

concentration of audit work in the hands of few firms of Chartered Accountants has been completed and if so, the outcome thereof; and

(b) the action proposed to be taken by Government in the light of the study to curb the growth of this unhealthy practice?

**THE MINISTER OF COMPANY AFFAIRS (SHRI RAGHUNATHA REDDY)** : (a) The study undertaken by the Department is still in progress.

(b) Suitable action will be considered after the study is complete. However some amendments are already included in the bill to amend companies Act, proposed to be introduced in the current session of Parliament.

**Non-compliance of the Provisions of Companies Act by State Government Companies**

890. **SHRI J. M. GOWDER** : Will the Minister of COMPANY AFFAIRS be pleased to state :

(a) the names of State Government companies which did not comply with the provisions of the Companies Act, 1956 during 1971-72; and

(b) what action has been taken against them by the Department for not complying with the provisions of the Companies Act?

**THE MINISTER OF COMPANY AFFAIRS (SHRI RAGHUNATHA REDDY)** : (a) and (b). The information is being collected and will be laid on the Table of the House.

**Writing off Arrears of Income-Tax**

891. **SHRI J. M. GOWDER** : Will the Minister of FINANCE be pleased to state :

(a) the quantum of hard core of tax arrears which are irrecoverable and have to

be written off at some stage out of the Income-tax arrears of Rs. 499 crores as on March 31, 1971;

(b) how Government have concluded that the bulk of the arrears outstanding are due to the hard core of tax arrears which are irrecoverable and have to be written off at some stage, and

(c) why the bulk of the arrears have not yet been written off?

**THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI)** : (a) The outstanding demand of Rs. 499.68 crores as on 31-3-1971 includes, apart from demands which are in progress of recovery in pursuance of Tax Recovery Certificates, demands remaining uncollected on account of one or more of the following reasons:—

(i) Amount pending settlement of D.I.T. or other relief claims.

(ii) Amounts pending consideration of write-off/scaling down petitions.

(iii) Amount due from companies under liquidation.

(iv) Amounts due from persons who have left India and/or not traceable and/or who have no known assets and/or assets vest with the Custodian of Evacuee Property and/or who are involved in insolvency proceedings.

(v) Amounts disputed in appeals/references, but not stayed or covered by instalments.

(vi) Absence of bidders for shares in private limited companies or for immovable properties.

(vii) Disputes and litigation regarding the ownership of assets.

While it is not possible to quantify the hard core of arrears which are irrecoverable, the bulk of the arrears falling in the

above categories are likely to present considerable difficulties in recovery.

(b) It is not clear as to what statement the Hon'ble Member is referring. If further particulars are given, the position can be elucidated.

(c) Arrear demand is written off only after all possible avenues of recovery have been explored. The bulk of the demand has not been written off because it has not so far been found to be finally irrecoverable.

#### Over-assessments and under-assessments by Income-Tax Officers

892. SHRI J. M. GOWDER : Will the Minister of FINANCE be pleased to state:

(a) the action taken against the Income-tax Officers for doing under-assessment in 16,997 cases in the year 1969-70 involving Rs. 858.92 lakhs and for over-assessment of tax of Rs. 194.41 lakhs in 6004 cases; and

(b) the reasons for larger number of cases of under-assessment of tax, as compared to over-assessment?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI SUSHILA ROHATGI) : (a) The Hon. Member has quoted the figures from the Report of the Comptroller & Auditor General of India, for the year 1969-70 on Revenue Receipts; the under/over assessments mentioned were detected during the audit of direct tax cases by the Comptroller & Auditor General. The Income-tax Department after scrutiny has not conceded the mistakes pointed out by the Audit in all the 16,997 and 6,004 cases involving under-assessment and over-assessment respectively. To the extent such mistakes have been conceded, according to the instructions issued by the Central Board of Direct Taxes, the Head of the Department is required to call for the explanation of the officers responsible and take appropriate action. Expe-

rience has shown that the mistakes committed by Income-tax Officers are mostly due to: (a) pressure of work, (b) inadvertence and (c) *bona fide* difference of opinion in interpretation of relevant legal provisions. For errors involving these circumstances the officers concerned are generally cautioned or issued formal warning (copy placed on Charter Roll).

(b) Main reasons are given below:

(i) Mistakes involving over-assessments would normally arise due to wrong computation of income or calculation of tax; mistakes involving under-assessments could however arise also from other spheres of determination of tax/penal interest/penalty liability.

(ii) In cases of over-assessments as soon as the assessee gets copies of the assessment orders, they move to get the relevant mistakes rectified by the Income-tax Officers, there is no such move for rectification in cases of under-assessments and thus more of these mistakes survive for detection but Audit.

#### Overdrafts by States

893 SHRI P. M. MEHTA :  
SHRI K. LAKKAPPA :

Will the Minister of FINANCE be pleased to state:

(a) whether the States are up in arms against the decision of the Central Government on the overdrafts issue;

(b) what are the States' complaint about the Centre's decision on overdrafts and how has it effected them; and

(c) what further steps Government have agreed to take to help those States?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRIMATI