

THIRTY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE

(1985-86)

(EIGHTH LOK SABHA)

INCORRECT VALUATION OF UNQUOTED EQUITY SHARES

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

[Action Taken on 178th Report (Seventh Lok Sabha)]



Presented in Lok Sabha on 8 April, 1986

Laid in Rajya Sabha on _____

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1986/Chaitra, 1908 (Saka)

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CORRIGENDA

36TH REPORT OF PAC (8TH LOK SABHA) REGARDING
INCORRECT EVALUATION OF UNQUOTED EQUITY SHARES
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(i)

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PUBLIC ACCOUNTS COMMITTEE
(1985-86)

CHAIRMAN

Shri E. Ayyapu Reddy

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shrimati Prabhawati Gupta
6. Shri Harpal Singh
7. Shri Vilas Muttemwar
8. Shri G. Devaraya Naik
9. Shri Rameshwar Neekhra
10. Shri Rajmangal Pande
11. Shri H.M. Patel
12. Shrimati Jayanti Patnaik
13. Shri S. Singaravadivel
14. Shri Simon Tigga
15. Shri Girdhari Lal Vyas

Rajya Sabha

16. Shrimati Amarjit Kaur
17. Shri Nirmal Chatterjee
18. Miss Jayalalitha
19. Shri Ghulam Rasool Kar
20. Shri Chaturanan Mishra
21. Shri K.L.N. Prasad
22. Shri Ramanand Yadav

SECRETARIAT

1. Shri N.N. Mehra—*Joint Secretary.*
2. Shri K.H. Chhaya—*Chief Financial Committee Officer.*
3. Shri O.P. Babal—*Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Thirty-sixth Report on action taken by Government on the recommendations/observations of the Public Accounts Committee contained in their 178th Report (7th Lok Sabha) relating to incorrect valuation of unquoted equity shares.

2. In this Action Taken Report, the Committee have expressed concern over the manner in which the case relating to estate duty assessment of Shri Hemant B. Mafatlal was conducted. The Committee have observed that after the notice for re-opening of the estate duty assessment had been quashed by the single judge of High Court of Bombay in October 1982, an appeal was filed with the Division Bench of that High Court on 8 July, 1983. That appeal was dismissed by the Prothonotary of the High Court on 13 December, 1983 for want of prosecution. The Senior Central Government Advocate of the Ministry of Law took about 13 months in informing the IAC (Judicial) Bombay about the dismissal. The attitude of the Ministry of Finance also remained indifferent to the case as they did not keep track of it. After the order of the Prothonotary was got revoked, the Division Bench of the High Court heard and dismissed the appeal against the order of the Single Judge of the High Court on 3 June, 1985. The Ministry is understood to be considering filing of special leave petition with the Supreme Court. From all these facts and reprehensible delay involved in the finalisation of the case, the Committee have inferred that there was some collusion with the accountable persons. The Committee have, therefore, desired that various aspects of the matter be thoroughly gone into by a Committee consisting of the Secretaries of the Ministry of Finance (Department of Revenue) and the Ministry of Law and responsibility fixed for the lapses.

3. The Committee considered and adopted the Report at their sitting held on 27 February, 1986. The 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 Appendix II to the Report.

(vi)

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;

April 4, 1986

Chaitra 13, 1908 (Saka)

E. AYYAPU REDDY

Chairman,

Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their One Hundred and Seventy Eighth Report (Seventh Lok Sabha), on Paragraph 4.35(i) of the Report of the Comptroller and Auditor General of India for the year 1980-81, Union Government (Civil), Revenue Receipts, Volume II, Direct Taxes relating to Incorrect Valuation of Unquoted Equity Shares.

1.2 The Committee's 178th Report was presented to Lok Sabha on 6 March, 1984. It contained 18 recommendations and observations. Action Taken Notes have been received in respect of all the recommendations/observations. These have been broadly categorised as follows :

- (i) Recommendations and observations which have been accepted by Government :

Sl. Nos. 2—5, 7—9, 11, 13, 14 and 16—18.

- (ii) Recommendations and observations which the Committee do not desire to pursue in view of the replies of Government :

Sl. Nos. 6, 12 and 15.

- (iii) Recommendation and observations replies to which have not been accepted by the Committee and which require reiteration :

Sl. No. 10.

- (iv) Recommendation and observation in respect of which Government have furnished interim reply :

Sl. No. 1.

1.3 The Committee hope that final reply in regard to recommendation to which only interim reply has been furnished will be submitted to them at an early date after getting the same vetted by Audit.

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

Re-opening of estate duty assessment of Shri Hemant B. Mafatlal

(Sl. No. 10 and Para 1.115)

1.5 Expressing doubt over the representation before the Bombay High Court, of the Government's case relating to re-opening of estate duty assessment of Shri Hemant B. Mafatlal, the Committee in Paragraph 1.115 desired the Ministry of Finance to investigate ;

- (i) Whether there was any deliberate move in the Ministry/Board to delay the finalisation of the re-assessment in the instant case with a view to benefit the accountable person;
- (ii) Whether there was any slackness/laxity in the Ministry/Board to safeguard the interest of revenue in this case; and
- (iii) If so, to fix responsibility thereof.

1.6 In their action taken note dated 8 March, 1985, the Ministry of Finance (Department of Revenue) have stated :—

“It may be recalled that on the directions of the Hon'ble Public Accounts Committee the then Secretary (Revenue), in the Ministry of Finance looked into the matter and submitted a note to the Committee vide his D.O. letter No. 8/SR/83-1 dated 12th January, 1983 addressed to the then Chairman of the Public Accounts Committee. In this note, the then Secretary (Revenue) expressed the view that in June 1978 it would have been appropriate, viewing the matter in retrospect, for the Under Secretary and the Director (ED) to have taken the matter up to the Member concerned. However, there does not appear to be any evidence of any deliberate move in the Ministry/Board to delay the finalisation of the re-assessment in the instant case with a view to benefit the Accountable Person. It also appears that references made by the Board to the Ministry of Law on various occasions were also not without justification, although there has been delay in having the matter sorted out. In this case the High Court of Bombay granted Ad-Interim relief to the Accountable Person, in the Misc. Petition No. 941 of 1979 under Article 226 of the Constitution of India, on 23rd April, 1979. In view of the stay having already been granted by the Bombay High Court, the finalisation of the re-assessment in the instant case was not possible thereafter.

It is submitted that the single Bench of the High Court of Bombay has since quashed the notice under Section 59 (b) of the Estate Duty Act for re-opening of the assessment in this case vide order

dated 8th October, 1982. The Controller of Estate Duty, Bombay was immediately requested to take up the matter with the Ministry of Law, Branch Sectt., Bombay, for filing an appeal against that order, and the appeal was accordingly filed with the Division Bench on 8th July, 1983. Unfortunately on the 13th December, 1983, the Prothonotary and Senior Master of High Court, Bombay, dismissed this appeal, as the compilation containing various relevant documents were not then filed. Immediately on receiving information to this effect from the Ministry of Law, the letters were addressed by the Member (WT&J), Central Board of Direct Taxes, to the Controller of Estate Duty, Bombay, the Chief Commissioner (Admn.) and Commissioner of Income-tax, Bombay City-I, Bombay, Shri P.K. Kartha, Additional Secretary, Ministry of Law and Justice, New Delhi and Shri J.G. Sawant, Joint Secretary, Ministry of Law, Branch Sectt., Bombay, to make every effort to get the order of Prothonotary revoked on top most priority and matter was followed by C.B.D.T. on day to day basis. The case was to be heard on 30th January 1985 but was adjourned to 31st January, 1985 and was finally heard on 1st February, 1985. The matter was also discussed by the Member (WT&J) with the Chief Commissioner (Admn.) and Commissioner of Income-tax, Bombay City-I, Bombay, Controller of Estate Duty Bombay and the Joint Secretary, Ministry of Law, Branch Secretariat, Bombay on a number of occasions and specific directions were given. As a result of these efforts the High Court of Bombay have on the 1st February, 1985 accepted our plea for condonation of delay in filing of relevant documents and the matter will come up for regular hearing on 18th February, 1985."

1.7 On a further clarification sought from the Ministry of Finance, the Committee were informed on 3 December, 1985 that :

"The appeal in this case was originally filed in time on 8.7.1983. The Compilation of the earlier Court's proceedings was to be filed subsequently. The Prothonotary fixed the hearing on 13.12.1983. There was no intimation of this from the Ministry of Law. The Prothonotary passed order on 13.12.1983 dismissing the petition for non prosecution as no body attended before him on behalf of the Law Ministry. The fact was not intimated by the Ministry of Law to the Department until 3.1.1985.

Miss S.G. Shah, Sr. Central Government Advocate, Ministry of Law informed the IAC Judicial, Bombay on 3.1.1985 vide her letter No. F. 1/941/79 that the Learned Prothonotary has dismis-

sed appeal filed in the High Court for want of prosecution the previous year. The Board was informed about this by the CED, Bombay vide his D.O. letter No. ED/PAC/81-82 dated 4.1.1985.

