

Report of the Comptroller and Auditor General of India

for the year ended March 2014



Union Government
Department of Revenue - Direct Taxes
Report No. 3 of 2015

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Laid on the table of Lok Sabha and Rajya Sabha on

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Preface

This Report for the year ended March 2014 has been prepared for submission to the President under Article 151 of the Constitution of India.

The Report contains significant results of the compliance audit of the Department of Revenue–Direct Taxes of the Union Government.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Highlights

The Comptroller and Auditor General of India conducts the audit of Receipts from Direct Taxes of the Union Government under section 16 of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. This Report discusses direct taxes administration, audit mandate and findings of compliance audit.

Chapter I: Direct Taxes Administration

Direct taxes receipts of Union Government in FY 2013-14 was ₹ 6,38,596 crore which represented 5.6 *per cent* of the GDP. Share of direct taxes in Gross Tax Revenue increased from 53.9 *per cent* in FY 2012-13 to 56.1 *per cent* in FY 2013-14.

Two major components of Direct taxes viz. Corporation Tax increased from ₹ 3.56 lakh crore in FY 2012-13 to ₹ 3.95 lakh crore in FY 2013-14 and Income Tax increased from ₹ 1.97 lakh crore in FY 2012-13 to ₹ 2.38 lakh crore in FY 2013-14.

The revenue foregone on account of tax exemptions increased from ₹ 1.02 lakh crore in FY 2012-13 to ₹ 1.16 lakh crore in FY 2013-14. It is increasing in absolute terms since FY 2010-11.

The number of non-corporate assessees decreased from 367.87 lakh in FY 2012-13 to 304.03 lakh in FY 2013-14 registering a decrease of 17.4 *per cent*.

The number of corporate assessees increased from 5.90 lakh in FY 2012-13 to 6.36 lakh in FY 2013-14 registering an increase of 7.8 *per cent*. The number of corporate assessees (6.36 lakh) is different from the number of working companies (8.84 lakh) registered with Registrar of Companies (ROCs) in FY 2012-13.

Out of total 7.0 lakh scrutiny assessment cases, the Department had disposed of 2.8 lakh cases in FY 2013-14 resulting in increase of pending cases.

We noticed that the number of pending direct refund cases has come down from 11.2 lakh in FY 2012-13 to 8.8 lakh in FY 2013-14.

The uncollected demand increased from ₹ 4.86 lakh crore in FY 2012-13 to ₹ 5.75 lakh crore in FY 2013-14. The Department indicated that more than 94 *per cent* of uncollected demand was difficult to recover in FY 2013-14.

Appeals pending with CIT(A) increased from 1.99 lakh in FY 2012-13 to 2.15 lakh in FY 2013-14. The amount locked up in these cases with CIT(A) was ₹ 2.87 lakh crore in FY 2013-14. The amount locked up at higher levels (ITATs/High Courts/Supreme Court) in 76,922 cases increased to ₹ 1.8 lakh crore as on 31 March 2014 in comparison to ₹ 1.5 lakh crore (69,714 cases) as on 31 March 2013.

Chapter II: Audit Mandate, Products and Impact

ITD recovered ₹ 3659.7 crore in FY 2013-14 from demands raised to rectify the errors in assessments that we pointed out.

ITD completed 2.13 lakh scrutiny assessments in FY 2012-13, of which we checked 1.77 lakh cases in FY 2013-14. The incidence of errors in assessment checked in audit was 0.17 lakh which averaged to 9.5 *per cent*.

This Report discusses 469 high value and important cases issued to the Ministry. Of these, the ITD accepted 144 cases (31 *per cent*). In 11 cases, ITD did not accept the audit observation.

The accretion in pendency in replies to audit findings each year has resulted in pile-up of 40,638 cases involving revenue effect of ₹ 54,297.4 crore as of 31 March 2014.

During FY 2013-14, 2,427 cases with tax effect of ₹ 1,121.2 crore became time-barred for remedial action.

Chapter III: Corporation Tax

We pointed out 326 high value cases pertaining to corporation tax with tax effect of ₹ 2,254.72 crore. We classified these cases in four broad categories namely quality of assessments involving tax effect of ₹ 655.9 crore (106 cases), administration of tax concessions/exemptions/deductions involving tax effect of ₹ 716.9 crore (121 cases), income escaping assessments due to omissions involving tax effect of ₹ 387.6 crore (67 cases) and over-charge of tax/interest involving ₹ 494.3 crore (32 cases).

Chapter IV: Income Tax and Wealth Tax

We pointed out 124 high value cases pertaining to Income tax with tax effect of ₹ 397.0 crore. We classified these cases in four broad categories namely quality of assessments involving tax effect of ₹ 262.7 crore (38 cases), administration of tax concessions/exemptions/deductions involving tax effect of ₹ 29.79 crore (37 cases), income escaping assessments due to omissions involving tax effect of ₹ 20.3 crore (22 cases) and over-charge of tax/interest involving ₹ 84.1 crore (27 cases). Besides, we also pointed out 19 cases of Wealth Tax involving tax effect of ₹ 2.0 crore.

Chapter V: Functioning of Income Tax Settlement Commission and Implementation of its orders by ITD

The Income Tax Act has prescribed time frame for various stages from filing of applications till their settlement by the Commission and implementation of the orders thereof by the ITD. We have noticed considerable delay at various stages on the part of the Commission and the ITD as numbers of applications filed prior to 1 June 2007 are still pending with the Commission for disposal. Besides, ITD took considerable time in submission of required reports to the Commission and giving effect to the orders of the Commission.

Chapter I

Direct Taxes 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 below shows the summary of resources of the Union Government for the Financial Year (FY) 2013-14.

Table 1.1: Resources of the Union Government	(₹ in crore)
A. Total Revenue Receipts	15,36,024
i. Direct Taxes Receipts ¹	6,38,596
ii. Indirect Taxes Receipts including other taxes ¹	5,00,400
iii. Non-Tax Receipts including Grants-in-aid & contributions	3,97,028
B. Miscellaneous Capital Receipts	27,553
C. Recovery of Loan & Advances	24,549
D. Public Debt Receipts	39,94,966
Receipts of Government of India (A+B+C+D)	55,83,092
Note: Total Revenue Receipts include ₹ 3,18,230 crore, share of net proceeds of direct and indirect taxes directly assigned to states.	

1.1.2 In FY 2013-14, total receipts of the Union Government amounted to ₹ 55,83,092 crore¹. Out of this, its own receipts were ₹ 15,36,024 crore including gross tax receipts of ₹ 11,38,996 crore.

1.2 Nature of Direct Taxes

1.2.1 Direct taxes levied by the Parliament mainly comprises,

- i. **Corporation Tax** levied on income of the companies;
- ii. **Income Tax** levied on income of persons (other than companies);
- iii. **Other direct taxes** including Wealth Tax², Securities Transactions Tax³ etc.

1 Source: Draft Union Finance Accounts of FY 2013-14. Direct Tax Receipts and Indirect Tax Receipts including other taxes have been worked out from the draft Union Finance Accounts of FY 2013-14.

2 Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act, 1957.

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 with effect from Assessment Year 2009-10.

1.2.2 Table 1.2 provides a snapshot of direct taxes administration.

Table 1.2: Direct Taxes Administration					
	2009-10	2010-11	2011-12	2012-13	2013-14
₹ in crore					
1. Direct taxes collection	3,77,594	4,45,995	4,93,987	5,58,989	6,38,596
2. Refunds	57,101	75,169	93,814	83,766	89,060
3. Interest on refunds	6,876	10,499	6,486	6,666	6,598
Number in lakh					
4. Assesseees on record	340.9	335.8	363.5	373.8	470.3
5. Scrutiny assessments completed	4.3	4.6	3.7	3.1	2.9
6. Scrutiny assessment pending	4.4	3.9	4.1	2.9	4.2

Source: Sl. no. 1 – Union Finance Accounts; Sl. no. 2 - Pr. CCA, CBDT, Sl. no. 3 to 6 – DGIT (Logistics), CBDT.

The details of tax administration are given in *Appendix-1*.

1.3 Functions and responsibilities of the CBDT

1.3.1 The Central Board of Direct Taxes (CBDT) under Department of Revenue (DOR) in the Ministry of Finance provides essential inputs for policy and planning of direct taxes in India. At the same time, it is also responsible for administration of direct taxes laws through Income Tax Department (ITD). ITD deals with matters relating to levy and collection of direct taxes and *inter alia* the issues of tax evasion, revenue intelligence, widening of tax-base, providing tax payers services, grievance redressal mechanism.

1.3.2 As on 31 March 2014, the overall staff strength and working strength of the ITD is 75,098 and 42,069 respectively. The staff strength has been revised from 58,124 after cadre restructuring of the ITD in May 2013. The sanctioned and working strength of the officers⁴ is 10,869 and 7,543 respectively.

1.4 Budgeting of Direct Taxation

1.4.1 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 actuals is an indicator of quality of fiscal marksmanship. Actuals may differ from the estimates because of unanticipated and random external events or methodological inadequacies or at times it may be convenient to under project/over project some critical parameters.

1.4.2 Table 1.3 below shows the details of Budget Estimates, Revised Estimates and Actual collection of Direct Taxes during FY 2009-10 to FY 2013-14.

4 Pr. CCIT/DGIT, CCIT/DGIT, Pr. CIT/DIT, CIT/DIT, Addl. CIT/DIT, JCIT/JDIT, DCIT/DDIT, ACIT/ADIT and ITOs

Table 1.3: Budget Estimates, Revised Estimates vis-à-vis Actual						(₹ in crore)	
Financial Year	BE	RE	Actual	Actual minus BE	Actual minus RE	Difference as per cent of BE	Difference as per cent of RE
2009-10	3,70,000	3,87,008	3,77,594	7,594	(-) 9,414	2.0	(-) 2.4
2010-11	4,30,000	4,46,000	4,45,995	15,995	(-) 5	3.7	Zero
2011-12	5,32,651	5,00,651	4,93,987	(-) 38,664	(-) 6,664	(-) 7.3	(-) 1.3
2012-13	5,70,257	5,65,835	5,58,989	(-) 11,268	(-) 6,846	(-) 2.0	(-) 1.2
2013-14	6,68,109	6,36,318	6,38,596	(-) 29,513	2,278	(-) 4.4	0.4

Note: BE and RE figures are as per respective Receipts Budget and Actual are as per respective Finance Accounts

1.4.3 The actual collection of direct taxes exceeded the budget estimates in FY 2009-10 and FY 2010-11 whereas it was less than the budget estimates during FY 2011-12 to FY 2013-14. The revised estimates were found realistic in all years as variation in actual collection ranged from (-) 2.4 per cent to 0.4 per cent of revised estimates. In FY 2013-14, the actual collection of direct taxes exceeded revised estimates by ₹ 2,278 crore (0.4 per cent).

1.5 Growth of Direct Taxes

1.5.1 Table 1.4 below gives the relative growth of direct taxes (DT) with reference to Gross Tax Receipts⁵ (GTR) and Gross Domestic Products (GDP) during FY 2009-10 to FY 2013-14.

Table 1.4: Growth of Direct Taxes					(₹ in crore)
Financial Year	DT	GTR	DT as per cent of GTR	GDP	DT as per cent of GDP
2009-10	3,77,594	6,24,527	60.5	64,77,827	5.8
2010-11	4,45,995	7,93,307	56.2	77,95,314	5.7
2011-12	4,93,987	8,89,118	55.6	90,09,722	5.5
2012-13	5,58,989	10,36,460	53.9	1,01,13,281	5.5
2013-14	6,38,596	11,38,996	56.1	1,13,55,073	5.6

Source: DT and GTR - Union Finance Accounts, GDP - Press note of Press information Bureau, Central Statistical Organization (CSO), Ministry of Statistics. Press note dated 30 May 2014 indicates that the figures for GDP at current prices/market prices for the year 2011-12 are second revised estimates, for the year 2012-13 are first revised estimates and for the year 2013-14 are provisional estimates. The data is based on current market prices with base year 2004-05. Figures are continually being revised by CSO and this data is meant for an indicative comparison of fiscal performance with macro-economic performance.

1.5.2 We find that DT increased by ₹ 79,607 crore (14.2 per cent) in FY 2013-14 as compared to FY 2012-13. However, the share of direct taxes to GTR increased slightly from 53.9 per cent in FY 2012-13 to 56.1 per cent in FY 2013-14. DT as a percentage of GDP also increased marginally during the same period.

⁵ It includes all direct and indirect taxes.

1.5.3 Table 1.5 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT) in absolute terms during FY 2009-10 to FY 2013-14.

Table 1.5: Growth of Direct Taxes receipts and its major components						(₹ in crore)
Financial Year	Direct Taxes	per cent growth over previous year	CT	per cent growth over previous year	IT	per cent growth over previous year
2009-10	3,77,594	13.1	2,44,725	14.7	1,22,417	15.4
2010-11	4,45,995	18.1	2,98,688	22.1	1,39,102	13.6
2011-12	4,93,987	10.8	3,22,816	8.1	1,64,525	18.3
2012-13	5,58,989	13.2	3,56,326	10.4	1,96,843	19.6
2013-14	6,38,596	14.2	3,94,678	10.8	2,37,870	20.8

1.5.4 We find that CT increased by ₹ 38,352 crore (10.76 per cent) in FY 2013-14 as compared to FY 2012-13 whereas IT increased by ₹ 41,027 crore (20.8 per cent) during the same period. However, the average rate of growth of CT and IT was 15.3 per cent and 23.6 per cent respectively during FY 2009-10 to FY 2013-14.

1.5.5 There are different mode of direct taxes collection {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.

1.5.6 Table 1.6 below shows the collection of Corporate assesseees during FY 2009-10 to FY 2013-14.

Table 1.6: Corporate assesseees' collections					(₹ in crore)
Financial Year	TDS	Advance Tax	Self Assessment Tax	Regular Assessment Tax	Collections
2009-10	60,850	1,48,791	20,159	24,995	2,88,162
2010-11	68,313	1,84,263	23,056	41,916	3,55,266
2011-12	91,974	2,08,886	13,632	40,030	3,98,116
2012-13	74,481	2,32,467	18,731	53,874	4,20,147
2013-14	83,443	2,45,350	18,852	60,426	4,61,851

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

1.5.7 TDS collection and regular assessment tax marginally increased from 17.7 *per cent* and 12.8 *per cent* of the total corporate collection in FY 2012-13 to 18.1 *per cent* and 13.1 *per cent* in FY 2013-14 respectively. However, advance tax decreased from 55.3 *per cent* of the total corporate collection in FY 2012-13 to 53.1 *per cent* in FY 2013-14.

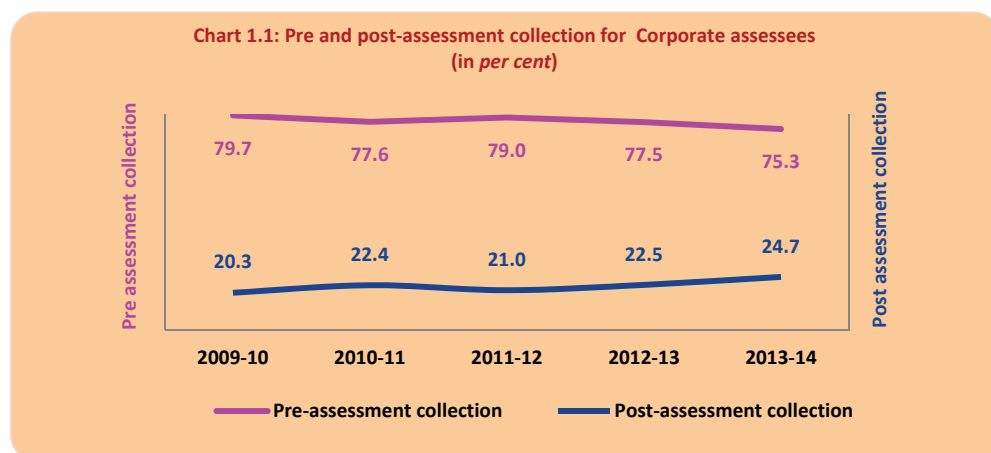
1.5.8 Table 1.7 below shows the collection of non-corporate assessees during FY 2009-10 to FY 2013-14.

Table 1.7: Non-corporate assessees' collections					(₹ in crore)
Financial Year	TDS	Advance Tax	Self Assessment Tax	Regular Assessment Tax	Collections
2009-10	84,885	24,626	12,349	8,279	1,36,551
2010-11	1,00,356	28,275	13,831	9,922	1,58,632
2011-12	1,06,705	42,640	14,016	11,482	1,81,383
2012-13	1,36,173	43,327	20,739	8,544	2,16,785
2013-14	1,65,104	47,172	25,271	12,102	2,59,753

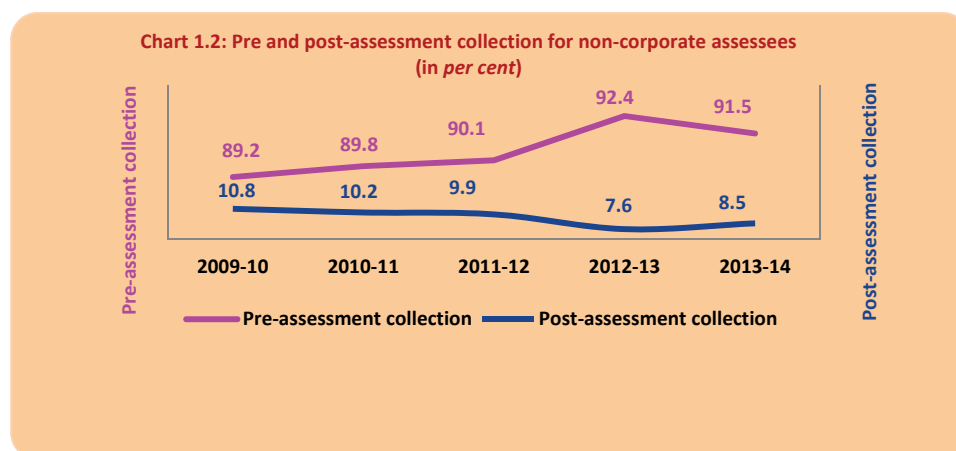
Note: The above figures were received from the Pr. CCA, CBDT during the respective years. The figures of collection also include other receipts including surcharge & cess.

1.5.9 TDS collections and regular assessment tax increased from 62.8 *per cent* and 3.9 *per cent* of total non-corporate collection in FY 2012-13 to 63.6 *per cent* and 4.7 *per cent* in FY 2013-14 respectively. However, advance tax decreased from 20.0 *per cent* of total non-corporate collection in FY 2012-13 to 18.2 *per cent* in FY 2013-14.

1.5.10 Chart 1.1 below shows the pre-assessment and post assessment collection in respect of corporate assessees during FY 2009-10 to 2013-14.



1.5.11 Chart 1.2 below shows the pre-assessment and post assessment collection in respect of non-corporate assessees during FY 2009-10 to FY 2013-14.



1.5.12 Voluntary compliance in respect of corporate assessees declined by 4.4 *per cent* during FY 2009-10 to FY 2013-14. However, it increased by 2.3 *per cent* in respect of non-corporate assessees during the same period.

1.6 Revenue Foregone

1.6.1 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 collectively called “tax preferences” (revenue foregone).

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

1.6.3 The Fiscal Responsibility and Budget Management Act 2003, requires the Central Government to 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 revenue foregone and its disclosure.

1.6.4 Union Receipt Budget depicts statement of revenue foregone in respect of major taxes only based on returns filed electronically by corporate and non-corporate assessees. The table 1.8 below shows the revenue foregone on account of tax exemptions for FY 2009-10 to FY 2013-14.

Table 1.8: Revenue Foregone (₹ in crore)				
Financial Year	Total Revenue Foregone	Revenue Foregone as <i>per cent of</i>		
		GDP	DT	GTR
2009-10	1,18,023	1.8	31.3	18.9
2010-11	94,738	1.2	21.2	11.9
2011-12	1,01,140	1.1	20.5	11.4
2012-13	1,02,256	1.0	18.3	9.9
2013-14	1,16,530	1.0	18.3	10.23

Note: The revenue foregone figures are as per Receipts Budget. For FY 2013-14, figures of revenue foregone are projected and do not include the figures relating to Charitable Institutions. For the first time Receipt Budget 2014-15 has shown separately the total number of electronically filed returns (1,06,443) of Charitable entities during the financial year 2013-14 and the total amount (₹ 2,00,274 crores) applied by these entities for charitable purposes and religious purposes.

1.6.5 The revenue foregone on account of tax exemptions is increasing in absolute terms since FY 2010-11. There is no mechanism in DOR to monitor the results of impact of such revenue foregone. DOR carried out annual exercise of estimating the revenue foregone on account of tax incentives which was reflected in the Budget. According to DOR, the results of impact of such revenue foregone on a particular sector/area are to be monitored by the respective Ministries and they are not giving regular feedback on achievements of objectives. There is a need to periodically examine/assess the efficiency and effectiveness of revenue foregone.

1.7 Widening and deepening of tax base

1.7.1 The ITD 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 (AIRs). Automation also facilitates greater cross linking⁶. Most of these mechanisms are available at the level of the assessing officers (AOs). In his keynote address, the Finance Minister in the 29th Annual Conference of Chief Commissioners and Directors General of Income Tax (28-29 May 2013) emphasized on the role of tax revenue in building a strong economy. He stressed upon technology and intelligence-based tax collection which would yield better results and provide non-invasive methods of tax collection. He

⁶ 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.

also emphasized stability and clarity in tax laws, focus on big taxpayers and non filers and improved performance in litigation.

1.7.2 Table 1.9 below gives the details of non-corporate assessees⁷ in different categories.

Table 1.9: Non-Corporate Assesseees						(Figures in lakh)
Financial Year	A ⁸	B ₁ ⁹	B ₂ ¹⁰	C ¹¹	D ¹²	Total
2009-10	283.72	35.64	14.58	3.11	0.12	337.17
2010-11	271.29	38.36	17.78	4.49	0.12	332.04
2011-12	267.68	60.26	21.23	6.57	1.87	357.61
2012-13	276.13	58.21	23.94	6.59	3.00	367.87
2013-14	117.23	135.79	34.24	16.72	0.05	304.03

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi

1.7.3 The number of non-corporate assesseees has decreased from 367.87 lakh in FY 2012-13 to 304.03 lakh in FY 2013-14 registering a decrease of 17.4 *per cent*. The number of non-corporate assesseees declined in category 'A' and 'D' whereas it increased in category 'B' and 'C' during the same period.

1.7.4 Table 1.10 below gives the details of corporate assesseees in different categories.

Table 1.10: Corporate Assesseees							(Figures in lakh)	
Financial Year	A ¹³	B ₁ ¹⁴	B ₂ ¹⁰	C ¹¹	D ¹²	Total	Assesseees having income above ₹ 25 lakh	Working companies as per RoC as on 31 st March
2009-10	1.84	0.65	0.61	0.56	0.02	3.68	0.09	8.40
2010-11	1.69	0.76	0.67	0.62	0.02	3.76	0.22	7.20
2011-12	2.95	0.91	0.96	1.00	0.03	5.85	0.14	8.01
2012-13	3.05	0.97	0.83	1.02	0.03	5.90	0.14	8.84
2013-14	4.14	0.89	0.31	1.01	0.01	6.36	0.65	9.52

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi

1.7.5 The number of corporate assesseees has increased from 5.90 lakh in FY 2012-13 to 6.36 lakh in FY 2013-14 registering an increase of 7.8 *per cent*. The number of corporate assesseees having income above ₹ 25 lakh increased substantially from 0.14 lakh in FY 2012-13 to 0.65 lakh in FY 2013-14. The

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

8 Category 'A' assesseees – Assessments with income/loss below ₹ two lakh;

9 Category 'B₁' assesseees (lower income group) - Assessments with income/loss above ₹ two lakh and above; but below ₹ five lakh;

10 Category 'B₂' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

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

12 Category 'D' assesseees – Search and seizure assessments;

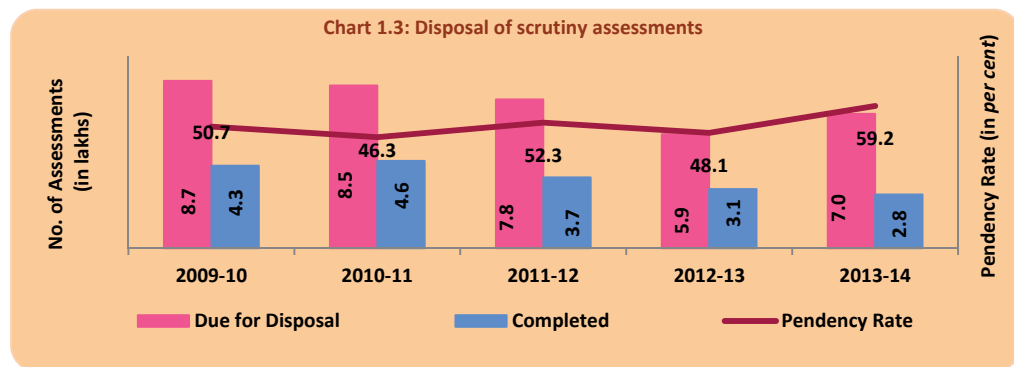
13 Category 'A' assesseees – Assessments with income/loss below ₹ 50,000;

14 Category 'B₁' assesseees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ five lakh;

number of corporate assessees (6.36 lakh) is different from the number of working companies (8.84 lakh) registered with Registrar of Companies (ROCs)¹⁵ in FY 2012-13. Since all working companies (whether profit earning or loss incurring) has to file their return of income, 28 per cent of such working companies did not file their return of income in FY 2013-14. The ITD needs to reconcile the differences.

