

**Appendix 1**  
(Ref. para 1.5.1)

**Review on “Assessment of selected companies in the selected sectors-  
Computer Software, Automobiles and ancillaries, Steel and Trading”**

**Number of companies whose income tax assessment records were checked by audit, corporate tax demand in respect of them and their tax demand as a percentage of total corporate tax collections**

(Rs in crore)

Assessment year	Sector	Total number of companies whose assessment records were checked	Total tax demand as per department	Corporate tax collection during previous year	Tax demand as % of total corporate tax collection
2002-03	Automobile and ancillaries	163	845.18		
	Computer software	175	413.99		
	Steel	229	122.61		
	Trading	342	290.07		
<b>Total</b>		<b>909</b>	<b>1671.85</b>	<b>36609</b>	<b>4.57</b>
2003-04	Automobile and ancillaries	175	1528.22		
	Computer software	201	1228.05		
	Steel	262	533.77		
	Trading	363	395.02		
<b>Total</b>		<b>1001</b>	<b>3685.06</b>	<b>46172</b>	<b>7.98</b>
2004-05	Automobile and ancillaries	179	1808.79		
	Computer software	212	503.83		
	Steel	270	932.43		
	Trading	389	579.32		
<b>Total</b>		<b>1050</b>	<b>3824.37</b>	<b>63562</b>	<b>6.02</b>

## Appendix 2

**Effective rate of tax and tax expenditures in respect of selected profit making companies of automobile and ancillaries, computer software, steel and trading sectors assessed under the normal provisions of the Act (Ref. para 1.5.2 & 1.5.3)**

(Rs in crore)

Sector	No. of companies checked by audit	Net profit before tax as per P&L account	Deductions under chapter VIA	Total taxable income assessed by the department	Total taxable income as per audit	Tax demand as per department	Tax demand as per audit	ert(d)	ert(a)	Total deductions under the Income tax Act	Deductions other than those under chapter VI A of the IT Act	Total tax expenditure	Tax expenditure in respect of Ch VI A	Tax expenditure in respect of deductions other than Ch VI A
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Assessment Year 2002-03</b>														
A&ancillary	118	3303.7	90.6	2543.3	2571.1	816.5	826.3	25	25	732.6	641.9	256.4	31.7	224.7
C.Software	126	2854.9	250.3	1129.9	1499.8	410.3	552.9	14	19	1355.1	1104.7	474.3	87.6	386.7
Steel	143	512.2	97.7	303.3	362.1	106.5	157.7	21	31	150.1	52.4	52.5	34.2	18.3
Trading	277	1165.7	234.5	732.7	788.3	258.9	292.3	22	25	377.4	142.9	132.1	82.1	50.0
<b>Total</b>	<b>664</b>	<b>7836.4</b>	<b>673.2</b>	<b>4709.2</b>	<b>5221.3</b>	<b>1592.2</b>	<b>1829.2</b>	<b>20</b>	<b>23</b>	<b>2615.1</b>	<b>1941.9</b>	<b>915.3</b>	<b>235.6</b>	<b>679.7</b>
<b>Assessment Year 2003-04</b>														
A&ancillary	131	3610.5	189.0	3383.2	3416.2	1229.3	1237.2	34	34	194.2	5.2	68.0	66.2	1.8
C.Software	162	4097.7	302.5	2066.1	2386.8	853.1	896.2	21	22	1710.9	1408.4	598.8	105.9	492.9
Steel	173	534.1	81.3	310.5	308.3	113.6	106.7	21	20	225.7	144.4	79.0	28.5	50.5
Trading	309	1247.5	80.6	1096.2	1181.9	393.3	430.7	32	35	65.6	(-)15.0*	23.0	28.2	(-)5.3*
<b>Total</b>	<b>775</b>	<b>9489.7</b>	<b>653.4</b>	<b>6856.0</b>	<b>7293.3</b>	<b>2589.1</b>	<b>2670.7</b>	<b>27</b>	<b>28</b>	<b>2196.4</b>	<b>1543.0</b>	<b>768.7</b>	<b>228.7</b>	<b>540.0</b>
<b>Assessment Year 2004-05</b>														
A&ancillary	146	7354.1	276.8	5150.9	6373.1	1780.3	2069.4	24	28	981.1	704.3	343.4	96.9	246.5
C.Software	173	7484.0	273.1	1312.6	2476.5	487.6	889.9	07	12	5007.5	4734.4	1752.6	95.6	1657.0
Steel	199	811.9	147.3	492.9	546.8	180.7	193.4	22	24	265.1	117.7	92.8	51.6	41.2
Trading	334	2062.5	167.6	1728.2	1780.0	575.7	594.9	28	29	282.5	114.8	98.9	58.7	40.2
<b>Total</b>	<b>852</b>	<b>17712.5</b>	<b>864.8</b>	<b>8684.6</b>	<b>11176.4</b>	<b>3024.3</b>	<b>3747.6</b>	<b>17</b>	<b>21</b>	<b>6536.1</b>	<b>5671.3</b>	<b>2287.6</b>	<b>302.7</b>	<b>1984.9</b>

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\* This figure is negative because net profit before tax as per profit and loss account has been shown to be lower than what it actually should be to the extent of mistakes pointed out during assessments. If such mistakes were addressed in the profit and loss account, this figure would become a positive figure.

**Appendix 2**  
**Effective rate of tax and tax expenditures in respect of selected companies of automobile and ancillaries, computer software, steel and trading sectors with profits in all 3 years and assessed under the normal provisions of the Act**

(Rs in crore)

Sector	No. of companies checked by audit	Net profit before tax as per P&L account	Deductions under chapter VIA	Total taxable income assessed by the department	Total taxable income as per audit	Tax demand as per department	Tax demand due as per audit	ert(d)	ert(a)	Total deductions under the Income tax Act	Deductions other than those under chapter VI A of the IT Act	Total tax expenditure	Tax expenditure in respect of Ch VI A	Tax expenditure in respect of deductions other than Ch VI A
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Assessment Year 2002-03</b>														
A&ancillary	84	2468.2	80.2	2222.0	2238.3	706.1	712.1	29	29	229.9	149.6	80.5	28.1	52.4
C.Software	67	1331.1	177.8	475.3	518.8	172.2	184.8	13	14	812.3	634.4	284.3	62.2	222.1
Steel	67	104.4	32.6	42.8	46.7	15.7	17.0	15	16	57.6	25.1	20.2	11.4	8.8
Trading	182	776.5	170.6	533.3	588.6	185.8	219.2	24	28	187.9	17.3	65.8	59.7	6.0
<b>Total</b>	<b>400</b>	<b>4680.1</b>	<b>461.3</b>	<b>3273.4</b>	<b>3392.5</b>	<b>1079.8</b>	<b>1133.0</b>	<b>23</b>	<b>24</b>	<b>1287.7</b>	<b>826.4</b>	<b>450.7</b>	<b>161.4</b>	<b>289.2</b>
<b>Assessment Year 2003-04</b>														
A&ancillary	84	3110.8	184.9	3016.0	3031.4	1103.6	1110.5	35	36	79.4	(-)105.5*	27.8	64.7	(-)36.9*
C.Software	67	1376.9	107.6	655.7	766.2	252.0	283.4	18	21	610.7	503.0	213.7	37.7	176.1
Steel	67	94.3	30.4	63.1	66.0	26.3	25.3	28	27	28.4	(-)2.1*	9.9	10.7	(-)0.7*
Trading	182	936.1	67.6	811.0	889.5	299.3	341.1	32	36	46.6	(-)21.0*	16.3	23.7	(-)7.4*
<b>Total</b>	<b>400</b>	<b>5518.2</b>	<b>390.7</b>	<b>4545.8</b>	<b>4753.1</b>	<b>1681.1</b>	<b>1760.3</b>	<b>30</b>	<b>32</b>	<b>765.1</b>	<b>374.5</b>	<b>267.8</b>	<b>136.7</b>	<b>131.1</b>
<b>Assessment Year 2004-05</b>														
A&ancillary	84	4177.3	161.7	3650.9	3652.2	1282.3	1282.5	31	31	525.1	363.4	183.8	56.6	127.2
C.Software	67	1703.5	158.6	470.9	495.7	170.5	179.5	10	11	1207.8	1049.2	422.7	55.5	367.2
Steel	67	158.9	20.8	98.5	150.2	40.0	54.3	25	34	8.7	(-)12.1*	3.0	7.3	(-)4.2*
Trading	182	1401.4	104.0	1016.3	1056.7	363.1	381.1	26	27	344.7	240.7	120.6	36.4	84.3
<b>Total</b>	<b>400</b>	<b>7441.2</b>	<b>445.1</b>	<b>5236.7</b>	<b>5354.8</b>	<b>1856.0</b>	<b>1897.3</b>	<b>25</b>	<b>25</b>	<b>2086.3</b>	<b>1641.2</b>	<b>730.2</b>	<b>155.8</b>	<b>574.4</b>

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\* This figure is negative because net profit before tax as per profit and loss account has been shown to be lower than what it actually should be to the extent of mistakes pointed out during assessments. If such mistakes were addressed in the profit and loss account, this figure would become a positive figure.

## Appendix 2

**Effective rate of tax and tax expenditures in respect of selected companies of automobile and ancillaries, computer software, steel and trading sectors with profits in one or two of the 3 years and assessed under the normal provisions of the Act in those years**

(Rs in crore)

Sector	No. of companies checked by audit	Net profit before tax as per P&L account	Deductions under chapter VIA	Total taxable income assessed by the department	Total taxable income as per audit	Tax demand as per department	Tax demand due as per audit	ert(d)	ert(a)	Total deductions under the Income tax Act	Deductions other than those under chapter VI A of the IT Act	Total tax expenditure	Tax expenditure in respect of Ch VI A	Tax expenditure in respect of deductions other than Ch VI A
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Assessment Year 2002-03</b>														
A&ancillary	34	835.5	10.4	321.3	332.8	110.4	114.2	13	14	502.7	492.3	175.9	3.6	172.3
C.Software	59	1523.8	72.5	654.6	981.0	238.1	368.2	16	24	542.8	470.3	190.0	25.4	164.6
Steel	76	407.8	65.2	260.5	315.4	90.9	140.6	22	34	92.4	27.3	32.4	22.8	9.5
Trading	95	389.2	63.9	199.4	199.7	73.1	73.1	19	19	189.5	125.6	66.3	22.4	44.0
<b>Total</b>	<b>264</b>	<b>3156.3</b>	<b>211.9</b>	<b>1435.8</b>	<b>1828.9</b>	<b>512.5</b>	<b>696.2</b>	<b>16</b>	<b>22</b>	<b>1327.4</b>	<b>1115.5</b>	<b>464.6</b>	<b>74.2</b>	<b>390.4</b>
<b>Assessment Year 2003-04</b>														
A&ancillary	47	499.6	4.1	367.2	384.9	125.6	126.7	25	25	114.8	110.7	40.2	1.4	38.7
C.Software	95	2720.8	194.8	1410.4	1620.6	601.1	612.8	22	23	1100.2	905.4	385.1	68.2	316.9
Steel	106	439.7	50.9	247.4	242.4	87.3	81.4	20	19	197.4	146.5	69.1	17.8	51.3
Trading	127	311.3	13.0	285.3	292.4	94.0	89.6	30	29	19.0	6.0	6.6	4.6	2.1
<b>Total</b>	<b>375</b>	<b>3971.5</b>	<b>262.8</b>	<b>2310.2</b>	<b>2540.2</b>	<b>908.0</b>	<b>910.5</b>	<b>23</b>	<b>23</b>	<b>1431.3</b>	<b>1168.5</b>	<b>501.0</b>	<b>92.0</b>	<b>409.0</b>
<b>Assessment Year 2004-05</b>														
A&ancillary	62	3176.8	115.0	1500.0	2720.8	498.0	786.9	16	25	456.0	341.0	159.6	40.3	119.3
C.Software	106	5780.4	114.5	841.8	1980.8	317.1	710.5	05	12	3799.7	3685.2	1329.9	40.1	1289.8
Steel	132	652.9	126.5	394.3	396.6	140.6	139.1	22	21	256.3	129.8	89.7	44.3	45.4
Trading	152	661.1	63.7	711.9	723.4	212.6	213.8	32	32	(-)62.2*	(-)125.9*	(-)21.8*	22.3	(-)44.1*
<b>Total</b>	<b>452</b>	<b>10271.3</b>	<b>419.7</b>	<b>3448.0</b>	<b>5821.5</b>	<b>1168.3</b>	<b>1850.3</b>	<b>11</b>	<b>18</b>	<b>4449.8</b>	<b>4030.1</b>	<b>1557.4</b>	<b>146.9</b>	<b>1410.5</b>

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\* This figure is negative because net profit before tax as per profit and loss account has been shown to be lower than what it actually should be to the extent of mistakes pointed out during assessments. If such mistakes were addressed in the profit and loss account, this figure would become a positive figure.

**Effective rate of tax and tax expenditures in respect of selected companies of automobile and ancillaries, computer software, steel and trading sectors**

1. Only the companies, whose incomes have been assessed under the normal provisions of the Act are included here. The loss-making companies or those assessed under the special provisions of the Act, have not been included here.

2. Effective rate of tax has been taken as:

**ert(d)** as the ratio between ‘ tax demand as per the Department’ (column 7) and ‘ net profit before tax as per profit and loss account’ (column 3)

**ert(a)** as the ratio between ‘ tax due as per audit ’ (column 8) and ‘ net profit before tax as per profit and loss account’ (column 3)

The difference between ert(a) and ert(d) is a measure of additions made at the instance of audit.

3. The difference between ‘total income as per audit’ (column 6) and ‘net profit before tax as per profit and loss account’ (column 3) has been taken as sum total of deductions available under the Act (column 11).

4. The difference between ‘ total deductions under the Act’ (column 11) and ‘ deductions under Chapter VI A’ (column 4) has been taken as ‘ deductions, other than those under Chapter VI A’ (column 12).

5. 35 per cent of deductions have been treated as an estimate for tax expenditure (considering the corporate tax rate of 35% and ignoring the surcharge).

Appendix – 3

**Additions made by department/voluntary tax compliance (all profit making companies of selected sectors)**  
(Ref. para 1.5.11)

Assessment year	Sector	Number of profit-making companies assessed under the normal provisions of the Act	Total income returned by the companies	Total income assessed by the department	Total income as worked out by audit	Addition by Department (c15-c14)	Difference between total income as worked out by audit and total income returned (potential additions) (c16-c14)	Potential not realized as a percent of total income (as per audit) (c18- c17/ c16	Non compliance by the companies at filing of the return stage (c18 as a percent of c14) in %
1	2	3	4	5	6	7	8	9	10
2002-03	Automobile	118	1881.08	2543.3	2571.1	662.22	690.02	1.08	27
	Software	126	473.99	1129.9	1499.8	655.87	1025.85	24.67	68
	Steel	143	143.58	303.3	362.1	159.75	218.52	16.23	60
	Trading	277	599.29	732.7	788.3	133.37	189.01	7.06	24
	<b>Total</b>	<b>664</b>	<b>3097.9</b>	<b>4709.2</b>	<b>5221.3</b>	<b>1611.21</b>	<b>2123.39</b>	<b>9.81</b>	<b>41</b>
2003-04	Automobile	131	3106.5	3383.2	3416.2	276.65	309.73	0.97	09
	Software	162	2021.44	2066.1	2386.8	44.68	365.39	13.44	15
	Steel	173	186.94	310.5	308.3	123.53	121.38	(-)0.70	39
	Trading	309	973.31	1096.2	1181.9	122.94	208.60	7.25	18
	<b>Total</b>	<b>775</b>	<b>6288.2</b>	<b>6856.0</b>	<b>7293.3</b>	<b>567.81</b>	<b>1005.10</b>	<b>6.00</b>	<b>14</b>
2004-05	Automobile	146	5065.7	5150.9	6373.1	85.15	1307.3	19.18	21
	Software	173	3018.73	1312.6	2476.5	(-)1706.1	(-)542.22	47.00	22
	Steel	199	431.20	492.9	546.8	61.67	115.59	9.86	21
	Trading	334	1666.16	1728.2	1780.0	62.05	113.85	2.91	06
	<b>Total</b>	<b>852</b>	<b>10181.8</b>	<b>8684.6</b>	<b>11176.4</b>	<b>(-)1497.2</b>	<b>994.53</b>	<b>22.29</b>	<b>09</b>

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## Appendix - 3

## Additions made by department/voluntary tax compliance (selected companies with profits in all the three years)

Assessment year	Sector	Number of companies, declaring profits in all the three years under consideration and assessed under the normal provisions of the Act	Total income returned by the companies	Total income assessed by the department	Total income as worked out by audit	Addition by dept (cl5-cl4)	Difference between total income as worked out by audit and total income returned (potential additions) (cl6-cl4)	Potential not realized as a percent of total income (as per audit) (cl8-cl 7)/ cl6	Non-compliance by the companies at filing of the return stage (cl 8 as a per cent of cl 4)
1	2	3	4	5	6	7	8	9	10
2002-03	Automobile	84	1618.12	2222.0	2238.3	603.93	620.21	0.73	28
	Software	67	358.18	475.3	518.8	117.10	160.65	8.39	31
	Steel	67	25.08	42.8	46.7	17.70	21.63	8.41	46
	Trading	182	505.29	533.3	588.6	27.98	83.30	9.40	14
	<b>Total</b>	<b>400</b>	<b>2506.7</b>	<b>3273.4</b>	<b>3392.5</b>	<b>766.71</b>	<b>885.79</b>	<b>3.51</b>	<b>26</b>
2003-04	Automobile	84	2829	3016.0	3031.4	186.96	202.34	0.51	07
	Software	67	555.51	655.7	766.2	100.20	210.71	14.42	28
	Steel	67	43.56	63.1	66.0	19.55	22.41	4.33	34
	Trading	182	747.08	811.0	889.5	63.89	142.45	8.83	16
	<b>Total</b>	<b>400</b>	<b>4175.2</b>	<b>4545.8</b>	<b>4753.1</b>	<b>370.59</b>	<b>577.90</b>	<b>4.36</b>	<b>12</b>
2004-05	Automobile	84	3617.2	3650.9	3652.2	33.704	34.984	0.04	01
	Software	67	542.08	470.9	495.7	(-71.227)	(-46.35)	5.02	09
	Steel	67	104.17	98.5	150.2	(-5.63)	46.04	34.40	31
	Trading	182	1039.33	1016.3	1056.7	(-22.99)	17.34	3.82	02
	<b>Total</b>	<b>400</b>	<b>5302.8</b>	<b>5236.7</b>	<b>5354.8</b>	<b>(-66.145)</b>	<b>52.02</b>	<b>2.21</b>	<b>01</b>

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**Appendix - 3**

**Additions made by department/voluntary tax compliance (selected companies with profits in any one or two of the three years under consideration)**

Assessment year	Sector	Number of companies, with profits in anyone or two of the three years under consideration and assessed under the normal provisions of the Act	Total income returned by the companies	Total income assessed by the department	Total income as worked out by audit	Addition by dept (cl5-cl4)	Difference between total income as worked out by audit and total income returned (potential additions) (cl6-cl4)	Potential not realized as a percent of total income (as per audit) (d8-d7)/d6	Non-compliance by the companies at filing of the return stage (cl 8 as a per cent of cl 4)
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>2002-03</b>	Automobile	34	262.97	321.3	332.8	58.29	69.81	3.46	21
	Software	59	115.81	654.6	981.0	538.77	865.20	33.28	88
	Steel	76	118.50	260.5	315.4	142.05	196.89	17.39	62
	Trading	95	94.00	199.4	199.7	105.39	105.70	0.16	53
	<b>Total</b>	<b>264</b>	<b>591.28</b>	<b>1435.8</b>	<b>1828.9</b>	<b>844.49</b>	<b>1237.60</b>	<b>21.49</b>	<b>68</b>
<b>2003-04</b>	Automobile	47	277.47	367.2	384.9	89.693	107.39	4.60	28
	Software	95	1465.94	1410.4	1620.6	(-)55.52	154.68	12.97	10
	Steel	106	143.39	247.4	242.4	103.98	98.97	(-)2.07	41
	Trading	127	226.23	285.3	292.4	59.06	66.16	2.43	23
	<b>Total</b>	<b>375</b>	<b>2113.03</b>	<b>2310.2</b>	<b>2540.2</b>	<b>197.21</b>	<b>427.20</b>	<b>9.05</b>	<b>17</b>
<b>2004-05</b>	Automobile	62	1448.51	1500.0	2720.8	51.446	1272.3	44.87	47
	Software	106	2476.65	841.8	1980.8	(-)1634.9	(-)495.88	57.50	25
	Steel	132	327.03	394.3	396.6	67.30	69.55	0.57	18
	Trading	152	626.83	711.9	723.4	85.04	96.52	1.59	13
	<b>Total</b>	<b>452</b>	<b>4879.03</b>	<b>3448.0</b>	<b>5821.5</b>	<b>(-)1431.1</b>	<b>942.52</b>	<b>40.77</b>	<b>16</b>



