

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5859
ANSWERED ON:03.05.2002
C & AG'S OBSERVATION ON INCOME-TAX/WEALTH TAX ASSESSMENTS
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

- (a) whether the audit carried out an in-depth audit scrutiny of some of the companies in certain strategic sectors to examine the quality of income tax and wealth assessments done by the income-tax department as can be seen from the C & AG Report No.12A of 2002 in paragraph 4.1 etc. and the audit raised Tax effect of Rs.654.42 crore;
- (b) if so, the reasons for not taking due care by the assessing officers while assessing the income of the given companies and determination of tax liabilities; and
- (c) the action taken by the Government in this behalf?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

- (a) The C & AG in their Report No.12A of 2002 (for the year ended March, 2001) laid down in Parliament on 15th March, 2002 have included the results of the Review on audit of assessments of Companies in select sectors, namely Cement, Automobiles and Textiles. The review focused on the income tax and wealth tax assessments of 97 selected companies (24 - cement, 35 - automobiles, 38 - textiles) in these sectors for the assessment years 1994-95 to 1999-2000 having profit before tax of Rs.25 lakh. 326 audit observations were raised having tax effect of Rs.654.42 crore.
- (b) The Report of the C & AG is being examined in the CBDT and also in the field formations with a view to give parawise reply to C & AG and to determine the correctness or otherwise of aforesaid audit observations.
- (c) CBDT has already issued instructions to the Assessing Officers/Field Formations to take due care in assessment and to avoid mistakes. There is also a monitoring system where the ledger cards are issued and their explanations are called for where they are found to have committed such mistakes. DIT (Audit) has also issued instructions and checklist for the guidance of the Assessing Officers.