



SUPREME AUDIT INSTITUTION OF INDIA  
लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest

# **Report of the Comptroller and Auditor General of India**

## **Subject Specific Compliance Audit on Outstanding Demand on Income Tax Assessees**

**Union Government  
Department of Revenue - Direct Taxes  
Report No. 14 of 2024**



**Report of the  
Comptroller and Auditor General of India  
for the year ended March 2022**

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Laid on the table of Lok Sabha and Rajya Sabha on \_\_\_\_\_



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## **Preface**

This Report for the year ended March 2022 has been prepared for submission to the President under Article 151 of the Constitution of India.

The Report contains significant results of the Subject Specific Compliance Audit (SSCA) of the Department of Revenue- Direct Taxes of the Union Government.

Instances mentioned in this Report are those which came to notice in the course of Audit of the outstanding demand on Income Tax assessees, as on March 2021, and conducted from November 2020 to July 2021 in phase I. A supplementary Audit was also conducted for 360 degree analysis of some high-value assessees in terms of outstanding demand, which continued till January 2023.

The SSCA has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.





## **Executive Summary**

The Income Tax Department (ITD) employs income tax provisions governing Tax demand arrears as crucial tools to recover tax demands and prevent tax evasion. Despite these provisions being in place to safeguard revenue interests, there has been a significant increase in the accumulation of arrears of tax demand over the years, with a persistently high percentage of tax demands termed as 'difficult to recover' by the ITD. There has been a steady increase in outstanding demand and the percentage of tax demand termed as 'difficult to recover' over total arrear tax demands continued to be abnormally high. Audit selected this topic to assess the robustness and effectiveness of the procedures in place in the ITD concerning the recovery of outstanding demand and, through a sample check, verified whether the ITD has taken adequate measures to liquidate the outstanding demand. The report also highlights a significant non-production of records, with the ITD failing to provide 42.26% of the requisitioned cases, thereby limiting the scope of audit. Additionally, ITD did not provide data on cases closed after March 2020, preventing verification of the correctness of the closure of these cases.

Audit noted several issues and shortcomings relating to incorrect reporting of outstanding demand; failure of or delay in recovery of outstanding demand; systemic issues such as the absence of granular data, lack of risk scoring technique in fixing targets, non-maintenance of dossier reports and weak monitoring and review mechanism.

Audit noticed instances of exaggerated tax demands raised by the ITD, such as not allowing credit for taxes already paid by the assessee, levying incorrect interest, and committing mistakes while giving effect to the appeal orders. The audit also noticed that figures of outstanding demand continued to include nullified demands. Delay in giving effect to appeal orders resulted in delayed issue of refunds; ITD had to refund the inflated demands collected along with interest under section 244A of the Income Tax Act, besides resulting in harassment and hardships to the assesseees.

The audit observed delays of up to seven years in giving effect to appeal orders passed by different appellate authorities, with one case still awaiting orders for over 11 years. Delays in passing consequential orders resulted in excess outstanding demand on records; the non-levy of interest under section 220(2) for the delay in paying tax demand resulted in the underreporting of outstanding demand. The CBDT still needs to ensure the implementation of necessary provisions in the current system to levy interest on outstanding demand annually, in terms of its own instruction.

Audit observed that though provisional attachment under Section 281B was invoked, no recoveries could be made by the ITD. TRO did not invoke specific powers as per Schedule II of the Act to attach and dispose of the properties, and the recovery process was slow, even after attaching properties in high-value cases. The audit further noticed that lack of sufficient information about an assessee's movable and immovable assets often resulted in delayed recovery of outstanding demand, in violation of the CBDT's instructions.

Audit also observed that the internal audit of TROs is not being conducted as a regular exercise in all regions, in compliance with the CBDT's instruction issued in July 2017. TROs could not achieve the target for disposal of TRCs even though the number of cases transferred from JAOs to TROs was insignificant. TROs could not reach even 50 per cent of the targets for the survey set by the CBDT. TROs also did not invoke special powers vested in them to attach property. Further, the Internal Control mechanism in the ITD needed to be improved, as evidenced by the non-maintenance of statutory registers by TROs, which, in turn, hampers recovery of outstanding demand.

CPC-ITR, Bengaluru, makes summary assessments, and the demands raised are reflected in the respective AO's portal for recovery. The recovery procedure for demand under summary assessment is similar to the demand raised under scrutiny assessment. However, the ITD needs to take effective action, such as preparing dossiers, attaching bank accounts, and transferring cases to TROs, to recover the demands raised under summary assessment.

Registration of attachment of properties with the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) is an essential part of the recovery mechanism to keep the ITD's right over other creditors intact. Failure to register even a single case of attachment with CERSAI, even after a lapse of over four years of issue of instructions by DIT (Recovery and TDS), shows a lack of internal control in the recovery process.

Though the dossier reports served as a significant tool to the monitoring authorities for analyzing outstanding demands, formulating policies, and setting up targets for collection/recovery, the AOs did not bestow the requisite attention, as evidenced by cases involving non-preparation of dossier reports and discrepancies in preparation of the same.

Audit further noticed that given the arithmetical inaccuracies and other discrepancies, the CAP-I statements data are unreliable. The accuracy of the data in CAP-I could not be verified in the absence of granular details. Generation of CAP-I and CAP-II data is a combination of automated process and manual adjustment; Audit could not validate the sources for the CAP-I statement. Audit noticed that Protective Demands which are not collectible

demands, have been included in the figure of outstanding demand and placed under 'demand difficult to recover' in the CAP-I statement. Cases where tax deducted at source has been deposited into the government account, but the assessee is yet to get the credit of TDS claimed are being classified as 'demand difficult to recover', contributing significantly to an increase in the figure for the 'demand difficult to recover' category. Audit observed inconsistencies in reporting and non-monitoring of discrepancies as data from various sources like the e-filing portal, the Central Action Plan, the ITBA portal and budget documents, requiring reconciliation of these outstanding demands.

Further, there was a difference in the number of duplicate demands in different ITD data sources, resulting in incorrect reporting of outstanding demand. No information was shared by the ITD on the action taken in compliance with specific instructions issued by the CBDT in its Interim Central Action Plan for the year 2021-22. The duplicate entries continue to exist, and fresh duplicate cases are added every year.

The audit highlighted the failure of ITD's monitoring and review systems to provide accurate and reliable data on outstanding demands, hampering the effective implementation of recovery measures. Despite efforts towards automation, granular data essential for targeted interventions remained elusive.

Audit could not derive assurance on the existence and effective functioning of any committee at any level to consider eligible cases for write-off. Thus, the primary objective of protecting the interest of revenue and preventing further accumulation of tax arrears remained unfulfilled to a large extent. The findings underscore the urgent need to revisit and strengthen the existing recovery procedures to ensure that the primary objective of protecting revenue interests and curbing further accumulation of tax arrears is met.

## Summary of Recommendations

### Audit recommends that:

- *Categorisation of data is essential to identify high-risk vis-à-vis low-risk cases. ITD may evolve a system / enable provision to extract data from e-filing/ ITBA to identify and segregate high-risk assessees, enabling the Assessing officers / TROs to put sustainable efforts into the collection process.*

*(Para 4.2.7)*

- *The CBDT may ensure redressal of grievances within 30 days as per the commitment made in its taxpayer's charter and, wherever necessary, consider taking remedial action, including fixing responsibility for not taking timely action.*

*(Para 5.3.1)*

- *The CBDT may ensure that details of the assessment set aside are updated in the ITBA Recovery system module to reflect the current and actual status of demand and avoid reflecting inflated, non-existent demands.*

*(Para 5.3.2)*

- *The CBDT may*
  - (i) ensure fixing realistic targets for cash collection and reduction in arrear demand as fixing a uniform percentage of 40 per cent for reduction in arrear demand as per the Central Action Plans does not appear to be realistic or practical.*
  - (ii) consider devising a fast-track process periodically to resolve and settle the high outstanding demand cases under dispute pending in the courts for years.*

*(Para 5.3.3)*

- *The CBDT may consider speeding up the recovery process where the provisions of Section 281B of the Act were invoked, taking into account the nature of the asset attached and the volume of outstanding demand.*

*(Para 5.3.4)*

- *The CBDT may ensure preparation of the dossiers for all cases of outstanding demands exceeding the specified threshold limit, and monitor compliance of its instruction no. 10/2015 dated 16/09/2015.*

*(Para 6.2.1)*

- *The CBDT may ensure that the time limit prescribed under Section 153 of the Income Tax Act in giving effect to Appellate Orders is strictly*

*adhered to and adherence thereto is monitored. The CBDT may consider taking action in cases where inordinate delay(s) have been noticed without any justification.*

*(Para 6.2.4)*

- *The CBDT's instruction for collection of the minimum prescribed limit for the disputed demand for granting a stay of demand may be enforced for scaling down outstanding demand. The CBDT may consider taking action for non-compliance without justification*

*(Para 6.2.5)*

- *The CBDT may issue suitable instructions and follow-up procedures to ensure faster clearance of TRCs and strengthen the recovery process. The CBDT may consider taking action in cases where inordinate delay(s) have been noticed without justification.*

*(Para 6.3.1)*

- *Since the prescribed registers are critical for recovery and monitoring outstanding demands, the CBDT may ensure that all the prescribed registers are maintained and updated periodically by TROs and consider taking action in non-compliant cases.*

*(Para 6.3.6)*

- *The CBDT's instructions on conducting internal audits of TROs need to be reiterated, and action taken to ensure effective compliance with them in a timely manner.*

*(Para 6.6)*

- *The CBDT may*
  - (i) review and streamline the system process to maintain accurate, granular data for the CAP-I statement at each Assessment unit level to facilitate extraction of assessee-wise details from CAP-I and CAP-II statements at all PCsIT, Pr.CCsIT level for better coordination and monitoring of recovery of demands.*
  - (ii) consider issuing/ reiterating instructions for preparing these statements uniformly across all regions and data sources;*
  - (iii) further, training may also be considered to avoid inconsistency in preparation of MIS reports.*

*(Para 7.1)*

- *The CBDT may ensure effective reconciliation of arrear demand reflected on the CPC-ITR portal with the CAP-I statement to enable uniformity and correctness in reporting on priority to enable recovery of*

*the correct outstanding demands and monitor reduction in the actual arrear demand.*

*(Para 7.2.3)*

- *The CBDT may monitor and ensure that there are no duplicate entries in the system and that the existing duplicate entries are eliminated in a time-bound manner. Further, reasons for the originating of duplicate demands may be identified, and rectification required is carried out at a granular level, on priority.*

*(Para 7.2.4)*

- *The CBDT may ensure that:-*
  - (i) Realistic targets for reducing outstanding demand may be fixed considering risk factors like age, amount of demand, possession of assets by assessee, status of pendency in appeals, assessee not traceability, etc. Clearing arrear demand should be prioritised.*
  - (ii) Risk-profiling techniques adopted by the CBDT to fix targets for cash collections may also be used to fix targets for reducing arrear demands with appropriate changes.*
  - (iii) Targets for reduction in arrear demand are fixed after considering various aspects on a Region-wise/jurisdiction-wise basis including past performance, nature/ type of assessee, etc. Fixing uniform targets without considering factors specific to the jurisdiction, assessments, etc., is not logical.*

*(Para 7.3.1)*

- *The CBDT needs to develop a mechanism of mapping the PAN details obtained from the various authorities in the AIS with the PAN details of demands categorised under 'Assessee not traceable' to identify and track the assessee, either at the time of assessment or after the completion of the assessment.*

*(Para 7.3.4)*

- *The CBDT may review the classification of factors shown under the category 'demand difficult to recover', so that only actual outstanding demands are reflected in the CAP-I report. Capturing figures of protective demand and cases of TDS mismatch under 'demand difficult to recover' gives an incorrect picture of the status of outstanding demand.*

*(Para 7.3.5 and 7.3.6)*

- *The CBDT may ensure that:-*
  - (i) the format of the CAP-II statement with regard to write-off cases is suitably modified to give adequate and correct information.*

*(ii) the formation of various committees and their functioning regarding the timely disposal of write-off cases are effectively monitored.*

*(iii) a periodical review of the outstanding demand to identify unrealisable demands is assessed and necessary action is taken in a timely manner to get these demands written off. The write-off of small money value cases should be taken up as a priority as it would result in a significant reduction in terms of the number of cases, if not in terms of money value.*

*(Para 7.3.8)*

- *The CBDT may*

*(i) prioritise recovery of outstanding demands under summary assessments as those are not pending with any appellate authorities, and are collectible.*

*(ii) issue periodical alerts to remind the assessees of their outstanding demands and while issuing an intimation of the assessment order, the pending demands for earlier years, if any, may also be mentioned.*

*(iii) ensure monitoring of compliance by Jurisdictional AO, especially when demands are raised summarily under section 143(1) of the Act, should be effective, and such cases may be referred to TRO if required after JAO has exhausted all the options available in the provisions of the Income Tax Act.*

*(Para 7.5)*





## Chapter 1 Introduction

### 1.1 Overview

Revenue receipts which play a significant role in the development of a nation are of two types- Tax revenue and Non-tax revenue. Tax revenue is the primary source of income for the Government. Taxes are levied to finance government activities and form a part of the Receipt Budget, which in turn is part of the Annual Financial Statement of the Union (Budget). Total tax revenue as a percentage of GDP indicates the share of the country's output collected by the Government through taxes. This is regarded as one measure of the degree to which the Government controls the economic resources. The tax revenue consists of both Direct<sup>1</sup> and Indirect taxes<sup>2</sup>, but this Report deals with the outstanding demand<sup>3</sup> only in respect of Direct Taxes.

In the Indian economy, direct tax collection plays a substantial role in the overall fiscal management of the Government and the nation's development. Direct taxes are collected through various modes such as Tax Deducted at Source (TDS), Advance Tax, Self-Assessment Tax (SAT) and Regular Assessment Tax for both Corporation Tax and Income Tax. The pre-assessment tax collection is voluntary compliance by the entities/taxpayers through TDS, Advance Tax and Self-Assessment Tax, whereas collection of tax through the regular assessment stage occurs post-assessment. The Department of Revenue is the central authority that exercises control in matters relating to Direct Taxes through the Central Board of Direct Taxes (CBDT), hereinafter referred to as the CBDT.

The entire object of tax administration is to secure revenue for the Government and not charge the assessee more tax than is due and lawfully payable. To curb black money, the Income Tax Act of 1961 has empowered the Revenue Department with coercive and intrusive action to recover the tax demand, including the power to arrest and detain an assessee in default.

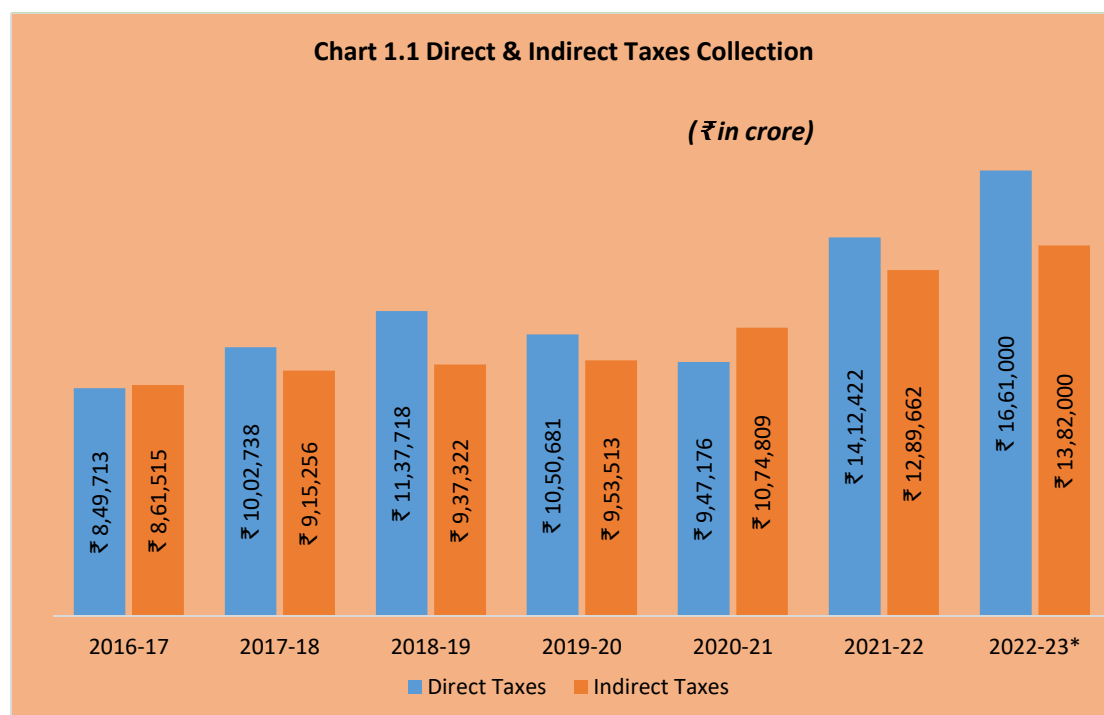
The following Chart 1.1 shows the collection of Direct and Indirect Taxes as components of total tax collection for year 2016-17 to 2022-23:

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<sup>1</sup> Income Tax, Capital Gains Tax, Corporation Tax, Wealth Tax, Securities Transaction Tax, etc.

<sup>2</sup> Good and Services Tax (GST), Customs Duty, Value Added Tax (VAT), etc.

<sup>3</sup> Word 'Outstanding demands' in this Report includes both arrear demand and current demand.



Source: Income Tax Department Time Series Data for financial year 2016-17 to 2021-22 and Press Information Bureau, GOI for \* Provisional figures of the year 2022-23. The amounts are taken after adjustment of refunds.

The above Chart shows that Direct Tax collections have always been higher than Indirect Taxes, except in the years 2016-17 and 2020-21, when Indirect Taxes exceeded Direct Tax collections.

More than ninety *per cent* of the tax collection is through voluntary compliance by taxpayers. TDS and Advance Tax are significant contributors to the pre-assessment tax collections. The direct tax collection through TDS, Advance Tax and Self-Assessment Tax has consistently increased over the years (except in year 2019-20). While a significant part of the Direct Tax collections accrue from voluntary compliance, less than 10 *per cent* of the tax collections are made through post-assessment procedures, as depicted in Table 1.1 below.

| Table 1.1: Pre-assessment and Regular assessment collections of Direct Taxes |          |             |                     |                           |                        |                | (₹ in crore)                                              |
|------------------------------------------------------------------------------|----------|-------------|---------------------|---------------------------|------------------------|----------------|-----------------------------------------------------------|
| Financial Year                                                               | TDS      | Advance Tax | Self-Assessment Tax | Pre-Assessment Collection | Regular Assessment Tax | Total Receipts | Percentage of Pre-assessment collection to Total Receipts |
| (1)                                                                          | (2)      | (3)         | (4)                 | (5) = (2)+(3)+(4)         | (6)                    | (7)=(5)+(6)    | (8)                                                       |
| 2015-16                                                                      | 2,87,412 | 3,52,899    | 54,860              | 6,95,171                  | 63,814                 | 7,58,985       | 91.59                                                     |
| 2016-17                                                                      | 3,43,144 | 4,06,769    | 68,160              | 8,18,073                  | 74,138                 | 8,92,211       | 91.69                                                     |
| 2017-18                                                                      | 3,80,641 | 4,70,242    | 83,219              | 9,34,102                  | 92,044                 | 10,26,146      | 91.03                                                     |
| 2018-19                                                                      | 4,50,769 | 5,27,529    | 84,174              | 10,62,472                 | 99,032                 | 11,61,504      | 91.47                                                     |
| 2019-20                                                                      | 4,80,383 | 4,67,315    | 85,099              | 10,32,797                 | 67,620                 | 11,00,417      | 93.86                                                     |
| 2020-21                                                                      | 4,70,275 | 5,17,769    | 84,734              | 10,72,778                 | 42,296                 | 11,15,074      | 96.21                                                     |

Source: Pr. Chief Controller of Accounts, CBDT

## 1.2 Assessment and Tax Recovery Mechanism

An efficient tax administration focuses not only on voluntary compliance, quality of assessment, etc. but also on a robust and systematic collection mechanism that aids in reducing outstanding demand.

As per the existing system in ITD, after filing the Income Tax Return in the e-filing portal by a taxpayer, the return is summarily processed<sup>4</sup> by CPC-ITR, Bengaluru, under Section 143(1), and the tax demand, if any, is raised through an intimation issued to the taxpayer. In the case of regular assessments<sup>5</sup> under Section 143(3), the tax demand is raised upon completion of assessment by the Assessing Officer (AO) when it is found that any tax, interest, penalty, fine or any other sum, as applicable, is payable by the assessee. Accordingly, the AO serves upon the assessee a notice of demand<sup>6</sup> under Section 156, in the prescribed form, specifying the demand so payable.

After the introduction of faceless assessments in October 2019, the assessment proceedings are conducted electronically in "e-proceeding" mode through the assessee's registered account. The assessments under Sections 143(3), 144, re-assessment or re-computation under Section 147 are made in a faceless manner in respect of specified territorial areas<sup>7</sup>, persons, income or class of cases. After the designated Faceless Assessment Units make an assessment, demand notices are issued by the National Faceless Assessment Centre (NaFAC). Thereafter, all the electronic records of the case are transferred to the Assessing Officer having jurisdiction over the said case for such action as may be required under the Act. However, there has been no change in the processing of returns under Section 143(1) by CPC, Bengaluru, after introducing the Faceless Assessment Scheme. Further, the intimation of any sum determined to be payable by the assessee under Section 143(1) is also deemed to be a notice of demand under Section 156. Whether a case has been processed in summary or assessed in regular assessment, if the assessee fails to pay the tax demand within the time limit specified in the notice, it becomes an outstanding demand. Consequently, the jurisdictional AOs and jurisdictional TROs are responsible for collecting outstanding demand. Jurisdictional Pr.CsIT, Pr.CCsIT and other designated authorities monitor its ultimate reduction or collection.

<sup>4</sup> A preliminary assessment, referred to as a Summary Assessment, is done under Section 143(1) of the Act.

<sup>5</sup> A detailed assessment as per the provisions of section 143(3) of the Act, referred to as Scrutiny Assessment/regular assessment, through which detailed scrutiny of the return of income will be carried out to confirm the correctness and genuineness of various claims, deductions, etc., made by the taxpayer in the return of income.

<sup>6</sup> A notice of demand, in the prescribed form, served by the AO upon the assessee specifies the sum so payable towards any tax, interest, penalty, fine, or other sum in consequence of any order passed.

<sup>7</sup> Except for Investigation and International Taxation circles

The data on outstanding demand is one of the key inputs for policy formulation of the ITD and for the Government in annual budget preparation. The Receipt Budget of the Government of India also exhibits the tax revenue raised but not realised, i.e., outstanding demand as on 31 March 2021, as detailed in Table 1.2 below:

| Table 1.2: Outstanding Demand of Direct Tax        |                                  |                                      |                              |
|----------------------------------------------------|----------------------------------|--------------------------------------|------------------------------|
| (₹ in crore)                                       |                                  |                                      |                              |
| Category                                           | Outstanding demand under dispute | Outstanding demand Not under dispute | Total outstanding tax demand |
| Over 1 year Less than 2 Years                      | 6,58,110                         | 2,35,632                             | 8,93,742                     |
| Over 2 years less than 5 years                     | 3,40,349                         | 1,31,051                             | 4,71,400                     |
| Over 5 years less than 10 years                    | 32,765                           | 9,659                                | 42,424                       |
| Over 10 years                                      | 26,415                           | 7,274                                | 33,689                       |
| <b>Total</b>                                       | <b>10,57,639</b>                 | <b>3,83,616</b>                      | <b>14,41,255</b>             |
| Source: Annexure 5 of Receipts Budget Year 2022-23 |                                  |                                      |                              |

The above table shows that for the year ending 31 March 2021, the accumulated demand raised but not realised, i.e., outstanding tax demand stood at ₹ 14,41,255 crore, of which ₹ 10,57,639 crore was shown as 'under dispute', representing 73.38 per cent.

### 1.3 Role of Jurisdictional AO and TROs

The Jurisdictional Assessing Officers (JAOs) and Tax Recovery Officers (TROs) play a vital role in collection of demands. The main functions of an Assessing Officer (AO) include assessment of income, issue of demand notices, collection of demand, etc. According to the ITD, all arrears and current demands are available on the erstwhile Assessment Information System (AST)<sup>8</sup> / Income Tax Business Application (ITBA)<sup>9</sup> / manual uploads are consolidated in the Centralised Processing Centre-Financial Accounting System (CPC-FAS)<sup>10</sup> at the CPC-ITR, Bengaluru<sup>11</sup> and integrated with ITBA and is accessible to AO in the

<sup>8</sup> The AST module was the core process of ITD applications, conceptualized as online, menu-driven software capable of carrying out all assessments and related functions.

<sup>9</sup> The portal aimed to create a paperless electronic process by strengthening the ITD application and providing a single-user interface to access various functionalities in the ITD.

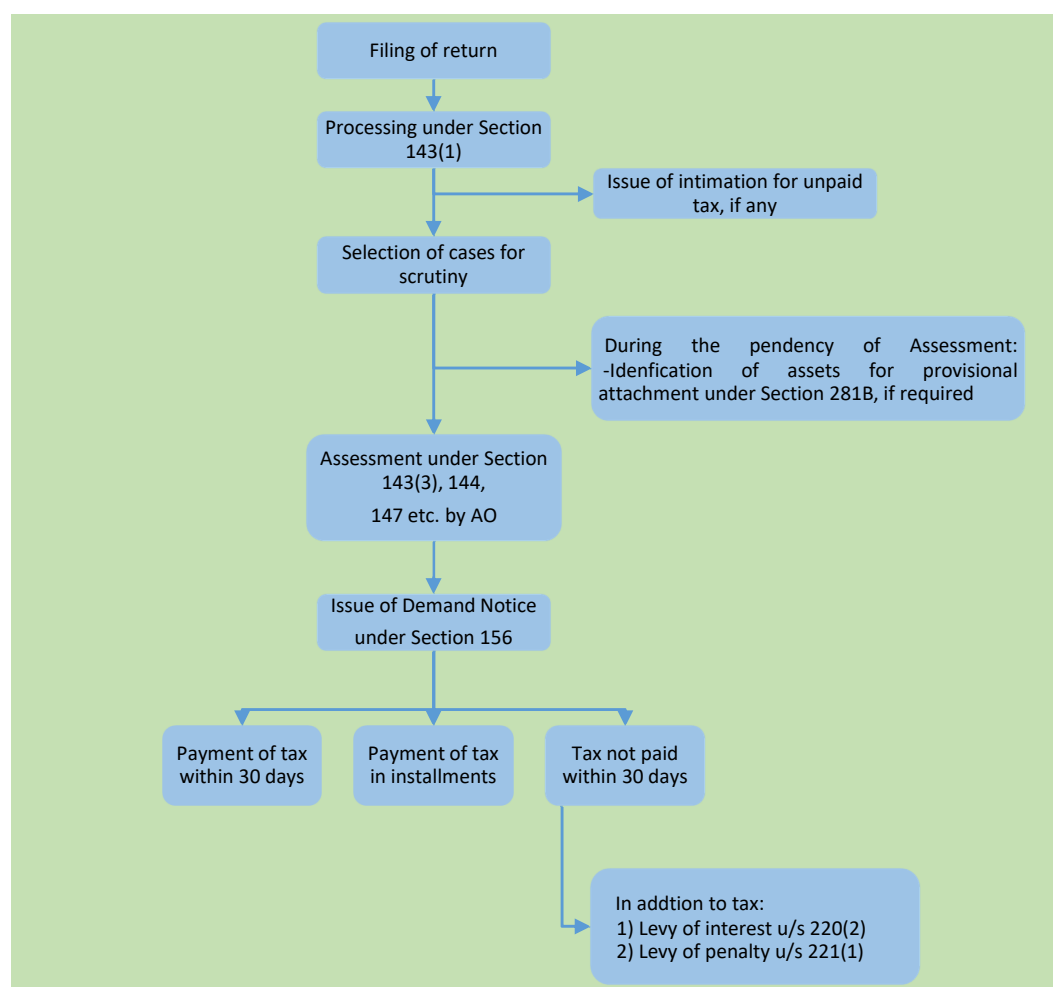
<sup>10</sup> It works as the back-end system and interacts with all the front-end systems, i.e., the CPC-ITR Portal, the ITBA Portal, the OLTAS portal, AST portal legacy, for data processing of data, calculation of demand refund and sends the data required to the front-end system.

<sup>11</sup> The Central Processing Centre set up by the ITD at Bengaluru for processing of all e-filed returns in the country and paper returns (filed in Karnataka and Goa), rectifying the mistakes which are apparent from processing of returns under section 154, to call for information under section 133, to declare return of income filed by the assessee as invalid return for non-compliance of procedure or otherwise, to declare return of income filed by the assessee as defective return under sub-Section (9) of Section 139, processing of Summary Assessments under section 143(1), to set-off or adjustment of refunds against outstanding tax liability of the assessee under section 245 and to issue notice of demand under section 156 of the Act.

Recovery Module of ITBA. The AOs access the details of the assessee's outstanding demand through two portals, viz. ITBA and e-filing<sup>12</sup> Portal.

In collecting outstanding demand, the AOs are empowered to take coercive action by way of attachment of bank account, rent due to the assessee, etc. The role of the Tax Recovery Officer (TRO) commences after the AO has exhausted all possible methods as specified in the Act to recover the outstanding demand. The TROs have exclusive power to attach properties, arrest and detain assessee in prison, and appoint a receiver to manage properties. The powers and functions of AOs and TROs are detailed in Chapter 6 and **Appendix 1** of this Report. The process that involves raising the demand for tax collection at the level of AOs and TROs is given in the following charts: 1.2 (A) & (B):

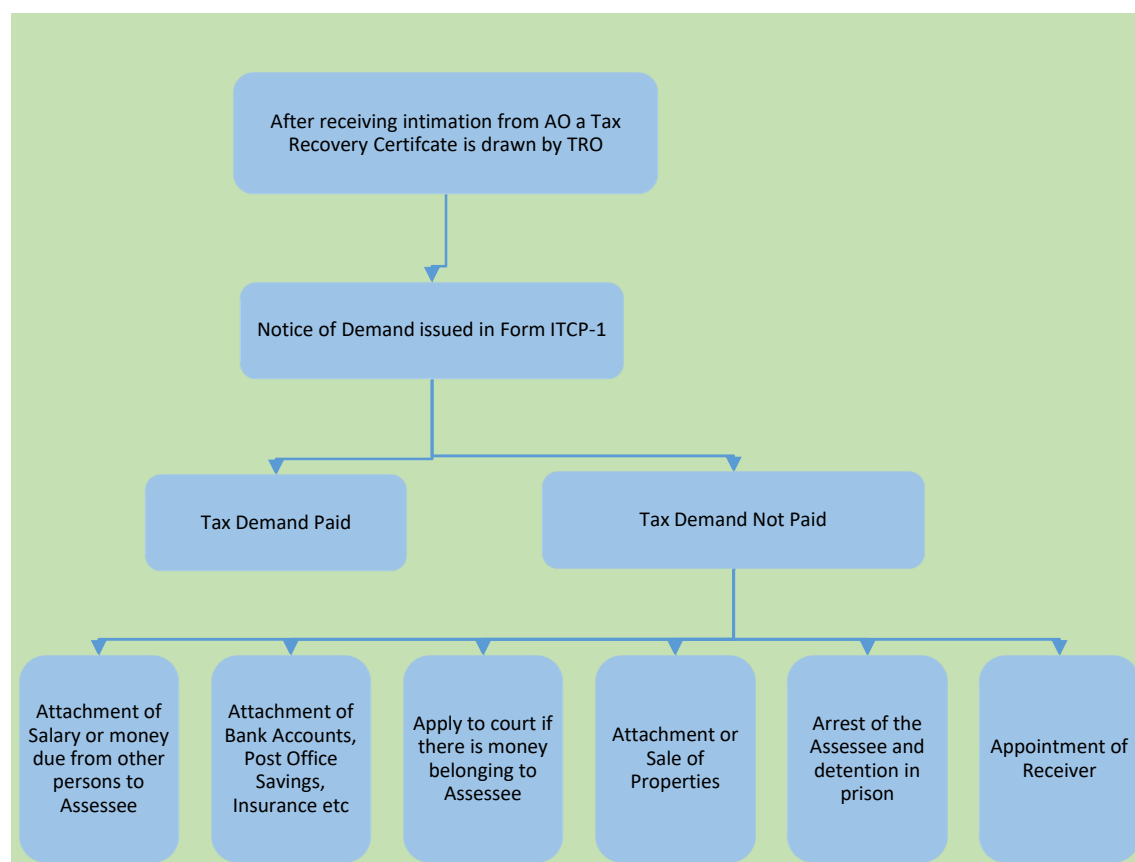
**Chart 1.2 (A) : Process Flow chart of Assessment and Collection of Tax**



Source: On the basis of provisions of Income Tax Act 1961

<sup>12</sup> An official portal of ITD, Ministry of Finance, Government of India, was developed as a Mission-Mode Project under the National E-Governance Plan to provide taxpayers and other stakeholders with single-window access to income tax-related services maintained by the Central Processing Centre - ITR, Bengaluru.

**Chart 1.2 (B) : Collection of Demand through Tax Recovery Officers (TROs)**



Source: Tax Recovery Officer's Manual

#### **1.4 Monitoring of outstanding demand by the Income Tax Department**

The CBDT collates and compiles some MIS reports as part of the internal reporting system, such as CAP-I<sup>13</sup>, CAP-II<sup>14</sup>, Dossier etc. for monitoring the outstanding demand and fixing of annual targets for reduction in arrears of tax demand, cash collection, reduction in appeal cases at CIT (A) level etc. Information gathered from these reports is also instrumental in guiding the policy making. CAPI and CAP-II reports are prepared at AO level on monthly basis by the Assessing Officers and are consolidated at PCIT / Pr. CCIT level and finally by the CBDT.

Dossiers are quarterly reports prepared in respect of an assessee with an arrear demand. All these reports show the gross demand, demand difficult to recover, demand not collectible, net-collectible demand, appeal status etc.

<sup>13</sup> CAP-I statement depicts the opening balance of outstanding demand for the month, demands generated during the month, demand collected, other statistical details related to 'demand difficult to recover' and its categorization under various heads like 'Assessee not traceable', 'no assets for recovery', etc.

<sup>14</sup> CAP-II statement provides details of the number of returns processed, number of scrutiny assessments completed, appeal effects, penalty proceedings, refunds, write-off of arrear demand, etc.

Preparation and maintenance of dossiers by AOs and reporting thereon in respect of outstanding demands of high value cases is an important function which supplement the collection process. In order to give greater thrust on the critical area in recovery of outstanding demand, the CBDT notified (September 2015) the revised monetary limits for its authorities to monitor the outstanding demands. These monetary limits have been revised again by an order issued in November 2022 as shown in the Table 1.3 below:

| <b>Table 1.3: Process of Monitoring of outstanding demand by ITD through Dossiers</b> |                                                                                                                                                                                                                         |                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Monitoring Authority</b>                                                           | <b>As per CBDT order dated 16<sup>th</sup> September 2015</b>                                                                                                                                                           | <b>As per CBDT order dated 3rd November 2022</b>                                                                                                                                                             |
| Range Head                                                                            | Up to ₹ 30 lakh                                                                                                                                                                                                         | ₹ 10 lakh to ₹ 1 crore                                                                                                                                                                                       |
| Pr. CIT                                                                               | Above ₹ 30 lakh to ₹ 3 crore                                                                                                                                                                                            | Above ₹ 1 crore to ₹ 25 crore                                                                                                                                                                                |
| CCIT                                                                                  | Above ₹ 3 crore to ₹ 15 crore                                                                                                                                                                                           | (i) For Delhi and Mumbai region: Above ₹ 25 crore to ₹ 250 crore<br>(ii) For other regions: Above ₹ 25 crore to ₹ 100 crore                                                                                  |
| Pr. CCIT                                                                              | Above ₹ 15 crore to 25 crore                                                                                                                                                                                            | (i) For Delhi and Mumbai region: Above ₹ 250 crore to ₹ 500 crore<br>(ii) For other regions: Above ₹ 100 crore to ₹ 500 crore                                                                                |
| Pr. DGIT (Admin)                                                                      | All dossiers above ₹ 25 crore by Pr. DGIT (Admin) with assistance of ADG (Recovery) Pr. DGIT (Admin) to monitor specific very high demand cases on the directions of Member (Revenue) with assistance of ADG (recovery) | All dossiers above ₹ 500 crore by Pr. DGIT (Admin & TPS) with assistance of ADG (Recovery) Pr. DGIT (Admin & TPS) would submit proposals for monitoring very high demand cases for approval of Members (TPS) |
| Member (Revenue), CBDT                                                                |                                                                                                                                                                                                                         | ---                                                                                                                                                                                                          |

### 1.5 Raising tax in Faceless Assessment

As per the information gathered by Audit on present system of raising tax in ITD, once the Income tax return is filed by an assessee through the e-filing portal, the same is verified and processed by the CPC-ITR, Bengaluru through the CPC-ITR portal and Demand notice/refund order is issued. The demand outstanding, if any, is exhibited in the ITBA portal '360 degree Demand recoverability status' under the Jurisdictional Assessing Officer's control.

In respect of scrutiny assessment cases, after assessment is completed by AO/Faceless assessment unit, along with the interaction with CPC-FAS for calculation purpose, demand is issued to assessee through the ITBA and the demand is shown as pending in the 'ITBA recovery module'. All the possible subsequent actions like appeal, rectification, giving effect order, penalty, recovery of demand, etc., are taken similarly through the Income Tax Business Application (ITBA). Specific modules like 'Assessment', 'Rectification',

'Recovery', etc., are available in ITBA for each of the functions of the Assessing Officer. Through 'Recovery' Module, a dossier report is prepared and demand analysis and demand recovery details with respect to the assessee are entered in the system. The legacy AST application is still being used by AOs for revision/rectification of assessments relating to ITRs of earlier years. After completion of revision /rectification etc., the demands are uploaded in ITBA. This information is transmitted to the CPC-ITR also for updating the same in the e-filing portal and for communication to the assessee. This process has been explained in **Appendix 2**.

For generating various reports for monitoring and MIS purposes, CBDT uses various functionalities in the IT systems of Income Tax Department, as discussed below:

- i. CPC-ITR Portal – It is involved in processing of returns under Section 143(1), making rectifications under Section 154, issue of demand notice/refund order. It interacts with the back end CPC-FAS system for calculations and other process and also interacts with the e-filing portal.
- ii. ITBA – It is the front end system used by the Assessing officers for assessments, is used to prepare demand calculations arising out of assessment orders, rectifications, reassessment orders, appeal revisions by the Assessing officers and interacts with CPC-FAS.
- iii. CPC-FAS – It works as the back end system and interacts with all the front end systems i.e. CPC-ITR Portal, ITBA Portal, OLTAS portal, AST portal legacy for processing of data, calculation of demand, refund and sends the data required to the front end system<sup>15</sup>.
- iv. AST- 'Assessment Information System' is the legacy system prior to ITBA. Revision/ rectification of assessments completed in the erstwhile AST are at present manually uploaded by the Assessing officers in the ITBA.
- v. OLTAS- Online Tax Accounting System is the system application through which the challan details for payment of tax, penalty, interest, refunds etc. are dealt with.
- vi. I-taxnet- is the reporting system through which the CAP-I, CAP-II and Dossiers reports are internally generated and submitted to the appropriate authorities.

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<sup>15</sup> It enables users to access and request the features and services of the underlying information system.



## Chapter 2 Vision, Action Plan and Legal Provisions

The "Vision 2020" document of the ITD spelled out the Vision, Mission and Values. It analyzed the major challenges confronting the ITD and various opportunities likely to be thrown up by these challenges during the strategic plan period 2011-15. As part of the 'Vision 2020'-Strategic Plan 2011-15, the ITD intended to put in place a detailed collection plan<sup>16</sup> for developing a tax collection strategy for arrear demands and improving efficiency and productivity in collections.

The actions to be taken, as per the detailed plan, were stated in the Vision document as action points, viz. Developing an annual collection plan that would set targets and time standards for both current and arrear demand to be collected based on (a) Analysis of the nature of current and arrears demand to identify collection pattern; (b) Analysis of the tax records of taxpayers; and (c) Use of risk scoring techniques to create risk profiles of debtors. Other action points included improving communication to make taxpayers understand their obligations, developing effective procedures for writing off uncollectible tax arrears, including both pre-assessment and post-assessment taxes in the demand analysis and considering separation of assessment and collection function.

The CBDT laid emphasis on attaining the objectives of the "Vision 2020" document while preparing the Annual Central Action Plans.<sup>17</sup> Through its Central Action Plan, the CBDT fixes region-wise targets for reduction in arrear demand, including cash collection, reduction in appeal cases, etc. The regional Pr.CCITs are entrusted with the responsibility of achievement of the target set out in its Central Action Plan. It specialises on several critical areas, such as litigation management of cases locked up in appeals, improving quality in diverse areas of work and strengthening compliance and enforcement functions.

### 2.1 Statutory Provisions

The statutory provisions relating to the recovery of arrears of tax due from the assesseees are contained in Sections 220 to 232 under Chapter XVII of the Income Tax Act, 1961. The Second Schedule of the Act deals extensively with the procedure for the recovery of Tax. Details of sections related to levy and collection of tax have been explained in brief in Table 2.1 below:

<sup>16</sup> Chapter 4 Strategic Plan - Para 4.2.6 Developing a tax collection strategy

<sup>17</sup> The Central Action Plan is a comprehensive plan that seeks to address all the current priorities of the ITD in a holistic manner.

| Table 2.1: Salient provisions relating to recovery of tax/ outstanding demand |                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sections of the Income Tax Act 1961                                           | Issues concerned/covered                                                                                                                                                                                                                            |
| 140A(3)                                                                       | This section provides that where any tax is payable on the basis of the return furnished, and the assessee fails to pay the whole or any part of such tax, he shall be deemed to be an assessee in default, in respect of the tax remaining unpaid. |
| 156                                                                           | It deals with the issue of a notice of demand in a prescribed form with respect to any tax, interest, penalty, fine, or any other sum payable by the assessee within a specified time limit.                                                        |
| 220(2)                                                                        | When the amount specified in notice of demand is not paid within the time limit, interest at the rate of one <i>per cent</i> for every month of delay is required to be levied.                                                                     |
| 221(1)                                                                        | When an assessee is in default in making payment of tax, he is liable to pay a sum (as AO directs) as a penalty in addition to arrears of demand and interest.                                                                                      |
| 222                                                                           | This section deals with the Tax recovery certificate drawn by the TRO in respect of an assessee who is in default in making tax payments and ways to recover the specified amount of tax.                                                           |
| 223                                                                           | In this section, jurisdiction of TROs has been defined. The jurisdiction of TRO is decided on the basis of place of business or place of residence of the assessee.                                                                                 |
| 224                                                                           | This section deals with the validity of <i>certificates</i> and the TROs' power to correct or cancel them.                                                                                                                                          |
| 225                                                                           | This section is related to stay proceedings in pursuance of the certificate and amendment or cancellation thereof.                                                                                                                                  |
| 232                                                                           | This section provides that the modes of recovery specified in Chapter XVII shall not affect any law relating to the recovery of debts due to the Government or the right of the Government to institute a suit for recovery of tax arrears.         |
| 245                                                                           | This section deals with the power of ITD to set off a refund due to an assessee against any sum that has remained payable by him under the Act after giving an intimation.                                                                          |
| 265                                                                           | Tax shall be payable even if a reference has been made to the High Court or the Supreme Court or an appeal has been preferred to the Supreme Court.                                                                                                 |
| 281B(1)                                                                       | This section deals with the Provisional Attachment of property by the AO during the pendency of any proceeding for assessment of income that has escaped assessment.                                                                                |

## 2.2 Circulars and Instructions of the CBDT

The IT Act also empowers<sup>18</sup> the CBDT to issue instructions and directions to the field formations in the administration of the provisions of the Act. Accordingly, the CBDT issued various circulars/instructions/general orders to its field formations on matters relating to demand, collection and recovery of tax. The relevant circulars/instructions are briefly described in the following paragraphs:

### 2.2.1 Action plan to reduce the arrears of tax demands

The CBDT had identified<sup>19</sup> (June 1992) 'Reduction of Outstanding Demand of Income Tax as one of the Key Result Areas (KRA)' and laid down targets for the amount of income tax demand to be carried forward to the following year, reduction of arrear demand brought forward and reduction of current demand.

### 2.2.2 Guidelines for staying and recovery of outstanding demands

The CBDT had reiterated.<sup>20</sup> (December 1993) that every demand should be recovered as soon as it becomes due and that demand may be kept in abeyance for valid reasons only. It also specified detailed guidelines on (i) Responsibility, (ii) Stay Petitions, (iii) Staying Demands, etc., duly stating that the Assessing Officers (AO) and Tax Recovery Officers (TRO) concerned, as the case may be, and the immediate superior officer shall be held responsible for ensuring compliance with these instructions.

### 2.2.3 Revised annual norm for disposal of recovery certificate by TRO

While drawing the Action Plan for the TROs, the CBDT had fixed target<sup>21</sup> for disposal of 20 *per cent* of brought forward Tax Recovery Certificates (TRCs) or 150 TRCs by each TRO, to be achieved by the end of the respective financial year.

<sup>18</sup> Sub-section 2 of Section 119, provides that the CBDT may, if it considers it necessary or expedient to do, for the purpose of proper and efficient management of the work of assessment and collection of revenue, issue, from time to time, general or special orders in respect of any class of incomes or fringe benefits or class of cases, setting forth directions or instructions (not being prejudicial to assessee) as to the guidelines, principles or procedures to be followed by other Income-tax authorities in the work relating to assessment or collection of revenue or the initiation of proceedings for the imposition of penalties and any such order may, if the CBDT is of opinion that it is necessary in the public interest so to do, be published and circulated in the prescribed manner for general information.

<sup>19</sup> Chairman CBDT D.O. F. No. 17/1/92-OD/DOMS dated 03 June 1992

<sup>20</sup> CBDT Instruction No. 1914 dated 02 December 1993

<sup>21</sup> CBDT Central Action Plans for the years 2017-18 / 2018-19 and 2019-20

#### 2.2.4 Monitoring the performance of TROs

The CBDT fixes targets for the clearance of TRCs and conducting surveys by TROs in its Annual Central Action Plan. While emphasizing that the TROs must be effectively used for tax recovery work in a big way, the CBDT<sup>22</sup> (September 1999) stated that TROs' performance would be judged solely by the cash collection they achieved and that it was imperative to give proper emphasis to the recovery work by deploying adequate manpower and proper infrastructure to effect recovery of taxes in a meaningful way.

#### 2.2.5 Raising of Monetary Ceilings for Write-off and Reconstitution of Committees

The CBDT reviewed and modified<sup>23</sup> (November 2003) the existing structure of the committees to constitute a three-tier structure for the write-off of irrecoverable dues under the Regular Procedure as (i) Zonal Committee, (ii) Regional Committee and (iii) Local Committee, and also redefined the monetary ceilings for each level **(as shown in Appendix 3 B)**. The CBDT also fixed (November 2003) the monetary ceiling for ad-hoc procedures at ₹ 10,000 and the Summary procedure at ₹ 1,000 to write off arrear demands.

The CBDT further reviewed<sup>24</sup> (November 2003) its instructions, adding that the Zonal Committees are required to meet at least once a month and that the senior-most CCIT among the permanent members of the Zonal Committee was required to send a brief report of the Zonal Committee meetings every month to the Directorate of Recovery and TDS and endorse a copy thereof to the CBDT.

#### 2.2.6 Steps to secure recovery of demand in High-demand Cases

In view of the ITD was burdened with the responsibility of recovering the huge arrears with very little possibility of actual recovery in many cases, the CBDT directed<sup>25</sup> (September 2004) that in cases of demand of over ₹ 5.00 lakh and above, in big cities like Delhi, Mumbai, Chennai, Kolkata, etc., and over ₹ 1.00 lakh in other places, it shall be the responsibility of the Assessing Officer to enquire into all the assets of the assessee and place them under provisional attachment<sup>26</sup> Under Section 281B, during the course of the assessment proceedings.

<sup>22</sup> CBDT Letter F.No.399/1/99-IT(B) dated 28 September 1999

<sup>23</sup> CBDT Instruction No. 14 dated 06 November 2003

<sup>24</sup> CBDT Instructions dated 18 November 2003

<sup>25</sup> CBDT Instruction No. 8 dated 02 September 2004

<sup>26</sup> Provisional attachment of property of the assessee by AO to protect the revenue. A provisional attachment ceases to have effect after the expiry of six months. However, it can be extended further by recording reasons in writing by PCCIT/CCIT/PCIT. The total period of extension shall not exceed, in any case, two years or sixty days after the date of the order of assessment, whichever is later.

### 2.2.7 Monetary limits for monitoring of dossier cases by Income Tax authorities

Taking note of the very large number of dossier cases requiring periodical reporting and review by the various income tax authorities and also considering that the monetary threshold for dossier cases has not been reviewed for the past 30 years, the CBDT raised<sup>27</sup> (September 2015) and revised in November 2022, the primary threshold for dossier cases and readjusted the immediate thresholds for focussed monitoring and rationalization of workload for all the IT authorities up to the Member (Revenue), CBDT, as discussed in Para 1.4 and shown in Table 1.3 of Chapter 1 of this Report.

### 2.2.8 Dossier maintenance

Taking note of the substantial difference in the demands mentioned in the Dossier report and as available in the CPC-AO demand portal maintained by CPC-ITR as per its Financial Accounting System (FAS), and considering the requirement that demand as per the CPC-FAS should be reported in Dossier reports, the CBDT made a new functionality of generating dossier reports available in ITBA<sup>28</sup>. The dossier reports functionality in i-taxnet<sup>29</sup> was replaced, and all dossier reports for the quarter ending 30 June 2018 were proposed to be submitted through ITBA. Accordingly, now, all arrears and current demand that was available on AST and the CPC-FAS system have been consolidated in CPC and made available to the AO in ITBA through the demand analysis screen.

### 2.2.9 Stay of demand in the first appeal stage

The CBDT's instructions dated 21 March 1996 prescribed that a demand would be stayed only if there were valid reasons for doing so and that merely filing an appeal against the assessment order would not be a sufficient reason to stay the recovery of demand. It further prescribed that while granting the stay, the field officers may require the assessee to offer a suitable security (bank guarantee, etc.) and/or require the assessee to pay a reasonable amount in lump sum or in instalments. Partially modifying its earlier instructions, the CBDT issued<sup>30</sup> fresh instructions (February 2016) for payment of 15 *per cent* of the disputed amount in certain cases. The CBDT further revised<sup>31</sup> the standard

<sup>27</sup> CBDT Instructions no. F. No. 404/02/2015-ITCC dated 16 September 2015 and Instructions no. F. No. 404/1/2022-ITCC dated 3 November 2022

<sup>28</sup> ITBA- Recovery-Demand Reconciliation and Dossier Instruction No. – 4 dated 31 July 2018

<sup>29</sup> The module was mainly utilized for CAP-I & II Reports as part of former ITD/Business Continuity Procedure (BCP) applications.

<sup>30</sup> Office Memorandum dated 29 February 2016

<sup>31</sup> Office Memorandum dated 31 July 2017

rate at 20 *per cent* (July 2017) of the disputed amount to be paid by the assessee where the demand is contested before the CIT (A).

#### **2.2.10 Internal audit of TRO units**

In light of the issues raised on internal control in the CAG's Compliance Audit Report No. 3 of 2016, the CBDT reviewed<sup>32</sup> (July 2017) all its extant instructions on Internal Audit of the ITD, *inter alia* directing the Pr. CCsIT to put in place a system of audit of one TRO by another TRO and that the audit objections raised shall be followed up by the CIT (Audit) as it was done in case of other objections.

#### **2.2.11 Levy of interest under Sec. 220(2)**

Taking note of CAG's comments in its Report for the year ended 31 March 1988 (Report No.06 of 1989), the CBDT, after consultation with the Ministry of Law, issued<sup>33</sup> (June 1991) instructions that the AOs should calculate the interest payable under section 220(2) at the end of each financial year, and further added that Deputy Commissioners or Commissioners shall carry out half-yearly review of the work of the AOs and TROs for the periods ending 30 September and 31 March in the months of November and May, respectively and send a report thereon to the Chief Commissioners or Commissioners, as the case may be by 15 December and 15 June, respectively.

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<sup>32</sup> CBDT Instructions dated 21 July 2017

<sup>33</sup> CBDT Instructions No. 1883 dated 07 June 1991

## Chapter 3 Audit Approach

### 3.1 Why we chose the topic

The grounds for selecting this topic for subject-specific compliance audit were:

An analysis of 'total outstanding demand' and demand classified by the ITD as 'difficult to recover' vis-à-vis the 'total direct tax collection' for the financial years 2016-17, 2017-18, 2018-19 and 2019-20 showed that total outstanding demand had exceeded direct tax collections consistently. The demand classified by the ITD as 'difficult to recover' was more than 97 *per cent* of the total outstanding demand in all these years, which was a matter of concern, as shown in Table 3.1 below.

| Financial Year | Total Direct Tax collections | Arrears of earlier year's demand | Arrears of current year's demand | Total outstanding demand | Demand classified by ITD as difficult to recover | Percentage of Demand difficult to recover to Total Demand |
|----------------|------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------------------------------|-----------------------------------------------------------|
| 1              | 2                            | 3                                | 4                                | 5                        | 6                                                | 7                                                         |
| 2016-17        | 8,49,713                     | 7,33,229                         | 3,11,459                         | 10,44,688                | 10,29,725                                        | 98.57                                                     |
| 2017-18        | 10,02,738                    | 7,36,975                         | 3,77,207                         | 11,14,182                | 10,94,023                                        | 98.19                                                     |
| 2018-19        | 11,37,718                    | 9,46,190                         | 2,87,888                         | 12,34,078                | 12,19,485                                        | 98.82                                                     |
| 2019-20        | 10,50,681                    | 11,25,314                        | 4,93,640                         | 16,18,954                | 15,80,220                                        | 97.61                                                     |
| 2020-21        | 9,47,176                     | 14,63,126                        | 31,166                           | 14,94,292                | 14,68,013                                        | 98.24                                                     |
| 2021-22        | 14,12,422                    | 14,16,809                        | 5,18,629                         | 19,35,438                | 18,84,120                                        | 97.35                                                     |

Source: Income Tax Department Time Series Data for Col. 2 and Directorate of Income Tax (Organisation & Management Services), Demand & Collection report (CAP-1)] for Col. 3, 4, 5, 6 & 7

In the CAG's Performance Audit Report No. 23 of 2011 also, it was reported that out of ₹ 1,96,092.07 crore of arrear demand reported by DIT(Recovery), an amount of ₹ 1,65,337.42 crore (84.3 *per cent*) was categorized as unrealizable.

1. Towards accomplishing its vision of achieving effective tax administration with a progressive tax policy and improved tax compliance, the CBDT prepares, each year, a Central Action Plan fixing targets for its field formations for reduction in the arrear demand. The annual target for reduction in arrear demand, including the target for cash collection, was introduced by the CBDT in 2017-18. Until 2016-17, the CBDT fixed targets for 'Cash collection' only. The year-wise targets for reduction in arrear demand for the financial years 2017-18 to 2019-20 and 2022-23 are listed in Table 3.2 below:

| Table 3.2: Details of Annual Targets Fixed |                                         |                                         |                   |
|--------------------------------------------|-----------------------------------------|-----------------------------------------|-------------------|
|                                            |                                         |                                         | (₹ in crore)      |
| Year                                       | Total demand as per Central Action plan | Target for a reduction in arrear demand | Target Percentage |
| 2017-18                                    | 10,52,085                               | 4,20,834                                | 40%               |
| 2018-19                                    | 11,22,750                               | 4,49,100                                | 40%               |
| 2019-20                                    | 12,77,644                               | 5,11,058                                | 40%               |
| 2020-21                                    | --                                      | --                                      | --                |
| 2021-22                                    | --                                      | --                                      | --                |
| 2022-23                                    | 19,35,377                               | 7,74,152                                | 40%               |

Source: CBDT's Central Action Plan for the years 2017-18 to 2022-23  
Note: There was no specific target for the years 2020-21 and 2021-22 with respect to the reduction of outstanding demand.

2. In the Performance Audit on 'Recovery of Arrears of Tax Demand' (CAG's Audit Report No. 23 of 2011), some deficiencies were pointed out in the demand recovery system, and recommendations were made to mitigate the huge pendency of the outstanding demand. This audit was taken up to review the existing demand recovery system in order to evaluate the reasons for the huge accumulation of outstanding demand and to verify whether ITD has taken adequate and effective measures to liquidate the outstanding demand.

### 3.2 Audit Objectives

The objectives of conducting the SSCA are to ascertain:

1. Whether the targets fixed in the Central Action Plan and the achievements thereto are adequate and in line with the ITD's "Vision 2020" document<sup>34</sup>?
2. Whether arrear demand has been properly drawn up and reported to the stakeholders and to ascertain reasons for huge amounts of outstanding demand and to analyse the reasons for the year-on-year increase in its quantum?
3. Whether the ITD has taken all possible action as provided in the Act, Rules and the CBDT's instructions for expeditious recovery of arrears of tax demand?
4. Whether an adequate Internal Control Mechanism exists to watch and pursue the recovery of dues after the demand is raised?

<sup>34</sup> Vision 2020 document spells out the Vision, Mission and Values of ITD. It analyses the major challenges confronting the ITD and various opportunities likely to be thrown up by these challenges during the strategic plan period 2011-15.



### 3.3 Scope and Methodology of Audit

The SSCA intended to cover:

- (i) the outstanding demand as of 31 March 2020 that is pending recovery up to the date of commencement of audit, i.e. November 2020 [level 2(i) of the audit sample as discussed in the following para 3.4].
- (ii) the cases against which the arrear demand has been closed or cancelled since 01 April 2020 due to collection or subsequent orders [level 2(ii) of the audit sample].
- (iii) assessees with high value of outstanding demand in each region covering the period up to 31 March 2021.

### 3.4 Audit Sample

The audit commenced in November 2020 and covered 279 assessment units and 74 TRO units across India. Subsequently, a supplementary Audit covering 160 high-value pan-India assessees was also carried out until January 2023.

For the selection of sample cases<sup>35</sup>, Audit had sought details from CBDT of pan-India assessees from whom demands were pending as on 31 March 2020, irrespective of the date of raising the demand. However, the CBDT did not provide the requisite data despite repeated requests. Data is still awaited from the CBDT (March 2024). Without these details, Audit could not select the cases centrally after risk analysis and had to profile the cases, modifying its approach, and adopting a two-tier sampling technique.

First at Level 1, the selection of assessment units and corresponding TROs<sup>36</sup> Second, at Level 2, a selection of cases within the selected units was made. At Level 1, the assessment units were selected using the data on unit-wise outstanding demand available with Audit as on 22 September 2017. At Level 2, individual cases within the selected assessment units and TROs were selected. At the commencement of Audit (from November 2020), some of the outstanding demands as of 31 March 2020 were closed due to collection or reduction in demand because of revision or rectification orders issued by the ITD during the intervening period. The assessment units and TROs were selected separately in each State/region based on the aggregate demand outstanding. Individual assessees within the units were selected based on the case-wise outstanding amount. The selection of cases where the outstanding demand was pending as of the date of the audit was considered Level 2(i), and the selection of cases closed was considered Level 2(ii).

<sup>35</sup> Cases include outstanding demands at different stages with respect to processing under Section 143(1), assessments, rectification, revision, other orders etc.

<sup>36</sup> TROs posted under the same PCIT as assessment units selected by Audit.

Audit criteria for selection of units and cases is given in **Appendix 4**. The details of region-wise Assessment units and TRO units selected at Level-1, are indicated in **Appendix 5**.

The Assessing officers of the selected units were requested (November 2020) to furnish the assessee-wise data of outstanding demand as on 31<sup>st</sup> March 2020. Two of the AOs<sup>37</sup> of the selected assessment units stated that ITBA is highly dynamic and the demand details are updated, as and when there are changes with respect to additions / reductions / collections and that it does not support retrieving demand status or data on a date that has passed (a particular date of past). Hence, the AOs were able to generate a list of only live/active cases on the day of the extraction of data. It was also stated that the complete list of closed or cancelled/settled cases was also not available for generation from the portals: ITBA or e-filing or CPC-AO portal.

Since the information called for (assessee-wise data of outstanding demand as on 31<sup>st</sup> March 2020) was not available in the ITBA or e-filing or CPC-AO portals, Audit extracted the cases of demands pending as on 31 March 2020 aggregating to 21,58,443 cases in 279 sampled assessment units from the list of cases with outstanding demand, as available in the e-filing portal and provided by the AOs (November/December 2020). From the e-filing portal data, Individual records were called for from the Assessing officers and TROs, and were subjected to audit check.

The total outstanding demand pan-India as on 31 March 2020 was ₹ 16,18,954 crore<sup>38</sup>. For this SSCA, Audit selected 279 assessment units<sup>39</sup> and 74 TRO units (**Appendix 5**). The total number of cases under these selected units was 21,58,443 in respect of 12,73,180 assessees with an aggregate outstanding demand of ₹ 8,49,931 crore<sup>40</sup>, which represents 52.50 *per cent* of the total outstanding demand at an All India Level.

A total of 18,870 cases were requisitioned for Audit check from 17 regions of ITD (records were not requisitioned from Nagpur and Pune regions). The total 10,896 cases produced for audit check include 1,279 cases (filtered five to fifteen assessees from each region, whose aggregate outstanding demands were the highest in the respective region) of 160 high value (in terms of pending outstanding demand) assessees. The aggregate outstanding demand of 10,896 cases was ₹ 5,92,371 crore. Region-wise and amount-wise high-value cases of outstanding demands are detailed in Table 3.3 below:

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<sup>37</sup> DCIT, Corporate Circle 3(1), Chennai and ACIT, Corporate Circle 1(1), Kochi.

<sup>38</sup> Source: DIT (O&M) Services

<sup>39</sup> Out of 279 selected units, records were not requisitioned from nine units in the Tamil Nadu region.

<sup>40</sup> Data from the e-filing portal in respect of 279 sampled units contained 21,58,443 cases with an outstanding demand of ₹ 8,49,931 crore. After the removal of duplicate entries, 20,85,715 cases with OSD of ₹ 8,26,157 crore remained

| Table 3.3: Top 160 Assessee Region-wise and Amount-wise |                            |                       |                    |                     |                    |                              |                    |                                |                    |                      |                    |                 |                    |
|---------------------------------------------------------|----------------------------|-----------------------|--------------------|---------------------|--------------------|------------------------------|--------------------|--------------------------------|--------------------|----------------------|--------------------|-----------------|--------------------|
|                                                         |                            |                       |                    |                     |                    |                              |                    |                                |                    |                      |                    |                 | (₹ in crore)       |
| Sl. No.                                                 | PCCIT /Regions             | Less than ₹ 100 Crore |                    | ₹ 100 to 1000 Crore |                    | Above ₹ 1000 to 10,000 Crore |                    | Above ₹ 10,000 to 1 Lakh crore |                    | Above ₹ 1 Lakh Crore |                    | Total           |                    |
|                                                         |                            | No. of Assessee       | Outstanding Demand | No. of Assessee     | Outstanding Demand | No. of Assessee              | Outstanding Demand | No. of Assessee                | Outstanding Demand | No. of Assessee      | Outstanding Demand | No. of Assessee | Outstanding Demand |
| 1                                                       | Mumbai                     | -                     | -                  | -                   | -                  | 12                           | 27,153             | 2                              | 1,11,751           | 1                    | 1,37,563           | 15              | 2,76,467           |
| 2                                                       | Delhi                      | -                     | -                  | -                   | -                  | 10                           | 30,750             | 2                              | 47,311             | -                    | -                  | 12              | 78,061             |
| 3                                                       | Int. Tax, Delhi            | -                     | -                  | -                   | -                  | 2                            | 7,761              | 1                              | 14,423             | -                    | -                  | 3               | 22,184             |
| 4                                                       | Andhra Pradesh & Telangana | -                     | -                  | 10                  | 5,018              | 5                            | 20,274             | -                              | -                  | -                    | -                  | 15              | 25,292             |
| 5                                                       | Bengaluru                  | -                     | -                  | 8                   | 5,492              | 7                            | 18,261             | -                              | -                  | -                    | -                  | 15              | 23,753             |
| 6                                                       | West Bengal & Sikkim       | -                     | -                  | 6                   | 3,233              | 4                            | 12,693             | -                              | -                  | -                    | -                  | 10              | 15,926             |
| 7                                                       | Gujarat                    | -                     | -                  | 5                   | 3,717              | 5                            | 12,439             | -                              | -                  | -                    | -                  | 10              | 16,156             |
| 8                                                       | Tamil Nadu                 | -                     | -                  | 10                  | 6,291              | 5                            | 11,712             | -                              | -                  | -                    | -                  | 15              | 18,003             |
| 9                                                       | Bhubaneswar                | -                     | -                  | 5                   | 1,370              | -                            | -                  | -                              | -                  | -                    | -                  | 5               | 1,370              |
| 10                                                      | Kerala                     | -                     | -                  | 5                   | 950                | -                            | -                  | -                              | -                  | -                    | -                  | 5               | 950                |
| 11                                                      | North West Region          | 01                    | 97                 | 9                   | 2,172              | -                            | -                  | -                              | -                  | -                    | -                  | 10              | 2,269              |
| 12                                                      | Bihar & Jharkhand          | 07                    | 260                | 3                   | 738                | -                            | -                  | -                              | -                  | -                    | -                  | 10              | 998                |
| 13                                                      | Rajasthan                  | 02                    | 144                | 3                   | 625                | -                            | -                  | -                              | -                  | -                    | -                  | 5               | 769                |
| 14                                                      | North East Region          | 02                    | 135                | 3                   | 597                | -                            | -                  | -                              | -                  | -                    | -                  | 5               | 732                |
| 15                                                      | MP & Chhattisgarh          | 08                    | 543                | 2                   | 415                | -                            | -                  | -                              | -                  | -                    | -                  | 10              | 958                |
| 16                                                      | UP West & Uttarakhand      | 05                    | 36                 | -                   | -                  | -                            | -                  | -                              | -                  | -                    | -                  | 5               | 36                 |
| 17                                                      | Lucknow, UP East           | 10                    | 128                | -                   | -                  | -                            | -                  | -                              | -                  | -                    | -                  | 10              | 128                |
|                                                         | <b>Grand Total</b>         | <b>35</b>             | <b>1343</b>        | <b>69</b>           | <b>30,618</b>      | <b>50</b>                    | <b>1,41,043</b>    | <b>05</b>                      | <b>1,73,485</b>    | <b>1</b>             | <b>1,37,563</b>    | <b>160</b>      | <b>4,84,052</b>    |

Source: e-filing portal data provided by ITD

Of 160 high value cases, Audit examined 947 assessment records (supplementary audit) with an aggregate outstanding demand of ₹ 4,37,674 crore.

### 3.5 Non-production of records

Audit requisitioned 18,870 cases (with outstanding demand of ₹ 7,58,611 crore), of which the ITD produced 10,896 cases pertaining to 8,080 assessee with an outstanding demand of ₹ 5,92,371 crore, representing 78.06 *per cent* of demands of the selected units. ITD did not produce 7,974 cases (No. of assessee - 6,262, outstanding demand ₹ 1,66,240 crore) which is 42.26 *per cent*. The cases not produced included companies with high outstanding demand like M/s M1 Ltd. (eight AYs, demand of ₹ 6,641.40 crore), M/s V1 Ltd. (two AYs, demand ₹ 2,086.17 crore) and M/s H1 Ltd. (two AYs, ₹ 2,336.74 crore), as detailed in **Appendix 6**. Audit also called for details<sup>41</sup> at the levels of AOs / TROs / Pr. CCsIT, vide 653 Annexures<sup>42</sup> of which the ITD did not respond to 435 Annexures (66.62 *per cent*). During Audit, 2,156 audit

<sup>41</sup> from AOs (1 Annexure), TROs (3 Annexures) and Pr. CCsITs (13 Annexures) by 18 field audit offices in respect of sampled units.

<sup>42</sup> Total number of annexures issued across all regions at Pr. CCsIT/Pr.CsIT/AOs level.

observations/audit queries were issued. The ITD did not respond to 1,746 audit observations/queries (80.98 *per cent*). Region-wise details of non-production of records as of March 2023 have been shown in **Appendix 7**.

### **3.6 Constraints**

1. Due to the Covid-19 pandemic, Audit coverage was restricted to the assessment units situated at the places where audit offices were located.
2. Production of the relevant records was slow and non-production of the records was quite large at some of the stations.
3. Due to non-production of data on outstanding demands as on 31 March 2018, 2019 and 2020 by the CBDT, selection of units had to be done from the data available with Audit (as on September 2017), which affected the scope of Audit as units / case details could not be selected centrally.
4. Granular data for CAP-I Statement was requisitioned, but the same was not provided by the CBDT and JAOs. Audit obtained the data extracted from e-filing portal as on date of Audit. In the absence of granular data for CAP, Audit could not validate the sources for CAP-I statement.
5. The statistical data of age-wise, monetary-wise and category-wise arrear demand called for, was not made available by DIT (Recovery), New Delhi despite repeated reminders. In response, it was stated (November 2021) that the information was awaited from their field units. Details are still awaited (March 2024).
6. The restructuring of the ITD (August 2020) resulted in merger of several assessment units into a single unit (Circle / Ward). Though the units were merged, physical transfer of files / records was still pending in several cases resulting in non-production of records to Audit.
7. ITD did not provide data on cases closed either on payment or by reduction / deletion of demand, subsequent to 31 March 2020. As a result, Audit could not verify correctness of the basis on which these cases were closed.
8. The samples included cases processed under Section 143(1), i.e. summary assessment, by the CPC-ITR Bengaluru. Many of the cases could not be audited due to non-availability of documents viz. Income Tax Return, Intimation under Section 143(1), etc. with the AOs.

