

HUNDRED AND SEVENTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1983-84)

(SEVENTH LOK SABHA)

INCORRECT COMPUTATION OF BUSINESS INCOME

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

[Action Taken by Government on the recommendations of the
Public Accounts Committee contained in their
91st Report (Seventh Lok Sabha)]



Presented in Lok Sabha on

Laid in Rajya Sabha on

**LOK SABHA SECRETARIAT
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CORRIGENDA TO THE 177TH REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE (1983-84)

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PUBLIC ACCOUNTS COMMITTEE

(1983-84)

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Shri Sunil Maitra

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1. Shri T.R. Krishnamachari—*Joint Secretary*
2. Shri H.S. Kohli—*Chief Financial Committee Officer*
3. Shri Krishanpal Singh—*Senior Financial Committee Officer*

INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Seventy-Seventh Report on action taken by Government on there commendations of the Public Accounts Committee contained in their Ninety- first Report (Seventh Lok Sabha) on Incorrect Computation of Business Income.

2. In this Report, the Committee have observed that although under Section 142 (2A) of the Income-Tax Act, 1961, an I.T.O. can, with the prior approval of the Commissioner of Income-Tax, direct an assessee to get his accounts audited by a Chartered Accountant to be nominated by the Commissioner of Income-tax, not a single case of a film artiste or producer has been referred to a nominated Chartered Accountant for compulsory audit during the last three years. The Committee are astonished to learn this in view of the widespread public impression of 'murky goings-on' and large scale concealment of income by cooked up accounts involving various types of payments and receipts in the film world. The Committee note that pursuant to a recommendation of the Estimates Committee, the Central Board of Direct Taxes has now impressed upon the Commissioners of Income-Tax to refer more cases for compulsory audit requiring deeper investigation. The Committee have expressed the hope that the Board will ensure that instructions issued by it are followed by the lower formations both in letter and spirit and the powers of compulsory audit of accounts conferred by section 142 (2A) are made use of in all cases (including cases of film artistes, producers, etc), where necessary.

3. In their 91st Report (Seventh Lok Sabha), the Committee had observed that the growing tendency to funnel large amounts of unaccounted money into star-studded films called for a review of the scheme of amortization laid out in Rules 9A and 9B of the Income tax Rules so as to devise ways and means to curb the evil and to protect the interests of revenue. To this end, the Committee had observed that a Study Group consisting, among others, of experts in taxation, accountancy and audit

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and eminent non-officials having intimate knowledge of the operations of the film world may be set up to make an indepth study of the whole question. The Committee, however, regret to observe that the Ministry have appointed a Study Group comprising senior officials of the Income-tax Department only. In view of the fact that the Income-tax Department has not been able to make any dent into tax evasion by the film industry the Committee have expressed the view that experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations could be a source of strength to the Study Group. The Committee have accordingly desired that the whole matter regarding induction of experts in accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry in the Study Group may be re-considered even at this stage. In case, however, the Study Group has already gone ahead with their work and it is not possible to induct the non-officials in the Study Group as desired by the Committee at this stage, the Study Group may at least be directed to consult experts in accountancy and audit, in addition to non-officials having intimate knowledge of the operations of the film industry, before finalizing their report.

4. On 12 May, 1983 the following Action Taken Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Public Accounts Committee in their earlier Reports :

Shri Sunil-Maitra — *Chairman*

Members

2. Shri K. Lakkappa
3. Shri G.L. Dogra
4. Shri Ram Singh Yadav
5. Shri Bhiku Ram Jain
6. Shri Nirmal Chatterjee

5. The Action Taken Sub-Committee of the Public Accounts Committee 1983-84 considered and adopted the Report at their sitting held on 13 December, 1983. The Report was finally adopted by the Public Accounts Committee on 23 December, 1983.

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

7. 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;
December 27, 1983
Pausa 6, 1905 (S)

SUNIL MAITRA
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their Ninety-First Report (Seventh Lok Sabha) on paragraph 3.07 (v) of the Report of the Comptroller and Auditor General of India for the year 1979-80-Union Government (Civil), Revenue Receipts, Vol. II Direct Taxes relating to Incorrect Computation of Business Income.

1.2 The Committee's 91st Report was presented to Lok Sabha on 23 April, 1982 and contained 20 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. 6, 10—13, 14—15, 17, 18—19, and 20
- (ii) *Recommendations and observations which the committee do not desire to pursue in the light of the replies received from Government :*
Sl. Nos. 2, 3, 4, 5.
- (iii) *Recommendations and observations replies to which have not been accepted by the committee and which require reiteration :*
Sl. No. 16.
- (iv) *Recommendations and observations in respect of which Government have furnished interim replies*
Sl. Nos. 1, 7, 8, 9.

1.3 The Committee expect that final replies to recommendations and observations in respect of which only interim replies have been furnished by Government so far will be submitted to them expeditiously 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 and observations.

Compulsory Audit of Accounts of film producers, artistes, etc. Under Section 142(2A) of Income-tax Act, 1961

(Sl. No. 6, para 1.65)

1.5 Referring to the provisions of Section 142(2A) which empower an I.T.O., with the prior approval of the Commissioner of Income Tax, to direct an assessee to get his accounts audited by an accountant to be nominated by the Commissioner of Income-Tax, the Public Accounts Committee, in para 1.65 of their 91st Report (Seventh Lok Sabha) had observed as follows :—

“The Committee find that there is no legal requirement of audit of the accounts of film producers, artistes etc. However, under Section 142 (?), the ITO can with the prior approval of the Commissioner of Income-Tax, direct the assessee to get the accounts audited by an accountant to be nominated by the Commissioner having regard to the nature and complexity of the accounts of the assessee and in the interests of revenue. The Committee would like to know how frequently this power has been exercised in each of the C.I.T. charges during the last three years in the cases of assessments of film artists, producers etc. and with what results.”

