

## Chapter I

### Direct Taxes Administration

#### 1.1 Resources of the Union Government

**1.1.1** The Government of India's resources include all revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Tax revenue resources of the Union Government consist of revenue receipts from direct and indirect taxes. Table 1.1 below shows the summary of resources of the Union Government for the financial year (FY) 2017-18 and FY 2016-17.

Table 1.1: Resources of the Union Government	(₹ in crore)	
	FY 2017-18	FY 2016-17
<b>A. Total Revenue Receipts</b>	23,64,148	22,23,988
<i>i. Direct Taxes Receipts</i>	10,02,738	8,49,801
<i>ii. Indirect Taxes Receipts including other taxes<sup>1</sup></i>	9,16,445	8,66,167
<i>iii. Non-Tax Receipts</i>	4,41,383	5,06,721
<i>iv. Grants-in-aid &amp; contributions</i>	3,582	1,299
<b>B. Miscellaneous Capital Receipts<sup>2</sup></b>	1,00,049	47,743
<b>C. Recovery of Loans &amp; Advances<sup>3</sup></b>	70,639	40,971
<b>D. Public Debt Receipts<sup>4</sup></b>	65,54,002	61,34,137
<b>Receipts of Government of India (A+B+C+D)</b>	<b>90,88,838</b>	<b>84,46,839</b>

Source: Union Finance Accounts of respective years. Direct Tax receipts and Indirect Tax receipts including other taxes have been worked out from the Union Finance Accounts. Total Revenue Receipts include ₹ 6,73,005 crore in FY 2017-18 and ₹ 6,08,000 crore in FY 2016-17, share of net proceeds of direct and indirect taxes directly assigned to states.

**1.1.2** In FY 2017-18, the increase in receipts of Government of India have mainly been contributed by increase in public debt receipts and in total revenue receipts. Direct Taxes accounted for 42.4 *per cent* of total revenue receipts in FY 2017-18, growing by 18.0 *per cent* over the last year's receipts.

#### 1.2 Nature of Direct Taxes

**1.2.1** Direct taxes levied by the Parliament mainly comprise,

- i. Corporation Tax** levied on income of the companies;
- ii. Income Tax** levied on income of persons (other than companies);
- iii. Other direct taxes** including Securities Transactions Tax<sup>5</sup>, Wealth Tax<sup>6</sup> etc.

<sup>1</sup> Indirect taxes levied on goods and services such as customs duty, excise duty, service tax, Central Goods and Services Tax, Integrated Goods and Services Tax etc.;

<sup>2</sup> This comprises of value of bonus share, disinvestment of public sector and other undertakings and other receipts;

<sup>3</sup> Recovery of loans and advances made by the Union Government;

<sup>4</sup> Borrowings by the Government of India internally as well as externally;

<sup>5</sup> Tax on the value of taxable securities purchased and sold through a recognized stock exchange in India.

<sup>6</sup> Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act, 1957. The Wealth Tax has been abolished through the Finance Act, 2015.

**1.2.2** Table 1.2 provides a snapshot of direct taxes administration.

<b>Table 1.2: Direct Taxes Administration</b>					
	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>₹ in crore</b>					
<b>1. Direct taxes collection</b>	6,38,596	6,95,792	7,42,012	8,49,801	10,02,738
a. Corporation Tax	3,94,678	4,28,925	4,53,228	4,84,924	5,71,202
b. Income Tax	2,37,870	2,58,374	2,80,390	3,40,592	4,08,202
c. Other Direct Tax	6,048	8,493	8,394	24,285	23,334
<b>2. Refunds</b>	89,060	1,12,163	1,22,596	1,62,582	1,51,639
<b>3. Interest on refunds</b>	6,598	5,332	6,886	10,312	17,063
<b>Number in lakh</b>					
<b>4. Actual returns filed by</b>					
a. Non-corporate Assesseees	304.0	360.6	398.0	436.9	537.9
b. Corporate Assesseees	6.4	6.8	6.9	7.1	8.0
<b>5. Revenue expenditure (₹ in crore)</b>	3,687	4,148	4,689	5,623	6,172

Source: Sl. no. 1 and 5 – Union Finance Accounts; Sl. no. 2 - Pr. CCA, CBDT, Sl. no. 3 and 4 – Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

