2003-04 143(3)	Interest under section 234B was incorrectly charged for 11 months for Rs. 2.61 crore instead of 23 months for Rs. 5.37 crore. The period from 01 April 2003 to 22 February 2005 which works out to 23 months was incorrectly counted as 11 months.	2.51
76	M/s Allahabad Bank, Kolkata -II	2004-05 143(3)	Deduction of Rs. 497.38 crore towards bad debt was allowed though as per the assessee's accounts, the total bad debt written off was Rs. 490.46 crore. This resulted in excess allowance of bad debts of Rs. 6.92 crore.  The Department has accepted (June 2007) the audit observation.	2.48
77	M/s Union Bank of India, Mumbai City II	2003-04 143(3)	Interest under section 234D amounting to Rs. 7.82 crore was levied instead of the correct amount of Rs. 9.56 crore.  The Department has accepted (August 2005) the audit observation and taken remedial action.	1.74
78	M/s State Bank of Saurashtra, Ahmedabad-VI	2004-05 143(3)	Interest under section 234D amounting to Rs. 3.40 crore was levied instead of correct amount of Rs. 1.70 crore.	1.70 (over-charge)
79	M/s State Bank of Saurashtra, Ahmedabad-VI	2003-04 143(3)	There was inordinate delay of four months in giving effect to the appeal order which resulted in extra payment of interest.  The Department has accepted (June 2007) the audit observation.	1.00

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
80	M/s State Bank of Indore, Indore	2003-04 143(3)	The figure for total interest accrued upto the end of the assessment year 2003-04 was taken incorrectly at Rs. 147.56 crore as against the correct figure of Rs. 149.29 crore.	0.89
81	M/s State Bank of Indore, Indore	2003-04 143(3)	While allowing the appeal effect, interest of Rs. 10.56 crore was levied under section 234B as against the leviable amount of Rs. 9.81 crore.  The Department has accepted (August 2007) the audit observation.	0.75 (over-charge)
82	M/s Punjab National Bank, Delhi V	2005-06 143(3)	Tax was calculated after deducting long term capital gain of Rs. 1.63 crore twice.	0.67
83	M/s Vijaya Bank, Bangalore III	1997-98 143(3)	TDS credit of Rs. 41.91 lakh along with interest on refund of Rs. 10.62 lakh was not reckoned but Rs. 52.53 lakh equal to TDS was deducted from refund.  The Department has rectified the mistake.	0.53 (over-charge)
84	M/s Indian Bank, Chennai I	2002-03 143(3)	There were delays in remittance of TDS ranging from 1 to 719 days in 879 cases involving Rs. 1.68 crore. However, there were no details regarding action initiated for levy of interest.	Not ascertained
85	M/s Indian Overseas Bank, Chennai I	2004-05 143(3)	As per the auditor's report in Form 3CD, there were delays in remittance of TDS ranging from 1 to 383 days in 1699 items. However, action initiated for such delay was not on record.	Not ascertained
86	M/s Allahabad Bank, Kolkata II	2002-03 143(3)	As per the appellate order, in October 2003, deduction of Rs. 122.72 crore were allowed over and above the deduction allowed at Rs. 66.97 crore u/s 36(1)(viiia) already allowed to the bank. On this issue the Department preferred second appeal before the ITAT in January 2004.  Audit noticed that while preferring the second appeal before the ITAT, the department misinterpreted the previous orders and challenged the allowance of deduction under section 36(1)(viiia) for Rs. 55.75 crore (being the difference between Rs. 122.72 crore and Rs. 66.97 crore) instead of challenging the deduction of Rs. 122.72 crore allowed over and above Rs. 66.97 crore. The Department has not followed up the case since January 2004 indicating major lack of coordination between the department and ITAT in addressing issues in the interest of revenue.	Nil
<b>Private Banks</b>				
87	M/s J&K Bank Ltd, Jammu	2004-05 143 (3)	While computing the taxable income, Rs, 5.83 crore representing income from long term capital gain was reduced on the ground that it was already included in the miscellaneous income of Rs. 27.31 crore in the profit & loss account and then added back also. Audit scrutiny revealed that above amount was not	2.90