1.8 Disposal of Scrutiny assessments

1.8.1 Chart 1.3 gives the trend of disposal and pendency of scrutiny assessments during FY 2009-10 to FY 2013-14.



1.8.2 The disposal of scrutiny assessment cases has come down from 3.1 lakh in FY 2012-13 to 2.8 lakh in FY 2013-14 which resulted in increase of pending cases.

1.9 Disposal of Refund claims

1.9.1 Table 1.11 below gives the trend of disposal and pendency of direct refund claims during FY 2009-10 to FY 2013-14.

Table 1.11: Disposal of Direct Refund Claims				(Number in lakh)
Financial Year	Direct Refunds due for disposal	Direct Refunds disposed of	Direct Refunds pending	Pendency in percentage
2009-10	48.0	28.6	19.4	40.4
2010-11	59.9	40.4	19.5	32.6
2011-12	52.8	40.3	12.5	23.7
2012-13	38.8	27.6	11.2	28.9
2013-14	34.5	25.7	8.8	25.5

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi

1.9.2 The number of direct refunds pending for disposal decreased to 8.8 lakh in FY 2013-14 from 11.2 lakh in FY 2012-13. Citizen Charter of the ITD (July 2010) laid down the declaration of commitment to the taxpayers

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

that refund alongwith interest would be issued within the prescribed time limits¹⁶. Despite that there is substantial pendency of refund cases.

1.9.3 The Government has refunded ₹ 89,060 crore which includes interest of ₹ 6,598 crore (7.4 *per cent*) in FY 2013-14. The interest paid on refunds in FY 2012-13 was ₹ 6,666 crore (8.0 *per cent* of ₹ 83,766 crore, the amount refunded).

1.10 Uncollected demand

1.10.1 Table 1.12 below gives the trend of uncollected demand¹⁷ pending during the period FY 2009-10 to FY 2013-14.

Table 1.12: Position of Uncollected Demand (₹ in crore)				
Financial Year	Demand of earlier year's pending collection	Current year's demand pending collection	Total demand pending	Demand difficult to recover (in <i>per cent</i>)
2009-10	1,81,612	47,420	2,29,032	2,12,758 (92.9)
2010-11	2,02,859	88,770	2,91,629	2,71,143 (93.0)
2011-12	2,65,040	1,43,378	4,08,418	3,87,614 (94.9)
2012-13	4,09,456	76,724	4,86,180	4,66,854 (96.0)
2013-14	4,80,065	95,274	5,75,340	4,32,285 (94.4)

Source: CAP I Demand & Collection Statement alongwith Analysis for the month of March 2014

1.10.2 The uncollected demand 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. Pending demands at the end of the year increased more than 2.5 times during FY 2009-10 to FY 2013-14. Out of total pending demand, the ITD indicated that more than 94 *per cent* is difficult to recover in FY 2013-14. Demand & Collection Statement for the month of March 2014 analysed various factors viz. inadequate assets for recovery, cases under liquidation/BIFR, assessee not traceable, demand stayed by various authorities etc. leading to demand difficult to recover.

1.10.3 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 ₹ 2.2 lakh crore in FY 2013-14 from ₹ 1.5 lakh crore in FY 2012-13.

¹⁶ Six months - e-return and nine months - other returns processed under section 143(1); and within one month in cases assessed other than section 143(1).

¹⁷ Source: CAP-I for the month of March of respective year

1.11 Disposal of Appeal cases

1.11.1 Table 1.13 below gives the trend of disposal and pendency of appeal cases before CIT(Appeals) during FY 2009-10 to FY 2013-14.

Table 1.13: Disposal of Appeal Cases by CIT(A)					(₹ in crore)
Financial Year	Appeals due for disposal	Appeals	Appeals	Pendency in percentage	Amount locked up in Appeals
		(Number in lakh)			
2009-10	2.61	0.80	1.81	69.4	2,20,148
2010-11	2.58	0.70	1.88	72.6	1,98,088
2011-12	3.06	0.76	2.30	75.3	2,42,182
2012-13	2.84	0.85	1.99	70.1	2,59,556
2013-14	3.03	0.88	2.15	71.0	2,87,444

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi

1.11.2 The disposal of appeal cases pending with CIT(A) is stagnant over the years resulting in increase in pendency. The amount locked up in appeal cases with CIT(Appeals) is equivalent to 77.6 per cent of the revised revenue deficit of Government of India in FY 2013-14.

1.11.3 Table 1.14 below gives the position of Appeals/Writs and other matters pending with Income Tax Appellate Tribunals (ITATs)/High Courts and Supreme Court as on 31 March 2014.

Table 1.14: Appeals/Writs and other matters pending with ITATs/High Courts/ Supreme Court		
Authority with whom pending	Cases pending (in Numbers)	Amount locked up (₹ in crore)
ITATs	35,266	1,43,255.8
High Courts	35,696	33,128.5
Supreme Court	5,960	3,202.1
Total	76,922	1,79,586.4

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi

1.11.4 The amount locked up at higher levels (ITATs/High Courts/Supreme Court) was increased to ₹ 1.8 lakh crore (76,922 cases) as on 31 March 2014 in comparison to ₹ 1.5 lakh crore (69,714 cases) as on 31 March 2013.

1.12 Status of prosecution

1.12.1 Table 1.15 below shows the status of prosecutions launched, cases decided viz. convicted, compounded and acquitted from FY 2009-10 to FY 2013-14.

Table 1.15: Status of Prosecution cases					(Number)
Financial Year	Prosecution launched	Cases decided	Convictions	Compounded	Acquitted (in per cent)
2009-10	312	599	32	291	276 (46.1)
2010-11	244	356	51	83	222 (62.4)
2011-12	209	593	14	397	182 (30.7)
2012-13	283	265	10	205	50 (18.9)
2013-14	641	664	41	561	62 (9.3)

Source: Investigation Wing, CBDT

1.12.2 The above table shows that acquittals in prosecution cases decreased sharply from 46.1 per cent in FY 2009-10 to 9.3 per cent in FY 2013-14. Further, as on 31 March 2014, the total number of outstanding prosecution cases was 3,775.

1.13 Result framework document of CBDT

1.13.1 Under 'Performance Monitoring and Evaluation System Scheme', each Central Government/Department is required to prepare a Results Framework Documents (RFD). Accordingly, CBDT has been preparing its RFD. In its RFD for FY 2013-14, CBDT reiterated its commitment to focused effective and meaningful implementation of the taxpayer services that will also facilitate voluntary compliance. It has set out objectives viz. better communication with taxpayers; better management and development of human resources in the ITD to enhance taxpayer services and strengthening IT enabled services for taxpayers. With a view to achieve these objectives, specific goals were set to ensure that tangible and recordable progress is made within the specified time lines.

1.14 ITD's IT Initiatives

1.14.1 With a view 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, ITD introduced many ICT applications from time to time. The ITD initiatives towards uploading of scrutiny orders in the AST system were made mandatory. From FY 2011-12, all AOs are required to pass scrutiny assessments orders through AST software only. ITD established a Central Processing Centre (CPC) at

Bengaluru to process e-filed returns of all India and paper returns of Karnataka and Goa.

1.14.2 The ITD has undertaken a separate project called Income Tax Business Application (ITBA) with which it plans to re-write the existing ITD applications in a new architecture and design. This project is at conceptual stage and is likely to be completed by April 2015. ITD has also designed an Integrated Taxpayer Data Management System (ITDMS) as a data mining software to profile a taxpayer. It enables the users to build a near 360 degree profile of taxpayers dealing with high volumes of data and more linkages. The improved version is giving better linkages and handling a higher quantum of data.

1.15 Effectiveness of Internal Audit

1.15.1 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. From June 2007, assessment functions have been separated from internal audit functions headed by CIT(Audit). Based on the working strength of Internal audit wing; 2,60,650 cases¹⁸ were to be audited by the internal audit during FY 2013-14. Out of this, 1,66,759 cases were completed, thereby achieving 63.98 per cent of the target.

1.15.2 Table 1.16 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2009-10 to FY 2013-14:

Financial Year	Addition during the year		Settled during the year		Pending at the end of year	
	Number	Amount	Number	Amount	Number	Amount
2009-10	14,577	1,224.81	6,434	657.58	29,442	3,971.4
2010-11	13,494	5,466.88	7,996	921.85	34,940	8,516.4
2011-12	13,771	1,879.85	14,148	1,118.49	34,563	9,277.8
2012-13	18,275	4,135.48	16,626	2,736.12	36,212	10,677.1
2013-14	14,423	8,950.66	26,322	8,610.12	24,313	11,017.7

Source: Directorate of Income Tax (Income Tax & Audit), New Delhi

¹⁸ The figure has been worked out on the basis of circular no. 3 of 2007.

1.15.3 The pendency of internal audit observations increased during 2009-10 to 2012-13. However, this has decreased by 32.8 *per cent* during FY 2013-14 as compared to FY 2012-13. In FY 2013-14, the AOs acted upon in 5,446 cases (39.6 *per cent*) having tax effect of ₹ 8,541.4 crore (43.8 *per cent*) out of 13,742 cases having tax effect of ₹ 19,487.9 crore of the major findings¹⁹ raised by internal audit.

19 Audit objection above ₹ two lakh in Income tax and above ₹ 30,000 in other taxes.

Chapter II: Audit Mandate, Products and Impact

2.1 Authority of the C&AG for audit of receipts

Article 149 of the Constitution of India provides that the Comptroller and Auditor General of India shall exercise such powers and perform such duties in relation to the accounts of the Union and of the states and of any other authority or body as may be prescribed by or under any law made by Parliament. Parliament passed the Comptroller and Auditor General's DPC Act (CAG's DPC Act) in 1971. Section 16 of the CAG's DPC Act authorises C&AG 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 principles for Receipt Audit.

2.2 Examination of systems and procedures and their efficacy

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

- a. identification of potential tax assessees, ensuring compliance with laws as well as detection and prevention of tax evasion;
- b. exercise of discretionary powers in an appropriate manner including levy of penalties and initiation of prosecution;
- c. appropriate action to safeguard the interests of the Government on the orders passed by departmental appellate authorities;
- d. any measures introduced to strengthen or improve revenue administration;
- e. amounts that may have fallen into arrears, maintenance of records of arrears and action taken for the recovery of the amounts in arrears;
- f. pursuit of claims with due diligence and that these are not abandoned or reduced except with adequate justification and proper authority;

2.3 Audit products and Impact

In pursuance of audit mandate and provision in Regulation 205 of Audit & Accounts Regulations, 2007, we prepare annual compliance audit reports 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.

2.4 Impact of audit

2.4.1 We analyse the impact of Audit resulting into amendments to the Income Tax Act and Rules framed thereunder, based on our recommendations. During 2013-14, we presented two Performance Audit Reports viz. (a) Report No. 4 of 2013 – Strengthening the Tax Base through use of Information and (b) Report No. 20 of 2013 – Exemptions to Charitable Trusts and Institutions. Following paragraphs enumerate the impact of Audit.

2.4.2 We pointed out²⁰ that information furnished in ‘Annual Information Report’ (AIR), to be filed under Section 285BA of the Act, was found incorrect on verification during assessment process. Audit recommended that a system should be put in place to ensure correctness and reliability of data received through AIR/CIB before its dissemination to the field and for effective penal provisions in the Act for furnishing factually incorrect information in AIR or in reply to notices issued by ITD.

2.4.3 The Government inserted a new Section 271FAA in the Act through the Finance Act, 2014 making a provision of penalty for providing inaccurate information in the statement. Section 285BA also has been amended to put an onus on the person who filed the return to inform the prescribed authority about the inaccuracy, if any discovered by him in the statement, within a period of ten days and furnish the correct information in the prescribed manner. It has also been provided that the Central Government may make rules specifying that the person referred to in the section 285BA(1) i.e. the persons responsible for filing the statement, to be registered with the prescribed income tax authority.

2.4.4 Considering the recommendations made by Audit²¹ with reference to assessment of Charitable Trusts and Institutions; and inconsistencies in the Act, the following amendments have been made in the Income Tax Act through the Finance act, 2014 in respect of exemptions allowed to the Charitable Trusts and Institutions:

- a. Eligible educational institutions, hospitals and other institutions under Section 10(23C) of the Act to be considered as substantially financed by the Government only if the Government grant to the Institution exceeds such percentage (to be prescribed) of the total receipts (including voluntary contributions) during the previous year.

20 Report No. 4 of 2013 – Strengthening the Tax Base through use of Information

21 Report No. 20 of 2013 – Exemptions to Charitable Trusts and Institutions

- b.** In computing income of the Charitable Trusts/Institutions, deduction or allowance for depreciation in respect of an asset, acquisition of which has been claimed as application of income in any year, is to be excluded.
- c.** Where a Trust or an Institution has been granted registration for purposes of availing exemption under Section 11, then such Trust or Institution cannot claim any exemption under any provision of Section 10 except for agricultural income and income exempt under Section 10(23C)]. Similarly, entities which have been approved or notified for claiming benefit of exemption under Section 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 except agricultural income.
- d.** The existing provisions of Section 12 A of the Act have been amended to provide that eligible Trusts or Institutions which have been granted registration under Section 12AA of the Act will be eligible for benefits under Sections 11 and 12 of the Act even for any earlier year which is pending assessment on the date of such registration. Further, no reopening of an assessment permitted, merely if such Trust or Institution has not obtained registration for the earlier assessment year.
- e.** The existing provisions of Section 12AA of the Act have been amended to empower the Commissioner of Income-tax to cancel registration granted to Trusts or Institutions deriving income from property held under trust under specified circumstances, such as investing in prohibited modes, applying income for benefit of trustees, etc.
- f.** Section 115BBC has been amended to provide that the income-tax payable shall be the aggregate of the amount of income-tax calculated at the rate of thirty per cent on the aggregate of anonymous donations received in excess of five per cent of the total donations received by the assessee or one lakh rupees, whichever is higher, and the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the aggregate of the anonymous donations which is in excess of the five per cent of the total donations received by the assessee or one lakh rupees, as the case may be.

2.5 Incidence of errors

2.5.1 ITD completed 2,13,129 scrutiny assessments in FY 2012-13, of which we checked 1,77,008 cases during audit plan of FY 2013-14. Apart from this, we have also audited cases of previous assessments years during FY 2013-14. The incidence of errors in assessment checked in audit relating to assessment completed by ITD in FY 2012-13 was 16,853 (9.5 per cent) which was more than the previous year (7.9 per cent). We pointed out mistakes in 3,609 cases where Internal Audit of ITD failed to deduct.

2.5.2 State-wise incidence of errors in assessment is given in *Appendix-2.1*. Table 2.1 below shows details of top eight States where more than 10,000 assessments were checked in audit during 2013-14.

State	Assessments completed during 2012-13	Assessments checked in audit during 2013-14	Assessments with errors	Revenue effect of the audit observations	Percentage of assessments with errors
a. Delhi	45,519	23,634	1,330	12,868.8	5.6
b. Maharashtra	29,685	29,176	1,509	759.6	5.2
c. Tamil Nadu	20,456	18,731	2,631	3,462.8	14.1
d. Andhra Pradesh	17,452	12,543	1,377	940.8	11.0
e. Gujarat	14,419	13,977	1,471	414.1	10.5
f. Uttar Pradesh	11,800	11,454	960	720.0	8.4
g. West Bengal	11,783	10,270	2,341	2,643.5	22.8
h. Karnataka	10,910	10,652	825	951.0	7.8

This indicates that West Bengal has the highest percentage of assessments with errors (22.8 per cent) followed by Tamil Nadu (14.1 per cent).

2.5.3 Table 2.2 below shows the details of errors noticed in local audit during FY 2013-14.

Category	Cases	Tax effect
a. Corporation tax & Income tax	18,720	16,038 ²²
b. Wealth tax	681	27
c. Other Direct taxes	139	2
Total	19,540	16,067

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

2.5.4 Table 2.3 below shows the category-wise details of underassessment in respect of Corporation tax and Income Tax. *Appendix-2.2* indicates details in respect of sub-categories under them.

²² Includes 672 cases of over assessments with tax effect of ₹ 1,041 crore

Category	Cases	Tax effect
a. Quality of assessments	4,161	2,726
b. Administration of tax concessions/exemptions/deductions	6,943	7,898
c. Income escaping assessments due to omissions	1,838	1,184
d. Others	5,106	3,189
Total	18,048	14,997

2.5.5 High value and important cases among the errors detected in local audit are included in this Audit Report. The present Audit Report discusses 469 cases reported to the Ministry²³. *Appendix 2.3* gives the details of such cases. Table 2.4 shows category wise details of these cases²⁴.

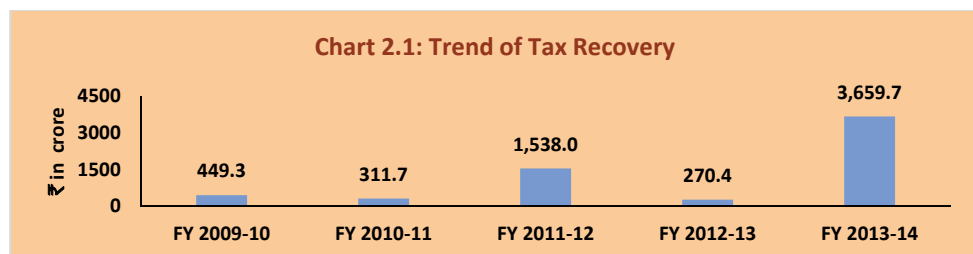
Category	CT		IT		Total	
	No.	TE	No.	TE	No.	TE
a. Quality of assessments	106	655.90	38	262.67	144	918.57
b. Administration of tax concessions/exemptions/deductions	121	716.92	37	29.79	158	746.71
c. Income escaping assessments due to omissions	67	387.62	41*	22.38	108	410.00
d. Overcharge of tax/interest	32	494.28	27	84.12	59	578.40
Total	326	2254.72	143*	398.96	469	2653.68

*includes 19 cases of under assessment of wealth involving TE of ₹ 2.04 crore.

We have discussed some important cases in Chapters III and IV.

2.5.6 Recovery at the instance of audit

ITD recovered ₹ 6,230.09 crore in the last five years from demands raised to rectify the errors in assessments that we pointed out. This includes ₹ 3,659.68 crore recovered in FY 2013-14.



23 Ministry of Finance, Department of Revenue, Central Board of Direct Taxes

24 Sub-categories-wise details are in *Appendix-2.4*

Chart 2.1 above shows a sudden jump in recovery in FY 2011-12 (₹ 1,538 crore) which declined in 2012-13 (₹ 270.4 crore) and again suddenly jumped to ₹ 3,659.7 crore in FY 2013-14.

2.6 Response to Audit

2.6.1 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.

2.6.2 Table 2.5 below depicts the position of replies received and observations accepted in respect of cases issued in Local Audit Reports during FY 2009-10 to FY 2013-14.

Financial Year	Observations raised	Reply received		Reply not received	Percentage of cases accepted	Percentage of reply not received
		Cases Accepted	Cases not accepted			
2009-10	19,227	2,927	3,919	12,381	15.2	64.4
2010-11	20,130	4,354	3,568	12,208	21.6	60.7
2011-12	19,624	3,945	2,971	12,708	20.1	64.8
2012-13	18,548	3,343	4,124	11,081	18.0	59.7
2013-14	19,312	3,642 ²⁵	3,131	12,534	18.9	64.9

2.6.3 We give six weeks to the Ministry to offer their comments on high value cases before their inclusion in the Audit Report. Out of 469 high value cases included in the current Audit Report, the ITD accepted 144 cases (31 per cent) while it did not accept 11 cases as of December 2014. Table 2.6 shows details of remedial action taken by the ITD.

Categories	Action completed and amount recovered		Action completed but amount to be recovered		Action initiated only	
	No.	TE	No.	TE	No.	TE
a. Corporation Tax	0	0.00	248	1551.19	23	130.74
b. Income Tax	0	0.00	114	388.75	4	2.68
c. Wealth Tax	0	0.00	19	2.04	0	0.00
Total	0	0.00	381	1941.98	27	133.42

The ITD has taken/initiated remedial action in 408 cases out of 469 cases. Details of remedial action taken in the remaining cases were not available as of 31 December 2014.

²⁵ 1,907 - Cases accepted and remedial action taken; 1,735 - Cases accepted but remedial action not taken

2.6.4 Chapters III and IV bring out details of errors in assessments in respect of Corporation Tax, Income Tax and Wealth Tax respectively.

2.7 Pendency of audit observations

2.7.1 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.

2.7.2 Table 2.7 below shows the increasing trend of pendency of observations.

Table 2.7: Details of outstanding audit observations								(₹ in crore)	
Period	CT		IT		ODT		Total		
	No.	TE	No.	TE	No.	TE	No.	TE	
Upto Mar 2010	2,013	9,516.5	2,356	4,147.7	522	19.2	4,891	13,683.4	
2010-11	2,730	6,215.5	3,294	1,934.8	557	15.7	6,581	8,166.0	
2011-12	3,179	12,788.5	4,514	1,209.3	585	35.8	8,278	14,033.6	
2012-13	3,945	7,284.8	6,327	3,706.4	1,247	74.7	11,519	11,065.9	
2013-14	2,749	5,993.0	5,817	1,350.4	803	5.1	9,369	7,348.5	
Total	14,616	41,798.3	22,308	12,348.6	3,714	150.5	40,638	54,297.4	

The accretion in pendency in replies to audit findings each year has resulted in pile-up of 40,638 cases involving revenue effect of ₹ 54,297.4 crore as of 31 March 2014.

2.7.3 Table 2.8 below shows the details of time-barred cases during FY 2009-10 to 2013-14.

Table 2.8: Details of time-barred cases			(₹ in crore)
Year of Report	Cases	Tax effect	
2009-10	5,644	2,869.0	
2010-11	7,942	5,335.0	
2011-12	3,907	1,083.0	
2012-13	2,207	899.9	
2013-14	2,427	1,121.2	

2.7.4 During FY 2013-14, 2,427 cases with tax effect of ₹ 1,121.2 crore became time-barred for remedial action. *Appendix-2.5* indicates state-wise details of such cases for FY 2013-14. In four states (Maharashtra, Gujarat, Tamil Nadu and Uttar Pradesh), tax effect of time barring cases was more than ₹ 100 crore.

2.8 Non-production of records

2.8.1 We scrutinize assessment records under section 16 of the C&AG's (DPC) 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.

2.8.2 Appendix 2.6 shows the details of non-production of records during FY 2011-12 to FY 2013-14. Non-production of records has increased in Andhra Pradesh, Karnataka and West Bengal significantly over previous years during FY 2013-14. ITD did not produce 40,212 records out of 2,99,218 records requisitioned during FY 2013-14, (13.4 per cent) which is less than from FY 2012-13 (14.7 per cent). Table 2.9 below shows details of records not produced to audit pertaining to same assesses in three or more consecutive audit cycles.

States		Records not produced
a.	Andhra Pradesh	216
b.	Karnataka	266
c.	Madhya Pradesh	58
d.	Maharashtra	8
e.	Odisha	51
f.	Tamil Nadu	6
Total		605

In FY 2013-14, 605 records pertaining to same assessees in six states were not produced to audit in last three or more consecutive audit cycles.

Chapter III: Corporation Tax

3.1 Introduction

3.1.1 We referred 326 high value cases pertaining to corporation tax involving tax effect of ₹ 2,254.72 crore to the Ministry of Finance during June 2014 to September 2014 to elicit their comments.

3.1.2 The Department (ITD) has accepted 113 cases and not accepted 11 cases (referred to in para 2.6.3). ITD has completed remedial action in 248 cases involving tax effect of ₹ 1,551.19 crore and initiated remedial action in 23 cases involving tax effect of ₹ 130.74 crore.