**1.2.3** Table 1.3 below gives the details of non-corporate assesseees in different categories of income.

<b>Table 1.3: Non-Corporate Assesseees</b>						<b>(Figures in lakh)</b>
<b>Financial Year</b>	<b>A<sup>7</sup></b>	<b>B<sub>1</sub><sup>8</sup></b>	<b>B<sub>2</sub><sup>9</sup></b>	<b>C<sup>10</sup></b>	<b>D<sup>11</sup></b>	<b>Total</b>
2013-14	117.23	135.79	34.24	16.72	0.05	304.03
2014-15	76.32	216.31	46.11	21.80	0.01	360.55
2015-16	55.93	264.47	52.94	24.69	0.01	398.04
2016-17	54.17	290.16	61.85	30.69	0.02	436.89
2017-18	61.16	360.63	79.04	37.05	0.02	537.90

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.

The number of non-corporate assesseees registered an increase of 23.1 per cent in FY 2017-18 in comparison to increase of 9.8 per cent in FY 2016-17. As can be seen from the Table 1.3 above and Chart 1.1, there has been increase of 24.3 per cent, 27.8 per cent and 20.7 per cent in Category 'B<sub>1</sub>', Category 'B<sub>2</sub>' and Category 'C' during FY 2017-18 in comparison to FY 2016-17. However, the increases in these categories were 9.7 per cent, 16.8 per cent and 24.3 per cent during FY 2016-17 in comparison to the previous year.

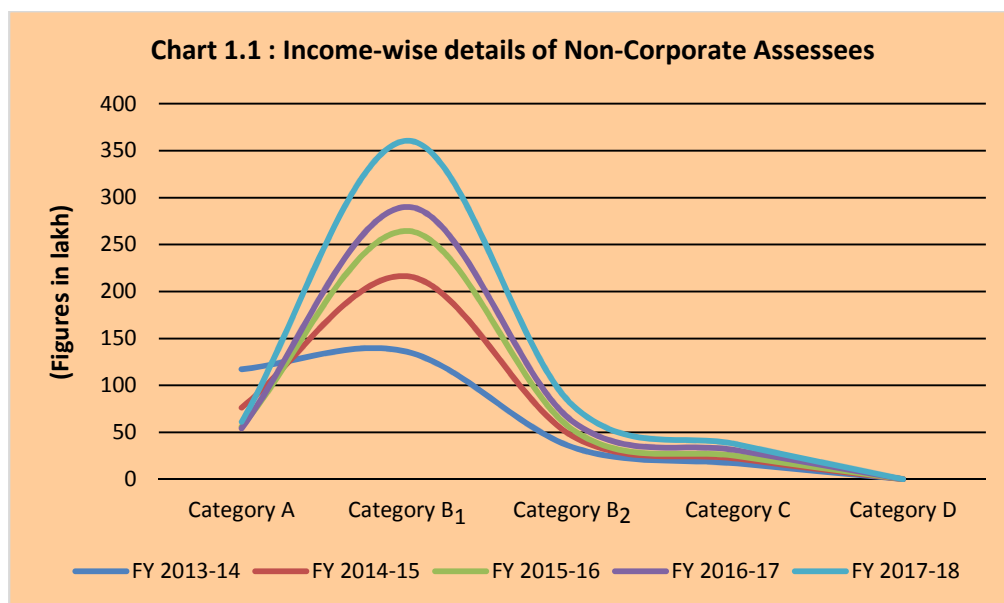
<sup>7</sup> Category 'A' assesseees – Assessments with income/loss below ₹ two lakh;

<sup>8</sup> Category 'B<sub>1</sub>' assesseees (lower income group) - Assessments with income/loss above ₹ two lakh and above; but below ₹ five lakh;

<sup>9</sup> Category 'B<sub>2</sub>' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

<sup>10</sup> Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

<sup>11</sup> Category 'D' assesseees – Search and seizure assessments;



**1.2.4** Table 1.4 below gives the details of corporate assesseees belonging to the different categories of income.

Financial Year	A <sup>12</sup>	B <sub>1</sub> <sup>13</sup>	B <sub>2</sub> <sup>14</sup>	C <sup>15</sup>	D <sup>16</sup>	Total	Assesseees having income above ₹ 25 lakh	Working companies as per RoC as on 31 <sup>st</sup> March
2013-14	4.14	0.89	0.31	1.01	0.01	6.36	0.65	9.52
2014-15	3.20	1.51	0.48	1.56	0.00 <sup>*</sup>	6.75	0.69	10.16
2015-16	3.08	1.59	0.50	1.71	0.00 <sup>^</sup>	6.88	0.76	10.82
2016-17	3.14	1.65	0.53	1.81	0.00 <sup>#</sup>	7.13	1.44	11.11
2017-18	3.57	1.85	0.58	1.99	0.00 <sup>\$</sup>	7.99	1.31	10.49

