Report of the
Comptroller and Auditor General of India

for the year ended March 2015

Union Government
Department of Revenue - Direct Taxes
Report No. 3 of 2016

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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 2015 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 2014-15 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 2014-15 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 Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971. This Report discusses direct taxes administration, audit mandate and findings of compliance audit including transfer pricing and write-off of arrears of tax demand.

Chapter I: Direct Taxes Administration

Direct tax receipts of Union Government in FY 2014-15 was ₹ 6,95,792 crore which represented 5.5 *per cent* of the GDP. Share of direct taxes in Gross Tax Revenue decreased to 55.9 *per cent* in FY 2014-15 from 56.1 *per cent* in FY 2013-14.

Two major components of Direct taxes viz. Corporation Tax increased from ₹ 3.95 lakh crore in FY 2013-14 to ₹ 4.29 lakh crore in FY 2014-15 and Income Tax increased from ₹ 2.38 lakh crore in FY 2013-14 to ₹ 2.58 lakh crore in FY 2014-15.

The number of non-corporate assessees increased from 304.03 lakh in FY 2013-14 to 360.55 lakh in FY 2014-15 registering an increase of 18.6 *per cent*.

The number of corporate assessees increased from 6.36 lakh in FY 2013-14 to 6.75 lakh in FY 2014-15 registering an increase of 6.1 *per cent*.

Out of total 10.3 lakh scrutiny assessment cases, the Department had disposed of 5.4 lakh cases (47.8 *per cent*) in FY 2014-15 resulting in decrease in pendency rate.

The uncollected demand increased from ₹ 5.75 lakh crore in FY 2013-14 to ₹ 7.00 lakh crore in FY 2014-15. The Department indicated that more than 96 *per cent* of uncollected demand is difficult to recover in FY 2014-15.

Appeals pending with CIT(A) increased from 2.15 lakh in FY 2013-14 to 2.32 lakh in FY 2014-15. The amount locked up in these cases with CIT(A) was ₹ 3.84 lakh crore in FY 2014-15. The amount locked up at higher levels (ITAT/High Court/Supreme Court) increased from ₹ 1.8 lakh crore (76,922 cases) in FY 2013-14 to ₹ 1.9 lakh crore (77,448 cases) in FY 2014-15.

Chapter II: Audit Mandate, Products and Impact

ITD completed 2.26 lakh scrutiny assessments in FY 2013-14 in those units which were audited during audit plan of FY 2014-15, of which we checked 2.11 lakh cases. The incidence of errors in assessments checked in audit was 0.16 lakh which averaged to 7.4 *per cent*.

ITD recovered ₹ 127.67 crore in FY 2014-15 from demands raised to rectify the errors in assessments that we pointed out.

This Report discusses 455 high value and important cases issued to the Ministry. Of these, the Ministry/ITD accepted 159 cases (34.9 *per cent*). In 16 cases, ITD did not accept the audit observation. In remaining cases, the Ministry/ITD did not furnish replies.

The accretion in pendency in replies to audit findings each year has resulted in pile-up of 50,005 cases involving revenue effect of ₹ 62,415.2 crore as of 31 March 2015.

During FY 2014-15, 3,889 cases with tax effect of ₹ 2,490.8 crore became time-barred for remedial action.

Chapter III: Corporation Tax

We pointed out 312 high value cases pertaining to corporation tax with tax effect of ₹ 2,459.0 crore. We classified these cases in four broad categories namely quality of assessments involving tax effect of ₹ 426.8 crore (93 cases), administration of tax concessions/exemptions/deductions involving tax effect of ₹ 1,796.79 crore (155 cases), income escaping assessments due to omissions involving tax effect of ₹ 176.56 crore (44 cases) and over-charge of tax/interest involving ₹ 58.84 crore (20 cases).

Chapter IV: Income Tax and Wealth Tax

We pointed out 137 high value cases pertaining to Income tax with tax effect of ₹ 286.29 crore. We classified these cases in four broad categories namely quality of assessments involving tax effect of ₹ 165.18 crore (54 cases), administration of tax concessions/exemptions/deductions involving tax effect of ₹ 93.18 crore (49 cases), income escaping assessments due to omissions involving tax effect of ₹ 16.93 crore (27 cases) and over-charge of tax/interest involving ₹ 11.0 crore (seven cases). Besides, we also pointed out six cases of Wealth Tax involving tax effect of ₹ 0.18 crore.

Chapter V: Transfer Pricing

We pointed out 10 high value cases where TPOs of Ahmedabad, Hyderabad and Mumbai made mistakes in arriving at Arm's Length Price and adjustments thereof.

Chapter VI: Write-off of Arrears of tax demand

We noticed that percentage of demand difficult to recover due to pending write-off/assessee not traceable/no asset and inadequate resources with the total arrears of tax demand substantially increased from ₹ 34,962.26 crore (12.59 *per cent*) in FY 2012-13 to ₹ 74,077.78 crore (22.60 *per cent*) in FY 2014-15 in respect of Pr. CsIT/CsIT test checked in audit. Out of this, only ₹ 2.21 crore was written off.

ITD did not declare arrear demand irrecoverable by following regular procedure in cases where the assessees were not traceable, there was no fund/asset or insufficient fund/asset and did not write-off arrears of tax demand for which irrecoverability certificates were issued by the respective tax recovery officers.

The CBDT did not evolve any mechanism/system for monitoring of high value cases which were pending for a considerable time and were required to be written-off.

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) 2014-15 and FY 2013-14.

Table 1.1: Resources of the Union Government		(₹ in crore)
	FY 2014-15	FY 2013-14
A. Total Revenue Receipts	16,66,717	15,36,024
i. Direct Taxes Receipts	*6,95,792*	*6,38,596*
ii. Indirect Taxes Receipts including other taxes[1]	*5,49,343*	*5,00,400*
iii. Non-Tax Receipts	*4,19,982*	*3,93,410*
iv. Grants-in-aid & contributions	*1,600*	*3,618*
B. Miscellaneous Capital Receipts[2]	37,740	29,368
C. Recovery of Loan & Advances[3]	26,547	24,549
D. Public Debt Receipts[4]	42,18,196	39,94,966
Receipts of Government of India (A+B+C+D)	**59,49,200**	**55,84,907**

Source: Union Finance Accounts of respective years. Direct Tax receipts and Indirect tax receipts including other taxes have been worked out from the Union Finance Accounts. Total Revenue Receipts include ₹ 3,37,808 crore in FY 2014-15 and ₹ 3,18,230 crore in FY 2013-14, share of net proceeds of direct and indirect taxes directly assigned to states.

1.1.2 The total receipts of the Union Government increased to ₹ 59,49,200 crore in FY 2014-15 from ₹ 55,84,907 crore in FY 2013-14. In FY 2014-15, its own receipts were ₹ 16,66,717 crore including gross tax receipts of ₹ 12,45,135 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 Tax[5], Securities Transactions Tax[6] etc.

1 Indirect taxes levied on goods and services such as customs duty, excise duty, service tax etc.;
2 This comprises of value of bonus share, disinvestment of public sector and other undertakings and other receipts;
3 Recovery of loans and advances made by the Union Government;
4 Borrowing by the Government of India internally as well as externally;
5 Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act, 1957. The Wealth Tax has been abolished through Finance Act, 2015.
6 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					
	2010-11	2011-12	2012-13	2013-14	2014-15
					₹ in crore
1. Direct taxes collection	4,45,995	4,93,987	5,58,989	6,38,596	6,95,792
2. Refunds	75,169	93,814	83,766	89,060	1,12,163
3. Interest on refunds	10,499	6,486	6,666	6,598	5,332
					Number in lakh
4. Assessees on record	335.8	363.5	373.8	470.3[7]	607.6[7]
5. Scrutiny assessments completed	4.6	3.7	3.1	2.9	5.35
6. Scrutiny assessment pending	3.9	4.1	2.9	4.2	4.96

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 2015, the overall staff strength and working strength of the ITD is 78,544 and 41,304 respectively. The sanctioned and working strength of the officers[8] is 10,863 and 8,863 respectively. The revenue expenditure for the year 2014-15 is ₹ 4,147.6 crore[9].

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.

7 Includes 159.93 lakh cases (FY 2013-14) and 169.35 lakh cases (FY 2014-15) where non-zero 26AS exist but no ITR entered in the record of ITD.

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

9 Union Finance Accounts for FY 2014-15.

1.4.2 Table 1.3 below shows the details of Budget Estimates, Revised Estimates and Actual collection of Direct Taxes during FY 2010-11 to FY 2014-15.

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
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
2014-15	7,36,221	7,05,628	6,95,792	(-) 40,429	(-) 9,836	(-) 5.5	(-) 1.4

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 2010-11 whereas it was less than the budget estimates during FY 2011-12 to FY 2014-15. The revised estimates were found generally realistic as variation in actual collection ranged from (-) 1.4 *per cent* to 0.4 *per cent* of revised estimates. In FY 2014-15, the actual collection of direct taxes was less than ₹ 9,836 crore from revised estimates.

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 Receipts[10] (GTR) and Gross Domestic Products (GDP) during FY 2010-11 to FY 2014-15.

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
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	99,88,540	5.6
2013-14	6,38,596	11,38,996	56.1	1,13,45,056	5.6
2014-15	6,95,792	12,45,135	55.9	1,25,41,208	5.5

Source: DT and GTR - Union Finance Accounts, GDP – Press note on GDP released on 29 May 2015 by Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation. This indicates that the figures for GDP for the year 2012-13 and 2013-14 are based on New Series Estimates; and figure for the year 2014-15 are based on provisional estimates at current prices. The figures for GDP for the year 2010-11 and 2011-12 are 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 ₹ 57,196 crore (9.0 *per cent*) in FY 2014-15 as compared to FY 2013-14. However, the share of direct taxes to GTR has also slightly decreased from 56.1 *per cent* in FY 2013-14 to 55.9 *per cent* in FY 2014-15.

10 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 2010-11 to FY 2014-15.

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
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
2014-15	6,95,792	9.0	4,28,925	8.7	2,58,374	8.6

1.5.4 We find that the growth of CT came down to 8.7 *per cent* in FY 2014-15 from 10.8 *per cent* in FY 2013-14. There was steep decline in growth of IT from 20.8 *per cent* in FY 2013-14 to 8.6 *per cent* in FY 2014-15. The compound annual growth rate of CT and IT was 9.5 *per cent* and 16.7 *per cent* respectively during FY 2010-11 to FY 2014-15.

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. The voluntary compliance of corporate and non-corporate assessees during FY 2014-15 was 83.2 *per cent* as compared to 84.6 *per cent* in FY 2013-14.

1.5.6 Table 1.6 below shows the collection of corporate assessees during FY 2010-11 to FY 2014-15.

Table 1.6: Corporate assessees' collections (₹ in crore)

Financial Year	TDS	Advance Tax	Self assessment tax	Regular Assessment Tax	Surcharge and Cess	Other receipts	Collections
2010-11	68,313	1,84,263	23,056	41,916	16,846	20,872	3,55,266
2011-12	91,974	2,08,886	13,632	40,030	24,309	19,285	3,98,116
2012-13	74,481	2,32,467	18,731	53,874	16,804	23,790	4,20,147
2013-14	83,443	2,45,350	18,852	60,426	24,175	29,605	4,61,851
2014-15	87,858	2,72,193	23,025	68,604	26,514	34,778	5,12,972

Note: The above figures were received from the Pr. CCA, CBDT during the respective years. The figures of collection comprises of refunds also.

1.5.7 TDS collection decreased from 18.1 *per cent* in FY 2013-14 to 17.1 *per cent* in FY 2014-15 of the total corporate collection whereas regular assessment tax marginally increased from 13.1 *per cent* in FY 2013-14 to 13.4 *per cent* in FY 2014-15 of the total corporate collection. The advance Tax remained constant at 53.1 *per cent* in FY 2014-15 as compared to FY 2013-14.

1.5.8 Table 1.7 below shows the collection of non-corporate assessees during FY 2010-11 to FY 2014-15.

Table 1.7: Non-corporate assessees' collections (₹ in crore)

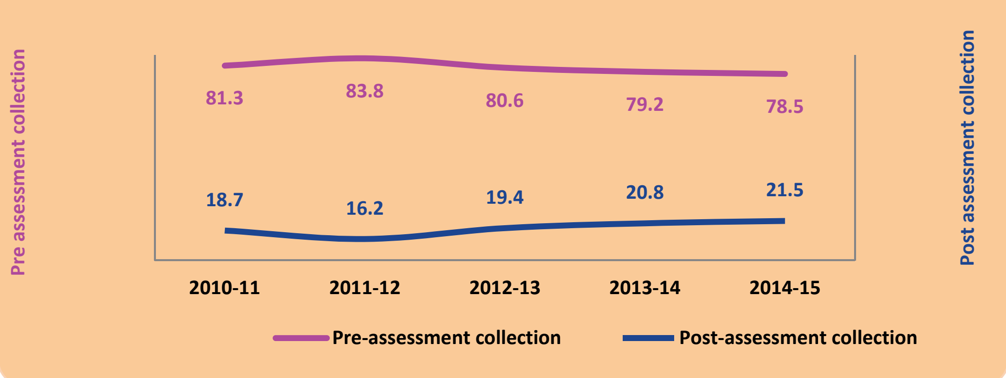
Financial Year	TDS	Advance Tax	Self assessment tax	Regular Assessment Tax	Surcharge and Cess	Other receipts	Collections
2010-11	1,00,356	28,275	13,831	9,922	5,498	750	1,58,632
2011-12	1,06,705	42,640	14,016	11,482	5,120	1,420	1,81,383
2012-13	1,36,173	43,327	20,739	8,544	6,000	2,002	2,16,785
2013-14	1,65,104	47,172	25,271	12,102	7,629	2,475	2,59,753
2014-15	1,71,248	54,332	29,025	11,585	8,924	11,373	2,86,487

Note: The above figures were received from the Pr. CCA, CBDT during the respective years. The figures of collection comprises of refunds also.

1.5.9 TDS collections and regular assessment tax decreased from 63.6 *per cent* and 4.7 *per cent* of total non-corporate collection in FY 2013-14 to 59.8 *per cent* and 4.0 *per cent* in FY 2014-15 respectively. However, advance tax increased marginally from 18.2 *per cent* of total non-corporate collection in FY 2013-14 to 19.0 *per cent* in FY 2014-15.

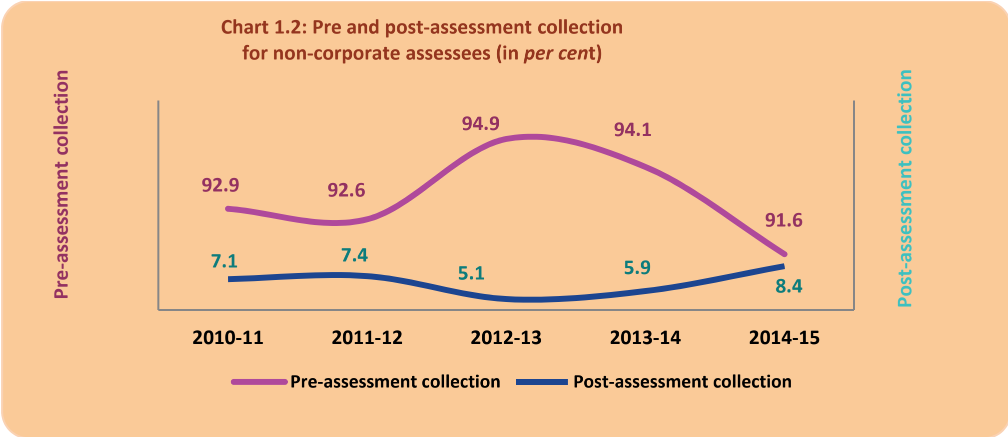
1.5.10 Chart 1.1 below shows the pre-assessment[11] and post assessment collection in respect of corporate assessees during FY 2010-11 to 2014-15.

Chart 1.1: Pre and post-assessment collection for Corporate assessees (in *per cent*)



1.5.11 Chart 1.2 below shows the pre-assessment[11] and post assessment collection in respect of non-corporate assessees during FY 2010-11 to 2014-15.

11 TDS, advance tax, self assessment tax and proportionate surcharge and cess levied there against.



1.5.12 Voluntary compliance in respect of corporate assessees declined continuously from FY 2011-12 whereas in respect of non-corporate assessees it increased during FY 2010-11 to FY 2012-13 and declined thereafter.

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 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 forgone on account of tax exemptions for FY 2010-11 to FY 2014-15.

Table 1.8: Revenue Foregone (₹ in crore)

Financial Year	Total Revenue Foregone	Revenue Foregone as *per cent* of GDP	DT	GTR
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	93,047	0.8	14.6	8.2
2014-15	1,02,833	0.8	14.8	8.3

Note: The figures of revenue foregone except FY 2014-15 are actuals as per Receipt Budget and do not cover Charitable Institutions. For FY 2014-15, figure of revenue forgone are projected. However, as per Receipt Budget 2015-16, the total number of electronically filed returns in respect of Charitable Institutions till November 2014 is 99,076 and amount applied by these entities for charitable and religious purposes is ₹ 2,25,472 crores.

1.6.4 The revenue forgone on account of tax exemptions is increasing in absolute terms over the years (except FY 2013-14). The Public Accounts Committee (PAC) in their 87th Report (15th Lok Sabha) noticed that the Government 'though belatedly' had proposed some measures in this direction but felt that the Government need to consider some interim measures to phase out unwarranted tax exemptions/deductions. In the Action Taken Report, the DOR/CBDT stated that the Finance Minister in his Budget speech of 2015 had announced that exemption for corporate would be rationalized and removed over the next four years.

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). In the Central Action Plan 2014-15 of ITD, key result areas for widening of tax base are:

- **a.** Ensuring that all the authorities/entities obligated to AIR returns are identified properly and within time;
- **b.** Taking effective steps to improve the quality of data being collected under AIR & CIB mechanism;
- **c.** Taking steps to enhance the capabilities of populating PAN in non-PAN information and its timely utilization by the field formations;
- **d.** Ensuring necessary action in the case of defaulting Cooperative banks/Credit Societies, disseminating PAN information through Systems Directorate and processing non-PAN information;
- **e.** Taking up appropriate pilot projects for focused widening and deepening of tax base;
- **f.** Timely action and dissemination of data received under Automatic Exchange of information.

1.7.2 Table 1.9 below gives the details of non-corporate assessees[12] in different categories.

12 Source: Directorate of Income Tax (Logistics), Research & Statistics Wing.

Table 1.9: Non-Corporate Assessees						(Figures in lakh)
Financial Year	**A**[13]	**B_1**[14]	**B_2**[15]	**C**[16]	**D**[17]	**Total**
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
2014-15	76.32	216.31	46.11	21.80	0.01	360.55

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

1.7.3 The number of non-corporate assessees increased from 304.03 lakh in FY 2013-14 to 360.55 lakh in FY 2014-15 registering an increase of 18.6 *per cent*.

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

Table 1.10: Corporate Assessees								(Figures in lakh)
Financial Year	**A**[18]	**B_1**[19]	**B_2**[15]	**C**[16]	**D**[17]	**Total**	**Assessees having income above ₹ 25 lakh**	**Working companies as per RoC as on 31st March**
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
2014-15	3.20	1.51	0.48	1.56	0.00	6.75	0.69	10.16

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

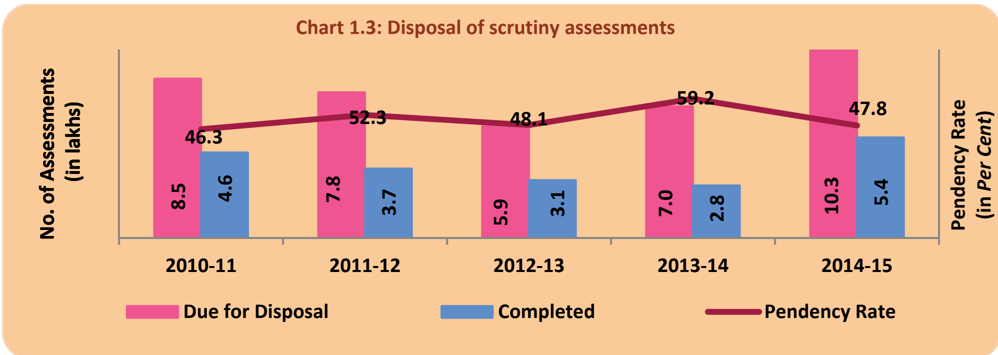
1.7.5 The number of corporate assessees has increased from 6.36 lakh in FY 2013-14 to 6.75 lakh in FY 2014-15 registering an increase of 6.1 *per cent*. The number of corporate assessees (6.75 lakh) is different from the number of working companies (9.52 lakh) registered with Registrar of Companies (ROCs)[20] in FY 2013-14. Since all working companies (whether profit earning or loss incurring) has to file their return of income, 41 *per cent* of such working companies did not file their return of income in FY 2014-15. The ITD needs to reconcile the differences.

13 Category 'A' assessees – Assessments with income/loss below ₹ two lakh;
14 Category 'B_1' assessees (lower income group) - Assessments with income/loss above ₹ two lakh and above; but below ₹ five lakh;
15 Category 'B_2' assessees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;
16 Category 'C' assessees - Assessments with income/loss of ₹ 10 lakh and above;
17 Category 'D' assessees – Search and seizure assessments;
18 Category 'A' assessees – Assessments with income/loss below ₹ 50,000;
19 Category 'B_1' assessees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ five lakh;
20 Source: Ministry of Corporate Affairs (Statistics Division).

1.7.6 The number of non-corporate assessees and corporate assessees as given in Table 1.9 and Table 1.10 respectively does not reconcile with the total number of assessees on record (excluding 169.35 lakh cases where non-zero 26AS exist but no ITR entered in the record) as mentioned in Table 1.2. However, it has been mentioned in the Quarterly progress report (Statement 3-Income-wise analysis of assessees) for the quarter ending March 2015 made available by Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi, that these figures do not match due to the difference in methodology of recording the number of assessees on record and income-wise analysis of assessees. However, the ITD needs to adopt similar methodology for recording the number of assessees to avoid 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 2010-11 to FY 2014-15.



1.8.2 The disposal of scrutiny assessment cases has increased from 2.8 lakh in FY 2013-14 to 5.4 lakh in FY 2014-15 resulting in decrease in pendency rate.

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 2010-11 to FY 2014-15.

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
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
2014-15	31.5	22.6	8.9	28.1

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

1.9.2 The Citizen Charter 2014 of the ITD stated that refund alongwith interest would be issued within the prescribed time limits[21]. However, the numbers of direct refunds pending for disposal remain constant during FY 2014-15.

1.9.3 The Government has refunded ₹ 1,12,163 crore which includes interest of ₹ 5,332 crore (4.8 *per cent*) in FY 2014-15. The interest paid on refunds in FY 2013-14 was ₹ 6,598 crore (7.4 *per cent* of ₹ 89,060 crore, the amount refunded).

1.10 Uncollected demand

1.10.1 Table 1.12 below gives the trend of uncollected demand[22] pending during the period FY 2010-11 to FY 2014-15.

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 *per cent*)
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	4,80,066	95,274	5,75,340	5,52,538 *(96.0)*
2014-15	5,68,724	1,31,424	7,00,148	6,73,032 *(96.1)*

Source: CAP I Demand & Collection Statement alongwith Analysis for the month of March 2015

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 assessees' movable and immovable property, appointment of a receiver for the management of assessees' properties and imprisonment. Pending demands at the end of the year increased more than 2.4 times during FY 2010-11 to FY 2014-15. Out of total pending demand, the ITD indicated that more than 96 *per cent* is difficult to recover in FY 2014-15. Demand & Collection Statement for the month of March 2015 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 assessees and proceed to recover the amount. The recovery mechanism is deficient as certified demand remaining uncollected increased to ₹ 2.4 lakh crore in FY 2014-15 from ₹ 2.2 lakh crore in FY 2013-14.

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

22 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 2010-11 to FY 2014-15.

Table 1.13: Disposal of Appeal Cases by CIT(A)					(₹ in crore)
Financial Year	Appeals due for disposal (Number in lakh)	Appeals disposed of (Number in lakh)	Appeals pending (Number in lakh)	Pendency in percentage	Amount locked up in Appeals
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
2014-15	3.06	0.74	2.32	75.8	3,83,797

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

1.11.2 The disposal of appeal cases pending with CIT(A) has come down in FY 2014-15 as compared to FY 2013-14 resulting in increase in pendency. The amount locked up in appeal cases with CIT(Appeals) is equivalent to 1.1 times approximately of the revised revenue deficit of Government of India in FY 2014-15.

1.11.3 Table 1.14 below gives the position of Appeals/Writs and other matters pending with Income Tax Appellate Tribunal (ITAT)/High Courts and Supreme Court as on 31 March 2015.

Table 1.14: Appeals/Writs and other matters pending with ITAT/High Courts/Supreme Court		
Authority with whom pending	Cases pending (Numbers)	Amount locked up (₹ in crore)
ITAT	37,506	1,45,534.70
High Court	34,281	37,684.00
Supreme Court	5,661	4,654.50
Total	**77,448**	**1,87,873.20**

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

1.11.4 The amount locked up at higher levels (ITAT/High Courts/Supreme Court) was increased to ₹ 1.9 lakh crore (77,448 cases) as on 31 March 2015 in comparison to ₹ 1.8 lakh crore (76,922 cases) as on 31 March 2014.

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 2010-11 to FY 2014-15.

Table 1.15: Status of Prosecution cases					(Number)
Financial Year	**Prosecution launched**	**Cases decided**	**Convictions**	**Compounded**	**Acquitted (in *per cent*)**
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)*
2014-15	669	976	34	900	42 *(4.3)*

Source: Investigation Wing, CBDT

1.12.2 The above table shows that the number of compounded cases increased substantially from 23.3 *per cent* in FY 2010-11 to 92.2 *per cent* in FY 2014-15 and acquittals in prosecution cases decreased sharply from 62.4 *per cent* in FY 2010-11 to 4.3 *per cent* in FY 2014-15. Further, as on 31 March 2015, the total number of outstanding prosecution cases was 4,156.

1.13 Results Framework Document

The Results Framework Document (RFD) for the ITD for the FY 2014-15 under the objectives 'Communication with Taxpayers' includes as of its one of the action point 'Display of Citizen's Charter in all the buildings of the Department'. The Citizen's Charter for 2014 was revised and approved in April 2014. The posters of Citizen's Charter 2014 were supplied for display in various office buildings all over the country.

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. 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. The 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.

1.14.3 The ITD has initiated "Project Insight" on Data Warehouse and Business Intelligence (DW & BI) platform to strengthen the non-intrusive information driven approach for improving compliance and effective utilization of information in all areas of tax administration. This will integrate data warehouse, data mining, web mining, predictive modeling, data exchange, master data management, centralized processing, compliance risk management and case analysis capabilities.

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. The ITD prepares action plan for conducting internal audit in pursuance of instruction no. 3 of 2007 and completed audit of 1,66,229 cases in FY 2014-15.

1.15.2 Table 1.16 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2010-11 to FY 2014-15:

Table 1.16: Details of Audit observations added, settled and pending (₹ in crore)

Financial Year	Addition during the year		Settled during the year		Pending during the year	
	Number	Amount	Number	Amount	Number	Amount
2010-11	13,494	5,466.88	7,996	921.85	34,940	8,516.40
2011-12	13,771	1,879.85	14,148	1,118.49	34,563	9,277.80
2012-13	18,275	4,135.48	16,626	2,736.12	36,212	10,677.10
2013-14	14,423	8,950.66	26,322	8,610.12	24,313#	11,017.7#
2014-15	9,927	2,292.50	15,586	3,805.37	15,175	6,854.70

Subsequent to submission of Quarterly Statement for the quarter ended on 31 March 2014, the figures of outstanding audit objections as on 31.3.2014 were revised by the respective CsIT(Audit) to 20,834 cases amounting to ₹ 8,367.6 crore.

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

1.15.3 The pendency of internal audit observations decreased from FY 2012-13 onwards. In FY 2014-15, the AOs acted upon in 4,973 cases (46.8 *per cent*) having tax effect of ₹ 3,767.5 crore (35.6 *per cent*) out of 10,624 cases having tax effect of ₹ 10,565.90 crore of the major findings[23] raised by internal audit.

23 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 2014-15, we presented four Performance Audit Reports viz. (a) Report No. 7 of 2014 – Assessment of Firms, (b) Report No. 20 of 2014 – Allowance of Depreciation and Amortisation, (c) Report No. 32 of 2014 – Appreciation of Third Party (Chartered Accountant) Reporting in Assessment Proceedings and (d) Report No. 5 of 2015 – Assessment of Assessees in Pharmaceuticals Sector. Following paragraphs enumerate the impact of Audit.

2.4.2 While examining the 'Additional exemption claimed by partners under section 10(2A)' we had pointed out the ambiguity in the definition of 'total income' of Firms which contemplated into the partners getting excess exemption under section 10(2A) of the Act. Audit had recommended[24] that the Ministry may amplify the explanation to section 10(2A) so as to give proper meaning of total income of the Firm to be divided among the partners in the cases where the total income is reduced due to deduction/ exemption.

2.4.3 The Ministry thereafter issued a circular dated 31 March 2014 wherein it was clarified that the 'total income' of the firm for sub-section (2A) of section 10 of the Act as interpreted contextually, includes income which is exempt or deductible under various provisions of the Act. Further the income of the firm is to be taxed in the hands of the firm only and the same under no circumstances be taxed in the hands of its partners.

2.4.4 The second proviso to section 32(1) of the Act inter *alia* provides that the additional depreciation would be restricted to 50 *per cent* where the period of use of new plant or machinery acquired and installed by the assessee, is less than one hundred and eighty days in the previous year.

2.4.5 We pointed out[25] that AOs are allowing additional depreciation on new plant and machinery acquired and put to use in the year for less than 180 days and remaining additional depreciation in the subsequent year which was not mentioned in the Act.

2.4.6 The Government has inserted third provision to section 32(1) with effect from 1st April, 2016 providing that the balance 50 *per cent* of the additional depreciation on new plant or machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant or machinery, shall be allowed in the immediately succeeding previous year.

24 Report No. 7 of 2014 – PA on Assessment of Firms.
25 Report No. 20 of 2014 – PA on Allowance of Depreciation and Amortisation.

2.4.7 We pointed out[26] a case of furnishing of report in Form 56F by an auditor in respect of a closely held company whose managing director was the auditor's brother. Audit recommended prohibiting a chartered accountant (CA) who is a relative of the assessee or directors of the assessee company, from signing any report or certificates.

2.4.8 To ensure the independence of an auditor, the Government amended section 288 of the Act to provide that an auditor who is not eligible to be appointed as auditor of a company as per the provisions of sub-section (3) of section 141 of the Companies Act, 2013 shall not be eligible for carrying out any audit or furnishing of any report/certificate under any provisions of the Act in respect of that company. On similar lines, ineligibility for carrying out any audit or furnishing of any report/certificate under any provisions of the Act in respect of non-company has been provided.