1.6 In their reply, the Ministry of Finance have stated as follows :—

“In the case of Film Artistes/and producers etc. no case was referred to a nominated Chartered Accountant as provided under Section 142 (2A) of the Income-tax Act during the last three years. However, in pursuance of the observations of the Estimates Committee in para 4.19 of their 9th Report for the year 1980-81, the Board have impressed upon the Commissioners of Income-tax to refer more cases for compulsory audit requiring deeper investigation *vide* Instruction No. 1415 (F.No. 228/27/81-IIA-II) dated 23.9. 1981”

1.7 The Committee regret to observe that although under section 142(2A) of the Income-Tax Act, 1961, an I.T.O. can, with the prior appro-

val of the Commissioner of Income-tax, direct an assessee to get his accounts audited by a Chartered Accountant to be nominated by the Commissioner of Income-tax, not a single case of a film artiste or producer has been referred to a nominated Chartered Accountant for compulsory audit during the last three years. The Committee are astonished to learn this in view of the widespread public impression of 'murky goings-on' and large scale concealment of income by cooked up accounts involving various types of payments and receipts in the film world. The Committee note that pursuant to a recommendation of the Estimates Committee, the Central Board of Direct Taxes has now impressed upon the Commissioners of Income-tax to refer more cases for compulsory audit requiring deeper investigation. The Committee trust that the Board will ensure that instructions issued by it are followed by the lower formations both in letter and spirit and the powers of compulsory audit of accounts conferred by section 142(2A) are made use of in all cases (including cases of film artistes, producers, etc.) where necessary.

Constitution of a Study Group for an in-depth study of the question of funneling of unaccounted money into star studded films and review of the scheme of amortisation.

(Serial No. 9—para 1.68)

1.8 Commenting on the growing tendency to funnel large amounts of unaccounted money into star studded films, the Committee had, in paragraph 168, observed as follows :—

“The Committee find that the growing tendency to funnel large amounts of unaccounted money into star studded films, many of which continue to be exploited for several years not only in India but a broad also, call for a review of the scheme of amortisation laid out in Rules 9 A and 9 B of the Income-tax Rules so as to devise ways and means to curb this evil and to ensure that the interests of revenue are adequately protected. The Committee, therefore, desire that a Study Group consisting among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry may be set up to make an in-depth study of the whole question and its findings reported to the Committee.”

1.9 In their Action, Taken Note, the Ministry of Finance (Department of Revenue) have stated as follows :—

“The recommendations of the P.A.C. regarding the constitution of a Study Group consisting among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry was examined by the Government and in consultation with the Minister of Finance, it has been decided that the study may be entrusted to a Group of Senior Officials of the Department only and this group may invite and hear the views of some of the professionals associated with the film industry.”

1.10 From the Board's order F. No. 228/31/82-IIA-II dated 5 July 1983, the Committee observe that the Study Group to go into the matter will consist of the following :—

- (i) Shri D.N. Choudhry, Director of Inspection Investigation-Chairman.
- (ii) Shri S.P. Krishnamurthy, Commissioner of Income-tax, Bombay City-VII, Bombay —Member
- (iii) Shri R.S. Murthy, Commissioner of Income-tax (Central-II) Madras —Member
- (iv) Any officer of the rank of Assistant Commissioner of Income-tax to be nominated by the Chairman of the Group to act as Member Secretary of the Group.

1.11 In a Memorandum to the Committee, the President, Film Federation of India has *inter alia* submitted as follows :—

“All the four members of the Study Group are certainly eminent persons in the field of Taxation and their nomination fulfills only one area which [the Committee] has envisaged . [but] Government has not included any experts in Accountancy, audit and Non officials having intimate knowledge of the operations of the Film Industry. The omission is very ominous inasmuch as the subject matter of Amortisation Rules is essentially a matter for which the knowledge of Accountancy, Audit and operations of the Film Industry will have a decisive and a very

significant impact. In the absence of such representatives from these disciplines (i.e. Accountancy, Audit and intimate knowledge of operations of the Film Industry), my Association fears that the in-depth study of the question as directed in your observation may be vitiated and could be one-sided.’

1.12 The Committee had observed that the growing tendency to funnel large amounts of unaccounted money into star-studded films called for a review of the scheme of amortization laid out in Rules 9A and 9B of the Income-tax Rules so as to devise ways and means to curb the evil and to protect the interests of revenue. To this end, the Committee had observed that a Study Group consisting, among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film world may be set up to make an indepth study of the whole question. The Committee, however, regret to observe that the Ministry have appointed a study Group comprising senior officials of the Income-tax Department only. The Committee see force in the view expressed by the President, Film Federation of India, in his Memorandum to the Committee, that the present composition of the Study Group fulfills only one area and that the subject matter of a mortisation Rules is a matter for which knowledge of Accountancy, Audit and operations of the Film Industry will have a significant impact. The Committee feel that in view of the fact that the Income-tax Department has not been able to make any dent into tax evasion by the film industry, experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry could be a source of strength to the Study Group. The Committee, therefore, desire that the whole matter regarding induction of experts in accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry in the Study Group may be re-considered even at this stage.

In case, however, the Study Group has already gone ahead with their work and it is not possible to induct the non-officials in the Study Group as desired by the Committee at this stage, the Study Group may at least be directed to consult experts in accountancy and audit, in addition to non-officials having intimate knowledge of the operations of the film industry, before finalizing their report.

*Amendment of the Income-Tax Act, 1961 to prevent abuse of
benefits of Annuity Schemes*

(Sl. Nos. 10—13, paras 1.69—1.72)

1.13 Commenting upon the payment of remuneration by producers to film artistes wholly or partly in the form of Annuity policies, the Public Accounts Committee (1977-78), in para 3.33 of their 77th Report, had recommended that in order to make the position free from any doubt and also to prevent any abuse of the benefits of the annuity scheme, a specific provision should be made in the Income-tax Act 1961, allowing tax benefit in the case of annuity policies but at the same time restricting the benefit under the scheme to such professional groups only as merit special consideration on account of their short active professional life. In pursuance of this recommendation, the Ministry of Finance issued only executive instructions (Instruction No 1310 dated 20 February, 1980) Para 5 of the Instructions stipulated that "the benefit was not intended to be available to the assesseees other than the film artistes."

As classification for selective discrimination is an essential legislative function which cannot be delegated to the executive as reiterated by the Supreme Court in the Delhi Laws case (1951 SCR 747), it was felt that the aforesaid instructions of February, 1980 might be deemed as discriminatory and violative of Article 14 of the Constitution.