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.  
<sup>\*</sup> 256 assesseees; <sup>^</sup> 337 assesseees, <sup>#</sup> 134 assesseees, <sup>\$</sup> 195 assesseees

The corporate assesseees registered an increase of 12.1 *per cent* in FY 2017-18 in comparison to increase of 3.6 *per cent* in FY 2016-17.

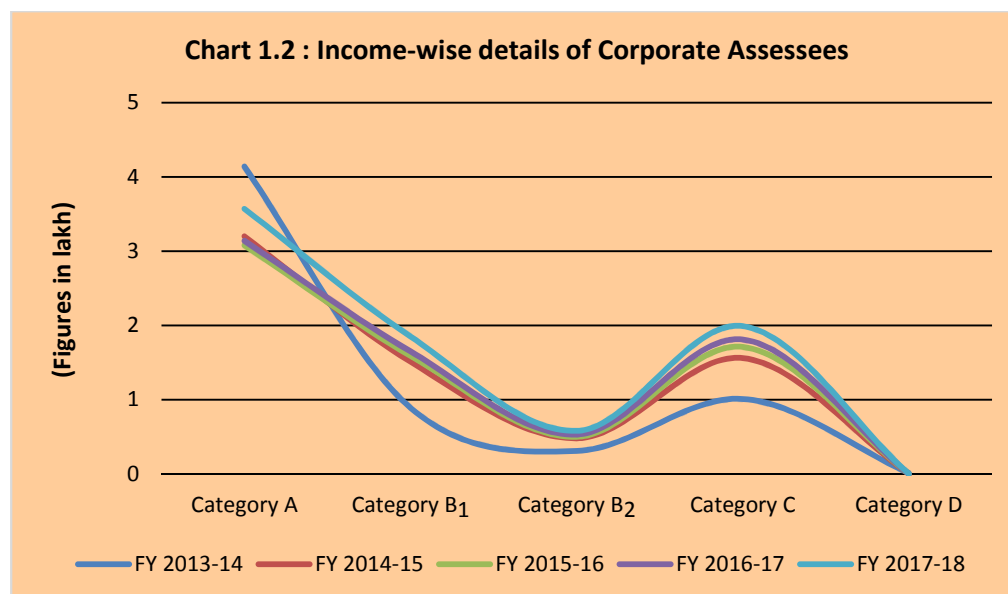
<sup>12</sup> Category 'A' assesseees – Assessments with income/loss below ₹ 50,000;

<sup>13</sup> Category 'B<sub>1</sub>' assesseees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ five lakh;

<sup>14</sup> Category 'B<sub>2</sub>' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

<sup>15</sup> Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

<sup>16</sup> Category 'D' assesseees – Search and seizure assessments;



**1.2.5** A comparison of the figure on total working companies as per the Registrar of Companies (ROCs)<sup>17</sup> data with the total filers as per the ITD would suggest that ensuring compliance by identifying non-filers has not been effective. As in FY 2016-17, there were 11.11 lakh companies registered with ROC, against which it is observed that in FY 2017-18, 8.0 lakh companies only filed income tax returns. Though all working companies (whether profit earning or loss incurring) are required by the provision of the Income Tax Act, 1961 (the Act), to file their return of income, 28.0 *per cent* of such working companies registered with ROC in FY 2016-17 did not file their returns of income against 34.4 *per cent* in FY 2015-16.

### 1.3 Functions and responsibilities of the CBDT

**1.3.1** The Central Board of Direct Taxes (CBDT) under the Department of Revenue (DOR) in the Ministry of Finance provides essential inputs for policy and planning in respect of direct taxes in India. At the same time, it is also responsible for administration of direct taxes laws through Income Tax Department (ITD). ITD deals with matters relating to levy and collection of direct taxes and the issues of tax evasion, revenue intelligence, widening of tax-base, providing tax payers services, grievance redressal mechanism etc.

