

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2447
ANSWERED ON:23.07.2004
HEADING C AG REPORT ON UNDERCHARGING OF TAX
Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

- (a) whether the C&AG in its report No. 13 of 2003 (Direct Taxes) in para 3.6.1 on pages 74, 75 and 76 has stated that mistakes in assessments were noticed in case of major pharmaceutical companies leading to undercharge of tax of Rs.302.23 crore;
- (b) if so, whether the Government go into the reasons for under assessment;
- (c) if so, the details thereof and what steps have been taken to recover the due amount from the assesses; and
- (d) if so, the action Government propose to take against the erring income tax officials?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) It is a fact that C&AG conducted a review and made observations contained in Report No. 13 of 2003 (Direct Taxes). Raising of audit observations and its settlement is a continuous process.

(b) Officers of the Seniority of Commissioner of Income-tax have examined reasons for under assessment.

The major reasons that emerged were;

(i) the audit objections were raised on orders u/s. 143(1)(a), wherein the A.O. was not empowered to make any disallowances as raised in audit objections.

(ii) in some cases audit objections have been found to be factually incorrect and have not been accepted by the department.

(c) The steps taken to recover the due amount from the assessee are as under: -

CBDT has directed vide Instruction No.1928 dated 7.8.1995 to their Assessing Officers working in all Commissionerates of Income Tax in the country to invariably initiate remedial actions including rectificatory measures, in all cases of revenue audit objections irrespective of the fact whether the revenue audit objections are accepted by the department or not. The CCIT/CsIT are already under instructions to immediately act on the audit objections raised by office of C&AG and to see that objections get settled at an early date. An advance questionnaire has been received from Lok Sabha Secretariat on this Review. A detailed reply has already been submitted to Lok Sabha Secretariat and to C&AG on 30.10.2003 by the Central Board of Direct Taxes, Department of Revenue. Observations of C&AG as raised in the System Review are monitored in a time bound manner by Commissioners of Income-tax and rectificatory action are taken as per law.

(d) In those cases where the audit objections are found correct, the CsIT are required to call for explanation of the concerned A.O