1.14 In the above context, the Public Accounts Committee (1981-82), in paras 171-172 of their 91st Report, observed as follows :—

"The Committee find that at the time the draft Instructions were sent to the Ministry of Law for vetting, they had stated that '... We feel that the same are generally in order subject to the fact that these instructions do not bar other professionals from taking advantage of this Law. It is, however, for the Government to decide whether they would like the law to be amended before the issue of these instructions'. The Committee regret to observe that the Ministry of Law did not insist on amendment of the law and instead suggested insertion of a para in the draft Circular to the effect that 'the benefit of these instructions is not intended to be available to the assesseees other than the film

artistes'. This position was untenable in law. Taking shelter behind the ambiguous wording of the Law Ministry's advice, the Ministry of Finance adopted the questionable course of issuing a circular rather than bringing in an amending bill before Parliament. Thus, the recommendation of the Committee intended to restrict the benefit of the annuity scheme only to those who have a short active professional life has been implemented in a manner as to have the effect of making the benefit available to all professionals. The Committee find that after the matter was raised in evidence, a revised Circular was issued by the Board in December 1981 which *inter-alia* states :

'...The Borad have now decided that pending the insertion of formal legal provision, it might not be appropriate to stipulate that the instructions will not apply to other professionals. Accordingly, Para 5 of the above instruction (dated 26 February, 1980) may be treated to have been deleted.'

The Committee urge that having thus belatedly accepted the legality of the annuity scheme not only in regard to film artistes but also in respect of others, the Ministry should bring forward without delay legislative measures for regulating such schemes so that the revenue is not effected adversely."

1.15 In their Action Taken reply, the Ministry of Finance have stated as follows :—

"The observations of the public Accounts Committee have since been noted. The amendment in the law, as suggested by the P.A.C., is being considered by this Ministry."

1.16 The Committee are not satisfied with the above reply of the Ministry. It is more than five years that the Committee had desired Government to make a specific provision in the Income-tax Act, 1961 in regard to tax benefits in the case of annuity policies. A period of over a year and a half has elapsed since the public Accounts Committee (1981-82) had again urged Government to bring forward without delay legislative measures for regulating such schemes. However, the Committee regret to

observe that the question of amending the law as suggested by the Committee is still at consideration stage. As the matter has already been much delayed, the Committee would like the Ministry of Finance to bring forward the suggested legislative measures without any further delay.

Difficulties in establishing unaccounted transactions of Film Artistes.

(Sl. No. 16, para 1.75)

1.17 In para 1.75 of their Report, the Public Accounts Committee (1981-82) had taken note of the following submissions made by the representatives of the Ministry in evidence :—

“...though there may be a general feeling that the film artistes are having substantial income which is not known in the absence of any record of cash transactions either with the payers or with the recipients, it is a stupendous task to gather clinching evidence and establish unaccounted transactions that may stand the test of scrutiny in Court of appeal... It is also found in the case of top artistes that they are having proprietary concerns doing business of production and distribution of pictures. It is also seen that they are partners in firms doing business of production and distribution of pictures wherein huge losses are incurred and the artistes capital accounts show huge debits.”

1.18 The Ministry, in their reply have stated as follows :—

“No Action Taken Note for the para is necessary as it seems to be a mere reproduction of the evidence given by the Ministry.”

1.19 The Committee are surprised at the above reply of the Ministry. The intention of the Committee in quoting the evidence of the Ministry was to highlight the admitted lacunae in the existing system which stood in the way of proper assessment of the income of film artistes. The Committee expected that the Government would come out with a solution of the problem faced by them and plug the loopholes mentioned. Unfortunately, however, the Ministry's reply gives an impression that after pointing out their difficulties they have nothing further to do. The Committee would like to

hear the precise steps being taken or proposed to be taken by the Ministry to meet the difficulties pointed out in the paragraph.

Setting up of film circles for looking after the assessment of film artistes.

(Sl. No. 20, para 1.79)

1.20 Commenting upon the setting up of film circles for looking after the assessment of the film articles, the Committee, *inter alia* stated :—

“The Committee strongly urge that a thorough and critical evaluation of the usefulness and effectiveness of the various film circles and other Circles dealing exclusively with professionals, should be carried out immediately with a view to streamlining their functioning. The Committee need hardly stress that multipronged and well coordinated plan of action needs to be drawn up and implemented in conjunction with the Departments concerned for tackling this evil which is eating into the vitals of the socio-economic system of the country.”

1.21 The Ministry in their reply have *inter alia* stated :

“Steps have been taken to make a thorough and critical evaluation of the usefulness and effectiveness of the film circles as well as other professional circles with a view to streamlining their functioning.”

1.22 In their action taken reply, the Ministry have stated that they have taken steps to make a thorough and critical evaluation of the usefulness and effectiveness of the Film Circles with a view to streamlining their functioning. The Government have, however, not indicated what specific steps they have taken in this regard; nor have they indicated whether, as recommended by the Committee, a multi-pronged and well-coordinated plan of action, in conjunction with the Departments concerned, for tackling the evil of black-money which is eating into the vitals of socio-economic system of the country has been drawn up. The Committee would like to know the precise action taken on their recommendation.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee find that there is no legal requirement of audit of film producers, artistes etc. However, under Section 143 (2A), the ITO can, with the prior approval of the Commissioner of Income-tax, direct the assessee to get the accounts audited by an accountant to be nominated by the Commissioner having regard to the nature and complexity of the accounts of the assessee and in the interests of revenue. The Committee would like to know how frequently this power has been exercised in each of the C.I.T. charges during the last three years in the cases of assessments of film artistes, producers etc. and with what results.

[(Sl. No. 6 (Para 1.65) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)]

Action Taken

In the cases of Film Artistes and producers etc., no case was referred to a nominated Chartered Accountant as provided under section 142 (2A) of the Income-tax Act during the last three years.

However, in pursuance of the observations of the Estimates Committee in para 4.19 of their 9th Report for the year 1980-81, the Board have impressed upon the Commissioners of Income-tax to refer more cases for compulsory audit requiring deeper investigation *vide* Instruction No. 1415 [F. No. 228/27/81/ITA-II dated 23-9-1981 (copy enclosed)].

[Ministry of Finance (Department of Revenue) O.M. F. No.
241/5/82-A & PAC-II dated 18-3-1983].

INSTRUCTION NO. 1415

F. No. 228/27/81-ITA-II
Government of India
Central Board of Direct Taxes

—

New Delhi, *the 23rd Sep., 81*

To

All Commissioners of Income-tax.

Sir,

Subject : Audit of Accounts under section 142 (2A)
of the Income-tax Act, 1961—
Instructions regarding—

—

Reference is invited to Board's letter F. No. 246/66/76-A & PAC-II dated the 12th July, 1977 by which guidelines for selection of cases for audit under section 142 (2A) were given. Further reference is invited to Board's Letter No. 246/66/76-A & PAC-II dated 23rd July, 77 by which criteria for preparation of Chartered Accountants was laid down to enable the officers to refer expeditiously cases requiring audit u/s 142 (2A).