## Appendix 4

## Mistakes in assessments

(Rs. in crore)

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
<b>Incorrect exemption u/s 10A &amp; 10B due to incorrect computation of total income</b>				
1/1.5.21 Software	M/S. Penta Media Graphics Ltd, Chennai-III	2004-05 143(1)	While computing exemption u/s 10B, the total turnover was taken after reducing the "expenditure incurred in foreign currency". Further, the assessee had stated that out of Rs. 82.25 crore to be realized in convertible foreign currency, Rs.56.53 crore only was realized but the exemption u/s 10B was not restricted for the export sales realized in convertible foreign currency.	1.33
2/1.5.21 Software	M/s. Larsen & Toubro InfoTech Ltd, City 2 Mumbai	2002-03 2003-04 143(3)	During the assessment year 2002-03, the assessee had opted out of section 10A in respect of units located at Pune, and Vashi. However, during the assessment year 2003-04 the assessee claimed exemption in respect of these units amounting to Rs.3.50 crore which was not correct.	1.28
3/1.5.21 Software	M/s. Melstar Information Technologies Ltd City 8 Mumbai	2002-03 2003-04 143(3)	The assessee had three STP units. Out of these, two STP units earned profits while one unit suffered losses. The assessee claimed and was allowed exemption u/s.10A in respect of profits earned by two units by ignoring losses incurred by the other unit amounting to Rs.2.84 crore.	1.03
4/1.5.21 Software	M/s L & T Infotech Ltd, Mumbai, city 2	2003-04 143(3)	The assessee got business income of Rs.9.05 crore against which exemption u/s.10-A of Rs.10.74 crore was allowed. Excess allowance of exemption of Rs.1.69 crore was incorrectly set-off against income from other sources of Rs.1.24 crore and balance of Rs 44.81 lakh was allowed to be carried forward.	0.79
5/1.5.21 Software	M/s L & T Infotech Ltd, Mumbai, city 2	2002-03 2003-04 143(3)	The assessee was allowed exemption u/s.10-A on interest amounting to Rs.1.48 crore. As the interest amount was not derived from export of software, the same was required to be reduced from the profits for working for exemption. Department has stated that net amount of interest expenses should be considered as paid in the normal course of business. The reply is not tenable as interest income is to be assessed as income from other sources, hence allowing deduction u/s 10A is not in order.	0.74
6/1.5.21 Software	M/s Satyam Enterprises Solutions Limited Hyderabad- Central	1999-2000 143(3)	The assessee company was allowed exemption under section 10 A in respect of one unit and a loss derived from second unit was allowed to be carried forward to subsequent assessment years. The assessment was completed in March 2002. The income from both the units was not clubbed. Department has accepted the audit observation.	0.62
7/1.5.21 Software	M/s Intel Technology P Ltd, Bangalore I	2002-03 143(3)	Deduction u/s.10A was allowed on the profits of the STP unit before setting off of losses of the non-STP unit. The omission to restrict the deduction to the extent of profits available resulted in excess carry forward of loss at Rs.1.52 crore with a potential tax effect of Rs.54.31 lakh. Department has accepted the audit observation.	0.54

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
<b>Excess exemption due to incorrect computation of turnover u/s 10A/10B</b>				
8/1.5.22 Software	M/s <b>Sankhya Infotech Ltd,</b> Bhubhneswar Orissa	2002-03 2003-04 2004-05 143(1)	As the assessee has not brought the whole amount of export turnover in convertible foreign exchange into India, exemption u/s 10A is not available on the whole amount of export turnover. Department has accepted the audit observation.	1.51
9/1.5.22 Software	M/s. <b>Geometric Software Solution Ltd</b> City 10 Mumbai.	2002-03 2003-04 143(3)	Assessee incurred the expenses in foreign currency and deduction was allowed without carrying any adjustment in export turnover.	1.16
10/1.5.22 Software	M/s <b>Kshema technologies Ltd,</b> Bangalore -I	2002-03 143(1)	Incorrect reduction of the expenditure incurred in foreign currency for providing technical services outside India at Rs.12.05 crore from the total turnover. The above omission resulted in short computation of income by Rs.2.66 crore Department has accepted the audit observation.	1.12
11/1.5.22 Software	M/s <b>Atos Origin(I) Ltd,</b> City 8 Mumbai	2002-03 2003-04 143(3)	While allowing deduction u/s 10A &B, no adjustment to export turnover was carried out though the assessee incurred the expenses in foreign currency amounting to Rs.6.44 crore and Rs.8.56 crore in these year.	0.99
12/1.5.22 Software	M/s <b>HSBC Electronic Data Processing India Pvt Ltd</b> Hyderabad_I	2001-02 143 (1)	While computing exemption u/s 10 A, income from other sources, not directly derived from business activity, was reduced from the profits of the business. Department has accepted the audit observation.	0.64
13/1.5.22 Software	M/s <b>Speck Systems Limited</b> Hyderabad-III	2002-03 143 (1)	The exemption was not quantified on proportionate basis as per the modified provisions of section 10A applicable from assessment year 2001-02. The mistake in quantification of admissible exemption resulted in excess claim of exemption. Department has accepted the audit observation.	0.61
14/1.5.22 Software	M/s <b>Quintegra Solutions Ltd,</b> Chennai III	2002-03 143(1)	Mistake in computation of exemption u/s 10A with reference to the details filed in the form 56F resulting in determination of loss of Rs.2.54 crore against income of Rs.1.38 crore.	0.53 0.91 (P)
<b>Incorrect exemption u/s 10A &amp; 10B in respect of splitting up /reconstitution of undertakings</b>				
15/1.5.23 Software	M/s <b>Mastek Ltd</b> Ahemadabad II	2004-05 143 (1)	The assessee claimed and was allowed exemption of Rs.1.39 crore in respect of one of the units, which was not a newly established unit but an extension of an existing unit. Exemption allowed to the assessee was therefore irregular.	0.56
<b>Excess exemption u/s 10A &amp; 10B allowed due to non adjustment of arm length price</b>				
16/1.5.24 Software	M/s <b>Zensar Technologies Ltd,</b> city 2 Mumbai	2002-03 143 (3)	The assessee received Rs.11.58 crore by providing software personnel to USA for which an amount of Rs.1.16 crore was adjusted to the total income on account of arm length price by the Transfer Pricing Officer. While computing book profit, the amount of Rs.1.16 crore added to the total income as arm length price should have been reduced in working out allowable deduction u/s 10A. However, while computing book profit, this was not considered in working out deduction under section 10A.	0.72

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<b>Irregular exemption u/s 10A &amp; 10B without furnishing certificate/accountant report</b>				
17/1.5.25 Trading	M/s Ambika Agarbathies and Aroma Industries Limited, Chennai-I	2002-03 143 (1)	The assessee company had claimed deduction u/s 10 A to the extent of Rs.2.07 crore. However, the assessee had not furnished certificate in Form 56F along with the return of income as stipulated in the provisions of the Act. As such the assessee was not eligible for the claim of deduction u/s 10A.	0.84
<b>Incorrect deduction allowed under chapter VI-A</b>				
18/1.5.26 Software	M/S DSL Software Ltd Bangalore I	2003-04 143(3)	While computing the deduction u/s 80HHE, the profits of foreign branches amounting to Rs.7.56 crore were not excluded from the profits of the business eligible for deduction u/s 80HHE. This resulted in excess allowance of deduction at Rs. 3.77 crore.	1.89
19/1.5.26 Software	Honeywell Technologies Solutions (P) Ltd, Bangalore-I	2003-04 143(1)	The profits relating to rendering technical services abroad have not been reduced from the profits eligible for deduction under section 10 A.	1.84
20/1.5.26 Software	Hewlett Packard Global Software Ltd Bangalore-I	2003-04 143(3)	The profits relating to rendering technical services abroad have not been reduced from the profits eligible for deduction under section 10 A.	1.76
21/1.5.26 Software	M/s Mahendra British Telecom Ltd, City 2 Mumbai	2002-03 143(3)	The assessee company engaged in the development and export of computer software had claimed and was allowed deduction of Rs.3.70 crore u/s 80JAA. As the assessee was not engaged in the manufacture of articles or things, deduction allowed was not in order.	1.32
22/1.5.26 Software	M/s Zensar Technologies Ltd, city 2 Mumbai,	2002-03 143(3)	The assessee was allowed deduction u/s.80-HHE amounting to Rs.2.05 crore without considering carried forward losses. The assessee had got huge carried forward losses to the extent of Rs 41.41 crore. If the same was adjusted in working of deduction u/s.80-HHE, no deduction could be allowed under this provision to the assessee.	0.73
23/1.5.26 Automobile	M/s Maruti Udyog Ltd, Delhi II	2004-05 143(1)	While calculating the deduction u/s 80HHC, the assessee had excluded excise duty from the total turnover which increased the ratio between export turnover and total turnover resulting in calculation of higher amount of deduction. The mistake resulted in excess allowance of deduction of Rs.5.39 crore.	1.93
24/1.5.26 Automobile	M/s Daimler Chrysler India P Ltd, City 5 Pune	2002-03 143(1)	The assessee was allowed deduction u/s 80IB on income including profits of Rs.10.54 crore derived from traded goods and on miscellaneous receipts of Rs.1.13 crore. Since deduction u/ 80 IB is allowable when the income is derived from manufacturing activity, the above deduction was incorrect which resulted in excess allowance of Rs.3.50 crore. Department has accepted the audit observation.	1.91
25/1.5.26 Steel	M/s Bhushan Steel and Strips Ltd, Delhi I	2004-05 143(1)	While calculating the book profit, the assessee had reduced eligible profit in respect of deduction u/s 80HHC of Rs.17.60 crore instead of Rs. 1.13 crore. The mistake resulted in underassessment of income.	1.47

