EIGHTIETH REPORT

PUBLIC ACCOUNTS COMMITTEE (1981-82)

(SEVENTH LOK SABHA)

M/s. INTERNATIONAL COMPUTERS LTD., U.K.

MINISTRY OF FINANCE
(Department of Revenue)

[Action Taken on 28th Report of Public Accounts Committee (Seventh Lok Sabha)]

Presented in Lok Sabha on 5 APR 1982
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

March, 1982/*Phalguna,* 1903 (*Saka*)

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*Ceased to be a Member of the Committee consequent on his appointment as a Deputy Minister w.e.f. 15 January, 1982.

**Ceased to be a Member of the Committee consequent on his appointment as a Minister of State w.e.f. 15 January, 1982 .

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Eightieth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twenty-Eight Report (Seventh Lok Sabha) on M/s. International Computers Ltd., U.K.

2. In this Report, the Committee have highlighted the need to review the working of the Foreign Tax Division so as to make it an effective instrument in the hands of government to monitor and control the operations of the foreign companies in regard to taxation matters. The Committee have also desired Government to enlarge and streamline the functioning of the Foreign Tax Division and the Special Cell with a view to enabling them to provide active guidance and assistance to field units in the disposal of bigger cases of tax assessments of foreign companies.

3. The Committee considered and adopted this report at their sitting held on 3 March, 1982. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
March 8, 1982
Phalguna 17, 1903 (S)

SATISH AGARWAL
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the recommendations and observations of the Committee contained in their 28th Report (7th Lok Sabha) on the Ministry of Finance (Department of Revenue)—M/s International Computers Ltd., U.K.

1.2. The Committee's 28th Report was presented to Lok Sabha on 3 April, 1981. The action taken Notes on all the 20 recommendations/observations contained in the Report have been received from Government and these have been categorised as follows :

(i) **Recommendations or observations that have been accepted by Government :**

Sl. Nos. 1, 7, 8, 9, 10, 12 and 17.

(ii) **Recommendations or observations which the Committee do not desire to pursue in the light of the replies received from Government :**

Sl. Nos. 3, 11, 13 and 18.

(iii) **Recommendations or observations replies to which have not been accepted by the Committee and which require reiteration :**

Sl. Nos. 2, 4, 5, 6, 15, 16 and 19.

(iv) **Recommendations or observations in respect of which Government have furnished interim replies :**

Sl. Nos. 14 and 20.

1.3. The Committee expect that final replies to those recommendations or observations in respect of which only interim replies have so far been furnished will be made available to them expeditiously after getting them vetted by audit.

1.4. The Committee will now deal with the action taken by Government on some of the recommendations/observations.

Errors in the Income-tax assessment of M/s International Computers Ltd.

(S. Nos. 2, 4, 5 and 6— Paragraph Nos. 1.31, 1.33, 1.34 and 1.35)

1.5. In Para 1.31 of the 28th Report, the Committee had observed :

"In this connection, the Committee note that during evidence in September, 1978, the representative of the Ministry of Finance admitted before the Committee that the statements made by the foreign company, on the basis of which assessments were initially made, were 'completely uncorroborated by any evidence', by that these were not supported even 'a certificate from the London auditors' and that 'there was over charge of head-office expenses'. The Ministry of Finance have, however, submitted before the Committee that no action could be taken under Section 147(a) of the Income-tax Act, 1961 to reopen the assessments in respect of the foreign company for the period 1961-62 to 1971-72 as, in the opinion of the Government, the Company had disclosed fully and truly all material facts necessary for assessment. The approximate loss of revenue on this account, according to the Ministry's own calculations, works out to Rs. 38 lakhs. Since the mistake reveals palpable negligence on the part of the assessing and other supervisory officers resulting in a sizeable loss of revenue, the Committee recommend that the responsibility therefore should be fixed on the officers concerned and appropriate action should be taken against those responsible."

1.6. In their action taken note dated 27 November, 1981, the Ministry of Finance have stated :

"The reference to the representative of the Ministry of Finance in this para seems to be in respect of item 18 of the points arising out of the evidence held in September 1978. The relevant extract of the item 18 and its reply are reproduced below :

Item 18

The Ministry have stated in their reply of 28th August, 1978, that in other countries where the non-resident company was itself performing the services which have been performed in India i.e., maintenance of the machines and other services through its subsidiaries, the expenses were reported to be roughly 55% of the gross rental receipts in those countries. What is the basis for this statement and what are the documents the Ministry have relied upon in support of their reply to this effect ? Has this statement been certified by the foreign auditors of the company ?

Reply :

The basis for this statement was the letter dated 15-5-63 from Shri L.C. Mehta, Secretary and Financial Adviser of the Company addressed to the ITO Com. cir. IV(2) Bombay. The above mentioned letter does not appear to have been certified by the Company's foreign auditors.

Therefore, the statement that the relevant letter was not certified by the Company's foreign auditor was made in the context of the statement that in other countries where the non-resident was itself performing the services which have been performed in India i.e., the maintenance of the machines and other services, through its subsidiaries, the expenses were reported to be roughly 55% of the gross rental receipts in those countries. The statement was not in the context whether the company had disclosed fully and truly all material facts necessary for assessment. As regards the question whether the company had disclosed fully and truly all material facts necessary for assessment, the facts are that the assessment record for the assessment year 1961-62 shows that the assessee company had filed a copy of the auditor's certificate vide its letter dated 19 September, 1961 giving the schedule of Head Office expenses duly certified by M/s Deloilte Plender Griffinths & Co., C.As of London. Tehereafter, various other details were filed vide their letters dated 7-9-62, 30-1-63, 15-5-63, 10-12-63 and 7-8-64. After considering all this evidence the ITO accepted the assessee's basis of allowance of Head Office expenses. The ITO has also recorded the following office note to the assessment order for assessment year 1961-62 :

"The basis on which administrative expenses have been allowed is the same as in the past. The question of changing the basis for allowing administrative expenses was discussed with the CIT and he has directed by his letter B.C.No.TV/32/321-63/63(2) dated 27-2-64 that the old procedure which has been hitherto adopted does not require any revision. As such the basis for allowing administrative expenses has not been disturbed."

It may also be mentioned that the company used to file the following statements every year :

(i) Schedule of Head Office charges showing broadly the major heads under which the head office expenses were incurred. Further details under each head and under various sub-heads were also supplied.

(ii) A statement signed by the Company's Chartered Accountant showing the analysis of expenses. Further, the statement filed showed the apportionment of head office expenses charged to India.

These statements were accepted and the head office expenses were allowed on the basis of the certificate of the Chartered Accountant.

In view of the facts discussed above, it appears that the assessee had disclosed all the material facts necessary for assessment. Since the deduction was allowed after considering all the facts, the withdrawal of the excess allowance of the Head Office expenses would amount to merely a change of opinion for which section 147(a) cannot be invoked. Thus there was no negligence on the part of the assessing and other supervisory officers and hence there is no need to fix the responsibility on any of the officers."

1.7. In Para 1.33, the Committee further observed :

"The Committee observe in this connection that Inspecting Assistant Commissioner (Audit) had communicated, vide his letter dated 29-8-77 to the Inspecting Assistant Commissioner of the Range concerned the approval of the Commissioner of Income-tax for re-opening of the assessments for the years 1961-62 to 1972-73 under section 147(a) of the Income Tax Act for wrong allowance of Head Office expenses. The Committee find it baffling as to why no action on the lines suggested by the Commissioner was taken by the Commissioner incharge of the Range. It seems that the Ministry's view that the old assessments could not be re-opened under section 147(a) on the ground of excessive allowance of Head Office expenses, is a belated attempt to justify the culpable inaction on the part of the Inspecting Assistant Commissioner concerned. The causes for inaction on the part of the Inspecting Asstt. Commissioner concerned despite the clear direction of the Commissioner need to be thoroughly investigated especially with a view to finding out whether it was *inter alia* due to any undue influence on the part of the multi-national corporation."

1.8. The Ministry of Finance in their Action Taken Note dated 27 November. 1981 have stated :

"The above observations and recommendations of the PAC are based on the letter of I.A.C., Audit addressed to Addl. A.G. Bombay, a copy of which was marked to IAC., Foreign Companies Range-I, Bombay alongwith recommendations for remedial action. Although in the letter addressed to Addl. A.G. the audit objection was rejected but in the copy marked to the IAC the IAC Audit with the approval of CIT recommended protective measures to be taken by Range IAC after scrutinising assessee's claim. Vide his reply dt. 3 April, 1978 vide FCR-I/CT/5171/Audit/78-79 .the then IAC Foreign Companies Range-I had made the necessary scrutiny of assessees claim and informed the IAC Audit that there was no ground for reopening of the assessment of earlier years for Head Office expenses. However since the assessee had not offered for tax the sale proceeds of scrapped machines the assessments could be reopened for assessment years 1967-68 onwards which were accordingly reopened. After the reply of the IAC Foreign Companies Range-I dated 3 April, 1978, there is no letter on record indicating any disagreement by the IAC Audit on the report of the IAC, FCR-I and therefore, there was no reason for the IAC, FCR-I to take further action for reopening the assessments for the assessment years 1961-62 to 1966-67 which has now been objected to by the PAC.

In view of the facts stated in preceding para, there was no inaction on the part of the Inspecting Assistant Commissioner concerned and, hence, no further action is necessary."

1.9. Referring to the unjustified allowance of interest which deprived revenue of tax to the extent of Rs.6.20 lakhs in this case, the Committee in para 1.34 of the Report observed :

"It was admitted before the Committee that the foreign company had not hired out any new machines to its Indian subsidiary after the assessment year 1968-69 and that its business income in India from the year 1969-70 onwards had arisen out of the existing machines already on hire in India. Yet, the Committee find that during the period 1969-70 to 1974-75, a sum of Rs.8.76 lakhs being the interest paid on loans raised by such foreign company has been included in the head office expenses and allowed as a deduction against Indian income. Obviously, the loans raised by the company after 1968-69 were for the company's world wide business activities and could not at all be related to the Indian income. Interest expenditure incurred by the head office, if directly related to the Indian business on revenue account would be a direct deductible expenditure in its entirety. Head office expenses are, in fact, only those expenses which are incurred for composite business as such and, therefore, incapable of deduction without apportionment. The unjustified allowance of interest, deprived the revenue of tax to the extent of Rs. 6.20 lakhs. The Committee consider this as one more instance of negligence on the part of the assessing authorities which needs to be enquired into.

The Committee would like the Ministry of Finance to take suitable remedial action to recover the tax due from the assessee on this account under intimation to the Committee. The question of issuing suitable instructions for future guidance may also be taken up."

1.10. In their Action Taken Note dated 27 November, 1981, the Ministry have stated :

"The issue raised by the Committee has already been dealt in the assessment proceedings for A. Ys 1972-73 to 1974-75 which have been completed. Assessments for A. Ys 1969-70 to 1971-72 will be completed during the current financial year and the point raised by the PAC will be kept in view."

1.11. The Committee finally observed in Para 1.35 of the Report :

"Considering the nature, gravity and number of errors both of commission and omission noticed in this case, the Committee would urge that this case should be investigated thoroughly by the Special Cell of the Directorate of Inspection (Investigation) in conjunction with the other cases like that of the IBM World Trade Corporation. The Committee would like to be informed of the results of such investigations."

1.12. In their action taken note dated 6 October, 1981, the Ministry of Finance have informed the Committee :

"As recommended by the Committee, the Director of Inspection (Special Investigation) (as the Special Cell is now designated) has been assigned the case of M/s International Computers Ltd., U.K. The results of investigation will be communicated to the Committee after investigation is completed."

1.13. In Paras 1.31, 1.33, 1.34 and 1.35 of the 28th Report, the Committee had drawn attention to certain acts of omission and commission on the part of the Income-tax authorities in the case of M/s International Computers Ltd., U.K. The Committee had recommended that the case should be investigated thoroughly by the Special Cell of the Directorate of Investigation in conjunction with the other cases like that of the IBM World Trade Corporation. In pursuance of the recommendation, Government have assigned the case of M/s International Computers Ltd., U.K. to the Director of Inspection (Special Investigation)* for examining the nature and gravity of errors,

*As now designated.

both of commission and omission, noticed in this case. The Committee desire that the results of investigations and the remedial measures taken should be communicated to them at the earliest.