### **3.7 Finalisation of the Report**

An Exit Conference was held with the Member (A&J) and other officials of the CBDT in May 2023. Further, during the course of Audit before finalization of the Audit Report, Entry and Exit conferences for this SSCA were held by the

participating Field Audit Offices with the respective regional heads (Pr. CCsIT) of the ITD.

### **3.8 Acknowledgement**

Audit acknowledges the cooperation extended by the ITD for providing assessment records and facilitating the conduct of this SSCA. The ITD extended their co-operation in providing the requisitioned records even under the testing circumstances due to COVID-19 pandemic. Without their facilitation, it would not have been possible to finalise the Audit Report.



## Chapter 4 Data Analysis and Profiling

In this Chapter, an effort has been made to analyse Pan-India figures of outstanding demand, age-wise break up of outstanding demand, outstanding demand in respect of Direct Taxes as compared to GDP, region-wise outstanding demand, outstanding demand in respect of direct and indirect taxes, assessment type-wise outstanding demand, age-wise analysis of outstanding demand in selected cases, status-wise outstanding demand in selected cases, monetary slab-wise outstanding demand, etc.

As obtained from the ITD e-filing portal, the total outstanding demand in respect of 279 selected assessment units was ₹ 8,49,931 crore, involving 21,58,443 cases, for the year ending March 2020.

Maintenance of data, both in granular and aggregate, is essential for profiling and analysis of outstanding demand. Trend analysis of outstanding demand over the period, age-wise, status-wise, and amount-wise, was also vital to understanding the performance of ITD vis-à-vis the targets set for the reduction of outstanding demand. The audit attempted to profile the outstanding demand from the budget documents and analyze the outstanding demand data obtained from the selected 279 units. The results of the analysis are presented in the following paragraphs.

### 4.1 Profile of Pan-India Outstanding Demand

The budget document presented annually to Parliament *inter-alia* provides details of the outstanding demand for direct taxes, i.e., the revenue raised but not realized.

#### 4.1.1 Year-wise and category-wise Outstanding Demand:

The Ministry of Finance, through the Receipt Budget under 'Tax Revenues Raised but not Realized' vide Annexure-5, provides details of outstanding demand and categorises it into disputed and undisputed. Year-wise and category-wise Outstanding Demand during FY 2015-16 to 2021-22 is given below in Table 4.1:

| Table 4.1: Year-wise and category-wise Outstanding Demand |                     |                                        |                     |                                        |                                       |
|-----------------------------------------------------------|---------------------|----------------------------------------|---------------------|----------------------------------------|---------------------------------------|
| Financial year                                            | Disputed Demand     |                                        | Undisputed Demand   |                                        | Total Outstanding Demand (₹ in crore) |
|                                                           | Amount (₹ in crore) | Percentage of Total Outstanding Demand | Amount (₹ in crore) | Percentage of Total Outstanding Demand |                                       |
| 2015-16                                                   | 5,77,725            | 88                                     | 81,406              | 12                                     | 6,59,131                              |
| 2016-17                                                   | 6,10,390            | 83                                     | 1,20,656            | 17                                     | 7,31,046                              |
| 2017-18                                                   | 6,23,539            | 85                                     | 1,08,751            | 15                                     | 7,32,290                              |
| 2018-19                                                   | 8,02,621            | 85                                     | 1,38,471            | 15                                     | 9,41,092                              |

| Table 4.1: Year-wise and category-wise Outstanding Demand           |                     |                                        |                     |                                        |                                       |
|---------------------------------------------------------------------|---------------------|----------------------------------------|---------------------|----------------------------------------|---------------------------------------|
| Financial year                                                      | Disputed Demand     |                                        | Undisputed Demand   |                                        | Total Outstanding Demand (₹ in crore) |
|                                                                     | Amount (₹ in crore) | Percentage of Total Outstanding Demand | Amount (₹ in crore) | Percentage of Total Outstanding Demand |                                       |
| 2019-20                                                             | 8,83,875            | 79                                     | 2,39,806            | 21                                     | 11,23,681                             |
| 2020-21                                                             | 10,57,639           | 73                                     | 3,83,616            | 27                                     | 14,41,255                             |
| 2021-22                                                             | 10,36,346           | 75                                     | 3,54,305            | 25                                     | 13,90,651                             |
| Source: Receipt Budget of the GoI for the years 2017-18 to 2023-24. |                     |                                        |                     |                                        |                                       |

It can be seen from Table 4.1 above that there was an increasing trend in the disputed demand in line with the total outstanding demand. The disputed demand increased from ₹ 5.78 lakh crore in FY 2015-16 to ₹ 10.36 lakh crore in FY 2021-22, i.e. an increase of 79.38 *per cent* over a period of seven years. At the end of FY 2021-22, 75 *per cent* of the total outstanding demand was under dispute, and the undisputed demand accounted for only 25 *per cent*.

#### 4.1.2 Age-wise and category-wise breakup of outstanding demand

Audit analysis of age-wise and category-wise outstanding demand as on 31 March 2022, is given in Table 4.2 below:

| Table 4.2: Age-wise breakup of outstanding demand - as on 31 March 2022 |                                   |                     |                                       |                     |                    |
|-------------------------------------------------------------------------|-----------------------------------|---------------------|---------------------------------------|---------------------|--------------------|
| Period                                                                  | Demand Under Dispute (₹ in crore) | Percentage of total | Demand not under Dispute (₹ in crore) | Percentage of total | Total (₹ in crore) |
| Over 1 year and less than 2 years                                       | 6,58,925                          | 76                  | 2,09,576                              | 24                  | 8,68,501           |
| Over 2 years and less than 5 years                                      | 3,15,879                          | 71                  | 1,28,662                              | 29                  | 4,44,541           |
| Over 5 years and less than 10 years                                     | 35,237                            | 80                  | 8,784                                 | 20                  | 44,021             |
| Over 10 years                                                           | 26,304                            | 78                  | 7,283                                 | 22                  | 33,587             |
| Source: Receipt Budget of the GoI for the year 2023-24                  |                                   |                     |                                       |                     |                    |

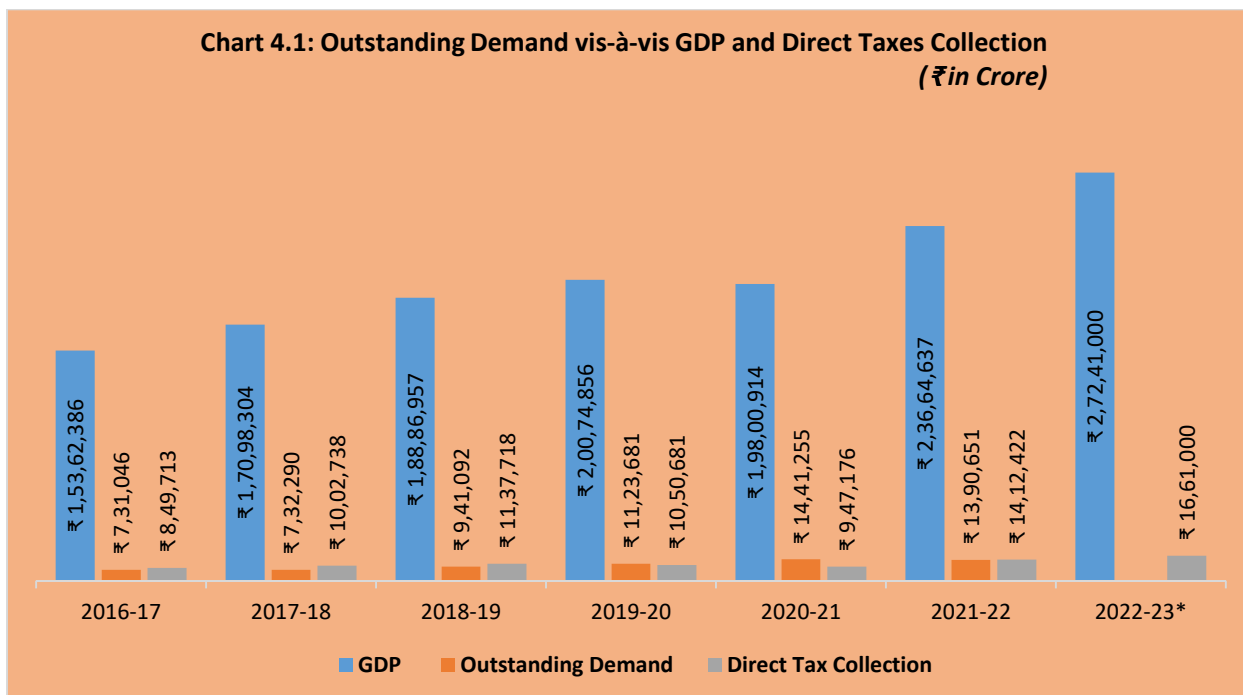
It can be seen from Table 4.2 above that the ratio of disputed to undisputed demand has remained almost the same in all period categories, viz. over 1 year and less than 2 years; over 2 years and less than 5 years; over 5 years and less than 10 years; and over 10 years. While disputed demands, due to litigation and pendency of cases in the courts at various stages, remained outstanding, Audit noted that the undisputed demands aggregating to ₹ 3.54 lakh crore also remained outstanding for more than one year, which is more than 26.48 *per cent* of the total outstanding demand. As per the Receipt Budget, the prominent reasons for the non-collection of demand under the dispute



category are no assets or inadequate assets with the assessee for recovery, the Assessee not traceable, etc.

#### 4.1.3 Outstanding Demand *vis-à-vis* GDP and Direct Taxes Collection

Audit compared year-wise data relating to GDP, Direct Tax collection and outstanding demand, which is shown in Chart 4.1 below:



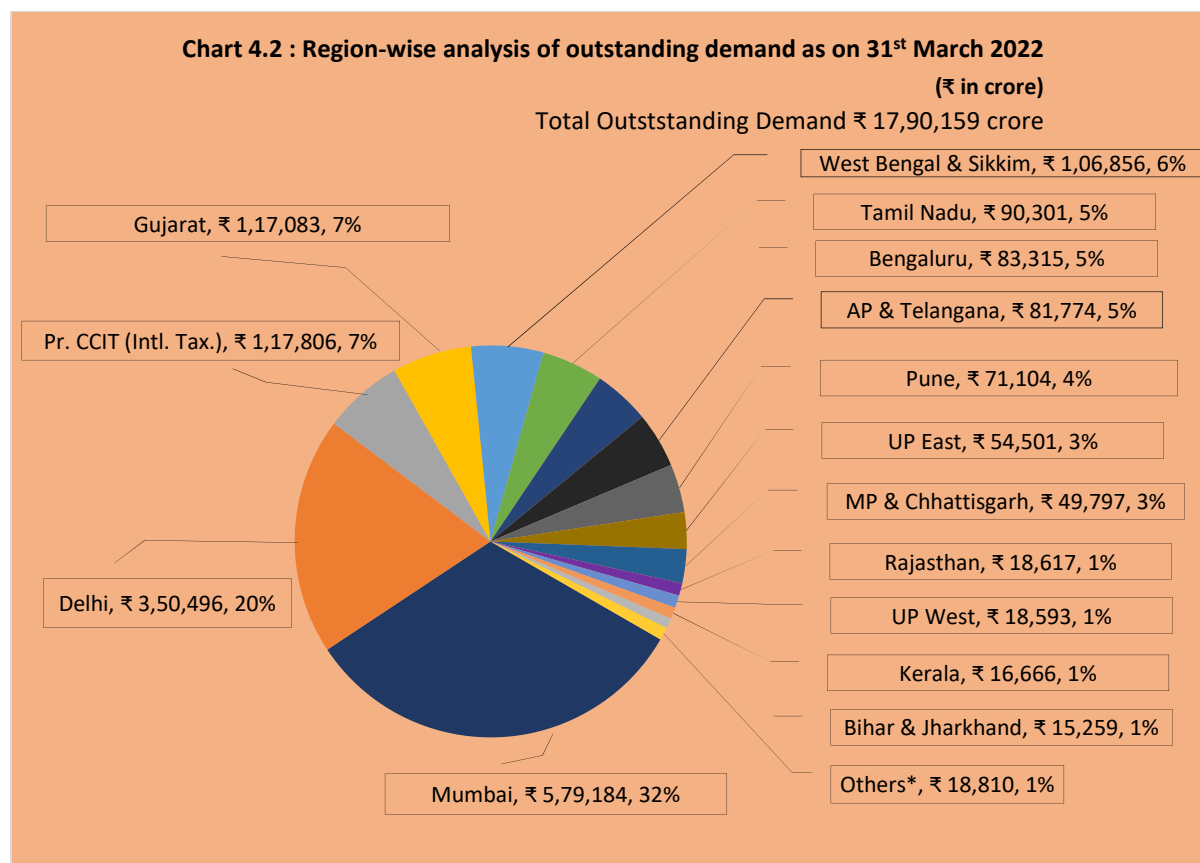
Source: Receipt Budget of GOI for outstanding demand, Time Series Data for direct tax collection and GDP.

\*Press Information Bureau, GOI for provisional figures. Provisional data on outstanding demand for the year 2022-23 not available.

It can be seen that the outstanding demand *vis-à-vis* the GDP increased from 4.76 per cent to 5.88 per cent during the period 2016-17 to 2021-22. The accumulated outstanding demand was more than 70 per cent of the direct tax collections during each of the FYs 2016-17, 2017-18, 2018-19 and 2021-22; and the accumulated outstanding demand even exceeded the direct tax collections during FYs 2019-20 and 2020-21.

#### 4.1.4 Region-wise outstanding demand

With a view to see the region-wise share of outstanding demand, Audit collected data on outstanding demands from the CAP-I statement of the respective regions as on 31 March 2022, which is shown in Chart 4.2 below:



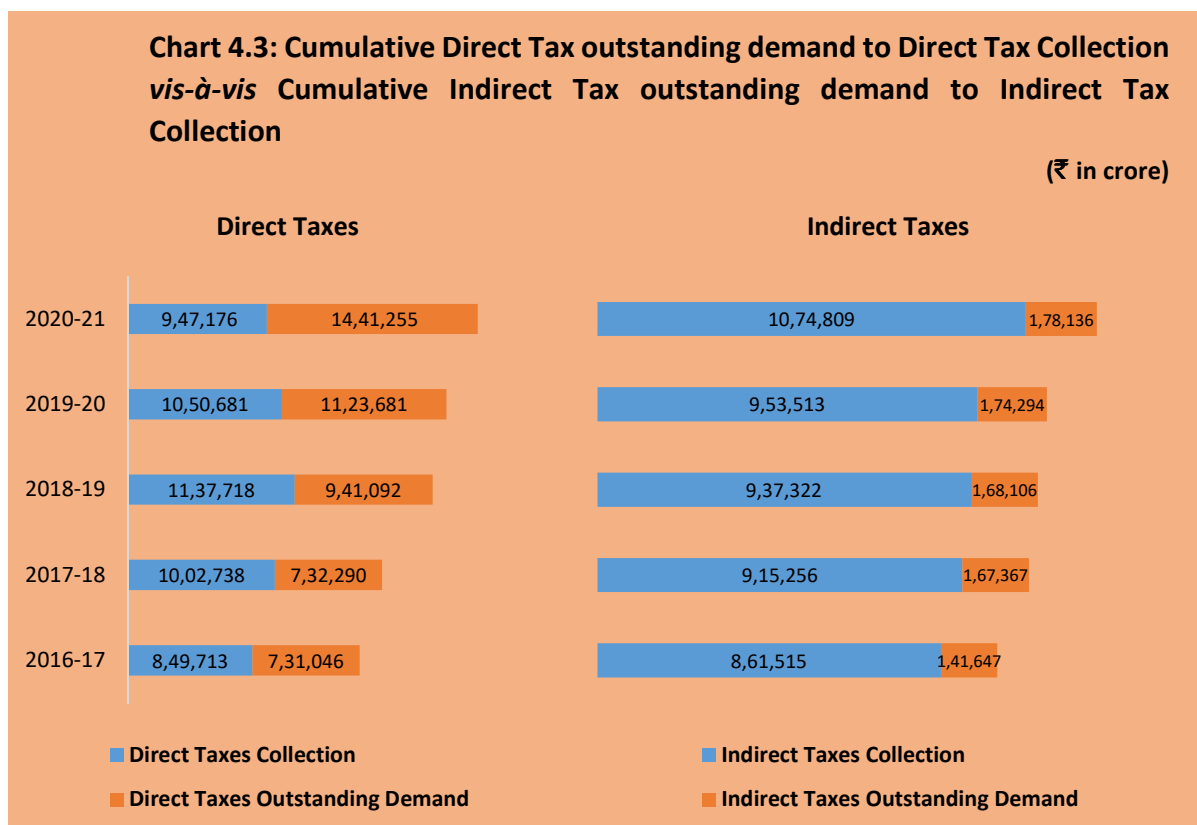
Source: CAP-I statements 2021-22 of all regions

\*Others include 3 Pr. CCITs -NER, Nagpur and Bhubaneswar; Pr. CCIT -NWR is not included as the data was not made available to the Audit

It can be seen from the above Chart 4.2 that the Mumbai region had the highest share of outstanding demand, at 32 *per cent* of total outstanding demand. This was followed by Delhi region (20 *per cent*), international taxation circles/wards (7 *per cent*) comprising assesseees of NRIs and Foreign companies, and the Gujarat region (7 *per cent*).

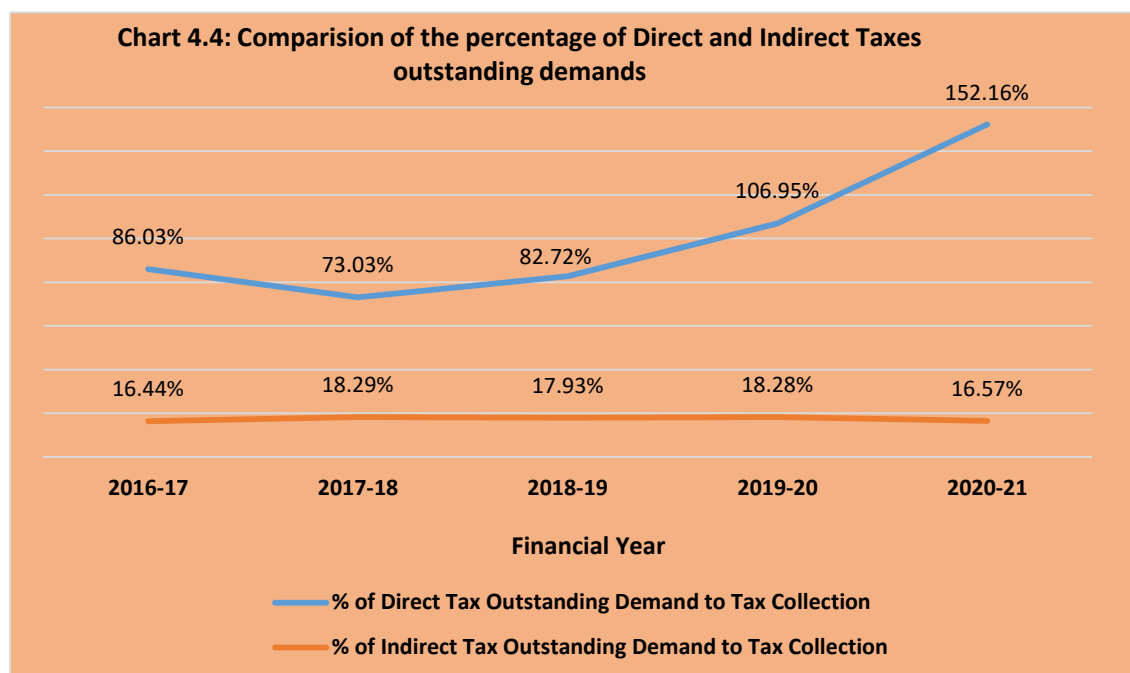
#### 4.1.5 Outstanding Demand of Direct Tax vis-à-vis Outstanding Demand of Indirect Taxes

The audit noted that Direct Tax collections vis-à-vis Indirect Tax collections of the Government of India over the years in terms of the amount collected are almost the same. The audit compared the outstanding demand for Direct taxes to the Total Direct Tax collections and for Indirect taxes to the Total Indirect Tax Collection. Year-wise Direct Tax collections *vis-à-vis* accumulated outstanding demand for Direct Taxes and year-wise Indirect Tax collection *vis-à-vis* cumulative outstanding demand for Indirect Taxes are shown in Chart 4.3 below.



Source: Receipt Budget of GOI for outstanding demand, Time Series Data for tax collection.

The year-wise percentage of accumulated outstanding demand of Direct Taxes *vis-à-vis* Direct Tax collections and year-wise percentage of accumulated outstanding demand of Indirect Taxes *vis-à-vis* Indirect Taxes collection is shown in Chart 4.4 below:



Source: Receipt Budget of GOI for outstanding demand, Time Series Data for tax collection.

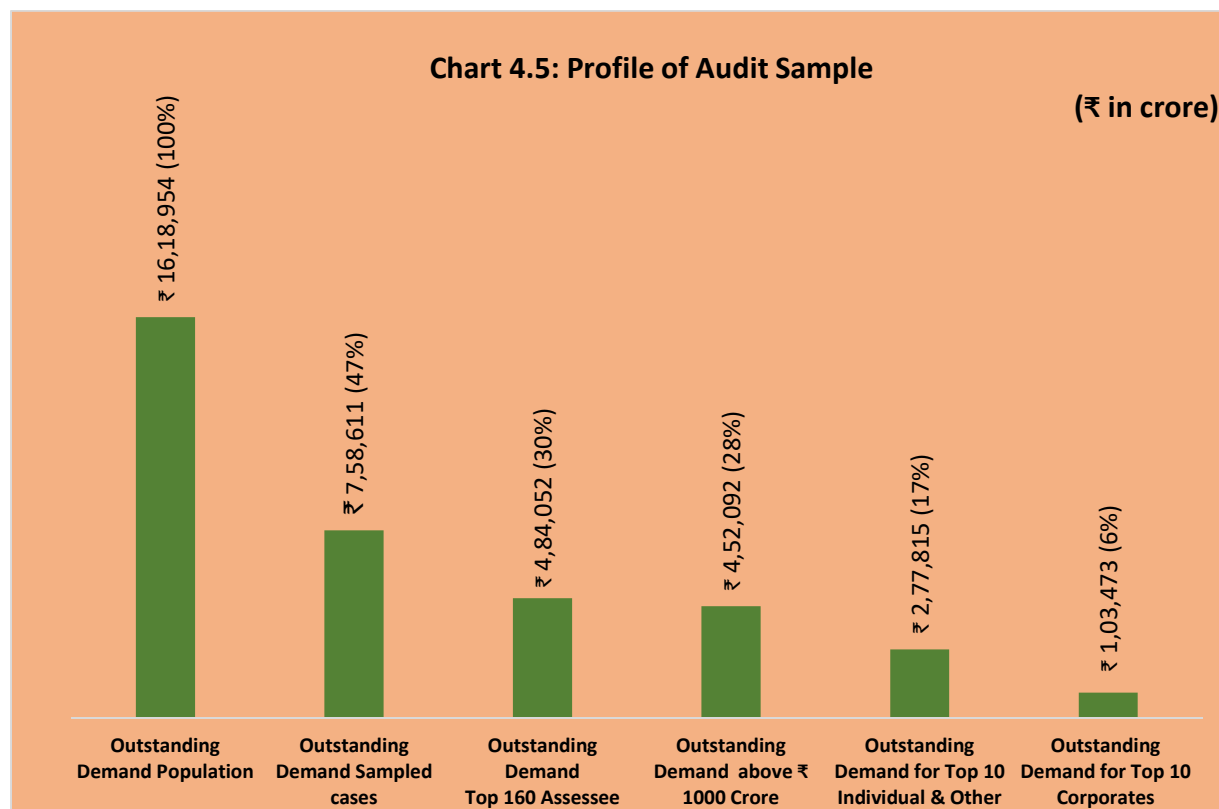
It can be seen from the above Chart 4.3 and Chart 4.4 that percentage of accumulated outstanding demand of Direct Taxes in each FY (2016-17 to 2020-21) *vis-à-vis* Direct tax collection in that year (86 *per cent* to 152 *per cent*) was higher in comparison to accumulated outstanding demand of Indirect Taxes in each FYs (2016-17 to 2020-21) *vis-à-vis* Indirect tax collection during the year (16 *per cent* to 18 *per cent*).

## 4.2 Profile of cases falling under Audit Sample

The audit analysed sampled cases in respect to amount-wise, assessment-wise, status of assessee-wise, age-wise Outstanding Demand, etc. The results have been depicted in the succeeding paragraphs.

### 4.2.1 Amount-wise Profiling of Outstanding Demand

Audit selected 18,870 cases as a sample in 279 assessment units and 74 TRO units (Refer 'to para 3.4 - Audit Sample' of this report). Comparison of the Pan-India outstanding demand amount (as on 31 March 2020), *vis-à-vis* outstanding demands in respect of sampled cases, top 160 high-value sampled assessees, top 10 sampled Corporate assessees, Individuals, etc. are shown in the following Chart 4.5.



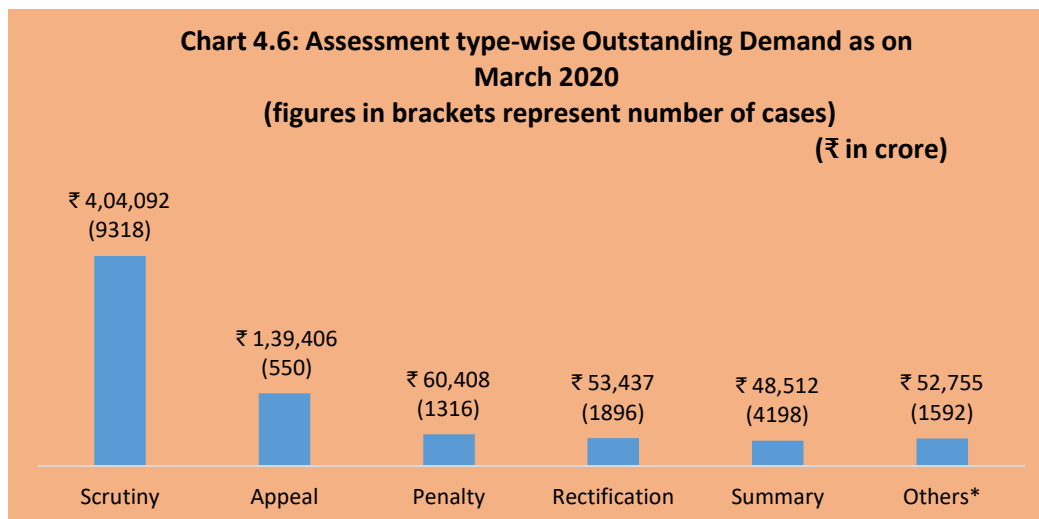
Source: Data made available by the sampled units from the e-filing portal

It can be seen from Chart 4.5 above that the audit covered 47 *per cent* of total outstanding demand, which included the top 160 assessees with 30 *per cent* of total outstanding demand; outstanding demand of ₹ 1,000 crore and above

with 28 *per cent* of total outstanding demand; and outstanding demand of top 10 assesseees both non-corporate and corporate assesseees.

#### 4.2.2 Assessment type-wise profiling of audit sample

Audit analysis of outstanding demand in respect of sampled cases revealed that the demands were raised consequent to summary processing, scrutiny assessments, revision of assessment, the rectification of assessment, imposition of penalty, levy of interest, etc. Results of audit analysis are shown in the following Chart 4.6:



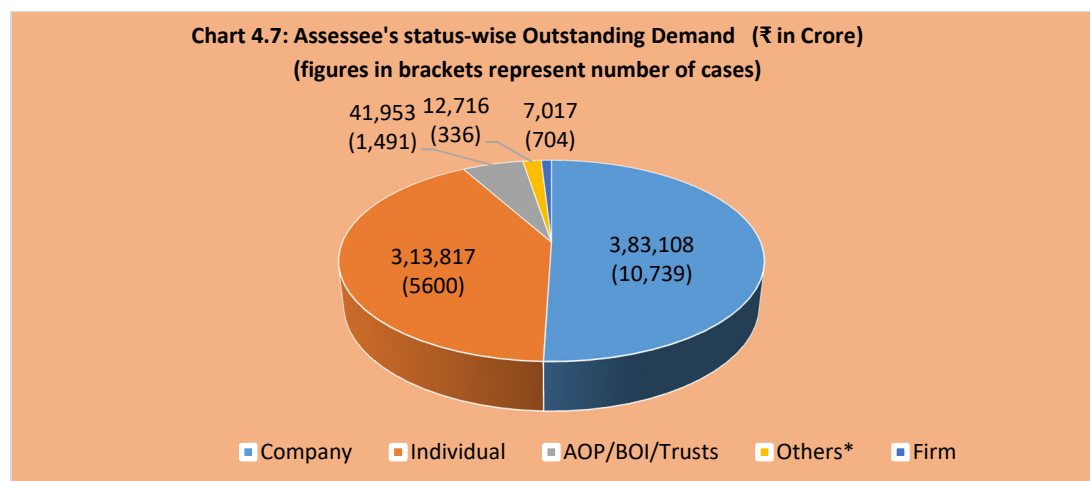
Source: Data made available by the sampled units from the e-filing portal.

\* Others represent cases of Interest, Other Direct Taxes, etc.

It can be seen from Chart 4.6 above that scrutiny assessments constituted 49.4 *per cent* of sampled cases in which demand of 53.3 *per cent* of sampled outstanding demand was involved, and Appeal cases constituted 2.9 *per cent* of sampled cases in which demand of 18.4 *per cent* of total outstanding demand was involved.

#### 4.2.3 Assessee's status-wise profiling of audit sample

The audit analyzed sampled cases with respect to the type of assesseees against whom the demands were raised. Results of audit analysis are shown in the following Chart 4.7:



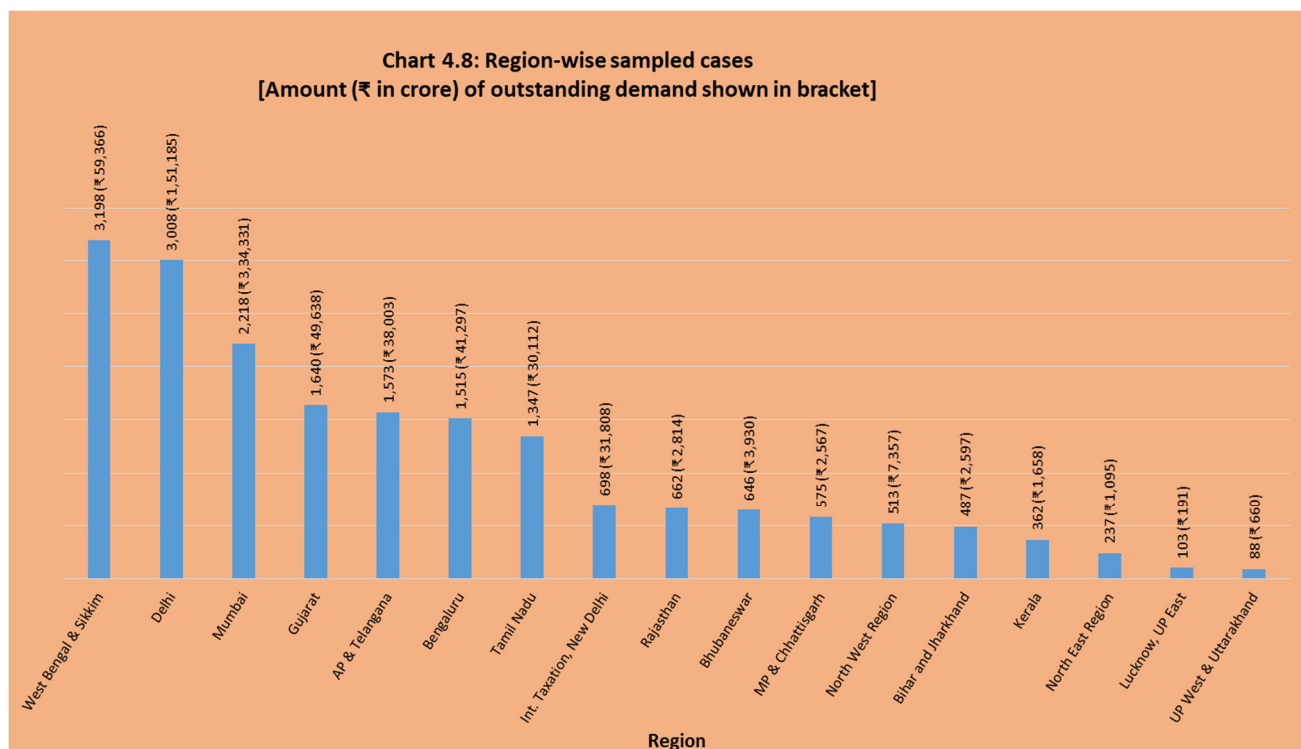
\* Others include HUF, Local Authority, Artificial Juridical Person and Government

Source: Data made available by the sampled units from the e-filing portal.

It can be seen from the above Chart 4.7 that number of corporate assessee were highest at 56.9 *per cent* of sampled cases wherein demand of 50.5 *per cent* of sampled outstanding demand was involved followed by Individuals which was at 29.7 *per cent* of sampled cases wherein demand of 41.37 *per cent* of total outstanding demand was involved.

#### 4.2.4 Region-wise sampled cases

With a view to see Region-wise and amount-wise distribution of sampled cases, Audit analysed sampled cases. Result of analysis is shown in Chart 4.8 below:



Source: Data made available by the sampled units from the e-filing portal.

It can be seen from Chart 4.8 above that the highest number of cases of outstanding demand i.e. 3,198 cases was for the West Bengal and Sikkim region (16.9 *per cent*), followed by the Delhi region with 3,008 cases (15.9 *per cent*) and the Mumbai region 2,218 cases (11.8 *per cent*). In terms of outstanding demand, the highest amount of outstanding demand was for the Mumbai region with ₹ 3,34,331 crore (44.1 *per cent*), followed by the Delhi region ₹ 1,51,185 crore (19.9 *per cent*) and the West Bengal and Sikkim region ₹ 59,366 crore (7.8 *per cent*).

#### 4.2.5 Age-wise analysis of outstanding demand for sampled cases

Audit analyzed age-wise outstanding demand in respect of sampled cases. To carry out this analysis, the audit considered demand, which was outstanding as of 31 March 2018, 31 March 2019, and 31 March 2020. Results of Audit analysis is given in Table 4.3 below:

| Period                                                                                                                                            | (₹ in crore)        |                    |                     |                    |                     |                    |                                         |                    |                                                    |                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|-----------------------------------------|--------------------|----------------------------------------------------|--------------------|
|                                                                                                                                                   | As on 31 March 2018 |                    | As on 31 March 2019 |                    | As on 31 March 2020 |                    | Increase from March 2018 and March 2020 |                    | Percentage increase from March 2018 and March 2020 |                    |
|                                                                                                                                                   | No of Cases         | Outstanding Amount | No of Cases         | Outstanding Amount | No of Cases         | Outstanding Amount | No. of Cases                            | Outstanding Amount | No of cases                                        | Outstanding Amount |
| Less than 1 year                                                                                                                                  | 1,642               | 1,11,418.6         | 2,695               | 1,39,513.1         | 5,925               | 2,33,874.8         | 4,283                                   | 1,22,456.2         | 260.8                                              | 109.9              |
| 1 year and more and less than 5 years                                                                                                             | 4,899               | 94,995.1           | 5,835               | 1,95,397.2         | 6,899               | 3,10,297.4         | 2,000                                   | 2,15,302.3         | 40.8                                               | 226.7              |
| 5 years and more and less than 10 years                                                                                                           | 2,556               | 1,57,371.6         | 2,992               | 87,496.6           | 4,207               | 97,909.5           | 1,651                                   | -59,462.1          | 64.6                                               | -37.8              |
| More than 10 years                                                                                                                                | 765                 | 19,384.2           | 1,035               | 1,00,275.9         | 1,451               | 1,14,475.8         | 686                                     | 95,091.5           | 89.7                                               | 490.6              |
| <b>Total</b>                                                                                                                                      | <b>9,862</b>        | <b>3,83,169.5</b>  | <b>12,557</b>       | <b>5,22,682.8</b>  | <b>18,482*</b>      | <b>7,56,557.5</b>  | <b>8,620</b>                            | <b>3,73,387.9</b>  | <b>87.4</b>                                        | <b>97.5</b>        |
| <b>Source:</b> Data made available by the sampled units from the e-filing portal                                                                  |                     |                    |                     |                    |                     |                    |                                         |                    |                                                    |                    |
| *Audit analysed 18,482 cases out of 18,870 sampled cases as the date of demand raised for the remaining 388 cases was not made available to Audit |                     |                    |                     |                    |                     |                    |                                         |                    |                                                    |                    |

It can be seen from Table 4.3 above that from March 2018 to March 2020, the amount of outstanding demand increased by 97.5 *per cent*, whereas the number of cases involved thereon increased by 87.4 *per cent*. During this period, in terms of the amount of outstanding demand, the highest increase (490.6 *per cent*) was noticed in the demand category, which was pending for 'more than 10 years', whereas, in terms of a number of cases of outstanding demand, highest increase (260.8 *per cent*) was noticed in demand category which was pending for 'upto one year'. In the category of demand, which was outstanding for 5 years and more and less than 10 years, the number of cases increased (by 64.6 *per cent*) even though the amount of outstanding demand decreased (by 37.8 *per cent*).

#### 4.2.6 Age-wise and assessee type-wise analysis of outstanding demand

Audit analyzed age-wise and assessee type-wise outstanding demand in respect of sampled cases. To carry out this analysis, the audit considered demand, which was outstanding as of 31 March 2018, 31 March 2019, and 31 March 2020. Results of Audit analysis is given in Table 4.4 below:

| Table 4.4: Age-wise and type of assessee-wise Outstanding Demand                                                                                          |                  |                                 |                  |                                 |                           |                                 |                                        |                                 |                                                    |                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------|------------------|---------------------------------|---------------------------|---------------------------------|----------------------------------------|---------------------------------|----------------------------------------------------|--------------------|
| Type of assessee                                                                                                                                          | As on March 2018 |                                 | As on March 2019 |                                 | As on March 2020          |                                 | Increase from March 2018 to March 2020 |                                 | Percentage increase from March 2018 and March 2020 |                    |
|                                                                                                                                                           | No. of cases     | Outstanding demand (₹ in crore) | No. of cases     | Outstanding demand (₹ in crore) | No. of cases              | Outstanding demand (₹ in crore) | No. of Cases                           | Outstanding demand (₹ in crore) | No. of cases                                       | Outstanding demand |
| Individual                                                                                                                                                | 3,140            | 2,35,963.8                      | 3,911            | 2,76,936.3                      | 5,491                     | 3,13,575.4                      | 2,351                                  | 77,611.6                        | 74.9                                               | 32.9               |
| Company                                                                                                                                                   | 5,693            | 1,35,596.1                      | 7,230            | 2,23,396.9                      | 10,522                    | 3,81,446.4                      | 4,829                                  | 2,45,850.3                      | 84.8                                               | 181.3              |
| Firm                                                                                                                                                      | 357              | 1,857.3                         | 441              | 2,359.5                         | 685                       | 6,981.7                         | 328                                    | 5,124.4                         | 91.9                                               | 275.9              |
| AOP/BOI/Trusts                                                                                                                                            | 531              | 5,264.5                         | 775              | 12,346.3                        | 1,454                     | 41,857.2                        | 923                                    | 36,592.7                        | 173.8                                              | 695.1              |
| Others*                                                                                                                                                   | 141              | 4,487.8                         | 200              | 7,643.7                         | 330                       | 12,696.8                        | 189                                    | 8,209.0                         | 134.0                                              | 182.9              |
| <b>Total</b>                                                                                                                                              | <b>9,862</b>     | <b>3,83,169.5</b>               | <b>12,557</b>    | <b>5,22,682.7</b>               | <b>18,482<sup>#</sup></b> | <b>7,56,557.5</b>               | <b>8,620</b>                           | <b>3,73,388.0</b>               | <b>87.4</b>                                        | <b>97.4</b>        |
| Source: Data made available by the sampled units from the e-filing portal                                                                                 |                  |                                 |                  |                                 |                           |                                 |                                        |                                 |                                                    |                    |
| * Others include HUF, Local Authority, Artificial Juridical Person and Government                                                                         |                  |                                 |                  |                                 |                           |                                 |                                        |                                 |                                                    |                    |
| <sup>#</sup> Audit analysed 18,482 cases out of 18,870 sampled cases as date of demand raised for the remaining 388 cases was not made available to Audit |                  |                                 |                  |                                 |                           |                                 |                                        |                                 |                                                    |                    |

It can be seen from Table 4.4 above that from March 2018 to March 2020, the highest increase in the amount of outstanding demand was 695.1 *per cent*, whereas the number of cases involved thereon increased by 173.8 *per cent* for AOP/BOI/Trusts. During this period, even though the increase in the number of cases in respect of Individual assessee was 74.9 *per cent*, the increase in the amount of outstanding demand was 32.9 *per cent*, whereas through an increase in the number of cases in respect of Firm and Company were 91.9 *per cent* and 84.8 *per cent* respectively, increase in the amount of outstanding demand were 275.9 *per cent* and 181.3 *per cent* respectively.

#### 4.2.7 Amount and age-wise analysis of outstanding demand

The audit analyzed age-wise outstanding demand in respect of sampled cases by dividing it into different amount categories. To carry out this analysis, the audit considered demand, which was outstanding as of 31 March 2018, 31 March 2019, and 31 March 2020. The results of Audit analysis is given in Table 4.5 below:



**Table 4.5: Amount and age-wise analysis of outstanding demand**

| Category                                             | As on March 2018 |                     | As on March 2019 |                     | As on March 2020 |                     | Increase in per cent from March 2018 to March 2020 |             |
|------------------------------------------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|----------------------------------------------------|-------------|
|                                                      | No. of Cases     | Amount (₹ in Crore) | No. of Cases     | Amount (₹ in Crore) | No. of Cases     | Amount (₹ in Crore) | No. of Cases                                       | Amount      |
| Below ₹ 1 lakh                                       | 3,044            | 4.7                 | 3,500            | 5.4                 | 4,310            | 6.6                 | 41.6                                               | 42.3        |
| ₹ 1 lakh and above and less than ₹ 10 lakh           | 739              | 26.0                | 889              | 31.7                | 1,155            | 42.1                | 56.3                                               | 62.2        |
| ₹ 10 lakh and above and less than ₹ 1 crore          | 543              | 215.8               | 706              | 290.6               | 1,028            | 413.9               | 89.3                                               | 91.8        |
| ₹ 1 crore and above and less than ₹ 10 crore         | 2,456            | 8,010.1             | 3,353            | 10,823.1            | 5,424            | 17,101.9            | 120.8                                              | 113.5       |
| ₹ 10 crore and above and less than ₹ 25 crore        | 1,839            | 28,560.2            | 2,394            | 37,225.1            | 3,698            | 57,473.7            | 101.1                                              | 101.2       |
| ₹ 25 crore and above and less than ₹ 100 crore       | 939              | 41,686.5            | 1,259            | 56,584.7            | 2,076            | 94,418.2            | 121.1                                              | 126.5       |
| ₹ 100 crore and above and less than ₹ 500 crore      | 235              | 48,020.6            | 345              | 70,880.3            | 605              | 1,25,858.8          | 157.4                                              | 162.1       |
| ₹ 500 crore and above and less than ₹ 1,000 crore    | 39               | 27,138.6            | 49               | 34,610.0            | 96               | 68,100.4            | 146.2                                              | 150.9       |
| ₹ 1,000 crore and above and less than ₹ 5,000 crore  | 16               | 38,327.8            | 46               | 83,993.5            | 69               | 1,26,917.2          | 331.3                                              | 231.1       |
| ₹ 5,000 crore and above and less than ₹ 10,000 crore | 5                | 37,833.9            | 6                | 44,092.8            | 11               | 82,079.3            | 120.0                                              | 116.9       |
| ₹ 10,000 crore and above                             | 7                | 1,53,345.4          | 10               | 1,84,145.4          | 10               | 1,84,145.4          | 42.9                                               | 20.1        |
| <b>Total</b>                                         | <b>9,862</b>     | <b>3,83,169.6</b>   | <b>12,557</b>    | <b>5,22,682.7</b>   | <b>18,482</b>    | <b>7,56,557.5</b>   | <b>87.4</b>                                        | <b>97.4</b> |

Source: Data made available by the sampled units from the e-filing portal

\* Audit analysed 18,482 cases out of 18,870 sampled cases as date of demand raised for the remaining 388 cases was not made available to Audit

It can be seen from Table 4.5 above that the highest number of cases of outstanding demand out of sampled cases fell in the category where outstanding demand was '₹ 1 crore and above and less than ₹ 10 crore' (29.3 per cent), followed by category 'below ₹ 1 lakh' (23.3 per cent), followed by category '₹ 10 crore and above and less than ₹ 25 crore' (20.0 per cent), followed by category '₹ 25 crore and above and less than ₹ 100 crore' (11.2 per cent). Further, in terms of the amount of outstanding demand, the highest amount involved was in the category '₹ 10,000 crores and above', followed by category '₹ 1,000 crore and above and less than ₹ 5,000 crore', followed by category '₹ 100 crore and above and less than ₹ 500 crore'.

The highest increase in the number of cases and outstanding demand out of sampled cases from March 2018 to March 2020 was noticed in the category '₹ 1,000 crore and above and less than ₹ 5,000 crore', followed by category '₹ 100 crore and above and less than ₹ 500 crore', followed by category '₹ 500 crore and above and less than ₹ 1,000 crore'.

**Recommendation 1:**

**Categorisation of data is essential to identify high-risk vis-à-vis low-risk cases. ITD may evolve a system / enable provision to extract data from e-filing/ ITBA to identify and segregate high-risk assesseees, enabling the Assessing officers / TROs to put sustainable efforts into the collection process.**

The Ministry, in its reply, stated (May 2023) that demand cases are being monitored separately through the dossier reports. The revised limit of outstanding demand for the dossier has been furnished and stated that a mechanism is in place, and the Directorate of Recovery under Pr DGIT (Admin & TPS) monitors & analyses the dossier report containing high-value demand.

***The reply furnished by the Ministry is not tenable as the dossiers are being prepared in a routine manner, and the existing mechanism needs to be strengthened to reduce the outstanding demand.***

## Chapter 5 Analysis of High value cases of Outstanding Demand

### 5.1 Overview

In this chapter, Audit attempted to cover the issues relating to outstanding demand in respect of 1,279 assessment records of 160 high-value assessees being assessed in 279 assessment units selected across 17 regions<sup>43</sup> of the ITD. These 160 assessees were selected from the e-filing data furnished by the ITD after filtering five to fifteen assessees whose aggregate outstanding demands were highest in each region. These assessees involved an outstanding demand of ₹ 4,84,052 crore, constituting 29.94 *per cent* of pan-India's total outstanding demand of ₹ 16,18,954 crore as of 31 March 2020. Audit findings regarding these assessees, against whom a large amount of demand was pending, have been included along with recommendations in this chapter.

The audit has highlighted several significant issues within the Income Tax Department's (ITD) procedures, namely Mistakes in Reporting and Data Mismatch, as errors were identified in reporting outstanding demands, data mismatches between different systems (e-filing portal, ITBA/CAP-I), and discrepancies in Dossier Reports. These inaccuracies may result in difficulties in the follow-up of demand recovery and incorrect projection of outstanding demands, affecting the CBDT's ability to set and achieve reduction in targets. Failure to address grievances within a reasonable timeframe resulted in the raising of erroneous demands for taxpayers, potentially leading to situation where the assessee feels mentally harassed due to incorrect raising of outstanding demands.

The audit further noted that the system did not effectively nullify demands after an appellate authority had set aside an assessment, leading to the inclusion of non-existent demands in outstanding figures. This lack of updating also did not reflect the current status accurately. Further, discrepancies in reporting figures to the Custodian and the e-filing system versus ITBA hindered recovery efforts and made it difficult to set accurate reduction targets for outstanding demands. The system did not capture the process of nullifying a demand when an appellate authority had set aside an assessment and ordered a *de novo* assessment.

The audit noted that the ITD did not take effective steps in a timely manner to collect the demand even after the provisional attachment of the property. Further, delay in invoking specific powers as per Schedule II to the Act in attaching and disposing of the property also resulted in the demand not being recovered.

<sup>43</sup> There are 19 regions, including Pune and Nagpur that were not selected for Audit due to COVID-19, as Audit coverage was restricted to units situated at places where audit offices were located.

Audit noted that the CBDT's instruction no. 1937, dated 25 March 1996, regarding obtaining particulars of assets, including debtors, bank accounts/bank deposits, etc., was not followed, which eventually resulted in the accumulation of outstanding demand and the non-fulfilment of the objective of the aforesaid instruction for early recovery of tax dues.

Audit noted that there was a mismatch in the reporting of figures to the Custodian and the Demand shown outstanding in the e-filing system and the ITBA, which may cause difficulty in the follow-up of the recovery of demands and also an incorrect projection of outstanding demands. Furthermore, in case the outstanding demand is incorrect, fixing the target for reduction of outstanding demand would be difficult for CBDT and the target fixed may not be achieved.

Addressing these issues will require the ITD to improve coordination between different departments, update and synchronize its systems, address grievances promptly, adhere to instructions and regulations, and expedite demand collection processes.

## 5.2 Profile and category of high-value cases of assesseees

We selected 279 assessment units comprising an outstanding demand of ₹ 8,49,930 crore pertaining to 12,73,180 assesseees. Of these outstanding demands, 160 assesseees with an outstanding demand of ₹ 4,84,052.49 crore, constituting 58.59 *per cent* of the total outstanding demands in the aforesaid selected units, were selected for detailed examination in this SSCA. Category-wise details of these high-value assesseees are given in Table 5.1 below:

| Table 5.1: Category-wise 160 Assesseees with Outstanding Demand as on 31 March 2020 |                                              |                   |                    |
|-------------------------------------------------------------------------------------|----------------------------------------------|-------------------|--------------------|
| (₹ in crore)                                                                        |                                              |                   |                    |
| Sl. No.                                                                             | Category                                     | No. of Assesseees | Outstanding Demand |
| 1                                                                                   | Company                                      | 101               | 1,85,338.24        |
| 2                                                                                   | Individual                                   | 31                | 2,83,601.56        |
| 3                                                                                   | AOP/BOI/Trust/LA/Artificial Juridical Person | 21                | 14,802.27          |
| 4                                                                                   | Firm                                         | 7                 | 310.42             |
|                                                                                     | <b>Grand Total</b>                           | <b>160</b>        | <b>4,84,052.49</b> |
| Source: e-filing data of ITD for the year ending 31 March 2020                      |                                              |                   |                    |

As evident from the above Table 5.1, though, the numbers of non-corporate<sup>44</sup> assesseees (59) were less than corporate assesseees, yet they constituted 61.7 *per cent* of these demands, whereas the numbers of corporate assesseees

<sup>44</sup> Non-corporate includes individual, firm and AOP/BOI/Trust/LA/Artificial Juridical Person

(101) constituted only 38.3 *per cent* of these outstanding demands. Audit further observed that out of 59 non-corporate assessees, 31 were individual, constituting 58.6 *per cent* of the total outstanding demand of ₹ 4,84,052.49 crore. Details of the top 10 corporate assessees and non-corporate assessees are given in Table 5.2 and 5.3, respectively, below:

### 5.2.1 Details of Top 10 Corporate Assessees

Out of the above 101 corporate assessees, details of the top 10 corporate assessees are given below:

| Table 5.2: Top 10 Corporate Assessees, as on 31 <sup>st</sup> March 2020 |             |                      |                                     |
|--------------------------------------------------------------------------|-------------|----------------------|-------------------------------------|
| (₹ in crore)                                                             |             |                      |                                     |
| Sl. No.                                                                  | Region      | Name of the Assessee | Outstanding Demand as on March 2020 |
| 1                                                                        | Delhi       | M/s. N1 Ltd.         | 23,837.90                           |
| 2                                                                        | Delhi       | M/s. S1 Ltd.         | 23,473.44                           |
| 3                                                                        | Delhi       | M/s. C1 Pvt. Ltd.    | 14,423.50                           |
| 4                                                                        | West Bengal | M/s. I1 Ltd.         | 8,030.40                            |
| 5                                                                        | Tamil Nadu  | M/s. T1 Ltd          | 6,774.86                            |
| 6                                                                        | Delhi       | M/s. M1 Ltd.         | 6,641.40                            |
| 7                                                                        | Karnataka   | M/s. I2 Pvt. Ltd.    | 6,188.72                            |
| 8                                                                        | Delhi       | M/s. N2 Ltd.         | 4,892.17                            |
| 9                                                                        | Mumbai      | M/s. G1 Ltd.         | 4,820.69                            |
| 10                                                                       | Delhi       | M/s. S2 Pvt. Ltd.    | 4,389.52                            |
|                                                                          |             | <b>Total</b>         | <b>1,03,472.60</b>                  |
| Source: e-filing portal data of the ITD                                  |             |                      |                                     |

As evident from Table 5.2 above, out of the 101 corporate assessees, only the top 10 had outstanding demand of ₹ 1,03,472.60 crore, which constituted 55.8 *per cent* of the outstanding demand of ₹ 1,85,338.24 crore relating to these corporate assessees. Further, out of these top 10 corporate assessees in terms of outstanding demand, six assessees belong to the Delhi region, having outstanding demand of ₹ 77,657.93 crore.

### 5.2.2 Details of Top 10 Non-corporate Assessees

Further, out of the above 59 non-corporate assessees, details of the top 10 non-corporate assessees are given in Table 5.3 below:

| Table 5.3: Top 10 Non-corporate Assesseees, as on 31 <sup>st</sup> March 2020 |                |                      |            |                                                  |
|-------------------------------------------------------------------------------|----------------|----------------------|------------|--------------------------------------------------|
| Sl. No.                                                                       | Region         | Name of the assessee | Category   | Outstanding Demand as on March 2020 (₹ in crore) |
| 1                                                                             | Mumbai         | H2                   | Individual | 1,37,563.50                                      |
| 2                                                                             | Mumbai         | C3                   | Individual | 82,959.40                                        |
| 3                                                                             | Mumbai         | H3                   | Individual | 28,791.38                                        |
| 4                                                                             | AP & Telangana | L1                   | Individual | 7,572.70                                         |
| 5                                                                             | AP & Telangana | S3 Ltd.              | AOP        | 5,982.23                                         |
| 6                                                                             | Mumbai         | A2                   | Individual | 3,470.48                                         |
| 7                                                                             | Gujarat        | C4                   | Individual | 3,074.33                                         |
| 8                                                                             | Mumbai         | M2                   | Individual | 2,818.17                                         |
| 9                                                                             | Bengaluru      | P1                   | Individual | 2,810.36                                         |
| 10                                                                            | Gujarat        | S4                   | AOP        | 2,772.55                                         |
|                                                                               |                | <b>Total</b>         |            | <b>2,77,815.10</b>                               |
| Source: the e-filing data of ITD                                              |                |                      |            |                                                  |

It could be seen from Table 5.3 above that out of 59 non-corporate assesseees; the top 10 assesseees had an outstanding demand of ₹ 2,77,815.10 crore, which constituted 92 *per cent* of the outstanding demand of ₹ 2,98,714.25 crore relating to these non-corporate assesseees. Further, out of the top 10 non-corporate assesseees, five assesseees belonged to the Mumbai region, having an outstanding demand of ₹ 2,55,602.93 crore. Further, the top two non-corporate assesseees constituted 79.4 *per cent* of the outstanding demand of these top 10 non-corporate assesseees.

### 5.3 Audit findings

We examined assessment records relating to 157 (out of 160 selected) assesseees as records relating to three assesseees *viz.* M/s. M1 Ltd. (08 cases from 1994-95 to 2015-16), M/s. V1 Ltd. (02 cases- 2010-11 & 2011-12) and M/s. H1 Ltd. (01 cases- 2011-12) for 11 assessment years for all three assesseees with an outstanding demand of ₹ 11,064.31 crore were not produced to Audit. Reasons for such non-production included the non-transfer of physical files from the previous unit due to the restructuring of ITD and exigencies such as fire in the premises where many records were destroyed, etc., as cited by the ITD.

The audit noticed several issues, *viz.*, incorrect reporting of the outstanding demand, mismatches of data available in the e-filing portal, ITBA, and CAP-I, delay in attaching properties and lapses in their disposal, lack of coordination between the AOs and the TROs, discrepancies in Dossier Reports, etc. 27 such cases have been discussed in subsequent paragraphs.

**5.3.1 Grievance not resolved even after considerable time**

**Assessee:** P1  
**Charge:** PCIT-1, Bengaluru

In the case of an individual, P1, a salaried employee of the Defence Research & Development Organisation (DRDO), Bengaluru, Audit observed from the e-filing portal data as on 31 March 2020 that the ITD had raised 40 demands, totalling ₹ 2,810.36 crore under various sections including 143(1), 154 and 271(1) (c) of the IT Act against the assessee during the period from March 2008 to December 2008 for AYs 1988-89 to 2006-07, and in June 2009 and April 2015 for the AYs 2006-07 and 2012-13 respectively. The demand was also matched with the ITBA portal demand analysis screen as on December 2021. Audit also observed that the ITD had classified this outstanding demand of ₹ 2,810.36 crore as 'demand difficult to recover'.

Audit noticed from the records that the assessee had raised grievance petitions representing the incorrect demand against his PAN. It was noticed that though this case was examined by the different authorities, viz., DCIT, Circle-1(1)(1), Bengaluru; Central Circle, Mumbai; CPC(ITR) Bengaluru; CPC(TDS) Ghaziabad; DG (IT) Systems and the CBDT, they could not locate the cause for the erroneous demands. As a result, the issue has remained unresolved to date (November 2023). Audit could not ascertain the reasons for raising huge demands against an assessee who was an employee of DRDO. However, Audit observed from the records that Central Circle, Mumbai, made the entry of demand against this PAN. Audit further noted from the Demand Analysis and Recoverability Status Report (December 2021) of ITBA that the demand uploaded did not belong to this PAN; this incorrect demand was raised in the assessee's name due to some technical glitch. The demand was manually uploaded by DCIT, Central Circle 2, Mumbai, and there appeared to be some error in PAN while uploading manual arrears to the CPC Portal.

Thus, the issue was not resolved even after the assessee registered a grievance more than three years ago, which may have resulted in harassment and incorrect outstanding demand. The Ministry's reply was awaited (March 2024).

**Recommendation 2:**

**The CBDT may ensure redressal of grievances within 30 days as per the commitment made in its taxpayer's charter and, wherever necessary, consider taking remedial action, including fixing responsibility for not taking timely action.**

In its reply, the Ministry stated (May 2023) that most grievances are redressed within 30 days. Further, in-house studies undertaken by the Department have shown that most of the mistakes that remained unresolved after 30 days were on the part of taxpayers, like mistakes in challan, employers not filing TDS, copy of will or death certificate not furnished where legal heir is to be added, etc. The delay is also attributable to technical issues due to the constant evolution of IT infrastructure. However, the Department is constantly making efforts to improve the grievance redressal mechanism. Faceless Assessment and Faceless Appeals are policy interventions by the Department for better and more transparent taxpayer services and improved grievance redressal mechanisms.

***The Ministry's reply focuses merely on the Department's grievance handling process, not on the issues the Assessee's face in redressing their grievances. The ITD may review and strengthen the monitoring of the existing mechanism.***

**5.3.2 Issues having an impact on outstanding demand in respect of State-run beverage corporations**

In some State governments, the distribution and sale of Indian Made Foreign Liquor (IMFL) (Wholesale/retail) in their respective States is done through the formation of exclusive beverage corporations. The respective state governments exclusively license these state-run beverage corporations to distribute/sell IMFL in their states. To avoid disclosing surplus in the P&L account and paying income tax on the same, the profits of these beverage corporations have been ploughed back by the state governments through the levy of different kinds of fees like licence fees, privilege fees, etc. These corporations claim the fees paid to the state government as expenses for income tax purposes.

However, as per Section 40 (a)(iib)<sup>45</sup> of the Act, "any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called, which is levied exclusively on or which is appropriated, directly or indirectly from a State Government undertaking by the State Government, shall not be allowed as deduction in computing the business income".

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<sup>45</sup> Inserted by Finance Act 2013 w.e.f. 01/04/2014



Hence, the ITD has disallowed the payment of privilege fees, license fees, etc., by the state-run beverage corporations to the State Governments while computing the business income and taxed accordingly, as detailed in the following two cases selected for Audit.

- (i) M/s. T1 Ltd.
- (ii) M/s. A1 Ltd.

|                |                  |                       |
|----------------|------------------|-----------------------|
| <b>5.3.2.1</b> | <b>Assessee:</b> | <b>M/s T1 Ltd.</b>    |
|                | <b>Charge:</b>   | <b>PCIT Chennai-3</b> |

M/s. T1 Ltd. is a Government company incorporated under the Companies Act, 1956, in May 1983 with a Registered Office in Chennai.

Audit observed from the e-filing portal data as on 31 March 2020 in the case of a company, M/s. T1 Ltd. that the ITD had raised six demands aggregating ₹ 6,774.86 crore under Sections 143(3), 154, 220 (2) and 254 against the assessee during the period from December 2012 to December 2019 for six AYs 2003-04, 2006-07, 2012-13, 2014-15, 2017-18 and 2018-19. On examination of these six assessment records, it was noticed that out of the above demand, the demand of ₹ 6,752.96 crore was related to the AY 2017-18 only. Audit also noticed specific issues viz. (i) Delay in Implementation of High Court ruling resulting in non-nullifying of the demand, (ii) Incorrect Reporting of Demands in Dossier Report, (iii) Effective action not taken to vacate ITAT's stay of demand, and (iv) Other issues relating to outstanding demand of the assessee. These issues are discussed in the following paragraphs:

The DCIT, Corporate Circle-3(1), Chennai, while finalising the assessment for the AY 2017-18 under Section 143(3) in December 2019 at an income of ₹ 14,632.03 crore disallowed the assessee's claim of deduction of ₹ 14,574.74 crore under Section 40(a)(iib) of the Act and added the same back to the assessee's total income. A demand of ₹ 6,761.82 crore was raised in December 2019.

The assessee filed a writ petition before the Hon'ble Madras High Court in December 2019 regarding disallowance in terms of Section 40(a)(iib) of the Act. The Hon'ble Court set aside the assessment order and remitted the case back to the JAO for a *de-novo* assessment, which was pending (March 2024).

The assessee filed another writ petition in March 2020 before the Hon'ble Madras High Court, challenging the constitutional validity of Section 40(a)(iib) of the Act. The Madras High Court dismissed (March 2020) the said writ petition without deciding the vires of Section 40(a)(iib), stating that it was not inclined to entertain it at that stage and that the assessee, without prejudice

to the rights of the aggrieved parties, could approach the appropriate forum in accordance with the law in the event the occasion so finally arises. The assessee filed a Special Leave Petition (SLP) before the Hon'ble Supreme Court (SC) in September 2020 against the Hon'ble High Court ruling. The Hon'ble Supreme Court, in its order, stated (November 2020) that the Hon'ble High Court should have decided the issue with respect to the challenge to the vires of Section 40(a)(iib) of the Act 'on merits' and that it had failed to exercise the powers vested in it under Article 226 of the Constitution by not deciding the writ petitions 'on merits', and not deciding the challenge to the vires of Section 40(a)(iib) of the Act. The Hon'ble SC quashed (November 2020) the impugned order of the Hon'ble HC and remitted the matter back to the Hon'ble High Court to decide the writ petition on merits with respect to challenging the vires of Section 40(a)(iib) of the Act.

Audit noted that the disallowance of ₹ 14,574.74 crore under Section 40(a)(iib) of the Act made in the scrutiny assessment was set aside by the Hon'ble Madras High Court on 26 February 2020. Therefore, the demand of ₹ 6,761.82 crore pertaining to the aforesaid disallowance should have been nullified by the ITD. However, Audit noted that the outstanding demand of ₹ 6,752.96 crore continued to be included in the Dossier Report of the quarter ending 31 March 2020 and the ITBA portal. Thus, it clearly showed that there was incorrect reporting of outstanding demand to the assessee by ₹ 6,752.96 crore as on 31 March 2020.

Reply of the Ministry is awaited (March 2024).

**i. Incorrect Reporting of Demands in Dossier Report:**

**(a) Non-Updating of Information of Outstanding Demand (AY 2014-15)**

The AO, while finalising the AY 2014-15 assessment under Section 143(3) in December 2016 at an income of ₹ 39.82 crore, raised a demand of ₹ 4.95 crore. The assessment was rectified under Section 154 in February 2017 and the demand was reduced to ₹ 4.15 crore. Audit observed that on the assessee's appeal against the scrutiny assessment, the CIT (Appeal) gave relief, and accordingly, Order Giving Effect (OGE) was passed in December 2019, determining 'Nil' income. Audit noticed that the non-existent demand of ₹ 3.52 crore was also reflected in the Dossier Report of 4<sup>th</sup> Quarter of the Year 2019-20 (March 2020).

**(b) Non-reconciliation of data available in the ITBA portal and the e-filing portal (AY 2006-07)**

The AO, while finalising the assessment for the AY 2006-07 under Section 143(3) in December 2008 at an income of ₹ 2.35 crore, determined a refund

of ₹ 0.22 crore. The case was subsequently reassessed under Section 147 in December 2011 at an income of ₹ 203.14 crore, and a demand of ₹ 114.23 crore was raised. Audit noticed from the assessment records that the assessee preferred an appeal before ITAT, and the Hon'ble ITAT had given relief to the assessee. Consequential Order Giving Effect was manually passed on 24 December 2012, and a refund of ₹ 14.85 crore was determined. However, Audit observed that the aforesaid refund of ₹ 14.85 crore was shown as outstanding demand in the e-filing portal as on 31 March 2020. It was also noticed from the Dossier Report of the 4<sup>th</sup> Quarter of 2019-20 that the above refund was wrongly reflected as "demand in CPC-FAS", though the manual order was uploaded through the ITBA-Manual Order Upload functionality. Thus, non-reconciliation of the ITBA and the e-filing portal resulted in incorrect reporting of a non-existent demand of ₹ 14.85 crore.

Reply of the Ministry is awaited (March 2024).

## **ii. Action taken to vacate ITAT's stay of demand (AY 2012-13)**

While finalising the assessment for the AY 2012-13 under Section 143(3) in March 2015 at an income of ₹ 4,199.24 crore, the AO raised a demand of ₹ 1,849.76 crore. Audit noticed from the assessment records that the Hon'ble ITAT, Chennai, had given relief to the assessee, and accordingly, Order Giving Effect was passed, reducing the demand to ₹ 3.85 crore in August 2017. Audit observed from the Dossier Report for the 3<sup>rd</sup> Quarter (October – December 2019) that the above demand was categorised under "Demand covered by Stay", and ITAT had granted stay up to 18 September 2018. It was further noticed from the Dossier Report for the 4<sup>th</sup> Quarter (January – March 2020) that the Additional CIT, Corporate Circle 3(1), Chennai, had directed the DCIT, Corporate Circle 3(1), Chennai, to pursue the matter further and ascertain the status of stay granted by the Hon'ble Tribunal. No further information was available on record. The ITD did not furnish action taken to vacate the stay and copy of the Dossier Reports for the subsequent periods. Thus, Audit could not ascertain whether the ITD had taken any action to get the stay of demand vacated.

Reply of the Ministry is awaited (March 2024).

|                |                  |                          |
|----------------|------------------|--------------------------|
| <b>5.3.2.2</b> | <b>Assessee:</b> | <b>M/s A1 Ltd.</b>       |
|                | <b>Charge:</b>   | <b>PCIT-1, Hyderabad</b> |

M/s. A1 Ltd. is a State Government company incorporated in 2015. It is a public, unlisted company entrusted with wholesale trading in Indian-made Foreign Liquor (IMFL)/ Foreign Liquor (FL).

Audit observed from the e-filing portal data as on 31 March 2020 that the ITD had raised seven demands totaling ₹ 1,595.73 crore under Sections 143(1),

143(3), 220 (2) and 254 against the assessee during the period from March 2009 to December 2019 for AYs 2006-07 to 2009-10 and 2014-15.

Audit requisitioned information along with the records of the assessee for AYs 2006-07 to 2009-10 and 2014-15 against which records related to interest under Section 220(2) for AY 2008-09 and AY 2009-10 were not produced to Audit.

The AO, while completing the assessment for the AY 2014-15, under Section 143(3) in December 2019 at an income of ₹ 1,260.59 crore, disallowed the assessee's claim of deduction on account of Privilege Fee, amounting to ₹ 1,236.79 crore and added back the same to the total income of the assessee and raised a demand of ₹ 313.17 crore in December 2019. Aggrieved by the order, the assessee preferred an appeal before CIT (A)-Hyderabad-1 in March 2020.

Audit noticed from the assessment records that even though there was no evidence for a stay of demand on the record, action for recovery proceedings was not initiated by the ITD. Audit called for the reasons for such non-initiation of recovery from the ITD. DCIT Circle-1(1), Hyderabad, stated (November 2021) that due to COVID conditions during 2020 and 2021, and the merger of units and the dislocation of staff, the demand could not be pursued. The ITD further stated that a letter was issued to the assessee to pay the taxes immediately and collection would be pursued accordingly. Details of further action taken are awaited (March 2024).

#### **Non-updation of data in ITBA**

Further, in respect of AY 2007-08, the case was processed under Section 143(1) in January 2009, raising a demand of ₹ 0.15 crore. Subsequently, while completing the assessment in December 2011 under Section 143(3) read with Section 147, the AO raised a demand of ₹ 578.03 crore. However, the Demand Analysis Report (October 2021) reflected a demand of ₹ 0.15 crore under Section 143(1) only. The non-updation of the revised order under Section 143(3), read with Section 147, resulted in short reporting of demand by ₹ 577.88 crore.

