



Report of the Comptroller and Auditor General of India for the year ended March 2012



**Union Government
Department of Revenue - Direct Taxes
No. 15 of 2013**

Table of Contents

Contents	Pages
Preface	i
Highlights	iii-iv
Chapter I: Direct Tax Administration	1-15
• Resources of the Union Government	1
• Nature of Direct Taxes	1-2
• Growth of Direct Taxes - Trends and composition	2-5
• Budgeting of Direct Taxation	5-6
• Incorrect accounting of interest on refunds	6
• Tax Expenditure	6-8
• Widening and Deepening of Tax Base	8-9
• Tax Debt – Uncollected demand	10-11
• Disposal of Scrutiny assessments	11
• Demand under dispute	12
• ITD's IT initiative	13
• Effectiveness of Internal Audit	14-15
Chapter II: Audit Mandate, Products and Impact	17-22
• Authority of the C&AG for audit of receipts	17
• Legislative impact	18
• Recovery at the instance of audit	19
• Incidence of errors	19
• Response to audit	20
• Pendency of audit observations	21
• Remedial action time barred	21
• Non-production of records	21-22
Chapter III: Analysis of assessments relating to Corporation Tax	23-33
• Quality of assessments	23-27
• Administration of tax concessions/ exemptions/deductions	27-31
• Income escaping assessments due to omissions	31-33
• Over-charge of tax/Interest	33
Chapter IV: Analysis of assessments relating to Income Tax and Wealth Tax	35-41
• Quality of assessments	35-37
• Administration of tax concessions/ exemptions/deductions	37-38
• Income escaping assessments due to omissions	39-40
• Over-charge of tax/Interest	40
• Non-levy/short levy of Wealth Tax	41
Appendices	43-84

Preface

This Report for the year ended March 2012 has been prepared for submission to the President under Article 151(1) of the Constitution of India.

Audit of Revenue Receipts – Direct Taxes of the Union Government is conducted under section 16 of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971.

The Report presents the results of audit of receipts under direct taxes comprising Corporation Tax, Income Tax and Wealth Tax and is arranged in the following order: -

- (i) Chapter I: Direct Tax Administration;
- (ii) Chapter II: Audit Mandate, Products and Impact;
- (iii) Chapter III: Analysis of assessments relating to Corporation Tax and;
- (iv) Chapter IV: Analysis of assessments relating to Income Tax in Part A and Wealth Tax in Part B.

The cases included in this Report are the results of audit conducted during 2011-12 and in earlier years which could not be covered in the previous reports.

Highlights

This Report discusses important issues in direct taxes using data from Finance Accounts, departmental accounts, departmental MIS, Economic Survey and findings of compliance audits.

Share of direct taxes in gross tax receipts increased from 38.42 *per cent* (₹ 0.83 lakh crore) in FY 03 to 55.56 *per cent* (₹ 4.94 lakh crore) in FY 12 indicating progressive tax system.

Two major components of Direct taxes viz. Corporation Tax increased from ₹ 46,172 crore in FY 03 to ₹ 322,816 crore in FY 12 and Income Tax increased from ₹ 36,866 crore in FY 03 to ₹ 164,525 crore in FY 12.

Voluntary compliance declined for corporate (from 84 to 79 *per cent*) as well as non-corporate (from 94 to 90 *per cent*) assesseees during FY 03 to FY 12. During the same period, average annual growth of corporate and non-corporate assesseees' base was 6.7 *per cent* and 3.0 *per cent* respectively.

We noticed that the actual collection of direct taxes exceeded the budget estimates in all the years except in FY 03, FY 05, FY 06, FY 09 and FY 12. The extent of actual collection exceeding the budget estimates ranged from 2.0 *per cent* in FY 10 to 16.7 *per cent* in FY 08. However, the revised estimates were found realistic.

The revenue foregone on account of tax exemptions is increasing in absolute terms over the years (except FY 11) but tax expenditure as a percentage of GDP and Direct Taxes is declining after FY 08.

The uncollected demand increased from ₹ 124,274 crore in FY 08 to ₹ 408,418 crore in FY 12, of which 94 *per cent* was difficult to recover in FY 12.

Scrutiny Assessments pending for disposal increased to 4.05 lakh in FY 12 from 3.92 lakh in FY 11. Out of total 7.75 lakh scrutiny assessment cases, the Department had disposed off 3.7 lakh (47.7 *per cent*) cases in FY 12.

Appeals pending with CIT(A) increased from 1.30 lakh in FY 08 to 2.31 lakh in FY 12. Only 75,518 appeals (24.7 *per cent*) were disposed off by the CIT(A) in FY 12. The amount locked up in appeal cases with CIT(A) was ₹ 2.42 lakh crore in FY 12.

We noticed that number of pending direct refund cases has gone up from 8.3 lakh in FY 08 to 12.5 lakh in FY 12.

Internal Audit Wing of the Income Tax Department completed 61.8 *per cent* of the targeted audits in FY 12.

ITD recovered ₹ 2,680.97 crore in the last five years (including ₹ 1,538 crore in FY 12) from demands raised to rectify the errors in assessments that we pointed out.

ITD completed 5.50 lakh scrutiny assessments in FY 12, of which we checked 2.96 lakh cases. The incidence of errors in assessment checked in audit was 0.18 lakh which averaged to six *per cent*.

This Report discusses 455 high value and important cases issued to the Ministry. Of these, the Ministry accepted 311 cases (68 *per cent*). In 31 cases, Ministry did not accept the audit observation. In 113 cases, we were yet to receive the response as of May 2013.

The accretion in pendency in replies to audit findings each year has resulted in pile-up of 66,819 cases involving revenue effect of ₹ 49,887 crore as of 31 March 2012.

During FY 12, 3907 cases with tax effect of ₹ 1,083 crore became time-barred for remedial action.

We pointed out 325 high value cases pertaining to corporation tax with tax effect of ₹ 2,271.32 crore. We classified these cases in four broad categories namely quality of assessments involving tax effect of ₹ 486.02 crore (88 cases), administration of tax concession/ exemption/ deduction involving tax effect of ₹ 1,412.72 crore (162 cases), income escaping assessments due to omissions involving tax effect of ₹ 337.52 crore (66 cases) and over-charge of tax/interest involving ₹ 35.06 crore (nine cases).

We pointed out 115 high value cases pertaining to Income tax with tax effect of ₹ 593.30 crore. We classified these mistakes in four broad categories namely quality of assessments involving tax effect of ₹ 516.47 crore (40 cases), administration of tax concession/ exemption/ deduction involving tax effect of ₹ 53.90 crore (41 cases), income escaping assessments due to omissions involving tax effect of ₹ 18.94 crore (27 cases) and over-charge of tax/interest involving ₹ 3.99 crore (seven cases). Besides, we also pointed out 15 cases of Wealth Tax involving tax effect of ₹ 35.19 lakh.

Chapter I

Direct Tax Administration

1.1 Resources of the Union Government

1.1.1 The Government of India's resources include all revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Tax revenue resources of the Union Government consist of revenue receipts from direct and indirect taxes. Table 1.1 presents a summary of receipts of the Union Government, which amounted to ₹ 52,83,774 crore¹ for FY 12. Union Government's own receipts were ₹ 12,20,597 crore including gross tax receipts of ₹ 8,89,118 crore. This constituted only 23.10 *per cent* of the total receipts. The remaining 76.90 *per cent* receipts came through borrowings.

	Cr. ₹.
Table 1.1: Resources of the Union Government	
A. Total Revenue Receipts	11,65,691
i. Direct Tax Receipts	4,93,987
ii. Indirect Tax Receipts including other taxes	3,95,131
iii. Non-Tax Receipts including Grants-in-aid & contributions	2,76,573
B. Miscellaneous Capital Receipts	18,088
C. Recovery of Loan & Advances	36,818
D. Public Debt Receipts	40,63,177
Receipts of Government of India (A+B+C+D)	52,83,774
Note: Total Revenue Receipts include ₹ 2,55,414 crore, share of net proceeds of direct and indirect taxes directly assigned to states.	

1.1.2 Revenue receipts come from both tax and non-tax sources. Tax revenue comprises proceeds of taxes and duties levied by the Union Government, *viz.* taxes on income and expenditure, customs, union excise duties, etc.

1.2 Nature of Direct Taxes

1.2.1 Direct taxes levied by the Parliament mainly comprise:

- **Corporation Tax** levied on income of the companies and business organizations.
- **Income Tax** levied on income of persons, other than companies, namely, individuals or Hindu Undivided Families (HUFs), firms, co-operative societies, trusts, bodies of individuals, association of persons and every artificial juridical person based on one's residential status.
- **Other direct taxes** including Wealth Tax², Securities Transactions Tax³ etc. Other direct taxes also include Fringe Benefit Tax, Banking Cash

¹ Source: Union Finance Accounts of FY 12.

² Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act.

³ Tax on the value of taxable securities purchased and sold through a recognized stock exchange in India. However, no rebate under section 88E is allowable w.e.f. AY 10.

Transaction Tax, Expenditure Tax, Interest Tax, Hotel Receipts Tax and Estate Duties; all of which have now been abolished.

1.3 Functions and responsibilities of the department

1.3.1 The overall responsibility for the administration of direct taxes lies with the Department of Revenue (DOR), Ministry of Finance which functions through Central Board of Direct Taxes (CBDT)/Income Tax Department (ITD). *Appendix-1* gives brief background of the key functions, role and responsibilities of DOR/CBDT.

1.3.2 The overall staff strength of the ITD is 57,793. The sanctioned and working strength of the officers⁴ as on 31 March 2012 is 8,638 and 7,251 respectively. The organizational structure of CBDT is shown in *Appendix-2*.

1.4 Growth of Direct Taxes - Trends and composition

1.4.1 Table 1.2 below gives the relative growth of direct taxes (DT) during FY 03 to FY 12. We find that share of direct taxes to GTR increased from 38.42 *per cent* (₹ 0.83 lakh crore) to 55.56 *per cent* (₹ 4.94 lakh crore) during the period. During the same period, Gross Domestic Product⁵ (GDP) grew by 15.20 *per cent* and GTR by 17.07 *per cent*. Direct taxes have, therefore, retained a pre-dominant position, which is a healthy sign and indicative of progressive tax system in the country.

Table 1.2: Growth of Direct Taxes

Year	DT	GDP	DT as per cent of GDP	GTR	DT as <i>per cent</i> of GTR
					Cr. ₹.
FY 03	83,089	25,30,663	3.28	216,266	38.42
FY 04	105,089	28,37,900	3.70	254,348	41.32
FY 05	132,771	32,42,209	4.10	304,958	43.54
FY 06	165,216	36,93,369	4.47	366,152	45.12
FY 07	230,195	42,94,706	5.36	473,512	48.61
FY 08	312,217	49,87,090	6.26	593,147	52.64
FY 09	333,857	56,30,063	5.93	605,298	55.16
FY 10	377,594	64,77,827	5.83	624,527	60.46
FY 11	445,995	77,95,313	5.72	793,307	56.22
FY 12	493,987	89,74,947	5.50	889,118	55.56

1.4.2 Table 1.3 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT)⁶ in absolute terms and in comparison to GDP during FY 03 to FY 12. CT grew by 24.60 *per cent* and IT by 19.02 *per cent*. During the same period, growth of corporate assessee's base was 2.35 *per cent* and non-corporate assessee's base was 2.87 *per cent*.

⁴ CCIT/DGIT, CIT/DIT, Addl. CIT/JCIT, DCIT/ACIT and ITOs

⁵ GDP is based on current market prices with base year 2004-05 as provided by Central Statistics Organisation as on January 2013 and as shown in Economic Survey 2012-13.

⁶ *Appendix-3* shows rates of tax for corporate and non-corporate assessee's for AY 03 to AY 12.

Table 1.3: Growth of Direct Tax receipts and its major components

Year	Direct Taxes	per cent growth over previous year	CT	per cent growth over previous year	IT	Cr. ₹. per cent growth over previous year
FY 03	83,089	-	46,172	-	36,866	-
FY 04	105,089	26.48	63,562	37.66	41,387	12.26
FY 05	132,771	26.34	82,680	30.08	49,268	19.04
FY 06	165,216	24.44	101,277	22.49	55,985	13.63
FY 07	230,195	39.33	144,318	42.50	75,093	34.13
FY 08	312,217	35.63	192,911	33.67	102,659	36.71
FY 09	333,857	6.93	213,395	10.62	106,075	3.33
FY 10	377,594	13.10	244,725	14.68	122,417	15.41
FY 11	445,995	18.12	298,688	22.05	139,102	13.63
FY 12	493,987	10.76	322,816	8.08	164,525	18.28

as per cent to GDP			
Year	Direct Taxes	CT	IT
FY 03	3.28	1.82	1.46
FY 04	3.70	2.24	1.46
FY 05	4.10	2.55	1.52
FY 06	4.47	2.74	1.52
FY 07	5.36	3.36	1.75
FY 08	6.26	3.87	2.06
FY 09	5.93	3.79	1.88
FY 10	5.83	3.78	1.89
FY 11	5.72	3.83	1.77
FY 12	5.50	3.60	1.83

1.4.3 Table 1.4 below shows growth of direct tax collection through different modes {Tax deducted at source (TDS), advance tax, self assessment tax, regular assessment tax} in respect of both corporation and income tax. Collection through advance tax, self assessment tax and TDS is largely indicative of degree of voluntary compliance in the system. Collection of tax through regular assessment mode occurs on assessment.

1.4.4 Voluntary compliance declined for corporate (from 84 to 79 *per cent*) as well as non-corporate (from 94 to 90 *per cent*) assesseees during FY 03 to FY 12. During the same period, average annual growth of corporate and non-corporate assesseees' base was 6.7 *per cent* and 3.0 *per cent* respectively.

1.4.5 Table 1.4 shows that advance tax increased marginally from 51.87 *per cent* of the total corporate collection in FY 11 to 52.47 *per cent* in FY 12. Regular tax fell from 11.80 *per cent* of the total corporate collection in FY 11 to 10.05 *per cent* in FY 12.

Table 1.4: Corporate assessees' collections

Cr. ₹.					
Year	TDS	Advance Tax	Self Assessment Tax	Regular Assessment Tax	Collections
FY 03	8,961	40,625	3,026	8,926	62,950
FY 04	11,934	49,004	5,184	13,477	82,231
FY 05	14,654	73,934	4,815	2,888	1,05,189
FY 06	26,908	68,013	5,549	18,624	1,24,837
FY 07	29,048	96,568	6,954	24,725	1,74,935
FY 08	44,148	128,105	11,455	18,518	2,23,941
FY 09	60,088	122,697	18,451	12,633	2,42,304
FY 10	60,850	148,791	20,159	24,995	2,88,162
FY 11	68,313	184,263	23,056	41,916	3,55,266
FY 12	91,974	208,886	13,632	40,030	3,98,116

Note: The above figures were received from the Pr. CCA, CBDT during the respective year. The figures of collection also include other receipts including surcharge & cess.

as per cent to collections

Year	TDS	Advance Tax	Self Assessment Tax	Regular Assessment Tax	
FY 03	14.24	64.54	4.81		14.18
FY 04	14.51	59.59	6.30		16.39
FY 05	13.93	70.29	4.58		2.75
FY 06	21.55	54.48	4.44		14.92
FY 07	16.61	55.20	3.98		14.13
FY 08	19.71	57.20	5.12		8.27
FY 09	24.80	50.64	7.61		5.21
FY 10	21.12	51.63	7.00		8.67
FY 11	19.23	51.87	6.49		11.80
FY 12	23.10	52.47	3.42		10.05

1.4.6 Table 1.5 below shows that TDS collections came down from 63.26 *per cent* of total non-corporate collection in FY 11 to 58.83 *per cent* in FY 12. Advance tax increased from 17.82 *per cent* of total non-corporate collection in FY 11 to 23.51 *per cent* in FY 12.

Table 1.5: Non-Corporate assessees' collections

Cr. ₹.					
Year	TDS	Advance Tax	Self Assessment Tax	Regular Assessment Tax	Collections
FY 03	27,607	8,533	3,388	1,819	42,119
FY 04	31,021	9,709	4,668	2,538	48,454
FY 05	29,319	16,100	5,229	3,118	55,273
FY 06	31,698	19,071	6,069	3,488	62,457
FY 07	41,641	24,659	6,871	5,671	81,697
FY 08	60,593	30,015	9,670	7,202	112,910
FY 09	68,142	20,635	12,328	8,704	116,225
FY 10	84,885	24,626	12,349	8,279	136,551
FY 11	100,356	28,275	13,831	9,922	158,632
FY 12	106,705	42,640	14,016	11,482	181,383

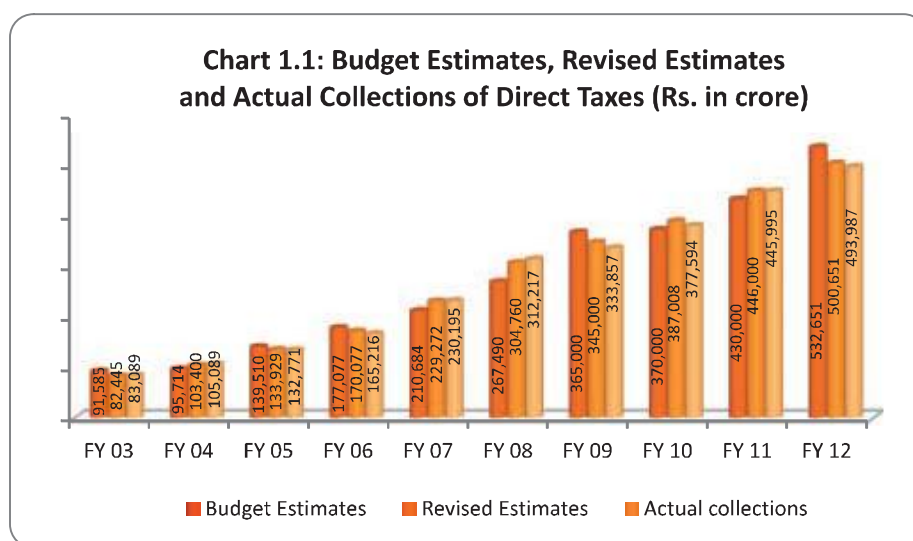
Note: The above figures were received from the Pr. CCA, CBDT during the respective year. The figures of collection also include other receipts including surcharge & cess.

Year	TDS	Advance Tax	as per cent to collections	
			Self Assessment Tax	Regular Assessment Tax
FY 03	65.55	20.26	8.04	4.32
FY 04	64.02	20.04	9.63	5.24
FY 05	53.04	29.13	9.46	5.64
FY 06	50.75	30.53	9.72	5.58
FY 07	50.97	30.18	8.41	6.94
FY 08	53.66	26.58	8.56	6.38
FY 09	58.63	17.75	10.61	7.49
FY 10	62.16	18.03	9.04	6.06
FY 11	63.26	17.82	8.72	6.25
FY 12	58.83	23.51	7.73	6.33

1.4.7 CBDT stated (April 2013) that it could not be assumed that collection through advance tax, self assessment tax and TDS is largely indicative of voluntary compliance and it was actively pursuing to ensure compliance of TDS provisions and bring in more tax payers in the net.

1.5 Budgeting of Direct Taxation

1.5.1 The Budget reflects the Government's vision and intent. The revenue budget consists of the revenue receipts of the Government (tax revenues and other revenues) and the expenditure met from these revenues. Comparison of budget estimates with the corresponding actual is an indicator of quality of fiscal prudence. Chart 1.1 below indicates Budget Estimates (BE), Revised Estimates (RE) and actual collections of direct taxes.



1.5.2 The actual collection of direct taxes exceeded the budget estimates in all the years except in FY 03, FY 05, FY 06, FY 09 and FY 12. The extent of actual collection exceeding the budget estimates ranged from 2.0 per cent in FY 10 to 16.7 per cent in FY 08. The revised estimates were found realistic during FY 03 to FY 12 as variation in actual collection ranged from (-) 3.23 per cent to 2.45 per cent of revised estimates. Table 1.6 below shows the details.

Table 1.6: Budget Estimates, Revised Estimates vis-à-vis Actual

							Cr. ₹.
Year	BE	RE	Actual	Actual minus BE	Actual minus RE	Difference as per cent of BE	Difference as per cent of RE
FY 03	91,585	82,445	83,089	(-) 8,496	644	(-) 9.28	0.78
FY 04	95,714	103,400	105,089	9,375	1,689	9.79	1.63
FY 05	139,510	133,929	132,771	(-) 6,739	(-) 1,158	(-) 4.83	(-) 0.86
FY 06	177,077	170,077	165,216	(-) 11,861	(-) 4,861	(-) 6.70	(-) 2.86
FY 07	210,684	229,272	230,195	19,511	923	9.26	0.40
FY 08	267,490	304,760	312,217	44,727	7,457	16.72	2.45
FY 09	365,000	345,000	333,857	(-) 31,143	(-) 11,143	(-) 8.53	(-) 3.23
FY 10	370,000	387,008	377,594	7,594	(-) 9,414	2.05	(-) 2.43
FY 11	430,000	446,000	445,995	15,995	(-) 5	3.72	0.00
FY 12	532,651	500,651	493,987	(-) 38,664	(-) 6,664	(-) 7.26	(-) 1.33
Note: BE and RE figures are as per respective Receipts Budget and Actual are as per respective Finance Accounts.							