The CED, Bombay was telegraphically informed on 19.1.1985 (F.No. 309/16/76-ED Vol. II (Pt.) that the procedural difficulty should be settled by getting the order of the Prothonotary revoked. Again the then M (WT&J) wrote a D.O. letter dated 21.1.1985 to CED, Bombay stating that he should make every effort to get the order of the Prothonotary revoked on top priority. Copy of the said D.O. was also endorsed to Shri P.K. Kartha, Additional Secretary, Department of Legal Affairs, with a copy of the letter of the CED, Bombay dated 4.1.1985 with its enclosure for information and immediate necessary action.

In this respect D.O. F. No. 309/16/76-ED-Vol. II dated 25.1.1985 were also sent by the then M (WT&J) to the CC (Admn.) and CIT, Bombay City-I and to Shri J.G. Sawant, Joint Secretary, Ministry of Law, Branch Sectt. Bombay to make every effort to get the order of the Prothonotary revoked on top most priority basis.

The CED, Bombay vide his letter No. ED/PAC/81-82 dated 24.1.1985 informed that the Sr. Central Government Advocate filed a petition on 19.1.1985 to get the Prothonotary's order revoked.

The Appeal was dismissed by the Prothonotary on 13.12.1983 and the Sr. Central Government Advocate, Ministry of Law informed of the same to the IAC, Judicial, Bombay vide their letter dated 3.1.1985 and the appeal was filed on 19.1.1985. Thus there was a delay in filing the appeal of about one year and one month."

The Committee have learnt from Audit that the appeal against the order of the Single Judge of the High Court of Bombay was dismissed by the Court on 3rd June 1985, and that the Central Board of Direct Taxes was considering the filing of special leave petition in the Supreme Court against the Judgement of the Bombay High Court.

1.8 In their earlier Report, the Committee had observed that although the Assistant Controller of Estate Duty had issued a notice for reopening the estate duty assessment of Shri Hemant B. Mafatlal, prompt action was not taken to complete the revised assessment nor were timely efforts made to get the stay order issued by the Bombay High Court vacated. The Committee had further noted that the said notice was quashed by the Single Judge

of the High Court in October 1982. The Committee had entertained doubts about the proper conduct of the case on behalf of the Government before the High Court.

1.9 According to the information furnished by the Ministry of Finance (Department of Revenue) on 3rd December 1985 an appeal against the order of the Single Judge of the High Court of Bombay, filed with the Division Bench of that Court had been listed for admission on 18 February, 1985. However, the Committee have since learnt from Audit that the appeal against the order of the Single Judge of the High Court of Bombay was dismissed by that Court on 3rd June, 1985. The Ministry of Finance (Department of Revenue) is understood to be considering filing of a special leave petition to the Supreme Court against this order of the Bombay High Court. The Committee regret to observe that the Ministry did not inform them of the developments that followed the date (18.2.1985) fixed for admission of the appeal by Division Bench of Bombay High Court, which they should have done while furnishing their notes to the Committee on 3rd December, 1985. The Committee strongly deprecate withholding of this information by the Ministry of Finance. The Committee take a serious view of the matter and would like the Ministry of Finance to investigate the circumstances in which this vital information was withheld by them. The Committee would like to have a report in this regard within a period of three months of presentation of this Report.

1.10 The Committee would also like to be apprised of the latest position of the case.

1.11 From the information furnished by the Ministry of Finance (Department of Revenue), the Committee find that while the appeal filed against the order of Single Judge of the High Court of Bombay was dismissed by the Prothonotary of the High Court for want of prosecution on 13th December 1983, the Senior Central Government advocate of the Ministry of Law informed the Inspecting Assistant Commissioner (Judicial), Bombay about the dismissal only on 3rd January, 1985 i.e. about 13 months after the dismissal of the appeal. This is a very serious lapse on the part of the Senior Central Government Advocate. Equally reprehensible is the failure of the Ministry of Finance to keep track of the appeal. Right from the date of filing of the appeal on 8th July 1983 till the date (3.1.1985) on which they were informed of the dismissal, the Ministry of Finance appear to have remained indifferent to the prosecution of the case in the Bombay High Court. There has been obviously gross negligence and reprehensible delay in finalising this case, which involves substantial revenue, despite the audit objection having been accepted as early as 1977. The chronology of the case as shown in the Appendix-I will speak for itself. The Committee consider that the

case has not been handled properly at various stages on behalf of Government, which gives room to infer that there was some collusion with the accountable persons. The Committee, therefore, desire that various aspects of the matter be thoroughly gone into by a Committee consisting of the Secretaries of the Ministry of Finance (Department of Revenue) and the Ministry of Law and responsibility fixed for the lapses. The Committee would like to be apprised of the findings and the action taken against the persons found responsible as soon as possible and, in any case, within a period of three months.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee find that the Board, in their instruction No. 25A/3/65-ED dated 3 May, 1965 and 5 July, 1965 had clarified that in applying the break-up value method under Section 37 of the Estate Duty Act the market value, and not book value, of assets were to be taken. In a subsequent instruction dated 26 March 1968 the Board, however, extended the method of valuation prescribed under the Wealth-tax law based on book value of assets to estate duty assessments. It was pointed out in para 72 of the Audit Report 1972-73 that this was not correct, because of the special provisions of section 37 of the Estate Duty Act. The matter was referred to the Ministry of Law who gave their opinion in July 1974 supporting the views of Audit. The advice of the Ministry of Law was accepted by the Ministry of Finance with the approval of the Finance Minister. In the wake of this and in pursuance of the recommendations of the Public Accounts Committee contained in para 5.51 of their 211th Report (Fifth Lok Sabha), the Board in their instructions dated 29 October, 1974 cancelled the instructions of 26 March, 1968 and restored those of May, 1965 and July 1965. In their further instruction No. 309/16/76-ED dated 5th November, 1976 the Board directed the Estate Duty Officers to review the Estate Duty assessments completed during the period from 1 November, 1973 to 29th October, 1974 and rectify the same under Section 59 (b) of the Estate Duty Act treating the Board's instruction No. 771 of 29 October, 1974 as "information" with Estate Duty Officer.

One of the assessments re-opened pursuant to the instructions issued by the Central Board of Direct Taxes on 29.10.1974 relates to the case of Shri Hemant B. Mafatlal who died on 16.8.1971. In this case, which was the subject matter of an audit para of 1975-76 Report, even according to the company's own balance sheet as on 31.3.1971, the market value of the assets was Rs. 18.17 crores against its book value of Rs. 4.43 crores. In the Estate Duty assessment (28-3-74), the shares were valued on yield basis. One of the companies in which the deceased held shares was M/s Mafatlal Gagalbhai & Co. Private Ltd. The face value of a share of this company

was Rs. 100/-. The Assistant Controller of Estate Duty adopted the value as returned at Rs. 161/-per share on the yield basis. On the basis of the value of the total assets of the company, the valuation came to Rs. 1033 per share. Audit pointed out that under Section 37 of the Estate Duty Act, these shares had to be valued on the basis of market value of the total assets of the company. On that basis, a short levy of Rs. 175.43 lakhs was pointed out. The Audit objection was accepted by the Ministry in principle and they issued a notice for re-opening the assessment under Section 59(b) of the Act on 5.11.1976. Thereupon, the accountable person made a representation to the Assistant Controller (as well as to the Board) saying that the re-opening was not valid. Later, the assessee filed two legal opinions before the Central Board of Direct Taxes to the effect that the special rule of valuation in Section 37 of the Estate Duty Act was applicable only to such private companies as are controlled companies and not to non-controlled private companies of the type involved in the instant case.

In March 1978, the Ministry of Finance referred the case to the Ministry of Law. In the reference, with which the two aforesaid legal opinions were forwarded, the Ministry of Finance expressed a doubt as to the applicability of the first method laid down in Section 39 of the Estate Duty Act to the instant case as M/s Mafatlal Gagalbhai & Co. Private Ltd. was an investment company and as such it would be holding shares in other private companies which in turn would be holding shares of other companies; and thus it was virtually impossible to work out the value of the shares of the deceased in the said company 'by reference to the value of the total assets of the company.' The Ministry of Law were requested to advise whether in the instant case it would be possible to say that the value of the shares could not be ascertainable by a reference to the value of the total assets of the company. In May 1978 the Ministry of Law gave detailed opinion as to the meaning of the expression 'if not ascertainable by reference to the value of the total assets of the company'. In their opinion, which they recorded after taking into account the aforesaid two legal opinions, the Ministry of Law in effect reiterated their earlier view that an effort should be made in the first instance to ascertain the value of shares by reference to the value of the total assets of the company. It is only after that the value of the shares could not be ascertained by reference to the value of the total assets of the company that their market value may have to be determined in accordance with the later part of Section 37.

In June 1979 and in March 1980 the case was referred again by the Ministry of Finance to the Ministry of Law with the same two legal opi-

nions. On both these occasions again the Ministry of Law reiterated their earlier views.

[S. Nos. 2 to 4 (Paras 1.107 to 1.109) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

Action Taken

The facts that enumerated by the Honourable Committee in Paras 1.107 to 1.109 of their 178th Report, (1983-84) are confirmed.