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
			included in the profit & loss account; hence it was not required to be reduced from taxable income.	
88	M/s IDBI Bank Ltd, City 3 Mumbai	2003-04 143(3)	The assessee was allowed a deduction of Rs. 6.65 crore being written off investments in shares and debentures as non-recoverable. Since investment in shares and debentures can not be termed as money lent in the ordinary course of business, no deduction was allowable under section 36(2)(1).	2.44
89	M/s Federal Bank Ltd, Kochi	1994-95 143(3) 250	While computing the taxable income, assessing officer had subtracted the amount of "income from other sources" (Rs. 1.72 crore) from the business income Rs. 21.59 crore instead of adding the same.	2.22
90	M/s South Indian Bank Ltd, Thrissur,	1999-2000 143(3)	Profit on sale of investment in securities offered to tax was short by Rs. 3.09 crore.  The Department has accepted (October 2006) the audit observation	1.49
91	M/s Bharat Overseas Bank Ltd, Chennai I	2002-03 143(3)	The assessee was allowed exemption on its business income of Rs. 12.61 crore earned in Thailand. Though the assessee had permanent establishment in both the countries, it was deemed to be a resident of India in view of the effective place of management being in India. Hence the correct method would have been to include it in the total income and allow relief under the tax credit method. The mistake resulted in under assessment of income of Rs. 12.61 crore.	1.33
92	M/s HDFC Bank Ltd, City 2, Mumbai	2002-03 143(3)	Interest under section 220(2) was not levied on delay of two months after due date in payment of tax.  The Department has accepted (February 2006) the audit observation and taken remedial action.	1.03
93	M/s ICICI Bank Ltd, City 3, Mumbai	2003-04 143(3)	Interest on excess refund made consequent to assessment completed in summary manner was levied in excess for a month under section 234D.	0.96
94	M/s ICICI Bank Ltd, City 3, Mumbai	2004-05 143(3)	Bonus debited to profit and loss account which was not paid till the date of filing return, was not added back to the taxable income under section 43B.	0.94
95	M/s Karur Vysya Bank Ltd, Trichy I	2003-04 143(3)	Arithmetic mistake in the assessment order resulted in under assessment of income of Rs. 1.37 crore.  The Department has accepted (March 2007) the audit observation and stated that remedial action would be taken.	0.50
<b>Foreign Banks</b>				
96	M/s Standard Chartered Bank, DIT(IT), Mumbai	2004-05 143(3)	Refund was not issued after assessment under section 143(1). Instead it was issued only after finalisation of scrutiny assessment. Thus, the delay in issue of refund resulted in increase in interest liability of the Government.	3.44
97	M/s Standard Chartered Bank,	2002-03 143(3)	The assessing officer disallowed Rs. 20.30 crore towards acquisition of retail assets portfolio as	2.98

Sl. no	Assessee and CIT charge	Assessment year and type of assessment	Nature of mistake	Tax effect
	DIT(IT), Mumbai		capital expenditure. However, in computation of income, amount of Rs. 14.10 crore was added back instead of Rs. 20.30 crore. The Department has taken remedial action under section 154 of the Act.	
98	M/s Abu Dhabi Commercial Bank, DIT(IT), Mumbai	2004-05 143 (3)	Refund was not issued after assessment under section 143(1). Instead refund was issued only after finalisation of scrutiny assessment. Thus, the delay in issue of refund resulted in increase in interest liability of the Government.	1.88
99	M/s HSBC Bank Ltd, DIT(IT), Mumbai	2004-05 143(3)	Interest was allowed under section 244A though the refund amount was less than ten per cent of the tax determined.  The Department has accepted (March 2007) the audit observation.	1.50
100	M/s Calyon Bank, DIT(IT) Mumbai	2004-05 143(3)	The assessee was allowed a deduction of Rs. 2.88 crore being bad debts written off against provisions for diminution in the value of investments in shares and debentures which could not be termed as money lent in ordinary course of business under section 36(2)(1).	1.18 (P)
101	M/s Barclays Bank PLC, DIT(IT), Mumbai	2003-04 143 (3)	Tax was levied at the rate of 30 per cent on Short Term Capital Gain arising out of the sale of fixed assets instead of the applicable rate of 40 per cent.  The Department has accepted (June 2007) the audit observation and taken remedial action.	0.96
102	M/s State Bank of Mauritius Ltd, DIT (IT) Mumbai	2001-02 143 (3) /250	While giving effect to the CIT (A)'s order in February 2006, income of Rs. 25.84 crore was adopted as the starting point instead of the correct amount of Rs. 24.39 crore which was arrived at after allowing the admissible depreciation in the scrutiny assessment resulting in over assessment of income of Rs. 1.46 crore.  The Department has accepted (July 2006) the audit observation and taken remedial action.	0.70 (over assessment)

**Appendix 3**

**REVIEW ON APPRECIATION OF THIRD PARTY REPORTING/CERTIFICATION IN ASSESSMENT PROCEEDINGS**

**(Referred to in paragraph 2.3.1)**

**Important provisions of the Act in respect of audit of accounts and the tax audit reports by an accountant**

Sl. no.	Form no.	Audit of accounts and/or report/certificate of an accountant	Section
1	3AA	Deduction towards additional depreciation.	32(i)(iia)
2	3AAA	Deduction in respect of investment deposit account.	32AB (5)
3	3AC	Assessee carrying on the business of growing and manufacturing tea/coffee/rubber claiming deduction.	33AB
4	3AD	Assessee carrying on business consisting of the prospecting for or extraction or production of, petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement for the purpose of deposit in Special Account/Site Restoration Account.	33ABA
5	3CA/3CB/ 3CD	Assessee carrying on business or profession whose sales, turnover or gross receipts exceed Rs. 40 lakh (Rs. 10 lakh in the case of profession), and assessee who claim their income to be lower than the profits or gains deemed to be the profits and gains of their business.	44AB
6	3CE	Certification in respect of income by way of royalty/fees for technical services.	44DA(2)
7	3CEA	Computation of capital gain in case of slump sales.	50B
8	3CEB	Report under section 92E relating to international transaction(s).	92E
9	6B	Assessee who have been ordered by the assessing officer with the previous approval of the CCIT/CIT under section 142(2A) to get their books of accounts audited having regard to the nature and complexity of the accounts of the assessee in the interest of the revenue.	142(2A)
10	10B	Public charitable or religious trust or institutions.	12A(b)
11	10C	Assessee other than companies or co-operative societies claiming deduction under section 80HH in respect of profits from newly established industrial undertaking or hotel business in backward areas.	80HH
12	10CC	Assessee other than companies or co-operative societies claiming deduction under section 80HHA in respect of profits from newly established industrial undertaking in rural areas.	80HHA
13	10CCAA	Assessee claiming deduction under section 80HHBA in respect of profits and gains from housing projects.	80HHBA
14	10CCAB	Assessee being supporting manufacturer claiming deduction under section 80HHC in respect of profits on sale of goods and the merchandise to the recognised export house/trading house.	80HHC
15	10CCABA	Verification of certificate to be issued by a undertaking in the Special Economic Zone.	80HHC
16	10CCAC	Assessee claiming deduction under section 80HHC in respect of export profit.	80HHC
17	10CCAD	Assessee claiming deduction under section 80HHD in respect of earnings in convertible foreign exchange.	80HHD
18	10CCAF	Assessee claiming deduction under section 80HHE in respect of profits from the export of computer software.	80HHE
19	10CCAG	Assessee being supporting software developers claiming deduction under section 80HHE in respect of profit on sale of computer software to exporting company.	80HHE

<b>Sl. no.</b>	<b>Form no.</b>	<b>Audit of accounts and/or report/certificate of an accountant</b>	<b>Section</b>
20	10CCAI	Assessee being Indian companies, claiming deduction under section 80HHF in respect of profit derived to the business of export or transfer out of India of film software etc.	80HHF
21	10CCB	Assessee claiming deduction in respect of eligible business under section 80I or 80IA or 80IB or 80IC.	80I, 80IA, 80IB, 80IC
22	29B	Computation of book profit for determination of minimum alternate tax.	115JB
23	56F	Exemption on profit and gains from export in free trade zone.	10A
24	56G	Special provision in respect of newly established hundred percent export oriented undertaking.	10B



**Appendix 4**  
**(Referred to in paragraph 2.4.1)**

**Criteria adopted for selection of units and records for audit**

<b>Charges</b>	<b>Units selected for checking assessment records</b>	<b>Financial Year 2006-07 and till date of audit</b>	<b>Financial Year 2005-06</b>	<b>Financial Year 2004-05</b>
Delhi, Maharashtra, Tamil Nadu, West Bengal, Karnataka, Gujarat	25 percent of annual units	Summary cases: Between 173- 207 records in each unit.  Scrutiny cases: 100 percent	Summary cases: Between 125-150 records in each unit.  Scrutiny cases: 50 percent	Summary cases: Between 100-125 records in each unit  Scrutiny cases: 25 percent
Charges other than above	30 percent of annual units	Summary cases: Between 173- 207 records in each unit.  Scrutiny cases: 100 percent	Summary cases: Between 125-150 records in each unit.  Scrutiny cases: 50 percent	Summary cases: Between 100-125 records in each unit  Scrutiny cases: 25 percent