Review of the working of the Foreign Tax Division and Special Cell in the Directorate of Inspection

(S. Nos. 15, 16 and 19—Para Nos. 2.27, 2.28 and 2.31)

1.14. In paras 2.27 and 2.28 of the 28th Report the Committee had drawn attention to the absence of a proper system of management information in the Ministry of Finance to enable the Ministry to regulate the operations of the foreign companies. The Committee observed :

"The primary weakness, in designing and enforcing adequate control mechanisms, seems to be threefold. Firstly, piecemeal solutions are sought to be found in the shape of *ad hoc* amendments to various laws and procedures, as and when certain specific irregularities are highlighted, without creating a machinery for a total and coordinated approach. Secondly, there is no system of building up management information and relevant as well as up-to-date data so as to design as well as monitor policy based on concrete facts and figures. Thirdly, and most importantly, there seems to be a total and all prevasive lack of will, for whatever reasons, to regulate the operations of these foreign companies in tune with the pronounced policy objectives and national interests."

1.15. In their Action Taken Note dated 6 October, 1981 the Ministry of Finance have stated :

"The observations seem to be connected with the next recommendation. In fact, it appears that they are prefatory in nature and lead to the next recommendations. Hence these observations have been considered while replying the subsequent paras."

1.16. The Committee further observed :

"In para 3.37 of their 187th Report (5th Lok Sabha) the Committee had occasion to point out the rather passive role played by the Reserve Bank of India in connection with a vital matter like the remittances of large amounts abroad. During present evidence, the Committee have come across glaring examples of laxity and inaction on the part of tax administration. It is amazing that as many as 180 foreign companies though borne on the General Index Register of the Income-tax Department should have failed to file their Income-tax returns for the year 1976-77. Although these companies have been operating all along, a separate Foreign Tax Division was set up only in 1972. Thereafter also, this Division has apparently remained content with playing a passive role and being satisfied merely with issuing certain instructions from time to time. The Division has not taken on itself to initiate studies on the proliferation of foreign capital, types of business on which it is engaged, the multifarious tax avoidance practices etc.

In pursuance of the recommendation made by the Committee, Government had appointed a Group under the Chairmanship of the Finance Secretary to undertake a comprehensive review of the working of the Foreign Tax Division. The Committee were informed (October, 1975) that "the result of the review will be intimated to the Committee in due course. The Committee however find that neither the report of the Group was furnished to it, nor were the Committee informed of the action taken by Government on the findings and recommendations of the Group. It is obvious from the cases of wrong assessments in respect of foreign companies being brought to the notice of the Committee by Audit from time to time, that either no follow-up action was taken after the review, or such follow-up action had no effect."

1.17. The Ministry of Finance in their Action Taken Note dated 6 October, 1981 have stated :

"A Report on 'Review of Foreign Tax Division' was submitted to PAC vide O.M.F. No. 241/76-A&PAC-I dated the 8th November, 1976 in reply to the recommendation at para 1.26 of the 192nd Action Taken Report (1975-76). A brief note on the functioning of the Foreign Tax Division is also sent herewith (Please see Annexure on p. 25)".

1.18. Emphasising the need for enlarging the role of the Foreign Tax Division as well as the Special Cell, in the Directorate of Inspection, the Committee had observed in para 2.31 of their 28th Report :

"Within the Revenue Department again the role of Foreign Tax Division, as well as the Special Cell needs to be enlarged as well as streamlined. While the former should initiate the studies and provide active guidance to the field units, the latter should carry out investigations into at least the bigger cases of tax assessment of foreign companies with a view to providing necessary information to the assessing authorities on the one hand and the Foreign Tax Division on the other."

1.19. In their Action Taken Note dated 6 October, 1981, the Ministry have stated :

"Necessa ry action to enlarge and streamline the role of Foreign Tax Division as well as the Special Cell and also to get the bigger cases of tax assessments of foreign companies, investigated by the Special Cell, is being tak en."

1.20. The Committee had in the earlier Report drawn attention to the need for building up Management Information System which would enable the Central Board of Direct Taxes to control and monitor the working of the field organisations particularly in regard to the assessments of the multinational corporations. The so-called Report on the review of Foreign Tax Division submitted to the Committee in pursuance of the recommendations made by them in the 192nd Report (1975-76) is only a factual account of the functions of and work done by the Foreign Tax Division. What the Committee had in

view was a critical and objective analysis of the deficiencies of the present system *vis-a-vis* the role played by Foreign Tax Division in keeping an effective check on the working of the foreign companies, initiating studies on the proliferation of foreign Capital and the practices adopted by them to avoid/evade their tax liability. No such critical review has apparently been made so far. The Committee therefore reiterate the observations made by them in the earlier report and desire that a comprehensive review of the working of Foreign Tax Division may be carried out without delay with a view to taking necessary remedial measures for making it an effective instrument in the hands of government to monitor and control the operations of the foreign companies in regard to taxation matters.

1.21. The Committee had also emphasised the need for enlarging and streamlining the functioning of the foreign Tax Division and the Special Cell with a view to enabling them to provide active guidance and assistance to field units in the disposal of bigger cases of tax assessments of foreign companies. The Committee note that necessary action to enlarge and streamline the role of the Special Cell as well as the Foreign Tax Division on the lines suggested by them is being taken. The Committee would like to be apprised of the precise steps taken in the matter.

CHAPTER II

RECOMMENDATIONS OR OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee are distressed that soon after the case of erroneous allowance of head-office expenses in the Income-tax assessment of National and Grindlays Bank Ltd. and the IBM World Trade Corporation, commented upon by this Committee in their 176th and 187th Reports (5th Lok Sabha), another case has been brought to light in paragraph 26(ii)(a) of the Audit Report (Civil)—Direct Taxes, 1976-77 involving huge loss of revenue on account of incorrect deduction allowed as head-office expenses. They take a serious view of wrong deduction towards head-office expenses in the computation of business income of the U.K. based multinational corporation—M/s International Computers Ltd. engaged in the business of manufacturing and hiring of data processing machines.

[S. No. 1 (Para 1.30) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The observations of the Hon'ble Committee have been noted by the Ministry.

(Approved by the Joint Secretary to the Government of India)

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/3/81-A&PAC-II, dated 27 November, 1981]

Recommendation

The Ministry had informed the Committee that the assessments for the years 1972-73, 1973-74 and 1974-75 have been re-opened under Section 147(b) of the Income-tax Act taking the audit objection as 'information' referred to in that Section. At a subsequent stage, the Committee were informed that the assessments for the years 1966-67 to 1974-75 have been re-opened under Section 147(a) on the ground of omission on the part of the assessee to disclose the income on account of sale of scrap, and that opportunity has been taken to add back excess amounts allowed as Head Office Expenses. The Committee also learn that on appeal by the assessee company against re-assessments for the years 1972-73, 1973-74 and 1974-75, the CIT (Appeals) has deleted the amount added back on account of Head Office Expenses and that second appeals against the order of the CIT (Appeals) in this case have been filed before the Income Tax Appellate Tribunal 15-12-1980 for assessment years 1972-73 to 1976-77.

[S. No. 7 (Para 1.36) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action taken

The Observations of the Hon'ble Committee have been noted by the Ministry.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/3/81-A&PAC-II dated 27 November, 1981]

Recommendation

The Committee note the view expressed during evidence that there was divergence of opinion among various High Courts on the question whether, on reopening an assessment under Section 147(a), the ITO has the power to bring to charge also other items falling under Section 147(b) irrespective of the fact that the period of limitation laid down in Section 147(b) has expired. The Committee would suggest that in such cases where there is divergence of opinion among different High Courts, the matter should be taken directly to the Supreme Court for determination of the issues and attempts made by the Government for expeditious disposal to avoid harassment both to the assessee and to the department.

[S. No. 8 (Para 1.37) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action taken

In pursuance of the above recommendation of the Committee, necessary instructions to the field officers on this point have since been issued. A copy of the Board's Instruction No. 1408 datd 21-7-1981 is enclosed. (Annexure) The Board will take necessary steps through the Central Agency Section of the Ministry of Law for expeditious disposal of pending appeals by the Supreme Court.

(Approved by the Additional Secretary to the Govt. of India).

(Audit vetted the reply vide D.O. No. 1961-Rec. A. II/114-77 dt. 4-9-1981)

[Ministry of Finance (Deptt. of Revenue) O.M.F. No. 241/3/81-A&PAC-II, dated 6 October, 1981)]

ANNEXURE

. INSTRUCTION NO. 1408

F. No. 277/7/81-A&PAC-ITJ
Ministry of Finance
(Department of Revenue)
Central Board of Direct Taxes
New Delhi, the 21st July, 1981.

To

All Commissioners of Income-tax.

Sir,

Subject :—Direct reference to the Supreme Court under section 257 of the Income-tax Act, 1961—Recommendation of the Public Accounts Committee—Para 1.37 of the 28th Report, 1980-81—Instruction regarding—

Attention is invited to the Board's Instruction No. 1020 (F. No.277/15/75-ITJ) dated 5th November, 1976 whereby the Commissioners were directed that while scrutinising the orders of the Appellate Tribunal for filing reference application under section 256(1), they should instruct the Departmental Representatives to request the Tribunal to make a direct reference to the Supreme Court under section 257, if there are conflicting decisions of two or more High Courts on any particular question of law. Further, even in a reference sought by the assessee the Departmental Representatives were asked to make such request to the Tribunal in appropriate cases.

2. The PAC has taken note of the fact that there is divergence of opinion among various High Courts on the question whether, on reopening an assessment under section 147(a), the ITO has the power to bring to charge also other items falling under section 147(b) irrespective of the fact that the period of limitation laid down in section 147(b) has expired. The Commissioners of Income-tax would be aware of the decisions of the Madras and Bombay High Courts in Veerappa Chattiar Vs. CIT (91 ITR 116) and New Kaiser-i-Hind Spg. and Wvg. Company Ltd. Vs. CIT (107 ITR 760) respectively. The ratio of the decisions is that in a reassessment proceeding initiated by the ITO in respect of an item of income falling under section 34(1)(a) of the 1922 Act the ITO cannot bring the charge an item of income falling under clause (b) in such reassessment proceedings initiated beyond the period of four years under clause (a). According to the Court a notice of reassessment cannot be issued after the period of four years in respect of items of income falling under clause (b) and the ITO cannot assume jurisdiction indirectly by issuing a notice purporting to be under clause (a). As against this view, Andhra Pradesh High Court in the case of Pulavarthi Vishvanatham (50 ITR 463) and recently in the case of Subakaras Gangabhishan (121 ITR 69) dissented from Madras and Bombay view and held that once the assessment was reopened validly, no distinction couldbe made

between items falling under clause (a) and those falling under clause (b). There is a decision of Punjab High Court in the case of Jagan Nath Maheshwary (32 ITR 418) which is also in agreement with the Andhra view.

3. The PAC has, therefore, suggested that in view of the divergence of opinion among different High Courts, in all matters involving such issue the Department should seek direct reference to the Supreme Court under section 257 of the Income-tax Act.

4. The Commissioners of Income-tax will, therefore, issue, necessary instructions to the Departmental Representatives accordingly. The DRs may also make such requests to the Tribunal in appropriate cases where a reference on such question of law is sought by the assessee.

Yours faithfully,
Sd/-
(O.N. Mahrotra)
Director, C.B.D.T.

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Sd/-
(AJAI SINGH)
Under Secretary
Central Board of Direct Taxes.

Recommendation

The Committee are distressed to note the extent of complacency denoted by the statement made by the representative of the Ministry while giving evidence that on the whole our impression is that multi-national companies have been kept under sufficient control. It is well known that the multi-national companies or their principals command large resources which are ruthlessly deployed by them the world over with the sole purpose of maximising profits either in violation or skillful avoidance of the laws, rules and regulations of the host countries particularly the developing countries. It is also a fact that they adopt a dubious means to avoid local taxes. They also use lavish hospitality, monetary inducements and pay-offs to persons holding positions of authority with a view to subjugating the will of the poorer countries not even stopping short of subverting their sovereignty.