**1.3.2** As on 31 March 2018<sup>18</sup>, the overall staff strength and working strength of the ITD was 74,336 and 41,338 respectively. The sanctioned and working strength of the officers<sup>19</sup> was 10,865 and 9,445 respectively. The revenue expenditure for the year 2017-18 was ₹ 6,172 crore<sup>20</sup>.

<sup>17</sup> Source: Ministry of Corporate Affairs, Statistics Division, New Delhi.

<sup>18</sup> Figures of staff strength and working strength of ACIT/ADIT and above were as on 25 October 2017.

<sup>19</sup> Pr. CCIT/Pr. DGIT, CCIT/DGIT, Pr. CIT/Pr. DIT, CIT/DIT, Addl. CIT/Addl. DIT/JCIT/JDIT, DCIT/DDIT/ACIT/ADIT and ITOs.

<sup>20</sup> Union Finance Accounts for FY 2017-18.

## 1.4 Budgeting of Direct Taxation

**1.4.1** The Budget reflects the Government's vision and intent. The revenue budget consists of the revenue receipts of the Government (tax revenues and other revenues). Comparison of budget estimates with the corresponding actuals is an indicator of quality of fiscal management. Actuals may differ from the estimates because of unanticipated and random external events or methodological inadequacies or unrealistic assumptions about critical parameters.

**1.4.2** Table 1.5 below shows the details of Budget Estimates (BE), Revised Estimates (RE) and Actual collection of Direct Taxes during FYs from 2013-14 to FY 2017-18.

Table 1.5: Budget Estimates, Revised Estimates vis-à-vis Actual collection of Direct Taxes							(₹ in crore)	
Financial Year	Budget estimates	Revised estimates	Actual	Actual minus budget estimates	Actual minus Revised estimates	Difference as per cent of budget estimates	Difference as per cent of Revised estimates	
2013-14	6,68,109	6,36,318	6,38,596	(-) 29,513	2,278	(-) 4.4	0.4	
2014-15	7,36,221	7,05,628	6,95,792	(-) 40,429	(-) 9,836	(-) 5.5	(-) 1.4	
2015-16	7,97,995	7,52,021	7,42,012	(-) 55,983	(-) 10,009	(-) 7.0	(-) 1.3	
2016-17	8,47,097	8,47,097	8,49,801	2,704	2,704	0.3	0.3	
2017-18	9,80,000	10,05,000	10,02,738	22,738	(-) 2,262	2.3	(-) 0.2	

Source : BE and RE figures are as per respective Receipt Budget and Actual are as per respective Finance Accounts

**1.4.3** The variation between RE and actual collection ranged from (-) 1.4 per cent to 0.4 per cent of RE during the period from FY 2013-14 to FY 2017-18. The variation between BE and actuals were higher as compared to that between the RE and the actuals during the same period.

## 1.5 Growth of Direct Taxes

**1.5.1** Table 1.6 below gives the relative growth of direct taxes (DT) with reference to Gross Tax Receipts<sup>21</sup> (GTR) and Gross Domestic Products (GDP) during FY 2013-14 to FY 2017-18.

Table 1.6: Growth of Direct Taxes					(₹ in crore)	
Financial Year	DT	GTR	DT as per cent of GTR	GDP	DT as per cent of GDP	
2013-14	6,38,596	11,38,996	56.1	1,13,45,056	5.6	
2014-15	6,95,792	12,45,135	55.9	1,25,41,208	5.5	
2015-16	7,42,012	14,55,891	51.0	1,35,76,086	5.5	
2016-17	8,49,801	17,15,968	49.5	1,51,83,709	5.6	
2017-18	10,02,738	19,19,183	52.2	1,67,73,145	6.0	

Source: DT and GTR - Union Finance Accounts, GDP-Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation; GDP for FY 2017-18 – Press note released by CSO on 31 May 2018.

<sup>21</sup> It includes all direct and indirect taxes.

**1.5.2** Though the DT increased by 18.0 per cent in FY 2017-18 as compared to FY 2016-17, there was increase (2.7 per cent) in the share of DT to GTR in FY 2017-18 as compared to FY 2016-17. DT was 6.0 per cent of GDP during FY 2017-18 as compared to 5.6 per cent in FY 2016-17.