**Appendix 5**  
**(Referred to in paragraph 2.7.2)**

**Inadequate information in tax audit reports resulting in additions made by assessing officers**

					(Rs. in lakh)
Sl. no.	Name of the Assessee/ CIT charge	Assessment year	Type of assessment	Details of the additions made by the department	Revenue impact
1	E-Serve International Ltd. <b>CIT 9, Mumbai</b>	2004-05	Scrutiny	Deduction of Rs. 41.08 crore under section 10A and 80HHE denied by the department during scrutiny on the ground that the activities carried out by the assessee did not amount to export of software.	1474.04
2	M/s Kanoria Chemicals & Industries Ltd. <b>CIT IV, Kolkata</b>	2003-04	Scrutiny	A deduction of Rs. 28.53 crore under section 80IA was reported in the audit report and claimed by the assessee, whereas the assessing officer allowed deduction of Rs. 12.83 crore only. Further, capital expenditure as reported in tax audit report was 'nil', but the assessing officer during assessment disallowed Rs.2.95 crore on account of capital expenditure debited in the Profit and Loss account under the head "Department Restructuring Expenditure".	685.00
3	M/s Tata Metalik Ltd. <b>CIT I, Kolkata</b>	2003-04	Scrutiny	A deduction of Rs. 10.82 crore under section 80IA was reported in the audit report and claimed by assessee. This was, however, entirely disallowed by the assessing officer on the ground that the assessee did not satisfy the condition to be eligible for deduction.	398.00
4	West Bengal Industrial Infrastructure Development Corporation <b>CIT IV, Kolkata</b>	2003-04	Scrutiny	A deduction of Rs. 2.89 crore under section 80IA was reported in the audit report and claimed by assessee. This was, however, entirely disallowed by the assessing officer on the ground that the assessee did not satisfy the condition to be eligible for deduction.	106.00

**Appendix 6**  
**(Referred to in paragraph 2.8.1)**

**Inadequate disclosure in tax audit reports not acted upon by assessing officers**

(Rs. in lakh)

Sl. no.	Name of the assessee/CIT charge	Assessment year(s)/type of assessment	Details of non/inadequate disclosure in Tax Audit Report/Certificates and omission on the part of the department in making additions to taxable income	Revenue impact	Department's reply
1	M/s Jodhpur Vidyut Vitran Nigam Ltd. <b>CIT 1, Jodhpur</b>	2002-03 Summary	Interest on loan from bank/financial institutions included (i) Rs. 2.43 crore on FDR loan which the assessee had never availed, (ii) Rs. 9.66 crore on working capital loan from financial institution/bank taken by Rajasthan Vidyut Prasaran Nigam Ltd. and not by the assessee company.	431.69	Reply has not been received (November 2007).
2	M/s Cochin Shipyard Ltd. <b>CIT, Cochi</b>	2004-05 Scrutiny	Revenue subsidy of Rs. 6.53 crore not credited in the Profit and Loss account.	368.00	The assessing officer stated (March 2007) that part of the amount was not credited to the profit and loss account because in the event of failure to deliver the vessel, the amount was repayable. The reply is not acceptable as the said condition was one which would not come into play at all in the normal course of the business.
3	M/s Cindy Engineering Pvt. Ltd. <b>CIT I, Kolkata</b>	2004-05 Scrutiny	Non deduction of TDS, by the assessee, on commission of Rs. 36.67 crore.	256.04	Reply has not been received (November 2007).
4	M/s Shri Adinath Rajindra Jain Swetamber Pedi Indore (Trust) <b>CIT I, Indore</b>	2004-05 Scrutiny 2005-06 Summary	Accountant in the audit report (Form 10B) did not disclose that assessee was having accumulated income in excess of limits as specified under section 11 of the Act. As a result, accumulated income of Rs. 6.12 crore escaped assessment.	220.00	Reply has not been received (November 2007).
5	M/s Yamuna Gases and Chemicals Limited <b>CIT, Panchkula</b>	2004-05 Scrutiny	Depreciation claimed which otherwise should have been nil as assets had not been put to use.	183.00	Reply has not been received (November 2007).