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26/1.5.26 Steel	<b>M/s. Tata Steel Ltd</b> City 2 Mumbai	2003-04 143 (3)	While computing deduction under section 80-HHC, the assessing officer had not correctly adopted the figure of profit of business, i.e. not reduced the income added u/s 92 C. Also depreciation on account of Cement Division amalgamated with the assessee company was not reduced from business income. Thus profit was considered in excess to the extent of Rs.41.78 crore for computing deduction u/s 80HHC.	1.23
27/1.5.26 Trading	<b>M/s PEC Ltd,</b> Delhi V	2002-03 143(3)	The assessee had taken Rs.338.98 crore as export turnover of the business whereas the notes no 22 forming part of the accounts reflected that FOB value of exports of Rs. 335.44 crore. The mistake resulted in excess allowance of deduction u/s 88HHC of Rs.1.19 crore.	0.50
<b>Incorrect computation of business income</b>				
28/1.5.27 Software	<b>M/s Pentagon Global Solutions Ltd,</b> Chennai III	2003-04 2004-05 143(1)	The assessee had incorrectly claimed loss on sale of assets amounting to Rs.2.19 crore and Rs.1.97 crore in these years.	1.51 (P)
29/1.5.27 Software	<b>M/s Maars Software International Ltd,</b> Chennai III	2002-03 143(3)	While computing income for STP unit, depreciation of Rs.3.36 core was allowed against the eligible depreciation of Rs.5.21 crore. Income of Rs.83.66 lakh derived from other sources was also omitted to be excluded while computing business income of STP unit.	1.01 0.22 (P)
30/1.5.27 Software	<b>M/s Penta Media Graphics Ltd,</b> Chennai III	2003-04 143(3)	The assessee had claimed a deduction of Rs.2.85 crore towards 'bad debts written off' in the computation of income. Thus, the debts were not actually written off in the accounts.	0.83
31/1.5.27 Software	<b>M/s TVS Electronics Ltd,</b> Chennai I	2004-05 143(1)	Assessee claimed one and one half times of the research expenditure as allowable deduction u/s 35(2AB). However, necessary certificates mandatory for claiming the weighted deduction of Rs. 1.52 crore for which he was not entitled on quantum of revenue or capital expenditure incurred on scientific research.	0.66
32/1.5.27 Software	<b>M/s Sagar Soft (India) Limited</b> Hyderabad-III	2004-05 143(1)	The assessee incorrectly adopted net loss as per P&L A/c pertaining to earlier assessment year instead of the current assessment year.	0.53
33/1.5.27 Automobile	<b>M/s India Motor Parts &amp; Accessories Ltd,</b> Chennai I	2001-02 2002-03 143(1)	The assessee had received a sum of Rs.3.50 crore and Rs.28.75 lakh from M/s Royal and Sun Alliance Insurance Pvt Ltd and it was directly taken to balance sheet as "Capital Reserve" terming the receipt as amount received for "restrictive covenant". It was noticed that the assessee and M/s Sundaram Finance along with M/s Royal and Sun Alliance Insurance Company, UK, promoted a non-life insurance company as M/s Royal Sundaram Alliance Insurance Company Ltd. A non-compete fee for restrictive covenant will arise only if the recipient is already in the line of business and he is not a member of the business going to be promoted. Since, the assessee was not in the line of insurance business and also the assessee was one of the partners in the new business to be promoted the amount received from	1.48

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			the UK company was required to be treated as business income. The incorrect classification of receipts resulted in under computation of income of Rs.3.50 crore and Rs.28.75 lakh for the assessment years 2001-02 & 2002-03 respectively.	
34/1.5.27 Automobile	<b>M/s Eicher Ltd.</b> Delhi IV	2002-03 143(3)	An amount of Rs.1.39 crore on account of interest disallowed by the assessing officer was not added back in computation of income. Department has accepted the audit observation.	0.50
35/1.5.27 Steel	<b>M/s Grinar Impex Ltd,</b> Ludhiana Central	2004-05 144	The assessing officer had adopted incorrect figure of Rs.2.17 core instead of Rs.67.49 lakh. Department has accepted the audit observation.	0.72
36/1.5.27 Trading	<b>M/s. Indian Potash Ltd</b> Chennai I	2002-03 143 (3)	The assessee has included in the value of closing stock the element of exchange gain/loss arising out of exchange rate variation during the period between date of transaction and date of settlement/translation of payables at year-end rates. However, while valuing closing stock as on 31 <sup>st</sup> March 2002, the assessee had excluded similar exchange rate difference to the extent of Rs.3.32 crore which was in contravention of the provisions of section 145 A of the Act resulting in under valuation of profit.	1.68
37/1.5.27 Trading	<b>M/s Mas Enterprises, Kottayam, Kerala</b>	2002-03 143(3) 2004-05 143(1)	The assessee was engaged in business activities, manufacturing as well as plantation of tea etc and agriculture produce was being used as raw material. The gross receipts from agriculture and non agriculture operations during assessment year 2002-03 were Rs.4.16 crore and Rs.96.51 crore respectively totalling to Rs.100.67 crore. Total expenditure of Rs.98.50 crore (97 % of total receipts) were apportioned in such a way that 99.88% of non-agricultural income was shown as expenditure, whereas only 50.47% of agricultural income was shown as expenditure. This apportionment was done, despite the fact that the details of agriculture produce were not available in the accounts. In the absence of such details, expenditures should have been apportioned between agricultural and nonagricultural incomes proportionately as justified by Supreme Court in November 2000 in the case of Consolidated Coffee Ltd Vs State of Karnataka (248 ITR 432). The capital work in progress during the year for which interest was charged in the P&L account is not admissible with effect from assessment year 2004-05. However, such interest was allowed during assessment year 2004-05.	1.41
38/1.5.27 Trading	<b>M/s. Spencer &amp; Co. Ltd</b> Chennai-III	2002-03 143(1)	The assessee company had obtained loan of Rs.31.74 crore and paid interest of Rs.3.38 crore. Further it was noticed that assessee company had invested a sum of Rs.38.21 crore in its sister concern. As the entire loan taken for which interest paid was diverted to sister concern, the interest payment of Rs.3.38 crore is required to be disallowed and added back. Omission to do so has resulted in under assessment of income.	1.50

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39/1.5.27 Trading	M/s 3M India Ltd Banagalore-III	2003-04 143(3)	An amount of Rs.1.80 crore was deducted as "amount of sales tax deposited with the authorities" which is disputed in appeal with sales tax authorities. Further an amount of Rs. 67 lakh was treated as sales tax liability discharged by deducting the same from the amount of sales tax deposited. The omission to disallow contingent liability and amount unpaid on the date of filing the return of income has resulted in short computation of income by Rs.2.47 crore. Department has accepted the audit observation.	0.93
40/1.5.27 Trading	M/s Shapoor ji Pallonji & Co P Ltd, City 3 Mumbai	2004-05 143(3)	Tax was computed @ 35% plus surcharge on the entire income, whereas the taxable income also included capital gains of Rs.35.18 lakh on which rates of tax applicable was 10% and Rs.5.24 lakh on which tax was applicable @ 20% which resulted in overcharge. Department has accepted the audit observation.	0.90
41/1.5.27 Trading	M/s Khaitan India (I) Ltd Kolkata IV	2002-03 143(1) 2003-04 143(3)	The expenses on accountant of agricultural activity were not added back while computing the agricultural income.	0.79
<b>Incorrect allowance of provisions and liabilities</b>				
42/1.5.28 Software	M/s Mastek Limited Gujarat Ahmedabad II	2002-03 143 (3)	The assessee was allowed excess deduction u/s 10-A of Rs.3.27 crore while implementing the appellate order. Department has accepted the audit observation and rectified the mistake.	1.16 (P)
43/1.5.28 Software	M/s Moser Baer India Ltd, Delhi II	2002-03 143(3)	The assessee was allowed depreciation of Rs. 2.20 crore @ 25 percent on the fixed assets of Rs.8.80 crore added during the year on account of increase of rupee liability of term loan, due to foreign exchange fluctuation, in the cost of fixed assets. As the amount represented intermediate exchange fluctuation not backed by actual remittance, the depreciation on the increased amount of foreign exchange fluctuation was an inadmissible expenditure, which should have been disallowed.	1.04
44/1.5.28 Software	M/s Mascon Global Ltd Chennai III	2002-03 143(3) 2004-05 143(1)	The assessee had provided for and included under "Interest and Finance charges" sum of Rs.2.43 crore and Rs.21.70 lakh respectively for these assessment years towards interest on delayed payment of withholding taxes but the same was omitted to be disallowed as per provisions of section 40(a)(ii) resulting in under assessment of income. Department did not accept the audit observation stating that the assessee had gone in appeal for which proceedings was pending. The reply is not acceptable as interest payment for default /delay in filing of the return is not allowable in the Act.	1.10
45/1.5.28 Software	M/s Moser Baer India Ltd, Delhi II	2003-04 143(3)	Provisions for bad debts amounting to Rs.3.01 crore was omitted to be added back in the income while computing the income in the scrutiny assessment.	1.25
46/1.5.28 Software	Motorola India Ltd., Gurgaon	2002-03 143(3)	The assessee company created provisions for doubtful advances for Rs.3.10 crore, but Rs.49.44 lakh only were added back in the taxable income.	0.93