2. The Board had occasion to review the working of provisions of section 142 (2A) and it was found that during the last three years only 16 cases were referred for compulsory audit under this section. Even in these 16 cases, the maximum contribution was only from Nagpur charge referring 6 cases. The Estimates Committee took adverse note of the same in para 4.19 of their 9th Report for the year 1980-81 and recommended as under :—

“The Committee regret to note that a wholesome provision made for referring certain accounts for compulsory audit by auditors to be nominated by Commissioners, under section 142 (2A) of the Income-tax Act w.e.f. 1st April, 1976 has not been utilised to the extent to which it should have been utilised. During the last 3 years only 16 cases were referred for compulsory audit under this power. The Committee recommend that all prepa-

ratory work to give effect to this provision should be completed without any further delay and the power of compulsory audit used in all cases where it is necessary to do so in the interest of revenue.”

3. The Board desire that you should impress upon your officers to refer more cases for compulsory audit requiring deeper investigation and it should not be difficult as now the preparatory work in this behalf already stands done.

4. Necessary instructions may be issued to all the officers working in your charge.

Yours faithfully,

Sd/-

(M.K. PANDEY)

Secretary

Central Board of Direct Taxes

Recommendations

According to the terms of contract between certain film artistes and film producers, the film artistes receive their remuneration in the form of deferred annuity policies also. In such cases the agreement for payment of remuneration by the producer to the film artistes provides that payment of remuneration will either be wholly or partly made in the form of annuity policies which will ensure annual payments of a stipulated amount for a specified number of years to the artistes etc. The questions of taxability of the amount of annuity received by the artistes was examined by the Public Accounts Committee in 1977-78. In para 3.33 of their 77th Report (Sixth Lok Sapha), the Committee had recommended that in order to make the position free from any doubt and also to prevent any abuse of the benefits of the annuity scheme, a specific provision should be made in the Income-tax Act 1961, allowing tax benefit in the case of annuity policies but at the same time restricting the benefit under the scheme to such professional groups only as merit special consideration on account of their short active professional life. In pursuance of this recommendation, the Ministry of Finance chose to issue only executive instructions (Instruction No. 1310 dated 20 February, 1980) instead of amending the Income-tax

Act as recommended by the Public Accounts Committee. Para 5 of the Instructions stipulated that "the benefit was not intended to be available to the assesseees other than the film artistes."

Classification for selective discrimination is an essential legislative function which cannot be delegated to the executive as reiterated by the Supreme Court in the Delhi Laws case (1951 SCR 747). Audit have therefore expressed the view that the aforesaid instructions of February, 1980 might be deemed as discriminatory and violatory of Article 14 of the Constitution.

The Committee find that at the time the draft Instructions were sent to the Ministry of Law for vetting, they had stated that "...We feel that the same are generally in order subject to the fact that these instructions do not bar other professionals from taking advantage of this Law. It is, however, for the Government to decide whether they would like the law to be amended before the issue of these instructions". The Committee regret to observe that the Ministry of Law did not insist on amendment of the law and instead suggested insertion of a para in the draft Circular to the effect that "the benefit of these Instructions is not intended to be available to the assesseees other than the film artistes". This position was untenable in law. Taking shelter behind the ambiguous wording of the Law Ministry's advice, the Ministry of Finance adopted the questionable course of issuing a circular rather than bringing in an amending bill before Parliament. Thus, the recommendation of the Committee intended to restrict the benefit of the annuity scheme only to those who have a short active professional life has been implemented in a manner as to have the effect of making the benefit available to all professionals. The Committee find that after the matter was raised in evidence, a revised Circular was issued by the Board in December 1981 which *inter-alia* states :

"...The Board have decided that pending the insertion of formal legal provision, it might not be appropriate to stipulate that the instructions will not apply to other professionals. Accordingly, Para 5 of the above instruction (dated 6 February, 1980) may be treated to have been deleted."

The Committee urge that having thus belatedly accepted the legality of the annuity scheme not only in regard to film artistes but also in respect

of others, the Ministry should bring forward without delay legislative measures for regulating such schemes so that the revenue is not affected adversely.

[Sl. Nos. 10-13 (Paras 1.69 to 1.72 to the Appendix III of the 91st Report (1981-82) (Seventh Lok Sabha)]

Action Taken

The observations of the Public Accounts Committee have since been noted. The amendment in the law, as suggested by the P.A.C., is being considered by this Ministry.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/82-A & PAC-II dated 14-10-1982.]

Recommendations

The data furnished to the Committee regarding the income returned and income assessed, levied etc. in respect of some of the top cine-artistes (i.e. actors, singers and music directors) as well as some leading film producers and distributors for the years 1970-71 to 1980-81 establishes beyond doubt a fact which is otherwise also known even to a layman, that the incomes returned by the top notchers of the film industry bear no relation to their actual income and the style of living to which they are used to. To quote just one example, one of the top producers has shown negative income of Rs. 29,820 in 1973-74, Rs. 2,770 in 1974-75, Rs. 1,12,560 in 1977-78 and Rs. 42,130 in 1978-79. In other years his income has ranged between Rs. 1620 and Rs. 53,230. Figures for 1979-80 and 1980-81 have not been furnished. No wealth has been returned by the assessee during the period in question.

The Committee find that the income returned by the above assessee has been accepted by the Department with some marginal additions except for the years 1974-75 and 1978-79 in respect of which the negative income has not been accepted and the assessee has been taxed at a net income of Rs. 42,260 and Rs. 1448 only in the respective years.

The committee consider that it is not enough to set up film circles for looking after the assessments of film artistes. What is needed is to strengthen and activate them, build up a sound data base and reorient their functioning on purposive lines. The Committee strongly urge that a thorough and critical evaluation of the usefulness and effectiveness of the

various Film Circles and other Circles dealing exclusively with professions, should be carried out immediately with a view to streamlining their functioning. The Committee need hardly stress that a multi-pronged and well coordinated plan of action needs to be drawn up and implemented in conjunction with the Departments concerned for tacking this evil which is eating into the vitals of the socio-economic system of the country. The Committee take note of the view expressed by Chairman, CBDT in his evidence before the Committee that deterrent action in a few cases may be a lesson for others. The Committee would watch with interest how far this is implemented in practice.