Two-fold justification has been advanced for the operation of multinational companies viz.,(i) the necessity for import of sophisticated technology and (ii) conservation of foreign exchange resources through the building up of export potential. In actual fact, it is a matter of common knowledge that several foreign companies are engaged in manufacturing highly lucrative and non-essential consumer goods for which their vast propaganda machine is able to build up ready and sheltered markets rather than in goods and industries requiring sophisticated technology. In their earlier reports, the Committee have had occasion to put out specific cases where the so called import of technology was of a highly doubious nature. For example, in their report on operation of the IBM World Trade Corporation, the Committee had pointed out how stale and third-rate technology was actually imported into this country. In another Report the Committee had emphasised the need for a review of the technical collaboration agreements so as to ensure that the import of technology was consistent with our needs as gauged by the development of indigenous know-how.

[S. No. 9 & 10 (Para 2.21 & 2.22) of Appendix III of the 28th Report (Seventh Lok Sabha)]

Action taken

The above observations have been noted by the Ministry.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue O.M. F. No. 241/3/81-A&PAC-II dated 6 October, 1981]

Recommendation

The Ministry of Finance have stated that the total foreign investment increased from Rs. 894 crores in 1964 to Rs. 1943 crores in 1974, showing a growth of 117 per cent over the 10-year period. As far the latest investment figures the Ministry of Finance were content with the statement that the Reserve Bank of India's latest published data were for the year 1973. In the absence of the relevant and up-to-date data the control that can be exercised on the operations of these companies can at best be illusory. Hence the Committee's distress at the complacent statement quoted at the outset.

[S. No. 12 (para 2.24) of Appendix III of the 28th Report (Seventh Lok Sabha)]

Action Taken

The Department of Economic Affairs have stated that the question of maintenance of investment data has been further examined in consultation with the Reserve Bank of India. From 31st March, 1981 the Bank will compile annual estimates of foreign investment in the country drawing basically on the information available with the Exchange Control Department of the Reserve Bank of India. In the past it was compiled on the basis of annual reports filed by foreign enterprises and this was on a voluntary basis. However, with the Foreign Exchange Regulation Act of 1974 many companies were under different stages of dilution, disinvestment, amalgamation, Indianisation, etc., the reporting situation was unsatisfactory. With the powers under the new Act it will be possible for the RBI to have the Data compiled with reference to documents in the Exchange Control Department. A copy of a letter from the Governor, RBI, is enclosed (Annexure) explaining the position. It may also be added that our endeavour has been to regulate operations of foreign companies in a qualitative manner with reference to priority nature of operations, etc. and lack of aggregate data has not been a handicap.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue), O.M.F. No. 241/3/81-A&PAC - II dated 6th October, 1981]

ANNEXURE

GOVERNOR

RESERVE BANK OF INDIA,
CENTRAL OFFICE,
BOMBAY

BD/DBP. FIS, 1678/Cen-1-81.

June 23, 1981.

Dear Shri Venkataraman,

Kindly refer to your letter dated January 13, 1981 regarding data on foreign investment in India.

2. The Reserve Bank conducted full censuses of foreign assets and liabilities as on June 30, 1948 and December 31, 1961, and for the intercensases period made annual estimates from annual reports filed by enterprises having foreign investment. With the coming into force of the Foreign Exchange Regulation Act, 1974 (FERA) prescribing maximum foreign shareholding for different kinds of enterprises, the annual reporting by enterprises has become increasingly unsatisfactory, with the result that reasonably reliable data on outstanding foreign investment have not become available for the period subsequent to 1967 (The data for 1974-75 and 1975-76 could be finalised only recently, and were made available to the Deptt. of Economic Affairs in connection with the June meetings of the Parliamentary Consultative Committee; the DEA were also provided at the same time more provisional estimates for 1976-77 through 1979-80 indicative of broad trends in flows but not good indicators of outstanding amounts.)

3. The FERA marks a watershed in the area of our foreign investment policy. As the dilution of foreign shareholding in accordance with the FERA provisions is now nearly completed, the present is, in my view, an appropriate time to organise a full census of the country's foreign assets and liabilities. Such a census would provide bench mark data for preparation of annual estimates for subsequent years. Accordingly, I have instructed the Bank's Economic Deptt. to conduct such a full census with March 31, 1981 as a reference data, and compile annual estimates of foreign investment

n India thereafter drawing basically on the information available with the Bank's Exchange Control Department.

With kind regards,

Yours sincerely,
Sd/-
(I.G. PATEL)

Shri R. Venkataraman,
Finance Minister,
Government of India,
New Delhi.

Recommendation

Again the Committee were informed that a Special Cell was created to effectively tackle tax evasion by large industrial houses, but only a few foreign enterprises were assigned to it. In respect of bulk of these cases of foreign companies, the Special Cell has had no role to play although the types of problems in relation to these companies that have come before the Committee from time to time, as already pointed out, are problems which really require extensive probes and in-depth studies.

[S. No. 17 (para 2.29) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The observations of the Committee are noted.

(Approved by the Additional Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue), O. M. F. No. 241/3/81-A&PAC-II dated 6th October, 1981]

CHAPTER III

RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

The Committee, would in this connection, invite attention to the Income-tax assessment of IBM World Trade Corporation, examined and commented upon by this Committee in their 187th Report (5th Lok Sabha). In the said report it was pointed that this Company had furnished to the Income-tax Officer similar information in regard to Head-Office expenses and the Income-tax Officer had admitted the claim of the foreign company. When the mistake on the part of the Income-tax Officer was pointed out by Audit and Public Accounts Committee, the past assessments in respect of this company were reopened under section 147(a) of the Income-tax Act, 1961. The latest reply of the Ministry giving the reasons for reopening the assessments in the case of IBM World Trading Corporation also acknowledges that in the case of IBM itself, the question involved was similar to the present case (International Computers) namely, the basis on which the Head Office expenses were apportioned as deductible against Indian Income. The Committee are, therefore, unable to appreciate the inconsistent view being convassed by the Ministry that it is not possible to reopen the past assessments in the case of International Computers Ltd., having reopened assessments under section 147(a) in the case of IBM under identical circumstances as mentioned above.

[S. No. 3 (para 1.32) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The difference between the two cases of M/s. I.B.M. World Trade Corporation and M/s. International Computers Ltd. is that while the International Computers Ltd. disclosed and discussed with the ITO the basis for apportionment of Head Quarter expenses, the I.B.M. World Trade Corporation did not disclose the basis for such an apportionment. Consequentially, in the case of M/s. I.B.M. World Trade Corporation, the Department could claim that there was an omission or failure on the part of the assessee to disclose fully and truly all material facts necessary for assessment while the Department could not claim that any such omission or failure has taken place in the case of M/s. International Computers Ltd. Thus, though the issues involved in both the cases are apparently similar, the provisions of section 147(a) cannot be applied to the case of M/s. International Computers Ltd., while the provisions of the said section were invoked in the case of M/s. I.B.M. World Trade Corporation.

(Approved by the Additional Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue), O. M. F. No. 241/3/81-A&PAC-II dated 6th October, 1981]

Recommendation

As for the second limb of the basic justification i.e., the building-up of export potential, it has been admitted in evidence that during 1975-76 there was an outflow of foreign exchange of over Rs. 95 crores on account of profits/dividends, technical fees and interest payments alone. If account is also taken of the import of raw materials and equipment, it remains a matter for inquiry as to whether the working of these companies had contributed at all to the conservation of foreign exchange resources of the country.

[S. No. 11 (Para 2.23) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The Department of Economic Affairs have stated that the observation of the Committee has been noted. For purposes of assessing the foreign exchange balance as a result of the working of the foreign companies the following will have to be taken into account:

(a) The direct effects in terms of outflow of foreign exchange by way of remittance on various accounts and imports;

(b) The direct foreign exchange earnings made by foreign companies by their own exports;

(c) The indirect effect by way of saving of foreign exchange in terms of import substitution.

An aggregate study (supplied to PAC during its sittings) undertaken by the Department of Company Affairs on the working of all branches and subsidiaries showed that on the whole there has been net favourable balance for the country. If we add to this the saving on account of import substitution the foreign exchange balance will be more favourable. It is also to be noted that since early 60s we have been having a highly restrictive policy in regard to foreign companies and do not allow them to operate except in priority areas. Prior to Independence it was possible for many companies to enter the country for activities in low priority areas and equity levels of all these companies have been regulated under FERA guidelines to ensure that the remittance levels are commensurate with the areas of operations. There are only about 177 FERA companies today, i.e. companies with more than 40% non-resident equity and all these are engaged in core sector activities. In International circles often the criticism is that we are having a highly restrictive system which inhibits further flow of foreign investment.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue), O.M.F. No. 241/3/81-A&PAC-II dated 6th October, 1981]

Recommendation

The specific cases that have come before the Committee from time to time are examples of abuse by the foreign companies as a result of complacency on the part of the Ministry of Finance. In an earlier Report the Committee had pointed out the doubtful nature of scientific research in respect of which deductions in income tax assessments were claimed by a foreign company. The Committee had also occasion to comment on an irregular deduction of over Rs. 6 crores on account of discount charges which could not really be related to the Indian business. In the present case of M/s. International Computers, the same sort of irregularity has come before the Committee in respect of interest charges allowed without enquiring about their relation to the Indian business. In their earlier Reports the Committee drew attention to an almost total lack of control both by the taxation authorities, as well as the Reserve Bank of India about the claims made by these companies in respect of Head Office expenses. As a result of the Committee's enquiries, it has now been reported that past assessments in a very large number of cases have been reopened involving amounts in crores of rupees. It has also been reported that amendments to the law have been made and suitable executive instructions have been issued on the subject of Head Office expenses. The Committee are, however, constrained to note that apart from reading to the specific irregularities pointed out by Audit or by the Committee there is little evidence of the Ministry itself showing the necessary initiative in these matters.

[S. No. 13 (Para 2.25) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

Observations of the Committee have been noted. The Department of Economic Affairs have stated that as far as FERA is concerned, this phenomenon of Head Office expenses has ceased to have any significance since all trading, commercial or industrial activities can be allowed only through companies incorporated in the country with specified levels of non-resident equity and no foreign company can act through branches. There will thus be no remittance towards share of Head Office expenses.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenuve), O.M.F.No. 241/3/81-A& PAC-II dated 6 October, 1981]

Recommendation

A reference was made during evidence to the attempted evolution of a Code of Conduct for the transnational corporations by the Expert Committee of the United Nations. While the Committee welcome this development, they would like to emphasise that no such Code can be a substitute for our own effort. It is important that compliance with our laws, rules and procedures by these foreign companies is ensured by our own enforcement agencies and the laws, rules and procedures themselves are constantly reviewed and kept in tune with our pronounced policies and national objectives. The Committee would strongly recommend creation of a separate Cell, preferably within the Ministry of Finance, in respect of the work of regulating the foreign capital in this country. This focal point should oversee and collate the activities of all the enforcement agencies, collect relevant authentic and up-to-date data and other management enforcement and analyse and interpret such data and such information and suggest remedial measures or modifications of the existing control systems, wherever found necessary. It is only then that the type of failure shown by the fact that despite that legal requirement of the companies filing their annual accounts every year, the latest figures compiled by the Reserve Bank of India are stated to be upto the year 1973-74 only, can be remedied. The sectoral enforcement agencies in Taxation, in Industrial Licensing in Reserve Bank etc. should all be fitted into this total frame work.