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			The remaining amount of Rs.2.60 crore needed to be disallowed.	
47/1.5.28 Software	<b>M/s Megasoftware Ltd.</b> Chennai III	2002-03 2003-04 143(1) 143(3)	The assessee was allowed payments made towards the employers and employees' contribution totaling Rs.117.97 lakh and Rs.78.32 lakh for assessment year 2002-03 and 2003-04 respectively, though the same were remitted after the due date, resulting in underassessment of income.	0.37 0.39 (P)
48/1.5.28 Software	<b>M/s Computech International Ltd,</b> Kolkata I	2002-03 2003-04 143(3)	The assessee was allowed excess amount of depreciation of Rs.1.44 crore to STP software unit towards adding back the depreciation charge under the company Act which increased the profit of the unit.	0.72
49/1.5.28 Automobile	<b>M/s Hindustan Motors Ltd</b> Kolkata II	2002-03 143(1)	The assessing officer disallowed the expense of Rs. 17.20 lakh pertaining to the business of Earth Moving Division (EMD) sold by the assessee but omitted to disallow the expense of Rs. 4.03 crore debited to "payments to and provisions for employees" on account of gratuity for employees of erstwhile EMD which resulted in over assessment of loss by the same amount. The assessing officer did not accept the audit observation stating that the assessee was obliged to discharge the liability on account of gratuity for period prior to date of transfer. The reply was not tenable in view of the fact that the liability to pay the gratuity amount was to the purchaser as the liability was quantified /ascertained on the date of sale of unit.	1.43 (P)
50/1.5.28 Automobile	<b>M/s Hero Auto Ltd,</b> Delhi IV	2004-05 143(1)	The assessee made a provision of Rs.4.91 crore for doubtful debts & gratuity in the accounts and added back only Rs. 2.07 crore in the computation of income. The remaining amount of Rs. 2.84 crore should also have been added back in the computation of income.	1.27
51/1.5.28 Automobile	<b>M/s Hero Honda Motors Ltd,</b> Delhi IV	2004-05 143(1)	The assessee was allowed provision of Rs.1.79 crore on account of warranty expenditure, which was not allowable expenditure.	0.74
52/1.5.28 Automobile	<b>M/s. LUK India Pvt. Ltd</b> Salem Chennai	2002-03 143(1) 2003-04 143(3) 2004-05 143(1)	The assessee had claimed Rs.12.08 lakh, Rs.103.83 lakh and Rs.84.79 lakh transferred to 'provision account' included in "Product Support Expenses", for the assessment years 2002-03, 2003-04 & 2004-05 respectively but were omitted to be disallowed resulting in under assessment of income.	0.73 (P)
53/1.5.28 Automobile	<b>M/S Hwashin Automotive India Pvt Ltd</b> Chennai I	2003- 04 143(3)	The assessee was allowed certain expenses viz., Rate reduction (190.77 lakh) and Supervisory allowance(Rs.19.78 lakh) included in the Contingent Expenditure debited in the profit and loss account as seen from the Auditors report in Form 3CD resulting in over – assessment of loss to an extent of Rs.210.55 lakh.	0.78 (P)
54/1.5.28 Automobile	<b>M/s French Motor company,</b> Kolkata IV	2002-03 2003-04 143(1)	The assessee was allowed deduction of Rs.1.12 crore & Rs.1.01 crore as expense of business under bill marketing scheme discounting charges (being reimbursement to the principal of the dealer	0.77

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			assessee). As the expenditure was not related to business of assessee, allowance of deduction was irregular.	
55/1.5.28 Automobile	<b>M/s. Rane Trw Steering Systems Ltd.</b> Chennai-III	2002-03 143(1)	The assessee company had claimed a sum of Rs.130.31 lakh towards "Warranty Provision" for the products sold by the assessee which is a contingent liability and the same is required to be disallowed. If this is considered, the income of the assessee company will be increased by a like sum. Department has accepted the audit observation.	0.53
56/1.5.28 Steel	<b>M/s Mandavi Pellets</b> Goa, Margao	2004-05 143(1)	The plant was closed during the assessment year and no production had taken place. Therefore the depreciation of Rs.4.57 crore claimed on the plant and machinery was incorrect.	1.64
57/1.5.28 Steel	<b>M/s Met Rolla Steels Ltd,</b> Kerela Kochi	2002-03 143(1)	An amount of Rs.1.90 crore shown as liability as on 31 March 2002 was assessable as profit of business u/s 41(1) but no liability exist as this was the concession receivable by the company as per the agreement with KSIDC.	0.79
58/1.5.28 Steel	<b>M/s Steel Authority of India Ltd,</b> Delhi III	2004-05 143(1)	The assessee had claimed and was allowed exemption of dividend income of Rs.8.22 crore without reducing the proportionate management expenses of Rs.2.09 crore attributable to the above exempt income.	0.75
59/5.28 Steel	<b>M/s Karthik Alloys Ltd,</b> Goa Margao	2002-03 to 2004-05 143(1)	Pre paid expenses of Rs.19.85 lakh, Rs.1.87 crore and Rs.16.24 lakh respectively included in the P&L account during these assessment years was not added back for working out tax liability.	0.81
60/1.5.28 Steel	<b>M/s Satavahana Ispat Ltd,</b> Hyderabad III	2004-05 143(1)	The assessee claimed a deduction of Rs.8.20 crore towards profits of industrial undertaking u/s 80IB being 30 percent on gross total income of Rs.27.33 crore. While quantifying the deduction, other incomes representing interest income ( Rs.68.93 lakh), income from foreign exchange fluctuation (Rs.1.51crore ) and income derived from sale of empty barrels and scrap (Rs.2.10 crore) were not reduced from the profits of business, even though these receipts were not derived from the business activity of the industrial undertaking.	0.54
61/1.5.28 Trading	<b>M/s Jute Corporation of India,</b> Kolkata I	2003-04 143(3)	Provision for leave salary benefit on retirement was incorrectly allowed as deduction. Department has accepted the audit observation.	0.97
62/1.5.28 Trading	<b>M/s Samtain Sales Pvt Ltd,</b> City 8 Mumbai	2002-03 143(1)	An amount of Rs.2.71 crore incurred towards promoting the products was allowed though it was not the assessee's liability and the same were disallowed during the subsequent assessment year.	0.97 (P)
63/1.5.28 Trading	<b>M/s NRK Merchants Ltd,</b> Kolkata I	2004-05 143(3)	The assessing officer allowed exemption of the dividend of Rs.2.44 crore u/s 10(33) but did not invoke the provision of section 94(7) of the IT Act, which required that the loss be limited to the extent of the amount by which it exceeded the dividend. Omission in that regard resulted in under assessment of income. Department has accepted the audit observation.	0.88



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64/1.5.28 Trading	M/s GMM Co. Kolkata I	2003-04 143(3)	The assessee as agent of principals got reimbursements of Rs.2.61 crore from the principals in respect of warranty replacements but did not credit the amount either as reduction of purchase cost or as income. The department has initiated remedial action.	0.96
65/1.5.28 Trading	M/s Sembcorp Logistics (India) Pvt Ltd, Chennai III	2002-03 143(1)	A sum of Rs.2.15 crore relating to capital works was debited in the P&L accounts which was required to be disallowed.	0.77 (P)
<b>Incorrect allowance of capital and non business expenditure</b>				
66/1.5.29 Software	M/s Data Access India Ltd, Delhi IV	2004-05 143(1)	The assessee had debited Rs.5.27 crore on account of interest paid for delay in payment of interconnect charges to BSNL/MTNL which was in the nature of penalty and not allowable as deductible expenditure. The same should have been added back to the taxable income.	1.89
67/1.5.29 Software	M/s Cashtech Solutions India P Ltd City 8 Mumbai	2002-03 143(1)	A deduction of Rs.4.14 crore towards software development expenses was allowed. Department did not accept the observation stating that the programmes that were developed during the year were required to be taken as software produced in the normal course of the business. The reply is not tenable as the department had disallowed similar expenses for assessment years 2001-02 & 2003-04. finalized after the scrutiny.	1.48
68/1.5.29 Software	M/s.Telesys Software Ltd Chennai I	2003-04 2004-05 143(1)	The assessee had claimed expenditure of Rs.5.69 crore and Rs.1.16 crore respectively towards "cost of software packages" used as tools for developing products delivered to clients, as revenue expenditure resulting in under assessment of income to an extent of Rs.2.58 crore and Rs.46.38 lakh respectively.	1.25
69/1.5.29 Software	M/s Data Access (India) Ltd, Delhi IV	2004-05 143(1)	Assessee debited Rs.2.95 crore on account of Initial Public Offer (IPO). During the previous year the assessee had also increased its authorized capital. As IPO cost is related to issue of company's share in market, it was a capital expenditure and should have been disallowed.	1.06
70/1.5.29 Automobiles	M/s. Brakes India Ltd. Chennai I	2002-03 143(3)	During the scrutiny assessment for 2003-04, expenditure of Rs.4.29 crore towards 'power purchase charges' on a protective measure was disallowed. However, the assessment for the year 2002-03 was not reopened to consider similar disallowance of Rs.3.98 crore despite the specific directions of the Additional Commissioner of Income tax (INV), Unit III to disallow the 'power purchase charges' for the relevant assessment years which resulted in escapement of income. The department did not accept the audit observation stating that if the power charges were to be disallowed, then depreciation on wind mills should be allowed as the assessee would be real owner of the wind mills. The reply was not acceptable as the assessing officer himself in a letter to Addl CIT stated that it was difficult to hold the assessee as the real owner of the wind mill and as such the observation is reiterated.	1.86