The ITD accepted (November 2021) the audit observation and stated that the demand has since been uploaded in ITBA and a letter was issued to the assessee for payment of tax. However, the status of the collection of demand is awaited (March 2024).

When an assessment is set aside, the AO proceeds with the process of a fresh assessment. Until a fresh demand is raised, the demand in respect of the quashed assessment is not in existence. Audit found that the outstanding

demand continued to include a non-existent demand. The system did not capture the process of nullifying a demand when an appellate authority had set aside an assessment and ordered a *de novo* assessment. The non-updation of details in the ITD system did not reflect the current/actual status.

**Recommendation 3:**

**The CBDT may ensure that details of the assessment set aside are updated in the ITBA Recovery system module to reflect the current and actual status of demand and avoid reflecting inflated, non-existent demands.**

|              |                  |                                |
|--------------|------------------|--------------------------------|
| <b>5.3.3</b> | <b>Assessee:</b> | <b>H3 and A2</b>               |
|              | <b>Charge:</b>   | <b>PCIT 2- Central, Mumbai</b> |

H3<sup>46</sup>, a prominent Indian stockbroker, was allegedly involved in stock manipulation.

In the case of individuals: H3 and A2, Audit observed from the e-filing portal data (as on 31<sup>st</sup> March 2020) that the ITD had raised 53 demands totaling ₹ 32,261.24 crore under Sections 143(1), 143(3) and 263 against the assessee during the period from March 2007 to March 2020 for the AYs 1987-88 to 2003-04, 2006-07 to 2011-12, 2013-14 to 2015-16 and 2017-18 to 2019-20. Whereas, as per the demand analysis and recoverability statement of the ITBA, the ITD had raised 56 demands totalling ₹ 32,882.56 crore against the assessee during the same period for the same AYs.

Audit requisitioned information along with the records of the assessee for AYs 1987-88 to 2003-04, 2006-07 to 2011-12, 2013-14 to 2015-16 and 2017-18 to 2019-20 against which records relating to H3 for the AYs 1988-89 to 2003-04, 2006-07 to 2009-10 and 2018-19 involving 22 cases of Sections 143(1), 143(1a) and 143(3) were not produced to Audit. In respect of A2, records for AYs 1987-88 to 2003-04, 2008-09 to 2011-12, 2013-14 to 2017-18 involving 29 cases of 143(1), 143(1a), 143(3), 220(2) and 250 were not produced to Audit.

Audit noticed from the demand analysis and recoverability statement of the ITBA that the following demands were outstanding from H3 and A2, as on 31 March 2020:

<sup>46</sup> The Bombay High Court and the Supreme Court of India convicted him for his part in a financial scam valued at ₹ 10,000 crore (US\$1.3 billion) that took place in the Bombay Stock Exchange (BSE). A2 is the brother of H3.

| Table 5.4: Outstanding Demands as on March 2020 |                              |                                                                                |                                       |
|-------------------------------------------------|------------------------------|--------------------------------------------------------------------------------|---------------------------------------|
| Name of the assessee                            | Total no. of demands pending | Related AYs                                                                    | Total outstanding demand (₹ In crore) |
| H3                                              | 25                           | 1988-89 to 2003-04, 2006-07 to 2009-10, 2018-19                                | 29,407.76                             |
| A2                                              | 31                           | 1987-88 to 2003-04, 2008-09 to 2011-12, 2013-14 to 2015-16, 2017-18 to 2019-20 | 3,474.80                              |
| Source: ITBA portal of ITD                      |                              |                                                                                |                                       |

Audit observed from the assessment records that no dossier report was prepared in respect to these cases, and demand was also not reported to the Tax Recovery Officer. Audit noticed various other issues, viz. the inability of the ITD to arrive at the actual outstanding demand, besides delay in giving the appeal effect, non-updation of the e-filing data and non-reporting of updated demand to the Custodian, which has been discussed in the subsequent paragraphs:

### 1. Recovery process in the case of H3

On examination of the records, Audit noticed that the assessee was a notified party notified by the custodian under Section 3(2) of the Special Court (TORTS)<sup>47</sup> Act, 1992.

Audit observed that the Custodian had attached all the properties (movable and immovable) belonging to the notified parties. After attachments and recoveries, the liabilities were discharged, wherein revenue/taxes to the Central Government were given preference. Thus, any demand to be recovered from the assessee and group was required to be done through the Special Court. Further, it was observed that a total amount of ₹ 3,286.08 crore was recovered and adjusted against the principal amount of the demands raised in various cases, and the last payment was received in 2011.

### 2. Raising of demand under Section 263 by PCIT on the issue settled by the ITAT

On examination of the records, Audit observed that for the AY 1992-93, the Tribunal passed an order (January 2019) in favour of the assessee, J1<sup>48</sup>. The ITD preferred an appeal against the Tribunal's order before the Hon'ble High Court, Mumbai, and the same was adjourned till 18 March 2020. Meanwhile,

<sup>47</sup> Trial of Offences Relating to Transactions in Securities (TORTS). A special court established under the TORTS Acts 1992 to deal with matters relating to attachment, disbursement and recovery of the money and assets of all affected parties. As per Section 11 of the TORTS Act, the Special Court, by order, may direct the Custodian for disposal of properties under attachment and liabilities, viz. all revenues, taxes, cesses, and all amounts due from the person so notified by the Custodian to any bank etc. shall be paid or discharged in full.

<sup>48</sup> The legal heir of H3

the assessment was revised (July 2019), and a refund of ₹ 472.58 crore was issued to J1 based on the ITAT orders.

Audit observed that PCIT, Central Circle 2, Mumbai issued orders (January 2020) under Section 263, which was against the order of ITAT (January 2019). Effect to the order was given (March 2020), determining a total income of ₹ 2,237.55 crore, and a tax demand of ₹ 6,357.12 crore was raised against the assessee. Subsequently, the assessee again filed an appeal with ITAT Mumbai, which was partly allowed by ITAT Mumbai in March 2021. Further details were not available on record.

Audit observed that the order under Section 263 passed by the PCIT, on the issue which was already settled by ITAT vide order dated 14 January 2019, appears to be erroneous and resulted in overstatement of demand. Audit also observed that the above order being pending revision resulted in overstatement of outstanding demand of ₹ 6,357.12 crore as of November 2021.

As per the Demand analysis and recoverability status as on 16 November 2021 for AY 1992-93 in respect of H3, the following demands were pending, as shown in Table 5.5 below:

| Table 5.5: Demands pending for AY 1992-93 as on November 2021 |                    |                                    |
|---------------------------------------------------------------|--------------------|------------------------------------|
| Section                                                       | Date of Assessment | Outstanding demand<br>(₹ in crore) |
| 143(1)                                                        | 21 March 2007      | 6,100.37                           |
| 143(3)                                                        | 31 March 2010      | 7,442.52                           |
| 263                                                           | 11 March 2020      | 6,357.12                           |
| Source- ITBA portal of ITD                                    |                    |                                    |

Audit called for the records relating to the demands pertaining to AY 1992-93 raised under Section 143(3) and 143(1) of the Act, which were not produced by the ITD. Thus, in the absence of complete records, the demands raised under Sections 143(3) and 143(1) for AY 1992-93 could not be verified by Audit.

### 3. Mismatch in figures reported to the Custodian, Demand Outstanding in the e-filing system, demand outstanding as per the ITBA

Audit noted that as per the report sent to the Custodian by the ITD, the demand of ₹ 13,868.77 crore (including tax, interest, penalty and interest under Section 220(2)) for AYs 1988-89 to 2013-14 was pending as on January 2021, while, as per the e-filing portal, a demand of ₹ 28,791.38 crore for AY 1988-89 to 2018-19 was shown as outstanding as on 31 March 2020 in respect of H3. As per the ITBA, the outstanding demand was ₹ 29,407.76 crore as on 31 March 2020. The Assessment year-wise details are given in **Appendix 8**.

On being called for the details of total demands, viz. total demands raised by the ITD, year-wise demand pending recovery along with current position and details of the amount released to the ITD, from the Custodian, it was intimated that the said information may be obtained from the ITD, which maintains the records. The Custodian further informed that as the correct and updated outstanding dues of the assessee (H3 and Group) were pending from the ITD to the Special Court, the extent of liability of the assessee could not be examined by the Special Court.

The audit observed that the mismatch in the amounts of outstanding demand in the above three sources has not been reconciled (November 2021). The audit could not ascertain the reasons for differences in the figures reported to the Custodian and shown on the e-filing portal and the ITBA portal regarding outstanding demand in the assessee's case.

Thus, it could be seen that the ITD raised a demand under Section 263 in the case that had already been settled by ITAT. Further, there was a mismatch in the reporting of figures to the Custodian and the Demand shown outstanding in the e-filing system and the ITBA, which may cause difficulty in the follow-up of the recovery of demands and also an incorrect projection of outstanding demands. Furthermore, if the figure for outstanding demand is incorrect, fixing the target for reduction of outstanding demand would be difficult for CBDT, and the target so fixed may not be achieved.

Reply of the Ministry is awaited (March 2024).

#### **Recommendation 4:**

##### **The CBDT may**

**(i) ensure fixing realistic targets for cash collection and reduction in arrear demand as fixing a uniform percentage of 40 percent for reduction in arrear demand as per the Central Action Plans does not appear to be realistic or practical.**

**(ii) consider devising a fast-track process periodically to resolve and settle the high outstanding demand cases under dispute pending in the courts for years.**

The Ministry, in its reply, stated (June 2023) that the targets for the reduction of arrear demand are fixed after due deliberation and on the basis of recommendations of a High-level task force headed by an officer, not below the rank of Pr CCIT. These targets are fixed after taking into consideration various factors like age and amount of demand, status of pendency in appeals, etc., which impact the reduction and recovery of tax arrears. The same is worked on a formula devised in this regard, which is applied to all Pr CCIT regions. The measures for recovery of taxes were detrimentally impacted due to covid pandemic in FY 2020-21



and 2021-22, wherein adverse coercive actions were not taken in view of the severity of the pandemic. Further, the states like Tamil Nadu, Mumbai, Orissa, Rajasthan and Delhi have either achieved the target or reached close to the target for reduction of outstanding demand in the year 2017-18.

***The reply furnished by the Ministry is not acceptable, as the audit noted that in 19 regions, targets could not be achieved. In 2018-19, the achievement of many regions was far from the target. Whereas in some regions, the achievement vis-à-vis targets were very high, indicative that while fixing a uniform target of 40 per cent for a reduction in arrear demand, the risk factors involved were not adequately analysed. It is noticed from the Central Action Plan of 2022-23 that the uniform target of 40 per cent for a reduction in arrear demand has been continued.***

|              |                  |                               |
|--------------|------------------|-------------------------------|
| <b>5.3.4</b> | <b>Assessee:</b> | <b>H2, C3 and K1</b>          |
|              | <b>Charge:</b>   | <b>PCIT Central 1, Mumbai</b> |

During the course of search proceedings on 06 January 2007 in respect of H2 and associates, it was found that H2<sup>49</sup>, an individual, was in possession of a foreign asset, in the form of a bank balance and funds/money of USD 740.65 million and USD 976 million, lying in the accounts with Union Bank of Switzerland, taxable in India. The assessee did not disclose this in his return of income. Subsequently, the assessee's case was reopened under Section 147 of the Act.

Audit observed from the e-filing portal data as on 31 March 2020 that the ITD had raised 92 demands totalling ₹ 2,22,729.84 crore under various Sections viz. 143(1), 143(3), 144, 147, 148, 220(2), 254 and 271(1)(c) against the assessee, H2 and associate assessee during the period from March 2008 to December 2017 for AYs 1999-2000 to 2016-17 which were outstanding as detailed below in Table 5.6:

| <b>Table 5.6: Outstanding Demands of H2 and associate assessee as on March 2020</b> |                                     |                                                  |                                            |
|-------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>(₹ in crore)</b>                                                                 |                                     |                                                  |                                            |
| <b>Name of the assessee</b>                                                         | <b>Total no. of demands pending</b> | <b>Related AYs</b>                               | <b>Total demand raised and outstanding</b> |
| H2                                                                                  | 34                                  | 1999-2000 to 2016-17                             | 1,37,563.48                                |
| C3                                                                                  | 31                                  | 2001-02, 2002-03, 2004-05 to 2010-11 and 2013-14 | 82,959.40                                  |
| K1                                                                                  | 27                                  | 2000-01 to 2008-09, 2010-11 and 2012-13          | 2,206.96                                   |
| <b>Total</b>                                                                        | <b>92</b>                           |                                                  | <b>2,22,729.84</b>                         |
| Source: e-filing data ending March 2020                                             |                                     |                                                  |                                            |

<sup>49</sup> H2 is an Indian businessman who was investigated (2007) for suspected money laundering. He had a Swiss bank account with \$8 billion in deposits. He had allegedly stashed away billions into Swiss bank accounts with the help of Kolkata-based businessman K1, Delhi-based businessman P4 and C3, wife of K1, who were all associated with the business of H2.

Audit requisitioned the information along with the records of the above assessee for AYs 1999- 2000 to 2016-17 against which records relating to C3 for the AY 2009-10 pertaining to demands raised (₹ 0.11 crore) under Section 143(3) and 271(1)(C) were not produced to Audit.

## H2 and associate assessees

### Assessment Years: 1999-2000 to 2016-17

Audit examined 90 cases of H2 and associate assessees pertaining to AYs 1999-2000 to 2016-17 involving a total outstanding demand of ₹ 2.23 lakh crore as on 31 March 2020. The ITD conducted search and seizure in 2007 in the premises of the assessee and his associates for the block period of AYs 2001-02 to 2007-08 on account of undisclosed income in foreign bank account, deposits or transfer instructions, unexplained expenses, loans, etc.

## H2

H2 claimed to be into owning and maintaining racehorses. The assessee was accused of committing an offence punishable under the Prevention of Money Laundering Act. In the assessee's case, a search was conducted in January 2007 by the ITD.

In the case of an individual, H2, the Department completed the assessments for the AY 2001-02 to 2007-08 and raised the demand of ₹ 50,329.08 crore (December 2008). The assessee filed an appeal before the ITAT, Mumbai, which, in its order, set aside the demand made (2017). After completing the *de novo* assessment, the AO raised a fresh demand of ₹ 1,06,565.55 crore (December 2017).

### 1. Non-recovery of outstanding demand from property attached

On examination of the assessment and other orders issued and records relating to the TRO, Audit observed that the ITD provisionally attached (2007) 32 horses of the assessee under Section 281B of the IT Act, 1961. Of these, as of June 2010, seven horses were in the race, 15 horses had retired from racing, and 10 horses had died. Audit further observed that the TRO attached four horses in June 2010, which was after the lapse of three years of provisional attachment. The ITD also seized wristwatches valued at ₹ 19.97 lakhs (as per the dossier report quarter ending September 2011). Audit could not ascertain whether the assessee had disposed of the part of the livestock during the intervening period. Further, Audit noticed that the ITD had not taken any action to auction the horses to recover a part of the total block period demand of ₹ 1,06,565.55 crore. Audit called for reasons for not auctioning the property (horses) to recover the demand. Further, no detail was available in the records regarding attachment of any other property by the ITD.

The TRO Central I, Mumbai stated (December 2021) that the property was attached provisionally under Section 281B by the Assessing Officer in 2007, and the TRO attachment was done in 2010 after a lapse of three years during which the horses might have been sold or died. The reply was silent on the issue of auctioning the horses, which were attached in June 2010.

Reply of the Ministry is awaited (March 2024).

## **2. Non-levy of interest under Section 220(2)**

The DCIT, Central Circle 1(2), Mumbai, while finalising the assessments (December 2017) under Section 143(3) read with Section 147/153A for AYs 1999-2000 to 2007-08 in respect of the assessee, raised a demand of ₹ 1,13,540.48 crore. Audit examination of the assessment records revealed that the ITD did not levy interest under Section 220(2) of ₹ 43,951.99 crore as on 31 March 2021 for AYs 1999-2000 to 2007-08 at the end of each financial year as required by the CBDT's instruction dated 07 June 1991. Audit called for reasons for non-levy of interest under Section 220(2) of the Act.

Reply of the Ministry is awaited. (March 2024).

## **3. Excess levy of interest under Section 234B**

The AO, while finalising the assessments of the assessee for the AYs 1999-2000 to 2002-03, between December 2008 and December 2017 under Section 143(3) read with Section 147/153A, raised interest under Section 234B aggregating ₹ 13,643.27 crore. The audit examined computation sheets for assessment years 1999-2000 to 2007-08, which revealed that the ITD levied interest under Section 234B of ₹ 55,732.05 crore instead of the correct leviable interest of ₹ 51,927.28 crore. This resulted in excess levy of interest of ₹ 3,804.76 crore, which led to an overstatement of arrears of demand.

The reply of the Ministry is awaited (March 2024).

## **4. Improper monitoring and preparation of Dossier Reports**

Audit noticed during the examination of the dossier report for the quarter ending September 2021 and analysis of the assessment records with demands outstanding in the e-filing portal that the arrears of demand had been reduced/increased due to rectification/revision of assessment orders and orders giving effect of appellate orders, but these were not updated in e-filing portal resulting in understatement of demand of ₹ 28,362.88 crore in the dossier report. Further, dossier reports for quarterly periods ending December 2020, March 2021 and July 2021 were not furnished to Audit.

In absence of the said dossier reports, Audit could not ascertain the veracity of outstanding demand. Further, incorrect exhibition of outstanding demand

figures in the dossiers resulted in incorrect portrayal of tax dues to the stakeholders and may hamper the recovery of demands.

In the CAG's Report No. 23 of 2011 also, it was reported that H2 alone accounted for 43 *per cent* of total arrear demand.

Reply from the Ministry is awaited (March 2024).

### **C3**

In the case of an assessee, C3, Audit noticed from the e-filing portal data as on 31 March 2020 that the ITD had raised 31 demands totalling ₹ 82,959.41 crore under Sections 143(1a), 143(3), 220(2), 254 and 271(1)(c) for AYs 2001-02, 2002-03, 2004-05 to 2010-11 and 2013-14.

Audit noticed from the Dossier report of quarter ending September 2021 that the demand, in this case, for all the years, was categorized by the ITD as Demand Difficult to recover due to insufficient assets.

In Pr. CIT, Central-1, Mumbai charge, the demand of ₹ 0.20 crore was shown as outstanding against C3 for AY 2010-11 under Section 143(3) in the e-filing portal. Examination of assessment records revealed that the assessee had filed an appeal in the ITAT, Mumbai, which issued the order in favour of the assessee in September 2016. Audit noted that the ITD had not given effect to the appeal order. Audit observed that even after a lapse of five years, the demand was shown as outstanding in the e-filing portal as well as in the dossier report. This resulted in an overstatement of demand by ₹ 0.20 crore.

Reply of the Ministry is awaited (March 2024).

### **K1**

K1 was a co-accused in the money-laundering case against Pune-based businessman H2. K1 was arrested in 2011 by the Enforcement Directorate on allegations that he had helped H2 to launder money and open bank accounts abroad.

Audit noticed from the e-filing portal data as on 31 March 2020 that the ITD had raised 27 demands totaling ₹ 2,206.97 crore under Sections 143(3), 148, 220(2), 254 and 271(1)(C) for AYs 2000-01 to 2008-09, 2010-11 and 2012-13.

Further, Audit noticed from the ITBA portal (Dossier report) as on 30<sup>th</sup> September 2021 that ITD had raised 27 demands totaling ₹ 2,503.78 crore against the assessee for AYs 2000-01 to 2008-09, 2010-11 to 2012-13.

Audit noted on examination of the assessment records that the ITD had conducted the search and seizure operation in January 2007; assessment for the block period AYs 2001-02 to 2007-08 was completed in December 2008, and the demand of ₹ 593.68 crore was raised. The main issues of addition

were undisclosed foreign bank account deposits through transfer instructions, unexplained expenses, loans, etc. The demand, in this case, for all the years, was categorized by ITD as 'demand difficult to recover' due to insufficient assets.

The assessees approached ITAT, Mumbai, and the Tribunal vide order dated April 2016, had set aside the CIT(A) order. In this case, as directed by ITAT Mumbai, fresh assessment orders were passed by ITD in December 2017 for AYs 2001-02 to 2007-08. In the fresh assessment under Section 254, ITD had raised a demand of ₹ 1,409.74 crore in December 2017.

The case was transferred to the TRO, Kolkata, which attached two immovable properties owned jointly by the assessees. However, the TRO Kolkata, on confirmation from M/s. K2 Ltd., stated that these properties did not belong to the assessees. The ITD had seized one locker with Standard Chartered Bank, Kolkata, jointly owned by both assessees. However, no recovery was made.

The assessee died in August 2015, and his wife, C3, the legal heir, is handling all the pending cases. Details of the final status of the case are awaited.

Thus, it is evident that the ITD did not take effective steps timely to collect the demand even after the provisional attachment of the property. Further, delay in invoking specific powers as per Schedule II to the Act in attaching and disposing of the property also resulted in non-recovery of the demand.

Reply of the Ministry is awaited (March 2024).

#### **Recommendation 5:**

**The CBDT may consider speeding up the recovery process where the provisions of Section 281B of the Act were invoked, taking into account the nature of the asset attached and the volume of outstanding demand.**

The Ministry, in its reply, stated that (May 2023) the CBDT has issued various instructions in this regard. The legislative intent of the provision is that by provisionally attaching the assets for the specified time in suitable cases, the assessee is prevented from thwarting the ultimate collection of tax demand. As there are elaborate checks and balances embedded in the provisions itself, any further restriction on the action of AO is likely to defeat the legislative intent.

***The reply of the Ministry is not tenable as the intent of the Audit was not to restrict the action of AO; rather, it was the time gap observed between provisional attachment by AO and regular attachment by TRO. As a result, the property was found not available when proceedings were initiated for regular attachment.***

|              |                  |                       |
|--------------|------------------|-----------------------|
| <b>5.3.5</b> | <b>Assessee:</b> | <b>M/s C2 Ltd.</b>    |
|              | <b>Charge:</b>   | <b>PCIT 1 Kolkata</b> |

M/s. C2 Ltd. is a public limited company incorporated in June 1995. It is classified as a Non-governmental company registered with the Registrar of Companies, Kolkata.

Audit noticed from the e-filing portal data as on 31 March 2020 that the ITD had raised 11 demands totaling ₹ 742.13 crore relating to AYs 2008-09 to 2013-14 and 2017-18, and out of these outstanding demands, a demand of ₹ 653.10 crore related to AY 2017-18 only. Whereas, as per the ITBA portal as of 15 November 2021, the demands were ₹ 806.62 crore for the same AYs.

Audit requisitioned records for the above AYs, against which records relating to three demand cases for AYs 2012-13 and 2013-14 (two cases) were not produced for Audit.

The AY-wise details of the outstanding demand as per the e-filing portal and ITBA are given in Table 5.7 below:

| <b>Table 5.7: e-filing and ITBA Outstanding Demand</b> |                     |                                              |                                                   |                                             |                                                   |
|--------------------------------------------------------|---------------------|----------------------------------------------|---------------------------------------------------|---------------------------------------------|---------------------------------------------------|
| <b>AY</b>                                              | <b>Section</b>      | <b>Data as per e-filing as on March 2020</b> |                                                   | <b>Data as per ITBA as on November 2021</b> |                                                   |
|                                                        |                     | <b>Date of Demand</b>                        | <b>Demand raised and outstanding (₹ in crore)</b> | <b>Date of Demand</b>                       | <b>Demand raised and outstanding (₹ in crore)</b> |
| 2008-09                                                | 154                 | 22/02/2017                                   | 2.76                                              | 22/02/2017                                  | 2.73                                              |
| 2008-09                                                | 115WE <sup>50</sup> | 11/10/2010                                   | 0.07                                              | 11/10/2010                                  | 0.07                                              |
| 2009-10                                                | 115WE               | 17/03/2011                                   | 0.01                                              | 17/03/2011                                  | 0.01                                              |
| 2009-10                                                | 143(3)              | 23/12/2011                                   | 0.01                                              | 23/12/2011                                  | 0.01                                              |
| 2010-11                                                | 143(3)              | 26/06/2012                                   | 0.00                                              | 26/06/2012                                  | 0.00                                              |
| 2011-12                                                | 144                 | 26/12/2018                                   | 13.33                                             | 26/12/2018                                  | 13.33                                             |
| 2011-12                                                | 271(1)(c) (Penalty) | 26/06/2019                                   | 3.64                                              | 26/06/2019                                  | 3.64                                              |
| 2012-13                                                | 144                 | 24/12/2019                                   | 25.89                                             | 24/12/2019                                  | 25.89                                             |
| 2013-14                                                | 271(1)(c) (Penalty) | 28/02/2019                                   | 22.10                                             | 28/02/2019                                  | 22.10                                             |
| 2013-14                                                | 154                 | 17/06/2019                                   | 21.22                                             | 17/06/2019                                  | 21.22                                             |
| 2017-18                                                | 144                 | 28/12/2019                                   | 653.10                                            | 28/12/2019                                  | 653.10                                            |
| -                                                      | -                   | -                                            | -                                                 | 03/11/2021                                  | 64.52                                             |
| <b>Total</b>                                           |                     |                                              | <b>742.13</b>                                     |                                             | <b>806.62</b>                                     |
| Source- e-filing and ITBA portal of ITD                |                     |                                              |                                                   |                                             |                                                   |

As evident from the table above, the outstanding demands against the Assessee have been pending since 2010 and demands aggregating to

<sup>50</sup> Processing and assessment of Return of fringe benefits.

₹ 0.09 crore were pending for more than ten years. Out of which, a demand of ₹ 0.08 crore was related to Fringe Benefits Tax (Section 115WE), which was abolished in the Finance Act 2009 with effect from AY 2010-11.

**Status of Demand:** The Assessee filed an insolvency petition before NCLT, Kolkata Branch, wherein NCLT ordered the commencement of M/s. C2 Ltd.'s corporate insolvency resolution process vide order dated 07 November 2017 and called upon the company's creditors to submit proof of their claims by 05 December 2017. No further information was found available on record.

However, the Audit observed from the Dossier report of the third quarter ending December 2020 that the ITD lodged a claim before the NCLT for ₹ 292.59 crore as against the total outstanding demand of ₹ 806.62 crore (including demand for the AY 2020-21). Audit further observed that the assessee company was under liquidation process, even though the ITD had classified the entire demand of ₹ 742.10 crore (excluding the demand relating to AY 2020-21) as collectible in the Dossier Report. Audit could not ascertain whether any demand was recovered consequent to the NCLT notification.

Reply of the Ministry is awaited (March 2024).

|              |                  |                               |
|--------------|------------------|-------------------------------|
| <b>5.3.6</b> | <b>Assessee:</b> | <b>M/s R1</b>                 |
|              | <b>Charge:</b>   | <b>PCIT Exemption, Jaipur</b> |

The Assessee, registered as a Society under the Registration of Societies Act, 1958, is engaged in the printing, publication, distribution and sale of textbooks/workbooks, etc., to the Rajasthan State Government on a charges basis. The Government distributes the books free of cost. Audit noted that the Assessee was seeking exemption from income tax under Section 10(23C)(iiiab)<sup>51</sup> of the Act.

Audit examined data of outstanding demands in four cases from various sources, viz. e-filing portal as on March 2020 and physical records as on December 2019, and ITBA as on October 2021 pertaining to AYs 2012-13, 2015-16 to 2018-19.

For the AYs 2012-13, 2015-16, 2016-17 and 2017-18, the DCIT Exemption Circle, Jaipur, had completed the assessments under Section 143(3) read with Section 147 in December 2019, wherein the AO had disallowed the Assessee's claim of exemption under Section 10(23C)(iiiab) of the Act on the grounds that "the institution existing solely for educational purpose is only eligible for exemption and that R1 was not functioning solely for the purpose specified

<sup>51</sup> According to this section, while computing the total income of a previous year of any person, any income of any university or other educational institution existing solely for educational purposes and not for purposes of profit and which is wholly or substantially financed by the Government shall not form part of the total income.



under Section 10(23C)(iiiab). Since the Board has been charging the price from the Government for supplying books, it can be treated as business and commercial activity between the Board and the Government. Further, it was neither an educational institute nor wholly or substantially financed by the Government; as such, the Assessee was not entitled to claim exemption under Section 10(23C)(iiiab) of the Act." The assessment was completed in December 2019 by treating the Assessee as AOP. The assessee preferred an appeal which is pending before the CIT(A)-3, Jaipur.

### Discrepancy among ITBA, e-filing portal and physical records

Audit observed discrepancies in the amounts of outstanding demand between the ITBA and the e-filing portals as well as the physical records, as given in Table 5.8 below:

| Table 5.8: Status of Outstanding Demand                   |                                                                  |                                                  |                                                                  |
|-----------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------|
| (₹ in crore)                                              |                                                                  |                                                  |                                                                  |
| AY                                                        | Outstanding demand as per the e-filing portal (as on March 2020) | Outstanding demand as per ITBA (as October 2021) | Outstanding demand as per physical records (as on December 2019) |
| 2012-13                                                   | 40.31                                                            | NIL                                              | 40.40                                                            |
| 2015-16                                                   | 43.19                                                            | 34.55                                            | 43.19                                                            |
| 2016-17                                                   | 17.31                                                            | 13.85                                            | 17.31                                                            |
| 2017-18                                                   | 17.55                                                            | 5.74                                             | 28.69                                                            |
| 2018-19                                                   | -                                                                | 25.36                                            | -                                                                |
| <b>Total</b>                                              | <b>118.36</b>                                                    | <b>79.59</b>                                     | <b>129.59</b>                                                    |
| Source: e-filing, ITBA portal and physical records of ITD |                                                                  |                                                  |                                                                  |

Audit noted variations/ discrepancies in outstanding demand, as shown in the e-filing portal, ITBA portal, and physical records. On being pointed out by Audit, the ACIT (Exemptions) Circle, Jaipur, stated (January 2022) that for AY 2012-13, no demand was reflected in the e-filing portal due to some technical issue and that the same was being taken up with their 'systems officials'. For AYs 2015-16 and 2016-17, the ITD stated that the figures shown as outstanding earlier in the e-filing portal as of 31 March 2020 did not appear in the e-filing portal as of January 2022.

The ACIT (Exemptions) Circle, Jaipur, stated (December 2021) that the order for AY 2017-18 was passed on 10 December 2019, creating a demand of ₹ 28.69 crore, out of which, as per the OLTAS module of the ITBA System, the Assessee had paid ₹ 5.59 crore till 14 December 2021 and that the outstanding demand was ₹ 23.10 crore only.

ITD's reply is not tenable as the outstanding demand for AY 2012-13 was ₹ 40.40 crore as per physical records and ₹ 40.31 crore as per the e-filing portal, whereas no demand was reflected on the ITBA Portal. The Demand Analysis and Recoverability Status Report did not show the demand for



AY 2012-13. The ITD needs to reconcile the inconsistencies in the data in these portals to ensure the correct reporting of the outstanding demands.

Audit also observed that in respect of AYs 2016-17 and 2017-18, the Assessee had preferred appeals (December 2019) with the CIT(A), the outcome of which was awaited.

Reply of the Ministry is awaited (March 2024).

|              |                  |                          |
|--------------|------------------|--------------------------|
| <b>5.3.7</b> | <b>Assessee:</b> | <b>M/s. K3 Pvt. Ltd.</b> |
|              | <b>Charge:</b>   | <b>PCIT 2 Hyderabad</b>  |

The assessee company is engaged in the execution of contract works. Audit noticed from the e-filing portal data as of 31 March 2020 that outstanding demands aggregating to ₹ 278.44 crore in seven cases were pending collection. Details of outstanding demand as per the e-filing portal and the ITBA depict the following trend, as shown in Table 5.9 below:

| <b>Table 5.9 : Status of Outstanding Demand</b> |                           |                                                         |                                      |                                                                               |                                      |
|-------------------------------------------------|---------------------------|---------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------|--------------------------------------|
| <b>(₹ in crore)</b>                             |                           |                                                         |                                      |                                                                               |                                      |
| <b>AY</b>                                       | <b>Assessment details</b> | <b>Data as per the e-filing portal as on March 2020</b> |                                      | <b>Data as per the ITBA 'demand recoverability status as on October 2021'</b> |                                      |
|                                                 |                           | <b>Date of raising the demand</b>                       | <b>Demand raised and outstanding</b> | <b>Date of raising the demand</b>                                             | <b>Demand raised and outstanding</b> |
| 2010-11                                         | 154                       | 04/04/2014                                              | 5.69                                 | 04/04/2014                                                                    | 5.69                                 |
| 2010-11                                         | 144                       | 28/12/2017                                              | 5.79                                 | 28/12/2017                                                                    | 5.78                                 |
| 2011-12                                         | 147                       | 26/12/2018                                              | 18.68                                | 26/12/2018                                                                    | 18.14                                |
| 2011-12                                         | 271(1)( c)<br>(Penalty)   | 27/06/2019                                              | 6.45                                 | 27/06/2019                                                                    | 6.45                                 |
| 2012-13                                         | 147/154                   | 30/12/2019                                              | 213.06                               | 02/08/2021                                                                    | 200.78                               |
| 2013-14                                         | 144                       | 29/03/2016                                              | 14.65                                | 29/03/2016                                                                    | 14.65                                |
| 2017-18                                         | 144                       | 31/12/2019                                              | 14.12                                | 31/12/2019                                                                    | 14.12                                |
| <b>Total</b>                                    |                           |                                                         | <b>278.44</b>                        |                                                                               | <b>265.61</b>                        |
| Source- e-filing and ITBA portal of ITD         |                           |                                                         |                                      |                                                                               |                                      |

As evident from the above table, there were notable differences between-e-filing portal and ITBA demand and recoverability statement, and Audit could not verify the reasons for the same.

As per the dossier report for the second quarter ending September 2020 of FY 2020-21, Audit noted that the Assessee had stopped its operation and there were no assets for recovery. Audit also noted that the last return of income filed by the Assessee was for AY 2017-18.

Audit noticed certain issues relating to non-updation of data in ITBA, delay in the attachment of properties, and non-notification of the attached properties to the CERSAI in this case, as discussed below:

**i. Non-updation of data in ITBA**

For AY 2010-11, the Assessee filed a return of income in October 2010, declaring income of ₹ 4.31 crore. The original assessment was completed under Section 143(3) with a taxable income of ₹ 16.32 crore in March 2013, and a demand of ₹ 5.76 crore was raised. Subsequently, the assessment was revised (December 2017) under Section 144 read with Section 254 and a demand of ₹ 5.79 crore was raised.

Audit observed from the 'Demand recoverability status' in the ITBA as of November 2021 as well as the e-filing portal that two demands, i.e. ₹ 5.69 crore raised under Section 154 in April 2014 and ₹ 5.79 crore raised under Section 144 in December 2017 were pending. However, Audit noticed from the assessment records that only the latest demand of ₹ 5.79 crore, raised under Section 144 in December 2017, was actually pending collection from the Assessee. The demand raised under Section 154 was subsumed in the subsequent order. This resulted in an overstatement of demand of ₹ 5.69 crore. The ACIT, Circle 2(1), Hyderabad, accepted the audit observation (December 2021). However, details of remedial action taken are awaited (March 2024).

For AY 2011-12, the Assessee filed a return of income in January 2012, declaring an income of ₹ 22.87 crore. The assessment was completed in December 2018 under Section 147, read with Section 144 by making additions based on the information received from ADIT (Inv) Unit 2(4), Kolkata and ITO 10(2), Kolkata, on account of sub-contract transactions with Kolkata based bogus companies to the tune of ₹ 19.41 crore. The income was assessed at ₹ 43.23 crore, and a demand of ₹ 18.68 crore was raised. Audit examination of the demand analysis statement of ITBA for AY 2011-12 revealed that the demand was reported as ₹ 18.14 crore instead of ₹ 18.68 crore, which resulted in a short reporting of demand by ₹ 0.54 crore. The ITD accepted the audit observation (December 2021). However, the details of the action taken are awaited (March 2024).

Further, the assessment for the AY 2013-14 under Section 144 was finalized in March 2016 at an income of ₹ 33.32 crore, and a demand of ₹ 14.70 crore was raised. Subsequently, an order giving effect to the CIT(Appeals) Hyderabad was passed in October 2017, and a revised demand of ₹ 6.75 crore was raised. Audit observed from the demand analysis report dated November 2021 that the demand of ₹ 14.65 crore was still reflected instead of the revised demand of ₹ 6.75 crore. The non-updation of revised demand resulted in incorrect reporting of demand by ₹ 7.95 crore besides communicating the incorrect amount of demand to the concerned TRO. The ITD accepted the audit observation (December 2021) and updated the demand in the ITBA portal.

However, details of the updation made in the e-filing portal are awaited (March 2024).

## **ii. Delay in Attachment of Properties**

Audit noticed that the TRO-Central, Hyderabad drew a Tax Recovery certificate (TRC) in July 2015 for a total outstanding demand of ₹ 206.04 crore relating to AYs 2010-11 to 2012-13. Details of movable and immovable assets were called for from the Assessee (June 2017). Order under Section 179<sup>52</sup> was issued (December 2017) to the directors/partners of the company, and in response, replies were received that no balance was available in their bank accounts. TRO-Central, Hyderabad addressed the Sub-Registrar (March 2018) for the attachment of immovable assets and issued notice under Section 226(3) to the banks for the attachment of bank accounts in February 2016. Further, PCIT-2, Hyderabad instructed DCIT-2, Hyderabad, to coordinate with the TRO to write to CIBIL authorities for details of collateral given for loans and the latest addresses of the director. As seen from the Dossier Report for the second quarter of FY 2020-21, the AO had recorded that "debtors were attached and replies were received that no balance amount had to be paid to the assessee company". Thus, because of the long gap between drawing TRC and attaching the immovable assets, the Assessee might have disposed of their assets or part of their assets, which could eventually affect the recovery of tax demand. Further action taken by the ITD to recover the demand is awaited (March 2024).

## **iii. Attachment not registered with CERSAI**

Sub-Section 2 of Section 26C of SARFAESI Act, 2002 lays down that a registered security interest shall have priority over any subsequent security interest created upon such property in any fashion like sale, lease or attachment by any other authority/person. The DIT (recovery) in September 2017 communicated to all Pr. CCsIT inviting relevant amendments to SARFAESI Act, 2002, stating that "it has become very important for the field authorities to notify CERSAI of any attachment order as soon as it is issued under the Income Tax Act, so that not only the value of the attached property remains intact but also the right of the ITD over the attached property remains at the top. The field officers may be instructed to approach CERSAI to get information regarding properties already attached by other creditors for not only exploring the collection out of the same but also to find out the hidden and undeclared assets of the tax defaulters."

<sup>52</sup> Section 179 of the IT Act provides that if the tax dues of a Private company in respect of any income of any previous year cannot be recovered, then every person who was a director of the private company at any time during the relevant Previous Year shall be jointly and severally liable for the payment of tax dues.

Audit noticed that in the instant case, the TRO-Central Hyderabad issued notice under Section 226(3) to the banks for attachment of bank accounts (February 2016) and addressed Sub-Registrar (March 2018) for attachment of immovable assets. However, audit observed that the said attachment was not notified to the CERSAI which may result in non-fulfillment of purpose of the attachment.

Reply of the Ministry is awaited (March 2024).

|              |                  |                     |
|--------------|------------------|---------------------|
| <b>5.3.8</b> | <b>Assessee:</b> | <b>M/s D1 Ltd</b>   |
|              | <b>Charge:</b>   | <b>PCIT Chennai</b> |

M/s S16 Ltd was incorporated (1992) in Chennai, which later changed (1997) its name to M/s. D1 Ltd. D2 was the Company's Chief promoter and Managing Director. The Assessee indulged in stock market manipulation during the financial year 2000-01. On account of various irregularities, the assessee company was delisted from BSE/NSE and banned by SEBI from accessing the Capital market.

Audit noticed from the e-filing portal data as on 31<sup>st</sup> March 2020 that the ITD had raised 10 demands totalling ₹ 1,128.61 crore under Sections 143(3), 148, 154, 271(1)(c) and 271E against the Assessee during the period from April 2001 to September 2015 for the AYs 1995-96, 1996-97, 2000-01 to 2003-04. As per the ITBA portal, as of 4<sup>th</sup> October 2021 also, the demands of ₹ 1,128.61 crore were raised for the Assessee pertaining to aforesaid AYs.

Audit requisitioned information along with the records of the Assessee for AYs 1995-96, 1996-97, 2000-01 to 2003-04 against which records relating to two demand cases for the AY 1995-96 were not produced to Audit.

The assessee company was a 100 *per cent* Export Oriented Undertaking engaged in the production and export of software. For AY 1996-97, the assessment was initially completed after scrutiny under Section 143(3). Subsequently, the assessment was revised twice under Sections 147 and 263 in March 2002 and December 2004, respectively, and finally, a demand of ₹ 6.55 crore was raised. Out of this demand, ₹ 4.08 crore was adjusted from the AY 2001-02 refund. The case was forwarded to the TRO in September 2005 for the remaining demand of ₹ 2.50 crore along with interest of ₹ 0.20 crore under Section 220(2).

Audit observed that the TRO had served (January 2006) notice to the Assessee and to the Principal Officer, D2.

For AY 2000-01, the Assessee filed its Return of Income in November 2007, disclosing profit from the business of ₹ 11.41 crore and claiming exemption of

the entire income under Section 10B<sup>53</sup> of the Act. Meanwhile, the Central Bureau of Investigation (CBI) made a raid (January 2004) on the assessee company and arrested the MD of the company. The company is in liquidation. Subsequently, the assessment was completed under Section 143(3), read with Section 147 in December 2007, disallowing the Section 10B claim and raising a demand of ₹ 8.69 crore. Thereafter, as per Section 263 order (March 2010), the assessment was set aside, and a fresh assessment was completed in December 2010 under Section 144 read, with Section 263 disallowing the excess claim of depreciation on software and interest receipts of the company. The taxable income arrived at ₹ 67.09 crore, and a demand of ₹ 62.55 crore was raised, including interest.

Similarly, assessments for AYs 2001-02 and 2002-03 were completed, and the ITD issued demand notices for tax of ₹ 733.05 crore, penalty of ₹ 292.66 crore for AY 2001-02, and wealth tax of ₹ 0.025 lakh for AY 2002-03. All the demand notices were issued to the company's Principal Officer through the prison authorities, but the Principal Officer did not receive them.

The case relating to AYs 2000-01 and 2003-04 was referred (March 2011) to TRO after interest under Section 220(2) of ₹ 1.25 crore was worked out. In April 2011, TRO addressed the Assessee and the Principal Officer for the tax arrears of ₹ 63.81 crore.

Audit further noticed that with respect to AYs 1995-96 and 1996-97, the matter was pending before the ITAT, Chennai. In respect of AYs 2001-02 and 2002-03, it was also observed that the ITAT, Chennai, had stayed (July 2005) the proceedings against the orders of the AO in conducting a special audit under Section 142(2A), where tax demand of ₹ 733.05 crore (March 2013) and thereafter a penalty of ₹ 291.92 crore (September 2013) respectively had been imposed originally. Audit noticed attachment of encumbered properties, lack of coordination between the AO and the TRO and incorrect dossier reporting as discussed below:

**(i) Attachment of already encumbered Immovable Property**

On examination of the records maintained by the Tax Recovery Officer 1, Chennai Commissionerate, Audit noted that the Assessee had obtained a loan from IDBI / SASF (Stressed Assets Stabilisation Fund) and pledged a plot in Mehsana, Gujarat, on first charge basis for financial assistance granted to the company and second charge basis to IndusInd Bank for working capital assistance. Accordingly, the ITD had addressed the TRO, Mehsana, for creating

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<sup>53</sup> Exclusion of the profits and gains derived by an assessee from a 100 per cent Export Oriented Undertaking from the total income of the Assessee, subject to fulfilment of conditions specified in the Act.

a charge on the property based on which the TRO, Mehsana, attached the property. It also came to the notice of the TRO that IDBI/SASF had filed a suit against the Assessee with the Debt Recovery Tribunal II, Chennai, vide OA No.303/2002. TRO, Chennai filed a petition on 26 September 2011 to implead itself in the petition in OA No. 303/2002 and requested settlement of the claim of ₹ 63.81 crore. It is, however, observed from the letter from IDBI/SASF that the immovable property stood unattached by SASF (March 2012), and the debt recovery certificate was issued in favour of IDBI/SASF for ₹ 108.82 crore, which was pending execution.

### (ii) Absence of coordination between the AO and the TRO

To ensure speedy disposal of arrears of tax demand, coordination between the AO and the TRO is essential. The TRO is specially empowered to initiate recovery proceedings against assessee in all cases where demand is more than one year old. Therefore, all the cases involving demand outstanding for more than a year are required to be transferred by the AOs to the TROs for effective pursuance. At the same time, the TRO also needs to inform the AO of the disposals made from time to time.

Audit noted differences in outstanding demands in the dossiers maintained by the AO and the TRO, as indicated in Table 5.10 below:

| Table 5.10: Discrepancies between the AO and the TRO records |                                          |              |                                      |             |                 |
|--------------------------------------------------------------|------------------------------------------|--------------|--------------------------------------|-------------|-----------------|
| AY                                                           | As per Dossier Report - Cor. Circle 1(1) |              | As Per Dossier Report – TRO-1 (2014) |             | Difference in ₹ |
|                                                              | Tax / Penalty                            | Amount in ₹  | Tax / Penalty                        | Amount in ₹ |                 |
| 1996-97                                                      | Tax                                      | 2,23,35,614  | Tax & Interest                       | 2,71,08,038 | 46,72,424       |
| 2000-01                                                      | Penalty                                  | 5,53,47,600  | Penalty                              | 0           | 5,53,47,600     |
| 2003-04                                                      | Penalty                                  | 31,85,53,752 | Penalty                              | 45,000      | 31,85,08,752    |
| Source- Dossier report as on July 2022                       |                                          |              |                                      |             |                 |

Audit could not ascertain the reasons for variations in the demand as no reply has been received from the DCIT, Corporate Circle-1 (1) (March 2024)

### (III) Inconsistencies in the outstanding demand figures between the data as per assessment records and the Dossier report

For the AY 2001-02, the outstanding demand in respect of Penalty under Section 271(1)(c) as per the assessment records stood at ₹ 291.92 crore. However, as per the dossier report for the quarter ending June 2021, an outstanding amount of ₹ 292.67 crore was shown, leaving a difference of ₹ 0.75 crore, which required reconciliation.

Reply of the Ministry is awaited (March 2024).

|              |                  |                          |
|--------------|------------------|--------------------------|
| <b>5.3.9</b> | <b>Assessee:</b> | <b>M/s T2 Ltd</b>        |
|              | <b>Charge:</b>   | <b>PCIT-2, Hyderabad</b> |

M/s. T2 Ltd. is an unlisted public limited company incorporated in Hyderabad on November 7, 1997.

Audit noticed from the e-filing portal data as on 31<sup>st</sup> March 2020 that the ITD had raised eight demands involving ₹ 388.74 crore under Sections 143(1a), 143(3), 144, 154, 115 WE and 115 WE(3) against the assessee during the period from March 2011 to November 2019 for AYs 2006-07, 2007-08 and 2009-10 to 2012-13.

The audit requisitioned information along with the assessee's records for AYs 2006-07, 2007-08, 2009-10, and 2012-13, against which records relating to AY 2009-10, in which demand was raised under Section 115WE(3), were not produced to the Audit.

| <b>Table 5.11: Status of Outstanding Demand</b> |                           |                                                         |                                      |                                                                                |                                      |
|-------------------------------------------------|---------------------------|---------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------|--------------------------------------|
| <b>(₹ in crore)</b>                             |                           |                                                         |                                      |                                                                                |                                      |
| <b>AY</b>                                       | <b>Assessment details</b> | <b>Data as per the e-filing portal as on March 2020</b> |                                      | <b>Data as per the ITBA's demand recoverability status as on November 2021</b> |                                      |
|                                                 |                           | <b>Date of raising the demand</b>                       | <b>Demand raised and outstanding</b> | <b>Date of raising the demand</b>                                              | <b>Demand raised and outstanding</b> |
| 2006-07                                         | 143(3)                    | 22/03/2013                                              | 0.98                                 | 22/03/2013                                                                     | 0.98                                 |
| 2006-07                                         | 115WE(3)                  | 22/03/2013                                              | 0.02                                 | 22/03/2013                                                                     | 0.02                                 |
| 2007-08                                         | 143(3)                    | 25/03/2013                                              | 4.72                                 | 25/03/2013                                                                     | 4.72                                 |
| 2009-10                                         | 1431a                     | 05/03/2011                                              | 0.75                                 | 05/03/2011                                                                     | 0.75                                 |
| 2009-10                                         | 115WE                     | 05/03/2011                                              | 0.01                                 | 05/03/2011                                                                     | 0.01                                 |
| 2010-11                                         | 143(3)                    | 30/03/2013                                              | 87.99                                | 30/03/2013                                                                     | 87.99                                |
| 2011-12                                         | 154                       | 03/08/2016                                              | 293.01                               | 03/08/2016                                                                     | 293.01                               |
| 2012-13                                         | 144                       | 28/11/2019                                              | 1.26                                 | 28/11/2019                                                                     | 1.26                                 |
| <b>Total</b>                                    |                           |                                                         | <b>388.74</b>                        |                                                                                | <b>388.74</b>                        |
| Source: e-filing and ITBA portal of ITD         |                           |                                                         |                                      |                                                                                |                                      |

Further, Audit noticed from the ITBA portal as on 23 November 2021 that the ITD had raised eight demands totaling ₹ 388.72 crore against the assessee for AYs 2006-07, 2007-08, 2009-10 to 2012-13. The audit also noticed that demands of ₹ 0.03 crore pertaining to Fringe Benefits Tax (Section 115WE), abolished by the Finance Act 2009 with effect from AY 2010-11, were pending recovery since 2013. Further, the Audit observed that the amount of outstanding demand as per the ITBA portal as of November 2021 matched the outstanding demand as per the e-filing portal as of March 2020, indicating that interest under section 220(2) of the Act was not included in the outstanding demand on the ITBA portal.

Audit noted from the Dossier report for the second quarter ending 30 September of FY 2020-21 that the assessee was not traceable (a company not existing on the given address). However, the assessee's bank accounts and immovable properties were attached, and orders were issued in February 2016 to the Director to clear the dues. It is also gathered that CBI had arrested the MD of the assessee company. Union Bank claimed a lien on the attached property, which was auctioned by the bank, and filed a writ petition against the order of attachment of the Property. It was also noted that the ITD was yet to file a counter affidavit in the High Court. The CCIT instructed to write a fresh letter to CBI to ascertain the directors' properties. Presently, all the demands were categorised as "demands difficult to recover" by the ITD.

Audit noticed that the ITBA data was not updated, as discussed below:

#### **Non-updation of data in ITBA**

Assessment for AY 2009-10 was completed in December 2011 under Section 143(3), and a net demand of ₹ 10.59 crore was raised after taking into account the demand of ₹ 0.75 crore raised under Section 143(1). Audit, however, noticed that the demand of ₹ 0.75 crore raised under Section 143(1) was still reflected in the demand analysis report, and no demand was reflected in respect of the order under Section 143(3). Non-updating the revised order under Section 143(3) resulted in an understatement of demand of ₹ 9.84 crore.

ACIT, Circle 2(1), Hyderabad accepted (December 2021) the audit observation and stated that the order under Section 143(3), passed in the AST<sup>54</sup>, was not uploaded in ITBA. Further, the case was referred (December 2021) to the ITBA helpdesk to resolve the issue.

Reply of the Ministry is awaited (March 2024).

|               |                  |                           |
|---------------|------------------|---------------------------|
| <b>5.3.10</b> | <b>Assessee:</b> | <b>M/s P2 Ltd.</b>        |
|               | <b>Charge:</b>   | <b>PCIT –2, Hyderabad</b> |

M/s. P2 Ltd. is located in Hyderabad, Telangana and is part of the Computer Systems Design and Related Services Industry.

The audit noticed from the e-filing portal data as of 31 March 2020 that the ITD had raised 11 demands totalling ₹ 275.65 crore under Sections 143(3), 154, 220 (2) and 115 WE (3) against the assessee company during the period from August 2012 to May 2019 for AYs 2002-03, 2004-05, 2006-07 and 2008-09 to 2013-14. As per the ITBA's demand recoverability status, the demand was ₹ 275.10 crore for the same AYs.

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<sup>54</sup> The Assessment Information System (AST) was used in the Income Tax Department before ITBA for assessment functions, such as return processing, regular assessment, appeal and rectification, etc.



The audit requisitioned information along with the assessee's records for these AYs. Records relating to interest under Section 220(2) for the AYs 2002-03, 2004-05, and 2008-09 were not produced for the Audit.

Details of the outstanding demands as per the e-filing portal and the ITBA's demand recoverability status, are given in Table 5.12 below:

| Table 5.12: Status of Outstanding Demand |                    |                                                  |                               |                                                                          |                               |
|------------------------------------------|--------------------|--------------------------------------------------|-------------------------------|--------------------------------------------------------------------------|-------------------------------|
| (₹ in crore)                             |                    |                                                  |                               |                                                                          |                               |
| AY                                       | Assessment details | Data as per the e-filing portal as on March 2020 |                               | Data as per the ITBA's 'demand recoverability status' as on October 2021 |                               |
|                                          |                    | Date of raising the demand                       | Demand raised and outstanding | Date of raising the demand                                               | Demand raised and outstanding |
| 2002-03                                  | 220(2) (interest)  | 15/08/2012                                       | 0.0067                        | 15/08/2012                                                               | 0.0067                        |
| 2004-05                                  | 220(2) (interest)  | 15/08/2012                                       | 0.0085                        | 15/08/2012                                                               | 0.0085                        |
| 2006-07                                  | 154                | 23/07/2014                                       | 1.38                          | 23/07/2014                                                               | 1.38                          |
| 2008-09                                  | 154                | 11/04/2017                                       | 9.89                          | 11/04/2017                                                               | 9.89                          |
| 2008-09                                  | 220(2) (interest)  | 26/03/2014                                       | 0.0013                        | 26/03/2014                                                               | 0.0013                        |
| 2009-10                                  | 143(3)             | 31/01/2014                                       | 150.83                        | 31/01/2014                                                               | 150.58                        |
| 2009-10                                  | 115WE(3)           | 31/01/2014                                       | 0.25                          | 31/01/2014                                                               | 0.25                          |
| 2010-11                                  | 154                | 29/03/2017                                       | 11.33                         | 29/03/2017                                                               | 11.21                         |
| 2011-12                                  | 143(3)             | 30/04/2015                                       | 42.39                         | 30/04/2015                                                               | 42.21                         |
| 2012-13                                  | 154                | 20/05/2019                                       | 15.41                         | 20/05/2019                                                               | 15.41                         |
| 2013-14                                  | 143(3)             | 03/10/2017                                       | 44.16                         | 03/10/2017                                                               | 44.16                         |
| <b>Total</b>                             |                    |                                                  | <b>275.65</b>                 |                                                                          | <b>275.10</b>                 |
| Source- e-filing and ITBA portal of ITD  |                    |                                                  |                               |                                                                          |                               |

As evident from the Table above, the demand of ₹ 150.83 crore raised under Section 143(3) in January 2014 for AY 2009-10 was the highest, representing 54.7 per cent of the total demand raised between AY 2002-03 and AY 2013-14. Further, demands for AYs 2002-03 and 2004-05 related to interest levied under Section 220(2) aggregating to ₹ 1.5 lakh have been pending since 2012. It could also be seen that demand relating to the Fringe Benefits Tax (Section 115WE), abolished by the Finance Act 2009 with effect from AY 2010-11, was pending recovery since 2014.

Audit noticed that the AO did not include the demand in the statement of arrears of tax while communicating it to the TRO, which is discussed in detail below:

### Lack of coordination between the AO and the TRO

DCIT Circle 5(1), Hyderabad, while finalising the assessment for AY 2011-12 under Section 143(3) read with Section 92CA read with Section 144 in April 2015, disallowed the assessee's claim of deduction of ₹ 10.80 crore under Section 10A<sup>55</sup> of the Act, depreciation of ₹ 5.62 crore and made addition of ₹ 58.13 crore under Section 92 CA (3)<sup>56</sup> of the Act and assessed an income of ₹ 90.98 crore, and a demand of ₹ 42.39 crore was raised. Audit examination revealed that while communicating the statement of tax arrears to the TRO, the AO did not include the said demand. This incorrect reporting of demand to the TRO resulted in the non-pursuance of timely recovery of the said demand, which might adversely impact revenue to the exchequer.

Further, the Audit noted from the Dossier report of the assessee for the second quarter of FY 2021-22 and a letter dated June 2017 by the DCIT Circle-16(2), Hyderabad, that this case was transferred to the TRO (June 2017). However, the collection of demand could not be pursued as the assessee was not traceable. The assessee had not filed a return of income after AY 2013-14. All the demands were classified as 'Demands difficult to recover'. Details of action taken by the ITD to recover the demands are awaited. (March 2024).

Reply of the Ministry is awaited (March 2024).

|               |                  |                      |
|---------------|------------------|----------------------|
| <b>5.3.11</b> | <b>Assessee:</b> | <b>M/s. N3 Ltd.</b>  |
|               | <b>Charge:</b>   | <b>PCIT Guwahati</b> |

M/s. N3 Ltd., located at Morangi, Golaghat district, Assam, opened in 1999 and is jointly owned by the Ministry of Petroleum and Natural Gas of the Government of India and Assam Oil, Ministry of Mineral and Petroleum, Government of Assam.

The audit identified from the e-filing portal data and demand recoverability status as on 31 March of 2020 that three demands totalling ₹ 125.78 crore relating to AYs 2009-10, 2015-16 and 2017-18 were pending recovery.

Audit noticed certain issues relating to overstatement of demand in the e-filing portal & the ITBA, short demand and incorrect reporting, as discussed below:

### Overstatement of demand in the e-filing portal & the ITBA

For AY 2017-18, a demand of ₹ 125.35 crore under Section 143(3) was shown outstanding in the e-filing portal as on March 2020. Audit observed that the

<sup>55</sup> There is a special provision with respect to newly established undertakings in the free trade zone. The deduction is allowed for profits and gains derived by the undertaking from the export of articles or things or computer software for 10 consecutive AYs relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things.

<sup>56</sup> Refer to the Transfer Pricing Officer to determine the arm's length price in relation to international transactions.

assessee paid an amount of ₹ 0.17 crore and ₹ 108.73 crore in January 2020 and March 2020, respectively, against this demand, and a balance of ₹ 16.45 crore was pending recovery. Further, this demand was also outstanding in the ITBA system as of November 2021.

Audit further observed that, as per the order of rectification under Section 154 passed in December 2021, no demand was outstanding against the assessee for the AY 2017-18, and a refund was also proposed.

For the AY 2009-10, the Fringe benefit tax return was processed under Section 115WE(1) in January 2011, assessing a total fringe benefit of ₹ 2.66 crore and a demand of ₹ 0.43 crore was raised, which was reflected pending on both the e-filing portal and the ITBA portal. Audit observed that the said demand was worked out after considering the assessee's payment of ₹ 0.57 crore. However, Audit noticed from the OLTAS payment details in the ITBA that the assessee had paid ₹ 0.91 crore during the period from June 2008 to September 2009 instead of ₹ 0.57 crore, which resulted in raising of excess demand of ₹ 0.34 crore.

Reply of the Ministry is awaited (March 2024).

|               |                  |                      |
|---------------|------------------|----------------------|
| <b>5.3.12</b> | <b>Assessee:</b> | <b>A3</b>            |
|               | <b>Charge:</b>   | <b>PCIT Guwahati</b> |

A3<sup>57</sup>, an Artificial Juridical Person (AJP) is established to maintain the welfare of the labour force with harmonious industrial relations to achieve a sustainable economy.

Audit noticed from the e-filing portal data as on 31 March 2020 that the ITD had raised a demand of ₹ 79.24 crore under Section 143(3) against the assessee in December 2019 for AY 2017-18. Details of demands outstanding of this assessee in the ITBA portal and Dossier reports were not made available to Audit. Therefore, Audit could not verify the outstanding demand reported in the dossier report and the ITBA portal. Audit could not also ascertain whether the dossier report was prepared in this case.

ITO Ward 1(2), Guwahati, while finalising the assessment for AY 2017-18 under Section 143(3) in December 2019 at an income of ₹ 160.31 crore, made additions, which included Cess Fund deposited for the welfare of the construction workers and FD interest earned out of such funds deposited in various banks, due to non-adherence of statutory filing of an application for

<sup>57</sup> The notification no. 131/2021 dated 10 November 2021, relates only to the A3 and shall apply to the Financial years 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26.

availing exemption under Section 10(46)<sup>58</sup> of the Act by the assessee and raised a demand of ₹ 79.24 crore against it.

The audit also noted that the case was sub-judice in the Guwahati High Court, with a stay on the realisation of such a demand.

Audit noticed that the assessee had not filed the return of income for AYs 2014-15 to 2016-17. However, CBDT vide notification 131/2021 dated 10 November 2021 had notified exemption for the assessee from income tax for FYs 2021-22 to 2025-26.

Audit could not ascertain whether the ITD had initiated any action against the assessee for not filing the return of income for the aforesaid AYs.

Reply of the Ministry is awaited (March 2024).

|               |                  |                               |
|---------------|------------------|-------------------------------|
| <b>5.3.13</b> | <b>Assessee:</b> | <b>M/s S1 Ltd.</b>            |
|               | <b>Charge:</b>   | <b>PCIT- Central 1, Delhi</b> |

M/s. S1 Ltd. is a publicly incorporated company registered with the Registrar of Companies, Kolkata. It is involved in real estate activities with owned or leased property, broadcasting and telecasting of TV programs, etc.

Audit identified 10 assessment records of the assessee for AYs 1999-2000, 2001-02, 2002-03, 2004-05, 2008-09, 2015-16, and 2017-18 from the e-filing portal involving a net aggregate outstanding demand of ₹ 23,473.43 crore as detailed below in Table 5.13:

| Table 5.13: Demands pending in respect of the assessee |                               |               |                               |                                |
|--------------------------------------------------------|-------------------------------|---------------|-------------------------------|--------------------------------|
| (₹ in crore)                                           |                               |               |                               |                                |
| AYs                                                    | Assessed under Section        | Date of Order | Demand as per e-filing portal | Demand as per physical records |
| 1999-00                                                | 220(2) (interest)             | 22/01/2020    | 0.001                         | Records not produced           |
| 2001-02                                                | 153C/143(3)                   | 05/02/2019    | 2,364.12                      | 2,366.84                       |
|                                                        | 271(1)(C)(penalty)            | 30/03/2007    | 0.22                          |                                |
| 2002-03                                                | 153C/143(3)                   | 16/04/2019    | 2,999.77                      | 2,992.21                       |
| 2003-04                                                | 153C/143(3)                   | 03/07/2019    | -                             | 4,336.38                       |
| 2004-05                                                | 153C/143(3)                   | 20/09/2019    | 9,915.86                      | 9,890.85                       |
| 2007-08                                                | 153C/143(3)                   | 09/12/2019    | -                             | 4,771.79                       |
| 2008-09                                                | 143(3)                        | 06/03/2020    | 7,389.75                      | 7,389.75                       |
| 2015-16                                                | 143(3)                        | 19/03/2019    | 1.03                          | -                              |
| 2015-16                                                | 154 r.w.s.250<br>r.w.s.143(3) | 16/03/2018    | -                             | Nil                            |
| 2017-18                                                | 143(3)                        | 18/12/2019    | 802.68                        | 802.68                         |
| <b>Total</b>                                           |                               |               | <b>23,473.43</b>              | <b>32,549.47</b>               |
| Source- e-filing portal and physical records of ITD    |                               |               |                               |                                |

<sup>58</sup> Any specified income arising to a body or authority or CBDT or Trust or Commission established or constituted by or under a Central, State, or Provincial Act for the benefit of the general public shall not form part of the Total Income.

Records relating to AY 1999-2000 were not produced for audit by the DCIT, Central Circle 1, Delhi.

As evident from the above table, there were notable differences between the e-filing portal and physical records, and Audit could not verify the reasons for the same.

Audit examination of the assessment records revealed that the major additions in the assessments of AYs 2001-02 to 2004-05, 2007-08 to 2008-09, 2015-16 and 2017-18 were due to disallowance of unclaimed amounts of Optionally Fully Convertible Debentures (OFCD), interest paid on account of OFCDs, compensation paid for violation of agreement condition, interest payment on loan utilised for non-business purposes, expenditure incurred against exempted income.

In pursuance of the search and seizure conducted on the premises of R2 Group companies, Ahmedabad, in August/September 2006, the DCIT, Central Circle 1, Delhi, completed assessments of the assessee under Section 143(3) read with Sections 153C and 153A from February to December 2019 for AYs 2001-02 to 2004-05 and 2007-08. Consequently, the total demand for these five AYs was revised to ₹ 24,358.07 crore, which was pending. Details of action taken to collect these demands are awaited (March 2024).

For AY 2015-16, search and seizures were conducted on the assessee's premises on 22 and 23 November 2014. The AO, while completing the assessment under Section 143(3) on 21/11/2016 based on the above search, determined an income of ₹ 2,217.60 crore on account of additions amounting to ₹ 3367.73 crore and raised a tax demand of ₹ 902.09 crore. The assessee appealed against the order of the AO (December 2016), which was partly allowed (January 2018) by the CIT(A). The assessee had preferred a second appeal (February 2018) against the additions upheld by the CIT(Appeal). The appeal was also filed by the ITD (April 2018) with the ITAT, New Delhi, against the CIT(A) order. The outcome of appeals before ITAT was awaited.

Meanwhile, the DCIT, Central Circle 1 passed a rectification order under Section 154 (March 2019). After considering setting off earlier AY losses, the assessee was refunded ₹ 1.03 crore, including interest. However, the above refund of ₹ 1.03 crore was incorrectly reported as outstanding on the e-filing portal.

Audit further noticed certain other issues such as non-issuance of notice for interest under Section 220(2), non-preparation of dossier report and non-allowance of TDS claim as discussed below:

### 1. Non-issuance of notice for interest under Section 220(2) at the end of financial year

Audit examination of the assessment records revealed that interest under Section 220(2) was not levied at the end of each financial year. This resulted in understating the outstanding demand for six AYs (2002-03 to 2004-05, 2007-08 to 2008-09 and 2017-18), aggregating to ₹ 5,058.78 crore.

### 2. Non-preparation of dossier report

As per the CBDT instructions (September 2015), the AO must prepare a Dossier Report to monitor outstanding demand cases effectively.

Dossier reports regarding the assessee were not made available to the audit. Thus, the audit could not verify the recovery process and effective monitoring of outstanding demand.

### 3. Non-allowance of TDS claim

Audit noticed that the assessee was not allowed TDS/TCS claims during the AYs shown in Table 5.14 below:

| Table 5.14: Mismatch of TDS claim   |                               |                                   |                                 |                            |              |
|-------------------------------------|-------------------------------|-----------------------------------|---------------------------------|----------------------------|--------------|
| (₹ in crore)                        |                               |                                   |                                 |                            |              |
| Assessment Year                     | Assessment made under Section | Date of original Assessment Order | TDS/TCS claimed by the assessee | TDS/TCS allowed by the ITD | Difference   |
| 2001-02                             | 153C/143(3)                   | 02/05/2019                        | 3.42                            | 0                          | 3.42         |
| 2003-04                             | 153C r.w.s. 143(3)            | 07/03/2019                        | 9.04                            | 0                          | 9.04         |
| 2004-05                             | 153C                          | 20/09/2019                        | 21.20                           | 0                          | 21.20        |
| 2007-08                             | 153C/143(3)                   | 12/09/2019                        | 17.63                           | 0                          | 17.63        |
| 2008-09                             | 143(3)                        | 03/06/2020                        | 39.41                           | 37.95                      | 1.46         |
|                                     | <b>Total</b>                  |                                   | <b>90.70</b>                    | <b>37.95</b>               | <b>52.75</b> |
| Source: Physical records of the ITD |                               |                                   |                                 |                            |              |

As evident from the table above, the assessee claimed TDS/TCS of ₹ 90.70 crore for the above AYs; however, the ITD allowed ₹ 37.95 crore only, resulting in a difference of ₹ 52.75 crore. Non-reconciliation of TDS might lead to incorrect reporting of the outstanding demand.

Reply of the Ministry is awaited (March 2024).

**5.3.14 Assessee: M/s C5 Ltd.**  
**Charge: PCIT Ranchi**

M/s C5 Ltd. is a subsidiary of M/s C6 Ltd., an undertaking of the Government of India. M/s C5 Ltd was established in 1956 as M/s. N7 Ltd. and has been a

Category-I Mini Ratna company since October 2007. It manages the nationalized coal mines of the Coal Mines Authority, Central Division.

Audit identified seven assessment records of the assessee for AYs 2007-08, 2014-15 to 2016-17, and 2018-19 from the e-filing portal involving aggregate outstanding demands of ₹ 283.13 crore.