1.6 Incorrect accounting of interest on refunds

1.6.1 Interest payment⁷ is a charge on the Consolidated Fund of India and is, therefore, payable through a proper budgetary mechanism. Accordingly, Minor Head “Interest on Refunds” is to be operated under the Major Head “2020-Collection of Taxes on Income and Expenditure”. However, no budget provision for ‘Interest on Refund’ was made in the Budget Estimates for FY 12 and the expenditure on interest on refunds amounting to ₹ 6,486 crore was treated as reduction in revenue. Accounting of interest on refund as reduction in revenue is incorrect as this interest was never collected. PAC while examining the paragraph⁸ also agreed with the view of CAG that interest is an item of expenditure and should not be reduced from the Gross tax collection.

1.6.2 CBDT stated (April 2013) that the matter is being followed up as per directions of PAC with the Ld. Attorney General to give a clarification so that appropriate policy decision is taken expeditiously.

1.7 Tax expenditure

1.7.1 The main objective of any tax system is to raise revenues necessary to fund government expenditures. The amount of revenue raised is determined to a large extent by tax base and tax rates. It is also a function of a range of measures - special tax rates, exemptions, deductions, rebates, deferrals and credits—that affect the level and distribution of tax. These measures are called “tax preferences”.

1.7.2 The Income-tax Act, inter-alia, provides for tax preferences to promote savings by individuals; exports; balanced regional development; creation of infrastructure facilities; scientific research and development; cooperative sector, and accelerated depreciation for capital investment.

⁷ We had earlier commented that the Government was following an incorrect procedure of accounting for interest paid on refunds in Audit Reports of 2004, 2005, 2006, 2007, 2008, 2009, 2009-10, 2010-11 and 2011-12

⁸ Paragraph no. 4.1.1 of Report no. 1 of 2011-12 – Union Government – Accounts of the Union Government (Civil)

Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers.

1.7.3 The Fiscal Responsibility and Budget Management Act 2003, requires that the Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in public interest and minimize, as far as practicable, secrecy in the preparation of annual financial statement and demand for grants. The 13th Finance Commission also recommended adoption of more transparent methodology in calculating tax expenditure and its disclosure.

1.7.4 Union Receipt Budget depicts statement of tax expenditure since FY 06 which estimates some major taxes only. These estimates are based on returns filed electronically by corporate and non-corporate assesseees in recent years. The revenue foregone on account of tax exemptions is increasing in absolute terms over the years (except FY 11) but tax expenditure as a percentage of GDP and Direct Taxes is declining after FY 08 as shown in Table 1.7.

Table 1.7: Tax Expenditure

Year	Total Tax expenditure	Tax expenditure as <i>per cent</i> of			Cr. ₹.
		GDP	DT	GTR	
FY 06	49,800	1.35	30.14	13.60	
FY 07	77,177	1.80	33.53	16.30	
FY 08	100,256	2.01	32.11	16.90	
FY 09	104,471	1.86	31.29	17.26	
FY 10	118,023	1.82	31.26	18.90	
FY 11	94,738	1.22	21.24	11.94	
FY 12	101,140	1.13	20.47	11.38	

Note: The figures are as per Receipts Budget.

1.7.5 Tax expenditure statement in Union Receipt Budget 2013-14 in respect of corporate assesseees is based on sample data of 4.95 lakh corporate returns (FY 12) filed upto November 2012 electronically. The sample is substantially less than 8.0 lakh working companies⁹ in the country registered with Registrar of Companies (ROC) as on 31 March 2012. Similarly, the sample of non-corporate assesseees is also based on returns filed electronically upto November 2012.

1.7.6 The effective tax rate (ETR) is the rate of tax incident on corporate assesseees after availing all tax expenditures. ETR for companies¹⁰ was 22.85 *per cent* in FY 12 (down from 24.10 *per cent* in FY 11) against statutory tax rate of 32.44 *per cent*.

1.7.7 CBDT stated (April 2013) that the same is due to large number of loss making companies and reduction in surcharge from 7.5 *per cent* to 5 *per cent*. It is not established whether these factors were sufficient to account for substantial drop in ETR, and indicates growing tax preferences to corporate sector.

⁹ Source: Ministry of Corporate Affairs (R & A Division)

¹⁰ Source: Receipts Budget 2013-14

1.8 Monitoring of outcome of Tax Expenditure

1.8.1 There is a need to periodically examine/assess the efficiency and effectiveness of tax expenditures as it involved risks. There is also lack of clarity regarding ownership of these expenditures as they enter tax statutes with inter-ministerial consultations but without definite follow up responsibility.

1.8.2 In response to audit enquiry whether any such monitoring was taking place to assess impact of tax benefits, *CBDT stated (March 2013) that DoR carried out annual exercise of estimating the revenue foregone on account of tax incentives which was reflected in the revenue foregone statement. However, they conceded that the results of impact of such incentives on any particular sector or area are to be monitored by the Ministry, which does not send any regular feedback to DOR.* Audit concern, therefore is not misplaced, that this area of importance is not being adequately monitored to give an assurance of the impact of benefits accrued from extending tax benefits.

1.9 Administration of Tax concessions/exemptions/deductions

1.9.1 In our compliance audit, we regularly check how ITD has been administering tax exemptions, which are driven by policy postulates to incentivize growth. We have during the course of audit of field formations of ITD during FY 12, observed that the assessing officers have irregularly extended benefits of tax exemptions to beneficiaries that are not entitled to the same. Details are enumerated in paragraphs 3.3.1 and 4.3.1 of Chapters III and IV respectively. In these cases, we noticed 162 cases pertaining to corporate assessees who enjoyed ineligible concessions/exemptions/deductions amounting to ₹ 1,412.72 crore and 41 cases pertaining to non-corporate assessees who derived benefit totalling ₹ 53.9 crore.

1.10 Widening and deepening of tax base

1.10.1 The Department has different mechanisms available to enhance the assessee base which includes survey, information sharing with other tax departments and third party information available in annual information returns. Automation also facilitates greater cross linking¹¹. Most of these mechanisms are available at the level of the assessing officers. ITD also undertook major IT initiatives during last one decade which they could leverage for widening and deepening of tax base.

1.10.2 Table 1.8 and 1.9 below gives the details of non-corporate and corporate assessees in different categories.

¹¹ Information about non-filers of TDS returns from e-TDS, Annual comparative figures of TDS deposited by big corporate & non-corporate deductors, linking TAN data in order to ensure better compliance from them, linking tax returns with the PAN data base and linking return submitted by deductors on TDS deductions with the returns of the deductee.

Table 1.8: Non-Corporate Assesseees

Year	Figures in lakh					Total
	A ¹²	B ¹³	B ¹⁴	C ¹⁵	D ¹⁶	
FY 03	255.25	16.94	4.95	0.88	2.98	281.00
FY 04	265.46	17.99	3.68	1.05	0.12	288.30
FY 05	243.63	18.30	4.66	1.22	0.14	267.95
FY 06	258.98	20.74	6.48	5.62	2.13	293.95
FY 07	273.30	20.91	6.96	5.79	2.00	308.96
FY 08	287.90	31.38	10.09	2.18	0.10	331.65
FY 09	278.36	31.15	10.93	2.67	0.12	323.23
FY 10	283.72	35.64	14.58	3.11	0.12	337.17
FY 11	271.29	38.36	17.78	4.49	0.12	332.04
FY 12	267.68	60.26	21.23	6.57	1.87	357.61

Table 1.9: Corporate Assesseees

Year	Figures in lakh						Assesseees having income above ₹ 25 lakh	Number of working companies as per RoC as on 31 st March
	A ¹⁷	B ¹⁸	B ¹⁹	C ¹⁵	D ¹⁶	Total		
FY 03	1.83	0.84	0.45	0.39	0.14	3.65	NA	NA
FY 04	2.00	0.81	0.44	0.44	0.03	3.72	NA	NA
FY 05	2.05	0.76	0.43	0.54	0.02	3.80	NA	NA
FY 06	1.99	0.78	0.46	0.68	0.02	3.93	NA	NA
FY 07	2.05	0.78	0.47	0.68	0.02	4.00	0.10	7.44
FY 08	3.16	0.70	0.51	0.59	0.02	4.98	0.08	7.69
FY 09	1.67	0.59	0.48	0.51	0.03	3.28	0.07	7.50
FY 10	1.84	0.65	0.61	0.56	0.02	3.68	0.09	8.40
FY 11	1.69	0.76	0.67	0.62	0.02	3.76	0.22	7.20
FY 12	2.95	0.91	0.96	1.00	0.03	5.85	0.14	8.01

1.10.3 Assessee base²⁰ for non-corporates has shown annual average growth of 3.03 *per cent* during FY 03 to FY 12 whereas corporate assesseees' base grew to 6.7 *per cent* during this period. The 'C' category non-corporate assesseees decreased sharply from 5.79 lakh in FY 07 to 2.18 lakh in FY 08 and increased gradually to 6.57 lakh in FY 12. However, number of corporate assesseees having income above ₹ 25 lakh came down from 0.22 lakh in FY 11 to 0.14 lakh in FY 12. The number of corporate assesseees is different from the number of companies registered with ROC. The department has failed to reconcile the differences.

1.10.4 CBDT stated (April 2013) that data of corporate assesseees work of reconciliation is under process.

¹² Category 'A' assesseees – Assessments with income/loss below ₹ 2 lakh;

¹³ Category 'B' assesseees (lower income group) - Assessments with income/loss above ₹ 2 lakh and above; but below ₹ 5 lakh;

¹⁴ Category 'B' assesseees - Assessments with income/loss above ₹ 5 lakh and above; but below ₹ 10 lakh;

¹⁵ Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

¹⁶ Category 'D' assesseees – Search and seizure assessments.

¹⁷ Category 'A' assesseees – Assessments with income/loss below ₹ 50,000;

¹⁸ Category 'B' assesseees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ 5.00 lakh;

¹⁹ Category 'B' assesseees (higher income group) – Assessments with income/loss of ₹ 5.00 lakh and above but below ₹ 10.00 lakh;

²⁰ Source: Directorate of Income Tax (Legal & Research), Research & Statistics Wing

1.11 Income escaping assessment

1.11.1 Any sound tax administration system aims to take positive steps to prevent evasion of taxes by assessees, assess the tax receivables in the best interest of revenue and strive to widen and deepen the tax base to bring under its ambit untaxed or under taxed assessees. In our Compliance Audit for FY 12, we noticed several cases where such efforts on the part of the department were found wanting.

1.11.2 We have reported in Chapter-III, 66 cases of corporate assessees whose income was not assessed/under assessed with tax effect of ₹ 337.52 crore (refer paragraph 3.4.1) and 27 cases of non-corporate assessees whose income was under assessed to the tune of ₹ 18.94 crore (refer paragraph 4.4.1). Besides, we noticed 803 cases of omission in implementing provisions of TDS/TCS in compliance audit during FY 12 with tax effect of ₹ 629.69 crore (refer paragraph 2.6.4, *Appendix-7*), thereby failing to check escapement of income.

1.12 Tax debt - Uncollected demand

1.12.1 The uncollected demand²¹ is rising despite clear provisions in the Act to enforce collection and recovery of outstanding demand viz. attachment and sale of assessee's movable and immovable property, appointment of a receiver for the management of assessee's properties and imprisonment. Tax demands remain irrecoverable for a long period in spite of exercise of the powers of recovery conferred under the Act. Table 1.10 below gives the trend of uncollected demand pending during the period FY 08 to FY 12.

Table 1.10: Position of Uncollected Demand

Year	Demand of earlier year's pending collection	Current year's demand pending collection	Total demand pending	Cr. ₹	
				Demand difficult to recover (per cent)	
FY 08	86,859	37,415	124,274	NA	
FY 09	93,344	107,932	201,276	187,575 (93.19 %)	
FY 10	181,612	47,420	229,032	212,758 (92.89 %)	
FY 11	202,859	88,770	291,629	271,143 (92.98 %)	
FY 12	265,040	143,378	408,418	387,614 (94.91 %)	

1.12.2 Out of total pending demand, the Department indicated that more than 94 *per cent* is difficult to recover in FY 12. The Department indicated various factors viz. inadequate assets for recovery, cases under liquidation/BIFR, assessee not traceable, demand stayed by various authority etc. leading to demand difficult to recover.

1.12.3 *CBDT clarified (April 2013) that demand difficult to recover was not irrecoverable and that a single case of Hassan Ali Khan Group has created this exceptional situation.*

²¹ Source: CAP-I

1.12.4 Defaults in payment of tax are referred to Tax Recovery Officers (TROs) who draw up a certificate specifying the amount of arrears due from the assessee and proceed to recover the amount. The recovery mechanism is deficient as certified demand remaining uncollected increased to ₹ 1.14 lakh crore in FY 12 from ₹ 0.16 lakh crore in FY 03.

1.12.5 *CBDT attributed (April 2013) this to acute shortage of manpower hampering effective follow up of recovery proceedings.*

1.13 Strategic Plan of ITD (2011-15)

1.13.1 The Department has prepared a strategic plan called Vision 2020 with measurable goals and activities during 2011-15. The actionable points *inter alia* include estimating tax base and developing a revenue forecasting model, instituting study on tax leakages, setting up research unit, developing data warehouse and business intelligence model, taking initiatives in international taxation and surveillance.

1.13.2 The Prime Minister in September 2009 approved a new mechanism for 'Performance Monitoring and Evaluation System' (PMES) for all Government Ministries/Departments in India. Under this system, each Central Government/ Department is required to prepare a Results Framework Documents (RFD). The High power Committee chaired by Cabinet Secretary decided (March 2011) to include the responsibility Centres under DOR in phase III of the RFD System. Accordingly, ITD prepared its RFD for FY 13. ITD also prepared its RFD for FY 11 though it was not mandatory.

1.14 Disposal of Scrutiny assessments

1.14.1 Table 1.11 below gives the trend of disposal and pendency of scrutiny assessment during FY 08 to FY 12. Assessments pending for disposal increased to 4.05 lakh in FY 12 from 3.92 lakh in FY 11.

Table 1.11: Disposal of Scrutiny assessments

Year	Assessments due for disposal	Assessments completed	Assessments pending	(Number)
				Pendency in percentage
FY 08	9,97,813	4,07,239	5,90,574	59.2
FY 09	9,53,767	5,38,505	4,15,262	43.5
FY 10	8,70,620	4,29,585	4,41,035	50.6
FY 11	8,47,196	4,55,212	3,91,984	46.3
FY 12	7,74,807	3,69,320	4,05,487	52.3

1.15 Disposal of Appeal cases

1.15.1 Table 1.12 below gives the trend of disposal and pendency of appeal cases before CIT(Appeals) during FY 08 to FY 12. Appeals pending with CIT(A) increased from 67.2 *per cent* in FY 08 to 75.3 *per cent* in FY 12. The amount locked up in appeal cases also increased to ₹ 2.42 lakh crore (equivalent to 61.4 *per cent* of the revised revenue deficit of Government of India) in FY 12 from ₹ 1.99 lakh crore in FY 09.

Table 1.12: Disposal of Appeal Cases by CIT(A)

Year	Appeals due for disposal	Appeals disposed of	Appeals pending	Pendency in percentage	Amount locked up in Appeals
	Number				Cr. ₹.
FY 08	1,94,003	63,645	1,30,358	67.2	-
FY 09	2,24,382	66,351	1,58,031	70.4	1,99,101
FY 10	2,60,700	79,709	1,80,991	69.4	2,20,148
FY 11	2,57,656	70,474	1,87,182	72.6	2,93,548
FY 12	3,06,134	75,518	2,30,616	75.3	2,42,182

1.15.2 The amount locked up in appeals at higher levels (ITAT/ High Court/Supreme Court) was ₹ 1.63 lakh crore in 65,803 cases as on 31 March 2012.

1.16 Demand under dispute

1.16.1 Table 1.13 and 1.14 below lists out demand raised and pending and age-wise analysis of demand not under dispute.

Table 1.13: Demand raised and pending

Items	FY 09	FY 10	FY 11	FY 12
Total demand pending at end of the year	201,276	229,032	291,629	408,418
Demand Collectible	13,701	16,274	20,486	20,804
Disputed Demand	53,810	66,534	152,996	208,343
Demand Not under Dispute	39,330	42,950	51,331	48,980

Table 1.14: Age-wise analysis of demand not under dispute

Age	FY 09	FY 10	FY 11	FY 12
1 to 2 yr	14,868	18,530	26,814	20,022
2 to 5 yr	12,133	12,941	12,443	11,302
5 to 10 yr	10,464	9,990	10,648	14,424
more than 10 yrs	1,865	1,488	1,425	3,232
Total	39,330	42,950	51,331	48,980

1.16.2 Though pending demands at the end of the year increased twice, demand under dispute increased by around four times from FY 09 to FY 12. Demand not under dispute has increased 1.2 times during this period. This indicates assessee's low satisfaction towards scrutiny assessments completed by AOs.

1.16.3 CBDT stated (April 2013) that increase in demand disputed by around four times from FY 2009 to FY 2012 should not be taken as an indicator of poor quality of scrutiny assessments, rather it is reflective of the fact that issues examined in the course of assessments were either more in number or involved higher amounts so as to be included in assessments being framed. It further stated that additions made in scrutiny assessments are not indicative of satisfaction of the tax payers as the addition made in scrutiny assessments are normally disputed by the tax payers in appeal. This is not supported by concrete data, and in any case points to growing dissatisfaction with the assessment procedure.

1.17 Disposal of refund claims

1.17.1 Table 1.15 below gives the trend of disposal and pendency of direct refund claims during FY 08 to FY 12. Direct refunds pending for disposal decreased to 12.5 lakh in FY 12 from 19.5 lakh in FY 11. There is significant increase in number of disposal of direct refund claims during FY 08 to FY 12.

Table 1.15: Disposal of Direct Refund Claims

Year	(Number in lakh)			
	Direct Refunds due for disposal	Direct Refunds disposed of	Direct Refunds pending	Pendency in percentage
FY 08	27.1	18.8	8.3	30.6
FY 09	42.2	26.7	15.5	36.7
FY 10	48.0	28.6	19.4	40.4
FY 11	59.9	40.4	19.5	32.6
FY 12	52.8	40.3	12.5	23.7

1.18 ITD's IT Initiatives

1.18.1 Income Tax Department (ITD) initiated computerization in early 1980s which targeted specific functionalities. By 1993, ITD had a much wide-ranging computerization road map under the umbrella of a comprehensive computerization programme (CCP). The main objectives of IT Applications in Income Tax Department (ITD) were to improve the efficiency and effectiveness of the tax administration and provide management with reliable and timely information towards effective planning as also broaden the tax base.

1.18.2 The Task Force on Direct Taxes headed by Vijay Kelkar (December 2002) recommended that Tax Information Network (TIN) should be established to computerize vital arteries of the tax assessment and collection system. In pursuance of the Task Force recommendations, the Department had taken number of IT initiatives over the years.

1.18.3 ITD's current system is a result of several years' efforts and it has been continually going through the process of modification. Comprehensive computerization project of ITD contains modules such as Assessee Information System (AIS), Assessment Information System (AST), On line Tax Accounting System (OLTAS), Electronic Tax Deducted System (e-TDS), Individual Running Ledger Accounting System (IRLA), Computer Aided Scrutiny System (CASS) and Enforcement Information System (EFS) for functional areas of ITD. Besides, several other internal management and housekeeping modules such as pay roll System (PAS), Manpower Management System (MMS), Judicial Reference System (JRS), Financial Resource System (FRS), Management Information System (MIS) are also working.

1.18.4 ITD established a Central Processing Centre (CPC) at Bengaluru to process e-filed returns of all India and paper returns of Karnataka and Goa. This CPC became operational in October 2009.

1.19 Effectiveness of Internal Audit

1.19.1 Internal audit is an important part of the Departmental control that provides assurance that demands/refunds are processed accurately by correct application of the provisions of the Act.

1.19.2 The Department introduced a new Internal Audit System w.e.f. June 2007 to have an effective and objective set up of Internal Audit wherein the assessment functions and audit functions are assigned to separate specialized wings. Under each CIT(Audit) there shall be one Addl. CIT who would be responsible for internal audit of high value cases and supervision of the audit work of special audit party (SAP) headed by Dy./Asstt. CsIT and the internal audit party (IAP) headed by ITOs. The minimum number of cases to be audited by each Addl. CIT, SAP and IAP in a year shall be 50; 300; and 1,300 (600 corporate cases & 700 non-corporate cases) respectively.

1.19.3 CBDT stated (April 2013) that the figure of 1300 taken by Audit is erroneous since the target is either 600 corporate or 700 non-corporate cases for each IAP. This is not borne out by the instructions issued by department in 2007, where it is clearly stated that the target for IAP is 600 corporate cases and 700 non-corporate cases.