2.4.9 Under section 35(2AB) of the Act, weighted deduction of 200 *per cent* is allowed to a company engaged in the business of bio-technology or manufacturing of goods (except items specified in Schedule-XI to the Act) for the expenditure (not being expenditure in the nature of cost of any land or building) incurred on scientific research carried out in an approved in-house research and development facility, for which various procedures have been prescribed under the Act.

2.4.10 Considering the recommendations[27] of the Audit relating to monitoring of this weighted deduction, the provisions of section 35(2AB) of the Act have been amended with effect from 1st April 2016 to provide that deduction under the said section shall be allowed if the company enters into an agreement with the prescribed authority for cooperation in such research and development facility and fulfils prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports. It has also been proposed to insert reference of the Principal Chief Commissioner or Chief Commissioner in section 35(2AA) and section 35(2AB) of the Act so that the report referred to therein may be sent to the Principal Chief Commissioner or Chief Commissioner having jurisdiction over the company claiming the weighted deduction under the said section.

26 Report No. 32 of 2014 – PA on Appreciation of Third Party (Chartered Accountant) Certification in Assessment Proceedings.
27 Report No. 5 of 2015 – PA on Assessment of Assessees in Pharmaceuticals Sector.

2.5 Incidence of errors

2.5.1 ITD completed 2,25,695 scrutiny assessments[28] in FY 2013-14 in those units which were audited during audit plan of FY 2014-15, of which we checked 2,10,507 cases. Apart from this, we have also audited 48,637 cases completed in previous financial years, during FY 2014-15. The incidence of errors in assessment checked in audit relating to assessment completed by ITD in FY 2013-14 was 15,557 cases (7.4 *per cent)* which was less than the previous year (9.52 *per cent*). We pointed out mistakes in 4,446 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 2014-15.

Table 2.1: Details of top eight states having more than 10,000 assessments (₹ in crore)

State	Assessments completed during 2013-14	Assessments checked in audit during 2014-15	Assessments with errors	Total revenue effect of the audit observations	Percentage of assessments with errors
Andhra Pradesh	15,660	13,600	1,133	2,688.63	8.33
Delhi	28,563	26,421	1,191	1,672.80	4.51
Gujarat	23,914	22,518	1,052	1,498.96	4.67
Karnataka	17,222	13,783	802	1,339.37	5.82
Maharashtra	35,109	34,164	1,791	3,020.31	5.24
Tamil Nadu	17,296	16,324	1,684	1,606.93	10.32
Uttar Pradesh	20,879	18,093	1,101	821.93	6.09
West Bengal	14,552	14,155	2,541	3,464.38	17.95
Total	**173,195**	**1,59,058**	**11,295**	**16,113.31**	

This indicates that West Bengal has the highest percentage of assessments with errors (17.95 *per cent*) followed by Tamil Nadu (10.32 *per cent*). It has also been seen that in the last five years both these states were having the highest percentage of assessments with errors.

2.5.3 Table 2.2 below shows the details of errors noticed in local audit during FY 2014-15.

Table 2.2: Tax wise details of errors in assessments (₹ in crore)

Category	Cases	Tax effect
a. Corporation tax & Income tax	16,631	19,632[29]
b. Wealth tax	904	334
c. Other Direct taxes	99	3
Total	**17,634**	**19,969**

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

28 Total scrutiny assessment completed in the ITD during FY 2013-14 was 2,84,750.
29 Includes 395 cases of over assessments with tax effect of ₹ 850 crore

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.

Table 2.3: Category-wise details of errors			(₹ in crore)
	Category	**Cases**	**Tax effect**
a.	Quality of assessments	4,377	2,032
b.	Administration of tax concessions/exemptions/deductions	6,778	11,201
c.	Income escaping assessments due to omissions	2,639	2,799
d.	Others	2,442	2,750
	Total	**16,236**	**18,782**

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 455 cases reported to the Ministry[30]. *Appendix 2.3* gives the details of such cases. Table 2.4 shows category wise details of these cases[31].

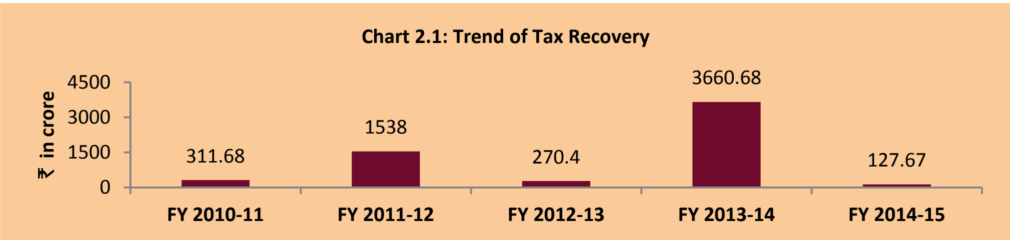
Table 2.4: Category-wise details of errors of high value cases							(₹ in crore)
Category		**CT**		**IT**		**Total**	
		No.	**TE**	**No.**	**TE**	**No.**	**TE**
a.	Quality of assessments	93	426.84	54	165.18	147	592.02
b.	Administration of tax concessions/exemptions/ deductions	155	1,796.79	49	93.18	204	1,889.97
c.	Income escaping assessments due to omissions	44	176.56	33*	17.11	77	193.67
d.	Overcharge of tax/ interest	20	58.84	07	11.00	27	69.84
	Total	**312**	**2,459.03**	**143**	**286.47**	**455**	**2,745.50**

*includes six cases of under assessment of wealth involving TE of ₹ 0.18 crore.

We discuss some important cases in Chapters III and IV.

2.5.6 Recovery at the instance of audit

ITD recovered ₹ 5,908.43 crore in the last five years from demands raised to rectify the errors in assessments that we pointed out. This includes ₹ 127.67 crore recovered in FY 2014-15.



30 Ministry of Finance, Central Board of Direct Taxes.
31 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 (₹ 270.40 crore) and again suddenly jumped to ₹ 3,659.68 crore in FY 2013-14 which again declined in FY 2014-15 to Rs 127.67 crore.

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 2010-11 to FY 2014-15.

Table 2.5: Response to local audit

Financial Year	Observations raised	Reply received		Reply not received	Percentage of cases accepted	Percentage of reply not received
		Cases Accepted	Cases not accepted			
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	3,131	12,534	18.9	64.9
2014-15	17,626	3,631[32]	3,535	10,450	20.6	59.3

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 455 high value cases included in the current Audit Report, the Ministry/ITD accepted 159 cases[33] (34.9 *per cent*) while ITD did not accept 16 cases as of 15 December 2015. Table 2.6 shows details of remedial action taken by the ITD.

Table 2.6: Details of action taken (₹ in crore)

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	239	1,317.17	23	127.22
b. Income Tax	0	0.00	111	251.68	17	24.67
c. Wealth Tax	2	0.07	04	0.11	0	0.00
Total	**2**	**0.07**	**354**	**1,568.96**	**40**	**151.89**

The ITD has taken/initiated remedial action in 396 cases out of 455 cases. Details of remedial action taken in the remaining cases were not available as of 15 December 2015.

32 1,574 - Cases accepted and remedial action taken; 2,057 - Cases accepted but remedial action not yet taken.
33 Ministry-79 cases; ITD-80 cases.

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 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 2011	6,648	12,643.52	7,726	2,215.50	1,948	84.64	16,322	14,943.66
2011-12	2,497	8,839.55	2,772	1,059.36	612	26.03	5,881	9,924.94
2012-13	3,409	5,946.07	3,318	2,733.89	1,159	95.20	7,886	8,775.16
2013-14	4,618	9,370.11	6,150	2,484.13	1,295	6.98	12,063	11,861.22
2014-15	3,378	14,073.72	3,813	2,765.98	662	70.49	7,853	16,910.19
Total	**20,550**	**50,872.97**	**23,779**	**11,258.86**	**5,676**	**283.34**	**50,005**	**62,415.17**

The accretion in pendency in replies to audit findings each year has resulted in pile-up of 50,005 cases involving revenue effect of ₹ 62,415.17 crore as of 31 March 2015.

2.7.3 Table 2.8 below shows the details of time-barred cases during FY 2010-11 to 2014-15.

Table 2.8: Details of time-barred cases (₹ in crore)

Year of Report	Cases	Tax effect
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
2014-15	3,881	2,490.8

2.7.4 During FY 2014-15, 3,881 cases with tax effect of ₹ 2,490.8 crore became time-barred for remedial action, of which Tamil Nadu alone account for 86 *per cent* of tax effect. *Appendix-2.5* indicates state-wise details of such cases for FY 2014-15.

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 2012-13 to FY 2014-15. Non-production of records has increased in Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Kerala, Madhya Pradesh, UT Chandigarh and Delhi significantly over previous years during FY 2014-15. ITD did not produce 33,536 records out of 2,78,957 records requisitioned during FY 2014-15, (12.02 *per cent*) which is less than from FY 2013-14 (13.44 *per cent*). Table 2.9 shows details of records not produced to audit pertaining to same assessee in three or more consecutive audit cycles.

Table 2.9: Records not produced to audit in three or more audit cycles

	States	Records not produced
a.	Andhra Pradesh	44
b.	Gujarat	59
c.	Karnataka	58
d.	Madhya Pradesh	89
e.	Odisha	8
f.	Tamil Nadu	7
	Total	**265**

In FY 2014-15, 265 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 312 high value cases pertaining to corporation tax involving tax effect of ₹ 2,459.03 crore to the Ministry of Finance during May 2015 to September 2015 to elicit their comments.

3.1.2 The Ministry has conveyed its acceptance in 46 cases involving tax effect of ₹ 119.01 crore (November 2015). In the remaining 266 cases, the Department (ITD) has accepted 58 cases while not accepted 15 cases (referred to in para 2.6.3). ITD did not furnish replies in respect of remaining 193 cases. ITD has completed remedial action in 239 out of 312 cases, involving tax effect of ₹ 1,317.17 crore and initiated remedial action in 23 cases involving tax effect of ₹ 127.22 crore as on December 2015.

3.1.3 This chapter discusses 312 corporation tax cases, of which 292 cases involve undercharge of ₹ 2,400.19 crore and 20 cases involve overcharge[34] of ₹ 58.84 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:

- **i.** Quality of assessments
- **ii.** Administration of tax concessions/exemptions/deductions
- **iii.** Income escaping assessments due to omissions
- **iv.** 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).

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34 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.

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.

Table 3.1: Details of errors in assessment (₹ in crore)

	Sub-categories	Cases	Tax effect	States
a.	Arithmetical errors in computation of income and tax	43	164.63	Bihar, Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.
b.	Mistakes in levy of interest	22	150.10	Delhi, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Odisha, Tamil Nadu and West Bengal.
c.	Excess or irregular refunds/interest on refunds	11	39.80	Delhi, Karnataka, Maharashtra, Tamil Nadu and West Bengal.
d.	Application of incorrect rate of tax and surcharge	13	33.80	Andhra Pradesh, Delhi, Gujarat, Maharashtra, Odisha, Rajasthan and Uttar Pradesh.
e.	Mistakes in assessment while giving effect to appellate order	4	38.51	Karnataka and West Bengal.
	Total	**93**	**426.84**	

3.2.2 Arithmetical errors in computation of income and tax

We give below five such illustrative cases:

Section 143(3) of Income Tax Act, 1961 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 Madhya Pradesh, CIT-II Jabalpur charge, AO completed the scrutiny assessment of **Madhya Pradesh Power Generating Company Limited** for the assessment year (AY) 2011-12 in January 2014 determining loss at ₹ 193.54 crore. While computing taxable income, the AO erroneously adopted the starting figure as loss of ₹ 197.37 crore instead of correct amount of loss of ₹ 331.34 crore shown by the assessee in the return filed on 29 September 2011. The mistake resulted in underassessment of loss by ₹ 133.97 crore involving potential tax effect of ₹ 40.19 crore. *ITD rectified the mistake (December 2014) under section 154*[35].

35 Mistakes apparent from records in any order passed by the AO can be rectified under section 154 of the Act.

3.2.2.2 In Maharashtra, CIT-VIII Mumbai charge, the scrutiny assessment of **Reliance Communication Infrastructure Limited** for AY 2008-09 was completed in December 2011 determining income at ₹ 212.58 crore after allowing set-off of brought forward loss of ₹ 2,301.62 crore. The assessment was subsequently revised under section 250[36] in February 2013 determining loss of ₹ 52.75 crore. While computing taxable income in the revised assessment order, the AO allowed relief of ₹ 265.33 crore as granted by CIT(Appeals) (August 2012) from net income of ₹ 212.58 crore instead of ₹ 2,514.19 crore arrived at before setting off brought forward loss of ₹ 2,301.62 crore. The mistake resulted in excess carry forward of loss of ₹ 52.75 crore involving potential tax effect of ₹ 17.93 crore. *ITD rectified the mistake (March 2015) under section 154.*

3.2.2.3 In Maharashtra, CIT-XI Mumbai charge, AO completed the scrutiny assessment of **SKOL Breweries Limited** for AY 2005-06 in December 2007 at income of ₹ 38.43 crore before set-off of unabsorbed depreciation of same amount. The assessment was subsequently revised in July 2012 under section 250 at loss of ₹ 92.66 crore. While computing taxable income in the revised assessment order in July 2012, the AO adopted income at nil instead of ₹ 38.43 crore determined under scrutiny assessment in December 2007. The mistake resulted in overassessment of loss of ₹ 38.43 crore involving potential tax effect of ₹ 14.06 crore. *ITD's reply is awaited (November 2015).*

3.2.2.4 In Delhi, CIT-VII charge, AO completed the scrutiny assessment of **Pinewood Information Systems Private Limited** for the AY 2011-12 in March 2014 determining income of ₹ 4.04 crore. While computing taxable income, the AO erroneously computed it at ₹ 4.04 crore instead of correct amount of ₹ 23.68 crore arrived at after making additions aggregating ₹ 23.57 crore to the returned income of ₹ 11.07 lakh. The mistake resulted in underassessment of income of ₹ 19.64 crore involving tax effect of ₹ 8.87 crore. *ITD rectified the mistake (September 2014) under section 154.*

3.2.2.5 In Maharashtra, CIT-XIV Mumbai charge, AO completed the scrutiny assessment of **Music Broadcast Private Limited** for AY 2011-12 in May 2014, at income of ₹ 5.47 crore under normal provisions after making disallowances aggregating ₹ 19.25 crore and allowing depreciation of ₹ 2.39 crore. The assessee filed nil return of income after claiming set off of brought forward losses of ₹ 11.39 crore against current year's income. While computing taxable income, the AO erroneously adopted business income of

36 Section 250 of Income Tax Act, 1961 outlines procedure to be followed in appeals. The CIT (Appeals) shall decide the appeal based on hearing of the appellant and the Assessing Officer against whose order the appeal is preferred. On the disposal of the appeal, the Commissioner (Appeals)] shall communicate the order passed by him to the assessee and to the Chief Commissioner or Commissioner.

₹ 11.39 crore as business loss before allowing set off of brought forward losses. The mistake resulted in underassessment of income by ₹ 22.78 crore resulting in excess carry forward of loss to the same extent involving potential tax effect of ₹ 7.57 crore. *ITD accepted the audit observation (July 2015)*.

3.2.3 Mistakes in levy of interest

We give below three such illustrative cases:

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

3.2.3.1 In Maharashtra, CIT-8 Mumbai charge, AO completed scrutiny assessment of **Vodafone India Limited** for AY 2008-09 in October 2012 at income of ₹ 724.61 crore. While computing tax demand, the AO levied interest of ₹ 56.72 crore under section 234B at incorrect rate of 0.5 *per cent* instead of prescribed rate of one *per cent* per month. The mistake resulted in short levy of interest of ₹ 56.72 crore under section 234B. *ITD accepted the audit observation (February 2015) and took remedial action under section 143(3)*[37] *read with section 147*[38] *in March 2014*.

3.2.3.2 In Delhi, DIT-I charge, AO completed assessment of **MOL Corporation, CSC Services of Nevada Inc.**, for AYs 2007-08 and 2008-09 under scrutiny in October 2012 at incomes of ₹ 800 crore and ₹ 1,850 crore respectively. The assessee filed income tax return for AY 2007-08 on 21 December 2010 against due date of filing on 31 October 2007 whereas the return for AY 2008-09 was filed on 29 May 2009 against due date of 30 September 2008. Although the returns were filed belatedly, the AO did not levy interest for delay in filing of return under section 234A of the Act. The omission resulted in non levy of interest of ₹ 29.87 crore under section 234A. *ITD rectified (March 2014) the mistake under section 154*.

3.2.3.3 In Maharashtra, CIT-4 Mumbai charge, AO completed assessment of **Reid and Taylor (India) Limited** for AY 2010-11 after scrutiny in March 2014 determining income of ₹ 324.23 crore and tax of ₹ 110.21 crore after adjusting advance tax of ₹ 10 crore, self assessment tax of ₹ 35 crore and ₹ 25.01 crore paid in September 2010 and October 2010 respectively. While computing tax demand, the AO levied interest of ₹ 6.25 crore under section 234B instead of correct amount of interest of ₹ 27.28 crore. The mistake resulted in short levy of interest of ₹ 21.03 crore under section 234B.

37 Section 143(3) refers to scrutiny assessment completed by an AO.

38 The provisions of section 147 empower the AO, to reopen an assessment if he has "reasons to believe" that income has escaped assessment.

Ministry accepted the audit observation (November 2015) and rectified the mistake under section 154 in January 2015.

3.2.4 Excess or irregular refunds/interest on refunds

We give below two such illustrative cases:

Section 143(3) provides that AOs have to make correct assessment of the total income after making additions and allowing deductions as per the provisions of the Act and determine exact sum payable/ refundable, as the case may be.

3.2.4.1 In Tamil Nadu, CIT-3 Chennai charge, AO completed the assessment of **TVS Motor Company Limited** for AY 2006-07 after scrutiny in December 2008 at income of ₹ 153.77 crore which was subsequently revised to ₹ 110.14 crore in July 2011 to give effect to order of CIT(Appeals). The case was subsequently reassessed in December 2011 and March 2014 determining income at ₹ 112.03 crore and ₹ 146.93 crore respectively. AO assessed refund of ₹ 20.32 crore in the reassessment completed in December 2011 that was adjusted against the demand of AY 2008-09 (March 2012). Further, a refund of ₹ 5.7 crore was determined in the reassessment completed in March 2014 which was adjusted against the arrear demand of AY 2008-09 without considering the earlier refund of ₹ 20.32 crore. The mistake resulted in determination of excess refund of ₹ 14.62 crore. *ITD took remedial action under section 143(3) read with section 254*[39] *(February 2015)*.

As per provisions of the Act, if the amount of tax paid by the assessee for any AY 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 10 *per cent* of tax determined on regular assessment or in summary manner.

3.2.4.2 In Maharashtra, CIT-2 Mumbai charge, AO completed the scrutiny assessment of **Tata Sons Limited** for AY 1996-97 in March 1997 which was subsequently revised to give effect to ITAT's order in March 2012. While computing tax refund, the assessee was granted interest of ₹ 25.58 crore instead of correct amount of interest of ₹ 16.12 crore under section 244A. The mistake resulted in excess payment of interest of ₹ 9.46 crore under section 244A. *ITD accepted and rectified (August 2013) the mistake under section 154*.

39 The Appellate Tribunals may pass orders of Appellate Tribunals after giving both the parties to the appeal an opportunity of being heard under section 254(1).

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 Andhra Pradesh, CIT-II Vishakhapatnam charge, AO completed scrutiny assessment of **Rashtriya Ispat Nigam Limited** for AY 2008-09 in December 2010 at income of ₹ 3,664.20 crore which was subsequently revised to ₹ 3,597.28 crore while giving effect to CIT(Appeal)'s order in March 2012. While computing tax demand, AO did not levy secondary and higher education cess at applicable rates of one *per cent*. The mistake resulted in non levy of education cess of ₹ 11.87 crore. *ITD accepted and rectified (April 2015) the mistake under section 154.*

3.2.5.2 In Uttar Pradesh, CIT(Central) Kanpur charge, AO completed scrutiny assessment of **K. M. Sugar Mills Limited** for AY 2010-11 in March 2013 which was subsequently rectified under section 154 in November 2013 at income of ₹ 204.17 crore. While computing tax demand, AO levied surcharge at 7.5 *per cent* instead of correct rate of 10 *per cent* applicable to domestic companies. The mistake resulted in short levy of surcharge of ₹ 7.9 crore. *ITD rectified the mistake under section 154 read with section 143(3) in May 2015.*

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 Karnataka, CIT Mangalore charge, AO while giving effect to the ITAT Bangalore order (June 2013) in December 2013 in the case of **Syndicate Bank** for AY 2006-07, did not consider refund of ₹ 31.46 crore issued in March 2011. The mistake resulted in short levy of tax of ₹ 31.46 crore. *ITD accepted (March 2015) the audit observation and rectified the mistake under section 154 in February 2015*.

3.2.6.2 In West Bengal, CIT 3 Kolkata charge, AO while revising assessment of **SPML Infra Limited** in May 2013 for AY 2009-10 under section 251 read with section 143(3) (originally assessed under scrutiny assessment completed in December 2011 at income of ₹ 70.09 crore under normal provisions) determined income of ₹ 8.20 crore under normal provisions and levying tax thereon without determining tax under special provisions. As tax under special provisions was more than tax under normal provisions, AO should have levied tax under special provisions. The omission resulted in short levy of tax of ₹ 4.74 crore. *ITD rectified the mistake under section 154 in July 2014.*

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 irregularities point out weakness in the administration of tax concessions/ deductions/exemptions on the part of ITD which need to be addressed. Table 3.2 shows the sub-categories 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	77	1,359.20	Andhra Pradesh, Assam, Delhi, Goa, Gujarat, Karnataka, Maharashtra, Odisha, Rajasthan, Tamil Nadu and West Bengal.
b.	Irregular exemptions/ Deductions/ Rebates/ Relief/ MAT Credit	22	137.95	UT Chandigarh, Goa, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu and West Bengal.
c.	Incorrect allowance of business expenditure	56	299.64	Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Karnataka, Maharashtra, Odisha, Rajasthan, Tamil Nadu and West Bengal.
	Total	**155**	**1,796.79**	

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

We give below six 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 Maharashtra, CIT-1 Mumbai charge, AO completed the scrutiny assessment of **Hindustan Petroleum Corporation Limited** for AY 2009-10 in December 2011 determining income of ₹ 314.97 crore under normal provisions of the Act after set-off of brought forward loss of ₹ 321.15 crore pertaining to AY 2008-09. As per the scrutiny assessment of AY 2008-09 completed in November 2010 at income of ₹ 131.13 crore, no loss was available for set-off in AY 2009-10. The mistake resulted in incorrect allowance of set-off of brought forward loss of ₹ 321.15 crore involving tax effect of ₹ 109.16 crore. *ITD accepted the audit observation and rectified (March 2014) the mistake under section 154.*

> As per section 55(2)(b)(v)(e) of the Income Tax Act, 1961, for the purpose of computing capital gain, cost of acquisition means in relation to any other capital asset where the capital asset, being a share or a stock of a company, became the property of the assessee on the conversion of one kind of shares of the company into another kind, the cost of acquisition of asset is calculated with reference to the cost of acquisition of the shares or stock from which such asset is derived. It has been judicially held[40] that transfer requires two persons and conversion is not a transfer. It has further been judicially held[41] that if no consideration is received or accrued on account of reduction in capital, then such loss is a notional loss and is not allowable as capital loss.

3.3.2.2 In Maharashtra, CIT-2 Mumbai charge, the AO completed scrutiny assessment of **Tata Sons Limited**, for the AYs 2009-10 and 2010-11 in May 2013, determining income of ₹ 776.47 crore and ₹ 470.88 crore under normal provisions and computing book profit of ₹ 2,433.75 crore and ₹ 878.99 crore under Section 115JB respectively. While computing taxable income for AY 2009-10, the assessee claimed and was allowed set-off of Long Term Capital Loss (LTCL) of ₹ 2,046.97 crore on account of reduction of capital without receipt of any consideration against Long Term Capital Gains (LTCG) of ₹ 1,347.91 crore which arose from another transaction. Similarly for AY 2010-11, the assessee claimed set-off LTCL of ₹ 776.52 crore suffered on account of conversion of Compulsorily Convertible Preference Shares (CCPS) of Tata Steel Limited against LTCG of ₹ 86.77 crore and Short Term

40 Rasiklal Maneklal Vs CIT (177 ITR 198)-SC.

41 Bennett Coleman and Co. Limited Vs Additional Commissioner of Income Tax -2011 (9) TMI 1-ITAT Mumbai, Special Bench.

Capital Gains of ₹ 57.84 crore and the balance loss of ₹ 631.91 crore was allowed to be carried forward. In both the AYs, the assessee did not receive any consideration nor did it show accrual of any such consideration in its books of account. In the absence of sale consideration, loss claimed was a notional loss and as such it should not have been allowed to be set off against LTCG. The mistake resulted in under assessment of LTCG of ₹ 1,347.92 crore and irregular carry forward of LTCL of ₹ 699.05 crore in AY 2009-10. In AY 2010-11, there was underassessment of LTCG of ₹ 12.19 crore and ₹ 74.56 crore and STCG of ₹ 57.83 crore and irregular carry forward of LTCL of ₹ 631.91 crore. The total short levy of tax worked out to ₹ 326.48 crore (₹ 305.44 crore + ₹ 21.04 crore) and potential tax of ₹ 301.60 crore (₹ 158.41 crore + ₹ 143.19 crore) in both the AYs. ITD did not accept the audit observation, inter alia, stating (April 2014) that unless transaction is covered by section 47[42], all transactions involved in the extinguishment or relinquishment of right of capital assets were to be treated as transfer for the purposes of capital gains. The reply was not tenable in view of the decision in the case of Bennett Coleman and Company Limited vs Addl. CIT that if the earlier shares have been replaced or substituted by new shares then the same would not amount to transfer at all. Another decision in the case of Rasiklal Maneklal vs CIT that transfer requires two persons and conversion is not a transfer is also relevant here. *ITD's reply is awaited (November 2015).*

Section 35ABB of the Income Tax Act, 1961 provides that deduction shall be allowed for each of the relevant previous years, in respect of any capital expenditure incurred for acquiring any right to operate telecommunication services and for which payment has actually been made to obtain a licence. The amount of deduction shall be equal to the appropriate fraction of the amount of such expenditure.

3.3.2.3 In Maharashtra, CIT-8 Mumbai charge, AO completed scrutiny assessment of **Tata Teleservices (Maharashtra) Limited** for the assessment year 2011-12 in March 2014 determining income of ₹ 247.65 crore under normal provisions. The assessee amortised one time licence fee of ₹ 1,257.82 crore paid to the Government in the books of accounts over the period of 19.25 years to obtain 3G spectrum for provisioning of telecom access services. However, the assessee claimed and was allowed depreciation of ₹ 324.16 crore at the rate of 25 *per cent* on the said fee. Since the said fee was amortised over a period of 19.25 years in the books of accounts based on the period for which the benefits would accrue to the assessee company, depreciation claimed by the assessee should have been disallowed. The amortization allowable for the relevant previous year worked out to ₹ 67.67 crore as against the depreciation of ₹ 324.16 crore allowed on the

42 Section 47 refers to the transactions not regarded as transfer for the purposes of Capital Gains.

aforesaid fee. The mistake resulted in under assessment of income of ₹ 256.49 crore involving short levy of tax of ₹ 85.19 crore. *ITD's reply is awaited (November 2015).*

3.3.2.4 In Andhra Pradesh, CIT-II Hyderabad charge, AO completed scrutiny assessment of **J. T. International (India) Private Limited** under section 143(3) read with section 92CA(4)[43]/144(1)[44]/144(C)[45] for AY 2009-10 in January 2014 determining loss of ₹ 229.53 crore after making addition towards Transfer Pricing adjustment of ₹ 12.46 crore. While computing taxable income, the AO erroneously considered current year's business loss as ₹ 241.99 crore instead of allowable loss of ₹ 72.23 crore. The mistake resulted in excess determination of loss of ₹ 169.76 crore (₹ 229.53 crore minus ₹ 59.77 crore[46]) involving potential tax effect of ₹ 57.70 crore. *ITD rectified the mistake under section 154 (July 2014).*

3.3.2.5 In Delhi, CIT-1 Delhi charge, AO completed scrutiny assessment of **Alcatel Lucent India Limited** for AY 2007-08 under section 143(3) read with section 144C in October 2011 at income of ₹ 1.39 crore. The assessee filed return of income at 'nil' after setting-off of loss of ₹ 30.16 crore. As the assessee had no brought forward loss available for set-off from current year income, set-off of ₹ 30.16 crore should have been disallowed. The omission resulted in underassessment of income of ₹ 30.16 crore involving tax effect of ₹ 15.74 crore. *ITD rectified the mistake under section 154 (December 2014).*

As per section 71(3) of the Income Tax Act, 1961 if the net result of computation under the head capital gains is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to have such loss set-off against income under the other head.

3.3.2.6 In West Bengal, Pr. CIT-4, Kolkata charge, the scrutiny assessment of a company, **V2 Retail Limited** for assessment year 2011-12 was completed in March 2014 at nil income under normal provisions after setting-off short term capital loss of ₹ 18.03 crore and book profit of ₹ 422.68 crore under special provisions. The department, while setting off unabsorbed depreciation and business loss of earlier years, irregularly allowed set off of short term capital loss of ₹ 18.03 crore against the business income of ₹ 213.42 crore of the assessee. The mistake resulted in excess carry forward of business loss of ₹ 18.03 crore involving potential tax effect of ₹ 5.99 crore. *ITD rectified the mistake under section 154 in July 2014*.

43 Section 92CA(4) requires the AO to compute total income of the assessee having regard to the arm's length price determined by the Transfer Pricing Officer under section 92CA(3).

44 Section 144(1) refers to best judgement assessment completed by AO if the assessee fails to comply with the notice issued by the AO.

45 Section 144C provides for reference of case to Dispute Resolution Panel.

46 ₹ 59.77 crore = ₹ 72.23 crore - ₹ 12.46 crore.

3.3.3 Irregular exemptions/deductions/rebate/relief/MAT credit

We give below three such illustrative cases:

Section 10A of the Income Tax Act, 1961 provides that deduction of such profits and gains as are derived by an undertaking from the export of articles or things or computer software shall be allowed from the total income of the assessee.