[M/o Finance (Deptt. of Revenue) O.M. No. 241/2/84-A & PAC-I dated 8.3.1985]]

Recommendations

Although there were no fresh cases and no new evidence or further legal opinion before the Ministry of Finance, they nevertheless referred the case again to the Ministry of Law in July, 1980. On this occasion, a Deputy Legal Adviser with the concurrence of a Joint Secretary, expressed an opinion which was totally inconsistent with all earlier opinions. According to this opinion, Section 37 applied only to controlled companies and not to all private companies. The Ministry of Finance then considered the question of revising their instruction of October 1974 so as to revert to the 1968 instruction in respect of non-controlled private companies. The board asked for the comments, if any, of Revenue Audit before actually doing so. Audit suggested a reconsideration of the last opinion of the Law Ministry (29.12.1981/1.1.1982) at a more senior level. The views of Audit were considered in a tripartite meeting among the Ministry of Finance, Ministry of Law and Audit on 29.11.1982. The Ministry of Law thereafter recorded a further opinion on 1.12.1982 reversing their opinion of 29.12.1981/1.1.1982 and reiterated the views held by them all along from 1974 to 1980. The opinion expressed by the Deputy Legal Adviser (29.12.1981/1.1.1982) was reversed on the ground that while interpreting Section 37 of the Estate Duty Act the concept of the controlled companies did not come into the picture as special provisions regarding the valuation of controlled companies had been made in Section 17 to 20 of the Estate Duty Act.

While testifying before the Committee in evidence the Secretary, Ministry of Law stated that the Ministry of Law had been uniform in their opinion except only on one occasion (1.1.1982) which they were 'Bamboozled in some way'.

In the opinion of the Committee, the Deputy Legal Adviser, who had given the opinion on 29.12.1981/1.1.1982 and the Joint Secretary, Ministry of Law who had concurred with the Deputy Legal Adviser had also not acquitted themselves creditably. Apart from the fact that the legal opinion given by here was totally inconsistent with the opinion expressed by the Ministry of Law all along, she had failed to see that in the interpretation of Section 37 the concept of controlled companies did not come into the picture as there were special provisions regarding the valuation of shares of controlled companies in Section 17 to 20 of the Estate Duty Act. Also, the language of Rule 10(2) of the Gift Tax Rules was identical to the language of Section 37 of the Estate Duty Act. However, there was no concept of controlled companies under the Gift Tax Act. The least which could have been done in this case was that as the opinion expressed on 1.1.1982 was at total variance with all earlier opinion, it should have been put up the Secretary of the Ministry who incidentally had given the original opinion in 1974 as the then Joint Secretary. But unfortunately, this was not done.

[S. Nos. 5 and 9 (Paras 1.110 and 1.114) of Appendix VI to the 178th Report (Seventh Lok Sabha)].

Action Taken

The opinion given by Shri P.S. Venkatasubramanian, the Joint Secretary and Legal Adviser, in 1974, and the general instructions issued by the Department on 29.10.1974 and 24.5.75 were not brought to the notice of this Ministry when the Ministry of Finance made a reference to us on 21.7.1980, pursuant to which the Deputy Legal Adviser recorded a note on 29.12.1981. The Joint Secretary and Legal Adviser, who agreed with the conclusions drawn in the note of the Deputy Legal Adviser on 1.1.1982. however, reconsidered the matter after discussion at a tripartite meeting held on 29.11.1982 which was attended by the representatives from the Comptroller and Auditor General's Office and the Department of Revenue. During the tripartite meeting, it was pointed out that the previous opinions and instructions had not been brought to our notice. After discussing the matter with Dr. M.B. Rao, the then Additional Secretary, the same Joint Secretary and Legal Adviser, recorded his note on 1.12.1982 which in substance, reiterates the earlier opinion given by Shri P.B. Venkatasubramanian in 1974. It was also pointed out by him in his note dated 1.12.1982 that the previous opinion given in 1974 was not brought to our notice in 1980.

2. The observations made by the Committee that the matter should have been put up to the Secretary of the Ministry has been noted. Suit-

able instructions have been issued to the Officers in this regard for their guidance (Copy enclosed).

(Approved by the Law Secretary to the Government of India).

(Audit have vetted this Action Taken Note without offering any comments).

[Ministry of Finance (Deptt. of Revenue) O.M. Nos. 241/2/84-P & PAC-I.
dated 22.8.1984].

MOST IMMEDIATE

F. No. I-34 (77)/84-IWSU

Government of India

Ministry of Law, Justice and Company Affairs

Department of Legal Affairs/Lagislative Department

Internal Work Study Unit

New Delhi, the 4th June, 1984.

OFFICE ORDER

Law Secretary has taken note that Public Accounts Committee has adversely commented upon the disposal of a reference received from the Ministry of Finance without showing the same to the Law Secretary. In that case, an opinion has been given without showing the same to the Law Secretary, though it subsequently come to light that this Ministry had consistantly expressed a different view on earlier occasions. The Department had also issued instructions based on our previous opinion. The previous opinion and the instructions were not, however, brought to our notice when the later reference was made.

2. Instructions on the subject are already contained in para 21 of the O & M Instructions No. 103 (Revised) (1975) according to which before giving an opinion, it should also be checked up whether there are any opinions or precedents of this Ministry on the point under consideration.

3. An Office Order has already been issued by the Law Secretary on 5th May, 1984 to the effect that the Advice Section concerned should make it a point to put up relevant precedents without fall while submitting the files to the Officers.

4. Para 108 of the O & M Instructions No. 103 (Revised) (1975) enumerates the types of cases which should invariably be submitted to the Law

Secretary. By an amendment No. 1-34(6)/83-IWSU dated 18/28.1.1983, cases where the opinion given by the Ministry earlier is sought to be reversed and which will have huge financial implications are also to be submitted to the Law Secretary.

5. Officers should be circumspect in dealing with such matters and it should invariably be verified by them as well as by the Advice Section concerned whether on the same subject this Ministry had recorded opinions on earlier occasions and whether there is any audit para or audit objection in regard to the subject matter of the reference. In case there is any audit para or objection in regard to the subject-matter of the reference or where the financial stakes of the Government are considerable, the matter should invariably be discussed in a tripartite meeting between the Officers of the Department and the C & AG,s Office in the first instance and the opinion recorded thereafter should also be shown to the Law Secretary.

6. All concerned are requested to comply with the instructions.

Sd/-

(V. B. Saxena)

Deputy Secretary to the Govt. of India

To

1. All Officers and Sections in the Department of Legal Affairs and Legislative Department.
2. Branch Secretariats at Bombay, Calcutta, Madras and Bangalore.
3. Advice 'A', 'B' and 'C':
4. Guard file.
5. IWSU with 20 spare copies.

Recommendation

Another point which has surprised the Committee is that while the reference in March 1977 was made with the approval of a Member of the Board, subsequent references were made at a fairly junior level—level of an Under Secretary with the approval of a Director. The Committee in this connection note the view expressed by the Secretary, Department of Revenue, "It would have been appropriate, viewing the matter in retrospect, for the Under Secretary and the Director, to have taken up the matter to the Member concerned. This would probably have facilitated a much quicker and tidier disposal of the matter by ensuring attention at a sufficiently higher

level in the Central Board of Direct Taxes as well as in the Law Ministry". The Committee trust that in future such cases would be dealt with in a manner that would carry conviction with all concerned and not generate a cloud of suspicion.

S.No. 7 (Para No. 1,112) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha).

Action taken

The observations made by the Hon'ble Committee at para 1.112 have been noted. The matter is under consideration of the Central Board of Direct Taxes for laying down the guidelines at the level at which reference may have to be made to the Ministry of Law so as to carry conviction with everybody without generating clouds of suspicion.

[Ministry of finance (Department of Revenue) O. M. No. 241/2/84—
A & PAC-I. dated 8-3-1985]

Further information

Kind attention of the Hon'ble Committee is invited to this Ministry, O. M. of even number dated the 8th March, 1985.

On a consideration of the observations of the Public Accounts Committee, it was decided that all referral notes to the Ministry of Law including subsequent clarifications sought from them by the Board will be formulated with the approval of the Member concerned.

(This issues with the approval of Chairman, Central Board of Direct Taxes).

[Ministry of Finance (Department of Revenue) O. M. No. 241/2/84—
A & PAC-I. dated 30-4-1985].

Recommendation

The Committee also note that although the Assistant Controller had issued a notice for re-opening the assessment of Shri Hemant B. Mafatlal under section 59(b), prompt action was not taken to complete the revised assessment nor were later timely efforts made to get the stay order issued by

the Bombay High Court vacated. The Committee further note that the notice for re-opening of the assessment has been quashed by the Bombay High Court in October, 1982. It is doubtful if Government's case was properly represented before the High Court.

During evidence, the Finance Secretary stated that according to the view of the Law Secretary, "it is a fit case for going up in challenge". The Committee would like to be informed of the further action taken in the matter.

[S. No. 8 and 11 (Paras 1.113 and 1.116) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

Action taken

After the notice was quashed by the Bombay High Court, as observed by the Hon'ble Committee at para 1.113 of the Report, an appeal has been filed, which was listed for admission on 18-2-1985.

[M/O. Finance (Department of Revenue) O. M. No. 241/2/84—A & PAC-I. dated 26-3-1985].