1.19.4 Internal audit wing had planned 2,91,950 cases for audit during FY 12 based on the working strength of wing. Out of this, 1,80,416 cases were completed, thereby achieving 61.8 per cent of the target. Table 16 shows details of internal audit observations raised, settled and pending for each of the five years from FY 08 to FY 12:

Table 1.16: Details of Audit observations added, settled and pending

Year	Addition during the year		Settled during the year		Pending during the year		Cr. ₹
	Number	Amount	Number	Amount	Number	Amount	
FY 08	8,770	1,858.97	361	484.90	15,097	1,786.98	
FY 09	9,068	1,951.64	2,866	334.47	21,299	3,404.15	
FY 10	14,577	1,224.81	6,434	657.58	29,442	3,971.37	
FY 11	13,494	5,466.88	7,996	921.85	34,940	8,516.40	
FY 12	13,771	1,879.85	14,148	1,118.49	34,563	9,277.76	

1.19.5 The pendency of internal audit observations has more than doubled during the last five years. Departmental response to internal audit needs improvement. Only 3,616 cases (22.9 per cent) having tax effect of ₹ 1.1 lakh crore (10.7 per cent) out of 15,811 cases having tax effect of ₹ 10.3 lakh crore of the major findings²² raised by internal audit were acted upon by the assessing officers in FY 12. The total pendency increased from 6,688 cases having tax effect of ₹ 412.9 crore in FY 07 to 34,563 cases having tax effect of ₹ 9,277.8 crore in FY 12.

²² Audit objection above ₹ 1 lakh in Income tax and above ₹ 30,000 in other taxes

1.19.6 *CBDT in April 2013, while conceding the fact that there was a steady increase in pendency of Internal Audit observations, informed that they have initiated measures to ensure much more substantial disposal of audit objections.*

1.19.7 Moreover, we detected numerous audit observations in the assessments previously audited by Internal Audit. In 3471 assessments audited by the internal audit in FY 12, we pointed out mistakes that were not detected by them. This indicated a need for improvement in the quality of Internal Audit.

1.19.8 Out of 455 paragraphs included in this Audit Report, Internal Audit conducted audit of 34 cases (7.5 *per cent*) but did not detect such mistakes, which indicates the need for improvement in quality of internal audit.

1.19.9 *CBDT assured (April 2013) that all Commissioners of Income Tax (Audit) have been asked to make efforts to improve the quality of audit by Internal Audit, but the performance of IA is impacted by acute shortage of officers and staff at all levels.*

Chapter II: Audit Mandate, Products and Impact

2.1 Authority of the C&AG for audit of receipts

2.1.1 Section 16 of the C&AG's DPC Act, 1971 authorises the Comptroller and Auditor General to audit all receipts (both revenue and capital) of the Government of India and of Governments of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Audit & Accounts Regulations 2007 lay down the following principles for Receipt Audit:

2.2 Examination of systems and procedures and their efficacy

2.2.1 Audit of receipts includes an examination of the systems and procedures and their efficacy in respect of:

- a. identification of potential tax assesseees, ensuring compliance with laws as well as detection and prevention of tax evasion;
- b. pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;
- c. prompt investigation of losses of revenue through fraud, default or mistake including, if required, through the review of other similar cases;
- d. exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;
- e. appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;
- f. any scheme as may be introduced by the Government from time to time;
- g. any measures introduced to strengthen or improve revenue administration;
- h. amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;
- i. other ancillary and non-assessment functions including expenditure incurred by the departments;
- j. achievement of targets, accounting and reporting of receipts and their cross verification and reconciliation with the accounts records; amounts of refunds, rebates, drawbacks, remissions and abatements to see that these are correctly assessed and accounted for; and
- k. any other matter, as may be determined by the Comptroller and Auditor General.

2.3 Audit products

2.3.1 In pursuance of audit mandate and provision in Regulation 205 of Audit & Accounts Regulations 2007, we prepare annual compliance audit report and periodical performance audit reports for submission to President under Article 151 of the Constitution. C&AG of India has the authority to decide the form, content and time of submission of Audit Reports under Regulation 205 of the Audit & Accounts Regulations 2007.

2.3.2 This Compliance Audit Report discusses 455 high value and important cases issued to the Ministry²³. *Appendix 4* gives the details of such cases. Table 2.1 shows category wise details of these cases²⁴. We discuss some important cases in Chapter III and IV.

Table 2.1: Category-wise details of errors of high value cases

Category	Cr. ₹.					
	CT		IT		Total	
	No.	TE	No.	TE	No.	TE
a. Quality of assessments	88	486.02	40	516.47	128	1,002.49
b. Administration of tax concessions/ exemptions/ deductions	162	1,412.72	41	53.90	203	1,466.62
c. Income escaping assessments due to omissions	66	337.52	42*	19.29	108	356.81
d. Overcharge of tax/ interest	9	35.06	7	3.99	16	39.05
Total	325	2,271.32	130*	593.65	455	2,864.97

*includes 15 cases of under assessment of Wealth involving TE of ₹ 0.35 cr.

2.4 Legislative impact

2.4.1 We pointed out²⁵ that the Firms/Association of Persons (AOPs) were taking advantage of deduction or incentive under the concept of MAT²⁶ available in the Income Tax Act which was applicable only to Companies. Audit recommended that the purview of section 115JB may be extended to Firms/AOPs.

2.4.2 The Government amended the Income Tax Act, 1961 under section 115JC through Finance Act, 2012 to extend the applicability of MAT to specified non-company assesseees.

²³ Ministry of Finance, Central Board of Direct Taxes

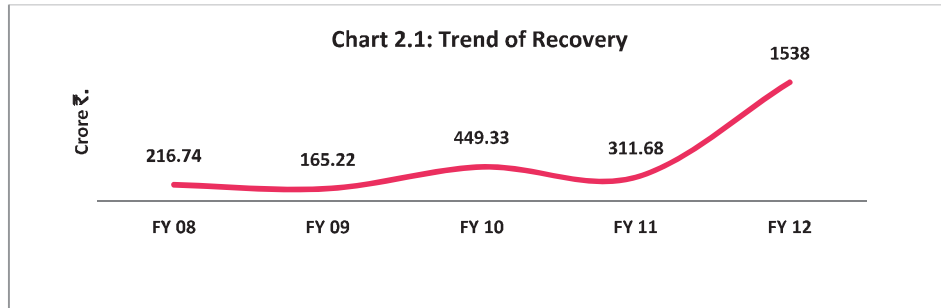
²⁴ Sub-categories-wise details are in *Appendix-5*

²⁵ Report no. 12 of 2011-12 - Business of Civil Construction

²⁶ Minimum Alternate Tax

2.5 Recovery at the instance of audit

2.5.1 ITD recovered ₹ 2,680.97 crore in the last five years from demands raised to rectify the errors in assessments that we pointed out. This includes ₹ 1,538 crore recovered in FY 12. Chart 2.1 below shows that the amount of recovery alternately decreased and increased between FY 08 to FY 11 and saw a sudden jump on the higher side in FY 12 by 393 *per cent*.



2.6 Incidence of errors

2.6.1 ITD completed 5,50,018 scrutiny assessments in FY 12, of which we checked 2,95,559 cases. The incidence of errors in assessment checked in audit was 18,072 which averaged to 6.1 *per cent* (Appendix-6).

2.6.2 Table 2.2 below shows the details of errors in assessments during FY 12.

Table 2.2: Tax wise details of errors in assessments

Category	Cases	Tax effect (Cr. ₹.)
a. Corporation tax & Income tax	18,441	19,691
b. Wealth tax	815	33
c. Other Direct taxes	368	25
Total	19,624²⁷	19,749

Note: The above findings and all subsequent findings are based exclusively on audit of selected assessments.

2.6.3 Out of 18,441 cases with tax effect of ₹ 19,691 crore, 323 cases with tax effect of ₹ 702 crore related to over assessments.

2.6.4 Table 2.3 below shows the category-wise details of underassessment in respect of Corporation tax and Income Tax. Appendix-7 indicates sub-categories details.

Table 2.3: Category-wise details of errors

Category	Cases	Tax effect (Cr. ₹.)
a. Quality of assessments	5,878	3,641
b. Administration of tax concessions/ exemptions/ deductions	8,281	11,198
c. Income escaping assessments due to omissions	2,332	3,269
d. Others	1,627	881
Total	18,118	18,989

²⁷ Number of assessments with errors as shown in paragraph 2.12 relates to scrutiny assessments completed during FY 11 and audited during FY 12. 19,624 cases shown in Table 2.2 relates to all cases audited during FY 12 including assessments completed earlier also.

2.7 Response to audit

2.7.1 We elicit response from the audited entities at different stages of audit. On completion of field audit, we issue the local audit report (LAR) to ITD for comments. Further, we issue important and high value cases out of these to the Ministry for comments before inclusion in the Audit Report.

2.7.2 CBDT issued instructions (2006) that replies to LARs should be provided within six weeks. Assessing officers (AOs) are required to initiate remedial action within two months to correct errors in demands lest they become time barred leading to loss of revenue.

2.8 Response to Local audit

2.8.1 Table 2.4 below depicts the position of replies received and observations accepted in respect of cases issued during FY 08 to FY 12.

Table 2.4: Response to local audit

FY	Observations raised	Reply received Cases Accepted	Cases not accepted	Reply not received	% of cases accepted	% of reply not received
08	19,694	4,099	7,455	8,140	20.8	41.3
09	19,631	4,898	5,892	8,841	25.0	45.0
10	19,227	2,927	3,919	12,381	15.2	64.4
11	20,130	4,354	3,568	12,208	21.6	60.7
12	19,624	3,945 ²⁸	2,971	12,708	20.1	64.8

2.9 Response to high value cases

2.9.1 We give six weeks to Ministry to offer their comments on high value cases before their inclusion in the Audit Report. Out of 455 high value cases included in the current Audit Report, the Ministry/ITD accepted 311 cases (68 per cent). Table 2.5 shows details of action taken in 302 cases.

Table 2.5: Details of action taken

Categories	Cr. ₹.					
	Action completed and amount recovered		Action completed but amount to be recovered		Action initiated only	
	No.	TE	No.	TE	No.	TE
a. Corporation Tax	9	35.43	174	1,295.88	28	215.89
b. Income Tax	1	0.22	75	506.90	6	1.77
c. Wealth Tax	2	0.04	6	0.11	1	0.02
Total	12	35.69	255	1,802.89	35	217.68

2.9.2 Further, Ministry/ITD accepted 9 cases but did not intimate action taken on them. In 31 cases, Ministry/ITD did not accept the audit observation. In 113 cases, we were yet to receive the response as of May 2013. Chapters III and IV bring out details of errors in assessments in respect of Corporation Tax, Income Tax and Wealth Tax respectively.

²⁸ 1,718 - Cases accepted and remedial action taken; 2,227 - Cases accepted but remedial action not taken;

2.10 Pendency of audit observations

2.10.1 The accretion in pendency in replies to audit findings each year has resulted in pile-up of 66,819 cases involving revenue effect of ₹ 49,887 crore as of 31 March 2012. Table 2.6 below shows the increasing trend of pendency of observations.

Table 2.6: Details of outstanding audit observations

Period upto	CT		IT		ODT		Total		Cr. ₹.
	No.	TE	No.	TE	No.	TE	No.	TE	
FY 07	4,952	2,230	5,788	3,709	1,049	32.1	11,789	5,971	
FY 08	3,018	2,526	2,717	970	368	7.7	6,103	3,504	
FY 09	4,008	3,472	3,641	1,169	718	26.0	8,367	4,666	
FY 10	4,768	5,049	4,369	1,402	954	27.6	10,091	6,478	
FY 11	6,323	7,795	5,999	2,720	1,089	105.2	13,411	10,620	
FY 12	7,491	15,011	8,569	3,593	998	44.7	17,058	18,648	
Total	30,560	36,083	31,083	13,563	5,176	2,43.2	66,819	49,887	

2.11 Remedial action time barred

2.11.1 Table 2.7 below shows the details of time-barred cases during FY 08 to FY 12.

Table 2.7: Details of time-barred cases

Year of Report	Cases	Tax effect Cr. ₹.
FY 08	13,833	33,851
FY 09	16,557	5,613
FY 10	5,644	2,869
FY 11	7,942	5,335
FY 12	3,907	1,083

2.11.2 During FY 12, 3,907 cases with tax effect of ₹ 1,083 crore became time-barred for remedial action. *Appendix-8* indicates the details of such cases.

2.12 Non-production of records

2.12.1 We scrutinize assessment records under section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 with a view to securing an effective check on the assessment, collection and proper allocation of taxes and examining that regulations and procedures are being observed. It is also incumbent on ITD to expeditiously produce records and furnish relevant information to audit.

2.12.2 ITD did not produce 78,077 records out of 4,67,830 records requisitioned during FY 12, (16.69 *per cent*). Out of these, 668 records pertaining to five states were not produced to audit in last three or more consecutive audit cycles. Table 2.8 shows state-wise details.

Table 2.8: Records not produced to audit in three or more audit cycles		
State		Records not produced
a.	Andhra Pradesh	156
b.	Karnataka	265
c.	Madhya Pradesh	51
d.	Maharashtra	5
e.	Odisha	191
Total		668

Chapter III: Analysis of assessments relating to Corporation Tax

3.1 Introduction

3.1.1 We have provided an overall picture of various fiscal (revenue) aggregates of reporting year FY 12 in a deductive perspective with a ten year span in Chapter I of this report. Several sections dealing with generic issues in the context of revenue collection have been depicted therein and have arisen from compliance audit of assessments completed by AO(s) in the field. In Chapters III and IV, while bringing out the shortcomings in the assessments of corporate and non-corporate assessees, we also attempt to link up some of these short comings with the generic issues flagged in Chapter I.

3.1.2 Chapter III discusses 325 high value cases pertaining to corporation tax with tax effect of ₹ 2,271.32 crore (316 cases involving undercharge of ₹ 2,236.26 crore and nine cases involving overcharge²⁹ of ₹ 35.06 crore) issued to the Ministry between May and October 2012. Table 3.1 shows the details of broad categories of mistakes and their tax effect:

Table no. 3.1: Category of mistakes and tax effect

Category	Cases	Tax effect (Cr. ₹.)
a. Quality of assessments	88	486.02
b. Administration of tax concession/ exemption/ deduction	162	1,412.72
c. Income escaping assessments due to omissions	66	337.52
d. Over-charge of tax/Interest	9	35.06
Total	325	2,271.32

3.1.3 Under each broad category, we indicate sub-categories for the purpose of highlighting mistakes of a similar nature. Each sub-category starts with a preamble citing the provisions of the Act, followed by illustration of important case(s).

3.2 Quality of assessments

3.2.1 AOs committed errors in the assessments despite clear provisions in the Act. These cases of incorrect assessments point out weaknesses in the internal controls on the part of ITD which need to be addressed. Table 3.2 shows the sub-categories of mistakes which impacted the quality of assessments.

²⁹ Overcharge is on account of mistakes in adoption of correct figures, arithmetical errors in computation of income, incorrect application of rates of tax/interest etc.

Table 3.2: Details of errors in assessment

Sub-categories	Cases	TE (Cr. ₹.)	States
a. Arithmetical errors in computation of income and tax	42	383.85	Andhra Pradesh, Delhi, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal
b. Mistakes in levy of interest	23	46.01	Assam, Delhi, Gujarat, Karnataka, Maharashtra, Odisha, Uttar Pradesh and West Bengal
c. Excess or irregular refunds/ interest on refunds	11	31.35	Delhi, Gujarat, Karnataka, Maharashtra, Punjab, Tamil Nadu and West Bengal
d. Application of incorrect rate of tax and surcharge	8	18.20	Delhi, Maharashtra, Tamil Nadu and West Bengal
e. Mistakes in assessment while giving effect to appellate order	4	6.61	Maharashtra and Rajasthan
Total	88	486.02	

3.2.2 Arithmetical errors in computation of income and tax

We give below seven such illustrative cases:

Section 143(3) provides that AOs have to determine and assess the income correctly. Different types of claims together with accounts, records and all documents enclosed with the return are required to be examined in detail in scrutiny assessments. CBDT has also issued instructions from time to time in this regard.

3.2.2.1 In Delhi, DIT-I charge, AO completed the assessment of **The Bank of Tokyo Mitsubishi UFJ Limited** for the assessment year (AY) 08 after scrutiny in October 2010 at ₹ 267.18 crore but while calculating the tax, erroneously adopted income at ₹ 201.69 crore as computed in form ITNS-150. The mistake resulted in short levy of tax of ₹ 39.70 crore including interest. *The Ministry accepted and rectified the mistake under section 154.*

3.2.2.2 In West Bengal, CIT-IV Kolkata charge, AO while completing the assessment of **Jenson and Nicholson (I) Limited** for AY 07 after scrutiny in December 2008, at loss of ₹ 35.83 crore, disallowed ₹ 89.87 crore debited to the Profit and Loss account towards 'Extraordinary Items', but adopted the same as ₹ 8.99 crore. This resulted in underassessment of income by ₹ 45.05 crore together with excess computation of loss of ₹ 35.83 crore involving short levy of tax of ₹ 32.23 crore including interest and potential tax effect of ₹ 12.06 crore.

3.2.2.3 In Maharashtra, CIT-IV Mumbai charge, while computing taxable income in the case of **Hindustan Organic Chemicals Limited**, for AY 09 after scrutiny in December 2010, AO erroneously started its computation with a loss of ₹ 38.68 crore instead of income of ₹ 35.83 crore as computed by the assessee and made disallowances of ₹ 13.77 crore. Mistake in adoption of correct figure of ₹ 35.83 crore as income resulted in excess computation of loss of ₹ 74.51 crore involving potential short levy of tax of ₹ 25.33 crore. *The Ministry accepted and rectified the mistake under section 154.*

3.2.2.4 In Gujarat, CIT Jamnagar charge, while computing taxable income in case of **Saurashtra Cement Limited** for AY 08 after scrutiny in December 2009, at loss of ₹ 44.72 crore, AO erroneously adopted loss of ₹ 50.77 crore instead of income as returned by the assessee and made disallowances of ₹ 6.06 crore thereon. The mistake resulted in excess computation of loss of ₹ 56.83 crore involving potential tax effect of ₹ 19.13 crore. *The Ministry accepted and rectified the mistake under section 154.*

3.2.2.5 In Delhi, DIT-I charge, in the assessment of **Aspect Software Inc.** for AY 08 completed after scrutiny in October 2010 at income of US\$ 1.43 crore, AO computed income in US Dollar but, in the Income Tax Computation Form, raised tax demand without converting it into Indian rupees as per the rates of exchange applicable under Rule 115 of Income Tax. The mistake resulted in short levy of tax of ₹ 18.97 crore including interest. *The Ministry accepted and rectified the mistake under section 154.*

3.2.2.6 In Delhi, CIT-LTU charge, while completing the assessment of **The Oriental Insurance Company Limited** for AY 09 after scrutiny in December 2010 at income of ₹ 880.92 crore, AO disallowed ₹ 36.22 crore as expenditure related to exempt income under section 14A (read with rule 8D) against which only ₹ 5.38 crore was added back. Further, the AO did not rectify the mistake at the time of revision under section 154 in December 2010. The mistake resulted in underassessment of income of ₹ 30.84 crore involving short levy of tax of ₹ 13.94 crore including interest. *ITD rectified (March 2012) the mistake under section 154.*

3.2.2.7 In Delhi, CIT-I charge, AO while computing income of **BSES Yamuna Power Limited** for AY 07 after scrutiny in December 2008 considered income of ₹ 18.60 crore pertaining to AY 05 as unabsorbed loss in AY 07 and erroneously allowed it to be carried forward. This incorrect carry forward of loss involved potential tax effect of ₹ 12.52 crore. *The Ministry accepted and rectified the mistake under section 154.*

3.2.3 Mistakes in levy of interest

We give below five such illustrative cases:

Act provides for levy of interest for different omissions on the part of the assessee at the rates prescribed by the Government from time to time.