Sl. no.	Name of the assessee/CIT charge	Assessment year(s)/type of assessment	Details of non/inadequate disclosure in Tax Audit Report/Certificates and omission on the part of the department in making additions to taxable income	Revenue impact	Department's reply
6	M/s Double Dot Finance Ltd. <b>CIT 4, Mumbai</b>	2004-05 Scrutiny	Set off and carry forward of loss though assessee had discontinued business	160.43	Reply has not been received (November 2007).
7	M/s Hirakud Industrial Works Ltd. <b>CIT, Sambalpur</b>	2004-05 Scrutiny	Losses brought/carried forward amounting to Rs. 7.46 crore instead of correct amount of Rs. 3.72 crore.	155.00	Reply has not been received (November 2007).
8	Hindustan Petroleum Corpn Ltd. <b>CIT 1, Mumbai</b>	2004-05 Scrutiny	Incorrect adjustment of cenvat credit.	147.69	Reply has not been received (November 2007).
9	M/s UP State Industrial Development Corporation <b>CIT II, Kanpur</b>	2002-03 Scrutiny	Interest income of Rs. 3.13 crore was not accounted for.	142.64	Reply has not been received (November 2007).
10	Cognizant Technologies <b>CIT I, Chennai</b>	2005-06 Summary	Provision for performance incentive and annual day, though contingent in nature, were made by the assessee.	142.43	Reply has not been received (November 2007).
11	V.Rama Rao <b>CIT VI, Hyderabad</b>	2006-07 Summary	Non deduction of TDS, by the assessee, on payment to sub-contractor (lorry hire charges) of Rs. 3.41 crore.	131.12	Reply has not been received (November 2007).
12	M/s. UAN-RAJU-IVRCL Construction JV <b>CIT II, Hyderabad</b>	2005-06 Summary	Deduction under section 80IA claimed and allowed in spite of the fact that the assessee was only a works contractor and not the owner of the project.	124.00	The department replied (May 2007) that the rectification could not be carried out under section 143(1) but it would be looked into.
13	M/s Bharti Infotel Ltd. <b>CIT I, Delhi</b>	2004-05 Scrutiny	Provision for doubtful debts, an unascertained liability, was not added back.	120.00	Reply has not been received (November 2007).
14	Tina Overseas Ltd. <b>CIT VI, Delhi</b>	2004-05 Scrutiny	Deduction under section 80IB was allowed before adjusting the brought forward business losses/unabsorbed depreciation.	117.64	Reply has not been received (November 2007).
15	M/s Meda Constructions <b>CIT, Tirupati</b>	2006-07 Summary	Non deduction of TDS, by the assessee, on sub-contract payments of Rs. 3.02 crore.	115.84	Reply has not been received (November 2007).
16	Orissa Small Industries Corpn. <b>CIT, Cuttack</b>	2005-06 Scrutiny	Loss carried forward in excess.	102.06	Reply has not been received (November 2007).

**Appendix 7**  
**(Referred to in paragraph 2.9.1)**  
**Information not assessed by the assessing officers**

(Rs. in lakh)

Sl. no.	Name of the assessee/ CIT charge	Assessment year(s)/ type of assessment	Nature of mistake	Revenue impact	Department's reply
1	Air Control & Chemical Engg. Co. Ltd. <b>CIT I, Ahemdabad</b>	2004-05 Summary	Though the information in respect of an income of Rs. 2.51 crore on account of sundry creditors written off was available in the 'Notes to Accounts', the assessing officer did not take it into account while completing assessment.	179.22	The department did not accept (April 2007) the audit observation on the plea of summary assessment. The reply is not tenable as mistakes arising from summary assessments conferring otherwise unentitled benefits to the assessee and prejudicial to interest of revenue could be rectified under the powers separately available to the assessing officers under the Act.
2	M/s Fertilizer Corporation of India Ltd. <b>CIT VI, Delhi</b>	2003-04 Scrutiny	Irregular deduction on unpaid compensation (VRS scheme) under section 35DDA was allowed by the department though the fact of unpaid compensation was mentioned in the 'Notes to Accounts'.	166.63	Reply has not been received (November 2007).
3	M/s South Indian Bank Employees Gratuity Trust <b>CIT, Trichur</b>	2004-05 Scrutiny	Investments made by the Trust not as per the Income Tax Rules, 1962.	165.00	Reply has not been received (November 2007).
4	M/s Elnet Technologies Ltd. <b>CIT I, Chennai</b>	2003-04 Scrutiny	As per the tax audit report, profit chargeable to tax under section 41 was Rs. 2.95 crore on account of interest written back. During scrutiny proceedings this income was not assessed.	144.69	Reply has not been received (November 2007).
5	M/s Ashok Leyland Finance Ltd. <b>CIT I, Chennai</b>	2002-03 Scrutiny	As per the tax audit report, service tax of Rs. 2.34 crore was not paid. According to section 43B, statutory liabilities remaining unpaid were to be added back to the income. However, this was not done.	117.17	Reply has not been received (November 2007).
6	Greater Calcutta Gas Supply Corporation Ltd. <b>CIT III, Kolkata</b>	2003-04 Scrutiny	Contingent liability though reported in tax audit report but was not disallowed by the assessing officer.	112.74	Reply has not been received (November 2007).