Recommendation

Under Section 59(b) of the Estate Duty Act, an assessment can be reopened if the Controller of Estate Duty has, in consequence of any information in his possession, reason to believe that there has been some escapement of Estate Duty. This provision is analogous to the provision contained in Section 147(b) of the Income-tax Act. It has been held that 'information' may be as to a fact or as to the state of the law (35 ITR. 1 SC). In the context of the Board's instructions of November 1976 about reopening of the Estate Duty assessments a plea was also raised that the assessments could not be reopened because the Supreme Court had held in the Indian and Eastern Newspaper Society's case (119. ITR. 996) that opinion of an audit party would not be 'information' on a point of law. Actually, in that case the Supreme Court had drawn a distinction between the source of the communication and the content of the communication and held for a communications to be 'information' on a point of Law its content must be law, which means a legislative enactment or a determination by a judicial or a quasi-judicial body. In other words, communications from non-Judicial bodies like the Ministry of Law, the Central Board of Direct Taxes or the Revenue Audit, would be 'information' on a point of law only if the content was Law. The Ministry of Law to whom this point was referred also drew attention to the Supreme Court's observation in that case that 'that part of the note of an audit party which mentions the law which escaped the notice of the Income-tax Officer constitutes 'information'

within the meaning of Section 147(b)". A communication pointing out a statutory provision which has been overlooked might constitute 'information' on a point of Law and the fact that the communication has emanated from the Revenue Audit would not make any difference.

[S. No. 13 (Para No. 1.118) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

Action taken

In pursuance of the observation of the Honourable Public Accounts Committee and the opinion of the Ministry of Law, the Central Board of Direct Taxes have issued Instruction No. 1591, from F. No. 309/23/84-ED dated the 5th/29th January, 1985 to all the Controllers of Estate Duty directing them that the contents of the recommendation/observation of the 178th Report of Public Accounts Committee and the advice of the Ministry of Law, should be brought to the notice of all the officers working in their charge for their guidance in the matter. A copy of the Board's Instruction No. 1591 in F. No. 309/23/84-ED dated the 5th/29th January, 1985 is enclosed.

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

[Ministry of Finance (Department of Revenue) O. M. No. 241/2/84-A & PAC-I. dated 8-3-1985]

INSTRUCTION No. 1591.

F. No. 309/23/84-ED
Government of India
Ministry of Finance
(Department of Revenue)
Central Board of Direct Taxes

New Delhi, the 5th/29th January, 1985.

To

All Controllers of Estate Duty/
Commissioners of Income-tax.

Sir,

Subject :—Valuation of shares U/s 37 of the Estate Duty Act, 1953—
Recommendation contained in para 1.118 of the 178th
Report of Public Accounts Committee (1983-84)

The Public Accounts Committee in para 1.118 of their 178th Report (1983-84) have made the following recommendations/observations :—

“Para 1.118 :

Under Section 59(b) of the Estate Duty Act, an assessment can be reopened, if the Controller of Estate Duty has, in consequence of any information in his possession reason to believe that there has been some escapement of Estate Duty. The provision is analogous to the provision contained in Section 147(b) of the Income-Tax Act. It has been held that ‘information’ may be as to a fact or as to the state of law (35 ITR 1. SC). In the context of Board’s instructions of November, 1976, about the reopening of Estate Duty assessments a plea was also raised that the assessments could not be reopened because the Supreme Court had held in the Indian and Eastern Newspaper Society’s case (119. ITR.996) that opinion of an audit party would not be ‘information’ on a point of law. Actually, in that case the Supreme Court had drawn a distinction between the source of the communication and the content of the communication and held “for a communication to be ‘information’ on a point of law its content must be law”, which means a legislative enactment or a determination by a judicial or a quasi-judicial body. In other words communications from non-judicial bodies like the Ministry of Law, the Central Board of Direct Taxes or the Revenue Audit, would be ‘information’ on point of law only if the content was law. The Ministry of Law to whom this point was referred also drew attention to the Supreme Court’s observation in that case that “that part of the note of an audit party which mentions the law which escaped the notice of the I.T.O. constitutes ‘information’ within the meaning of Section 147(b)”. A communication pointing out a statutory provision which has been overlooked might constitute ‘information’ on a point of Law and the fact that the communication has emanated from the Revenue Audit would not make any difference”.

2. Keeping in view of the above observations/recommendations of the Public Accounts Committee, the matter was referred to the Ministry of Law for their advice/opinion. Ministry of Law’s advice/opinion dated 20-10-1984 in the matter is reproduced below :

“Para 1.118 of the PAC’s Report as reproduced above refers to the opinion given by this Ministry regarding the decision of the Supreme Court in Indian & Eastern Newspaper Society’s case. Referring to the observations contained in that judgement, we had stated that communication pointing out a statutory provision which has been overlooked might constitute “information” on a

point of law and the fact that the communication has emanated from the Revenue Audit would not make any difference.

It is confirmed that the above interpretation is correct and can be accepted”.

3. One copy of Board's Instruction of November, 1976 (viz. F. No. 309/16/76-ED dated 5th November, 1976) and Ministry of Law's earlier opinion dated 22.6.1983 referred to in para 1.118 of the 178th Report of PAC (1983-84) are enclosed for ready reference as Annexure-I and Annexure-II respectively.

4. The Board desire that the contents of the recommendations/observations of the 178th Report of the PAC (1983-84) and the above opinion of the Ministry of Law dated 20.10.1984 may be brought to the notice of all officers working in your charge for their guidance in the matter.

Yours faithfully,

Sd/-

(A. K. Fotedar)

*Under Secretary,
Central Board of Direct Taxes.*

Copy to :-

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Sd/-

(A. K. Fotedar)

*Under Secretary,
Central Board of Direct Taxes.*

ANNEXURE-I

PAC MATTER/IMMEDIATE

F. No. 309/16/76-ED
Government of India
Central Board of Direct Taxes

New Delhi, the 5th November, 1976.

To

All Commissioners of Income-tax/
All Controllers of Estate Duty.

Sir,

Subject :—Valuation of shares U/s. 37 of the ED Act, 1953—

In the Board's circular No. *1D/ED of 1968 dated the 26th March, 1968 it was stated that subject to certain conditions, the basis of valuing an asset for estate duty should be the same as the one adopted for the wealth-tax assessment in respect of the year immediately preceding the death of an individual. The instructions contained in this circular were modified by Board's Instruction No. 771 dated the 29th October, 1974 issued from F. No. 313/88/74-ED. The instruction No. 771 directed that valuation of shares under section 37 of the E. D. Act, 1953, would be governed by Board's letters dated 3.5.1965 and 5.7.1965 issued from F. No. 25A/3/65-ED. The Board again issued instruction No. 855 dated the 24th May, 1975 from F. No. 313/88/74-ED laying down further guidelines for valuation of shares u/s. 37 of the E.D. Act, 1953.

2. Thus valuation of shares u/s. 37 of the E.D. Act is governed by the guidelines contained in the Board's instructions dated 3.5.1965 and 24.5.1975. The guidelines in brief are :—

- (a) firstly, it should be seen whether the value of shares is ascertainable by reference to the value of the total assets of the company ;
and

- (b) if it is not so ascertainable, then it shall be estimated to be what it would fetch if sold in the open market on the terms of the purchaser being entitled to be registered as holder subject to the articles, disregarding any special price that might be paid by a special buyer.

If clause (a) applies, the value of shares should be determined by break-up method taking the market value of assets of the company and not the book value, if that does not happen to be their market value. If clause (b) applies when the assessing officer need not necessarily adopt the break-up method but may also adopt some other method of valuation based on the yield or profits etc.

3. It is likely that during the period between the issue of Board's Circular No. 1D/ED of 1968 dated 26.3.1968 and receipt of the instruction No. 771 dated 29.10.1974, the assessing officers might have followed Circular No. 1D/ED of 1968 while valuing shares covered by section 37 of the Estate Duty Act, 1953. The Board are advised that it will be permissible for the Asstt. Controller of Estate Duty to reopen such assessments u/s. 59(b) of the E.D. Act on the ground that the Board's instruction No. 771 dated 19.10.1974 constituted information, within the meaning of Section 59(b) of the E.D. Act, 1953.

4. The Board, therefore, desire that all the Estate Duty assessments which were completed during the period from 1st November, 1973 to the date of receipt of Instruction No. 771 dated 29.10.1974 and in which the instructions contained in the Board's Circular No. 1D/ED of 1968, dated 26.3.1968 were applied should be reviewed and reopened, if necessary, under section 59(b) of the Estate Duty Act so as to correctly value the shares in terms of the Board's existing instructions.

5. The Board would like to have a report in the proforma enclosed. Your report may kindly be sent by 31st December, 1976.

Yours faithfully,

Sd/-

(D. B. AHUJA)

Director,

Central Board of Direct Taxes.

PROFORMA

Name of the Charge

1. Number of estate duty assessment completed during the period from 1st November, 1973 to the date of receipt of Instruction No. 771 dated 20.10.1974,

2. Out of (1) above, the number of assessments in which Board's circular No. 1D/ED of 1968, dated 26.3.1968 was applied.
3. Out of (2) above, number of assessments reopened pursuant to the review u/s. 59(b) of Estate Duty Act.
4. Out of (3) above, number of estate duty assessments completed.
5. The amount of additional demand raised in the assessments mentioned at (4) above.
6. The amount of additional demand out of (5) above realised.