3.2.3.1 In Assam, CIT Dibrugarh charge, while revising the assessments of **Oil India Limited**, for the AYs 06 and 07, originally completed after scrutiny in November 2007, AO issued a notice of demand of ₹ 96.98 crore and ₹ 494.33 crore for the two years respectively to the assessee in April 2010. AO fully adjusted the demands in July 2010 against the refund for the AY 08 but did not levy interest for the period May 2010 to July 2010 for delay in payment/adjustment of the tax demand. This resulted in non-levy of interest of ₹ 17.74 crore. *The Ministry accepted, rectified the mistake and collected (August 2011) the amount of interest.*

3.2.3.2 In West Bengal, DIT (IT) Kolkata charge, after completion of assessment of **ABN Amro Bank** for AY 06 after scrutiny in December 2008, AO issued a demand notice for ₹ 50 crore. On rectification, ITD increased the demand to ₹ 50.80 crore in January 2009. AO fully adjusted the demands in February 2009 and May 2009 against the refund for AY 08 but did not levy interest for delay³⁰ in payment of tax. This resulted in non-levy of interest of ₹ 1.02 crore. *The Ministry accepted and rectified the mistake under section 154.*

3.2.3.3 In Delhi, CIT-V charge, while calculating tax demand in the assessment of **RHC Holding Private Limited (formerly known as Solaris Finance Private Limited)**, for AY 09 completed after scrutiny in December 2010 at income of ₹ 86.21 crore, the AO charged interest for delay in payment of advance tax at ₹ 4.54 crore instead of the correct amount of ₹ 5.35 crore. Besides, surcharge, education cess and higher education cess, applicable at the rates of 10 *per cent*, two *per cent* and one *per cent* respectively, were also not levied. These mistakes resulted in short levy of tax of ₹ 3.47 crore. *The Ministry accepted and rectified (September 2011) the mistake under section 154.*

3.2.3.4 In Maharashtra, CIT-I Pune charge, the AO completed the assessment of **Bajaj Allianz General Insurance Company Limited** for AY 08 after scrutiny in December 2010 at income of ₹ 189.87 crore and levied interest of ₹ 1.29 crore for the period from April 2007 to October 2007, the date on which the assessee paid self assessment tax instead of ₹ 4.45 crore for the period from April 2007 to December 2010 in which assessment was completed. The mistake resulted in short levy of interest of ₹ 3.15 crore. *The Ministry accepted and rectified the mistake under section 154.*

3.2.3.5 In Delhi, CIT LTU charge, AO while finalizing assessment of **Nestle India Limited** for AY 08 after scrutiny in November 2010 at an income of ₹ 476.80 crore, did not levy interest under section 234D on excess refund of ₹ 11.49 crore made to the assessee in March 2009 after processing in summary manner. Omission resulted in non-levy of interest of ₹ 1.21 crore. *ITD rectified (March 2012) the mistake under section 154.*

3.2.4 Excess or irregular refunds/interest on refunds

We give below two such illustrative cases:

Section 244A(1) provides for interest on refund if the refund amount is not less than ten *per cent* of tax determined on regular assessment or in summary manner.

3.2.4.1 In Tamil Nadu, CIT-LTU Chennai charge, AO while completing the assessment of **Chennai Petroleum Corporation Limited** for AY 08 after scrutiny in December 2009 at income of ₹ 439 crore, made refund of ₹ 170.20 crore including interest of ₹ 18.94 crore to the assessee on 31 March 2010 after three months of completion of the scrutiny assessment in December 2009 against the refund of ₹ 136.44 crore worked out at

³⁰ For the period January 2009 to February 2009 and on revised additional demand for April 2009 to May 2009

summary assessment stage on 12 March 2009 including the interest of ₹ 9.69 crore. The delay in payment of refund resulted in excess payment of interest of ₹ 6.31 crore. *The Ministry accepted the observation.*

3.2.4.2 In Delhi, CIT LTU charge, AO completed the assessment of **Mahanagar Telephone Nigam Limited** for AY 07 after scrutiny in December 2009 determining income of ₹ 1725.10 crore and raising a demand of ₹ 563.57 crore which included withdrawal of interest of ₹ 8.36 crore on refund and interest of ₹ 9.28 crore under section 234D. While calculating tax demand, AO did not consider the interest allowed on refunds made in October 2008 and February 2009. The mistake resulted in short withdrawal of interest of ₹ 3.97 crore allowed on refund. Besides, ITD did not levy interest of ₹ 2.13 crore under section 234D on additional refunds of ₹ 30.89 crore.

3.2.5 Mistakes in assessment while giving effect to appellate orders

We give below two such illustrative cases:

Under section 254, an aggrieved assessee can appeal to the CIT (Appeals) against the order of AO who shall comply with the directions given in the appellate order. Further appeal is also permitted to be made on questions of fact and law to ITAT. Any mistake in implementation of an appellate order results in under assessment/over assessment of income.

3.2.5.1 In Maharashtra, CIT Central II Mumbai charge, AO completed the assessment of **Layer Exports Private Limited**, for AY 09 after scrutiny in December 2009 at income of ₹ 37.10 crore after disallowing of ₹ 6.67 crore on the ground that this amount represented proportionate expenses incurred for constructing saleable area for bogus tenants created for purposes ultra vires to the provisions of MHADA Act, 1976. While giving effect to the appellate order, AO allowed entire disallowed amount of ₹ 6.67 crore, instead of relief of ₹ 1.11 crore allowed by CIT(A). Omission resulted in underassessment of income of ₹ 5.56 crore involving short levy of tax of ₹ 2.33 crore including interest. *The Ministry accepted and rectified the mistake under section 154.*

3.2.5.2 In Rajasthan, CIT-I Jodhpur charge, AO while giving effect to the appellate order in December 2010 in case of **Jodhpur Vidhyut Vitran Nigam Limited for AY 05**, did not consider the amount of net profit of ₹ 5.90 crore shown by the assessee in its revised return of loss furnished in December 2006. The mistake resulted in over computation of loss by ₹ 5.90 crore involving potential tax effect of ₹ 2.12 crore.

3.3 Administration of tax concessions/exemptions/deductions

3.3.1 The Act allows concessions/exemptions/deductions to the assessee in computing total income under Chapter VI-A and for certain categories of expenditure under its relevant provisions. We observed that the assessing officers have irregularly extended benefits of tax concessions/exemptions / deductions to beneficiaries that are not entitled to the same. These cases point out weakness in the administration of tax concessions/ deductions /

exemptions on the part of ITD which need to be addressed. Table 3.3 shows the sub-categories which have impacted the Administration of tax concessions/exemptions/deductions.

Table 3.3: Sub-categories of mistakes under Administration of tax concessions/exemptions/ deductions

				Cr. ₹.
Sub-categories	Nos.	TE	States	
a. Irregularities in allowing depreciation/ business losses/ capital losses	79	706.52	Andhra Pradesh, Delhi, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu and West Bengal	
b. Irregular exemptions/ Deductions/ Rebates/ Relief	56	266.21	Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamilnadu, Uttar Pradesh and West Bengal	
c. Incorrect allowance of business expenditure	27	439.99	Andhra Pradesh, Delhi, Karnataka, Maharashtra, Odisha, Tamil Nadu and West Bengal	
Total	162	1,412.72		

3.3.2 Irregularities in allowing set-off and carry forward of depreciation and business/capital losses

We give below four such illustrative cases:

Section 72 provides for carry forward of loss for set-off in the following AYs where the loss is not wholly set-off against income under any head of the relevant year to the extent it is not set-off.

3.3.2.1 In Punjab, CIT Patiala charge, AO revised the assessment of **Punjab State Electricity Board** for AY 09 in January 2011 (initially completed after scrutiny in December 2010) allowing carry forward of loss of ₹ 6148.40 crore instead of ₹ 5483.60 crore. The mistake resulted in excess carry forward of loss of ₹ 664.80 crore involving potential tax effect of ₹ 225.97 crore. *ITD rectified (May 2011) the mistake under section 154.*

Section 73 provides for set-off of any speculative loss only against the profits and gains of another speculation business. As per explanation there under purchase and sale of shares of other companies, shall be termed as a speculation business to the extent the business consists of the purchase and sale of such shares.

3.3.2.2 In Maharashtra, CIT-IV Mumbai charge, AO completed assessment of **Kotak Securities Limited** engaged mainly in the business of share broking, trading in shares and derivatives, marketing of public issue etc., for AY 08 after scrutiny in March 2009 at income of ₹ 401.55 crore allowing set-off of speculative loss of ₹ 39.37 crore from share trading against non-speculative income of ₹ 105.95 crore from futures and options. Besides, AO also allowed expenses of ₹ 7.88 crore attributable to share trading which was not in order. The omission to disallow the set-off of speculative loss including expenses attributable to it against the non-speculative income resulted in under assessment of income of ₹ 47.25 crore involving tax effect of ₹ 34.30 crore

including surcharge, interest etc. *The Ministry accepted and issued notice under section 148 for rectifying the mistake.*

Section 32(2)(b) provides for set-off of unabsorbed depreciation in following AYs not being more than eight AYs immediately succeeding AY for which the aforesaid allowance was first computed.

3.3.2.3 In Tamil Nadu, CIT-I Chennai charge, AO while completing the assessment of **Visaka Cement Industry Limited** for AY 08 after scrutiny in December 2009 at 'Nil' income, inter alia, allowed set-off of the business loss of ₹ 21.48 crore together with carry forward of loss of ₹ 15.07 crore and ₹ 24.10 crore pertaining to AY 01 and AY 03 respectively though the assessee filed the returns after due date. Besides, AO also allowed unabsorbed depreciation of ₹ 16.45 crore pertaining to AY 2000 beyond eight years. Omissions resulted in incorrect set-off and carry forward of business loss of ₹ 40.60 crore and unabsorbed depreciation of ₹ 36.50 crore involving potential tax effect of ₹ 25.95 crore.

Section 32(1)(ia) provides for additional depreciation at prescribed rate of twenty *per cent* of the actual cost of a new machinery or plant (other than ships and air crafts), which has been acquired and installed after 31 March 2005 and engaged in business of manufacture or production of any article or thing.

3.3.2.4 In Odisha, CIT Sambalpur charge, AO while completing assessment of **Mahanadi Coalfields Limited** engaged in extraction of coal for AY 08 after scrutiny in December 2009, allowed additional depreciation of ₹ 32.09 crore on new plant and machinery, based on the view of the tax auditor that coal mining is a manufacturing or production process. But the mining activity is not to be considered as manufacturing or production process in view of judicial pronouncement³¹. Therefore the assessee was not eligible for additional depreciation. The mistake resulted in underassessment of income by ₹ 32.09 crore involving short levy of tax by ₹ 14.36 crore. *The Ministry did not accept but issued notice under section 148 for rectifying the mistake.*

3.3.3. Irregular exemptions/deductions/rebate/relief

We give below one such illustrative case:

Chapter VIA and section 10 provide for certain deductions/exemptions in computing total income of an assessee subject to fulfilment of certain conditions specified therein. Section 80IA provides for 100 *per cent* deduction in respect of profit and gains from industrial undertakings or enterprises engaged in infrastructure development.

3.3.3.1 In Andhra Pradesh, CIT Central Hyderabad charge, AO completed the assessment of **Navayuga Engineering Company Limited** for AY 07 after scrutiny read with section 153(A) in November 2008 at total income of ₹ 78.55 crore allowing exemption of ₹ 125 crore received by the assessee company from its subsidiary company towards sale consideration of a constructed road bridge. The assessee company was awarded construction of the bridge under BOT scheme in public private partnership project mode and

³¹ CIT Vs Gomtesh Granites (118 Taxmann 141)(Mad) and Lucky Minerals (P) Limited Vs CIT 226-ITR-245 (Raj.)

since the ownership of the asset was vested with the Government of Andhra Pradesh itself, the transfer of the bridge to its subsidiary company was not in order and hence the entire sale consideration of ₹ 125 crore should have been brought to tax under the head 'income from other sources'. Omission resulted in incorrect allowance of exemption of ₹ 125 crore involving short levy of tax of ₹ 55.45 crore. *ITD did not accept the observation stating (November 2010) that it was a case of transfer of 'right to collect toll' to its subsidiary company and the resultant profit would not attract tax as per section 47(iv) of the Act.* The reply is not tenable on the grounds that para 1.8 of the 'agreement' entered on 10.06.1999 between the assessee and the Government of Andhra Pradesh did not provide for such transfer.

3.3.4 Incorrect allowance of business expenditure

We give below four such illustrative cases:

Section 35DDA provides for deduction of one-fifth of any expenditure by way of payment towards Voluntary Retirement Scheme (VRS) and for the balance in equal installments for each of the four immediately succeeding previous years.

3.3.4.1 In West Bengal, CIT-II Kolkata charge, AO while revising the assessment of **Hindustan Copper Limited** for AY 05 in August 2008 (initially completed after scrutiny in December 2006) to 'nil' income, inter alia, allowed ₹ 84.59 crore for the amortised expenditure under VRS pertaining to AY 03. However, the expenditure of ₹ 84.59 crore was reduced to ₹ 1.45 crore (being one-fifth of VRS expense of ₹ 7.27 crore allowed) in May 2008 in the light of CIT(Appeal) order, which was not considered. Omission resulted in excess allowance of expenditure of ₹ 83.13 crore involving potential tax effect of ₹ 29.82 crore.

Section 43B provides for deduction towards certain expenditure only when the same has actually been paid in the previous year on or before the due date of filing return of income.

3.3.4.2 In Tamil Nadu, CIT-I Chennai charge, AO while completing assessments of **Tamil Nadu Electricity Board**, for AYs 08 and 09 after scrutiny in December 2009 and November 2010 at a loss of ₹ 1445.17 crore and ₹ 3306.53 crore respectively, allowed electricity tax of ₹ 459.86 crore and ₹ 462.98 crore as expenditure though the assessee had not paid the same to the Government. Omission resulted in incorrect allowance of expenditure aggregating ₹ 922.84 crore involving potential tax effect of ₹ 312.16 crore. *The Ministry has accepted and rectified (January 2012) the mistake under section 154.*

3.3.4.3 In Maharashtra, CIT-II Mumbai charge, AO while finalizing the assessment of **Bank of India** for AY 09 in December 2010, allowed provision of ₹ 63.17 crore on account of leave encashment which remained unpaid and as such it should have been disallowed. Omission resulted in under assessment of income of ₹ 63.17 crore involving short levy of tax of ₹ 28.56 crore including interest. *The Ministry accepted and rectified (April 2012) the mistake under section 154.*

Section 35E provides for deduction of lesser amount of the one-tenth of the total expenditure or the amount which is sufficient to reduce the income to Nil (before allowing deduction under section 35E) arising from the commercial activities relating to prospecting for, or extraction or production of any mineral.

3.3.4.4 In West Bengal, CIT Asansol charge, AO while completing the assessment of **Eastern Coalfields Limited** for AY 06, after scrutiny in December 2007 at NIL income, allowed deduction of ₹ 42.30 crore under section 35E against the income of ₹ 148.20 crore (including subsidy, interest on deposits etc.) which was not derived from operation relating to prospecting for, or extraction or production of any mineral, eligible for the deduction. Irregular allowances of deduction resulted in excess carry forward of loss of identical amount involving potential tax effect of ₹ 15.48 crore. *The Ministry accepted and rectified (December 2010) the mistake under section 147.*

3.4 Income escaping assessment due to omissions

3.4.1 The Act provides that 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. We observed that the assessing officers did not assess/under assessed total income that require to be offered to tax. Table 3.4 shows the sub-categories which have resulted in Income escaping assessments.

Table 3.4: Sub-categories of mistakes under Income escaping assessments due to omissions
Cr. ₹.

Sub-categories	Nos.	TE	States
a. Income not assessed under special provision	37	215.00	Andhra Pradesh, Chandigarh (UT), Delhi, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu and West Bengal
b. Income not assessed under normal provision	25	116.54	Andhra Pradesh, Delhi, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Tamilnadu and West Bengal
c. Incorrect classification and computation of capital gains	4	5.98	Kerala, Maharashtra and West Bengal
Total	66	337.52	

3.4.2 Income not assessed/under assessed under special provisions

We give below three such illustrative cases:

Section 115JB provides for levy of MAT at prescribed percentage of the book profit if the tax payable on total income under the normal provisions is less than such percentage of the book profit arrived at after certain additions and deletions as prescribed. Explanation 1 to section 115JB(2), inserted by the Finance (no. 2) Act 2009, with retrospective effect from 1 April 2001, provides for addition of the amount(s) set aside as provision for diminution in the value of any assets to profit while arriving at the book profit. Similarly, provision for income tax whether paid in India or abroad shall also be added.

3.4.2.1 In Maharashtra, CIT-II Mumbai charge, AO while revising the assessment of **Bank of India** for AY 03, in March 2011 (initially completed

after scrutiny in December 2004 at income of ₹ 996.97 crore) under normal provisions, did not compute tax liability under special provisions while giving effect to CIT(A)'s order in light of amendment in the Act. Tax liability under special provision after adding back various provisions debited towards diminution in the value of assets comes to ₹ 99.83 crore instead of ₹ 86.55 crore levied under normal provisions. Omission to levy tax under special provisions resulted in short levy of tax of ₹ 46.23 crore including withdrawal of MAT credit and interest under section 244A.

3.4.2.2 In Maharashtra CIT-II Mumbai charge, AO while revising the assessment of **Indusind Bank Limited** for AY 04 at a loss of ₹ 27.85 crore including long term capital loss of ₹ 7.97 crore in November 2009 (initially completed after scrutiny in March 2005 at total income of ₹ 42.54 crore under normal provisions), did not apply provisions relating to MAT while giving effect to appellate order under section 254. Omission to apply special provisions relating to MAT resulted in non-levy of tax of ₹ 24.99 crore. *The Ministry accepted and rectified the mistake under section 263.*

While working out the book profit, amount of income to which any of the provisions of section 10 [not being provisions contained under section 10(23G) from AY 06] or 10A or 10B or 11 or 12 shall be deleted, if any such amount is credited to the profit and loss account.

3.4.2.3 In Maharashtra, CIT-II Mumbai charge, AO while computing book profit of **Dena Bank Limited** for AY 07 at loss of ₹ 18.59 crore, irregularly reduced interest on infrastructure bond of ₹ 2.08 crore, interest on infrastructure term loan of ₹ 154.36 crore {exempt under section 10(23G)} and provision for standard assets of ₹ 42.92 crore at the time of rectification under section 154 in March 2010. Omission resulted in under assessment of book profit of ₹ 180.77 crore involving short levy of tax of ₹ 20.09 crore including interest. *The Ministry accepted and rectified (February 2012) the mistake under section 263/253/154.*

3.4.3 Income not assessed/under assessed under normal provisions

We give below two such illustrative cases:

Section 5 provides that the total income of a person for any previous year includes all income from whatever source derived which is received or deemed to be received or which accrues or arises during such previous year unless specifically exempted from tax under the provision of the Act.

3.4.3.1 In Gujarat, CIT-IV Ahmedabad charge, AO while completing the assessment of **Vodafone Essar (Gujarat) Limited** for AY 07 after scrutiny in December 2008 at income of ₹ 417.68 crore, did not include sale consideration of ₹ 108.52 crore received from its customers towards prepaid services in the total income which the assessee company had shown as "Advance Income" (Prepaid) in the schedule 10 dealing with current liabilities of the balance sheet. This resulted in underassessment of income of ₹ 108.52 crore involving short levy of tax of ₹ 48.58 crore. *ITD rectified (December 2011) the mistake under section 143(3) r.w.s 147.*

As per section 2(22)(e), a loan by a company in which the public are not substantially interested, to a shareholder beneficially holding more than 10 *per cent* of the voting power of the company, or to a concern in which he is substantially interested, is deemed to be a dividend paid by the company, to the extent that the company possesses accumulated profits. Such dividend is not subject to dividend distribution tax under section 115O, and is a taxable income.

3.4.3.2 In West Bengal, CIT-I Kolkata charge, AO while completing the assessment of **Xenitis Technolab (P) Limited** for AY 08 after scrutiny in December 2009 at income of ₹ 23.66 lakh, did not consider balance of advance of ₹ 28.56 crore from Xenitis Infotech Private Limited as deemed dividend in the hands of the assessee though the conditions for such consideration were fully satisfied. Omission resulted in underassessment of income of ₹ 28.56 crore involving short levy of tax of ₹ 12.79 crore including interest. *ITD rectified (December 2011) the mistake under section 144/263.*

3.4.4 Incorrect classification and computation of capital gains

We give below one such illustrative case:

Section 74 stipulates that where in respect of any AY, the net result of the computation under head capital gain is a loss, the whole loss shall be carried forward to the following assessment year and in so far as the loss related to a long term capital asset, it shall be set-off against the long term capital gain.