[Sl. Nos. 14-15 and 20 (Paras 1.73, 1.74 and 1.79) to the Appendix III of the 91st Report of the Public Accounts Committee (1982-83) (Seventh Lok Sabha)]

Action Taken

The example quoted by the Public Accounts Committee appears to be that of Shri Prakash Mehra, a film producer, of Bombay.

As a result of search and seizure operations carried out in the year 1978 in the premises of Shri Prakash Mehra, his associates and sister concerns substantial additions have been made in their total income and the latest position regarding income returnee/subsequently revised and assessed in the case of Shri Prakash Mehra is as under—

Assessment year	Income returned/ Subsequently revised	Income assessed
1974-75	Rs. 2,770	Rs. 42,620
1975-76	Rs. 53,229	Rs. 1,34,066
1976-77	Rs. 1,620	Draft assessment order u/s. 144-B proposing total income of Rs. 2,88,270/m is made.
1977-78	Rs. 1,12,560 (—)	Rs. 2,11,680 Draft assessment order u/s. 144-B proposing total income of Rs. 22,88,640/- is made.
1978-79	Rs. 1,55,180	Assessment pending
1979-80	Rs. 5,41,458	Assessment pending
1980-81	Rs. 7,57,840	Assessment pending

Further two criminal complaints for offences under section 276 (c), 277 and 278 of the Income-tax Act had been filed in the court of Metropolitan Magistrate against Shri Pratap Mehra, Mrs. Neera Mehra & Shri S.P. Chaudhary. Sh. Pratap Mehra and Mrs Neera Mehra are brother and wife respectively of Shri Prakash Mehra. Wealth Tax returns have been filed by Shri Prakash Mehra and they are being subjected to proper examination.

Steps have been taken to make a thorough and critical evaluation of the usefulness and effectiveness of the film circles as well as other professional circles with a view to streamlining their functioning.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/82-A & PAC-II dated 22-11-1982.]

Recommendations

The Committee were distressed to hear the Chairman, CBDT lamenting before the Committee that there was large scale evasion of tax by professional people. Among these, the topmost people were the film artistes. The Chairman, CBDT had also no hesitation in admitting that the Department had failed to deal effectively with the dishonest elements among the professionals inspite of the creation of Film Circles Doctors' Circles, Lawyers' Circles etc. The Committee were informed that the existing law, if enforced "fully, rigidly and strictly" was quite adequate to deal with the problem of tax evasion resorted to by these people. The Chairman, CBDT added ".....We have to be selective; even our success in a few cases will act as a deterrent to others and it will go a long way in the matter of enforcement of laws."

While the Committee do appreciate the genuine difficulties of the Department in dealing with the assessments of cineartistes and other professional in the absence of clinching evidence, the Committee consider that all or that is required to be done to gather incriminating evidence from

all possible sources, has not been done which explains the failure of the Department even in making a dent into the problem. In this connection, the Committee note with regret that the material collected through searches and seizures carried out in the cases of film artistes as far back as in 1974-75 has yet to be processed. It is amazing that the Department should put forward the plea of shortage of staff for the enormous time lag. That the energies of the Department should be frittered away in pursuing the cases of small assesseees while expressing helplessness in dealing with blatant cases of tax evasion by those known to be having huge incomes, is indicative of the lack of will on the part of the Department to come to grips with the problem.

During evidence, the representative of the Department could not say with certainty whether and to what extent the mandatory provisions in regard to maintenance of accounts were being complied with by the cine-artistes, producers etc. Even the books of accounts required to be maintained by them were specified as late as in December, 1981, i.e. only after the matter was raised by the Committee though the enabling provision had been inserted in the Act years ago (from 1-4-1976). The Department have also informed the Committee that no case of penalty having been levied for failure to maintain books of accounts on the part of cine-artistes, has been reported. The laxity of the system is, thus, too obvious to merit comment.

[Sl. Nos. 17 to 19 (Paras 1.76 to 1.78) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)]

Action Taken

The observations of the Public Accounts Committee have been circulated to all Commissioners of Income-tax for their guidance and necessary action.

The Commissioners of Income-tax have been instructed to prepare a dossier (in respect of each case) in the prescribed proforma in the cases where seizures have been of more than Rs. 10 lacs or, alternatively, the estimated concealment is more than Rs. 10 lacs and submit the same by the 10th of every month indicating the progress made in the preceding month.

The observations of the Public Accounts Committee has been sent to all Commissioners of Income-tax to bring it to the notice of the concerned officers working under them for taking necessary action of appropriate cases.

[Ministry of Finance (Department of Revenue) O.M. F No. 241/5/82-
A & PAC-II dated 8-10-1982.]

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

Recommendations

The Committee find that no consolidated data is available in the Income-tax Department as to the number of films produced in a year and the cost of production of each film. It was after some lapse of time that the Committee were given details of films whose cost of production been exceeded Rs. 1 crore and of those which had cost above Rs. 25 lakhs during the financial years 1978-79 to 1980-81. The information is stated to be based on returns of income filed by the producers and may, therefore not be complete. Apparently, there is no data bank in the Ministry of Finance in this important area which is known to be a haven for investment of huge amounts of unaccounted money. The Committee consider this situation to be wholly unsatisfactory.

It is a matter of regret that inspite of widespread public criticism, the Department have chosen to keep their eyes shut to the murky goings-on in the film world. Since the Deptt. have no independent means to establish the correctness of the cost of production declared by the producer, it is imperative that close liaison should be maintained not only with the Ministry of Information and Broadcasting but also with the Customs and Excise authorities as well as with the authorities administering the entertainment tax on the States so as to be able to obtain the necessary data and cross check the veracity of the same.

In this connection the Committee would like to point out that no attempt has so far been made to reconcile the collections at the box office with the records of entertainment tax collections. It has been argued that it is not possible to do so since the latter are maintained state-wise and not film-wise. The Committee do not think it would require any great effort on the part of the State Governments to gather this information

The Committee would therefore like the matter to be taken up with the Ministry of information and Broadcasting and the State Governments. The Committee have no doubt that the State Governments would lend their full cooperation in the matter.