**1.5.3** Table 1.7 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT) during FY 2013-14 to FY 2017-18.

Financial Year	Direct Taxes	Per cent growth over previous year	Corporation Tax	Per cent growth over previous year	Income Tax	Per cent growth over previous year
2013-14	6,38,596	14.2	3,94,678	10.8	2,37,870	20.8
2014-15	6,95,792	9.0	4,28,925	8.7	2,58,374	8.6
2015-16	7,42,012	6.6	4,53,228	5.7	2,80,390	8.5
2016-17	8,49,801	14.5	4,84,924	7.0	3,40,592	21.5
2017-18	10,02,738	18.0	5,71,202	17.8	4,08,202	19.9

Source: Union Finance Accounts

**1.5.4** There was growth of 19.9 per cent in Income Tax and 17.8 per cent in Corporation Tax in FY 2017-18 as compared to growth of 21.5 per cent in Income Tax and 7.0 per cent in Corporation Tax in FY 2016-17.

**1.5.5** There are different stages of direct taxes collection such as Tax deducted at source (TDS), advance tax, self assessment tax, and regular assessment tax in respect of both corporation and income tax. The pre-assessment collection through TDS, advance tax and self assessment tax is indicative of voluntary compliance in the system. The collection of tax through regular assessment stage occurs post assessment.

**1.5.6** Table 1.8 below shows the collection of Corporation and Income Tax under different stages during FY 2013-14 to FY 2017-18.

Financial Year	TDS	Advance Tax	Self assessment tax	Pre-assessment collection (Col. 2+3+4)	Percentage of total pre-assessment collection	Regular Assessment Tax	Other receipts	Total Collection (Col. 5+7+8)
1.	2.	3.	4.	5.	6.	7.	8.	9.
2013-14	2,48,547	2,92,522	44,123	5,85,192	81.1	72,528	63,884	7,21,604
2014-15	2,59,106	3,26,525	52,050	6,37,681	79.8	80,189	81,589	7,99,459
2015-16	2,87,412	3,52,899	54,860	6,95,171	81.2	63,814	96,940	8,55,925
2016-17	3,44,134	4,06,769	68,160	8,19,063	82.8	74,138	95,886	9,89,087
2017-18	3,80,641	4,70,242	83,219	9,34,102	82.6	92,044	1,04,897	11,31,043

Source: Pr. CCA, CBDT. The other receipts includes surcharge and cess. The figures of collection comprises of refunds also. The figure of TDS collection in FY 2016-17 has been revised from ₹ 3,43,134 crore to ₹ 3,44,134 crore. In FY 2017-18, there is a difference of ₹ 79 lakh in collection of Income Tax as compared with the Union Finance Accounts.

**1.5.7** The data of Tax deducted at source as shown in Table 1.8 indicates that the TDS has increased to ₹ 3.8 lakh crore in FY 2017-18 from ₹ 2.5 lakh crore in FY 2013-14, showing an increase of 53.1 *per cent* over the period from FY 2013-14 to FY 2017-18. There was increase of 88.6 *per cent* and 60.8 *per cent* in Self-assessment Tax and Advance Tax respectively over the period.

## 1.6 Revenue impact of tax incentives

**1.6.1** The primary objective of any tax law and its administration is to raise revenues for the purpose of funding government expenditure. The revenues raised are primarily dependent upon the tax base and effective tax rate. The determinant of these two factors is a range of measures which includes special tax rates, exemptions, deductions, rebates, deferrals and credits. These measures are collectively called as “tax incentives or tax preferences”. These are also referred as tax expenditure.

**1.6.2** The Income Tax Act, 1961 (the Act), *inter alia*, provides for tax incentives to promote exports, balanced regional development, creation of infrastructure facilities, employment, rural development, scientific research and development, growth of the cooperative sector and encourages savings by individuals and donations for charity. Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers.

**1.6.3** The Union Receipt Budget depicts statement of revenue impact of major incentives on corporate taxpayers and non-corporate taxpayers based on returns filed electronically. Table 1.9 shows the revenue impact of major tax incentives for FY 2013-14 to FY 2017-18.