3.4.4.1 In Maharashtra, CIT-II Mumbai charge, AO rectified the assessment of **Tata Industries Limited**, for AY 06 (initially completed after scrutiny in December 2007 at income of ₹ 79.09 crore) under section 154 in February 2008 with book profit of ₹ 136.22 crore under special provisions and worked out Long Term Capital Gain (LTCG) of ₹ 46.45 crore under normal provisions. While working out LTCG, the AO did not set-off Long Term Capital Loss (LTCL) of ₹ 22.82 crore. This resulted in excess carry forward of LTCL of ₹ 22.82 crore involving potential tax effect of ₹ 2.39 crore. *ITD rectified (April 2011) the mistake under section 154.*

3.5 Over-charge of tax/Interest

3.5.1 We noticed that AOs over assessed income in nine cases involving overcharge of tax of ₹ 35.06 crore in Delhi, Haryana, Jharkhand, Madhya Pradesh, Punjab and West Bengal. We give below one such illustrative case:

3.5.1.1 In Delhi, CIT-LTU charge, while revising the assessment of **The Oriental Insurance Company Limited** for AY 09 (originally completed after scrutiny in December 2010 at income of ₹ 880.92 crore) under section 154 at income of ₹ 406.28 crore in December 2010, AO did not give benefit of TDS of ₹ 1.47 crore and advance tax of ₹ 65 crore and levied interest of ₹ 45.57 crore under section 234B. The mistake resulted in overcharge of interest of ₹ 21.94 crore. *ITD took remedial action (March 2012) under section 154.*

Chapter IV: Analysis of assessments relating to Income Tax and Wealth Tax

A – Income Tax

4.1 Introduction

4.1.1 Chapter IV discusses 115 high value cases pertaining to Income tax with tax effect of ₹ 593.30 crore (108 cases involving undercharge of ₹ 589.31 crore and seven cases involving overcharge³² of ₹ 3.99 crore) issued to the Ministry between May and October 2012. Table 4.1 shows the details of broad categories of mistakes and tax effect:

Table no. 4.1: Category of mistakes and tax effect

		Cr. ₹.	
Category	Cases	Tax effect	
a. Quality of assessments;	40	516.47	
b. Administration of tax concession/ exemption/ deduction	41	53.90	
c. Tax escaping assessments due to omissions; and	27	18.94	
d. Others-Over-charge of tax/Interest	7	3.99	
Total	115	593.30	

4.1.2 Under each broad category, we indicate sub-categories for the purpose of highlighting mistakes of a similar nature. Each sub-category starts with a preamble citing the provisions of the Act, followed by illustration of important case(s).

4.2 Quality of assessments

4.2.1 AOs committed errors in the assessments despite clear provisions in the Act. These cases of incorrect assessments point out weaknesses in the internal controls on the part of ITD which need to be addressed. Table 4.2 shows the sub-categories of mistakes which impacted the quality of assessments.

Table 4.2: Details of errors in quality of assessment

Table III: Details of errors in quality of assessment							Cr. ₹.
Sub-categories		Cases	TE	States			
a.	Arithmetical errors in computation of income and tax	11	503.13	Andhra Pradesh, Karnataka and Maharashtra	Delhi,	Gujarat,	
b.	Application of incorrect rate of tax, surcharge etc.	10	4.89	Delhi, Gujarat, Madhya Pradesh, Maharashtra, Punjab and Uttar Pradesh.	Himachal Pradesh,		
c.	Mistakes in levy of interest	18	7.83	Andhra Pradesh, Chandigarh (UT), Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Punjab and Uttar Pradesh.	Delhi,		
d.	Excess or irregular refunds/ Interest on refunds	1	0.62	Maharashtra			
Total		40	516.47				

³² Overcharge is on account of mistakes in adoption of correct figures, arithmetical errors in computation of income, incorrect application of rates of tax/interest etc.

4.2.2 Arithmetical errors in computation of income and tax

We give below three such illustrative cases:

Section 143(3) provides that AOs have to determine and assess the income correctly. Different types of claims together with accounts, records and all documents enclosed with the return are required to be examined in detail in scrutiny assessments. CBDT has also issued instructions from time to time in this regard.

4.2.2.1 In Andhra Pradesh, CIT-I Vishakhapatnam charge, AO completed the assessment of **Visakhapatnam Port Trust** for AY 09 and determined the total income at ₹ 98.33 crore as against actual amount of ₹ 1116.81 crore. This resulted in short computation of income of ₹ 1018.48 crore with short levy of tax of ₹ 455.39 crore. *The Ministry accepted and rectified (January 2012) the mistake under section 154.*

4.2.2.2 In Delhi, DIT I Charge, AO completed the assessment of **ESS Distribution (Mauritius) SNC et Compagnie** for AYs 06 and 07 under section 144C(1) in September 2010 at income of ₹ 17.50 crore and ₹ 13.29 crore, respectively. In both AYs, AO incorrectly adopted the assessed tax as assessed income and calculated the tax accordingly. The mistake resulted in short levy of tax of ₹ 38.03 crore including interest. *ITD rectified the mistake under section 154 in March 2012 for AY 06.*

4.2.2.3 In Maharashtra, CIT-X Mumbai charge, while completing the assessment of **Shri Prabhakar T. Bhandari** for AY 09 after scrutiny in December 2010 at income of ₹ 8.8 crore, AO levied tax of ₹ 1.21 crore instead of ₹ 3.51 crore. The mistake resulted in short levy of tax of ₹ 2.30 crore.

4.2.3 Application of incorrect rates of tax and surcharge

We give below one such illustrative case:

Income tax including surcharge shall be charged at the rates prescribed in the relevant Finance Act.

4.2.3.1 In Himachal Pradesh, CIT Shimla charge, AO while completing the assessment of **Tibetan Children Village** for AY 08 after scrutiny in December 2009 at income of ₹ 34.03 crore, did not levy surcharge. The mistake resulted in short demand of ₹ 1.38 crore.

³³ ₹ 20.63 crore and ₹ 17.40 crore for AY 06 and AY 07 respectively

4.2.4 Mistakes in levy of Interest

We give below one such illustrative case:

Section 234B provides for levy of interest for default in payment of advance tax at the rates prescribed by the Government from time to time.

4.2.4.1 In Delhi, DIT-I charge, AO, while completing the assessment of **ESPN Star Sports Mauritius SNC et Compagnie** for AY 06 under section 144C(1) in September 2010 at income of ₹ 34.18 crore, levied interest of ₹ 2.87 crore instead of ₹ 6.74 crore under section 234B. The mistake resulted in short levy of interest of ₹ 3.87 crore. *ITD rectified the mistake under section 154 in March 2012.*

4.3 Administration of tax concessions/exemptions/deductions

4.3.1 The Act allows concessions/exemptions/deductions to the assessee in computing total income under Chapter VI-A and for certain categories of expenditure under its relevant provisions. We observed that the assessing officers have irregularly extended benefits of tax concessions/exemptions/deductions to beneficiaries that are not entitled to the same. These cases point out weaknesses in the administration of tax concessions/deductions/exemptions on the part of ITD which need to be addressed. Table 4.3 shows the sub-categories which have impacted the Administration of tax concessions/exemptions/deductions.

Table 4.3: Sub-categories of mistakes under Administration of tax concessions/exemptions/deductions

				Cr. ₹.
Sub-categories	Nos.	TE	States	
a. Irregular exemptions/ deduction/relief given to individuals	4	1.34	Gujarat, Rajasthan, Tamil Nadu and West Bengal	
b. Irregular exemptions/ deduction/ relief given to Trusts/ Firms/Societies	23	18.78	Andhra Pradesh, Bihar, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Tamil Nadu and West Bengal	
c. Irregularities in allowing depreciation /business losses/ capital losses	14	33.78	Bihar, Delhi, Gujarat, Karnataka, Maharashtra and West Bengal	
Total	41	53.90		

4.3.2 Irregular allowance of exemptions and deductions to Trusts/Firms/Societies

We give below two such illustrative cases:

Provision made in the accounts for an accrued or known liability is an admissible deduction, while other provisions do not qualify for deduction.

4.3.2.1 In Andhra Pradesh, CIT-IV Hyderabad charge, AO completed the assessment of **District Co-operative Central Bank Limited** for AY 06 after scrutiny in November 2007 at an income of ₹ 4.27 lakh after allowing deduction of ₹ 22.69 crore under section 80P. AO incorrectly allowed deduction before setting-off of brought forward losses. The mistake resulted in excess carry forward of losses of ₹ 22.69 crore involving potential tax effect of ₹ 7.12 crore. *The Ministry accepted and rectified (November 2010) the mistake under section 147.*

4.3.2.2 In Madhya Pradesh, CIT Gwalior charge, AO completed assessment of **District Co-operative Agriculture & Rural Development Bank Limited** for AY 07, after scrutiny in December 2008 at a loss of ₹ 12.14 crore. AO incorrectly allowed provision of ₹ 10.56 crore for time barred and penal interest. The mistake resulted in over assessment of loss of ₹ 10.56 crore involving potential tax effect of ₹ 3.23 crore. *The Ministry accepted and rectified (March 2011) the mistake under section 263.*

4.3.3 Irregularities in allowing depreciation/business losses/capital losses

We give below two such illustrative cases:

Section 72 provides for carry forward and set-off of net loss of an assessment year against profits and gains of the following eight assessment years.

4.3.3.1 In Gujarat, CIT-I Baroda charge, AO while completing the assessment of **Petrofils Co-operative Limited** for AY 07, after scrutiny in November 2008 at income of ₹ 13.89 lakh, allowed carry forward of business loss of ₹ 81.33 crore pertaining to AY 96 to AY 99 contrary to the Act. This resulted in short levy of potential tax effect of ₹ 24.89 crore. *ITD rectified the mistake under section 143(3) read with section 147 in November 2011.*

4.3.3.2 In Maharashtra, CIT-I Kolhapur charge, AO while completing the assessment of an AOP, **Sonhira Sahakari Sakhar Karkhana Limited** for AY 08, after scrutiny in September 2009 at a loss of ₹ 3.17 crore, allowed carry forward of business loss/unabsorbed depreciation of ₹ 33.71 crore as against ₹ 21.98 crore. This resulted in potential tax effect of ₹ 3.59 crore.

4.4 Income escaping assessments due to omissions

4.4.1 The Act provides that 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. We observed that the assessing officers did not assess/under assessed total income that was required to be offered to tax. There were also omissions in implementing TDS/TCS provisions which led to escapement of tax. Table 4.4 shows the sub-categories which have resulted in income escaping assessments.

Table 4.4: Sub-categories of mistakes under income escaping assessments due to omissions
Cr. ₹.

Sub-categories	Nos.	TE	States
a. Unexplained investment/ cash credit	3	0.89	Maharashtra, West Bengal and Uttar Pradesh
b. Incorrect classification and computation of capital gains	5	3.79	Andhra Pradesh and Tamil Nadu
c. Income not assessed/ under assessed	8	1.23	Delhi, Gujarat, Haryana, Punjab, Rajasthan, Tamil Nadu and West Bengal,
d. Omissions in implementing provisions of TDS	11	13.03	Delhi, Gujarat, Jharkhand, Maharashtra and West Bengal
Total	27	18.94	

4.4.2 Incorrect classification of Capital Gain

We give below three such illustrative cases:

Section 4 provides that all incomes shall for the purpose of charge of income tax and computation of total income, be classified under the heads of income specified therein.

4.4.2.1 In Tamil Nadu, CIT-IV Chennai charge, AO while processing the assessment of an HUF, **K Srinivasan** for AY 07 in a summary manner, at income of ₹ 30.75 lakh, treated the income of the assessee under the head 'short/long term capital gain' as against 'Income from business and profession'. This resulted in short levy of tax of ₹ 89.05 lakh. *ITD rectified the mistake under section 143(3) read with section 147 in December 2011.*

4.4.2.2 In Tamil Nadu, CIT-IV Chennai charge, AO while processing the assessment of **Smt. Vijaya Srinivasan** for AY 07, in a summary manner in November 2007 at ₹ 52.03 lakh, treated the income of the assessee under the head 'Short/Long Term Capital Gain' as against 'Income from business and profession'. This resulted in short levy of tax of ₹ 87.07 lakh. *ITD rectified the mistake under section 143(3) read with section 147 in December 2011.*

Under section 45 r.w.s. 2(14)(iii) of Act, any profits and gains arising from the transfer of capital assets shall be chargeable to Income Tax under the head capital gains.

4.4.2.3 In Tamil Nadu, CIT-IV Chennai charge, AO while completing the assessment of **M. Thirunavukkarasu**, for AY 08 after scrutiny in December 2009 at income of ₹ 8.28 lakh, treated residential land (capital asset) as agricultural land. This mistake resulted in incorrect allowance of exemption of Long Term Capital Gain of ₹ 252.34 lakh involving short levy of tax of ₹ 71.82 lakh. *ITD rectified the mistake under section 143(3) r.w.s 147 in December 2011.*

4.4.3 Omissions in implementing provisions of TDS

We give below one such illustrative case:

Section 40(a)(ia) provides that deduction of expenditure towards payments where TDS has not been deducted, shall not be allowed.

4.4.3.1 In Gujarat, CIT-I Rajkot charge, AO while completing the assessment of **Dholu KCLJPJ Joint Venture Company**, for AY 07 after scrutiny in December 2008 at income of ₹ 0.39 lakh, allowed the expenditure on account of payment made to sub contractor/work contract on which assessee had deducted/deposited less TDS. The mistake resulted in under assessment of income of ₹ 17.61 crore involving short levy of tax of ₹ 7.87 crore including interest. *The Ministry accepted and rectified (December 2011) the mistake under section 147.*

4.5 Over Charge of Tax/Interest

4.5.1 We noticed over assessment of income in seven cases involving overcharge of tax/interest of ₹ 3.99 crore in Delhi, Jharkhand, Gujarat, Rajasthan and West Bengal. We give below one such illustrative case:

4.5.1.1 In West Bengal, CIT-II Kolkata charge, AO completed the assessment of **Dilip Kumar Khandelwal** for AY 08, after scrutiny in December 2009 at income of ₹ 81.69 lakh instead of ₹ 56.81 lakh due to arithmetical error in computation. The mistake resulted in over assessment of income of ₹ 24.88 lakh leading to overcharge of tax and interest of ₹ 19.40 lakh. *The Ministry accepted and rectified (May 2011) the mistake under section 154.*

B – Wealth Tax

4.6 This section discusses 15 cases of Wealth Tax involving tax effect of ₹ 35.19 lakh reported to the Ministry during August 2012 to October 2012.

4.6.1 Non-levy/short levy of Wealth Tax

We found that AO did not comply with CBDT's instructions³⁴ in these cases in Andhra Pradesh, Bihar, Chhattisgarh, Delhi, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal. We give below one such illustrative case:

4.6.1.1 In Chhattisgarh, CIT Raipur charge, **Rani Saraogi** having land and cash in hand worth ₹ 4.69 crore for AY 10 did not file the return of wealth tax. The ITD also did not initiate any action to call for the same. The mistake resulted in non-levy of wealth tax of ₹ 4.53 lakh.



(SWARUP NANDKEOLYAR)

New Delhi

Dated: 5 August 2013

Director General (Direct Taxes & CRA Co-ordn.)

Countersigned



(SHASHI KANT SHARMA)

New Delhi

Dated: 5 August 2013

Comptroller and Auditor General of India

³⁴ CBDT's instructions issued to the AOs in November 1973, April 1979 and September 1984.

Appendix 1 (Reference: paragraph 1.3.1)

Department of Revenue (DOR) under Ministry of Finance	It exercises control in respect of revenue matters relating to Direct and Indirect Union taxes. The Department formulates tax policies in order to mobilize financial resources for the nation, achieve sustained growth of the economy, macro-economic stability and promote social welfare by providing fiscal incentives for investments in the social sector.
Central Board of Direct Taxes (CBDT)	It provides essential inputs for policy and planning of Direct taxes in India. At the same time, it is also responsible for administration of Direct Tax Laws through Income Tax Department (ITD).
Income Tax Department (ITD)	It deals with matters relating to levy and collection of direct taxes. Besides, it also deals with the issues of tax evasion, revenue intelligence, widening of tax-base, providing tax payers services, grievance redressal mechanism etc.
Nature of Direct Taxation	The Parliament had enacted Income Tax Act, Wealth Tax Act etc. to impose taxes on income and wealth. Besides, the Government have also introduced different types of direct taxes and/or amended existing Tax laws through respective years' Finance Acts.
Key processes in taxation	
Receipt of Returns	All the assessee having income above prescribed limits have to file Income Tax Return (ITR) annually. Assessee (individual, HUF, firm, corporate body etc.) is liable to pay income tax and file ITR. CBDT has prescribed different forms of ITR for different categories of assessee and redesigned to enable enclosures less returns and online filing of ITR. Filing of TDS returns in electronic format have been made mandatory.
Summary assessment	Designated AO checks ITR for arithmetical accuracy, internal consistency etc. The summary assessment takes place with available data in ITR and without calling for record and information from the assessee. Thus summary assessment is a non intrusive in nature. After processing, if there is any demand due from the assessee, it is intimated through demand notices. In case of excess payment of tax, the refunds are issued manually or through the Refund Banker Scheme.
Scrutiny assessment	AO retrieves all record and information related to assessee available with ITD and additionally calls for record and information from the assessee to satisfy himself that no income has been unaccounted and tax has been computed correctly. The Act prescribes time lines for issue of notices and completion of assessment proceedings. The AO finalises the assessment proceedings. The Act also provide for subsequent rectification of assessment orders <i>suo-motto</i> or on the request of the assessee through reassessment, best judgement assessment and revision of earlier assessments.

Pre-assessment Collection	Every assessee is legally expected to assess his income tax liabilities and pay through advance tax and self assessment tax. Law also requires certain paying authorities in public and private sectors (TDS deductors) to deduct a certain percentage of payment made to individuals or corporate etc. and deposit the same in the Government's account. Another way of collecting tax is through designated authorities called TCS authorities who collect from certain individuals/corporate getting certain contracts/lease rights from public authorities. The collection of income tax through these four mechanisms-advance tax, self assessment tax, TDS and TCS is called pre-assessment mode of tax collections.
Post assessment collections	Taxes are collected on the demand raised by the department on the basis of processing of returns and assessments made. If taxes are not paid within the prescribed date from issue of demand notice, the assesseees are considered defaulters and collection of demand are made through the tax recovery procedure provided under the Act.
Appeal process	An aggrieved assessee can appeal to the Commissioner of Income Tax (Appeals) against the order of an AO who shall comply with the directions given in the appellate order. Further, appeal is also permitted to be made on questions of fact and law to Income Tax Appellate Tribunal against the orders passed by appellate authorities. An appeal can be preferred to High Court under section 260A if any issue has not been considered or wrongly considered by the Appellate Tribunal and also to the Apex court under section 261 in any case which the High court certifies to be fit one for appeal thereto.
Refund	Where the amount of tax paid exceeds the amount of tax payable, the assesseees are entitled to a refund of the excess amount. Simple interest at the prescribed rate is payable on the amount of such refund. Refund is also admissible (alongwith interest) as a result of any order passed in appeal or other proceedings.
Settlement Commission	The Settlement Commission is an Alternative Dispute Resolution (ADR) body mandated to resolve tax disputes in respect of Indian Income Tax and Wealth Tax Laws between the ITD and litigating tax payer deriving mandate from Chapter XIXA of the Act. The Settlement Commission allows taxpayers to disclose additional income, over and above what has been already disclosed before the ITD. The applicant has to pay full amount of tax and interest on the additional income disclosed before the Commission, before filing the application. The Commission upon deciding the admissibility, pass the order of settlement within 18 months from the date of