3.1.3 This chapter discusses 326 corporation tax cases, of which 294 cases involve undercharge of ₹ 1,760.44 crore and 32 cases involve overcharge²⁶ of ₹ 494.28 crore). These cases of incorrect assessment point towards weaknesses in the internal controls on the assessment process being exercised by the Income tax Department.

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

- Quality of assessments
- Administration of tax concessions/exemptions/deductions
- Income escaping assessments due to omissions
- Others – Overcharge of tax/interest etc.

Table 2.4 (para 2.5.5) shows the details of broad categories of mistakes and their tax effect.

3.1.5 In the subsequent sections of this chapter, the first paragraph in each category indicates nature of mistakes made by the Assessing Officer (AO). The four broad categories are further sub-divided into 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 3.1 shows the sub-categories of mistakes (refer *Appendix 2.3*) which impacted the quality of assessments.

²⁶ 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 3.1: Details of errors in quality of assessment				(₹ in crore)
Sub-categories	Cases	TE	States	
a. Arithmetical errors in computation of income and tax	46	268.09	Andhra Pradesh, Assam, Delhi, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu and West Bengal	
b. Mistakes in levy of interest	19	192.86	Delhi, Gujarat, Haryana, Karnataka, Maharashtra, Odisha and West Bengal	
c. Excess or irregular refunds/ interest on refunds	21	122.39	Delhi, Haryana, Maharashtra and West Bengal	
d. Incorrect application of rates of tax, surcharge etc.	8	24.02	Delhi, Maharashtra, Punjab and West Bengal	
e. Mistakes in assessment while giving effect to appellate order	12	48.54	Gujarat, Maharashtra and West Bengal	
Total	106	655.90		

3.2.2 Arithmetical errors in computation of income and tax

We give below five 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 Andhra Pradesh, CIT-II charge, AO while completing the assessment of **Transmission Corporation of Andhra Pradesh Limited** for the assessment year (AY) 2008-09 after scrutiny in December 2012 determined loss at ₹ 13.47 crore after considering interest income of ₹ 29.33 crore received from Government of Andhra Pradesh. While computing taxable income, the AO erroneously adopted the starting figure at loss of ₹ 42.80 crore instead of correct amount of income of ₹ 79.39 crore. The mistake resulted in underassessment of income by ₹ 122.19 crore involving potential short levy of tax of ₹ 41.53 crore.

3.2.2.2 In Maharashtra, CIT-I Pune charge, AO completed the assessment of **Bank of Maharashtra** for the AY 2009-10 after scrutiny in December 2011 at income of ₹ 761.03 crore. The assessment was subsequently rectified under section 154 in January 2012 and income was reassessed at ₹ 617.78 crore after allowing loss on valuation of securities. While computing taxable income during scrutiny assessment and rectification, the AO did not consider the revised profit of ₹ 250.80 crore on sale of securities, reworked by assessee after making net additions of ₹ 74.54 crore to earlier profit of ₹ 176.26 crore. The mistake resulted in underassessment of income of ₹ 74.54 crore involving tax effect of ₹ 25.34 crore. *ITD has taken remedial action (October 2013) while giving effect to the order of CIT(Appeals) passed in March 2013.*

3.2.2.3 In Tamil Nadu, CIT-III Chennai charge, AO while completing the assessment of **Tele Data Marine Solutions Limited** for AY 2009-10 after scrutiny in May 2013, at income of ₹ 6.95 crore, erroneously added ₹ 4.93 crore only on account of 'Transfer Pricing Upward Adjustments' as against upward adjustment of ₹ 91.12 crore proposed by Transfer Pricing Officer III Chennai under section 92CA(3). The mistakes resulted in underassessment of income by ₹ 86.18 crore involving tax effect of ₹ 29.29 crore. *ITD rectified the mistake (September 2013) under section 154.*

3.2.2.4 In Haryana, CIT Hisar charge, AO while completing the assessment of **Dakshin Haryana Bijli Vitran Nigam Limited** for AY 2008-09 after scrutiny in December 2010 at nil income, adopted and disallowed sum of ₹ 153.98 crore on account of provision for surcharge levied but not realised instead of the correct amount of ₹ 225.46 crore reflected in the books of accounts. The mistake resulted in underassessment of income of ₹ 71.48 crore involving potential tax effect of ₹ 24.29 crore. *ITD has taken remedial action (January 2014) under section 143(3) read with section 263.*

3.2.2.5 In Karnataka, CIT-I Bangalore charge, AO while completing the assessment of **Cheslind Textiles Limited** for AY 2011-12 after scrutiny in October 2013 at loss of ₹ 28.71 crore erroneously adopted returned loss at ₹ 31.31 crore instead of nil income and added back ₹ 2.60 crore disallowed on account of commission on export sale. The incorrect adoption of nil income as loss resulted in overassessment of loss of ₹ 28.71 crore involving potential tax effect of ₹ 9.53 crore.

3.2.3 Mistakes in levy of interest

We give below five such illustrative cases:

The 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 Maharashtra, CIT-LTU Mumbai charge, AO completed scrutiny assessment of Tata Consultancy Services Limited for AY 2008-09 in February 2012 at income of ₹ 3,114.47 crore. While computing tax demand, AO did not levy interest for default in payment of advance tax although the advance tax paid by assessee was less than 90 *per cent* of assessed tax. The mistake resulted in non levy of interest of ₹ 161.77 crore under section 234B. *ITD accepted and rectified (April 2012) the mistake under section 154.*

3.2.3.2 In Delhi, CIT Central-III charge, AO while completing search assessment of **Tirupati Buildings and Offices Pvt. Limited** under section 153A in March 2013 for AY 2010-11, at income of ₹ 76.59 crore, levied interest of

₹ 14.65 lakh under section 234B(3) instead of correct amount of ₹ 6.25 crore. The mistake resulted in short levy of interest of ₹ 6.1 crore under section 234B(3). *ITD rectified (May 2014) the mistake under section 154.*

3.2.3.3 In West Bengal, CIT-II Kolkata charge, AO while calculating tax demand in the case of **West Bengal Industrial Development Corporation Limited** for AY 2008-09 after scrutiny in December 2009 at income of ₹ 118.05 crore, levied interest of ₹ 7.24 crore under section 234B instead of correct amount of ₹ 10.71 crore. The mistake resulted in short levy of interest of ₹ 3.48 crore under section 234B. *ITD rectified (July 2013) the mistake under section 154.*

3.2.3.4 In Delhi, CIT-III charge, AO while calculating tax demand in the case of **Swatch Group India (Private) Limited** for AY 2008-09 after scrutiny in January 2012 at income of ₹ 51 crore, levied interest of ₹ 4.54 crore under section 234B instead of correct amount of ₹ 7.21 crore. The mistake resulted in short levy of interest of ₹ 2.67 crore under section 234B. *ITD accepted and rectified (July 2012) the mistake under section 154.*

3.2.3.5 In Maharashtra, CIT-LTU Mumbai charge, AO while completing the scrutiny assessment of **Shell Technology India Private Limited** for AY 2008-09 in November 2012 at income of ₹ 60.88 crore, levied interest of ₹ 9.62 crore under section 234B for the period from April 2008 to December 2011 instead of ₹ 11.99 crore leviable for the period from April 2008 to November 2012. The mistake resulted in short levy of interest of ₹ 2.37 crore under section 234B. *ITD accepted (January 2014) and rectified (July 2013) the mistake under section 154.*

3.2.4 Excess or irregular refunds/interest on refunds

We give below two such illustrative cases:

Section 234D provides for levy of interest on refund if refund is granted in excess to the assessee.

3.2.4.1 In Maharashtra, CIT-II Mumbai charge, AO completed the assessment of **Larsen & Toubro Limited** for AY 2008-09 after scrutiny in November 2012 at income of ₹ 3,369.63 crore which was subsequently rectified in February 2013. AO did not levy interest on excess refund of ₹ 158.43 crore²⁷ issued to assessee earlier although no refund was due as per scrutiny assessment. The mistake resulted in non levy of interest of ₹ 23.95 crore under section 234D. *ITD accepted (August 2013) the audit observation.*

²⁷ The assessee was granted three refunds aggregating to ₹ 158.43 crore out of which ₹ 126.90 crore was paid in March 2010, ₹ 23.03 crore in March 2011 and ₹ 8.51 crore in October 2011.

3.2.4.2 In Delhi, CIT-III charge, AO while completing the assessment of **Steel Authority of India Limited** for AY 2010-11 after scrutiny in March 2013 at income of ₹ 9,872.27 crore, erroneously levied interest at rate of one *per cent* on refund of ₹ 107.43 crore instead of correct rate of one-half *per cent* on excess refund of ₹ 98.22 crore. The mistake resulted in excess levy of interest of ₹ 13.99 crore under section 234D. *ITD accepted and rectified (August 2013) the mistake under section 154.*

3.2.5 Application of incorrect rates of tax and surcharge

We give below two 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.

3.2.5.1 In Punjab, CIT-I Ludhiana charge, AO while computing tax demand of **Vardhaman Textiles Limited** for AY 2010-11 under scrutiny assessment in March 2013 at income of ₹ 185.03 crore did not levy surcharge and education cess amounting to ₹ 5.55 crore and ₹ 1.83 crore respectively. The mistake resulted in non levy of surcharge and education cess of ₹ 7.38 crore. *ITD rectified (July 2014) the mistake under section 154.*

3.2.5.2 In Delhi, CIT(Central)-I charge, AO while computing tax demand of **Pearl Studios Private Limited** for AY 2010-11 under section 144 read with section 153A in March 2013 at income of ₹ 185.03 crore, levied surcharge at five *per cent* instead of correct rate of 10 *per cent* applicable to domestic companies. The mistake resulted in short levy of surcharge of ₹ 5.21 crore. *ITD accepted and rectified (October 2013) the mistake under section 154.*

3.2.6 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.

3.2.6.1 In Maharashtra, CIT-II Mumbai charge, AO while giving effect to the ITAT's order in June 2010 in case of **State Bank of India** for AY 1995-96, did not recalculate deduction on account of provision for doubtful debts under section 36(1)(viia) although total income was revised to ₹ 769.59 crore (June 2010) as against ₹ 1,069.51 crore determined in scrutiny assessment (March 1998). The mistake resulted in excess allowance of deduction of ₹ 15.00 crore under section 36(1)(viia) involving short levy of tax of ₹ 6.90 crore. *ITD accepted the audit observation.*

3.2.6.2 In West Bengal, CIT-IV Kolkata charge, AO while revising assessment of **Haldia Petrochemicals Limited** in March 2009 for AY 2005-06 under section 251 read with section 143(3) (originally assessed under scrutiny assessment completed in December 2007 at nil income under normal provisions and at ₹ 630.06 crore under section 115JB) did not consider refund of ₹ 5.77 crore allowed to assessee in May 2007. The mistake resulted in excess allowance of refund of ₹ 6.00 crore including short levy of interest under section 234D.

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/exemptions/deductions on the part of ITD which need to be addressed. Table 3.2 shows the sub-categories (refer to *Appendix 2.3*) which have impacted the Administration of tax concessions/exemptions/deductions.

Table 3.2: Sub-categories of mistakes under Administration of tax concessions/exemptions/deductions			(₹ in crore)
Sub-categories	Nos.	TE	States
a. Irregularities in allowing depreciation/business losses/capital losses	52	320.36	Andhra Pradesh, Assam, Delhi, Goa, Gujarat, Karnataka, Maharashtra, Odisha, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal
b. Irregular exemptions/deductions/Rebates/Relief /MAT credit	29	115.20	Andhra Pradesh, Delhi, Goa, Maharashtra, Rajasthan, Tamil Nadu and West Bengal
c. Incorrect allowance of Business Expenditure	40	281.36	Andhra Pradesh, Assam, Delhi, Gujarat, Haryana, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu and West Bengal
Total	121	716.92	

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

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.

3.3.2.1 In Karnataka, CIT-I Bangalore charge, AO completed the scrutiny assessment of **IDEB Project Private Limited** for AY 2010-11 in March 2013 determining loss of ₹ 69.89 crore. While computing taxable income, AO adopted net loss at ₹ 283.45 crore as per original return instead of revised loss of ₹ 172.45 crore determined by assessee in its revised return. The mistake resulted in excess carry forward of loss of ₹ 65.44 crore involving potential tax effect of ₹ 22.24 crore. *ITD accepted and rectified (April 2014) the mistake under section 154.*

Section 72 provides for carry forward and set-off of business loss upto eight succeeding assessment years with respect to assessment year for which the loss was first computed.

3.3.2.2 In Meghalaya, CIT Shillong charge, AO completed assessment of **Meghalaya Energy Corporation Limited (formerly known as Meghalaya State Electricity Board)**, for AY 2008-09 after scrutiny in December 2010 after allowing carry forward of business loss and unabsorbed depreciation of ₹ 146.67 crore. While computing taxable income, the AO erroneously considered the business loss/unabsorbed depreciation relating to AY 2007-08 as ₹ 95.14 crore instead of allowable loss of ₹ 41.49 crore. The mistake resulted in excess carry forward of loss/ unabsorbed depreciation of ₹ 53.65 crore (₹ 95.14 crore *minus* ₹ 41.49 crore) involving potential tax effect of ₹ 18.23 crore. *ITD accepted (December 2013) and rectified the mistake under section 154 (June 2013).*

3.3.2.3 In West Bengal, CIT-IV Kolkata charge, AO while completing assessment of **Electrical Manufacturing Company Limited**, for AY 2009-10 after scrutiny in December 2011 at nil income after allowing set-off of loss from income of ₹ 26.06 crore, allowed carry forward of business loss of ₹ 42.66 crore. As business loss of ₹ 34.29 crore only was available for set off, loss of ₹ 8.23 crore²⁸ only should have been allowed to be carried forward. The mistake resulted in excess carry forward of business loss of ₹ 34.42 crore involving potential tax effect of ₹ 11.70 crore.

²⁸ ₹ 8.23 crore = ₹ 34.29 crore - ₹ 26.06 crore

3.3.3. Irregular exemptions/Deductions/Rebate/Relief/MAT credit

We give below two such illustrative cases:

Section 115JAA allows carry forward of MAT credit to an assessee when tax payable under normal provisions is more than tax under special provisions. However, such credit shall be limited to the difference of tax under normal provisions of the Act and tax under special provisions of the Act.

3.3.3.1 In Maharashtra, CIT-III Mumbai charge, AO completed the assessment of **Videocon Industries Limited** for AY 2008-09 after scrutiny in March 2011 at income of ₹ 647.55 crore under normal provisions and ₹ 1,103.50 crore under special provisions of the Act. The assessment was reassessed (February 2013) at income of ₹ 602.15 crore under normal provisions and further rectified in March 2013 at income of ₹ 534.76 crore under normal provisions. AO erroneously allowed set off of MAT credit of earlier year of ₹ 86.74 crore as against the allowable MAT credit of ₹ 56.74 crore being difference of tax under normal provisions and tax under special provisions of the Act. The mistake resulted in excess allowance of MAT credit of ₹ 30.00 crore involving short levy of tax to the same extent.

3.3.3.2 In West Bengal, CIT-III Kolkata charge, AO completed the assessment of **Vodafone East Limited** for AY 2010-11 after scrutiny in March 2013 at income of ₹ 240.44 crore which was subsequently rectified in May 2013 allowing MAT credit of ₹ 17.68 crore under section 115JAA of the Act. As the assessee paid tax under normal provisions of the Act during AYs 2006-07, 2007-08, 2008-09 and 2009-10, there was no MAT credit available for set-off. The mistake resulted in incorrect allowance of MAT credit of ₹ 17.68 crore involving short levy of tax by ₹ 24.04 crore including interest.

3.3.4 Incorrect allowance of business expenditure

We give below four such illustrative cases:

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.

3.3.4.1 In Maharashtra, CIT-X Mumbai charge, AO while completing the scrutiny assessment of **Indian Oil Corporation Limited** for AY 2008-09 in December 2010 at income of ₹ 10,284.77 crore, allowed deduction of ₹ 377.55 crore on account of loss on sale of investment. As the investment made in bonds issued by Government of India was capital in nature, the sale or redemption of the bonds was required to be disallowed. The incorrect allowance of expenditure resulted in underassessment of income of

₹ 377.55 crore involving short levy of tax of ₹ 128.33 crore. *ITD has accepted (March 2013) the audit observation.*

3.3.4.2 In Tamil Nadu, CIT-II Trichy charge, AO while completing assessment of **Tamil Nadu Transport Corporation (Kumbakonam) Limited**, for AY 2009-10 after scrutiny in December 2011 at loss of ₹ 4.19 crore, allowed deduction of ₹ 53.70 crore towards 'Social Cost' out of ₹ 123.29 crore issued as student concession passes which was to be reimbursed by Government of Tamil Nadu in form of subsidy. As the sum of ₹ 123.29 crore was not accounted as subsidy income, the deduction of ₹ 53.70 crore was required to be disallowed. Further, similar expenditure was disallowed on the above grounds in the reassessment completed under section 143(3) read with section 147 in March 2013 for the AY 2005-06 in case of same assessee. The mistake resulted in underassessment of income of ₹ 53.70 crore involving tax effect of ₹ 18.25 crore. *ITD has initiated (January 2014) remedial action under section 148.*

Section 43B (f) provides for allowance of any sum payable by the assessee as an employer in lieu of any leave at the credit of his employee while computing income referred to in section 28 if the sum is actually paid by the assessee.

3.3.4.3 In West Bengal, CIT-II Kolkata charge, AO while finalizing the scrutiny assessment of **National Insurance Company Limited** for AY 2008-09 in December 2010 at loss of ₹ 573.2 crore under normal provisions and book profit of ₹ 205.65 crore under section 115JB, allowed sums of ₹ 16.32 crore and ₹ 27.74 crore debited towards "Leave Travel Subsidy" and "Sick Leave" respectively in the Profit and Loss Account. As both the items remained unpaid till due date of filing of return, they should have been disallowed. The mistakes resulted in under assessment of income of ₹ 44.06 crore involving potential tax effect of ₹ 14.97 crore. *ITD took remedial action (May 2012) under section 143(3) read with sections 154 and 263.*

Section 36(1)(iii) provides that "Any amount of interest paid, in respect of capital borrowed for acquisition of asset, for any period beginning from the date of which the capital is borrowed for acquisition of the asset till the date on which such asset was first put to use, shall not be allowed as deduction." Further, as per section 37(1), capital expenditure is not an allowable expenditure while computing the income chargeable under the head profits and gains of business or profession".

3.3.4.4 In Meghalaya, CIT Shillong charge, AO completed the assessment of **North Eastern Electric Power Corporation Limited** for AY 2009-10 after scrutiny in September 2011 at nil income after allowing adjustment of brought forward loss and depreciation against assessed income of ₹ 334.56 crore and carry forward of remaining unabsorbed loss and depreciation of ₹ 920.48 crore. AO allowed expenditure of ₹ 25.82 crore on account of incidental expenses towards construction and interest and finance charges incurred on its projects. As expenditure incurred during the

construction period is capital in nature, it was required to be disallowed. Omission to do so resulted in underassessment of income of ₹ 25.82 crore involving short levy of tax of ₹ 8.77 crore.

3.4 Income escaping assessments 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 AOs did not assess/under assessed total income that require to be offered to tax. Table 3.3 shows the sub-categories (refer Appendix 2.3) which have resulted in Income escaping assessments.

Table 3.3: Sub-categories of mistakes under income escaping assessments due to omissions			₹ in crore
Sub-categories	Nos.	TE	States
a. Income not assessed/under assessed under special provision	34	100.42	Andhra Pradesh, Delhi, Gujarat, Jammu & Kashmir, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West Bengal
b. Income not assessed/under assessed under normal provision	18	237.03	Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu and West Bengal
c. Incorrect classification and computation of capital gains	7	18.89	Andhra Pradesh, Gujarat, Maharashtra, Punjab, Tamil Nadu and West Bengal
d. Omissions in implementing provisions of TDS/TCS	7	27.83	Gujarat, Haryana, Maharashtra, Odisha and Tamil Nadu
e. Unexplained investment/cash credits etc.	1	3.45	Tamil Nadu
Total	67	387.62	

3.4.2 Income not assessed/under assessed under special provisions

We give below two such illustrative cases:

Section 115JB provides for levy of Minimum Alternate Tax (MAT) at prescribed percentage of the book profit if the tax payable under the normal provisions is lesser than MAT. As per Finance Act 2009, the section has been retrospectively amended to the effect that provision for bad and doubtful debts shall be added back while computing book profit.

3.4.2.1 In Karnataka, CIT-I Bangalore charge, AO completed the scrutiny assessment of **Bangalore Electricity Supply Company Limited** for AY 2008-09 in December 2010 at nil income under normal provisions and book profit of ₹ 17.95 crore under special provisions. While computing book profit, AO did not add back amount of ₹ 224.27 crore debited towards provision for bad and doubtful debts in the profit and loss account. The mistake resulted in

short levy of tax of ₹ 32.81 crore including interest. *ITD accepted and rectified the mistake under section 147 (March 2014).*

3.4.2.2 In Andhra Pradesh, CIT-VI Hyderabad charge, AO while completing the assessment of **North Power Distribution Company Limited** for AY 2008-09 at book profit of ₹ 744.52 crore under special provisions of the Act, did not add back amount of ₹ 77.41 crore debited towards provision for bad and doubtful debts in the profit and loss account. The mistake resulted in short levy of tax of ₹ 11.64 crore including interest. *ITD has initiated remedial action (July 2013) under section 263.*

3.4.3 Income not assessed/under assessed under normal provisions

We give below two such illustrative cases:

Section 28 provides that profits and gains of any business or profession shall be chargeable to income tax under the relevant head. It has been judicially held in the case of CIT vs TVS Sundaram Iyengar & Sons (222 ITR 344 SC) that even though a sum is not taxable in the year of receipt as being of revenue character, the amount changes its character when it becomes assessee's own money because of limitation or by any other statutory or contractual right. The same warrants treatment of amount as income.

3.4.3.1 In Tamil Nadu, CIT-I Chennai charge, AO completed the scrutiny assessment of **Cholamadalam Investment and Finance Company Limited** for AY 2009-10 in December 2011 at income of ₹ 109.14 crore, which was subsequently revised in December 2012 to ₹ 109.63 crore. The sum of ₹ 323.53 crore withdrawn from Securities Premium Account was credited to profit and loss account by way of adjustment of sums of ₹ 200 crore, ₹ 100 crore and ₹ 23.53 crore against 'provision for standard assets', 'loss assets written off' and 'provision for diminution in value of investments' respectively. The assessee's treatment of netting off debit towards provisions against credit of withdrawal of Securities Premium Account made it revenue neutral. As the withdrawal from the Securities Premium Account was utilised for revenue purposes, it was required to be treated as revenue receipts and offered for taxation as income. Omission to do so resulted in underassessment of income of ₹ 323.53 crore resulted in short levy of tax of ₹ 109.97 crore. *ITD has not accepted the audit observation stating that appropriate disclosure regarding utilisation of share premium as deduction had been made in the notes to accounts and it was only a method of presentation.* The Department's reply is not acceptable as reduction in Share Premium Account is absolute and is falling within the ratio of decision of Supreme Court in case of TVS Sundaram Iyengar & Sons. As per Companies Act adjustment of Share Premium Account against reduction of assets or write off of expenses would require actual write off of assets which represented outflow of cash. Further, it has been clarified in notes to

accounts that adjustments to the Securities Premium Account were not in accordance with Accounting Standard and relevant pronouncement of ICAI.

Section 143(3) provides that AOs have to determine and assess the income correctly in scrutiny assessments. CBDT has also issued instructions from time to time in this regard.

3.4.3.2 In Odisha, CIT Bhubaneswar charge, AO completed the assessment of **National Aluminium Company Limited** for AY 2009-10 after scrutiny in October 2011, at income of ₹ 2042.54 crore which was subsequently rectified under section 154 in March 2012 giving credit of TDS of ₹ 79.96 crore. As per the profit and loss account amount of ₹ (-) 85.35 crore was debited towards value of accretion/decretion of stock, intermediary products and works-in-progress out of which accretion of ₹ 29.28 crore was related to finished product. As per books of accounts the accretion of finished product was ₹ 65.10 crore and not ₹ 29.28 crore. The understatement of accretion of finished products resulted in underassessment of income by ₹ 35.82 crore involving tax effect of ₹ 35.76 crore. *ITD accepted the audit observation (March 2013).*

3.4.4 Incorrect classification and computation of capital gains

We give below one such illustrative case:

Section 143(3) provides that AOs have to determine and assess the income correctly in scrutiny assessments. CBDT has also issued instructions from time to time in this regard.