**Appendix 8**  
**(Referred to in paragraph 2.10.1)**

**Statement indicating details of cases where tax audit reports were not signed, membership number not given**

Sl. no.	State	No. of cases	Particulars
1	Andhra Pradesh	14	Membership no. not given
2	Andhra Pradesh	08	Incomplete certification by accountant regarding tax deduction at source.
3	Bihar	02	Membership no not given
4	Chandigarh	09	Membership no not given
5	Delhi	09	Membership no not given
6	Gujarat	13	Membership no not given
7	Gujarat	02	Audit Report not signed
8	Himachal Pradesh	145	Membership no not given
9	Karnataka	83	Membership no not given
10	Kerala	100	Membership no not given
11	Kerala	04	Audit Report not signed
12	Madhya Pradesh	219	Membership no not given
13	Orissa	91	Membership no not given
14	Rajasthan	11	Membership no not given
15	Tamil Nadu	146	Membership no not given
16	Tamil Nadu	30	Annexures to Audit Reports not signed.
17	Tamil Nadu	83	Quantitative details of raw materials, finished products not certified by accountant.
18	Uttar Pradesh	01	Form 3CB/ Form 3CD not signed
19	Uttar Pradesh	19	Membership no not given
20	West Bengal	40	Membership no not given
<b>Total</b>		<b>1029</b>	

**Appendix 9**  
**(Referred to in paragraph 2.10.2.1)**

**Statement indicating details of cases where accountants gave non-committal remarks**

<b>Sl. no.</b>	<b>State</b>	<b>No of cases</b>
1	Andhra Pradesh	03
2	Bihar	10
3	Gujarat	18
4	Himachal Pradesh	89
5	Karnataka	75
6	Madhya Pradesh	62
7	Rajasthan	19
8	Tamil Nadu	138
9	Uttar Pradesh	17
<b>Total</b>		<b>431</b>

**Appendix 10**

**(Referred to in paragraph 2.11.7)**

**Format of control register of tax audit cases under section 44AB**

<b>Sl. no.</b>	<b>PAN/GIR</b>	<b>Name of Assessee</b>	<b>Status</b>	<b>Asstt. Years</b>	<b>Due date of tax audit report</b>	<b>Date of filing of tax audit report</b>	<b>Auditor's name &amp; Membership number</b>	<b>Total Turnover</b>	<b>Period of default</b>	<b>Date of initiation of penalty proceeding</b>	<b>Date and amount of penalty levied</b>	<b>Irregularity in audit report if any</b>	<b>Whether selected for asstt u/s 143 (3)</b>
1	2	3	4	5	6	7	8	9	10	11	12	13	14



**Appendix 11  
(Referred to in paragraph 2.11.8)**

**Statement indicating details of the status of maintenance of control register and submission of Quarterly Progress Report**

Sl. no.	State	Status of maintenance of Control Register	Status of submission of Quarterly Progress Report	Remarks
1	Andhra Pradesh	Not maintained	Not being submitted	Information in respect of 12 units collected. Out of that, in 1 unit, the department stated that maintenance of the control register would be ensured in future.
2	Assam	Not maintained	Not being submitted	
3	Bihar	Not maintained	Not being submitted	
4	Chandigarh	Not maintained	Not being submitted	
5	Delhi	Not maintained	Not being submitted	
6	Goa	Not maintained	Not being submitted	
7	Gujarat	Not maintained	Being submitted in 2 out of 7 units	
8	Himachal Pradesh	Not maintained	Not being submitted	
9	Jharkhand	Not maintained	Not being submitted	
10	Karnataka	Not maintained	Being submitted in 5 out of 10 circle offices	
11	Kerala	Not maintained in 6 out of 7 assessment units covered under review	No information available	In Circle I, Kollam under CIT, Trivandrum register was maintained only upto 2001-02.
12	Madhya Pradesh	Being maintained in 2 out of 4 units	Not being submitted	
13	Maharashtra	Not maintained	Not being submitted	
14	Orissa	Not maintained	Not being submitted	
15	Punjab	Not maintained	Not being submitted	In respect of one unit, department stated that the requisite register would be maintained in future.
16	Rajasthan	Not maintained	Not being submitted	
17	Tamil Nadu	Not maintained	Not being submitted	
18	Uttar Pradesh	Not maintained	Not being submitted	Information in respect of 13 units collected. Out of that in 5 units department stated that maintenance of the control register would be ensured in future.
19	West Bengal	Not maintained	Not being submitted	In 1 unit, control register being maintained from 2007-08 onwards.