[S. No. 18 (Para 2.30) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The Department of Economic Affairs have stated that the Investment Division of the DEA is the special Division and the nodal agency which has been dealing with all matters connected with foreign investment and operations of foreign companies. It has the requisite information in most areas and every attempt is being made to up-date these and cover other areas. The problems connected with compilation of investment data have been detailed in reply to item Nos. 2.24 and 2.32. This Division maintains close liaison with the Reserve Bank and is also directly connected with the Licensing Committee in all its meetings. While this Division cannot have a direct role in regard to taxation due to practical, administrative and legal procedures, it maintains a close relation with the Foreign Tax Division of the C.B.D.T. on important policy matters. For all these reasons it is not necessary that a new or separate Cell needs to be created.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenve), O. M. F. No. 241/3/81-A& PAC-II dated 6 October, 1981]

CHAPTER IV

RECOMMENDATIONS OR OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

In this connection, the Committee note that during evidence in September, 1978 the representative of the Ministry of Finance admitted before the Committee that the statements made by the foreign company, on the basis of which assessments were initially made, were "completely uncorroborated by any evidence", that these were not supported even by "a certificate from the London auditors" and that "there was over charge of Head-office expenses". The Ministry of Finance have, however, submitted before the Committee that no action could be taken under section 147(a) of the Income Tax Act, 1961 to reopen the assessments in respect of the foreign company for the period 1961-62 to 1971-72 as, in the opinion of the Government, the Company had disclosed fully and truly all material facts necessary for assessment. The approximate loss of revenue on this account, according to the Ministry's own calculations works out to Rs. 38 lakhs. Since the mistake reveals palpable negligence on the part of the assessing and other supervisory officers, resulting in a sizeable loss of revenue, the Committee recommend that the responsibility therefore should be fixed on the officers concerned and appropriate action should be taken against those responsible.

[S. No. 2 (Para 1.31) of Appendix III of 28th Report (Seventh Lok Lok Sabha)]

Action taken

The reference to the representative of the Ministry of Finance in this para seems to be in respect of item 18 of the points arising out of the evidence held in September, 1978. The relevant extract of the item 18 and its reply are reproduced below:—

Item 18:

The Ministry have stated in their reply of 28th August, 1978, that in other countries where the non-resident company was itself performing the services which have been performed in India i.e. maintenance of the machines and other services through its subsidiaries, the expenses were reported to be roughly 55 per cent of the gross rental receipts in those countries. What is the basis for this statement and what are the documents the Ministry have relied upon in support of their reply to this effect ? Has this statement been certified by the foreign auditors of the company ?

Reply:

The basis for this statement was the letter dated 15-5-63 from Shri L.C. Mehta, Secretary and Financial Adviser of the company addressed to the ITO Com. Cir. IV (2) Bombay. The above mentioned letter does not appear to have been certified by the Company's foreign auditors.

Therefore, the statement that the relevant letter was not certified by the Company's foreign auditor was made in the context of the statement that in other countries where the non-resident was itself performing the services which have been performed in India *i.e.* the maintenance of the machines and other services, through its subsidiaries, the expenses were reported to be roughly 55% of the gross rental receipts in those countries. The statement was not in the context whether the company had disclosed fully and truly all material facts necessary for assessment. As regards the question whether the company had disclosed fully and truly all material facts necessary for assessment, the facts are that the assessment record for the assessment year 1961-62 shows that the assessee company had filed a copy of the auditors certificate vide its letter dated 19th September, 1961 giving the schedule of Head Office expenses duly certified by M/s. Deloilte Plender Griffinths & Co. C.As. of London. Thereafter, various other details were filed vide their letters dt. 7-9-62, 30-1-63, 15-5-63, 10-12-63 and 7-8-64. After considering all this evidence the ITO accepted the assessee's basis of allowance of Head Office expenses. The ITO has also recorded the following office note to the assessment order for assessment year 1961-1962:—

> "The basis on which administrative expenses have been allowed is the same as in the past. The question of changing the basis for allowing administrative expenses was discussed with the C.I.T. and he has directed by his letter B.C. No. TV/321 (63/63)(2) dated 27-2-64 that the old procedure which has been hitherto adopted does not require any revision. As such the basis for allowing administrative expenses has not been disturbed".

It may also be mentioned that the company used to file the following statements every year:

(i) Schedule of Head Office charges showing broadly the major heads under which the head office expenses were incurred. Further details under each head and under various sub-heads were also supplied.

(ii) A statement signed by the Company's Chartered Accountant showing the analysis of expenses. Further, the statement filed showed the apportionment of head office expenses charged to India.

These statements were accepted and the head office expenses were allowed on the basis of the certificate of the Chartered Accountant.

In view of the facts discussed above, it appears that the assessee had disclosed all the material facts necessary for assessment. Since the deduction was allowed after considering all the facts, the withdrawal of the excess allowance of the Head Office expenses would amount to merely a change of opinion for which Section 147(a) cannot be invoked. Thus there was no negligence on the part of the assessing and other supervisory officers and hence there is no need to fix the responsibility on any of the officers.

This has the approval of Minister of Revenue and Expenditure.

[Ministry of Finance (Deptt. of Revenue) O.M. F.No. 241/1/3/81- A & PAC-II dated 27 November, 1981]

Recommendation

The Committee observe in this connection that Inspecting Assistant Commissioner (Audit) had communicated, *vide* his letter dated 29th August, 1977 to the Inspecting Assistant Commissioner of the Range concerned the approval of the Commissioner of Income-tax for re-opening of the assessments for the years 1961-62 to 1972-73 under Section 147(a) of the Income Tax Act for wrong allowance of Head Office expenses. The Committee find it baffling as to why no action on the lines suggested by the Commissioner was taken by the Commissioner incharge of the Range. It seems that the Ministry's view that the old assessments could not be re-opened under Section 147(a) on the ground of excessive allowance of Head Office expenses, is a belated attempt to justify the culpable inaction on the part of the Inspecting Assistant Commissioner concerned. The causes for inaction on the part of the Inspecting Assistant Commissioner concerned despite the clear direction of the Commissioner need to be thoroughly investigated especially with a view to finding out whether it was inter alia due to any undue influence on the part of the multi-national corporation.

[S. No. 4 (Para 1.33) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action taken

The above observations and recommendations of the PAC are based on the letter of I.A.C Audit addressed to Addl. A.G. Bombay, a copy of which was marked to IAC., Foreign Companies Range-I, Bombay along with recommendations for remedial action. Although in the letter addressed to Addl. A.G. the audit objection was rejected but in the copy marked to the IAC., the IAC Audit with the approval of CIT recommended protective measures to be taken by Range IAC after scrutinising assessee's claim. *vide* his reply dated 3rd April, 1978 vide FCR-I/CT/5171/Audit/78-79, the then IAC, Foreign Companies Range-I had made the necessary scrutiny of assessee's claim and informed the IAC Audit that there was no ground for reopening of the assessment of earlier years for Head Office expenses. However, since the assessee had not offered for tax the sale proceeds of scrapped machines, the assessments could be reopened for assessment years 1967-68 onwards which were accordingly reopened. After the reply of the IAC Foreign Companies Range-I dated 3rd April, 1978, there is no letter on record indicating any disagreement by the IAC Audit on the report of the IAC, FCR-I and therefore, there was no reason for the IAC, FCR-I to take further action for reopening the assessments for the assessment years 1961-62 to 1966-67 which has now been objected to by the PAC.

2. In view of the facts stated in preceding para, there was no inaction on the part of the Inspecting Assistant Commissioner concerned and, hence, no further action is necessary.

3. This has the approval of Minister of Revenue & Expenditure.

[Ministry of Finance (Deptt. of Revenue O. M. F. No. 241/3/81-A & PAC-II dated 27 November, 1981]

Recommendation

It was admitted before the Committee that the foreign company had not hired out any new machines to its Indian subsidiary after the assessment year 1968-69 and that its business income in India from the year 1969-70 onwards had arisen out of the existing machines already on hire in India. Yet, the Committee find that during the period 1969-70 to 1974-75, a sum of Rs. 8.76 lakhs being the interest paid on loans raised by such foreign company has been included in the head office expenses and allowed as a deduction against Indian Income. Obviously, the loans raised by the company after 1968-69 were for the company's world wide business activities and could not at all be related to the Indian Income, Interest, expenditure incurred by the head office, if directly related to the Indian business on revenue account would be a direct deductible expenditure in its entirety. Head Office expenses are, in fact, only those expenses which are incurred for composite business as such and, therefore, incapable of deduction without approtionment. The unjustified allowance of interest, deprived the revenue of tax to the extent of Rs. 6.20 lakhs. The Committee considers this as one more instance of negligence on the part of the assessing authorities which needs to be enquired into.

The Committee would like the Ministry of Finance to take suitable remedial action to recover the tax due from the assessee on this account under intimation to the Committee. The question of issuing suitable instructions for future guidance may also be taken up.

[S. No. 5 (Para 1.34) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action taken

The issue raised by the Committee has already been dealt in the assessment proceedings for A. Ys. 1972-73 to 1974-75 which have been completed. Assessments for A.Ys. 1969-70 to 1971-72 will be completed during the current financial year and the point raised by the PAC will be kept in view.

(Approved by the Joint Secretary to the Govt. of India).

[Ministry of Finance (Deptt. of Revenue) O. M. F. No. 241/3/81- A & PAC-II dated 27 November, 1981]

Recommendation

Considering the nature, gravity and number of errors both of commission and omission noticed in this case, the Committee would urge that this case should be investigated thoroughly by the Special Cell of the Directorate of Inspection (Investigation) in conjunction with the other cases like that of the IBM World Trade Corporation. The Committee would like to be informed of the results of such investigations.

[S. No. 6 (Para 1.35) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

As recommended by the Committee, the Director of Inspection (Special Investigation) (as the Special Cell is now designated) has been assigned the case of M/s. International Computers Ltd., U K. The results of investigation will be communicated to the Committee after investigation is completed.

(Approved by the Additional Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue) O.M.F. No. 241/3/81 A& PAC-II dated 6 October, 1981]

Recommendation

The primary weakness, in designing and enforcing adequate control mechanisms, seems to be three-fold. Firstly, the piecemeal solutions are sought to be found in the shape of ad-hoc amendments to various laws and procedures, as and when certain specific irregularities are highlighted, without creating a machinery for a total and coordinated approach. Secondly, there is no system of building up management information and relevant as well as up-to-date data so as to design as well as monitor policy based on concrete facts and figures. Thirdly, and most importantly, there seems to be a total and all pervasive lack of will, for whatever reasons, to regulate the operations of these foreign companies in tune with the pronounced policy objectives and national interests.

[S.No 15 (para 2.27) of Appendix II of 28th Report (Seventh Lok Sabha)]

Action taken

These observations seems to be connected with the next recommendations. In fact, it appears that they are prefactory in nature and lead to the next recommendations. Hence these observations have been considered while replying the subsequent paras.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance Deptt. of Revenue of.M.F.No.241/3/81-A&PAC-II dated 6 October, 1981]

Recommendation

In para 3.37 of their 187th Report (Fifth Lok S bha) the Committee had occasion to point out the rather passive role played by the Reserve Bank of India in connection with a vital matter like the remittances of large amounts abroad. During present evidence the Committee have come across glaring examples of laxity and inaction on the part of tax administration. It is amazing that as many as 180 foreign companies, though borne on the General Index Register of the Income-tax Department should have failed to file their Income-tax returns for the year 1976-77 Although these companies have been operating all along, a separate Foreign Tax Division was set up only in 1972. Thereafter also this Division has apparently remained content with playing a passive role and being satisfied merely with issuing certain instructions from time to time. The Division has not taken on itself to initiate studies on the proliferation of foreign capital, types of business on which it is engaged, the multifarious tax avoidance practices etc.

In pursuance of the recommendation made by the Committee, Government had appointed a Group under the Chairmanship of the Finance Secretary to undertake a comprehensive review of the working of the Foreign Tax Division. The Committee were informed (October, 1975) that "the result of the review will be intimated to the Committee in due course". The Committee, however find that neither the report of the Group was furnished to it, nor were the Committee informed of the action taken by Government on the findings and recommendations of the Group. It is obvious from the cases of wrong assessments in respect of foreign companies being brought of the notice of the Committee by Audit from time to time that either no follow-up action was taken after the review, or such follow-up action had no effect

[S.No. 16 (Para 2.28) of Appendix III of 28th Report) (Seventh Lok Sabha)]

Action taken

A report on "Review of Foreign Tax Division" was submitted to PAC *vide* O.M.F. No.241/28/76-A&PAC-I dated the 8th November, 1976 in reply to the recommendation at para 1.26 of the 192nd Action Taken Report (1975-76). A brief note on the functioning of the Foreign Tax Division is also sent herewith (Annexure).

(Approved by the Joint Secretary to the Govt. of India).