A comparison of outstanding demand as per the e-filing portal and the ITBA's 'demand recoverability', along with related AYs and Sections under which the demands were raised are given in Table 5.15 below:

| <b>Table 5.15: Status of Outstanding Demand</b> |                           |                                                         |                                      |                                                                               |                                      |
|-------------------------------------------------|---------------------------|---------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------|--------------------------------------|
| <b>(₹ in crore)</b>                             |                           |                                                         |                                      |                                                                               |                                      |
| <b>AY</b>                                       | <b>Assessment details</b> | <b>Data as per the e-filing portal as on March 2020</b> |                                      | <b>Data as per the ITBA's 'demand recoverability status' on November 2021</b> |                                      |
|                                                 |                           | <b>Date of raising the demand</b>                       | <b>Demand raised and outstanding</b> | <b>Date of raising the demand</b>                                             | <b>Demand raised and outstanding</b> |
| 2007-08                                         | 220(2) (interest)         | 14/03/2019                                              | 1.47                                 | 14/03/2019                                                                    | 1.47                                 |
| 2014-15                                         | Not available             | 16/10/2015                                              | 0.00                                 | 16/10/2015                                                                    | 0.00                                 |
| 2015-16                                         | 220(2) (interest)         | 27/03/2019                                              | 0.19                                 | 27/03/2019                                                                    | 0.19                                 |
| 2015-16                                         | 263                       | -                                                       | -                                    | 20/04/2021                                                                    | 1822.03                              |
| 2016-17                                         | 154                       | 14/01/2020                                              | 54.27                                | 14/01/2020                                                                    | 54.27                                |
| 2016-17                                         | 154                       | 14/01/2020                                              | 85.13                                | 14/01/2020                                                                    | 85.13                                |
| 2018-19                                         | 143(3)                    | 16/03/2020                                              | 142.06                               | 16/03/2020                                                                    | 142.06                               |
| <b>Total</b>                                    |                           |                                                         | <b>283.13</b>                        |                                                                               | <b>2,105.16</b>                      |
| Source- e-filing and ITBA portal of the ITD     |                           |                                                         |                                      |                                                                               |                                      |

As evident from the above table, interest aggregating to ₹ 1.66 crore was levied under Section 220(2) relating to AYs 2007-08 and 2015-16 in March 2019 and was still pending collection as of the date of Audit (December 2021). Further, notable differences pertaining to AY 2015-16 in the outstanding demand amounts between the e-filing portal and the ITBA system could not be verified by Audit as data up to March 2020 was taken from the e-filing portal whereas the demand of ₹ 1,822.03 crore raised under section 263 was passed on 20 April 2021 which was reflected in the ITBA's demand recoverability status as on November 2021. Further, the Audit also could not ascertain from the records produced whether the AO had made any effort to collect the aforesaid interest from the assessee.

Audit further observed that the assessee filed a return of income for AY 2016-17 in November 2016, declaring a total income of ₹ 3,585.45 crore. Assessment under Section 143 (3) was completed in March 2018, determining the income of ₹ 3,891.76 crore after making the addition of ₹ 306.31 crore, and a net demand of ₹ 96.53 crore was raised. The assessee preferred an appeal against the additions made by the AO, and the CIT(A) had allowed (March 2019) relief to the assessee to the extent of ₹ 231.97 crore and made a further addition of ₹ 100.78 crore. An order giving effect to CIT(A) was passed in March 2019 at an income of ₹ 3,760.57 crore, which resulted in a net demand of ₹ 40.20 crore. Subsequently, a rectification order under Section 154 was passed in January 2020, resulting in nil demand.

However, as per the 'Demand and Recovery Status Report' (November 2021) in the ITBA and on the e-filing portal as of 31 March 2020, two demands of ₹ 85.14 crore and ₹ 54.27 crore were shown as pending recovery. This showed an overreporting of an outstanding demand of ₹ 139.41 crore.

Reply of the Ministry is awaited (March 2024).

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.15</b> | <b>Assessee:</b> | <b>L1</b>                |
|               | <b>Charge:</b>   | <b>PCIT 1, Hyderabad</b> |

L1, an individual, was assessed in Circle 6(1) Hyderabad. Examination of assessment records revealed that in anticipation of receiving huge money, the assessee declared an income of ₹ 9,800 crore under the Income Declaration Scheme 2016. The assessee had made the declaration in anticipation of receiving a sum of ₹ 10,000 crore from S5 of Belgaum, Karnataka. The assessee had invested ₹ 38 lakh in the 'Rice Pulling device'.<sup>59</sup> In return, he anticipated receiving the said ₹ 10,000 crore as his share. He subsequently admitted that he was cheated on in this transaction and didn't receive the money. A search operation was also conducted on the assessee's premises in December 2016. No cash or any undisclosed assets were found during the search operation.

Audit identified seven assessment records of the assessee as per the e-filing portal and the ITBA's 'demand recoverability status' as on 31 March 2020 relating to AYs 2011-12 to 2017-18, with a total demand amounting to ₹ 7,572.70 crore as given in Table 5.16 below:

<sup>59</sup> Rice pulling has been reported to be a scam in many newspaper reports: (<https://www.thehindu.com/news/national/andhra-pradesh/rice-pulling-scam-bigger-than-what-meets-the-eye/article29913142.ece>).



| Table 5.16: Status of Outstanding Demand |                    |                                 |                    |                                                       |                    |
|------------------------------------------|--------------------|---------------------------------|--------------------|-------------------------------------------------------|--------------------|
| (₹ in crore)                             |                    |                                 |                    |                                                       |                    |
| AY                                       | Assessment details | Data as per the e-filing portal |                    | Data as per the ITBA's 'demand recoverability status' |                    |
|                                          |                    | Date of raising the demand      | Demand outstanding | Date of raising the demand                            | Demand outstanding |
| 2011-12                                  | 153A               | 23/08/2019                      | 0.0049             | 23/08/2019                                            | 0.0049             |
| 2012-13                                  | 153A               | 23/08/2019                      | 0.18               | 23/08/2019                                            | 0.18               |
| 2013-14                                  | 153A               | 23/08/2019                      | 0.21               | 23/08/2019                                            | 0.21               |
| 2014-15                                  | 153A               | 23/08/2019                      | 1.05               | 23/08/2019                                            | 1.05               |
| 2015-16                                  | 153A               | 23/08/2019                      | 0.36               | 23/08/2019                                            | 0.36               |
| 2016-17                                  | 153A               | 23/08/2019                      | 0.11               | 23/08/2019                                            | 0.11               |
| 2017-18                                  | 143(3)             | 23/08/2019                      | 7,570.79           | 23/08/2019                                            | 7,570.79           |
| <b>Total</b>                             |                    |                                 | <b>7,572.70</b>    |                                                       | <b>7,572.20</b>    |
| Source: e-filing and ITBA portal of ITD  |                    |                                 |                    |                                                       |                    |

As evident from the table above, the demand raised aggregated ₹ 7,572.70 crore for AYs 2011-12 to AY 2017-18 under Section 143(3) and 153A, wherein the highest demand of ₹ 7,570.79 pertained to AY 2017-18 raised under Section 143(3) of the Act.

The assessment for AY 2017-18 was completed under Section 143(3) at ₹ 7,570.79 crore by the AO, even though no cash or any undisclosed assets were found during the search operation of the assessee.

The audit noted that as the assessee expired on 24 February 2017, his legal heir(s) preferred an appeal before CIT (A) in September 2019. The outcome of the appeal and the status of recovery are awaited (March 2024) in Audit.

Audit noticed that the case was transferred to the TRO in December 2019 for recovery. Nearly ten movable and immovable properties were identified for attachment. However, all were already mortgaged with M/s. L2 Ltd. as a security towards loans obtained by the assessee in 2016 towards construction purposes. Audit further noticed from the Demand analysis statement that all the pending demands were categorised as 'demands difficult to recover'.

Reply of the Ministry is awaited (March 2024).

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.16</b> | <b>Assessee:</b> | <b>M/s. D3 Pvt. Ltd.</b> |
|               | <b>Charge:</b>   | <b>PCIT 1, Hyderabad</b> |

The assessee is a private company engaged in printing and publications. D7 is an Indian English-language daily newspaper published by M/s. D3 Pvt. Ltd. in Hyderabad, Telangana.

From the e-filing portal, Audit noted 09 assessment records of the assessee relating to AYs 2008-09, 2010-11 to 2013-14, 2015-16 to 2018-19, where total outstanding demand was shown as ₹ 3,043.43 crore as on 31 March 2020,

whereas as per the ITBA's demand recoverability status', total outstanding demand was ₹ 3,044.05 crore for the same AYs. Details of which are given in Table 5.17 below:

The ITD did not produce records for audit for AYs 2008-09, 2011-12, and 2015-16.

| Table 5.17: Status of Demand as per e-filing and ITBA |                    |                                                  |                    |                                     |                    |
|-------------------------------------------------------|--------------------|--------------------------------------------------|--------------------|-------------------------------------|--------------------|
| (₹ in crore)                                          |                    |                                                  |                    |                                     |                    |
| AY                                                    | Assessment details | Data as per the e-filing portal as on March 2020 |                    | Data as per ITBA as on October 2021 |                    |
|                                                       |                    | Date of Demand                                   | Outstanding Demand | Date of Demand                      | Outstanding Demand |
| 2008-09                                               | 220(2) (interest)  | 06/08/2019                                       | 0.29               | 08/06/2019                          | 0.29               |
| 2010-11                                               | 154                | 24/04/2018                                       | 1,239.15           | 24/04/2018                          | 1,239.15           |
| 2011-12                                               | 250                | 06/01/2017                                       | 1,421.65           | 01/06/2017                          | 1,421.35           |
| 2012-13                                               | 143(1)(a)          | 26/03/2014                                       | 6.51               | 26/03/2014                          | 6.51               |
| 2012-13                                               | 143(3)             | 08/06/2016                                       | 202.09             | 08/06/2016                          | 202.09             |
| 2013-14                                               | 143(3)             | 24/11/2016                                       | 171.54             | 24/11/2016                          | 171.54             |
| 2015-16                                               | 154                | 23/10/2017                                       | 0.0058             | 23/10/2017                          | 0.0058             |
| 2016-17                                               | 143(3)             | 29/12/2018                                       | 1.22               | 29/12/2018                          | 1.22               |
| 2016-17                                               | 143(3)             | NA                                               | NA                 | 29/12/2018                          | 0.91               |
| 2017-18                                               | 143(3)             | 21/12/2019                                       | 0.98               | 21/12/2019                          | 0.98               |
| 2018-19                                               | 143(3)             | Not Available                                    | Not Available      | 18/04/2021                          | 0.00               |
| <b>Total</b>                                          |                    |                                                  | <b>3,043.43</b>    |                                     | <b>3,044.05</b>    |
| Source- e-filing and ITBA portal of ITD               |                    |                                                  |                    |                                     |                    |

As evident from the table above, the demand raised as per the ITBA aggregated to ₹ 3,044.05 crore for AYs 2008-09, 2010-11 to 2013-14, 2015-16 to 2018-19 under Sections 143(1)(a), 143(3), 154, 220(2), 250, 254 and 153A and the highest demand of ₹ 1,421.65 crore pertained to AY 2011-12 raised under Section 250 of the Act. Audit observed that these additions were made on account of unexplained cash deposits and unaccounted sale proceeds.

Audit also noted from the dossier report for the quarter ending September 2021-22 that for the AY 2010-11, the appeal was pending before ITAT, and for AYs 2011-12 to 2012-13, the recovery of demand of ₹ 1623.44 crore was stayed by the ITAT.

#### The current status of the demands

Audit noted from the dossier report for the quarter ending September 2021-22 that the Hon'ble National Company Law Tribunal (NCLT), Hyderabad, vide its order dated 03 June 2019, had approved the liquidation process. The ITD filed an appeal before the Hon'ble NCLAT New Delhi against the NCLT's order as the

NCLT did not admit the ITD's claim. The NCLAT dismissed the ITD's appeal due to the delay in filing the appeal. Subsequently, the ITD filed a rectification application before the NCLT.

Audit further noted that as per the Demand Analysis statement, all the demands were categorised as 'demands difficult to recover'. For the AYs 2010-11, 2011-12 and 2012-13, the AO drew a Tax recovery certificate in December 2015 for ₹ 3,301.17 crore and transferred the case to the TRO for recovery. The TRO prepared ITCP-1 in December 2015 and served to the assessee. The TRO requested the AO for the details of movable and immovable assets and sundry creditors list pertaining to the defaulter in December 2015, which was responded to by the AO in May 2017, after one and a half years, stating the no liquid assets/inadequate assets from the AY 2008-09. However, Audit noted that the TRO issued a summons to the Principal Officer in June 2017 for furnishing documentary evidence for immovable assets and receivables of the company. The TRO also addressed the sub-registrar for providing the latest market/registered value and encumbrance statement for properties in June 2017.

The audit observed that a lack of information about the assessee's movable and immovable assets resulted in the non-recovery of outstanding demand as of the audit date. It also observed that the AO did not follow the CBDT's instructions<sup>60</sup>, regarding collecting information on the assessee's movable and immovable assets during the assessment proceedings for the early recovery of tax dues.

For the AY 2016-17, Audit noticed that two separate demands (i.e., ₹ 1.22 crore and ₹ 0.91 crore) for the same assessment order under Section 143(3) were shown pending as per the Demand Analysis and Recoverability Status Report dated 29 October 2021 generated by the ITBA portal. The audit could not ascertain the reasons for the reflection of two different demands under the same Section with the same DIN and date of demand in the ITBA portal.

It shows that the CBDT's instruction no. 1937, dated 25 March 1996, regarding obtaining particulars of assets, including debtors, bank accounts/bank deposits, etc., was not followed, which eventually resulted in the accumulation of outstanding demand and the non-fulfilment of the objective of the aforesaid instruction for early recovery of tax dues.

Reply of the Ministry is awaited (March 2024).

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<sup>60</sup> CBDT instruction No.1937 dtd. 25 March 1996

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.17</b> | <b>Assessee:</b> | <b>S3 Ltd.</b>           |
|               | <b>Charge:</b>   | <b>PCIT 1, Hyderabad</b> |

S3 Ltd.<sup>61</sup> has been registered as a Multi-State Co-operative Society in 2014, under the provisions of the Multi-State Co-operative Societies Act (39 of 2002), 2002, and the Multi State Credit Co-operative Society Rules, 2002, made there under.

From the e-filing portal, Audit identified four assessment records of the assessee relating to AYs 2016-17 to 2018-19 with a total outstanding demand of ₹ 5,982.24 crore as of 31 March 2020. As per the ITBA portal, the outstanding demand was ₹ 7,804.22 crore for the aforesaid AYs. Details of the outstanding demand are given in Table 5.18 below:

| <b>Table 5.18: Status of Demand</b> |                                    |                                                         |                           |                                                |                           |
|-------------------------------------|------------------------------------|---------------------------------------------------------|---------------------------|------------------------------------------------|---------------------------|
| <b>(₹ in crore)</b>                 |                                    |                                                         |                           |                                                |                           |
| <b>Assessment Year</b>              | <b>Demand raised under Section</b> | <b>Data as per the e-filing portal as on March 2020</b> |                           | <b>Data as per the ITBA as on October 2021</b> |                           |
|                                     |                                    | <b>Date of Demand</b>                                   | <b>Outstanding Demand</b> | <b>Date of Demand</b>                          | <b>Outstanding demand</b> |
| 2016-17                             | 143(3)                             | 31/12/2018                                              | 1,351.55                  | 31/12/2018                                     | 1,351.55                  |
| 2016-17                             | 271B (penalty)                     | 26/06/2019                                              | 0.02                      | Not available                                  | 0.02                      |
| 2017-18                             | 143(3)                             | 31/12/2019                                              | 4,630.61                  | 31/12/2019                                     | 4,630.61                  |
| 2018-19                             | 143(1a)                            | 22/10/2019                                              | 0.06                      | —                                              | —                         |
|                                     | 143(3)                             | -                                                       | -                         | 24/09/2021                                     | 1,822.04                  |
| <b>Total</b>                        |                                    |                                                         | <b>5,982.24</b>           |                                                | <b>7,804.22</b>           |

As evident from the above table, the highest demand of ₹ 4,630.61 crore pertained to AY 2017-18. Audit noted that the major additions were on account of unexplained share capital raised from the members and unexplained expenditure during AYs 2016-17 and 2017-18.

Audit noticed discrepancies in reporting outstanding demand between physical records and the e-filing portal/the ITBA's Recovery statement/dossier report for the AY 2016-17. The assessment for the AY 2016-17 was completed under Section 143(3) in December 2018, determining income of ₹ 2817.93 crore, and a net demand of ₹ 1355.57 crore was issued to the assessee in December 2018. However, the same was reflected as ₹ 1351.57 crore on the e-filing portal in the ITBA's demand recoverability status and the dossier report, which indicated the incorrect reporting of the outstanding demand in the systems.

<sup>61</sup> <http://S3.in/about.html>

**(i) Current Status of the Demands:**

Audit noted from the dossier report quarter ending September 2021 that the assessee preferred an appeal before CIT (A) for AYs 2016-17 and 2017-18 in January 2019, and both were pending. Meanwhile, the PCCIT AP and Telangana stayed the demand for AY 2016-17 on payment of ₹ one crore.

The case was transferred to the TRO for recovery in October 2019. In November 2019, the TRO prepared ITCP-1 and sent it to the assessee.

As per the Demand analysis statement, ITD categorised demands for AYs 2016-17 and 2017-18 as 'difficult to recover'. For AY 2016-17, the PCIT showed that the demand stayed. However, for 2017-18, the demand was termed 'difficult to recover' due to no assets or inadequate assets for recovery. For the AY 2017-18, the AO attached the bank accounts that had no balances.

**(ii) Incorrect Computation of Business Income**

For AY 2017-18, the assessment was completed under Section 143(3) in December 2019, determining income of ₹ 4704.59 crore after making the addition of ₹ 3988.81 crore towards unexplained cash credit and ₹ 357.86 crore towards unexplained expenditure. Further interest income of ₹ 357.91 crore shown in the Profit and Loss Account was also brought to tax. Audit observed that as the total receipt of ₹ 357.91 crore was already taxed, disallowance of expenses of ₹ 357.86 crore resulted in overassessment of income by ₹ 357.86 crore and consequent excess demand of ₹ 367.68 crore, including interest.

The ITD accepted the audit observation and took remedial action under Section 154 in September 2022. Thus, the outstanding demand of ₹ 4630.61 crore for AY 2017-18 was reduced to ₹ 4262.94 crore after the rectification order.

Details of recovery and reply of the Ministry are awaited (March 2024).

|               |                  |                            |
|---------------|------------------|----------------------------|
| <b>5.3.18</b> | <b>Assessee:</b> | <b>M/s. N1 Ltd.</b>        |
|               | <b>Charge:</b>   | <b>PCIT - 4, New Delhi</b> |

M/s N1 Ltd.<sup>62</sup> has been promoted by M/s. I3 Ltd. as a special purpose vehicle (SPV) to develop, construct, operate, and maintain the DND Flyway on a Build Own Operate Transfer (BOOT) basis. M/s N1. Ltd. is a publicly listed company, incorporated in Uttar Pradesh, India, in 1996 and operates only in India.

<sup>62</sup> <https://N1.com/company-info.php>

From the e-filing portal, Audit noted 23 cases relating to AYs 2006-07 to 2014-15, 2016-17, and 2017-18. The total demand of ₹ 23,837.90 crore was outstanding on the e-filing portal as of 31 March 2020.

The ITD produced records of 20 cases relating to AYs 2006-07 to 2014-15 and 2017-18, with an aggregated demand of ₹ 23,441.86 crore. However, the records relating to two cases for AY 2016-17 for an outstanding demand aggregating to ₹ 349.81 crore were not produced to Audit. Apart from that, consequential giving effect to the appellate orders, status of demand as per ITBA, and Dossier reports were also not produced for audit.

Audit noticed from the appeal order under section 250 of the Act that the assessments for the AY 2006-07 to 2014-15 were completed under section 143(3) and section 143(3) read with section 147 of the Act.

The assessee preferred an appeal with the CIT (A) against the assessments and penalty proceedings for the AYs 2006-07 to 2014-15. The appeal cases were disposed of in March 2018 and September 2018 for AYs 2006-07 to 2014-15, and the additions were upheld by the CIT(A).

Audit noticed that the demands raised as per the original assessment order/reassessment orders completed in the years 2014, 2015 and 2016 and upheld by the CIT (A) in March 2018 were the 'demands difficult to recover' as per the ITBA demand and recoverability status report dated December 2023. Due to the non-production of the orders, dossier reports and other details, the Audit could not verify the effectiveness of control mechanisms such as maintenance of dossiers reports, transfer of the case to the TRO, payment of minimum amount of demand by the assessee before filing an appeal, any stay granted on collection of demand, etc.

**Current status of the assessee:** As per ITBA demand and recoverability status report dated December 2023, the demands admitted before BIFR/NCLT for AY 2006-07 to 2014-15 and AY 2016-17 to 2018-19 amounted to ₹ 16,704.40 crore and these demands have been classified as demands difficult to recover.

Reply of the Ministry is awaited (March 2024).

|               |                  |                                    |
|---------------|------------------|------------------------------------|
| <b>5.3.19</b> | <b>Assessee:</b> | <b>M/s. C1 Pvt. Ltd.</b>           |
|               | <b>Charge:</b>   | <b>PCIT-International Taxation</b> |

M/s. C1 Pvt. Ltd. is a foreign company incorporated (June 2006) in Scotland as a private limited company. M/s. C1 Pvt. Ltd. incorporated (August 2006) a subsidiary company called M/s. C7 Ltd. transferred its shareholding in many foreign and Indian companies to M/s. C7 Ltd. in return for acquiring ordinary shares in M/s. C7 Ltd.

On 21 August 2006, M/s. C1 Pvt. Ltd. incorporated one Indian subsidiary company, namely, M/s. C8 Ltd. On 15 September 2006, M/s. C1 Pvt. Ltd. entered into a subscription and share purchase agreement with M/s. C7 Ltd. and M/s. C8 Ltd., i.e., with both of its subsidiaries. As per this agreement, M/s. C8 Ltd. has to acquire 21.85 *per cent* of the share capital of M/s. C7 Ltd. The said shares of M/s. C7 Ltd. derive all their value from assets located in India, thus indirectly resulting in the transfer of capital assets situated in India and triggering the conditions laid down in Section 9(1)(i) of the Act.<sup>63</sup>, making the capital gains taxable in the hands of M/s. C1 Pvt. Ltd..

Audit noted a total demand aggregating to ₹ 14,423.50 crore outstanding against the assessee, as per the e-filing portal relating to three cases for AYs 2007-08 and 2018-19. However, details of outstanding demand as per the ITBA portal were not made available to Audit. Details of outstanding demand as per the e-filing portal and the physical records are given in Table 5.19 below:

| Table 5.19: Status of Outstanding Demand            |                                   |                |                                                                |                                |
|-----------------------------------------------------|-----------------------------------|----------------|----------------------------------------------------------------|--------------------------------|
| (₹ in crore)                                        |                                   |                |                                                                |                                |
| AYs                                                 | Assessment Under Section          | Date of Demand | Outstanding Demand as per the e-filing Portal as on March 2020 | Demand as per physical records |
| 2007-08                                             | 143(3) r.w.s. 148 r.w.s. 144C(13) | 25/01/2016     | 4,111.47                                                       | 29,102.51                      |
| 2007-08                                             | 254                               | 31/03/2017     | Not Available                                                  | 11,681.99                      |
| 2007-08                                             | 271(1)(c)(penalty)                | 29/09/2017     | 10,247.36                                                      | 10,247.36                      |
| 2018-19                                             | 143(1a)                           | 11/02/2019     | 64.65                                                          | Not Available                  |
| 2018-19                                             | 143(3)                            | 20/09/2021     | Not Available                                                  | 75.93                          |
| 2018-19                                             | 154                               | 23/10/2021     | Not Available                                                  | -92.87                         |
| <b>Total</b>                                        |                                   |                | <b>14,423.48</b>                                               | <b>51,014.92</b>               |
| Source: e-filing portal and physical records of ITD |                                   |                |                                                                |                                |

In respect of AY 2007-08, the assessee did not file any return of income. Assessment under Section 143(3) r.w.s. 148 r.w.s. 144C (13) was completed in January 2016, determining the total income of ₹ 24,503.50 crore after adding an amount of ₹ 24,503.50 crore towards short-term capital gains arising out of the transfer of shares in the hands of the assessee. The ITD raised a demand of ₹ 29,102.51 crore, including interest under Sections 234A and 234B.

M/s. C1 Pvt. Ltd. appealed in ITAT, stating that interest levied under Sections 234A and 234B did not apply in their case. ITAT partly allowed (March 2017) the case in the assessee's favour by waiving the interest levied under Sections

<sup>63</sup> As per the Income Tax Act, 1961, income accruing or arising, whether directly or indirectly, through or from any business connection in India, or through or from any property in India, or through or from any asset or source of income in India or through the transfer of a capital asset situated in India, shall be deemed to accrue or arise in India.

234A and 234B, and the aggregate demand in the appeal effect order (March 2017) was assessed as ₹ 11,681.99 crore, including interest of ₹ 1,434.63 crore under Section 220(2) for 14 months.

Meanwhile, in March 2015, M/s. C9 Ltd. also initiated international arbitration proceedings in International Arbitral Tribunal<sup>64</sup> by relying upon the India- UK Bilateral Investment Treaty.

For AY 2018-19, the scrutiny assessment was completed in September 2021, assessing the income of ₹ 341.95 crore. TDS of ₹ 143.70 crore was disallowed in the assessment, resulting in a demand of ₹ 75.93 crore. ITD had passed (October 2021) a rectification order under Section 154 of the Act nullifying the original tax demand of ₹ 75.93 crore after allowing TDS of ₹ 143.70 crore, which was disallowed in the original assessment and an amount of ₹ 92.87 crore was determined as refundable to the assessee. However, payment/adjustment of the refund of ₹ 92.87 crore for AY 2018-19 was not available on record.

The Government vide 'Taxation Laws (Amendment) Bill, 2021' notified on 1 October 2021, withdrew the retrospective tax demand provisions with the specific conditions that the companies withdraw or undertake to withdraw arbitration, conciliation, or mediation initiated under any law for the time being in force, the companies are also required to waive the right to seek or pursue any remedy or any claim, no interest would be payable while refunding taxes that the company would have earlier paid under protest.

Pursuant to this, the order giving effect to this amendment was given by the PCIT, International Taxation-1, New Delhi, in February 2022, allowing a refund due to the assessee.

The reply of the Ministry is awaited (March 2024).

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.20</b> | <b>Assessee:</b> | <b>M/s. I2 Pvt. Ltd.</b> |
|               | <b>Charge:</b>   | <b>PCIT-2, Bengaluru</b> |

The company manufactures, trades, leases, and finances computer hardware, maintains computer equipment, and renders IT-enabled services.

From the e-filing portal, Audit noted that ten demands aggregating ₹ 6,188.72 crore (AYs 2005-06 to 2007-08, 2009-10 to 2012-13, 2014-15, 2016-17 and 2017-18) were pending against the assessee. The details as per the e-filing portal and the physical records verified by Audit are shown in Table 5.20 below:

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<sup>64</sup> ITAT's order in ITA No./1669/2016 dated.09 March 2017



| Table 5.20: Status of Outstanding Demand |                           |                |                                                                   |                                    |
|------------------------------------------|---------------------------|----------------|-------------------------------------------------------------------|------------------------------------|
|                                          |                           |                |                                                                   | (₹ in crore)                       |
| AYs                                      | Assessment Details        | Date of Demand | Outstanding Demand as per the e-filing Portal as on 31 March 2020 | Demand as per the physical records |
| 2005-06                                  | 143(3)                    | 26/12/2008     | -                                                                 | 230.53                             |
| 2005-06                                  | 220(2) (interest)         | 19/11/2019     | 166.24                                                            | Not Available                      |
| 2006-07                                  | 143(3) rws 144C(13) & 254 | 18/10/2010     | 71.38                                                             | 335.08                             |
| 2007-08                                  | 143(3) rws 144C           | 15/02/2011     | 208.47                                                            | 371.16                             |
| 2009-10                                  | 143(3) rws 144C           | 05/02/2018     | Not Available                                                     | Not Available                      |
| 2009-10                                  | 154                       | 15/06/2018     | 1,626.95                                                          | 1,626.95                           |
| 2010-11                                  | 143(3) rws 144C rws 92CD  | 08/01/2018     | Not Available                                                     | 130.05                             |
| 2010-11                                  | 154                       | 15/06/2018     | 442.15                                                            | 677.74                             |
| 2011-12                                  | 143(3) rws 144C rws 92CD  | 08/01/2018     | 196.36                                                            | 43.09                              |
| 2011-12                                  | 154                       | 15/06/2018     | Not Available                                                     | 245.35                             |
| 2012-13                                  | 143(3) rws 144C rws 92CD  | 08/01/2018     | 425.67                                                            | 671.81                             |
| 2012-13                                  | 154                       | 15/06/2018     | Not Available                                                     | 652.03                             |
| 2014-15                                  | 143(3) rws 144C(13)       | 28/03/2019     | 722.13                                                            | 943.33                             |
| 2014-15                                  | 154                       | 14/05/2019     | Not Available                                                     | 985.81                             |
| 2016-17                                  | 143(1)                    | 28/03/2018     | 47.96                                                             | 47.96                              |
| 2017-18                                  | 143(1)                    | 28/03/2019     | 2,281.40                                                          | 2,281.40                           |
| <b>Total</b>                             |                           |                | <b>6,188.71</b>                                                   | <b>9,242.29</b>                    |

For AY 2006-07, Audit noticed that a rectification order was passed (January 2020) determining a refund of ₹ 173.68 crore, and the aforesaid refund was to be adjusted against the tax dues of AY 2014-15. However, the same was not updated in the e-filing portal for the AY 2014-15. Audit further noticed that a demand of ₹ 71.38 crore was shown outstanding against the assessee for AY 2006-07.

For assessment years 2007-08 and 2009-10, the assessee preferred settlement through Mutual Agreement Procedure (MAP)<sup>65</sup> The original demand of ₹ 371.15 crore for AY 2007-08 was reduced (February 2018) to ₹ 209.44 crore after completion of the MAP proceedings. However, Audit noticed that an amount of ₹ 208.47 crore was shown as pending in the e-filing portal. Audit could not ascertain the action taken by the ITD to recover the agreed demand<sup>66</sup> from the records produced. For AY 2009-10, the MAP was not completed, and demand collection was kept abeyance after collecting a bank guarantee of ₹ 445.14 crore.

<sup>65</sup> An alternate tax dispute resolution mechanism available to the taxpayers under the DTAA for resolving disputes giving rise to double taxation or taxation not in accordance with DTAA.

<sup>66</sup> TP adjustment of ₹ 116.60 crore sustained, and the assessee needs to pay 30 per cent (₹ 34.98 crore) of the demand.

In respect of AYs 2010-11 to 2018-19, the assessee entered into an Advance Pricing Agreement under Sections 92CC and 92CD of the Act with the CBDT in February 2013 and June 2015, determining the arm's length price of the international transactions to be declared. Audit observed that the demands pending for AYs 2010-11 to 2012-13 and 2014-15 of ₹ 2,560.97 crore<sup>67</sup> pertained to additions other than transfer pricing issues. Audit further observed that the demands pertaining to AYs 2010-11 to 2012-13 were stayed by the Hon'ble ITAT, Bengaluru, up to February 2020. Action taken, if any, to recover the dues thereafter was not available on record. Further, for AYs 2016-17 and 2017-18, demand of ₹ 47.96 crore and ₹ 2,281.40 crore were determined summarily by CPC, Bengaluru due to disallowance of TDS claimed by the assessee for ₹ 35.59 crore for AY 2016-17 and for AY 2017-18 the entire prepaid taxes were disallowed (TDS - ₹ 599.32 crore, AT - ₹ 1171.65 crore and SAT - ₹ 17.42 crore) in March 2019.

As per demand analysis and recoverability status report of ITBA, the demand for AY 2017-18 was reduced from ₹ 2,281.40 crore to 766.67 crore through a rectification order passed under Section 154 on 03/11/2021. As per demand analysis and recoverability status report, all the demands were reported as 'collectible' except demand of ₹ 208.47 crore (AY 2007-08) which was reported as 'demand difficult to recover'. However, these demands were pending collection (March 2023).

Reply of the Ministry is awaited (March 2024).

|               |                  |                                 |
|---------------|------------------|---------------------------------|
| <b>5.3.21</b> | <b>Assessee:</b> | <b>A4</b>                       |
|               | <b>Charge :</b>  | <b>PCIT(Central), Ahmedabad</b> |

The assessee was involved in investment and trading in shares and securities. As per the e-filing portal, a total demand of ₹ 2445.27 crore in 11 cases pertaining to AYs 2008-09 to 2016-17 was outstanding against the assessee as of 31 March 2020. Audit examined all the 11 selected cases of the assessee for the AYs 2008-09 to 2016-17. Audit noted that additions were made under Section 69 of the Act, considering unexplained cash credit and unexplained expenditure in the assessments and total demands of ₹ 2,445.27 crore were raised.

An audit examination of assessment records revealed that an arrear demand of ₹ 1,788.40 crore relating to AYs 2009-10 to 2015-16 was rectified under Section 154 and revised to ₹ 2,328.14 crore. However, a revised demand was not forwarded to the TRO, resulting in a short reporting of a demand of ₹ 539.74 crore to the TRO. On being pointed out by Audit, the ITD took

<sup>67</sup> ₹ 677.75 crore (AY 2010-11), ₹ 245.36 crore (AY 2011-12), ₹ 652.04 crore (AY 2012-13) after passing of rectification orders on 15/06/2018 and ₹ 985.82 crore (AY 2014-15)

remedial action, and the demand was updated in TRC in May 2021. Audit observed that the assessee filed an appeal for the demands of AY 2009-10 to 2015-16 and the same is pending before CIT(Appeals).

Further, a demand of ₹ 117.11 crore was raised for AY 2008-09 under Section 154 in July 2017. Thereafter, the revised demand of ₹ 118.19 crore was raised after passing an order under Section 250 in March 2018. However, the latest demand was not updated in the arrear demand register and dossier report.

The audit noted that the demands had been pending since August 2016. The details of the action taken by the DCIT, Central Circle 1(2) Ahmedabad, to recover the amount could not be ascertained.

Reply of the Ministry is awaited (March 2024).

|               |                  |                                 |
|---------------|------------------|---------------------------------|
| <b>5.3.22</b> | <b>Assessee:</b> | <b>A5</b>                       |
|               | <b>Charge:</b>   | <b>PCIT(Central), Ahmedabad</b> |

The assessee was involved in the investment and trading of shares and securities.

Audit noticed from the e-filing portal data as on 31 March 2020 that nine demands involving ₹ 2,485.45 crore were pending against the assessee relating to the AYs 2008-09 to 2015-16 and 2017-18.

Details of demands as per the ITBA portal were not furnished to Audit.

Assessments were finalised under Section 143(3) read with Section 153(A) for the AYs 2009-10 to 2015-16. Additions were made to total income on account of unexplained credit entries in the bank, unexplained commission on credit entries, etc., and a total demand of ₹ 2,485.45 crore was raised. Audit further observed that the assessee filed an appeal for the demands of AY 2009-10 to 2015-16 and the same is pending before CIT(Appeals).

The audit observed that the arrear demand of ₹ 2,184.68 crore relating to AYs 2009-10 to 2015-16 was rectified under Section 154 in May 2019 and revised to ₹ 2,367.72 crore. The revised demand was not forwarded to the TRO, resulting in a short reporting of demand of ₹ 183.04 crore to the TRO. As pointed out by the Audit, the ITD took remedial action, and the demand was updated in TRC in May 2021.

The audit also noticed that the demands had been pending since May 2019. Details of the action taken by the DCIT Central Circle 1(2), Ahmedabad, to recover the amount could not be ascertained.

Reply of the Ministry is awaited (March 2024).

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.23</b> | <b>Assessee:</b> | <b>S4</b>                |
|               | <b>Charge:</b>   | <b>PCIT 1, Ahmedabad</b> |

The assessee is an Association of Persons. Audit noticed from the e-filing portal data as on 31 March 2020 that the total demand pending against the assessee was ₹ 2,772.55 crore in nine cases relating to AYs 2007-08 and 2009-10 to 2016-17.

Records relating to AY 2007-08 and details of demand as per the ITBA portal were not produced for audit.

Audit noticed from the physical records that the assessments were completed under Section 143(3) read with Sections 250/154 and 147 for the AYs 2009-10 to 2016-17 after making additions to total income on account of unexplained income, receipt, fund, bank balance, expenditure, benami investment, etc., and a total demand of ₹ 3,122.34 crore was raised. Demand notices were issued in July 2017. However, as per the e-filing portal, a total demand of ₹ 2,772.55 crore was outstanding as of 31 March 2020, resulting in a difference of outstanding demand of ₹ 349.79 crore. Thus, Audit could not ascertain the reasons for the difference in outstanding demand as the required documents were not made available.

Reply of the Ministry is awaited (March 2024).

|               |                  |                                    |
|---------------|------------------|------------------------------------|
| <b>5.3.24</b> | <b>Assessee:</b> | <b>D4</b>                          |
|               | <b>Charge:</b>   | <b>PCIT Exemptions, Chandigarh</b> |

The assessee is a registered trust in Sirsa, assessed under Exemption Circle 1 Chandigarh.

The audit noticed from the e-filing portal data as of 31 March 2020 that there were outstanding demands aggregating ₹ 410.09 crore in seven cases relating to AYs 2011-12 to 2017-18. As per the ITBA portal, the same demands were shown outstanding.

Audit noticed from the dossier report ending September 2021 that while completing the assessment in respect of all the AYs in August 2019/December 2019, the assessee was observed to be carrying commercial activities rather than pursuing charitable activities covered under section 2(15) of the IT Act. Exemption under Section 11 was denied, treating the assessee's activity as normal business. The assessee preferred an appeal against these assessments before CIT (A) in September 2019/January 2020, and the outcome of the appeal was awaited. Outstanding demand was categorised as 'Unrealisable and uncollectible demand' in the Dossier Reports. As seen from the Dossier Report, the aforesaid demand was shown as stayed by the High Court. Punjab and Haryana High Court directed (August 2017) that the properties of the

assessee were not to be sold, transferred, alienated or encumbered, including bank accounts.

Punjab and Haryana High Court had issued directions to the ITD to investigate the accounts and submit a report. Multiple reports were stated to have been submitted. However, details/ findings thereof were not recorded in the dossier reports.

Further, action taken by the AO in the recovery process and the current status of the case are awaited (March 2024).

Reply of the Ministry is awaited (March 2024).

|               |                  |                          |
|---------------|------------------|--------------------------|
| <b>5.3.25</b> | <b>Assessee:</b> | <b>C4</b>                |
|               | <b>Charge:</b>   | <b>PCIT 1, Ahmedabad</b> |

The assessee was involved in cheque discounting. A survey under Section 133A was conducted at the premises of M/s S6 Ltd., which the assessee managed and controlled.

Audit noticed from the e-filing portal data as on 31 March 2020 that the ITD had raised seven demands involving ₹ 3,074.32 crore against the assessee relating to AYs 2011-12 to 2017-18. Further, Audit noticed from the ITBA portal as on 16 November 2021 that demands totalling ₹ 3074.33 crore were pending against the assessee for these AYs.

Audit requisitioned information along with the records of the assessee for AYs 2011-12 to 2017-18. Details relating to the ITAT appeal preferred by the assessee were not produced for Audit.

Reply of the Ministry is awaited (March 2024).

|               |                  |                               |
|---------------|------------------|-------------------------------|
| <b>5.3.26</b> | <b>Assessee:</b> | <b>M2 and A6</b>              |
|               | <b>Charge:</b>   | <b>PCIT Central-4, Mumbai</b> |

These assesseees are related to associates of the M3 Group. Audit noticed from the e-filing portal data as on 31 March 2020 that in respect of M2, the ITD had raised 11 demands involving ₹ 2,818.17 crore for AYs 2004-05 to 2012-13 and in respect of A6, 10 demands involving ₹ 2,042.92 crore for AYs 2004-05 to 2011-12.

Audit requisitioned information along with the records of the assesseees for AYs 2004-05 to 2012-13. All the records were produced to Audit.

Even though the e-filing portal showed a total demand of ₹ 4,861.09 crore in respect of these two assesseees, the actual demand as per assessment records was only ₹ 2,170.60 crore (₹ 1,377.70 crore in the case of M2 and ₹ 792.90 crore in the case of A6).

In the dossier report of both the assesseees, the ITD had classified the demand as “Net Realizable Demand”. Cases relating to both the assesseees were transferred to TRO in March 2012.

In the case of M2, the ITD attached immovable property, i.e., one shop in March 2012 and shares in February 2013. Being a protective demand (₹ 1,341.31 crore in the case of M2 and ₹ 764.37 crore in the case of A6) (as per dossier report), no recovery has been made by the ITD. In the case of A6, no action has been taken by the ITD to attach any property or to recover the demand.

Audit could not ascertain action taken by the ITD to reconcile the differences, to reflect the correct status of the Outstanding demand while preparing the CAP-I statement.

Reply of the Ministry is awaited (March 2024).

## Chapter 6 Compliance Issues

### 6.1 Introduction:

Determination of outstanding demands accurately, issue of demand notice to the assessee within the due date and taking appropriate action as per the provisions of the Act, Rules and the CBDT's instructions are essential components towards reduction of outstanding demand. Functions of Assessing Officer with regard to recovery of arrear demand include attachment of bank accounts of assessee, attachment of salary and other dues receivable by assessee, maintenance of Dossier Reports and transfer of unrecoverable cases to TRO for attachment/disposal of movable and immovable assets. Functions of Assessing Officers and Tax Recovery Officers are interlinked and they have to work in tandem with each other to reduce the outstanding demand.

This chapter deals with compliance issues noticed while scrutinising the records of AOs and TROs. The errors noticed fell into the following categories (i) Discrepancies in maintenance of Dossier Reports; (ii) Raising of inaccurate Demands; (iii) Inordinate delay in issuing of consequential orders after appeal; (iv) Delay in clearance of TRCs by the TROs; (v) Non-attachment of Properties, etc.

Audit observed discrepancies in dossier reports which indicated that the AOs did not pay requisite attention while preparing dossier reports even though dossier reports serve as a significant tool to the monitoring authorities for analysis of outstanding demands and for formulation of policies and setting up of targets for collection/recovery. Also, in certain cases, the dossier reports were not prepared.

Excess demands were raised against the assessees due to not allowing credit for taxes already paid and mistakes in giving effect to the appeal orders. This, besides, reporting inflated demand, also causes harassment and hardships to the assessees. Further, delay in giving effect to the appeal orders by the AO resulted in avoidable payment of interest under Section 244A.

Delay in giving effect to the appeal orders by the Assessing Officers results in display of demands as outstanding in records, even after the same had been set aside by the appellate authorities /judicial forums. In cases where issue of refund was delayed, the ITD had to issue interest under Section 244A, which was otherwise avoidable. Further, various appeal effect orders were either not passed by the Assessing Officers or passed with delays ranging up to over 11 years.

The AOs were not following the CBDT's instructions on stay of demand which resulted in piling up of outstanding demand. Further, there is not any

mechanism in place to ensure the compliance of such instructions. Further, Audit noticed instances of default in payment of instalments where the assessees were allowed to pay 15 or 20 *per cent* of outstanding demand in instalments.

Audit observed that there was delay in issue of demand notices to assessees ranging from 16 days to 48 days after the relevant order was passed. Moreover, in some cases, demand had either not been issued or issued with incorrect amount of demand.

It was observed in some cases that ITD either did not submit or submitted claim for incorrect amount of demand before the official liquidator or custodian.

TROs could not achieve the target for disposal of TRCs even though in certain instances, the number of cases transferred from JAOs to TROs was less than the yearly reduction target of 150 TRCs. TROs failed to exercise special powers vested in them to attach property owned by the assessee. Requisite registers were not maintained and updated by the TROs. The internal audit of TROs were not conducted as a regular basis in all regions which was not in conformity with CBDT's instruction issued in July 2017.

There were deficiencies in internal Control mechanism in the ITD as evident by non-maintenance/non-updation of statutory registers by TROs, prescribed by the ITD, which, in turn, hampered recovery of outstanding demand. Further, CBDT's instruction to conduct internal audit of TROs also has not been carried out effectively.

Audit observed instances of delay in transfer of cases by JAO to TRO as there was no prescribed timeframe by the ITD for drawing TRCs. Such delays slowed down the process of recovery of outstanding demand. All these issues have been discussed in detail in the following paragraphs.

During this audit, 10,896 sampled cases in 270 selected assessment units were test-checked to verify whether the Assessing Officers were discharging their functions effectively in compliance to the provisions of the Income Tax Act, Rules and the CBDT's Circulars / Instructions. Audit observations are discussed in the subsequent paragraphs.

## **6.2 Preparation of Dossier Reports by the Assessing Officer**

The AOs are vested with the powers and responsibilities<sup>68</sup> with respect to assessment of direct taxes and collection of demands.

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<sup>68</sup> These include (i) assessment of income and / tax; (ii) issue of demand notice to the assessee; (iii) collection and recovery of outstanding demands; (iv) regular monitoring of demands locked up at appellate authorities; (v) invoking penal provisions if payment is not made within due date; (vi) ensuring completion of all penalty and recovery proceedings under Section 221 and 226 of the Act; (vii) sending intimation to the TRO with details of assets of defaulter and draw up Form 57 with details of arrears; and (viii) preparation of Dossier Reports.



The AO is required to prepare a Dossier Report<sup>69</sup> every quarter in respect of every assessee in default, meeting the prescribed monetary limits; its objective is to facilitate effective monitoring of cases of outstanding demand by the designated authorities. As per the Central Action Plan, the AOs are required to prepare Dossier Reports based on data available in CPC-FAS<sup>70</sup>.

The monetary limits are shown in Table 6.1 below

| <b>Table 6.1: Monitoring Authorities and Monetary Limits of Dossier Reports<sup>71</sup></b> |                                                                                                                                      |
|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b>Monitoring Authority</b>                                                                  | <b>Monetary limit</b>                                                                                                                |
| Range Head                                                                                   | Up to ₹ 30 lakh                                                                                                                      |
| Pr. CIT                                                                                      | Above ₹ 30 lakh to ₹ 3 crore                                                                                                         |
| CCIT                                                                                         | Above ₹ 3 crore to ₹ 15 crore                                                                                                        |
| Pr. CCIT                                                                                     | Above ₹ 15 crore to ₹ 25 crore                                                                                                       |
| Pr. DGIT (Admin)                                                                             | All dossiers above ₹ 25 crore by DGIT (Admin) with assistance of ADG (Recovery).                                                     |
| Member (Revenue), CBDT                                                                       | Pr. DGIT (Admin) to monitor specific very high demand cases on the directions of Member (Revenue) with assistance of ADG (Recovery). |

Subsequently in November 2022, the CBDT revised<sup>72</sup> threshold limit of the dossiers on outstanding demands to be monitored by different authorities.

The AO and the TRO are required to execute the instructions/directions given by the CCIT/PCIT with results of action taken being reported upon in the subsequent report.

### 6.2.1 Non maintenance of Dossier Reports

On verification of data obtained from the 279 sampled assessment units from the e-filing portal relating to 12,73,527 assesseees, Audit observed that there were 42,258 assesseees from whom outstanding demand was more than ₹ 30.00 lakh.

Audit test checked 5,321 assesseees and observed that dossiers were prepared only in respect of 603 assesseees (11.33 *per cent*). In the case of 87 assesseees (1.64 *per cent*), dossiers were not prepared; in the remaining 4,631 assesseees (87 *per cent*), details regarding preparation of dossiers were not made

<sup>69</sup> The Dossier Report plays a very significant role in reporting the amount of outstanding demand of an assessee, its nature, reasons for non-collection including information regarding grant of stay, if any; and the efforts undertaken by the AO and Tax Recovery Officer (TRO) towards recovery of the same.

<sup>70</sup> It interacts with all the front end systems i.e. CPC-ITR Portal, ITBA Portal, OLTAS portal, AST portal for processing of data, calculation of demand, refund and sends the data to the required front end system.

<sup>71</sup> Re-fixation of monetary limits for various Income Tax Authorities (Instruction No.10 of 2015 dated 16 September 2015)

<sup>72</sup> The monetary limits for various income tax authorities have been revised (CBDT Instruction No. 1/2022 dated 3<sup>rd</sup> November 2022).

available, including a few cases having high outstanding demands, as discussed in Chapter 5.

Region-wise status on maintenance of Dossier Reports in respect of 5,321 assesseees, with an outstanding demand of more than ₹ 30 lakh test checked by audit, are detailed in Table 6.2 below:

| Table 6.2: Region-wise details of maintenance of dossiers |                               |                       |               |                   |                  |                            |                    |                   |                    |
|-----------------------------------------------------------|-------------------------------|-----------------------|---------------|-------------------|------------------|----------------------------|--------------------|-------------------|--------------------|
| (₹ in crore)                                              |                               |                       |               |                   |                  |                            |                    |                   |                    |
| Sl. No.                                                   | Region                        | Dossiers not prepared |               | Dossiers Prepared |                  | Details not made available |                    | Total             |                    |
|                                                           |                               | No. of Asse-ssees     | Amount        | No. of Asse-ssees | Amount           | No. of Assesseees          | Amount             | No. of Assesseees | Amount             |
| 1                                                         | Andhra Pradesh & Telangana    | -                     | -             | 7                 | 157.99           | 502                        | 33,294.49          | 509               | 33,452.48          |
| 2                                                         | Bengaluru                     | -                     | -             | 21                | 414.41           | 493                        | 45,897.66          | 514               | 46,312.08          |
| 3                                                         | Bhubaneswar                   | -                     | -             | 2                 | 39.74            | 122                        | 1,347.97           | 124               | 1,387.71           |
| 4                                                         | Bihar and Jharkhand           | -                     | -             | 80                | 517.99           | 131                        | 1,169.47           | 211               | 1,687.46           |
| 5                                                         | Delhi                         | -                     | -             | 8                 | 32.15            | 742                        | 20,552.31          | 750               | 20,584.46          |
| 6                                                         | Gujarat                       | -                     | -             | 83                | 3,064.08         | 375                        | 14,767.82          | 458               | 17,831.90          |
| 7                                                         | International Taxation, Delhi | 13                    | 48.64         | -                 | -                | 96                         | 4,607.31           | 109               | 4,655.96           |
| 8                                                         | Kerala                        | -                     | -             | -                 | -                | 75                         | 443.47             | 75                | 443.47             |
| 9                                                         | Lucknow, UP East              | -                     | -             | -                 | -                | 20                         | 48.97              | 20                | 48.97              |
| 10                                                        | Madhya Pradesh & Chhattisgarh | 25                    | 299.8         | 5                 | 23.84            | 153                        | 1,349.56           | 183               | 1,673.20           |
| 11                                                        | Mumbai                        | 17                    | 42            | 121               | 21,918.93        | 509                        | 28,430.62          | 647               | 50,391.56          |
| 12                                                        | North East Region             | -                     | -             | 63                | 442.09           | 12                         | 29.71              | 75                | 471.8              |
| 13                                                        | North West Region             | -                     | -             | 40                | 791.34           | 196                        | 5,009.95           | 236               | 5,801.29           |
| 14                                                        | Rajasthan                     | 32                    | 61.13         | 87                | 902.61           | 102                        | 846.33             | 221               | 1,810.07           |
| 15                                                        | Tamil Nadu                    | -                     | -             | 46                | 1,100.85         | 215                        | 3,953.23           | 261               | 5,054.08           |
| 16                                                        | UP West & Uttarakhand         | -                     | -             | 21                | 3,800.09         | 18                         | 170.31             | 39                | 3,970.39           |
| 17                                                        | West Bengal & Sikkim          | -                     | -             | 19                | 398.29           | 870                        | 17,648.50          | 889               | 18,046.79          |
|                                                           | <b>Total</b>                  | <b>87</b>             | <b>451.57</b> | <b>603</b>        | <b>33,604.40</b> | <b>4,631</b>               | <b>1,79,567.70</b> | <b>5321</b>       | <b>2,13,623.67</b> |

Source: Department replies and assessment records of ITD

As seen from Table 6.2 above, in majority of cases (4,631), the ITD did not furnish the details of maintenance of dossiers. In the absence of information in respect of 4,631 cases involving outstanding demand of ₹ 1,79,567.70 crore, Audit could not ascertain the status of preparation of Dossier Reports.

Non-maintenance of Dossier Report hinders proper monitoring of tax defaulters by the higher authorities and also hampers the pace of the recovery proceeding. In the absence of Dossier reports, Audit could not ascertain as to how the ITD was ensuring effective monitoring of outstanding demand cases

by the designated authorities. This issue was raised with the ITD in June/July 2021.

Reply of the Ministry is awaited (March 2024).

### 6.2.2 Discrepancies noticed in maintenance of Dossiers

Out of 603 assesseees where dossiers were prepared, Audit noticed discrepancies in respect of 31 assesseees (57 cases) involving difference in amount aggregating to ₹ 32,524.08 crore between the amount reported in dossiers and the actual outstanding demand as per the physical records. The reason of such discrepancy could be attributed to capturing of incorrect amount in the dossier, failure to record the changes of tax demand arising on account of rectification/revision, recording of non-existent demands, etc. The region-wise details of discrepancies in dossier reports, are given in Table 6.3 below:

| Table 6.3: Discrepancies noticed in Dossier Reports       |                               |             |                                              |
|-----------------------------------------------------------|-------------------------------|-------------|----------------------------------------------|
| (₹ in crore)                                              |                               |             |                                              |
| Sl. No.                                                   | Region                        | No of Cases | Total outstanding demand under/over reported |
| 1                                                         | Delhi                         | 3           | 35.27                                        |
| 2                                                         | Gujarat                       | 1           | 1.08                                         |
| 3                                                         | Bengaluru                     | 2           | 14.67                                        |
| 4                                                         | West Bengal & Sikkim          | 1           | 77.35                                        |
| 5                                                         | Madhya Pradesh & Chhattisgarh | 1           | 3.04                                         |
| 6                                                         | Mumbai                        | 15          | 29,699.14                                    |
| 7                                                         | Rajasthan                     | 7           | 294.40                                       |
| 8                                                         | Tamil Nadu                    | 27          | 2,399.13                                     |
|                                                           | <b>Total</b>                  | <b>57</b>   | <b>32,524.08</b>                             |
| Source: On the basis of physical records examined by FAOs |                               |             |                                              |

The above table indicates that while Tamil Nadu and Puducherry region has the maximum number of cases (27) involving discrepancy of ₹ 2,399.13 crore, Mumbai region has the highest amount of discrepancy of ₹ 29,699.14 crore involving 15 cases. A single assessee (H2) of Mumbai region involving seven assessment years alone accounted for discrepancy of ₹ 28,362.88 crore.

### Illustrative cases:

Three other illustrative cases are discussed below:

#### Box 6.1

(i) **Assessee:** M/s I4 Ltd.  
**Charge :** PCIT-4, Chennai

The return of Income for AY 2016-17 was filed in November 2016 at a loss of ₹ 480.17 crore. Assessment under Section 143(3) was completed in December 2018 determining an income of ₹ 2,730.84 crore and a tax of ₹ 1,165.41 crore thereon, after making disallowances on account of provisions for bad debts, bad debts recovered etc.

For AY 2017-18, original return of income was filed in October 2017 at a loss of ₹ 659.45 crore, and subsequently, a revised return in March 2019 was filed declaring a loss of ₹ 9.80 crore. Assessment under Section 143(3) was completed in December 2019 determining an income of ₹ 3,193.31 crore and tax of ₹ 931.72 crore thereon, after making major disallowances under Section 36(1)(vii), 14A read with rule 8D etc.

As per the data available in the e-filing portal, the demands outstanding against the assessee, as of November 2020, were ₹ 115.82 crore and ₹ 931.72 crore in respect of AY 2016-17 and AY 2017-18 respectively. The total outstanding demand aggregated to ₹ 1,047.54 crore. Audit, however, noticed that in the dossier report for the third quarter (October-December 2019) of FY 2019-20, the net demand at the end of quarter was reported as ₹ 1,121.78 crore and the opening balance in the dossier for the next quarter was reported as ₹ 249.67 crore resulting in a difference of ₹ 872.11 crore. Further, the dossier report for the first quarter of the year 2020-21 indicated an outstanding demand of ₹ 175.43 crore, while the outstanding demand as per the e-filing portal was ₹ 1,047.54 crore as of November 2020 also resulted in a difference of ₹ 872.11 crore between the e-filing portal and dossier report.

The errors/mistakes in recording of outstanding demands in the dossier and the discrepancies with the amount of outstanding demand as per the e-filing portal was brought to the notice of the DCIT Non-Corporate Circle-8 in May 2021.

Reply of the Ministry is awaited. (March 2024)

(ii) **Assessee:** V2  
**Charge:** PCIT-1, Bengaluru

The assessee filed return of income for AY 2017-18 in October 2017 declaring a loss of ₹ 14.78 crore. The assessment was completed under

Section 143(3) in December 2019, making an addition of ₹ 11.84 crore under Section 68. On the basis of this addition, a tax demand of ₹ 11.92 crore was raised under Section 115BBE.

From the dossier report for the fourth quarter of FY 2019-20, it was observed that the DCIT, Circle 1(1)(1), Bengaluru had provisionally attached (March 2020) the immovable property of the assessee at Malleswaram, Bengaluru under Section 281B and the case was proposed to be referred to the TRO for regular attachment. However, in the same Dossier Report, the DCIT, Circle 1(1)(1) had remarked that the assessee did not have any asset; and categorised the demand as 'difficult to recover'. An error in the dossier report not only would result in incorrect classification of category of demand but also would cause difficulty in monitoring and taking action for recovery of outstanding demand.

The Ministry accepted the audit observation (May 2023).

**(iii) Assessee: M/s. M4 Ltd.**  
**Charge: PCIT-4, Chennai**

The return for AY 2008-09 was filed in September 2008 declaring a loss of ₹ 17.58 crore. The assessment under Section 143(3) was completed in December 2011 at a loss of ₹ 22.84 crore. Subsequently, a reassessment was done under Section 147 in December 2014, determining an income of ₹ 52.25 crore and a tax of ₹ 20.70 crore thereon.

For the AY 2009-10, the return of income was filed in September 2009 at a loss of ₹ 11.80 crore. The assessment was completed under Section 143(3) read with Section 92CA in March 2013 at a 'Nil' income. Subsequently, the case was reassessed under Section 147 in December 2014 and the assessed income was revised to ₹ 79.01 crore and a demand of ₹ 49.29 crore was raised.

The assessee filed writ petitions in High Court, Chennai, challenging the orders of reassessment passed for AYs 2008-09 and 2009-10. On being informed (August 2015) that the High Court, Chennai had dismissed the writ petitions of the assessee, the Jurisdictional AO communicated (August 2015) the same to the assessee and asked for payment of tax. However, in the dossier report for the first quarter FY 2020-21 (April-June), the demands amounting to ₹ 20.87 crore and ₹ 42.29 crore relating to AYs 2008-09 and 2009-10 respectively were reported as "Demand covered by stay". The AO had not initiated any action for recovery of outstanding demand, even after the dismissal of the assessee's writ petitions by the High Court in August 2015. Further, for AY 2009-10, there was a difference of ₹ 7 crore as

reported in dossier (₹ 42.29 crore) and that found in demand notice (₹ 49.29 crore). The issue was pointed out to the ITD (January 2021). Reply of the Ministry is awaited. (March 2024).

Audit observed that though the dossier reports serve as a significant tool to the monitoring authorities for analysis of outstanding demands and for formulation of policies and setting up of targets for collection/recovery: requisite attention in several cases, was not paid by the AOs.

**Recommendation 6:**

**The CBDT may ensure preparation of the dossiers for all cases of outstanding demands exceeding the specified threshold limit, and monitor compliance of its instruction no. 10/2015 dated 16/09/2015.**

The Ministry, in its reply, stated (May 2023) that a mechanism to monitor the dossier cases at different levels according to the threshold limit of dossier cases is already in place. CBDT through Pr. DGIT (Admn. & TPS)/ADG TPS-II/Addl. CIT (Recovery) is monitoring compliance with CBDT Instruction 10/2015. This is being regularly done as per the ITBA algorithm. Every quarter AOs are required to initiate dossier cases and mention the present status of the same along with action taken for recovery of demand.

***The Ministry's reply is not tenable, as audit analysis revealed that dossiers were not found prepared in many cases. The Ministry may consider reiterating its own instructions and monitoring compliance with those instructions, especially, where there is an uncertainty about the availability of the immovable assets for attachment. Non-maintenance of dossiers may results in non-monitoring of outstanding demand by designated authorities and might impact the chances of early recovery.***

**6.2.3 Raising excess demands**

Audit noticed instances where the ITD had raised inflated tax demands, by either not allowing full credit of the prepaid taxes in the assessment order or by delaying giving the effect of appeal orders. There were also cases of undue levy of interest under Sections 234A, 234B or 234C, etc. by the ITD. Eventually, the ITD had either refunded or was likely to refund the excess demands collected, along with the interest under Section 244A, involving avoidable loss of revenue and causing hardship to the assessee.

Audit noticed that in 345 cases, out of 10,818 test checked cases in 16 Regions, the ITD had raised excess demands aggregating to ₹ 2,549.77 crore, which resulted in inflated amount of outstanding demand being reported in ITBA as well as in the e-filing portal, causing hardship and harassment to the assessees, who had already paid the tax.

Region-wise details of cases of raising of excess demands noticed by Audit are given in Table 6.4 below:

| <b>Table 6.4: Raising of excess demands – region-wise analysis</b> |                               |                                  |                                |                                                     |
|--------------------------------------------------------------------|-------------------------------|----------------------------------|--------------------------------|-----------------------------------------------------|
| <b>Sl. No.</b>                                                     | <b>Region</b>                 | <b>No. of cases test checked</b> | <b>No. of mistakes noticed</b> | <b>Aggregate Excess Amount charged (₹ in crore)</b> |
| 1                                                                  | AP & Telangana                | 960                              | 14                             | 560.61                                              |
| 2                                                                  | Bihar & Jharkhand             | 437                              | 41                             | 260.10                                              |
| 3                                                                  | Gujarat                       | 1,404                            | 63                             | 203.91                                              |
| 4                                                                  | Bengaluru                     | 1,038                            | 12                             | 109.63                                              |
| 5                                                                  | Kerala                        | 155                              | 5                              | 68.58                                               |
| 6                                                                  | MP & Chhattisgarh             | 501                              | 9                              | 0.84                                                |
| 7                                                                  | Mumbai                        | 1,410                            | 29                             | 778.89                                              |
| 8                                                                  | Delhi                         | 740                              | 42                             | 44.31                                               |
| 9                                                                  | North East Region             | 220                              | 7                              | 15.81                                               |
| 10                                                                 | North West Region             | 510                              | 12                             | 109.59                                              |
| 11                                                                 | International Taxation, Delhi | 377                              | 6                              | 3.65                                                |
| 12                                                                 | Rajasthan                     | 575                              | 79                             | 78.97                                               |
| 13                                                                 | Tamil Nadu                    | 671                              | 8                              | 265.63                                              |
| 14                                                                 | Lucknow, UP East              | 99                               | 1                              | 1.99                                                |
| 15                                                                 | West Bengal & Sikkim          | 1,288                            | 10                             | 42.34                                               |
| 16                                                                 | Bhubaneswar                   | 433                              | 07                             | 4.92                                                |
|                                                                    | <b>Total</b>                  | <b>10,818</b>                    | <b>345</b>                     | <b>2,549.77</b>                                     |

Source: On the basis of physical records examined by FAOs

The table above indicates that Rajasthan region has the maximum number of cases (79), followed by Gujarat in 63 cases. Whereas Mumbai region has the highest amount (₹ 778.89 crore) involving 29 cases.

Audit analysis revealed that incorrect/excess levy of interest accounted for raising of excess demands against the assessee in 253 out of 345 cases. In terms of outstanding demands mistakes due to non-verification of rectifications and revisions while raising demands accounted for excess of ₹ 579.91 crore, category-wise details of excess demands are given in Table 6.5 below:

| <b>Table 6.5: Category-wise analysis of excess demands</b> |                                                                    |                     |                            |
|------------------------------------------------------------|--------------------------------------------------------------------|---------------------|----------------------------|
| <b>Sl. No.</b>                                             | <b>Category</b>                                                    | <b>No. of cases</b> | <b>Amount (₹ in crore)</b> |
| 1                                                          | Incorrect Adoption of Assessed Income                              | 19                  | 180.76                     |
| 2                                                          | Discrepancies or Delay in giving effect of Appeal Order            | 20                  | 284.53                     |
| 3                                                          | Excess levy of interest under various sections                     | 253                 | 604.62                     |
| 4                                                          | Raising of demand without verifying rectifications/revision orders | 14                  | 579.91                     |
| 5                                                          | Other Issues like incorrect tax rate, computation etc.             | 39                  | 899.95                     |
|                                                            | <b>Total</b>                                                       | <b>345</b>          | <b>2,549.77</b>            |

Source: On the basis of physical records examined by FAOs

From the above table, it is evident that maximum cases of over reporting has occurred owing to adoption of incorrect tax rate, incorrect computation of tax, excess levy of interest under various sections, etc.

Four illustrative cases are discussed below:

**Box 6.2**

**(i) Assessee: M/s. N4 Ltd.  
Charge: PCIT-3, Ahmedabad**

The assessee filed (September 2008) a return of income for AY 2008-09 declaring 'Nil' income. The assessment was completed under Section 143(3) in May 2010, determining total income of ₹ 285.00 crore and a tax of ₹ 98.58 crore thereon, by making major additions on account of disallowance of claim of sales tax and withdrawal of excess claim of depreciation on intangible assets.

The demand was reduced to 'Nil' after giving effect to the appeal order in November 2018. On verification of details, it was noticed that the assessee had paid ₹ 4.51 lakh through challan and refund of ₹ 12.01 crore due for AY 2002-03 was adjusted (October 2020) against the demand for AY 2008-09. Since, after giving effect of appeal order, no tax demand was outstanding, a refund of ₹ 12.06 crore was required to be issued by the AO. However, in the e-filing portal, original demand of ₹ 98.58 crore in November 2020 was shown outstanding. Whereas Audit noted that as per the application for rectification submitted by the assessee, a demand of 41.29 crore was outstanding for which the assessee had filed a grievance on 03 November 2020 for rectification u/s 154 of the IT Act. Audit could not ascertain the basis of aforesaid demand still being shown as outstanding.

Reply of the Ministry is awaited (March 2024).

**(ii) Assessee: M/s H4  
Charge: Pr. CIT Chandigarh**

The assessee filed (September 2014) a return of income for the AY 2014-15 declaring 'Nil' income. The assessment under Section 143(3) was completed in December 2016 determining an income of ₹ 317.26 crore and a tax of ₹ 130.39 crore thereon. The addition was made as the accumulated income was not utilised, as per the specified objective of the Trust. Subsequently, the demand was increased to ₹ 155.38 crore under Section 154 (January 2018). After the appeal of the assessee was dismissed by CIT(A) in January 2020, the AO directed the assessee to pay arrear demand of ₹ 73.64 crore after adjustment of tax already paid. The assessee paid ₹ 73.64 crore, through challan in February 2020. However Audit noticed that



a demand of ₹ 35.11 crore was shown as outstanding as on November 2020, in the e-filing portal. This was brought to the notice of the ITD in June 2021.

Reply of the Ministry is awaited. (March 2024).

**(iii) Assessee: D5**  
**Charge: PCIT-1, Bengaluru**

The assessee filed (October 2005) a return of income for AY 2005-06 at an income of ₹ 39.98 crore. The assessment was completed under Section 153A read with Section 143(3), in March 2013, determining an income of ₹ 131.01 crore, and a tax of ₹ 47.85 crore thereon. The appeal of the assessee against the additions made by AO was dismissed by CIT(A) in February 2015. Subsequently, the ITAT deleted (April 2018) the additions made by the AO. The order giving effect to orders of the ITAT was passed in June 2018, determining a refund of ₹ 20.36 crore. However, a fresh demand of ₹ 18.08 crore was raised as interest under Section 220(2) (levied for delay in payment of tax demand) in September 2019. No records were available in the assessment folder regarding filing of further appeal by the ITD; and Audit noticed that levy of interest of ₹ 18.08 crore was without any basis. This was communicated to the Assessing Officer in June 2021.

The Ministry accepted (May 2023) the audit observation.

**(iv) Assessee: M/s. N5 Pvt. Ltd.**  
**Charge: Pr. CIT Central-4, Mumbai**

The assessee filed (October 2005) a return of income for AY 2005-06, declaring a business loss of ₹ 3.45 lakh, and Long-term capital loss of ₹ 4.12 crore. The assessment under Section 143(3) was completed in December 2007, determining an income of ₹ 35.40 crore, (the share application money along with premium for allotment of cumulative redeemable preference shares were treated as unexplained money under Section 69A), and a tax of ₹ 17.31 crore thereon. In addition to that, business loss of ₹ 3.45 lakh was treated as speculation loss, and was allowed to be carried forward. Moreover, a penalty of ₹ 12.95 crore was levied under Section 271(1) (C) in March 2010 for the incorrect claim of loss and tax sought to be evaded by the assessee. The assessee preferred an appeal against the assessment order, but both the appellate authorities CIT(A) and ITAT upheld the addition of ₹ 35.40 crore. Subsequently, the ITD re-opened the case and assessment was completed under Section 144/147 in December 2011, and income was assessed at ₹ 36.03 crore, after disallowing set off of long-term capital loss of ₹ 0.63 crore against short term capital gain. Assessee preferred an appeal before the CIT(A), which was dismissed in March 2013.

Against the order of CIT(A), the assessee filed an appeal in ITAT. The ITAT, Mumbai 'G' Bench delivered a decision in August 2017, partly allowing the appeal for set off of capital loss with capital gain. Audit, however, noticed that by an order passed (July 2018) under Section 254 {to give effect to the orders of ITAT against the assessment made under Section 143(3)}, the ITD allowed a relief of ₹ 35.40 crore to the assessee, though the orders of ITAT dated 5 October 2011 (against Section 143(3) order) and 23 August 2017 (against Section 147 order), did not provide any relief against such addition to the assessee.

Audit examination of both the ITAT orders dated 05 October 2011 {against Section 143(3) order} and 23 August 2017 (against Section 147 order) revealed that the Appellate Authority had not given any relief to the assessee on addition of ₹ 35.40 crore; as such, the demand of ₹ 17.31 crore was still outstanding. The penalty of ₹ 12.95 crore was also outstanding against the assessee. Thus, an apparent mistake in the order passed by the ITD, to give effect to the ITAT order nullified the tax demand of ₹ 17.31 crore and simultaneously resulted in understatement of outstanding demand by the same amount. On this being pointed out by Audit (June 2021), the PCIT, Central-4, Mumbai stated (June 2022) that ITAT vide Order dated 05 October 2011 on ITA No. 1716/MUM/2009 did not give any relief to the assessee regarding addition of ₹ 35.40 crore. However, on verification it was found that on a subsequent date, a Miscellaneous Application (MA) was filed before the ITAT by the assessee; and consequent to the MA order, ITAT passed (September 2017) an order and relief was provided by the ITAT.