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
71/1.5.29 Automobiles	<b>M/s Fiat India P Ltd</b> City 10 (1) Mumbai	2002-03 2003-04 143(3)	Loss arising out of foreign exchange fluctuation in respect of fixed asset was allowed as revenue expenditure. The said loss was required to be adjusted in the value of fixed assets. Incorrect treatment of the same as revenue expenditure and allowance of deduction resulted in under assessment of income of Rs.2.10 crore and Rs.1.92 crore respectively.	1.45 (P)
72/1.5.29 Automobiles	<b>M/s. Sakthi Auto Components</b> Coimbatore-I	2002-03 143(1)	The assessee claimed a deduction of Rs.3.71 crore towards "product development expenses" which were capitalized and taken to balance-sheet as 'miscellaneous expenses'. Further, it was noticed that the assessee has written off one-fifth of the product development expenses amounting to Rs.74.95 lakh in the accounts relating to assessment year 2003-04. As the entire expenditure has been capitalized and no part of the expenditure is debited in the profit and loss account write-off is required to be disallowed.	1.32 (P)
73/1.5.29 Automobiles	<b>M/s. Keihin Fie P. Ltd</b> City 5, Pune	2002-03 143(3)	The assessee was allowed a deduction of Rs.2.31 crore on account of technical service fees paid to its joint venture partner M/s Keihin Corporation, Japan as revenue expenditure. The payment was made towards product information, improvement, vendor development, location for cost reduction etc. Since the benefit from these services received was of enduring nature the payment was required to be treated as capital expenditure. Incorrect treatment of the above Rs.2.31 crore as revenue expenditure and allowance of deduction resulted in under assessment of income of Rs.1.93 crore. Department has accepted the observation.	1.09
74/1.5.29 Automobile	<b>M/s Alpha Toyo ltd,</b> Haryana Faridabad	2002-03 2003-04 143(1)	Capital expenditure incurred in earlier years on new projects was allowed as deduction.	0.56
75/1.5.29 Automobile	<b>M/s Sona Koya Steering Systems Ltd,</b> Delhi III	2004-05 143(1)	Technical know how fees, professional charges and development expenses amounting to Rs.2.49 crore. were capital in nature as they provided enduring benefit to the assessee. These should have been capitalized instead of treating DRE.	0.64
76/1.5.29 Automobile	<b>M/s Sona Koyo Steering Systems Ltd,</b> Delhi III	2003-04 143(3)	The assessee deducted a sum of Rs.2.80 crore on account of technical know how fees in computation of income charged to DRE. The assessing officer had added back only Rs.1.23 crore instead of Rs.2.80 crore.	0.59
77/1.5.29 Automobile	<b>M/s. Rane (MADRAS) LTD</b> Chennai-III	2002-03 143(1)	The company had claimed a sum Rs.264 lakh as compensation towards change/variation in the rights of the preference shares by modification of the subscription which do not relate to business of the ongoing concern but squarely related to capital base of the company and hence to be disallowed.	0.94 (P)
78/1.5.29 Steel	<b>M/s Ispat Industries Ltd,</b> Kolkata I	2003-04 143(3)	An expenditure of Rs.3.49 crore on account of installation charges of the hired plant was required to be capitalized instead of allowing as revenue expenditure as it was related to installation of a capital asset. Thus, excess debit of Rs.2.61 crore (Rs.3.49 crore less 25% of Rs.3.49 crore) resulted	0.96

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
			in over assessment of loss.	
79/1.5.29 Automobile	<b>M/s Bombay Cycle &amp; Motors Agency Ltd,</b> City 5, Mumbai	2002-03 143(1)	An amount of Rs.1.54 crore debited in P&L account on account of renovation of rental premises was required to be treated as capital expenditure. Incorrect treatment of capital expenditure as revenue expenditure allowance resulted in underassessment of income.	0.55 (P)
80/1.5.29 Automobile	<b>M/s Automotive Mfg P Ltd,</b> City 10 Mumbai	2002-03 143(3)	While computing the taxable income, assessing officer had not added an amount of Rs.1.77 crore debited to P&L account towards 'provision for liability on accrued employees unavailed leave'.	0.63
<b>Incorrect computation of income under special provisions of the Act</b>				
81/1.5.30 Software	<b>M/s 3I Infotech Ltd,</b> city 10 Mumbai	2003-04 143(3)	Book profit was not computed correctly due to non adjustment and irregular deduction from the net profit. Department has accepted the observation.	0.69
82/1.5.30 Software	<b>M/s Helios and Matheson Information technology Ltd,</b> Chennai I	2000-01 2001-02 143(1)	Though the assessee had book profit of Rs.3.03 crore and Rs.3.47 crore , no action was taken to assess the book profit under the special provision of the Act.	0.70
<b>Incorrect computation of capital gains</b>				
83/1.5.31 Automobile	<b>M/s. Mahendra &amp; Mahendra Ltd,</b> City 2, Mumbai	2000-01 143(3)	The assessee had sold its two divisions as slump sale. In consideration, the assessee was allotted redeemable preference shares and debentures. While computing the capital gains, the face value of the shares and debentures were taken instead of market value resulting in under assessment of income of Rs.1.69 crore.	1.01
84/1.5.31 Automobile	<b>M/s Tata Motor Ltd,</b> city 2 Mumbai	2002-03 143(3)	The assessee had purchased and cancelled 1.84 lakh bonds as an open market operation and had considered income of Rs.4.47 crore, being excess of face value over cost of US Dollar Bonds, as capital receipt. The same was accepted by the department instead of short term capital gain which resulted in excess allowance of carry forward of long term capital loss of Rs.4.47 crore. Department has accepted the observation.	0.91
<b>Incorrect depreciation and set off of losses</b>				
85/1.5.32 Automobile	<b>M/S Tractor and Farm Equipments Ltd</b> Chennai I	2002-03 143(1)	The assessee had incorrectly claimed a sum of Rs.2.30 crore under "Entry Tax Paid" for the year ended March 2002 though the above expenditure is adjustable only against the sales tax and the assessee had also not accounted for the sales tax collections / payments through the profit and loss account.	0.82
86/1.5.32 Automobile	<b>Eicher Motor Ltd,</b> Indore I	1997-98 143(1)	Unabsorbed depreciation loss was incorrectly set off.	0.64
87/1.5.32 Automobile	<b>M/s TVS Motors Co. Ltd,</b> Chennai	2003-04 143(1)	The assessee had claimed depreciation on "vehicle parking shed" @ 100 percent totaling Rs.189.72 lakh as against eligible 10 percent. Department has accepted the audit observation.	0.63
88/1.5.32 Trading	<b>M/s. Food World Super markets Ltd,</b> Chennai I	2002-03 2004-05 143(1)	The assessee had claimed depreciation @ 25% on "Goodwill" amounting to Rs.2.29 crore and Rs.1.29 crore. As depreciation on goodwill is not covered under the Act the same has to be disallowed.	1.28 (P)

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
89/1.5.32 Trading	M/s Vishal Export Overseas Ltd, Ahmedabad IV, Gujarat	2003-04 143(1)	The assessee was allowed depreciation at 100 percent on "Wind Turbine Generator" amounting to Rs.7.50 crore during the assessment year 2002-03 It was however noticed that though the written down value of plant and machinery was nil, depreciation of Rs.3.00 crore was again allowed on same asset during assessment year 2003-04. Department has accepted the audit observation and rectified the mistake.	1.10
<b>Under valuation of closing stock</b>				
90/1.5.33 Automobile	M/s Hindustan Motor Ltd, Kolkata I	2003-04 143(1)	The assessee was allowed a deduction of Rs. 3.51 crore from the amount of 'increase in stock' during the year which represented the difference of excise duty between the opening stock and closing stock of finished goods. Thereby the assessee understated the "increase in stock" by Rs.3.51 crore.	1.06 (P) & 0.22
91/1.5.33 Automobile	M/s Premier Automobiles Ltd, City 10, Mumbai	2000-01 143(3)	The excise duty was not included in the finished stock amounting to Rs.1.89 crore.	0.73
92/1.5.33 Steel	M/S Ispat Industries Ltd Kolkata I charge,	2002-03 2004-05 143(3) 2003-04 143(1)	The assessee deducted an amount of Rs.4.14 crore being the difference of excise duty between the opening stock and closing stock of finished goods from the determined value of stock including excise duty. In reply, the assessing officer stated that the valuation of the closing stock has been done as per the provision of Section 145 A of the Act. The same is not acceptable as the effect of inclusion of excise duty in the closing stock finalized as per provisions of section 145A has been nullified by reducing excise duty element.	1.48 (P)
<b>Income escapement after amalgamation of company</b>				
93/1.5.35 Software	M/s Polaris Software Lab, Chennai III	2003-04 143(3)	Benefit received from the scheme of amalgamation of Rs. 1.42 crore was not assessed by the assessing officer correctly resulting in escapement of income.	0.72
<b>Irregularities in tax deducted at source</b>				
94/1.5.37 Trading	M/s Gujarat Gas Trading Company, Gujarat Ahmedabad - II	2003-04 2004-05 143(1)	Tax credit was allowed on defective challans of advance tax/self assessment tax paid by the assessee.	1.90
95/1.5.37 Automobile	M/s Luk India Pvt Ltd. Chennai, Salem	2002-03 2004-05 143(1) 2003-04 143(3)	The assessee had not deducted TDS on royalty and technical guidance fees payments.	1.69 (P)
96/1.5.37 Trading	M/s Doaba Rolling Mills Pvt. Ltd, M/s R.A. Nariman Co. Ltd. and M/s KIPPS Sales (P) Ltd. Uttar Pradesh, Muzaffarnagar and Bareilly charges	2004-05 143 (1)	The assessee had received Rs.2.34 crore on account of commission & brokerage receipts, contract receipts and availed the benefits of TDS in the previous year, whereas the relevant income was not taken into computation of total income of that assessment year. This resulted in short computation of income by Rs.2.34 crore.	0.91

Sl No./Para no. of the report/ sector	Assessee company and charge	Assessment year & asstt	Nature of mistake	Tax effect
<b>(Other cases)</b>				
97/1.5.38 Software	<b>M/s. Cognizant Technology Solutions India (P) Ltd.,</b> Chennai I	2002-03 143(3)	Though the entire demand pertaining to assessment year 2002-03 was collected between September 2005 and March 2006 by way of adjustment against the refunds due for the Assessment Years 2001-02, 2004-05 and 2005-06 respectively, no interest u/s 220 (2) for the belated payment of tax aggregating to Rs.61.89 lakh was levied.	0.62
98/1.5.38 Software	<b>M/s Orbitech Solutions Ltd,</b> Mumbai, city 8	2003-04 143(3)	Interest on bank deposit under the head 'income from other sources' was taken as Rs 92.16 lakh instead of Rs 2.30 crore.	0.57
99/1.5.38 Software	<b>M/s Tata sons Ltd,</b> Mumbai, city 2	2002-03 143(3)	The assessing officer had applied the rate at 10 percent on an income of Rs.3.72 crore on account of capital gains in respect of which the indexation benefit was availed instead of at 20 percent plus surcharge.	0.52

## Appendix-5

## Review on implementation of TDS/TCS schemes

Identification and registration of tax deductors  
(Ref. para 2.9.1.2)