[Ministry of Finance Deptt. of Revenue; O.M.F.No.241/3/81-A&PAC-II
p dated 6 October, 1981]

ANNEXURE

Note on the functioning of Foreign Tax Division

The Foreign Tax Division was set up in the Central Board of Direct Taxes towards the end of 1971 for handling the various items of work relating to income-tax assessments of foreign enterprises and their associated Indian concerns; negotiation of agreements with other countries for avoidance of double taxation of income formulation of policy regarding international income taxation; and for supervising generally the implementation of the various provisions of the income-tax law in the sphere of "foreign tax" in the field organisations, etc.

2. The work allocated to the Foreign Tax Division can be broadly classified in three parts *viz.* (a) Negotiation of Tax Treaties; (b) Technical work relating to assessments etc., and (c) legislative frame.

A. Negotiation of Tax treaties

2.1 One of the important spheres of work relating to Foreign Tax Division is the formulation of policy for fiscal relations with foreign countri and the negotiations and administration of Double Taxation Avoidance Agreements. The importance of these treaties in the promotion of flow of trade, capital, technology and personnel from one country to the other for accelerating economic and industrial development has been recognised the world over. In fact, the United Nations have evolved guidelines and techniques for facilitating conclusion of tax treaties between developed and developing countries.

2.2 Broad-based tax treaties with foreign countries provide not merely for the avoidance of double taxation but also for exchange of information for the prevention of fiscal evasion/avoidance—a feature which is of particular importance from India's point of view in combating tax evasion in transactions with international ramifications.

2.3 The task of initiating such double taxation avoidance agreements was considerably activised after the Foreign Tax Division was set up. Since then comprehensive agreements with Belgium and Malaysia have been concluded and notified. Besides, limited agreements with Afghanistan, Bulgaria, Ethiopia, Iran, Italy, U.S.A., U.S.S.R., G.D.R., and Czechoslovakia have been concluded and notified. In the case of a few other countries, substantial progress in negotiating comprehensive/limited agreements has been made and the agreements are in the process of further discussions and finalisation.

2.4 The negotiations both for comprehensive agreements as well as the limited agreements are opened with a particular country only after examining in detail the trade and economic data collected by the Foreign Tax Division from the various concerned Ministries. The revenue implications consistent with our trade and economic interest are also examined and an attempt made to ensure that the balance of advantage would be in our favour.

B. Technical work relating to assessments etc.

2.5 The second major area of work in the Foreign Tax Division relates to the assessments of non-resident enterprises and their associated Indian concerns. The need for participation by way of finances and modern technology from foreign sources in the process of industrialisation of the country and the various tax incentives given in this field have considerably increased the importance and complexity of the problems arising in the taxation of foreign concerns and the Indian concerns associated with them. All this necessitates that the assessment work in this field should receive expert and intensive attention by the assssing officers.

2.6 Soon after the Foreign Tax Division was constituted, steps were taken to centralise foreign tax cases with a few selected Income-tax Officers in each Commissioner's charge. This had been done to enable the Income-tax Officers to specialise in the problems peculiar to these types of cases, Further, recently, jurisdiction for making tax assessments in the cases of foreign companies (with income over Rs. 5 lakhs), their directors and senior executives has been assigned to Inspecting Assistant Commissioners so that these high revenue potential cases can be handled more expertly by senior officers who have developed these specialic skills. This would cover all the big multi-nationa] companies als

2.7 To improve the quality of assessment work, the Foreign Tax Division had organised a training-*cum*-refresher course which covered most of the important topics in the field of foreign tax, *viz.*, assessments in cases of technical collaboration agreements, assessment of shipping profits, double taxation relief, assessment of agents of non-residents and of persons leaving India, foreign exchange control regulations, etc.

2.8 Foreign Tax Division is also dealing with references relating to the following provisions of Income-tax Act, namely Sections 2(17), (iv), 2(30), 5(2), 9, 10(4), 10(4A), 10(6), 10(7) (10(8), 10(9) 10(15) (iv), 21, 25, 40(a) (i) and (iii), 42, 44B 44C 44D, 58(1) (a) (ii) & (iii), 58(3), 80-F, 80N, 80-O, 80-R, 80RR, 80-RRA, 90,91, 92,93, 115 A, 160(1)(i), 163, 172, 173, 174, 182(3), 195, 230, Rule 6 of the First Schedule to the Income-tax Act, 1961 and Rule 10 of the Income-tax Rules, 1962.

2.9 The Foreign Tax Division is also looking after the work of approval of agreements/terms and conditions of service for the purpose of relief under Sec.80-O and 80-RRA respectively of the Income-tax Act. During the year 1980-81 Foreign Tax Division disposed of 723 agreements under Sec. 80-O and 3501 terms and conditions of service under Sec. 80RRA.

C. Legislative frame

2.10 The Foreign Tax Division has made several useful suggestions for amendment of tax laws in the sphere of international taxation. These suggestions have been made in the light of experience gained and the necessities of the situation. In this connection, special mention needs to be made of the changes suggested for the rationalisation and simplification of the system of taxing certain types of income of non-residents. A beginning was made through the Finance Act, 1975, when the procedure for the levy and collection of tax from non-resident shipping concerns was simplified and rationalised. Further, a number of amendments were made through the Finance Act, 1976, for rationalising and simplifying the taxation of royalties, and fees for technical services in the hands of non-residents. A serious problem which was affecting not only our revenues but also foreign exchange resources *viz.*, admissibility of head office expenses has also been solved by an amendment through the Finance Act, 1976.

2.11 These changes have resulted in minimisation of disputes between the Income-tax authorities and the tax-payers and have removed most of the uncertainties which were prevalent regarding the ambit and extent of tax liability of foreigners thereby bringing about not only considerable administraive convenience and certainty of tax payable by assessees but also a qualitative improvement in the climate for foreign investment in India.

3. The foreign Tax Division provided specific guidance in 73 cases during the calendar year, 1980.

List of countries with which Double Taxation Avoidance Agreement has been signed at the delegation level but has not been notified yet.

(a) **Comprehensive Agreements**

1. Italy

2. Tanzania
3. Zambia
4. Singapore
5. Sri Lanka
6. U.K.
7. Canada
8. Libya
9. Kenya

(b) **Revision of the existing DTA Agreement**

1. Belgium
2. Finland
3. F.R.G.

(c) **Agreement restricted to Aircraft profits**

1. Kuwait
2. Australia

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/3/81/-A&PAC-II dated 6 October, 1981]

Recommendation

Within the Revenue Department again the role of Foreign Tax Division. as well as the Special Cell needs to be enlarged as well as streamlined. While the former should initiate the studies and provide active guidance to the field units, the latter should carry out investigations into at least the bigger cases of tax assessment of foreign companies with a view to providing necessary information to the assessing authorities on the one hand and the Foreign Tax Division on the other.

[S.No.19 (Para 2.31) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

Necessary action to enlarge and streamline the role of Foreign Tax Division as well as the Special, Cell and also to get the bigger cases of tax assessments of foreign companies, investigated by the Special Cell, is being taken

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue) O.M. F.No.241/3/81-A&PAC-II dated 6 October, 1981]

CHAPTER V

RECOMMENDATIONS OR OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

In para 1.55 of their 56th Report (Fourth Lok Sabha) the Committee had given expression to their impression that the mal-practices of over-invoicing and under-invoicing of exports and imports had not been effectively checked. On the Committee's suggestion, Government had appointed a Study Team on leakage of foreign exchange through invoicing manipulation. The recommendation of this Study Team resulted in a number of amendments to the Foreign Exchange Regulation Act, and the allied legislation. The effect of these amendments is not known and the problems, like transfer-pricing, still continue to defy solution, as admitted by the Finance Secretary in evidence.

[S. No. 14 (Para 2.26) of appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The Department of Economic Affairs have stated that as pointed out by the Committee, amendments were carried out in the FERA, 1974 and these were based on the recommendations of the Kaul Committee. Powers were taken under the Act to regulate imports and exports. The effect of these amendments would have to be commented upon by the CBEO and also by the Director of Enforcement, who have requested to indicate the same.

(Approved by the Joint Secretary to the Govt. of India)

[Ministry of Finance (Deptt. of Revenue) O.M.F. No. 241/3/81-A & PAC-II dated 6 October, 1981]

Recommendation

In particular, the Committee would like to be informed of the latest figures of the foreign investment together with its industry-wise break-up, the nature of the non-residential share holding, such as cash contribution, bonus shares etc., the remittances made abroad by the foreign companies under different categories, together with their export earnings. The Committee would also like to be informed of the progress in respect of the re-opened assessments of all the foreign companies and the steps taken to ensure that all these companies are brought on the General Index Register and all of them file their Income-tax returns.

[S. No. 20 (para 2.32) of Appendix III of 28th Report (Seventh Lok Sabha)]

Action Taken

The Department of Economic Affairs have stated:

(i) It has since been possible for the Reserve Bank to compile investment data for the period ending 1975-76 and make estimates of private long term capital flows for the period ending 1978-79. Two statements are attached supplying the information (Annexures I and II). It is difficult to supply information about issue of bonus shares in an aggregate manner. This is because of Indianisation Scheme undertaken by many companies in terms of FERA directives. Specific information about any company could be given, if desired.

(ii) Another statement (Annexure III) is attached showing the remittances allowed under various categories for the latest available period. In the aggregate, the remittances on all account work out to 6.7% against the total outstanding foreign investment of Rs. 2,200 roundly. This percentage is not large considering the average rate of return for all companies in the country.

(iii) Data regarding export earnings of all FERA companies for the 5 years i.e. 1974 to 1978 as sent by Department of Economic Affairs is enclosed as Annexure V.

2. As regards the progress in respect of 54 reopened assessments, necessary information is being collected and would be furnished shortly.

(Approved by the Joint Secretary to the Govt. of India)

(Ministry of Finance (Deptt. of Revenue) O.M.F. No. 241/3/81-A & PAC-II dated 6 October, 1981]

NEW DELHI,
March 8, 1982
Phalguna 19, 1903 (s)

SATISH AGARWAL
Chairman
Public Accounts Committee.

ANNEXURE I

Statement I : Corporate Industrial and Commercial Enterprises: Long-term Foreign Liabilities

(Rupees in crores)

As at the end of March	1973-74	1974-75	1975-76
I. Direct Investment Capital (1+2) . . .	912.8	973.0	956.1
1. Net indebtedness of branches to their principals abroad	241.7	226.6	181.0
No. of responding branches	231	230	219
2. Controlling investment in foreign controlled rupee companies (Net)	671.1	746.4	775.1
(i) Non-resident equity portion . . .	335.5	350.1	352.6
(ii) Reserves	335.6	396.3	422.5
No. of responding companies	586	561	563
II. Other Capital (1+2)	1061.1	1136.0	1275.8
1. Equity investment	107.7	108.1	108.6
2. Creditor liabilities	953.4	1027.9	1167.2
(i) Loans	649.6	715.9	822.9
(ii) Suppliers' credit	280.3	289.5	321.8
(iii) Investment in debentures and preference shares	23.6	22.5	22.5
III. Total liabilities (I+II)	1973.9	2109.0	2231.9

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ANNEXURE II

Statement II: Private Long-term Capital Flows

(Rupees in Crores)

	1974-75	1975-76	1976-77	1977-78	1978-79
1. Direct Investment in Indian Companies and branches of foreign companies . .	1.28	1.24	1.46	0.29	0.69
2. Loans from official and other sources	31.46	32.66	51.66	61.07	70.44
3. Dis-investment in Indian Companies and branches of foreign companies	6.52	15.19	21.96	7.54	13.55
4. Re-payment of loans from official and other sources . .	54.63	72.69	86.40	81.27	82.68
5. Net dis-investment (1—3). .	5.24	13.95	20.50	7.25	12.86
6. Net re-payment of loans (2—4).	23.17	40.03	34.74	20.20	12.24

Note: These details are given in the balance of payments statistics under capital Account.. The amounts represent the actual receipts recorded by the banks. Issue of shares etc against certain services provided by a non-resident would, therefore, be not covered by these data and accordingly these data are partial to that extent.