ANNEXURE-II

Ministry of Law, Justice and Company Affairs,
Dy. No. 23370/83—dated 22-6-1983.

The question for consideration is whether an appeal may be filed against the judgement of the single judge of the Bombay High Court in Miscellaneous Petition No. 941 of 1979 (Arvind N. Mafatlal & Another Vs. S. V. Naik. It appears that the Department has applied for a certified copy of the judgement but the same has not yet been received and, therefore, there is still time for preferring the appeal.

2. The main issue arising out of the judgement is whether the reopening of the assessment pursuant to the Audit pointing out certain errors in the matter of valuation of certain equity shares of M/s. Mafatlal Gangabhai & Co. Pvt. Ltd. and Surat Cotton Spg. & Wvg. Mills Pvt. Ltd. was legally permissible in view of the Supreme Court decision in the Indian & Eastern Newspaper Society Vs. CIT (119 ITR 996). In the latter of the office of the C & AG, it had been stated that those shares should have been correctly valued according to the provision of section 37 of the Estate Duty Act in the matter of valuation on the shares of these companies.

3. As rightly observed in the referring note, the same issue was raised in a tripartite meeting held in November, 1982 and it also figured during the discussions of the Public Accounts Committee. In the IENS case, the Supreme Court held that the opinion of an internal audit party of the Income-tax Deptt. on a point of the law cannot be regarded as 'information' within the meaning of section 147(b) of the IT Act. However, the Court had also observed that "that part alone of the note of an audit party which mentions the law which escaped the notice of the ITO constitutes 'information' within the meaning of section 147(b)". In the instant case, the Revenue Audit had merely pointed out that the E.D. Act contains a special provision in Section 37 for the valuation of unquoted shares of private companies and that pro-

vision had been overlooked by the Department having gone on the basis of merely the general principles of valuation contained in section 36 of the E.D. Act analogous to section 7 of the W. T. Act. A communication pointing out a statutory provision which has been overlooked would constitute 'information' on a point of Law and the fact that the communication has emanated from the Revenue Audit Would not make any difference.

4. In view of the above, the reasoning and conclusion of the Single Judge do not appear to be sustainable. We have also gone through the opinion given by the Standing Counsel. Perhaps the Counsel was not aware of the developments of the case, particularly the discussions in the PAC on this issue. These discussions should also have been brought to his notice before he recorded his opinion. Having regard to the huge stakes involved in the case, the Department should not only file an appeal before the Division Bench but also pursue the matter in the Supreme Court in the event of the Division Bench also upholding the judgement of the Single Judge. This should be done expeditiously.

Sd/-

Jt. Secretary & Legal Adviser

22-6-1983

Recommendation

The Committee understand that a large number of cases reopened on the basis of audit objections are being set aside probably on the authority of the Indian and Eastern Newspaper Society's case without really undertaking the enquiry called for by that case as to whether the content of the audit objection is fact or law, in which case it would be 'information'. The distinction drawn by the Supreme Court is very important, and it would save a lot of litigation to Revenue as well as the taxpayers if the relevant provisions of the law were suitably amended to make the position clear beyond doubt. The Committee recommend that action may be taken accordingly.

[S. No. 14 (Para 1.119) of the 178th Report of Public Accounts Committee (Seventh Lok Sabha)].

Action Taken

The Board has issued instruction No. 1344 dated 7.8.1980 bringing to the notice of the Commissioners of Income-tax a gist of the observations made by the Supreme Court in the case of Indian and Eastern Newspaper Society 119. ITR. 996. The Board has also set up a Study Group to go into the provisions of Sections 147 to 153 of the Income-tax Act, 1961. The question of amendment of the provisions of Section 147 of the Income-tax

Act, 1961 will be considered by the Board in the light of the report of the Study Group.

[M/o Finance (Department of Revenue) O.M. No. 241/2/84-A & PAC-I.
dated 23.1.1985]

Recommendation

The Committee find that the number of cases of estate duty assessments pending was 35,362 at the end of 1980-81 and 37,578 as on 31 March, 1982 as against 32,607 and 32,428 assessments completed in the respective years. The arrears of demands locked up in 25,270 assessments as on 31 March, 1981 aggregate to Rs. 27.65 crores. The Committee have been informed that apart from issuing circulars to the Controllers of Estate Duty, emphasis has also been placed by the Department in its annual action plans on disposal of assessments from year to year. In spite of this the number of pending assessments (35,862 Nos.) exceeds the assessments completed (32,428 Nos.) during the year 1980-81. The Committee had expressed concern at this phenomenon in the past. The Committee cannot emphasise to strongly the urgent need for clearing the backlog of assessments under a time bound programme.

[S. No. 16 (Para 1.121) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

Action Taken

In the pursuance of the above recommendation, a D.O. letter F. No. 309/25/84-ED dated 19/25th September, 1984 (copy enclosed) was issued from member (WT & J) to all the concerned Controllers of Estate Duty, wherein they were informed that in the aforesaid paragraph the Committee had expressed concern over the large pendency of estate duty cases and inadequate pace of disposal thereof. The Controllers of Estate Duty were also requested to reduce the pendency of the Estate Duty cases to at least 33% less than that brought forward. They were also told that in case there was any paucity of manpower available with them, the same should be communicated the member (WT & J) immediately so that the Administration Branch of the Board could be moved to give the necessary manpower for compliance with the recommendation of the Public Accounts Committee in the matter.

2. The Controller of Estate Duty was also asked to intimate the action proposed to be taken by them to achieve the targets mentioned in the D. O. letter referred to above and a planned programme in relation thereto; as also the position regarding the manpower requirements.

[M/o Finance (Deptt. of Revenue) F. No. 241/2/84-A & PAC-I dated
8.3.1985]

G. A. JAMES
MEMBER WT & J

MOST IMMEDIATE/PAC MATTER
D. O. F. NO. 309/25/84-ED.
GOVERNMENT OF INDIA
CENTRAL BOARD OF DIRECT TAXES

NEW DELHI, the 19th Sept., 84.

My dear

SUBJECT :—PAC—178th Report of PAC (1983-84) on para 4.35 (i) of Audit Report, 1980-81-Processing of recommendation at para 1.121 regarding.

The recommendation contained in para 1.121 of the 178th Report of the Public Accounts Committee (1983-84) read as under :—

“Para 1.121. The Committee find that the number of cases of estate duty assessments pending was 35,862 as at the end of 1980-81 and 37,578 as on 31st March, 1982 as against 32,607 and 32,488 assessments completed in the respective years. The arrears of demand locked up in 25,270 assessment as on 31st March, 1981 aggregates to Rs. 27,65 crores. The Committee have been informed that apart from issuing circulars to the Controllers of Estate Duty, emphasis has also been placed by the Department in its annual action plan on disposal of assessments from year to year. In spite of this the number of pending assessments (35,862 Nos.) exceeds the assessments completed (32,428 Nos.) during the year 1980-81. The Committee had expressed concern at this phenomenon in the past *also. The Committee cannot emphasis too strongly the urgent need for checking the backlog of assessments under a time-bound programmes”.

2. In the above paragraph the Committee have expressed concern over the large pendency of estate duty cases and the inadequate pace of disposal thereof. Keeping in view the observations made by the Hon'ble Committee, I would request you to reduce the pendency of the Estate Duty cases to at least 33% less than that brought forward. In case there

* 34th Report (7th Lok Sabha) (Para 1.32 to 1.39) .101st Report(7th Lok Sabha) (Para 2.58—2.59)

is any paucity in the manpower available with you, the same should be communicated to me immediately so that the Administration branch of the Board can be moved to give the necessary manpower for compliance with the recommendations of Public Accounts Committee in the matter.

3. Please let me know immediately the action proposed to be taken by you to achieve the targets mentioned above and a planned programme in relation thereto, as also the position regarding the manpower requirements.

Yours Sincerely

Sd/-

(G. A. JAMES)

Shri

Controller of Estate Duty/

Commissioner of Income-tax

Recommendation

From the data of completed and pending Estate Duty assessments furnished by the Ministry, the Committee find that in respect of estate duty exceeding Rs. 20 lakhs as against 25 assessments completed during 1981-82, 74 assessments were pending as on 31.3.1982. Likewise, as against 67 assessments between Rs. 10 lakhs and Rs. 20 lakhs completed during 1981-82, 335 assessments were pending as on 31.3.1982. The corresponding figure for the assessments between Rs. 5 lakhs and Rs. 10 lakhs were 534 and 1162 and for the assessments upto Rs. 5 lakhs 25663 and 31517 respectively. The Committee observe that while in absolute terms there is a heavy pendency of Estate Duty assessments taken as a whole, the pendency relative to the assessments made in a year is very high in the case of bigger assessments. For each case of assessment of Over Rs. 20 lakhs disposed of during 1981-82, as many as 3 cases were pending and for each case of assessment in the range between Rs 10 lakhs and Rs. 20 lakhs disposed of during 1981-82, as many as 5 were pending. The Committee desire the Ministry to give a serious thought as how to quicken the pace of disposal of bigger assessment cases. They also desire that while chalking out a time-bound programme for clearing the backlog of Estate Duty

assessments, as suggested in the proceeding paragraph, particular attention should be paid to bigger cases. They also desire that the Special Cell, which has been created with the specific purpose of looking after bigger cases, should play a more effective and meaningful role than hithertofore.