However, the demand related to penalty amount of ₹ 12.95 crore was still being shown as outstanding on the e-filing portal although it related to the additions which were subsequently deleted by the ITD.

Reply of the Ministry is awaited (March 2024).

Thus non due-diligence of the AOs in not allowing credit for taxes already paid by the assessee and the mistakes committed while giving effect to the appeal orders resulted in raising excess demands against the assessee. This, besides, reporting inflated demand, also, causes harassment and hardships to the assessee. Further, in view of the judgment<sup>73</sup> imposing cost of ₹ 50 lakh on the ITD for creating illegal income tax demand was passed by the Honourable Allahabad High Court (August 2022), the ITD may issue suitable instructions to ensure that the AO, while computing tax liability of the assessee, may exercise due diligence to avoid raising of incorrect demand.

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<sup>73</sup> S R Cold Storage vs Union of India and Three Others (Allahabad High Court), date of judgement 11<sup>th</sup> August 2022, Appeal number: Writ Tax number 723 of 2022

#### 6.2.4 Inordinate delay in giving effect to appellate orders

Section 153(5) of the Income Tax Act provides that appeal orders not involving making of fresh assessment or reassessment shall be given effect to by the AO within a period of three months from the end of the month in which the order was received.

Audit checked 727 appeal revision orders passed during the financial year 2017-18 to 2019-20 pertaining to assessment years 2000-01 to 2017-18. Audit noticed that in 79 cases relating to CIT(A)/ITAT, the AO passed appeal effect order after a delay ranging from 4 to 2,725 days.

Audit further noticed that in 173 cases, orders to give effect of appeal orders were not passed by the AO till the date of audit (July 2021). The delay (beyond the threshold of 3 months) ranged from 90 to 4,230 days. The Pr. CCIT-wise details of number of cases are given in Table 6.6 below:

| Sl. No. | Region                        | Delay in giving effect to the Order of CIT(A) |                                       | Delay in giving effect to the Order of ITAT |                                       | No. of Cases where Appeal Effect Order not passed | Total No. of Cases | Total Demand (₹ crore) | Range of Delay (in days) |
|---------|-------------------------------|-----------------------------------------------|---------------------------------------|---------------------------------------------|---------------------------------------|---------------------------------------------------|--------------------|------------------------|--------------------------|
|         |                               | No. of Cases                                  | Demand as per the Consequential Order | No. of Cases                                | Demand as per the Consequential Order |                                                   |                    |                        |                          |
| 1       | Mumbai                        | 13                                            | 3,766.15                              | 6                                           | 31.59                                 | 20                                                | 39                 | 3,797.74               | 26-4230                  |
| 2       | West Bengal & Sikkim          | 20                                            | 493.84                                | -                                           | -                                     | 108                                               | 128                | 493.84                 | 5-4139                   |
| 3       | International Taxation, Delhi | 5                                             | 298.50                                | 2                                           | 7.23                                  | -                                                 | 7                  | 305.74                 | 53-1298                  |
| 4       | Tamil Nadu                    | 7                                             | 151.94                                | 6                                           | 56.26                                 | 3                                                 | 16                 | 208.20                 | 15-596                   |
| 5       | Bengaluru                     | 12                                            | 104.12                                | -                                           | -                                     | 19                                                | 31                 | 104.12                 | 11-3347                  |
| 6       | Delhi                         | 6                                             | 96.78                                 | 2                                           | 0.21                                  | -                                                 | 8                  | 97.00                  | 4-2280                   |
| 7       | AP & Telangana                | -                                             | -                                     | -                                           | -                                     | 3                                                 | 3                  | -                      | 335-1186                 |
| 8       | Bhubaneswar                   | -                                             | -                                     | -                                           | -                                     | 4                                                 | 4                  | -                      | 335-1308                 |
| 9       | Bihar & Jharkhand             | -                                             | -                                     | -                                           | -                                     | 3                                                 | 3                  | -                      | 365-365                  |
| 10      | Gujarat                       | -                                             | -                                     | -                                           | -                                     | 5                                                 | 5                  | -                      | 425-1431                 |
| 11      | MP & Chhattisgarh             | -                                             | -                                     | -                                           | -                                     | 4                                                 | 4                  | -                      | 1066-1066                |
| 12      | Rajasthan                     | -                                             | -                                     | -                                           | -                                     | 4                                                 | 4                  | -                      | 517-3653                 |
|         | <b>Total</b>                  | <b>63</b>                                     | <b>4,911.34</b>                       | <b>16</b>                                   | <b>95.29</b>                          | <b>173</b>                                        | <b>252</b>         | <b>5,006.63</b>        |                          |

Source: As data collected by FAOs during field audit.  
No comments offered in respect of Kerala, North East Region, North West Region, UP East, UP West and Uttarakhand, Pune and Nagpur

As evident from the table above, out of the total 252 cases, in 173 cases, the ITD did not give effect to the order of appellate authority till the date of audit (July 2021). Out of these 173 cases, 108 cases pertained to West Bengal and

Sikkim region only. Further, in Mumbai and West Bengal & Sikkim region, there were inordinate delays up to 4,230 days and 4,139 days respectively.

Audit made age-wise analysis of the delay in giving effect to appeal orders, and the results have been reflected in Table 6.7 below:

| Table 6.7: Age-wise analysis of delay in giving effect order/giving effect order not passed |              |                     |
|---------------------------------------------------------------------------------------------|--------------|---------------------|
| Period of delay                                                                             | No. of cases | Cases in Percentage |
| less than 1 year                                                                            | 71           | 28.17               |
| from 1 to 3 years                                                                           | 93           | 36.90               |
| from 3 to 5 years                                                                           | 67           | 26.59               |
| more than 5 years                                                                           | 21           | 8.33                |
| <b>Total</b>                                                                                | <b>252</b>   | <b>100.00</b>       |
| Source: On the basis of physical records examined by FAOs                                   |              |                     |

It could be seen from the above table, in 181 cases, delay was more than one year; and in 21 cases, delay was even more than five years. Audit could not ascertain the veracity of outstanding demand being reported in different portals, in cases, where effect of appeal orders was not given during the period of Audit.

Audit also noticed that the original outstanding demand of ₹ 17,839.74 crore, as per the e-filing portal, in respect of 63 cases had been reduced to ₹ 4,911.34 crore by the CIT(A). Delay in giving effect to consequential orders resulted in exhibiting excess demand of ₹ 12,928.40 crore in the ITBA and the e-filing portals.

Reply of the Ministry is awaited (March 2024).

Three illustrative cases are discussed below:

#### Box 6.3

(i) **Assessee:** R3  
**Charge:** Pr. CIT-Gwalior

Based on the search operation conducted under Section 132 on 28 March 2008, returns of income were filed for AYs 2005-06 to 2008-09 in October 2009. The assessments for AYs 2005-06 to 2008-09 were completed under Section 144/153A of the Act, in December 2009, determining income of ₹ 17.67 crore, ₹ 31.50 crore, ₹ 23.99 crore and ₹ 39.56 crore respectively, after making addition on account of deposits in bank from unexplained sources. The tax demand for AYs 2005-06, 2006-07, 2007-08 and 2008-09 was raised at ₹ 10.08 crore, ₹ 17.06 crore, ₹ 12.02 crore and ₹ 18.24 crore,

respectively. The assessee had preferred an appeal before CIT(A), and CIT(A) deleted additions made by the AO. The order of CIT(A) was received by the AO in February 2018; however, the same was not given effect to as of December 2020. This resulted in depicting excess demand of ₹ 57.40 crore on the e filing portal.

Reply of the Ministry is awaited. (March 2024).

**(ii) Assessee: A7**  
**Charge: PCIT 1, Patna**

A Return of Income for AY 2017-18 was filed by the Assessee in March 2018, at an income of ₹ 2.30 crore. The assessment under Section 143(3) was completed in December 2019, determining an income of ₹ 28.89 crore, and a demand of ₹ 24.69 crore thereon, after making an addition of ₹ 26.59 crore. The assessee preferred an appeal before the CIT(A) and all the major additions were deleted in the order passed by CIT(A). However, no order was passed to give effect to the order of CIT (A). As a result, demand of ₹ 23.51 crore continued to be shown incorrectly as outstanding in 'Demand and Recovery Status Report' of ITBA, as on 27 January 2021.

The Ministry accepted the audit observation (May 2023).

**(iii) Assessee: M/s. M5 Ltd.**  
**Charge: Pr.CIT-7, New Delhi**

For AY 2009-10, the assessee claimed a TDS credit of ₹ 54.08 crore in the revised return filed in March 2011. While completing the assessment under Section 143(3) in December 2011, the AO did not allow the entire amount of TDS of ₹ 54.08 crore, which resulted in levy of interest under Section 234B of ₹ 11.18 crore. The interest levied under section 234B was deleted by the CIT(A) in September 2013. The order of appeal was received in the assessment charge in October 2013; however, the AO passed the order giving effect to the order of CIT(A) under Section 250 in May 2015 i.e., after a delay of 16 months. This resulted in avoidable payment of interest of ₹ 0.28 crore under Section 244A. The matter was reported to the ITD (July 2021).

Reply of the Ministry is awaited (March 2024).

Thus, delay in giving effect to the appeal orders by the AO resulted in avoidable payment of interest under Section 244A and also incorrect portrayal of figure of outstanding demand which would eventually result in wastage of resources in monitoring of such demand.

**Recommendation 7:**

**The CBDT may ensure that the time limit prescribed under Section 153 of the Income Tax Act in giving effect to Appellate Orders is strictly adhered to and adherence thereto is monitored. The CBDT may consider taking action in cases where inordinate delay(s) have been noticed without any justification.**

The Ministry stated (June 2023) that in order to ensure compliance with the time limit prescribed under Section 153(5) of the IT Act, a specific key result area related to giving effect to all appellate orders has been included in the interim Action Plan for the FY 2023-24. With this, performance of JAOs will be effectively monitored by supervisory authorities to ensure strict compliance to section 153(5) of the Act.

***The Audit will await the progress made in this regard.***

**6.2.5 Non-collection of requisite payment on filing appeal**

The CBDT's instructions<sup>74</sup> prescribed that the AO shall grant stay of demand till disposal of first appeal on payment of 15 *per cent* or 20 *per cent* of the disputed demand, as may be applicable.

Out of 10,896 cases test checked, Audit noticed that in 3,403 cases, assessee had preferred an appeal. In 4,140 cases, appeal was not preferred. In respect of the remaining 3,353 cases no details were available on record.

Out of 3,403 appeal preferred cases, Audit observed that assessee had paid the prescribed amount of 15 *per cent*/20 *per cent* of the demand only in 382 cases and in 1328 cases, the assessee had not paid the minimum amount aggregating to ₹ 5,920.86 crore (as detailed in below Table 6.8) and the ITD had not initiated any action for recovery. In respect of the remaining 1,693 cases details were not made available. Category-wise details are shown in Table.6.8 below:

| <b>Table 6.8: Non-collection of requisite payment as on 31 March 2020 – category wise</b> |                     |                      |                                           |
|-------------------------------------------------------------------------------------------|---------------------|----------------------|-------------------------------------------|
| <b>(₹ in crore)</b>                                                                       |                     |                      |                                           |
| <b>Status/Category</b>                                                                    | <b>No. of cases</b> | <b>Demand raised</b> | <b>Minimum requisite payment not made</b> |
| Company                                                                                   | 773                 | 13,399.35            | 2,009.90                                  |
| Individual                                                                                | 332                 | 22,708.97            | 3,406.35                                  |
| AOP/Trust/BOI                                                                             | 141                 | 2,431.13             | 364.67                                    |
| HUF                                                                                       | 8                   | 28.6                 | 4.29                                      |
| Firm                                                                                      | 44                  | 260.14               | 39.02                                     |
| Local Authority                                                                           | 12                  | 317.16               | 47.57                                     |

<sup>74</sup> CBDT Instructions no. F.No.404/72/93-ITCC dated 29 February 2016 and F.No.404/72/93-ITCC dated 31 July 2017

| Table 6.8: Non-collection of requisite payment as on 31 March 2020 – category wise<br>(₹ in crore) |              |                  |                                    |
|----------------------------------------------------------------------------------------------------|--------------|------------------|------------------------------------|
| Status/Category                                                                                    | No. of cases | Demand raised    | Minimum requisite payment not made |
| Artificial Judicial Person                                                                         | 17           | 321.09           | 48.16                              |
| Government                                                                                         | 1            | 6.02             | 0.9                                |
| <b>Total</b>                                                                                       | <b>1,328</b> | <b>39,472.46</b> | <b>5,920.86</b>                    |
| Source: On the basis of physical records examined by FAOs                                          |              |                  |                                    |

Three such cases are illustrated below:

#### Box 6.4

(i) **Assessee:** S7  
**Charge:** PCIT 3, Chennai

The assessee did not file his return of Income for AY 2011-12. The assessment was completed under Section 144/147 in December 2018, determining an income of ₹ 67.35 crore, and a net tax demand of ₹ 58.65 crore thereon. The assessee filed an appeal (25 June 2019) against the aforesaid assessment order. However, no details were found on record with regard to payment of 15 *per cent* of outstanding demand. It was also verified from the dossier reports (II and III Quarter of FY 2019-20) that no collection was made and a demand of ₹ 58.65 crore was still outstanding. Audit could not ascertain the action taken by the ITD to collect the prescribed percentage of disputed demand (June 2021).

Reply of the Ministry is awaited (March 2024).

(ii) **Assessee:** M/s. S8 Pvt. Ltd  
**Charge:** PCIT Central, Patna

The return of income for AY 2017-18 was filed (October 2017) admitting 'Nil' income. The assessment was completed under Section 143(3) in December 2019 at ₹ 5.21 crore and a tax demand of ₹ 5.36 crore thereon. As the assessee preferred an appeal against the assessment order, he was required to deposit 20 *per cent* of outstanding demand. However, the assessee deposited only ₹ 0.27 crore (i.e. five *per cent* of the demand) at the time of filing an appeal (January 2020) before CIT(A). The ITD granted a stay (February 2020) on demand even though, there was a short payment of the prescribed amount by ₹ 0.80 crore (20 *per cent* of ₹ 5.36 crore, i.e. ₹ 1.07 crore less ₹ 0.27 crore).

The Ministry accepted the audit observation (May 2023).



(iii) **Assessee:** V3  
**Charge:** PCIT (Intl Taxation), Rajasthan

The assessee filed (December 2017) her return of income for AY 2017-18, admitting an income of ₹ 0.04 crore. The assessment was completed under Section 143(3) in December 2019, after making an addition of ₹ 3.42 crore towards unexplained cash deposit under Section 69A, and a tax demand of ₹ 3.64 crore was raised. The AO allowed stay of demand on the condition that 20 *per cent* of arrear demand shall be paid by the assessee in ten equal installments. Besides this, as per the order, a suitable security (bank guarantee etc.) was also required to be offered by the assessee to safeguard the interest of the revenue. It was noticed that the assessee neither offered any security (bank guarantee) nor paid any instalment; however, the AO did not initiate any action to recover 20 *per cent* of outstanding demand.

On being pointed out, the ACIT (International Taxation, Jaipur) stated (March 2021) that since the assessee had failed to pay 20 *per cent* of the demand by way of instalments, the stay granted to assessee was *suo motu* vacated, and necessary recovery proceedings would be initiated. Details of the further action taken by the ITD and reply of the Ministry are awaited (March 2024).

Audit noted that the AOs are not following the CBDT's instructions on stay of demand which resulted in piling up of outstanding demand. Further, there is no mechanism in ITD to ensure the compliance to such instructions.

**Recommendation 8:**

**The CBDT's instruction for collection of the minimum prescribed limit for the disputed demand for granting a stay of demand may be enforced for scaling down outstanding demand. The CBDT may consider taking action for non-compliance without justification.**

The Ministry in its reply stated (May 2023) that instructions containing guidelines regarding the procedure to be followed for recovery of outstanding demand including the procedure for grant of stay on demand was already in force. The Ministry further stated that the AOs/TROs carry out the functions of collection of outstanding demand as per the provisions of Income Tax Act and their functions are duly supervised by higher authorities.

***The Ministry may reiterate the adherence to the instructions of the CBDT as collection of 15/20 per cent of demand would reduce the outstanding demand significantly.***



### 6.2.6 Delay/mistakes in issue of Demand Notice

Section 156 of the IT Act prescribes that when any tax, interest, penalty, fine or any other sum is payable in consequence of any order passed under the Act, the AO shall serve upon the assessee, a notice of demand in the prescribed form specifying the sum so payable. Where any sum is determined in preliminary assessment (processing) by the ITD, the intimation issued under Section 143(1) shall be deemed to be a notice of demand. The demand so raised is payable by the assessee within a period of 30 days from the date of receipt of the notice. The Supreme Court has held<sup>75</sup> that service of notice of demand on the assessee under Section 156 of the Act is mandatory before taking steps for recovery under second schedule; and non-service of notice of demand goes to the root of the validity of subsequent proceedings for recovery. In cases of failure to serve the notice of demand or where the demand notice is not received by the assessee, the Courts have held the recovery proceedings to be invalid.

#### 6.2.6.1 Delay in issue of Demand Notice

Audit noticed delays in issue of Demand Notices in the following test-checked cases:

| Table 6.9: Delay in issue of demand notice under Section 156 of IT Act |                   |                    |                  |         |                               |                                     |                                           |                         |
|------------------------------------------------------------------------|-------------------|--------------------|------------------|---------|-------------------------------|-------------------------------------|-------------------------------------------|-------------------------|
|                                                                        |                   |                    |                  |         |                               |                                     |                                           | (₹ in crore)            |
| Sl. No.                                                                | Pr. CCIT Region   | Assessment Unit    | Name of Assessee | AY      | Amount demanded as per Notice | Date of Assessment / Revision Order | Date of issue of notice under Section 156 | Delay in number of days |
| 1                                                                      | Kerala            | Central Circle 1   | M/s. M6 Ltd.     | 2011-12 | 12.81                         | 04/02/2020                          | 26/02/2020                                | 22                      |
| 2                                                                      | Kerala            | Central Circle 1   | M/s. M6 Ltd.     | 2012-13 | 47.87                         | 04/02/2020                          | 26/02/2020                                | 22                      |
| 3                                                                      | Kerala            | Central Circle 1   | M/s. M6 Ltd.     | 2014-15 | 70.56                         | 04/02/2020                          | 26/02/2020                                | 22                      |
| 4                                                                      | Kerala            | Central Circle 1   | V4               | 2013-14 | 15.14                         | 06/02/2019                          | 26/03/2019                                | 48                      |
| 5                                                                      | Kerala            | Central Circle 1   | S9               | 2012-13 | 0.34                          | 24/02/2016                          | 11/03/2016                                | 16                      |
| 6                                                                      | Kerala            | Central Circle 1   | S9               | 2011-12 | 0.21                          | 24/02/2016                          | 11/03/2016                                | 16                      |
| 7                                                                      | MP & Chhattisgarh | Circle 1(1) Raipur | R4               | 2011-12 | 0.001                         | 20/05/2019                          | 22/06/2019                                | 33                      |
| 8                                                                      | MP & Chhattisgarh | Circle 1(1) Raipur | R4               | 2011-12 | 0.0005                        | 20/05/2019                          | 22/06/2019                                | 33                      |
| 9                                                                      | MP & Chhattisgarh | Ward 3(1) Raipur   | A8               | 2011-12 | 0.05                          | 20/10/2018                          | 09/11/2018                                | 20                      |
| 10                                                                     | MP & Chhattisgarh | Ward 3(1) Raipur   | D6               | 2011-12 | 0.01                          | 23/10/2018                          | 09/11/2018                                | 17                      |
| Source: On the basis of physical records examined by FAOs              |                   |                    |                  |         |                               |                                     |                                           |                         |

<sup>75</sup> Sri Mohan Wahi Vs. Commissioner of Income Tax (2001) - 240 ITR 799(SC)

It can be seen from the above table that demand notices were issued delayed ranging from 16 days to 48 days after the assessment/revision order was passed. Delay in issue of notice under Section 156 to the assessee may lead to loss of revenue in terms of interest under Section 220(2) of the Act and also delayed recovery of tax demand.

Reply of the Ministry is awaited (March 2024).

#### 6.2.6.2 Non-issue of Demand Notices/Incorrect reporting of demands

In PCIT, Bengaluru charge, Audit observed that in four cases involving net demand of ₹ 937.21 crore, notices of demand under Section 156 were either not issued or were issued for a lesser amount, while in two other cases (One in PCIT, Bengaluru and another in PCIT, Chandigarh), the amounts mentioned in the demand notices were in excess of the actual demand by ₹ 0.96 crore. Details are given in Table 6.10 below.

| Table 6.10: Non-issue of demand notices / incorrect reporting of demands |                                       |                      |         |               |                                        |                             |              |
|--------------------------------------------------------------------------|---------------------------------------|----------------------|---------|---------------|----------------------------------------|-----------------------------|--------------|
|                                                                          |                                       |                      |         |               |                                        |                             | (₹ in crore) |
| Sl. No.                                                                  | AO charge                             | Name of the assessee | AY      | Date of order | Net Demand as per the assessment order | Demand as per Notice issued | Difference   |
| 1                                                                        | Circle 2(1)(1), Bengaluru             | M/s. S10 Ltd.        | 2017-18 | 30/12/2019    | 933.16                                 | Not issued                  | 933.16       |
| 2                                                                        | Circle 2(1)(1), Bengaluru             | M/s. E1 Pvt. Ltd.    | 2011-12 | 19/03/2020    | 2.12                                   | Not issued                  | 2.12         |
| 3                                                                        | Ward 4(1)(1), Bengaluru               | M/s. L3 Ltd          | 2007-08 | 13/09/2017    | 1.50                                   | 0                           | 1.50         |
| 4                                                                        | Ward 4(3)(1), Bengaluru               | C10 & B1             | 2012-13 | 27/12/2019    | 11.36                                  | 11.77                       | (-)0.41      |
| 5                                                                        | Circle 7(1)(1), Bengaluru             | M/s. U1 Pvt. Ltd.    | 2014-15 | 26/12/2017    | 32.92                                  | 32.49                       | 0.43         |
| 6                                                                        | ACIT/DCIT Central Circle-2 Chandigarh | M/s. J2 Ltd.         | 2014-15 | 30/12/2019    | 3.56                                   | 4.11                        | (-)0.55      |
| Source: On the basis of physical records examined by FAOs                |                                       |                      |         |               |                                        |                             |              |

Since an assessee is required to pay the amount of tax as shown in the notice issued under Section 156, any mistake in the notice may result in non-collection of tax, short collection of tax or harassment to the assessee.

Reply of the Ministry is awaited (March 2024).

#### 6.2.6.3 Issue of demand notice quoting incorrect PAN to the assessee

Further, Audit observed that in one case, the demand notice was issued to a person other than the assessee for whom demand was raised, as detailed below:

**Box 6.5****Assessee: M/s. S11 Ltd****Charge: PCIT Central-4, Mumbai**

The return of income for AY 2011-12 was filed (March 2013) declaring an income of ₹ 90.42 crore; and the assessment was completed in February 2014 accepting the returned income. Subsequently, a survey was conducted and assessment was completed under Section 143(3) /153C, in March 2015, determining an income of ₹ 86.72 crore, and a tax demand of ₹ 6.88 crore thereon.

Audit noticed that in the demand notice under Section 156 for ₹ 6.88 crore was issued to the assessee quoting PAN of some other assessee, M/s. S12 Pvt. Ltd, whose demand was nil for the AY 2011-12. Since PAN is only valid source for the Department by which demand could be pursued and monitored, quoting of incorrect PAN resulted in raising of incorrect demand which might eventually cause non realisation of demand.

The ITD rectified the error by order under Section 154 dated 11 July 2023 by issuing a fresh demand notice to the correct PAN.

**6.2.7. Incorrect Claims submitted to Official Liquidator/Custodian**

In the case of a company under liquidation, Section 178 of the Act provides that the Assessing Officer shall, after making such enquiries or calling for such information as he may deem fit, notify to the liquidator within three months from the date on which he receives notice of the appointment of the liquidator the amount which, in the opinion of the Assessing Officer, would be sufficient to provide for any tax which is then, or is likely thereafter to become, payable by the company.

According to this provision, whenever a company having pending arrear tax demand goes for liquidation, the ITD has to send the arrear demand claim in respect of company to the authority, which is handling the liquidation process.

Audit noticed that in respect of one assessee, H3 (Demand relating to two AYs amounting to ₹ 128.29 crore), whose assets were under the custody of a custodian appointed by a special court, an arrear demand was not submitted by the ITD to the Custodian; whereas for the three assessees namely M/s. C2 Ltd., M/s P3 Ltd. and M/s S13 Ltd. (as shown in Table 6.11 below) under liquidation, a total demand of ₹ 1,480.07 crore was outstanding. However, the amount notified to the official liquidator was only ₹ 911.94 crore. Audit could not ascertain reasons for non-reporting/short reporting of demand by ₹ 696.42 crore to the liquidating authority, as detailed in Table 6.11 below:

| Table 6.11: Claims short/not reported to Liquidating Authority/Custodian |                      |                                                                                              |                    |                 |                           |
|--------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------|--------------------|-----------------|---------------------------|
| (₹ in crore)                                                             |                      |                                                                                              |                    |                 |                           |
| Assessment Unit/PCIT/Region                                              | Name of the Assessee | Assessment Year                                                                              | Outstanding Demand | Amount reported | Amount short/non reported |
| Cir 1(1)<br>PCIT -1<br>Kolkata                                           | M/s C2 Ltd.          | 2008-09 (2), 2009-10 (2), 2010-11, 2011-12(2), 2012-13, 2013-14(2) and 2017-18<br>(11 cases) | 742.13             | 292.59          | 449.54                    |
| CC-2.2<br>PCIT- Central 1<br>Kolkata                                     | M/s P3 Ltd.          | 2006-07, 2007-08, 2009-10, 2012-13 and 2017-18<br>(05 cases)                                 | 143.82             | 28.81           | 115.01                    |
| CC-1(1)<br>PCIT 1<br>Chennai                                             | M/s S13 Ltd.         | 2013-14, 2015-16 to 2017-18<br>( 04 cases)                                                   | 594.12             | 590.54          | 3.58                      |
| Central Circle 4(1),<br>PCIT Central 2<br>Mumbai                         | H3                   | 1990-1991, 2018-19<br>(02 cases)                                                             | 128.29             | 0               | 128.29                    |

Source: On the basis of physical records examined by FAOs

One case is illustrated below:

#### Box 6.6

**Assessee:** M/s. P3 Ltd.

**Charge:** PCIT Central-1, Kolkata

For AY 2012-13, the assessee did not file the return of income. However, the assessment was completed under Section 144/147, in December 2019 determining an income of ₹ 33.49 crore and a tax demand of ₹ 30.42 crore thereon.

For AY 2017-18, the return of income was filed (August 2017) declaring an income of ₹ 65.01 crore. The assessment was completed under Section 144/143(3) in December 2019, determining an income of ₹ 344.27 crore and a tax demand of ₹ 307.07 crore thereon. The assessment was rectified under Section 154 in August 2021 and income was determined at ₹ 147.47 crore and a tax demand of ₹ 113.38 crore thereon.

Further, the National Company Law Tribunal (NCLT), Kolkata allowed (September 2019) the liquidation of the company. Audit examination revealed that the ITD while submitting the arrear demand claim against the company before the liquidator in November 2019, claimed ₹ 28.81 crore only instead of an outstanding tax demand of ₹ 113.38 crore in respect of AY 2017-18. Further, ITD did not claim any amount against the outstanding

demand aggregating to ₹ 30.44 crore pertaining to AYs 2006-07, 2007-08, 2009-10 and AY 2012-13.

Incorrect claim of arrear demand before official liquidator would affect the recovery of tax dues. The discrepancies in notifying the arrear demand to official liquidator was communicated to the ITD (July 2021).

Reply of the Ministry is awaited (March 2024).

### 6.2.8 Recovery in instalments

Section 220(3) of the Act empowers the Assessing Officers to recover the demand in installments, and the procedure for the same has been explained in Para 4 of Manual of Office Procedure (Consolidated) 2019. While allowing the taxpayers to pay the tax demand in instalments, the Assessing Officers have to ensure that the amount of installment granted is commensurate with the total arrear and that the instalment is not of a meagre amount. In cases, where there is a default in payment of instalments, pre-emptive action should be taken to recover the balance pending.

In Bengaluru region, Audit noticed that in four cases, assessee defaulted in payment amounting to ₹ 33.50 crore of instalment as shown in Table 6.12 below:

|                                                           |                      |         |                               |               |                    | (₹ in crore)                     |
|-----------------------------------------------------------|----------------------|---------|-------------------------------|---------------|--------------------|----------------------------------|
| AO charge/PCIT charge                                     | Name of the assessee | AY      | Assessment made under Section | Date of order | Demand outstanding | Default in payment of instalment |
| Circle 3(1)(1), Bengaluru, PCIT III Bengaluru             | M/s I5 Pvt. Ltd.     | 2016-17 | 143(3) r.w.s. 144C            | 29/01/2010    | 38.34              | 6.07                             |
| Circle 7(1)(1), PCIT II Bengaluru                         | M/s U2 Ltd           | 2010-11 | 271(1)(C)                     | 29/03/2019    | 62.77              | 24.00                            |
| Circle 6(1)(1), PCIT I Bengaluru                          | M/s S14 Ltd.         | 2017-18 | 154                           | 20/03/2020    | 10.16              | 2.03                             |
| Circle 3(1)(1), PCIT III Bengaluru                        | A9                   | 2017-18 | 143(3)                        | 15/12/2019    | 2.06               | 1.40                             |
| <b>Total</b>                                              |                      |         |                               |               |                    | <b>33.50</b>                     |
| Source: On the basis of physical records examined by FAOs |                      |         |                               |               |                    |                                  |

Audit could not find any evidence of action taken by the ITD for recovery of defaulted instalments.

Reply of the Ministry is awaited (March 2024).

### 6.3 Functioning of Tax Recovery Officer

Tax recovery Officer (TRO)<sup>76</sup> assumes the most important function involved in monitoring and recovery of arrear demand. Presently, one TRO is deployed per commissionarate with assessment charge which is the same as in pre-reorganization period of the ITD. In case of a defaulter, TRO gets jurisdiction the moment a demand is certified by him by drawing a statement under Section 222(1) of the Act with or without a proposal from an AO. The TRO has to draw up a Tax Recovery Certificate (TRC), whenever an assessee is in default or is deemed to be in default in making a payment of tax. The JAO is required to draw a statement containing details of arrears and forward it to TRO to enable him to draw a TRC.

Separation of assessment and collection function is one of the focus points of Vision 2020, and the Central Action Plans are drawn to fulfill such vision.

The powers and functions of TROs have been described in detail in the **Appendix 1** of the Report.

In order to assess the effective functioning of the TROs in collection of outstanding demands, Audit selected 74 TROs (**Appendix 5**) relating to the jurisdictional assessment units selected for audit examination. Audit findings are discussed in the following paragraphs:

#### 6.3.1 Clearance of TRC<sup>77</sup>

As per the Central Action Plan 2016-17, progressive disposal of the Tax Recovery Certificates (TRC) by the TROs has to be monitored and achievements projected quarterly for status review by the CBDT. TRCs pending for more than two years should be disposed of on priority basis. The CBDT in its Central Action Plan for 2017-18, 2018-19, and 2019-20 fixed target for disposal of 20 *per cent* of brought forward TRCs or 150 TRCs by each TRO. Details of TRCs related information were requisitioned from 74 TROs. However, only 30 TROs responded and the details of disposal of TRCs during the years 2017-18 to 2019-20, provided by these 30 TROs, have been shown in Table 6.13 below:

<sup>76</sup> As per Section 2(44) of the Income Tax Act, 1961, "Tax Recovery Officer" (TRO) means any Income-tax Officer who may be authorized by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner by general or special order in writing, to exercise the powers of a TRO and also to exercise or perform such power and functions which are conferred on or assigned to an Assessing Officer (hereinafter referred as AO) under the Act and which may be prescribed.

<sup>77</sup> A statement drawn by the TRO, under his signature in the prescribed Form no.57 whenever an assessee is in default or is deemed to be in default in making a payment of tax.

Table 6.13: Details of TRCs for the three years period 2017-18, 2018-19 and 2019-20

| Year    | Opening Balance |                                 | Issued by TRO  |                                 | Received from Other TROs |                                 | Cleared        |                                 | Transferred to Other TROs |                                 | Written Off    |                                 | Closing Balance             |                                 |
|---------|-----------------|---------------------------------|----------------|---------------------------------|--------------------------|---------------------------------|----------------|---------------------------------|---------------------------|---------------------------------|----------------|---------------------------------|-----------------------------|---------------------------------|
|         | 1               |                                 | 2              |                                 | 3                        |                                 | 4              |                                 | 5                         |                                 | 6              |                                 | (7)=(1)+(2)+(3)-(4)-(5)-(6) |                                 |
|         | Number of TRCs  | Outstanding Amount (₹ in crore) | Number of TRCs | Outstanding Amount (₹ in crore) | Number of TRCs           | Outstanding Amount (₹ in crore) | Number of TRCs | Outstanding Amount (₹ in crore) | Number of TRCs            | Outstanding Amount (₹ in crore) | Number of TRCs | Outstanding Amount (₹ in crore) | Number of TRCs              | Outstanding Amount (₹ in crore) |
| 2017-18 | 9,671           | 4,52,561                        | 1,157          | 1,17,354                        | 71                       | 4,808                           | 2,194          | 56,616                          | 199                       | 1,23,639                        | 1,214          | 10,879                          | 7,292                       | 3,83,588                        |
| 2018-19 | 10,240          | 4,06,698                        | 884            | 74,361                          | 115                      | 5,646                           | 1,457          | 81,071                          | 87                        | 17,767                          | 402            | 15,473                          | 9,293                       | 3,72,392                        |
| 2019-20 | 10,052          | 6,75,826                        | 905            | 2,08,135                        | 996                      | 42,676                          | 1,819          | 53,144                          | 78                        | 13,149                          | 319            | 10,914                          | 9,737                       | 8,49,431                        |

Source: Data furnished by TROs

As evident from the table above, 9,737 TRCs involving arear demand of ₹ 8,49,431 crore pertaining to 30 TROs were pending for disposal for the year ending 2019-20. Total TRCs drawn, disposed of and the pendency of these TROs, are detailed in **Appendix 9** of the Report.

Audit observed that out of 30 TROs, only eight TROs in the year 2017-18, seven TROs in the year 2018-19 and four TROs in 2019-20 achieved their targets in respect of disposal of TRCs (**Appendix 9**). Reasons for shortfall in targets could not be ascertained from the records.

Reply of the Ministry is awaited (March 2024).

Further, it was also observed that in 41 cases, the TRO cleared less than prescribed percentage i.e. 20 per cent of brought forward TRCs whereas in 21 cases, the TRO did not clear even a single TRC during the year. Reply of the Ministry is awaited (March 2024).

TROs could not achieve the target for disposal of TRCs even though in certain instances, the number of cases transferred from JAOs to TROs was less than the yearly reduction target of 150 TRCs. Since, the basis of fixing target was not available in the records Audit could not ascertain as to how a uniform target was fixed for all regions with varying number of TRCs.

#### **Recommendation 9 :**

**The CBDT may issue suitable Instructions and follow-up procedures to ensure faster clearance of TRCs and strengthen the recovery process. The CBDT may consider taking action in cases where inordinate delay(s) have been noticed without justification.**

The Ministry, in its reply, referring to the Tax Recovery Officer's Manual 2007, stated (May 2023) that all the instructions, guidelines, and format regarding drawing/following up a Tax Recovery Certificate (TRC) are provided in the Tax Recovery Officer's Manual 2007.

**The Ministry's reply is focused on the procedures/ systems put in place. However, Audit noted that the reporting, monitoring, and follow-up actions in clearing TRCs**

*were not adequate. The Ministry may review the effectiveness of the existing systems and reiterate its instructions to strengthen the monitoring mechanism at the level of TROs.*

### 6.3.2 Survey by TRO

The CBDT's annual Central Action Plans for the years 2017-18, 2018-19 and 2019-20 envisage that each TRO shall conduct at least 10 surveys in a year for recovery of demand, in suitable cases. Such surveys for recovery of demands should preferably be conducted in each quarter and not left to the fag-end of the financial year.

Audit called for the details of number of surveys conducted by each TRO, and amount realised as a result of the surveys during the period from 2017-18, 2018-19 and 2019-20.

Out of 74 TROs selected, records related to 52 TROs were not produced to Audit. Audit observed that 22 TROs as against the target of 660 surveys conducted total 202 surveys during for the period from 2017-18 to 2019-20 and recovered a total tax amount of ₹ 62.41 crore. Further, of 22 TROs, four TROs achieved their target in one of the aforesaid financial years whereas one TRO achieved the target in two financial years. Audit also observed that remaining 17 TROs could not achieve their target in any of the financial years, as detailed in **Appendix 10**.

Audit could not analyse adequacy of the target vis-a-vis achievement due to partial response from the ITD or due to non-availability of requisite information.

### 6.3.3 Mistakes noticed in issue of Demand Notice by TRO

As per second schedule of the Act, when a TRC is drawn, TRO shall cause to be served upon the defaulter a notice<sup>78</sup> in ITCP<sup>79</sup>-1 requiring him to pay the amount specified in the TRC within fifteen days of service of such notice intimating that steps would be taken as per the Second Schedule of the IT Act to recover the amount. Further, duplicate of Notice of Demand (ITCP-1) for each certificate is to be dispatched to the concerned Assessing Officers for information<sup>80</sup>.

On verification of 44 TRCs pertaining to two regions produced to Audit, it was noticed that in respect of 24 TRCs, TROs did not issue demand notice to the

<sup>78</sup> Para C.1 of Chapter IV of TRO Manual 2014

<sup>79</sup> Form ITCP-1 is the statement through which actual demand is communicated to the assessee in default, after a TRC has been drawn.

<sup>80</sup> Para 2(iii) of Chapter II of TRO Manual 2014



assessee and intimation to the Assessing Officer. Region-wise details are given in Table 6.14 below:

| <b>Table 6.14: Non-issuance of demand notice by TRO to Assessee and Assessing Officer</b> |                                 |                   |                        |                                        |
|-------------------------------------------------------------------------------------------|---------------------------------|-------------------|------------------------|----------------------------------------|
| <b>Sl. No.</b>                                                                            | <b>Region</b>                   | <b>TRO Charge</b> | <b>Number of Cases</b> | <b>Outstanding Demand (₹ in crore)</b> |
| 1                                                                                         | Madhya Pradesh and Chhattisgarh | TRO Gwalior       | 18                     | 383.66                                 |
|                                                                                           |                                 | TRO Raipur        | 5                      | 35.16                                  |
| 2                                                                                         | Bengaluru                       | TRO-2             | 1                      | 106.72                                 |

Source: On the basis of physical records examined by FAOs

Two cases, one each of non-issue and excess issue of demand in Form ITCP 1 have been illustrated below:

#### **Box 6.7**

**(i) Assessee: M/s B2 Pvt. Ltd.**  
**Charge: PCIT-1, Gwalior**

The assessee filed a return of income for AY 2013-14 in September 2013 declaring an income of ₹ 1.49 crore. The assessment was completed under Section 143(3) in March 2016, determining an income of ₹ 404.53 crore and a tax demand of ₹ 177.83 crore thereon. Audit noticed that the assessee had made a payment of ₹ 0.08 crore; as such, the net demand of ₹ 177.75 crore was still outstanding (March 2023).

The Assessing Officer intimated the TRO (October 2017) that a demand of ₹ 177.75 crore was to be recovered. The TRO after drawing the Tax Recovery certificate, did not issue notice of demand in Form ITCP-1. Non-issue of the said form indicates non-compliance to the procedure laid for TROs in the Manual. Reason for non-issuance of demands in form ITCP-1 was also not found recorded in the records made available to Audit.

Reply of the Ministry is awaited (March 2024).

**(ii) Assessee: V2**  
**Charge: PCIT-2, Bengaluru**

The Assessing Officer prepared the TRC in Form 57 indicating the outstanding demand of ₹ 21.78 crore, pertaining to AYs 2009-10 to 2017-18, for the assessee and forwarded the same to the TRO in November 2020. However, the TRO issued notice of ITCP 1 for a demand of ₹ 63.68 crore (November 2020) instead of ₹ 21.78 crore, which resulted in issuance of excess demand by ₹ 41.90 crore by the TRO. As per e-filing portal and ITBA, an amount of ₹ 28.78 crore was pending, as on 30 November 2020. Reply of the Ministry is awaited (March 2024).

### 6.3.4 Non levy/short levy of interest

Rule 5 of the Second Schedule to the Act provides that interest, upon the amount of tax or penalty or other sum to which the certificate relates as is payable, shall be recoverable in accordance with sub-section (2) of Section 220 of the Act.

Out of 31 TRCs produced and verified by Audit in two regions, it was observed that in 22 cases, the ITD either did not levy interest or short levied under Rule 5 under Second Schedule of the Act.

The region-wise number of cases, where interest under Section 220(2) was not levied/short levied and the outstanding demand, have been shown in Table 6.15 below:

| Table 6.15: Interest under Section 220(2) not/short levied |                         |              |                                 |                                               |
|------------------------------------------------------------|-------------------------|--------------|---------------------------------|-----------------------------------------------|
| Sl. No.                                                    | Region                  | No. of Cases | Outstanding Demand (₹ in crore) | Interest Amount non/short levied (₹ in crore) |
| 1                                                          | Tamil Nadu              | 10           | 333.46                          | 109.39                                        |
| 2                                                          | UP West and Uttarakhand | 12           | 55.31                           | 25.40                                         |
|                                                            | <b>Total</b>            | <b>22</b>    | <b>388.77</b>                   | <b>134.79</b>                                 |
| Source: On the basis of physical records examined by FAOs  |                         |              |                                 |                                               |

Thus, failure to levy/short levy of interest by the TRO resulted in loss of revenue to the exchequer.

Reply of the Ministry is awaited (March 2024).

### 6.3.5 Non-Attachment of property

TROs are equipped with special powers for recovery of demands under Sections 222, 226 and 227 of the Act. They are empowered to recover the outstanding demand by way of attachment of properties, attachment of bank accounts and arrest of the defaulter.

Audit noticed that no property was attached in 34 cases of default in Mumbai region. Audit further noticed that in Tamil Nadu region, PCIT-3, Chennai attached properties in one case, but no further action was taken to recover the amount. In Bengaluru region, PCIT-2, Bengaluru, in one case, the ITD failed to convert the provisional attachment into regular attachment. The total outstanding demand in respect of 45 cases was ₹ 1,38,724.61 crore, as shown in Table 6.16 below:

| Table 6.16 : Non Attachment of Property                   |              |                             |                     |                 |                                        |
|-----------------------------------------------------------|--------------|-----------------------------|---------------------|-----------------|----------------------------------------|
| Sl. No.                                                   | Region       | PCIT                        | TRO                 | Number of Cases | Outstanding Demand Amount (₹ in crore) |
| 1                                                         | Mumbai       | Pr. CIT (Central)-1, Mumbai | TRO-Central, Mumbai | 34              | 1,37,563.48                            |
| 2                                                         | Bengaluru    | PCIT-1                      | TRO-1, Bengaluru    | 1               | 1.95                                   |
| 3                                                         | Bengaluru    | PCIT-2                      | TRO-2, Bengaluru    | 1               | 11.92                                  |
| 4                                                         | Tamil Nadu   | PCIT-3                      | TRO-3, Chennai      | 8               | 1,129.91                               |
| 5                                                         | Tamil Nadu   | PCIT-4                      | TRO-4, Chennai      | 1               | 17.34                                  |
|                                                           | <b>Total</b> |                             |                     | <b>45</b>       | <b>1,38,724.61</b>                     |
| Source: On the basis of physical records examined by FAOs |              |                             |                     |                 |                                        |

In respect of Mumbai region, Audit noticed that total demand aggregating to ₹ 1,37,563.48 crore in respect of the 34 cases was related to H2, however, in these cases, attachment of property was not done. Complete details are elaborated in Para 5.3.4 of Chapter-5 of this Report.

Two cases are illustrated below:

#### Box 6.8

(i) **Assessee:** M/s. N6 Ltd.  
**Charge:** PCIT-4, Chennai

The Assessing Officer prepared a TRC in Form 57 and the case was transferred to TRO-4 in February 2017 with an outstanding demand of ₹ 38.42 crore pertaining to AYs 2011-12 to 2013-14. On verification of attachment to Form 57, Audit noticed that at the time of preparing TRC, the assessee owned properties aggregating to ₹ 3,065.72 crore. However, the TRO did not initiate any action to attach the properties since February 2017 and the assessee went into liquidation in December 2018. No further information was available on record. This was communicated to the ITD in June 2021. Reply of the Ministry is awaited (March 2024).

(ii) **Assessee:** V2  
**Charge:** PCIT-2, Bengaluru

The Assessing Officer prepared the TRC in Form 57 at an outstanding demand of ₹ 21.78 crore pertaining to AYs 2009-10 to 2017-18, and intimated the same to TRO (November 2020). From the dossier report of the fourth quarter of FY 2019-20, Audit observed that the Assessing Officer had provisionally attached immovable property of the assessee under Section 281B (during the third quarter of 2019-20) at Malleswaram, Bengaluru. The information regarding provisional attachment was required to be informed (in the dossier) to the TRO; however, it was not done. Meanwhile, the period of

provisional attachment lapsed automatically after six months. The TRO did not initiate any action to attach the property in possession of the assessee. If timely action is not taken, risk of assessee disposing of the property cannot be ruled out.

Further, from the Dossier Report for the quarter ending September 2022, it was noticed that the TRO commented that recovery action could not be initiated as no movable and immovable properties could be identified in this case. Reminders are being issued to the defaulter to pay the outstanding demand through mail. Reply of the Ministry is awaited (March 2024).

Thus, there were instances when the TROs had not exercised the special powers vested in them by the Act although the same was required in the interest of revenue. The issue of non-attachment of property for recovery of outstanding demand by TROs was also reported in the CAG's Performance Audit Report No. 23 of 2011.

#### 6.3.6 Non/irregular maintenance of Registers

Para 3 of Chapter 2 of Tax Recovery Officer's Manual 2014 prescribes 13 Registers<sup>81</sup> to be maintained by the TRO's office with a view to facilitate control over the tax arrears, their clearance and the effective monitoring of disposal of arrear cases by various supervisory Authorities.

Audit sought information on maintenance of the prescribed Registers from 74 TROs. Of these, only 31 TROs responded giving register-wise details (**Appendix 11**). Out of these 31 TROs, 12 TROs maintained and updated the prescribed registers whereas seven TROs maintained the registers but updation details were not made available to Audit. In remaining 12 TROs, registers were maintained partially.

Further, while comparing Quarterly Progress Report for the quarter ending 31 March 2020 with Register of immovable properties attached by the TRO, in PCIT, Central, Ahmedabad charge, Audit noticed mismatch with regard to number of assessees in default and immovable properties attached against these assessees. Audit also noticed that there was no entry in the Register for the value of attached property.

Non-maintenance/partially maintenance of aforesaid statutory registers by TROs would result in inadequate monitoring of the case which would eventually affect the recovery of demands. Further, in absence of response

<sup>81</sup> Inward Register for Certificates, Cash Book, Register of movable and immovable property attached and sold, Execution Register, Register of Daily Reduction/collection of certified demand, Stay Register, Instalments Register, Disposal Register for certificates finally disposed of, Closed Certificates Register, Custody Register, Daily Diary, Register of Recovery in case of Companies in liquidation BIFR & Sick companies, TRO's Control Register

from the ITD, Audit could not ascertain details of alternate mechanism available in ITD to monitor timely recovery of Government dues.

Reply of the Ministry is awaited (March 2024).

**Recommendation 10:**

**Since the prescribed registers are critical for recovery and monitoring of outstanding demands, the CBDT may ensure that all the prescribed registers are maintained and updated periodically by TROs and consider taking action in the non-compliant cases.**

The Ministry, in its reply stated (May 2023) that procedure and instructions for maintenance of various registers, including register of movable and immovable property attached and sold, Execution register, register of daily Reduction/collection of certified demand, Stay register, Instalment Register, disposal Register for certificates finally disposed of, Closed Certificates register, custody Register, daily Diary & Register of Recovery in case of Companies in liquidation, BIFR & Sick companies etc. are provided in the Tax Recovery Officer's Manual 2007. Institutional mechanism to supervise and inspect the work of TRO is in place.

***Though institutional mechanism to supervise and inspect the work of TROs are in place, Audit examination has brought out large number of cases of non-maintenance/non updation of prescribed registers. To ensure the recovery of outstanding demands in a timely manner, the Ministry may reiterate its instructions and monitor compliance with them.***

### 6.3.7 Lack of inter-departmental coordination

Section 26B (4) of SARFAESI<sup>82</sup> Act enjoins every authority or officer of the Central Government or any State Government or local authority entrusted with the function of recovery of tax or other Government dues and for issuing any order for attachment of any property of any person liable to pay the tax or Government dues, to file with the Central Registry (CERSAI<sup>83</sup>) any order or attachment of any property issued by them'.

Further, the Board instructed (September 2017)<sup>84</sup> all its field formation to notify CERSAI of any attachment order as soon as it is issued under the Income Tax Act, so that not only the value of the attached property remains intact but also the right of the ITD over the attached property remains at the top.

<sup>82</sup> Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002

<sup>83</sup> Central Registry of Securitization Asset Reconstruction and Security Interest

<sup>84</sup> Instructions from the Board's Directorate of Income Tax (Recovery & TDS) vide letter dated 06 September 2017

Furthermore, the AO is required to record information regarding notification of all property attached to CERSAI in Dossier Report<sup>85</sup>.

In Pr. CCIT, Tamil Nadu Region, for the 592 sampled cases, the AOs did not furnish information as to how many cases were transferred to the TROs. The TROs also did not provide information/data on cases of attachment that were registered with CERSAI. Hence, Audit could not ascertain whether the cases of attachment of property were being registered with CERSAI or not.

In Pr. CCIT, Madhya Pradesh and Chhattisgarh Region, examination of the Register of "Movable and Immovable property attached and sold" revealed that in five cases, movable and immovable properties were attached by the TRO office. However, the status about registration with CERSAI or other registering authorities was not found on record.

In Pr. CCIT, Mumbai Region, Audit noted that in case of M/s. G2 Ltd and M6, the TRO, Thane attached properties in March 2019 but no evidence was found on record whether this was notified to CERSAI.

Audit sought information from CERSAI, New Delhi (Head Office) also regarding registration of properties attached by ITD. CERSAI stated (February 2022) that no attachment order was filed by Income Tax Authorities with CERSAI till February 2022.

Registration of attachment of properties with CERSAI is an essential part of the recovery mechanism to keep ITDs claim over other creditors intact. Failure to register of attachment with CERSAI, despite instructions by DIT (Recovery and TDS), shows non-compliance by the field formations in ITD. Such non-compliance may result in issuing orders of attachment for properties already mortgaged by other financial institutions which eventually result in non-fulfilment of objective of attachment.

Reply of the Ministry is awaited (March 2024).

#### **6.4 Lack of co-ordination between the AO and the TRO**

Tax recovery mechanism involves intimation of arrear demands by the AO to the TRO, drawal of TRC and finally disposal of TRCs. It is absolutely crucial to have utmost coordination between the AO and the TRO to ensure speedy recovery of outstanding tax demand. After referring the arrears of tax demand cases to the TRO, it becomes imperative for the AO to keep the TRO informed of any subsequent revisions, reductions etc. made to the original demand. Similarly, the TRO also needs to intimate the AO, disposals made from time to time.

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<sup>85</sup> Column No.12 C(i) of the Dossier Report

Demand outstanding for more than one year is referred to the TRO, if the Assessing Officer feels that coercive action is required to effect its recovery. The TRO communicates the outstanding demand to the taxpayer to pay the dues within the stipulated period of 15 days, failing which the taxpayer would be treated as defaulter. TRO is empowered by the Act to take coercive measures like attachment, and subsequent disposal of the taxpayer's movable or immovable property or arrest, and detain the taxpayer in prison.

#### 6.4.1 Cases not transferred to the TRO by JAO

On a substantive check of 10,896 cases, Audit observed that 1,218 cases with outstanding demand of ₹ 18,722.94 crore were more than one year old and no appeals were pending on these cases. These cases were not transferred to the TROs. However, details of actual number of cases not transferred to the TROs were not provided to Audit by the ITD in all Regions. Age-wise analysis of 1,218 cases not transferred to the TRO in each Pr. CCIT region is given, in Table 6.17 below:

| Sl. No. | Regions                       | 3 years and less |                  | between 3 years and 5 years |                 | between 5 years and 10 years |                 | More than 10 years |               | Total        |                  |
|---------|-------------------------------|------------------|------------------|-----------------------------|-----------------|------------------------------|-----------------|--------------------|---------------|--------------|------------------|
|         |                               | No of Cases      | Amount           | No of Cases                 | Amount          | No of Cases                  | Amount          | No of Cases        | Amount        | No of Cases  | Amount           |
| 1       | Bengaluru                     | 6                | 53.54            | 4                           | 22.66           | 2                            | 1.82            | 1                  | 0.07          | 13           | 78.09            |
| 2       | Bhubaneswar                   | 32               | 231.96           | 52                          | 469.33          | 38                           | 370.36          | 14                 | 0.15          | 136          | 1,071.81         |
| 3       | Bihar & Jharkhand             | 10               | 15.85            | 2                           | 0.18            | 9                            | 68.73           | 7                  | 0.18          | 28           | 84.94            |
| 4       | Gujarat                       | 142              | 7,830.17         | 100                         | 1,423.44        | 49                           | 393.94          | 11                 | 116.79        | 302          | 9,764.34         |
| 5       | International Taxation, Delhi | 19               | 69.18            | 7                           | 9.73            | 15                           | 25.73           | 0                  | 0.00          | 41           | 104.64           |
| 6       | Madhya Pradesh & Chhattisgarh | 48               | 165.70           | 16                          | 31.48           | 28                           | 15.15           | 4                  | 1.67          | 96           | 214.01           |
| 7       | Mumbai                        | 76               | 2,122.47         | 41                          | 183.39          | 52                           | 328.50          | 11                 | 1.95          | 180          | 2,636.32         |
| 8       | North East Region             | 7                | 7.08             | 2                           | 0.20            | 24                           | 11.77           | 8                  | 1.55          | 41           | 20.61            |
| 9       | North West Region             | 35               | 247.39           | 43                          | 442.27          | 33                           | 150.45          | 2                  | 1.33          | 113          | 841.44           |
| 10      | Rajasthan                     | 28               | 104.96           | 15                          | 15.26           | 33                           | 83.04           | 2                  | 0.03          | 78           | 203.29           |
| 11      | Tamil Nadu                    | 7                | 693.59           | 8                           | 784.72          | 13                           | 488.48          | 0                  | 0.00          | 28           | 1,966.78         |
| 12      | UP West & Uttarakhand         | 5                | 3.45             | 1                           | 0.00            | 2                            | 0.01            | 0                  | 0.00          | 8            | 3.45             |
| 13      | West Bengal & Sikkim          | 56               | 532.25           | 22                          | 160.86          | 71                           | 1,038.29        | 5                  | 1.81          | 154          | 1,733.21         |
|         | <b>Total</b>                  | <b>471</b>       | <b>12,077.59</b> | <b>313</b>                  | <b>3,543.53</b> | <b>369</b>                   | <b>2,976.27</b> | <b>65</b>          | <b>125.55</b> | <b>1,218</b> | <b>18,722.94</b> |

Source: Physical records produced by ITD

\*No cases are observed in respect of Delhi, Kerala, UP East and AP & Telangana region.

From the above table, it could be seen that 65 cases with total outstanding demand of ₹ 125.55 crore which were more than 10 years old but were not transferred to the TROs for initiating action for recovery of demands. Further, among the 13 Pr. CCIT regions, Pr. CCIT Gujarat region accounted for maximum

number of cases (302), followed by Pr. CCIT Mumbai (180) not transferred to the TRO for recovery. Furthermore, Audit could not ascertain from the records that the Jurisdictional AOs had exercised all options for recovery in these cases and the reasons for not transferring these cases to the TRO, indicating lack of coordination between the TRO and the JAO with remote possibility of recovery of the demand.

#### 6.4.2 Over/under reporting of arrear demand by the AO to the TRO-

Audit noticed that the AOs omitted to communicate the appeal effect/rectification orders to the concerned TROs in 238 cases out of 10,896 cases test-checked. Details of consequent over-reporting of arrear demand of ₹ 2,555.39 crore and under-reporting of ₹ 1,321.59 crore, are given in Table 6.18 below:

| Table 6.18: Over/Under reporting of Demand by the AO to the TRO |                         |              |                            |                 |                             |
|-----------------------------------------------------------------|-------------------------|--------------|----------------------------|-----------------|-----------------------------|
| (₹ in crore)                                                    |                         |              |                            |                 |                             |
| Sl. No.                                                         | Pr. CCIT Region         | No. of Cases | Amount Over reported by AO | Number of Cases | Amount Under reported by AO |
| 1                                                               | Gujarat                 | -            | -                          | 15              | 729.64                      |
| 2                                                               | Karnataka               | -            | -                          | 3               | 112.93                      |
| 3                                                               | Kerala                  | 20           | 228.68                     | 8               | 30.04                       |
| 4                                                               | Mumbai                  | 1            | 2.00                       | 12              | 12.35                       |
| 5                                                               | MP & Chhattisgarh       | 0            | 0                          | 4               | 17.44                       |
| 6                                                               | North West Region       | -            | -                          | 1               | 3.64                        |
| 7                                                               | Tamil Nadu & Puducherry | 2            | 19.95                      | -               | -                           |
| 8                                                               | West Bengal & Sikkim    | 150          | 2,304.76                   | 21              | 415.55                      |
|                                                                 | <b>Total</b>            | <b>173</b>   | <b>2,555.39</b>            | <b>64</b>       | <b>1,321.59</b>             |

Source: On the basis of physical records examined by FAOs

Two cases are illustrated below:

#### Box 6.9

(i) **Assessee:** V5  
**Charge :** PCIT- 1, Chennai

From the records maintained by TRO-1, Chennai, Audit observed that the AO [ITO, Corporate Ward 2(4), Chennai] transferred (June 2019) the case to TRO-1, Chennai, intimating the demand of ₹ 16.19 crore pertaining to AY 2005-06. However, based on the CIT(Appeals) order (September 2020) allowed in favour of assessee, the demand got reduced to ₹ 0.03 lakh and appeal effect order was issued (November 2020) by the AO, but the same was not informed to the TRO. This resulted in reporting inflated demand to the extent of ₹ 16.16 crore in the TRO records.

Reply of the Ministry is awaited (March 2024).



**(ii) Assessee: M/s. S15 Ltd.**  
**Charge: PCIT, Central 4, Mumbai**

Audit observed that in the dossier report prepared by AO for the quarter ending December 2020, a demand of ₹ 11.24 crore pertaining to AY 2010-11 was shown as outstanding for the assessee. Audit noticed that in the ADCR of the TRO for the year 2020-21, an amount of ₹ 9.73 crore was shown as arrears of tax demand outstanding for the same assessee and same assessment year. Thus, due to absence of communication between the TRO and the AO, the amount of outstanding demand exhibited in the records by two authorities was different, which was required to be reconciled and pursued for recovery.

On being pointed out, the PCIT, Central-4, Mumbai stated (June 2022) that as per the last order passed (February 2019) under Section 250 read with Section 143(3) for AY 2010-11, demand determined was ₹ 11.95 crore, and after payment of certain amount, demand outstanding as on date was ₹ 11.24 crore. Mismatch of the TRO data with Assessing Officer's data is because of the clerical error. The ITD accepted the audit observation and rectified the error.

#### **6.5 Non transfer of TRO Records**

Audit noticed in Jaipur region that an assessee, R5 who had an outstanding demand of ₹ 16.46 crore for AY 2011-12 was migrated (December 2019) from DCIT, Circle-4, Jaipur to DCIT, International Circle, Jaipur. Though the assessee was migrated from one AO to another AO, the consequent transfer of recovery files from the erstwhile TRO of Circle-4 to the TRO of International taxation circle, Jaipur was not ensured. On being pointed out (February 2021), TRO-2, Jaipur stated (June 2021) that efforts were being made to send the TRC and concerned recovery folder to the TRO of the International Circle.

Reply of the Ministry is awaited (March 2024)

#### **6.6 Internal Audit of TROs**

With a view to strengthening Internal Audit of the post-assessment collection process and to effectively monitor the recovery of tax arrears, the Comptroller and Auditor General had, in the Performance Audit Report No. 23 of 2011-12 (Direct Taxes), had recommended that a minimum number of TROs should be covered for audit by the Internal Audit wing of the ITD, every year. These recommendations were reiterated in the CAG's Compliance Audit Report No.3 of 2016 (Direct Taxes). In compliance to the Audit recommendations, the CBDT

had instructed<sup>86</sup> (July 2017) the Pr. CCsIT to put in place a system of audit of one TRO by another TRO; and the audit objections raised shall be followed up by CIT (Audit), as in the case of other audit objections.

Audit sought information from the ITD in respect of the number of TRO units planned and covered in Internal Audit during the years 2017-18 to 2019-20, and the number of audit observations issued and settled.

It was stated by ITO (Hqrs), O/o the CIT(Audit) -I, Chennai (July 2021) that as per the CBDT's instructions, a 'chain audit' of one TRO unit by another TRO was taken up for the eight sampled TROs by the Internal Audit wing for the year 2018-19, and no observations were raised in any of the eight TROs. In Pr.CCIT, New Delhi, Audit noticed that in all 11 Pr.CsIT in Delhi, including Gwalior and Raipur, Audit of TRO for the years 2017-18 to 2019-20 was not conducted by the Internal Audit wing of the ITD. In Pr.CCIT, Gujarat Region, four TROs stated that no internal audit was conducted during the last four years. The details from one TRO<sup>87</sup> are awaited (March 2024). In Pr.CCIT, Rajasthan Region, two TROs<sup>88</sup> stated that internal audit was not conducted by the Internal Audit Wing during the period whereas information was not provided for the remaining two TROs<sup>89</sup>.

The internal audit of TROs were not being conducted as a regular exercise in all regions which shows that CBDT's instruction issued in July 2017 in this regard is not being adhered to by the ITD.

Reply of the Ministry is awaited (March 2024).

**Recommendation 11 :**

**The CBDT's instructions on conducting internal audits of TROs need to be reiterated, and action taken to ensure effective compliance with them in a timely manner.**

<sup>86</sup> CBDT Instructions No. 6 of 2017 dated 21 July 2017

<sup>87</sup> TRO – 3, Ahmedabad

<sup>88</sup> TRO-2 Jaipur and TRO Central Jaipur

<sup>89</sup> TRO-1 Jaipur and TRO Exemption Jaipur

## Chapter 7 - Analysis of Reporting system and accumulation of outstanding demand

Accurate reporting of the outstanding demand is essential to enable fixing of target for reduction of arrear demand in a realistic manner. One of the objectives of this audit was to ascertain whether arrear demand has been properly drawn and reported to stakeholders and to ascertain the reasons for huge amounts of outstanding demand and to analyse the reasons for the year on year increase in its quantum.

Audit observed deficiencies in reporting system, inadequacies in taking appropriate action resulting in accumulation of huge outstanding demand over the period. This Chapter contains audit findings regarding the reporting of outstanding demand in various reporting systems / tools like e-filing portal, ITBA, Central Action Plan, etc. and the measures taken by the department to reduce the outstanding demand.

The Central Board of Direct Taxes (CBDT) sets yearly targets for reducing arrear demand and increasing cash collection through Annual Central Action Plans. Since 2017-18, the CBDT has aimed to reduce arrear demand by 40% annually. However, audit revealed discrepancies in data between CAP statements and the e-filing portal, including duplications, mismatches in TDS reconciliation, and exclusion of certain outstanding demands. The CAP statements lack detailed granular data, hindering validation.

Generation of CAP data involves both automated processes and manual adjustments. Audit examination of CAP-I, CAP-II statements and data from the e-filing portal relating to outstanding demands pending recovery up to the date of audit revealed inconsistencies such as, duplication in reporting, mismatches in TDS reconciliation and non-inclusion of outstanding demand of summary assessments, etc. Data accessible to the AOs through ITBA portal is assessee-wise, whereas the CAP Statements exhibit only consolidated demand without indicating assessee-wise granular details. Without granular data for CAP-I statement, the sources for the CAP-I statement could not be validated in audit.

CAP-I statements lack case numbers, making it difficult to compute differences in outstanding demand. Inaccurate reporting of outstanding demands was noted due to duplicate entries across different ITD data sources. Failure to levy interest on outstanding demand contributed to underreporting. As the ITD is not maintaining granular data for various categories of demand in CAP-I statement, the details furnished by the various authorities in Annual Information System remained unmapped, resulting in non-identification of assessees under the category 'assessee not traceable'.

Despite CBDT's targets, arrear demands have increased annually, with new unpaid demands accumulating. Fixing of the same percentage of target year after year in a routine way, without any analysis of reasons for shortfall in achievement, has not been effective in ensuring a reduction in arrears of demands. Outstanding demand against "assessee not traceable" has risen despite mandatory PAN-Aadhar linkage.

The inclusion of protective demands in outstanding demand figures inflates the numbers inaccurately. Mismatches in TDS reconciliation and ineffective procedures for identifying uncollectible demands were observed. Audit observed that the procedures for write-off, prescribed in the ITD's Manual of Office Procedure (Consolidated) 2019, to identify and dispose of uncollectible demands were not followed effectively.

Summary assessments by CPC-ITR, Bengaluru, result in demands reflected in AO portals for recovery. However, recovery efforts for demands from summary assessments were deemed inadequate, despite similarities in recovery procedures between summary and scrutiny assessments.

To conclude, outstanding arrears of demand has been increasing year after year due to fixing of targets mechanically, under achievement of targets fixed, demands locked up in appeals, assessees not traceable, TDS/Prepaid taxes mismatch, not considering the system of write-off as provided in ITD Manual of Office Procedure, non-recovery of undisputed demand and not taking appropriate action against demands raised under summary assessments.

### No effective follow-up action

During the Performance Audit on 'Recovery of arrears of Direct Tax Demand' (Report No. 23 of 2011), there were recommendations on

- a) *"preparation of a robust and reliable database of arrear demand by reconciling the data maintained by different wings of the ITD" and*
- b) *modification of the CAP-I statements to "facilitate correlation of the number of cases with the total outstanding demand to ensure better monitoring".*

Audit, however, observed that the ITD has not taken effective follow-up action on the recommendations. Deficiencies in the reporting system are discussed in detail in the following paragraphs.

### 7.1 Reporting of outstanding demand through CAP-I Statements

CAP-I and CAP-II statements<sup>90</sup> are two primary MIS reports generated monthly by the Jurisdictional Assessing Officers and consolidated at PCIT/ Pr. CCIT/CBDT level, depicting the outstanding demand and collection statistics.

The format of CAP-I and CAP-II statements prepared by ITD is given in **Appendix 12A** and **12B**. Audit noted that the format of these statements does not capture granular (assessee-wise) data.

<sup>90</sup> CAP-I is a statement regarding the monthly progress of collection and balance of outstanding demand. It classifies the outstanding demand into two major heads (i) demand difficult to recover, which is further classified into 19 categories and (ii) collectible demand.

CAP-II statement provides details of the number of returns processed, number of scrutiny assessments completed, appeal effects, penalty proceedings, refunds, write-off of arrear demand, etc.

### 7.1.1 Inconsistencies in CAP-I statement

The inconsistencies in CAP-I statements have been noticed in all regions. Details in respect of one of the regions (Pr.CCIT, Delhi) is discussed below:

Audit noticed that the closing balance of outstanding demand at the end of the year did not match with the opening balance of the next year. The total demand pending collection as per CAP-I Statement for the year ended March 2019 was ₹ 2,41,741.90 crore; whereas, the opening balance as on 01 April 2019 was shown as ₹ 1,91,362.69 crore.

Further, there were arithmetical inaccuracies in the figures of CAP-I statement. To illustrate that for the year ending March 2020, the demand as on 1 April 2019 was ₹ 1,91,362.69 crore. Demand raised during the year was ₹ 1,42,306.90 and reduction by the way of prepaid taxes was ₹ 120.14 crore. Thus, as against the correct figure of ₹ 3,33,549.45 crore,  $(1,91,362.69 + 1,42,306.90 - 120.14)$ , a demand closing balance of ₹ 3,49,811.09 crore has been indicated at the end of the year, which resulted in excess reporting of ₹ 16,261.64 crore.

As per the Central Action Plan of 2019-20, for Pr.CCIT, Delhi region, the CBDT had fixed a target of cash collection of ₹ 18,513.00 crore of the arrear demand, whereas, in CAP-I statement (S.No.13) of the same region for March 2020, the target for cash collection was exhibited as ₹ 30,226.21 crore.

From the above, it is apparent that the composite arrear demand details derived by CBDT by consolidating the CAP-I statements of all regions are not reliable. Hence, fixation of various annual targets for reduction of arrear demand, reduction of cases pending in appeals, etc., may not yield the desired results.

Reply of the Ministry is awaited (April 2024).

### 7.1.2 Source for CAP-I Statement

Audit requisitioned the 16 Pr.CCsIT<sup>91</sup> to furnish the source for preparation of CAP-I statement and granular data for the figures depicted in CAP-I statement.