ANNEXURE III

Statement showing remittances made abroad on account of Profits, Dividends, Royalties, Technical Know-how and Interest Payments by Private Sector during the period 1968-69 to 1978-79

(Rupees in lakhs)

	U.K.	U.S.A.	Canada	France	Switzer-land	West Germany	Nether-lands	Italy	Japan	USSR	Others	Total
	1	2	3	4	5	6	7	8	9	10	11	12
*Profits**												
1968-69	979	277	..	..	4	..	12	..	10	..	14	1296
1969-70	1021	214	5	1	2	..	7	..	3	..	19	1272
1970-71	951	309	2	..	12	..	3	..	12	..	23	1312
1971-72	663	288	1	..	..	..	11	..	16	..	15	994
1972-73	1156	316	4	2	3	..	8	1	35	..	24	1554
1973-74	1004	1100	3	..	..	3	11	26	36	..	8	2191
1974-75	503	194	..	3	..	..	3	..	15	..	1	719
1975-76	1442	565	..	11	..	..	8	..	3	..	7	2036
1976-77	1572	292	..	12	..	..	10	..	10	..	43	1939
1977-78	635	192	..	11	..	..	27	..	29	..	119	1013
1978-79	363	163	..	..	..	..	..	..	..	..	1	527
(April-Sept. 78)												
*Dividends**												
1968-69	2215	374	73	10	125	99	46	31	4	..	48	3025

	1	2	3	4	5	6	7	8	9	10	11	12
1969-70	1780	851	32	1	141	96	50	51	7	..	132	3141
1970-71	2109	1677	88	2	149	104	58	69	11	..	81	4348
1971-72	2005	1211	94	8	131	137	67	59	9	..	166	3887
1972-73	2179	912	106	7	201	182	81	38	10	..	192	3903
1973-74	1753	1251	90	10	113	250	101	26	13	..	144	3551
1974-75	1047	291	101	2	65	194	17	4	5	..	120	1846
1975-76	1321	457	82	5	156	312	12	24	5	..	110	2484
1976-77	2755	1150	107	11	179	311	55	21	53	..	205	4847
1977-78	2911	1892	213	13	196	325	750	68	17	..	408	6801
1978-79	1570	350	123	2	142	143	72	71	62	..	117	2652
(April-Sept. 78)												
Royalties												
1968-69	95	239	..	11	15	51	13	12	9	..	33	478
1969-70	111	276	..	17	48	59	10	9	12	..	38	580
1970-71	160	171	2	22	44	68	16	6	16	..	18	523
1971-72	155	206	..	22	28	86	19	15	19	..	36	586
1972-73	184	337	..	17	40	87	..	2	12	..	54	733
1973-74	102	208	4	27	51	111	2	..	126	..	90	621
1974-75	107	242	5	12	34	130	..	..	9	..	307	846
1975-76	172	425	14	22	99	163	4	2	67	..	81	1049
1976-77	128	400	9	25	69	192	7	..	39	..	719	1588
1977-78	164	276	1	68	62	114	41	3	25	..	1196	1950
1978-79	57	261	..	91	17	55	..	1	7		182	671
(April-Sept. 78)												
Technical know-how												
1968-69	323	282	51	48	389	60	39	183	22	66	334	1797
1969-70	275	325	39	71	46	111	43	86	67	118	124	1305
1970-71	237	345	47	124	32	201	51	263	73	89	601	2063

1971-72	229	324	14	82	46	114	43	71	105	170	192	1390
1972-73	130	232	4	51	22	224	13	71	25	128	233	1133
1973-74	156	179	8	133	52	146	11	64	50	497	122	1403
1974-75	195	173	15	109	44	191	11	65	17	305	131	1256
1975-76	275	287	13	170	112	353	315	288	163	71	514	2566
1976-77	431	1464	78	81	111	854	84	131	78	23	445	3730
1977-78	247	675	182	164	120	743	4	361	112	2	204	2814
1978-79 (April-Sept. 78)	233	1242	106	95	74	329	3	73	74	..	80	2289

Interest Payment by Private Sector

1968-69	171	194	9	58	6	162	22	2	11	28	610	1273
1969-70	108	169	8	50	8	48	35	1	..	..	501	9286
1970-71	321	398	10	15	14	71	28	..	..	..	423	1280
1971-72	317	216	3	10	13	88	22	..	61	..	483	1213
1972-73	364	407	2	7	4	196	14	..	2	..	564	1560
1973-74	329	332	2	11	16	227	25	2	2	..	681	1627
1974-75	2384	270	6	4	70	132	9	1	1	..	793	3670
1975-76	337	538	..	7	33	245	44	..	..	..	1261	2465
1976-77	320	705	28	56	19	172	10	..	1	..	1200	2511
1977-78	298	861	42	1	39	120	3	..	..	..	973	2270
1978-79 (April-Sept. 78)	127	1189	26	4	74	137	9	..	..	..	712	2278

* In case of Oil Companies the figures included relate to remittable liabilities and not actual ramittances.

Exports and Imports by Fera companies (i.e. those which applied for permission under section

S. No.	Name of the Company	1974 Exports	1974 Imports	1975 Exports	1975 Imports
1.	Audco India Ltd., Bombay	81,859	6,88,748	88,59,381	3,31,101
2.	Asbestos Cement Ltd., New Delhi	23,18,804	6,11,685	20,68,161	69,196
3.	Arrora Matthey Ltd., Calcutta	x	x	x	x
4.	Alkali & Chemical Corporation of India Ltd., Calcutta . .	5,87,771	1,90,97,936	56,26,105	1,47,49,316
5.	Associated Bearing Co. Ltd., Bombay	..	222,77,228	5,57,733	397,93,695
6.	Atic Industries Ltd., Atul .	94,56,570	63,78,176	83,57,688	61,16,614
7.	Asnew Drums Ltd., Bombay	x	x	x	x
8.	Ashok Leyland Ltd., Madras .	x	x	x	x
9.	Abbot Laboratories (I) Pvt. Ltd. Bombay	x	x	x	x
10.	A.K. Investments Ltd., Madras	x	x	x	x
11.	Angus Co. Ltd., Calcutta .	x	x	x	
12.	The Assam Co. (India) Ltd., Calcutta	x	x	x	x
13.	The Assam Frontier Tea Ltd., Calcutta	x	x	x	x
14.	Brakes India Ltd., Madras .	17,74,582	38,81,351	17,09,867	96,57,480
15.	Bayer India Ltd., Bombay .	44,51,423	277,37,412	24,57,551	543,79,028
16.	Bellis & Marcom (I) Ltd., Calcutta	x	x	x	x
17.	Bengal Linn Industrial Furnace Ltd., Calcutta . .	..	..	..	..
18.	Burroughs Wellcome & Co. Pvt. Ltd., Bombay . .	14,22,891	14,34,471	9,24,057	121,58,160
19.	Dr. Bock & Co. (India) Ltd., Poona	226,88,669	103,40,[illegible]09	643,37,423	198,25,006
20.	Buckau Wolf New India Engineering Works Ltd., Poona .	10,58,771	59,80,940	54,69,673	55,01,080
21.	Bakelite Hylam Ltd., Secundrabad	x	x	x	x
22.	BASF (India) Ltd., Bombay .	10,86,207	17,96,421	35,181	19,12,391
23.	Boots Co. (India) Ltd., Bombay	22,48,585	59,85,543	39,53,994	100,78,976

URE IV

29, *Fera and in which the Non-resident interest is presently more than* 40%)

(Amount in Rupees)

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
62,52,624	5,82,318	21,62,437	14,21,297	46,88,681	15,11,762
167,32,617	69,59,525	141,28,105	43,49,680	100,62,288	50,99,048
x	x	x	x	x	x
44,20,302	299,18,146	38,36,508	179,12,032	4,23,708	382,58,531
2,38,326	367,94,192	8,83,624	399,96,756	11,47,525*	202,81,056
101,97,867	75,51,507	70,01,880	127,17,002	166,40,493	108,70,411
x	x	x	x	x	x
x	x	158,52,000	157,34,000*	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
48,68,899	31,62,499*	55,76,648	x	69,77,236	86,14,235
17,42,687	386,53,590	38,80,506	465,80,994	33,37,957	941,09,958
x	x	x	x	x	x
..	..	29,084	..	..	..
23,99,891	139,82,740	62,44,622	205,50,109	14,31,445*	74,52,961*
366,14,640	138,85,462	316,19,494	187,82,406	290,86,442	186,50,241
62,77,338	6,51,013	12,95,977	7,21,644	56,59,942	16,96,057
x	x	x	x	x	x
2,00,202	59,56,946	3,66,604	52,92,525	18,26,272	80,74,981
32,45,906	112,34,568	43,40,015	130,47,562	49,10,714	182,03,029

Sl. No.	Name of the Company	1974		1975	
		Exports	Imports	Exports	Imports
24.	The Jorehaut Tea Co. Ltd. .	105,14,856	..	99,67,377	..
25.	Ciba Geighy of India Ltd., Bombay	30,36,113	180,40,935	19,15,297	200,65,466
26.	Chloride India Ltd., Calcutta .	159,08,981	58,05,631	215,62,327	165,71,649
27.	Cominco Binani Zinc Ltd., Bombay	9,53,843	166,24,980	..	627,47,426
28.	Consolidated Pnaumatic Tool Co. (India) Ltd.. Bombay .	27,33,343	1,77,682	94,95,465	1,40,235
29.	Chemicals & Fibres of India Ltd., Bombay . . .	26,44,849	6,72,649	91,440	2,29,547
30.	Carborundum Univesla Ltd., Madras	49,65,314	92,49,063	67,24,340	72,56,193
31.	Cynamid India Ltd., Bombay	22,63,960	72,02,524	24,36,309	52,04,075
32.	Coromondal Fertilisers Ltd., Secunderabad . . .	—	113,36,020	—	68,47,933
33.	C.E. Fulford (India) Pvt., Ltd., Bombay . . .	26,63,454	30,83,213	14,22,645	31,85,117
34.	Ceat Tyres of India, Bombay	237,88,190	121,01,069	190,64,991	93,63,065
35.	C.A. Williner & Co. Pvt. Ltd., Bangalore	x	x	x	x
36.	The Calcutta Electric Supply Corporation (India) Ltd., Calcutta	—	95,612	x	x
37.	C.W.S. (India) Ltd. Cochin .	x	x	x	x
38.	Cemindia Company Ltd., Bombay	—	67,535	—	89,057
39.	Dagger Forst Tools Ltd. Thana	x	x	x	x
40.	Dewarance Macneill & Co. Ltd. Calcutta . . .	x	x	x	x
41.	Dunlop India Ltd., Calcutta .	319,92,255	388,47,371	x	x
42.	Drayton Greaves Ltd. Bombay	—	48,491	—	7,911
43.	Doom Dooma India Ltd., Calcutta	212,89,650	..	x	x
44.	Darjeeling Plantation Industries Ltd., Calcutta . .	x	x	x	x
45.	Electric Lamp Manufacturers (Pvt.) Ltd., Calcutta . .	x	x	x	x
46.	E. Hill & Co. Pvt. Ltd., Mirzapur	204,64,209	54,910	193,35,580	81,460
47.	English Elcctric Co. of India Ltd., Madras . . .	17,04,133	32,05,696	3,44,718	49,89,115
48.	E. Merck (India) Pvt. Ltd., Bombay	x	x	x	X
49.	Ennore Foundries Ltd. Madras	—	1,96,766	—	2,82,89

(Amount in Rupees)

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
53,35,997	..	131,62,928	..	48,96,583*	..
37,23,022	95,48,517	13,29,178	229,98,922	61,69,580	384,08,232
338,12,086	130,87,114	408,79,389	98,69,990	236,34,145*	72,14,141*
..	800,51,053	..	326,61,986	..	468,20,442
65,37,505	81,078	31,47,740	87,185	39,57,850*	92,94*
17,62,782	3,02,64,486	1,34,765	128,65,623	..	91,18,513
37,23,429	40,15,191*	91,61,242	x	x	12,50,573*
21,38,769	62,07,875	13,03,271	69,45,325	17,06,652	104,34,694
—	30,00,787	—	32,93,740	—	59,97,375
34,46,163	37,36,617	20,04,430*	33,92,068*	17,96,[illegible]83	88,16,935
341,51,055	76,75,024	567,42,855	142,73,872	537,05,440	449,94,178
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
—	11,94,038	—	8,30,050	2,59,763	6,91,593
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
—	—	—	—	—	—
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
84,08,643	—	220,68,382	78,245	379,95,943	—
—	64,61,585	19,99,952	31,23,989	15,99,880	75,54,694
x	x	x	x	x	x
x	x	6,64,889	1,10,894	x	x