3.4.4.1 In Andhra Pradesh, CIT-Central Hyderabad charge, AO completed the assessment of **Summit Communications Private Limited**, for AY 2009-10 after scrutiny in December 2011 at income of ₹ 33.73 crore. Assessee transferred 18 lakh shares to Unicon for sale consideration of ₹ 39.09 crore and sale proceeds were credited to assessee's bank account. While computing Capital Gains (STCG), sale proceeds of ₹ 22.07 crore was considered instead of correct amount of ₹ 39.09 crore. Further the assessee was allowed indexed cost of acquisition although the period of holding of shares was less than one year resulting in short computation of capital gains by ₹ 17.02 crore. The mistakes resulted in short computation of STCG by ₹ 17.99 crore involving tax effect of ₹ 8.25 crore. *ITD accepted the audit observation (March 2014) and initiated remedial action under section 263 read with section 154.*

3.4.5 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.

3.4.5.1 In Odisha, CIT Sambalpur charge, AO completed the assessment of **Mahanadi Coalfields Limited** for AY 2009-10 after scrutiny in December 2011, at income of ₹ 2778.87 crore which was subsequently revised to ₹ 2763.73 crore in March 2012. While completing scrutiny assessment, AO allowed payments of ₹ 4.82 crore and ₹ 54.77 crore made to Coal India Limited on which tax was not deducted at source. As tax had not been deducted, the payments of ₹ 59.58 crore were required to be disallowed. Omission to do so resulted in underassessment of income by ₹ 59.58 crore involving tax effect of ₹ 20.48 crore. *ITD accepted the audit observation (March 2013).*

3.4.6 Unexplained investment/ cash credits etc.

We give below one such illustrative case:

Section 68 provides that if assessee offers no explanation about the nature and source of any sum credited in the books of the assessee, the sum so credited may be charged to income tax as income of the assessee.

3.4.6.1 In Tamil Nadu, CIT-VI Chennai charge, AO completed the scrutiny assessment of **S4 Carlisle Publishing Services Private Limited** for AY 2008-09 in December 2010 at income of ₹ 29.32 lakh. As per the Balance Sheet of the assessee for period ending March 2008, the sums of ₹ 10.67 crore and ₹ 11.85 crore were shown towards 'share premium account' under liabilities and 'investment in S4 Carlisle Publishing Services Inc.' under assets respectively. No explanation has been provided for credit in the share premium account and the share premium account was utilised to invest in a subsidiary company which is not admissible under section 78 of Companies Act. As share premium account was utilised for investment in companies which is not the main business of the assessee, the sum of ₹ 11.85 crore was required to be treated as unexplained credit under section 68 and brought to tax. Omission to do so resulted in income of ₹ 11.85 crore escaping assessment involving tax effect of ₹ 3.45 crore. *ITD has taken remedial action under section 143(3) read with section 147 in March 2014.*

3.5 Over-charge of tax/Interest

3.5.1 We noticed that AOs over assessed income in 32 cases (refer *Appendix 2.3*) involving overcharge of tax and interest of ₹ 494.28 crore in Delhi, Karnataka, Maharashtra, Punjab, Rajasthan, and West Bengal. We give below two 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.

3.5.1.1 In Delhi, CIT-I charge, AO completed the assessment of **Bharat Sanchar Nigam Limited** for AY 2008-09 after scrutiny in December 2010 at income of ₹ 5,673.85 crore. The assessee claimed and was allowed tax credit of ₹ 216.41 crore under section 115JAA at summary stage, but the same was not considered during scrutiny assessment. The omission resulted in overcharge of tax of ₹ 287.83 crore. *ITD rectified the mistake under section 154 (January 2012).*

Section 234B provides that if an assessee has to pay advance tax and he has not paid such tax or if the advance tax paid by him is less than 90 *per cent* of the assessed tax, he shall pay simple interest at the rate of one *per cent* every month or part of a month.

3.5.1.2 In West Bengal, CIT-II Kolkata charge, AO completed the scrutiny assessment of **Central Inland Water Transport Corporation Limited** for AY 2007-08 in December 2009 at income of ₹ 892.02 crore. The assessment was subsequently revised under section 251 read with section 143(3) in August 2010 determining tax of ₹ 39.54 crore and further revised in February 2013 without any additions. While completing revised assessment in February 2013 interest under section 234B was levied at ₹ 28.08 crore as against correct sum of ₹ 13.05 crore. *ITD rectified the mistake under section 154 (July 2013).*

Chapter IV: Income Tax and Wealth Tax

4.1 Introduction

4.1.1 We referred 124 high value cases pertaining to Income tax involving tax effect of ₹ 396.92 crore to the Ministry of Finance during June 2014 to September 2014 to elicit their comments. In addition, 19 cases pertaining to Wealth Tax amounting to ₹ 2.04 crore have also been discussed in this Chapter.

4.1.2 The Department (ITD) has accepted 31 cases and has completed remedial action in 133 cases involving tax effect of ₹ 390.79 crore and initiated remedial action in four case involving tax effect ₹ 2.68 crore.

4.1.3 This chapter discusses 124 income tax cases, of which 97 cases involving undercharge of ₹ 312.80 crore and 27 cases involve overcharge of ₹ 84.12 crore. These cases of incorrect assessment point towards weaknesses in the internal controls on the assessment process being exercised by the Income Tax Department.

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

- Quality of assessments
- Administration of tax concessions/exemptions/deductions
- Income escaping assessments due to omissions
- Others-Overcharge of tax/interest etc.

Table 2.4 (para 2.5.5) of this report shows the details of broad categories of mistakes and their tax effect.

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 4.1 shows the sub-categories of mistakes (refer *Appendix 2.3*) which impacted the quality of assessments.

Table 4.1: Details of errors in quality of assessment				(₹ in crore)
Sub-categories	Cases	TE	States	
a. Arithmetical errors in computation of income and tax	9	199.66	Delhi, Kerala, Maharashtra, Punjab and West Bengal	
b. Incorrect application of rates of tax, surcharge etc.	7	31.50	Andhra Pradesh, Madhya Pradesh, Rajasthan and Uttar Pradesh	
c. Mistakes in levy of interest	20	30.77	Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh	
d. Excess or irregular refunds/ interest on refunds	2	0.74	Bihar and Maharashtra	
Total	38	262.67		

4.2.2 Arithmetical errors in computation of income and tax

We give below three such illustrative cases:

The Act provides that AO is required to make a correct assessment of the total income or loss of the assessee and determine correct amount of tax or refund, as the case may be.

4.2.2.1 In West Bengal, DIT-International Taxation Kolkata charge, AO completed the assessment of a firm **Joy Partnership** for AY 2010-11 after scrutiny in March 2013 at an income of ₹ 2.47 crore. Audit noticed that while computing the income of the assessee, AO adopted the figure of ₹ 2.56 crore instead of correct amount of ₹ 10.50 crore as shown by the assessee. The mistake resulted in under assessment of income of ₹ 8.04 crore involving tax effect of ₹ 3.11 crore including interest. *ITD rectified the mistake under section 143(3)/263 (March 2014).*

4.2.2.2 In Delhi, CIT-Central I charge, AO completed the assessment of an individual **Pawan Kumar Gupta** for AY 2010-11 under section 143(3)/153A in March 2013 at an income of ₹ 43.36 crore. Audit noticed that AO while computing the tax, adopted the amount of taxable income at ₹ 43.36 crore instead of correct amount of ₹ 433.68 crore. The mistake resulted in short levy of tax of ₹ 187.21 crore including interest. *ITD rectified the mistake under section 154 (November 2013).*

4.2.2.3 In Kerala, CIT-Central Kochi charge, AO completed the assessment of an individual **Mathew K Cherian** for AY 2004-05 after scrutiny in December 2011 at an income of ₹ 7.86 crore and tax of ₹ 2.59 crore thereon. Audit noticed that the amount of tax was short levied by ₹ 1.89 crore due to arithmetical error in computation of interest under section 234B. The mistake resulted in short levy of tax/interest of ₹ 1.89 crore. *ITD rectified the mistake under section 154 (August 2013).*

4.2.3 Incorrect application of rates of tax and surcharge

We give below three such illustrative cases:

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

4.2.3.1 In Madhya Pradesh, CIT-Gwalior charge, AO completed the assessments of an AOP, **The Gwalior Citizen Sakh Sahakarita Maryadit** for AYs 2007-08 and 2008-09 under section 153A/143(3) in December 2010 at an income of ₹ 137.96 crore and ₹ 119.45 crore respectively. Audit noticed that though the assessee was an AOP, AO treated the status of assessee as a Society while computing tax on income. The mistake resulted in incorrect computation and short levy of tax aggregating ₹ 11.71 crore²⁹ including interest for both the assessment years. *ITD rectified the mistake under section 154 (May 2011).*

4.2.3.2 In Andhra Pradesh, CIT Central Hyderabad charge, AO completed the assessment of **Indrani Prasad** for AY 2009-10 under section 143(3)/153C in December 2011 at an income of ₹ 62.42 crore. Audit noticed that special rate of tax was applied at 20 per cent on capital gains of ₹ 62.42 crore even though the period of holding of asset was less than three years. The mistake resulted in short levy of tax of ₹ 9.71 crore including interest. *ITD accepted the audit observation and rectified the mistake under section 154 (March 2013).*

4.2.3.3 In Rajasthan, CIT Jaipur I charge, AO while completing the assessment of an individual, **Kailash Chand Modani** for AY 2009-10 after scrutiny in December 2011 at an income of ₹ 72.98 lakh, computed the short term capital gain at special rate of 15 per cent instead of normal rate of tax. The mistake resulted in short levy of tax of ₹ 17.21 lakh including interest. *ITD accepted the audit observation and rectified the mistake under section 154 (January 2014).*

4.2.4 Mistakes in levy of Interest

We give below three such illustrative cases:

The 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.

4.2.4.1 In Madhya Pradesh, CIT Gwalior charge, AO completed the assessment of an individual **Akhil Singhal** for AY 2008-09 after scrutiny in December 2009 at an income of ₹ 111.75 crore and a tax of ₹ 61.28 crore

²⁹ ₹ 6.27 crore for AY 2007-08; ₹ 4.90 crore for AY 2008-09

thereon. Audit noticed that the department did not levy interest under section 234A even though the assessee filed belated return in response to the notice received under section 142(1). The mistake resulted in non levy of interest of ₹ 6.02 crore. *ITD rectified the mistake under section 154 (May 2011).*

4.2.4.2 In Maharashtra, CIT Central IV Mumbai charge, AO completed the assessment of an individual **Inderjeet Arya** for AYs 2008-09 and 2009-10 under section 144 read with section 153A in June 2011 at an income of ₹ 23.70 crore and ₹ 61.28 crore respectively. Audit noticed that interest under section 234A was levied for 12 months and 11 months for aforesaid assessment years instead of 35 months and 23 months respectively. The mistake resulted in short levy of interest aggregating ₹ 4.35 crore for both the assessment years. *ITD rectified the mistake under section 154 (December 2013).*

Section 220(2) of the Act provides that if the amount specified in any notice of demand under section 156 is not paid within a period of 30 days, the assessee shall be liable to pay simple interest as prescribed in the Act.

4.2.4.3 In Haryana, CIT Gurgaon (Central) charge AO completed the assessment of **Sushil Kumar Gupta** for AY 2009-10 under section 153b(1)(b) in December 2010 at an income of ₹ 7.38 crore. Audit scrutiny revealed that though the assessee paid the tax and interest amounting to ₹ 1.51 crore on 9 November 2012 as against the due date of 28 January 2011, AO did not levy the interest for delay in payment of demand. The mistake resulted in non levy of interest of ₹ 30.08 lakh under section 220(2) of the Act. *ITD rectified the mistake under section 154 (December 2013).*

4.2.5 Excess or irregular refunds/Interest on refunds

We give below two such illustrative cases.

As per provisions of the Act, if the amount of tax paid by the assessee for any AYs exceeds the amount with which he is properly chargeable under the Act for that year, he shall be entitled to refund of the excess. 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.

4.2.5.1 In Maharashtra, CIT II Mumbai Charge AO completed the assessment of a firm, **KPMG** for AY 2007-08 after scrutiny in December 2009 which was rectified in February 2011 at an income of ₹ 17.09 crore which further revised to ₹ 15.71 crore while giving effect to CIT (Appeal) order in October 2012. Audit scrutiny revealed that the department levied tax on assessed

income at ₹ 5.29 crore and after adjustment of prepaid taxes arrived at a refund of ₹ 3.01 crore including interest under section 244A of ₹ 1.01 crore despite the fact that the assessee was already granted refund of ₹ 3.15 crore in two instalments. The mistake resulted in excess grant of interest on refunds amounting to ₹ 38.86 lakh. *ITD rectified the mistake under section 154 (October 2013).*

4.2.5.2 In Bihar, CIT II Patna Charge AO completed the assessment of an individual **Awadhesh Kumar Singh** for AY 2007-08 after scrutiny in November 2010 at an income of ₹ 3.25 lakh allowing refund of ₹ 35.20 lakh. Audit examination revealed that the assessment became null and void as the same was completed after the case became time barred. As the assessment was completed after it had become time barred, allowance of refund of ₹ 35.20 lakh including interest was not in order. *Reply of the department is awaited.*

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 them. These cases point out weaknesses in the administration of tax concessions/deductions/exemptions on the part of ITD which need to be addressed. Table 4.2 shows the sub-categories (refer *Appendix 2.3*) which have impacted the Administration of tax concessions/exemptions/deductions.

Table 4.2: Sub-categories of mistakes under Administration of tax concessions/exemptions/deductions				(₹ in crore)
Sub-categories	Nos.	TE	States	
a. Irregular exemptions/deductions/relief given to individuals	2	1.70	Gujarat and Uttrakhand	
b. Irregular exemptions/deductions/relief given to Trusts/Firms/Societies/AOPs	12	11.60	Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Punjab and Tamil Nadu	
c. Incorrect allowance of Business Expenditure	7	4.32	Gujarat, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal	
d. Irregularities in allowing depreciation/business losses/capital losses	16	12.17	Bihar, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal	
Total	37	29.79		

4.3.2 Irregular exemptions/deductions/relief to Individuals

We give below one such illustrative case.

Section 80IC provides for certain deductions in respect of profit and gains from industrial undertaking or enterprises which begins to manufacture or produce any article or thing or commences any operation in any specified area/notified area or as specified in the fourteenth schedule.

4.3.2.1 In Uttarakhand, CIT Dehradun charge, AO completed the assessment of an individual **Prateek Kumar** for AY 2009-10 after scrutiny in June 2011 at an income of ₹ 5.99 lakh after allowing deduction of ₹ 3.65 crore under section 80IC. Audit noticed that the assessee was not only engaged in providing services but also received income from contracts, commission and brokerage from a real estate company and hence was not eligible for deduction under section 80IC. The mistake in allowing deduction resulted in under assessment of income of ₹ 3.65 crore having a tax effect of ₹ 1.57 crore including interest. *ITD accepted the audit observation and initiated the remedial action under section 148 (November 2013).*

4.3.3 Irregular exemptions/deductions/relief to Trusts/Firms/Societies/AOPs

We give below one such illustrative case.

Section 143(3) provides that AOs have to determine and assess the income correctly. CBDT has also issued instructions from time to time in this regard.

4.3.3.1 In Punjab, CIT Patiala charge, AO while completing the assessment of an Artificial Judicial Person **Patiala Improvement Trust** for AY 2008-09 after scrutiny in December 2010 at an income of ₹ 11 lakh, allowed exemption of ₹ 7.46 crore under section 12A even though the said exemption is available to charitable trusts only. The mistake resulted in irregular allowance of exemption by an equal amount involving tax effect of ₹ 3.90 crore including interest. *ITD rectified the mistake under section 147 (March 2013).*

4.3.4 Incorrect allowance of Business Expenditure

We give below one such illustrative case.

As per provisions of the Act, AOs have to determine and assess the income correctly in scrutiny assessment. CBDT has also issued instructions from time to time to AOs and their supervising officers to ensure that mistake in scrutiny assessment do not occur.

4.3.4.1 In Uttar Pradesh, CIT Bareilly charge, AO while completing the assessment of a co-operative society **Kisan Sahkari Chini Mills Limited** for

AY 2006-07 after scrutiny in October 2008 at a loss of ₹ 9.04 crore, allowed an expenditure of ₹ 4.10 crore towards cost of molasses under the head 'cost of cane'. As the said expenditure is not a raw material for production of sugar and hence the same should have been disallowed as an inadmissible expenditure. Omission to do so resulted in over assessment of business loss of ₹ 4.10 crore involving a potential tax effect of ₹ 1.26 crore. *ITD rectified the mistake under section 147 (November 2011).*

4.3.5 Irregularities in allowing depreciation/business losses/capital losses

We give below one such illustrative case:

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.

4.3.5.1 In Maharashtra, CIT-XX Mumbai charge, AO while completing the assessment of an individual **Sharad Kantilal Shah** for AY 2010-11 after scrutiny in December 2012 at an income of ₹ 1.61 crore, did not adjust the 'income from other sources' amounting to ₹ 8.03 crore against the 'business loss' of ₹ 55.35 crore. The mistake resulted in excess carry forward of losses of ₹ 8.03 crore involving potential tax effect of ₹ 2.48 crore. *ITD accepted the audit observation and rectified the mistake under section 154 (January 2014).*

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 4.3 shows the sub-categories (refer *Appendix 2.3*) which have resulted in income escaping assessments.

Table 4.3: Sub-categories of mistakes under income escaping assessments due to omissions				(₹ in crore)
Sub-categories	Nos.	TE	States	
a. Incorrect classification and computation of capital gains	4	2.67	Gujarat, Rajasthan and Tamil Nadu	
b. Incorrect computation of income	11	14.31	Delhi, Gujarat, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh	
c. Omissions in implementing provisions of TDS/TCS	7	3.36	Bihar, Chhattisgarh, Gujarat, Jharkhand and Uttar Pradesh	
d. Non-levy/short levy of Wealth Tax	19	2.04	Gujarat, Karnataka, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal	
Total	41	22.38		

4.4.2 Incorrect classification and computation of Capital Gain

We give below one such illustrative case.

Section 50C provides that where the consideration received or accruing as a result of the transfer by an assessee of a capital being land or building or both, is less than value adopted by any Stamp Value Authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, be deemed to be the full value of consideration received or accruing as a result of such transfer.

4.4.2.1 In Tamil Nadu, CIT-I Coimbatore charge, AO completed the assessment of an individual **K. R. Jayaram** for AY 2009-10 after scrutiny in December 2011 at an income of ₹ 1.55 crore. Audit examination revealed that the assessee, along with another assessee, sold land measuring 4.90 acres for a sale consideration of ₹ 3.19 crore and offered short term capital gains of ₹ 1.17 crore computed on 50 *per cent* share of sale consideration received. However, the market value of the said property was re-fixed at ₹ 7.35 crore by the District Revenue Officer(Stamps). As the market value was revised, the sale consideration for computation of capital gains under section 50C should have been adopted at ₹ 3.67 crore³⁰. The omission resulted in under assessment of capital gains of ₹ 2.08 crore involving short levy of tax of ₹ 70.78 lakh. *ITD accepted the audit observation and initiated the remedial action under section 148 (March 2013).*

4.4.3 Incorrect computation of income

We give below one such illustrative case:

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.

4.4.3.1 In Maharashtra, CIT-I Pune charge, AO completed the assessment of an AOP **Sangamner Bhag Sahakari Karkhana Limited** for AY 2007-08 after scrutiny in November 2009 at a loss of ₹ 2.11 crore. Audit examination revealed that the AO considered the returned income of ₹ 2.11 crore as loss and allowed the same to be carried forward in subsequent AYs. The mistake resulted in under assessment of income of ₹ 2.11 crore and incorrect carry forward of loss to that extent with consequent potential tax effect of ₹ 1.29 crore. *ITD rectified the mistake under section 154 (September 2010).*

³⁰ 50 *per cent* of ₹ 7.35 crore as determined by the District Revenue Officer(Stamps)

4.4.4 Omissions in implementing provisions of TDS/TCS

We give below two such illustrative cases.

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

4.4.4.1 In Gujarat, CIT-I Ahmedabad charge AO while completing the assessment of a firm **Hakimchand D & Sons** for AY 2007-08 in December 2009 at an income of ₹ 42.15 lakh allowed expenses made by assessee amounting to ₹ 4.96 crore towards licence fee on which tax has not been deducted while making payments. This resulted in under assessment of income by an equal amount having a tax effect of ₹ 2.22 crore including interest. *ITD rectified the mistake under section 147 (March 2013).*

4.4.4.2 In Chhattisgarh, CIT Raipur charge AO while completing the assessment of a firm **P N B Nair** for AY 2008-09 in December 2010 at an income of ₹ 0.78 lakh allowed expenses made by assessee amounting to ₹ 24.96 lakh towards 'Truck & JCB rent' on which tax has not been deducted while making payments. This resulted in under assessment of income by an equal amount having a tax effect of ₹ 12.34 lakh including interest. *ITD rectified the mistake under section 147 (March 2014).*

4.4.5 Non-levy/short levy of Wealth Tax

19 cases of Wealth Tax involving tax effect of ₹ 2.04 crore were reported to the Ministry during June 2013 to September 2014. We found that AO did not comply with CBDT's instructions³¹ in these cases in Gujarat, Karnataka, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal. We give below one such illustrative case:

4.4.5.1 In Maharashtra, CIT III Mumbai charge, the assessee company **Parasakthi Trading Co. Pvt. Limited**, was in possession of the urban land of ₹ 190.96 crore which attract wealth tax as per Wealth tax Act but did not file return of wealth tax for AY 2008-09. ITD also did not initiate any action to call for the same. The omission resulted in escapement of taxable wealth tax of ₹ 19.53 crore leading to non levy of wealth tax of ₹ 28.32 lakh including interest. ITD rectified the mistake under section 16(5) read with section 17 of the Wealth Tax Act (January 2013).

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

4.5 Over Charge of Tax/Interest

4.5.1 We noticed over assessment of income in twenty seven cases (refer *Appendix 2.3*) involving overcharge of tax/interest of ₹ 84.12 crore in Andhra Pradesh, Bihar, Delhi, Jharkhand, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. We give below two such illustrative cases.

4.5.1.1 In Andhra Pradesh, CIT Central Hyderabad charge, AO completed the assessment of **Andhra Pradesh Housing Board** for AYs 2007-08 and 2009-10 under section 144 read with section 147 of the Act in March 2013 at an income of ₹ 677.93 crore and ₹ 1197.32 crore respectively. Audit noticed that AO levied education cess at three per cent instead of correct rate of two percent for AY 2007-08. Further, interest under section 234A was levied in excess for both the AYs and interest under section 234B was levied in excess for AY 2009-10. The mistake resulted in over charge of tax/interest of ₹ 19.21 crore. *ITD rectified the mistake under section 154 for AY 2008-09 (May 2013).*

4.5.1.2 In Delhi, CIT (Central) I charge, AO completed the assessment of an individual **Rishu Gupta** for AY 2009-10 under section 143(3)/153C in March 2013 at an income of ₹ 18.92 crore and a tax of ₹ 12.47 crore thereon. Audit noticed that education cess was levied at ₹ 6.23 crore instead of correct amount of ₹ 18.70 lakh while computing tax on the assessed income which resulted in over charge of ₹ 9.01 crore including interest. *ITD rectified the mistake under section 154 (November 2013).*

Chapter V - Functioning of Income Tax Settlement Commission and Implementation of its orders by ITD

5.1 Introduction

The Government of India set up an Income Tax Settlement Commission³² (the Commission) on 01 April 1976 with its Headquarters at New Delhi, with the objectives to provide machinery for tax payers to make a clean breast of their affairs through compromise and settlement; reduce litigation; and ensure speedy collection of taxes. It is an important Alternate Disputes Resolution mechanism for resolving tax disputes relating to Direct Taxes. The orders passed by the Commission are implemented by ITD. The Act has provided time frame for the Commission and the ITD for resolution of tax disputes. Some of the unique features characterizing its role and responsibility are as follows:

- a. Settlement of disputes relating to tax liability;
- b. Pronouncement and setting out the final terms of settlement in the Commission itself;
- c. Grant of immunity from prosecution for any offence committed and imposition of any penalty under the laws relating to Income Tax and Wealth Tax and
- d. Orders of the Commission are subjected to only judicial review.

5.2 Organisational set up

The Principal Bench of the Commission is in New Delhi with six Additional Benches (two at New Delhi and Mumbai each, one at Chennai and Kolkata each). Each Bench comprises of one Presiding Officer (Chairman or Vice-Chairman) and two Members, with secretarial support by two senior officers of ITD i.e. Secretary and Director of Income Tax (Investigation). The detailed jurisdiction of different Benches of the Commission is given in *Appendix -5.1*.