3.3.3.1 In Maharashtra, CIT-14 Mumbai charge, AO completed scrutiny assessment of **WNS Global Services Private Limited** for AY 2009-10 after scrutiny in March 2013 at income of ₹ 266.20 crore after allowing deduction of ₹ 222.96 crore under section 10A. The AO computed gross total income of the assessee at ₹ 489.16 crore before allowing deduction under section 10A and included adjustment of ₹ 288.14 crore and ₹ 6.21 crore on account of arms length price and income from other sources respectively. As transfer pricing adjustment under section 92CA and income from other sources were not eligible for deduction under section 10A, they should have been brought to tax and only remaining amount of ₹ 194.81 crore was eligible for deduction under section 10A. The omission resulted in excess allowance of deduction of ₹ 28.15 crore under section 10A involving short levy of tax by ₹ 9.57 crore. *ITD's reply is awaited (November 2015).*

Section 115JAA of the Income Tax Act, 1961 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.

3.3.3.2 In Maharashtra, CIT-1 Mumbai charge, the scrutiny assessment of a company **Alstom Projects India Limited** for the assessment year 2008-09, was completed in December 2011 determining income at ₹ 144.58 crore under normal provisions and allowed MAT credit to the extent of ₹ 17.28 crore. The assessee was liable to pay tax under normal provision for AY 2007-08 whereas tax of ₹ 4.80 crore was charged under section 115JB for AY 2006-07 as the tax under normal provision was 'nil'. As such assessee was entitled to MAT credit of ₹ 4.80 crore only in subsequent years as against ₹ 17.28 crore allowed by the department. The mistake resulted in excess allowance of MAT credit of ₹ 12.48 crore. *ITD rectified the mistake under section 154 in October 2014.*

3.3.3.3 In Karnataka, CIT-III Bangalore charge, AO completed the scrutiny assessment of **Shaw Wallace Breweries Limited** for AY 2008-09 in November 2010 determining income of ₹ 25.48 crore and tax demand of ₹ 2.80 crore after allowing MAT credit of ₹ 4.0 crore relating to AY 2007-08. The assessment for AY 2007-08 was completed under scrutiny determining income under normal provisions and there was no MAT credit available for carry forward. The mistake resulted in incorrect allowance of MAT credit of ₹ 4.0 crore involving short levy of tax of ₹ 5.63 crore. *ITD accepted the audit observation (April 2015) and rectified the mistake under section 154 in January 2014.*

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 Karnataka, CIT-I Bangalore charge, AO completed scrutiny assessment of **Bangalore Electricity Supply Company Limited**, for AY 2009-10 determining loss of ₹ 214.51 crore. The assessee collected electricity tax of ₹ 279.82 crore from consumers on behalf of Government of Karnataka. As per the tax audit report, although ₹ 167.29 crore was not remitted to the Government Account before filing the return it was claimed as expenditure in the profit and loss account. The incorrect allowance resulted in excess computation of loss of ₹ 167.29 crore involving potential tax effect of ₹ 56.86 crore. *ITD accepted the audit observation (June 2015) and rectified the mistake under section 154 in August 2013.*

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. 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".

3.3.4.2 In Odisha, CIT Bhubaneswar charge, AO completed scrutiny assessment of **Paradeep Phosphate Limited**, for AY 2010-11 determining income of ₹ 2,295.88 crore. The assessee claimed and was allowed amount of ₹ 56.34 crore and ₹ 1.72 crore on account of 'provision for diminution of Government of India Fertilizer Bonds' and 'provision for interest on land compensation' respectively. As the provision for diminution of GOI fertilizer bonds was capital in nature, it was required to be disallowed. Further, the provision for interest on land compensation was certified as contingent liability by tax auditor and was required to be disallowed. The incorrect allowances resulted in underassessment of income of ₹ 58.06 crore involving tax effect of ₹ 29.01 crore including interest. *ITD initiated remedial action under section 148*[47] *in January 2015.*

47 Section 148 provides for issue of notice for reassessment under 147.

3.3.4.3 In Tamil Nadu, CIT-3 Chennai charge, AO completed scrutiny assessment of **Tebma Shipyards Limited**, for AYs 2008-09 and 2009-10 in November 2010 and December 2011 determining income of ₹ 69.84 crore under special provisions and loss of ₹ 74.07 crore respectively. The assessee claimed and was allowed deduction of ₹ 2.70 crore and ₹ 83.83 crore towards unrealised losses on derivative contracts relating to AYs 2008-09 and 2009-10 respectively. AO, while completing scrutiny assessment for AY 2009-10, disallowed a sum of ₹ 32.83 crore towards notional forex loss. The derivatives contract were for future exports and receipt of foreign currency and gain or loss in respect of same depended on actual date of realisation of foreign exchange as well as period of retention/receipt in India. As derivatives contract are contingent in nature, the remaining amount of ₹ 2.70 crore and ₹ 51.0 crore were also required to be disallowed. The underassessment of income of ₹ 53.70 crore relating to AYs 2008-09 and 2009-10 led to reduction in MAT credit of ₹ 91.77 lakh (AY 2008-09) and involved potential tax effect of ₹ 17.33 crore. *ITD took remedial action under section 143(3) read with section 147 for AYs 2008-09 and 2009-10 (March 2014).*

3.3.4.4 In Odisha, CIT Bhubaneswar charge, AO completed scrutiny assessment of **National Aluminium Company Limited** for AY 2011-12 in February 2014 at income of ₹ 2,022.71 crore. The assessee claimed and was allowed deduction of ₹ 40.37 crore on account of provision for impairment loss on assets. As the assessee did not incur amount of ₹ 40.37 crore, it was required to be disallowed and added back to taxable income. The incorrect allowance resulted in underassessment of income of ₹ 40.37 crore involving short levy of tax of ₹ 18.09 crore. *ITD initiated remedial action (January 2015) under section 148*.

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 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	20	93.34	Andhra Pradesh, UT Chandigarh, Delhi, Goa, Gujarat, Maharashtra, Rajasthan, Tamil Nadu and West Bengal.
b.	Income not assessed/ under assessed under normal provision	19	77.11	Andhra Pradesh, Delhi, Gujarat, Maharashtra, Odisha, Tamil Nadu, Uttar Pradesh and West Bengal.
c.	Omissions in implementing provisions of TDS	5	6.11	Andhra Pradesh, Tamil Nadu and West Bengal.
	Total	**44**	**176.56**	

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 Andhra Pradesh, CIT Tirupathi charge, AO completed the scrutiny assessment of **Southern Power Distribution Company of AP Limited** for AY 2008-09 in December 2010 at 'nil' income under normal provisions and book profit of ₹ 78.74 lakh under special provisions of the Act. While computing book profit, AO reduced amount of ₹ 124.96 crore being lower amount of brought forward business loss and unabsorbed depreciation. As the assessee had unabsorbed depreciation amounting to ₹ 476.02 crore and nil brought forward business loss, no deduction was admissible on account of same. The mistake resulted in underassessment of book profit of ₹ 124.96 crore involving short levy of tax of ₹ 19.55 crore including interest. *ITD accepted (February 2015) the audit observation and rectified the mistake under section 143(3) read with section 147 in February 2014.*

3.4.2.2 In West Bengal, Pr. CIT-2 Kolkata charge, AO completed the assessment of **Allahabad Bank** for AY 2010-11 in March 2013 at income of ₹ 1,317.38 crore under normal provisions and book profit of ₹ 1,980.72 crore under special provisions of the Act which was subsequently revised to ₹ 1,969.42 crore in March 2015. While computing book profit, the assessee claimed and was allowed deduction of ₹ 122.0 crore towards provision for wages. The provision of ₹ 122.0 crore was made in financial year 2008-09 (relevant to AY 2009-10) towards estimated liability of wage arrears. As the provision of ₹ 122.0 crore was not credited to the profit and loss account of financial year 2009-10 (relevant to AY 2010-11), deduction on account of the same was required to be disallowed. Consequently the MAT credit should have been reduced to ₹ 79.80 crore from ₹ 98.10 crore. The omission resulted in excess allowance of MAT credit of ₹ 18.30 crore. *ITD's reply is awaited (November 2015).*

3.4.3 Income not assessed/under assessed under normal provisions

We give below two such illustrative cases:

> 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. Further, it has been judicially held[48] that subsidy of Sales tax, Entry tax and Electricity Duty shall be treated as revenue receipts.

3.4.3.1 In Uttar Pradesh, CIT Noida charge, AO completed the scrutiny assessment of **L. G. Electronics India Private Limited** for AY 2008-09 in November 2012 at income of ₹ 654.97 crore. The assessee received subsidy (tax incentives) of ₹ 49.38 crore from the Government of Maharashtra and of ₹ 46.30 crore from Government of Uttar Pradesh. While computing taxable income, AO disallowed and added back subsidy received from Government of Uttar Pradesh treating them as revenue receipts. However, the subsidy received from Government of Maharashtra was not disallowed and added back to taxable income. Omission to do so resulted in underassessment of income of ₹ 49.38 crore resulted in short levy of tax of ₹ 26.18 crore including interest. *ITD took remedial action under section 143(3) read with section 263[49] in March 2015.*

> Section 5 provides that total income of any resident person includes all income received or deemed to be received as well as income accrued or deemed to be accrued to him.

3.4.3.2 In Maharashtra, CIT-X Mumbai charge, AO completed the scrutiny assessment of **Ipog International Limited** for the AY 2008-09 in December 2010, at income of ₹ 1.01 crore under normal provisions of the Act. As per the books of accounts, the assessee had accrued interest of ₹ 22 crore on account of fixed deposits with nationalised banks which was not offered for tax. The omission resulted in underassessment of income by ₹ 22 crore involving tax effect of ₹ 7.48 crore. *ITD rectified the mistake under section 154 in September 2013.*

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48 ACIT Hissar vs Jindal Steel & Power Limited in February 2013.

49 Section 263 provides for revision of an order passed by an AO if Principal Commissioner/Commissioner feels that the order passed is erroneous in so far as it is prejudicial to the interests of the revenue.

3.4.4 Omissions in implementing provisions of TDS

We give below one such illustrative case:

> Section 194J provides that TDS shall be deducted at the rate of 10 *per cent* by the person responsible for making payment of fees for professional services, fees for technical services, royalty etc. At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier. Further, section 40(a)(ia) provides that deduction of expenditure towards payments where TDS has not been deducted, shall not be allowed.

3.4.4.1 In Tamil Nadu, CIT-6 Chennai charge, AO completed the assessment of **Southern Agrifurnace Industries Limited** for AY 2008-09 after scrutiny in December 2010, at income of ₹ 9.64 crore which was subsequently revised to ₹ 8.75 crore in September 2012 to give effect to order of CIT(Appeals). While completing scrutiny assessment, AO allowed payment of ₹ 5.14 crore out of ₹ 5.80 crore debited towards brand usership expenses in the profit and loss account after disallowing ₹ 65.63 lakh due to non-reconciliation by assessee. However, CIT(Appeals) allowed ₹ 65.63 lakh as relief. The assessee had entered into agreement with United Spirit Limited for use of its registered trademarks under Composite Agreement for Tie-up Manufacture of IMFL products, for which assessee had to pay two *per cent* of net sales realisation. Thus the expenditure of ₹ 5.80 crore was incurred towards royalty for use of trademarks on which tax was required to be deducted at source at admissible rate of ten *per cent*. As TDS was not made on royalty payment, it was required to be disallowed. Omission to disallow resulted in underassessment of income by ₹ 5.80 crore involving tax effect of ₹ 1.97 crore. *ITD took remedial action under section 143(3) read with section 147 in February 2014.*

3.5 Over-charge of tax/Interest

3.5.1 We noticed that AOs over assessed income in 20 cases involving overcharge of tax and interest of ₹ 58.84 crore in Andhra Pradesh, Delhi, Gujarat, Madhya Pradesh, Maharashtra, Odisha, Uttar Pradesh 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 Andhra Pradesh, CIT-III Hyderabad charge, AO completed the assessment of **Rain CII Carbon (India) Limited** for AY 2008-09 after scrutiny in January 2012 at 'nil' income after allowing deduction of ₹ 80.58 crore under section 10B. The assessee added back sum of ₹ 13.09 crore debited towards 'loss on transfer of cement business' in its profit and loss account while computing taxable income. However, the AO again disallowed and added back sum of ₹ 13.09 crore to taxable income in the scrutiny assessment. The mistake resulted in overassessment of income of ₹ 13.09 crore involving overcharge of tax of ₹ 4.45 crore. *ITD took remedial action under section 143(3) read with section 147/144C(1)*[50] *in March 2014*.

Section 143(3) provides that AOs have to determine and assess the income correctly. Further, section 234B and section 234C provide that amount of tax on which assessee is liable to pay these interests shall be reduced by the amount of any tax deducted at source in accordance with provisions laid down under the Act.

3.5.1.2 In Delhi, CIT-IV charge, AO completed the scrutiny assessment of **HCL Comnet Limited** for AY 2010-11 in March 2013 at income of ₹ 26.97 crore, inter alia, levying interest of ₹ 4.18 lakh and ₹ 3.45 crore under sections 234B and 234C respectively. The AO allowed TDS credit of ₹ 22.11 crore to the assessee in the scrutiny assessment which was more than assessed tax of ₹ 9.16 crore. As TDS credit available was more than the assessed tax, interest under sections 234B and 234C was not leviable. The mistake resulted in excess levy of interest of ₹ 3.50 crore under sections 234B and 234C. *ITD rectified the mistake under section 154 (November 2014).*

50 Section 144C(1) provides for forwarding of a draft of the proposed order of assessment to the eligible assessee if he proposes to make any variation in the income or loss returned which is prejudicial to the interest of such assessee.

Chapter IV: Income Tax and Wealth Tax

4.1 Introduction

4.1.1 We referred 137 high value cases pertaining to Income tax involving tax effect of ₹ 286.29 crore to the Ministry of Finance during May 2015 to September 2015 to elicit their comments. In addition, six cases pertaining to Wealth Tax amounting to ₹ 0.18 crore were also sent to the Ministry of Finance during the period.

4.1.2 The Ministry has conveyed its acceptance in 33 cases involving tax effect of ₹ 106.73 crore (November 2015). In the remaining 110 cases, the Department (ITD) has accepted 22 cases involving tax effect of ₹ 28.38 crore while not accepted one case involving tax effect of ₹ 0.57 crore (referred to in para 2.6.3). ITD did not furnish replies in respect of remaining 87 cases. ITD has completed remedial action in 117 cases out of 143 cases, involving tax effect of ₹ 251.86 crore and initiated remedial action in 17 cases involving tax effect of ₹ 24.67 crore.

4.1.3 This chapter discusses 137 income tax and six wealth tax cases, of which 136 cases involving undercharge of ₹ 275.47 crore and seven cases involve overcharge of ₹ 11.0 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:

- **i.** Quality of assessments
- **ii.** Administration of tax concessions/exemptions/deductions
- **iii.** Income escaping assessments due to omissions
- **iv.** 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	16	83.40	Delhi, Gujarat, Kerala, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal.
b.	Incorrect application of rates of tax, surcharge etc.	08	26.98	Delhi, Gujarat, Haryana, Maharashtra and Odisha.
c.	Mistakes in levy of interest	29	54.65	Andhra Pradesh, Delhi, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, UT Chandigarh and West Bengal.
d.	Mistake in assessment while giving effect to appellate orders	01	0.15	Bihar.
	Total	**54**	**165.18**	

4.2.2 Arithmetical errors in computation of income and tax

We give below five such illustrative cases:

> The Income Tax Act, 1961 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 Uttar Pradesh, CIT Gorakhpur charge, AO completed the assessment of a cooperative society, **Kisan Sahkari Chini Mills Limited,** for AY 2008-09 after scrutiny in December 2010 at a loss of ₹ 183.21 crore. Audit noticed that while computing the income of the assessee, AO adopted the loss at ₹ 189.40 crore (as per assessee's return of income) instead of admissible loss of ₹ 19.91 crore. The mistake resulted in excess computation of loss of ₹ 169.49 crore having potential tax effect of ₹ 52.37 crore. *ITD rectified the mistake under section 147 (March 2014).*

4.2.2.2 In Gujarat, CIT-II Surat charge, AO completed the assessment of a Co-operative Society, **Sayan Vibhag Sahakari Khand Udhyog Mandali Limited,** for AY 2010-11 after scrutiny in March 2013 at 'nil' income after setting off of business losses to the extent of income. The assessee had claimed and was allowed adjustment under section 145A for excise duty on sale and purchase of raw material along with opening and closing stock of finished goods. Audit scrutiny revealed that the assessee reduced ₹ 36.13 crore towards closing balance instead of adding the same and added ₹ 21.87 crore for opening balance instead of reducing the same. The mistakes resulted in underassessment of income of ₹ 28.51 crore involving potential tax effect of ₹ 8.81 crore. *ITD took remedial action under section 154 (March 2014).*

4.2.2.3 In Delhi, CIT (Central)-III charge, AO completed the assessment of an individual, **Virendra Jain,** for AY 2006-07 in March 2013 under section 153A read with section 143(3) at an income of ₹ 243.13 crore and a tax of ₹ 78.80 crore thereon. Audit examination revealed that while computing tax demand, the assessed income was considered as ₹ 234.13 crore instead of correct figure of ₹ 243.13 crore. The mistake resulted in short levy of tax of ₹ 5.57 crore including interest. *ITD rectified the mistake under section 154 (March 2014).*

4.2.2.4 In Delhi, CIT (Central)-I charge, AO completed the assessment of an individual, **Rishu Gupta,** for the AY 2008-09 in March 2013 at an income of ₹ 3.47 crore and a tax of ₹ 0.13 crore thereon. Audit examination revealed that the tax demand was computed at ₹ 0.13 crore instead of the correct amount of ₹ 1.17 crore in the Income Tax Computation Sheet (ITNS-150). The mistake resulted in short levy of tax of ₹ 1.67 crore including interest. *The Ministry accepted the audit observation (October 2015) and rectified the mistake under section 154 in November 2013.*

4.2.2.5 In Delhi, CIT (Central)-II charge, AO completed the assessments of an individual, **Om Parkash Kukreja,** for the AYs 2006-07 to 2009-10 and AY 2011-12 in March 2014 under section 153(A) read with section 143(3) at incomes of ₹ 3.26 crore, ₹ 0.06 crore, ₹ 0.52 crore, ₹ 0.98 crore and ₹ 0.21 crore respectively. For AY 2012-13, assessment was completed after scrutiny in March 2014 at an income of ₹ 3.03 crore and a tax of ₹ 0.92 crore thereon. For AYs 2006-07 to 2009-10 and 2011-12, business income of the assessee was computed by invoking provisions of section 145(3) of the Act at five *per cent* of the estimated sales that was determined at ₹ 10 crore, ₹ 12 crore, ₹ 13 crore, ₹ 14 crore and ₹ 15 crore in AYs 2006-07 to 2009-10 and AY 2011-12 respectively. Audit examination revealed that the net business income was incorrectly computed as ₹ 0.32 crore instead of correct amount of ₹ 3.2 crore. The mistake resulted in underassessment of income of ₹ 2.88 crore involving short levy of tax of ₹ 1.50 crore including interest. Further, for AY 2012-13, net business income was taken five *per cent* of the estimated sales of ₹ 15.50 crore on the basis of unexplained investment made by the assessee, whereas while computing five *per cent* of estimated sales, net business income was shown at ₹ 0.08 crore instead of correct amount of ₹ 0.78 crore. The mistake resulted in underassessment of income of ₹ 0.70 crore involving short levy of tax of ₹ 0.27 crore including interest. Total short levy of tax for all the AYs amounts to ₹ 1.77 crore including interest. *The Ministry accepted the audit observation (October 2015) and rectified the mistakes under section 154 in September 2014.*

4.2.3 Incorrect application of rates of tax and surcharge

We give below four such illustrative cases:

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

4.2.3.1 In Delhi, CIT (Central)-I charge, AO completed the assessment of an individual, **Sanjay Kumar Singh,** for AY 2011-12 under section 144 in March 2013 at an income of ₹ 47.42 crore. Audit examination revealed that while computing tax demand, amount of ₹ 1.42 crore was levied as surcharge (at the rate of 10 *per cent*) on applicable tax although there was no provision for levy of surcharge on income tax in the assessment year 2011-12. Further, in the Income Tax computation sheet, the figure of total tax demand was mentioned as ₹ 2.11 crore instead of correct figure of ₹ 21.09 crore, after adding interest under sections 234A and 234B of ₹ 1.45 crore and ₹ 3.54 crore respectively to the tax. The mistakes resulted in short levy of tax of ₹ 17.36 crore including interest. *The Ministry accepted the audit observation (October 2015) and rectified the mistake under section 154 in November 2013*.

Section 167B(2)(ii) of the Income Tax Act, 1961, provides that any member or members thereof is or are chargeable to tax at a rate or rates which is or are higher than the maximum marginal rate, tax shall be charged on that portion or portions of the total income of the association or body which is or are relatable to the share or shares of such member or members at such higher rate or rates, as the case may be, and the balance of the total income of the association or body shall be taxed at the maximum marginal rate

4.2.3.2 In Odisha, CIT Bhubaneswar charge, AO completed the assessment of an AOP, **HCIL Adhikari ARSS (JV),** for AY 2010-11 under scrutiny in March 2013 at an income of ₹ 94.23 crore. Audit scrutiny revealed that the assessee was a joint venture of three companies. Out of three member partners, M/s. Pt. Adhi Karya (Persero) Tbk, holding 30 *per cent* of equity participation, was an Indonesian Company. Thus, 30 *per cent* of the assessed income of ₹ 94.23 crore was required to be taxed at the rate of 42.23 *per cent* applicable for the year under consideration instead of at the maximum marginal rate of 33.99 *per cent* levied by the AO. Omission to do so resulted in short levy of tax including interest of ₹ 7.46 crore. *ITD intimated that the action has been initiated by issue of notice under section 148 (July 2014).*

4.2.3.3 In Gujarat, CIT-III Ahmedabad charge, AO completed the assessment of HUF, **Balkrishna P. Trivedi,** for AY 2008-09 after scrutiny at returned income of ₹ 0.79 crore in September 2010. The assessment was revised under section 143(3) read with section 263 at an income of ₹ 3.92 crore including short term capital gain of ₹ 3.81 crore in March 2014. Audit scrutiny revealed that tax on short term capital gain was levied at the rate of 20 *per cent* instead of normal rate of 30 *per cent*. The mistake resulted in short levy of tax ₹ 0.56 crore including interest. *ITD took remedial action under section 154 (August 2014).*

4.2.3.4 In Delhi, CIT (Central)-I charge, AO completed the assessment of an individual, **Rama Jain,** for AY 2009-10 in March 2013 under section 153C read with section 144 determining income of ₹ 4.46 crore. Audit examination revealed that while computing tax demand, surcharge leviable at the rate of 10 *per cent* was not levied by the department. The omission resulted in short levy of tax of ₹ 0.24 crore including interest. *The Ministry accepted the audit observation (October 2015) and rectified the mistake under section 154 in November 2013.*

4.2.4 Mistakes in levy of Interest

We give below four such illustrative cases:

The Income Tax Act, 1961 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 Maharashtra, CIT (Central)-I Mumbai charge, AO completed the assessment of an individual, **Atul Amritlal Sanghvi,** for AY 2007-08 under section 153B(1) read with section 143(3) in December 2008 at an income of ₹ 310.11 crore which was later revised at ₹ 331.07 crore in December 2011 at the direction of Commissioner of Income Tax. Audit examination revealed that AO did not levy interest under section 234A despite the fact that assessee had filed its return of income belatedly in February 2008 instead of due date of filing of return in July 2007. The omission resulted in non levy of interest of ₹ 7.80 crore under section 234A*. The Ministry accepted the audit observation (October 2015) and rectified the mistake under section 154 in March 2015.*

4.2.4.2 In Uttar Pradesh, CIT (Central) Kanpur charge, AO completed the assessments of an individual, **Sandeep Kumar,** for AYs 2010-11 and 2011-12 under section 153A/144 in March 2013 at an income of ₹ 96.45 crore and ₹ 90.50 crore respectively. Although the assessee had not filed the return of income, no interest was levied by the department under section 234A. The omission resulted in short levy of tax of ₹ 7.08 crore. *ITD rectified the mistake under section 154/144.*

4.2.4.3 In Madhya Pradesh CIT (Central) Bhopal Charge, AO completed the assessment of an individual, **Mukesh Sangla,** for AYs 2010-11 and 2011-12 under section 153A/143(3) in March 2014 at income of ₹ 34.47 crore and ₹ 25.01 crore respectively. Audit examination revealed that the ITD levied interest under section 234B at ₹ 2.10 crore and ₹ 0.92 crore instead of correct amount of ₹ 3.25 crore and ₹ 2.76 crore for AYs 2010-11 and 2011-12 respectively. The mistakes resulted in short levy of interest of ₹ 2.99 crore. *ITD rectified the mistake under section 154 (November 2014).*

4.2.4.4 In Andhra Pradesh, CIT (Central) charge, AO completed the assessment of an individual, **Raghu Rama Krishna Raju,** for assessment year 2010-11 under section 143(3) read with section 153A in March 2014 at an income of ₹ 32.11 crore. Audit scrutiny revealed that interest under section 234A and 234B was short levied to the tune of ₹ 2.47 crore. *ITD accepted and rectified the mistake under section 154 (January 2015).*

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 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	7	2.64	Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu, UT Chandigarh and Uttarakhand.
b.	Irregular exemptions/ deductions/relief given to Trusts/Firms/Societies/AOPs	8	16.05	Andhra Pradesh, Bihar, Delhi, Gujarat, Tamil Nadu, Uttar Pradesh and West Bengal.
c.	Incorrect allowance of Business Expenditure	23	60.79	Gujarat, Haryana, Jammu & Kashmir, Karnataka, Maharashtra, Odisha, Tamil Nadu, UT Chandigarh, Uttar Pradesh and West Bengal.
d.	Irregularities in allowing depreciation/business losses/ capital losses	11	13.70	Bihar, Delhi, Gujarat, Maharashtra and West Bengal.
	Total	**49**	**93.18**	

4.3.2 Irregular exemptions/deductions/relief to Individuals

We give below one such illustrative case.

> Under Section 80IB(10) of the Income Tax Act, 1961, where the gross total income of an assessee includes any profits and gains derived from developing and building housing projects, hundred percent of the profits derived in the previous year relevant to AY from such housing project shall be allowed as deduction in computing the total income subject to the condition, inter alia, that the project is on the size of a plot of land which has a minimum area of one acre.

4.3.2.1 In Kerala, CIT Kozhikode charge, AO completed the assessment of an individual, **P. V. Hemalatha,** for AY 2009-10 after scrutiny in November 2011 at an income of ₹ 0.25 crore and agricultural income of ₹ 0.05 lakh after allowing a deduction of ₹ 3.13 crore under section 80IB(10) in respect of a housing project at Katchery village, Kozhikode. Audit scrutiny revealed that the project was completed in October 2008 on a plot of land measuring only 70.57 cents. As the project was on a plot of land having an area of less than one acre, the assessee was not eligible for deduction under section 80IB(10). The irregular deduction of ₹ 3.13 crore allowed to the assessee has resulted in short levy of tax amounting to ₹ 1.41 crore including interest. *ITD took remedial action under section 143(3) read with section 263 (March 2015).*

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

We give below four such illustrative cases.

> Section 37(1) of the Income Tax Act, 1961 provides that any expenditure (not being expenditure of the nature described in sections 30 to 36 and not being in the nature of capital expenditure or personal expenses of the assessee), laid out or expended wholly and exclusively for the purposes of business or profession shall be allowed in computing the income chargeable under the head Profits and gains of business or profession. Further, Section 36(1)(iv) provides that any sum paid by the assessee as an employer by way of contribution towards a recognized provident fund or an approved superannuation fund, shall be allowed as deduction

4.3.3.1 In Tamil Nadu, CIT 1 Madurai charge, AO completed the income tax assessments of **Tuticorin Port Trust** for AYs 2009-10 and 2010-11 after scrutiny in December 2011 and March 2013 at a total income of ₹ 94.15 crore and ₹ 95.75 crore respectively. Audit scrutiny revealed that amount of ₹ 15.50 crore and ₹ 15.00 crore were debited towards contribution to pension and gratuity fund, apart from the amount of ₹ 12.61 crore and ₹ 15.78 crore towards pension payments in the Profit and Loss Account for FYs 2008-09 and 2009-10 respectively (relevant to AYs 2009-10 and 2010-11). As the payments for pension and gratuity are charged to respective fund, the payments of ₹ 12.61 crore and ₹ 15.78 crore towards pension should not have been debited to the Profit & Loss Accounts. Further, the claim of contribution towards the Pension Fund is admissible under section 36(1)(iv) and hence it cannot be reclaimed under section 37. Therefore, expenditure of pension payments amounting to ₹ 12.61 crore and ₹ 15.78 crore was required to be disallowed and added back to income of the AYs 2009-10 and 2010-11 respectively. Omission to do so resulted in under assessment of income by an equal amounts involving aggregate tax effect of ₹ 9.16 crore. *ITD informed that remedial action under section 263 has been initiated for the AY 2010-11 and AO has been directed to invoke section 147 for AY 2009-10 (May 2015).*

Section 10B of the Income Tax Act, 1961, provides that a deduction of such profits and gains as are derived by a hundred *per cent* export-oriented undertaking from the export of articles or things or computer software for a period of 10 consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce articles or things or computer software, as the case may be, shall be allowed from the total income

4.3.3.2 In Uttar Pradesh, CIT 1 Kanpur charge, AO while completing the assessment of a partnership firm, **Mehra Brothers,** for AY 2011-12 after scrutiny in March 2014 at an income of ₹ 35.38 lakh, extended the benefit of deduction of profit of ₹ 4.62 crore for the 11^{th} consecutive assessment year i.e. beyond permissible limit of 10 years (AY 2001-02 to AY 2010-11). The mistake resulted in underassessment of income of ₹ 4.62 crore involving tax effect of ₹ 1.94 crore including interest. *ITD informed that it had initiated action under section 263 (May 2015).* During the course of proceedings under section 263, assessee had surrendered the amount of ₹ 4.66 crore and deposited tax challans for AY 2011-12 (May 2015).

4.3.3.3 In Andhra Pradesh, DIT(Exemptions) Hyderabad charge, AO completed the assessment of an assessee, **National Academy of Construction,** for AY 2009-10 after scrutiny in December 2011 at an income of ₹ 23.76 crore. Audit scrutiny revealed that the assessee debited an amount of ₹ 3.04 crore (₹ 0.92 crore pertaining to the year 2006-07 and ₹ 2.12 crore pertaining to the year 2007-08) towards income tax. Since the income tax paid cannot be treated and allowed as expenditure, the same should have been added back to income and brought to tax. The omission resulted in short computation of income of like amount with a consequential short demand of ₹ 1.31 crore including interest. *ITD rectified the mistake under section 143(3) read with section 147 (March 2014).*

As per sub-section (1) of section 10 of the Income Tax Act, 1961 in computing the total income of a year of any person, any income falling within the agricultural income would not be included in the total income of the assessee. Further in cases where Rule 8 of the Income Tax Rules, 1962, relating to the special case of manufacture of tea applies, the income derived from the sale of tea grown and manufactured by the seller in India shall be computed as it were income derived from business, and forty per cent of such income shall be deemed to be income liable to tax.