[S. No. 17 (Para 1.122) of the 178th Report of Public Accounts Committee (1983-84)]

Action Taken

The Ministry have circulated the recommendations of the Hon'ble Committee amongst all Controllors of Estate Duty and directed them to draw a time bound programme for the disposal of bigger pending estate duty assessments where the principal value was over Rs. 20 lakhs; between Rs. 10 lakhs and Rs. 20 lakhs and between Rs. 5 lakhs and Rs. 10 lakhs as on 31.3.1982. The Controllors of Estate Duty have also been requested to furnish the quarterly reports in the prescribed proforma for the quarters ending 31st Debenber, 1984 and 31st March, 1985.

[M/o. Finance (Deptt. of Revenue) O.M. No. 241/2/84-A & PAC-I.
dated 8.3.85]

Recommendations

Similarly, from the data of Estate Duty, appeal and revision petition cases, the Committee find that as many as 4,963 cases with a total estate duty effect of Rs. 810.51 lakhs are pending. The Committee desire that effective steps should be taken to reduce the number of such cases so that large amounts of Revenue do not remain locked up in appeal and revision petition cases for unduly long periods. They will also like the Ministry to make an indepth study of such heavy pendency of appeal and revision petition cases and take such measures, administrative as well as legal, as may be necessary, with a view to reducing the pendency of such cases to the barest minimum.

[S. No. 18 (Para No. 1.123) of the 178th Report of Public Accounts Committee (1983-84)]

Action Taken

The attention of all Controllors of Estate Duty has been drawn to the recommendations of the Hon'ble Committee and they have been directed to take effective steps to reduce the number of such cases so that large amounts of revenue do not remain locked up in appeals and revision petitions for unduly long period. With a view to monitoring the pendency of such cases the Board have also prescribed a quarterly proforma report for the quarters ending 31.12.1984 and 31st March, 1985.

[M/o Finance (Deptt of Revenue) O.M. No. 241/2/84-A & PAC-I.
dated 8.2.1985]

CHAPTER III

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

Recommendation

It is not clear to the Committee when in May, 1978 the Ministry of Law, after considering all the relevant factors, had given their considered opinion as to the meaning of the expression 'if not ascertainable by reference to the value of the total assets of the company', why the Department should have persisted in referring the same matter again and again to the Ministry of Law over the next 3½ years without adducing any new facts or evidence. The Committee feel that if the Department still continued to have any doubts, which in the opinion of the Committee they had no valid reasons to have, even after the Ministry of Law had given their considered opinion in May, 1978, the proper course for them was to request for a tripartite meeting between the Board, Audit (who had raised the point) and the Ministry of Law. Unfortunately, however the Department did not adopt the course and went on making references to the Ministry of Law till the notice for re-opening the assessments of Shri Hemant B. Mafatlal was quashed. The reason given by the Board for not holding the tripartite meeting to resolve their doubts, viz. there were no difference between the Ministry and Audit as the Department of Revenue had formed no opinion at all, is totally unconvincing to the Committee.

[S. No. 6 (Para 1,111) of the 178th Report of Public Accounts
Committee (1983-84) (7th Lok Sabha)]

Action Taken

In pursuance of the observation made by the Hon'ble Committee, it is submitted that in our view, while giving opinion in May, 1978 the Law Ministry had not considered all the relevant facts. While referring the matter to the Ministry of Law on 9th March, 1978 a reference was made to the opinions of the two ex-Chief Justices which had been relied upon by the Accountable Person to the deceased. But in the advice given in May, 1978 there was no discussion on the detailed opinions given by S/Shri M. Hidayatullah and J.C. Shah. Further in the advice the Deputy Legal Adviser did not elaborate the reasoning for his opinion and the references made by him in the foregoing part of his note also did not particularly support the

advice given. The advice therefore did not fully meet the requirements and therefore in June, 1978 the Director (ED) appears to have rightly concluded that a comprehensive note be sent to the Law Ministry since the matter was very important. In our view the further references made to the Ministry of Law were also without justification. The following appear to be the circumstances in which references came to be made to the Ministry of Law repeatedly.

- (a) There has never been any doubt that in the cases where the value of the shares is ascertainable by reference to the value of the total assets, it is this method or say the first part of the Section which need necessarily to be adopted. The crux of the matter was the actual operation of the words "if not ascertainable by reference to the value of the total assets of the company". If these words are to be interpreted and taken literally, there may not be even a single case where the value of the shares is not ascertainable by a reference to the value of the total assets of the company. Since the words appear in Taxation statute they have to be interpreted in an acceptable commercial sense. Although, at one stage the opinion was expressed that if in all cases the value can be ascertained by a reference to the value of the total assets, the second method need not to be resorted to at all. But even this advice did not categorically answer the basic question as to what the expression 'ascertainable' really means in the context; and whether it is operational on the basis of an arithmetical possibility alone, or there is any concept of reasonability involved.
- (b) In spite of Board's requests, it was not indicated as to in what kinds of circumstances/situations it could be said that the value of the shares was not ascertainable by a reference to the value of the total assets of the company.
- (c) The opinion of Shri J. C. Shah and Shri M. Hidayatullah ex-Chief Justice of the Supreme Court were required to be considered. The issue related to not merely the Estate Duty assessment of late Shri Hemant B. Mafatlal, but also the interpretation of the substantive provisions of the Act which had a wide application. One of the reasons for making reference to the Mafatlal case specifically was the fact that in the earlier note, the Ministry of Law did not like to answer a hypothetical question and observed that if the Ministry felt difficulty in any particular case, then a reference could be made to them. The issue of the assessment in the case of the Estate of late Shri Hemant B. Mafatlal was also of considerable magnitude. If a good case for revenue had to be made out, it was almost obligatory to deal with the views expressed in the opinions relied upon by the Accountable Person

of the deceased. In their earlier opinion there was no specific discussion on these two opinions.

(d) In spite of the specific request, it was not categorically stated as to whether in the case of late Shri Hemant B. Mafatlal, the first part of Section 37 would apply or the second part.

2. It is submitted that while the matter was being sorted out in consultation with the Ministry of Law, the Board had not formulated any proposition or taken any stand, as such. The question of tripartite meeting would have more clearly arisen if there was any difference of opinion between the Audit and the Board. As a matter of fact the Board did not follow, without consulting the Audit, any of the advice including the one dated 29th December, 1981/1st January, 1982. On the contrary on 5th March, 1982 the Board only forwarded this opinion to the Receipt Audit for their comments but also simultaneously made a reference to the Ministry of Law as to how the advice given by them could be reconciled with the provisions of Rule 10(2) of the Gift-Tax Rules. Thus the Board had already requested the Ministry of Law for a second look at the January 1982 advice, before such a requisition was made by the Receipt Audit.

[M/o Finance (Deptt. of Revenue O.M. No. 241/2/84-A & PAC-I dated 8.3.1985)]

Recommendation

1.117. The Committee also note that while giving their opinion as to the meaning of the expression by reference to the value of the total assets of the company as far back as July 1974, the Ministry of Law had suggested to the Ministry of Finance to frame rules on matters coming within the purview of Section 37. The Ministry of Law had also pointed out that such action would be in accordance with the suggestions made by Audit. The Committee regret to observe that although 9 years have elapsed, rules relating to valuation of shares of the companies coming within the purview of Section 37 of the Estate Duty Act have not yet been framed. The Committee desire that rules in the matter should be framed without any further loss of time.

[S.No. 12 (para No. 1.117) of the 178th Report of the Public Accounts Committee (1983-84)]

Action Taken

The question as to whether any rules should be framed regarding valuation of shares for the purposes of Section 37 of the Estate Duty Act was

considered by the Board. The Board felt that the method of valuation was laid down in Section 37 of the Estate Duty Act and that there was no need to frame rules for the purpose.

2. The Board has issued instructions from time to time explaining the scope of section 37 of the Estate Duty Act, Instructions were issued on 3.5.65, 5.7.65, 29.10-74 & 24.5.75.

3. In para 88 of his Budget Speech for the year 1985-86, the Finance Minister announced the Government's decision to abolish the levy of estate duty in respect of estate passing on deaths occurring on or after 16th March, 1985. In view of the foregoing, it has been decided with the approval of the Finance Minister that it is not necessary to frame rules for valuation of shares under section 37 of the Estate Duty Act.

[M/o Finance (Deptt. of Revenue) O.M. No. 241/2/84-A & PAC-I
dated 16.8.85]

Recommendation

The Committee find that in pursuance of the earlier recommendations of the Committee contained in their 211th Report (5th Lok Sabha) and 77th Report (6th Lok Sabha), the Ministry of Finance had conducted a review of 16,945 estate duty assessments completed during the period 1.11.1973 to 29.10.1974. The total number of cases liable for action as a result of the review having been assessed by extension of Rule 1D of the Wealth Tax Act, was reported to be 91 out of which reopening was not considered necessary in 10 cases on account of very small value of the share. In one case, the enhancement was made by the Appellate Controller of Estate Duty. The Committee have been informed (January 1983) that out of the balance 80 cases, assessments have been completed in 47 cases and an additional demand of Rs. 1,23,765 has been raised. However, the additional demand realised is only Rs. 27,199. The Committee are concerned over the abnormal delay in completing the re-assessments. The Committee desire that the remaining 33 cases should be finalised early. They further desire that the outstanding demand and completed cases—amounting to Rs. 96,566 should be realised without delay.