5.3 Audit objectives

The audit objectives were to assess whether the system and procedures are sufficient and in place to ensure compliance with the provisions of the Act/ Rules, manuals, circulars and instructions issued by the Commission/CBDT and compliance thereof; and whether adequate internal control mechanism exists for monitoring of settlement of cases within the Commission and concerned CIT/AOs as well.

32 Section 245B of Income Tax Act, 1961 and Section 22B of Wealth Tax Act, 1957.

5.4 Audit scope

We covered the period from FY 2010-11 to FY 2012-13 for the cases finalised by and pending with all Benches of the Commission as on 31 March 2013 and implementation of the orders thereof by the ITD. Audit examined 1,049 cases provided by concerned CsIT of the ITD all over India to verify the implementation of the order passed by the Commission.

5.5 Constraints

Despite the assurance given by the Commission (April 2014), the Benches did not provide the individual application files and other related records. Consequently, audit could not ascertain/verify (i) the procedure followed for filing the applications, (ii) dates at various stages from filling of applications and their disposal, payment of tax etc. by applicants; and (iii) existence of internal control mechanism for monitoring of settlement cases.

The Ministry stated (December 2014) that the proceedings before the Commission are quasi-judicial and are not open to audit which starts from the filing of application and ending with the passing of order of the settlement.

5.6 Collection of data

The Benches of the Commission/ITD and the Ministry has inter-alia provided different set of data showing the pendency of cases with the Commission for the FY 2010-11 to FY 2012-13. The details are given in *Table 5.1*. The figures furnished by the Ministry are shown in the brackets.

Table 5.1: Cases pending with the Benches of the Commission				
Benches	Cases pending as on 1 April 2010	Cases for disposal	Cases settled	Cases pending as on 31 March 2013
Chennai ³³	74	64	62	2 (71)
Delhi	540	856	405	451 (455)
Kolkata	32	195	119	76 (147)
Mumbai	715	1,004	727	277 (269)

(Source: Benches of the Commission/ITD)

Absence of accurate data is pointer to the need for establishing sound internal controls.

³³ Information in respect of Kerala and Andhra Pradesh was not made available.

5.7 Audit Findings

Our audit findings are based on limited information/data furnished by the Commission and records made available by field units of the ITD. Audit findings relating to functioning of the Commission and implementation of its orders by the ITD are described in succeeding paragraphs.

Audit findings relating to functioning of the Commission

5.7.1 The settlement mechanism allows taxpayers to disclose additional income before it 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 at the time of filing the application. The Commission then decides upon the admissibility of the application and in case of admitted applications, carries out the process of settlement in a time bound manner by giving opportunity to both parties. The Commission is required to pass the Settlement order within prescribed period. It has wide power of granting immunity from penalty and prosecution, which are major sources of litigation. The orders passed by the Commission are final and conclusive. At present the benefit of the settlement mechanism can be availed by a taxpayer only once in life-time, who has made the first application on or after 1 June 2007.

Audit findings on filing and admission of application and procedure followed by the Commission are as follows:

5.7.2 Compliance to time schedule prescribed under Section 245D(1)

The Commission shall, after hearing the applicant, reject or accept the application by order in writing, within 14 days from the date of application and thereafter forward the same along with copy of order under Section 245D(1) to CIT, calling for a report under Section 245D(2B), who shall furnish a report under Section 245D(2B) within 30 days of the receipt of the communication. In case no order is passed by the Commission within the period of 14 days, the application shall be deemed to have been allowed to be proceeded with and call for the Report from the Commissioner within 30 days of the date of the communication.

In Uttar Pradesh, CIT-Central Kanpur charge, application in five cases were filed (04 December 2006) before the Commission (Additional Bench-II, New Delhi). The Bench did not pass any formal order under Section 245D(1) but called for the report (09 February 2007) from the concerned CIT under Section 245D(2B) within 30 days of the receipt of the communication. Reports in all these cases were sent (23 May 2007) by CsIT under Section 245D(2B) and orders were passed (26 April 2014) under Section 245D(4) by the Commission. Thus, the Commission did not adhere to the schedule prescribed in the Act.

5.7.3 Cases filed prior to June 2007 but settled/pending after March 2008

The Act stipulates that the application filed before the Commission prior to 01 June 2007 was to be disposed before 31 March 2008 by the Commission failing which the application was abated.

We noticed inordinate delay in settlement 134 cases³⁴ filed before the Commission prior to 01 June 2007. There was delay in disposal of 37 cases ranging from 39 months to 59 months and 97 cases were pending for disposal for the period ranging from five years to 20 years as on 31 March 2013 (See Box 1).

Box no. 1: Cases filed prior to June 2007 but settled/pending after March 2008

a. 30 cases, filed before the Bench of Commission at Kolkata between February 1993 and May 2007, were pending for settlement as on 31 March 2013 even after lapse of six years to 20 years. Of these, two cases were pending due to the on-going High Court Proceedings. Reasons for inordinate delay in settlement of the cases in remaining cases were not furnished.

The Ministry stated (December 2014) at the end of September 2014 only 15 cases received prior to 1 June 2007 are pending for disposal. However, the Ministry has not furnished the reasons of delay.

b. In Uttar Pradesh, 50 cases pertaining to FY 2002-03 to FY 2006-07, required for disposal by 31 March 2008, were pending as on 31 March 2013 even after lapse of eight to 11 years.

The Ministry stated (December 2014) that the delay in disposal of 44 cases was on account of pending litigation before the Hon'ble Allahabad High Court. These cases were taken up for disposal after decision of the Hon'ble High Court. The Hon'ble Supreme Court granted the stay in four cases on the proceedings before the Commission. Further, 30 cases have already been disposed of by the end of October 2014.

c. In Jharkhand, CIT Central Patna charge, the Commission admitted seven cases relating to Income Tax (August 1993) under Section 245D(1) and six cases relating to Wealth Tax (December 1993) under Section 22D(1) for AYs 1987-88 to 1992-93 but shown pending even after lapse of more than 20 years.

The Ministry stated (December 2014) that these cases pertained to Animal Husbandry/Fodder scam and the Commission could not disposed of these cases due to stay order of High Court, Patna. Stay order vacated by the High Court(03 February 1997) was not brought to the notice of the Commission by the assessee or the ITD.

34 Gujarat (2), Haryana (51), Jammu & Kashmir (1), Jharkhand (13), Punjab (14), Rajasthan (1), Uttar Pradesh (50) and West Bengal (2)

d. In Haryana, application for 16 cases were filed between June 2002 and May 2007 which were pending for settlement involving delay ranging from seven years to 12 years as on 31 March 2014 even though the prescribed time limits under Section 245D(4) had expired by 31 March 2008.

The Ministry stated (December 2014) that all these cases have been disposed off by the end of October 2014.

e. In Gujarat, application in two cases admitted on 10 September 1999 and 14 November 2006 under section 245D(1) have not been finalized so far (July 2014) involving delay of 15 years and 8 years respectively.

The Ministry stated (December 2014) that case of Navin V Shah and Grahshilp Construction Private Limited has been disposed off on 2 July 2014 and 4 March 2014 respectively.

The Ministry stated (December 2014) that before introduction of Finance Act, 2007, there was no time limit in finalisation of cases filed before 1 June 2007. The Ministry, further, stated that with limited resources available with the Benches of the Commission, priority was given to time barring applications.

5.7.4 Cases filed after 01 June 2007 and 01 June 2010

Under Section 245D(4A), the Commission shall pass an order in respect of application made on or after 01 June 2007 within 12 months and in respect of application made after 01 June 2010 within 18 months from the end of the month in which the application was made.

We noticed delay ranging 12 days to 563 days in settlement of seven cases³⁵ filed before the Commission after 01 June 2007 and 01 June 2010.

In three cases³⁶, order of the Commission remains to be passed. *The Ministry stated (December 2014) that the order of the Commission is yet to be passed.*

5.7.5 Computation of total income in the order of the Commission

While passing order under Section 245D(4), the Commission determines the total income of the assessee by aggregating the returned income, the additional income disclosed by the assessee and further additions made by the Commission, if any.

³⁵ Delhi (4), Bihar (2) and West Bengal (1)

³⁶ Tamil Nadu (3)

In Tamil Nadu, CIT (Central) II Chennai charge, in the case of **Adhi Parasakthi Medical, Educational and Charitable Trust (PAN-AAATA0722H)**, for AY 2008-09, the Commission determined the total income at ₹ 5.51 crore in the order passed under Section 245D(4). However, the total income worked out to ₹ 6.51 crore by aggregating the returned income, the additional income disclosed by the assessee and further additions made by the Commission. Thus there was under statement of total income by ₹ 1.00 crore in the order of the Commission, issued on 31 March 2014. The consequential order was not passed (July 2014). Monetary impact after passing the consequential order would work out to ₹ 33.99 lakh.

The Ministry stated (December 2014) that AO has corrected the mistake while giving effect to the order of the Commission (7 August 2014) and no further order by the Commission seems to be required.

Audit findings on implementation of orders of the Commission by the ITD

5.8 The Act lays down provisions relating to constitution of the Commission and procedure for filing, admission and settlement of applications. Further as per the Act, at every stage, the Commission requires various reports from the jurisdictional CITs. Concerned AOs are also required to implement the final orders of the Commission. Audit findings on implementation of the orders of the Commission by the ITD are as follows:

5.8.1 Implementation of the orders of the Commission

ITD shall give effect to the orders of the Commission within stipulated time prescribed therein so as to expeditiously collect the tax revenues.

5.8.1.1 In West Bengal, we noticed five cases where the AOs did not give effect to the orders of the Commission passed under Section 245D(4) during February 2011 and December 2012. Further, a review of Online Tax Accounting System revealed that in three cases, the assessee paid tax in pursuance of the orders passed by the Commission but no demand notice was issued by the ITD.

5.8.1.2 In Chhattisgarh, CIT Raipur/Bilaspur charges, we noticed delay of seven months in four cases in giving effect (April 2012) to the orders of the Commission in four cases (September 2011). Thus the objective of the Commission for speedy collection of taxes could not be achieved.

The Ministry stated (December 2014) that ITD faced acute shortage of manpower and restructuring of the Department completed (November 2014) will ensure strict compliance with the prescribed standards, particularly in procedural matter.

5.8.2 Submission of reports under Section 245D(2B) by the CIT

On receipt of the application for settlement under Section 245C, the Commission shall call for a report from the CIT under Section 245D(2B), and the CIT shall furnish the report within the period of 30 days of the receipt of the communication from the Commission.

We noticed delay ranging from 10 to 86 days in submission of reports under Section 245D(2B) beyond the stipulated period of 30 days by the CsIT in 50 cases³⁷.

The Ministry stated (December 2014) that instructions have been issued to all the CCsIT(CCA) & (Central)/DGsIT(Inv.) to submit the report sought by the Commission within the time prescribed under Section 245D(2B) and no adjournments shall be sought by them. However, the Ministry has not specifically cited the reasons for cases pointed out by audit.

5.8.3 Submission of reports under Section 245D(3) by the CITs

The Commission, in respect of an application which has not been declared invalid under Section 245D(2C) or an application which has been allowed to be further proceeded with under Section 245D(2D), may call for the records from the CIT and after examination of such records, may direct the CIT to furnish a report on the matters covered by the application and any other matter relating to the case, and the CIT shall furnish the report within a period of 90 days of the receipt of communication from the Commission under Section 245D(3).

We noticed delay in nine cases³⁸ ranging from nine to 261 days beyond the stipulated period of 90 days in submission of reports under Section 245D(3). In 36 cases³⁹, date of report called for by the Commission and/or date of report sent by the CsIT was not made available and therefore, we could not ascertain the delay.

The Ministry stated (December 2014) that instructions have been issued to all the CCsIT(CCA) & (Central)/DGsIT(Inv.) to submit the report sought by the Commission within the time prescribed and no adjournments shall be sought by them. However, the Ministry has not specifically cited the reasons for cases pointed out by audit.

37 Bihar (4), Chhattisgarh (2), Jharkhand (2), Punjab (6), Uttar Pradesh & Uttarakhand (36)

38 Haryana (2), Kerala (1), Odisha (1) and West Bengal (5)

39 Andhra Pradesh (2), Chhattisgarh (10), Odisha (5), Rajasthan (1) and Tamil Nadu (18)

5.8.4 Submission of reports under Rule 9 of Settlement Commission (Procedure) Amendment Rules, 2010

The Commission under Rule 9 of Settlement Commission (Procedure) Amendment Rules, 2010 shall call for report on the information contained in annexures and statements and other documents accompanying such annexures from the CIT in seven copies within the period of 45 days from the receipts of the communication from the Commission.

We noticed delays in 148 cases⁴⁰ ranging from 10 days to 2,741 days in sending reports under Rule 9 *ibid*. Further, in 19 cases⁴¹, date of report called for by the Commission from CsIT and/or date of sending report by CsIT was not made available and therefore, we could not ascertain the delay.

The Ministry stated (December 2014) that instructions have been issued to all the CCsIT(CCA) & (Central)/DGsIT(Inv.) to submit the report sought by the Commission within the time prescribed and no adjournments shall be sought by them. However, the Ministry has not specifically cited the reasons for cases pointed out by audit.

5.8.5 Adoption of figures while giving effect to order of the Commission

The Commission may, at any time within a period of six months from the date of its order, amend any order passed by it under Section 245(6B), if the mistake is apparent from record. AO should adopt the correct figure of total income determined by the Commission and compute tax, interest thereon and refund etc. as per extant law.

In eight cases⁴², we noticed mistakes in computation of tax due to adoption of wrong figures, incorrect set-off of losses etc. while giving effect to the order of Commission (See Box 2).

Box No 2: Illustrative cases pointing out mistakes in adoption of figures

a. In Delhi, CIT Central II Charge, the income of **Raheja Developers Limited (PAN-AAACR0468E)** for the block period 2004-05 to 2010-11 was settled by the Commission at ₹ 117.98 crore vide its order passed (February 2013) under Section 245D(4). The Commission disallowed the deduction of ₹ 14.67 crore under Section 80IB but did not add back. The AO should have approached the Commission for rectification of the apparent mistake in the order of the Commission. Instead the AO implemented the order by allowing the deduction under section 80IB of ₹ 14.67 crore involving short levy of tax of ₹ 7.18 crore including interest.

40 Andhra Pradesh (1), Bihar (15), Chhattisgarh (9), Gujarat (22), Jharkhand (2), Kerala (2), Odisha (5), Punjab (15), Rajasthan (3), Tamil Nadu (12), Uttar Pradesh & Uttarakhand (29) and West Bengal (33)

41 Chhattisgarh (4) and Tamil Nadu (15)

42 Andhra Pradesh (1), Delhi (1), Jharkhand (1), Kerala (2) and West Bengal (2)

b. In Andhra Pradesh, CIT I Hyderabad charge, **Agrigold Farms India Private Limited (PAN-AADCA9678C)**, for the AY 2009-10, returned nil income after setting-off losses of ₹ 5.88 crore pertaining to AY 2008-09. The details pertaining to AY 2008-09 read with rectification order dated 5 June 2012 revealed that the losses of ₹ 10.38 crore was converted into profit of ₹ 3.69 crore after admission of additional income of ₹ 14.07 crore by the assessee before the Commission. Thus, there was no loss available for set-off in AY 2009-10. The mistake in setting-off losses of ₹ 5.88 crore involved tax effect of ₹ 2.61 crore including interest.

5.8.6 Payment of demand under Section 245D(6A)

If an applicant assessee fails to pay the taxes under Section 245D(6A) in pursuance of an order under Section 245D (4) within 35 days of the receipt of a copy of the order by him, he shall be liable to pay simple interest at the rate of one and one-fourth *per cent* for every month or part of month on the amount remaining unpaid from the date of expiry of thirty five days aforesaid.

In nine cases⁴³, we noticed that demand raised had not been collected even after lapse of more than one year from the date of issue of order of the Commission (See Box 3).

Box No 3: Illustrative cases involving delay in payment of tax demand

a. In Andhra Pradesh, CIT Central, Hyderabad (ACIT, DC-3(1), Hyderabad) charge, in the case of **Radha Realty Corporation India Private Limited (PAN-AACCR1230Q)** for the AYs 2008-09 and 2009-10, the consequential order was passed by the AO on 20 February 2012 and the demand was payable in five quarterly instalments, last instalment being on 15 March 2013. Of which, demand of ₹ 21.52 crore was still pending (August 2014) after lapse of more than 17 months from last instalment which attracted interest of ₹ 8.07 crore up to August 2014.

The Ministry stated (December 2014) that the assessee has not paid the regular demand.

b. In Jharkhand in the case of **Pawan Kumar (PAN-ADPPK3529E)**, demand of ₹ 1.34 crore pertaining to AYs 2010-11 and 2011-12 was outstanding after lapse of more than one year from the date of issue of orders by the Commission on 28 June 2013.

The Ministry stated (December 2014) that the assessee has paid only ₹ 8.0 lakh and filed an appeal before Hon'ble Jharkhand High Court against the addition made by the Commission.

43 Andhra Pradesh (1), Chattisgarh (6) and Jharkhand (2)

5.8.7 Levy of interest

Where any tax payable in pursuance of an order under sub-section (4) of section 245D is not paid by the assessee within 35 days of the receipt of a copy of the order by him, then, whether or not the Commission has extended the time for payment of such tax or allowed payment thereof by instalments, the assessee shall be liable to pay simple interest at one and one fourth *per cent* for every month or part of a month on the amount remaining unpaid from the date of expiry of the period of 35 days. Further, it has been judicially held⁴⁴ that the procedure to be followed by the Commission under section 245C and 245D is nothing but assessment or computation of total income which takes place at the Section 245D(1) stage attracting provisions dealing with a regular assessment, self-assessment and levy and computation of interest under Section 234A to 234D etc.

In 31 cases⁴⁵, we noticed short levy of interest of ₹ 11.75 crore due to failure to adhere to the above provisions/judicial decision (See Box 4).

Box No 4: Illustrative case on short/non-levy of interest under Section 245D(6A)/234B

a. In Andhra Pradesh, CIT-Central Hyderabad Charge, in the case of **Maheswari Brothers, (PAN-AAGFM0335E)**, for the AY 2005-06 to 2009-10, interest of ₹ 2.11 crore under Section 234B was short levied while giving effect to the order of the Commission.

The Ministry stated (December 2014) that the objection is prima facie acceptable and remedial action will be initiated by issue of notice under Section 154.

5.8.8 Initiation of penalty proceedings where Immunity from penalty stands withdrawn

An immunity granted to a person under Section 245H(1) shall stand withdrawn under Section 245H(1A) if such person fails to pay any sum specified in the order of settlement passed under Section 245D(4) within the time specified in such order or within such further time as may be allowed by the Commission, or fails to comply with any other condition subject to which the immunity was granted and thereupon the provisions of this Act shall apply as if such immunity had not been granted. In the event of default by the assessee in paying the tax and interest directed by the Commission within the specified time in pursuance of the order under Section 245D(4), ITD should initiate penalty proceedings under Section 271(1)(c) for concealment of income.

In 18 cases⁴⁶, we noticed Immunity from penalty stood withdrawn but AOs did not levy penalty aggregating ₹ 11.92 crore (See Box 5).

44 Brijlallal and others vs. CIT (328 ITR 477-SC)

45 Andhra Pradesh (6), Delhi (2), Gujarat (4), Madhya Pradesh (1), Maharashtra (1), Odisha (2), Rajasthan (1), Tamil Nadu (12) and West Bengal (2)

46 Maharashtra (7), Tamil Nadu (8) and West Bengal (2)

Box No 5: Illustrative cases showing failure to initiate penalty

a. In West Bengal, CIT XVI Kolkata charge, in the case of **Pankaj Jha (PAN-AIOPJ5236D)** for the AYs 2008-09 to 2010-11, the order of the Commission was given effect (February 2012) raising a total demand of ₹ 1.98 crore. As per the terms of settlement, the applicant assessee was allowed to pay tax and interest in three equal quarterly instalments. The assessee had so far made payment of ₹ 28.0 lakh and ₹ 23.74 lakh was recovered through bank attachment. Hence, the assessee clearly violated the terms of settlement for which penalty proceedings under Section 271(1)(c) should have been initiated against him for concealment of income of ₹ 5.62 crore (the amount disclosed before the Commission and the addition made). Non initiation of penalty proceedings resulted in non-levy of penalty of ₹ 1.69 crore at the minimum.

The Ministry stated (December 2014) that the penalty proceedings under Section 221 is under progress.

b. In West Bengal, CIT central II, Kolkata charge, in the case of **Begraj Agarwal Mittal (PAN-AUFPA7697C)** for the AYs 2004-05 to 2011-12, the order of the Commission was given effect (April 2012) raising a total demand of ₹ 79.80 lakh. As per the terms of settlement, the applicant assessee was allowed to pay tax and interest in two equal monthly instalments. The assessee did not pay the demand as directed and as such clearly violated the terms of settlement which attracted penalty of ₹ 2.45 crore at the minimum towards concealment of income of ₹ 8.16 crore (the amount disclosed before the Commission and addition made by the Commission) but the same was not imposed.

The Ministry stated (December 2014) that the objection is acceptable and necessary remedial action has already been initiated in December 2014.

c. In Maharashtra, CIT (Central) I Mumbai, in the case of **Shree Venkatesh Traders & Agencies Pvt. Limited, (PAN-AAECS2811G)**, for the block period 01 April 1989 to 08 February 2000, the Commission granted immunity from penalty and prosecution (November 2012) subject to the direction that the assessee should pay the tax determined in six monthly instalments. However, the assessee did not pay the demand in six monthly instalments. Thus the immunity granted stands deemed to be withdrawn. However, proceedings for levy of minimum penalty of ₹ 1.08 crore, equivalent to tax was not initiated.

5.8.9 Submission of monthly report to CCIT(CCA) in respect of cases before the Commission and work of CIT(Departmental Representative)

CIT(Departmental Representative) to the Commission is responsible to present the ITD's case before the Commission. In order to ensure timely action on cases filed before the Commission, the CBDT directed (July 2013) CIT(DR) to submit a monthly report to CCIT(CCA) with a copy to Member (Investigation) concerned latest by 5th of every month beginning from August 2013 in respect of cases pending before the Commission and work of CIT(DR). We noticed irregularities in submission of Reports as below (See Box 6).

Box No. 6: Illustrative cases on non-submission of monthly report to CCIT(CCA) in respect of cases pending before the Commission and work of CIT(DR)

- a. In Uttar Pradesh, no monthly reports were received from CIT(DR) by the CCIT(CCA), Kanpur since August 2013 defeating the objective of the order. Further, no information in this regard was made available by the CCIT(CCA), Lucknow (July 2014).
- b. In Kolkata, CIT(DR) to the Bench at Kolkata did not furnish any information regarding monthly report. In the absence of any record/reply by the CIT(DR), proper monitoring of the settlement cases at his level could not be ascertained.
- c. In Mumbai, CIT(DR) did not maintain the data pertaining to applications filed, applications admitted, cases pending, cases come for hearing, cases/orders disposed etc.

5.8.10 Details of cases settled/pending with the Commission in Monthly Technical Report (CAP I/II)

Monthly reports received from various field formations are the main source of information for the CBDT and the government in assessing the performance of various segments of ITD. Monthly Technical Reports (CAP I/II) on performance indicators, submitted by various field formations, did not contain any column regarding cases settled/pending with the Commission and hence these were not reported to higher authorities. Further, there is no mechanism within the ITD to monitor the stages of cases from the filing of applications till their settlement in implementation of orders of the Commission.

The Ministry stated (December 2014) that details regarding number of cases pending before the Commission or their disposal are not reflected in either CAP-I or CAP-II report. However, the reply is silent on any direction being issued with regard to inclusion of such cases in CAP-I and CAP-II report.

5.9 Conclusion

The Act has prescribed time frame for various stages from filing of applications till their settlement by the Commission and implementation of the orders thereof by the ITD. We have noticed considerable delay at various stages on the part of the Commission and the ITD. Even a number of applications filed prior to 1 June 2007 are still pending with the Commission for disposal. Besides, ITD took considerable time in submission of required reports to the Commission and giving effect to the orders of the Commission. Due to constraints mentioned in paragraph 5.5, the conclusion is based on limited information/data furnished by the Commission and records made available by ITD.

The Ministry stated (December 2014) that the Commission has made every effort to dispose of cases as early as possible keeping in view the constraint of resources.

Based on the limited scope of audit, we suggest that there is need for improvement in the functioning of the Commission and implementation of their orders by the ITD.