4.3.3.4 In West Bengal, Pr. CIT-XII, Kolkata charge AO completed the assessment of a firm, **Atmaram & Company,** for AY 2012-13 after scrutiny in March 2014 at an income of ₹ 2.74 crore. The assessee was engaged in business of cultivation and manufacturing of tea and had offered 40 per cent of balance of profit as taxable income. Audit examination revealed that the assessee, during the year produced and sold a total of 33.07 lakh Kg of tea and shown balance of profit at ₹ 5.97 crore. Out of total quantity of tea sold during the year, 14.43 lakh Kg of Tea was manufactured out of green tea leaves purchased and not grown by the assessee. Hence, 100 *per cent* of proportionate profit of ₹ 2.60 crore derived from sale of tea manufactured out of green leaves purchased by the assessee is not entitled for benefit under rule 8 of the Income Tax Rule and therefore, entire profit there from should have been taxed as business income. Omission resulted in underassessment of income of ₹ 1.56 crore (60 *per cent* of ₹ 2.60 crore) involving tax effect of ₹ 59.89 lakh including interest. *The Ministry accepted the audit observation (August 2015) and taken remedial action under section 147 in January 2015.*

4.3.4 Incorrect allowance of Business Expenditure

We give below four such illustrative cases.

As per provisions of the Income Tax Act, 1961, 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 Tamil Nadu, CIT 1 Chennai charge, AO completed the assessment of **Tamil Nadu Co-operative State Land Development Bank Limited** for AY 2009-10 after scrutiny in December 2011 at an income of ₹ 1.97 crore. Audit scrutiny revealed that a sum of ₹ 140.24 crore was debited towards 'provision for difference in SARDB FS Waiver blocked in downsizing' in the Profit and Loss Account. Since, the above sum was only a provision towards a non-statutory reserve, the same is not an admissible expenditure. Omission to disallow the same resulted in under assessment of income of ₹ 140.24 crore with consequential short levy of tax of ₹ 47.67 crore. *The Ministry accepted the audit observation (November 2015) and taken the remedial action under section 143(3) read with section 147 in March 2013.*

4.3.4.2 In Haryana, CIT Panchkula charge, AO completed the assessment of **Haryana State Cooperative Apex Bank Limited** for the AY 2009-10 in December 2011 at an income of ₹ 12.35 crore. Audit examination revealed that amount of ₹ 3.01 crore (charged at 3 *per cent* of opening balance of Agricultural Credit Stabilization Fund ₹ 100.29 crore) was credited to Agricultural Credit Stabilization Fund of the Bank. The said amount was included in expenditure on account of interest paid by the bank and reflected as addition to Agricultural Credit Stabilization Fund which is a part of reserve and surplus. As addition to reserve and surplus is an appropriation to profit and not a charge to profit and loss account, it was required to be added back to the taxable income. Omission to do so resulted in under assessment of income of ₹ 3.01 crore involving short levy of tax of ₹ 1.24 crore. *The Ministry accepted the audit observation (November 2015) and taken remedial action under section 143(3) read with section 147 in July 2014.*

Section 43 B of the Income Tax Act, 1961 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

4.3.4.3 In Uttar Pradesh, CIT Meerut charge, AO while completing the assessment of a Co-operative Society, **Ramala Sahkari Chini Mills Limited,** for AY 2008-09 after scrutiny in December 2010 at a loss of ₹ 1.83 crore, allowed ₹ 3.64 crore on account of interest accrued and due but not paid. As the amount was not deposited into the Government account till the due date of filing of return of income, the same should have been disallowed. Omission to do so resulted in positive tax effect of ₹ 36.17 lakh and potential tax effect of ₹ 85.13 lakh. *The Ministry accepted the audit observation (November 2015) and taken the remedial action under section 147 read with section 143(3) in March 2013.*

4.3.4.4 In Odisha, CIT Cuttack charge, AO completed the assessment of an assessee, **The Cuttack Development Authority,** for AY 2009-10 after scrutiny in November 2011 at 'Nil' income after setting off of brought forward losses. Audit scrutiny revealed that the assessee had debited ₹ 3.50 crore in its Profit & Loss account towards land premium which is in the nature of Capital expenditure. The allowance of inadmissible expenditure resulted in under assessment of income to the extent of ₹ 3.50 crore involving potential tax effect of ₹ 1.18 crore. *ITD accepted and rectified the mistake under section 263/143(3) (March 2015)*.

4.3.5 Irregularities in allowing depreciation/business losses/capital losses

We give below two such illustrative cases:

As per the Rule 5 of Income Tax Rules, 1962, the allowance under clause (ii) of sub section (1) of Section 32, depreciation on any block of assets shall be calculated at the percentages specified in Appendix-I of Income Tax Rules on the written down value of such block of assets as are used for the purposes of the business or profession of the assessee at any time during the previous year. Further , the rate of depreciation of Buildings other than those used for mainly residential purposes is 10 *per cent* and such Buildings includes roads, bridges, culverts, wells and tube-wells (notes 1 below new Appendix-I of Income Tax Rules, 1962.)

4.3.5.1 In West Bengal, Pr. CIT-IX Kolkata Charge, AO completed the assessment of a local authority, **Haldia Development Authority,** for AY 2010-11 after scrutiny in March 2013 determining net loss of ₹ 46.11 crore. Audit noticed that the assessee was allowed depreciation of ₹ 57.02 crore which included depreciation of ₹ 17.29 crore on roads. It was further observed that the rate of depreciation allowed on the roads was 100 *per cent* instead of allowable rate of 10 *per cent*. The mistake resulted in excess allowance of depreciation of ₹ 15.56 crore involving potential tax effect of ₹ 4.81 crore. *ITD's reply is awaited (November 2015).*

As per section 72 of Income Tax Act, 1961 no loss under the head 'business income' shall be allowed to be carried forward and set off against business income of future years, unless the return of loss is filed on or before the due date. Further, section 2(11) provides for 13 block of assets on which depreciation is allowable as per the provisions in the Act. Land is not covered in any of the blocks of assets and is therefore not eligible for allowance of depreciation.

4.3.5.2 In Bihar, CIT I Patna charge, the scrutiny assessment of a Local Authority, **Bihar Industrial Area Development Authority Patna**, for the AY 2011-12 was completed in March 2014 at a loss of ₹ 8.12 crore including unabsorbed depreciation of ₹ 1.03 crore. Audit examination revealed that return of income for the AY 2011-12 was filed on 26 March 2012 as against the due date on 30 September 2011 for furnishing the return of income under section 139(1). As such, the income of the assessee should have been determined at nil and the business loss of ₹ 7.09 crore should not have been allowed to be carried forward. It was further noticed that the assessee had claimed and was allowed depreciation of ₹ 50.31 lakh on land development, land acquisition and area development which was not allowable. The mistakes resulted in incorrect allowance of carry forward of business loss of ₹ 7.09 crore and depreciation loss of ₹ 50.31 lakh with consequent potential tax effect of ₹ 2.35 crore. *ITD has accepted (September 2014) the audit observation and stated that remedial action has been initiated.*

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 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	03	1.41	Gujarat, Karnataka and Rajasthan.
b.	Incorrect computation of income	13	10.26	Assam, Bihar, Chhattisgarh, Gujarat, Jharkhand, Maharashtra, Rajasthan, Uttar Pradesh and Uttarakhand.
c.	Omissions in implementing provisions of TDS/TCS	05	2.88	Gujarat, Jharkhand and West Bengal.
d.	Unexplained Investment/cash credit	06	2.38	Chhattisgarh, Gujarat, Rajasthan and West Bengal.
e.	Non-levy/short levy of Wealth Tax	06	0.18	Gujarat, Karnataka, Maharashtra and West Bengal.
	Total	**33**	**17.11**	

4.4.2 Incorrect classification and computation of Capital Gain

We give below one such illustrative case.

4.4.2.1 In Gujarat, Pr. CIT IV Ahmedabad Charge, AO completed the assessment of an Individual, **Mayur Mukundbhai Desai,** for AY 2009-10 after scrutiny in November 2011 at an income of ₹ 0.69 crore and further revised it at ₹ 0.66 crore under section 250 in June 2012. The assessee claimed exempted income of long term capital gain (LTCG) of ₹ 2.32 crore on sale of shares under section 10(36) and adjusted short term capital loss (STCL) of ₹ 0.67 crore on sale of shares from the total income under different heads of income. Audit scrutiny revealed that these shares were not exhibited as investment, as admitted by assessee himself and hence the share transactions claimed as LTCG and STCL were required to be treated as business income and taxed accordingly. Omission to do so resulted in short levy of tax of ₹ 0.97 crore including interest and potential tax of ₹ 0.23 crore. *ITD took remedial action under section 143 read with section 147 (March 2015).*

4.4.3 Incorrect computation of income

We give below four such illustrative cases:

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

4.4.3.1 In Uttar Pradesh, CIT Ghaziabad charge, AO completed the assessment of AOP, **Ghaziabad Development Authority,** for AY 2009-10 after scrutiny in December 2011 at a loss of ₹ 133.17 crore. Audit noticed that though the assessee had provided interest bearing loan of ₹ 51.71 crore to Hapur Pilkhuwa Development Authority (HPDA) in March 2008, interest accrued thereon was not offered as income. The omission to add back the interest income resulted in excess assessment of loss of ₹ 5.80 crore involving potential tax effect of ₹ 1.96 crore. *ITD rectified the mistake under section 263/143(3) (March 2015).*

4.4.3.2 In Jharkhand, CIT Ranchi charge, the scrutiny assessment of a firm, **Jharkhand Trading Company,** for the assessment year 2010-11 was completed in December 2012 at an income of ₹ 3.82 lakh. Audit examination revealed that the total purchase made by the firm was shown as ₹ 29.12 crore as per the Profit and Loss account for FY 2009-10, whereas the purchase ledger of the assessee's depot included purchases of ₹ 32.75 crore. The difference of ₹ 3.63 crore in the purchase amount was not considered in the scrutiny assessment, resulting in under assessment of income by equal amount involving short levy of tax of ₹ 1.49 crore including interest. *The Ministry accepted the audit observation (November 2015) and taken the remedial action under section 147 in May 2015.*

As per provision of section 28 of Income Tax Act, 1961 the profits and gains derived from any business or profession carried on by the assessee at any time during the previous year shall be chargeable to income tax under the head 'profits or gains of business or profession. Further, as per provisions of section 40A(3), where the assessee incurs any expenditure in respect of which a payments or aggregate of payments made to a person in a day otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds ₹ 20,000, no deduction shall be allowed in respect of such expenditure.

4.4.3.3 In Chhattisgarh CIT Raipur charge, AO completed the assessment of an individual, **Atul Kumar Sinha,** for AY 2008-09 after scrutiny in October 2010 at an income of ₹ 0.09 crore. Audit examination revealed that the assessee had shown gross receipts of ₹ 0.40 crore in Profit and Loss Account whereas total receipts as per computation of income were shown at

₹ 2.28 crore. Further, the assessee had made a payment of ₹ 0.45 lakh to 'Rahul Communication' in cash, however, the department did not add this amount to the income of assessee. The mistakes resulted in underassessment of income of ₹ 1.88 crore involving short levy of tax of ₹ 0.81 crore including interest. *ITD rectified the mistake under section 147 (March 2014).*

4.4.3.4 In Uttarakhand, CIT Haldwani charge, AO completed the assessment of an individual, **Sanjay Kumar Chauhan**, for AY 2010-11 after scrutiny in April 2012 at an income of ₹ 0.13 crore. Audit examination revealed that though the assessee was following mercantile system of accounting, he had accounted for contract receipts of ₹ 3.07 crore in his profit and loss account as against ₹ 3.92 crore as per the ledger accounts. The omission resulted in underassessment of income of ₹ 0.85 crore involving short levy of tax of ₹ 0.33 crore. *ITD initiated remedial action under section 148 (March 2015)*.

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 or after deduction, has not been paid on or before due date, shall not be allowed.

4.4.4.1 In Jharkhand, CIT-Ranchi charge, the scrutiny assessment of an individual, **Om Prakash Singh,** for AY 2010-11 was completed in December 2012 at an income of ₹ 0.58 crore. Audit examination revealed that AO allowed payment of ₹ 4.65 crore made to the sub-contractor on which tax was not deducted at source. As tax had not been deducted, the payment of ₹ 4.65 crore was required to be disallowed. Omission to do so resulted in underassessment of income of ₹ 4.65 crore involving tax effect of ₹ 1.86 crore including interest. *ITD accepted (January 2015) the audit observation and stated that remedial action has been taken under section 147.*

4.4.4.2 In West Bengal, CIT-Burdwan Kolkata charge, the assessment of an individual, **Bishnu Ghosh,** for AY 2008-09 was completed after scrutiny in December 2010 determining income of ₹ 9.13 lakh. Audit observed that the AO allowed payment of ₹ 0.69 crore towards 'Labour charges and Job Works' on which tax was deducted but was not deposited within the due date of filling return for the assessment year. As tax had not been deposited within the due date, the payment of ₹ 0.69 crore was required to be disallowed. Omission to do so resulted in underassessment of income of ₹ 0.69 crore involving tax effect of ₹ 0.31 crore including interest. *ITD rectified the mistake under section 263 (January 2014).*

4.4.5 Unexplained Investment

We give below one such illustrative case.

4.4.5.1 In West Bengal, CIT (Central) XXV Kolkata charge, AO completed the assessment of an individual, **Madan Mohan Chowdhury,** for AY 2008-09 under 144 in December 2010 at an income of ₹ 1.91 crore, which was further revised under section 263 read with section 144 in December 2011 at an income of ₹ 4.82 lakh. Audit scrutiny revealed that in the original assessment, AO added an amount of ₹ 1.86 crore on account of unexplained cash deposit. It was further observed that the said assessment order was set aside by passing order under section 263 with the direction to the assessing officer to frame a fresh assessment after conducting proper enquiry and also by giving proper and reasonable opportunity to the assessee of being heard. Audit noticed that the department deleted the addition of unexplained cash credit of ₹ 1.86 crore and only added an amount of ₹ 3.72 lakh as commission income, though the department did not receive any new facts or information either from the assessee or the beneficiaries of the unexplained cash credits. Omission to include the income from unexplained sources resulted in income escaping assessment of ₹ 1.86 crore involving tax effect of ₹ 0.92 crore. *ITD rectified the mistake under section 147 (November 2014).*

4.4.6 Non-levy/short levy of Wealth Tax

Six cases of wealth tax involving tax effect of ₹ 0.18 crore were reported to the Ministry during May 2015 to September 2015. We found that AO did not comply with CBDT's instructions[51] in these cases in Gujarat, Karnataka, Maharashtra and West Bengal. We give below one such illustrative case:

4.4.6.1 In Karnataka, CIT III Bangalore charge, AO completed the income tax scrutiny assessment of an Individual, **Lohit Puneet Rajkumar,** for AY 2010-11 in November 2012. Audit scrutiny of the Income tax assessment records revealed that the assessee had a net wealth (immovable and movable assets) of ₹ 4.05 crore for the assessment years 2010-11. However, the assessee neither filed the return nor the department initiated any wealth tax assessment proceedings. The omission resulted escapement of wealth of ₹ 4.05 crore with a consequential tax effect of ₹ 3.75 lakh. *The assessee filed the return (May 2014), and the assessment was concluded (October 2014) accepting the net wealth returned under section 17 read with section 16(3)*

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

raising a demand of ₹ 4.18 lakh and the same was paid by the assessee (May 2014).

4.5 Over charge of tax/Interest

4.5.1 We noticed over assessment of income in seven cases involving overcharge of tax/interest of ₹ 11.0 crore in Delhi, Gujarat, Haryana, Odisha, Punjab and UT Chandigarh. We give below two such illustrative cases.

4.5.1.1 In Delhi CIT (Central)-I Charge, assessment of an individual, **Sanjay Kumar,** for AY 2010-11 was completed in March 2013 at an income of ₹ 89.54 crore and a tax of ₹ 30.42 rore thereon. Audit noticed that, an amount of ₹ 2.69 crore was levied as surcharge on applicable tax despite the fact that there was no provision for levy of surcharge on income tax for the assessment year 2010-11. The mistake resulted in over charge of tax of ₹ 4.04 crore including interest. *ITD accepted and rectified the mistake under section 154 (November 2013).*

4.5.1.2 In Haryana, CIT Central Gurgaon charge, the assessment in the case of **Swami Devi Dyal Hi Tech Educational Academy**, for AYs 2008-09 and 2009-10 was completed in July 2011 under section 153A(1)(b) read with section 143(3). Subsequently, while giving appeal effect, the taxable income was revised to ₹ 23.37 crore for the assessment year 2008-09 and ₹ 18.21 crore for the assessment year 2009-10. Audit examination revealed that although assessment was completed by treating the assessee as AOP, tax demand was calculated at the rates applicable to society. The mistakes in application of incorrect rates of tax resulted in overcharge of tax and interest amounting to ₹ 3.03 crore (₹ 1.91 crore for AY 2008-09 and ₹ 1.12 crore for AY 2009-10). *The Ministry accepted the audit observations (November 2015) and rectified the mistakes under section 154 for both AYs in December 2014.*

Chapter V: Transfer Pricing

5.1 Introduction

Transfer Pricing (TP) refers to the pricing of cross-border transactions between two related entities. When two related entities enter into any cross-border transaction, the price at which they undertake their transaction is called Transfer Price. Due to the special relationship between related companies, the Transfer Price may be different than the price that would have been agreed between the unrelated companies. Price between unrelated parties in uncontrolled conditions is known as the "Arm's Length Price (ALP)". Transfer prices thus serve to determine the income of parties involved in the cross-border transactions.

The Finance Act, 2001 introduced Transfer Pricing Regulations, the provision of which has been incorporated into the Income Tax Act, 1961 (Act) by enacting sections 92 to 92F in substitution of the erstwhile Section 92 of the Act. The Rules 10A, 10B, 10C, 10D and 10E of the Income Tax Rules, 1962 (Rules) complementing the TP Regulations have also been inserted in the Rules. These provisions deal with computation of income arising from "international transactions" with "Associated Enterprises (AEs)" or Specified Domestic Transactions[52]. The regulations provide that any income arising from an international transaction shall be computed having regard to the ALP.

The procedure adopted by ITD as per the Act and CBDT's instruction issued from time to time is detailed in **Box 5.1**.

Box 5.1: Provisions of Transfer Pricing

The computation of ALP under section 92C should be referred to the Transfer Pricing Officer (TPO). The TPO, after hearing the assessee, the evidence produced by him and after considering the evidence as required on any specified points and after taking into account all relevant materials which he has gathered, shall by order in writing determine the ALP in relation to the international transaction in accordance with provisions of section 92CA(3) and send a copy of his order to the Assessing Officer (AO) and to the assessee for finalization of assessment order. Section 92C(2) provides that the variation between the ALP and price at which the international transaction has actually been undertaken does not exceed five *per cent* of the latter, the price at which the international transaction has actually been under taken shall be deemed to be the ALP. Under section 144C(5), the Dispute Resolution Panel (DRP) shall issue the directions, as it thinks fit, for the guidance of the AO to enable him to complete the assessment after considering report of TPO. Section 92D(1) provides that every person who has entered into an international transactions shall keep and maintain such information and documents as may be prescribed in Rule 10D of Income Tax Rules. Further under section 92E, the person who entered into an international transaction shall obtain a report from an accountant in prescribed Form 3CEB showing all details relevant to international transactions.

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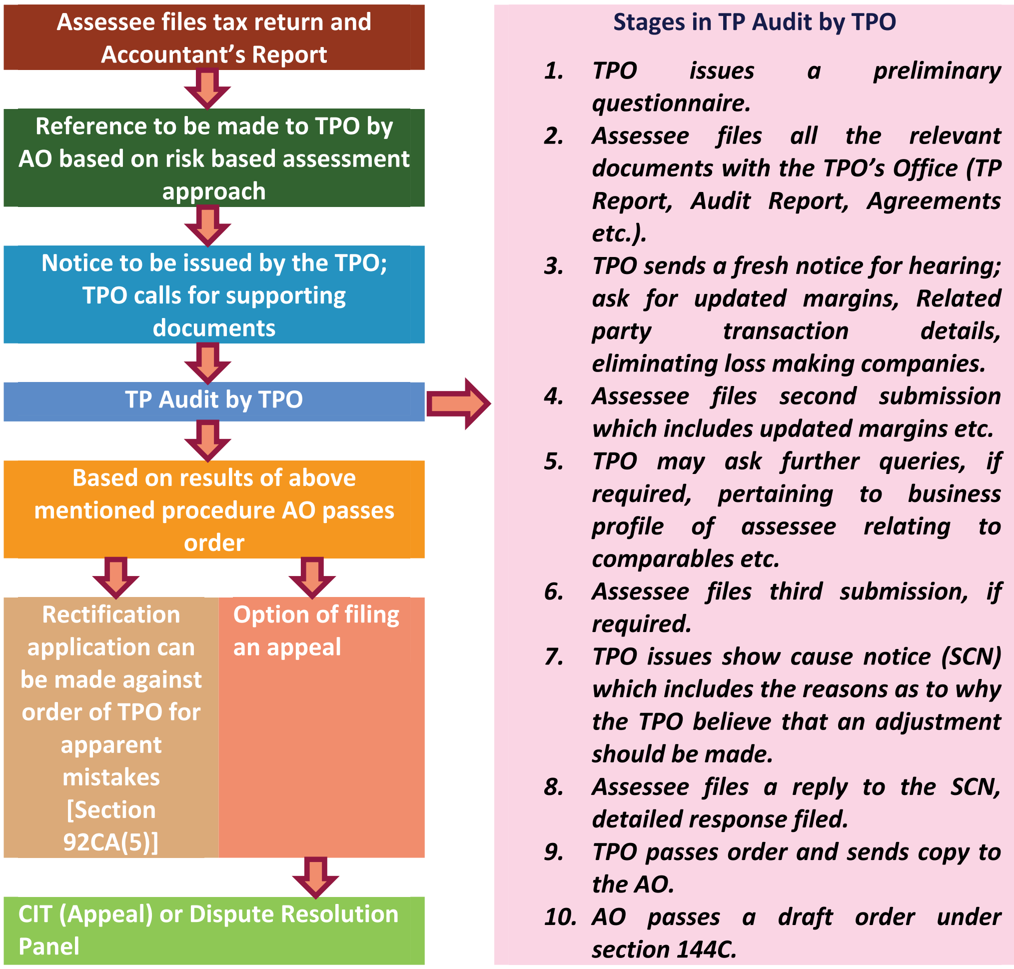
52 Inserted by the Finance Act, 2012 with effect from 01.04.2013.

Chart 5.1 shows Transfer Pricing Audit process and various stages as adopted by the ITD.

Chart 5.1: Transfer Pricing Audit Process

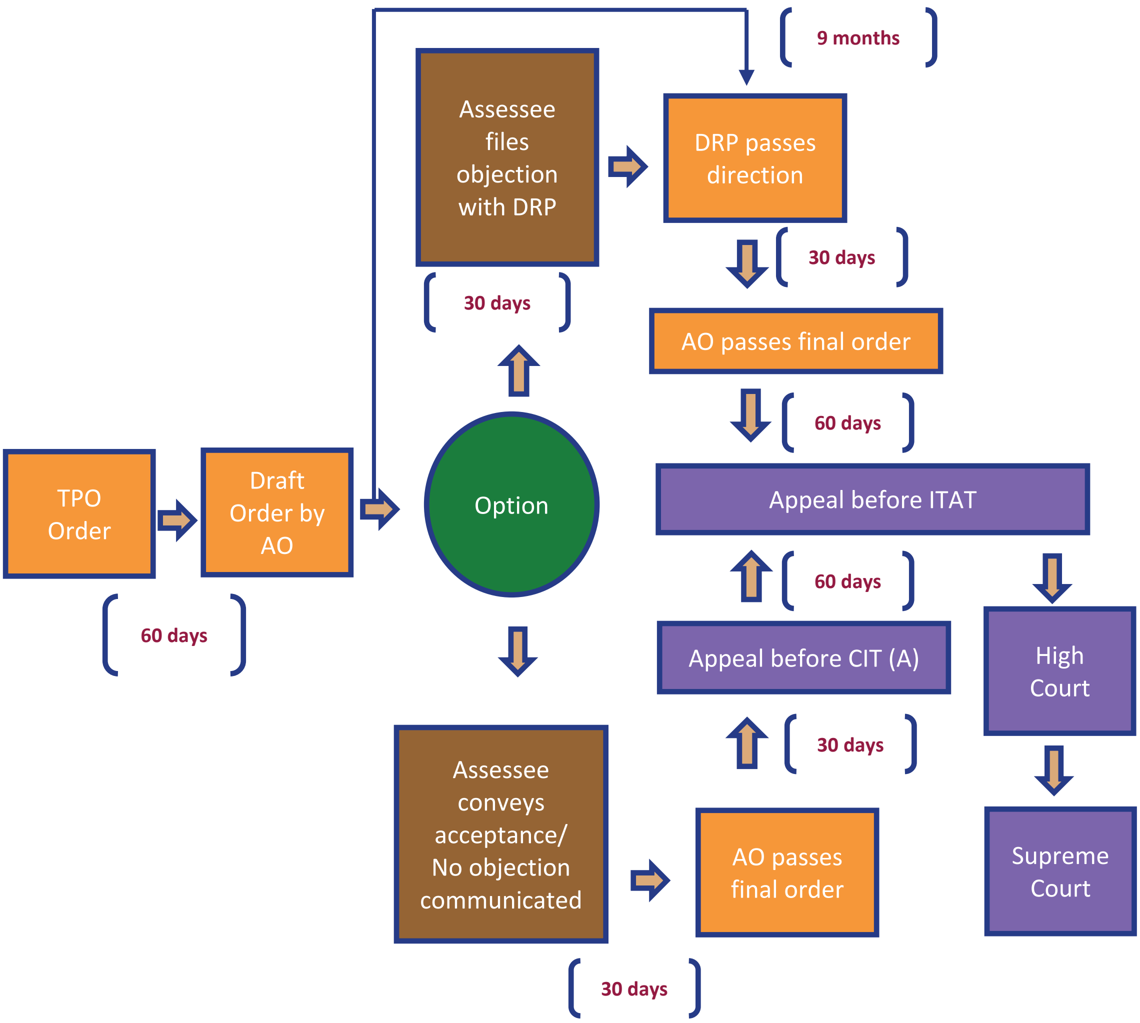


5.2 Dispute Resolution Panel

In order to streamline the process of redressal of disputes, the Finance Act, 2009 introduced the concept of a Dispute Resolution Panel (DRP) to provide for an alternate dispute resolution mechanism which would facilitate expeditious resolution of disputes relating to Transfer Pricing in International Transactions. Section 144C governs the provisions relating to DRP and sub-section 15 of section 144C defines DRP as a collegium comprising of three Principal Commissioners or Commissioners of Income Tax (CsIT) constituted by CBDT for this purpose. In exercise of the powers conferred by sub-section (14) of section 144C, CBDT may make rules for the purposes of the efficient functioning of the DRP and expeditious disposal of the objection filed under sub-section (2) by the eligible assessee.

Chart 5.2 shows Dispute Resolution Process as available to the Assessee under the Act.

Chart 5.2: Process of redressal of disputes



5.3 Audit findings on Transfer Pricing Orders

We selected TP orders passed during January 2014 to January 2015 by TPOs of Ahmedabad, Hyderabad and Mumbai. We give below 10 high value cases where TPOs made mistakes in arriving at ALP and adjustments thereof.

5.3.1 In Maharashtra, CIT (TP)-3 Mumbai Charge, TPO passed the order of the assessee company (**Reliance Mediaworks Limited)** under section 92CA(3) for AY 2011-12 in November 2014 at an adjustment of ₹ 30.63 crore on the international transactions of corporate guarantee and interest recoverable from Associated Enterprises (AEs) on loan advanced to them.

Audit scrutiny revealed that the TPO, in his order, proposed interest to be charged at the rate of 12.69 *per cent* on the outstanding/fresh loans given to its subsidiary company RMW USA Inc in order to determine the ALP of transaction. However, TPO did not compute interest on outstanding loan of ₹ 18.18 crore, resulting in short adjustment of an equal amount. Further, while computing the interest on the outstanding/fresh loan given to UK share holding company, total interest amount was added at ₹ 3.79 crore instead of ₹ 3.91 crore, resulting in short adjustment of ₹ 0.12 crore. The above mistakes resulted in total short adjustments of ₹ 18.30 crore. *The Ministry accepted (December 2015) and has taken remedial action under section 92CA(5) read with section 154 in November 2015.*

5.3.2 In Maharashtra, CIT (TP)-4 Mumbai charge, TPO passed the order of the assessee company (**Vedanta Aluminum Limited**) under section 92CA(3) for AY 2011-12 in January 2015 at an adjustment of ₹ 2.30 crore in respect of interest on loan paid to AE. Audit scrutiny revealed that the assessee entered into an External Commercial Borrowing (ECB) loan agreement with its AE (Welter Trading Limited, Cyprus) for a loan in Japanese Yen (equivalent to US $ 400 million). As the term of loan was more than five years, the maximum all in costs ceiling as per Reserve Bank of India (RBI) Circular[53] was six months LIBOR +500 basis points. However, TPO while calculating Arm's length interest paid to AE, took 12 months JPY LIBOR interest rate+ 500 bps against the six months JPY LIBOR interest rate+ 500bps. Thus, maximum interest rate payable was worked out at 5.659 *per cent*[54] instead of 5.431 *per cent*. The mistake resulted in incorrect computation of "Arm's length interest ought to have been paid" at ₹ 30.26 crore instead of ₹ 29.04 crore leading to short adjustment of ₹ 1.22 crore. Further, the assessee entered into another ECB loan agreement with its AE (Welter Trading Limited, Cyprus) for a loan of US $ 500 million having term of loan for more than five years. TPO considered interest rate payable as 5.923 *per cent*[55]and made no adjustment as the transaction between the assessee (paying interest rate at 5.9 *per cent*) and AE was at Arm's Length. Audit scrutiny revealed that TPO erroneously considered interest rate payable as 5.923 *per cent* instead of 5.519 *per cent* by taking 12 months US $ LIBOR interest rate+ 500 bps against six months LIBOR interest rate+ 500 bps which resulted in short adjustment of ₹ 8.68 crore on account of excess interest paid by the assessee to its AE. These mistakes resulted in short adjustment of ₹ 9.90 crore. *The Ministry accepted (December 2015) and has taken remedial action under section 92CA(5) read with section 154 in November 2015.*

53 RBI/2008-09/245 A.P. (DIR Series) circular no. 26 dated 22 October 2008.
54 As per Japanese yen LIBOR rates 2010–(http://www.global-rates.com/interest-rates/libor/japanese-yen/2010.aspx).
55 As per US $ LIBOR rates 2010 –(http://www.global-rates.com/interest-rates/libor/american-dollar/2010.aspx).