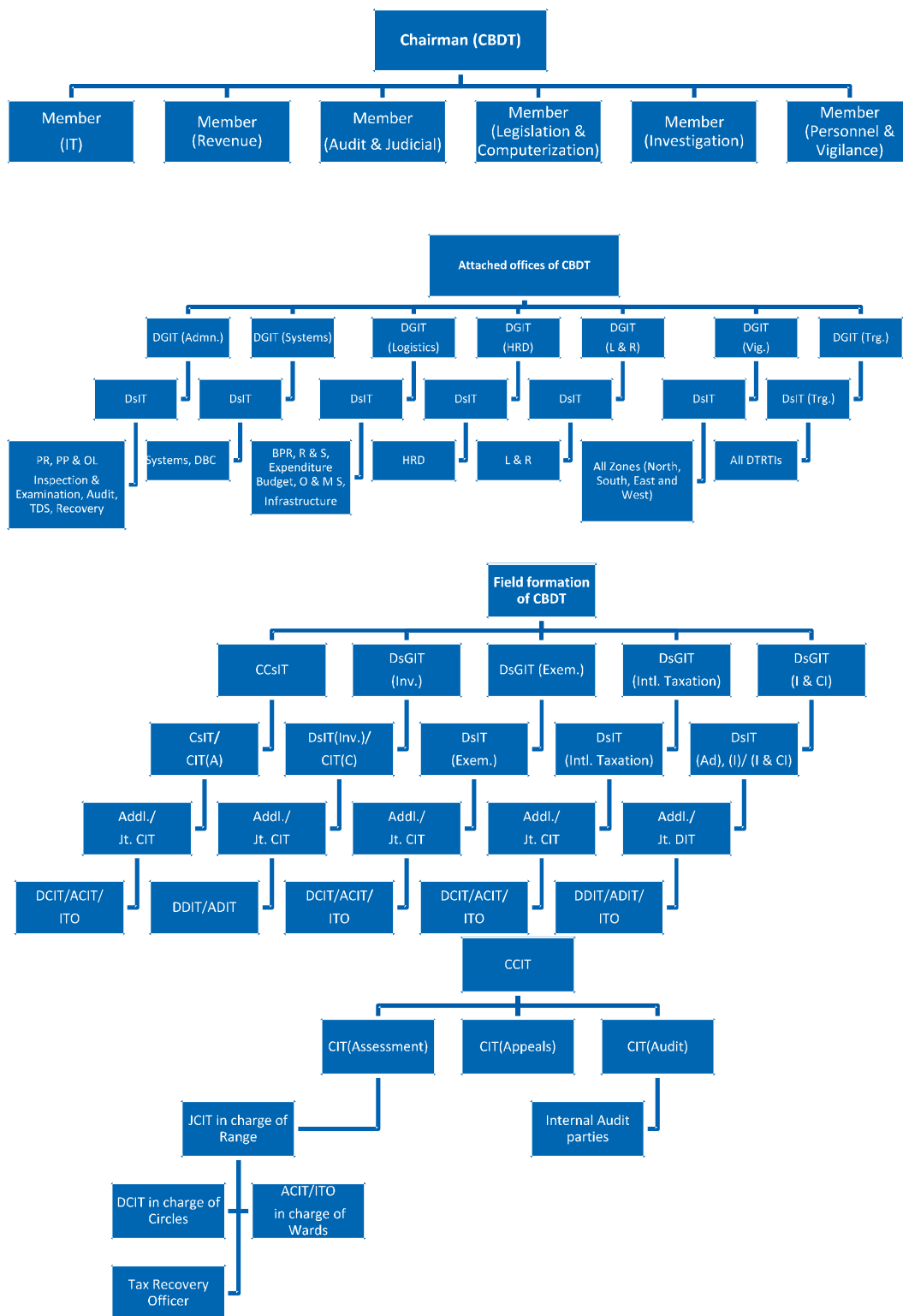
	initiation process, after giving opportunity to both parties. On or after 01 June 2007, the benefit of the settlement mechanism can be availed by a taxpayer only once in a life-time.
Recovery of tax arrears	On receipt of demand from AO, the assessee is required to pay within 30 days or any other time limit prescribed by AO. If the recovery is not affected within a year of raising the demand, the AO is required to send the details of arrear cases to Tax Recovery Officer (TRO) for drawing up of Tax Recovery Certificates (TRC) after ensuring that all possible measures have been taken for recovery of demand.
Penalty and Prosecution	In order to ensure compliance of the provisions of Act and to have a deterrent effect for violations, the Act provides for exhaustive procedures for the imposition of penalty and initiation of prosecution. The levy of many penalty provisions is discretionary in nature and can be waived-off by the competent authority.
Audit	ITD has an Internal Audit Mechanism which is responsible for checking the assessments made by the AOs.
Role and responsibilities of DOR	DOR is one of the five departments under the Ministry of Finance. DOR functions under the overall direction and control of the Secretary (Revenue). DOR exercises control in taxation matters relating to all Direct and Indirect taxes through two statutory Boards namely, Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC).
	Besides two Boards, DoR has 18 attached/subordinate offices under its jurisdiction. Some attached/subordinate offices relevant to administration of Direct Taxes are Enforcement Directorate, Central Economic Intelligence Bureau (CEIB), Financial Intelligence Unit, India (FIU-IND), Income Tax Settlement Commission (ITSC), Authority for Advance Rulings (AAR) for Income Tax, Income Tax Ombudsman etc.
	DoR administered around 20 Acts including Acts pertaining to Direct taxes, namely, Income Tax Act, 1961, Wealth Tax Act, 1957; Chapter VII of Finance (no. 2) Act, 2004 (relating to Levy of Securities Transactions Tax) etc. The other Acts relevant for an effective administration of direct taxes, namely, the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEM (FOP) A); the Foreign Exchange Management Act, 1999 (FEMA); Prevention of Money Laundering Act, 2002 (PMLA); the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA); etc. are also administered by DoR.
	The Enforcement Directorate (ED) implements two Acts FEMA and PMLA. Financial Intelligence Unit-India (FIU-IND), a central national agency under DOR is responsible for receiving, processing, analyzing and disseminating

	information related to suspicious financial transactions. It receives prescribed information from various entities in financial sector and in appropriate cases, disseminates information to relevant intelligence/law enforcement agencies which include CBDT, CBEC and Enforcement Directorate etc.
	The Central Economic Intelligence Bureau (CEIB) is entrusted with maintaining the Secretariat for the Economic Intelligence Council (EIC) and a repository of economic intelligence (ECOINT) for coordinating and strengthening the economic intelligence and enforcement activities.
	The Financial Intelligence Unit, India (FIU-IND) is assigned to combat the menace of money-laundering activities and its effect on national/international security, drug trafficking, terrorist funding etc., by establishing links between suspicious or unusual financial transactions underlying criminal activities. FIU-IND has entered into Memorandum of Understandings (MoUs) with CBDT, Central Bureau of Investigation (CBI) and Enforcement Directorate (ED).
	The Financial Action Task Force (FATF) is an intergovernmental body dedicated for development of standards for combating money laundering and terrorist-financing.
CBDT and its field formations	CBDT created by Central Boards of Revenue Act, 1963, is the apex body entrusted with the responsibility of administering direct tax laws as well as providing essential inputs for policy and planning on direct taxes in India. It is the cadre controlling authority for ITD.
	The members of CBDT in addition to their assigned responsibilities also take decision collectively on policy issues, set up and structure of ITD, method and procedures of work, measures for disposal of assessments, collection of taxes, detection of tax evasion, recruitment, training and other service matters.
	CBDT consists of Chairman and six members who are responsible for specified functional areas (legislation, computerization, revenue, personnel & vigilance, audit, judicial) and supervision and monitoring of specified zonal field formations.
	CBDT has seven attached offices (DGsIT - Administration, Systems, Vigilance, Training, Legal & Research, Logistics and HRD). The field formation of CBDT consists of four Directorates (DGsIT–Investigation, Exemption, International Taxation and Intelligence & Criminal Investigation) and regions headed by officer at the level of Chief commissioner of Income Tax (CCIT). The typical organizational structure of zonal CCIT is in <i>Appendix 2</i> .
Filing of ITR	CBDT has notified Income Tax Returns (ITR) for various classes of assesseees and redesigned to enable enclosures-

	less returns and online filing of ITR. Timelines for filling of ITR have been fixed for all categories of assesseees. Manual ITRs are digitised before processing. Filing of TDS returns in electronic format have been made mandatory. Similarly, e-filing is mandatory for companies; and extended that to other assesseees whose income exceeded ₹ 10 lakh.
--	--

Appendix 2 (Reference: Paragraph 1.3.2)

Organizational set-up of the Income Tax Department



Appendix - 3 (Reference paragraph no. 1.4.2)

Tax rates for the last ten assessment years

A. Income-Tax Rates³⁵ for Individuals, HUFs, AOPs & BOIs

Taxable Income	Assessment Year 03 to 06
On the first ₹ 40,000	Nil
On the next ₹ 10,000	Nil
On the next ₹ 10,000	10
On the next ₹ 90,000	20
Over ₹ 1,50,000	30

Taxable Income	Assessment years 07 and 08		
	Resident women	Resident senior citizen	Any other
First ₹ 1,00,000	Nil	Nil	Nil
Next ₹ 35,000	Nil	Nil	10%
Next ₹ 15,000	10%	Nil	10%
Next ₹ 35,000	20%	Nil	20%
Next ₹ 65,000	20%	20%	20%
Over ₹ 2,50,000	30%	30%	30%

Taxable Income	Assessment year 09		
	Resident women	Resident senior citizen	Any other
First ₹ 1,10,000	Nil	Nil	Nil
Next ₹ 35,000	Nil	Nil	10%
Next ₹ 5,000	10%	Nil	10%
Next ₹ 45,000	20%	Nil	20%
Next ₹ 55,000	20%	20%	20%
Over ₹ 2,50,000	30%	30%	30%

Taxable Income	Assessment year 10		
	Resident women	Resident senior citizen ³⁶	Any other
First ₹ 1,50,000	Nil	Nil	Nil
Next ₹ 30,000	Nil	Nil	10%
Next ₹ 45,000	10%	Nil	10%
Next ₹ 75,000	10%	10 %	10%
Next ₹ 2,00,000	20%	20%	20%
Over ₹ 5,00,000	30%	30%	30%

Taxable Income	Assessment year 11		
	Resident women	Resident senior citizen ³⁷	Any other
First ₹ 1,60,000	Nil	Nil	Nil
Next ₹ 30,000	Nil	Nil	10%
Next ₹ 50,000	10%	Nil	10%
Next ₹ 60,000	10%	10 %	10%
Next ₹ 2,00,000	20%	20%	20%
Over ₹ 5,00,000	30%	30%	30%

³⁵ Certain incomes of non-resident Indians are taxable at the flat rate of 20 per cent [for details refer Income Tax Act]

³⁶ 65 years or more at any time during the previous year

³⁷ 65 years or more at any time during the previous year

Taxable Income	Assessment year 12		
	Resident women	Resident senior citizen ³⁸	Any other
First ₹ 1,60,000	Nil	Nil	Nil
Next ₹ 30,000	Nil	Nil	10%
Next ₹ 50,000	10%	Nil	10%
Next ₹ 2,60,000	10%	10 %	10%
Next ₹ 3,00,000	20%	20%	20%
Over ₹ 8,00,000	30%	30%	30%

B. Union surcharge on income-tax

- For the assessment year 03: 2% of income-tax if taxable income exceeds ₹ 60,000 (surcharge is payable whether taxpayer is resident or non-resident).
- For the assessment year 04: 5% of income-tax if taxable income exceeds ₹ 60,000 (surcharge is payable whether taxpayer is resident or non-resident).
- For the assessment year 05 and 06: 10% of income-tax if taxable income exceeds ₹ 8,50,000 (surcharge is payable whether the taxpayer is resident or non-resident).
- For the assessment year 07 to 10: 10% of income-tax if taxable income exceeds ₹ 10,00,000 (surcharge is payable whether the taxpayer is resident or non-resident).
- For the assessment year 11 and 12: Nil.

C. Education cess :

2% of income-tax and surcharge for the assessment years 06 to 12.

D. Secondary and higher education cess :

1% of income-tax and surcharge for the assessment years 09 to 12.

E. Income-Tax Rates for Firms (PFAS)

	Assessment years						
	03	04	05	06	07 and 08	09 and 10	11 and 12
Income-tax	35	35	35	35	30	30	30
Surcharge (as a percentage of income-tax)	2	5	2.5	2.5	10	10 ³⁹	Nil
Total	35.7	36.75	35.875	35.875	33	33	30
Education cess (as a percentage of income-tax and surcharge)	Nil	Nil	Nil	2	2	3	0.9
Tax	35.7	36.75	35.875	36.5925	33.66	33.99	30.9

F. Income-Tax rates for Companies

	Assessment years		
	03	04 to 06	07 to 12
a. In the case of a domestic company	35	35	30
b. In the case of a foreign company :			
i. royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after March 31, 1961; or fees for rendering	50	50	50

³⁸ 65 years or more at any time during the previous year

³⁹ For assessment year 09 and 10, surcharge is applicable only if net income exceeds ₹ 1 crore.

technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after February 29, 1964, but before April 1, 1976 and where such agreement has, in either case been approved by the Central Government.

ii. Other income	48	40	40
------------------	----	----	----

Union surcharge on income-tax :

For the AY 2002-03 - 2% of income-tax in the case of a domestic company;

For the AY 2003-04 - 5% of income-tax in the case of domestic as well as foreign companies;

For the AY(s) 2004-05 and 2005-06: 2.5% of income-tax in the case of domestic as well as foreign companies

For the AY(s) 2006-07 and 2007-08: 10% of income-tax in the case of domestic company and 2.5% of income tax in the case of foreign company,

For the AY(s) 2008-09 to 2010-11 (if net income exceeds ₹ 1 crore) : 10% of income-tax in the case of a domestic company and 2.5% of income-tax in the case of a foreign company;

For the AY 2011-12 (if net income exceeds ₹ 1 crore): 7.5% of income-tax in the case of a domestic company and 2.5% of income-tax in the case of foreign company).

Education cess : 2% of income-tax and surcharge for the AYs 2005-06 to 2011-12.

Secondary and higher education cess : 1% of income-tax and surcharge for the AYs 2008-09 to 2011-12.

G. Income-Tax Rates for Co-Operative Societies

For the AYs 2002-03 to 2011-12 – first ₹ 10,000 : 10% , next Rs.10,000 : 20% and balance : 35%.

Union surcharge on income-tax –

Assessment year I	Surcharge (as % of income-tax)
2002-03	2
2003-04	5
2004-05 and 2005-06	2.5
2006-07 to 2011-12	nil

Education cess : 2% of income-tax and surcharge for the assessment years 2005-06 to 2011-12.

Secondary and higher education cess: 1% of income-tax for the assessment years 2008-09 to 2011-12.

Appendix 4 (Referred to in Paragraph 2.3.2)

Sl No.	CAG DP No.	State	CIT Charge	Name of the Assessee	AVs	Main categories	Sub categories	Tax effect (₹. in lakh)	Status of Ministry/ITD's Response
1	247-CT	West Bengal	CIT-IV, Kolkata	Jenson & Nicholson India Ltd	2006-07	Quality of assessments	Arithmetical errors in computation of income and tax	3222.67	Reply not received
2	21-CT	Gujarat	Jamnagar	Saurashtra Cement Limited	2007-08			1912.93	Accepted and action taken
3	230-CT	Delhi	DIT-I, Delhi	Aspect Software Inc.	2007-08			1896.87	Accepted and action taken
4	178-CT	Delhi	LTU-Delhi	The Oriental Insurance Company Ltd.	2008-09			1393.95	Reply not received
5	76-CT	Delhi	Delhi I	M/s BSES Yamuna Power Ltd.	2006-07			1252.17	Accepted and action taken
6	239-CT	Madhya Pradesh	Bhopal	M/s M.P. Road Development Corporation	2007-08			440.19	Accepted and action taken
7	191-CT	Maharashtra	Mumbai X	North Karnataka Expressway Ltd.	2008-09			348.88	Accepted and action taken
8	121-CT	Maharashtra	Mumbai I	WNS North America Inc.	2006-07			343	Accepted
9	96-CT	Karnataka	LTU Bangalore	Canara Bank	2007-08			331.16	Accepted and action taken
10	195-CT	West Bengal	Kolkata I	WEBFIL Ltd.	2008-09			306.59	Reply not received
11	199-CT	Maharashtra	Mumbai III	Export Import Bank of India	2008-09			302.87	Accepted and action taken
12	169-CT	Delhi	Delhi IV	M/s Global Green Company Ltd.	2006-07			285.73	Reply not received
13	281-CT	Maharashtra	Mumbai III	The Bank of Rajasthan Ltd.	2008-09			211	Accepted and action initiated
14	177-CT	Delhi	LTU-Delhi	Indian Renewable Energy Dev. Agency Ltd	2008-09			205.82	Accepted and action taken
15	136-CT	Delhi	Delhi IV	Gold Resorts and	2008-09			186.46	Reply not

16	280-CT	Maharashtra	Aurangabad I	Hotels Pvt. Ltd.	2008-09				173	Accepted and action taken
17	110-CT	Maharashtra	Mumbai V	M/s Shukra Jewellery Ltd	2007-08				134.05	Accepted and action taken
18	27-CT	Delhi	Delhi-I	M/s Container Corporation of India Ltd.	2008-09				97.31	Accepted and action taken
19	211-CT	Delhi	Delhi-IV	Hughes Communication India Ltd.	2008-09				96.82	Reply not received
20	165-CT	Delhi	Delhi IV	Harris Stratex Networks India (P) Ltd.	2008-09				95.02	Reply not received
21	64-CT	Tamil Nadu	Madurai II	M/s Ramco Industries Ltd.	1999-2000				69.06	Accepted and action taken
22	74-CT	Delhi	Delhi-I	M/s Cargill TSF Asia Pte Ltd.	2006-07				64.35	Accepted
23	49-CT	Delhi	Delhi -I	Chintpurni Credits & Leasing Pvt. Ltd	2003-04				55.48	Accepted and action taken
24	257-CT	West Bengal	Kolkata II	Andrew Yule and Company Ltd.	2007-08				51.06	Accepted and action taken
25	15-CT	Uttar Pradesh	CIT-II, Kanpur	A.J.S. Builders (P) Ltd. Noida	2008-09				31.16	Reply not received
26	326-CT	Delhi	Delhi V	M/s Ratnagiri Gas and Power Pvt Ltd	2008-09				15120	Accepted and action taken
27	06-CT	Maharashtra	CIT-IV, Mumbai	Hindustan Organic Chemicals Ltd.	2008-09				2532.62	Accepted and action taken
28	299-CT	West Bengal	Kolkata I	M/s West Bengal State Electricity Board	2007-08				908.82	Accepted and action taken
29	142-CT	Tamil Nadu	Coimbatore I	M/s Cheran Holdings (P) Ltd.	2005-06				176.42	Accepted and action taken
30	77-CT	Delhi	Delhi III	M/s Siemens Product Lifecycle Management Software India (P) Ltd.	2003-04				157.98	Accepted and action taken

31	47-CT	Delhi	Delhi I	Arihant Chini Udyog Pvt. Ltd.	2008-09				74.29	Accepted and action taken
32	181-CT	Andhra Pradesh	Hyderabad I	M/s Axsys Health Tech Ltd.	2006-07				40.62	Accepted and action taken
33	16-CT	Uttar Pradesh	Kanpur II	M/s Deep Wines and Agencies Pvt. Ltd.	2008-09				29.41	Accepted and action taken
34	11-CT	Gujarat	Ahmedabad II	ACE Infrastructure Pvt. Ltd.	2007-08				26.78	Accepted and action taken
35	176-CT	Delhi	Delhi-I	Candico (I) Ltd.	2008-09				169.8	Accepted and action taken
36	164-CT	Delhi	Delhi-I	M/s Curewell (India) Ltd.	2002-03				148.57	Accepted and action taken
37	162-CT	Delhi	CIT V-Delhi	M/s Railtel Corporation of India Ltd.	2008-09				651.23	Accepted and action taken
38	127-CT	Delhi	Delhi-V	M/s Rangs Technologies (India) Ltd.	2007-08				187.39	Accepted and action taken
39	128-CT	Delhi	DIT-I, Delhi	The Bank of Tokyo Mitsubishi UFJ Ltd	2007-08				3970.18	Accepted and action taken
40	228-CT	Delhi	Delhi VI	Twenty First Century Steels Ltd.	2002-03				128.99	Accepted and action taken
41	103-CT	Odisha	Bhubaneswar	M/s Orissa Forest Development Corporation	2008-09				61.51	Accepted and action initiated
42	51-CT	Tamil Nadu	Chennai I	M/s T.N. Cement Corporation Ltd.	2008-09				492.86	Accepted and action initiated
43	279-CT	Maharashtra	Mumbai II	Bank of India	2004-05				122	Accepted and action taken
44	138-CT	Delhi	Delhi LTU	Nestle India Ltd.	2007-08				120.64	Reply not received
45	126-CT	Delhi	DIT Delhi I	M/s eFunds Corporation	2007-08				107.31	Accepted
46	248-CT	West Bengal	DIT Kolkata	ABN AMRO Bank	2005-06				101.91	Accepted and action taken

47	137-CT	Delhi	Delhi I	Koutons Retail India Ltd.	2006-07			80.23	Accepted and action taken
48	61-CT	Maharashtra	Mumbai V	Jet Airways (I) Ltd.	2007-08			63.98	Accepted and action taken
49	102-CT	Odisha	Bhubaneswar	Orissa Mining Corporation	2007-08			63.4	Reply not received
50	72-CT	Delhi	DIT Delhi I	M/s efunds Corporation	2007-08			62.13	Accepted
51	73-CT	Delhi	Delhi III	M/s Shivnath Rai H.(I) Ltd.	2007-08			58.37	Reply not received
52	287-CT	Maharashtra	Nagpur	M/s Shetkari Solvent (India) Ltd.	2007-08			53.48	Reply not received
53	285-CT	Maharashtra	Mumbai VI	Kansai Nerolac Paints Ltd.	2007-08			53.23	Accepted and action taken
54	231-CT	Delhi	LTU Delhi	The Oriental Insurance Company Ltd.	2008-09			52.95	Reply not received
55	148-CT	Karnataka	Central, Bangalore	M/s United Spirits Limited	2004-05			191	Accepted and amount recovered
56	315-CT	Assam	Dibrugarh	M/s Oil India Ltd.	2005-06 2006-07			1773.93	Accepted and amount recovered
57	284-CT	Maharashtra	Mumbai VIII	M/s Monsanto India Ltd	2007-08			442.39	Accepted and action taken
58	160-CT	Delhi	Delhi III	M/s Select Infrastructure Pvt. Ltd	2008-09			180.37	Accepted and action taken
59	166-CT	Karnataka	Central Bangalore	M/s MSPL Limited	2008-09			153	Accepted and action taken
60	14-CT	Uttar Pradesh	Kanpur II	M/s Unnao Distilleries and Breweries Ltd	2003-04			38.41	Accepted and action taken
61	151-CT	Uttar Pradesh	Kanpur II	M/s UPSIDC	2005-06			30.42	Accepted and action taken
62	212-CT	Delhi	Delhi V	M/s RHC Holding Pvt. Ltd.	2008-09			347.42	Accepted and action taken