Pr.CCIT, Guwahati stated that the data for CAP-I statement is captured from past Arrear Demand & Collection Registers uploaded to systems, demands raised through ITD and ITBA systems. Pr.CCIT, Rajasthan stated that the data for CAP-I Statement is entered manually by the AOs in the system / i-taxnet<sup>92</sup> and compiled by the respective superior authorities. Reply from the remaining 14 Pr.CCsIT is awaited (April 2024).

<sup>91</sup> Except International Taxation, Pune and Nagpur regions.

<sup>92</sup> i-taxnet module was basically utilised for CAP-I & II Reports as part of erstwhile ITD/BCP applications.

Further, from West Bengal region Assessing Officers, in general, have stated that no data from ITBA module is required for preparing CAP-I statement, but DCIT, Circle1(1), Kolkata has stated that ITBA-Recovery module is being used for CAP-I report, indicating that different methodologies are being adopted across different regions.

The ITO, Ward 4(1) (1), Bengaluru and ACIT Circle 1(1), Kolkata in their reply to explain the cause of difference in amount of demand as per CPC-ITR portal and CAP-I statement have stated that demand raised on account of summary assessment is not included in CAP-I report and the ITO, Ward 4(1)(1) also stated that interest under Section 220(2) was not included in the CAP-I statement. Audit could not verify if this statement is true for all assessment units across all regions. Non-inclusion of outstanding demand on account of summary assessments in CAP-I report indicates, that a part of outstanding demand is not being monitored through CAP-I reports.

Audit also noticed that the AOs are not maintaining a list of assessees (granular data) against whom the aggregate outstanding demand is being reported through CAP-I statements.

Thus, Audit observed that there was no uniformity in the source for capturing data for CAP-I Statement and the authenticity of figures reflected in CAP-I statement, therefore, remains doubtful. Audit could not ascertain whether specific guidelines/instructions for capturing data and preparing CAP-I statement at AO level have been issued by the CBDT to ensure uniformity as due to non-standardisation of format such inconsistencies may occur.

The CAP-I and II data being a combination of automated process and manual adjustment, and in the absence of granular data for CAP-I statement and the sources for the CAP-I statement, Audit's attempt to derive an assurance with regard to the accuracy of the data was limited. CAP-I statement contains data on amount of outstanding demand but the number of cases is not reported.

The ITD did not take necessary follow up action on the basis of Performance Audit Report (PA Report No. 23 of 2011) on "Recovery of arrears of tax demand", which reported the discrepancies, when ITD was on manual process. CAG's recommendation Included in the PA Report No. 23 of 2011 to modify the CAP-I Statement "to facilitate correlation of the number of cases with the total outstanding demand to ensure better monitoring" has not been addressed.

**Recommendation 12:**

The CBDT may

- (i) review and streamline the system process to maintain accurate, granular data for the CAP-I statement at each Assessment unit level to facilitate extraction of assessee-wise details from CAP-I and CAP-II statements at all PCsIT, Pr.CCsIT level for better coordination and monitoring of recovery of demands.
- (ii) consider issuing/ reiterating instructions for preparing these statements uniformly across all regions and data sources;
- (iii) further, training may also be considered to avoid inconsistency in preparation of MIS reports.

In May 2023, the Ministry stated that CAP-I & II are statistical reports prepared in i-Taxnet. These are filled manually by JAOs. Hence, the granular data comes from JAOs who initiate the report and this is compiled up the hierarchy till Pr. CCIT. Compiled CAP Statements are visible to DIT (O&M) Services who is tasked with analysis of the same. It was further stated that CAP-I & II is a standalone module, and AO is responsible for uploading the data. The Systems Directorate is in the process of developing e-MIS on Insight Portal/ITBA by merging multiple reports (including CAP-I & II) into a single integrated online and IT enabled system.

***Maintenance of granular data is fundamental to the Management Information System. Non-maintenance of the same renders the efforts for reduction of arrear demand ineffective. Since the granular data for CAP-I and Arrear Demand Register (ADR) were not provided during the field audit, the Audit could not verify the completeness and authenticity of the consolidated CAP-I report or the effectiveness of the existing monitoring mechanism in ITD in the absence of granular data in MIS reports.***

## 7.2 Incorrect reporting

Based on the data collected from e-filing portal and substantive check of cases undertaken in 270 sampled assessment units, Audit found instances of incorrect reporting of outstanding demand, which are discussed in detail, in the following paragraphs. On verification of the assessment records of 10,896 test checked cases, Audit noticed mistakes in 747 cases, as discussed in Para 7.2.1 and Para 7.2.2 below:

### 7.2.1 Erroneous reporting of outstanding demands

On verification of the assessment records of 10,896 test checked cases, Audit noticed mistakes in 27 cases, amounting to ₹ 7,885.96 crore, related to failure to give effect of appeal orders by the AOs after the appellate authorities either

set aside, reduce or enhance the demand. Consequently, the demand in the e-filing /ITBA portal was not updated. The region- wise details are given in the Table 7.1 below:

| Table 7.1: Erroneous reporting of outstanding demand (Region-wise)                                    |                            |                    |                 |             |                |                 |
|-------------------------------------------------------------------------------------------------------|----------------------------|--------------------|-----------------|-------------|----------------|-----------------|
| (₹ in crore)                                                                                          |                            |                    |                 |             |                |                 |
| Sl. No.                                                                                               | Region                     | Total No. of cases | Under Reporting |             | Over Reporting |                 |
|                                                                                                       |                            |                    | No. of cases    | Amount      | No. of cases   | Amount          |
| 1                                                                                                     | Andhra Pradesh & Telangana | 1                  | -               | -           | 1              | 0.95            |
| 2                                                                                                     | Bengaluru                  | 1                  | 1               | 1.37        | -              | -               |
| 3                                                                                                     | Bihar and Jharkhand        | 7                  | -               | -           | 7              | 73.42           |
| 4                                                                                                     | Mumbai                     | 4                  | -               | -           | 4              | 7,150.67        |
| 5                                                                                                     | North West Region          | 2                  | -               | -           | 2              | 60.01           |
| 6                                                                                                     | Tamil Nadu                 | 12                 | -               | -           | 12             | 599.54          |
|                                                                                                       | <b>Total</b>               | <b>27</b>          | <b>1</b>        | <b>1.37</b> | <b>26</b>      | <b>7,884.59</b> |
| Source: Assessment records furnished by ITD Note: In remaining 11 regions no such mistake was noticed |                            |                    |                 |             |                |                 |

## 7.2.2 Non updation of Outstanding Demand in the e-filing portal/ITBA

The demand as per physical records, viz., assessment orders and notice of demand issued under Section 156 was compared with the outstanding demand in ITBA / e-filing portal as of March 2020. Such verification revealed that even though Assessment order/ revision/ penalty/ giving effect orders were passed, or notice issued for revised demand, the original demand continued to be exhibited in the system (ITBA/e-filing). Such differences in outstanding demand in respect of 720 cases (over and under-statement) pertaining to 17 regions aggregated to ₹ 67,383.33 crore, as detailed in Table 7.2 below:

| Table 7.2: Difference in Outstanding demand between e-filing portal/ITBA Portal and Assessment records (Region-wise) |                               |                          |                                 |                       |           |                      |           |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------|---------------------------------|-----------------------|-----------|----------------------|-----------|
| (₹ in crore)                                                                                                         |                               |                          |                                 |                       |           |                      |           |
| Sl. No.                                                                                                              | Region                        | Total cases test checked | No. of cases with discrepancies | Under Reporting cases |           | Over Reporting cases |           |
|                                                                                                                      |                               |                          |                                 | Number                | Amount    | Number               | Amount    |
| 1                                                                                                                    | Andhra Pradesh & Telangana    | 960                      | 38                              | 15                    | 1,595.73  | 23                   | 230.19    |
| 2                                                                                                                    | Bengaluru                     | 1,038                    | 35                              | 4                     | 34.14     | 31                   | 2,883.45  |
| 3                                                                                                                    | Bhubaneswar                   | 433                      | 6                               | 4                     | 65.77     | 2                    | 0.02      |
| 4                                                                                                                    | Bihar and Jharkhand           | 437                      | 56                              | 15                    | 36.06     | 41                   | 221.5     |
| 5                                                                                                                    | Delhi                         | 740                      | 23                              | -                     | -         | 23                   | 1,372.17  |
| 6                                                                                                                    | Gujarat                       | 1,404                    | 3                               | 1                     | 1.06      | 2                    | 172.14    |
| 7                                                                                                                    | International Taxation, Delhi | 377                      | 39                              | 25                    | 84.67     | 14                   | 1,394.51  |
| 8                                                                                                                    | Kerala                        | 155                      | 67                              | 60                    | 69.23     | 7                    | 230.31    |
| 9                                                                                                                    | Lucknow, UP East              | 99                       | 24                              | 24                    | 8.16      | -                    | -         |
| 10                                                                                                                   | MP & Chhattisgarh             | 501                      | 11                              | -                     | -         | 11                   | 140.30    |
| 11                                                                                                                   | Mumbai                        | 1,410                    | 249                             | 90                    | 34,404.25 | 159                  | 23,485.58 |
| 12                                                                                                                   | North East Region             | 220                      | 10                              | -                     | -         | 10                   | 64.86     |
| 13                                                                                                                   | North West Region             | 510                      | 55                              | 38                    | 160.54    | 17                   | 134.73    |



| Table 7.2: Difference in Outstanding demand between e-filing portal/ITBA Portal and Assessment records (Region-wise) (₹ in crore) |                        |                          |                                 |                       |                  |                      |                  |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|---------------------------------|-----------------------|------------------|----------------------|------------------|
| Sl. No.                                                                                                                           | Region                 | Total cases test checked | No. of cases with discrepancies | Under Reporting cases |                  | Over Reporting cases |                  |
|                                                                                                                                   |                        |                          |                                 | Number                | Amount           | Number               | Amount           |
| 14                                                                                                                                | Rajasthan              | 575                      | 3                               | 1                     | 0.82             | 2                    | 66.91            |
| 15                                                                                                                                | Tamil Nadu             | 671                      | 59                              | 40                    | 43.17            | 19                   | 253.61           |
| 16                                                                                                                                | UP West & Uttarakhand  | 78                       | 26                              | 21                    | 8.88             | 5                    | 16.29            |
| 17                                                                                                                                | West Bengal and Sikkim | 1,288                    | 16                              | 2                     | 1.90             | 14                   | 202.38           |
|                                                                                                                                   | <b>Total</b>           | <b>10,896</b>            | <b>720</b>                      | <b>340</b>            | <b>36,514.38</b> | <b>380</b>           | <b>30,868.95</b> |

Source: Assessment records furnished by ITD. Audit not conducted for Pune and Nagpur Regions.

From the above tables 7.1 and 7.2, Audit noticed that non-giving of effect of appellate orders and non updation of amount of demand in the ITBA/ e-filing portals have resulted in incorrect reporting (either over reporting or under reporting) of outstanding demand by ₹ 75,269.29 crore in 747 cases.

Reply of Ministry is awaited (April 2024).

### 7.2.3 Difference between demand as per the CPC portal and CAP-I Statement

A comparative study of the demand figures as of March 2016 undertaken by the DIT (O&M) Services revealed marked variations in the amount of outstanding demand reported in the CAP-I statements of all the Pr. CCIT regions vis-à-vis the data obtained from CPC-ITR, Bengaluru. The DIT (O&M) stressed (October 2016) the necessity for reconciliation of the demands appearing in CAP-I statement of each Pr. CCIT region with the e-portal database.

All the AOs were advised to follow the CBDT guidelines/instructions<sup>93</sup> issued for uploading and rectification of demand on CPC.

The CBDT in its Central Action Plans of 2018-19 and 2019-20 also stressed to reconcile arrear demand by 31 August 2018 and 31 August 2019 respectively.

Audit called for the details of action taken by all the Pr. CCsIT/ PCIT and the AOs of the selected 270 Assessment units to verify the compliance to the CBDT's instructions and analyse the reasons for such differences. Reply from Pr. CCsIT/PCsIT is awaited (April 2024).

Thus, Audit could not ascertain how far the ITD has succeeded in removing the discrepancy in reporting of outstanding demands identified by the DIT(O&M) Services in October 2016.

<sup>93</sup> AST Instruction No.82 Instruction dated 13 August 2010, CBDT Instructions No.4/2014 dated 07 April 2014 and CBDT Circular No.8/2015 dated 14 May 2015

Audit could not compute the quantum of difference between the outstanding demand on the CPC portal and CAP-I statement due to non-sharing/non availability of granular details of pending demands in CAP-I statement and lack of response from the ITD. However, Audit noted from the replies received from some AOs, discrepancy was on account of non-inclusion of outstanding demand in respect of summary assessments, or interest due under Section 220(2) in CAP-I report.

**Recommendation 13:**

**The CBDT may ensure effective reconciliation of arrear demand reflected on the CPC-ITR portal with the CAP-I statement to enable uniformity and correctness in reporting on priority to enable recovery of the correct outstanding demands and monitor reduction in the actual arrear demand.**

The Ministry in its reply stated (May 2023) that CAP-I & II reports are statistical reports prepared on i-taxnet. These are filled manually by JAOs, hence the granular data comes from JAOs who initiate the report and this is compiled up the hierarchy till Pr. CCIT, from where it is compiled. Compiled CAP is visible to DOMS who is tasked with analysis of the same.

CAP-I and CAP-II are standalone modules, and the AO is responsible for uploading the data. The AO has assessee-wise granular data. CAP-I and II are generated from data uploaded by the AO and compiled at every supervisory level. The Systems Directorate is in the process of developing e-MIS on Insight Portal/ITBA by merging multiple reports (including CAP-I and II) into a single integrated online and IT-enabled system.

The Ministry further stated that a study titled "Discrepancy in the statistics" undertaken in 2016 and approved by the Board had concluded the major reasons for the difference in the demand figure as reported in CAP-I vis-à-vis demand as reported in the CPC portal to be non-uploading of the assessment orders, penalty orders and appeal effect orders passed manually, demand without PAN, under-reporting of demand in CAP-I etc., on the system. It was further stated that with the introduction of e-assessment, faceless assessments, faceless appeals, and most of the work being done on ITBA, the above issues will be addressed.

***The reply furnished by the Ministry is not tenable. Even though the Directorate of Income Tax (Organisation & Management) identified reasons for discrepancy in its comparative study in 2016, the reconciliation of differences in demand figures as per CAP-I statement vis-à-vis CPC portal has yet to be done even after a lapse of eight years, for which the Ministry is required to issue necessary instructions for strict compliance on priority. Further, there is need of a uniform method/instruction for preparing MIS reports to avoid discrepancies in statements.***

### 7.2.4 Data duplication

Audit checked the outstanding demand as per e-filing portal, as on 31 March 2020 in respect of 279 sampled assessment units. Out of total 21,58,443 cases, in 279 sampled assessment units, Audit noticed 7,341 duplicate cases i.e., demand raised for the same assessee under same section for the same Assessment Year with same Document Identification Number (DIN)<sup>94</sup> twice or more. The duplication in 7,341 cases resulted in overstatement of outstanding demand of ₹ 15,652.51 crore. Audit also noticed that duplicate entries are reported in the CAP-I Statement under the head '*Rectification pending on account of duplicate entries*'.

The region-wise details of duplicate demands for selected units as per e-filing portal for the period ended March 2020 and the duplicate entries as per CAP-I statement for the corresponding regions (considering all assessment units), are given in Table 7.3 below:

| Sl. No.      | Region                        | As per e filing portal   |                           |                  | Amount as per CAP-I Statement (For entire Pr.CCIT Region) |
|--------------|-------------------------------|--------------------------|---------------------------|------------------|-----------------------------------------------------------|
|              |                               | Number of Units selected | Number of duplicate cases | Amount           |                                                           |
| 1            | Andhra Pradesh & Telangana    | 29                       | 556                       | 1,648.97         | 442.28                                                    |
| 2            | Bengaluru                     | 21                       | 1150                      | 2,118.71         | 1,380.53                                                  |
| 3            | Bhubaneswar                   | 10                       | 145                       | 43.37            | 46.18                                                     |
| 4            | Bihar & Jharkhand             | 15                       | 804                       | 159.48           | 26.35                                                     |
| 5            | Delhi                         | 23                       | 830                       | 6,446.01         | 456.58                                                    |
| 6            | Gujarat                       | 23                       | 409                       | 1,241.94         | 2,203.49                                                  |
| 7            | International Taxation, Delhi | 21                       | 52                        | 126.93           | 486.82                                                    |
| 8            | Kerala                        | 9                        | 104                       | 42.61            | 186.78                                                    |
| 9            | Lucknow, UP East              | 4                        | 164                       | 18.45            | 52.5                                                      |
| 10           | MP & Chhattisgarh             | 9                        | 439                       | 126.02           | 281.87                                                    |
| 11           | Mumbai                        | 27                       | 528                       | 858.48           | 5,638.03                                                  |
| 12           | North East Region             | 5                        | 239                       | 69.98            | 5.31                                                      |
| 13           | North West Region             | 8                        | 31                        | 77.14            | 60.87                                                     |
| 14           | Rajasthan                     | 14                       | 405                       | 170.49           | 1.96                                                      |
| 15           | Tamil Nadu                    | 28                       | 579                       | 1,330.46         | 833.34                                                    |
| 16           | UP West & Uttarakhand         | 3                        | 193                       | 42.09            | 3.47                                                      |
| 17           | West Bengal & Sikkim          | 30                       | 713                       | 1,131.38         | 2,109.93                                                  |
| <b>Total</b> |                               | <b>279</b>               | <b>7,341</b>              | <b>15,652.51</b> | <b>14,216.29</b>                                          |

Source: CAP-I Statement and e-filing portal data

The above table indicates that the figures as per the CAP-I statement, which pertained to all assessment units under the regions was less than the figures

<sup>94</sup> A unique, computer generated 20-digit alpha-numeric code allotted by the ITD in respect of every notice, order, letter or any correspondence without which such notice, order, letter or any correspondence is treated is invalid or deemed never to have been issued.

as per the e-filing portal, which pertained to selected assessment units. The discrepancy confirms non-reliability of the figures included in the MIS statements of the ITD.

Details of duplicate cases of outstanding demands for the financial year ended March 2018/ 2019/ 2020/ 2021 and 2022 in respect of entire 19 Regions are shown in Table 7.4 below:

| Table 7.4: Duplication of Outstanding Demand as per CAP-I Statement (Region wise)             |                               |                                                       |                  |                  |                  |                  |
|-----------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------|------------------|------------------|------------------|------------------|
| (₹ in crore)                                                                                  |                               |                                                       |                  |                  |                  |                  |
| Sl. No.                                                                                       | Region                        | Duplicate Outstanding Demand for the year ended March |                  |                  |                  |                  |
|                                                                                               |                               | 2018                                                  | 2019             | 2020             | 2021             | 2022             |
| 1                                                                                             | Andhra Pradesh & Telangana    | 217.56                                                | 269.05           | 442.28           | 1,616.17         | 2,345.85         |
| 2                                                                                             | Bengaluru                     | 985.35                                                | 655.78           | 1,380.53         | 1,139.72         | 1,968.02         |
| 3                                                                                             | Bhubaneswar                   | 3.1                                                   | 22               | 46.18            | 22.43            | 39.66            |
| 4                                                                                             | Bihar & Jharkhand             | 26.97                                                 | 30.05            | 26.35            | 3.14             | 3.17             |
| 5                                                                                             | Delhi                         | 406.45                                                | 6,908.50         | 456.58           | 265.66           | 867.14           |
| 6                                                                                             | Gujarat                       | 151.69                                                | 1,458.70         | 2,203.49         | 3,590.89         | 2,932.72         |
| 7                                                                                             | International Taxation, Delhi | 253.46                                                | 793.31           | 486.82           | 309.76           | 829.62           |
| 8                                                                                             | Kerala                        | 63.23                                                 | 136.82           | 186.78           | 120.37           | 419.32           |
| 9                                                                                             | Lucknow, UP East              | 82.53                                                 | 54.53            | 52.5             | 47.22            | 47.32            |
| 10                                                                                            | MP & Chhattisgarh             | 11.65                                                 | 24.11            | 281.87           | 289.63           | 128.29           |
| 11                                                                                            | Mumbai                        | 1,519.18                                              | 3,059.43         | 5,638.03         | 3,367.69         | 7,324.10         |
| 12                                                                                            | Nagpur                        | 1.63                                                  | 43.29            | 8.77             | 8.77             | 7.29             |
| 13                                                                                            | North-East Region             | 2.76                                                  | 2.13             | 5.31             | 6.55             | 1.6              |
| 14                                                                                            | North-West Region*            | 10.32                                                 | 23.64            | 60.87            | NA               | NA               |
| 15                                                                                            | Pune                          | 240.53                                                | 298.82           | 861.33           | 580.73           | 1,582.46         |
| 16                                                                                            | Rajasthan                     | 0.46                                                  | 1.34             | 1.96             | 2.22             | 9.32             |
| 17                                                                                            | Tamil Nadu                    | 807.96                                                | 598.63           | 833.34           | 609.44           | 537.65           |
| 18                                                                                            | UP West & Uttarakhand         | 4.07                                                  | 4.27             | 3.47             | 3.09             | 3.27             |
| 19                                                                                            | West Bengal & Sikkim          | 54.66                                                 | 749.48           | 2,109.93         | 1,648.66         | 1,557.10         |
| <b>Total</b>                                                                                  |                               | <b>4,843.46</b>                                       | <b>15,133.88</b> | <b>15,086.65</b> | <b>13,632.14</b> | <b>20,603.90</b> |
| Source: S. No. 9(p) of CAP-I statement of all regions for March 2018, 2019, 2020, 2021 & 2022 |                               |                                                       |                  |                  |                  |                  |
| *North West region CAP-I statement for 2021 and 2022 were not furnished to audit.             |                               |                                                       |                  |                  |                  |                  |

The above table indicates that ITD had not taken effective action to rectify the error of duplicate entries as evident from the increase of the monetary value of duplicate entries, 325 *per cent* during the period 2017-18 to 2021-22.

Further, Audit noticed that, the CBDT in its Central Action Plan for the year 2021-22, had identified duplicate cases as one of the key areas for action to be taken and fixed a target to check all demand PAN-wise and year-wise from

Systems, AST / TMS<sup>95</sup> or Manual demand, wherever remaining, and instructed all Pr. CCsIT for removal of all duplicate entries by 31 August 2021.

Audit called for the action report from all Pr. CCsIT in compliance with target fixed in interim action plan by the ITD; reply is awaited (March 2024). As such, Audit could not ascertain the efforts made by the ITD to reconcile and remove the duplicate cases. The duplicate entries continue to exist, and also fresh duplicate cases are being added every year.

Audit observed that there was difference in number and amount of duplicate demands in different data sources of the ITD, resulting in incorrect reporting of outstanding demand. The reason for occurrence of duplicate entries appears to be systemic in nature.

No information was provided by the ITD on the action taken, in compliance to specific instructions issued by the CBDT in its Interim Central Action Plan for the year 2021-22, on reconciliation of figures and removing duplicate entries.

**Recommendation 14:**

**The CBDT may monitor and ensure that there are no duplicate entries in the system and that the existing duplicate entries are eliminated in a time-bound manner. Further, reasons for the originating of duplicate demands may be identified, and rectification required is carried out at a granular level, on priority.**

The Ministry, in its reply, stated (June 2023) that demand verification and clean-up have been key result areas in the Central Action Plan for FY 2022-23 by CBDT. The supervisory authorities are monitoring this area of work.

***Audit will await the details of the action taken and progress made.***

### **7.2.5 Non-levy of interest under Section 220(2)**

Section 220(2) of the Income Tax Act provides for levy of interest for delay in payment of tax demand. Accordingly, if the amount specified in the notice of demand issued under Section 156 is not paid within thirty days (since April 1989), the assessee shall be liable to pay interest at one *per cent* for every month or part thereof, for the entire period of default. Interest under Section 220(2) is not to be levied in cases where the demand is pending in appeal, and stay has been granted.

The CBDT issued instructions<sup>96</sup> (June 1991) consequent to the Audit comments in Para 2.1.17 of the Report (No. 06 of 1989) of the Comptroller and Auditor

<sup>95</sup> Assessment Information System / Tax Managed Services

<sup>96</sup> Instruction no.1883 dated 07 June 1991

General for the year ended March 1988 that AOs should calculate the interest payable under Section 220(2) at the end of each financial year, if the amount of tax, etc., in respect of which such interest is payable, has not been paid in full before the end of any such financial year and issue a demand notice within 30 days from the end of the financial year. It was also clarified in the said instructions that Section 220(2) does not say that the interest is not to be charged or realised till the tax is paid.

Para 14 of Chapter 24 of the ITD Manual of Office Procedure (Consolidated) 2019 also reiterates the instructions of the CBDT. The instructions further emphasized that the supervisory officers (Viz.CsIT or DCsIT) should carry out half-yearly review of the work of AO and TROs in this regard and send a report thereon to their CCsIT or CsIT.

Audit verification of the data on outstanding demands as on 31 March 2020, relating to 270<sup>97</sup> sampled assessment units, revealed that the AOs did not levy interest under Section 220(2) at the end of each financial year and failed to issue any demand notice, including cases, where the demands were pending for many years. Audit sought (May 2021) information from the AOs regarding levy of interest annually for all eligible cases (i.e. other than cases pending in appeals or demand stayed), as per the CBDT's instructions. Reply of the ITD is awaited (March 2024). This issue was raised also in CAG's Performance Audit Report No. 23 of 2011

The review work done by the Pr. CsIT / Pr. DCsIT, if any, could not be verified by Audit in the absence of any supporting documents/details or any reply from the ITD.

From the outstanding demand details of CAP-I statement, Audit attempted to work out the minimum interest leviable under Section 220(2). From CAP-I statements for 31 March 2019 of all 19 regions, Audit noticed aggregate net collectible demand of ₹ 14,593.00 crore (Table 7.11) was shown as outstanding. On this net collectable demand, interest under Section 220(2) for one year works out to ₹ 1,751.16 crore (one *per cent* for every month or part thereof).

Audit made test check of 8,965 cases in the 11 regions mentioned in Table 7.5 and found that in 3,498 cases, the ITD had not levied interest under Section 220(2) aggregating to ₹ 69,303.34 crore as of March 2021 excluding cases involving non levy of interest less than ₹ 10,000. The region-wise details are mentioned in Table 7.5 below:

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<sup>97</sup> Nine units in Tamil Nadu region could not be taken up for audit due to Covid.

| Table 7.5: Interest not levied under Section 220(2) - Region wise details                                    |                               |                                    |                                        |                    |                     |
|--------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------|----------------------------------------|--------------------|---------------------|
| (₹ in crore)                                                                                                 |                               |                                    |                                        |                    |                     |
| Sl. No.                                                                                                      | Region                        | Total number of cases test checked | No. of Cases where interest not levied | Outstanding Demand | Chargeable Interest |
| 1                                                                                                            | Andhra Pradesh & Telangana    | 960                                | 760                                    | 8,730.67           | 3,214.10            |
| 2                                                                                                            | Bengaluru                     | 1,038                              | 4                                      | 26.04              | 3.93                |
| 3                                                                                                            | Delhi                         | 740                                | 432                                    | 13,696.47          | 3,861.61            |
| 4                                                                                                            | Gujarat                       | 1,404                              | 766                                    | 18,071.45          | 7,020.83            |
| 5                                                                                                            | International Taxation, Delhi | 377                                | 127                                    | 3,628.96           | 1,257.31            |
| 6                                                                                                            | MP & Chhattisgarh             | 501                                | 232                                    | 1,035.32           | 315.88              |
| 7                                                                                                            | Mumbai                        | 1,410                              | 11                                     | 1,13,540.60        | 43,952.12           |
| 8                                                                                                            | Rajasthan                     | 575                                | 118                                    | 843.6              | 239.43              |
| 9                                                                                                            | Tamil Nadu                    | 671                                | 163                                    | 1,927.38           | 572.19              |
| 10                                                                                                           | UP West & Uttarakhand         | 78                                 | 17                                     | 175.28             | 32.22               |
| 11                                                                                                           | West Bengal & Sikkim          | 1,288                              | 868                                    | 21,398.66          | 8,833.72            |
|                                                                                                              | <b>Total</b>                  | <b>8,965</b>                       | <b>3,498</b>                           | <b>1,83,074.42</b> | <b>69,303.34</b>    |
| Source: Assessment records furnished by ITD                                                                  |                               |                                    |                                        |                    |                     |
| Note: Interest has been calculated up to 31st March 2021. No comment offered in respect of other six regions |                               |                                    |                                        |                    |                     |

Audit further observed from the analysis of the outstanding demand data, as per e-filing portal as on 31 March 2020, that in 2,12,789 cases (pertaining to 1,60,247 assesseees), the ITD had already levied interest of ₹ 18,922 crore under Section 220(2), but were pending collection. Out of this, in 1,84,241 cases, the amount of interest levied was below ₹ 10,000 constituting 86 *per cent* of cases with the total amount being 24 crore. The remaining 14 *per cent* of 28,548 cases with the interest amount of ₹ 18,898 crore constitute 99.8 *per cent* of the total interest levied. The region wise and age wise details of the interest pertaining to 28,548 cases are given in Table 7.6 below:

| Table 7.6: Age wise analysis - Interest levied but remains outstanding - Region wise |                               |                  |        |                       |        |                       |        |                        |        |                    |        |             |              |
|--------------------------------------------------------------------------------------|-------------------------------|------------------|--------|-----------------------|--------|-----------------------|--------|------------------------|--------|--------------------|--------|-------------|--------------|
| (₹ in crore)                                                                         |                               |                  |        |                       |        |                       |        |                        |        |                    |        |             |              |
| Sl. No.                                                                              | Region                        | Less than 1 Year |        | Between 1 and 3 Years |        | Between 3 and 5 Years |        | Between 5 and 10 Years |        | More than 10 Years |        | Total Cases | Total Amount |
|                                                                                      |                               | No.              | Amount | No.                   | Amount | No.                   | Amount | No.                    | Amount | No.                | Amount |             |              |
| 1                                                                                    | Andhra Pradesh & Telangana    | 1,449            | 40.39  | 1,662                 | 48.36  | 857                   | 11.81  | 466                    | 10.1   | 36                 | 34.94  | 4,470       | 145.61       |
| 2                                                                                    | Bengaluru                     | 1,322            | 328.29 | 1,595                 | 59.34  | 818                   | 24.77  | 500                    | 6.15   | 3                  | 0.08   | 4,238       | 418.63       |
| 3                                                                                    | Bhubaneswar                   | 297              | 6.92   | 285                   | 14.83  | 145                   | 18.03  | 45                     | 0.93   | -                  | -      | 772         | 40.71        |
| 4                                                                                    | Bihar and Jharkhand           | 589              | 4.01   | 593                   | 3.67   | 213                   | 0.79   | 70                     | 0.41   | -                  | -      | 1,465       | 8.88         |
| 5                                                                                    | Gujarat                       | 593              | 11.53  | 693                   | 14.67  | 312                   | 3.53   | 154                    | 7.15   | 59                 | 6.66   | 1,811       | 43.55        |
| 6                                                                                    | International Taxation, Delhi | 18               | 0.29   | 27                    | 2.91   | 10                    | 0.31   | 5                      | 1.01   | -                  | -      | 60          | 4.52         |
| 7                                                                                    | Kerala                        | 144              | 3.57   | 210                   | 5.64   | 112                   | 4.17   | 116                    | 9.4    | -                  | -      | 582         | 22.77        |

| Table 7.6: Age wise analysis - Interest levied but remains outstanding - Region wise |                       |                  |               |                       |               |                       |               |                        |                  |                    |              |               |                  |
|--------------------------------------------------------------------------------------|-----------------------|------------------|---------------|-----------------------|---------------|-----------------------|---------------|------------------------|------------------|--------------------|--------------|---------------|------------------|
|                                                                                      |                       |                  |               |                       |               |                       |               |                        |                  |                    |              |               | (₹ in crore)     |
| Sl. No.                                                                              | Region                | Less than 1 Year |               | Between 1 and 3 Years |               | Between 3 and 5 Years |               | Between 5 and 10 Years |                  | More than 10 Years |              | Total Cases   | Total Amount     |
|                                                                                      |                       | No.              | Amount        | No.                   | Amount        | No.                   | Amount        | No.                    | Amount           | No.                | Amount       |               |                  |
| 8                                                                                    | Lucknow, UP East      | 180              | 0.91          | 136                   | 0.44          | 46                    | 0.17          | 20                     | 0.07             | -                  | -            | 382           | 1.59             |
| 9                                                                                    | MP & Chhattisgarh     | 317              | 3.52          | 327                   | 2.09          | 134                   | 0.75          | 33                     | 0.3              | -                  | -            | 811           | 6.67             |
| 10                                                                                   | Mumbai                | 799              | 127.81        | 842                   | 47.31         | 471                   | 8.66          | 296                    | 17,500.59        | 2                  | 0.06         | 2,410         | 17,684.44        |
| 11                                                                                   | New Delhi             | 904              | 125.42        | 797                   | 46.83         | 505                   | 28.15         | 258                    | 78.74            | -                  | -            | 2,464         | 279.15           |
| 12                                                                                   | North East Region     | 377              | 2.92          | 415                   | 15.18         | 159                   | 0.82          | 75                     | 0.43             | -                  | -            | 1,026         | 19.35            |
| 13                                                                                   | North West Region     | 82               | 0.74          | 82                    | 10.36         | 51                    | 1.83          | 47                     | 1.05             | -                  | -            | 262           | 13.98            |
| 14                                                                                   | Rajasthan             | 280              | 6             | 222                   | 2.16          | 118                   | 1.23          | 39                     | 0.25             | -                  | -            | 659           | 9.64             |
| 15                                                                                   | Tamil Nadu            | 1,163            | 33.68         | 1,632                 | 50.72         | 692                   | 14.02         | 373                    | 8.68             | 30                 | 13.17        | 3,890         | 120.27           |
| 16                                                                                   | UP West & Uttarakhand | 143              | 0.78          | 140                   | 2.98          | 45                    | 0.53          | 21                     | 0.17             | -                  | -            | 349           | 4.46             |
| 17                                                                                   | West Bengal & Sikkim  | 856              | 15.5          | 1,042                 | 26.53         | 638                   | 11.09         | 361                    | 21.06            | -                  | -            | 2,897         | 74.19            |
|                                                                                      | <b>Total</b>          | <b>9,513</b>     | <b>712.29</b> | <b>10,700</b>         | <b>354.05</b> | <b>5,326</b>          | <b>130.66</b> | <b>2,879</b>           | <b>17,646.49</b> | <b>130</b>         | <b>54.92</b> | <b>28,548</b> | <b>18,898.42</b> |

Source: E-filing portal Data. Pune and Nagpur regions not covered.

Andhra Pradesh and Telangana region had the highest number of cases (4,470) with outstanding interest of ₹ 145.61 crore, while Mumbai region had the highest amount of outstanding interest with ₹ 17,684.44 crore representing 93 *per cent* of total interest. Further, of the total number of cases test checked, interest remained outstanding for less than three years in 70 *per cent* cases, whereas of the total outstanding interest of ₹ 18,898.42 crore, 93 *per cent* amounting to ₹ 17,646.49 crore remained outstanding for the period ranging five to ten years.

The monetary wise analysis of 28,548 cases, as discussed above, where the interest under section 220(2) was levied by ITD but remained outstanding as on 31 March 2020 is given in Table 7.7 below:

| Table 7.7: Monetary wise analysis – Interest levied under Section 220(2) but remaining outstanding – Region wise<br>(₹ in crore) |                               |                    |        |                     |        |                   |        |                |        |                   |        |       |        |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------|--------|---------------------|--------|-------------------|--------|----------------|--------|-------------------|--------|-------|--------|
| Sl. No.                                                                                                                          | Region                        | Interest levied    |        |                     |        |                   |        |                |        |                   |        |       |        |
|                                                                                                                                  |                               | ₹ 10,000 to 1 lakh |        | ₹ 1 Lakh to 10 lakh |        | ₹ 10 lakh to 1 cr |        | ₹ 1cr to 10 cr |        | More than ₹ 10 cr |        | Total |        |
|                                                                                                                                  |                               | No.                | Amount | No.                 | Amount | No.               | Amount | No.            | Amount | No.               | Amount | No.   | Amount |
| 1                                                                                                                                | Andhra Pradesh & Telangana    | 3,267              | 10.20  | 1,004               | 29.75  | 187               | 47.71  | 11             | 27.19  | 1                 | 30.75  | 4,470 | 145.61 |
| 2                                                                                                                                | Bengaluru                     | 3,281              | 9.97   | 770                 | 22.07  | 151               | 45.74  | 30             | 57.59  | 6                 | 283.27 | 4,238 | 418.63 |
| 3                                                                                                                                | Bhubaneswar                   | 651                | 1.72   | 105                 | 2.67   | 12                | 2.92   | 3              | 16.12  | 1                 | 17.28  | 772   | 40.71  |
| 4                                                                                                                                | Bihar and Jharkhand           | 1,311              | 3.44   | 146                 | 3.53   | 8                 | 1.91   | -              | -      | -                 | -      | 1,465 | 8.88   |
| 5                                                                                                                                | Gujarat                       | 1,345              | 4.33   | 396                 | 11.39  | 65                | 20.77  | 5              | 7.07   | -                 | -      | 1,811 | 43.55  |
| 6                                                                                                                                | International Taxation, Delhi | 36                 | 0.12   | 15                  | 0.52   | 8                 | 2.71   | 1              | 1.16   | -                 | -      | 60    | 4.52   |
| 7                                                                                                                                | Kerala                        | 421                | 1.24   | 134                 | 3.95   | 22                | 6.41   | 5              | 11.17  | -                 | -      | 582   | 22.77  |
| 8                                                                                                                                | Lucknow, UP East              | 359                | 0.84   | 22                  | 0.65   | 1                 | 0.10   | -              | -      | -                 | -      | 382   | 1.59   |
| 9                                                                                                                                | MP & Chhattisgarh             | 702                | 1.89   | 97                  | 2.29   | 12                | 2.49   | -              | -      | -                 | -      | 811   | 6.67   |



| Table 7.7: Monetary wise analysis – Interest levied under Section 220(2) but remaining outstanding – Region wise<br>(₹ in crore) |                       |                    |              |                     |               |                   |               |                |               |                   |                  |               |                  |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|--------------|---------------------|---------------|-------------------|---------------|----------------|---------------|-------------------|------------------|---------------|------------------|
| Sl. No.                                                                                                                          | Region                | Interest levied    |              |                     |               |                   |               |                |               |                   |                  |               |                  |
|                                                                                                                                  |                       | ₹ 10,000 to 1 lakh |              | ₹ 1 Lakh to 10 lakh |               | ₹ 10 lakh to 1 cr |               | ₹ 1cr to 10 cr |               | More than ₹ 10 cr |                  | Total         |                  |
|                                                                                                                                  |                       | No.                | Amount       | No.                 | Amount        | No.               | Amount        | No.            | Amount        | No.               | Amount           | No.           | Amount           |
| 10                                                                                                                               | Mumbai                | 1,673              | 5.61         | 591                 | 17.66         | 112               | 29.01         | 20             | 72.06         | 14                | 17,560.10        | 2,410         | 17,684.44        |
| 11                                                                                                                               | Delhi                 | 1,550              | 5.33         | 709                 | 22.72         | 166               | 49.99         | 33             | 78.36         | 6                 | 122.74           | 2,464         | 279.15           |
| 12                                                                                                                               | North East Region     | 894                | 2.37         | 116                 | 3.02          | 15                | 2.89          | -              | -             | 1                 | 11.07            | 1,026         | 19.35            |
| 13                                                                                                                               | North West Region     | 205                | 0.62         | 50                  | 1.51          | 5                 | 1.13          | 2              | 10.72         | -                 | -                | 262           | 13.98            |
| 14                                                                                                                               | Rajasthan             | 529                | 1.71         | 117                 | 2.72          | 12                | 3.66          | 1              | 1.56          | -                 | -                | 659           | 9.64             |
| 15                                                                                                                               | Tamil Nadu            | 2,871              | 9.44         | 848                 | 23.63         | 154               | 43.69         | 17             | 43.51         | -                 | -                | 3,890         | 120.27           |
| 16                                                                                                                               | UP West & Uttarakhand | 313                | 0.86         | 30                  | 0.70          | 5                 | 1.36          | 1              | 1.55          | -                 | -                | 349           | 4.46             |
| 17                                                                                                                               | West Bengal & Sikkim  | 2,215              | 7.28         | 579                 | 16.81         | 95                | 23.58         | 8              | 26.52         | -                 | -                | 2,897         | 74.19            |
|                                                                                                                                  | <b>Total</b>          | <b>21,623</b>      | <b>66.96</b> | <b>5,729</b>        | <b>165.58</b> | <b>1,030</b>      | <b>286.07</b> | <b>137</b>     | <b>354.60</b> | <b>29</b>         | <b>18,025.21</b> | <b>28,548</b> | <b>18,898.42</b> |

Source: E-filing portal data. Pune and Nagpur regions not covered.

In the category of ₹ 10 crore and above, the total amount of interest under Section 220(2) was ₹ 18,025 crore (29 cases), which represented 95 *per cent of the total*. Out of which ₹ 17,560 crore (14 cases) pertained to Mumbai region alone, and in which ₹ 10,193.28 crore related to 6 AYs of one assessee i.e. H2 alone. Bengaluru (₹ 418.63 crore) and Delhi (₹ 279.15 crore) follow Mumbai region in terms of the highest amount, where interest under Section 220(2) was levied, but not collected.

One AO from Andhra Pradesh region has stated that as per the existing computerized system in the ITD, interest under Section 220(2) is calculated by the system itself after the full and final settlement of arrear amount from the assessee for each arrear item. However, if interest is levied by the ITBA after payment of last currency of outstanding demands it may result in indefinite postponement of the levy of interest for the period of delay. Thus, the process of levy of interest under Section 220(2) in ITBA system needed to be aligned with the CBDT's extant instructions, as levy of interest only at the time of final payment of the tax dues was in contravention of the CBDT's instruction. Non-levy of interest under Section 220(2) also had its cascading effect on non-levy of penalty under Section 221(1)<sup>98</sup>.

Audit noticed that non-levy of interest under Section 220(2) for delay in payment of tax demand resulted in under reporting of outstanding demand. The CBDT had not ensured implementation of necessary provision in the current system to levy interest on outstanding demand annually deviating from its own instructions.

<sup>98</sup> **Section 221 (1):** When an assessee is in default in making a payment of tax, he shall, in addition to the amount of the arrears and the amount of interest payable under sub-section (2) of Section 220, be liable, by way of penalty, to pay such amount as the AO may direct.

The ITO 4(1)(1), Bengaluru stated that interest under Section 220(2) was not included in the amount of demand shown in the CAP-I statement. Due to the lack of responses from other AOs or regions, the Audit could not determine if this exclusion of interest was consistent across all regions.

The CBDT's instructions to levy interest periodically is not backed by any statutory amendments to the Income Tax Act. This issue was raised also in the CAG's Performance Audit Report No. 23 of 2011.

Non-levy of interest periodically also results in the assessee not being aware about the increased amount he has to pay due to non-payment of tax.

### **7.3 Accumulation of demand**

The trend of arrears of demand pending during the period FY 2016-17 to 2020-21 and figures of outstanding demand as a *per-centage* of total demand, is shown in Table 3.1, Chapter 3 which indicates that outstanding demand in terms of amount is increasing year after year and the percentage of 'demand difficult to recover' is around 98 *per cent* (approx.).

Based on the consolidated CAP-I and CAP-II statements data of all the regions, the CBDT fixes targets through its annual Central Action Plans, for reduction in arrear demand, cash collection, reduction in TDS mismatches, management of cases pending with various appellate authorities, which have impact on reduction in total outstanding demand.

Audit analysed the norms for fixation of target for reduction in arrear demand, achievement against the target, causative factors for accumulation of outstanding demand. The results of the analyses are discussed in the subsequent paragraphs.

#### **7.3.1 Target and achievement as per the Central Action Plans**

The CBDT in the annual Central Action Plans<sup>99</sup> reiterates that concerted efforts be made to reverse the trend of increasing arrear demand and process be initiated for reducing the figure to more manageable levels. Accordingly, the target for reduction in arrear demand has been fixed every year uniformly at the rate of 40 *per cent* of the total arrear demand outstanding as on 01 April of that year. The target fixed for reduction in arrear demand also includes a target of cash collection<sup>100</sup>, which was required to be achieved independently. The targets for reduction in arrear demand and the target of cash collection have been specified at the level of Pr. CCsIT, who are required to further allocate these targets in accordance with a specified formula (given in the

<sup>99</sup> Central Action Plans documents for the years 2017-18, 2018-19 and 2019-20 – Chapter II

<sup>100</sup> A distinct target, required to be achieved independently, included in the overall target for reduction in arrear demand.

Central Action Plan) to the respective CCsIT/DGsIT of their region. At the AO level, the target for cash collection in respect of arrears of demand has been fixed by using the formula, while for the current demand it was 20 *per cent* of demand. The allocation of targets was required to be completed by 31 July of every year and intimated to the Directorate of Income Tax (Recovery) for monitoring purposes.

The targets fixed for reduction in arrears of demand / cash collection as per the Central Action Plans for the years from 2016-17 to 2019-20 and the achievements made against them are given in Table 7.8 below:

| Table 7.8: Target and Achievement in reduction of arrears of demand and Cash collection |                              |                                                      |                                   |                            |                        |                             |                                    |                                          |                    |                                                |
|-----------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------|-----------------------------------|----------------------------|------------------------|-----------------------------|------------------------------------|------------------------------------------|--------------------|------------------------------------------------|
| (₹ in crore)                                                                            |                              |                                                      |                                   |                            |                        |                             |                                    |                                          |                    |                                                |
| Financial Year                                                                          | Arrear demand as on 01 April | Target for reduction in arrear demand (40% of col.2) | Actual Reduction in arrear demand | Target for cash collection | Actual Cash collection | Accretion of current demand | Actual Reduction in current demand | Actual Cash collection of current demand | Net accretion      | As on 31 March [Col.2 + Col.10] <sup>101</sup> |
| 1                                                                                       | 2                            | 3                                                    | 4                                 | 5                          | 6                      | 7                           | 8                                  | 9                                        | 10<br>=(7)-(4)-(8) | 11                                             |
| 2016-17                                                                                 | 9,29,972                     | 3,71,989                                             | 1,99,490                          | 53,981                     | 38,944                 | 3,79,548                    | 60,731                             | 36,905                                   | 1,19,327           | 10,49,299                                      |
| 2017-18                                                                                 | 10,52,084                    | 4,20,834                                             | 3,24,528                          | 71,513                     | 44,633                 | 4,62,412                    | 76,641                             | 52,537                                   | 61,243             | 11,13,327                                      |
| 2018-19                                                                                 | 11,22,750                    | 4,49,100                                             | 1,98,815                          | 68,885                     | 40,599                 | 4,22,625                    | 91,173                             | 59,660                                   | 1,32,637           | 12,77,644                                      |
| 2019-20                                                                                 | 12,77,644                    | 5,11,058                                             | Data not available                | 83,689                     | Data not available #   |                             |                                    |                                          |                    | 16,18,954                                      |

Source: Chapter II of Central Action Plan of CBDT for the respective years.  
 # The details of achievement for cols.4,6,7,8,9 and 10 for the year 2019-20 could not be ascertained as the same were not available in CBDT's Interim Action plan for 2020-21. Closing Balance computed by Audit.

The above table shows that target has not been achieved in any of the years, thereby suggesting that either the fixation of uniform target of 40 *per cent* reduction of demand was unrealistic and was without any detailed analysis or the ways and means applied to achieve the target was inadequate.

Table above further shows that the targets for cash collection in respect of both arrear demand and current demand have not been achieved in any of the years. Thus, the closing balance of arrears of demand have shown an increasing trend.

Audit noted that the Central Action Plans for the years 2020-21 and 2021-22 were interim plans and did not specify any target for reduction in arrear demand or cash collection. For the year 2019-20 also, analysis of achievement could not be made for want of sufficient data. The analysis of comparable achievement for the FYs 2019-20 to 2021-22 with the earlier periods could not be made in view of the Covid pandemic.

<sup>101</sup> Provisional figures as mentioned in the Central Action Plans of the CBDT

On the basis of CAP-I statement of all the 19 regions for years 2017-18, 2018-19 and 2019-20, an analysis of region-wise target and achievement of reduction in demand was done, as shown in Table 7.9 below:

| Table 7.9: Target and Achievement in Reduction of Arrear Demand (Region Wise)                          |                               |                                       |                  |                              |                                       |                  |                              |                                       |                  |                              |                  |                  |
|--------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------|------------------|------------------------------|---------------------------------------|------------------|------------------------------|---------------------------------------|------------------|------------------------------|------------------|------------------|
| (₹ in crore)                                                                                           |                               |                                       |                  |                              |                                       |                  |                              |                                       |                  |                              |                  |                  |
| Sl. No.                                                                                                | Region                        | 2017-18                               |                  |                              | 2018-19                               |                  |                              | 2019-20                               |                  |                              | 2020-21          | 2021-22          |
|                                                                                                        |                               | Target for Reduction in Arrear Demand | Actual Reduction | Achievement (as % of Target) | Target for Reduction in Arrear Demand | Actual Reduction | Achievement (as % of Target) | Target for Reduction in Arrear Demand | Actual Reduction | Achievement (as % of Target) | Actual Reduction | Actual Reduction |
| 1                                                                                                      | Andhra Pradesh & Telangana    | 11,998                                | 6,480            | 54.01                        | 11,481                                | 5,786            | 50.40                        | 12,228                                | 5,075            | 41.50                        | 10,297           | 6,117            |
| 2                                                                                                      | Bengaluru                     | 14,332                                | 13,133           | 91.63                        | 16,341                                | 11,397           | 69.74                        | 17,813                                | 8,024            | 45.05                        | 4,993            | 7,520            |
| 3                                                                                                      | Bhubaneswar                   | 1,886                                 | 1,861            | 98.67                        | 2,166                                 | 2,015            | 93.03                        | 2,399                                 | 474              | 19.76                        | 543              | 977              |
| 4                                                                                                      | Bihar & Jharkhand             | 3,418                                 | 2,068            | 60.50                        | 3,469                                 | 1,350            | 38.92                        | 3,564                                 | 879              | 24.66                        | 748              | 712              |
| 5                                                                                                      | Delhi                         | 81,247                                | 48,579           | 59.79                        | 92,645                                | 85,603           | 92.40                        | 1,07,405                              | 30,211           | 28.13                        | 20,267           | 22,677           |
| 6                                                                                                      | Gujarat                       | 16,264                                | 9,346            | 57.46                        | 23,179                                | 10,461           | 45.13                        | 28,354                                | 9,405            | 33.17                        | 4,115            | 6,869            |
| 7                                                                                                      | International Taxation, Delhi | 49,873                                | 17,437           | 34.96                        | 54,202                                | 10,551           | 19.47                        | 53,532                                | 8,099            | 15.13                        | 7,448            | 42,645           |
| 8                                                                                                      | Kerala                        | 2,423                                 | 1,421            | 58.65                        | 2,912                                 | 2,144            | 73.63                        | 3,699                                 | 1,720            | 46.50                        | 1,680            | 979              |
| 9                                                                                                      | Lucknow, UP East              | 8,789                                 | 1,513            | 17.21                        | 10,973                                | 2,619            | 23.87                        | 11,391                                | 1643             | 14.42                        | 742              | 1,000            |
| 10                                                                                                     | MP & Chhattisgarh             | 5,773                                 | 3,514            | 60.87                        | 7,205                                 | 1,435            | 19.92                        | 9,963                                 | 3,197            | 32.09                        | 3,452            | 2,890            |
| 11                                                                                                     | Mumbai                        | 1,42,122                              | 156,789          | 110.32                       | 156,124                               | 34,751           | 22.26                        | 1,81,985                              | 54,661           | 30.04                        | 16,560           | 25,692           |
| 12                                                                                                     | Nagpur                        | 615                                   | 463              | 75.28                        | 610                                   | 415              | 68.03                        | 755                                   | 493              | 65.30                        | 334              | 221              |
| 13                                                                                                     | North-East Region             | 463                                   | 352              | 76.03                        | 468                                   | 386              | 82.48                        | 497                                   | 344              | 69.22                        | 289              | 290              |
| 14                                                                                                     | North-West Region             | 8,250                                 | 5,333            | 64.64                        | 9,281                                 | 3,843            | 41.41                        | 12,383                                | 6,101            | 49.27                        | NA               | NA               |
| 15                                                                                                     | Pune                          | 13,214                                | 9,901            | 74.93                        | 11,311                                | 6,537            | 57.79                        | 13,973                                | 8,505            | 60.87                        | 4,994            | 6,109            |
| 16                                                                                                     | Rajasthan                     | 2,815                                 | 1,900            | 67.50                        | 2,568                                 | 3,120            | 121.50                       | 2,581                                 | 1,301            | 50.41                        | 737              | 854              |
| 17                                                                                                     | Tamil Nadu                    | 16,115                                | 22,277           | 138.24                       | 10,587                                | 8,885            | 83.92                        | 11,660                                | 6,864            | 58.87                        | 3,994            | 9,914            |
| 18                                                                                                     | UP West & Uttarakhand         | 9,710                                 | 3,543            | 36.49                        | 3,302                                 | 1,169            | 35.40                        | 4,438                                 | 784              | 17.67                        | 819              | 1,229            |
| 19                                                                                                     | West Bengal & Sikkim          | 31,527                                | 18,155           | 57.59                        | 30,276                                | 6,345            | 20.96                        | 32,438                                | 4,749            | 14.64                        | 2,249            | 4,244            |
| <b>Total</b>                                                                                           |                               | <b>4,20,834</b>                       | <b>3,24,065</b>  | <b>77.01</b>                 | <b>4,49,100</b>                       | <b>1,98,812</b>  | <b>44.27</b>                 | <b>5,11,058</b>                       | <b>1,52,529</b>  | <b>29.85</b>                 | <b>84,261</b>    | <b>1,40,939</b>  |
| Source for Target: Chapter II of Central Action Plan of CBDT for 2017-18, 2018-19 & 2019-20.           |                               |                                       |                  |                              |                                       |                  |                              |                                       |                  |                              |                  |                  |
| Source for Achievement: Sl. No. 6 & 7, Col 4 & 5 i.e. IT & CT of arrear in CAP-I of respective region. |                               |                                       |                  |                              |                                       |                  |                              |                                       |                  |                              |                  |                  |

The analysis of above table showed the following facts in respect of 19 regions:

1. Mumbai & Tamil Nadu regions achieved target in 2017-18 and Rajasthan region achieved target in 2018-19.
2. The percentage of shortfall in achievement of targets ranged from 1.33 per cent (Bhubaneswar) to 82.79 per cent (UP East) in the year 2017-18; 6.97 per cent (Bhubaneswar) to 80.53 per cent (International Taxation) in 2018-19 and 30.78 percent (North East Region) to 85.58 per cent (UP East) in 2019-20.

3. Shortfall in achievement of target was more than 50 *per cent* in three regions<sup>102</sup> (2017-18), nine regions<sup>103</sup> (2018-19) and 14 regions<sup>104</sup> (2019-20).
4. The shortfall in overall achievement of the targets (for the 19 regions) increased from 23 *per cent* in 2017-18 to 70.15 *per cent* in 2019-20.
5. The CBDT has not fixed any region-wise target for 2020-21 and 2021-22.

On the basis of CAP-I statement of all the 19 regions for years 2017-18, 2018-19 and 2019-20, an analysis of region-wise target and achievement of cash collection, is shown in Table 7.10 below:

| Table 7.10: Target and Achievement of cash collection out of arrear demand (Region-wise)           |                            |                            |                   |                            |                            |                   |                            |                            |                   |                            |                   |                   |
|----------------------------------------------------------------------------------------------------|----------------------------|----------------------------|-------------------|----------------------------|----------------------------|-------------------|----------------------------|----------------------------|-------------------|----------------------------|-------------------|-------------------|
| (₹ in crore)                                                                                       |                            |                            |                   |                            |                            |                   |                            |                            |                   |                            |                   |                   |
| Sl. No.                                                                                            | Pr. CCIT Region            | 2017-18                    |                   |                            | 2018-19                    |                   |                            | 2019-20                    |                   |                            | 2020-21           | 2021-22           |
|                                                                                                    |                            | Target for cash collection | Actual Collection | Achievement as % of Target | Target for cash collection | Actual Collection | Achievement as % of Target | Target for cash collection | Actual Collection | Achievement as % of Target | Actual Collection | Actual Collection |
| 1                                                                                                  | Andhra Pradesh & Telangana | 2,341                      | 1,645             | 70.27                      | 1,678                      | 853               | 50.83                      | 2,488                      | 1,197             | 48.11                      | 1,431             | 1,804             |
| 2                                                                                                  | Bengaluru                  | 3,431                      | 6,479             | 188.84                     | 3,507                      | 6,043             | 172.31                     | 4,211                      | 2,045             | 48.56                      | 2,942             | 3,641             |
| 3                                                                                                  | Bhubaneswar                | 469                        | 362               | 77.19                      | 769                        | 707               | 91.94                      | 2,281                      | 259               | 11.35                      | 376               | 802               |
| 4                                                                                                  | Bihar & Jharkhand          | 456                        | 776               | 170.18                     | 684                        | 420               | 61.40                      | 679                        | 327               | 48.16                      | 252               | 372               |
| 5                                                                                                  | Delhi                      | 16,715                     | 5,134             | 30.71                      | 11,885                     | 6,502             | 54.71                      | 18,513                     | 4,194             | 22.65                      | 4,187             | 4,388             |
| 6                                                                                                  | Gujarat                    | 2,379                      | 1,893             | 79.57                      | 2,718                      | 1,963             | 72.22                      | 3,081                      | 1,385             | 44.95                      | 1,767             | 1,352             |
| 7                                                                                                  | Kerala                     | 702                        | 393               | 55.98                      | 782                        | 911               | 116.50                     | 1,005                      | 436               | 43.38                      | 576               | 476               |
| 8                                                                                                  | Lucknow, UP East           | 3,701                      | 412               | 11.13                      | 2,366                      | 431               | 18.22                      | 1,570                      | 292               | 18.60                      | 364               | 480               |
| 9                                                                                                  | MP & Chhattisgarh          | 1,045                      | 1,379             | 131.96                     | 1,421                      | 411               | 28.92                      | 2,987                      | 1,201             | 40.21                      | 635               | 1,206             |
| 10                                                                                                 | Mumbai                     | 18,923                     | 9,224             | 48.74                      | 20,906                     | 8,543             | 40.86                      | 24,684                     | 7,080             | 28.68                      | 7,993             | 10,574            |
| 11                                                                                                 | Nagpur                     | 90                         | 69                | 76.67                      | 134                        | 90                | 67.16                      | 81                         | 60                | 74.07                      | 85                | 81                |
| 12                                                                                                 | North-East Region          | 79                         | 91                | 115.19                     | 91                         | 93                | 102.20                     | 91                         | 79                | 86.81                      | 127               | 113               |
| 13                                                                                                 | North-West Region          | 1,543                      | 1,089             | 70.58                      | 1,563                      | 755               | 48.30                      | 2,540                      | 1,143             | 45.00                      | NA                | NA                |
| 14                                                                                                 | Pr. CCIT (Intl. Tax.)      | 7,208                      | 4,311             | 59.81                      | 11,685                     | 6,045             | 51.73                      | 8,257                      | 1,199             | 14.52                      | 2,430             | 1,955             |
| 15                                                                                                 | Pune                       | 1,343                      | 1,643             | 122.34                     | 1,062                      | 1,790             | 168.55                     | 1,674                      | 1,153             | 68.88                      | 1,370             | 1,624             |
| 16                                                                                                 | Rajasthan                  | 651                        | 809               | 124.27                     | 552                        | 862               | 156.16                     | 575                        | 576               | 100.17                     | 491               | 369               |
| 17                                                                                                 | Tamil Nadu                 | 4,297                      | 4,882             | 113.61                     | 1,784                      | 2,374             | 133.07                     | 2,853                      | 3,013             | 105.61                     | 1,880             | 3,779             |
| 18                                                                                                 | UP West & Uttarakhand      | 1,737                      | 2,252             | 129.65                     | 604                        | 247               | 40.89                      | 1,317                      | 405               | 30.75                      | 305               | 927               |
| 19                                                                                                 | WB & Sikkim                | 4,402                      | 1,642             | 37.30                      | 4,694                      | 1,560             | 33.23                      | 4,802                      | 1,100             | 22.91                      | 1,396             | 1,930             |
| <b>Total</b>                                                                                       |                            | <b>71,512</b>              | <b>44,485</b>     | <b>62.21</b>               | <b>68,885</b>              | <b>40,600</b>     | <b>58.94</b>               | <b>83,689</b>              | <b>27,144</b>     | <b>32.43</b>               | <b>28,607</b>     | <b>35,873</b>     |
| Source for Target: Chapter II of Central Action Plan of CBDT for years 2017-18, 2018-19 & 2019-20. |                            |                            |                   |                            |                            |                   |                            |                            |                   |                            |                   |                   |
| Source for Achievement: Sl. No. 6, Col 4 & 5 i.e. IT & CT of arrear in CAP-I of respective region. |                            |                            |                   |                            |                            |                   |                            |                            |                   |                            |                   |                   |

<sup>102</sup> International Taxation, UP East, UP West

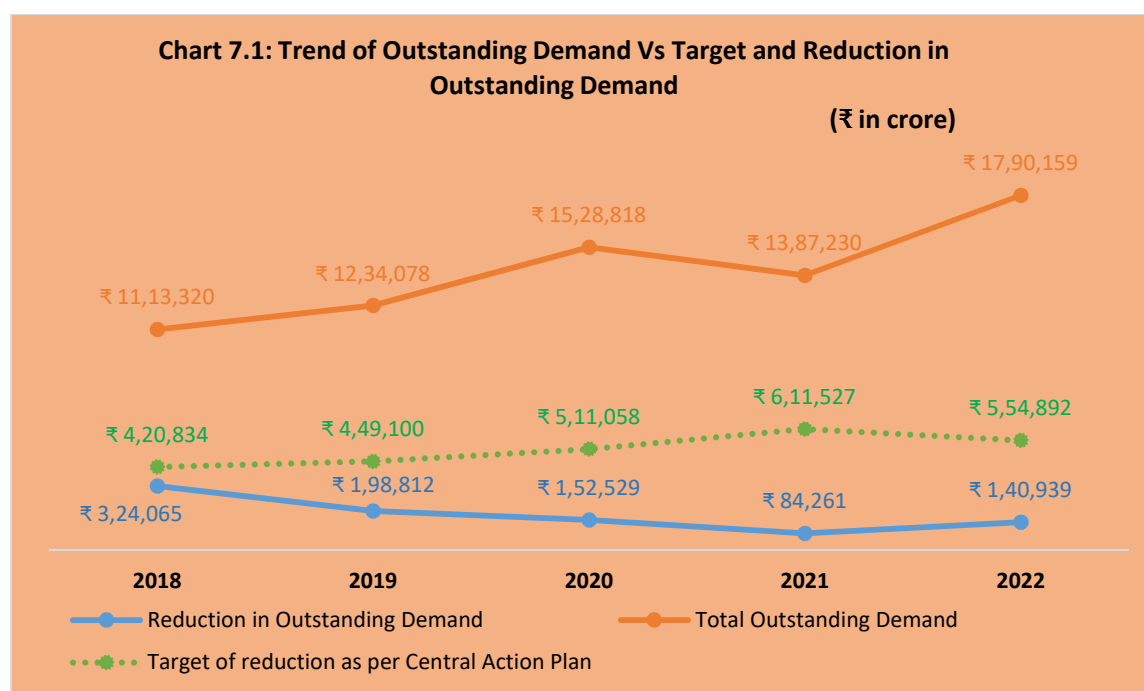
<sup>103</sup> Bihar & Jharkhand, Gujarat, International Taxation, UP East, MP & Chhattisgarh, Mumbai, NWR, UP West, West Bengal & Sikkim

<sup>104</sup> AP & Telangana, Bengaluru, Bhubaneswar, Bihar & Jharkhand, Delhi, Gujarat, International Taxation, Kerala, UP East, MP & Chhattisgarh, Mumbai, NWR, UP West, West Bengal & Sikkim

On the basis of the above table, the following observations are made:

1. Targets fixed for cash collection were not achieved by 11 regions<sup>105</sup> in the year 2017-18, 13 regions<sup>106</sup> in the year 2018-19 and 17 regions<sup>107</sup> in the year 2019-20.
2. The shortfall in achievement of cash collection was above 50 *per cent* in three regions viz., Mumbai, UP (East) and West Bengal & Sikkim for all the three years.
3. The shortfall in overall cash collection target for pan-India was increased year after year from 37.79 *per cent* in 2017-18, to 41.06 *per cent* in 2018-19 and to 67.57 *per cent* in 2019-20.
4. The CBDT has not fixed any region-wise target for 2020-21 and 2021-22.

Details of outstanding demand, targets fixed by the CBDT and reduction of outstanding demand from the year ending 31<sup>st</sup> March 2018 to 31<sup>st</sup> March 2022 as per CAP-I statement have been presented through Chart 7.1 below:



Source: Total Outstanding Demand & Reduction in Outstanding Demand from the CAP-Statements from all regions. Target for reduction in Outstanding Demand from Annual Central Action Plans of CBDT

<sup>105</sup> AP & Telangana, Bhubaneswar, Delhi, Gujarat, Kerala, UP East, Mumbai, Nagpur, NWR, International Taxation, West Bengal & Sikkim

<sup>106</sup> AP & Telangana, Bhubaneswar, Bihar & Jharkhand, Delhi, Gujarat, UP East, MP & Chhattisgarh, Mumbai, Nagpur, NWR, International Taxation, UP West, West Bengal & Sikkim

<sup>107</sup> AP & Telangana, Bengaluru, Bhubaneswar, Bihar & Jharkhand, Delhi, Gujarat, Kerala, UP East, MP & Chhattisgarh, Mumbai, Nagpur, NER, NWR, International Taxation, Pune, UP West, West Bengal & Sikkim

From the above Chart, it can be seen that the total outstanding demand has been increasing constantly over the years except in the year ending March 2021. It can be seen that target of 40 *per cent* has never been achieved.

### Results of analysis

1. The CBDT had been fixing target for cash collection alone till 2016-17, and no target for reduction in arrear demand were fixed. It was with effect from 2017-18, that the CBDT has started fixing target for reduction in arrear demand in addition to cash collection. As per the CAP-I statement provided by the CBDT, cash collection for the Year ending March 2021 and March 2022 was ₹ 32,025 crore (96.69%) and ₹ 38,555 crore (71.15%) respectively against the arrear demand, whereas cash collection was ₹ 1,095 crore (3.31%) and ₹ 15,628 crore (28.84%) respectively against the current demand.
2. For the years 2017-18 to 2019-20, the CBDT fixed the target for reduction in arrear demand at an overall uniform rate of 40 *per cent* across all the regions.
3. No targets were fixed for reduction of outstanding demand for the years 2020-21 and 2021-22. Achievements for the year 2019-20 and 2020-21 were not reported to the CBDT, as no full-fledged Central Action Plans were prepared during these years.
4. The CBDT, on the one hand categorised 97 to 98 *per cent* of its total arrears as “demand difficult to recover”, and on the other hand fixes a target of 40 *per cent* for reduction in arrear demand in its annual CAPs. Thus, categorisation of major part of arrears of demand as “demand difficult to recover” and uniform fixation of target at 40 *per cent* for reduction in arrears of demand remained unrealistic.
5. Targets were being fixed without considering any risk profiling, as envisaged in the Vision 2020 document - Strategic Plan 2011-15. The uniform target of 40 *per cent* reduction of arrear demand by the CBDT suggested that ageing, monetary, category, assessee profile or other factors were not considered while fixing the targets.

The analysis showed there was really no reduction in arrear demands as envisaged by the CBDT in its CAPs; rather there had been an increase year on year owing to non-achievement of targets and addition of new unpaid demands every year. The fixing of uniform *percentage* year after year, without any analysis of reasons for shortfall in achievement, was not effective in ensuring reduction in arrears of demands.

**Recommendation 15:**

**The CBDT may ensure that:-**

- (i) Realistic targets for reducing outstanding demand may be fixed considering risk factors like age, amount of demand, possession of assets by assessee, status of pendency in appeals, assessee not traceability, etc. Clearing arrear demand should be prioritised.**
- (ii) Risk-profiling techniques adopted by the CBDT to fix targets for cash collections may also used to fix targets for reducing arrear demands with appropriate changes.**
- (iii) Targets for reduction in arrear demand are fixed after considering various aspects on a Region-wise/jurisdiction-wise basis including past performance, nature/ type of assessee, etc. Fixing uniform targets without considering factors specific to the jurisdiction, assessments, etc., is not logical.**

The Ministry, in its reply, stated (June 2023) that the targets for the reduction of arrear demand are fixed after due deliberation and based on recommendations of a High-level Taskforce headed by an officer, not below the rank of Pr CCIT. These targets are fixed after taking into consideration various factors like age and amount of demand, status of pendency in appeals, etc., which impact the reduction and recovery of tax arrears. The same is worked on a formula devised in this regard, which is applied to all Pr CCIT regions. The measures for recovery of taxes were detrimentally impacted due to covid pandemic in FY 2020-21 and 2021-22, wherein adverse coercive actions were not taken in view of the severity of the pandemic. The Ministry, while referring to some of the states like Tamil Nadu, Mumbai, Orissa, Rajasthan and Delhi, stated that these states either achieved the target or reached close to the target for reduction of outstanding demand in the year 2018-19. Further, all regions might not demonstrate the same achievement, the overall target does not seem to be impractical or unrealistic.