**Appendix 12**  
**(Referred to in paragraph 2.11.15)**

**Statement indicating details of the penalty levied for non-filing/ delayed filing of tax audit report**

(Rs. in lakh)

Sl. no.	State	No. of cases	Amount of penalty
1	Andhra Pradesh	10	6.84
2	Chandigarh	2	2.00
3	Gujarat	3	3.25
4	Haryana	2	3.00
5	Jharkhand	5	3.60
6	Karnataka	16	9.52
7	Kerala	27	18.73
8	Madhya Pradesh	21	14.52
9	Orissa	5	3.27
10	Rajasthan	1	0.20
11	Tamil Nadu	14	14.00
12	West Bengal	3	1.12
<b>Total</b>		<b>109</b>	<b>80.05</b>

**Appendix 13**  
**(Referred to in paragraph 2.11.16)**

**Format of Annexure 'B' as referred to in instruction no. 1976 dated 3.11.1999**

<b>Sl. no.</b>	<b>Particulars</b>	<b>During the quarter</b>	<b>Upto the end of the quarter</b>
1	No. of returns received.		
2	No. of cases out of (1) where audit u/s 44AB was required.		
3	No. of cases out of (2) where audit reports have been filled.		
4	No. of cases out of (2) above where audit reports were not filled.		
5	No. of cases out of (3) where audit reports were filled beyond the due date.		
6	No. of cases in which penalty proceedings were initiated during the quarter.		
7	No. of cases where penalty levied.		
8	Amount of penalty levied.		
9	No. of cases in which irregularities in audit report noticed.		
10	No. of cases out of (9) where the action u/s 288 was taken.		
11	No. of cases out of (3) selected for assessment u/s 143(3).		

## Appendix 14

**Audit of assessments relating to infrastructure development  
(Deductions under section 80IA of the Income Tax Act)**

(As referred to in paragraph 3.6.3.25)

(Rs. in lakh)

Non adjustment of losses as per section 80IA					
Sl. no.	Name of the assessee/CIT charge	Assessment Year(s)	Type of assessment	Incorrect allowance of deduction	Revenue impact
1	Roshni Power Tech Ltd. <b>CIT III, Hyderabad</b>	2004-05	Scrutiny	108	38.65
2	Trident Power Systems Ltd. <b>CIT II, Hyderabad</b>	2005-06	Summary	102	37.31
3	Eagle Press Ltd. <b>CIT I, Chennai</b>	2002-03	Scrutiny	93.34	33.49
4	Ucal Fuel systems Ltd. <b>CIT I, Chennai</b>	2002-03	Scrutiny	76.87	27.44
5	Patankar Wind Farm Pvt. Ltd., <b>CIT 3, Pune</b>	2003-04	Scrutiny	61.51	22.61
6	Pondicherry Chlorates Ltd., <b>CIT I Madurai</b>	2001-02 2002-03 2003-04	Scrutiny Summary Scrutiny	53.92	21.34
7	Ambika Agarbathis and Aroma Ltd., <b>CIT I, Chennai</b>	2000-01 and 2001-02 2002-03 to 2004-05	Scrutiny Summary	58.3	25.99
8	Pearl Plastic Products <b>CIT 5, Pune</b>	2002-03 2003-04 and 2004-05	Summary Scrutiny	53.09	19.20
9	Rose Matches Pvt Ltd. <b>CIT I, Madurai</b>	2002-03 2003-04 and 2004-05	Summary Scrutiny	39.73	16.87
10	K. Rajinikanth <b>CIT I, Coimbatore</b>	2001-02 2002-03	Summary Scrutiny	38.35	16.04
11	M/s. Khivraj Motors Ltd. <b>CIT I, Chennai</b>	2001-02	Summary	26.41	13.71
12	K.S.P.S Natarajan & Co. <b>CIT I, Madurai</b>	2000-01 2001-02 2002-03 to 2003-04	Summary Scrutiny Summary	27.34	11.89
13	Rajparis Civil Construction (P) Ltd. <b>CIT-III, Chennai</b>	2002-03 and 2003-04	Scrutiny	20.32	10.47
14	Sterlite Industries Ltd. <b>CIT III, Chennai</b>	2004-05	Scrutiny	664.46	Not quantified
15	City Online Services Ltd. <b>CIT I, Hyderabad</b>	2004-05 and 2005-06	Summary	68.23	24.63
<b>Total</b>				<b>1491.87</b>	<b>315.34</b>
<p><i>Note: In respect of Sl. no.3 the department has accepted the objection and initiated remedial action. In respect of Sl. No. 4, 7 and 11 the department has initiated remedial action</i></p>					