[Sl. No. 2, 4 and 5 (Paras 1.61, 1.63 and 1.64) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)]

Action Taken

As regards the number of films produced, the Central Information Branches are being asked to collect the information from Regional Film Censor Boards and Central Film Censor Boards. However as regards cost of production of each film is concerned, it is not practicable to maintain a consolidated data in the Income-tax Department. The matter was taken up with the Ministry of Information and Broadcasting and they have stated that they will not be able to assist the Income-tax Department about the cost of production of films as the Central Government has no means to regulate the production sector which comes within the State jurisdiction. No data regarding cost of production of film is maintained by the Ministry of information and Broadcasting. The Income-tax Department is already maintaining close liaison with the Customs and Excise Authorities.

To re-concile the collections at the box office with the records of entertainment tax collection the matter was taken up with the Ministry of Information and Broadcasting and they have expressed their inability to advise the State Governments in the matter. They have also expressed their opinion that it *prima-facie*, does not appear practicable to maintain entertainment tax records film-wise, as information from all the theatres in the State would have to be analysed film-wise and this analysis have to be on continuous basis from year to year as the same film may be released after a gap of one or two years.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/82-A/PAC. II dated 8-10-1982]

Recommendation

Instruction No. 455 dated 18 September, 1972 provides that in order to ensure that the full receipts are accounted for and the total amortisation allowed does not exceed the cost of production, the details (in the chart enclosed therewith) must invariably be maintained for each film separately. It is further stipulated that "no case of a film producer or distributor should be disposed of without completing this chart". The Committee therefore fail to understand the inability of the Department to furnish this basic information. The Committee argue that this lacuna in the reporting system must be rectified without loss of time.

[Sl. No. 3 (para 1.62) of the Appendix III to the 91st Report of the Public Accounts Committee (1981—82) (Seventh Lok Sabha)]

Action Taken

Vide instructions No. 455 (F. No. 201/5/71-ITA.II) dated 18th September, 1972, the field officers were directed that in order to ensure that the full receipts are accounted for and total amortisation allowed does not exceed the cost of production, the details as per the Chart enclosed therewith must be maintained for each film separately. They were further advised that no case of a film producer or distributor should be disposed of without completing that chart. The said chart becomes a part of the assessment record of each film producer or distributor and this information is not maintained separately in any register. The said instructions do not visualise the reporting of the statistics through any periodical statement. There is therefore, no question of any lacuna in the reporting system.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/12-A & PAC.II dated 15-4-1983]

CHAPTER IV

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

Recommendation

According to the Ministry "though there may be a general feeling that the film artistes are having substantial income which is not shown, in the absence of any record of cash transactions either with the payers or with the recipients, it is a stupendous task to gather clinching evidence and establish unaccounted transactions that may stand the test of scrutiny in Court of appeal.....It also found in the case of top artistes that they are having proprietary concerns doing business of production and distribution of pictures. It is also seen that they are partners in firms doing business of production and distribution of pictures wherein huge losses are incurred and the artistes' capital accounts show huge debits".

[Sl. No. 16 (Para 1.75) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)].

Action Taken

No Action Taken Note for the para is necessary as it seems to be a mere reproduction of the evidence given by the Ministry.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/82-A & PAC-II dated 28-3-1983].

CHAPTER V
RECOMENDATIONTS AND OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED
INTERIM REPLIES

Recommendation

The Audit Paragraph brings out a case where a sum of Rs. 2,77,047 was erroneously allowed to be amortised while computing the total income of an assessee i e. M/s. Hazina Films, Ernakulam for the assessment year 1977-78, instead of the correct amount of Rs. 1,77,047/-. According to the Ministry, this was an arithmetical mistake which occurred due to oversight. The Committee consider it very unfortunate that the Internal audit party which actually checked the case failed to detect the mistake and it would have gone undetected but for the vigilance on the part of Revenue audit. The case provides yet another illustration of the weakness of Internal audit to which the Committee have been persistantly drawing attention in their Reports. Taking note of the proposed reorganisation of the internal audit department and unification of control under an officer responsible to the Central Board of Direct Taxes, the Committee have in their 75th Report (Seventh Lok Sabha) expressed the hope that it would help to tone up the efficiency of the system. The Committee have also suggested that the question of augmenting the staff strength of the Income-tax Department may be considered on the lasis of a scientific study of the requirements. The Committee would watch with interest the impact of these measures on the efficiency of the Internal Audit system.

[SI No. 1 (Para 1.60) to the Appendix III of the 91st Report of the
Public Accounts Committee (1981-82) (Seventh Lok Sabha)]

Action Taken

The matter of strengthening the Internal Audit Organisation in all its aspects including additional manpower and the extent of control to be exercised by the Director of Inspection (Audit) over the field audit organi-

sation is under consideration. The decisions taken by the Government in this regard will be communicated to the Committee.

[Ministry of Finance (Department of Revenue) O.M. F. No. 241/5/82-A & PAC-II dated 30-7-1982]

Recommendations

The methodology of amortisation of the cost of production/distribution rights of feature films has had a rather tortuous history. The earliest instructions on the subject were issued in 1937. These have been revised from time to time and even now it is difficult to say if any solution has been found that would be fair both to the film industry and the revenue. The present method of working out the amount of amortisation to be allowed in respect of the cost of production of feature films in the hands of the film producer is detailed in Rule 9A and that in respect of the cost of distribution rights acquired by distributors is given in Rule 9B of the Income-tax Rules 1962. The Committee find the period to the framing of the aforesaid Rules, the methodology of amortisation was laid down by the Board through circulars issued from time to time—the last one being circular No. 154 dated 5 December, 1974. Rules 9A and 9B of the Income-tax Rules framed in 1976 were designed to get over the objections of the film producers and distributors in general to the then existing instructions contained in Circular No. 154 dt. 5 December, 1974, which it was *inter-alia* pointed out, left much to be decided by the ITOs and expected them 'to have considerable prescience to estimate how much a film is likely to bring in during the future years.' It was also felt that it was difficult for the ITO to keep a track of the assessments completed provisionally and then to rectify the same in time after the full period of the film was over. Further, the circular had no legal authority and was binding only on the assessing officers and not on the appellate authorities, the assessee, the Courts of law or the authorities. It was therefore considered necessary to give a legal shape to the methods of determining the amount of amortisation of the cost of production and cost of distribution rights of feature films. Rules 9A and 9B were introduced in the year 1976 to get over this difficulty also.