Sl. No.	Name of the Company	1974		1975	
		Exports	Imports	Exports	Imports
50.	The EIMCO KCP Ltd., Madras	x	x	x	x
51.	Eyre Smelting Pvt. Ltd., Calcutta	—	76,184	—	3,88,176
52.	Empire Plantations (India) Ltd., Calcutta	54,65,678	—	x	x
53.	Everest Tea Co. Ltd., Calcutta	x	x	x	x
54.	Flender Macneil Gears Ltd., Calcutta	34,172	13,63,192	36,219	96,781
55.	Frick India Ltd., Faridabad .	x	x	x	x
56.	Bombay Tyres International Co. Ltd., Bombay . .	x	x	x	x
57.	Fibreglass Pilkington Ltd., Bombay	9,80,696	45,61,632	394,02,891	1,99,446
58.	Allied Industrial Technology Pvt. Ltd., Ahmedabad . .	x	x	x	x
59.	Gedore Tools (India) Pvt. Ltd., New Delhi.	572,79,566	55,83,341	677,00,668	56,65,949
60.	Groy Beckert (India.) Ltd., Chandigarh	20,70,299	27,85,497	30,16,942	23,16,416
61.	Guest Keen Williams Ltd., Hus.	188,41,755	96,18,630	261,14,158	64,14,900
62.	Gl. Electric Co. India Ltd. .	x	x	x	x
63.	Gontermann Peipers (India) Ltd., Calcutta . . .	x	x	x	x
64.	Greaves Foseco Ltd., Bombay	23,93,857	6,03,638	16,95,434	3,99,963
65.	Grindwell Norton Ltd., Bombay	x	x	x	x
66.	Goodyear India Ltd., New Delhi	128,06,929	101,46,313	34,48,829	95,38,184
67.	Glaxo Laboratories (India) Ltd., Bombay . . .	23,02,251	22,91,177	36,83,590	25,82,793
68.	Greaves Dronsfield Ltd., Bombay	6,36,359	—	1,68,938	—
69.	Cannon Morton Metals Diamond Dies Ltd., Bombay .	—	—	—	—
70.	Garg Associates Pvt. Ltd., Ghasiabad	x	x	x	x
71.	Goodricke Group Ltd., Calcutta	x	x	x	x
72.	George Williamson (Assam) Ltd., Calcutta . . .	x	x	x	x
73.	Hindustan Forodo Ltd., Bombay	55,76,061	102,74,934	62,18,456	104,76,994
74.	Holman Climax Manufacturing Ltd., Calcutta . .	3,626	4,385	3,16,952	18,715

(Amount in Rupees)

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
x	x	x	x	x	x
—	4,68,196	—	4,09,229	x	x
x	x	x	x	x	x
x	x	x	x	x	x
12,368	1,64,191	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
22,98,162	2,42,992	63,39,993*	15,78,059	44,21,397	42,80.763
'x	x	x	x	x	x
981,90,062	17-61,617	1069,05,363	—	1555,29,974	48,32,378
32,10,373	37,87,673	30,96,646	17,92,142	26,61,145	41,62,780
243,57,495	96,61,287	143,36,287	98,38,940*	—	130,42,108*
x	v	x	x	x	x
x	x	x	x	x	x
4,34,118	2,83,647	5,84,428	8,01,385	5,26,911	12,43,235
126,17,684	17,54,297	75,72,606	16,82,193	74,95,469	25,38,989
x	x	x	x	242 ,15,380	187,26,605
161,96,188	141,77,114	52,09,367	170,66,954	14,54,497	99,27,908
3,53,348	—	2,45,778	—	2,71,161	—
	—	—	—	—	—
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
63,04,462	191,74,019	76,71,785	241,55,797	95,39,331	250,34,838
x	x	x	x	x	x

Sl. No.	Name of the Company	1974		1975	
		Exports	Imports	Exports	Imports
75.	Hein Lehman (I) Ltd., Calcutta	x	x	x	x
76.	Hoogly Ink Co. Ltd., Calcutta	—	17,675	—	—
77.	Hoechst Pharmaceuticals Ltd., Bombay	68,94,001	84,76,901	109,16,373	195,36,454
78.	Hindustan Pilkington Glass Works Ltd., Calcutta	x	x	x	x
79.	Herdilla Chemicals Ltd., Bombay	—	3,10,774	—	12,80,796
80.	Hindustan Lever Ltd., Bombay	379,04,417	175,68,174	1210,71,213	230,64,824
81.	Hindustan Gum & Chemicals Ltd., Bhiwani	376,14,721	1,98,551	354,59,258	5,20,584
82.	Hi-Bred (India) Pvt. Ltd., New Delhi	x	x	x	x
83.	Hindustan Dorr-Oliver Ltd.	19,52,533	—	37,32,286	—
84.	Indian Gum Industries Ltd., Bombay	197,76,010	12,60,253	98,50,018	24,66,933
85.	Indian Aluminium Co. Ltd., Calcutta	43,92,176	133,39,275	16,54,760	93,25,509
86.	Indian Card Clothing Co. Ltd., Poona	1,17,023	46,83,653	1,72,802	40,87,883
87.	Indian Explosive Ltd., Calcutta	53,85,515	50,87,638	37,25,337	123,91,770
88.	Ingersoll-Rand (India) Pvt. Ltd., Bombay	47,41,528	55,35,238	47,49,736	37,58,667
89.	Indabrator Ltd., Bombay	—	4,49,880	2,59,390	1,43,905
90.	Indofil Chemicals Ltd., Bombay	3,24,225	53,88,335	13,34,560	61,19,851
91.	India Foils Ltd., Calcutta	28,32,168	10,60,857	42,26,303	12,26,140
92.	J. Stone & Co. (India) Ltd., Calcutta [now Stoneplatt Electrical (I) Ltd.]	x	x	x	x
93.	Johnson & Johnson Ltd., Bombay	36,96,209	8,30,438	46,84,133	9,43,444
94.	Jai Electronic Industries Pvt. Ltd., Nasik	—	—	—	—
95.	Jhunjhunwala Jarvis Ltd., Bombay	—	—	—	—
96.	Jokai (India) Ltd., Calcutta	317,24,130*	—	509,02,254	—
97.	K.S.B. Pumps Ltd., Bombay	5,90,307	32,158	3,94,386	8,00,322
98.	Kanthal India Ltd., Calcutta	x	x	x	x
99.	Kirloskar Cummins Ltd., Poona	105,36,906	178,55,834	106,29,579	227,32,632
100.	Kerala Balers Ltd., Kerala	270,10,629	13,908	289,54,436	X
101.	Lucas T.V.S. Ltd., Madras	28,45,098	62,64,845	82,92,430	65,55,144

(Amount in Rupees)

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
x	x	x	x	x	x
—	—	x	x	x	x
157,22,395	127,23,083	135,73,373	152,81,922	206,41,667	138,68,759
x	x	x	x	x	x
—	20,84,508	—	164,06,059	—	76,21,785
1651,48,130	195,09,781	1156,53,755	24,25,607	x	x
498,58,921	2,23,882	669,88,439	16,78,109	724,96,902	2,53,812
x	x	x	x	x	x
x	x	14,78,616	40,272	x	x
219,19,346	19,48,123	233,45,182	35,95,811	233,60,981	32,69,122
1061,82,823	126,11,899	372,72,809	121,50,370	271,40,225	154,41,070
1,07,213	19,07,374	62,966	7,33,555	10,686	5,24,033
77,70,639	143,79,145	117,89,617	123,07,973	96,47,721	151,77,345
37,69,161	62,08,799	54,32,144	51,96,621	110,45,705	99,79,768
1,71,896	2,93,523	13,710	—	1,45,174	74,672
5,94,653	76,05,557	1,35,093	74,18,732	5,51,842	61,12,163
57,85,594	18,34,314	66,56,427	37,01,036	72,97,909	20,04,826
x	x	x	x	x	x
33,89,840	6,84,198	41,35,078	14,67,335	58,55,780	49,00,856
18,173	—	—	36,230	—	1,12,944*
—	—	—	—	—	—
9,38,116	—	523,59,397	—	x	x
12,82,555	5,64,927	28,30,751	19,53,194	25,82,322*	18,44,161*
x	x	x	x	x	X
208,78,806	175,70,456	244,97,220	233,50,841	123,03,020	332,66,374
340,89,291	—	308,72,238	—	337,45,915	—
72,66,394	66,82,777	64,87,392	57,47,928	81,43,189	131,62,091

Sl.	Name of the Company	1974 Exports	1974 Imports	1975 Exports	1975 Imports
102.	L.M. Van Mopped Diamond Tools India Ltd., Coonoor .	—	7,23,364	—	2,45,265*
103.	Lurgi India Co. Pvt. Ltd., New Delhi	x	x	x	x
104.	Maschemeijer Aromatics (I) Pvt. Ltd., Madras . .	x	x	x	x
105.	Molivs of India Ltd., Mohali	x	x	x	x
106.	Monsanto Chemicals of India Pvt. Ltd., Bombay . .	x	x	x	x
107.	Motor Industries Co. Ltd., Bangalore	720,71,821	484,01,413	900,51,146	240,05,581
108.	Mahindra Sintered Products Ltd., Poona	12,76,409	15,15,427	9,15,081	11,02,514
109.	Merck, Sharp & Dohme of India Ltd.	37,93,188	20,95,247	15,36,454	56,15,294
110.	Madras Fertilizers Ltd., Madras	x	x	x	x
111.	May & Baker (India) Pvt. Ltd., Calcutta	28,62,312	2,25,169	49,52,105	5,55,032
112.	Malcha Properties Ltd., Calcutta	x	x	x	x
113.	Makum Tea Co. (India) Ltd., Margherita	120,34,842	—	147,92,426	X
114.	Mysore Chipboards Ltd., Mysore	x	x	x	x
115.	The Majuli Tea Co. (India) Ltd., Cal.	x	x	x	x
116.	Malayalam Plantations (India) Ltd., Cal. . . .	21,82,021	—	43,19,866	—
117.	Moran Tea Co. (I) Ltd., Cal.	x	x	x	x
118.	Mcleod Russell (I) Ltd., Cal. .	x	x	x	x
119.	Nowrosjee Wadia & Sons (P) Ltd., Bombay . . .	x	x	x	x
120.	Nevella Wadia Pvt. Ltd., Bombay	x	x	x	x
121.	NGEF-AEG Engineering Co. Ltd., Bangalore . . .	13,080	—	—	—
122.	Namdang Tea Co. (India) Ltd., Assam	100,71,328	—	132,22,871	—
123.	O/E/N India Ltd., Cochin . .	5,886	13,45,685	2,681	20,27,753
124.	Oil India Ltd., Calcutta .	—	247,56,743	—	735,07,065
125.	Organon (India) Ltd. Calcutta	—	1,85,811	40,29,739*	2,85,548*
126.	Otis Elevator Co. (I) Ltd., Bombay	15,97,529	8,67,219	51,82,168	10,95,814
127.	Porritts & Spencer (Asia) Ltd., New Delhi	x	x	x	x
128.	Parke Davis (India) Ltd., Bombay	13,88,237	30,18,694	7,60,082	44,87,107
129.	Pfizer Ltd., Bombay . .	47,59,628	42,24,980	66,42,515	34,71,508
130.	Pashtany Tejaraty Co. (India) Pvt. Ltd., Amritsar .	x	x	x	x

(Amount in Rupees)