**Appendix 15**  
**(As referred to in paragraph 3.6.11.7)**

(Rs. in crore)

Sl. no.	Name of assessee/ Assessment Year	Net profit as per profit & loss account	Income after allowing deductions other than deduction u/s 80IA	Deduction u/s 80IA	Income after allowing deduction u/s 80IA (4) – (5)	Tax on (6)	Income under MAT	Tax under MAT
1	2	3	4	5	6	7	8	9
<b>1</b>	<b>Bharti Cellular Ltd.,</b>							
	2002-03	104.73	185.81	178.66	7.15	2.55	105.53	8.07
	2003-04	(-)208.03	(-)76.96	Nil	(-)76.96	Nil	(-)208.03	Nil
	2004-05	334.31	209.40	Nil	Nil#	Nil	(-)84.45	Nil
	2005-06	(-)786.43	33.09	Nil	Nil#	Nil	(-)183.59	Nil
<b>2</b>	<b>BSNL</b>							
	2002-03	6852.18	(-)1036.73	0	(-)1036.73	Nil	7097.87	542.99
	2003-04	2657.91	4769.97	0	4769.97	1752.96	Nil	0
	2004-05	8996.16	8978.69	8689.48	289.21	103.75	12576.35	966.81
	2005-06	7920.08	8656.56	7869.19	787.37	Nil	10145.50	795.53
<b>3</b>	<b>Reliance Infocomm Ltd.,</b>							
	2002-03	(-)9.80		Nil	(-)10.60	Nil	Nil	Nil
	2003-04	1.38	(-)10.60	Nil	(-)10.60	Nil	0.01	0.001
	2004-05	(-)390.31	(-)1015.92	Nil	(-)1015.92	Nil	Nil	Nil
	2005-06	55.32	(-)1091.55	Nil	(-)1091.55	Nil	55.35	4.31
<b>4</b>	<b>Idea</b>							
	2002-03	(-) 212.45	(-)391.65	Nil	(-)391.65	Nil	NA	NA
	2003-04	(-)159.81	(-)174.70	Nil	(-)174.70	Nil	NA	NA
	2004-05	(-)206.91	(-)173.37	Nil	(-)173.37	Nil	NA	NA
	2005-06	26.05	(-)64.78	Nil	(-)64.78	Nil	NA	NA
<b>5</b>	<b>Spice Telecom (Now Spice Communication Pvt Ltd)</b>							
	2002-03	3.98	3.43	Nil	3.43#	Nil	Nil	Nil
	2003-04	(-)15.64	21.53	Nil	21.53#	Nil	Nil	Nil
	2004-05	38.10	47.70	Nil	47.40#	Nil	Nil	Nil
	2005-06	(-)33.02	24.28	Nil	24.28#	Nil	Nil	Nil
<b>6</b>	<b>Tata Tele Services</b>							
	2002-03	(-)195.43	Nil	Nil	(-)306.33	Nil	Nil	Nil
	2003-04	*(-)381.57	Nil	Nil	FNA	Nil	Nil	Nil
	2004-05	(-)786.40	Nil	Nil	(-)843.66	Nil	Nil	Nil
	2005-06	(-)1664.07	Nil	Nil	(-)1810.12	Nil	Nil	Nil
# Income assessed at 'nil' after set off of brought forward losses and unabsorbed depreciation.								
* Data compiled from assessment records relating to assessment year 2004-05								
FNA File not made available to audit								