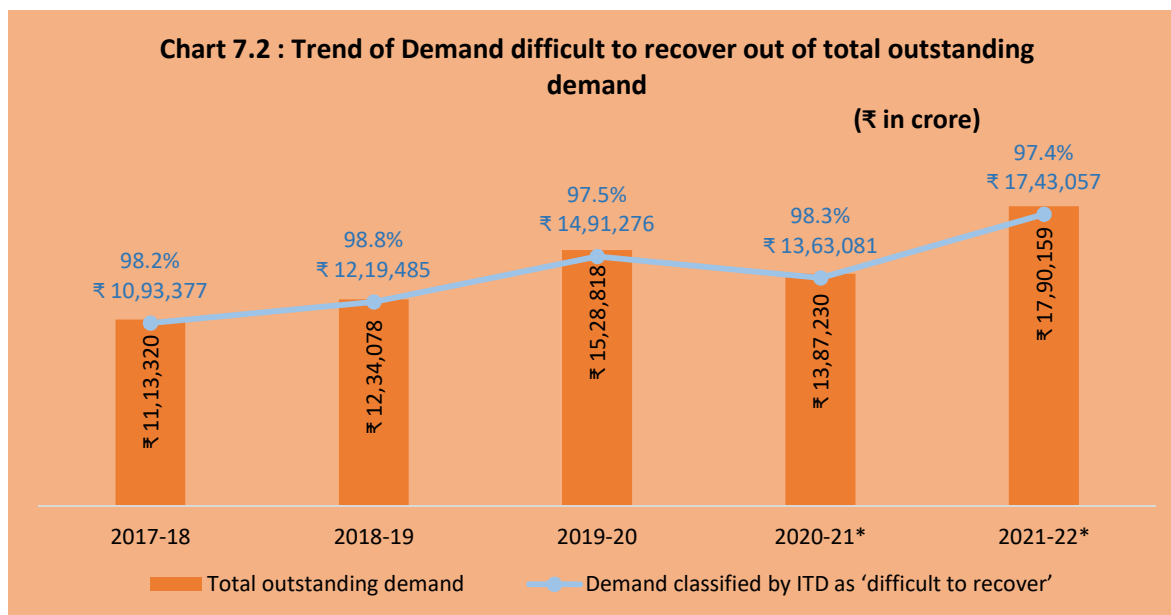
***The reply furnished by the Ministry is not tenable, as achievement in some regions was nowhere close to the target whereas, in some regions, achievement was very high vis-à-vis target fixed, which is indicative of the fact that the risk factors involved were not properly analysed while fixing a uniform target of 40 per cent for reduction in arrear demand.***

### **7.3.2 Demand difficult to recover**

Audit analysed the pan-India outstanding demand and its classification by the ITD to ascertain its correctness, especially, the 'demand classified as difficult



to recover' for the years 2017-18 to 2021-22. The trend analysis of demand difficult to recover are shown in Chart 7.2 below:



Source: Summary of CAP-I statements of all 19 regions.

\* Data of North West Region (Chandigarh) was not made available to Audit.

The above chart shows that more than 97 *per cent* of the outstanding demand had been classified as 'demand difficult to recover' by the ITD.

In the CAG's Performance Audit Report No. 23 of 2011 also, it was reported that out of ₹ 1,96,092.07 crore of arrear demand reported by DIT(Recovery), an amount of ₹ 1,65,337.42 crore (84.3 *per cent*) was categorized as unrealizable.

Audit analysed the 'outstanding demand' and 'demand difficult to recover' from the CAP-I data of all 19 Pr. CCIT regions, for the financial years ended in March 2018, 2019, 2020, 2021 and 2022. Details of analysis are shown in Table 7.11 below:

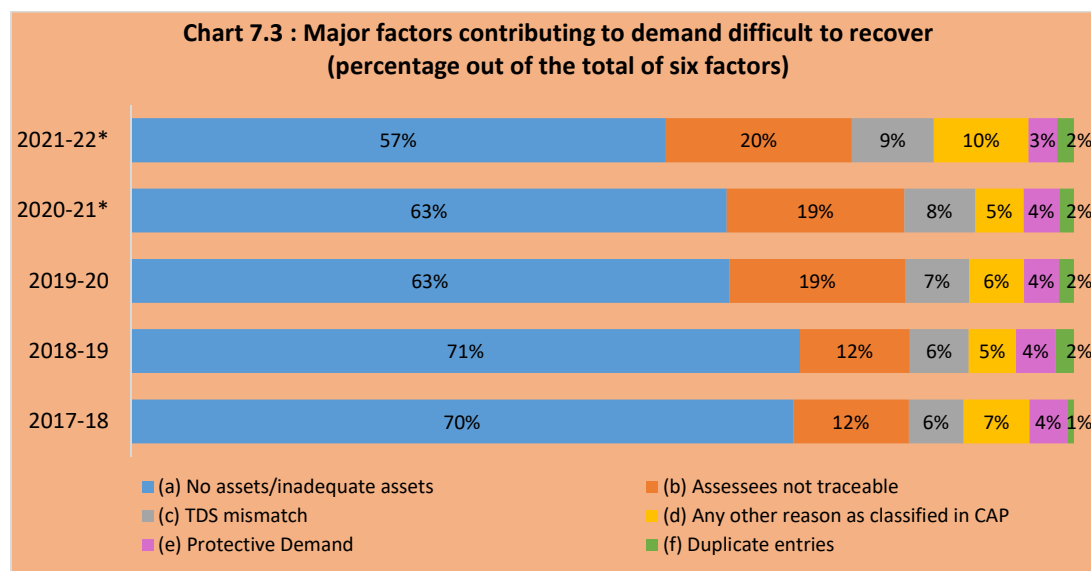
| For the year ended | Total Outstanding Demand |           |            | Demand Difficult to Recover |           |            | Net Collectible Demand |        |            |
|--------------------|--------------------------|-----------|------------|-----------------------------|-----------|------------|------------------------|--------|------------|
|                    | DIT (O&M)                | CAP-I     | Difference | DIT (O&M)                   | CAP-I     | Difference | DIT (O&M)              | CAP-I  | Difference |
| Mar-18             | 11,14,182                | 11,13,320 | 862        | 10,94,023                   | 10,93,377 | 646        | 20,159                 | 19,943 | 216        |
| Mar-19             | 12,34,078                | 12,34,078 | Nil        | 12,19,485                   | 12,19,485 | Nil        | 14,593                 | 14,593 | Nil        |
| Mar-20             | 16,18,954                | 15,28,818 | 90,136     | 15,80,220                   | 14,91,276 | 88,944     | 38,734                 | 37,542 | 1,192      |
| Mar-21             | 15,11,618                | 13,87,230 | 1,24,388   | 14,85,289                   | 13,63,081 | 1,22,208   | 26,473                 | 24,149 | 2,324      |
| Mar-22*            | --                       | 17,90,159 | --         | --                          | 17,43,057 | --         | --                     | 47,102 | --         |

Source: DIT (O&M) Figures adopted from Table 1.21 of CAG's AR 29/2022  
Source: Summary of CAP-I statements of all 19 regions.  
\* Data of Pr.CCIT North West Region (Chandigarh) not included as not made available to Audit.

The above table indicates variation in the figures of outstanding demand furnished by the Directorate of Income Tax (Organisation & Management)

Services and the consolidated data of outstanding demand taken from CAP-I statements of all Pr. CCsIT regions in respect of the years ended March 2018 and March 2020.

The details of all the factors, which provide for such categorization are given in **Appendix 13**. The major factors that cause the outstanding demand to be categorized as 'demand difficult to recover' are given in Chart 7.3 below:



Source: Summary of CAP-I statements of all regions (except NWR for 2020-21 and 2021-22)

\* Data of Pr. CCIT North-West Region (Chandigarh) not included as not made available to Audit.

### 7.3.3 Demands locked up in appeals

Audit requested statistical details of demands pending with various appellate authorities as on 31 March of the years 2018, 2019, 2020, 2021 and 2022 from the ITD. The requisite details were not furnished by the ITD (February 2024). The required details were extracted by Audit from the CAP-I statement in respect of all the 19 Pr. CCsIT for analysis (except North West Region for the years 2021 and 2022), as shown in Table 7.12 below:

| Table 7.12: Details of demands locked up in appeals                                            |              |              |              |              |              |
|------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                                                                | (₹ in crore) |              |              |              |              |
| Description                                                                                    | 2017-18      | 2018-19      | 2019-20      | 2020-21*     | 2021-22*     |
| Total Outstanding Demand                                                                       | 11,13,319.63 | 12,34,078.22 | 15,28,817.81 | 13,87,229.61 | 17,90,159.39 |
| Amount locked up in litigation with CIT(A) – (a)                                               | 4,08,117.63  | 6,24,726.98  | 6,51,225.76  | 6,91,780.43  | 7,53,377.63  |
| Amount locked up in litigation with (ITAT, High Court/Supreme Court) – (b)                     | 2,91,110.46  | 3,27,824.85  | 2,93,235.86  | 3,14,591.54  | 2,99,212.32  |
| Total amount locked up in appeal (a) + (b)                                                     | 6,99,228.09  | 9,52,551.83  | 9,44,461.62  | 10,06,371.97 | 10,52,589.95 |
| Percentage of amount locked up In litigation                                                   | 62.81        | 77.19        | 61.77        | 72.55        | 58.80        |
| Source: Summary of CAP-I statements of all regions                                             |              |              |              |              |              |
| * Data of Pr. CCIT North West Region (Chandigarh) not included as not made available to Audit. |              |              |              |              |              |

The above table indicates that the amounts locked up in litigation ranges from 59 *per cent* to 77 *per cent* and is a major cause for non-achievement of the targets for reduction of outstanding demand.

The region-wise details of total amount pending at various levels of appeal are given in **Appendix 14**.

#### **Initiatives taken by the CBDT**

The CBDT has recognised the impact of high number of litigations and made a series of policy decisions<sup>108</sup> like substantial increase in monetary limits for filing appeals, committees for minimizing and strengthening management of cases pending with various appellate authorities etc. In order to reduce the demand pending in appeal cases, Government of India announced the Vivad-se-Vishwas Scheme in the Budget 2020.

#### **Vivad se Vishwas Scheme**

The Government announced *Vivad-se-Vishwas* Scheme in the Budget 2020 for settling tax disputes between assesseees and ITD. The scheme offered complete waiver of interest and penalty to the taxpayers with a full and final settlement of the disputed tax, if availed by 31 March 2020. The scheme was applicable to all appeals/petitions filed by the taxpayers or ITD, which were pending until 31 January 2020, before any appellate forum. In essence, it offered complete waiver of interest and penalty if the taxpayer agreed to pay the disputed tax amount by 31 March 2020. The scheme aimed at reducing 4,83,000 direct tax-related cases pending in various appellate forums. The Government extended the deadline for making payment under the scheme till 31 October 2021.

With a view to ascertain the tax-payers response to the scheme, Audit sought (May 2021) the data on the total number of assesseees who opted for the Scheme, total amount realised, the amount of penalty and interest waived, etc., as on 31 March 2021. The response from the Pr. CCsIT is still awaited (March 2024).

In a written reply to the Lok Sabha, (August 2021) it was stated that over 1.32 lakh declarations, entailing disputed tax of ₹ 99,756 crore, had been filed under the scheme, and the government had received ₹ 53,684 crore through Vivad-se-Vishwas Scheme.

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<sup>108</sup> Office Memoranda dated 17 July 2014 and 05 September 2016

### 7.3.4 Assesseees not traceable

The CBDT envisaged<sup>109</sup> urgent review of the cases of ‘assesseees not traceable’ or ‘No assets for recovery’ to see whether further efforts can locate the assessee or assets besides exploring all avenues of available information to act as per the procedures laid down.

The CBDT in its Central Action Plan 2019-20 had stated that the assesseees could be traced with concerted efforts, including internet search and enquiries through banks. For ‘Assesseees not traceable’ cases, the Central Action Plan fixes uniform five *per cent* target per year for recovery of tax demand, through cash collection from assesseees.

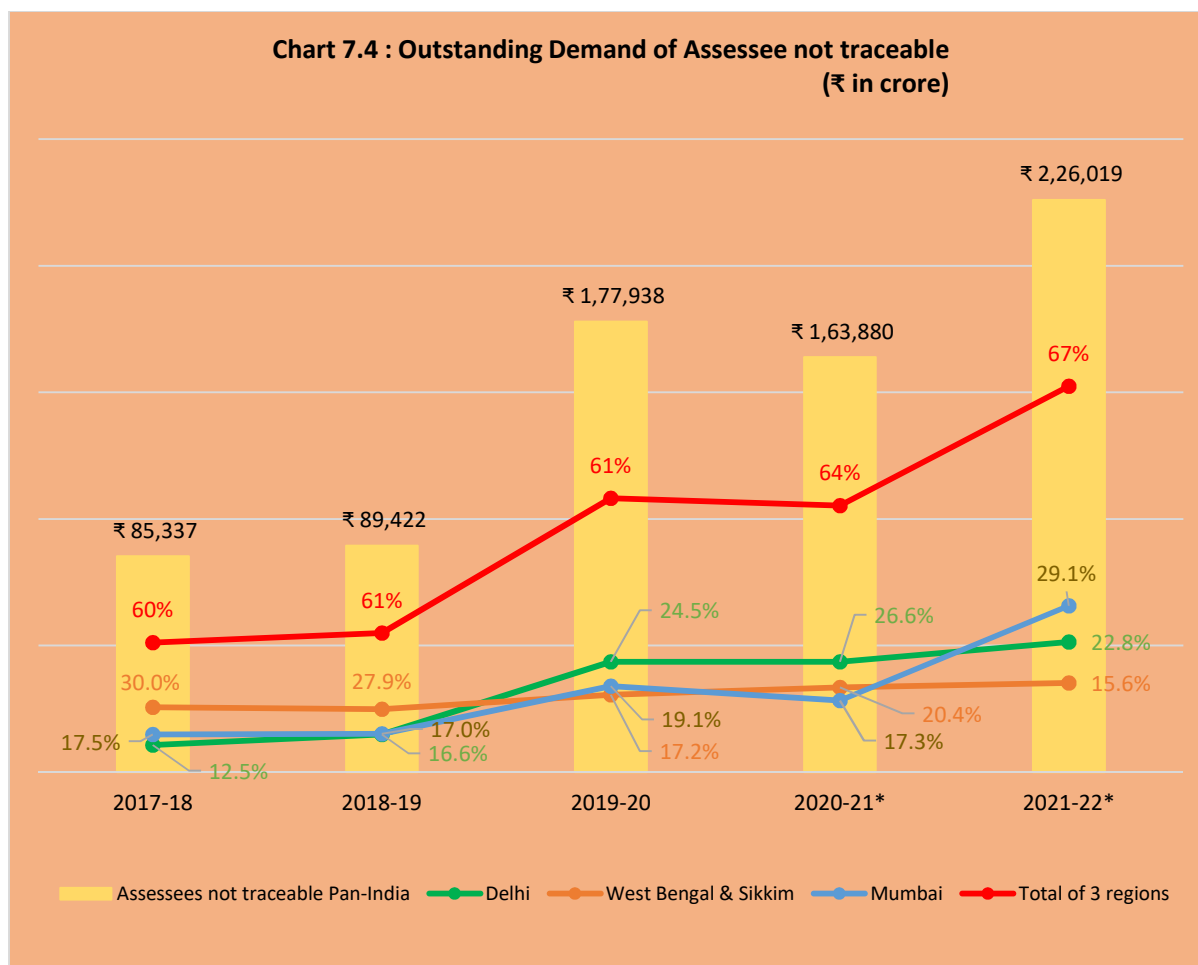
Analysis of CAP-I statements for the period 2017-18 to 2021-22 showed that the demand outstanding against this category had more than doubled from ₹ 85,337.15 crore in 2017-18 to ₹ 1,77,938.44 crore in 2019-20, and nearly tripled to ₹ 2,26,019.26 crore in 2021-22.

In this regard, during Exit Conference, the PCIT, Chennai I Commissionerate, which had ₹ 6,497 crores against ‘assessee not traceable’ for the year ending March 2022, attributed (May 2022) the increase to ‘Operation Clean Money’ cases consequent to demonetisation in 2016. It was stated that the ITD did not get identity of assesseees from the banks. Further, there was a time gap between deposits and reopening of cases by the ITD during which period, the assesseees had already vacated the premises and could not be traced. In many cases, the assesseees were *benamies* and the assets and the real wealth did not belong to them. In these circumstances, the ITD observed that it would be difficult to collect the tax.

Audit noted that three regions, viz., Delhi, West Bengal & Sikkim and Mumbai contributed for more than 60 *per cent* of the pan-India demand classified as ‘demand difficult to recover’ due to Assesseees not traceable. A depiction of the total demand outstanding and outstanding demand of assessee not traceable in respect of three regions for the period from 2017-18 to 2021-22 is shown in chart 7.4 below:

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<sup>109</sup> CBDT’s Central Action Plan 2016-17



Source: Col. 9(b) of CAP-I statements of the respective regions.

\* Data of North West Region (Chandigarh) not included as CAP-I statement was not made available to Audit.

The figure of outstanding demand against the 'assessee not traceable' had more than doubled in 2019-20 and nearly tripled in 2021-22 from 2017-18, despite the fact, that the linking of PAN with Aadhar had been made mandatory, since July 2017.

As the ITD was not maintaining granular data for various categories of demand in CAP-I statement, the details furnished by the various authorities in AIS remained unmapped, resulting in non-identification of assessee under 'assessee not traceable'.

**Recommendation 16:**

**The CBDT needs to develop a mechanism of mapping the PAN details obtained from the various authorities in the AIS with the PAN details of demands categorised under 'Assessee not traceable' to identify and track the assessee, either at the time of assessment or after the completion of the assessment.**

### 7.3.5 Protective Demand

In Column 9(d) of CAP-I statement, the ITD exhibits a data of Outstanding Protective Demand under the head 'Demand difficult to recover'. Out of total demand difficult to recover of ₹ 17,43,057.13 crore, an amount of ₹ 34,627.71 crore was categorised under protective demand category for the year ended March 2022.

A Protective assessment is done when there is doubt regarding the ownership of an income. In such cases, the income is assessed in the substantive manner in the hands of the person who is strongly believed to be the recipient. If there is any other person who may be a likely recipient of the same income, a protective assessment is made in his hands as well as a matter of caution. This is to eliminate the chance of the assessment getting time barred by limitation.

The demand relatable to protective assessment is not to be enforced and should be kept in abeyance. This demand should be shown as 'demand not collectible' in the statements. The protective assessment becomes infructuous once the appellate authorities confirm the substantive assessment. If the substantive assessment gets knocked off in appeal, the protective assessment becomes substantive. Under these circumstances, inclusion of protective demand in the figure of outstanding demand is creating duplication as both substantive demand and protective demand are computed on the same income.

Thus, the practice of categorization of protective demands under the 'demands difficult to recover' requires to be reviewed and remedial action taken to reflect the correct status of the arrear demand.

Reply of the Ministry is awaited (March 2024).

### 7.3.6 TDS/ Pre-paid Taxes Mismatch

Mismatch of TDS and other pre-paid taxes was one of the reasons attributed by the ITD for classifying a demand as 'demand difficult to recover'. Audit observed that the outstanding demand under "TDS / Pre-paid Taxes mismatch" had increased from ₹ 40,555.36 crore to ₹ 99,658.33 crore during the period March 2018 to March 2022.

During the test check of records in selected assessment units, Audit observed in 966 cases that the assesseees had claimed the tax credit of ₹ 15,512.79 crore as TDS, Advance Tax and Self-Assessment Tax as of March 2020. However, the ITD allowed only an amount of ₹ 12,840.70 crore of tax credit to the assesseees because of mismatch in figures of prepaid taxes. Since, the ITD could not reconcile the balance of pre-paid taxes of ₹ 2,672.09 crore, this was categorised as 'demand difficult to recover' at Sl. No. 9(n) of CAP-I statement.

The total number of instances of such mismatches found and pending reconciliation are consolidated Pr.CCIT wise, as shown in the Table 7.13 below:

| <b>Table 7.13: Region wise analysis of short allowances TDS/Prepaid Taxes</b>                                                    |                                   |                     |                                             |                         |                      |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------|---------------------------------------------|-------------------------|----------------------|
| <b>Sl. No.</b>                                                                                                                   | <b>Region</b>                     | <b>No. of Cases</b> | <b>TDS/TCS/SAT/Advance Tax (₹ in crore)</b> |                         |                      |
|                                                                                                                                  |                                   |                     | <b>Claimed by Assessee</b>                  | <b>Allowed by Dept.</b> | <b>Short Allowed</b> |
| 1                                                                                                                                | Andhra Pradesh & Telangana        | 47                  | 58.16                                       | 37.48                   | 20.68                |
| 2                                                                                                                                | Bihar & Jharkhand                 | 6                   | 11.03                                       | 0.01                    | 11.02                |
| 3                                                                                                                                | Tamil Nādu                        | 4                   | 185.25                                      | 41.73                   | 143.52               |
| 4                                                                                                                                | Kerala                            | 2                   | 2.29                                        | 2.11                    | 0.18                 |
| 5                                                                                                                                | Gujarat                           | 77                  | 592.75                                      | 574.59                  | 18.16                |
| 6                                                                                                                                | Rajasthan                         | 42                  | 11.93                                       | 4.34                    | 7.59                 |
| 7                                                                                                                                | North West Region                 | 13                  | 9.50                                        | 0                       | 9.50                 |
| 8                                                                                                                                | North Eastern Region              | 34                  | 11.98                                       | 6.89                    | 5.09                 |
| 9                                                                                                                                | West Bengal & Sikkim              | 103                 | 118.49                                      | 91.97                   | 26.52                |
| 10                                                                                                                               | Lucknow, UP East                  | 5                   | 1.97                                        | 1.87                    | 0.10                 |
| 11                                                                                                                               | UP West & Uttarakhand             | 8                   | 5.97                                        | 3.94                    | 2.03                 |
| 12                                                                                                                               | Mumbai                            | 234                 | 7,750.95                                    | 7,200.76                | 550.19               |
| 13                                                                                                                               | Bengaluru                         | 121                 | 2,698.46                                    | 1,839.32                | 859.14               |
| 14                                                                                                                               | Delhi                             | 142                 | 2,178.14                                    | 1,982.91                | 195.23               |
| 15                                                                                                                               | International Taxation, New Delhi | 64                  | 1,856.84                                    | 1,039.47                | 817.37               |
| 16                                                                                                                               | MP & Chhattisgarh                 | 59                  | 12.81                                       | 12.26                   | 0.55                 |
|                                                                                                                                  | <b>Total</b>                      | <b>961</b>          | <b>15,506.52</b>                            | <b>12,839.65</b>        | <b>2,666.87</b>      |
| Source: Assessment Records from ITD. No comments offered in respect of Bhubaneswar region. Pune and Nagpur regions not selected. |                                   |                     |                                             |                         |                      |

Thus categorisation of TDS credits not allowed, as 'demand difficult to recover' in CAP-I statement is not reflective of the actual status because, taxes deducted at source and paid into Government account by the deductors or tax deposited by the assessee himself form part of pre-assessment collections, which have been credited to the government account.

Reply of the Ministry is awaited (March 2024).

The inclusion of protective demand in the figure of outstanding demand was not correct because both protective and substantive tax were charged on same income and inclusion of both taxes in the outstanding demand, will inflate the figure of outstanding demand.

Further, inclusion of cases where tax deducted at source had been deposited into Government account but, the deductee was yet to get the credit of TDS claimed, cannot be classified as 'demand difficult to recover' or outstanding demand.

**Recommendation 17 :**

The CBDT may review the classification of factors shown under the category 'demand difficult to recover', so that only actual outstanding demands are reflected in the CAP-I report. Capturing figures of protective demand and cases of TDS mismatch under 'demand difficult to recover' gives an incorrect picture of the status of outstanding demand.

**7.3.7 'Any other reason' as classified in CAP-I**

A review of the total outstanding demand shown as 'demand difficult to recover' in the CAP-I Statement and the reasons thereof, as per CAP-I statement of all the Pr.CCIT regions, showed that outstanding demands aggregating to ₹ 1,14,818.16 crore were categorised under 'any other reason' for the year ended 31 March 2022.

The ITD could not attribute any specific reason for classification of the above outstanding demand as 'demand difficult to recover'. Audit noticed that the quantum of arrear demand under this category had increased from ₹ 48,569.57 crore in 2018 to ₹ 1,14,818.16 crore in 2022, and the percentage of demand pending in CAP-I under 'any other reasons' had more than doubled compared to the previous years. The chances of recovery of these outstanding demands seem remote, as effective action depends on identifying initially the reasons for which the demand remained uncollected. In the absence of granular data, Audit could not test check any case to find the reason why demand has remained outstanding under this category for a long period.

Reply of the Ministry is awaited (March 2024).

**7.3.8 Write-off of uncollectable demand**

The ITD's Manual of Office Procedure (Consolidated) 2019 issued by CBDT contains the provisions of law relating to write-off of arrears of tax demand. The CBDT had issued instructions/guidelines from time to time on powers and monetary limits for write-off of arrears of tax demand. Tax arrears may be written-off by any one of the procedures: (i) Regular procedure for write-off (ii) Ad-hoc procedure and (iii) Summary procedure for write-off, as detailed in **Appendix 3A**.

As per the Manual of Office Procedure (Consolidated) 2019 Para 2.1 of Chapter 13 of MOP Volume-II (Technical) of CBDT, small demands not exceeding ₹ 1,000 in each case can be summarily written-off by the AOs without any further enquiry if the amount is outstanding for more than five years and the amount does not relate to any live case. Again arrears of tax up to ₹ 10,000 may be written-off under the 'ad-hoc' procedure provided they have been outstanding against each assessee for non-availability of assessment records



and detailed address of the assessee for at least three years immediately preceding the financial year during which they are proposed to be written-off.

Out of 18,88,365 outstanding demand cases pertaining to 262 units (out of sampled 279 units, as in 17 units of three regions details were not furnished), Audit observed that there were 8,43,190 eligible cases for Summary and Ad-hoc write-off and the total outstanding amount of such cases aggregated to ₹ 267.84 crore. Audit made an age-wise analysis of such cases and observed that 83 per cent of the cases were more than five years old, as shown in Table 7.14 below:

| Table 7.14: Age-wise analysis of outstanding demand not written-off<br>(₹ in crore) |                   |                 |                  |               |                 |               |
|-------------------------------------------------------------------------------------|-------------------|-----------------|------------------|---------------|-----------------|---------------|
| Category                                                                            | Summary Write off |                 | Ad-hoc Write off |               | Total           |               |
|                                                                                     | No. of Cases      | Money Value     | No. of Cases     | Money value   | No. of Cases    | Money value   |
| 3 to 5 Years                                                                        | Not Applicable*   | Not Applicable* | 92,900           | 32.12         | 92,900          | 32.12         |
| 5 to 10 years                                                                       | 1,92,968          | 68.15           | 2,80,457         | 97.44         | 4,73,425        | 165.59        |
| More than 10 years                                                                  | 1,23,593          | 26.24           | 1,53,272         | 43.89         | 2,76,865        | 70.13         |
| <b>Total</b>                                                                        | <b>3,16,561</b>   | <b>94.39</b>    | <b>5,26,629</b>  | <b>173.45</b> | <b>8,43,190</b> | <b>267.84</b> |
| * Demands pending for more than 05 years only eligible for Summary write off.       |                   |                 |                  |               |                 |               |

These cases had not been considered for write off either under summary or ad-hoc write off procedure. The pan-India status of outstanding demand 'pending write-off' (region wise) as per CAP-I Statement for the period ending March 2018, 2019, 2020, 2021 and 2022 have been shown in Table 7.15 below:

| Table 7.15: Details of total outstanding demand 'pending write off', as per CAP-I Statement<br>(Region wise)<br>(₹ in crore) |                               |                  |        |        |        |        |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------|--------|--------|--------|--------|
| Sl. No.                                                                                                                      | Region                        | Year ended March |        |        |        |        |
|                                                                                                                              |                               | 2018             | 2019   | 2020   | 2021*  | 2022*  |
| 1                                                                                                                            | Andhra Pradesh & Telangana    | 105.2            | 186    | 185.11 | 184.28 | 183.34 |
| 2                                                                                                                            | Bengaluru                     | 25.7             | 24.61  | 24.72  | 24.07  | 23.69  |
| 3                                                                                                                            | Bhubaneswar                   | 0.17             | 0.17   | 0.17   | 0.17   | 0.17   |
| 4                                                                                                                            | Bihar & Jharkhand             | 6.67             | 5.81   | 5.66   | 5.39   | 5.22   |
| 5                                                                                                                            | Delhi                         | 150.04           | 154.37 | 166.86 | 131.14 | 130.35 |
| 6                                                                                                                            | Gujarat                       | 217.57           | 217.06 | 187.21 | 187    | 186.65 |
| 7                                                                                                                            | Guwahati                      | 13.21            | 12.69  | 8.13   | 8.13   | 8      |
| 8                                                                                                                            | International Taxation, Delhi | 18.58            | 0      | 0      | 0      | 0      |
| 9                                                                                                                            | Kerala                        | 10.93            | 10.6   | 10.54  | 9.41   | 9.28   |
| 10                                                                                                                           | Lucknow, UP East              | 17.63            | 71.96  | 71.86  | 78.35  | 75.39  |
| 11                                                                                                                           | MP & Chhattisgarh             | 85.81            | 85.78  | 84.91  | 85.57  | 86.99  |

| Table 7.15: Details of total outstanding demand 'pending write off', as per CAP-I Statement (Region wise) |                       |                  |                 |                 |                 |                 |
|-----------------------------------------------------------------------------------------------------------|-----------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| (₹ in crore)                                                                                              |                       |                  |                 |                 |                 |                 |
| Sl. No.                                                                                                   | Region                | Year ended March |                 |                 |                 |                 |
|                                                                                                           |                       | 2018             | 2019            | 2020            | 2021*           | 2022*           |
| 12                                                                                                        | Mumbai                | 1,447.15         | 1,574.76        | 1,890.68        | 1,145.29        | 1928.18         |
| 13                                                                                                        | Nagpur                | 7.31             | 3.25            | 1.84            | 1.77            | 1.68            |
| 14                                                                                                        | North West Region     | 39.55            | 27.19           | 21.62           | NA              | NA              |
| 15                                                                                                        | Pune                  | 17.61            | 81.91           | 81.35           | 79.02           | 78.26           |
| 16                                                                                                        | Rajasthan             | 20.05            | 20.29           | 20.26           | 20.25           | 19.93           |
| 17                                                                                                        | Tamil Nadu            | 61.89            | 59              | 1,233.88        | 594.34          | 441.78          |
| 18                                                                                                        | UP West & Uttarakhand | 688.52           | 688.15          | 73.67           | 65.62           | 65.62           |
| 19                                                                                                        | West Bengal & Sikkim  | 207.72           | 208.14          | 200.89          | 168.96          | 167.4           |
|                                                                                                           | <b>Total</b>          | <b>3,141.31</b>  | <b>3,431.74</b> | <b>4,269.36</b> | <b>2,788.76</b> | <b>3,411.93</b> |
| Source: CAP-I statement of all regions                                                                    |                       |                  |                 |                 |                 |                 |
| * Data of North-West Region (Chandigarh) not included as CAP-I statement was not made available to Audit. |                       |                  |                 |                 |                 |                 |

The ITD had formed<sup>110</sup> a three-tier structure (local/regional/zonal committees) and fixed monetary ceilings for each authority to consider and recommend write-off as detailed in **Appendix 3B**. Details of functioning of these Committees and the number of cases considered by these Committees, were sought for from the ITD. Reply is awaited (February 2024).

The audit of the CAP-II statement for 16 regions revealed inefficiencies in the write-off process by the Departmental committees i.e. Local, Regional & Zonal committees. In four regions (Pr.CCsIT North East, Bhubaneswar, Bhopal, and Lucknow), no proposals were made to any of the three committees between the financial years ending March 2018 and March 2020. Further, only one proposal was made to the Regional committee by the Pr CCIT Bengaluru region from the year ending March 2018 to March 2020. In the Pr.CCIT Rajasthan region, seven proposals involving demand of ₹ 18.20 crore made during the year ending March 2018, remained unapproved by March 2020. Other regions also had pending proposals. Additionally, the format of CAP-II reflects both the number of proposals made and amount involved, but for information on 'approval received' the amount for which approval has been given for write off is not reflected, thus lacking complete information.

The audit noted that the ITD had not effectively monitored write-off of long-pending eligible arrears, which requires reviewing and strengthening the working of these committees (**Appendix 15**).

<sup>110</sup> Instruction No. 14/2003 dated 06 November 2003 read with F.NO.375/3/2002-IT(B) dated 18 November 2003

Thus, Audit observed that the ITD had not taken effective action to write off eligible arrear demand cases, which are pending for a long time. This issue was also raised in the CAG's Performance Audit Report No. 23 of 2011. The ITD may review the effectiveness of these committees and strengthen them.

The procedures for write-off prescribed in the ITD's Manual of Office Procedure (Consolidated) 2019 to identify and dispose of uncollectible demands were not followed effectively.

**Recommendation 18:**

**The CBDT may ensure that:-**

- (i) The format of the CAP-II statement with regard to write-off cases is suitably modified to give adequate and correct information.**
- (ii) The formation of various committees and their functioning regarding the timely disposal of write-off cases are effectively monitored.**
- (iii) A periodical review of the outstanding demand to identify unrealisable demands is assessed and necessary action is taken in a timely manner to get these demands written off. The write-off of small money value cases should be taken up as a priority as it would result in a significant reduction in terms of the number of cases, if not in terms of money value.**

The Ministry in its reply stated (May 2023) that as per the existing CAP-II statement, the relevant information is adequately captured. The mechanism of formation of various committees depending upon the quantum of demand to be written off is already in place to examine the potential proposal for write-off as moved by the AOs. As per existing provisions, a mechanism is in place for time-to-time monitoring of write-off of demand, which is described elaborately in the TRO manual. Further, as per the existing arrangement as notified in the TRO Manual, local/regional committees are formed depending upon the quantum of outstanding demand involved.

***The Ministry's reply is not tenable as the CAP-II statement does not capture the opening balance and the amount approved by the committee for write-off. Further, in many regions, no proposal for write-off was made to the committee in selected years. The timely write-off of eligible cases can significantly reduce outstanding demand. ITD may review and consider the effectiveness of the committees' functioning.***

#### 7.4 Non-recovery of undisputed demand

Audit summarised age-wise details of 'undisputed demand' as per CAP-I statement, of all the regions, for the period ended March 2018, 2019, 2020, 2021 and 2022. Details are enclosed in the **Appendix 16**. The analysis for the year March 2022 is shown in Table 7.16 below:

| Table 7.16: Age-wise analysis of 'Demand not under Dispute' for the year ended March 2022 (Region Wise) |                            |                                |                    |                     |                 |                    |                                       |
|---------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------|--------------------|---------------------|-----------------|--------------------|---------------------------------------|
| (₹ in crore)                                                                                            |                            |                                |                    |                     |                 |                    |                                       |
| Sl. No.                                                                                                 | Pr. CCIT Region            | For the year ended March, 2022 |                    |                     |                 |                    | Percentage to Total Undisputed demand |
|                                                                                                         |                            | > 1Yr and ≤ 2 Yrs              | >2 Yrs and ≤ 5 Yrs | > 5 Yrs and ≤10 Yrs | > 10 Yrs        | Total              |                                       |
| 1                                                                                                       | Andhra Pradesh & Telangana | 12,799.96                      | 3,843.30           | 1,180.95            | 186.4           | 18,010.61          | 5.42                                  |
| 2                                                                                                       | Bengaluru                  | 10,643.96                      | 3,485.52           | 391.26              | 44.99           | 14,565.73          | 4.38                                  |
| 3                                                                                                       | Bhubaneswar                | 2,235.46                       | 331.81             | 39.07               | 3.56            | 2,609.90           | 0.79                                  |
| 4                                                                                                       | Bihar & Jharkhand          | 2,760.98                       | 2,379.14           | 317.34              | 104.3           | 5,561.76           | 1.67                                  |
| 5                                                                                                       | Delhi                      | 40,604.90                      | 51,153.64          | 925.18              | 5,850.92        | 98,534.64          | 29.66                                 |
| 6                                                                                                       | Gujarat                    | 21,838.58                      | 10,460.19          | 884.9               | 253.8           | 33,437.47          | 10.06                                 |
| 7                                                                                                       | Kerala                     | 1,115.88                       | 724.74             | 224.95              | 20.08           | 2,085.65           | 0.63                                  |
| 8                                                                                                       | Lucknow, UP East           | 7,643.59                       | 1,526.32           | 180.9               | 44.78           | 9,395.59           | 2.83                                  |
| 9                                                                                                       | MP & Chhattisgarh          | 4,680.03                       | 1,558.19           | 597.92              | 81.93           | 6,918.07           | 2.08                                  |
| 10                                                                                                      | Mumbai                     | 33,460.97                      | 14,824.88          | 1,046.92            | 196.4           | 49,529.17          | 14.91                                 |
| 11                                                                                                      | Nagpur                     | 1,407.77                       | 358.95             | 323.36              | 9.42            | 2,099.50           | 0.63                                  |
| 12                                                                                                      | North-East Region          | 529.74                         | 352.72             | 45.9                | 10.02           | 938.38             | 0.28                                  |
| 13                                                                                                      | North-West Region          | -                              | -                  | -                   | -               | -                  | -                                     |
| 14                                                                                                      | Pr. CCIT (Intl. Tax.)      | 4,961.36                       | 4,932.53           | 194.36              | 13.16           | 10,101.41          | 3.04                                  |
| 15                                                                                                      | Pune                       | 6,063.30                       | 3,667.25           | 355.95              | 157.29          | 10,243.79          | 3.08                                  |
| 16                                                                                                      | Rajasthan                  | 1,922.31                       | 748.15             | 83.23               | 7.78            | 2,761.47           | 0.83                                  |
| 17                                                                                                      | Tamil Nadu                 | 13,665.30                      | 5,962.99           | 347.72              | 52.91           | 20,028.92          | 6.03                                  |
| 18                                                                                                      | UP West & Uttarakhand      | 8,782.75                       | 2,869.65           | 685.57              | 85.39           | 12,423.36          | 3.74                                  |
| 19                                                                                                      | West Bengal & Sikkim       | 19,159.97                      | 13,276.43          | 494.79              | 62.55           | 32,993.74          | 9.93                                  |
|                                                                                                         | <b>Total</b>               | <b>1,94,276.81</b>             | <b>1,22,456.40</b> | <b>8,320.27</b>     | <b>7,185.68</b> | <b>3,32,239.16</b> | -                                     |
| Source: Col.12 of CAP-I statement of all regions for the period March 2022 (except NWR)                 |                            |                                |                    |                     |                 |                    |                                       |

The above table indicates, that pan-India, outstanding demand of ₹ 3,32,239.16 crore was classified by the ITD as 'demand not under dispute' for the period ended March 2022. Out of this demand, more than 50 *per cent* of the demand, amounting to ₹ 1.38 lakh crore was pending unrealized for over two years. Delhi region alone (₹ 98,534.00 crore) accounted for 30 *per cent* of the total undisputed demands pending realization as on 31/03/2022.

Reply of the Ministry is awaited (March 2024).

## 7.5 Demand raised under Summary assessments<sup>111</sup>

After an Income Tax Return has been filed by the assessee, the Return is processed by CPC-ITR, Bengaluru, according to the provisions of Section 143(1) of the Act (since 2010). This is also called Summary Assessment by the ITD.

The Act provides where any sum is determined to be payable by the assessee on the basis of summary assessment, the intimation issued under Section 143(1) is to be treated as a notice of demand under Section 156 of the Act. Hence, a demand raised or refund issued on the basis of summary assessment is final, if the case is not selected for scrutiny or not re-opened for any reason. The Jurisdictional AOs are supposed to pursue the demand raised in summary assessment like demand raised under any other section of the Act. The JAOs have to exercise same procedure for collection of all kinds of outstanding demand. Hence, the demands arising from summary assessments<sup>112</sup> (raised by CPC-ITR, Bengaluru), also have to be pursued/collected by the respective JAOs. However, Audit could not ascertain whether outstanding demand in respect of summary assessments are being pursued by JAOs; and such cases after exhausting the modes of demand recovery by JAOs, are being transferred to TRO for further action like attachment of property, etc.

From the outstanding demand details for the year ended March 2020, collected from 279 selected assessment units, Audit extracted the age-wise cases of demands, which were raised by CPC-ITR, Bengaluru under summary assessment, as detailed in Table 7.17 below:

| Sl. No. | Region                     | Less than three Years |                    | Between three and five Years |                    | More than five Years |                    | Total        |                    | Percentage |        |
|---------|----------------------------|-----------------------|--------------------|------------------------------|--------------------|----------------------|--------------------|--------------|--------------------|------------|--------|
|         |                            | No. of Cases          | Outstanding Amount | No. of Cases                 | Outstanding Amount | No. of Cases         | Outstanding Amount | No. of Cases | Outstanding Amount | Number     | Amount |
| 1       | 2                          | 3                     | 4                  | 5                            | 6                  | 7                    | 8                  | 9            | 10                 | 11         | 12     |
| 1       | Andhra Pradesh & Telangana | 33,280                | 2,280              | 16,020                       | 123                | 1,10,737             | 1,491              | 1,60,037     | 3,894              | 10.5       | 6.7    |
| 2       | Bengaluru                  | 51,586                | 5,918              | 23,558                       | 447                | 1,62,142             | 3,183              | 2,37,286     | 9,548              | 15.6       | 16.3   |
| 3       | Bhubaneswar                | 11,359                | 580                | 5,400                        | 53                 | 45,188               | 123                | 61,947       | 757                | 4.1        | 1.3    |
| 4       | Bihar & Jharkhand          | 31,964                | 337                | 18,465                       | 86                 | 1,24,728             | 296                | 1,75,157     | 719                | 11.5       | 1.2    |
| 5       | Delhi                      | 15,098                | 9,313              | 3,384                        | 271                | 23,936               | 1,457              | 42,418       | 11,041             | 2.8        | 18.9   |
| 6       | Gujarat                    | 28,201                | 2,686              | 12,940                       | 222                | 60,378               | 189                | 1,01,519     | 3,097              | 6.7        | 5.3    |

<sup>111</sup> Assessments where ITRs are checked for arithmetical accuracy, internal consistency, etc. Further, addition of income appearing in Form 26AS or Form 16A or Form 16, which has not been included in computing the total income in the return is also made. The process takes place with the available data in the ITR and without calling for records and information from the Assessee. This is non-intrusive in nature. After processing, if there is any demand due from the Assessee, it is communicated through a Demand Notice.

<sup>112</sup> Processing a case under Section 143(1) of the Act

| Table 7.17: Age-wise depiction of total demand raised by CPC under Summary Assessment and pending recovery as on 31 March 2020 (₹ in crore) |                               |                       |                    |                              |                    |                      |                    |                  |                    |            |        |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|--------------------|------------------------------|--------------------|----------------------|--------------------|------------------|--------------------|------------|--------|
| Sl. No.                                                                                                                                     | Region                        | Less than three Years |                    | Between three and five Years |                    | More than five Years |                    | Total            |                    | Percentage |        |
|                                                                                                                                             |                               | No. of Cases          | Outstanding Amount | No. of Cases                 | Outstanding Amount | No. of Cases         | Outstanding Amount | No. of Cases     | Outstanding Amount | Number     | Amount |
| 1                                                                                                                                           | 2                             | 3                     | 4                  | 5                            | 6                  | 7                    | 8                  | 9                | 10                 | 11         | 12     |
| 7                                                                                                                                           | International Taxation, Delhi | 1,247                 | 156                | 2,439                        | 372                | 3,201                | 517                | 6,887            | 1,046              | 0.5        | 1.8    |
| 8                                                                                                                                           | Kerala                        | 8,261                 | 88                 | 4,060                        | 55                 | 23,499               | 74                 | 35,820           | 217                | 2.3        | 0.4    |
| 9                                                                                                                                           | MP & Chhattisgarh             | 36,115                | 226                | 16,210                       | 27                 | 60,162               | 132                | 1,12,487         | 384                | 7.4        | 0.7    |
| 10                                                                                                                                          | Mumbai                        | 20,244                | 1,950              | 9,325                        | 62                 | 49,964               | 11,665             | 79,533           | 13,677             | 5.2        | 23.4   |
| 11                                                                                                                                          | North East Region             | 18,077                | 100                | 9,565                        | 19                 | 71,057               | 133                | 98,699           | 252                | 6.5        | 0.4    |
| 12                                                                                                                                          | North West Region             | 7,072                 | 715                | 3,006                        | 118                | 11,443               | 37                 | 21,521           | 869                | 1.4        | 1.5    |
| 13                                                                                                                                          | Rajasthan                     | 18,500                | 90                 | 6,772                        | 11                 | 49,899               | 64                 | 75,171           | 165                | 4.9        | 0.3    |
| 14                                                                                                                                          | Tamil Nadu                    | 15,312                | 1,850              | 6,519                        | 152                | 56,465               | 741                | 78,296           | 2,743              | 5.1        | 4.7    |
| 15                                                                                                                                          | Lucknow, UP East              | 22,292                | 139                | 8,661                        | 43                 | 37,437               | 91                 | 68,390           | 272                | 4.5        | 0.5    |
| 16                                                                                                                                          | UP West & Uttarakhand         | 15,008                | 151                | 7,221                        | 13                 | 23,071               | 41                 | 45,300           | 204                | 3.0        | 0.3    |
| 17                                                                                                                                          | West Bengal & Sikkim          | 23,744                | 8,997              | 12,186                       | 80                 | 89,237               | 562                | 1,25,167         | 9,640              | 8.2        | 16.5   |
|                                                                                                                                             | <b>Total</b>                  | <b>3,57,360</b>       | <b>35,574</b>      | <b>1,65,731</b>              | <b>2,155</b>       | <b>10,02,544</b>     | <b>20,796</b>      | <b>15,25,635</b> | <b>58,525</b>      |            |        |
| Source: the e-filing portal data.                                                                                                           |                               |                       |                    |                              |                    |                      |                    |                  |                    |            |        |

From the above table, Audit observed that the outstanding demand in respect of 15.26 lakh cases of summary assessment, aggregating to ₹ 58,525 crore for the year ended March 2020, had remained outstanding till November 2020. Out of this, ₹ 20,796 crore was pending for more than five years.

Audit further observed that Mumbai region alone accounted for 23.37 *per cent* (₹ 13,677 crore) of Pan-India overall outstanding amount of ₹ 58,525 crore from summary assessments. Bengaluru region had the highest number of cases with 2,37,286 cases, which was 15.60 *per cent* of 15.26 lakh cases Pan-India.

Audit observed that though the CBDT has been fixing every year a target of 40 *per cent* for collection / reduction of the outstanding demands, with regard to demand pending under summary assessments, the ITD is not taking any effective follow up action to reduce outstanding demands of this category.

Further, in 164 assessment units, Audit selected exclusive cases of assesseees for whom demands raised under summary assessment alone is outstanding as on 31 March 2020. Out of the selected cases, Audit test checked (August 2022) the status of 1,715 cases of demands, and the details of these cases are given in Table 7.18 below:

| Table 7.18: Status of Demands pending under Summary Assessment (Region-wise), as on August 2022<br>(₹ in crore) |                               |                                     |                                    |                  |                                                                  |                  |                                            |                 |                          |              |                                                    |                 |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------|------------------------------------|------------------|------------------------------------------------------------------|------------------|--------------------------------------------|-----------------|--------------------------|--------------|----------------------------------------------------|-----------------|
| Sl. No.                                                                                                         | Region                        | No of Assessment Units Test Checked | Details of Assessee's Test Checked |                  | Demands revised due to scrutiny/rectification/part payment, etc. |                  | Section 143(1) Demand remained outstanding |                 | Cases transferred to TRO |              | Percentage of Summary Cases Not Transferred to TRO |                 |
|                                                                                                                 |                               |                                     | No.                                | Amount           | No.                                                              | Amount           | No.                                        | Amount          | No                       | Amount       | No./ (No. in %)                                    | % age of Amount |
| 1                                                                                                               | Andhra Pradesh & Telangana    | 28                                  | 234                                | 495.44           | 43                                                               | 400.89           | 191                                        | 94.55           | 2                        | 0.12         | 189/ (99.0)                                        | 99.9            |
| 2                                                                                                               | Bihar & Jharkhand             | 12                                  | 66                                 | 34.45            | 19                                                               | 19.82            | 47                                         | 14.64           |                          |              | 47/ (100.0)                                        | 100.0           |
| 3                                                                                                               | Delhi                         | 6                                   | 97                                 | 561.30           | 19                                                               | 385.70           | 78                                         | 175.59          | 1                        | 1.52         | 77/ (98.7)                                         | 99.1            |
| 4                                                                                                               | Gujarat                       | 5                                   | 9                                  | 6.19             | 2                                                                | 1.07             | 7                                          | 5.12            |                          |              | 7/ (100.0)                                         | 100.0           |
| 5                                                                                                               | International Taxation, Delhi | 8                                   | 64                                 | 83.32            | 14                                                               | 30.70            | 50                                         | 52.62           |                          |              | 50/ (100.0)                                        | 100.0           |
| 6                                                                                                               | Bengaluru                     | 3                                   | 46                                 | 7.92             | 5                                                                | 3.76             | 41                                         | 4.16            |                          |              | 41/ (100.0)                                        | 100.0           |
| 7                                                                                                               | MP & Chhattisgarh             | 9                                   | 181                                | 156.83           | 24                                                               | 3.06             | 157                                        | 153.77          |                          |              | 157/ (100.0)                                       | 100.0           |
| 8                                                                                                               | Mumbai                        | 13                                  | 146                                | 2,040.55         | 41                                                               | 818.05           | 105                                        | 1,222.50        | 3                        | 1,171.54     | 102/ (97.1)                                        | 4.2             |
| 9                                                                                                               | North East Region             | 4                                   | 7                                  | 5.16             | 2                                                                | 1.45             | 5                                          | 3.71            |                          |              | 5/ (100.0)                                         | 100.0           |
| 10                                                                                                              | North West Region             | 11                                  | 163                                | 1,093.42         | 44                                                               | 808.53           | 119                                        | 284.89          |                          |              | 119/ (100.0)                                       | 100.0           |
| 11                                                                                                              | Bhubaneswar                   | 9                                   | 187                                | 434.01           | 60                                                               | 369.32           | 127                                        | 64.69           |                          |              | 127/ (100.0)                                       | 100.0           |
| 12                                                                                                              | Rajasthan                     | 6                                   | 20                                 | 151.85           | 13                                                               | 151.28           | 7                                          | 0.57            |                          |              | 7/ (100.0)                                         | 100.0           |
| 13                                                                                                              | Tamil Nadu                    | 14                                  | 142                                | 64.30            | 17                                                               | 25.91            | 125                                        | 38.40           | 1                        | 27.82        | 124/ (99.2)                                        | 27.6            |
| 14                                                                                                              | Lucknow, UP East              | 3                                   | 30                                 | 7.50             | 9                                                                | 5.04             | 21                                         | 2.46            |                          |              | 21/ (100.0)                                        | 100.0           |
| 15                                                                                                              | UP West & Uttarakhand         | 3                                   | 24                                 | 94.57            | 3                                                                | 5.08             | 21                                         | 89.49           |                          |              | 21/ (100.0)                                        | 100.0           |
| 16                                                                                                              | West Bengal & Sikkim          | 22                                  | 238                                | 8,247.33         | 46                                                               | 8,219.09         | 192                                        | 28.24           |                          |              | 192/ (100.0)                                       | 100.0           |
| 17                                                                                                              | Kerala                        | 8                                   | 61                                 | 29.29            | 9                                                                | 3.89             | 52                                         | 25.39           |                          |              | 52/ (100.0)                                        | 100.0           |
|                                                                                                                 | <b>Total</b>                  | <b>164</b>                          | <b>1,715</b>                       | <b>13,513.43</b> | <b>370</b>                                                       | <b>11,252.64</b> | <b>1,345</b>                               | <b>2,260.79</b> | <b>07</b>                | <b>1,201</b> | <b>1,338/ (99.5)</b>                               | <b>46.9</b>     |

Source: Statistical details furnished by ITD

As per the above table, out of 1,715 cases with outstanding demand of ₹ 13,513.43 crore raised under summary assessments, 1,345 cases with outstanding demand of ₹ 2,260.79 crore remained outstanding, as of August 2022. In respect of the remaining 370 cases with outstanding demand of ₹ 11,252.64 crore, Audit noted that the cases were subsequently either selected for scrutiny or rectification, which resulted in change in amount of demands.

In regard to the 1,345 cases referred above, the action taken by AOs to recover these demands were not available on record. Audit further noticed that since details of pendency of summary assessment cases with any appellate authorities were not available on record, the demands were 'collectible' in nature.

Out of 1,345 pending summary cases, only seven high value cases (Outstanding Demand ₹ 1,201 crore) were transferred to TROs for further necessary action to recover the dues through sale of movable/immovable properties of assessees, and 1,338 cases (Outstanding Demand ₹ 1,059.79 crore) were not transferred to TROs.

Audit further noted that in 533 cases (Outstanding demand of ₹ 235 crore) out of 1,338 cases pending with AOs and six (Outstanding demand of ₹ 1,197 crore) out of seven cases pending with TROs, were more than ten years old. These demands were outstanding (August 2022). Action taken by the ITD could not be ascertained by audit.

In this regard, AOs from Gujarat region have stated (February 2024) that there is no specific SOP for collection of outstanding demand in respect of summary assessment cases.

Summary assessments are made by CPC-ITR, Bengaluru and the demands raised are reflected in the respective AO's portal for recovery. However, effective action like transfer to TROs had not been taken by the ITD to recover the demands raised under summary assessment.

On completion of processing of returns under Section 143(1) of IT Act, the demand intimation notice was issued by the CPC-ITR Bengaluru to assessees. Afterwards, no periodical reminders were issued to the assessees though the demand was pending for a long period. In view of that, it was doubtful whether the assessees were aware of their pending outstanding demand.

Reply is awaited from the Ministry (March 2024).

**Recommendation 19:**

**The CBDT may**

- (i) prioritise recovery of outstanding demands under summary assessments as those are not pending with any appellate authorities, and are collectible.**
- (ii) issue periodical alerts to remind the assessees of their outstanding demands and while issuing an intimation of the assessment order, the pending demands for earlier years, if any, may also be mentioned.**
- (iii) monitor compliance by Jurisdictional AO, especially when demands are raised summarily under section 143(1) of the Act, should be effective, and such cases may be referred to TRO if required after JAO has exhausted all the options available in the provisions of the Income Tax Act.**

The Ministry, in its reply, stated (June 2023) that demand, whether arising out of summary assessment or otherwise, is recovered/collected on the



basis of demand covered under the 'Net Collectible Demand', as reported in the monthly CAP-I statement. Targets for collection of the net collectible demand are set in every year's Central Acton Plan and the same are regularly monitored by supervisory authorities at all levels. As per the Income Tax Act, no distinction is made w.r.t. recovery/collection procedure between demand raised on account of summary assessment or otherwise.

In response to (iii) above, the Ministry stated (May 2023) JAO/TRO are required to take necessary action to recover the outstanding demand as per the Income Tax Act, 1961 and instructions/circulars issued by the CBDT. Their functions are duly supervised by the higher authorities.

***Reply furnished by the Ministry (June 2023) is not tenable as the AOs are adopting different practices for inclusion of demand raised on account of 143(1) and 220(2) in CAP Report. The Ministry may review the effectiveness of the system and consider reiterating its instructions to strengthen the monitoring mechanism to ensure the timely recovery of outstanding demand.***

New Delhi

Dated: 16 November 2024



(Monika Verma)

Director General (Direct Taxes-I)

Countersigned



New Delhi

Dated: 18 November 2024

(Girish Chandra Murmu)

Comptroller and Auditor General of India



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# Appendices

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## Appendix 1

I. Powers and functions of Assessing Officer<sup>113</sup> – (Ref.: Para 1.3)

| Sl. No. | Powers and functions of Assessing Officer <sup>114</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | <p>The main functions of the Assessing officers include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li>(a) Ensuring processing of returns on AST module.</li> <li>(b) Allotting PANs wherever required.</li> <li>(c) Making IRLA operational and ensuring that all demands are entered into this system.</li> <li>(d) Ensuring that all the software packages prescribed by the Systems are made operational.</li> <li>(e) Seeing that all tax-payers' grievances are attended in time and redressed in a fixed time bound manner.</li> <li>(f) Ensuring timely collection of demands and issue of refunds.</li> <li>(g) Selection of cases for scrutiny in time and ensuring their timely disposal.</li> <li>(h) Controlling all computer hardware and software of the range and ensuring its maintenance, replacement and updating. Providing technical support and guidance for operation of the computer system.</li> <li>(i) Taking all necessary steps for widening of the tax base.</li> <li>(j) Internal Audit functions.</li> <li>(k) Ensuring that appeal effects are given and central scrutiny reports are submitted in time.</li> <li>(l) Statutory functions</li> </ul> |

<sup>113</sup> As per Section 2(7A) of the Income Tax Act, 1961, "Assessing Officer" means the Assistant Commissioner or Deputy Commissioner or the Income-tax Officer who is vested with the relevant jurisdiction by virtue of directions or orders issued under sub-section (1) or sub section (2) of section 120 or any other provision of this Act, and the Additional Commissioner or Joint Commissioner who is directed under clause (b) of sub-section (4) of that section to exercise or perform all or any of the powers and functions conferred on, or assigned to, an Assessing Officer under this Act.

<sup>114</sup> ITDs Manual of Office Procedure (Consolidated) 2019.

## II. Powers and functions of Tax Recovery Officer (TRO)<sup>115</sup>

| Sl. No. | Description of the powers of TRO <sup>116</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | <p><b>Exercise of Authority by the Tax Recovery Officer</b></p> <p>TRO's authority is derived from Sections 222 to 232 of the Act, Schedule II and III of the Act and ITCP Rules<sup>117</sup> ; they constitute a self-contained code prescribing the procedure to be followed for collection and recovery of taxes and the various modes of recovery of arrears of taxes under the Act to be applied against defaulter.</p> <p>In addition, TRO in accordance with Rule 117C of the Income Tax Rules, 1962 has been empowered to carry out rectification under Section 154 of the Act.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 2       | <p><b>Role of the Tax Recovery Officer</b></p> <p>After assessments are made and demands are raised by proper service of demand notice, especially after appeal is decided up to the level of Income-tax Appellate Tribunal and demands against an assessee are still pending, recovery of such demands assumes much significance and since the AO is already burdened with other action plan targets of passing of assessment orders and budget collection, the role of TRO becomes very important in recovery of such difficult demands. For this purpose, TROs have been provided with extensive powers under the Income Tax Act and it is expected from an Income-tax Officer posted as TRO to. invoke such powers judiciously and properly to create a deterrent effect against defaulters.</p>                                                                                                                                                                                                                                                                                         |
| 3       | <p><b>Section 222: Tax Recovery Certificate</b></p> <p>(1) When an assessee is in default or is deemed to be in default in making a payment of tax, the Tax Recovery Officer may draw up under his signature a statement in the prescribed form 44 specifying the amount of arrears due from the assessee (such statement being hereafter in this Chapter and in the Second Schedule referred to as "certificate") and shall proceed to recover from such assessee the amount specified in the certificate by one or more of the modes mentioned below, in accordance with the rules laid down in the Second Schedule—] (a) attachment and sale of the assessee's movable property ; (b) attachment and sale of the assessee's immovable property ; (c) arrest of the assessee and his detention in prison ; (d) appointing a receiver for the management of the assessee's movable and immovable properties.</p> <p>(2) The Tax Recovery Officer may take action under sub-section (1), notwithstanding that proceedings for recovery of the arrears by any other mode have been taken.</p> |
| 4       | <p><b>Section 223: Jurisdiction</b></p> <p>(1) The Tax Recovery Officer competent to take action under section 222 shall be— (a) the Tax Recovery Officer within whose jurisdiction the assessee carries on his business or profession or within whose jurisdiction the principal place of his business or profession is situate, or (b) the Tax Recovery Officer within whose jurisdiction the assessee resides or any movable or immovable property of the assessee is situate, the</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

<sup>115</sup> As per Section 2(44) of the Income Tax Act, 1961, "Tax Recovery Officer" (TRO) means any Income-tax Officer who may be authorized by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner by general or special order in writing, to exercise the powers of a TRO and also to exercise or perform such power and functions which are conferred on or assigned to an Assessing Officer (hereinafter referred as AO) under the Act and which may be prescribed.

<sup>116</sup> Various Rules, Sections and Paragraphs of the Income Tax Rules, 1962; Income Tax Act, 1961 and Tax Recovery Officers' Manual 2014 and the ITDs Manual of Office Procedure (Consolidated) 2019.

<sup>117</sup> Income Tax (Certificate Proceedings) Rules, 1962

| Sl. No. | Description of the powers of TRO <sup>116</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>jurisdiction for this purpose being the jurisdiction assigned to the Tax Recovery Officer under the orders or directions issued by the Board, or by the Chief Commissioner or Commissioner who is authorised in this behalf by the Board in pursuance of section 120.</p> <p>(2) Where an assessee has property within the jurisdiction of more than one Tax Recovery Officer and the Tax Recovery Officer by whom the certificate is drawn up—</p> <p>(a) is not able to recover the entire amount by sale of the property, movable or immovable, within his jurisdiction, or (b) is of the opinion that, for the purpose of expediting or securing the recovery of the whole or any part of the amount under this Chapter, it is necessary so to do, he may send the certificate or, where only a part of the amount is to be recovered, a copy of the certificate certified in the prescribed manner and specifying the amount to be recovered to a Tax Recovery Officer within whose jurisdiction the assessee resides or has property and, thereupon, that Tax Recovery Officer shall also proceed to recover the amount under this Chapter as if the certificate or copy thereof had been drawn up by him.</p>                                 |
| 5       | <p><b>Section 224: General Powers of TRO</b></p> <p>It shall not be open to the assessee to dispute the correctness of any certificate drawn up by the Tax Recovery Officer on any ground whatsoever, but it shall be lawful for the Tax Recovery Officer to cancel the certificate if, for any reason, he thinks it necessary so to do, or to correct any clerical or arithmetical mistake therein.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 6       | <p><b>Section 225: Stay of proceedings in pursuance of certificate and amendment or cancellation thereof</b></p> <p>(1). It shall be lawful for the Tax Recovery Officer to grant time for the payment of any tax and when he does so, he shall stay the proceedings for the recovery of such tax until the expiry of the time so granted.</p> <p>(2) Where the order giving rise to a demand of tax for which a certificate has been drawn up is modified in appeal or other proceeding under this Act, and, as a consequence thereof, the demand is reduced but the order is the subject-matter of further proceeding under this Act, the Tax Recovery Officer shall stay the recovery of such part of the amount specified in the certificate as pertains to the said reduction for the period for which the appeal or other proceeding remains pending.</p> <p>(3) Where a certificate has been drawn up and subsequently the amount of the outstanding demand is reduced as a result of an appeal or other proceeding under this Act, the Tax Recovery Officer shall, when the order which was the subject-matter of such appeal or other proceeding has become final and conclusive, amend the certificate, or cancel it, as the case may be.</p> |
| 7       | <p><b>Section 226: Modes of Recovery</b></p> <p>(1) Where no certificate has been drawn up under section 222, the Assessing Officer may recover the tax by any one or more of the modes provided in this section.</p> <p>(1A) Where a certificate has been drawn up under section 222, the Tax Recovery may, without prejudice to the modes of recovery specified in that section, recover the tax by any one or more of the modes provided in this section.</p> <p>(2) If any assessee is in receipt of any income chargeable under the head “Salaries”, the Assessing Officer or Tax Recovery Officer may require any person paying the same to deduct from any payment subsequent to the date of such requisition any arrears of tax due from such assessee, and such person shall comply with any such requisition and shall pay the sum so deducted to the credit of the Central Government or as the Board directs : Provided that</p>                                                                                                                                                                                                                                                                                                            |

| Sl. No. | Description of the powers of TRO <sup>116</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>any part of the salary exempt from attachment in execution of a decree of a civil court under Section 60 of the Code of Civil Procedure, 1908 (5 of 1908)55, shall be exempt from any requisition made under this sub-section.</p> <p>(3) (i) The Assessing Officer or Tax Recovery Officer may, at any time or from time to time, by notice in writing require any person from whom money is due or may become due to the assessee or any person who holds or may subsequently hold money for or on account of the assessee to pay to the Assessing Officer or Tax Recovery Officer either forthwith upon the money becoming due or being held or at or within the time specified in the notice (not being before the money becomes due or is held) so much of the money as is sufficient to pay the amount due by the assessee in respect of arrears or the whole of the money when it is equal to or less than that amount. (ii) A notice under this sub-section may be issued to any person who holds or may subsequently hold any money for or on account of the assessee jointly with any other person and for the purposes of this sub-section, the shares of the joint holders in such account shall be presumed, until the contrary is proved, to be equal. (iii) A copy of the notice shall be forwarded to the assessee at his last address known to the Assessing Officer or Tax Recovery Officer, and in the case of a joint account to all the joint holders at their last addresses known to the Assessing Officer or Tax Recovery Officer. (iv) Save as otherwise provided in this sub-section, every person to whom a notice is issued under this sub-section shall be bound to comply with such notice, and, in particular, where any such notice is issued to a post office, banking company or an insurer, it shall not be necessary for any pass book, deposit receipt, policy or any other document to be produced for the purpose of any entry, endorsement or the like being made before payment is made, notwithstanding any rule, practice or requirement to the contrary. (v) Any claim respecting any property in relation to which a notice under this sub section has been issued arising after the date of the notice shall be void as against any demand contained in the notice. (vi) Where a person to whom a notice under this sub-section is sent objects to it by a statement on oath that the sum demanded or any part thereof is not due to the assessee or that he does not hold any money for or on account of the assessee, then nothing contained in this sub-section shall be deemed to require such person to pay any such sum or part thereof, as the case may be, but if it is discovered that such statement was false in any material particular, such person shall be personally liable to the Assessing Officer Tax Recovery Officer to the extent of his own liability to the assessee on the date of the notice, or to the extent of the assessee's liability for any sum due under this Act, whichever is less. (vii) The Assessing Officer or Tax Recovery Officer may, at any time or from time to time, amend or revoke any notice issued under this sub-section or extend the time for making any payment in pursuance of such notice. (viii) The Assessing Officer or Tax Recovery Officer shall grant a receipt for any amount paid in compliance with a notice issued under this sub-section, and the person so paying shall be fully discharged from his liability to the assessee to the extent of the amount so paid. (ix) Any person discharging any liability to the assessee after receipt of a notice under this sub-section shall be personally liable to the Assessing Officer or Tax Recovery Officer to the extent of his own liability to the assessee so discharged or to the extent of the assessee's liability for any sum due under this Act, whichever is less. (x) If the person to whom a notice under this sub-section is sent fails to make payment in pursuance</p> |

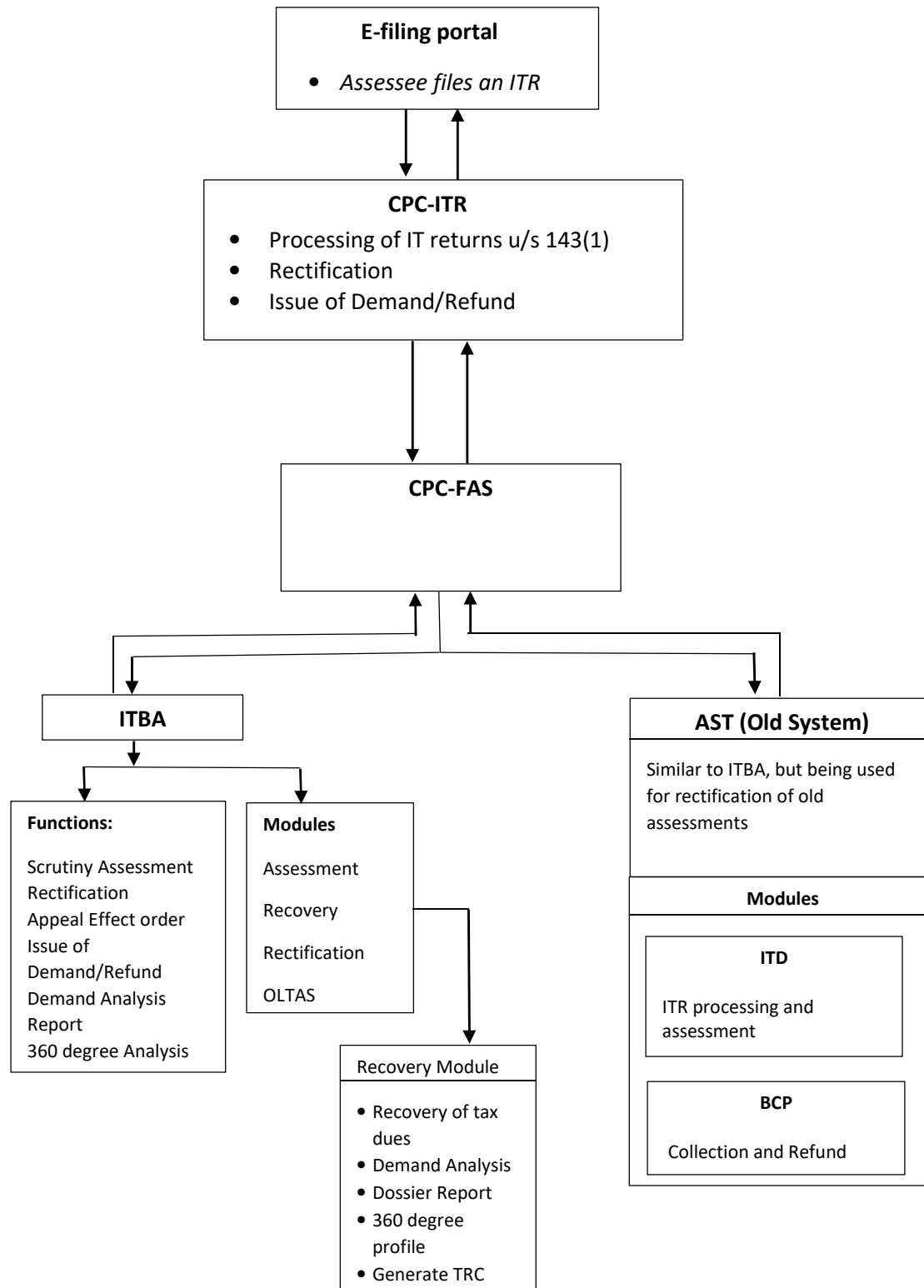


| Sl. No. | Description of the powers of TRO <sup>116</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>thereof to the Assessing Officer or Tax Recovery Officer, he shall be deemed to be an assessee in default in respect of the amount specified in the notice and further proceedings may be taken against him for the realisation of the amount as if it were an arrear of tax due from him, in the manner provided in Sections 222 to 225 and the notice shall have the same effect as an attachment of a debt by the Tax Recovery Officer in exercise of his powers under Section 222.</p> <p>(4) The Assessing Officer or Tax Recovery Officer may apply to the court in whose custody there is money belonging to the assessee for payment to him of the entire amount of such money, or, if it is more than the tax due, an amount sufficient to discharge the tax.</p> <p>(5) The Assessing Officer or Tax Recovery Officer may, if so authorised by the Chief Commissioner or Commissioner by general or special order, recover any arrears of tax due from an assessee by distraint and sale of his movable property in the manner laid down in the Third Schedule.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 8       | Broad-based functions of Tax Recovery Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|         | <p>The jurisdiction of the Tax Recovery Officer (TRO) commences when an assessee is in default or is deemed to be in default in making payment of tax. The Tax Recovery Officer may draw up under his signature a statement in the prescribed form specifying the amount of arrears due from the assessee under Section 222(1) of the Income-tax Act, 1961. The procedure for recovery of tax is stipulated in the Second Schedule to the Income-tax Act, 1961.</p> <p>Rule 4 of the Second Schedule lays down the following modes of recovery of arrears of tax:</p> <p>(a) Attachment and sale of the assessee's movable property.</p> <p>(b) Attachment and sale of his immovable property.</p> <p>(c) Arrest of the assessee and his detention in prison.</p> <p>(d) Appointing a receiver for the management of his movable and immovable properties.</p> <p>The Tax Recovery Officer has to exercise his powers in accordance with Income-tax (Certificate Proceedings) Rules (ITCP Rules), 1962 and the Second Schedule to the Income-tax Act. The Tax Recovery Officer is primarily responsible for effecting recovery of the arrears of tax. If at any time, after drawing the tax certificate, the higher authority treats the assessee as not being in default for a particular period for a certain demand, the TRO is bound to stay his recovery proceedings for that demand for the particular period. He should liaise with the Assessing Officer so that details of movable and immovable property and also the correct position of demand can be ascertained.</p> |

## Appendix 2

(Ref: Para 1.5)

### Flow of information regarding demand/refund etc. through the systems existing in the ITD



**Details of the IT Systems mentioned in the flow chart above have been described below:**

**CPC-ITR Portal** – It is involved in processing of returns under Section 143(1), making rectifications under Section 154, issue of demand notice/refund order. It interacts with the back end CPC-FAS system for calculations and other process and also interacts with the e-filing portal.