[S.No. 15 (para 1.120) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

Action Taken

Out of the 80 Estate Duty cases which were re-opened in pursuance of earlier recommendations of the Hon'ble Committee contained in their

211th Report (5th Lok Sabha) and 77th Report (6th Lok Sabha), assessments in 50 cases have been completed and an additional demand of Rs. 1,44,619.33 raised out of which an amount of Rs. 33,470/- has been realised. In respect of the remaining 30 cases it is mentioned that 28 cases are pending with the Controller of Eastare Duty, Bombay because in 'one of the re-opened assessments the Single Judge Bench of High Court viz. Writ Petition No. 941 of 1979 in the case of Shri Arvind N. Mafatlal has held that the re-opening of the assessment was not valid. In another case of late Smt. Hemanalini N. Mahadevia in Writ Petition No. 361 of 1981 also, the High Court has allowed the writ Petition and held that the re-opening of the assessment was illegal. Although we have already filed appeals, it appears that while the aforesaid judgement of Bombay High Court subsists it may not be proper to proceed with the assessments in other cases. One case is pending with the C. E. D. Delhi because in that case viz. in the case of late Smt. Savitri Devi, stay has been granted by the Hon'ble High Court. In another case the assessment proceedings are in progress and the C. E. D. Ahmedabad, has been instructed to complete the assessment proceedings at the earliest.

2. In respect of the remaining additional demands of Rs. 1,11,149. 33 (out of Rs. 1,44,619.33) it is mentioned that the same are also outstanding due to the stay granted by the Court in various cases or they are being disputed before the various appallate authorities/Courts.

[M/o Finance (Deptt. of Revenue) O.M. No. 241/2/84-A & PAC-I
dated 8.3.1985]

CHAPTER IV

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

Recommendation

In view of what has been stated above, the Committee could like the Ministry to investigate—

- (i) whether there was any deliberate move in the Ministry/Board to delay the finalisation of the re-assessment in the instant case with a view to benefit the accountable person;
- (ii) whether there was any slackness/laxity in the Ministry/Board to safeguard the interest of revenue in this case; and
- (iii) if so, to fix responsibility thereof.

[S. No. 10 (para No. 1.115) of the 178th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

Action Taken

It may be recalled that on the directions of the Hon'ble Public Accounts Committee the then Secretary (Revenue), in the Ministry of Finance looked into the matter and submitted a Note to the Committee *vide* his D.O letter No. 8/SR83-1 dated 12th January, 1983 addressed to the then Chairman of the Public Accounts Committee. In this note, the then Secretary (Revenue) expressed the view that in June 1978 it would have been appropriate, viewing the matter in retrospect, for the Under Secretary and the Director (ED) to have taken the matter up to the Member concerned. However, there does not appear to be any evidence of any deliberate move in the Ministry/Board to delay the finalisation of the re-assessment in the instant case with a view to benefit the Accountable Person. It also appears that references made by the Board to the Ministry of Law on various occasions were also not without justification, although there has been delay in having the matter sorted out. In this case the High Court of Bombay granted Ad-Interim relief to the Accountable person, in the

Misc. Petition No. 941 of 1979 under Article 226 of the Constitution of India, on 23rd April, 1979. In view of the stay having already been granted by the Bombay High Court, the finalisation of the re-assessment in the instant case was not possible thereafter.

2. It is submitted that the single Bench of the High Court of Bombay has since quashed the notice under Section 59(b) of the Estate Duty Act for re-opening of the assessment in this case vide order dated 8th October, 1982. The Controller of Estate Duty, Bombay was immediately requested to take up the matter with the Ministry of Law, Branch Sectt., Bombay for filing an appeal against that order, and the appeal was accordingly filed with the Division Bench on 8th July, 1983. Unfortunately on 13th December, 1983, the Prothonotary and Senior Master of High Court, Bombay, dismissed this appeal, as the compilation containing various relevant documents were not then filed. Immediately on receiving information to this effect from the Ministry of Law, the letters were addressed by the Member (WT & J), Central Board of Direct Taxes, to the Controller of Estate Duty, Bombay, the Chief Commissioner (Admn.) and Commissioner of Income-Tax, Bombay city-I, Bombay, Shri P. K. Khartha, Additional Secretary, Ministry of Law and Justice, New Delhi and Shri J.G. Sawant, Joint Secretary, Ministry of Law, Branch Sectt., Bombay, to make every effort to get the order of Prothonotary revoked on top most priority and matter was followed by C.B.D.T. on day to day basis. The case was to be heard on 30th January 1985 but was adjourned to 31st January, 1985 and was finally heard on 1st February, 1985. The matter was also discussed by the Member (WT & J) with the Chief Commissioner (Admn.) and Commissioner of Income-Tax, Bombay City-I Bombay Controller of Estate Duty Bombay and the Joint Secretary, Ministry of Law, Branch Secretariat, Bombay on a number of occasions and specific directions were given. As a result of these efforts the High Court of Bombay have on the 1st February 1985 accepted our plea for condonation of delay in filing of relevant documents and the matter will come up for regular hearing on 18th February, 1985.

[M/o Finance (Deptt. of Revenue) O.M. No. 241/2/84-A & PAC-I dated 8.3.1985]

CHAPTER V

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

Recommendation

In regard to unquoted shares of private companies, a special provision has been made in Section 37 of the Estate Duty Act which provides for two alternative modes of valuation viz. (i) by reference to the value of the total assets of the company; and (ii) the price which the shares "would fetch if they could be sold in the open market." The second mode of valuation has to be resorted to only in cases where the value of the share is not ascertainable under the first mode of valuation.

In the case cited in Audit Paragraph, the deceased held 1000 unquoted equity shares in a private limited company named M/s. J. D. Bytco Cosmetics Pvt. Ltd. The Estate Duty Officer, while valuing these shares under Section 37 of the Estate Duty Act, 1953, made an incorrect allowance of 15 per cent from the break up value arrived at by him at Rs. 732 per share following the principle enunciated under Wealth Tax Rules which were not applicable to Estate Duty. This incorrect allowance resulted in under-assessment of the estate duty by Rs. 44,000. The Committee have been informed that the Audit objection had been accepted by the Ministry (February 1982). The Assistant Controller of Estate Duty had requested the Commissioner of Income-tax (Appeals) for enhancement of the assessment by withdrawing 15 per cent deduction allowed. The Commissioner of Income-tax (Appeals) has also served a notice of enhancement in this behalf on the accountable person (s). The accountable person has filed an appeal to the Commissioner of Income-tax (Appeals), Nasik. The order of CIT (Appeals) is pending (January 1983). The Committee would like to be informed of the latest position in the matter.

[S. No. 1 (Para No. 1.106) of the 178th Report of Public Accounts Committee (1983-84) (Seventh Lok Sabha)]

Action Taken

The Commissioner of Income-tax, Nasik, has reported that the appeal has not yet been decided.

(Approved by the Addl. Secretary to the Government of India).

Audit have vetted this Action Taken Note without offering any comments.

[M/o Finance (Deptt. of Revenue) O.M. No. 241/2/84-A&PAC-I dated
22 August, 1984]

NEW DELHI

April 4, 1986

Chatra 13,1908 (S)

E. AYYAPU REDDY,

Chairman.

Public Accounts Committee.

PART II

MINUTES OF THE 47TH SITTING OF THE COMMITTEE ON PUBLIC ACCOUNTS HELD ON 27 FEBRUARY, 1986 (AN)

The Committee sat from 1530 hours to 1645 hours.

PRESENT

Shri E. Ayyapu Reddy —*Chairman*

MEMBERS

Lok Sabha

2. Shri J. Chokka Rao
3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shri Vilas Muttemwar
6. Shri G. Devaraya Naik
7. Shri Rajmangal Pande
8. Shri H.M. Patel
9. Shrimati Jayanti Patnaik
10. Shri Simon Tigga
11. Shri Girdhari Lal Vyas

Rajya Sabha

12. Shri K.L.N. Prasad

SECRETARIAT

1. Shri K.H. Chhaya—*Chief Financial Committee Officer*
2. Shri Krishnapal Singh—*Senior Financial Committee Officer*
3. Shri Brahmanand—*Senior Financial Committee Officer*
4. Shri O.P. Babal—*Senior Financial Committee Officer*

REPRESENTATIVES OF THE OFFICE OF C&AG

1. Shri T.M. George—*Addl. Dy. C&AG of India*

2. Shri D.K. Chakrabarty—*Director of Audit (Central Revenue)*
3. Shri M. Parthasarathy—*Director of Audit (Defence Services)*
4. Shri V. Sundaresan—*Director of Receipt Audit-I*
5. Shri Gopal Singh—*Joint Director of Audit*
6. Shri B.S. Gill—*Joint Director of Audit (Defence Services)* •
7. Shri P.N. Misra—*Joint Director (Railways)*

2. The Committee considered the following draft Action Taken Reports and adopted them with certain modifications as shown in Annexure II

XX XX XX XX XX XX XX

Draft Report on Action Taken on recommendations contained in 178th Report (Seventh Lok Sabha) regarding Incorrect Valuation of Unquoted Equity Shares.