New Delhi
Dated: 2 March 2015



(MANISH KUMAR)
Principal Director (Direct Taxes)

Countersigned



New Delhi
Dated: 2 March 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendix – 1 (Reference: paragraph 1.2.2)

Details of Direct Taxes Administration

					(₹ in crore)
1. Collection ⁴⁷	2009-10	2010-11	2011-12	2012-13	2013-14
i) Corporate Tax	2,44,725	2,98,688	3,22,816	3,56,326	3,94,678
ii) Income Tax	1,22,417	1,39,102	1,64,525	1,96,843	2,37,870
iii) Other Direct Taxes	10,452	8,205	6,646	5,820	6,048
iv) Total Direct Taxes Collection	3,77,594	4,45,995	4,93,987	5,58,989	6,38,596
2. Assessee profile ⁴⁸	(Figure in lakh)				
i) Non-corporate assessees	337.2	332.0	357.61	367.87	463.57
ii) Corporate assessees	3.7	3.8	5.85	5.90	6.75
Total assessees	340.9	335.8	363.46	373.77	470.32
3. Stages of collection ⁴⁹					
a. Pre-assessment collection	(₹ in crore)				
i) Tax deducted at source	1,45,736	1,68,669	1,98,680	2,10,654	2,48,547
ii) Advance tax	1,73,417	2,12,538	2,51,526	2,75,794	2,92,522
iii) Self assessment Tax	32,507	36,887	27,648	39,470	44,123
Total pre-assessment collection	3,51,660	4,18,094	4,77,853	5,25,918	5,85,192
b. Post-assessment collection					
i) Regular assessment	33,274	51,838	51,512	62,418	72,528
ii) Other receipts ⁵⁰	39,779	43,966	50,134	48,596	63,884
Total post-assessment collection	73,053	95,804	1,01,646	1,11,014	1,36,412
Pre-assessment collection as <i>per cent</i> of gross collection	82.8	81.4	82.5	82.6	81.1
4. Position of Assessments ⁴⁸	(Number)				
i) Scrutiny assessments due for disposal	8,70,620	8,47,196	7,74,807	5,93,761	6,98,652
ii) Scrutiny assessments completed (<i>per cent</i>)	4,29,585 (49.3)	4,55,213 (53.7)	3,69,320 (47.67)	3,08,398 (51.94)	2,84,750 (40.76)
iii) Non-scrutiny assessments due for processing	5,12,97,750	5,22,76,829	3,92,32,628	2,90,37,299	2,68,22,541
iv) Non-scrutiny assessments processed (<i>per cent</i>)	2,78,16,036 (54.2)	3,06,36,718 (58.6)	2,77,21,088 (70.66)	1,70,47,634 (58.71)	1,75,37,405 (65.38)
v) No. of officers deployed for assessment duty ⁴⁸	3,605	3,687	3,737	3,657	4,033

47 Source: Union Finance Accounts of respective year.

48 Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi.

49 Source: Tax collection figures – Pr. Chief Controller of Accounts, CBDT, New Delhi.

50 The figures of other receipts are shown including surcharge and cess.

5. Direct refund cases⁵¹	(no. in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
i) Claims due for disposal	48.0	59.9	52.83	38.84	34.53
ii) Claims disposed of (per cent)	28.6 (59.6)	40.4 (67.4)	40.33 (76.3)	27.65 (71.2)	25.76 (74.6)
iii) No. of claims pending	19.4	19.5	12.50	11.2	8.77
6. Refunds and Interest on refunds	(₹ in crore)				
i) Refunds ⁵²	57,101	75,169	93,814	83,766	89,060
ii) Interest on refunds ⁵¹	6,876	10,499	6,486	6,666	6,598
iii) Interest as per cent of refunds	12.0	13.9	6.9	8.0	11.2
7. Efficiency of collection⁵³	(₹ in crore)				
i) Demand of earlier year's pending collection	1,81,612	2,02,859	2,65,040	4,09,456	4,80,065
ii) Current year's demand pending collection	47,420	88,770	1,43,378	76,724	95,274
Total demand pending	2,29,032	2,91,629	4,08,418	4,86,180	5,75,340
8. Position of appeals at CIT(A) levels⁵¹	(Number)				
i) Appeals due for disposal	2,60,700	2,57,656	3,06,134	2,84,439	3,02,944
ii) Appeals disposed of (per cent)	79,709 (30.6)	70,474 (27.4)	75,518 (24.67)	85,049 (29.90)	87,770 (28.97)
iii) Appeals pending	1,80,991	1,87,182	2,30,616	1,99,390	2,15,174
iv) Amount locked up in appeal	2,20,148	1,98,088	2,42,182	2,59,556	2,87,443
9. Tax Recovery Officers⁵¹	(₹ in crore)				
i) Total certified demand	98,444.6	1,11,065.4	1,23,288.08	1,60,582.32	2,27,950.21
ii) Certified demand recovered (per cent)	3,322.3 (3.4)	4,074.6 (3.7)	9,756.39 (7.91)	6,764.65 (4.21)	6,703.02 (2.94)
iii) Certified Demand pending (per cent)	95,122.4 (96.6)	1,06,990.8 (96.3)	1,13,531.7 (92.09)	1,53,817.7 (95.79)	2,21,247.2 (97.06)
10. Cost of collection⁵²	(₹ in crore)				
Cost of collection	2,774	2,698	2,976	3,284	3,642

51 Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi.

52 Source: Tax collection figures – Pr. Chief Controller of Accounts, CBDT, New Delhi.

53 Source: CAP I Demand & Collection Statement along with Analysis for the month of March 2013.

Appendix 2.1 (Reference: Paragraph 2.5.2)

State	Assessments completed during 2012-13	Assessments checked in audit during 2013-14	Assessments with errors	Revenue effect of the audit observations (₹ in crore)	Percentage of assessments with errors (Col. 4/ Col. 3x100)
1	2	3	4	5	6
Andhra Pradesh	17,452	12,543	1,377	940.78	10.98
Assam	2,053	2,047	182	137.94	8.89
Bihar	1,941	1,900	341	32.74	17.95
Chhattisgarh	951	941	43	196.18	4.57
Goa	1,267	1,267	98	20.08	7.73
Gujarat	14,419	13,977	1,471	414.10	10.52
Haryana	5,267	5,132	552	205.53	10.76
Himachal Pradesh	1,884	1,478	252	9.40	17.05
Jammu & Kashmir	1,122	838	16	17.33	1.91
Jharkhand	4,149	2,654	174	82.75	6.56
Karnataka	10,910	10,652	825	951.04	7.75
Kerala	4,773	4,509	562	257.65	12.46
Madhya Pradesh	5,305	5,198	231	62.02	4.44
Odisha	4,177	3,792	489	606.62	12.90
Punjab	3,928	3,669	315	24.87	8.59
UT Chandigarh	4,612	3,824	190	88.74	4.97
Rajasthan	7,884	7,597	869	305.44	11.44
Tamil Nadu	20,456	18,731	2,631	3,462.83	14.05
Uttar Pradesh	11,800	11,454	960	720.02	8.38
Uttarakhand	1,792	1,725	95	18.34	5.51
Delhi	45,519	23,634	1,330	12,868.81	5.63
Maharashtra	29,685	29,176	1,509	759.61	5.17
West Bengal	11,783	10,270	2,341	2,643.49	22.79
Total	2,13,129	1,77,008	16,853	24,826.31	9.52

Appendix 2.2 (Reference: Paragraph 2.5.4)

Category wise details of underassessment in respect of Income tax and Corporation tax detected during local audit		
Sub category	Cases	Tax effect (₹ in crore)
A. Quality of assessments	4,161	2,726.00
a. Arithmetical errors in computation of income and tax	1,754	1,633.10
b. Incorrect application of rate of tax, surcharge etc.	386	95.08
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	1,815	785.47
d. Excess or irregular refunds / interest on refunds	161	170.71
e. Mistake in assessment while giving effect to appellate orders	45	41.64
B. Administration of tax concessions/exemptions/ deductions	6,943	7,897.85
a. Irregular exemptions/deductions/reliefs given to Corporates	520	892.42
b. Irregular exemptions/deductions/reliefs given to Trusts/Firms/Societies	540	289.33
c. Irregular exemptions/deduction/reliefs given to individuals	332	177.25
d. Incorrect allowance of Business Expenditure	4,197	4,174.01
e. Irregularities in allowing depreciation/business losses/Capital losses	1,336	2,358.90
f. Incorrect allowance of DTAT relief	18	5.94
C. Income escaping assessments due to omissions	1,838	1,183.68
a. Under Special Provisions including MAT/ Tonnage Tax etc.	85	56.37
b. Unexplained investments/ cash credits etc.	425	308.21
c. Incorrect classification and Computation of Capital Gains	353	200.87
d. Incorrect estimation of arm's length price	10	6.78
e. Omission to club income of spouse, minor child etc.	75	30.78
f. Incorrect computation of Income from House Property	152	32.89
g. Incorrect computation of salary income	69	43.96
h. Omission in implementing provisions of TDS/ TCS	669	503.82
D. Others	5,106	3,189.35
Total	18,048	14,996.88

Appendix 2.3 (referred to in Paragraphs 2.5.5, 3.2.1, 3.3.1, 3.4.1, 3.5.1, 4.2.1, 4.3.1, 4.4.1 and 4.5.1)

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
Quality of assessments - Arithmetical errors in computation of income and tax						
1	8-CT	Tamil Nadu	CIT-III Chennai	Zylog Systems Limited	2007-08	1157.03
2	82-CT	Tamil Nadu	CIT-I, Coimbatore	Super Sales India Limited	2010-11	91.77
3	80-CT	Tamil Nadu	CIT-III, Chennai	True Value Homes (India) Pvt. Limited	2010-11	54.94
4	79-CT	Karnataka	CIT-Mysore	RPG Cables Limited	2010-11	428.0
5	75-CT	Tamil Nadu	CIT-V, Chennai	Sical Logistics Limited	2006-07	188.95
6	71-CT	Haryana	CIT-Panchkula	Uttar Haryana Bijli Vitran Nigam Limited	2007-08	301.72
7	69-CT	Andhra Pradesh	CIT-II, Hyderabad	Transmission Corporation of Andhra Pradesh Limited	2008-09	4153.19
8	65-CT	Kerala	CIT-Thrissur	The South Indian Bank Limited	2003-04	86.36
9	56-CT	Delhi	DIT-I, Intl. Taxation	The Indian Film Company (Cyprus) Limited.	2010-11	602.54
10	4-CT	Tamil Nadu	CIT-III, Chennai	Teledata Technology Solutions Limited	2010-11	85.97
11	48-CT	Maharashtra	CIT-X, Mumbai	Indian Oil Corporation Limited	2010-11	599.55
12	46-CT	Maharashtra	CIT-XI, Mumbai	National Film Development Corporation Limited	2006-07	198.07
13	45-CT	Maharashtra	CIT-XI, Mumbai	Zee Entertainment Enterprises Limited	2007-08	73.07
14	3-CT	Tamil Nadu	CIT III Chennai	Teledata Marine Solutions Limited	2009-10	2929.37
15	37-CT	Maharashtra	CIT-III Mumbai	Domebell Electronics (India) Limited	2009-10	203.74
16	324-CT	Rajasthan	CIT Jaipur II	Autolite (India) Limited	2010-11	897.75
17	316-CT	Tamil Nadu	CIT Central-II, Chennai	Mother Mira Industries Limited	2009-10	52.1
18	305-CT	Delhi	CIT-V	Parasrampuria Synthetics Limited	2007-08	67.32
19	303-CT	Delhi	CIT-V	Powerlinks Transmission Limited	2007-08	85.74
20	301-CT	Delhi	CIT-II	Maruti Suzuki India Limited	2007-08	116.78
21	2-CT	Tamil Nadu	CIT-III, Chennai	Technology Frontiers(India) Pvt. Limited	2010-11	140.28
22	295-CT	Gujarat	CIT-I, Surat	Astha Goat Farming India Pvt. Limited	2010-11	127.42
23	286-CT	Punjab	CIT-Ludhiana	B. K. Duplex Board Limited	2007-08	58.15
24	282-CT	Andhra Pradesh	CIT-II, Hyderabad	Electronics Corporation of India Limited	2006-07	218.52
25	273-CT	West Bengal	CIT-I, Kolkata	Marsons Limited	2008-09	288.7
26	271-CT	Delhi	CIT-IV	Hind Industries Limited	2010-11	57.23
27	24-CT	Assam	CIT-II Guwahati	Satyam Ispat (NE) Limited	2007-08	389.72

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
28	225-CT	Haryana	CIT Hisar	Dakshin Haryana Bijli Vitran Nigam Limited	2008-09	2429.51
29	220-CT	Delhi	CIT Central-II	Tirupati Buildings & Offices Pvt. Limited	2011-12	138.55
30	215-CT	Maharashtra	CIT-VII, Mumbai	Zee News Limited	2007-08	51.36
31	212-CT	Delhi	DIT-I Intl. Taxation	Showa Corporation	2008-09	168.63
32	1-CT	Tamil Nadu	CIT-V, Chennai	Rishab Info Park Pvt. Limited	2007-08 & 2008-09	131.67
33	199-CT	Maharashtra	CIT-II, Mumbai	Reliance Gas Transportation Infrastructure Limited	2009-10	4754.25
34	189-CT	Maharashtra	CIT-IV, Pune	Weikfield Products Company India Pvt. Limited	2007-08	79.07
35	167-CT	Maharashtra	CIT-II, Mumbai	Mahindra Navistar Automobile Limited	2008-09	901.81
36	146-CT	Maharashtra	CIT-XI, Mumbai	Compact Disc India Limited	2010-11	124.81
37	142-CT	Maharashtra	CIT-V, Pune	Kinetic Engineering Limited	2009-10	70.42
38	140-CT	Delhi	CIT Central-I	DD Resorts Private Limited	2010-11	241.35
39	14-CT	Delhi	DIT-II Intl. Taxation	Regency Park Property Management Services Pvt. Limited	2009-10	52.62
40	139-CT	Delhi	CIT Central-I	Global Heritage Venture Ltd.	2010-11	80.54
41	133-CT	Maharashtra	CIT-I, Pune	Bank of Maharashtra	2009-10	2533.55
42	12-CT	Delhi	DIT-I Intl. Taxation	Galileo Nederland BV	2009-10	175.65
43	128-CT	Delhi	CIT Central-I	Modi Industries Limited	2008-09	98.91
44	118-CT	Tamil Nadu	CIT-IV, Chennai	Macmillan India Limited	2006-07	70.83
45	103-CT	Karnataka	CIT-I Bangalore	Cheslind Textiles Limited	2011-12	953
46	100-CT	Karnataka	Bangalore-Central	Domus Infra Projects Private Limited, Bangalore {now merged with Boyance Infrastructure (P) Limited}	2010-11	98.81
Quality of assessments - Mistakes in levy of interest						
47	99-CT	Karnataka	CIT-I, Bangalore	City Square Enterprises (Pvt.) Limited	2006-07, to 08-09	70.86
48	73-CT	Maharashtra	CIT-LTU, Mumbai	Tata Consultancy Services Limited	2008-09	16176.7
49	60-CT	Delhi	CIT-IV	Hari Steels and General Industries Limited	2005-06	85.19
50	58-CT	Delhi	CIT-I	Best seller United India Private Limited	2008-09	57.18
51	32-CT	Delhi	CIT-II	JCB India Limited	2007-08	173.41
52	289-CT	Gujarat	CIT-IV, Ahmedabad	Saumya Jewellers Pvt. Limited	2009-10	167.82
53	284-CT	Odisha	CIT-Bhubaneswar	National Aluminium Company Limited	2009-10	331.64

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
54	272-CT	West Bengal	CIT-III, Kolkata	EIH Limited	2003-04	53.06
55	255-CT	Maharashtra	CIT-LTU, Mumbai	Shell Technology India Pvt. Limited	2008-09	236.86
56	233-CT	West Bengal	CIT Central-III, Kolkata	West Bengal Industrial Development Corporation Limited	2008-09	348.21
57	218-CT	Delhi	CIT-IV	DLF Home Developers Limited	2010-11	160.93
58	217-CT	Delhi	CIT Central-III	Tirupati Buildings & Offices Pvt. Limited	2010-11	610.15
59	20-CT	Gujarat	CIT-II Ahmedabad	Hirak Biotech Limited	2007-08	181.15
60	190-CT	Maharashtra	CIT-VI, Mumbai	Crompton Greaves Limited	2008-09	85.99
61	147-CT	Maharashtra	CIT-I, Pune	Benison Finvest Pvt. Limited	2008-09	64.03
62	129-CT	Delhi	CIT-III	Swatch Group (India) Pvt. Limited	2008-09	267.43
63	127-CT	Delhi	CIT-III	Sojitz India Private Limited	2007-08	61.62
64	10-CT	Delhi	DIT-II Intl. Taxation	Stoytransgaz	2008-09	126.98
65	106-CT	Haryana	CIT, Faridabad	Kalpna Fashions Limited	2009-10	27.13
Quality of Assessments - Excess or irregular refunds/ interest on refunds						
66	61-CT	Delhi	CIT-IV	GE Money Financial Services Pvt. Limited	2008-09	89.3
67	52-CT	Maharashtra	CIT-LTU, Mumbai	Union Bank of India	2010-11	164.85
68	49-CT	Maharashtra	CIT-II, Mumbai	HDFC Bank Limited	2010-11	730.33
69	31-CT	Delhi	DIT-I Intl. Taxation	Ericsson Radio Systems AB	2004-05	95.43
70	300-CT	Delhi	CIT-I, LTU	Oriental Insurance Company Limited	2008-09	267.17
71	276-CT	West Bengal	CIT-III, Kolkata	Damodar Valley Corporation	2010-11	609.36
72	269-CT	Maharashtra	CIT-I, Nagpur	Western Coalfields Limited	2008-09	1060.98
73	252-CT	Maharashtra	CIT-II, Mumbai	Larsen & Toubro Limited	2008-09	2395.16
74	226-CT	Haryana	CIT Panchkula	Haryana Urban Development Authority	2007-08	99.28
75	216-CT	Maharashtra	CIT-I, Mumbai	Housing Development Finance Corporation Limited	2005-06	53.47
76	184-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	1989-90	259.25
77	182-CT	Maharashtra	CIT-II, Mumbai	Tata Steel	1985-86	2391.54
78	181-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	1986-87	290.84
79	180-CT	Maharashtra	CIT-II, Mumbai	Dena Bank Limited	2000-01	1567.29
80	179-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	1992-93	159.59
81	178-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	1994-95	361.65
82	177-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	1985-86	272.24
83	176-CT	Maharashtra	CIT-II, Mumbai	Dena Bank	1999-2000	404.94
84	174-CT	Maharashtra	CIT-II, Mumbai	Larsen & Toubro Limited	2005-06	783.5

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
85	121-CT	Maharashtra	CIT-LTU, Mumbai	Tata Consultancy Services Limited	2009-10	130.14
86	11-CT	Delhi	DIT-I Intl. Taxation	Italian Thai Development Public Company Limited	2006-07	53.13
Quality of assessments – Incorrect application of rates of tax and surcharge, etc.						
87	54-CT	Delhi	CIT-Central-I	Pearl Studios Pvt. Limited	2010-11	521.14
88	53-CT	Delhi	CIT-Central-I	Pixion Media Pvt. Limited	2010-11	106.07
89	36-CT	Delhi	CIT Central-I	Amarjyoti Vyapaar Limited	2010-11	166.62
90	34-CT	Delhi	CIT Central-I	Pearl Vision Private Limited	2010-11	363.24
91	298-CT	Punjab	CIT-I, Ludhiana	Vardhman Textiles Limited	2010-11	738.03
92	292-CT	Maharashtra	CIT-IV, Pune	U.B. Engineering Limited	2005-06	80.98
93	264-CT	West Bengal	CIT-Central-III, Kolkata	Basil International Limited	2011-12	304.23
94	18-CT	Delhi	DIT-I Intl. Taxation	Dura-Line International Inc.	2009-10	121.1
Quality of assessments - Mistakes in assessment while giving effect to appellate order						
95	72-CT	Maharashtra	CIT-I, Mumbai	Bombay Gas Company Limited	2008-09	112.43
96	51-CT	Maharashtra	CIT-II, Mumbai	Dena Bank Limited	2001-02 & 2003-04	2059.53
97	47-CT	Maharashtra	CIT-II, Mumbai	Indusind Bank Limited	2006-07	182.71
98	307-CT	West Bengal	CIT-II, Kolkata	United Bank of India	2009-10	313.66
99	293-CT	Maharashtra	CIT-VIII, Mumbai	Sitel India Limited	2007-08	269.33
100	291-CT	Maharashtra	CIT-II, Mumbai	Mahindra Engineering & Chemical Products Limited	2000-01	60.68
101	29-CT	Gujarat	CIT-I Ahmedabad	Asiatic Colour Chem Limited	2008-09	115.53
102	268-CT	West Bengal	CIT-IV, Kolkata	Haldia Petrochemicals Limited	2005-06	599.76
103	202-CT	Gujarat	CIT-Baroda	Gujarat State Fertilizer & Chemical	2005-06	330.66
104	200-CT	Maharashtra	CIT-VII, Mumbai	Tata International Limited	2001-02, 2002-03	61.76
105	173-CT	Maharashtra	CIT-I, Mumbai	HDFC Standard Life Insurance Co. Limited	2006-07	57.69
106	131-CT	Maharashtra	CIT-II, Mumbai	State Bank of India	1995-96	689.8
Administration of tax concessions/exemptions/deductions - Irregularities in allowing depreciation/ business losses/ capital losses						
107	97-CT	Karnataka	CIT-I, Bangalore	HMT International Limited	2009-10	52.21
108	96-CT	Karnataka	CIT-I, Bangalore	I-Ven Medicare Private Limited	2010-11	985
109	95-CT	Delhi	CIT-VI	Talbro Pvt. Limited	2009-10	65.48
110	92-CT	Maharashtra	CIT-X, Mumbai	Sameera Electronics Pvt. Limited	2007-08	80.48
111	78-CT	Karnataka	CIT-I, Bangalore	IDEB Project Private Limited	2010-11	2224
112	76-CT	Maharashtra	CIT-IV, Pune	Vithal Corporation Limited	2010-11	367.16
113	68-CT	Goa	CIT-Panaji	Goa Tourism Development Co. Limited	2010-11	69.25

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
114	64-CT	Uttar Pradesh	CIT-II, Lucknow	UP State Bridge Corporation Limited	2005-06	112
115	327-CT	Uttar Pradesh	CIT-II, Kanpur	British India Corporation Limited	2009-10	1157.05
116	326-CT	West Bengal	CIT-XII, Kolkata	Kolkata Port Trust	2010-11	148.95
117	312-CT	West Bengal	CIT-I, Kolkata	G.K.W. Limited	2009-10	925.91
118	311-CT	West Bengal	CIT-Asansol	Eastern Coalfields Limited	2008-09	645.45
119	308-CT	Gujarat	CIT-I, Baroda	Gujarat Energy Transmission Corporation Limited	2007-08	135.18
120	304-CT	Delhi	CIT-I	Container Corporation of India Limited	2007-08	171.04
121	290-CT	Gujarat	CIT Gandhinagar	Creative Infocity Limited	2006-07	209.83
122	280-CT	Gujarat	CIT-IV, Ahmedabad	Saya Amusement Manufacturing Limited	2007-08	32.34
123	28-CT	Gujarat	CIT-I Ahmedabad	Akar Laminators Private Limited	2007-08	103.08
124	278-CT	Tamil Nadu	CIT-V, Chennai	Panasonic India Pvt. Limited	2009-10	261.3
125	275-CT	West Bengal	CIT-III, Kolkata	Mallcom India Limited	2010-11	57.51
126	274-CT	West Bengal	CIT Central-I, Kolkata	Rose Valley Chain Marketing System Limited	2011-12	93.23
127	262-CT	West Bengal	CIT-IV, Kolkata	Associated Pigments Limited	2009-10	54.01
128	261-CT	West Bengal	CIT-Central-III, Kolkata	Shree Vinay Finvest Pvt. Limited	2011-12	115.34
129	259-CT	West Bengal	CIT-I, Kolkata	Westing House Saxby Farmer Limited	2010-11	345.9
130	258-CT	West Bengal	CIT-I, Kolkata	Globsyn Technologies Limited	2008-09	230.46
131	251-CT	Maharashtra	CIT-XI, Mumbai	Maharashtra Film Stage Cultural Development Corporation Limited	2010-11	60.37
132	242-CT	West Bengal	CIT-III, Kolkata	Tyre Corporation of India Limited	2009-10	1111.51
133	241-CT	West Bengal	CIT-II, Kolkata	Lohia Securities Limited	2010-11	60.69
134	238-CT	West Bengal	CIT Central-III, Kolkata	Corporate Ispat Alloys Limited	2011-12	115.59
135	230-CT	Punjab	CIT-I, Ludhiana	IOL Chemicals and Pharmaceuticals Limited	2007-08	54.24
136	23-CT	Assam	CIT Shillong, Meghalaya	Meghalaya Energy Corporation Limited	2008-09	1823.4
137	22-CT	Gujarat	CIT-IV Ahmedabad	Trans Techno Food Limited	2007-08	100.08
138	219-CT	Delhi	CIT Central-II	Saamag Construction Limited	2009-10	94.12
139	213-CT	Delhi	CIT Central-I	Felex Enterprises Limited	2011-12	103.69
140	205-CT	Andhra Pradesh	CIT-II, Hyderabad	Transport Corporation of India Limited	2006-07, 2007-08	418.51
141	198-CT	Maharashtra	CIT-VI, Mumbai	Modern Terry Towels Limited	2006-07	314.94
142	191-CT	Delhi	CIT-II	Living Media India Limited	2010-11	835.94