78	274-CT	Maharashtra	Mumbai IV	M/s ICICI Securities Ltd.	2007-08	tax and surcharge	84.72	Accepted and action taken
79	210-CT	Delhi	LTU-Delhi	RITES Ltd.	2007-08		58.37	Reply not received
80	32-CT	Tamil Nadu	Coimbatore I	M/s NEPC India Ltd	1994-95		114.03	Accepted and action taken
81	294-CT	West Bengal	Central I Kolkata	M/s Emami Ltd.	2008-09		61.69	Accepted and action taken
82	31-CT	Delhi	Delhi III	M/s Seagram Distilleries Ltd	2007-08	Mistakes in assessment while giving effect to appellate order	55.9	Accepted and action taken
83	04-CT	Maharashtra	Mumbai -II	Growmore Research & Assets Management Ltd	2007-08		411	Accepted and action taken
84	161-CT	Delhi	Delhi V	M/s NIIT Technologies Ltd	2007-08		837.81	Accepted and action taken
85	180-CT	Rajasthan	Jodhpur I	M/s Jodhpur Vidhyut Vitran Nigam Ltd.	2004-05		211.54	Reply not received
86	112-CT	Maharashtra	Mumbai II	LIC Housing Finance Ltd.	2003-04	Irregularities in allowing depreciation/business losses/capital losses	150.68	Accepted and action taken
87	44-CT	Maharashtra	Mumbai II	M/s Layer Exports Pvt. Ltd.	2008-09		232.61	Accepted and action taken
88	329-CT	Maharashtra	Mumbai II	M/s Bank of India	2001-02		66.12	Accepted and action taken
89	314-CT	Punjab	Patiala	Punjab State Electricity Board Patiala	2008-09	Administration of tax concession/exemption/deduction	22597	Reply not received
90	320-CT	Maharashtra	Mumbai IV	Kotak Securities Ltd.	2007-08		3430.06	Accepted and action initiated
91	224-CT	Tamil Nadu	Chennai I	Visaka Cement Industry Ltd.	2007-08		2595.28	Reply not received
92	88-CT	Gujarat	Baroda II	General Motors India Pvt. Ltd	2005-06		1467.65	Not accepted but action taken
93	35-CT	Odisha	Sambalpur	Mahanadi Coalfields Ltd.	2007-08		1436	Not accepted but action taken

94	154-CT	Rajasthan	Kota	Mangalam Cement Ltd.	2008-09			689.46	Not accepted but action taken
95	253-CT	West Bengal	Kolkata-IV	BOC India Ltd.	2006-07			670.35	Reply not received
96	171-CT	Maharashtra	Mumbai LTU	Bajaj Holdings and Investment Ltd.	2008-09			612.69	Accepted and action taken
97	227-CT	Delhi	Delhi I	Action Ispat and Power (P) Ltd.	2008-09			608.41	Accepted and action taken
98	325-CT	Maharashtra	Mumbai IV	Ruchi Soya Ind. Ltd	2008-09			523	Accepted and action initiated
99	13-CT	Gujarat	Baroda I	Gujarat Alkalies and Chemicals Ltd.	2005-06 2006-07 2007-08			333.92	Not accepted but action taken
100	41-CT	West Bengal	Kolkata II	M/s Kanco Enterprises Ltd.	2007-08			207.62	Accepted and action taken
101	106-CT	Gujarat	Baroda I	Gujarat Agro Exports Ltd.	2006-07			198.43	Reply not received
102	223-CT	Tamil Nadu	Chennai I	M/s First Leasing Company Ltd	2008-09			150.2	Not accepted
103	40-CT	West Bengal	Kolkata II	Ginja Industries Ltd.	2007-08			149.21	Accepted and action taken
104	292-CT	West Bengal	Kolkata III	Kothari Global Ltd.	2008-09			148.82	Accepted and action taken
105	282-CT	Maharashtra	Mumbai VIII	Calyx Chemicals and Pharmaceuticals Ltd.	2007-08			145	Reply not received
106	296-CT	West Bengal	Kolkata -I	West Bengal Fisheries Corporation Ltd.	2008-09			120.1	Reply not received
107	45-CT	Maharashtra	Mumbai II	M/s Shree Vindhya Paper Mills Ltd.	1999-2000			113	Not accepted but action taken
108	258-CT	West Bengal	Kolkata-I	BNK E Solutions (P) Ltd.	2006-07			108.44	Not accepted but action taken
109	29-CT	Delhi	Delhi III	M/s Sutlej Textiles	2007-08			101.33	Reply not

110	116-CT	Maharashtra	Mumbai-VIII	and Industries Ltd. M/s Leela Scottish Lace Ltd.	2006-07				96.17	Accepted and action taken
111	209-CT	Delhi	Delhi-I	M/s India Lease Development Ltd.	2002-03				94.29	Accepted and action taken
112	278-CT	Maharashtra	Aurangabad-I	M/s Meta Rolls and Commodities Pvt. Ltd.	2007-08 2008-09				89.64	Reply not received
113	75-CT	Delhi	Delhi III	M/s SRL Ranbaxy Ltd.	2006-07				85.34	Reply not received
114	217-CT	Tamil Nadu	Chennai LTU	M/s Mobis India Ltd.	2007-08				71.94	Accepted and action taken
115	236-CT	West Bengal	Kolkata I	Malanpur Steel Ltd.	2007-08				63.61	Reply not received
116	158-CT	Delhi	Delhi IV	Dabur Pharma Ltd.	2005-06				62.96	Reply not received
117	312-CT	Punjab	Ludhiana-I	M/s Vardhman Textiles Ltd.	2007-08				60.86	Accepted and action taken
118	37-CT	Gujarat	Baroda-I	Gujarat Energy Transmission Co. Ltd.	2007-08				59.6	Not accepted but action taken
119	189-CT	Maharashtra	Mumbai IV	Karma Energy Ltd.	2008-09				59.14	Accepted and action taken
120	203-CT	Maharashtra	Mumbai I	Clear Channel Mumbai Pvt. Ltd.	2007-08				54.26	Accepted and action taken
121	105-CT	Gujarat	Valsad	Gujarat Tehmis Biosyn Ltd.	2006-07				52.85	Reply not received
122	290-CT	West Bengal	Kolkata I	J.K. Lakshmi Cement Ltd.	2005-06				52.3	Reply not received
123	298-CT	West Bengal	Kolkata IV	Metal Box India Ltd.	2007-08				51.42	Not accepted but action taken
124	86-CT	Gujarat	Valsad	Ravi Exports Ltd.	2007-08				45.4	Reply not received
125	85-CT	Gujarat	Baroda I	Diamines and Chemicals Ltd.	2007-08				39.71	Not accepted but action taken

126	1-CT(S)	Gujarat	Ahmedabad II	Kairav Chemicals Ltd.	2006-07 2007-08				26.42	Accepted and action taken
127	107-CT	Gujarat	Baroda I	Diamond Power Infrastructure Ltd.	2007-08				25.2	Not accepted but action taken
128	98-CT	Tamil Nadu	Coimbatore I	M/s Suguna Poultry Farm Ltd	2005-06				65.18	Accepted and amount recovered
129	54-CT	Kerala	Kochi I	M/s Aspinwall & Company Ltd	2007-08				29	Accepted and amount recovered
130	272-CT	Maharashtra	Mumbai II	M/s Bank of India	2008-09				3147.91	Accepted and action taken
131	42-CT	Tamil Nadu	LTU Chennai	M/s Ford India Pvt. Ltd	2007-08				1312.94	Accepted and action taken
132	48-CT	Delhi	Delhi III	M/s SREI Infrastructure Finance Ltd	2008-09				1063	Accepted and action taken
133	70-CT	West Bengal	Central I Kolkata	M/s Allied Resins and Chemicals Ltd	2007-08				901.74	Accepted and action taken
134	97-CT	Tamil Nadu	Chennai I	M/s TTG Industries Ltd	2005-06				785.76	Accepted and action taken
135	62-CT	Maharashtra	Nagpur I	M/s Western Coalfields Ltd	2007-08				664	Accepted and action taken
136	192-CT	Maharashtra	Pune III	M/s Sukumar Estates Ltd	1997-98				513	Accepted and action initiated
137	220-CT	Karnataka	Bangalore III	M/s SKF Sealing Solutions India Pvt. Ltd	2006-07				369	Accepted and action taken
138	120-CT	Maharashtra	Central II Mumbai	M/s Prism Cements Ltd	2007-08- 2008-09				243	Accepted and action taken
139	135-CT	Maharashtra	Mumbai II	M/s Bank of India	2008-09				20944	Accepted and action taken
140	182-CT	Andhra Pradesh	Vishakhapatnam II	M/s Pearl Bottling Pvt. Ltd	2006-07				183	Accepted and action taken
141	69-CT	West Bengal	Kolkata III	M/s Merlin Resource (P) Ltd	2008-09				153.53	Accepted and action taken

142	12-CT	Gujarat	Ahmedabad-VI	Bhavnagar Vegetable Products Ltd.	2005-06			153.18	Accepted and action taken
143	25-CT	Delhi	Delhi V	M/s RPG Satellite Communications Ltd.	2005-06			113.19	Accepted and action taken
144	01-CT	Delhi	Delhi III	M/s Shivnath Rai Harnarain (India) Ltd	2007-08			102.88	Accepted and action taken
145	163-CT	Delhi	Delhi III	M/s Showtime Events India Pvt. Ltd	2008-09			94.75	Not accepted but action taken
146	65-CT	Tamil Nadu	LTU Chennai	M/s Sundaram Finance Ltd.	2003-04			86.96	Accepted and action taken
147	56-CT	Maharashtra	Kolhapur	M/s Balwant Textile Mills	2007-08			80.27	Accepted and action taken
148	95-CT	Karnataka	Central Bangalore	M/s VSL Mining Projects Pvt. Ltd	2008-09			69.45	Accepted and action taken
149	34-CT	Tamil Nadu	Chennai I	M/s ETL Infrastructure Services Ltd	2008-09			66.85	Accepted and action taken
150	317-CT	Haryana	Hisar	M/s United Textiles Ltd	2006-07			51.2	Accepted and action taken
151	79-CT	Rajasthan	Ajmer	M/s Suzuki Textiles Ltd	2008-09			46.73	Accepted and action taken
152	19-CT	Gujarat	Ahmedabad II	M/s Gokul Ceramics Pvt. Ltd.	2008-09			43.15	Accepted and action taken
153	197-CT	Andhra Pradesh	Hyderabad III	M/s Suven Pharmaceuticals Pvt. Ltd	2007-08			42.74	Accepted and action taken
154	94-CT	Karnataka	Bangalore III	M/s Ramanshree Comforts Ltd	2007-08			32.77	Accepted and action taken
155	233-CT	Delhi	Delhi II	Luna Chemical Industries Pvt. Ltd.	2006-07			62.42	Accepted and action taken
156	214-CT	Delhi	Delhi-I	M/s Cybersys Infotech Ltd.	2008-09			88.03	Accepted and action taken
157	63-CT	Tamil Nadu	Chennai I	M/s TVS Company	2004-05			209.08	Accepted and action taken

174	09-CT	Tamil Nadu	Chennai I	India Ltd.	M/s Integrated Finance Company Ltd.	2005-06				251.72	Reply not received
175	250-CT	West Bengal	Kolkata I	Westing House Saxby Farmer Ltd.		2004-05				236.39	Reply not received
176	152-CT	Uttar Pradesh	Kanpur II	M/s UPSIDC, Kanpur		2006-07				220	Reply not received
177	297-CT	West Bengal	Kolkata IV	M/s J.K. Sugar Ltd.		2006-07				218.45	Not accepted but action taken
178	115-CT	Maharashtra	Mumbai VI	M/s Blue Star Infotech Ltd.		2005-06				211.64	Accepted and action taken
179	83-CT	Gujarat	Gandhinagar	M/s Gujarat Water supply and Sewerage Board		2006-07				182.24	Reply not received
180	276-CT	Maharashtra	Mumbai II	M/s Kingstone Properties Pvt. Ltd.		2006-07				166	Accepted and action initiated
181	242-CT	Kerala	Thrissur	The South India Bank Ltd.		2005-06				157.46	Reply not received
182	132-CT	Delhi	Delhi IV	Delhi Financial Corporation		2005-06				147.94	Reply not received
183	193-CT	West Bengal	Kolkata II	Hindusthan Paper Corporation Ltd.		2004-05				132.61	Reply not received
184	323-CT	Tamil Nadu	Chennai III	M/s Shri Renuga Textiles Ltd.		2007-08				129.71	Not accepted
185	268-CT	Maharashtra	Mumbai III	M/s Eversmile Properties Pvt. Ltd.		2006-07				116	Reply not received
186	215-CT	Tamil Nadu	Pondicherry	M/s Pondicherry Industrial Promotion Dev. And Invt. Corp. Ltd.		2006-07				110.5	Accepted and action taken
187	251-CT	West Bengal	Kolkata II	Duncan Industries Ltd.		2007-08				97	Not accepted
188	307-CT	Bihar	Patna I	M/s Aptech Builders (P) Ltd. Patna		2007-08				95.22	Accepted and action initiated
189	316-CT	Haryana	Panchkula	M/s Haryana Vidyut		2007-08				92.48	Reply not received

		Pradesh		Automotives Pvt. Ltd.				received
205	327-CT	Maharashtra	Mumbai III	M/s Small Industries Development Bank of India	2005-06		590.9	Accepted and action taken
206	222-CT	Karnataka	Bangalore I	M/s Keane International India Limited	2007-08		547	Accepted and action taken
207	207-CT	Maharashtra	Pune III	M/s Satav Infrastructure Pvt. Ltd	2006-07		274	Accepted and action taken
208	08-CT	Maharashtra	Mumbai II	M/s Dena Bank Ltd	2005-06		207	Accepted and action taken
209	68-CT	Karnataka	LTU Bangalore	M/s Volvo India Pvt. Ltd	2007-08		183	Accepted and action taken
210	201-CT	Maharashtra	Pune III	M/s Satav Infrastructure Pvt. Ltd	2006-07		168	Accepted and action taken
211	52-CT	Andhra Pradesh	Hyderabad III	M/s Sanghi Industries Ltd	2006-07		132.61	Accepted and action taken
212	310-CT	Karnataka	Bangalore III	M/s SAP India Private Ltd	2007-08		95.62	Accepted and action initiated
213	174-CT	Maharashtra	Mumbai VIII	M/s Metal Plast Exim India Pvt. Ltd.	2008-09		84.2	Accepted and action taken
214	206-CT	Maharashtra	Central I Pune	M/s Bala Entertainment International Pvt. Ltd	2009-10		77.84	Accepted and action taken
215	58-CT	Maharashtra	Mumbai XI	M/s Jet Speed Audio Pvt. Ltd	2005-06		65.7	Accepted and action taken
216	109-CT	Maharashtra	Nagpur I	M/s Rochem Separation System (I) P Ltd	2000-01		53.97	Accepted and action taken
217	99-CT	Tamil Nadu	Chennai I	M/s Kothari Industrial Corporation Ltd.	2006-07		168.84	Accepted and action taken
218	183-CT	Tamil Nadu	Chennai I	M/s Data Software	2005-06		160.79	Accepted and

234	308-CT	Tamil Nadu	Chennai-I	Management Pvt. Ltd.		2005-06				72.19	Accepted and action taken
235	256-CT	West Bengal	Kolkata-III	M/s Tagros Chemicals India Ltd. Star Battery Ltd.		2005-06				66.55	Accepted and action taken
236	289-CT	West Bengal	Kolkata-II	Kesoram Industries Ltd.		2008-09				61.64	Reply not received
237	261-CT	West Bengal	Kolkata-I	JHV Distilleries and Sugar Mills		2006-07				54.93	Not accepted but action taken
238	78-CT	West Bengal	Kolkata I	M/s West Bengal State Warehousing Corporation		2007-08				54.83	Accepted and amount recovered
239	198-CT	Andhra Pradesh	Hyderabad III	M/s United States Pharmacopeia Pvt. Ltd.		2006-07				66.8	Accepted and action taken
240	168-CT	Delhi	Central III Delhi	M/s Microwave Communications Ltd		2006-07				65.98	Accepted and action taken
241	46-CT	Delhi	Delhi I	M/s CCIL		2008-09				52.15	Accepted and action taken
242	67-CT	Karnataka	Bangalore III	The Mysore Paper Mills Ltd		2005-06				41.6	Accepted and action taken
243	187-CT	Tamil Nadu	Chennai I	Ms/ T.N. Electricity Board		2007-08 2008-09				31215.68	Accepted and action taken
244	213-CT	Delhi	Delhi V	M/s Ratnagiri Gas and Power Pvt. Ltd.		2008-09				1033.49	Accepted and action taken
245	196-CT	Tamil Nadu	Chennai III	Ucal Fuel Systems Ltd.		2006-07				195.35	Accepted and action taken
246	225-CT	Tamil Nadu	Chennai-I	M/s VSL India Ltd.		2007-08				64.3	Accepted and action taken
247	81-CT	Odisha	Bhubaneswar	M/s Orissa Mining Corporation		2006-07				813	Accepted and action initiated
248	150-CT	Odisha	Bhubaneswar	M/s Paradeep Phosphates Ltd		2007-08				279.57	Accepted and action initiated
249	101-CT	Odisha	Bhubaneswar	M/s Neelachal Ispat Nigam Ltd		2008-09				236.57	Accepted and action initiated

250	139-CT	Maharashtra	Mumbai VII	M/s Reliance Petro Marketing Pvt. Ltd	2008-09					67.81	Accepted and action initiated
251	122-CT	Maharashtra	Mumbai II	M/s Bank of India	2002-03	Tax escaping assessments due to omissions	Income not assessed under special provisions			4622.86	Accepted
252	55-CT	Maharashtra	Mumbai II	M/s Indusind Bank Ltd	2003-04					2498.51	Accepted and action taken
253	319-CT	Maharashtra	Mumbai II	Ms Dena Bank Ltd.	2006-07					2008.9	Accepted and action taken
254	322-CT	Tamil Nadu	Chennai III	M/s PPN Power Generating Co. Ltd.	2005-06					722.33	Reply not received
255	277-CT	Maharashtra	Mumbai II	M/s Raymond Ltd.	2001-02					576	Accepted and action taken
256	170-CT	Maharashtra	Mumbai X	Niskalp Energy Ltd.	2004-05					541	Accepted
257	264-CT	Maharashtra	DIT Mumbai I	American Express Bank Ltd.	2006-07 2007-08					419.91	Reply not received
258	286-CT	Maharashtra	Mumbai VII	Prime Securities Ltd.	2008-09					344	Accepted and action initiated
259	60-CT	Maharashtra	Mumbai III	Rama News Print and Papers Ltd.	2007-08					307.4	Accepted and action taken
260	273-CT	Maharashtra	Mumbai VIII	M/s Ehercon India Ltd.	2006-07					207	Reply not received
261	22-CT	Gujarat	Baroda I	Gujarat Urja Vikas Nigam Ltd.	2007-08					191.59	Not accepted but action taken
262	28-CT	Delhi	Delhi V	M/s PNB Gilts Ltd.	2006-07					178.45	Not accepted
263	245-CT	Maharashtra	Pune I	M/s Bramha Bazaz Hotels Ltd.	2007-08					140	Reply not received
264	57-CT	Delhi	Delhi V	M/s Nalwa Sons Investment Ltd.	2008-09					133.8	Accepted and action taken
265	237-CT	Madhya Pradesh	Gwalior	M/s Cardinal Drugs Ltd.	2005-06					125.61	Reply not received
266	05-CT	Maharashtra	Mumbai-V	M/s Jet Airways India Pvt. Ltd.	2007-08					98.78	Accepted and action taken
267	275-CT	Maharashtra	Mumbai Central I	M/s Jindal Drugs Ltd.	2009-10					82.04	Accepted and action taken
268	270-CT	Maharashtra	Nagpur IV	M/s Sarda Energy and Mineral Ltd.	2008-09					66.57	Reply not received
269	113-CT	Maharashtra	Aurangabad	M/s Durovalves	2007-08					64.25	Accepted

