

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1540

ANSWERED ON:09.03.2007

IT REFUNDS FRAUDS

Deora Shri Milind Murl;Ponnuswamy Shri E.;Singh Shri Chandra Bhushan

**Will the Minister of FINANCE be pleased to state:**

- (a) whether frauds in Income Tax refund have been noticed by the Government;
- (b) if so, the details of amount involved in such frauds;
- (c) whether a number of Income-tax officials have been found involved in the fraud;
- (d) if so, the details thereof for the last three years;
- (e) the action taken by the Government against the person found guilty;
- (f) whether most of the Income Tax Officials involved in such frauds go scot free due to manipulative departmental enquiries; (g) if so, the facts thereof? (h) whether the Government is considering to hand over the investigation of tax return fraud to CBI for proper investigation; and (i) if so, the details in this-regard?

**Answer**

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

(a) Yes sir.

(b) A Committee appointed by Central Board of Direct Taxes, which examined the nature and extent of refund frauds, has submitted that incidents of refund frauds have been reported from Delhi, Chennai, Bangalore and Bhubneshwar. The following are the details of the cases of fraud so noticed:

1. In one CCIT charge in Delhi, 158 refunds were found to be bogus involving an amount of Rs.56.54 lakh.
2. Bogus refunds aggregating to Rs. 1.07 crore were found to have been issued to 25 fictitious companies in another CCIT charge in Delhi.
3. Refunds worth Rs.1.66 crore were found to have been issued from one Circle in Delhi, which actually has no jurisdiction over those cases in whose favour the refunds were issued.
4. In 28 cases at Chennai, refunds were issued in cases where either refund was not due or has already been issued before.
5. In 22 cases reported from Chennai, higher than actual refunds were claimed on the basis of forged tax payment challans or certificates.
6. In 110 cases, refunds were found in Chennai to have been issued without jurisdiction or to fictitious assesseees.
7. A retired employee of 1-T Department at Bangalore was found involved in forging tax payment challans for claiming fraudulent refunds.
8. Sporadic instances of claim of refund on the basis of fictitious TDS certificates have been reported from Bhubneshwar. However, there might be other cases of fraudulent encashment of refunds, which might be locally investigated and have not been brought to the notice of the Board/ Committee.

(c) Yes sir.

(d) No Group 'A' officer has been found to be involved in any refund fraud. Nineteen officers/ officials of Group 'B' 'C' and 'D' have been implicated in cases relating to fraudulent issuance of refunds.

(e)The enquiries against the officers implicated in refund frauds are being carried out by CBI in some cases, by the Economic Offence Wing of the State Governments concerned in a few cases and the rest of the cases are being investigated by the Income Tax Department itself. Disciplinary action including major penalty and suspension has been taken in some cases. Moreover, criminal

proceedings have been instituted in a number of cases.

(f) No sir, no Income Tax official implicated in the refund fraud has been let off due to any manipulative Departmental enquiry.

(g) Does not arise in view of reply to para (f) above.

(h) In view of the fact that in some cases CBI is already carrying out the investigation and in other cases also proper investigations are already being carried out by the authorities concerned, there is presently no move to hand over all cases of refund frauds to CBI.

(i) Does not arise in view of reply to para above.