Sl. No.	Name of charge	Sector wise effective tax deductors										Sector wise total	Total effective tax deductors as indicated by the Department.
		Colleges	Public sector undertakings	Autonomous Bodies	Companies	Co-op. societies	Financial Institutions	Treasury Officers/ DDO's under State Govt.	DDO's and PAO's under Central Govt.	Local Bodies	Others		
1	Maharashtra	904	76	192	142948	184390	9995	5050	659	28251	228160	600625	27899
2	Gujarat	731	63	311	49294	59346	2	2455	96	162	0	112460	300
3	Delhi	216	177	275	128561	5302	4852	1614	6344	283	44156	191780	0
4	H.P	0	451	3	0	0	0	3644	0	3379	0	7477	5140
5	Goa	2201	19	3	3314	2148	0	217	22	13	0	7937	4492
6	Punjab	182	68	2	0	21230	4082	5223	57	12588	916	44348	6337
7	Punjab (UT)	18	5	18	7429	333	312	296	93	1	58	8563	0
8	West Bengal	584	0	154	82728	18433	56	11801	257	4378	8322	126713	22345
9	Assam	17	50	179	5118	23030	19	14388	0	87	2727	45615	5350
10	A.P	4466	58	417	45298	36	5314	99283	259	22051	0	177182	0
11	Rajasthan	420	37	233	19768	88	401	20544	94	452	0	42037	13361
12	Kerala	727	322	171	14929	10178	3534	18875	367	1223	0	50326	7707
13	Tamil Nadu	2153	90	1089	54038	15002	4892	5264	68	1133	9921	93650	45227
	Total	12619	1416	3047	553425	339516	33459	188654	8316	74001	294260	1508713	110259

In Andhra Pradesh, Chandigarh (UT) and Delhi the department did not provide the relevant data.

**Appendix –6****Ambiguities in determination of income relating to permanent establishment  
(Ref. para 2.10.1)****(Rs. in lakh)**

Sl No	Name of assessee	Asst Year	Asst. u/s	Nature of mistake	Revenue impact
1	Jal Hotels Co Ltd	1999-2000 to 2003-04	143 (3)	TDS was affected @ 20% on income from royalty and technical fees as against 30% applicable for incomes attributable to PE	33.75
2	Tractebel Industry Engineering	2002-03	143 (3)	Income from royalty and technical fees was taxed at the rate of 10% instead of 20% applicable since the company was operating through a PE	27.47
3	L.G.Engineering and Construction Corporation	2002-03	143 (3)	Income from royalty and technical fees was taxed at the rate of 15% instead of 20% since the company was operating through a PE	21.83

**Appendix –7****Non deduction of tax at source in respect of payment made to non residents –  
failure to disallow expenditure  
(Ref. para 2.10.2)****(Rs. in lakh)**

Sl. No.	CIT Charge	Name of the assessee	Assessment year	Nature of payment	Amount to be disallowed	Tax effect
1	DIT (IT) 3(II) Mumbai	M/s. ONGC Ltd.	2004-05	Service charges	0	95.70
2	Hyderabad	M/s. BHC Agro India	2004-5	Technical fee	221.00	87.65
3	CIT-I, Chennai	M/s JBM Sung woo Pvt. Ltd	2002-03	Royalty	121.36	43.32
4	Ahmedabad	Meghmani Dyes & Intermediates	2003-04	Technical fee/Royalty	104.27	42.63
5	CIT-I, Chennai	M/s V.A. Tech Wag Tag Ltd.	2002-03	Technical fee	115.36	41.18
6	Ahmedabad	Shah Alloys	2003-04 2004-05	Technical fee/Royalty	29.58 23.45	19.28
7	CIT-III, Chennai	M/s Safe Sony Pvt. Ltd	2001-02 & 2002-03	Royalty	28.06 10.32	14.78
8	Ahmedabad	Vishal Exports	2002-03 2003-04 2004-05	Technical fee/Royalty	13.03 16.35 10.56	14.45

**Appendix-8**

**Income escaping assessment  
(Ref. para 2.11.1)**

<b>(Rs. in lakh)</b>					
<b>Sl. No</b>	<b>CIT charge</b>	<b>Name of the assessee</b>	<b>Assessment Year</b>	<b>Income escaping asstt</b>	<b>Tax effect on escaped income (incl intt.)</b>
1	Delhi	M/s. Multi Mentech Internatinal (P) Ltd	2001-02	83.56	46.76
2	Delhi	M/s. J G Electros (P) Ltd.	2003-04	111.63	46.46
3	CIT-VI, Delhi	M/s Zappelin Mobile Systems India Ltd.,	2003-04	98.69	36.27
4	CCIT-I, Bangalore	J.L. Omniserver (P) Ltd.	2004-05	83.41	36.02
5	CIT-II, Coimbatore	Marbsman Paper Boxes	2002-03	91.66	32.72
6	CIT-I, CBE	S. Abbas	2004-05	67.79	24.32
7	CIT-VI, Delhi	M/s Zeco Aircon Industries (P) Ltd.	2003-04	54.94	22.26
8	Delhi	M/s.K.B.T. Plastics (P) Ltd.	2004-05	55.62	21.64
9	Delhi	Smt Gyan Devi Kapoor	2003-04	45.76	17.09
10	Delhi	M/s.Molly Kamani Freight Ltd.	2001-02	28.31	15.76
11	Delhi	Shri Iswar Singh Prop. M/s. New Sheo Tankers		43.04	15.62
12	CIT Jalpaiguri	Sitaram Agarwal	2003-04 & 2004-05	41.80	13.48
13	CIT XIX Kolkata	Birendra Kr. Mohanty	2003-04	37.46	13.42
14	CIT-II, Delhi	M/s. MKR Frozen Foods Exports Ltd.	2002-03	26.45	12.96
15	CIT-II, Kolkata	Commercial Cleaning agencies	2003-04	34.63	12.72
16	CIT-II, Delhi	M/s. Maruti Builders and Promotors (P) Ltd.	2002-03	25.36	12.70
17	Hyderabad	M/s Prasad Homes (P) Ltd.	2005-06	33.36	12.21
18	CIT XXI, Kolkata	M/s Muber Ice & Co.	2003-04	31.02	12.11
19	CIT XX, kolkata	M/s Sisir Kr. Adhikary	2003-04	23.47	11.43
20	CIT-IX, Delhi	Ms.Nidhi Mittal Prop. Of Matrix Solutions	2004-05	28.44	10.79
21	Delhi	M/s. Lerk Auto Engineering (P) Ltd.	2004-05	26.78	10.57
22	Delhi	M/s. Ambience Interiors	2002-03	20.98	10.50
23	CIT IV, Kolkata	M/s Shree Automobiles	2003-04	40.83	10.41
<b>Total</b>				<b>1134.99</b>	<b>458.22</b>



**Appendix-9****List of cases of non deduction of TDS/short deduction of TDS  
(Ref. para 2.11.2)****(Rs. in lakh)**

Sl. No.	CIT charge	Tax deductor	Financial year	TDS due	Interest	Penalty	Total
1.	Vadodara	TDW India Ltd.	2002-03	43.18	0	43.18	86.36
2	Gurgaon	M/s Honda Motor Cycles and Scooter India Ltd.	2002-03	23.69	8.84	23.69	56.22
3	Pune.	Spl. Land Acquisition Officer-14, 15&16	2004-05 & 2005-06	26.07	2.79	26.07	54.93
4	Dibrugarh	M/s UBI, New Delhi	2004-05 & 2005-06	26.40	0	26.40	52.80
5	Gwalior	Jamana Auto Industries (P) Ltd	2002-03 & 2003-04	24.99	2.25	24.99	52.23
6	Indore	Hindustan Motors	2002-03 & 2003-04	22.95	0.40	22.95	46.30
7	Dhanbad	M/s Mahanadi Coal fields Ltd.	2002-03	17.20	7.67	17.20	42.07
8	Chennai	Smt. Bina J. Mehta	2001-02	18.97	0	18.97	37.94
9	Hyderabad	M/s Kapil Chit Funds Pvt. Ltd.	2004-05	17.71	0.92	17.71	36.34
10	Delhi	Drawing and Disbursement Officer, Ministry of Home Affairs	2004-05	14.97	3.60	14.97	33.54
11	Tamil Nadu	Pondicherry Sports Authority	2001-02 to 2004-05	15.70	0	15.70	31.40
12	Sonipat	Atlas Cycles Ltd.	2002-03 & 2003-04	12.67	2.23	12.67	27.57
13	Hyderabad	M/s Indo American Professional Education Network Pvt. Ltd.	2004-05	11.04	1.38	11.04	23.46
14	Hyderabad	M/s Bio Tech Medical Ltd.	2002-03	9.09	4.21	9.09	22.39
15	Indore	Pietheco Pharmaceuticals Ltd.	2002-03 & 2003-04	11.08	0	11.08	22.16
16	Indore	LIC of India	2002-03 & 2003-04	8.33	0	8.33	16.66
17	Kolkata	AFT Industries Ltd.	2001-02, 2002-03 & 2003-04	6.79	3.06	6.79	16.64
18	Chennai	Chettinadu Logistics (P) Ltd.	2000-01 2001-02	6.16	3.68	6.16	16.00
19	Karnal	Karnal Improvement Trust	2002-03	6.35	2.37	6.35	15.07
20	Delhi	M/s. Sharsta Properties (P) Ltd.	2002-03	6.43	2.15	6.43	15.01
21	Indore	Computer Science Corporation (P) Ltd.	2002-03 & 2003-04	7.47	0	7.47	14.94

Sl. No.	CIT charge	Tax deductor	Financial year	TDS due	Interest	Penalty	Total
22	Hyderabad	M/s Johnson Grammar School Education Society	2002-03	5.82	2.34	5.82	13.98
23	Indore	Dhar Textile Mills	2002-03 & 2003-04	6.84	0	6.84	13.68
24	Ranchi	Jiwan Enterprises	2004-05	6.50	0	6.50	13.00
25	Mumbai	M/s Shree Balaji Textile.	2001-02	4.74	2.57	4.74	12.05
26	Kolkata	India Steam Ship Co. Ltd.	2002-03 & 2003-04	5.10	1.04	5.10	11.24
27	Mumbai	Shri Vinod. B. Khanna.	2003-04	4.85	1.26	4.85	10.96
28	Jorhat	M/s Techno Power Enterprises (P) Ltd	2002-03 & 2003-04	4.83	0.43	4.83	10.09
		<b>Total</b>		<b>375.92</b>	<b>53.19</b>	<b>375.92</b>	<b>805.03</b>