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
143	19-CT	Gujarat	CIT-II Ahmedabad	Hinduja Exports Private Limited	2009-10	153.19
144	172-CT	Tamil Nadu	CIT-VI, Chennai	Saipem India Project Limited	2008-09	75.73
145	164-CT	Gujarat	CIT-I Ahmedabad	Adani Wilmar Limited	2007-08	74.94
146	161-CT	Gujarat	CIT-Jamnagar	Shree Digvijay Cement Company Limited	2007-08	245.78
147	159-CT	Tamil Nadu	CIT-I, Chennai	Balaji Hotels & Enterprises Pvt. Limited	2008-09	934.52
148	153-CT	Andhra Pradesh	CIT-III, Hyderabad	Sanghi Polysters Limited	2008-09	12910.7
149	15-CT	Delhi	DIT II Intl. Taxation	Shinmaywa Industries Limited	2009-10	198.24
150	143-CT	Maharashtra	CIT-II, Mumbai	Canara Bank Securities Limited	2008-09	287.48
151	135-CT	Maharashtra	CIT-III Mumbai	Ushmi Ispat Pvt. Limited	2009-10	450.78
152	125-CT	Odisha	CIT-Bhubaneswar	Orissa Sponge Iron & Steel Limited	2009-10	307.36
153	120-CT	Karnataka	CIT-III, Bangalore	MPPL Renewable Energy Private Limited	2009-10	385
154	114-CT	Gujarat	CIT-III, Rajkot	Vishaldeep Spinning Mills Limited	2007-08	51.14
155	110-CT	West Bengal	CIT-IV, Kolkata	Electrical Manufacturing Company Limited.	2009-10	1170.07
156	109-CT	West Bengal	Central-II, Kolkata	Narbheram Power & Steel Pvt. Limited	2011-12	802.67
157	108-CT	West Bengal	CIT-I Kolkata	West Bengal Electronics Industry Development Corporation Limited	2010-11	180.88
158	107-CT	West Bengal	CIT-IV, Kolkata	Pressman Realty Limited	2010-11	72.08
Administration of tax concessions/exemptions/deductions - Irregular exemptions/deductions/rebates/relief / MAT credit						
159	90-CT	Maharashtra	CIT-V, Pune	Force Motors Limited	1994-95	137.32
160	87-CT	Maharashtra	CIT-Central-I, Mumbai	Atithi Builders & Construction Pvt. Limited.	2008-09	113.06
161	74-CT	Maharashtra	CIT-III, Mumbai	Housing Development and Infrastructure Limited	2008-09	127.54
162	6-CT	Maharashtra	CIT-X Mumbai	Godrej & Boyce Mfg. Co. Limited	2009-10	88.31
163	67-CT	Goa	CIT-Panaji	Esmeralda Investments Pvt. Limited	2010-11	400
164	50-CT	Maharashtra	CIT-Central-III, Mumbai	Eskay Knit (India) Limited	2009-10	532.87
165	44-CT	Maharashtra	CIT-II, Mumbai	Ultra Tech Cement Limited	2007-08	634.46
166	42-CT	Maharashtra	CIT-III, Mumbai	Maharashtra Airport Development Company Limited	2009-10	281.79
167	310-CT	Maharashtra	CIT-VI, Mumbai	Century Textiles and Industries Limited	2009-10	80.33

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
168	294-CT	Maharashtra	CIT-X, Mumbai	Strides Arcolab Infotech Limited	2006-07	212.7
169	279-CT	Tamil Nadu	CIT-III, Chennai	Tamil Nadu Small Industries Corporation Limited	2010-11	68.66
170	270-CT	Delhi	CIT-I	Bharti Hexacon Limited	2010-11	283.61
171	253-CT	Maharashtra	CIT-III, Mumbai	Jewelex India Pvt. Limited	2009-10	813.78
172	249-CT	Maharashtra	CIT-IV, Pune	Vishay Components India Pvt. Limited	2005-06	126.18
173	248-CT	Maharashtra	CIT-I, Mumbai	Tata Communication Limited	2007-08	87.15
174	203-CT	Rajasthan	CIT-II, Jaipur	Rajasthan Renewable Energy Corporation Limited	2009-10	233.48
175	197-CT	Maharashtra	CIT-VIII, Mumbai	Proctor & Gamble Hygiene and Health Care Limited	2008-09	65.33
176	195-CT	Tamil Nadu	CIT-IV, Chennai	Narmada Infrastructure Construction Enterprise Limited	2009-10	85.23
177	186-CT	Maharashtra	CIT-X, Mumbai	Micro Technologies India Limited	2007-08	199.13
178	170-CT	West Bengal	CIT-III, Kolkata	Vodafone East Limited	2010-11	2404.33
179	157-CT	Tamil Nadu	CIT-II, Chennai	Helios & Matheson Information Technology Limited	2010-11	73.6
180	148-CT	Maharashtra	CIT-I, Mumbai	Intelnet Global Services (P) Limited	2007-08	106.94
181	145-CT	Maharashtra	CIT-I, Mumbai	Givaudan Flavours India Private Limited	2002-03	242.98
182	137-CT	Maharashtra	CIT-V, Mumbai	Gandhi Special Tubes Limited	2008-09	74.21
183	134-CT	Maharashtra	CIT-III, Mumbai	Videocon Industries Limited	2008-09	3000.02
184	123-CT	Andhra Pradesh	CIT-IV, Hyderabad	Green Fire Agri Commodities Limited (formerly known as Northgate Technologies Limited)	2006-07	561.24
185	113-CT	Rajasthan	CIT-I Jaipur	Guru Pragya Real Mart Private Limited	2009-10	40.33
186	105-CT	West Bengal	CIT-IV, Kolkata	TCG Life sciences Limited	2008-09	385
187	104-CT	West Bengal	CIT-IV, Kolkata	HPL Cogeneration Limited	2008-09	59.97
Administration of tax concessions/exemptions/deductions - Incorrect allowance of business expenditure						
188	9-CT	Tamil Nadu	CIT-III Chennai	Tamil Nadu Small Industries Corporation Limited.	2009-10	152.95
189	91-CT	Maharashtra	CIT-I, Mumbai	The New India Assurance Co. Limited	2000-01	52.46
190	88-CT	Maharashtra	CIT-X, Mumbai	Indian Oil Corporation Limited	2008-09	12832.9
191	77-CT	West Bengal	CIT-IV, Kolkata	Hindustan Cables Limited	2008-09	403.2
192	59-CT	Delhi	CIT-II	Mother Dairy Fruit & Vegetable Pvt. Limited	2009-10	416.04
193	39-CT	Maharashtra	DIT(E) Range II Mumbai	Land Mark Education India	2008-09	65.96

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
194	323-CT	Odisha	CIT-Bhubaneswar	Orissa Mining Corporation Limited	2008-09	110.89
195	320-CT	Tamil Nadu	CIT-II, Chennai	Florind Shoes Pvt. Limited	2009-10	239.76
196	319-CT	Tamil Nadu	CIT-II, Chennai	Helios Estate Private Limited	2007-08	213.12
197	318-CT	Tamil Nadu	CIT Central-II, Chennai	Kaleesuwari Refinery (P) Limited	2007-08	61.61
198	317-CT	Tamil Nadu	CIT Central-I, Chennai	Empee Sugars & Chemicals Limited	2008-09	51.79
199	315-CT	Tamil Nadu	CIT Salem	Tamil Nadu State Transport Corporation (Salem) Limited	2007-08 & 2009-10	932.32
200	313-CT	West Bengal	CIT-IV, Kolkata	Philips Electronics India Limited	2007-08	135.2
201	306-CT	West Bengal	CIT-IV, Kolkata	Gujarat NRE Coke Limited	2006-07	114.37
202	302-CT	Delhi	CIT-V	Powerlinks Transmission Limited	2007-08	209.42
203	296-CT	Punjab	CIT Central, Ludhiana	Krypton Datamatics Limited	2005-06	391.7
204	285-CT	Odisha	CIT-Sambalpur	Mahanadi Coalfields Limited	2009-10	143.46
205	281-CT	Andhra Pradesh	CIT-IV, Hyderabad	Paras Collins Distilleries(P) Limited	2006-07	223.95
206	277-CT	Tamil Nadu	CIT-VI, Chennai	Shakthi Knitting Limited	2008-09	56.89
207	256-CT	West Bengal	CIT-IV, Kolkata	Ambuja Cement Eastern Limited	2006-07	162.02
208	244-CT	Tamil Nadu	CIT-II, Trichy	Tamil Nadu Transport Corporation (Kumbakonam) Limited	2009-10	1825
209	240-CT	West Bengal	CIT-II, Kolkata	The Essel Mining and Industries Limited.	2008-09	198.6
210	239-CT	West Bengal	CIT-IV, Kolkata	Selvel Media Services Pvt. Limited	2010-11	50.52
211	234-CT	West Bengal	CIT-I, Kolkata	Bhaskar Steel & Ferro Alloy Limited	2009-10	404
212	227-CT	Haryana	CIT Hisar	Dakshin Haryana Bijli Vitran Nigam Limited	2008-09	317.04
213	224-CT	Odisha	CIT Sambalpur	Mahanadi Coalfields Limited	2009-10	127.92
214	223-CT	Odisha	CIT Sambalpur	Mahanadi Coalfields Limited	2099-10	414.6
215	222-CT	Odisha	CIT Bhubaneswar	Orissa State Housing Board	2009-10	178
216	221-CT	Odisha	CIT Bhubaneswar	Industrial Development Corporation of Orissa Limited	2009-10	2262
217	207-CT	Odisha	CIT-Bhubaneswar	Orissa State Co-operative Marketing Federation Limited	2009-10	287
218	166-CT	Tamil Nadu	CIT-II, Chennai	Farida Shoes Private Limited	2009-10	112.79
219	165-CT	Rajasthan	CIT-II, Jaipur	Rajasthan State Mines & Minerals Limited	2009-10	40.18
220	163-CT	Gujarat	CIT-I Ahmedabad	Adani Wilmar Limited	2007-08	183.19
221	158-CT	Tamil Nadu	CIT-II, Chennai	Ennore Port Limited	2010-11	80.9

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
222	154-CT	Assam	CIT-Shillong	North Eastern Electric Power Corporation Limited (NEEPCO)	2009-10	877.49
223	152-CT	Odisha	CIT-Bhubaneswar	National Aluminum Company Limited	2008-09, 2009-10	483
224	150-CT	Maharashtra	CIT-X, Mumbai	Perstorp Chemicals India Pvt. Limited	2006-07	296.63
225	124-CT	Odisha	CIT-Bhubaneswar	Orissa Sponge Iron & Steel Limited	2008-09	106.85
226	122	Maharashtra	CIT-II, Mumbai	Dena Bank	2007-08	1423.22
227	111-CT	West Bengal	CIT-II, Kolkata	National Insurance Company Limited	2008-09	1497.45
Income escaping assessments due to omissions - Income not assessed/under assessed under special provision						
228	94-CT	Karnataka	CIT-I, Bangalore	Bhuwarka Steel Industries Limited	2010-11	63.37
229	93-CT	Karnataka	CIT-I, Bangalore	Bhuwarka Steel Industries Limited	2011-12	110
230	89-CT	Maharashtra	CIT-IV, Pune	Balaji Amines Limited	2009-10	114.83
231	85-CT	Delhi	CIT-II	Jindal Saw Limited	2010-11	153.4
232	83-CT	Delhi	CIT-III	Jaypee Venture Pvt. Limited	2011-12	270.75
233	7-CT	Maharashtra	CIT-V, Mumbai	Tolani Shipping Co. Limited	2006-07	113.58
234	5-CT	Tamil Nadu	CIT-V, Chennai	KEC International Limited (Formerly RPG Transmissions Limited)	2007-08	175.03
235	41-CT	Maharashtra	CIT-V, Mumbai	Sanman Trade Impex Pvt. Limited	2009-10	62.39
236	38-CT	Maharashtra	CIT-VIII Mumbai	Pantaloon Industries Limited	2009-10	145.44
237	299-CT	Jammu & Kashmir	CIT-Srinagar	Jammu & Kashmir State Industrial Development Corporation	2009-10	29.15
238	287-CT	Tamil Nadu	CIT-I, Chennai	Covansys(India) Private Limited	2009-10	460.21
239	26-CT	Gujarat	CIT-I, Surat	J.K. Papers Limited	2008-09	92.5
240	257-CT	West Bengal	CIT-IV, Kolkata	Webel Power Electronics Limited	2007-08	336.39
241	25-CT	Gujarat	CIT-II Ahmedabad	Gujarat Paguthan Energy Corporation Private Limited	2007-08	337.23
242	246-CT	Rajasthan	CIT-II, Jaipur	Compucom Software Limited	2009-10	35
243	245-CT	Gujarat	CIT-I, Baroda	Gujarat Urja Vikas Nigam Limited	2008-09	166.31
244	243-CT	West Bengal	CIT-I, Kolkata	West Bengal State Electricity Transmission Company Limited	2009-10	199.24
245	237-CT	West Bengal	CIT-II, Kolkata	UCO Bank	2010-11	301.7
246	235-CT	West Bengal	CIT-II, Kolkata	Hilltop Holdings India Limited	2009-10	163.76
247	229-CT	Andhra Pradesh	CIT-II, Hyderabad	Iris Smart Cards Limited	2007-08	543.09
248	214-CT	Andhra Pradesh	CIT-IV, Hyderabad	Maruthi Securities Limited	2007-08	192.46

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
249	210-CT	West Bengal	CIT-IV, Kolkata	Senbo Engineering Limited	2006-07	326.42
250	21-CT	Gujarat	CIT-I Ahmedabad	Arvind Mills Limited	2005-06	121.25
251	206-CT	Andhra Pradesh	CIT-VI, Hyderabad	Northern Power Distribution Company Limited	2008-09	1164.25
252	204-CT	Andhra Pradesh	CIT-III, Hyderabad	Sujana Universal Industries Limited	2006-07	398.71
253	187-CT	Maharashtra	CIT-C-III, Mumbai	Arch Pharmalabs Limited	2004-05	63.7
254	175-CT	Maharashtra	CIT-II, Mumbai	Mahindra Engineering Services Limited	2008-09	201.68
255	160-CT	Maharashtra	CIT-VII, Mumbai	Owens Corning(India) Limited	2007-08	75.99
256	149-CT	Maharashtra	CIT-I, Mumbai	Protos Engineering Company Limited	2008-09	62.25
257	144-CT	Maharashtra	CIT-II, Mumbai	Jamish Investment Private Limited	2010-11	76.76
258	136-CT	Maharashtra	CIT-XI, Mumbai	National Film Development Corporation Limited	2006-07	51.56
259	117-CT	Karnataka	CIT-I, Bangalore	Bangalore Electricity Supply Company Limited	2008-09	3281
260	116-CT	Karnataka	CIT-Central, Bangalore	VSL Mining Company Private Limited	2010-11	98.42
261	101-CT	Maharashtra	Cit-V Mumbai	Enam Investment Services Pvt. Limited	2008-09	54.72
Income escaping assessments due to omissions - Income not assessed/ under assessed under normal provision						
262	81-CT	Tamil Nadu	CIT-IV, Chennai	Midas Communication Technologies Pvt. Limited	2005-06	126.09
263	66-CT	Kerala	CIT-Kottayam	Travancore Cements Limited	2007-08	84.15
264	322-CT	Odisha	CIT- Bhubaneswar	Orissa State Police Housing & Welfare Corporation	2009-10	229
265	321-CT	Tamil Nadu	CIT-I, Chennai	Cholamandalam Investment and Finance Company Limited	2009-10	10996.8
266	314-CT	West Bengal	CIT-IV, Kolkata	Srei Sahaj E-Village Limited	2009-10	550.73
267	30-CT	Andhra Pradesh	CIT Central Hyderabad	Indu Fine Lands (P) Limited	2007-08	935.75
268	288-CT	Tamil Nadu	CIT-I, Chennai	Arun Excello Infrastructure Pvt. Limited	2008-09	2576.79
269	27-CT	Gujarat	CIT-I Ahmedabad	Alps Chemicals Private Limited	2008-09	51.25
270	250-CT	Madhya Pradesh	CIT-Bhopal	M. P. State Civil Supplies Corporation Limited	2007-08	730.28
271	232-CT	West Bengal	CIT-III, Kolkata	Phoenix Hi-tech Private Limited	2009-10	98.51
272	228-CT	Haryana	CIT Hisar	Dakshin Haryana Bijli Vitran Nigam Limited.	2008-09	99.72
273	196-CT	Tamil Nadu	CIT-IV, Chennai	Sun Direct TV Pvt. Limited	2008-09	418.28

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
274	194-CT	Tamil Nadu	CIT-I, Chennai	Balaji Hotels & Enterprises Pvt. Limited	2008-09	960.89
275	183-CT	Maharashtra	CIT-VII, Mumbai	National Stock Exchange of India	2002-03	113.3
276	171-CT	Tamil Nadu	CIT-V, Chennai	Rattha Hotels Pvt. Limited	2009-10	1611.81
277	155-CT	Karnataka	CIT-III, Bangalore	Mangalore Chemicals and Fertilizers Limited	2008-09	470
278	151-CT	Odisha	CIT-Bhubaneswar	National Aluminum Company Limited	2009-10	3576.26
279	102-CT	West Bengal	DIT-Intl. Tax., Kolkata	Koninklijke Philips Electronics N.V	2006-07	73.25
Income escaping assessments due to omissions - Incorrect classification and computation of capital gains						
280	98-CT	Tamil Nadu	CIT Central-III, Chennai	Premier Roller Flour Mills Limited	2005-06	54.89
281	86-CT	Maharashtra	CIT-VII, Mumbai	Paville Fashion Private Limited	2007-08	645.49
282	40-CT	Maharashtra	CIT-II Mumbai	Bank of India	2011-12	63.79
283	309-CT	Gujarat	CIT-III, Ahmedabad	Nirma Industries Pvt. Limited	2008-09	48.96
284	297-CT	Punjab	CIT-Chandigarh	Oasis Leather Pvt. Limited	2007-08	75.74
285	236-CT	West Bengal	CIT-II, Kolkata	Central Inland Water Transport Corpn. Limited	2007-08	174.88
286	168-CT	Andhra Pradesh	CIT-Central, Hyderabad	Summit Communication Pvt. Limited	2009-10	825.49
Income escaping assessments due to omissions - Omissions in implementing provisions of TDS/TCS						
287	283-CT	Haryana	CIT-Rohtak, Haryana	Haryana Co-operative Sugar Mills Limited.	2007-08	41.99
288	247-CT	Maharashtra	CIT-I, Mumbai	Cyrus Investments Limited	2009-10	106.5
289	231-CT	Odisha	CIT, Sambalpur	Mahanadi Coalfields Limited	2009-10	2047.89
290	162-CT	Gujarat	CIT-I Ahmedabad	Bloom Dekor Limited	2007-08	29.74
291	130-CT	Odisha	CIT-Bhubaneswar	National Aluminum Company	2008-09	267.5
292	119-CT	Tamil Nadu	DIT-Intl. Tax., Chennai	Germanischer Lloyd Industrial Services GmbH-India Branch	2009-10	235.0
293	115-CT	Gujarat	CIT-I, Surat	Bahubali Prints Private Limited	2005-06	54.25
Income escaping assessments due to omissions - Unexplained investment/ cash credits etc,						
294	254-CT	Tamil Nadu	CIT-VI, Chennai	S4 Carlisle Publishing Services Pvt. Limited.	2008-09	345.29
Over-charge of tax/ interest - Overcharge of interest						
295	84-CT	Delhi	CIT-V	Rathi Ispat Limited	2006-07	2764.33
296	70-CT	Maharashtra	CIT-II, Central, Mumbai	Sunil Mantri Reality Pvt. Limited	2008-09	952.31
297	63-CT	Delhi	CIT-III	Shri Lal Mahal Limited	2005-06	84.83
298	62-CT	Delhi	CIT Central-III	Amsoft Builders Pvt. Limited	2006-07	72.87
299	57-CT	Delhi	CIT-III	Steel Authority of India Limited	2010-11	1399.77
300	267-CT	West Bengal	CIT-II, Kolkata	GMMCO Limited	2010-11	73.8

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
301	266-CT	West Bengal	CIT-II, Kolkata	National Insurance Co. Limited	2007-08	98.71
302	263-CT	West Bengal	CIT-II, Kolkata	Allahabad Bank	2007-08	249.86
303	211-CT	Delhi	CIT Central-III	M. N. Securities Pvt. Limited	2005-06	74.53
304	208-CT	Delhi	CIT-I	Central Warehousing Corpn.	2008-09	62.04
305	201-CT	West Bengal	CIT-II, Kolkata	Central Inland Water Transport Corporation Limited	2007-2008	1502.67
306	13-CT	Delhi	DIT-II Intl. Taxation	New Skies Satellite BV	2008-09	72.8
307	126-CT	Punjab	CIT-Central, Gurgaon	Surya Health Care Private Limited	2011-12	164.36
308	55-CT	Delhi	CIT Central-I	Mahuaa Media Pvt. Limited	2011-12	313.75
309	43-CT	Maharashtra	CIT-VIII, Mumbai	Ciba (India) Limited (Now BASF India Limited)	2008-09	279.66
310	35-CT	Delhi	CIT Central I	Century Communication Limited	2011-12	579.62
311	33-CT	Delhi	CIT-I	CES Investment and Management Consultants Private Limited	2009-10	287.16
312	265-CT	West Bengal	CIT-IV, Kolkata	Hindustan Steelworks Construction Limited	2010-11	506.81
313	260-CT	West Bengal	CIT Central-III, Kolkata	Today's Writing Products Limited	2006-07	118.76
314	209-CT	Delhi	CIT-I	Central Warehousing Corporation	2008-09	2138.39
315	193-CT	Delhi	CIT-I	Bharti Airtel Limited	2004-05	6026.81
316	192-CT	Delhi	CIT-I	Bharat Sanchar Nigam Limited	2008-09	28782.5
317	188-CT	Maharashtra	CIT-VII, Mumbai	Tata International Limited	2002-03	229.3
318	185-CT	Maharashtra	CIT-Central , Nagpur	Murli Industries Limited	2003-04	524.42
319	17-CT	Delhi	DIT-I Intl. Taxation	Hyatt International South West Asia Limited	2009-10	395.15
320	16-CT	Delhi	DIT-II Intl. Taxation	SMR Investment Limited	2002-03	108.01
321	156-CT	Karnataka	CIT-I, Bangalore	Hindustan Machine Tools Limited	2009-10	117
322	325-CT	Punjab	Chandigarh	Punjab Chemical Corporation Protection Limited	2008-09	37.10
323	141-CT	Delhi	CIT-III	DLF Hotel Holding Limited	2008-09	52.34
324	138-CT	Delhi	DIT-I	Discovery Asia Inc. USA	2008-09	681.03
325	132-CT	Delhi	CIT Central-I	Karat 87 Inn Pvt. Limited	2009-10	222.77
326	112-CT	Rajasthan	CIT-Ajmer	Ajmer Vidyut Vitran Nigam Limited	2009-10	453.97
Quality of assessments - Arithmetical errors in computation of income and tax						
327	9-IT	Delhi	DIT-II, Intl. Taxation	Mohinder Singh	2009-10	41.91
328	15-IT	Kerala	CIT-Central, Kochi	Mathew K. Cherian	2004-05	189.18