5.3.3 In Maharashtra, CIT (TP)-4 Mumbai charge, TPO passed the order of the assessee company **(Thomas Cook India Limited)** under section 92CA(3) for AY 2011-12 in January 2015 at an adjustment of ₹ 17.56 crore. Audit scrutiny revealed that TPO recalculated Profit Level Indicator (PLI)[56] of the comparable of Trade Wings Limited for Travel segment level and arrived the adjusted cost after reducing the bad debts, however, PLI of comparable was computed at 19.34 *per cent* instead of 28.75 *per cent* as details given in table 5.1 below.

Table 5.1: Computation of Profit Level Indicator		**Amount ₹ in crore**
Particulars	**As per TPO's order**	**As per Audit**
Sales as per Travel Segment	16.46	16.46
Cost	13.99	13.99
Less Bad Debts in proportion 98.6 *per cent*	1.20	1.20
Adjusted cost	12.78	12.78
Travel Segment Profit	2.47	3.68
Percentage of Travel Segment Profit to Adjusted cost	19.34	28.75

Thus, incorrect calculation of PLI of comparables resulted in short adjustment of ₹ 3.52 crore. *The Ministry accepted (December 2015) and has taken remedial action under section 154 in June 2015.*

5.3.4 In Maharashtra, CIT (TP)-1 Mumbai charge, TPO passed the order of the assessee company **(Aditya Birla Minacs Worldwide Limited)** under section 92CA(3) for AY 2011-12 in January 2015 at an adjustment of ₹ 13.25 crore. Audit scrutiny revealed that TPO, while calculating adjustment on account of interest on loan given to AE, adopted 22 days instead of 68 days for a loan period from 14 January 2011 to 22 March 2011. The mistake resulted in short adjustment of ₹ 52.59 lakh. *The Ministry accepted (December 2015) and has taken remedial action under section 92CA(5) read with section 154 in August 2015.*

5.3.5 In Gujarat, CIT-IT & TP Ahmedabad Charge, TPO passed the order of the assessee company **(QSG Resource Management Private Limited)** under section 92CA(3) for AY 2010-11 in January 2014 at an adjustment of ₹ 2.16 crore. The assessee made a reference before DRP against the upward adjustment. TPO re-computed the average margin of the comparable at 15.43 *per cent* in pursuance to the DRP's directions. Since, the margin of assessee was within the permissible limit of five *per cent* range, no adjustment was proposed and accordingly order under section 143(3) read with section 144C was passed in December 2014 reducing the upward adjustment at ₹ 'Nil'. Audit scrutiny of TPO order revealed that while giving

56 PLI is the ratio that measures the relationship between an entity's profit and the resources invested or costs incurred to achieve that profit. It is calculated as Operating Profit (OP)/Operating Cost (OC).

effect to the direction of DRP order, unadjusted and adjusted margin of one of the comparable (Spry Resources) were taken at 15.52 *per cent* and 9.42 *per cent* respectively instead of 33.25 *per cent* and 21.63 *per cent* as adopted in order passed under section 92CA(3).As a result, the average adjusted margin of comparables was computed at 15.43 *per cent* instead of 16.54 *per cent*. Since the price charged by the assessee falls outside the five *per cent* limit, an upward adjustment of ₹ 1.00 crore was required to be made under the Act. *The Ministry while accepting the audit paragraph has intimated (December 2015) that remedial action is being taken under section 154.*

5.3.6 In Gujarat, CIT-IT & TP Ahmedabad Charge, TPO passed the order of the assessee company (**KHS Machinery Private Limited)** under section 92CA(3) for AY 2011-12 in October 2014 at an adjustment of ₹ 2.27 crore towards royalty charge to AE (KHS Gmbh, Germany). Audit scrutiny of Annual Report of the assessee company revealed that assessee had debited royalty charges of ₹ 3.07 crore in book of accounts towards payment of royalty to the AE. Hence, while determining ALP of royalty transaction, ₹ 3.07 crore should have been taken into account instead of ₹ 2.27 crore as reported by assessee in Form 3CEB. The mistake resulted in short adjustment of ₹ 0.80 crore. *The Ministry accepted (December 2015) and has taken remedial action under section 92CA(5) read with section 154 in September 2015.*

5.3.7 In Gujarat, CIT-IT & TP Ahmedabad Charge, TPO passed the order of the assessee company (**Quintiles Technologies India Private Limited)** under section 92CA(3) for AY 2010-11 in January 2014 at an adjustment of ₹ 17.44 crore. TPO rectified the mistake under section 92CA(5) read with section 154 in June 2014 on the representation made by assessee and reduced total upward adjustment to ₹ 1.14 crore from ₹ 6.00 crore on account of interest on advances. Subsequently, on giving effect to DRP's order, total adjustment of ₹ 8.64 crore which includes ₹ 2.81 crore towards interest on receivables was made under section 144C(5) in January 2015. Audit scrutiny revealed that while passing order under section 92CA(5) read with section 154, assessee's contention to compute interest on the incremental value of the average amount due for the respective month was accepted by the TPO. Accordingly, adjustment was reduced to ₹ 1.14 crore from ₹ 6.00 crore. However, while giving effect to DRP directions as per section 144C(5), interest was calculated again on the whole of the average amount due for each month for the period from start of the month to the end of the financial year i.e. 31st March 2010. Failure to calculate interest on the incremental value of the average amount due for the respective month resulted in irregular upward adjustment of ₹ 2.27 crore. *The Ministry while accepting* *the audit paragraph has intimated (December 2015) that remedial action is being taken under section 154.*

5.3.8 In Gujarat, CIT-IT & TP Ahmedabad Charge, TPO passed the order of the assessee company (**Bridgestone India Private Limited)** under section 92CA(3) for AY 2011-12 in January 2015 at an adjustment of ₹ 23.80 crore. Audit scrutiny of TPO order revealed that mean margin of sales was worked out at 0.61 *per cent* on the basis of annual report of FY 2009-10 (relevant to AY 2010-11) instead of 0.79 *per cent* for AY 2011-12. The mistake resulted in upward adjustment of ₹ 2.23 crore as details given in table 5.2 below.

Table 5.2: Computation of adjustment		**Amount ₹ in crore**
Particulars	**As per TPO's order**	**As per Audit**
Net sales of the assessee	1,237.34	1,237.34
Arms Length mean royalty rate	0.61 *per cent* of net sales	0.79 *per cent* of net sales
ALP of the expenses	7.55	9.77
Expenditure actually incurred	31.35	31.35
Shortfall being adjustment u/s 92CA	23.80	21.58

The Ministry accepted (December 2015) and has taken remedial action under section 154 read with section 92CA(5) in August 2015.

5.3.9 In Andhra Pradesh, CIT-IT & TP Charge, TPO passed the order of the assessee company (**Dr. Reddy's Laboratories Limited)** under section 92CA(3) for AY 2011-12 in January 2015 at an adjustment of ₹ 38.92 crore on account of Interest on loans given to AEs, Corporate Guarantee and profit share on marketing and distribution. While computing the shortfall on account of interest charged on loans given to AEs, TPO determined seven *per cent* as ALP for Interest on loan to AEs and accordingly calculated adjustment of ₹ 7.04 crore wherever the rate of interest on loans granted to AEs was lesser than seven *per cent*. Audit scrutiny revealed that no adjustment was proposed in respect of loan granted to AE (DRL Australia Private Limited, Australia) as the interest charged (9.74 *per cent*) by the tax payer was above ALP (seven *per cent*), however while calculating the adjustment, interest of ₹ 2.69 crore pertaining to said AE was also set-off. The mistake resulted in short adjustment by an equal amount. *The Ministry accepted (December 2015) and has taken remedial action under section 92CA(3) read with section 154 in November 2015.*

5.3.10 In Andhra Pradesh, CIT-IT & TP Charge, TPO passed the order of the assessee company (**Cognizant Technology Services (P) Limited)** under section 92CA(3)for AY 2010-11 in January 2014 at an adjustment of ₹ 36.71 crore on account of Interest on ITES services rendered to its AEs. Audit scrutiny revealed that the operating revenue and the operating cost were segregated for AE and non-AE and the adjustment was proposed on AE transactions. The adjusted arm's length margin for ITES was arrived at 26.23 *per cent* and the same was marked up to the AE operational cost. However, while arriving at the adjustment, the total operational revenue (AE & non-AE) of ₹ 296.27 crore was deducted from the marked-up AE as against ₹ 290.90 crore relating to AE as detailed in table 5.3 below.

Table 5.3: Computation of adjustment		**Amount ₹ in crore**
Particulars	**As per TPO's order**	**As per Audit**
Operating Cost (OC)	268.66	268.66
Total OR	296.27	296.27
Sales to AE	290.90	290.90
Sales to AE as *per cent* of total OR	98.19	98.19
OC in proportion to AE sale to total sales	263.79	263.79
Adjusted Arm's Length Margin (in *per cent*)	26.23	26.23
ALP at the rate of 126.23 per cent of OC	332.99	332.99
Price received	296.27	290.90
Adjustment under section 92CA	36.71	42.08

The Ministry accepted (December 2015) and has taken remedial action under section 92CA(3) read with section 154 in November 2015.

Chapter VI: Write-off of Arrears of tax demand

6.1 Introduction

In the recent past, the arrears of tax demand have gone up many folds and are piling up year after year, despite several provisions[57] in the Income Tax Act (Act) and instructions issued by CBDT regarding recovery of tax demand. As on 31 March 2014, the total arrears of tax demand pending was ₹ 5.75 lakh crore which included ₹ 2.21 lakh crore (38 *per cent*) as certified[58] demand. The ITD instituted a specialised mechanism as Tax Recovery Officer (TRO) to monitor and recovery of arrears of tax demand by allocating one TRO exclusively for each CIT charge[59]. When tax demand remained irrecoverable inspite of exercise of power of recovery by TRO, writing-off of arrears of tax demand is to be considered. The Rule 13 read with schedule VII of Delegation of Financial Powers, 1978 confers on the Commissioners of Income Tax (CsIT) has powers to write-off irrecoverable tax demands subject to approval of competent authority. Manual of Office Procedure (MOP), Volume-II (Technical) issued by CBDT, contains the provisions of law relating to write-off of arrears of tax demand.

The Public Accounts Committee (PAC) in its 29th Report presented to Lok Sabha on 11 August 2006 and Tax Administration Reform Commission (TARC) in 2014 also raised concern over process of recovery and write-off of arrears of tax demand. The present study deals with the evaluation of effectiveness of system of writing-off the arrears demand in the ITD.

6.2 Administrative set-up

The administrative set-up vis-a-vis monetary limits[60] for write-off of arrears of tax demand as prescribed by CBDT is shown in **Chart 6.1.**

57 Chapter XVII-D consisting of Sections 220 to 232 and second schedule of the Act.

58 The demand issued by TRO through a notice in form 57 under Rule 2 of the second schedule of the Act.

59 After the recent restructuring of the ITD in November 2014, one TRO is provided for each CIT instead of each Range under any CIT.

60 CBDT's Instruction No. 14/2003 dated 06.11.2003.

Chart 6.1: Administrative set-up of write-off of arrears of tax demand

Finance Minister	**Approves cases above ₹ 50 lakh;**
CBDT	**Approves cases between ₹ 25 lakh and ₹ 50 lakh;**
CCIT	**Zonal Committee consisting of three CCITs approves cases between ₹ 10,00,001 and ₹ 50 lakh;** ***CCIT passes order (a) above ₹10 lakh to ₹25 lakh with report to CBDT, (b) above ₹25 lakh to ₹50 lakh with approval of CBDT and (c) beyond ₹50 lakh with approval of Finance Minister.***
CIT	**Regional Committee consisting of three CsIT, approves cases above ₹ one lakh to ₹ 10 lakh;** ***CIT passes order for amounts above ₹one lakh to ₹10 lakh with report to CCIT. He can also pass orders upto ₹10,000 himself.***
Addl./Jt. CIT	**Local Committee consisting of three Addl. CsIT approves cases between ₹ zero and ₹ 5,000 (ITO/TRO), ₹ 5,001 and ₹ 25,000 (AC/DC), ₹ 25,001 and ₹ one lakh (Addl. JCIT);** ***Addl./Jt. CIT passes order for amount between ₹25,001 and ₹one lakh***
AO (ITO/AC/DC)	**TRO receives outstanding demand for drawal of certificates and issues 'Irrecoverability Certificate'** ***AO passes order for amount upto ₹5,000 (ITO/TRO) and ₹5,001 to ₹25,000 (AC/DC)***

6.3 Legal provisions and procedures

There is no specific provision in the Act or in any of other Direct Tax Acts for writing-off of the tax arrears which become irrecoverable. In pursuance of Rule 31 of the General Financial Rules, 1963, powers to sanction write-off of the revenue have been delegated by the Central Government to the income-tax authorities. Chapter 13 of MOP, Volume-II (Technical) issued by CBDT, contains the provisions of law relating to write-off of arrears of tax demand. The CBDT has issued instructions/guidelines from time to time on powers and monetary limits for write-off of arrears of tax demand. The procedure is same for both total write-off and partial write-off. Tax arrears may be written-off by any one of the procedures: namely (i) Summary write-off, (ii) Ad-hoc procedure for write-off and (iii) Regular procedure for write-off.

6.4 Audit Objectives

The objectives of study were to seek assurance that

a. write-off of arrears of tax demand was carried out periodically by the competent authority;

b. laid down procedure was followed for write-off of arrears of tax demand; and

c. ITD has an effective internal control mechanism for monitoring write-off of arrears of tax demand.

6.5 Audit Scope and Coverage

The study covers the examination of procedure/process followed for write-off of arrears in ITD during the period from FYs 2012-13 to 2014-15. Based on specific risk parameters[61], 30 *per cent* of total Pr. CsIT/CsIT of the ITD was selected for the study. In the selected 89 Pr. CsIT/CsIT, all circles/TROs and 25 *per cent* of wards were covered in audit.

6.6 Constraints

In 13 states[62], ITD did not supply all relevant information, replies and records requisitioned by audit. In two states[63], there was no co-relation of data for the period 2012-13 to 2013-14 with the data for the year 2014-15 due to restructuring of ITD in November 2014 and redistribution of work amongst existing and new offices.

6.7 Audit findings

Our audit findings are based on the information/data provided and records made available by the field formations of the ITD. Audit findings relating to write-off of arrears of tax demand by the ITD are described in the succeeding paragraphs.

6.7.1 Arrears of tax demand and write-off

The position of total arrears of tax demand *vis a vis* arrears of tax demand difficult to recover due to pending write-off/assessee not traceable/no asset and inadequate resources and amount written-off in respect of selected PCsIT/CsIT of 24 states/UTs[64] during FYs 2012-13 to 2014-15 is shown in Table 6.1 below:

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61 Number of scrutiny assessments, nature of assessees/their turnover/exemptions/deductions issues relating to internal/external audit findings etc.

62 Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Jharkhand Madhya Pradesh, Maharashtra, Rajasthan, Telangana, Uttar Pradesh, Uttarakhand, and West Bengal.

63 Karnataka and Goa.

64 Andhra Pradesh, Assam, Bihar, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Maharashtra, Odisha, Punjab, Rajasthan, Telengana, UT Chandigarh, Uttarakhand, Uttar Pradesh and West Bengal. No figures were made available for Chhattisgarh, Goa and Madhya Pradesh for all the three years; and for Kerala and Tamil Nadu for 2012-13 and 2013-14.

Table 6.1: Total arrears of tax demand			**(₹ in crore)**
	FY 2012-13	**FY 2013-14**	**FY 2014-15**
Total arrears of tax demand	2,77,770.80	2,90,011.60	3,27,722.08
Arrears of tax demand difficult to recover due to Pending Write-off (PWO)/Assessees not traceable (ANT)/No asset and inadequate resources (NAR)	*34,962.26*	*34,782.28*	*74,077.78*
Write-off during the period	1.49	0.66	0.06

{Source: Central Action Plan (CAP) Report and Quarterly Progress Report of ITD of selected PCsIT/CsIT}

The above table indicates that total arrears of tax demand in respect of selected Pr. CsIT/CsIT had increased by 17.98 *per cent* in March 2015 compared to March 2013. Percentage of PWO/ANT/NAR to total arrears of tax demand increased from 12.59 *per cent* in FY 2012-13 to 22.60 *per cent* in FY 2014-15. However, out of ₹ 74,077.78 crore of the demand difficult to recover due to PWO/ANT/NAR, only ₹ 2.21 crore was written-off during FYs 2012-13 to 2014-15 in nine states[65] out of selected 24 states/UTs covered in audit.

Arrear of tax demands of small amounts aggregating to ₹ 1.19 crore was not written-off in 14,252 cases and ₹ 68.96 lakh was written-off in 5,485 cases without following the appropriate procedures.

6.7.2 Write-off of arrears of tax demand

As per Para 2.1 of Chapter 13 of MOP Volume-II (Technical) of CBDT, small demands not exceeding ₹ 1,000 in each case can be summarily written-off by the Assessing Officer (AO) without any further enquiry if the amount is outstanding for more than five years and the amount does not relate to any live case[66]. For write-off of arrears of tax demand of small amounts (below ₹ 500 in each case) which are not falling under summary write-off and the demand in any case is outstanding for more than eight years, an Inspector of Income Tax may be deputed to enquire into the assets of the defaulter and chances of recovery. In case, his report indicates that the demand has become irrecoverable, the AO may directly write-off the demand without waiting for a formal Certificate of Irrecoverability from the TRO.

Again arrears of tax up to ₹ 5,000 may be written-off under the 'adhoc' procedure provided they have been outstanding against each assessee for non-availability of assessment records and detailed address of the assessee for more than five years immediately preceding the financial year during which they are proposed to be written-off. 'Each case' should be taken to

65 Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Odisha, Uttarakhand and UT Chandigarh.

66 In terms of MOP Volume-II read with monetary ceilings and conditions provided under various instructions, the latest being – Instruction no. 2/2010 dated 18.03.2010.

mean all the AYs to which the irrecoverable demands may relate in respect of single assessee.

6.7.2.1 We found that in arrears of tax demand of ₹ 1.19 crore (14,252 cases[67]), the process of write-off was not initiated under the appropriate procedure of law in summary/adhoc manner:

In Assam, Gujarat, Jharkhand, Rajasthan and West Bengal, arrears of tax demand of ₹ 0.39 crore (5,814 cases), were not written-off following summary procedure though the amount of arrear of tax demand in each case was below ₹ 1,000 and the demand was pending for more than five years. In Assam, records of 213 cases and arrear of tax demand thereof were not available. ITD stated (July 2015) that the cases were more than 20 to 30 years old and the demands are not at all collectable.

In Jharkhand, Madhya Pradesh and Rajasthan, arrear of tax demand of ₹ 0.16 crore (6,661 cases) was not written-off, following the appropriate procedure though the amount of arrear of tax demand in each case was below ₹ 500 and outstanding for more than eight years. ITD accepted (June 2015) in 24 cases (₹ 0.07 lakh) of Jharkhand that the cases were very old and not traceable. However, action would be taken to trace out the records and write-off of the same.

In Gujarat and Jharkhand, the arrear of tax demand of ₹ 0.64 crore (1,777 cases) was not written-off following adhoc procedure though the amount of arrear of tax demand in each case was below ₹ 5,000 and outstanding for more than five years.

6.7.2.2 We found that arrears of tax demand of ₹ 68.96 lakh in 5,485 cases[68] was written-off in contravention to the above provision.

In Chhattisgarh and Odisha, arrear demand of ₹ 57.63 lakh (4,553 cases) and ₹ 4.53 lakh (694 cases) was written-off during FY 2013-14 and FY 2012-13 respectively on adhoc/summary basis by TRO without any authority.

In Assam and Odisha, arrear demand of ₹ 0.24 lakh (39 cases) and ₹ 0.19 lakh (two cases) were written-off under summary/adhoc procedure during FY 2014-15 and FY 2012-13 respectively although the arrear demand in each case exceeded ₹ 1,000/₹ 5,000.

In Odisha, arrear demands ₹ 6.37 lakh in 197 cases, each exceeding ₹ 2,000 but below ₹ 5,000 were written-off without issue of Irrecoverability Certificate during FY 2012-13.

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67 Assam (213 cases), Gujarat (2,789 cases), Jharkhand (74 cases), Madhya Pradesh (116 cases), Rajasthan (10,934 cases) and West Bengal (126 cases).

68 Assam (39 cases), Chhattisgarh (4,553 cases) and Odisha (893 cases).

Arrears of tax demand of ₹ 290.83 crore were not declared irrecoverable by following regular procedure in cases where the assessees were not traceable and there was no fund/asset or insufficient fund/asset.

6.7.3 Write-off of arrears of tax demand under Regular procedure

As per regular procedure for write-off, arrears of tax demand can be considered for write-off that are over three years old and have become "irrecoverable" due to following reasons:

- **a.** the assessee has died, become insolvent, not traceable, left India and no attachable assets;
- **b.** the assessee company has gone into liquidation;
- **c.** the assessee firm is dissolved and its business has discontinued; and
- **d.** in case when all the modes of recovery in accordance with the rules laid down in the Second Schedule including the recourse to civil imprisonment of the defaulter are exhausted and the arrears still remain.

Also before recommending a case for write-off, the concerned authority should satisfy itself as to whether adequate and timely steps were taken for recovery in the case.

6.7.3.1 Arrears of tax demand not declared 'irrecoverable' where the assessee was not traceable

We found that there were 260 cases[69] involving arrears of tax demand of ₹ 138.77 crore pertaining to the AYs from 1984-85 to 2009-10 where the demand remained outstanding as of 31 March 2015 due to 'assessee not traceable'. Box 6.1 illustrates four such cases.

Box 6.1: Illustrative cases on Arrears of tax demand not declared 'irrecoverable' where the assessee was not traceable

a. In Delhi, CIT-IX charge, in the case of **Vishal Global Limited**, arrear of tax demand of ₹ 40.03 crore for the AYs 1989-90 to1998-99 was outstanding because the assessee was untraceable and there was no assets for recovery. The Addl. CIT Range-17 directed (March/June 2005) concerned AO for write-off of the arrear demand and the TRO was also requested to issue Irrecoverability Certificate (IC). In spite of the instructions given by the higher authority, the TRO had not issued the IC to enable the AO to submit write-off proposal till March 2015.

b. In Delhi, CIT-VI (new CIT-IX) charge, in the case of **Vaishali International Management and Resources Limited** for the AY 2008-09, arrear of tax demand of ₹ 6.11 crore was pending for recovery. In June 2013, CIT directed the AO to locate the whereabouts of the Directors and follow up with the Police. No further progress was found on record. Audit however, noticed from the Annual Report (2004) of the assessee

69 Assam (three), Delhi (six), Gujarat (two), Jharkhand (eight), Karnataka (237) and West Bengal (four).

that the ITD instead of attempting to track the whereabouts of Directors from their service/pension records, proceeded in a routine manner yielding no fruitful result. Thus, the ITD had neither pursued the case properly nor initiated process for write-off. The ITD in their reply (August 2015) for both the above cases stated that dossier cases of above ₹ one crore were being reviewed to fine tune and optimise the strategy for recovery or process it for write-off.

c. In West Bengal, Pr. CIT-4 Kolkata charge, in the case of **V. R. B. Engineers & Consultants (Private) Limited** for the AY 1996-97, the arrear of tax demand of ₹ 7.44 crore was outstanding as on 31 March 2015. It was noticed from the Dossier Report (December 2003) that the CCIT-IV, Kolkata had directed AO to process the case for write-off if the company was not traceable by local enquiry or from Registrar of Companies (ROC). Records revealed that ITD had neither completed the process to trace the assessee nor had declared the demand as irrecoverable to initiate write-off process till 31 March 2015.

d. In West Bengal, Pr. CIT-2 Kolkata charge, in the case of **Yashman Dealers Private Limited** for the AY 1996-97, there was arrear of tax demand of ₹ 2.37 crore. The assessee was not traceable since July 2004. The AO intimated (June 2004) to TRO that CCIT-II, Kolkata had already issued directions to issue IC after ascertaining the possibility of collection of dues. Further, development in the case was not on record.

6.7.3.2 Irrecoverability certificate not issued in respect of cases where there is no fund/asset or insufficient fund/assets.

We found that in 240 cases[70] involving arrear demand of ₹ 152.06 crore, the assessees had either no funds/assets or insufficient fund/asset to meet the arrear tax demand. But despite remote possibility or no possibility at all for recovery of arrear demand, the arrear demands were not declared irrecoverable and 'Irrecoverability Certificate' was not issued for initiating write-off proceedings under appropriate procedure. Box 6.2 illustrates two such cases.

Box 6.2: Irrecoverability certificate not issued in respect of cases where there is no fund/asset or insufficient fund/assets

a. In West Bengal, Pr. CIT-1 Kolkata charge, in the case of **Rapti Nidhi Limited** for AY 1991-92, which was under liquidation since November 2005, the Official Liquidator had intimated (September 2009) the TRO that only ₹ 8,040 was available with the company as against the arrear of tax demand of ₹ 10.23 crore. Though the possibility of recovery of arrear demand was remote, 'IC' was not issued for initiating write-off proceedings under appropriate procedure.

b. In West Bengal, Pr. CIT-4 Kolkata charge, in the case of **Radient Industries Limited** arrear demand of ₹ 1.04 crore for the AY 1998-99 was outstanding. The company was under liquidation. The company was sold in January 2005 under the orders of the High Court, Kolkata and the creditors of the company were requested to submit their claims by 25 October 2005. Accordingly, ITD initiated (September 2005) action to file its

70 Andhra Pradesh (six cases), Gujarat (two cases), Karnataka (228 cases), West Bengal (four cases)

claim but in the meantime, last date for filing of claim had expired and the claim could not be filed. The ITD however approached the Official Liquidator during September 2011 to April 2014 for any possible scope of recovery of arrear demand. Finally, in May 2014, the Official Liquidator intimated that funds of the assessee had already been distributed and no fund was lying available in the company. 'IC' was not issued despite any further possibility of recovery of arrear demand.

The ITD did not write-off arrears of tax demand of ₹ 278.64 crore for which 'Irrecoverability Certificates' were issued by the respective TROs.

6.7.4 Arrears of tax demand not written-off after issue of 'Irrecoverability Certificate'

As per Para 4.3 of Chapter 13 of MOP Volume-II (Technical) of CBDT, when a certified tax demand remains unrecoverable in spite of exercise of the powers of recovery conferred upon the TRO under the Act, the TRO issues 'Irrecoverability Certificate (IC)' in respect of the irrecoverable arrears of tax demand and refers it back to the jurisdictional AO for write-off proceedings of the tax demand under apt procedure of law.

We found that in 77 cases[71] involving arrears of tax demand of ₹ 278.64 crore where write-off was not effected despite issue of 'IC' by the respective TROs. Four such cases are illustrated in Box 6.3.

Box 6.3: Illustrative cases on Arrears of tax demand not written off after issue of 'Irrecoverability Certificate'

a. In Maharashtra, Pr. CIT-3 Mumbai charge, in the case of **Dynacraft Machine Company Limited** for the AYs 1981-82 to 1984-85, an 'IC' was issued for the outstanding arrear of tax demand of ₹ 65.67 crore by the jurisdictional TRO in September 2013. A write-off proposal was also submitted to the CBDT but no further action was taken. As a result, arrear of tax demand was not written-off till March 2015.

b. In Maharashtra, Pr. CIT-2 Mumbai charge, in the case of **G. M. S. Computers (India) Limited** for the AYs 1995-96 to 1998-99, an 'IC' was issued by the jurisdictional TRO in September 2012 for the outstanding arrear of tax demand of ₹ 34.50 crore but no further action was taken till March 2015.

c. In West Bengal, Pr. CIT-3 Kolkata charge, in the case of **Tea King Private Limited** for AYs 1976-77, 1979-80 and 1983-84 to 1987-88, an 'IC' was issued by the TRO in November 1996 for the arrear of tax demand of ₹ 11.58 crore and the proposal for write-off was sent to the Zonal Committee. In July 1999, based on the decision of the Zonal Committee, the total demand was recomputed (February 2001) at ₹ 22.47 crore by including interest under section 220(2). No further action was taken in this case till March 2015 even after lapse of more than 18 years from the date of issue of IC.

d. In West Bengal, Pr. CIT-4 Kolkata charge, in the case of **Ganapati Commerce Limited**, for the AYs 1992-93, 1993-94, 1997-98 and 1998-99, an 'IC' was issued by the

71 Andhra Pradesh (nine cases), Assam (one cases), Delhi (one case), Gujarat (three cases), Jharkhand (three cases), Karnataka (27 cases), Kerala (two cases), Madhya Pradesh (two cases), Maharashtra (six cases), Rajasthan (three cases) Tamil Nadu (six cases), West Bengal (14 cases).

jurisdictional TRO in November 2006 for the outstanding arrear of tax demand of ₹ 19.20 crore. No further action was taken till March 2015 even after lapse of more than eight years from the date of issue of IC.

Zonal Committee was not constituted for review of unrealisable demands in many states. In some of the states though such committee was constituted, no meeting was held during the period 2012-13 to 2014-15.

6.7.5 Review of unrealisable tax demands by Zonal Committee

As per instructions issued by the CBDT from time to time, where the tax arrears exceeded ₹ 10 lakh in any case, the CBDT constitutes Zonal Committees of CsIT for review, scrutiny and considerations of proposals for write-off of direct tax arrears. These committees are constituted for all the four Zones. Presently five committees are constituted for North Zone, four for South Zone, two for East Zone and four for West Zone. Further, the senior most Commissioner would preside over the proceedings of the meeting of the Zonal Committee and the commissioner concerned with the case would be the convener of the meeting.

As per CBDT's instruction no. 16 of 2003 dated 18 November 2003, the Zonal Committee was reconstituted consisting of permanent members of three CCsIT. The Zonal Committee will recommend the proposal for write-off of irrecoverable demand above of ₹ 10 lakh and upto ₹ 25 lakh. As per Para 5.2 of Chapter-13 of the MOP Volume-II (Technical), the Zonal Committee has to meet at least once a month and ensure continuous review of the unrealisable tax demand.

We found that no Zonal Committee was constituted in six states[72], information regarding formation of Zonal Committee was not available in respect of three states[73]. Further, in four states[74], though the Zonal Committee existed, no meeting was held during the period 2012-13 to 2014-15. In Gujarat, two meetings were held one each in year 2012-13 and 2013-14. In these states, therefore, periodical review of unrealizable demand was not carried out. In case of Tamil Nadu and Assam, we noticed that proposals for write-off were sent to the Zonal Committee but no decision was taken by the Committee.

72 Bihar, Jharkhand. Himachal Pradesh, Karnataka, Uttar Pradesh and Uttarakhand.
73 Andhra Pradesh, Kerala and Telangana.
74 Assam, Odisha, Rajasthan and West Bengal.