Financial Year	Total Revenue impact of tax incentives	Revenue impact as <i>per cent</i> of		
		GDP	DT	GTR
2013-14	93,047	0.8	14.6	8.2
2014-15	1,18,593	0.9	17.0	9.5
2015-16	1,38,658	1.0	18.7	9.5
2016-17	1,55,840	1.0	18.3	9.1
2017-18	1,67,603	1.0	16.7	8.7

Note: The figures of revenue impact of tax incentives are actuals except FY 2017-18 (projected). These do not cover Charitable Institutions. However, the amount applied by Charitable Institutions was ₹ 3,33,972 crore in respect of 1,37,869 electronically filed returns till November 2017. Source: Respective Receipt Budget.

As reported in the Receipts Budget for the FY 2018-19, the effective rate of corporation tax for the FY 2016-17 was 26.89 *per cent*, as against the average statutory rate of 34.38 *per cent*.

**1.6.4** The major tax incentives given in FY 2017-18 were deductions on account of accelerated depreciation under section 32 (₹ 66,310 crore), certain investments and payments under section 80C (₹ 58,933 crore),

deduction of export profits to SEZ units under section 10AA (₹ 22,344 crore), deductions to undertakings in generation/transmission and distribution of power under section 80-IA (₹ 13,321 crore), deductions under sections 35(1), (2AA) and (2AB) for expenditure on scientific research (₹ 11,022 crore).

**1.6.5** During the past five years, the revenue impact of tax incentives has been increasing in absolute terms. However, it has been decreasing in terms of percentage of Direct Tax receipts and Gross Tax receipts since FY 2015-16.

## 1.7 Disposal of Refund cases

**1.7.1** Table 1.10 gives the trend of disposal and pendency of direct refund cases during FY 2013-14 to FY 2017-18.

Table 1.10: Disposal of Direct Refund Cases				(Number in lakh)	
Financial Year	Direct Refund cases due for disposal	Direct Refund cases disposed of	Direct Refund cases pending	Pendency in percentage	
2013-14	34.5	25.7	8.8	25.5	
2014-15	31.5	22.6	8.9	28.1	
2015-16	38.9	33.4	5.5	14.2	
2016-17	43.6	38.9	4.7	10.7	
2017-18	44.6	39.8	4.8	10.8	

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

**1.7.2** It is seen that there has been significant reduction in pendency of direct refund cases during the period 2013-14 to 2017-18.

**1.7.3** The Government has refunded ₹ 1,51,639 crore which included interest of ₹ 17,063 crore (11.3 per cent) in FY 2017-18. The interest paid on refunds in FY 2016-17 was ₹ 10,312 crore (6.3 per cent) on ₹ 1,62,582 crore refunded.

## 1.8 Arrears of demand

**1.8.1** Table 1.11 gives the trend of arrears of demand pending during the period FY 2013-14 to FY 2017-18.

Table 1.11: Arrears of Demand				(₹ in crore)	
Financial Year	Arrears of earlier year's demand	Arrears of current year's demand	Total arrears of demand	Demand difficult to recover	
2013-14	4,80,066	95,274	5,75,340	5,52,538	
2014-15	5,68,724	1,31,424	7,00,148	6,73,032	
2015-16	6,67,855	1,56,356	8,24,211	8,02,256	
2016-17	7,33,229	3,11,459	10,44,688	10,29,725	
2017-18	7,36,975	3,77,207	11,14,182	10,94,023	

Source: Directorate of Income Tax (Organisation & Management Services), Demand & Collection report (CAP-1) for the month of March of respective FY

**1.8.2** Demand & Collection report for the month of March of respective FYs analysed various factors viz. no assets/inadequate assets for recovery, cases under liquidation/BIFR, assessee's not traceable, demand stayed by Courts/



ITAT/IT authorities, TDS/prepaid taxes mismatch etc. leading to an estimation of the demands difficult to recover. These demands have been increasing year after year and accounted for 98.2 *per cent* of the total arrears of demands in FY 2017-18 as against 98.6 *per cent* in FY 2016-17.

## 1.9 Disposal of Appeal cases

**1.9.1** Table 1.12 gives the trend of disposal and pendency of appeal cases before CIT (Appeals) during FY 2013-14 to FY 2017-18.

Table 1.12: Disposal of Appeal Cases by CIT(A)					
Financial Year	Appeal cases due for disposal	Appeal cases disposed of	Appeal cases pending	Pendency in percentage	Amount locked up in Appeal cases
2013-14	3.03	0.88	2.15	71.0	2,87,444
2014-15	3.06	0.74	2.32	75.8	3,83,797
2015-16	3.53	0.94	2.59	73.3	5,16,250
2016-17	4.08	1.18	2.90	71.1	6,11,227
2017-18	4.25	1.21	3.04	71.7	5,18,647

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

**1.9.2** The amount locked up in appeal cases with CIT (Appeals) is more than the revised revenue deficit of the Government of India in FY 2017-18.