When asked to quote the specific section or sections of the Income-tax Act, 1961 under which the aforesaid rules 9A and 9B had been framed, the representatives of the Ministry of Finance admitted during evidence that there was no particular section authorising the framing of such rules; the said rules were stated to have been framed under the 'general rule making power' contained in Section 295(1) of the act. The question whether, in the absence of a specific enabling provision in the Act, such rules could be so framed under the general rule making power, was at the instance of the Committee, referred by the Ministry of Finance to the Ministry of Law. According to the Ministry of Law's opinion subsequently sent to the Committee, "These rules appear to have been made for carrying out the purposes of the Act.....Therefore, these rules appear to be consistent with the provisions of the Act." The Ministry of Law did not examine the question from the larger angle of the well-established principle* that a valid delegation of the rule making power must be accompanied by suitable guidelines or principles of law laid down in the statute itself so that its exercise could be tested against such guidelines or principles. It is because of this well-established principle that different sections of the Act provide for certain things to be regulated in a certain manner by rules framed under the Act. The validity of the rules so framed can, as pointed out by the Bombay High Court in *C.I.T. vs New Citizen Bank of India Ltd.* (8 ITR 468), be examined against the principles or guidelines laid down in the particular sections under which they are made. In that view of the matter, Section 295(1) of the Act would seem only to spell out the authority on whom the rule making power is conferred for the purposes of the Act, the particular purposes for which the power is to be exercised by such authority being laid down in different sections. Since the matter is of considerable importance, the Committee would recommend that this question should be referred to the Attorney General of India for advice. His advice may be obtained on the point whether the rules do not amount to the legislative powers for regulating commercial practice in regard to amortisation through enactment being supplanted by executive rule making power, which is questionable.

*See Supreme Court decisions in *M/s Dwarka Prasad v. State of U.P.* (AIR 1954 SC 224)

The Municipal Corporation of Delhi v. Birla Cotton Spinning & Weaving Mills, Delhi and other (AIR 1968 SC 1232).

Gwalior Rayon Mills v. Asstt. Commissioner, S.T. (AIR 1974 SC 1660)

[Sl. Nos. 7 & 8 (Paras 1.66 and 1.67) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)]

Action Taken

The Ministry of law have been requested to obtain the advice of the Attorney General of India. The Public Accounts Committee shall be informed as soon as the advice of the Attorney General of India is available.

[Ministry of Finance (Department of Revenue) O.M. No. 241/5/82-A & PAC-II dated 11-4-1983].

Recommendation

The Committee find that the growing tendency to funnel large amounts of unaccounted money into star studded films; many of which continue to be exploited for several years not only in India but abroad also, call for a review of the scheme of amortisation laid out in Rules 9A and 9B of the Income tax Rules so as to devise ways and means to curb this evil and to ensure that the interests of revenue are adequately protected. The Committee therefore, desire that a Study Group consisting among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry may be set up to make an in-depth study of the whole question and its findings reported to the Committee.

[Sl. No. 9 (Para 1.68) to the Appendix III of the 91st Report of the Public Accounts Committee (1981-82) (Seventh Lok Sabha)].

Action Taken

The recommendations of the P.A.C. regarding the constitution of a Study Group consisting amount others, of experts in taxation, accountancy

and audit and eminent non-officials having intimate knowledge of the operations of the film industry was examined by the Government and, in consultation with the Minister of Finance, it has been decided that the study may be entrusted to a Group of Senior Officials of the Department only and this group may invite and hear the views of some of the professionals associated with the film industry. A copy of the Board's order F. No. 228/31/82-ITA-II dated the 5th July, 1983, constituting the said Study Group is enclosed.

[Ministry of Finance (Department of Revenue) O.M. No. 241/5/82-A & PAC-II dated 16-7-1983].

F. No. 228/31/82-ITA-II
 Government of India
 Central Board of Direct Taxes
 New Delhi, the 5-7-1983

Subject ---91st Report of the P.A.C. (1981-82)—Recommendation in Para 1.68 regarding a review of the scheme of amortisation laid out in Rules 9A and 9B of the I.T. Rules.

In para 1.68 of its 91st Report (1981-82), the P.A.C. has made the following recommendation :—

“The Committee find that the growing tendency to funnel large amounts of unaccounted money into star studded films; many of which continue to be exploited for several years not only in India but abroad also, for a review of the scheme of amortisation laid out in Rules 9A and 9B of the Income Tax Rules so as to devise ways and means to curb this evil and to ensure that the interests of revenue are adequately protected. The Committee therefore, desire that a Study Group consisting among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry, may be set up to make an indepth study of the whole question and its findings reported to the Committee.

2. The matter regarding the constitution of Study Group consisting among others, of experts in taxation, accountancy and audit and eminent

non-officials having intimate knowledge of the operation of the film industry, as recommended by the P.A.C. was examined in the Board and it was felt that the study may be entrusted to a group of senior officials of the Department only and this group may invite and hear the views of some of the professionals associated with the film industry. The proposal of the Board for the constitution of the said Study Group has been approved by the Finance Minister. The Board has accordingly decided to constitute a Study Group to go into the matter and to make its recommendations. The group will consist of the following :—

- (i) Shri D.N. Choudhry Director of Inspection Investigation
—Chairman
- (ii) Shri S.P. Krishnanurthy, Commissioner of Income-tax, Bombay
City-VII, Bombay —Member
- (iii) Shri R.S. Murthy, Commissioner of Income-tax, (Central-II),
Madras —Member

The Chairman of the Group may nominate any officer of the rank of Assistant Commissioner of Income-tax as Member Secretary of the Group.

3. The Committee will review the whole scheme of amortisation as laid out in Rules 9A and 9B of the I.T. Rules and will make its recommendations to devise ways and means to curb the growing tendency to funnel large amounts of unaccounted money into star studded films as pointed out by the P.A.C.

4. The Committee will furnish its report to the Board within 3 months of its constitution.

Sd/- (P. SAXENA)

SECRETARY, CENTRAL BOARD OF DIRECT TAXES

All Members of the Committee :—

1. Shri D.N. Choudhry, Director of Inspection (Investigation)
Mayur Bhavan, New Delhi.
2. Shri S.P. Krishnamurthy, Commissioner of Income-tax, Bombay
City-VII, Bombay.
3. Shri R.S. Murthy, Commissioner of Income-tax (Central)
Madras-II, Madras.