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
—	—	—	13,87,637	—	x 6,11,189
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
139,06,451	371,68,713	1436,97,076	476,27,373	1493,72,380	507,17,203
10,63,787	22,69,436	19,99,841	26,08,036	16,15,482	22,78,260
11,20,110	1,34,185	15,60,886	69,200	76,968*	43,06,036*
x	x	x	x	x	x
45,68,911	6,11,300	55,89,709	5,99,416	42,24.510	80,970
x	x	x	x	x	x
144,95,322	—	249,27,443	—	x	x
x	x	x	x	x	x
x	x	x	x	x	x
95,15,446	5,409	113,06,589*	—	86,23,165	13,200
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
—	—	—	—	33,55,278	—
141,32,915	—	216,47,490	—	x	x
16,204	22,57,408	15,997	21,90,940	1,02,272	29,25,494
—	454,08,274	—	675,45.595	—	459,81,219
x	x	26,90,568	22,45,057	7,76,525	37,24,883
44,88,759	7,67,734	67,92,271	17,05,093	78,24,899	12,06,076
x	x	x	x	x	x
30,01,022	51,50,036	8,37,994	39,46,676	14,97,878	51,74,090
59,78,651	63,05,717	74,69,687	46,91,339	25,72,386	54,74,010
x	x	x	x	x	x

Sl. No.	Name of the company	1974		1975	
		Exports	Imports	Exports	Imports
131.	Plasser (India) Ltd., New Delhi	x	x	x	x
132.	R.H. Windsor (I) Ltd., Bombay	20,76,657	9,38,693	26,85,909	1,30,909
133.	Reichhold Chemicals (India) Ltd., Madras	x	x	x	x
134.	Poche Products Ltd., Bombay	7,37,107	65,20,252	—	57,45,204
135.	Richardson Hindustan Ltd., Bombay	27,42,464	4,69,102	30,40,256	4,60,661
136.	Reyrollo Burn Ltd., Howrah	x	x	x	x
137.	Sundaram Clayton Ltd., Madras	25,66,655	19,16,787	21,91,669	21,13,400
138.	Spirax Marshall Ltd., Poona	—	—	—	—
139.	Sonapathy Whitley (P) Ltd., Bangalore	—	—	—	—
140.	Saurashtra Cement & Chemical Industries Ltd., Ranavav	x	x	x	x
141.	S.F. India Ltd., Calcutta	x	x	x	x
142.	Sesa Goa Pvt. Ltd., Goa	x	x	x	x
143.	Sandvik Asia Ltd., Poona	84,45,486	88,80,024	68,51,468	98,92,892
144.	Singlo (India) Tea Co. Ltd. Calcutta	40,01,587	—	60,49,400	
145.	Stewart Holl (India) Ltd., Calcutta	x	x	x	x
146.	Schroder Scovill Duncan Ltd. Bombay	12,96,023	x	9,58,922	x
147.	Siemens India Ltd., Bombay	305,69,439	77,61,250	467,63,584	134,29,778
148.	Sansar Machines Ltd., New Delhi	x	x	x	x
149.	Sandoz (India) Ltd., Bombay	218,44,308	186,98,505	178,28,286	312,39,608
150.	Tribeni Tissues Ltd., Calcutta	173,44,281	45,29,050	181,23,692	76,79,953
151.	Tractor & Farm Equipment Ltd., Madras	5,286	258,00,288	9,022	411,02,134
152.	Tractor Engineers Ltd., Bombay	—	21,87,746	—	45,78,174
153.	Tullis Woodroffe & Co. Ltd., Madras	44,511	—	—	—
154.	Tata, Dilworth, Secord Meagher & Associates, Bombay	x	x	x	x
155.	Tea Estates India Pvt. Ltd., Coonoor	1,99,788	—	1,36,724	—
156.	Tata Engineering India Ltd., New Delhi	x	x	x	x
157.	Union Carbide India Ltd., Calcutta	x	x	x	x
158.	Uni-Sankya Ltd., Hyderabad	x	x	x	x

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
x	x	x	x	x	x
32,92,178	4,02,558	13,96,173*	36,700*	x	x
x	x	x	x	x	x
13,73,982	80,90,055	24,73,975	197,61,442	14,04,549	177,55,549
14,02,128	5,60,347	7,68,383	8,95,562	13,99,701	3,63,736
x	x	x	x	x	x
16,21,199	54,60,036	19,48,367	30,59,368	46,48,413	30,85,321
—	22,305	.	29,088	-	40,476
2,448	- -	--	3,749	2,483	67,87,965
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
55,96,750	118,95,219	84,03,609	363,08,057	32,73,001*	157,60,890*
x	x	x	x	x	x
x	x	x	x	x	x
12,07,488	x	26,59,444	x	10,18,786	6,60,699
246,55,818	145,94,569	349,27,450	129,53,830	457,41,291	123,21,839
x	x	x	x	x	x
291,51,239	358,33,705	272,95,587	485,59,789	126,86,381	670,34,161
166,54,177	87,17,735	164,25,285	118,41,615	x	x
1,03,698	x	3,04,657	x	-	43,43,695*
-	26,14,283	--	13,78,365	.	40,45,058
3,797		--	---		—
x	x	x	x	x	x
.	21,598	1,70,362	.	.	--
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x

Sl. No.	Name of the Company	1974		1975	
		Exports	Imports	Exports	Imports
159.	Vickers Sperry of India Ltd., Bombay	x	x	4,93,081	12,30,637
160.	Western Thomson (I) Ltd., Madras	1,48,623	1,96,920	..	1,47,323
161.	Widia India Ltd., Bangalore	36,94,247	96,05,432	48,84,805	175,08,374
162.	Warner Hindustan Ltd., Bombay	28,66,399	12,79,255	27,94,843	10,05,631
163.	Whiffens (India) Ltd., Bombay	1,494	—	—	—
164.	Waldies Ltd., Calcutta . .	6,80,287	4,37,855	4,34,143	1,25,224
165.	Warren Tasa Ltd., Calcutta	x	x	x	x
166.	Zuari Agro-Chemicals Ltd., Goa	x	x	x	x
167.	Wyeth Laboratories Ltd., Bombay	8,39,498	23,03,944	2,42,760	27,16,728
168.	Mather & Platt (I) Ltd., Bombay	3,34,693	49,314	90,435	40,690
169.	Uhde India Ltd., Bombay .	x	x	x	x
170.	E.M. Alloock & Mohatta Pvt. Ltd., Calcutta . . .	x	x	x	x
171.	Kulkarni, Black & Docker Ltd., ...	x	x	x	x
172.	Lakshman Isola Ltd. Bangalore	x	x	x	x
173.	Oxford University Press, Delhi	x	x	x	x
174.	Sudbury Laboratory of Idnia, Calcutta . . .	x	x	x	x
175.	Metalics (India), Calcutta .	x	x	x	x
176.	Marzook & Cadar Pvt. Ltd., Goa	x	x	x	x
177.	Norindia Ltd., Bombay .	x	x	x	x
178.	Thomas Cook (I) Ltd., Bombay	x	x	x	x

Notes : —Indicates "Nil" figures reported.
* Indicates figures for half year period only.
x Indicates information not available.

1976		1977		1978	
Exports	Imports	Exports	Imports	Exports	Imports
4,78,795	13,28,267	10,78,939	26,77,014	3,80,037*	16,28,687*
49,980	92,800*	1,41,423	1,77,612	—	1,53,141
59,06,957	164,44,655	66,55,404	100,41,636	45,80,020	154,70,205
15,36,676	17,83,827	17,60,688	53,30,198	50,90,880	48,51,691
—	—	—	29,996	..	19,971
..	—	24,738	54,710	x	x
x	x	x	x	x	x
x	x	x	x	x	—
—	24,72,427	32,463	28,05,670	45,805	40,52,373
5,68,902	2,42,981	5,18,653	3,71,952	4,03,875	15,932
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x
x	x	x	x	x	x

PART II

Minutes of the sitting of Public Accounts Committee (1981-82) held on 3-3-1982

The Committee sat from 1600 hrs to 1800 hrs.

PRESENT

1. Shri Satish Agarwal —*Chairman*
2. Shri K.P. Unnikrishnan
3. Shri N.K.P. Salve
4. Shri Patitpaban Pradhan
5. Shri Ashok Gehlot
6. Shri M.V. Chandrashekara Murthy
7. Prof. Rasheeduddin Khan

—*Members* (2 to 7)

REPRESENTATIVES OF THE OFFICE OF C&AG

1. Shri R.C. Suri —*ADAI*
2. Shri R.S. Gupta —*Director of Receipt Audit I*
3. Shri N. Sivasubramanian —*Director of Receipt Audit II*
4. Shri G.N. Pathak —*DADS*
5. Shri G.R. Sood —*Joint Director (Reports)*
6. Shri R.S. Gupta —*Joint Director (Defence)*

SECRETARIAT

1. Shri D.C. Pande —*Chief Financial Committee Officer*
2. Shri K.C. Rastogi —*Senior Financial Committee Officer*

The Committee considered the following draft Reports and approved the same with modifications/amendments as shown in Annexures* I to IV.

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*Annexures I to III not appended.

The Committee also approved some minor modifications arising out of the factual verifications of the draft Reports by Audit :

(i) xx xx xx

(ii) xx xx xx

(iii) xx xx xx

(iv) Draft Eightieth Report on action taken on 28th Report of the Public Accounts Committee (7th Lok Sabha) relating to M/s. International Computers Ltd.. UK.

The Committee then adjourned.

ANNEXURE IV

List of modifications/amendments made by the Public Accounts Committee in the Draft 80th Feport on action taken by Government on the 28th Report of Public Accounts Committee (Seventh Lok Sabha).

Page	Para	Line(s)	Modifications/Amendments
13	1.20	3	*For* "foreign companies" *read* "foreign companies in regard to taxation matters"
13	1.21	12-13	*For* "and the results achieved in due course" *read* "in the matter".

APPENDIX

Conclusions/Recommendations

Sl. No.	Para No.	Ministry/ Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.13	Finance (Deptt. of Revenue)	The committee expect that the final replies to these recommendations or observations in respect of which only interim replies have so far been furnished will be made available to them expeditiously after getting them vetted by Audit.
2	1.13	Finance (Deptt. of Revenue)	In Paras 1.31, 1.33, 1.34 and 1.35 of the 28th Report, the Committee had drawn attention to certain acts of omission and commission on the part of the Income-tax authorities in the case of M/s. International Computers Ltd., U.K. The Committee had recommended that the case should be investigated thoroughly by the Special Cell of the Directorate of Investigation in conjunction with the other cases like that of the IBM World Trade Corporation. In pursuance of the recommendation, Government have assigned the case of M/s. International Computers Ltd., U.K. to the Director of Inspection (Special Investigation)* for examining the nature and gravity of errors, both of commission and omission, noticed in this case. The Committee desire that the results of investigations and the remedial measures taken should be communicated to them at the earliest.
3	1.20	Finance (Deptt. of Revenue)	The Committee had in the earlier Report drawn attention to the need for building up Management Information System which would enable the Central Board of Direct Taxes to control and monitor the working of the field organisations particularly in regard to the assessments of the multinational corporations. The so-called Report on the review of Foreign Tax Division submitted to the Committee in

*(as now designated)

1	2	3	4
			pursuance of the recommendations made by them in the 192nd Report (1975-76) is only a factual account of the functions of and work done by the Foreign Tax Division. What the Committee had in view was a critical and objective analysis of the deficiencies of the present system *vis-a-vis* the role played by Foreign Tax Division in keeping an effective check on the working of the foreign companies, initiating studies on the proliferation of foreign capital and the practices adopted by them to avoid/evade their tax liability. No such critical review has apparently been made so far. The Committee therefore reiterate the observations made by them in the earlier report and desire that a comprehensive review of the working of Foreign Tax Division may be carried out without delay with a view to taking necessary remedial measures for making it an effective instrument in the hands of government to monitor and control the operations of the foreign companies in regard to taxation matters.
4	1.21	Finance (Deptt. of Revenue)	The Committee had also emphasised the need for enlarging and streamlining the functioning of the Foreign Tax Division and the Special Cell with a view to enabling them to provide active guidance and assistance to field units in the disposal of bigger cases of tax assessments of foreign companies. The Committee note that necessary action to enlarge and streamline the role of the Special Cell as well as the Foreign Tax Division on the lines suggested by them is being taken. The Committee would like to be apprised of the precise steps taken in the matter.

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