XX XX XX XX XX XX XX

The Committee authorised the Chairman to finalise the draft Reports in the light of the above modifications and other verbal and consequential changes arising out of factual verification by Audit and present them to the Parliament.

The Committee then adjourned.

ANNEXURE II

(See para 2 of the Minutes)

MODIFICATIONS/AMENDMENTS MADE BY THE PUBLIC ACCOUNTS COMMITTEE AT THEIR SITTING HELD ON 27 FEBRUARY, 1986 IN THE DRAFT REPORT ON ACTION TAKEN ON 178TH REPORT (7TH LOK SABHA) ON INCORRECT VALUATION OF UNQUOTED EQUITY SHARES

For the existing paragraphs 1.8 to 1.9 substitute :

1.8 In their earlier Report, the Committee had observed that although the Assistant Controller of Estate Duty had issued a notice for reopening the estate duty assessment of Shri Hemant B. Mafatlal, prompt action was not taken to complete the revised assessment nor were timely efforts made to get the stay order issued by the Bombay High Court vacated. The Committee had further noted that the said notice was quashed by the Single Judge of the High Court in October 1982. The Committee had entertained doubts about the proper conduct of the case on behalf of the Government before the High Court.

1.9 According to the information furnished by the Ministry of Finance (Department of Revenue) on 3rd December 1985 an appeal against the order of the Single Judge of the High Court of Bombay, filed with the Division Bench of that Court had been listed for admission on 18th February 1985. However, the Committee have since learnt from Audit that the appeal against the order of the Single Judge of the High Court of Bombay was dismissed by that Court on 3rd June, 1985. The Ministry of Finance, (Department of Revenue) is understood to be considering filing of a special leave petition to the Supreme Court against this order of the Bombay High Court. The Committee regret to observe that the Ministry did not inform them of the developments that followed the date (18.2.1985) fixed for admission of the appeal by Division Bench of Bombay High Court, which they should have done while furnishing their notes to the Committee on 3rd December, 1985. The Committee strongly deprecate withholding of this information by the Ministry of Finance. The Committee take a serious view of the matter and would like the Ministry of Finance to investigate the circum-

stances in which this vital information was withheld by them. The Committee would like to have a report in this regard within a period of three months of presentation of this Report

1.10 The Committee would also like to be apprised of the latest position of the case.

1.11 From the information furnished by the Ministry of Finance (Department of Revenue), the Committee find that while the appeal against the order of Single Judge of the High Court of Bombay was dismissed by the Prothonotary of the High Court for want of prosecution on 13th December 1983, the Senior Central Government Advocate of the Ministry of Law informed the Inspecting Assistant Commissioner (Judicial), Bombay about the dismissal only on 3rd January, 1985 i.e. about 13 months after the dismissal of the appeal. This is a very serious lapse on the part of the Senior Central Government Advocate. Equally reprehensible is the failure of the Ministry of Finance to keep track of the appeal. Right from the date of filing of the appeal on 8th July 1983 till the date (3.1. 1985) on which they were informed of the dismissal, the Ministry of Finance appear to have remained indifferent to the prosecution of the case in the Bombay High Court. There has been obviously gross negligence and reprehensible delay in finalising this case, which involves substantial revenue, despite the audit objection having been accepted as early as 1977. The chronology of the case as shown in the Appendix *will speak for itself. The Committee consider that the case has not been handled properly at various stages on behalf of the Government, which gives room to infer that there was some collusion with the accountable persons. The Committee, therefore, desire that various aspects of the matter be thoroughly gone into by a Committee consisting of the Secretaries of the Ministry of Finance (Department of Revenue) and the Ministry of Law and responsibility fixed for the lapses. The Committee would like to be apprised of the findings and the action taken against the persons found responsible as soon as possible and, in any case, within a period of three months.

*See Appendix I of the Report,

APPENDIX I

(*vide* Para 1.11 of the Report)

CHRONÓLOGY OF THE CASE REGARDING ESTATE DUTY ASSESSMENT OF SHRI HEMANT B. MAFATLAL

- 16.8.1971 Death of Shri Hemant B. Mafatlal.
- 15.4.1972 Return of estate duty filed by the accountable person *suo motto*.
- 29.4.1972 Provisional assessment of the estate duty completed.
- 28.3.1974 Final assessment completed and demand of Rs. 62,05,295 raised. Payment of Rs.42,59,115 made by the accountable persons themselves on May 1972 and 30 March 1974. Balance of Rs. 19,46,170 paid before May 1974
- 19.5.1976 Audit pointed out mistakes in the assessment of estate duty of Shri Hemant B. Mafatlal
- 5.11.1976 Consequent to the Audit's observations, assessment proceedings were re-opened under Section 59 of the Estate Duty Act
- 19.4.1979 Writ petition was filed by the accountable person in the High Court of Bombay against the re-opening of assessment proceedings
- 8.10.1982 The writ was allowed and the notice of re-opening of assessment quashed by the single judge of High Court of Bombay
- 8.7.1983 The appeal against the decision of the single judge filed
- 13.12.1983 The appeal was dismissed by the prothonotary of the High Court of Bombay for want of prosecution
- 3.1.1985 The Sr. Central Government Advocate, Ministry of Law informed the Inspecting Assistant Commissioner (Judicial) Bombay about the dismissal of the appeal by the Prothonotary

- 19.1.1985 A petition filed by the Sr. Government Advocate to get the order of Prothonotary revoked
- 18.2.1985 Hearing of appeal by the division bench of the High Court of Bombay
- 3.6.1985 The appeal against the order of the single judge of the High Court dismissed
- 11.12.1985 The relevant file was sent to the Ministry of Law for filing special leave petition

It is informally learnt that the file has been cleared by the Ministry of Law and is at present at Central Agency Section who are awaiting the certified copy of the High Court's order for filing special leave petition.

APPENDIX II

Statement of Recommendations/Observations

Sl. No.	Para No.	Ministry/Deptt. concerned	Recommendations/Observations
1	2	3	4
1.	1.8	Finance (Deptt. of Revenue)	In their earlier Report, the Committee had observed that although the Assistant Controller of Estate Duty had issued a notice for reopening the estate duty assessment of Shri Hemant B. Mafatlal, prompt action was not taken to complete the revised assessment nor were timely efforts made to get the stay order issued by the Bombay High Court vacated. The Committee had further noted that the said notice was quashed by the Single Judge of the High Court in October 1982. The Committee had entertained doubt about the proper conduct of the case on behalf of the Government before the High Court.
2.	1.9	—do—	According to the information furnished by the Ministry of Finance (Department of Revenue) on 3rd December 1985 an appeal against the order of the Single Judge of the High Court of Bombay, filed with the Division Bench of that Court had been listed for admission on 18th February, 1985. However, the

Committee have since learnt from Audit that the appeal against the order of the Single Judge of the High Court of Bombay was dismissed by that Court on 3rd June, 1985. The Ministry of Finance, (Department of Revenue) is understood to be considering filing of a special leave petition to the Supreme Court against this order of the Bombay High Court. The Committee regret to observe that the Ministry did not inform them of the developments that followed the date (18.2.1985) fixed for admission of the appeal by Division Bench of Bombay High Court, which they should have done while furnishing their notes to the Committee on 3rd December, 1985. The Committee strongly deprecate withholding of this information by the Ministry of Finance. The Committee take a serious view of the matter and would like the Ministry of Finance to investigate the circumstances in which this vital information was withheld by them. The Committee would like to have a report in this regard within a period of three months of presentation of this Report.

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3 1.10 Finance (Deptt. of Revenue)

The Committee would also like to be apprised of the latest position of the case.

4 1.11 —do—

From the information furnished by the Ministry of Finance (Department of Revenue), the Committee find that while the appeal filed against the order of Single Judge of the High Court of Bombay was dismissed by the

Prothonotary of the High Court for want of prosecution on 13th December, 1983, the Senior Central Government Advocate of the Ministry of Law informed the Inspecting Assistant Commissioner (Judicial), Bombay about the dismissal only on 3rd January, 1985 i. e, about 13 months after the dismissal of the appeal. This is a very serious lapse on the part of the Senior Central Government Advocate. Equally reprehensible is the failure of the Ministry of Finance to keep track of the appeal. Right from the date of filing of the appeal on 8th July, 1983 till the date (3.1.1985) on which they were informed of the dismissal, the Ministry of Finance appear to have remained indifferent to the prosecution of the case in the Bombay High Court. There has been obviously gross negligence and reprehensible delay in finalising this case, which involves substantial revenue, despite the audit objection having been accepted as early as 1977. The chronology of the case as shown in the Appendix-I will speak for itself. The Committee consider that the case has not been handled properly at various stages on behalf of Government, which gives room to infer that there was some collusion with the accountable persons. The Committee therefore, desire that various aspects of the matter be thoroughly gone into by a Committee consisting of the Secretaries of the Ministry of Finance (Department of Re-

venue) and the Ministry of Law and responsibility fixed for the lapses. The Committee would like to be apprised of the findings and the action taken against the persons found responsible as soon as possible and in any case, within a period of three months.

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