**Appendix-10****Failure to remit TDS into Government account  
(Ref. para 2.11.3)****(Rs. in lakh)**

<b>Sl. No.</b>	<b>CIT charge</b>	<b>Tax Deductor</b>	<b>Financial year</b>	<b>TDS</b>	<b>Interest</b>	<b>Penalty</b>	<b>Total revenue effect</b>
1	Bhopal	M/s M.P. Rural Road Development Authority	2002-03	36.33	0	36.33	72.66
2	Mumbai	M/s. Precision Fasteners Ltd.	2002-03	29.66	2.00	29.66	61.32
3	Mumbai	M/s. Standard Contract Management Solution Pvt. Ltd.	2002-03	18.11	2.18	18.11	38.40
4	Hyderabad	M/s Shirine Finance & Investment (P) Ltd.	2002-03	11.06	4.48	11.06	26.60
5	Bhopal	M/s Gwalior Sugar Co. Ltd.	2000-01	7.91	5.65	7.91	21.47
6	Bhubaneswar	Principal, Rajdhani College	2002-03	6.31	2.55	6.31	15.17
7	Hyderabad	M/s India Rubber Pvt. Ltd.	2002-03	4.77	1.93	4.77	11.47
8	Ahmedabad	MSK Projects	2001-02	4.49	2.24	4.49	11.22
		<b>Total</b>		<b>118.64</b>	<b>21.03</b>	<b>118.64</b>	<b>258.31</b>

## Appendix-11

**Incorrect allowance of business expenditure**  
(Ref. para 2.11.5)

(Rs. in lakh)

Sl. No.	CCIT Charge	Name of deductor	Payment required to be disallowed	Tax effect
1	Surat	Gujarat Glass (P) Ltd	263.41	96.36
2	Surat	Videocon Narmada Glass Ltd.	238.56	87.27
3	Surat	Gujarat Guardian Ltd	200.08	73.19
4	Surat	Haryana Sheet Glass Ltd	190.55	69.70
5	Surat	Gujarat Borosil Ltd	189.05	69.15
6	Vadodara	Bell Granito Ceramica Ltd.	174.37	63.78
7	Surat	Gujarat Glass (P) Ltd	169.30	61.93
8	Ahmedabad	Gujarat-Maharashtra Roadways	144.44	52.85
9	Surat	Primax Services	135.00	49.39
10	Vadodara	Gujarat Industries Power Company Lt	126.95	46.43
11	Ahmedabad	Reliance Ind Ltd	124.17	45.42
12	Vadodara	Savana Ceramics Ltd	116.26	42.53
13	Vadodara	Alembic Limited	93.55	34.22
14	Vadodara	Alembic Glass Industries Ltd.	85.57	31.30
15	Vadodara	Gujarat State Electricity Corporation	76.04	27.81
16	Surat	Clean Glass (Pvt) Ltd	69.98	25.60
17	Vadodara	Schott Glass India Pvt Ltd	64.01	23.41
18	Surat	Pragati Glass Pvt Ltd	59.93	21.92
19	Vadodara	Haldyn Glass Guj.Ltd.	56.16	20.14
20	Surat	Metas Of Seventh Day Adventists	54.01	19.76
21	Ahmedabad	Nirma Limited	46.35	16.95
22	Surat	Videocon Narmada Electrical Ltd	43.88	16.05
23	Surat	Nahar Colours & Coating Ltd	40.30	14.74
24	Surat	Shrushti Corporation	39.52	14.46
25	Surat	Amarlila Traders	36.71	14.16
26	Ahmedabad	Shyam Industries	38.44	14.06
27	Vadodara	Sapana Chemical Industries	37.87	13.85
28	Vadodara	Indu Nissan Oxo Chemicals Industrie	29.82	11.91
29	Ahmedabad	Cera Sanitaryware Ltd	32.05	11.72
30	Ahmedabad	Reliance Ind Ltd	31.74	11.61
31	Bangalore-I	Shanker Perfumery Works	26.22	10.50
32	Vadodara	Kaira District Co-Op Milk Producers	28.64	10.48
		<b>Total</b>	<b>3062.93</b>	<b>1122.65</b>

**Appendix 12****Misclassification of income tax and surcharge**  
(Ref. para 2.12.1)

(Rs. in lakh)

<b>Sl. No.</b>	<b>Charge</b>	<b>No. of cases</b>	<b>Tax effect</b>
1.	Delhi	241	594.36
2.	West Bengal	84	308.07
3.	Himachal Pradesh	1840	447.47
4.	Madhya Pradesh	577	100.00
5.	Tamil Nadu	137	76.24
6.	Uttar Pradesh	74	58.45
7.	Assam	130	10.17
8.	Orissa	127	168.97
9.	Chandigarh (UT)	47	91.05
10.	Punjab	12	13.45
	<b>Total</b>	<b>3269</b>	<b>1868.23</b>

### Appendix 13

#### Review on Assessment of Sports Associations/Institutions and Sports Personalities

#### State wise details of cases requisitioned and cases produced/checked in audit (Ref. para 3.6.3)

State	No. of CIT charge	Cases requisitioned	Cases produced/checked in audit	Cases not produced
Andhra Pradesh	13	135	109	26
Assam	5	105	7	98
Bihar	0	0	0	0
Chandigarh	2	365	79	286
Delhi	1	221	134	87
Goa	1	2	2	0
Gujarat	4	45	34	11
Haryana	5	91	52	39
Himachal Pradesh	1	6	5	1
Jharkhand	4	237	17	220
Karnataka	10	130	94	36
Kerala	6	63	34	29
Madhya Pradesh	7	40	32	8
Maharashtra	11	402	179	223
Orissa	3	565	17	548
Punjab	11	117	99	18
Rajasthan	3	29	27	2
Tamil Nadu	1	46	46	0
Uttar Pradesh	17	51	51	0
West Bengal	11	46	32	14
<b>Total</b>	<b>116</b>	<b>2696</b>	<b>1050</b>	<b>1646</b>

## Appendix 14

(Ref. para 3.9 to 3.29)

Sl No.	Name of the Assessee/ CIT charge	Assessment Year(s)	Section under which Assessment is made/ Date of Assessment	Nature of Mistake	Tax effect (Rs. in lakh)
<b>Refer para No.3.9.2:Irregular exemption owing to non renewal of approval under section 10(23)</b>					
1	U.P. Cricket Association <b>Kanpur I</b>	2002-03	Summary February 2003	Non renewal of approval for exemption under section 10(23).	49.21 (including interest)
2	Orissa Cricket Association <b>Cuttack</b>	2001-02	Summary 22 October 2002	Non renewal of approval under section 10(23).	21.38
<b>Refer para No.3.12.4:Irregular exemption owing to non investment of accumulated income/investment made not in specified modes</b>					
3	Bihar / Jharkhand Cricket Association <b>Jamshedpur</b>	2001-02	Summary October 2002	Surplus amount was not invested in specified mode.	25.37
4	Saurashtra Cricket Association <b>Rajkot</b>	2001-02 2002-03 2003-04 2004-05 2005-06	Summary July 2003 July 2003 April 2004 June 2005 April 2006	Surplus amount was not invested in specified mode.	20.77
<b>Refer para No.3.14.2:Irregular exemption granted to corpus fund without specific direction</b>					
5	Mumbai Cricket Association <b>DIT (E), Mumbai</b>	2002-03 2003-04	Summary 28 August 2003 17 March 2005	Exemption granted to income without specific direction that they would form part of the corpus fund.	38.14
6	Maharashtra Cricket Association <b>Pune I</b>	2002-03	Summary 29 March 2003	Revenue income of Rs.1.46 crore incorrectly taken to corpus fund considering the same as voluntary contribution.	38.56
<b>Refer para No.3.15.2:Irregular exemption owing to non fulfilment of the basic objectives</b>					
7	The Organising Committee for conducting a benefit match for Gujarat Earthquake Relief Fund <b>DIT(Exemption), Chennai</b>	2001-02	Scrutiny 24 March 2005	With the purpose of generating and donating funds for the relief of Gujarat Earthquake, a one-day cricket match was organized and conducted on 23rd March 2001. It was decided to donate the entire excess of income over expenditure to the Gujarat Earthquake Relief Fund. Audit observed that the surplus amount of	48.54

				Rs.50.25 lakh was not remitted to Gujarat Earthquake Relief Fund for which the match was conducted.	
<b>Refer para No.3.17.2:Omission to deduct tax at source</b>					
8	Pondicherry State Sports Council <b>Pondicherry</b>	2001-02 to 2005-06	Not applicable	Pondicherry State Sports Council did not deduct tax at source from payments made to various sport personalities.	31.40 (including penalty)
<b>Refer para No.3.18.5:Income escaping assessment</b>					
9	Karnataka State Lawn Tennis Association <b>DIT (Exemption) Bangalore</b>	2001-02	Summary 28 November 2002	Short accountal of advertisement income by Rs.1.43 crore.	46.89
10	United Mohun Bagan Football Team <b>Kolkata IV</b>	2001-02 2002-03	Summary March 2002 February 2003	Short accountal of income of sponsorship fee by Rs.51.06 lakh.	23.75
<b>Refer para No.3.20.2:Non submission/delay in submission of income tax returns</b>					
11	Pondicherry State Sports Council <b>Pondicherry</b>	2002-03 to 2004-05	Not applicable	Return not filed.	28.08
<b>Refer para No.3.25.2:Irregular grant of exemption to the awards received by sport personalities</b>					
12	Kum. Koneru Humpy & Sri Koneru Ashok <b>Vijayawada</b>	2001-02 to 2005-06	Summary	Irregular exemption of awards not notified.	23.25
<b>Refer para 3.29.3: Incorrect computation of capital gain</b>					
13	Shri Sachin R. Tendulkar <b>Mumbai XIX</b>	2000-01 2002-03	Summary, 20.03.02 Summary, 25.01.03	Incorrect allowance of benefit of indexation on transfer of bonds other than capital indexed bonds.	28.38