Arrears of tax demand of ₹ 86.47 crore was eliminated without following write-off procedure laid down in the Manual of CBDT.

6.7.6 Elimination of arrears of tax demand without write-off under laid down procedure

With a view to facilitating control over the arrears of tax demand and their recovery, ITD has prescribed various control registers and Reports like Demand & Collection Register (D&CR), Arrear Demand & Collection Register (ADCR), Quarterly Progress Report (QPR), etc. Demands raised during the year and its collection is watched by ITD through the D & CR and any amount remaining unpaid at the end of the financial year is to be carried forward in the ADCR to watch the tax demands. In Tax Recovery Offices, certified arrears of tax demand are monitored through QPR.

We found that in case of 4,981 Tax Recovery Certificates (TRCs), the arrears of tax demand of ₹ 86.47 crore were eliminated from records maintained by the ITD.

In West Bengal, Pr. CIT-2 and Pr. CIT-3 Kolkata charges, certified arrear demand of ₹ 86.40 core, relating to 4,978 TRCs was eliminated from QPR for the quarter ending September 2013 on the ground that the certificate folders were not physically found and the cases were very old. Certified arrear demand of ₹ 86.40 crore was thus reduced from the books of the ITD without writing off of the same under appropriate procedure *viz.* summary/adhoc/ regular procedure.

In Rajasthan, Pr. CIT-1 Jodhpur charge, in three cases certified arrear of tax demand of ₹ 7.54 lakh shown outstanding in ADCR for the FY 2011-12 was not carried forward in ADCR for the FY 2012-13. Instead, the relevant TRCs were withdrawn without any specific orders of the competent tax authorities.

Old arrear demand of ₹ 1,630.02 crore was not declared irrecoverable and was not referred back to jurisdictional AOs by the TROs for initiating write-off after issue of IC.

6.7.7 Writing off of old inactive demands

As per Chapter 13 of the MOP Volume-II (Technical), when tax demands remain irrecoverable in spite of the exercise of the powers of recovery conferred under the Act, the question of write-off of arrears should be considered.

We found that in 12,007 cases[75] old arrears of tax demand of ₹ 1,630.02 crore were not declared irrecoverable and also the cases were not

75 Odisha (115 cases), Assam (3,415 cases), Bihar (365 cases), Chhattisgarh (1,058 cases), Gujarat (1,273 cases), Jharkhand (1,516 cases), Karnataka (355 cases), Kerala (nine cases), Maharashtra (227 cases), Rajasthan (221 cases), Tamil Nadu (1,135 cases), Uttar Pradesh (314 cases), Uttarakhand (999 cases) and West Bengal (965 cases).

referred back to jurisdictional AOs by the TROs for initiating write-off proceedings under the appropriate procedure after issue of IC.

In Maharashtra, Pr. CIT-2 Mumbai Charge in 16 cases pertaining to the AYs ranging from 1981-82 to 2000-01, arrear demand totalling to ₹ 928.92 crore was pending for more than 10 to 20 years. Neither the AOs nor the TROs exercised the power delegated to them to review the cases pending for recovery and to identify the cases fit for write-off.

In Assam, Pr. CIT–1 Guwahati charge, in case of 1,752 TRCs, old arrears of tax demand of ₹ 71.99 crore were lying outstanding as on 31 March 2015 but no action for write-off was initiated. ITD stated that (July 2015), the demands were not collectible since 90 *per cent* of these cases were more than 20 to 30 years old and relevant records were also not available with them. ITD also stated that out of these arrear demands, ₹ 59 crore involving 1,651 TRCs were doubtful and not at all collectable.

In West Bengal, Pr. CIT-3 Kolkata charge, in case of 671 TRCs, the arrears of tax demand of ₹ 10.60 crore was declared (as shown in Monthly Progress Report for March 2014) as 'Inactive Demand' by the TRO as there was no physical existence of TRCs and the demands were only shown in Register-X. Besides, there was no PAN, jurisdiction, assessment folder and the demands were of 20 to 40 years old, where no action can be taken by them. In spite of this, write-off of the demands was not effected under appropriate procedure.

ITD stated that attempts were being made to recover ₹ 362.13 in Uttar Pradesh and further action for write-off would be taken. In respect of Odisha, ITD also stated that appropriate steps would be taken after instruction of the higher authorities. ITD accepted that efforts for recovery of ₹ 12.79 crore in Bihar were yet to be made in all the TRCs. In Jharkhand, ITD assured that appropriate action would be taken after examination of cases of ₹ 14.28 crore fit for write-off.

Audit is of the view that the procedure for action to be taken for write-off has been laid down in the Manual, ITD is required to take appropriate steps. The fact therefore remains that effective action was not taken either for timely recovery or write-off of arrears of tax demand.

Arrears of tax demand of ₹ 51.72 crore was not pursued for effective disposal due to lack of co-ordination between TRO and the jurisdictional AO.

6.7.8 Co-ordination between AO and TRO.

Co-ordination between the AO and TRO is crucial for ensuring speedy disposal of arrears of tax demand. Once the AO has referred the arrears of tax demand cases outstanding for more than one year[76] to TRO, it becomes

76 CBDT's letter F. no. 402/2/2002-ITCC dated 18 January 2002.

imperative for the AO to keep the TRO informed of any subsequent revisions, reductions etc. made to the demand. Similarly, the TRO needs to intimate the AO the disposals made from time to time.

We found that in 79 cases[77] arrears of tax demand totalling ₹ 51.72 crore were not pursued for effective disposal due to lack of co-ordination between TRO and the jurisdictional AO. Box 6.4 illustrates two such cases.

Box 6.4: Illustrative cases on arrears of tax demand pending due to lack of co-ordination between AO and TRO

a. In Delhi, Pr. CIT(Central)-2 charge in the case of **ARK Steels (Private) Limited** for the AYs 1998-99 and 1999-2000 total arrears of tax demand of ₹ 12.88 crore, including interest under section 220(2) upto October 2002, was pending for recovery since FYs 2001-02 and 2002-03 respectively. The demand notice issued by the TRO in December 2002 to the assessee in his recorded address could not be served. In March 2003, the TRO informed the AO that the demand notice was received back with the remarks of the postal authorities "No such person at this address". The demand notice was further issued by the TRO four times between April 2003 and July 2012 at the same address. Since September, 2012 the TRO had been continuously requesting the AO to provide the latest address, details of movable and immovable assets of the assessee to expedite the recovery proceedings. However, in this regard no reply was furnished by the AO to the TRO till July 2015 and the demand remained outstanding.

b. In West Bengal, Pr. CIT-1, Kolkata charge, in the case of **Somani Swiss Industries Limited** for the AYs 1994-95 to 1998-99, TRC for a demand of ₹ 6.27 crore was drawn in September 2005. Accordingly, a notice was issued (September 2005) to the assessee. It was evident from the records that the TRO intimated (September 2008) the concerned AO that the assessee company was not traceable. Earlier, the TRO had also requested (June 2008) the AO to invoke provisions of section 179[78] in respect of the Directors, if traceable. No evidence to the effect that such order was passed by the AO or declaration of demand as irrecoverable was available on record. ITD stated (July 2015) that the issue of order under section 179 and declaration of irrecoverability of demand was being looked into.

TRCs of arrears of tax demand of ₹ 136.67 crore were either not drawn up at all or delayed.

6.7.9 Drawal of Tax Recovery Certificate

In terms of Board's order under section 119 of the Act in F. No. 402/2/2002-ITCC, dated 18.01.2002, it is required to issue TRC under section 222[79]. In all cases where demand is one year old to ensure timely and prompt action of recovery so as to minimize the chances of disposing, removing, concealing of moveable/ immovable properties by defaulters.

77 Andhra Pradesh (24 cases), Assam (one case), Delhi (11 cases), Karnataka (38 cases) and West Bengal (five cases).
78 Section 179 provides for liability of directors of private company in liquidation.
79 Section 222 to 232 are related to the functions of TRO.

We found in 95 cases[80] involving arrears of tax demand of ₹ 136.67 crore where TRCs were either not drawn up at all or drawn up delayed. Box 6.5 illustrates two such cases.

Box 6.5: Delayed drawal/non-drawal of TRC

a. In Uttar Pradesh, CIT-II Kanpur charge, in the case of **Fine Industries Private Limited** demands of ₹ 20.54 crore and ₹ 37.94 crore after scrutiny assessment completed in December 2011 and January 2012, were pending for recovery for more than three years. AO intimated the TRO in August 2014 for effective recovery action by exercising the powers as per provisions of section 222 to 232 and drawal of TRC. However, no TRC has been drawn by the TRO as of date (June 2015).

b. In Bihar, CIT Central Patna charge, in the case of **Dr. Ajit Kumar Verma** for arrears demand of ₹ 2.31 crore, the AO had requested the TRO in February 2008 for issue of TRC but the same was not issued even after the lapse of seven years.

Thus, the above audit findings indicate that either the process of write-off of arrears of tax demand was not initiated or was written off in contravention to the provisions of CBDT manual. Moreover, lack of coordination between TRO and the jurisdictional AO has also resulted in piling up of outstanding arrears of tax demand. Further, Zonal Committees were either not constituted in most of the charges/states, or if constituted, no meeting was held for review, scrutiny and considerations of proposals of write-off of arrears of tax demand.

ITD has also not taken prompt action for identification of genuine cases which were fit for write-off. The CBDT also did not evolve any mechanism/ system for monitoring of high value cases which were pending for a considerable time and were required to be written off.

The AOs and CsIT did not submit Reports/Statements as per the provisions laid down in the CBDT Manual. Registers required to be maintained for 'Tax Recovery' and 'Write-off' purpose were either not maintained or maintained improperly. No entry regarding irrecoverable demand or written off arrear demands was made in the Individual Running Ledger Account (IRLA) of the respective assessee for monitoring of such demands. There were anomaly in different reports viz. Dossier Report, CAP, QPR which may lead to risk of erroneous management information system. Internal Audit of the TROs was not done.

6.8 Internal Control

6.8.1 Submission of Reports/Statements by the AOs and CsIT

As per Para 15.1 and 15.2 of Chapter-13 of the MOP Volume-II (Technical), AO is required to submit quarterly statement in the prescribed pro-forma regarding the amount written-off to the jurisdictional CIT. Further, all jurisdictional CsIT are required to submit to the CBDT a half-yearly report in

80 Andhra Pradesh (89 cases), Bihar (one case), Tamil Nadu (four cases) and Uttar Pradesh (one case).

the prescribed pro-forma showing the progress of recovery of the amount kept alive in cases of partial write-off and an annual statement regarding remission or abandonment of claims to revenue to the Director of Inspection (RS & PR) in the prescribed pro-forma.

We found that during the period from 2012-13 to 2014-15, AOs did not submit quarterly reports in case of 11 states[81], the half yearly and annual reports were not submitted by six states[82] by the CsIT to the CBDT and Director of Inspection (RS & PR).

This therefore indicates that effective monitoring and control on write-off, progress of recovery and remission or abandonment of claims were not exercised at the CIT and CBDT's level.

6.8.2 Maintenance of registers

As per Para 7.1 of Chapter 12 of MOP Volume-II (Technical), 11 important registers[83] are to be maintained by the TRO and AO is required to keep a register of irrecoverable demand (Para 15.1 of Chapter-13). The TROs in the ITD maintain a 'Register of Recovery Certificates' indicating details of TRCs issued by them.

Further, writing-off of irrecoverable demand (para 9.1 of Chapter-13) is purely an administrative act. It does not preclude the ITD from recovering the amount so written-off by exercising the powers under the Act. The recovery can also be effected by filing a civil suit. In view of Article 112 of the Schedule to the Limitation Act, 1963, civil suit cannot, however, be filed after the expiry of 30 years from the date on which the tax had become payable.

We observed the followings:

- **a.** In Odisha and Madhya Pradesh, most of the prescribed 11 registers were not prepared by the TROs. In Assam, West Bengal, Himachal Pradesh, the ITD did not maintain the 'Register of Recovery Certificates' properly.
- **b.** In 11 states[84], Register of Irrecoverable Demand was not prepared.
- **c.** In Assam, West Bengal and Himachal Pradesh, the ITD did not maintain any record to watch the progress of demand written-off.

This indicates that the internal control mechanism of the ITD was not effective.

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81 Andhra Pradesh, Assam, Goa, Gujarat, Karnataka, Kerala, Odisha, Rajasthan, Tamil Nadu, Telengana and West Bengal.

82 Assam, Goa, Gujarat, Karnataka, Rajasthan and West Bengal.

83 Cash Book, Register of Movable and Immovable Properties attached and sold, Execution Register, Register of Daily Reduction/Collection of Certified Demand, Stay Register, Instalments Register, Disposal Register, Closed Certificates Register, Custody Register, Daily Diary and Register of Recovery in case of Companies in liquidation, BIFR and Sick.

84 Assam, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu and West Bengal.

6.8.3 Computerization and write-off of arrears of tax demands

With the computerization in the ITD, the Individual Running Ledger Account (IRLA) module allows the AO to enter the details of arrears of tax demand which have become irrecoverable. However, if on a future date, any collection is made from the concerned assessee out of irrecoverable/written-off arrear demands, the AO is to make entry in the IRLA of the respective assessee to that effect for proper monitoring of the demand.

In West Bengal as well as in Assam no information as to whether irrecoverable demands and written off demands of the pre-computerization and post computerization period were incorporated in the IRLA module was found from the records made available to audit. In Gujarat and Rajasthan, IRLA was not working properly and whenever demand was deposited by the assessee, the same was not reflected in IRLA automatically.

6.8.4 Anomaly in Dossier Reports, Central Action Plan (CAP) Reports and Quarterly Progress Report (QPR)

The CBDT has formulated Dossier Reports, CAP Reports, QPR etc. as effective control mechanism for monitoring arrears of tax demand. Arrears of tax demand shown in each Dossier Report should agree with the amount shown in assessment records and other related records.

We found that in 11 states[85], there were substantial mismatch in arrear demands with reference to other relevant records maintained by the ITD. Inconsistency in reporting in different report/returns is fraught with risk of erroneous management information system. Box 6.6 illustrates two such cases

Box 6.6: Illustrative cases on anomalies on Dossier Report, CAP and QPR

a. In West Bengal, Pr. CIT-2, Kolkata charge, in the case of **Bahubali Traders Private Limited**, AY 2008-09, actual arrear of tax demand as per assessment records was ₹ 6.80 crore whereas in the relevant Dossier Report for the quarter ending March 2015 the arrear of tax demand against the assessee was shown at ₹ 10.33 crore

b. In Delhi, CIT Central-II, Charge a demand of ₹ 27.92 crore was raised in February 2003 against **Usha General Foods Limited** for the block period 01.04.1990 to 14.02.2001. This demand was further enhanced to ₹ 54.73 crore in October 2011 by the AO under section 221(1). Audit scrutiny revealed that even after a lapse of more than three years of enhancement of demand, the CCIT was still sending the original demand of ₹ 27.92 crore to Directorate of Income Tax (Recovery) in the dossier for the quarter ending March 2015 resulting in incorrect reporting of ₹ 26.81 crore.

85 Delhi, Goa, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu and West Bengal.

6.8.5 Internal Audit of TROs

Internal audit set up in the ITD ensures that regulations and procedures laid down for smooth functioning of the ITD are complied with sufficient safeguards against errors and frauds. An internal audit wing functions directly under the control of a CIT and chalks out quarterly programme for audit of different units of the ITD.

We found that the Internal Audit Wing of the ITD had not conducted internal audit of the TROs during 2012-13 to 2014-15. Recommendation was also made in Chapter 3 of the CAG's Audit Report No. 23 of 2011-12 regarding strengthening of internal audit of the post assessment collection process to effectively monitor the recovery of tax arrears by prescribing minimum number of TROs to be covered by internal audit every year.

6.9 Conclusion

During FYs 2012-13 to 2014-15, percentage of demand difficult to recover due to PWO/ANT/NAR with the total arrears of tax demand substantially increased from 12.59 *per cent* to 22.60 *per cent*. However, out of ₹ 74,077.78 crore of the demand difficult to recover due to PWO/ANT/NAR, only ₹ 2.21 crore was written off as of 31 March 2015. In most of the charges/states, Zonal Committee was either not constituted for review of unrealisable demands or if constituted, no meeting was held during the period 2012-13 to 2014-15.

We found that arrear demand was written off in contravention to the provisions of CBDT manual. The ITD did not write-off arrears of tax demand for which ICs were issued by the respective TROs. Arrear demand was also not declared irrecoverable by following regular procedure in cases where the assessees were not traceable and there was no fund/asset or insufficient fund/asset. Further, neither old arrears of tax demand were declared irrecoverable nor these were referred back to jurisdictional AOs by the TROs for initiating write-off after issue of IC. Arrear demand was not pursued for effective disposal due to lack of co-ordination between TRO and the jurisdictional AO. The AOs and CsIT did not submit Reports/Statements as per the provisions laid down in the CBDT Manual. Registers required to be maintained for 'Tax Recovery' and 'Write-off' purpose were either not maintained or maintained improperly.

The monetary limits for write-off of arrears of tax demands were last revised in 2003 which has not been revisited considering the latest restructuring in the ITD and growth in the revenue collection. The ITD has not taken prompt action for identification of genuine cases which were fit for write-off. The CBDT also did not evolve any mechanism/system for monitoring of high value cases which were pending for a considerable time and were required to be written off.

6.10 Recommendations

We recommend that:

a. ITD may ensure that periodical review of the arrears of tax demand is conducted to identify unrealisable demands for initiating write-off proceedings under the appropriate procedure and there is proper co-ordination between the AOs and TROs for speedy disposal of arrear cases.

b. ITD may prescribe a definite timeline to be observed by TROs as well as other authorities to avoid indefinite delay in deciding possibility of recovery of tax arrears and speedy disposal of write-off cases.

c. ITD may ensure that details of outstanding demands categorised as PWO/ANT/NAR along with updated reports/statements/registers are properly maintained by TROs/AOs. ITD may also strengthen its Internal Audit Wing to ensure the audit of adequate number of TROs every year.

On above recommendations, the Ministry stated (30 November 2015) that in the light of Tax Administration Reform Commission's recommendations, the CBDT had already set up a Committee for updating and revising the existing guidelines which had submitted its report in June 2015 proposing simplification and improvement of write-off procedure. The Ministry further stated that the report of the Committee is under consideration and the recommendations of the Audit will be considered for incorporation in the revised guidelines proposed to be issued.

New Delhi	**(RAJIVA BHUSHAN SINHA)**
Dated: 9 February 2016	**Director General (Direct Taxes)**

Countersigned

New Delhi	**(SHASHI KANT SHARMA)**
Dated: 9 February 2016	**Comptroller and Auditor General of India**

Appendix 1 (Reference: Paragraph 1.2.2)

Details of Direct Taxes Administration					(₹ in crore)
1. Collection[86]	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
i) Corporate Tax	2,98,688	3,22,816	3,56,326	3,94,678	4,28,925
ii) Income Tax	1,39,102	1,64,525	1,96,843	2,37,870	2,58,374
iii) Other Direct Taxes	8,205	6,646	5,820	6,048	8,493
iv) Total Direct Taxes Collection	4,45,995	4,93,987	5,58,989	6,38,596	6,95,792
2. Assessee profile[87]					**(Figure in lakh)**
i) Non-corporate assessees	332.04	357.61	367.87	463.57	599.88
ii) Corporate assessees	3.76	5.85	5.90	6.75	7.72
Total assessees	**335.80**	**363.46**	**373.77**	**470.32**[88]	**607.60**[88]
3. Stages of collection[89]					
a. Pre-assessment collection					**(₹ in crore)**
i) Tax deducted at source	1,68,669	1,98,680	2,10,654	2,48,547	2,59,106
ii) Advance tax	2,12,538	2,51,526	2,75,794	2,92,522	3,26,525
iii) Self assessment Tax	36,887	27,648	39,470	44,123	52,050
iv) Proportionate surcharge and cess	18,007	23,814	18,568	25,174	27,731
Total pre-assessment collection	**4,36,101**	**5,01,667**	**5,44,486**	**6,10,366**	**6,65,412**
b. Post-assessment collection					
i) Regular assessment	51,838	51,512	62,418	72,528	80,189
ii) Other receipts	21,622	20,705	25,792	32,080	46,151
iii) Proportionate surcharge and cess	4,337	5,615	4,236	6,630	7,707
Total post-assessment collection	**77,797**	**77,832**	**92,446**	**111,238**	**134,047**
Pre-assessment collection as *per cent* of gross collection	84.86	86.57	85.49	84.58	83.23
4. Position of Assessments[87]					**(Number)**
i) Scrutiny assessments due for disposal	8,47,196	7,74,807	5,93,761	6,98,652	10,26,575
ii) Scrutiny assessments completed (*per cent*)	4,55,213 *(53.73)*	3,69,320 *(47.67)*	3,08,398 *(51.94)*	2,84,750 *(40.76)*	5,35,444 *(52.16)*
iii) Non-scrutiny assessments due for processing	5,22,76,829	3,92,32,628	2,90,37,299	2,68,22,541	1,99,59,846
iv) Non-scrutiny assessments processed (*per cent*)	3,06,36,718 *(58.60)*	2,77,21,088 *(70.66)*	1,70,47,634 *(58.71)*	1,75,37,405 *(65.38)*	1,25,58,932
v) No. of officers deployed for assessment duty[87]	3,687	3,737	3,657	4,033	6,576

86 Source: Union Finance Accounts of respective year.
87 Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi.
88 Includes 159.93 lakh cases in FY 2013-14 and 169.35 lakh cases in FY 2014-15 where non-zero 26AS exist but no ITR entered in the record.
89 Source: Tax collection figures – Pr. Chief Controller of Accounts, CBDT, New Delhi.

5. Direct refund cases[90]					**(No. in lakh)**
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
i) Claims due for disposal	59.92	52.83	38.84	34.53	31.53
ii) Claims disposed of	40.42	40.33	27.65	25.76	22.68
(*per cent*)	*(67.46)*	*(76.34)*	*(71.19)*	*(74.60)*	*(71.93)*
iii) No. of claims pending	19.50	12.50	11.19	8.77	8.85
6. Refunds and Interest on refunds					**(₹ in crore)**
i) Refunds[91]	**75,169**	**93,814**	**83,766**	**89,060**	**1,12,163**
ii) Interest on refunds[90]	10,499	6,486	6,666	6,598	5,332
iii) Interest as *per cent* of refunds	13.9	6.9	8.0	7.4	4.8
7. Efficiency of collection[92]					**(₹ in crore)**
i) Demand of earlier year's pending collection	2,02,859	2,65,040	4,09,456	4,80,066	5,68,724
ii) Current year's demand pending collection	88,770	1,43,378	76,724	95,274	1,31,424
Total demand pending	**2,91,629**	**4,08,418**	**4,86,180**	**5,75,340**	**7,00,148**
8. Position of appeals at CIT(A) levels[90]					**(Number)**
i) Appeals due for disposal	2,57,656	3,06,134	2,84,439	3,02,944	3,05,862
ii) Appeals disposed of	70,474	75,518	85,049	87,770	73,736
(*per cent*)	*(27.40)*	*(24.67)*	*(29.90)*	*(28.97)*	*(24.20)*
iii) Appeals pending	1,87,182	2,30,616	1,99,390	2,15,174	2,32,126
iv) Amount locked up in appeal	1,98,088	2,42,182	2,59,556	2,87,443	3,83,797
9. Tax Recovery Officers[90]					**(₹ in crore)**
i) Total certified demand	1,11,065.4	1,23,288.08	1,60,582.32	2,27,950.21	2,43,330.96
ii) Certified demand recovered	4,074.6	9,756.39	6,764.65	6,703.02	7,391.07
(*per cent*)	*(3.70)*	*(7.91)*	*(4.21)*	*(2.94)*	*(3.04)*
iii) Certified Demand pending	1,06,990.8	1,13,531.7	1,53,817.7	2,21,247.2	2,35,939.89
(*per cent*)	*(96.30)*	*(92.09)*	(95.79)	*(97.06)*	*(96.96)*
10. Cost of collection[91]					**(₹ in crore)**
Cost of collection	2,698	2,976	3,284	3,642	4,101

90 Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi.
91 Source: Pr. Chief Controller of Accounts, CBDT, New Delhi.
92 Source: CAP I Demand & Collection Statement along with Analysis for the month of March 2015.

Appendix 2.1 (Reference: Paragraph 2.5.2)

State	Assessments completed during 2013-14	Assessments checked in audit during 2014-15	Assessments with errors	Total revenue effect of the audit observations made in the scrutiny assessments (₹ in crore)	Percentage of assessments with errors (Col. 4/ Col. 3x100)
1	2	3	4	5	6
Andhra Pradesh	15,660	13,600	1,133	2,688.63	8.33
Assam	2,995	2,973	309	56.91	10.39
Bihar	797	765	230	38.63	30.07
Chhattisgarh	3,219	3,326	153	200.21	4.60
Delhi	28,563	26,421	1,191	1,672.8	4.51
Goa	509	507	16	25.31	3.16
Gujarat	23,914	22,518	1,052	1,498.96	4.67
Haryana	4,780	4,544	510	333.87	11.22
Himachal Pradesh	1,040	655	248	4.88	37.86
Jammu & Kashmir	520	407	37	1.86	9.09
Jharkhand	2,884	1,446	123	35.26	8.51
Karnataka	17,222	13,783	802	1,339.37	5.82
Kerala	5,720	5,172	454	230.18	8.78
Madhya Pradesh	9,275	8,743	491	243.56	5.62
Maharashtra	35,109	34,164	1,791	3,020.31	5.24
Odisha	3,794	3,601	299	544.11	8.30
Punjab	3,701	3,594	306	82.40	8.51
UT Chandigarh	1,620	1,583	152	70.40	9.60
Rajasthan	10,740	13,236	865	1,056.67	6.54
Tamil Nadu	17,296	16,324	1,684	1,606.93	10.32
Uttar Pradesh	20,879	18,093	1,101	821.93	6.09
Uttarakhand	906	897	69	35.16	7.69
West Bengal	14,552	14,155	2,541	3,464.38	17.95
Total	**2,25,695**	**2,10,507**	**15,557**	**19,077.72**	**7.39**

Appendix 2.2 (Reference: Paragraph 2.5.4)

Category wise details of underassessment in respect of Corporation tax and Income tax detected during local audit

(₹ in Crore)

Sub category		Cases	Tax effect
A.	**Quality of assessments**	**4,377**	**2,032.05**
a.	Arithmetical errors in computation of income and tax	1,255	922.49
b.	Incorrect application of rate of tax, surcharge etc.	404	85.73
c.	Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	2,512	861.11
d.	Excess or irregular refunds / interest on refunds	164	141.68
e.	Mistake in assessment while giving effect to appellate orders	42	21.04
B.	**Administration of tax concessions/exemptions/ deductions**	**6,778**	**11,201.11**
a.	Irregular exemptions/deductions/reliefs given to Corporate	655	1,502.41
b.	Irregular exemptions/deductions/reliefs given to Trusts/Firms/Societies	487	273.25
c.	Irregular exemptions/deduction/reliefs given to individuals	277	43.68
d.	Incorrect allowance of Business Expenditure	4,235	5,613.88
e.	Irregularities in allowing depreciation/ business losses/Capital losses	1,122	3,766.41
f.	Incorrect allowance of DTAT relief	2	1.48
C.	**Income escaping assessments due to omissions**	**2,639**	**2,799.31**
a.	Under Special Provisions including MAT/ Tonnage Tax etc.	172	197.83
b.	Unexplained investments/ cash credits etc.	527	548.94
c.	Incorrect classification and Computation of Capital Gains	484	738.00
d.	Incorrect estimation of arm's length price	9	0.90
e.	Omission to club income of spouse, minor child etc.	13	1.10
f.	Incorrect computation of Income from House Property	146	24.50
g.	Incorrect computation of salary income	64	17.44
h.	Omission in implementing provisions of TDS/ TCS	1,224	1,270.60
D.	**Others**	**2,442**	**2,749.89**
	Total	**16,236**	**18,782.36**

Appendix 2.3 (Referred to in Paragraph 2.5.5)

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
Corporation Tax						
Quality of assessments - Arithmetical errors in computation of income and tax						
1.	20-CT	West Bengal	Pr. CIT 4, Kolkata	I-Nova Marketing Limited	2011-12	164.39
2.	23-CT	Delhi	CIT-VI, Delhi	Voith Siemens Hydro Pvt. Limited	2007-08	89.00
3.	24-CT	Delhi	CIT (Central)-I, Delhi	Pearl Beverages Limited	2011-12	699.15
4.	37-CT	Delhi	CIT (Central)-II, Delhi	Aerens Projects and Infrastructure Pvt. Limited	2006-07	193.73
5.	40-CT	Delhi	CIT-I, Delhi	Centum Learning Limited	2010-11	252.20
6.	44-CT	Tamil Nadu	CIT-5, Chennai	Poompuhar Shipping Corporation Limited	2008-09	115.35
7.	45-CT	Tamil Nadu	CIT-2, Chennai	Fichtner Consulting Engineers India Pvt. Limited	2011-12	132.35
8.	46-CT	Tamil Nadu	CIT-2, Chennai	Helios and Matheson Information Technology Limited	2006-07	69.97
9.	47-CT	Tamil Nadu	CIT-2, Chennai	L & T Interstate Road Corridor Limited	2011-12	53.66
10.	59-CT	Karnataka	CIT-III, Bangalore	Safran Engineering Services India Pvt. Limited	2009-10	85.41
11.	68-CT	Maharashtra	CIT-XI, Mumbai	SKOL Breweries Limited	2005-06	1,406.11
12.	77-CT	Gujarat	CIT-I, Ahmedabad	Diyash Infra Developers Pvt. Limited	2009-10	60.47
13.	89-CT	Karnataka	CIT-I, Bangalore	Broadcom India Pvt. Limited	2009-10	57.76
14.	90-CT	Karnataka	CIT-LTU, Bangalore	3M India Limited	2006-07	115.82
15.	92-CT	Tamil Nadu	CIT-1, Chennai	Covansys (India) Private Limited	2009-10	61.01
16.	96-CT	Delhi	CIT-VIII, Delhi	Shri Shiva Investment Pvt. Limited	2006-07	91.96
17.	102-CT	Tamil Nadu	CIT-LTU, Chennai	Cholamandalam MS General Insurance Company Limited	2010-11	154.27
18.	103-CT	Maharashtra	CIT-I, Nagpur	Western Coalfields Limited	2005-06	320.98
19.	112-CT	Delhi	CIT-IV, Delhi	H.T. Media Limited	2010-11	198.02
20.	128-CT	Tamil Nadu	CIT-2, Coimbatore	Pee Vees Realtors India Pvt. Limited	2011-12	50.77
21.	130-CT	Karnataka	CIT-Central, Bangalore	Ranjithpura Infrastructure Pvt. Limited	2010-11	70.50
22.	132-CT	Rajasthan	CIT-Ajmer	Ajmer Vidyut Vitran Nigam Limited	2011-12	267.25
23.	138-CT	Maharashtra	CIT-8, Mumbai	Pfizer Limited	2005-06	695.76
24.	152-CT	Kerala	CIT-Trivandrum	State Bank of Travancore	2002-03	240.70
25.	160-CT	Maharashtra	CIT(IT)-1, Mumbai	AIG Offshore System Services INC	2010-11	225.04
26.	166-CT	Punjab	CIT-Central, Ludhiana	Nikhil Exim Pvt. Limited	2010-11	45.46
27.	171-CT	Delhi	CIT-VII, Delhi	Pinewood Information Systems Pvt. Limited	2011-12	887.48