Sd/-xx (P. SAXENA)

Secretary, Central Board of Direct Taxes)

NEW DELHI ;

27 December, 1983
6 Pausa, 1905 (S)

SUNIL MAITRA

Chairman,
Public Accounts Committee

APPENDIX

Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Department concerned	Recommendation/Conclusion
1	2	3	4
1	1.3	Ministry of Finance (Deptt. of Revenue)	The Committee expect that final replies to recommendations and observations in respect of which only interim replies have been furnished by Government so far will be submitted to them expeditiously after getting the same vetted by Audit.
2	1.7	Ministry of Finance (Deptt. of Revenue)	The Committee regret to observe that although under section 142 (2A) of the Income-Tax Act, 1961, an I.T.O. can with

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the prior approval of the Commissioner of Income-tax, direct an assessee to get his accounts audited by a Chartered Accountant to be nominated by the Commissioner of Income-tax, not a single case of a film artiste or producer has been referred to a nominated Chartered Accountant for compulsory audit during the last three years. The Committee are astonished to learn this in view of the widespread public impression of 'murky goings-on' and large scale concealment of income by cooked up accounts involving various types of payments and receipts in the film world. The Committee note that pursuant to a recommendation of the Estimates Committee, the Central Board of Direct Taxes has now impressed upon the Commissioners of Income-tax to refer

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more cases for compulsory audit requiring deeper investigation. The Committee trust that the board will ensure that instructions issued by it are followed by the lower formations both in letter and spirit and the powers of compulsory audit of accounts conferred by section 142 (2A) are made use of in all cases (including cases of film artistes, producers, etc.), where necessary.

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Ministry of Finance
(Deptt. of Revenue)

The Committee had observed that the growing tendency to funnel large amounts of unaccounted money into star-studded films called for a review of the scheme of amortization laid out in Rules 9A and 9B of the Income-tax Rules so as to devise ways and means to curb the evil and to protect the interests of revenue. To this end, the Committee had observed that a

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Study Group consisting, among others, of experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film world may be set up to make an indepth study of the whole question. The Committee, however, regret to observe that the Ministry have appointed a study Group comprising senior officials of the Income-tax Department only. The Committee see force in the view expressed by the president, Film Federation of India, in his Memorandum to the Committee, that the present composition of the Study Group fulfills only one area and that the subject matter of mortisation Rules is a matter for which knowledge of Accountancy. Audit and operations of the Film Industry will have a

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significant impact. The Committee feel that in view of the fact that the Income-tax Department has not been able to make any dent into tax evasion by the film industry, experts in taxation, accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry could be a source of strength to the study Group. The Committee, therefore, desire that the whole matter regarding induction of experts in accountancy and audit and eminent non-officials having intimate knowledge of the operations of the film industry in the Study Group may be re-considered even at this stage.

In case, however, the Study Group has already gone head with their work and it is not possible to induct the non-officials ; n the

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4	1.16	Ministry of Finance (Deptt. of Revenue)	<p>Study Group as desired by the Committee at this stage, the Study Group may at least be directed to consult experts in accountancy and audit, in addition to non-officials having intimate knowledge of the operations of the film industry, before finalizing their report.</p> <p>The Committee are not satisfied with the above reply of the Ministry. It is more than five years that the Committee had desired Government to make a specific provision in the Income-tax Act, 1961 in regard to tax benefits in the case of annuity policies. A period of over a year and a half has elapsed since the Public Accounts Committee (1981-82) had again urged Government to bring forward without delay legislative measures for</p>

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**Ministry of Finance
(Deptt. of Revenue)**

regulating such schemes. However, the Committee regret to observe that the question of amending the law as suggested by the Committee is still at consideration stage. As the matter has already been much delayed, the Committee would like the Ministry of Finance to bring forward the suggested legislative measures without any further delay.

The Committee are surprised at the above reply of the Ministry. The intention of the Committee in quoting the evidence of the Ministry was to highlight the admitted lacunae in the existing system which stood in the way of proper assessment of the income of film artistes. The Committee expected that the Government would come out with a solution of the problem faced by

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6	1.22	Ministry of Finance (Deptt. of Revenue)	<p>them and plug the loopholes mentioned. Unfortunately, however, the Ministry's reply gives an impression that after pointing out their difficulties they have nothing further to do. The Committee would like to hear precise steps being taken or proposed to be taken by the Ministry to meet the difficulties pointed out in the paragraph.</p> <p>In their action taken reply, the Ministry have state that they have taken steps to make a thorough and critical evaluation of the usefulness and effectiveness of the Film Circles with a view to streamlining their functioning. The Government have, however, not indicated what specific steps they have taken in this regard, nor have they indicated whether, as recommended by the Committee, a multi-pronged and well-co-</p>

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ordinated plan of action, in conjunction with the Departments concerned, for tackling the evil of black-money which is eating into the vitals of socio-economic system of the country has been drawn up. The Committee would like to know the precise action taken on their recommendation.

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
BIHAR		TAMIL NADU	
1.	M/s Crown Book Depot, Upper Bazar, Ranchi (Bihar).	10.	The Manager, M. M. Subscription Agencies, No. 21st Lay Out Sivananda Colony, Coimbatore-641012
GUJARAT		UTTAR PRADESH	
2.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	11.	Law Publishers, Sardar Patel Marg, P. B. No. 77, Allahabad, U.P.
MADHYA PRADESH		WEST BENGAL	
3.	Modern Book House, Shiv Vilas Palace, Indor City.	12.	Mrs. Manimala, Buys and Sells, 128, Bow Bazar Street, Calcutta-12
MAHARASHTRA		DELHI	
4.	M/s Sunderdas Gian Chand 601, Girgaum Road, Near Princess Street, Bombay-2	13.	Jain Book Agency, Connaught Place, New Delhi.
5.	The International Book Service, Decan Gymkhana, Poona-4	14.	J.M. Jain & Brother, Mori Gate, Delhi.
6.	The Current Book House, Maurti Lane, Raghunath Dadaji Street, Bombay-1	15.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-1
7.	M/s Usha Book Depot, Law Book Seller and Publishers, Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-2	16.	Bookwell, 4, Sant Nirankari Colony Kingsway Camp, Delhi-9.
8.	M&J Services, Publishers, Representa- tive Accounts & Law Book Seller, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-14.	17.	The Central News Agency, 23/90, Connaught Place New Delhi.
9.	Subscribers Subscription Services India, 21, Raghunath Dadaji St., 2nd Floor, Bombay-1.	18.	M/s Rajendra Book Agency, IV-D/59, IV-D/50, Lajpat Nagar, Old Double Storey, Delhi-110024.
		19.	M/s Ashoka Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033.
		20.	Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.

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