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
329	56-IT	Maharashtra	CIT-VII, Mumbai	Minal Dinesh Vazirani	2008-09	64.32
330	68-IT	West Bengal	DIT-Intl. Taxation, Kolkata	Joy Partnership	2010-11	311.45
331	69-IT	West Bengal	CIT-I, Kolkata	P Surya Rao	2010-11	66.27
332	72-IT	Punjab	CIT-Central, Gurgaon	Pyare Lal Mehtra	2007-08	16.82
333	98-IT	Delhi	CIT Central II	Pawan Kumar Gupta	2006-07 & 2010-11	20240.84 ⁵⁴
334	111-IT	West Bengal	CIT-Central-III, Kolkata	Subrata Banik	2003-04	509.59
335	112-IT	Maharashtra	CIT-XI, Mumbai	Deloitte Haskins & sells	2009-10	45.18
Quality of assessments - Incorrect application of rates of tax, surcharge etc.						
336	17-IT	Uttar Pradesh	CIT, Bareilly	Asha Agarwal	2008-09	55.22
337	18-IT	Uttar Pradesh	CIT-I, Kanpur	Mohd Kamran Khursheed	2009-10	41.31
338	19-IT	Andhra Pradesh	CIT-Central, Hyderabad	Indrani Prasad	2009-10	970.75
339	49-IT	Rajasthan	CIT-I, Jaipur	Kailash Chand Modani	2009-10	17.21
340	118-IT	Madhya Pradesh	CIT, Gwalior	The Gwalior Citizen Sakh Sahakarita Maryadit	2007-08 & 2008-09	1117.48
341	121-IT	Madhya Pradesh	CIT, Gwalior	Akhil Singhal	2005-06	391
342	127-IT	Andhra Pradesh	CIT Central, Hyderabad	P.S. Prasad	2006-07 & 2007-08	556.31
Quality of assessments – Mistakes in levy of interest						
343	4-IT	Maharashtra	CIT Central-IV, Mumbai	Inderjeet Arya	2008-09, 2009-10	434.96
344	16-IT	Uttar Pradesh	CIT-I, Kanpur	Pawan Enterprises	2002-03	179
345	30-IT	Haryana	CIT-Central, Gurgaon	Anil Kumar Gupta	2009-10	15.53
346	31-IT	Haryana	CIT-Central, Gurgaon	Sushil Kumar Gupta	2009-10	30.08
347	34-IT	Punjab	CIT-Central, Gurgaon	Anil Verma	2005-06 to 10-11	14.92
348	36-IT	Haryana	CIT-Central, Gurgaon	Prem Singla	2010-11	25.86
349	41-IT	Tamil Nadu	CIT-I, Trichy	K. C. Palanishamy	2009-10	45.86
350	42-IT	Tamil Nadu	CIT-I, Trichy	Pallanishamy Shivaraman	2009-10	66.22
351	47-IT	Bihar	CIT, Muzaffarpur	The Muzaffarpur Central Co-operative Bank	2010-11	33.75
352	52-IT	Maharashtra	CIT-XXVI, Mumbai	Yogesh Jayendra Mehta	2004-05	30.03
353	54-IT	Tamil Nadu	CIT-I, Comibatore	M. Ramalingam	2009-10	79.1
354	74-IT	Delhi	CIT-Central I	Pramod Kumar Gupta	2010-11	326.21

54 Tax effect of ₹ 20240.84 lakh includes over charge of ₹ 1519.69 lakh for AY 2006-07

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
355	80-IT	Andhra Pradesh	CIT-III, Hyderabad	Value Labs	2004-05	222.1
356	88-IT	Delhi	CIT-Central I	Pawan Kumar Gupta	2008-09, 2009-10 & 2011-12	330.12
357	96-IT	Maharashtra	CIT-XXV, Mumbai	Abhishek R. Vyas	2009-10 & 2010-11	278.57
358	97-IT	Delhi	CIT-Central I	Pramod Kumar Gupata	2008-09 & 2009-10	301.54
359	99-IT	Haryana	CIT, Panchkula	Rajinder Kaur	1995-96	17.41
360	104-IT	Gujarat	CIT-III, Ahmedabad	Late Jotshnaben Suman Trivedi	2009-10	14.58
361	106-IT	Maharashtra	CIT-XXV, Mumbai	Nipun Ishwardas Thakkar	2010-11	29.53
362	120-IT	Madhya Pradesh	CIT, Gwalior	Akhil Singhal	2008-09	602
Quality of assessments - Excess or irregular refunds/interest on refunds						
363	58-IT	Maharashtra	CIT-XI, Mumbai	KPMG	2007-08	38.86
364	77-IT	Bihar	CIT-II, Patna	Awadhesh Kumar Singh	2007-08	35.2
Administration of tax concessions/ exemptions/ deductions - Irregular exemptions/ deductions/ relief given to Individuals						
365	70-IT	Uttarakhand	CIT, Dehradun	Prateek Kumar	2009-10	157.42
366	102-IT	Gujarat	CIT-II, Baroda	Vanita Cehtanbhai Patel	2006-07	12.37
Administration of tax concessions/exemptions/deductions - Irregular exemptions/deductions/relief given to Trusts/Firms/Societies/AOPs						
367	39-IT	Maharashtra	CIT-II, Kolhapur	The Prathmik Shikshak Sahakari Bank Limited	2009-10	56.23
368	40-IT	Punjab	CIT, Patiala	Patiala Improvement Trust	2008-09	390.14
369	57-IT	Maharashtra	CIT-XIX, Mumbai	Syed Ershad Basha	2008-09	30.56
370	79-IT	Karnataka	CIT-III, Bangalore	Rakesh Builders and Developers	2010-11	43.37
371	89-IT	Gujarat	CIT-I, Ahmedabad	State Bank of India Employee Co operative Credit Society Limited	2010-11	13.39
372	90-IT	Gujarat	CIT-I, Ahmedabad	State Bank of India Sup. Officials Co operative Credit Society Limited	2010-11	17.19
373	92-IT	Andhra Pradesh	CIT-Central, Hyderabad	Janapariya Engineers Syndicate	2008-09	297.8
374	93-IT	Gujarat	CIT-I, Baroda	Fine Line Circuits Company	2003-04	11.33
375	103-IT	Gujarat	CIT-I Baroda	CYN Corporation	2009-10	11.08
376	107-IT	Gujarat	CIT-I, Baroda	Shree Chhani Nagrik Sahakari Bank Limited	2009-2010	10.16
377	110-IT	Tamil Nadu	CIT-VIII, Chennai	Chennai Central Co-operative Bank Limited	2007-08, 2008-09	202.29
378	116-IT	Maharashtra	CIT-1, Mumbai	C.K.P. Co-operative Bank Limited	2008-09	76.74

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
Administration of tax concessions/ exemptions/ deductions - Incorrect allowance of business expenditure						
379	10-IT	Gujarat	CIT-V, Ahmedabad	The Nav Nirmam Co-operative Bank Limited	2007-08	34.81
380	26-IT	Uttar Pradesh	CIT, Bareilly	Kisan Sahkari Chini Mills Limited	2006-07	125.57
381	35-IT	Punjab	CIT-Central, Gurgaon	Goyal Builders	2009-10	20.4
382	45-IT	West Bengal	CIT-XIX, Kolkata	Vidyasagar Central Co-operative Bank Limited	2008-09	20.54
383	51-IT	Rajasthan	CIT, Kota	Central Co-operative Bank	2008-09	10.2
384	109-IT	Tamil Nadu	CIT-VIII, Chennai	Chennai Central Co-operative Bank Limited.	2008-09	67.32
385	126-IT	Madhya Pradesh	CIT, Bhopal	M.P. State Co-operative Agriculture & Rural Development Bank Limited	2007-08	153.13
Administration of tax concessions/ exemptions/ deductions - Irregularities in allowing depreciation/ business losses/capital losses						
386	1-IT	Kerala	CIT, Kottayam	Pushpagiri Medical Society	2009-10	104.19
387	3-IT	Maharashtra	CIT-I, Pune	Bhima Shankar Sahakari Sakhar Karkhana Limited	2007-08	69.62
388	8-IT	Maharashtra	CIT-XX, Mumbai	Sharad Kantilal Shah	2010-11	248.05
389	20-IT	Maharashtra	CIT-II, Pune	The Mula Pravara Electric Co-op. Society Limited	2009-10	51.87
390	22-IT	Maharashtra	CIT-XXI, Mumbai	Paresh H Pujara	2010-11	82.98
391	23-IT	Maharashtra	CIT-I, Kolhapur	Ajara Shetkari Sakhar Karkhana Limited	2008-09	104.6
392	24-IT	Maharashtra	CIT-XXIV, Mumbai	Blown Enterprises	2010-11	25.84
393	28-IT	Uttar Pradesh	CIT-I, Kanpur	Awadh Wood Products	2010-11	21.62
394	46-IT	Bihar	CIT-Central, Patna	Karnail Singh	2007-08, 2008-09 & 2009-10	11.1
395	59-IT	Maharashtra	CIT- Aurangabad	The Jalna District Central Co operative Bank	2009-10	223
396	65-IT	Rajasthan	CIT, Ajmer	Sahakari Bhumi Vikas Bank Limited, Bhilwara	2008-09 & 2009-10	25.02
397	81-IT	Gujarat	CIT-IV, Ahmedabad	Narendrdabhai Popatbhai Patel	2008-09	19.11
398	95-IT	Maharashtra	CIT XII, Mumbai	Alliance Hotels	2010-11	69.17
399	100-IT	West Bengal	CIT-XI, Kolkata	Shaikh Mohammed Ferozeuddin Alameer	2010-11	28.14
400	124-IT	Madhya Pradesh	CIT, Bhopal	Bhopal Vikas Pradhikaran	2008-09	117.57
401	128-IT	Gujarat	CIT-II, Surat	Shri Sayan Vibhag Sahakarikhand Udhdyog Mandali Limited	2010-11	15.52

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
Income escaping assessment due to omissions - Incorrect classification and computation of capital gains						
402	12-IT	Gujarat	CIT, Gandhinagar	The Mehsana District Central Co-op. Bank Limited	2007-08	142.1
403	44-IT	Tamil Nadu	CIT-I, Coimbatore	K. R. Jayaram	2009-10	70.78
404	66-IT	Rajasthan	CIT-II Jaipur	Vinayak Developer	2009-10	27.76
405	83-IT	Gujarat	CIT-IV, Ahmedabad	Ketankumar Babubhai Patel	2008-09	26.75
Income escaping assessment due to omissions - Incorrect computation of income						
406	5-IT	Maharashtra	CIT-II, Kolhapur	Kolhapur District Central Co-op. Bank Limited	2009-10	886.7
407	11-IT	Gujarat	CIT, Gandhinagar	The Mehsana District Central Co-op. Bank Limited	2007-08	44.97
408	21-IT	Maharashtra	CIT-I, Pune	Sangamner Bhag Sahakari Karkhana Limited	2007-08	129.12
409	38-IT	Delhi	CIT-Central II	Rina Sinha	2011-12	49.17
410	50-IT	Rajasthan	CIT-II, Jaipur	Sokhal Builder and Construction	2010-11	28.89
411	53-IT	Karnataka	CIT-Central, Bangalore	Canara Housing Development Company	2007-08	60.31
412	82-IT	Uttar Pradesh	CIT-I, Lucknow	UP Civil Secretariat Primary Co-operative Bank Limited, Lucknow	2008-09	97.05
413	105-IT	Gujarat	CIT-III, Ahmedabad	Parswanath Corporation	2007-08	37.98
414	108-IT	Gujarat	CIT-II, Baroda	Navin Shantilal Patel	2008-09	13.41
415	114-IT	Tamil Nadu	CIT Central-II, Chennai	K. Nagararajan	2011-12	42.24
416	115-IT	Tamil Nadu	CIT Central-II, Chennai	N. Naveen Baalaji	2011-12	40.81
Income escaping assessment due to omissions - Omission in implementing provisions of TDS/TCS						
417	14-IT	Gujarat	CIT-III, Rajkot	Yunusbhai M. Bhaiya	2007-08	29.18
418	27-IT	Uttar Pradesh	CIT-II, Lucknow	Jasminder Singh	2009-10	33.49
419	48-IT	Bihar	CIT-I, Patna	Paras Nath Singh	2008-09	10.3
420	71-IT	Uttar Pradesh	CIT, Moradabad	Parisha International	2008-09	17
421	78-IT	Jharkhand	CIT, Jamshedpur	Balkrishna and Company	2005-06	11.14
422	91-IT	Gujarat	CIT-VI, Ahmedabad	Hakimchand D & Sons	2007-08	222.06
423	125-IT	Chhattisgarh	CIT, Raipur	P.N.B. Nair	2008-09	12.34
Income escaping assessment due to omissions - Non/short levy of wealth tax						
424	1-WT	Maharashtra	CIT-III, Mumbai	Parasakthi Trading Company Limited	2008-09	28.32
425	2-WT	Tamil Nadu	CIT-Central III, Chennai	R. Mahalakshmi	2010-11	2.51
426	3-WT	Maharashtra	CIT-IV, Mumbai	Sonawala Industries Pvt. Limited	2005-06, to 07-08	3.73
427	4-WT	Maharashtra	CIT-I, Pune	Lalitkumar Kesarimal Jain	2007-08	19.7

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
428	5-WT	Maharashtra	CIT-Central I, Mumbai	Rheema Hassan Ali Khan	2008-09	2.17
429	6-WT	Karnataka	CIT-Central, Bangalore	Reddy Veeranna	2004-05 to 07-08	6.18
430	7-WT	Karnataka	CIT-III, Bangalore	Austin Roash	2010-11	20.79
431	8-WT	Karnataka	CIT-Central, Bangalore	E. Akkamma	2008-09 to 10-11	7.05
432	9-WT	Tamil Nadu	CIT-I, Coimbatore	M. Balasubramaniam	2008-09	26.15
433	10-WT	West Bengal	CIT-III, Kolkata	Gentex Merchanta Pvt. Limited	2006-07	34.38
434	11-WT	Gujarat	CIT-II, Surat	Ratilal Mulchand Patel	2008-09	1.31
435	12-WT	Tamil Nadu	CIT-I, Coimbatore	Suguna Capital Ventures Pvt. Limited	2008-09	11.12
436	13-WT	West Bengal	CIT-X, Kolkata	Ujjal Kumar Das	2007-08	5.32
437	14-WT	West Bengal	CIT-I, Kolkata	Gangvijay Commotrade Private Limited	2008-09	2.96
438	15-WT	Tamil Nadu	CIT-Central-I, Chennai	Sushil Kumar Mehta	2006-07 to 10-11	18.39
439	16-WT	Tamil Nadu	CIT, Salem	S. K Pounraj	2008-09 & 2009-10	7.8
440	17-WT	Gujarat	CIT-IV, Ahmedabad	Vedik Cotton Limited	2008-09	1.86
441	18-WT	Maharashtra	CIT-Central, Pune	Habibullah Abbasali Chaudhary	2008-09	2.21
442	19-WT	West Bengal	CIT-1, Kolkata	West Bengal Fisheries Corporation Limited.	2007-08	2.5
Others - Over charge of tax/interest						
443	2-IT	Kerala	CIT Central, Kochi	Anoop Kumar Sinkaram	2008-09	64.94
444	6-IT	Maharashtra	CIT Central, Pune	Sai Home Makers	2008-09	24.99
445	7-IT	Maharashtra	CIT-Central, Pune	Sai Homes	2008-09	22.32
446	13-IT	Bihar	CIT, Bhagalpur	Katihar District Central Co-operative Bank Limited	2008-09	26.92
447	25-IT	Uttar Pradesh	CIT Bareilly	Hardoi District Cooperative Bank Limited, Hardoi	2008-09	334.0
448	29-IT	Andhra Pradesh	CIT-IV, Hyderabad	Andhra Pradesh Housing Board	2007-08 & 2009-10	1920.78
449	33-IT	Punjab	CIT-Central, Ludhiana	Inerjeet Singh Brar	2011-12	348.92
450	37-IT	Delhi	CIT-Central III	Suresh Kumar Gupta	2006-07	707.38
451	43-IT	Delhi	CIT-V	Chetan Seth	2007-08	56.97
452	55-IT	Tamil Nadu	CIT-Central II, Chennai	G. Karunai Anandan	2004-05	176.08
453	61-IT	Punjab	CIT-Central, Gurgaon	Gurjit Singh	2003-04	26.99

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Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY	TE (₹ in lakh)
454	62-IT	Punjab	CIT, Chandigarh	Indo Soviet Friendship College, Moga	2004-05	16.66
455	63-IT	Delhi	CIT-Central I	Rajesh Kalra	2011-12	32.25
456	64-IT	Delhi	CIT-Central I	Anju Gupta	2010-11	42.97
457	67-IT	Delhi	CIT-Central I	Usha Gupta	2010-11	26.37
458	73-IT	Delhi	CIT-Central I	Usha Gupta	2011-12	23.02
459	75-IT	Delhi	CIT Central I	Rishu Gupta	2010-11	415.17
460	76-IT	West Bengal	CIT-XX, Kolkata	Zahid Khan	2007-08	67.21
461	84-IT	Delhi	CIT-Central II	Jagat Overseas	2010-11 & 2011-12	413.94
462	85-IT	Delhi	CIT-Central I	Rishu Gupta	2009-10	901.05
463	86-IT	Delhi	CIT-Central II	Sudha Pawa	2010-11	36.2
464	87-IT	Delhi	CIT-Central I	Chetan Gupta	2005-06	147.03
465	94-IT	Delhi	CIT-Central I	Usha Gupta	2010-11	24.22
466	101-IT	Jharkhand	CIT, Hazaribagh	S. N. Singh	2007-08	20.69
467	119-IT	Madhya Pradesh	CIT, Gwalior	The Gwalior Citizen Sakh Sahakarita Maryadit	2004-05	315.0
468	122-IT	Madhya Pradesh	CIT, Gwalior	The Kuber Sakh Sahakarita Maryadit	2008-09	422.0
469	123-IT	Madhya Pradesh	CIT, Bhopal	Pawan Agarwal	2004-05	278.72

Appendix 2.4 (Reference: Paragraph 2.5.5)

Category wise details of observations in respect of Draft Paragraphs sent to Ministry		
Sub category	Cases	Tax Effect (₹ in crore)
A. Quality of assessments	144	918.57
a. Arithmetical errors in computation of income and tax	55	467.75
b. Incorrect application of rate of tax, surcharge etc.	15	55.52
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	39	223.63
d. Excess or irregular refunds/interest on refunds	23	123.13
e. Mistake in assessment while giving effect to appellate orders	12	48.54
B. Administration of tax concessions/exemptions/ deductions	158	746.71
a. Irregular exemptions/deductions/reliefs given to Corporate	29	115.20
b. Irregular exemptions/deductions/reliefs given to Trusts/ Firms/Societies	12	11.60
c. Irregular exemptions/deductions/reliefs given to individuals	2	1.70
d. Incorrect allowance of Business Expenditure	47	285.68
e. Irregularities in allowing depreciation/business losses/ Capital losses	68	332.53
C. Income escaping assessment due to omissions	108	410.00
a. Under special provisions including MAT/Tonnage Tax etc.	34	100.42
b. Incorrect classification and Computation of Capital Gains	11	21.56
c. Incorrect Computation of Income	29	251.34
d. Omission in implementing provisions of TDS/TCS	14	31.19
e. Non/short levy of wealth tax	19	2.04
f. Unexplained investment/ cash credit	1	3.45
D. Others	59	578.40
Over charge of tax/interest	59	578.40
Total	469	2,653.68

Appendix 2.5 (Reference: Paragraph 2.7.4)

Cases where remedial action has become time barred in FY 2013-14		
State	Audit observations where remedial action became time barred	
	Cases	Tax effect (₹ in crore)
Andhra Pradesh	205	76.03
Assam	27	0.67
Bihar	105	2.53
Chhattisgarh	8	0.92
Goa	0	0.00
Gujarat	878	286.14
Haryana	108	21.00
Himachal Pradesh	0	0.00
Jammu & Kashmir	43	0.32
Jharkhand	10	0.22
Karnataka	15	2.72
Kerala	5	3.10
Madhya Pradesh	44	5.11
Odisha	41	28.65
Punjab	70	1.50
UT Chandigarh	28	2.66
Rajasthan	38	0.64
Tamil Nadu	276	160.67
Uttar Pradesh	75	115.40
Uttarakhand	0	0.00
Delhi	2	0.02
Maharashtra	339	412.49
West Bengal	110	0.43
Total	2427	1121.22

Appendix-2.6 (Reference: Paragraph 2.8.2)

States	Records requisitioned in FY 2013-14	Records not produced in FY 2013-14	Percentage of records not produced in FY 2013-14	Percentage of records not produced in FY 2012-13	Percentage of records not produced in FY 2011-12
Andhra Pradesh	15,890	2761	17.38	7.74	13.63
Assam	2,054	7	0.34	1.16	6.95
Bihar	3,914	529	13.52	28.74	17.66
Chhattisgarh	2,270	30	1.32	17.49	8.54
Goa	0	0	0.00	1.09	5.79
Gujarat	23,303	3,166	13.59	16.47	12.13
Haryana	5,291	164	3.10	6.63	8.27
Himachal Pradesh	2,367	188	7.94	10.56	15.73
Jammu & Kashmir	1,122	148	13.19	20.59	11.59
Jharkhand	2,840	186	6.55	3.27	4.53
Karnataka	14,286	3,634	25.44	14.25	23.94
Kerala	6,998	693	9.90	12.93	11.88
Madhya Pradesh	10,652	1,797	16.87	25.73	21.79
Odisha	7,428	2,349	31.62	37.00	53.31
Punjab	5,794	1,012	17.47	21.82	18.69
UT Chandigarh	4,612	788	17.09	40.53	36.21
Rajasthan	13,552	1,121	8.27	7.13	6.14
Tamil Nadu	24,863	5,597	22.51	32.05	33.02
Uttar Pradesh	13,379	709	5.30	8.44	6.12
Uttarakhand	2,565	110	4.29	4.34	5.04
Delhi	59,271	10,809	18.24	21.37	30.55
Maharashtra	64,698	3,140	4.85	4.22	5.81
West Bengal	12,069	1,274	10.56	4.36	5.93
Total	2,99,218	40,212	13.44	14.70	16.69

Appendix 5.1 (Reference: Paragraph 5.2)

Jurisdiction of different benches of Income Tax Settlement Commission

Sl. No.	Name of Bench	Jurisdictional States/Union Territories
1.	Principal Bench, New Delhi	New Delhi and the States, Union Territories/Cities, other than those mentioned at sl. no. 2 to sl. no. 6 below.
2.	Additional Bench-I, New Delhi	Punjab, Union Territory of Chandigarh and cases within the Jurisdiction of CIT (Central)-I, New Delhi.
3.	Additional Bench-II, New Delhi	Rajasthan, Haryana, Uttar Pradesh, Uttarakhand, Himachal Pradesh, Jammu & Kashmir and cases within the Jurisdiction of Commissioners of Income Tax-I to XVI-Delhi.
4.	Additional Bench-I, Mumbai	(i) Mumbai (other than Chief Commissioner of Income Tax-IV, V, VI, XI, XII & XIII Mumbai and Chief Commissioner of Income Tax (Central)-II, Mumbai); (ii) Pune; (iii) Madhya Pradesh (Excluding the assessing officers under the Jurisdiction of CIT(Central), Bhopal with headquarters in the State of Chhattisgarh) and (iv) Goa, Daman and Diu.
5.	Additional Bench-II, Mumbai	(i) Chief Commissioner of Income Tax-IV to VI, XI to XIII, Mumbai; (ii) Chief Commissioner of Income Tax(Central)-II, Mumbai; (iii) Gujarat and (iv) Rest of Maharashtra (except Mumbai & Pune).
6.	Additional Bench, Kolkata	Bihar, Meghalaya, Odisha, West Bengal, Chhattisgarh (Including all AOs under the Jurisdiction of CIT(Central), Bhopal with headquarters in the state of Chhattisgarh) Jharkhand, Andaman & Nicobar Islands, Manipur, Assam, Tripura, Sikkim, Mizoram, Nagaland and Arunachal Pradesh.
7.	Additional Bench, Chennai	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Pudducherry, Lakshadweep & Minicoy Islands.

Source: Website of Income Tax Settlement Commission, <http://www.itscindia.gov.in>

Abbreviations

ACIT	Assistant Commissioner of Income Tax
Act	Income Tax Act, 1961
AIR	Annual Information Return
AO	Assessing Officer
AY	Assessment Year
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income Tax
CIT	Commissioner of Income Tax
CPC	Central Processing Centre
CSO	Central Statistical Organization
CT	Corporation Tax
DT	Direct Taxes
DOR	Department of Revenue
FY	Financial Year
GDP	Gross Domestic Product
GTR	Gross Tax Revenue
ICAI	Institute of Chartered Accounts of India
IT	Income Tax
ITAT	Income Tax Appellate Tribunal
ITBA	Income Tax Business Application
ITD	Income Tax Department
ITDMS	Integrated Taxpayer Data Management System
ITO	Income Tax Officer
ITR	Income Tax Return
JCIT	Joint Commissioner of Income Tax
PAN	Permanent Account Number
Pr. CCA	Principal Chief Controller and Accounts
MAT	Minimum Alternate Tax
RFD	Results Framework Documents
ROC	Registrar of Companies
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TRO	Tax Recovery Officer