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
28.	172-CT	Bihar	CIT-I, Patna	Security and Intelligence Services (I) Limited	2010-11	48.94
29.	180-CT	Maharashtra	CIT-I, Pune	Honeywell Turbo India Pvt. Limited	2009-10	210.50
30.	184-CT	Maharashtra	CIT-13, Mumbai	Magnus Properties Pvt. Limited	2010-11	54.86
31.	214-CT	Delhi	CIT-4, Delhi	Galore Prints Industries Pvt. Limited	2009-10	199.67
32.	221-CT	Maharashtra	CIT-9, Mumbai (New charge)	Eastern International Hotels Limited	2011-12	541.99
33.	234-CT	Gujarat	CIT-Valsad	Vapi Waste & Management Co. Limited	2011-12	271.05
34.	256-CT	Maharashtra	CIT-XV, Mumbai	3i Infotech Limited	2009-10	65.84
35.	257-CT	Maharashtra	CIT-2, Mumbai	Perfect Engineering Associates Pvt. Limited	2008-09	64.39
36.	260-CT	Uttar Pradesh	CIT-II, Kanpur	U.P. State Industrial Development Corporation Limited	2011-12	203.01
37.	267-CT	Madhya Pradesh	CIT-II, Jabalpur	Madhya Pradesh Power Generating Co. Limited	2011-12	4,018.91
38.	276-CT	Haryana	CIT-Panchkula	Haryana State Road and Bridges Development Corporation Limited	2009-10	172.78
39.	290-CT	Maharashtra	CIT-8, Mumbai	Reliance Communication Infrastructures Limited	2008-09	1,792.94
40.	295-CT	Maharashtra	CIT-14, Mumbai	Music Broadcast Private Limited	2011-12	756.69
41.	297-CT	Maharashtra	CIT-5, Mumbai	Essar Oil Limited	2009-10	1,026.72
42.	302-CT	Tamil Nadu	CIT-LTU Chennai	Sundaram Finance Limited	2009-10	135.93
43.	305-CT	Tamil Nadu	CIT-2, Chennai	J. Hotels Pvt. Limited	2009-10	94.67
Quality of assessments - Mistakes in levy of interest						
44.	8-CT	Kerala	CIT-Kozhikode	Meezan Realtors Pvt. Limited	2006-07	88.43
45.	16-CT	West Bengal	Pr. CIT-3, Kolkata	Tyre Corporation of India Limited	2009-10	282.23
46.	30-CT	Delhi	CIT(Central)-I, Delhi	Shiv Naresh Sports Pvt. Limited	2011-12	61.35
47.	32-CT	Delhi	CIT(Central)I, Delhi	Jay Polychem India Limited	2012-13	237.09
48.	36-CT	Delhi	CIT(Central)-I, Delhi	Valley Iron and Steel Company Limited	2011-12	75.39
49.	56-CT	Gujarat	CIT-I, Ahmedabad	Diyash Infra Developers Pvt. Limited	2009-10	79.44
50.	64-CT	West Bengal	Pr. CIT Central-1, Kolkata	Basil International Limited	2011-12	136.31
51.	69-CT	Maharashtra	CIT-8, Mumbai	Vodafone India Limited	2008-09	5,671.64
52.	94-CT	Delhi	DIT-II Intl. Taxn.-Delhi	PJSC Stroytransgaz	2009-10	1,093.11
53.	117-CT	Maharashtra	CIT-IV, Mumbai	Reid and Taylor Limited	2010-11	2,102.86
54.	159-CT	Maharashtra	CIT-7, Mumbai	Mafatlal Industries Limited	2011-12	57.40

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
55.	168-CT	West Bengal	Pr. CIT-III, Kolkata	Vaishno Timber Pvt. Limited	2009-10	53.83
56.	190-CT	Odisha	CIT-Bhubaneswar	National Aluminium Company Limited	2010-11	175.60
57.	201-CT	Delhi	DIT-1, Delhi	MOL Corporation CSC Services of Nevada INC	2007-08 and 2008-09	2,986.55
58.	220-CT	Maharashtra	CIT-4, Pune	Honeywell Automation India Limited	2007-08	78.30
59.	229-CT	Delhi	CIT (Central)-I, Delhi	Best City Development India Pvt. Limited	2008-09	56.77
60.	235-CT	Tamil Nadu	CIT-2, Chennai	Indian Potash Limited	2011-12	291.59
61.	241-CT	Tamil Nadu	CIT-6, Chennai	Shriram EPC Limited	2008-09	55.68
62.	268-CT	Madhya Pradesh	CIT(Central)-Bhopal	Shalimar Ferrous Pvt. Limited, Indore	2007-08 and 2008-09	303.00
63.	278-CT	Madhya Pradesh	CIT-Bhopal	D. P. Wires Pvt. Limited	2007-08, 2008-09 and 2010-11	51.00
64.	300-CT	Delhi	CIT-II, Delhi	Jindal Saw Limited	2008-09	172.50
65.	301-CT	Delhi	CIT-III, Delhi	Delhi State Industrial Infrastructure Development	2011-12	900.44
Quality of Assessments - Excess or irregular refunds/interest on refunds						
66.	7-CT	Maharashtra	CIT-8, Mumbai	Pfizer Limited	2005-06	100.89
67.	17-CT	West Bengal	Pr. CIT 1, Kolkata	Exide Industries Limited	2009-10	94.48
68.	60-CT	Karnataka	CIT-I, Bangalore	Comfund Financial Services Pvt. Limited	1993-94	194.02
69.	61-CT	Delhi	DIT-I (Intl. Taxn.), Delhi	I.J. M. Corporation Berhad	2009-10	67.67
70.	83-CT	Tamil Nadu	CIT-3, Chennai	TVS Motor Company Limited	2006-07	1,461.83
71.	204-CT	Delhi	DIT-II (Intl. Taxn.)-Delhi	Motorola Inc	2009-10	59.94
72.	218-CT	Maharashtra	CIT-I, Nagpur	Western Coalfields Limited	2007-08	406.34
73.	219-CT	Maharashtra	CIT-2, Mumbai	Tata Sons Limited	1996-97	946.41
74.	252-CT	Maharashtra	CIT-2, Mumbai	Tata Sons Limited	1988-89	155.71
75.	271-CT	Maharashtra	CIT-2, Mumbai	ICICI Bank Limited	2004-05	322.02
76.	286-CT	Maharashtra	CIT-IV, Pune	Honeywell Automation India Limited	2008-09	170.55
Quality of assessments – Incorrect application of rates of tax and surcharge, etc.						
77.	2-CT	Andhra Pradesh	CIT-I, Hyderabad	M/s Andhra Pradesh Industrial Infrastructure Corporation Limited	2006-07	343.22
78.	25-CT	Delhi	CIT-I, Delhi	CP and Associates Pvt. Limited	2011-12	86.60
79.	26-CT	Delhi	CIT-IV, Delhi	Denso Sales India Pvt. Limited	2010-11	59.30
80.	27-CT	Delhi	CIT (Central)-II, Delhi	ABW Infrastructure Limited	2011-12	60.97
81.	28-CT	Delhi	CIT (Central)-II, Delhi	Mahamaya Exports Pvt. Limited	2011-12	61.72
82.	31-CT	Delhi	DIT (Intl. Tax)-II, Delhi	Showa Corporation	2008-09	52.60

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
83.	55-CT	Gujarat	CIT-I, Surat	Jayant Paper Mills Pvt. Limited	2005-06	104.08
84.	108-CT	Odisha	CIT-Bhubaneswar	Hi Tech Estates and Promoters Pvt. Limited	2003-04	26.06
85.	158-CT	Maharashtra	CIT-Central-IV, Mumbai	Cresent Realtors Private Limited	2010-11	252.75
86.	170-CT	Delhi	CIT (Central)-II, Delhi	Zoom Communications Limited	2011-12	307.88
87.	189-CT	Andhra Pradesh	CIT-II, Visakhapatnam	Rashtriya Ispat Nigam Limited	2008-09	1,187.10
88.	210-CT	Rajasthan	CIT-I, Jaipur	Om Metal Infra Project Limited	2010-11	47.10
89.	246-CT	Uttar Pradesh	CIT-Central-Kanpur	K M Sugar Mills Limited	2010-11	790.49
Quality of assessments - Mistakes in assessment while giving effect to appellate order						
90.	14-CT	West Bengal	Pr. CIT-Central - 2, Kolkata	Sancia Global Infraprojects Limited	2008-09	59.49
91.	57-CT	Karnataka	CIT-Mangalore	Syndicate Bank	2006-07	3,146.58
92.	97-CT	West Bengal	Pr.CIT-3, Kolkata	SPML Infra Limited	2009-10	473.64
93.	142-CT	West Bengal	Pr. CIT-I, Kolkata	West Bengal State Electricity Distribution Company Limited	2008-09	170.91
Administration of tax concessions/exemptions/deductions - Irregularities in allowing depreciation/ business losses/ capital losses						
94.	1-CT	Andhra Pradesh	CIT-II, Hyderabad	J T International (India) Pvt. Limited	2009-10	5,770.16
95.	4-CT	Andhra Pradesh	CIT-IV, Hyderabad	Leather Industries Development Corporation of AP Limited	2011-12	109.91
96.	10-CT	West Bengal	Pr. CIT -II, Kolkata	Williamson Magor and Company Limited	2010-11	88.71
97.	11-CT	West Bengal	Pr. CIT -I, Kolkata	McNally Bharat Engineering Co Limited	2010-11	85.29
98.	13-CT	West Bengal	Pr. CIT -III, Kolkata	GGL Hotel and Resort	2011-12	84.34
99.	15-CT	West Bengal	Pr. CIT-Central-2, Kolkata	Ramel Industries Limited	2011-12	217.14
100.	18-CT	West Bengal	Pr. CIT 1, Kolkata	Landis Gyr Limited	2009-10	83.32
101.	19-CT	West Bengal	Pr. CIT 4, Kolkata	Tollygunge Estates Pvt. Limited	2011-12	52.09
102.	34-CT	Delhi	CIT-IV, Delhi	Hotline CPT Limited	2009-10	403.15
103.	35-CT	Delhi	CIT-IV, Delhi	Hotline CPT Limited	2009-10	360.30
104.	39-CT	Delhi	CIT-IV, Delhi	Hindustan Fertilizer Corporation Limited	2009-10	71.74
105.	41-CT	West Bengal	Pr.CIT-4, Kolkata	V2 Retail Limited	2011-12	598.95
106.	49-CT	Tamil Nadu	CIT-LTU, Chennai	Chettinad Cement Corporation Limited	2009-10	325.98
107.	51-CT	Tamil Nadu	CIT-2, Chennai	Hwashin Automotive India Private Limited	2009-10	569.55

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
108.	54-CT	Gujarat	CIT-II, Ahmedabad	Gujarat Lease Finance Limited	2009-10	231.87
109.	62-CT	Delhi	CIT-III, Delhi	Spentex Industries Limited	2011-12	1,940.76
110.	65-CT	Tamil Nadu	CIT-5, Chennai	Poompuhar Shipping Corporation Limited	2006-07	146.98
111.	72-CT	Maharashtra	CIT-I, Pune	Brahma Bazaz Hotel Limited	2006-07	77.22
112.	74-CT	Maharashtra	CIT-2, Mumbai	Industrial Investment Trust Limited	2010-11	79.37
113.	81-CT	Goa	CIT-Panaji	Alcon Resort Holdings Limited	2004-05	65.28
114.	86-CT	Tamil Nadu	CIT-4, Chennai	Needle Industries (India) Pvt Limited	2010-11	76.85
115.	91-CT	Rajasthan	CIT-Ajmer	Ajmer Vidyut Vitran Nigam Limited	2011-12	60.31
116.	93-CT	Gujarat	CIT-IV, Ahmedabad	Schutz Dishman Biotech Private Limited	2009-10	68.09
117.	95-CT	Delhi	CIT (Central)-I, Delhi	Lyton Consultancy Pvt. Limited	2009-10	123.21
118.	104-CT	Maharashtra	CIT-I, Pune	Faber Heatkraft Industries Limited	2009-10	512.49
119.	105-CT	Maharashtra	CIT-13, Mumbai	Hathway Cable and Datacom Limited	2008-09	126.79
120.	110-CT	Odisha	CIT-Sambalpur	Deepak Steel and Power Limited	2008-09	1685
121.	113-CT	Delhi	CIT-I, Delhi	Alcatel Lucent India Limited	2007-08	1,573.69
122.	115-CT	Delhi	CIT-I, Delhi	American Express Services India Pvt. Limited	2008-09	73.81
123.	116-CT	Maharashtra	CIT-Central-I, Mumbai	Eversmile Construction Pvt. Limited	2003-04	155.42
124.	121-CT	West Bengal	Pr. CIT-Durgapur	Durgapur Medical Centre Pvt. Limited	2010-11, 2011-12	223.23
125.	123-CT	West Bengal	Pr. CIT Central-I, Kolkata	Adhunik Metaliks Limited	2012-13	858.12
126.	125-CT	West Bengal	Pr. CIT-2, Kolkata	Shree Ambaji Green Tree Syringe Pvt. Limited	2011-12	77.82
127.	129-CT	Tamil Nadu	CIT-6, Chennai	Sundaram Brake Lining Limited	2008-09 and 09-10	488.40
128.	143-CT	West Bengal	Pr.CIT-3, Kolkata	RKBK Fiscal Services Pvt. Limited	2010-11	55.35
129.	148-CT	Gujarat	CIT-II, Ahmedabad	Labh Construction and Industrial Limited	2009-10	99.27
130.	149-CT	Gujarat	Pr. CIT-II, Baroda	New S-Chem Search Limited	2009-10	68.89
131.	150-CT	Tamil Nadu	CIT-5, Chennai	PVP Corporate Parks Pvt. Limited	2011-12	54.54
132.	157-CT	Maharashtra	CIT-I, Mumbai	Hindustan Petroleum Corporation Limited	2009-10	10,915.84
133.	161-CT	Maharashtra	CIT-5, Mumbai	Maharashtra State Road Development Corporation	2009-10	559.27
134.	163-CT	Maharashtra	CIT-IX, Mumbai	Globatronix Bombay Private Limited	2011-12	142.21
135.	174-CT	Maharashtra	CIT-2, Mumbai	Tata Capital Limited	2011-12	361.85

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
136.	177-CT	Maharashtra	CIT-I, Aurangabad	Jay Laxmi Casting and Alloys Pvt. Limited	2008-09	57.46
137.	179-CT	Maharashtra	CIT-10, Mumbai	Leela Lace Software Solutions Pvt. Limited	2008-09	202.29
138.	182-CT	Maharashtra	CIT-2, Mumbai	Tata Capital Limited	2010-11	992.08
139.	185-CT	Gujarat	CIT-I, Ahmedabad	Devika Protiens Limited	2009-10	77.67
140.	188-CT	Andhra Pradesh	CIT-I, Visakhapatnam	Bharat Heavy Plates and Vassels Limited	2010-11	286.84
141.	198-CT	Maharashtra	CIT-4, Mumbai	SKM Fabrics AMANA Limited	2011-12	165.52
142.	200-CT	Delhi	CIT-LTU, Delhi	Rasandik Engineering Industries India Limited	2008-09	93.88
143.	212-CT	Delhi	CIT-4, Delhi	Honda Trading Corporation India Pvt. Limited	2008-09	132.41
144.	223-CT	Maharashtra	CIT-15, Mumbai (new)	Konkan Railway Corporation Limited	2008-09	10,505.54
145.	225-CT	Maharashtra	CIT-LTU, Mumbai	Bharati Shipyard Limited	2009-10	145.61
146.	226-CT	Maharashtra	CIT-I, Pune	Delaval Private Limited	2009-10	110.99
147.	231-CT	Delhi	CIT-IV, Delhi	I. C. Textiles Limited	2010-11	235.58
148.	237-CT	Karnataka	CIT-Hubli	Vijayanand Printers Limited	2008-09	78.73
149.	245-CT	Assam	CIT-Shillong	North Eastern Electric Power Corporation Limited	2011-12	357.07
150.	253-CT	Maharashtra	CIT-10, Mumbai	Indian Oil Corporation Limited	2008-09	1,548.08
151.	254-CT	Maharashtra	DIT(IT)-I, Mumbai	Aruna Fund Limited	2011-12	2,767.23
152.	255-CT	Maharashtra	CIT-V, Mumbai	Maharashtra State Road Development Corporation Limited	2010-11	3,350.11
153.	259-CT	Maharashtra	CIT-15, Mumbai	Oxides and Specialties Limited	2009-10	64.90
154.	262-CT	Delhi	CIT-IV, Delhi	Tianjin Tianshi India Pvt. Limited	2008-09	191.84
155.	263-CT	Delhi	CIT(Central)-I, Delhi	Dhruv India Limited	2010-11	139.66
156.	264-CT	Delhi	CIT-I, Delhi	Connaught Plaza Restaurants Pvt. Limited	2010-11	68.11
157.	265-CT	Delhi	DIT-I, Delhi	Fraport AG Frankfurt Airport Services Worldwide	2010-11	208.53
158.	266-CT	Delhi	CIT-I, Delhi	Aithent Technologies Pvt. Limited	2008-09	71.44
159.	270-CT	Maharashtra	CIT-II, Mumbai	Mahindra Navistar Automotives Limited	2009-10	2,174.82
160.	273-CT	West Bengal	Pr. CIT-3, Kolkata	Apeejay Tea Limited	2011-12	83.76
161.	275-CT	Tamil Nadu	CIT-5, Chennai	Optimus Outsourcing Co. Pvt. Limited	2005-06	52.85
162.	280-CT	Andhra Pradesh	CIT-Central, Hyderabad	Vamadeva Green Fields (P) Limited	2008-09	278.72
163.	289-CT	Maharashtra	CIT-Central-3, Mumbai	Oricon Enterprises Limited	2008-09	376.89

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
164.	292-CT	Maharashtra	CIT-2, Mumbai	Tata Sons Limited	2009-10	46,385.00
165.	293-CT	Maharashtra	CIT-II, Mumbai	Tata Steel Limited	2009-10	2681.13
166.	294-CT	Maharashtra	CIT-VIII, Mumbai	Tata Tele Services Maharashtra Limited	2011-12	8,519.96
167.	296-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	2010-11	16,423.00
168.	298-CT	Maharashtra	CIT-7, Mumbai	Grasim Industries Limited	2000-01	5,601.22
169.	299-CT	Maharashtra	CIT(IT)-3, Mumbai	Pictet Country Fund Mauritius limited	2010-11	618.44
170.	314-CT	Delhi	CIT-IV, Delhi	Global One India Pvt. Limited	2009-10	1,149.50
Administration of tax concessions/exemptions/deductions - Irregular exemptions/ deductions/ rebates/ relief/ MAT credit						
171.	71-CT	Maharashtra	CIT-14, Mumbai	WNS Global Services Limited	2009-10	956.89
172.	73-CT	Maharashtra	CIT-9, Mumbai	Aditya Birla Minacs Worldwide Limited	2009-10	62.68
173.	76-CT	Maharashtra	CIT-4, Pune	Vishay Components India Limited	2009-10	93.61
174.	79-CT	Goa	CIT, Panaji	Goa Sponge and Power Limited	2008-09	165.62
175.	84-CT	Tamil Nadu	CIT-LTU, Chennai	Cholamandalam MS General Insurance Company Limited	2009-10	190.58
176.	85-CT	Tamil Nadu	CIT-I, Chennai	Bally Technologies India Pvt. Limited	2007-08	69.08
177.	100-CT	Gujarat	CIT-I, Baroda	L. K. India Pvt. Limited	2008-09	76.58
178.	119-CT	West Bengal	Pr. CIT-4, Kolkata	Bengal Shelter Housing Development Limited	2011-12	142.80
179.	126-CT	Gujarat	CIT-I, Baroda	Kemrock Industries and Export Limited	2008-09	109.80
180.	131-CT	Karnataka	CIT-III, Bangalore	Shaw Wallace Breweries Limited	2008-09	563.32
181.	136-CT	UT Chandigarh	CIT-I, Chandigarh	Recorders and Medicare Pvt. Limited	2009-10	104.26
182.	162-CT	Maharashtra	CIT-14, Mumbai	Godrej Industries Limited	2010-11	61.72
183.	167-CT	Kerala	CIT-I, Kochi	Escapade Resorts Pvt. Limited	2009-10	128.40
184.	175-CT	Maharashtra	CIT-5, Mumbai	Tolani Shipping Company Limited	2004-05	210.16
185.	178-CT	Maharashtra	CIT-8, Mumbai	Yes Bank Limited	2008-09	610.44
186.	183-CT	Maharashtra	CIT-3, Mumbai	LIC of India	2009-10	756.65
187.	191-CT	Punjab	CIT-I, Ludhiana	SEL Manufacturing Co. Limited	2009-10	374.95
188.	192-CT	Haryana	CIT-Punchkula	Yamuna Power and Infrastructure Limited	2008-09	41.63
189.	239-CT	Tamil Nadu	CIT-2, Chennai	Indian Garnet Sand Co. Pvt. Limited	2009-10	80.46
190.	272-CT	Maharashtra	CIT-I, Mumbai	The New India Assurance Co. Limited	2010-11	8,202.35
191.	291-CT	Maharashtra	CIT-I, Mumbai	Alstom Projects India Limited	2008-09	621.33

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
192.	307-CT	Tamil Nadu	CIT-2, Chennai	Info Drive Software Limited	2009-10	172.05
Administration of tax concessions/exemptions/deductions - Incorrect allowance of business expenditure						
193.	42-CT	West Bengal	Pr. CIT-3, Kolkata	Mackeil Ispat and Forging Limited	2011-12	68.47
194.	48-CT	Tamil Nadu	CIT-2, Chennai	ETA General Private Limited	2008-09	436.54
195.	50-CT	Tamil Nadu	CIT-6, Chennai	Siva Compulink Limited	2009-10	51.25
196.	52-CT	Tamil Nadu	CIT-2, Chennai	Gold Nest Trading Company Limited	2011-12	56.85
197.	58-CT	Karnataka	CIT-I, Bangalore	ABB Global Industries and Services Limited	2010-11	95.28
198.	78-CT	Gujarat	CIT-II, Ahmedabad	Gruh Finance Limited	2009-10	56.40
199.	88-CT	Karnataka	CIT-I, Bangalore	Bangalore Electricity Supply Company Limited	2009-10	129.57
200.	99-CT	West Bengal	Pr. CIT-4, Kolkata	Durgapur Chemicals Limited	2011-12	143.50
201.	101-CT	Gujarat	CIT-Gandhinagar	Gujarat Industrial Development Corporation	2009-10	538.67
202.	106-CT	Odisha	CIT-Bhubaneswar	National Aluminium Company Limited	2011-12	1,809.00
203.	107-CT	Odisha	CIT-Bhubaneswar	Orissa Sponge Iron and Steel Limited	2011-12	750.11
204.	111-CT	Odisha	CIT-Cuttack	Orissa Stevedors Limited	2009-10	108.61
205.	114-CT	Delhi	CIT-IV, Delhi	Bharti Telemedia Limited	2010-11	278.36
206.	120-CT	West Bengal	Pr. CIT-2, Kolkata	Industrial Investment Bank of India Limited	2008-09	433.35
207.	122-CT	West Bengal	Pr. CIT-2, Kolkata	West Bengal Power Development Corporation Limited	2010-11	339.90
208.	124-CT	West Bengal	Pr. CIT-5, Kolkata	Nampa Steel and Power(India) Pvt. Limited	2009-10	125.85
209.	127-CT	Tamil Nadu	CIT-LTU, Chennai	Neyveli Lignite Corporation Limited	2011-12	439.80
210.	133-CT	Odisha	CIT-Bhubaneswar	Paradeep Phosphates Limited	2010-11	2,900.78
211.	135-CT	Haryana	CIT-Panchkula	Haryana Financial Corporation	2009-10	181.91
212.	140-CT	Gujarat	Pr. CIT-2, Baroda	MSK Project (India) Limited	2008-09	76.54
213.	144-CT	West Bengal	Pr. CIT-4-Kolkata	Oriental Carbon and Chemical Limited	2009-10	144.11
214.	146-CT	Karnataka	CIT-I, Bangalore	Bangalore Electricity Supply Co. Limited	2009-10	5,688.19
215.	147-CT	Karnataka	CIT-III, Bangalore	Royal Orchid Hotels Limited	2009-10	204.8
216.	151-CT	Rajasthan	CIT-Alwar	Lakhani Shoe Company Pvt. Limited	2009-10	25.22
217.	153-CT	Maharashtra	CIT-I, Pune	HSBC Software Development India Pvt. Limited	2009-10	255.37
218.	155-CT	Maharashtra	CIT-II, Mumbai	Kotak Mahindra Bank Limited	2009-10	324.61

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
219.	173-CT	Bihar	CIT-I, Patna	Bihar State Credit Investment Corporation Limited	2011-12	174.72
220.	176-CT	Maharashtra	CIT-14, Mumbai (New)	Indian Oil Corporation Limited	2008-09	1,308.62
221.	187-CT	Tamil Nadu	CIT-LTU, Chennai	Areva T and D Systems India Limited	2009-10	893.04
222.	193-CT	Maharashtra	CIT-I, Mumbai	Kumaka Industries Limited	2011-12	249.21
223.	197-CT	Maharashtra	CIT-8, Mumbai	Universal Music India Pvt. Limited	2009-10	51.57
224.	199-CT	Delhi	CIT-4, Delhi	Delhi Transco Limited	2009-10	239.19
225.	203-CT	Delhi	CIT-IV, Delhi	Dabur India Limited	2008-09	64.43
226.	211-CT	Bihar	CIT-I, Patna	Bihar State Hydro Electric Power Corporation Limited	2011-12	57.96
227.	213-CT	Delhi	CIT-3, Delhi	Dalmia Latex Limited	2011-12	61.37
228.	227-CT	Maharashtra	CIT-6, Pune	Kumar Housing Corporation Limited	2008-09	64.19
229.	236-CT	Karnataka	CIT-III, Bangalore	Motor World Pvt. Limited	2009-10	75.73
230.	240-CT	Tamil Nadu	CIT-3, Chennai	Tractors and Farm Equipments Limited	2010-11	102.28
231.	244-CT	Tamil Nadu	CIT-LTU, Chennai	Brakes India Limited	2008-09	128.03
232.	247-CT	West Bengal	Pr.CIT-2, Kolkata-	West Bengal Power Development Corporation Limited	2010-11	1,252.27
233.	248-CT	Haryana	CIT-Panchkula	Haryana Warehousing Corporation Limited	2009-10	582.33
234.	249-CT	Haryana	CIT-Panchkula	Haryana State Road and Bridges Development Corporation Limited	2009-10	40.86
235.	250-CT	Haryana	CIT-Panchkula	Haryana Vidyut Parsaran Nigam Pvt. Limited	2008-09	85.82
236.	251-CT	Andhra Pradesh	CIT-Central, Hyderabad	Pavitravathi Green Fields (P) Limited	2008-09	482.02
237.	258-CT	Maharashtra	CIT-6, Mumbai (new)	Asset Reconstruction Company India Limited	2011-12	66.53
238.	277-CT	Maharashtra	CIT-3, Mumbai	Wartsila India Limited	2007-08	64.86
239.	279-CT	Andhra Pradesh	CIT-Central, Hyderabad	Vamadeva Green Fields(P) Limited	2008-09	405.77
240.	281-CT	Andhra Pradesh	CIT-III, Hyderabad	Rain CII Carbon India Limited	2008-09	1542.95
241.	287-CT	Maharashtra	CIT-I, Mumbai	HDFC Standard Life Insurance Co Limited	2010-11	649.25
242.	288-CT	Maharashtra	CIT-Aurangabad	Jay Mahesh Sugar Industries Limited	2009-10	294.60
243.	304-CT	Tamil Nadu	CIT-2, Chennai	India Pistons Limited	2008-09	71.92
244.	306-CT	Tamil Nadu	CIT-2, Chennai	Empee Breweries Limited	2009-10	593.48
245.	310-CT	Tamil Nadu	CIT-I, Chennai	Barclays Investments and Loans India Limited	2008-09	766.53
246.	311-CT	Gujarat	CIT-I, Baroda	Gujarat State Electricity Corporation	2008-09	573.64

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
247.	312-CT	Tamil Nadu	CIT-I, Chennai	Coastal Energy Pvt. Limited	2008-09 & 09-10	1,532.25
248.	313-CT	Tamil Nadu	CIT-3, Chennai	Tebma Shipyards Limited	2008-09 & 09-10	1,825.28
Income escaping assessments due to omissions - Income not assessed/under assessed under special provision						
249.	9-CT	Rajasthan	CIT-I, Jodhpur	Rajasthan Gum Pvt. Limited	2010-11	183.90
250.	43-CT	West Bengal	Pr. CIT-I, Kolkata	Bonsai Network India Pvt. Limited	2008-09	56.28
251.	53-CT	Gujarat	CIT-II, Ahmedabad	Mono Steel India Limited	2010-11	523.56
252.	70-CT	Maharashtra	CIT-III, Mumbai	Rallies India Limited	2008-09	105.54
253.	80-CT	Goa	CIT-Panaji	Scholar Builders Private Limited	2011-12	134.05
254.	82-CT	Tamil Nadu	CIT-2, Chennai	The India Cements Limited	2008-09	941.14
255.	118-CT	Maharashtra	CIT-13, Mumbai	Neha Home Builders Pvt. Limited	2011-12 and 12-13	517.11
256.	137-CT	UT Chandigarh	CIT-I, Chandigarh	Indo Farm Equipment Limited	2011-12	29.17
257.	139-CT	Maharashtra	CIT-8, Mumbai	Reliance Communication Infrastructure Limited	2005-06	141.33
258.	154-CT	Maharashtra	CIT-8, Mumbai	Siemens Information Systems Limited	2003-04	494.22
259.	156-CT	Maharashtra	CIT-IV, Mumbai	Anand Rathi share and Stock Brokers Limited	2010-11	136.40
260.	165-CT	Andhra Pradesh	CIT-Tirupathi	Southern Power Distribution Company of AP Limited	2008-09	1,954.97
261.	181-CT	Maharashtra	CIT-CC-I, Mumbai	Temptation Foods Limited	2009-10	122.75
262.	186-CT	Gujarat	CIT-I, Baroda	Jyoti Limited	2006-07	52.45
263.	194-CT	Maharashtra	CIT-LTU, Mumbai	Nuclear Power Corporation of India Limited	2009-10	1,238.52
264.	215-CT	Delhi	CIT-3, Delhi	SMS Paryavaran Limited	2010-11	59.59
265.	222-CT	Maharashtra	CIT-I, Pune	Jog Engineering Limited	2008-09	121.71
266.	224-CT	Maharashtra	CIT-XI, Mumbai	Time Technoplast Limited	2011-12	51.72
267.	269-CT	Maharashtra	CIT-16, Mumbai (New)	Indusind Media and Communication Limited	2007-08, 2008-09 and 2009-10	639.27
268.	274-CT	West Bengal	Pr. CIT-2, Kolkata	Allahabad Bank	2010-11	1,830.00
Income escaping assessments due to omissions - Income not assessed/under assessed under normal provision						
269.	5-CT	Andhra Pradesh	CIT-II, Hyderabad	Jaipur Mahua Tollway Pvt. Limited	2009-10, 2010-11	195.68
270.	22-CT	West Bengal	Pr. CIT-I, Kolkata	Nira Firm Developers Pvt. Limited	2008-09	66.85
271.	63-CT	Delhi	CIT-III, Delhi	Servel Udyog Pvt. Limited	2010-11	71.72
272.	67-CT	Maharashtra	CIT-II, Mumbai	Tata Sons Limited	2010-11	73.72
273.	75-CT	Maharashtra	CIT-2, Mumbai	HDFC Bank Limited	2008-09	345.39
274.	134-CT	Odisha	CIT-Bhubaneswar	Western Electricity Supply Company of Orissa Limited	2010-11	621.49