270	324-CT	Tamil Nadu	Madurai I	India Pvt. Ltd.	2008-09			63.7	Reply not received
271	43-CT	Maharashtra	Mumbai II	M/s Thiagaraja Mills Ltd.	2005-06			55.02	Accepted and action initiated
272	87-CT	Maharashtra	Mumbai X	Tata AIG General Insurance Co. Ltd.	2007-08			51.01	Accepted and action taken
273	266-CT	Maharashtra	Mumbai-VIII	Welspun Mercantile Ltd.	2007-08			50.14	Accepted and action taken
274	318-CT	Chandigarh (UT)	Chandigarh I	M/s Garware Polyester Ltd.	2008-09			50.1	Reply not received
275	311-CT	Punjab	Patiala	M/s Amrit Banaspati Company Ltd.	2007-08			48.24	Reply not received
276	208-CT	Gujarat	Ahmedabad IV	M/s Teg Masarado Private Ltd.	2006-07			37.22	Reply not received
277	204-CT	Maharashtra	Mumbai II	Specific Ceramics Pvt. Ltd.	2001-02			5671	Accepted and action taken
278	36-CT	Gujarat	Gandhinagar	M/s Bank of India	2008-09			540.05	Accepted and action taken
279	02-CT	Delhi	Delhi II	M/s Gujarat State Petronet Limited	2005-06			391.8	Accepted and action taken
280	129-CT	Delhi	Delhi III	M/s Keane India Ltd	2008-09			253.91	Accepted and action taken
281	149-CT	Andhra Pradesh	Hyderabad I	M/s Super Religare Laboratories Ltd	1998-99			247	Accepted and action taken
282	117-CT	Maharashtra	Pune I	M/s Dr Reddy's Laboratories Ltd	2008-09			72.83	Accepted and action taken
283	134-CT	Maharashtra	Thane II	M/s Kalyani Global Engineering Pvt. Ltd	2008-09			56.11	Accepted and action taken
284	66-CT	Tamil Nadu	Chennai LTU	Johnson Matthey chemicals (I) Ltd.	2003-04			151.14	Accepted and action taken
285	194-CT	Rajasthan	Alwar	M/s Royal Sundaram Alliance Insurance Co.	2003-04			234.98	Accepted and action taken
286	141-CT	Maharashtra	Mumbai VII	Gillette India Ltd.	2007-08			166	Accepted and action initiated
287	263-CT	Karnataka	Bangalore III	M/s Voltas Ltd	2007-08			30.75	Accepted and

304	93-CT	Karnataka	Mangalore	M/s Corporation Bank	2008-09			228	Accepted and action taken
305	200-CT	Maharashtra	Mumbai III	M/s Saurashtra Fuels Pvt Ltd	2006-07			50.08	Accepted and action taken
306	123-CT	Andhra Pradesh	Hyderabad III	M/s Sentini Ceramica Pvt. Ltd.	2007-08			77.17	Accepted and action taken
307	24-CT	Delhi	Delhi I	M/s Bharat Aluminium Company Ltd.	2006-07			302.85	Accepted and action taken
308	146-CT	Tamil Nadu	Chennai I	M/s Integrated Finance Company Ltd.	2005-06			898.52	Accepted and action taken
309	90-CT	Tamil Nadu	Coimbatore I	M/s NEPC India Ltd.	2005-06			58.55	Accepted and action taken
310	124-CT	Tamil Nadu	Chennai I	M/s Hwashin Automotive India P. Ltd.	2006-07			74.68	Accepted and action taken
311	186-CT	Tamil Nadu	Chennai I	M/s Kothari Industrial Corp. Ltd.	2006-07			123.47	Accepted and action taken
312	104-CT	Odisha	Bhubaneswar	M/s Rohit Kumar Das Construction Pvt. Ltd	2008-09			462	Accepted and action initiated
313	234-CT	Maharashtra	Mumbai II	M/s Tata Industries Ltd.	2005-06			239	Reply not received
314	111-CT	Maharashtra	Mumbai-VI	M/s e-Bay India Pvt. Ltd	2005-06			100.71	Not accepted but action taken
315	259-CT	West Bengal	Kolkata III	M/s Subarnarekha Properties (P) Ltd.	2006-07			77.13	Not accepted but action taken
316	53-CT	Kerala	Kochi I	M/s Aspinwall & Company Ltd	2008-09			181	Accepted and action taken
317	232-CT	Delhi	LTU Delhi	The Oriental Insurance Company Ltd.	2008-09			2193.57	Reply not received
318	133-CT	Delhi	Delhi I	Central Warehousing	2008-09			139.8	Accepted and action taken
							Overcharge of tax/interest	Overcharge of tax/ interest	
							Incorrect classification and computation of capital gains		

319	130-CT	Delhi	Delhi IV	Corporation	2008-09				107.41	Reply not received
320	249-CT	West Bengal	Kolkata II	M/s Gillette Group India (P) Ltd	2005-06				105	Accepted and action taken
321	303-CT	Punjab	Patiala	M/s Punjab Tractors Ltd.	2008-09				87.75	Reply not received
322	71-CT	West Bengal	Kolkata III	M/s Boulevard Services (P) Ltd	2008-09				102.38	Accepted and action taken
323	328-CT	Haryana	Gurgaon	M/s Liberty Healthcare (P) Ltd	2005-06				91.41	Accepted and action taken
324	39-CT	Madhya Pradesh	Bhopal	M/s Optel Telecommunication Ltd.	1994-95				636	Accepted and action taken
325	305-CT	Jharkhand	Jamshedpur	M/s Timken India Ltd.	2006-07				42.53	Accepted and action taken
326	1-IT	Maharashtra	CIT-I, Kolhapur	M/s Vishwasrao Naik Sahakari Sakhar Karkhana Ltd.	2007-08				347.96	Accepted and action taken
327	23-IT	Gujarat	CIT Central-I, Ahmedabad	Hiren B Parmar	2005-06				6.70	Accepted and action taken
328	37-IT	Maharashtra	CIT I, Kolhapur	M/s Indira Gandhi Bhartiya Mahila Vikas SSK Ltd.	2007-08				230.38	Accepted and action taken
329	43-IT	Delhi	CIT XIII, Delhi	M/s BSC C&C IV	2006-07				110.19	Accepted and action taken
330	45-IT	Andhra Pradesh	CIT-I Visakhapatnam	M/s Visakhapatnam Port Trust	2008-09				45539.00	Accepted and action taken
331	47-IT	Maharashtra	CIT-Thane	M/s Siddhi Real Estate developers Ltd.	2009-10				12.73	Accepted and action taken
332	48-IT	Karnataka	CIT – Central, Bangalore	M/s. Chamundi Gold Hill Estate	2008-09				21.61	Accepted and amount recovered
333	66-IT	Delhi	CIT VIII, Delhi	M/s Turkinz-1	2008-09				10.79	Accepted and action taken
				Quality of assessments						
								Arithmetical errors in computation of income and tax		

366	16-IT	West Bengal	CIT-XIII Kolkata	Smt. Manju Chowdhury	2007-08	Administration of tax concession/exemption/ deduction	Irregular exemptions/deduction to Individuals	29.15	Accepted and action taken
367	19-IT	Gujarat	CIT-III, Rajkot	Jayesh Kumar R Shah	2007-08			5.71	Not accepted but action taken
368	62-IT	Tamil Nadu	CIT-I Coimbatore	Shri. S. Martin	2007-08			90.84	Accepted and action taken
369	64-IT	Rajasthan	CIT-II, Jaipur	Shailendra Garg	2005-06			8.33	Accepted and action taken
370	2-IT	Maharashtra	CIT II, Pune	M/s. Pune Cantonment Sahakari Bank Ltd.	2007-08		Irregular exemptions/deduction to Trusts/Firms/Societies	59.94	Accepted and action taken
371	5-IT	Maharashtra	CIT-II, Thane	M/s Raigad District Co-operative Bank Ltd.	2007-08			67.49	Accepted and action taken
372	28-IT	Tamil Nadu	CIT I Trichy	M/s. Aravind A Traders	2007-08			84.00	Accepted and action taken
373	29-IT	Madhya Pradesh	CIT, Gwalior	M/s. District Co-operative Agriculture & Rural Development Bank Limited, Bhind	2006-07			322.86	Accepted and action taken
374	32-IT	West Bengal	CIT-(C)-III, Kolkata	Thackers Sales Corporation	2007-08			15.41	Accepted and action taken
375	34-IT	Maharashtra	CIT II, Nashik	M/s Pawar Patkar Constructions	2006-07			72.68	Accepted and action taken
376	36-IT	Maharashtra	CIT I, Kolhapur	M/s. Rajarambapu Patil Dudh Sangh Ltd.	2007-08			21.06	Accepted and action taken
377	38-IT	Maharashtra	CIT-I, Kolhapur	M/s Vasantdada Shetkari Shakari Bank Ltd. Sangli	2007-08			44.22	Accepted and action taken
378	39-IT	Andhra Pradesh	CIT-IV, Hyderabad	M/s District Co-operative Central Bank Limited	2005-06			711.72	Accepted and action taken
379	53-IT	Bihar	CIT, Bhagalpur	M/s Agriculture Produce Market	2007-08			5.72	Accepted and action taken

380	54-IT	Bihar	CIT-I, Patna	Committee M/s Maruti Enterprises	2007-08			8.22	Accepted and action initiated
381	57-IT	Tamil Nadu	CIT-IV Chennai	M/s. Deloitte Haskins & Sells	2008-09			110.00	Reply not received
382	61-IT	Tamil Nadu	CIT II, Trichy	M/s. Praveen Chem Industry	2007-08			19.41	Accepted and action taken
383	69-IT	West Bengal	CIT-Durgapur	Bankura District Central Co- operative Bank	2007-08			32.80	Accepted and action taken
384	70-IT	Andhra Pradesh	CIT, Vijayawada	M/s. Krishna District Milk Producers Mutually Aided Co- op Union Limited	2008-09			60.41	Accepted and action taken
385	74-IT	Maharashtra	CIT-Aurangabad	Aurangabad District Central Co-op Bank Ltd.	2007-08			78.90	Reply not received
386	75-IT	Maharashtra	CIT III, Nagpur	M/s. Amravati District Co-op Bank Ltd.	2007-08			50.22	Accepted and action taken
387	92-IT	West Bengal	CIT- XIV, KOLKATA	Sundarlal Mohanlal Sarda and others	2006-2007			16.76	Not accepted but action taken
388	94-IT	Maharashtra	CIT XV, Mumbai	M/s. Prime Consultants India	2005-06			11.51	Accepted and action initiated
389	95-IT	Maharashtra	CIT-II, Nagpur	Shikshak Sahakari Bank Ltd.	2006-07			33.66	Accepted and action initiated
390	96-IT	Maharashtra	CIT-I, Kolhapur	M/s. Tamraparni Nagri Sahakari Par Sanstha Maryadit	2006-07			12.80	Accepted and action taken
391	100-IT	Haryana	CIT Faridabad	Palwal Co-operative sugar mill ltd.	2005-06			15.80	Reply not received
392	119-IT	Gujarat	CIT-III, Rajkot	Saurashtra Gramin Bank	2007-2008			22.75	Accepted and action initiated
393	4-IT	Maharashtra	CIT, I, Pune	Sant Tukaram Sahakari Sakhar Karkhana Ltd.	2005-06			27.51	Accepted and action taken
							Irregularities in allowing depreciation/busi		

394	8-IT	Gujarat	CIT-III, Rajkot	Shri Mahesh Bhurabhai Prasana	2008-09	ness losses/capital losses	17.96	Accepted and action taken
395	9-IT	Gujarat	CIT-VI, Ahmedabad	Kirit Chemicals Works	2006-07		11.79	Accepted and action taken
396	24-IT	Gujarat	CIT-I, BARODA	Amin Transport Trading Company	2006-07 2007-08		6.04	Accepted and action taken
397	30-IT	Gujarat	CIT-I, Surat	Priyanka Polyster	2005-06		8.83	Accepted and action taken
398	44-IT	Gujarat	CIT-I Baroda charge	Petrofils Co-operative Limited	2006-07		2489.00	Reply not received
399	46-IT	Maharashtra	CIT I, Kolhapur	Sonhira Sahakari Sakhar Karkhana Ltd.	2007-08		359.00	Reply not received
400	52-IT	Maharashtra	CIT I, Kolhapur	M/s. Kranti Sahakari Sakhar Karkhana Ltd.	2007-08		68.94	Accepted and action taken
401	84-IT	Delhi	Central-I, Delhi	Aditya Khanna	2008-09		11.27	Accepted and action initiated
402	86-IT	Karnataka	Mysore	The Mandya District Co-operative Central Bank Ltd.	2006-07		40.08	Accepted and action taken
403	90-IT	West Bengal	CIT-III, Kolkata	Shri Harshavardhan Himatsingka	2006-2007		94.04	Accepted and action taken
404	104-IT	Maharashtra	CIT-Aurangabad	The Parbhani People's Co-operative Bank Ltd. Parbhani	2005-06	85.39	Reply not received	
405	106-IT	Maharashtra	CIT-Aurangabad	M/s Jai Bhawani Sahkari Sakhar Karkhana Limited	2008-09	151.06	Accepted and action taken	
406	111-IT	Bihar	CIT-I, Patna	M/s Oro Dental Health Care Centre	2004-05, 2005-06, 2006-07 2007-08	6.60	Accepted and action taken	
407	17-IT	West Bengal	CIT-(C)-III, Kolkata	Uttam Kumar Shaw	2006-07	Tax escaping assessments due to omissions	16.13	Reply not received
408	51-IT	Uttar Pradesh	CIT- Varanasi	M/s Narendra	2005-06		45.25	Reply not

425	22-IT	Gujarat	CIT, Gandhinagar	Babuji Laxmiji Dabhi	2006-07				38.65	Reply not received
426	25-IT	Delhi	CIT- XIII, Delhi	HCIL-ARSSSPL-TRIVENI (JV)	2006-07				153.53	Accepted and action taken
427	35-IT	Gujarat	CIT-VI, Ahmedabad	Kailashchandra Murlidhar Chechani	2007-08				17.00	Accepted and action taken
428	42-IT	Delhi	CIT XII, Delhi	Harjeet Sharma	2006-07				18.17	Accepted and action taken
429	63-IT	West Bengal	CIT-XIII, Kolkata	Shri Prem Chowdhury	2007-08				14.00	Accepted and action taken
430	77-IT	Gujarat	CIT-I, Surat	K D Manufacturing	2005-06				46.55	Reply not received
431	107-IT	Jharkhand	CIT, Ranchi	Surendra Kr Singh	2005-06				20.38	Not accepted but action taken
432	109-IT	Jharkhand	CIT, Dhanbad	M/s Vijay Laxmi Transport	2008-09				12.31	Accepted and action taken
433	110-IT	Jharkhand	CIT, Ranchi	Purushottam Bagaria	2005-06				31.43	Accepted and action taken
434	26-IT	Delhi	CIT-Central, Delhi	Rajiv Chaurasia	2006-07			Others-Over-charge of tax/Interest	89.27	Over charge of tax Accepted and action initiated
435	33-IT	Rajasthan	CIT-Ajmer	Mahiendra Singh Asolia	2007-08				24.27	Accepted and action taken
436	40-IT	West Bengal	CIT Central-III Kolkata	Narula Educational Trust	2008-09				209.23	Accepted and action taken
437	65-IT	Rajasthan	CIT-III, Jaipur	Sikar Kendriya Sahakari Bank Ltd	2008-09				11.96	Accepted and action taken
438	68-IT	West Bengal	CIT-II, Kolkata	Dilip Kumar Khandelwal	2007-08				19.40	Accepted and action taken
439	78-IT	Gujarat	CIT-II, Surat	Biharilal T Patel	2002-03				10.58	Reply not received
440	108-IT	Jharkhand	CIT, Ranchi	M/s Jharkhand Gramin Bank	2007-08				34.17	Accepted and action taken
441	1-WT	Delhi	CIT-I, Delhi	M/s Aikon Technologies Pvt. Ltd.	2007-08		Wealth not assessed	Over charge of interest	1.64	Wealth not assessed Accepted and amount recovered
442	2-WT	Tamil Nadu	CIT-II, Madurai	M/s Shri Ramalinga	2008-09				1.3	Accepted and

[illegible]

Appendix 5 - (Referred to in Paragraph 2.3.2)

Category wise details of observations in respect of Draft Paragraphs sent to Ministry		
Sub category	Cases	Tax Effect (Lakh ₹)
A. Quality of assessments	128	100248.75
a. Arithmetical errors in computation of income and tax	53	88698.41
b. Incorrect application of rate of tax, surcharge etc.	18	2308.61
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	41	5383.75
d. Excess or irregular refunds / interest on refunds	12	3197.03
e. Mistake in assessment while giving effect to appellate orders	4	660.95
B. Administration of tax concession/exemptions/deductions	203	146569.11
a. Irregular exemptions / deduction/ relief given to Corporates	56	26621.49
b. Irregular exemptions/deduction/relief given to Trusts/Firms/ Societies	23	1785.52
c. Irregular exemptions/deduction/relief given to individuals	4	134.03
d. Incorrect allowance of Business Expenditure	27	43999.27
e. Irregularities in allowing depreciation/business losses/Capital losses	93	74028.80
C. Income escaping assessment due to omissions	108	35773.79
a. Under Special Provisions including MAT/Tonnage Tax etc.	37	21500.00
b. Unexplained investments/ cash credits etc.	3	88.44
c. Incorrect classification and Computation of Capital Gains	9	977.32
d. Incorrect Computation of Income	33	11777.14
e. Omission in implementing provisions of TDS/TCS	11	1395.70
f. Non/short levy of wealth tax	15	35.19
D. Others	16	3905.00
Over charge of tax/interest	16	3905.00
Total	455	286496.65

Appendix-6 (Referred to in Paragraph 2.6.1)

State	Assessments completed during 2010-11	Assessments checked in audit during 2011-12	Assessments with errors	Total revenue effect of the audit observations made in the scrutiny assessments (Cr. ₹)	Percentage of assessments with errors (Col. 4/Col. 3x100)
1	2	3	4	5	6
Andhra Pradesh	20166	16455	1375	1023.04	8
Assam	1085	1007	81	104.84	8
Bihar	1698	1500	180	21.02	12
Chhattisgarh	3340	3340	202	11.45	6
Goa	602	572	59	59.61	10
Gujarat	43977	41543	1902	1128.90	5
Haryana	6743	6246	666	71.77	11
Himachal Pradesh	1339	1194	457	10.49	38
Jammu & Kashmir	185	59	5	0.09	8
Jharkhand	3661	3495	262	25.95	7
Karnataka	243581	23126	752	1106.50	3
Kerala	7819	7183	910	852.08	13
Madhya Pradesh	9149	8799	430	247.23	5
Odisha	2888	2428	452	1141.52	19
Punjab	16942	12177	706	267.13	6
UT Chandigarh	2325	1710	138	27.05	8
Rajasthan	17222	13480	663	141.46	5
Tamil Nadu	28546	26473	2491	3946.24	9
Uttar Pradesh	16676	15874	1020	312.03	6
Uttaranchal	926	916	74	11.40	8
Delhi	43376	33451	906	2003.42	3
Maharashtra	54090	51780	1744	2181.45	3
West Bengal	23682	22751	2597	4830.00	11
Total	550018	295559	18072	19524.67	6.1

Appendix – 7 (Referred to in paragraph 2.6.4)

Category wise details of underassessment in respect of Income tax and Corporation tax detected during local audit		
Sub category	Cases	Tax effect (Cr. ₹.)
A. Quality of assessments	5878	3641.19
a. Arithmetical errors in computation of income and tax	2268	2453.21
b. Incorrect application of rate of tax, surcharge etc.	739	302.01
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	2458	756.54
d. Excess or irregular refunds / interest on refunds	328	87.60
e. Mistake in assessment while giving effect to appellate orders	85	41.84
B. Administration of tax concession/exemptions/ deductions	8281	11198.14
a. Irregular exemptions / deduction/ relief given to Corporates	630	2234.25
b. Irregular exemptions / deduction/ relief given to Trusts/ Firms/ Societies	592	155.10
c. Irregular exemptions / deduction/ relief given to individuals	1293	1423.31
d. Incorrect allowance of Business Expenditure	4177	5043.96
e. Irregularities in allowing depreciation/business losses/Capital losses	1584	2335.30
f. Incorrect allowance of DTAT relief	5	6.22
C. Income escaping assessments due to omissions	2332	3268.72
a. Under Special Provisions including MAT/ Tonnage Tax etc.	131	125.77
b. Unexplained investments/ cash credits etc.	429	2300.19
c. Incorrect classification and Computation of Capital Gains	534	148.41
d. Incorrect estimation of arm's length price	95	8.75
e. Omission to club income of spouse, minor child etc.	21	2.20
f. Incorrect computation of Income from House Property	195	11.46
g. Incorrect computation of salary income	124	42.25
h. Omission in implementing provisions of TDS/ TCS	803	629.69
D. Others	1627	880.78
Total	18118	18988.85

Appendix – 8 (Referred to in Paragraph 2.11.2)**Cases where remedial action has become time barred in FY 12**

State	Audit observations where remedial action became time barred	
	Cases	Tax effect (Cr. ₹.)
Andhra Pradesh	60	10.82
Assam	16	7.37
Bihar	108	1.6
Chhattisgarh	19	0.94
Goa	0	0
Gujarat	254	49.89
Haryana	81	3.07
Himachal Pradesh	63	4.48
Jammu & Kashmir	71	1.59
Jharkhand	20	0.65
Karnataka	1	0.01
Kerala	6	0.04
Madhya Pradesh	59	10.29
Odisha	17	24.04
Punjab	2	0
UT Chandigarh	7	0.02
Rajasthan	158	13.64
Tamil Nadu	1477	699.24
Uttar Pradesh	201	22.16
Uttaranchal	20	14.09
Delhi	0	0
Maharashtra	376	87.58
West Bengal	891	131.33
Total	3907	1082.85