**1.9.3** Table 1.13 below gives the position of Appeals/Writs and other matters pending with the Income Tax Appellate Tribunals (ITATs)/High Courts and Supreme Court as on 31 March 2018.

Table 1.13: Appeals/Writs and other matters pending with ITATs/High Courts/Supreme Court		
Authority with whom pending	Cases pending (Numbers)	Amount locked up (₹ in crore)
ITATs	37,353	2,34,999
High Courts	39,066	1,96,053
Supreme Court	6,224	11,773
<b>Total</b>	<b>82,643</b>	<b>4,42,825</b>

Source: Pr. Directorate General of Income Tax (Admn. & Tax Payers Services), Research & Statistics Wing

**1.9.4** The amount locked up at higher levels (ITATs/High Courts/Supreme Court) marginally increased to ₹ 4.43 lakh crore (82,643 cases) as on 31 March 2018 in comparison to ₹ 4.40 lakh crore (82,806 cases) as on 31 March 2017.

## 1.10 Search & Seizure and Survey

The Search & seizure<sup>22</sup> and survey<sup>23</sup> are amongst the main evidence collecting mechanisms which are used in cases where credible information about tax evasion is in possession of the ITD. Table 1.14 below shows the

<sup>22</sup> Search and Seizure is carried out under section 132 of the Act to unearth any undisclosed income or valuables.

<sup>23</sup> Survey is carried out under section 133A and 133B of the Act for collecting any information, which may be useful for ITD in deterring tax evasion.

details of search & seizure operations and surveys conducted and the undisclosed income admitted/detected during FY 2013-14 to FY 2017-18.

Financial Year	Number of groups searched	Undisclosed income admitted (in search & seizure)	Number of surveys conducted	Undisclosed income detected (in surveys)
2013-14	569	10,792	5,327	90,391
2014-15	545	10,288	5,035	12,820
2015-16	447	11,226	4,428	9,700
2016-17	1,152	15,497	12,526	13,716
2017-18	577	15,913	13,487	9,634

Source: Investigation Wing, CBDT

During FY 2017-18, undisclosed income admitted during search & seizure increased by 2.7 *per cent* and undisclosed income detected during survey decreased by 29.8 *per cent* as compared to the respective figures in FY 2016-17.

### 1.11 Effectiveness of Internal Audit

**1.11.1** Internal audit is an important part of the Departmental control that provides assurance that demands/refunds are processed accurately by the correct application of the provisions of the Act. The internal audit of ITD completed audit of 1,89,409 cases in FY 2017-18 as against 1,80,110 cases audited in FY 2016-17.

**1.11.2** Table 1.15 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2013-14 to FY 2017-18:

Financial Year	Opening balance		Addition		Settled		Pending	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
2013-14	36,212	10,677	14,423	8,951	26,322	8,610	24,313	11,018
2014-15	20,834 <sup>^</sup>	8,368	9,927	2,292	15,586	3,805	15,175	6,855
2015-16	19,137 <sup>^</sup>	8,023	13,148	6,463	12,891	2,205	19,394	12,281
2016-17	19,405 <sup>^</sup>	12,283	12,972	2,451	11,256	3,352	21,121	11,382
2017-18	21,129 <sup>^</sup>	11,295	13,297	2,562	9,062	1,283	25,364	12,575

Source: Directorate of Income Tax (Income Tax & Audit); <sup>^</sup>Figures revised after verification by respective CsIT(Audit) subsequent to submission of quarterly statement for the quarter ending March

**1.11.3** Out of 6,267 major finding cases<sup>24</sup> raised by internal audit, the assessing officers (AOs) acted upon only in 1,613 cases (25.7 *per cent*) in FY 2017-18 in comparison to 4,126 cases (33.2 *per cent*) out of 12,439 cases in FY 2016-17. The follow up of the internal audit observations by the AOs need to be improved.

<sup>24</sup> The monetary limit of major internal audit objections has been raised from ₹ Two lakh to ₹ 10 lakh as per instruction no. 6 of 2017 dated 21.7.2017.