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
275.	141-CT	Tamil Nadu	CIT-2, Chennai	J. Hotels Pvt. Limited	2009-10	62.45
276.	145-CT	West Bengal	Pr. CIT-I, Kolkata	Violet Commercial Pvt. Limited	2008-09	672.97
277.	164-CT	Andhra Pradesh	CIT-II, Visakhapatnam	Palm Tech India Limited	2008-09	384.35
278.	195-CT	Maharashtra	CIT-3, Mumbai	TGS Investment and Trade Pvt. Limited	2008-09	80.30
279.	196-CT	Maharashtra	CIT-10, Mumbai	Ipog International Limited	2008-09	747.86
280.	208-CT	Uttar Pradesh	CIT-Noida	L. G. Electronics India Pvt. Limited	2008-09	2,618.34
281.	209-CT	Uttar Pradesh	CIT-Noida	Aryan Corporate Solutions Pvt. Limited	2011-12	60.47
282.	238-CT	Gujarat	CIT-II, Surat	Surat CT Scan Pvt. Limited	2008-09	83.45
283.	283-CT	Odisha	CIT-Sambalpur	Deepak Steel & Power Limited	2008-09, 2010-11	867.01
284.	284-CT	Odisha	CIT-Sambalpur	Deepak Steel & Power Limited	2006-07	225.67
285.	285-CT	Odisha	CIT-Sambalpur	Deepak Steel & Power Limited	2009-10	78.59
286.	308-CT	Tamil Nadu	CIT-2, Chennai	Future Software Limited	2007-08	365.67
287.	309-CT	Tamil Nadu	CIT-I, Chennai	Aircel Limited	2010-11	89.23
Income escaping assessments due to omissions - Omissions in implementing provisions of TDS						
288.	6-CT	Andhra Pradesh	CIT-IV, Hyderabad	Progressive Constructions Limited	2011-12	171.05
289.	12-CT	West Bengal	Pr. CIT-I, Kolkata	BMW Industries Limited	2006-07	74.76
290.	98-CT	West Bengal	Pr. CIT-I, Kolkata	R. Piyarelall Import and Export Limited	2009-10	68.00
291.	242-CT	Tamil Nadu	CIT-Central-I, Chennai	Mother Mira Industries Limited	2007-08	100.49
292.	303-CT	Tamil Nadu	CIT-6, Chennai	Southern Agrifurance Industries Limited	2008-09	197.08
Over-charge of tax/interest - Overcharge of tax						
293.	3-CT	Andhra Pradesh	CIT-I, Hyderabad	Andhra Pradesh Beverages Corporation Limited	2011-12	210.96
294.	21-CT	Uttar Pradesh	CIT-II, Kanpur	Fine Indisales Pvt. Limited	2011-12	166.29
295.	29-CT	Delhi	CIT(Central)-II, Delhi	Nav Bharat International Limited	2009-10	78.63
296.	33-CT	Delhi	DIT(Intl. Tax) III, Delhi	SMS Meer Gmbh	2010-11	91.83
297.	66-CT	Maharashtra	CIT-I, Mumbai	Banhem Estate and IT parks Limited	2010-11	147.09
298.	109-CT	Odisha	CIT-Bhubaneswar	Western Electricity Supply of Orissa Limited	2011-12	1,960.50
299.	169-CT	West Bengal	Pr. CIT-4, Kolkata	M/s Molind Engineering Limited	2006-07	298.89
300.	207-CT	West Bengal	Pr. CIT-2, Kolkata	Duncans Industries Limited	2011-12	435.30
301.	217-CT	Delhi	CIT-9, Delhi	Taj Milk Foods Limited	2010-11	242.37
302.	228-CT	Delhi	CIT-VII, Delhi	Rightway Motors Pvt. Limited	2011-12	59.20

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
303.	230-CT	Delhi	CIT-I, Delhi	Connaught Plaza Restaurant Pvt. Limited	2011-12	50.94
304.	232-CT	Delhi	Pr. CIT-VII, Delhi	Rajatdeep Overseas Pvt. Limited	2011-12	60.43
305.	233-CT	Madhya Pradesh	CIT-Gwalior	Gahoi Foods Pvt. Limited	2007-08 to 11-12	276.99
306.	261-CT	Delhi	CIT-VI, Delhi	Tirupati Udyog Limited	2011-12	107.28
307.	282-CT	Andhra Pradesh	CIT-III, Hyderabad	Rain CII Carbon India Limited	2008-09	444.80
Over-charge of tax/interest - Overcharge of interest						
308.	38-CT	Delhi	CIT-IV, Delhi	HCL Comnet Limited	2010-11	350.08
309.	202-CT	Delhi	CIT-IV, Delhi	Hari Steel and General Industries Pvt. Limited	2005-06	242.29
310.	205-CT	West Bengal	Pr. CIT-2, Kolkata	Central Inland Water Transport Corporation Limited	2007-08	442.40
311.	206-CT	West Bengal	Pr. CIT-2, Kolkata	National Insurance Company Limited	2010-11	143.84
312.	243-CT	Gujarat	CIT-IV, Ahmedabad	Salasar Laminates Pvt. Limited	2005-06	73.70
Income and Wealth Tax						
Quality of assessments-Arithmetical errors in computation of Income and tax						
313.	78-IT	Kerala	CIT (Central), Kochi	Hotel Central Park	2010-11	28.55
314.	64-IT	Maharashtra	CIT-Kolhapur	Sonhira SSK Limited	2009-10	515.05
315.	63-IT	Maharashtra	CIT-IV, Pune	Bhima Sahakari Sakhar Karkhana Limited	2008-09	23.75
316.	43-IT	Delhi	CIT (Central)-II	Om Parkash Kukreja	2006-07; to 09-10; 2011-12	150.44
317.	40-IT	Gujarat	CIT-II, Surat	Sayan Vibhag Sahakari Khand Udhyog Mandali Limited	2010-11	881.05
318.	34-IT	Uttar Pradesh	Gorakhpur	Kisan Sahkari Chini Mills Limited	2008-09	5,237.17
319.	26-IT	Delhi	CIT-XI	Manya Exports	2011-12	62.12
320.	25-IT	Delhi	CIT(Central)-I	Rishu Gupta	2008-09	167.07
321.	23-IT	Delhi	CIT(Central)-II	Om Parkash Kukerja	2012-13	26.73
322.	19-IT	Delhi	CIT(Central)-III	Virendra Jain	2006-07	557.41
323.	135-IT	Maharashtra	CIT-1, Pune	Sanjivani Takli Sahkari Sakhar Karkhana Limited	2008-09	542.63
324.	11-IT	West Bengal	Pr. CIT (C) 1	Puspesh Kumar Baid	2012-13	28.92
325.	10-IT	West Bengal	Pr. CIT (C) 2	Kanika Maity	2012-13	34.10
326.	100-IT	Punjab	CIT 1 Ludhiana	S. E. Exports	2010-11	11.20
327.	08-IT	Gujarat	CIT-IV, Ahmedabad	L. G. Chaudhary	2009-10	47.77
328.	06-IT	Rajasthan	CIT-Ajmer	Narendra Singh	2010-11	26.07
Quality of assessments-Incorrect application of rates of tax, surcharge etc.						
329.	81-IT	Haryana	CIT Gurgaon	Hemant Kumar	2011-12	29.42
330.	79-IT	Odisha	Bhubaneswar	HCIL Adhikari ARSS JV	2010-11	746.12
331.	70-IT	Gujarat	CIT-III Ahmedabad	Balkrishna P. Trivedi	2008-09	55.97

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
332.	30-IT	Delhi	CIT-VIII	Col Mahavir Singh Dagar	2006-07	26.37
333.	27-IT	Delhi	CIT-VIII	Duli Chand	2006-07	45.64
334.	22-IT	Delhi	CIT(Central)-I	Sanjay kumar Singh	2011-12	1,736.01
335.	18-IT	Delhi	CIT(Central)-1	Rama Jain	2009-10	24.21
336.	04-IT	Maharashtra	CIT XIX, Mumbai	ITD ITD CEM JV	2009-10	34.50
Quality of assessments-Mistakes in levy of interest						
337.	95-IT	Karnataka	CIT-III Bangalore	Unique Services	2011-12	22.25
338.	89-IT	Uttar Pradesh	CIT Central Kanpur	Sanjay Kumar	2009-10; 2010-11; 2011-12	434.86
339.	84-IT	Maharashtra	CIT Central-1 Mumbai	Dilip C Shah	2007-08	780.02
340.	83-IT	UT Chandigarh	CIT-I Chandigarh	Punjab Building and Other Construction Workers Welfare Board	2010-11	51.19
341.	72-IT	Maharashtra	Pr. CIT Central-I Mumbai	Atul Amritlal Sanghvi	2007-08	780.04
342.	66-IT	Uttar Pradesh	CIT-Central Kanpur	Sandeep Kumar	2010-11; 2011-12	707.96
343.	46-IT	Tamil Nadu	CIT-3, Chennai	A. Jesu Rajendran	2007-08	55.17
344.	32-IT	West Bengal	Pr. CIT Central 2 Kolkata	Rameswar Poddar	2010-11	20.02
345.	31-IT	West Bengal	Pr. CIT Central 1	Puspesh Kumar Baid	2008-09	41.99
346.	28-IT	Delhi	CIT- (C)-II	Anil Aggarwal	2008-09	35.98
347.	21-IT	Delhi	CIT (Central) -I	Gurmeet Singh	2006-07	20.04
348.	20-IT	Delhi	CIT (Central)-1	Sanjay Kumar	2011-12	106.49
349.	17-IT	Uttar Pradesh	CIT Central Kanpur	Deepak Kumar	2009-10; 2010-11; 2011-12	305.86
350.	14-IT	West Bengal	Pr. CIT (C) 2	Ramendra Mohan Sarkar	2011-12	24.00
351.	13-IT	West Bengal	Pr. CIT (C) 2	Sukanta Deb	2011-12	24.02
352.	139-IT	Maharashtra	CIT-2, Kolhapur	Jawahar Shetkari Sahkari Sakhar Karkhana Limited	1997-98; 1998-99; 1999-2000; 2000-01	286.01
353.	137-IT	Maharashtra	Pr. CIT-2, Kolhapur	Jawahar Shetkari Sahakari Sakhar Karkhana Limited	2010-11	449.18
354.	136-IT	Madhya Pradesh	Bhopal	Prakhar Construction Builders and Developers	2009-10; 2010-11	54.62
355.	131-IT	Delhi	CIT, CC-II	Ashok Malhotra	2006-07; 2007-08; 2008-09	131.89
356.	129-IT	Uttar Pradesh	CIT Central Kanpur	Amit Bansal	2009-10; 2010-11; 2011-12	49.97
357.	126-IT	Uttar Pradesh	CIT-II Lucknow	Sagar Educational Society	2007-08; 2008-09	57.65
358.	125-IT	Maharashtra	CIT-Central Nagpur	Mitesh G Bhangdiya	2012-13	42.89
359.	115-IT	Tamil Nadu	CIT-2, Chennai	S. V. Sunil Kumar	2006-07	23.38

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
360.	114-IT	Madhya Pradesh	CIT-I, Indore	Manjeet Singh Rajpal	2010-11; 2011-12	152.00
361.	113-IT	Madhya Pradesh	CIT-Central, Bhopal	Mukesh Sangla	2010-11; 2011-12	299.00
362.	112-IT	Madhya Pradesh	CIT-I, Indore	Rebeka Garg	2003-04; 2004-05	191.38
363.	106-IT	West Bengal	Pr. CIT Central-2, Kolkata	Ravi Kumar Agarwal	2009-10	34.04
364.	103-IT	Delhi	CIT(Central)- I	Rajeev Kumar	2008-09	36.24
365.	02-IT	Andhra Pradesh	CIT (Central), Hyderabad	Raghu Rama Krishna Raju	2010-11	246.81
Quality of assessments-Mistakes in assessment while giving effect to appellate orders						
366.	90-IT	Bihar	CIT - I Patna	Madhya Bihar Gramin Bank	2010-11	15.14
Administration of tax concessions/exemptions/deductions-Irregular exemptions/ deductions/relief given to Individuals						
367.	98-IT	Tamil Nadu	CIT-Intl. Taxn. Chennai	J. Muthukumar	2010-11	22.41
368.	77-IT	Kerala	CIT Kozhikode	P. V. Hemalatha	2009-10	140.52
369.	71-IT	Maharashtra	CIT-II Pune	Rekha Dilip Bhide	2009-10	29.46
370.	42-IT	Karnataka	CIT III Bangalore	Narasimha Murthy Prahalad	2008-09	23.23
371.	116-IT	Rajasthan	CIT 1 Jaipur	Padam Chand Dhadda	2011-12	24.52
372.	109-IT	Uttarakhand	Haldwani	Praveen Kumar Sharma	2009-10	12.95
373.	102-IT	UT Chandigarh	CIT-I Chandigarh	Mahipinder Singh Sandhu	2010-11	11.05
Administration of tax concessions/exemptions/deductions-Irregular exemptions/ deductions/relief given to Trusts/Firms/Societies/AOPs						
374.	91-IT	Bihar	CIT-I Patna	Reserve Bank Employees Co-operative Thrift and Credit Society Limited	2010-11	14.00
375.	45-IT	Gujarat	CIT-Gandhinagar	Gujarat Council of Vocational Training	2009-10	116.46
376.	39-IT	Gujarat	CIT-I, Baroda	Gujarat Rural Institute for Socio Economic Reconstruction	2009-10	38.08
377.	33-IT	West Bengal	Pr. CIT-12, Kolkata	Atmaram & Company	2012-13	59.89
378.	141-IT	Tamil Nadu	CIT-1 Madurai	Tuticorin Port Trust	2009-10; 2010-11	916.24
379.	121-IT	Uttar Pradesh	CIT-I Kanpur	Mehra Brothers	2011-12	194.11
380.	110-IT	Delhi	CIT(E)	Pt. Kanhahya Lal Dayawanti Punj Charitable Trust	2006-07; 2007-08	134.84
381.	01-IT	Andhra Pradesh	DIT (E), Hyderabad	National Academy of Construction	2009-10	131.37
Administration of tax concessions/exemptions/deductions-Incorrect allowance of business expenditure						
382.	99-IT	Jammu & Kashmir	CIT Jammu	Ellaquai Dehati Bank	2009-10	19.30
383.	97-IT	Karnataka	CIT III Bangalore	Union Builders and Developers	2009-10	35.42
384.	88-IT	Uttar Pradesh	Varanasi	Zila Sahkari Bank Limited	2007-08	116.53

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
385.	62-IT	Maharashtra	CIT-IV, Pune	Wainganga Krishna Gramin Bank	2010-11	138.70
386.	61-IT	Maharashtra	CIT-IV Pune	Siddharth Sahakari Co-operative Bank Limited	2010-11	61.96
387.	60-IT	Maharashtra	CIT-1 Pune	Kukadi Sahakari Sakhar Karkhana Limited	2011-12	70.64
388.	58-IT	Haryana	CIT Panchkula	Haryana State Co-operative Apex Bank Limited	2008-09	33.86
389.	57-IT	Haryana	CIT Panchkula	Haryana State Co-operative Apex Bank Limited	2009-10	123.65
390.	55-IT	Odisha	Cuttack	Cuttack Development Authority	2009-10	117.89
391.	54-IT	Maharashtra	CIT-II, Kolhapur	The Sindhudhurg District Central Co-operative Bank Limited	2007-08	49.77
392.	50-IT	Gujarat	CIT-Valsad	Sardar Bhiladwala Pardi Peoples CoOperative Bank	2008-09	44.28
393.	37-IT	Gujarat	CIT-I, Baroda	Sukhbinder Singh M Gill	2010-11	34.28
394.	36-IT	Tamil Nadu	CIT-1, Chennai	Tamil Nadu Co-operative State Land Development Bank Limited	2009-10	4,766.72
395.	16-IT	Uttar Pradesh	Meerut	Ramala Sahkari Chini Mills Limited	2008-09	121.30
396.	140-IT	Uttar Pradesh	Faizabad	Gayatri Construction	2008-09	49.97
397.	134-IT	Maharashtra	CIT-III, Pune	Shriram Krishnaji Surve	2009-10	33.99
398.	12-IT	West Bengal	Pr. CIT 4 Kolkata	Sabitri Devi Amita Jaiswal and Others	2009-10	67.92
399.	128-IT	Uttar Pradesh	Varanasi	Ansari Construction Enterprises	2008-09	47.29
400.	127-IT	Uttar Pradesh	CIT II Kanpur	Triveni Kshetriya Gramin Bank Limited	2009-10	35.60
401.	123-IT	Jammu & Kashmir	CIT Jammu	Ellaquai Dehati Bank	2009-10	10.60
402.	122-IT	UT Chandigarh	CIT-II Chandigarh	Shiv Kumar Sharma	2011-12	27.57
403.	105-IT	West Bengal	Pr. CIT 4 Kolkata	Savitri Devi Rajesh Kumar and Others	2009-10	29.91
404.	05-IT	Maharashtra	CIT Central I, Mumbai	Lilavati Kiritmal Mehta Medical Trust	2007-08	41.84
Administration of tax concessions/exemptions/deductions-Irregularities in allowing depreciation/business losses/capital losses						
405.	94-IT	Maharashtra	CIT-XXIV	Rajan R Bhal	2009-10	37.46
406.	86-IT	Maharashtra	CIT-II Pune	Jitendra Santokhsingh Gadhoke	2009-10; 2010-11	56.69
407.	85-IT	Maharashtra	CIT-I Mumbai	The Kunbi Sahakari Bank Limited	2011-12	126.37
408.	74-IT	Maharashtra	CIT-1 Pune	Jagdamba SSK Limited	2008-09	82.98
409.	69-IT	Gujarat	CIT-I Baroda	The Dabhoi Nagrik Sahkari Co-op. Bank Limited	2009-10	117.87
410.	53-IT	West Bengal	Pr. CIT-IX, Kolkata	Haldia Development Authority	2010-11	480.87

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
411.	44-IT	Maharashtra	CIT-IV Pune	Chandrabhaga Sahakari Sakhar Karkhana Limited	2008-09	67.10
412.	15-IT	West Bengal	Pr. CIT 10 Kolkata	Raghuvendra Pratap Singh	2012-13	45.57
413.	124-IT	Maharashtra	CIT 1 Pune	Bhimashankar Sahkari Sakhar Karkhana Limited	2009-10	29.14
414.	118-IT	Bihar	CIT-I, Patna	Bihar Industrial Area Development Authority Patna	2011-12	234.75
415.	111-IT	Delhi	DIT Exemption	Institute of Sisters of Charity	2011-12	91.11
Income escaping assessment due to omissions-Incorrect classification and computation of capital gains						
416.	96-IT	Karnataka	CIT-Central Bengaluru	D K Shivakumar	2010-11	25.15
417.	68-IT	Gujarat	Pr. CIT-4, Ahmedabad	Mayur Mukundbhai Desai	2009-10	96.95
418.	48-IT	Rajasthan	CIT-1, Jodhpur	Shanti Lal Bhandari	2011-12	19.14
Income escaping assessment due to omissions-Incorrect computation of income						
419.	93-IT	Jharkhand	Ranchi	Jharkhand Trading Company	2010-11	148.92
420.	92-IT	Jharkhand	Jamshedpur	Sahu Timber	2010-11	12.09
421.	76-IT	Gujarat	CIT-I, Baroda	Nainudevi Amrutbhai Prajapati	2009-10	68.74
422.	73-IT	Maharashtra	CIT-1, Pune	Bhima Shankar SSK Limited	2011-12	332.12
423.	65-IT	Bihar	CIT-I Patna	The Bihar Awami Cooperative Bank Limited	2010-11	10.40
424.	35-IT	Rajasthan	Udaipur	Mansoor Ahamed	2009-10	10.74
425.	138-IT	Maharashtra	CC-1 Nagpur	Sanjay Heda	2007-08; 2010-11; 2011-12	77.19
426.	132-IT	Chhattisgarh	CIT-Raipur	Atul Kumar Sinha	2008-09	81.10
427.	117-IT	Assam	CIT-Dibrugarh	Jagdish Prasad Bagri	2008-09	14.38
428.	108-IT	Uttarakhand	Haldwani	Sanjay Kumar Chauhan	2010-11	32.71
429.	107-IT	Uttar Pradesh	Ghaziabad	Ghaziabad Development Authority	2009-10	195.97
430.	07-IT	Rajasthan	CIT-III Jaipur	Lala Ram Choudhary	2009-10	10.35
431.	03-IT	Maharashtra	CIT Central II Mumbai	Kamal Jajoo	2010-11	30.90
Income escaping assessment due to omissions-Omission in implementing provisions of TDS/TCS						
432.	75-IT	Gujarat	CIT-Jamnagar	Chhayaben Ajaykumar Shah	2009-10	21.72
433.	67-IT	West Bengal	CIT-Burdwan	Bishnu Ghosh	2008-09	31.35
434.	52-IT	Jharkhand	CIT-Dhanbad	Bhagirath Choudhary	2009-10	16.32
435.	120-IT	Jharkhand	CIT-Ranchi	Om Prakash Singh	2010-11	185.85
436.	119-IT	Jharkhand	CIT-Ranchi	Hari Bandhu Sinha	2008-09	32.61
Income escaping assessment due to omissions-Unexplained investment/ Cash Credit						
437.	49-IT	Rajasthan	CIT-Jodhpur-I	Umesh Bhandari	2011-12	15.60
438.	47-IT	Rajasthan	CIT-2, Jaipur	Suresh Kumar Khandelwal	2011-12	12.83
439.	41-IT	Gujarat	CIT-II, Ahmedabad	Rajnikant Shivlal Modi	2009-10	24.71
440.	133-IT	Chhattisgarh	CIT-II Raipur	Shiv Kumar Khare	2008-09	33.97

Sl. No.	CAG DP No.	State	CIT Charge	Assessee's name	AY(s)	TE ₹ in lakh
441.	130-IT	West Bengal	Pr. CIT-15 Kolkata	Madan Mohan Chowdhury	2008-09	91.79
442.	09-IT	West Bengal	Pr. CIT-Asansol	Rahul Kumar Agarwal	2008-09	58.64
Income escaping assessment due to omissions-Non/short levy of wealth tax						
443.	01-WT	West Bengal	Pr. CIT-4, Kolkata	Creative Bakers and Confectioners Pvt Limited	2009-10; 2010-11	2.64
444.	02-WT	Gujarat	CIT-5, Ahmedabad	Bharat kumar Jayantilal Patel	2010-11	2.56
445.	03-WT	Karnataka	CIT-III Bangalore	Lohit Puneet Rajkumar	2010-11	3.75
446.	04-WT	Karnataka	CIT-II Bangalore	Razia Khanum	2006-07; 2007-08; 2010-11	3.26
447.	05-WT	Maharashtra	CIT-III Mumbai	Kanayo Khubchand Motwani	2008-09	3.75
448.	06-WT	West Bengal	Pr. CIT Central-2	Parijat Vyapaar Private Limited	2011-12	2.35
Others-Over charge of tax/interest						
449.	82-IT	Punjab	CIT Central Ludhiana	Tilak Raj Bedi	2010-11	36.18
450.	80-IT	Haryana	CIT-Central Gurgaon	Swami Devi Dyal Hi Tech Educational Academy	2008-09; 2009-10	302.80
451.	59-IT	Haryana	CIT Panchkula	Haryana Urban Development Authority	2010-11	286.33
452.	56-IT	Odisha	Bhubaneswar	Nayagarh District Central Co-operative Bank Limited	2011-12	14.24
453.	38-IT	Gujarat	CIT-3, Ahmedabad	Vishal Engineers and Galvanizers	2008-09	34.69
454.	104-IT	Delhi	CIT(Central)-1	Sanjay Kumar	2010-11	403.79
455.	101-IT	UT Chandigarh	CIT-II Chandigarh	Sai Apartments and Infrastructure	2011-12	21.96

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**	**147**	**592.02**
a.	Arithmetical errors in computation of income and tax	59	248.03
b.	Incorrect application of rate of tax, surcharge etc.	21	60.78
c.	Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	51	207.75
d.	Excess or irregular refunds/interest on refunds	11	39.80
e.	Mistake in assessment while giving effect to appellate orders	05	38.66
B.	**Administration of tax concessions/exemptions/ deductions**	**204**	**1,889.97**
a.	Irregular exemptions/deductions/reliefs given to Corporate	22	137.95
b.	Irregular exemptions/deductions/reliefs given to Trusts/ Firms/Societies	08	16.05
c.	Irregular exemptions/deductions/reliefs given to individuals	07	2.64
d.	Incorrect allowance of Business Expenditure	79	360.43
e.	Irregularities in allowing depreciation/business losses/ Capital losses	88	1,372.90
C.	**Income escaping assessment due to omissions**	**77**	**193.67**
a.	Under special provisions including MAT/Tonnage Tax etc.	20	93.34
b.	Incorrect classification and Computation of Capital Gains	03	1.41
c.	Incorrect Computation of Income	32	87.37
d.	Omission in implementing provisions of TDS/TCS	10	8.99
e.	Non/short levy of wealth tax	06	0.18
f.	Unexplained investment/ cash credit	06	2.38
D.	**Others**	**27**	**69.84**
	Over charge of tax/interest	27	69.84
	Total	**455**	**2,745.50**

Appendix 2.5 (Reference: Paragraph 2.7.4)

Cases where remedial action has become time barred in FY 2014-15		
State	**Audit observations where remedial action became time barred**	
	Cases	**Tax effect (₹ in crore)**
Andhra Pradesh	147	46.34
Assam	0	0
Bihar	54	2.08
Chhattisgarh	15	2.02
Delhi	0	0
Goa	0	0
Gujarat	60	35.99
Haryana	432	46.04
Himachal Pradesh	318	8.63
Jammu & Kashmir	19	0.15
Jharkhand	2	4.70
Karnataka	11	15.98
Kerala	11	3.28
Madhya Pradesh	44	6.83
Maharashtra	386	80.53
Odisha	74	44.82
Punjab	288	25.93
UT Chandigarh	12	0.58
Rajasthan	242	8.28
Tamil Nadu	1,601	2,131.45
Uttar Pradesh	93	17.84
Uttarakhand	0	0.00
West Bengal	72	9.31
Total	**3,881**	**2,490.78**

Appendix 2.6 (Reference: Paragraph 2.8.2)

States	Records requisitioned in FY 2014-15	Records not produced in FY 2014-15	Percentage of records not produced in FY 2014-15	Percentage of records not produced in FY 2013-14	Percentage of records not produced in FY 2012-13
Andhra Pradesh	13,580	1,416	10.43	17.38	7.74
Assam	1,482	18	1.21	0.34	1.16
Bihar	2,415	324	13.42	13.52	28.74
Chhattisgarh	842	226	26.84	1.32	17.49
Delhi	37,483	9,300	24.81	18.24	21.37
Goa	509	02	0.39	0.00	1.09
Gujarat	29,915	1,923	6.43	13.59	16.47
Haryana	5,040	385	7.64	3.10	6.63
Himachal Pradesh	997	110	11.03	7.94	10.56
Jammu & Kashmir	706	113	16.01	13.19	20.59
Jharkhand	1,645	199	12.09	6.55	3.27
Karnataka	12,940	1,237	9.56	25.44	14.25
Kerala	6,783	798	11.76	9.90	12.93
Madhya Pradesh	13,282	2,665	20.06	16.87	25.73
Maharashtra	62,110	3,596	5.79	4.85	4.22
Odisha	4,457	436	9.78	31.62	37.00
Punjab	4,630	699	15.10	17.47	21.82
UT Chandigarh	2,878	1,194	41.49	17.09	40.53
Rajasthan	17,089	1,495	8.75	8.27	7.13
Tamil Nadu	22,259	5,571	25.03	22.51	32.05
Uttar Pradesh	19,180	598	3.11	5.30	8.44
Uttarakhand	1,300	9	0.69	4.29	4.34
West Bengal	17,435	1,222	7.01	10.56	4.36
Total	**2,78,957**	**33,536**	**12.02**	**13.44**	**14.70**

Abbreviations

ACIT	Assistant Commissioner of Income Tax
Act	Income Tax Act, 1961
ADCR	Arrear Demand Collection Register
AEs	Associate Enterprises
AIR	Annual Information Return
ALP	Arm's Length Price
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 Office
CT	Corporation Tax
D&RC	Demand and Collection Register
DOR	Department of Revenue
DRP	Dispute Resolution Panel
DT	Direct Taxes
DW&BI	Data warehouse and business intelligence
ECB	External Commercial Borrowing
FY	Financial Year
GDP	Gross Domestic Product
GTR	Gross Tax Receipts
IC	Irrecoverability Certificates
ICAI	Institute of Chartered Accounts of India
IRLA	Individual Running Ledger Account
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
PAC	Public Accounts Committee
PAN	Permanent Account Number
Pr. CCA	Principal Chief Controller and Accounts
MAT	Minimum Alternate Tax
MOP	Manual of Office Procedure

RBI	Reserve Bank of India
RFD	Results Framework Documents
ROC	Registrar of Companies
TARC	Tax Administration Reforms Commission
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TRCs	Tax Recovery Certificates
TRO	Tax Recovery Officer