**ITBA** – Income Tax Business Application is the front end system used by the Assessing officers for assessments, is used to prepare demand calculations arising out of assessment orders, rectifications, reassessment orders, appeal revisions by the Assessing officers and interacts with CPC-FAS.

**CPC-FAS** – It works as the back end system and interacts with all the front end systems i.e. CPC-ITR Portal, ITBA Portal, OLTAS portal, AST portal legacy for processing of data, calculation of demand, refund and sends the data required to the front end system<sup>118</sup>.

**AST**- ‘Assessment Information System’ is the legacy system prior to ITBA. Revision/ rectification of assessments completed in the erstwhile AST are at present manually uploaded by the Assessing officers in the ITBA.

**OLTAS**- Online Tax Accounting System is the system application through which the challan details for payment of tax, penalty, interest, refunds etc. are dealt with.

**i-taxnet**- is the reporting system through which the CAP-I and CAP-II reports are internally generated and submitted to the appropriated authorities.

**BCP** – Business Continuity Plan is a data centre of ITD to ensure the resumption of information system operations for critical business functions within specified period in terms of information based on business requirements, when primary processing facilities are not available.

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<sup>118</sup> It enables users to access and request the features and services of the underlying information system.

## Appendix 3 A

(Ref: Para 7.3.8)

## Procedures for writing off uncollectible demands

| Sl. No. | Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.      | <p><b>Regular Procedure for Write off</b></p> <p>Only tax arrears that are over three years old and have become “clearly irrecoverable” can be considered for write off. Tax arrears may become irrecoverable on account of (a) The assessee has died; (b) The assessee has become insolvent; (c) He is not traceable; (d) He has left India; (e) The company has gone into liquidation; (f) The firm is dissolved and its business has discontinued; (g) The assessee has no attachable assets; and (h) When all the modes of recovery in accordance with the rules laid down in the Second Schedule to the Act including the recourse to civil imprisonment of the defaulter are exhausted and the arrears still remain.</p> <p>Before recommending a case for write-off, the concerned authority should satisfy itself as to whether adequate and timely steps were taken for recovery in the case. If, after scrutinising the records and conducting enquiries, the AO is satisfied that it is a fit case for write-off, a self-explanatory note indicating the steps taken for recovery and justifying the need for write-off should be prepared. A certificate of irrecoverability should also be taken from the TRO. If the arrears have to be written off by authorities other than the ACIT or ITO, Form B (Annexure-I) should be filled in and submitted to the CIT/ Additional CIT with a self-explanatory brief.</p> |
| 2.      | <p><b>Ad-hoc procedure for Write off</b></p> <p>Para 7 of Chapter-27 of the ITD Manual of Office Procedure (Consolidated) 2019 lays down the ad-hoc procedure to write-off outstanding demands. Under this procedure, amounts up to ₹ 10,000 may be written off by ITD, provided they have been outstanding against the assessee for non-availability of assessment records and detailed address of the assessee for at least three years immediately preceding the financial year during which they are proposed to be written-off.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3.      | <p><b>Summary Procedure for Write off</b></p> <p>The concerns of the Public Accounts Committee (PAC) over the process of recovery and write-off of tax demand arrears were highlighted in Chapter 6 (Write-off arrears of tax demand) of C &amp; AG’s Report No. 3 CA of 2016. Audit had recommended to the CBDT to prescribe a definite timeline by the ITD, to be observed by TROs and other</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Sl. No. | Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>authorities to avoid indefinite delay in deciding the possibility of recovery of tax arrears and speedy disposal of write off cases.</p> <p>Para 8 of Chapter-27 of the ITD Manual of Office Procedure (Consolidated) 2019 provides for procedure for Summary Write-off which says that small demands not exceeding ₹ 1,000 in each case can summarily be written-off by the AO without any further enquiry if the amount is outstanding for more than five years and the amount does not relate to any live case.</p> |

**Appendix 3 B**

(Ref.: Para 2.2.5 & 7.3.8)

**Monetary powers for Write-off**

| Name of the Committee           | Constitution                        | To be Notified by                                 | Order of Write-off by                                        | Monetary Ceilings for Write-off           |
|---------------------------------|-------------------------------------|---------------------------------------------------|--------------------------------------------------------------|-------------------------------------------|
| Local Committee                 | 3 officers of the level of Addl.CIT | CCIT                                              | ITO/TRO                                                      | Demand up to ₹ 5,000/-                    |
|                                 |                                     |                                                   | DCIT/ACIT                                                    | Demand over ₹ 5,000/- and upto ₹ 25,000/- |
|                                 |                                     |                                                   | Addl.CIT/JCIT                                                | Demand over ₹ 25,000/-and upto ₹ 1 Lac    |
| Sub-Zonal or Regional Committee | 3 officers of the level of CIT      | Cadre Controlling CCIT (under intimation to CBDT) | CIT Subject to report to the next higher authority           | Demand over ₹ 1 Lakh and up to ₹ 10 Lacs  |
| Zonal Committee                 | 3 officers of the level of CCIT     | CBDT                                              | CCIT Subject to report to the next higher authority          | Demand over ₹ 10 Lacs and upto ₹ 25 Lacs  |
|                                 |                                     |                                                   | CCIT with the approval of Full CBDT                          | Demand over ₹ 25 Lacs and upto ₹ 50 Lacs  |
|                                 |                                     |                                                   | CCIT with the approval of Full CBDT and the Finance Minister | Demand over ₹ 50 Lacs                     |

Source: ITD's Manual of Office Procedure 2019 (consolidated)

## Appendix 4

## Audit criteria for selection of units and cases (Ref. Para 3.4)

| Level-1: Selection of Units                                                                                                                                                                                                             | Criteria                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>For Category A States (units located at Mumbai, Delhi, Chennai, Kolkata, Bengaluru, Hyderabad and Ahmedabad)</b>                                                                                                                     |                                                                                                                                                           |
| Circles                                                                                                                                                                                                                                 | Top 16 Circles and 04 Circles from the bottom on the basis of total open demand as per AO wise aggregated data                                            |
| Wards                                                                                                                                                                                                                                   | Top 08 Wards and 02 Wards from the bottom on the basis of total open demand as per AO wise aggregated data                                                |
| <b>For Category B States (units located at Kochi, Bhubaneswar, Guwahati, Allahabad, Patna, Ranchi, Gwalior, Raipur and Jaipur)</b>                                                                                                      |                                                                                                                                                           |
| Circles                                                                                                                                                                                                                                 | Actual number of units maximum of 10 units (Percentage of top and bottom units of the total selected units, as per open demand, 80% and 20% respectively) |
| Wards                                                                                                                                                                                                                                   | 05 Wards (Percentage of top and bottom units of the total selected units, as per open demand 80% and 20% respectively)                                    |
| <b>Level-2 (i): Selection of cases for examination-Arrear demand as on 31 March 2020 but pending recovery till the date of audit</b>                                                                                                    | <b>Percentage</b>                                                                                                                                         |
| Arrear demand exceeding ₹ 10 crore                                                                                                                                                                                                      | 100 %                                                                                                                                                     |
| Arrear demand between ₹ 1 crore to ₹ 10 crore                                                                                                                                                                                           | 10 % restricted to Maximum 50 cases and minimum 20 cases                                                                                                  |
| Arrear demand below ₹ 1 crore                                                                                                                                                                                                           | 5% restricted to Maximum 25 cases and minimum 10 cases                                                                                                    |
| Level-2 (ii): Selection of cases for examination-Arrear demand closed or cancelled since 01-Apr-2020 due to collection or subsequent order                                                                                              | Percentage                                                                                                                                                |
| Amount of original demand exceeding ₹ 1 crore                                                                                                                                                                                           | 100 %                                                                                                                                                     |
| Amount of original demand between ₹ 10 lakh to ₹ 1 crore                                                                                                                                                                                | 10 % restricted to Maximum 20 cases and minimum 10 cases                                                                                                  |
| Arrear demand below ₹ 10 lakh                                                                                                                                                                                                           | 5% restricted to Maximum 10 cases and minimum 05 cases                                                                                                    |
| Note: While applying percentage (5% or 10%) specified above for selection of cases (unique Assessee and AY combination) in different strata, simple random sample was employed on entire population of records in a particular stratum. |                                                                                                                                                           |

**Appendix 5**  
(Ref.: Para 3.4)

**Region-wise total of units selected for sampling**

| Sl. No. | Region                        | Number of Assessing Units selected | No. of TRO Units selected |
|---------|-------------------------------|------------------------------------|---------------------------|
| 1       | Andhra Pradesh & Telangana    | 29                                 | 5                         |
| 2       | Bengaluru                     | 21                                 | 5                         |
| 3       | Bhubaneswar                   | 10                                 | 1                         |
| 4       | Bihar & Jharkhand             | 15                                 | 4                         |
| 5       | Gujarat                       | 23                                 | 4                         |
| 6       | International Taxation, Delhi | 21                                 | 9                         |
| 7       | Kerala                        | 9                                  | 3                         |
| 8       | Lucknow, UP East              | 4                                  | 1                         |
| 9       | MP & Chhattisgarh             | 9                                  | 2                         |
| 10      | Mumbai                        | 27                                 | 11                        |
| 11      | Delhi                         | 23                                 | 6                         |
| 12      | North East Region             | 5                                  | 1                         |
| 13      | North West Region             | 8                                  | 2                         |
| 14      | Rajasthan                     | 14                                 | 4                         |
| 15      | Tamil Nadu                    | 28                                 | 7                         |
| 16      | UP West & Uttarakhand         | 3                                  | 1                         |
| 17      | West Bengal & Sikkim          | 30                                 | 8                         |
|         | <b>TOTAL</b>                  | <b>279</b>                         | <b>74</b>                 |



## Appendix 6

(Ref: Para 3.5)

## Non-production of records in high value cases

| Sl. No. | Assessee Name | Assessment Years   | List of Records not produced                                                                                                    |
|---------|---------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------|
| 1       | M/s M1 Ltd.   | 1994-95 to 2015-16 | Assessment records were not produced in respect of all 8 cases citing physical records were not transferred post restructuring. |
| 2       | M/s V1 Ltd.   | 2010-11 & 2011-12  | Assessment files/records were not produced citing many records were destroyed in a fire accident.                               |
| 3       | M/s H1 Ltd.   | 2011-12 & 2012-13  | Assessment files/records were not produced citing many records were destroyed in a fire accident.                               |

**Appendix 7**

(Ref: Para 3.5)

**Details of non-production of records/details by the ITD as on March 2023**

| Sl. No.      | Region                        | Assessment Records |               |              | Statistical Information vide Annexures |            |              | Audit Memos/Observations |                |                    |
|--------------|-------------------------------|--------------------|---------------|--------------|----------------------------------------|------------|--------------|--------------------------|----------------|--------------------|
|              |                               | Requisition        | Received      | Not produced | Requisition                            | Received   | Not produced | Issued                   | Reply received | Reply not received |
| 1            | AP & Telangana                | 1,573              | 960           | 613          | 34                                     | 14         | 20           | 79                       | 35             | 44                 |
| 2            | Bengaluru                     | 1,515              | 1,038         | 477          | 49                                     | 0          | 49           | 300                      | 1              | 299                |
| 3            | Bhubaneswar                   | 646                | 433           | 213          | 17                                     | 2          | 15           | 19                       | 3              | 16                 |
| 4            | Bihar & Jharkhand             | 487                | 437           | 50           | 54                                     | 19         | 35           | 143                      | 31             | 112                |
| 5            | Delhi                         | 3,008              | 740           | 2,268        | 63                                     | 20         | 43           | 36                       | 0              | 36                 |
| 6            | Gujarat                       | 1,640              | 1,404         | 236          | 35                                     | 16         | 19           | 225                      | 97             | 128                |
| 7            | International Taxation, Delhi | 698                | 377           | 321          | 23                                     | 17         | 6            | 64                       | 17             | 47                 |
| 8            | Kerala                        | 362                | 155           | 207          | 44                                     | 24         | 20           | 63                       | 12             | 51                 |
| 9            | Lucknow, UP East              | 103                | 99            | 4            | 14                                     | 0          | 14           | 19                       | 4              | 15                 |
| 10           | MP & Chhattisgarh             | 575                | 501           | 74           | 38                                     | 9          | 29           | 62                       | 6              | 56                 |
| 11           | Mumbai                        | 2,218              | 1,410         | 808          | 46                                     | 20         | 26           | 214                      | 5              | 209                |
| 12           | North East Region             | 237                | 220           | 17           | 16                                     | 3          | 13           | 63                       | 6              | 57                 |
| 13           | North West Region             | 513                | 510           | 3            | 24                                     | 11         | 13           | 269                      | 2              | 267                |
| 14           | Rajasthan                     | 662                | 575           | 87           | 43                                     | 29         | 14           | 201                      | 130            | 71                 |
| 15           | Tamil Nadu                    | 1,347              | 671           | 676          | 58                                     | 11         | 47           | 204                      | 32             | 172                |
| 16           | UP West & Uttarakhand         | 88                 | 78            | 10           | 20                                     | 1          | 19           | 20                       | 6              | 14                 |
| 17           | West Bengal & Sikkim          | 3,198              | 1,288         | 1,910        | 75                                     | 22         | 53           | 175                      | 23             | 152                |
| <b>Total</b> |                               | <b>18,870</b>      | <b>10,896</b> | <b>7,974</b> | <b>653</b>                             | <b>218</b> | <b>435</b>   | <b>2,156</b>             | <b>410</b>     | <b>1,746</b>       |

## Appendix 8

(Reference Para 5.3.3)

## Mismatch in figures reported to the Custodian, Outstanding Demand as per ITBA and Demands as per the e-filing systems

(₹ in crore)

| AY                                      | Demand as per the e-filing portal as on 31 March 2020 | Details of the demand outstanding forwarded to the Custodian (including 220(2) interest) (November 2021) | Demand as per ITBA (recovery analysis statement) as on 31 March 2020 |
|-----------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| 1988-89                                 | 3.89                                                  | 3.89                                                                                                     | 3.89                                                                 |
| 1989-90                                 | 9.14                                                  | 31.69                                                                                                    | 9.14                                                                 |
| 1990-91                                 | 127.23                                                | 0                                                                                                        | 127.23                                                               |
| BLOCK                                   | 0                                                     | 190.62                                                                                                   | Not mentioned in records                                             |
| 1991-92                                 | 897.75                                                | 3,249.53                                                                                                 | 897.75                                                               |
| 1992-93                                 | 6,826.13                                              | 0                                                                                                        | 7,442.51                                                             |
| 1992-93                                 | 6,357.12                                              | 0                                                                                                        | 6,357.12                                                             |
| 1992-93                                 | 6,100.36                                              | 0                                                                                                        | 6,100.36                                                             |
| 1993-94                                 | 4,369.17                                              | 0                                                                                                        | 4,369.17                                                             |
| 1993-94                                 | 3,307.39                                              | 0                                                                                                        | 3,307.39                                                             |
| 1994-95                                 | 20.32                                                 | 75.82                                                                                                    | 20.32                                                                |
| 1995-96                                 | 58.37                                                 | 111.49                                                                                                   | 58.37                                                                |
| 1996-97                                 | 10.56                                                 | 35.03                                                                                                    | 10.56                                                                |
| 1997-98                                 | 7.28                                                  | 13.9                                                                                                     | 7.28                                                                 |
| 1998-99                                 | 2.61                                                  | 7.91                                                                                                     | 2.61                                                                 |
| 1999-00                                 | 49.46                                                 | 149.86                                                                                                   | 49.46                                                                |
| 2000-01                                 | 15.88                                                 | 46.2                                                                                                     | 15.88                                                                |
| 2001-02                                 | 39.42                                                 | 114.72                                                                                                   | 39.42                                                                |
| 2002-03                                 | 97.74                                                 | 9,469.23                                                                                                 | 97.74                                                                |
| 2003-04                                 | 412.41                                                | 35.61                                                                                                    | 412.41                                                               |
| 2004-05                                 | 0                                                     | 0.65                                                                                                     | 0                                                                    |
| 2005-06                                 | 0                                                     | 20.27                                                                                                    | 0                                                                    |
| 2006-07                                 | 11.59                                                 | 0                                                                                                        | 11.59                                                                |
| 2006-07                                 | 11.24                                                 | 12.78                                                                                                    | 11.24                                                                |
| 2007-08                                 | 10.46                                                 | 22.89                                                                                                    | 10.46                                                                |
| 2008-09                                 | 10.9                                                  | 10.89                                                                                                    | 10.9                                                                 |
| 2009-10                                 | 33.89                                                 | 39                                                                                                       | 33.89                                                                |
| 2010-11                                 | 0                                                     | 21.03                                                                                                    | 0                                                                    |
| 2011-12                                 | 0                                                     | 16.98                                                                                                    | 0                                                                    |
| 2012-13                                 | 0                                                     | 4.68                                                                                                     | 0                                                                    |
| 2013-14                                 | 0                                                     | 4.61                                                                                                     | 0                                                                    |
| 2018-19                                 | 1.07                                                  | 0                                                                                                        | 0                                                                    |
| <b>Total</b>                            | <b>28,791.38</b>                                      | <b>13,868.76</b>                                                                                         | <b>29,407.76</b>                                                     |
| Source: e-filing and ITBA portal of ITD |                                                       |                                                                                                          |                                                                      |

## Appendix 9

(Para. Ref. 6.3.1)

## Issued and Clearance of TRC

| Region            | Name of TRO Charge     | Year    | Number of Tax Recovery certificates pending clearance/ collection (Opening Balance) | Tax Recovery certificates issued during the year | Clearance made during the year | Tax Recovery certificates received from other Jurisdictional TRO's | Tax Recovery certificates transferred to other Jurisdictional TRO's | Demands written off, if any | * Number of Tax Recovery certificates pending clearance (Closing Balance) | Percentage Clearance | Whether 20 per cent Target Achieved |
|-------------------|------------------------|---------|-------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------|----------------------|-------------------------------------|
| Delhi             | TRO, Pr. CIT -7        | 2017-18 | 24                                                                                  | 1                                                | 0                              | 3                                                                  | 0                                                                   | 0                           | 28                                                                        | 0                    |                                     |
|                   |                        | 2018-19 | 28                                                                                  | 1                                                | 4                              | 1                                                                  | 0                                                                   | 0                           | 26                                                                        | 14.29                |                                     |
|                   |                        | 2019-20 | 50                                                                                  | 28                                               | 31                             | 2                                                                  | 0                                                                   | 0                           | 49                                                                        | 62                   | Achieved                            |
|                   | TRO, Pr. CIT -1        | 2017-18 | 250                                                                                 | 2                                                | 28                             | 2                                                                  | 0                                                                   | 0                           | 226                                                                       | 11.2                 |                                     |
|                   |                        | 2018-19 | 224                                                                                 | 0                                                | 10                             | 0                                                                  | 0                                                                   | 0                           | 214                                                                       | 4.46                 |                                     |
|                   |                        | 2019-20 | 214                                                                                 | 4                                                | 24                             | 4                                                                  | 0                                                                   | 0                           | 198                                                                       | 11.21                |                                     |
|                   | TRO, Pr. CIT -20       | 2017-18 | 35                                                                                  | 12                                               | 6                              | 0                                                                  | 0                                                                   | 0                           | 41                                                                        | 17.14                |                                     |
|                   |                        | 2018-19 | 41                                                                                  | 5                                                | 0                              | 1                                                                  | 0                                                                   | 0                           | 47                                                                        | 0                    |                                     |
|                   |                        | 2019-20 | 46                                                                                  | 36                                               | 5                              | 57                                                                 | 5                                                                   | 0                           | 129                                                                       | 10.87                |                                     |
|                   | TRO, CIT (Central)-01  | 2017-18 | 65                                                                                  | 69                                               | 27                             | 0                                                                  | 14                                                                  | 0                           | 93                                                                        | 41.54                |                                     |
|                   |                        | 2018-19 | 93                                                                                  | 16                                               | 27                             | 1                                                                  | 1                                                                   | 0                           | 82                                                                        | 29.03                | Achieved                            |
|                   |                        | 2019-20 | 81                                                                                  | 40                                               | 13                             | 8                                                                  | 8                                                                   | 0                           | 108                                                                       | 16.05                |                                     |
| MP & Chhattisgarh | TRO-Gwalior            | 2017-18 | 210                                                                                 | 8                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 218                                                                       | 0                    |                                     |
|                   |                        | 2018-19 | 218                                                                                 | 0                                                | 140                            | 2                                                                  | 0                                                                   | 0                           | 80                                                                        | 64.22                | Achieved                            |
|                   |                        | 2019-20 | 80                                                                                  | 0                                                | 9                              | 0                                                                  | 0                                                                   | 0                           | 71                                                                        | 11.25                |                                     |
| MP & Chhattisgarh | TRO Raipur             | 2017-18 | 37                                                                                  | 14                                               | 18                             | 0                                                                  | 4                                                                   | 0                           | 29                                                                        | 48.65                | Achieved                            |
|                   |                        | 2018-19 | 29                                                                                  | 38                                               | 19                             | 0                                                                  | 0                                                                   | 0                           | 48                                                                        | 65.52                | Achieved                            |
|                   |                        | 2019-20 | 48                                                                                  | 23                                               | 9                              | 0                                                                  | 0                                                                   | 0                           | 62                                                                        | 18.75                |                                     |
| Rajasthan         | TRO, Exemption, Jaipur | 2017-18 | 1                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 1                                                                         | 0                    |                                     |
|                   |                        | 2018-19 | 1                                                                                   | 2                                                | 1                              | 0                                                                  | 0                                                                   | 0                           | 2                                                                         | 100                  | Achieved                            |
|                   |                        | 2019-20 | 2                                                                                   | 1                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 3                                                                         | 0                    |                                     |
| Bhubaneswar       | TRO Bhubaneswar        | 2017-18 | 275                                                                                 | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 275                                                                       | 0                    |                                     |
|                   |                        | 2018-19 | 275                                                                                 | 0                                                | 11                             | 0                                                                  | 0                                                                   | 0                           | 264                                                                       | 4                    |                                     |
|                   |                        | 2019-20 | 264                                                                                 | 18                                               | 0                              | 1                                                                  | 0                                                                   | 0                           | 283                                                                       | 0                    |                                     |
| North East Region | TRO Guwahati           | 2017-18 | 971                                                                                 | 7                                                | 616                            | 0                                                                  | 0                                                                   | 0                           | 362                                                                       | 63.44                | Achieved                            |
|                   |                        | 2018-19 | 362                                                                                 | 45                                               | 154                            | 42                                                                 | 0                                                                   | 0                           | 295                                                                       | 42.54                | Achieved                            |
|                   |                        | 2019-20 | 253                                                                                 | 172                                              | 35                             | 165                                                                | 1                                                                   | 0                           | 554                                                                       | 13.83                |                                     |

| Region                        | Name of TRO Charge                  | Year    | Number of Tax Recovery certificates pending clearance/ collection (Opening Balance) | Tax Recovery certificates issued during the year | Clearance made during the year | Tax Recovery certificates received from other Jurisdictional TRO's | Tax Recovery certificates transferred to other Jurisdictional TRO's | Demands written off, if any | * Number of Tax Recovery certificates pending clearance (Closing Balance) | Percentage Clearance | Whether 20 per cent Target Achieved |
|-------------------------------|-------------------------------------|---------|-------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------|----------------------|-------------------------------------|
| Kerala                        | TRO, Kochi                          | 2017-18 | 381                                                                                 | 108                                              | 6                              | 0                                                                  | 0                                                                   | 0                           | 483                                                                       | 1.57                 |                                     |
|                               |                                     | 2018-19 | 483                                                                                 | 168                                              | 0                              | 0                                                                  | 0                                                                   | 0                           | 651                                                                       | 0                    |                                     |
|                               |                                     | 2019-20 | 651                                                                                 | 28                                               | 9                              | 6                                                                  | 14                                                                  | 0                           | 662                                                                       | 1.38                 |                                     |
| International Taxation, Delhi | TRO (Int. Taxn.), Bengaluru         | 2017-18 | 0                                                                                   | 1                                                | 0                              | 6                                                                  | 0                                                                   | 0                           | 7                                                                         | 0                    |                                     |
|                               |                                     | 2018-19 | 7                                                                                   | 2                                                | 0                              | 0                                                                  | 6                                                                   | 0                           | 3                                                                         | 0                    |                                     |
|                               |                                     | 2019-20 | 3                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 3                                                                         | 0                    |                                     |
| Bengaluru                     | TRO-1 , PCIT-1                      | 2017-18 | 287                                                                                 | 62                                               | 26                             | 8                                                                  | 35                                                                  | 11                          | 285                                                                       | 9.06                 |                                     |
|                               |                                     | 2018-19 | 252                                                                                 | 82                                               | 31                             | 12                                                                 | 32                                                                  | 22                          | 261                                                                       | 12.3                 |                                     |
|                               |                                     | 2019-20 | 362                                                                                 | 112                                              | 59                             | 16                                                                 | 29                                                                  | 19                          | 383                                                                       | 16.3                 |                                     |
|                               | TRO-2 , PCIT-2                      | 2017-18 | 94                                                                                  | 11                                               | 0                              | 1                                                                  | 8                                                                   | 0                           | 98                                                                        | 0                    |                                     |
|                               |                                     | 2018-19 | 84                                                                                  | 1                                                | 2                              | 2                                                                  | 0                                                                   | 0                           | 85                                                                        | 2.38                 |                                     |
|                               |                                     | 2019-20 | 573                                                                                 | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 573                                                                       | 0                    |                                     |
|                               | TRO-3 , PCIT-3                      | 2017-18 | 123                                                                                 | 0                                                | 0                              | 10                                                                 | 10                                                                  | 0                           | 123                                                                       | 0                    |                                     |
|                               |                                     | 2018-19 | 123                                                                                 | 7                                                | 11                             | 14                                                                 | 2                                                                   | 0                           | 131                                                                       | 8.94                 |                                     |
|                               |                                     | 2019-20 | 125                                                                                 | 11                                               | 10                             | 7                                                                  | 10                                                                  | 0                           | 123                                                                       | 8                    |                                     |
|                               | TRO Exemptions                      | 2017-18 | 6                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 6                                                                         | 0                    |                                     |
|                               |                                     | 2018-19 | 6                                                                                   | 6                                                | 0                              | 1                                                                  | 0                                                                   | 0                           | 13                                                                        | 0                    |                                     |
|                               |                                     | 2019-20 | 13                                                                                  | 0                                                | 0                              | 1                                                                  | 0                                                                   | 0                           | 14                                                                        | 0                    |                                     |
|                               | TRO TDS, CIT-TDS                    | 2017-18 | 229                                                                                 | 4                                                | 46                             | 0                                                                  | 0                                                                   | 0                           | 187                                                                       | 20.09                | Achieved                            |
|                               |                                     | 2018-19 | 186                                                                                 | 1                                                | 26                             | 10                                                                 | 5                                                                   | 0                           | 166                                                                       | 13.98                |                                     |
|                               |                                     | 2019-20 | 76                                                                                  | 6                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 82                                                                        | 0                    |                                     |
| Lucknow, UP East              | TRO, Allahabad                      | 2017-18 | 477                                                                                 | 161                                              | 0                              | 0                                                                  | 0                                                                   | 0                           | 638                                                                       | 0                    |                                     |
|                               |                                     | 2018-19 | 638                                                                                 | 0                                                | 15                             | 0                                                                  | 0                                                                   | 0                           | 623                                                                       | 2.35                 |                                     |
|                               |                                     | 2019-20 | 623                                                                                 | 30                                               | 0                              | 0                                                                  | 0                                                                   | 0                           | 653                                                                       | 0                    |                                     |
| Bihar & Jharkhand             | TRO-1, O/o PCIT-1 Patna             | 2017-18 | 324                                                                                 | 0                                                | 16                             | 0                                                                  | 0                                                                   | 147                         | 161                                                                       | 4.94                 |                                     |
|                               |                                     | 2018-19 | 161                                                                                 | 5                                                | 6                              | 0                                                                  | 0                                                                   | 0                           | 160                                                                       | 3.73                 |                                     |
|                               |                                     | 2019-20 | 160                                                                                 | 6                                                | 8                              | 0                                                                  | 0                                                                   | 0                           | 158                                                                       | 5                    |                                     |
|                               | TRO Central, O/o PCIT Central Patna | 2017-18 | 489                                                                                 | 49                                               | 40                             | 0                                                                  | 0                                                                   | 0                           | 498                                                                       | 8.18                 |                                     |
|                               |                                     | 2018-19 | 498                                                                                 | 131                                              | 11                             | 2                                                                  | 11                                                                  | 0                           | 609                                                                       | 2.21                 |                                     |
|                               |                                     | 2019-20 | 533                                                                                 | 2                                                | 47                             | 0                                                                  | 0                                                                   | 0                           | 488                                                                       | 8.82                 |                                     |

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| Region                        | Name of TRO Charge                    | Year    | Number of Tax Recovery certificates pending clearance/ collection (Opening Balance) | Tax Recovery certificates issued during the year | Clearance made during the year | Tax Recovery certificates received from other Jurisdictional TRO's | Tax Recovery certificates transferred to other Jurisdictional TRO's | Demands written off, if any | * Number of Tax Recovery certificates pending clearance (Closing Balance) | Percentage Clearance | Whether 20 per cent Target Achieved |
|-------------------------------|---------------------------------------|---------|-------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------|----------------------|-------------------------------------|
| UP West & Uttarakhand         | CCIT                                  | 2017-18 | 995                                                                                 | 25                                               | 6                              | 25                                                                 | 0                                                                   | 0                           | 1,039                                                                     | 0.6                  |                                     |
|                               |                                       | 2018-19 | 1,014                                                                               | 21                                               | 5                              | 21                                                                 | 0                                                                   | 0                           | 1,051                                                                     | 0.49                 |                                     |
|                               |                                       | 2019-20 | 1,030                                                                               | 3                                                | 0                              | 3                                                                  | 0                                                                   | 0                           | 1,036                                                                     | 0                    |                                     |
| Mumbai                        | CIT central 4, Mumbai                 | 2017-18 | 586                                                                                 | 224                                              | 190                            | 10                                                                 | 95                                                                  | 0                           | 535                                                                       | 32.42                | Achieved                            |
|                               |                                       | 2018-19 | 535                                                                                 | 109                                              | 89                             | 3                                                                  | 1                                                                   | 0                           | 557                                                                       | 16.64                |                                     |
|                               |                                       | 2019-20 | 557                                                                                 | 118                                              | 91                             | 10                                                                 | 0                                                                   | 0                           | 594                                                                       | 16.34                |                                     |
| International Taxation, Delhi | TRO-International Taxation, Ahmedabad | 2017-18 | 13                                                                                  | 0                                                | 3                              | 0                                                                  | 0                                                                   | 0                           | 10                                                                        | 23.08                | Achieved                            |
|                               |                                       | 2018-19 | 10                                                                                  | 0                                                | 1                              | 0                                                                  | 0                                                                   | 0                           | 9                                                                         | 10                   |                                     |
|                               |                                       | 2019-20 | 9                                                                                   | 4                                                | 2                              | 0                                                                  | 0                                                                   | 0                           | 11                                                                        | 22.22                | Achieved                            |
| Gujarat                       | TRO-3, Ahmedabad                      | 2017-18 | 399                                                                                 | 50                                               | 83                             | 0                                                                  | 0                                                                   | 0                           | 366                                                                       | 20.8                 | Achieved                            |
|                               |                                       | 2018-19 | 366                                                                                 | 25                                               | 17                             | 0                                                                  | 0                                                                   | 0                           | 374                                                                       | 4.64                 |                                     |
|                               |                                       | 2019-20 | 374                                                                                 | 6                                                | 62                             | 0                                                                  | 0                                                                   | 0                           | 318                                                                       | 16.58                |                                     |
|                               | TRO- Central, Ahmedabad               | 2017-18 | 102                                                                                 | 55                                               | 11                             | 5                                                                  | 32                                                                  | 0                           | 119                                                                       | 10.78                |                                     |
|                               |                                       | 2018-19 | 119                                                                                 | 25                                               | 10                             | 0                                                                  | 23                                                                  | 0                           | 111                                                                       | 8.4                  |                                     |
|                               |                                       | 2019-20 | 111                                                                                 | 13                                               | 6                              | 0                                                                  | 9                                                                   | 0                           | 109                                                                       | 5.41                 |                                     |
|                               | TRO(Exemption), Ahmedabad             | 2017-18 | 0                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 0                                                                         | 0                    |                                     |
|                               |                                       | 2018-19 | 0                                                                                   | 0                                                | 0                              | 1                                                                  | 0                                                                   | 0                           | 1                                                                         | 0                    |                                     |
|                               |                                       | 2019-20 | 1                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 1                                                                         | 0                    |                                     |
|                               | TRO-1, Ahmedabad                      | 2017-18 | 2,758                                                                               | 67                                               | 1063                           | 1                                                                  | 1                                                                   | 1,056                       | 706                                                                       | 38.54                | Achieved                            |
|                               |                                       | 2018-19 | 1,762                                                                               | 75                                               | 390                            | 2                                                                  | 5                                                                   | 380                         | 1,064                                                                     | 22.13                | Achieved                            |
|                               |                                       | 2019-20 | 1,447                                                                               | 69                                               | 305                            | 2                                                                  | 1                                                                   | 300                         | 912                                                                       | 21.08                | Achieved                            |
| Tamil Nadu                    | TRO Exemption                         | 2017-18 | 14                                                                                  | 7                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 21                                                                        | 0                    |                                     |
|                               |                                       | 2018-19 | 21                                                                                  | 4                                                | 1                              | 0                                                                  | 1                                                                   | 0                           | 23                                                                        | 4.76                 |                                     |
|                               |                                       | 2019-20 | 23                                                                                  | 0                                                | 1                              | 0                                                                  | 1                                                                   | 0                           | 21                                                                        | 4.35                 |                                     |
|                               | TRO Central 2                         | 2017-18 | 206                                                                                 | 184                                              | 8                              | 0                                                                  | 0                                                                   | 0                           | 382                                                                       | 3.88                 |                                     |
|                               |                                       | 2018-19 | 382                                                                                 | 90                                               | 39                             | 0                                                                  | 0                                                                   | 0                           | 433                                                                       | 10.21                |                                     |
|                               |                                       | 2019-20 | 433                                                                                 | 65                                               | 33                             | 0                                                                  | 0                                                                   | 0                           | 465                                                                       | 7.62                 |                                     |
|                               | TRO 8                                 | 2017-18 | 0                                                                                   | 0                                                | 0                              | 0                                                                  | 0                                                                   | 0                           | 0                                                                         | 0                    |                                     |
|                               |                                       | 2018-19 | 1,967                                                                               | 10                                               | 437                            | 0                                                                  | 0                                                                   | 0                           | 1,540                                                                     | 22.22                | Achieved                            |
|                               |                                       | 2019-20 | 1,540                                                                               | 110                                              | 1,040                          | 0                                                                  | 0                                                                   | 0                           | 610                                                                       | 67.53                | Achieved                            |

| Region | Name of TRO Charge | Year    | Number of Tax Recovery certificates pending clearance/ collection (Opening Balance) | Tax Recovery certificates issued during the year | Clearance made during the year | Tax Recovery certificates received from other Juridictinal TRO's | Tax Recovery certificates transferred to other Juridictinal TRO's | Demands written off, if any | * Number of Tax Recovery certificates pending clearance (Closing Balance) | Percentage Clearance | Whether 20 per cent Target Achieved |
|--------|--------------------|---------|-------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------|----------------------|-------------------------------------|
|        | TRO 3              | 2017-18 | 320                                                                                 | 36                                               | 1                              | 0                                                                | 0                                                                 | 0                           | 355                                                                       | 0.31                 |                                     |
|        |                    | 2018-19 | 355                                                                                 | 15                                               | 0                              | 0                                                                | 0                                                                 | 0                           | 370                                                                       | 0                    |                                     |
|        |                    | 2019-20 | 370                                                                                 | 0                                                | 20                             | 714                                                              | 0                                                                 | 0                           | 1064                                                                      | 5.41                 |                                     |
| TOTAL  | 30 TROs            | 2017-18 | 9,671                                                                               | 1,157                                            | 2,194                          | 71                                                               | 199                                                               | 1214                        | 7,292                                                                     |                      |                                     |
|        |                    | 2018-19 | 10,240                                                                              | 884                                              | 1,457                          | 115                                                              | 87                                                                | 402                         | 9,293                                                                     |                      |                                     |
|        |                    | 2019-20 | 10,052                                                                              | 905                                              | 1,819                          | 996                                                              | 78                                                                | 319                         | 9,737                                                                     |                      |                                     |

\* Closing Balance has been calculated as per the formula

**Appendix 10**  
**(Ref. Para 6.3.2)**  
**Survey conducted by TROs**

| Sl. No. | Region                     | TROs              | Year    | Target fixed | Survey conducted during the FY |                                 | Shortfall | Remarks         |
|---------|----------------------------|-------------------|---------|--------------|--------------------------------|---------------------------------|-----------|-----------------|
|         |                            |                   |         |              | No. of cases                   | Amount of recovery (₹ in Lakhs) |           |                 |
| 1       | Gujarat                    | TRO-3             | 2017-18 | 10           | 6                              | 620.00                          | 4         |                 |
|         |                            |                   | 2018-19 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2019-20 | 10           | 0                              | 0.00                            | 10        |                 |
| 2       | Gujarat                    | TRO Central       | 2017-18 | 10           | 3                              | 70.00                           | 7         |                 |
|         |                            |                   | 2018-19 | 10           | 7                              | 350.00                          | 3         |                 |
|         |                            |                   | 2019-20 | 10           | 3                              | 0.75                            | 7         |                 |
| 3       | Gujarat                    | TRO-1             | 2017-18 | 10           | 11                             | 154.56                          | -1        | Target Achieved |
|         |                            |                   | 2018-19 | 10           | 8                              | 115.60                          | 2         |                 |
|         |                            |                   | 2019-20 | 10           | 3                              | 46.98                           | 7         |                 |
| 4       | Rajasthan                  | TRO Central       | 2017-18 | 10           | 1                              | 0.00                            | 9         |                 |
|         |                            |                   | 2018-19 | 10           | 18                             | 0.00                            | -8        | Target Achieved |
|         |                            |                   | 2019-20 | 10           | 2                              | 4.60                            | 8         |                 |
| 5       | North Eastern Region       | TRO Guwahati      | 2017-18 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2018-19 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2019-20 | 10           | 1                              | 4.15                            | 9         |                 |
| 6       | Andhra Pradesh & Telangana | TRO-PCIT-2        | 2017-18 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2018-19 | 10           | 2                              | 50.00                           | 8         |                 |
|         |                            |                   | 2019-20 | 10           | 5                              | 16.00                           | 5         |                 |
| 7       | AP & Telangana             | TRO-Central,      | 2017-18 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2018-19 | 10           | 3                              | 1972.00                         | 7         |                 |
|         |                            |                   | 2019-20 | 10           | 6                              | 15.00                           | 4         |                 |
| 8       | Lucknow, UP East           | TRO, Allahabad    | 2017-18 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2018-19 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2019-20 | 10           | 1                              | 31.86                           | 9         |                 |
| 9       | Bihar & Jharkhand          | TRO Ranchi        | 2017-18 | 10           | 1                              | 0.00                            | 9         |                 |
|         |                            |                   | 2018-19 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2019-20 | 10           | 0                              | 0.00                            | 10        |                 |
| 10      | Bihar & Jharkhand          | TRO Central Patna | 2017-18 | 10           | 6                              | 6.50                            | 4         |                 |
|         |                            |                   | 2018-19 | 10           | 2                              | 2.00                            | 8         |                 |
|         |                            |                   | 2019-20 | 10           | 3                              | 10.10                           | 7         |                 |
| 11      | Tamil Nadu                 | TRO Central 2     | 2017-18 | 10           | 8                              | 102.13                          | 2         |                 |
|         |                            |                   | 2018-19 | 10           | 15                             | 1676.58                         | -5        | Target Achieved |
|         |                            |                   | 2019-20 | 10           | 3                              | 7.28                            | 7         |                 |
| 12      | Tamil Nadu                 | TRO 3             | 2017-18 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2018-19 | 10           | 5                              | 19.02                           | 5         |                 |
|         |                            |                   | 2019-20 | 10           | 9                              | 278.10                          | 1         |                 |
| 13      | Tamil Nadu                 | TRO 8             | 2017-18 | 10           | 10                             | 75.99                           | 0         | Target Achieved |
|         |                            |                   | 2018-19 | 10           | 3                              | 20.86                           | 7         |                 |
|         |                            |                   | 2019-20 | 10           | 1                              | 1.50                            | 9         |                 |
| 14      | Tamil Nadu                 | TRO Exemptions    | 2017-18 | 10           | 1                              | 0.00                            | 9         |                 |
|         |                            |                   | 2018-19 | 10           | 0                              | 0.00                            | 10        |                 |
|         |                            |                   | 2019-20 | 10           | 0                              | 0.00                            | 10        |                 |



| Sl. No.                                         | Region               | TROs                  | Year    | Target fixed | Survey conducted during the FY |                                    | Shortfall | Remarks                                                 |
|-------------------------------------------------|----------------------|-----------------------|---------|--------------|--------------------------------|------------------------------------|-----------|---------------------------------------------------------|
|                                                 |                      |                       |         |              | No. of cases                   | Amount of recovery<br>(₹ in Lakhs) |           |                                                         |
| 15                                              | Mumbai               | TRO Central 4         | 2017-18 | 10           | 1                              | 133.00                             | 9         |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 0                              | 0.00                               | 10        |                                                         |
| 16                                              | Kerala               | TRO Central           | 2017-18 | 10           | 3                              | 214.00                             | 7         |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 4                              | 61.00                              | 6         |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 2                              | 13.00                              | 8         |                                                         |
| 17                                              | Kerala               | TRO, Kochi            | 2017-18 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 1                              | 1.00                               | 9         |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 4                              | 74.00                              | 6         |                                                         |
| 18                                              | MP & Chhattisgarh    | TRO, Raipur           | 2017-18 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 2                              | 0.00                               | 8         |                                                         |
| 19                                              | West Bengal & Sikkim | TRO-2 Kolkata         | 2017-18 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 3                              | 20.00                              | 7         |                                                         |
| 20                                              | West Bengal & Sikkim | TRO-Central 1 Kolkata | 2017-18 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 12                             | 19.89                              | -2        | Target Achieved                                         |
|                                                 |                      |                       | 2019-20 | 10           | 10                             | 14.00                              | 0         | Target Achieved                                         |
| 21                                              | West Bengal & Sikkim | TRO-Central 2 Kolkata | 2017-18 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 9                              | 30.00                              | 1         |                                                         |
| 22                                              | West Bengal & Sikkim | TRO-5 Kolkata         | 2017-18 | 10           | 1                              | 2.25                               | 9         |                                                         |
|                                                 |                      |                       | 2018-19 | 10           | 0                              | 0.00                               | 10        |                                                         |
|                                                 |                      |                       | 2019-20 | 10           | 1                              | 1.50                               | 9         |                                                         |
| Total                                           |                      |                       |         | 660          | 200                            | 6235.68                            |           | 6 TROs achieved target of at least 10 Surveys in a year |
| *Target of 22 TROs for 3 years is 22x10x3 = 660 |                      |                       |         |              |                                |                                    |           |                                                         |

**Appendix 11**  
(Ref.: Para 6.3.6)

**Maintenance/Non maintenance of Registers by TROs**

| Sl. No | Region                        | Name of the TRO                         | Status of Registers Maintenance & Updation                          |
|--------|-------------------------------|-----------------------------------------|---------------------------------------------------------------------|
| 1      | Andhra Pradesh & Telangana    | TRO-Central, Hyderabad                  | Maintained & Updated                                                |
| 2      | Andhra Pradesh & Telangana    | TRO-PCIT-4- Hyderabad                   | Maintained & Updated                                                |
| 3      | Andhra Pradesh & Telangana    | TRO-PCIT-2 Hyderabad                    | Maintained & Updated                                                |
| 4      | Bengaluru                     | TRO Exemption, Blore                    | Maintained but updation details not available                       |
| 5      | Bengaluru                     | TRO-2 Bangalore                         | Maintained but updation details not available                       |
| 6      | Bengaluru                     | TRO-3 Banglauru                         | One or two Registers not maintained out of 11 Registers             |
| 7      | Bengaluru                     | TRO-TDS, Bangalore                      | One or two Registers not maintained out of 11 Registers             |
| 8      | Bhubaneswar                   | TRO Bhubaneswar                         | Maintained & Updated                                                |
| 9      | Bihar & Jharkhand             | TRO, Ranchi                             | Only a few Registers were maintained by TROs                        |
| 10     | Delhi                         | TRO, PCIT-7 Delhi                       | Maintained and few are updated & one Register Details Not Available |
| 11     | Delhi                         | TRO (Central)-1                         | One or two Registers not maintained out of 11 Registers             |
| 12     | Delhi                         | TRO, PCIT -20                           | Maintained and few are updated & one Register Details Not Available |
| 13     | Gujarat                       | TRO Central, Ahmedabad                  | Maintained & Updated                                                |
| 14     | Gujarat                       | TRO- 1, Ahmedabad                       | Only a few Registers were maintained by TROs                        |
| 15     | Gujarat                       | TRO- Exemption, Ahmedabad)              | One or two Registers not maintained out of 11 Registers             |
| 16     | International Taxation, Delhi | TRO- IT & TP, Ahmedabad                 | Maintained & Updated                                                |
| 17     | International Taxation, Delhi | TRO, Pr. CIT (International Taxation)-3 | Maintained but updation details not available                       |
| 18     | International Taxation, Delhi | TRO-International Taxation Hyderabad    | Maintained & Updated                                                |
| 19     | MP & Chhattisgarh             | TRO, Raipur                             | One or two Registers not maintained out of 11 Registers             |
| 20     | MP & Chhattisgarh             | TRO, Gwalior                            | Only a few Registers were maintained by TROs                        |

| Sl. No | Region               | Name of the TRO          | Status of Registers Maintenance & Updation                          |
|--------|----------------------|--------------------------|---------------------------------------------------------------------|
| 21     | North East Region    | TRO Guwahati             | Maintained and few are updated & one Register Details Not Available |
| 22     | Rajasthan            | TRO, PCIT-1, Jaipur.     | Only a few Registers were maintained by TROs                        |
| 23     | Rajasthan            | TRO, PCIT-II, Jaipur.    | Maintained & Updated                                                |
| 24     | Rajasthan            | TRO, Exemption, Jaipur.  | Maintained but updation details not available                       |
| 25     | Rajasthan            | TRO, Central, Jaipur.    | Only a few Registers were maintained by TROs                        |
| 26     | West Bengal & Sikkim | TRO - Central 1, Kolkata | One or two Registers not maintained out of 11 Registers             |
| 27     | West Bengal & Sikkim | TRO - Central 2, Kolkata | Maintained & Updated                                                |
| 28     | West Bengal & Sikkim | TRO -18, Kolkata         | Maintained & Updated                                                |
| 29     | West Bengal & Sikkim | TRO Exemption, Kolkata   | Maintained & Updated                                                |
| 30     | West Bengal & Sikkim | TRO-5, Kolkata           | Maintained & Updated                                                |
| 31     | West Bengal & Sikkim | TRO-2, Kolkata           | One or two Registers not maintained out of 11 Registers             |

**Appendix -12A**  
**(Ref.: Paragraph 7.1)**  
**STRUCTURE OF CAP-I**  
**CAP-I Report for Pr. CCIT.....March 20...**

(₹ in crores)

| Sl. No. | Description                                                                                                                                                                                  | Code | Arrear demand |      | Current Demand |      | Total Demand |      |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------|------|----------------|------|--------------|------|
|         |                                                                                                                                                                                              |      | I.T.          | C.T. | I.T.           | C.T. | I.T.         | C.T. |
| 1       | Demand as on 1st April of the year                                                                                                                                                           | AD   |               |      |                |      |              |      |
| 2       | Demand raised from 1st April                                                                                                                                                                 | CD   |               |      |                |      |              |      |
| 3       | Reduction by way of prepaid taxes (-)                                                                                                                                                        | CA   |               |      |                |      |              |      |
| 4       | Total Demand at the end of the month after adjustments on account of transfers/verification etc.                                                                                             | ADV  |               |      |                |      |              |      |
| 5       | Demand not fallen due (-)                                                                                                                                                                    | NFD  |               |      |                |      |              |      |
| 6       | Cash Collection (-)                                                                                                                                                                          | CCOL |               |      |                |      |              |      |
| 7       | Reduction due to                                                                                                                                                                             |      |               |      |                |      |              |      |
|         | (a) Appeal Effect                                                                                                                                                                            |      |               |      |                |      |              |      |
|         | (b) Rectification                                                                                                                                                                            |      |               |      |                |      |              |      |
|         | (c) Others                                                                                                                                                                                   |      |               |      |                |      |              |      |
|         | Total Reduction [(a) to (c)]                                                                                                                                                                 | DS   |               |      |                |      |              |      |
| 8       | Total Demand for Collection at the month end                                                                                                                                                 | NOD  |               |      |                |      |              |      |
| 9       | Demand Difficult to recover                                                                                                                                                                  |      |               |      |                |      |              |      |
|         | (a) Pending write off                                                                                                                                                                        | PWO  |               |      |                |      |              |      |
|         | (b) Assessee's not traceable (to the extent it is likely to affect recovery)                                                                                                                 | ANT  |               |      |                |      |              |      |
|         | (c) No assets/inadequate assets for recovery (to the extent of inadequacy)                                                                                                                   | NAR  |               |      |                |      |              |      |
|         | (d) Protective Demand                                                                                                                                                                        | PD   |               |      |                |      |              |      |
|         | (e) Cases where the Department has lost in appeal but the demand is outstanding for other years or is continuing to be raised to keep the issue alive as the Department is in further appeal | DLA  |               |      |                |      |              |      |
|         | (f) Notified persons under the Special Court (Trial of offences relating to Securities Act, 1992)                                                                                            | NP   |               |      |                |      |              |      |
|         | (g) Cases pending before NCLT under IBC-2016                                                                                                                                                 | BB   |               |      |                |      |              |      |
|         | (h) Companies in Liquidation                                                                                                                                                                 | CIL  |               |      |                |      |              |      |
|         | (i) Cases before Settlement Commission                                                                                                                                                       | BSC  |               |      |                |      |              |      |
|         | (j) Demand stayed by Courts/ITAT                                                                                                                                                             | DSC  |               |      |                |      |              |      |
|         | (k) Demand stayed by I T Authorities                                                                                                                                                         | DSIT |               |      |                |      |              |      |
|         | (l) Demand covered by installments (only to the extent not recoverable during the month)                                                                                                     | INST |               |      |                |      |              |      |
|         | (m) Demand, the recovery of which is not being pursued on account of assessee's stay petition pending consideration by I. T. Authorities.                                                    | SP   |               |      |                |      |              |      |

| Sl. No.                                                                             | Description                                                                                                            | Code  | Arrear demand                 |                                | Current Demand                  |            | Total Demand |       |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------|--------------------------------|---------------------------------|------------|--------------|-------|
|                                                                                     |                                                                                                                        |       | I.T.                          | C.T.                           | I.T.                            | C.T.       | I.T.         | C.T.  |
|                                                                                     | (n)TDS / Prepaid taxes mismatch                                                                                        | TDS   |                               |                                |                                 |            |              |       |
|                                                                                     | (o)Demand not enforceable as Bank Guarantees obtained under MAP process                                                | GRT   |                               |                                |                                 |            |              |       |
|                                                                                     | (p) Rectification pending on account of duplication of entries                                                         | DPL   |                               |                                |                                 |            |              |       |
|                                                                                     | (q) Assets jointly attached with other agencies except BIFR                                                            | OAG   |                               |                                |                                 |            |              |       |
|                                                                                     | (r) Appeal pending against attachment of properties                                                                    | PRP   |                               |                                |                                 |            |              |       |
|                                                                                     | (s) Any other reasons (to be specified in a separate Annexure) for which the demand is considered difficult to recover | OR    |                               |                                |                                 |            |              |       |
|                                                                                     | Total Demand Difficult to Recover [(a) to (s)]                                                                         | DIFF  |                               |                                |                                 |            |              |       |
| <b>10</b>                                                                           | Net Collectible Demand (8-9)                                                                                           | NCOL  |                               |                                |                                 |            |              |       |
| <b>11</b>                                                                           | Analysis of Disputed Demand                                                                                            |       |                               |                                |                                 |            |              |       |
|                                                                                     | (a) CIT (A)                                                                                                            | DCIT  |                               |                                |                                 |            |              |       |
|                                                                                     | (b) ITAT                                                                                                               | DITAT |                               |                                |                                 |            |              |       |
|                                                                                     | (c) High Court/Supreme Court                                                                                           | DIC   |                               |                                |                                 |            |              |       |
|                                                                                     | (d) Rectification/Revision/Waiver pending before I.T. Authorities                                                      | DID   |                               |                                |                                 |            |              |       |
|                                                                                     | Total Disputed Demand                                                                                                  | TDD   |                               |                                |                                 |            |              |       |
| <b>12</b>                                                                           | Tax revenues raised but not realized (FRBM Act)                                                                        |       | >1<br>yr<br>and<br><=2<br>yrs | >2<br>yrs<br>and<br><=5<br>yrs | >5<br>yrs<br>and<br><=10<br>yrs | >10<br>yrs |              | Total |
|                                                                                     | 0020 - Corporation Tax under Dispute                                                                                   |       |                               |                                |                                 |            |              |       |
|                                                                                     | 021 - Income Tax under Dispute                                                                                         |       |                               |                                |                                 |            |              |       |
|                                                                                     | Disputed Demand                                                                                                        |       |                               |                                |                                 |            |              |       |
|                                                                                     | 020 - Corporation Tax not under Dispute                                                                                |       |                               |                                |                                 |            |              |       |
|                                                                                     | 021 - Income Tax not under Dispute                                                                                     |       |                               |                                |                                 |            |              |       |
|                                                                                     | Demand not under Dispute                                                                                               |       |                               |                                |                                 |            |              |       |
|                                                                                     | 020 - Corporation Tax not realized                                                                                     |       |                               |                                |                                 |            |              |       |
|                                                                                     | 021 - Income Tax not realized                                                                                          |       |                               |                                |                                 |            |              |       |
|                                                                                     | Total Tax Revenues not realized                                                                                        |       |                               |                                |                                 |            |              |       |
| <b>13</b>                                                                           | Target of Cash Collection                                                                                              | TCC   |                               |                                |                                 |            |              |       |
| <b>14</b>                                                                           | (6/13) Collection by Target Ratio in % (6/13)                                                                          | CTR   |                               |                                |                                 |            |              |       |
| <b>15</b>                                                                           | (6/10) Collection as of net collectible demand in % (6/10)                                                             | CNCD  |                               |                                |                                 |            |              |       |
| <b>Annexure: Description of other reasons for demand difficult to collect -9(s)</b> |                                                                                                                        |       |                               |                                |                                 |            |              |       |

**Appendix 12B**  
(Ref. Paragraph 7.1)

**STRUCTURE OF CAP-II Report**

| 1. Tax base          |                                                                                   |                                                                                                                          |                                       |                 |                  |                |                                                           |                                                                               |                                                                    |
|----------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------|------------------|----------------|-----------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Area of Activity     | On 1 <sup>st</sup> April - Brought Forward from Closing of March of Previous Year | On 1 <sup>st</sup> day of the Month - Brought Forward from Closing of Previous Month (After Applying Corrections if any) | Variations During the Month on a/c of |                 |                  |                | On Last Day of the Month (ii) + (iii) + (iv) - (v) - (vi) | Corrections to be Applied to Closing of Previous Month (As per Remarks in ix) | Remarks (in Case of Correction based on Errors of Previous Months) |
|                      |                                                                                   |                                                                                                                          | New Assesseees (+)                    | Transfer in (+) | Transfer Out (-) | Struck Off (-) |                                                           |                                                                               |                                                                    |
|                      | (i)                                                                               | (ii)                                                                                                                     | (iii)                                 | (iv)            | (v)              | (vi)           | (vii)                                                     | (viii)                                                                        | (ix)                                                               |
| Assesseees on Record |                                                                                   |                                                                                                                          |                                       |                 |                  |                |                                                           |                                                                               |                                                                    |

| 2. Returns                                 |                                          |                       |                      |                                                       |                                                       |                                     |                  |
|--------------------------------------------|------------------------------------------|-----------------------|----------------------|-------------------------------------------------------|-------------------------------------------------------|-------------------------------------|------------------|
| Area of Activity                           | Returns Filed up to the End of the Month |                       |                      |                                                       | Action Against Stop Filers up to the End of the Month |                                     |                  |
|                                            | (a) By Existing Assesseees               | (b) By New Assesseees | (c) Total (i) + (ii) | Out of (iii) Returns showing Income above Rs. 10 lacs | On A/C of Notices under Section 142(1)                | on A/C of Notices under Section 148 | Total (v) + (vi) |
|                                            | (i)                                      | (ii)                  | (iii)                | (iv)                                                  | (v)                                                   | (vi)                                | (vii)            |
| a. Receipt of returns (on paper)           |                                          |                       |                      |                                                       |                                                       |                                     |                  |
| b. Receipt of returns (in Electronic Form) |                                          |                       |                      |                                                       |                                                       |                                     |                  |

| 3. Functions Relating to the Assessing Officers    |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
|----------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------|-------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------|--------------------|--------------------------------------------------------|----------------------------------------------------------------------|
| (A) Functions other than Survey Work               |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| Area of Activity                                   | Brought forward as on 1 <sup>st</sup> April from closing of March of previous year | Brought forward on first day of the month from closing of previous month (After applying corrections, if any) | Transfer in/out/Struck off during the month (+/-) | Addition during the month | Disposal/Reduction during the month | Disposal/Reduction up to the end of the month (After applying corrections, if any) | Balance carried forward = (ii)+(iii)+(iv)-(v) | Critical Pendency* | Corrections to be applied to closing of previous month | Disposal/Reduction Corrections to be applied to the end of the month |
|                                                    | (i)                                                                                | (ii)                                                                                                          | (iii)                                             | (iv)                      | (v)                                 | (vi)                                                                               | (vii)                                         | (viii)             | (ix)                                                   | (x)                                                                  |
| <b>(i) Processing of Returns</b>                   |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (a) Paper Returns                                  |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (b) e-Filed Returns                                |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| <b>(ii) Refunds</b>                                |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (a) No. of Refunds under Section 143(1)            |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (b) No. of Other Refunds                           |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| <b>(iii) Scrutiny Assessments-Company Cases</b>    |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (a) under Section 143(3)                           |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (b) under Section 143(3) r.w.s other sections      |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (c) Time barring out of (a) & (b) above            |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| <b>(iv) Scrutiny Assessments-Non-Company Cases</b> |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (a) under Section 143(3)                           |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (b) under Section 143(3) r.w other sections        |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (c) Time barring out of (a) & (b) above            |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| <b>(v) Search Assessments</b>                      |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |
| (a) Search Assessments under Section 153A          |                                                                                    |                                                                                                               |                                                   |                           |                                     |                                                                                    |                                               |                    |                                                        |                                                                      |

**Report No. 14 of 2024 (Direct Taxes)**

|                                                           |            |             |  |  |  |                    |  |  |       |  |
|-----------------------------------------------------------|------------|-------------|--|--|--|--------------------|--|--|-------|--|
| (b) Search Assessments under Section 153C                 |            |             |  |  |  |                    |  |  |       |  |
| (c) Other Search Assessments                              |            |             |  |  |  |                    |  |  |       |  |
| <b>(vi) Grievances</b>                                    |            |             |  |  |  |                    |  |  |       |  |
| <b>(vii) Rectification Applications</b>                   |            |             |  |  |  |                    |  |  |       |  |
| <b>(viii) Appeal Effects</b>                              |            |             |  |  |  |                    |  |  |       |  |
| (a) Appeal Effects - CIT(A) order                         |            |             |  |  |  |                    |  |  |       |  |
| (b) Appeal Effects - ITAT order                           |            |             |  |  |  |                    |  |  |       |  |
| (c) Appeal Effects - HC/SC order                          |            |             |  |  |  |                    |  |  |       |  |
| <b>(ix) Penalty Proceedings</b>                           |            |             |  |  |  |                    |  |  |       |  |
| (a) Penalty Proceedings initiated under Section 271(1)(c) |            |             |  |  |  |                    |  |  |       |  |
| (b) Other Penalty Proceedings initiated                   |            |             |  |  |  |                    |  |  |       |  |
| <b>(x) Prosecutions</b>                                   |            |             |  |  |  |                    |  |  |       |  |
| (a) Prosecutions under Section 276C launched              |            |             |  |  |  |                    |  |  |       |  |
| (b) Other Prosecution Cases launched                      |            |             |  |  |  |                    |  |  |       |  |
| <b>(xi) Revenue Audit Objections</b>                      |            |             |  |  |  |                    |  |  |       |  |
| (a) Revenue Audit - Major Objection (Arrear)              |            |             |  |  |  |                    |  |  |       |  |
| (b) Revenue Audit - Major Objection (Current)             |            |             |  |  |  |                    |  |  |       |  |
| (c) Revenue Audit - Draft Para                            |            |             |  |  |  |                    |  |  |       |  |
| <b>(xii) Internal Audit Objection</b>                     |            |             |  |  |  |                    |  |  |       |  |
| (a) Internal Audit - Major Objection (Arrear)             |            |             |  |  |  |                    |  |  |       |  |
| (b) Internal Audit - Major Objection (Current)            |            |             |  |  |  |                    |  |  |       |  |
| <b>(xiii) Age-wise Breakup of Pendency of Refunds</b>     | 1-6 Months | 6-12 Months |  |  |  | More than one Year |  |  | Total |  |
|                                                           | (i)        | (ii)        |  |  |  | (iii)              |  |  | (iv)  |  |
| (a) Refunds under Section 143(1)                          |            |             |  |  |  |                    |  |  |       |  |



|                                                                                                             |                                                                                        |                                                                                                               |                                                   |                                     |                                |                                                                               |                                             |                    |                                                        |                                                           |
|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------------------------------|---------------------------------------------|--------------------|--------------------------------------------------------|-----------------------------------------------------------|
| (Reckoned from the month in which return is received Paper Return) (to be read as 1-9 months & 9-12 months) |                                                                                        |                                                                                                               |                                                   |                                     |                                |                                                                               |                                             |                    |                                                        |                                                           |
| (b) Refunds under Section 143(1) (Reckoned from the month in which return is received e filed)              |                                                                                        |                                                                                                               |                                                   |                                     |                                |                                                                               |                                             |                    |                                                        |                                                           |
| (c) Other Refunds (Reckoned from the date on which the refund is determined)                                |                                                                                        |                                                                                                               |                                                   |                                     |                                |                                                                               |                                             |                    |                                                        |                                                           |
|                                                                                                             | Appeals authorized brought forward as on 1st April – from closing of March of previous | Brought forward on first day of the month from closing of previous month (After applying corrections, if any) | Transfer in/out/struck off during the month (+/-) | Appeals authorized during the month | Appeals filed during the month | Appeals filed up to the end of the month (After applying corrections, if any) | Balance carried forward (ii)+(iii)+(iv)-(v) | Critical Pendency* | Corrections to be applied to closing of previous month | Appeals Corrections to be applied to the end of the month |
|                                                                                                             | (i)                                                                                    | (ii)                                                                                                          | (iii)                                             | (iv)                                | (v)                            | (vi)                                                                          | (vii)                                       | (viii)             | (ix)                                                   | (x)                                                       |
| (xiv) Appeals to High Court under Section 260A                                                              |                                                                                        |                                                                                                               |                                                   |                                     |                                |                                                                               |                                             |                    |                                                        |                                                           |

| (xv) Write off of Arrear Demand | No. of demands written off during the month | Amount (₹ in lakh) | No. of proposals submitted to local/regional/zonal committee(s) for write off | Amount involved in such proposals (₹ in Lakh)                 | No. of proposal received |                                                               |                  | No. of proposals submitted Corrections to be applied to the end of the month | Amount involved Corrections to be applied to the end of the month | No. of proposals received Corrections to be applied to the end of the month |      |
|---------------------------------|---------------------------------------------|--------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------|---------------------------------------------------------------|------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------|------|
|                                 |                                             |                    |                                                                               |                                                               |                          |                                                               |                  |                                                                              |                                                                   |                                                                             |      |
|                                 |                                             |                    |                                                                               |                                                               |                          |                                                               |                  |                                                                              |                                                                   |                                                                             |      |
|                                 |                                             |                    | During the month                                                              | Upto the end of the month (After applying corrections if any) | During the month         | Upto the end of the month (After applying corrections if any) | During the month | Upto the end of the month (After applying corrections if any)                |                                                                   |                                                                             |      |
|                                 | (i)                                         | (ii)               | (iii)                                                                         | (iv)                                                          | (v)                      | (vi)                                                          | (vii)            | (viii)                                                                       | (ix)                                                              | (x)                                                                         | (xi) |
| (i) Local committee             |                                             |                    |                                                                               |                                                               |                          |                                                               |                  |                                                                              |                                                                   |                                                                             |      |
| (ii) Regional Committee         |                                             |                    |                                                                               |                                                               |                          |                                                               |                  |                                                                              |                                                                   |                                                                             |      |

|                       |  |  |  |  |  |  |  |  |  |  |  |
|-----------------------|--|--|--|--|--|--|--|--|--|--|--|
| (iii) Zonal Committee |  |  |  |  |  |  |  |  |  |  |  |
| (iv) Ad hoc Write off |  |  |  |  |  |  |  |  |  |  |  |
| (v) Summary Write off |  |  |  |  |  |  |  |  |  |  |  |
| Total                 |  |  |  |  |  |  |  |  |  |  |  |

| 3(B) Survey Work                                 |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |
|--------------------------------------------------|---------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------|--------------------------|---------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|
| Area of Activity                                 | No. of surveys during the month | No. of surveys upto the end of the month (After applying corrections if any) | Corresponding period of last year (upto the end of the month) | Amount of undisclosed income detected (Rs. In lakhs) |                                                               | Survey reports submitted |                                                               | No. of surveys Corrections to be applied to the end of the month | Amount of undisclosed to be applied to the end of the month | Survey reports submitted to be applied to the end of the month |
|                                                  |                                 |                                                                              |                                                               | During the month                                     | upto the end of the month (After applying corrections if any) | During the month         | upto the end of the month (After applying corrections if any) |                                                                  |                                                             |                                                                |
|                                                  | (i)                             | (ii)                                                                         | (iii)                                                         | (iv)                                                 | (v)                                                           | (vi)                     | (vii)                                                         | (viii)                                                           | (ix)                                                        | (x)                                                            |
| (i) Survey under Section 133 A(1)                |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |
| (a) Discrepancy in Cash found (Amount in Lakhs)  |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |
| (b) Discrepancy in Stock found (Amount in Lakhs) |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |
| (c) Other Discrepancy noticed (Amount in lakhs)  |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |
| Survey under Section 133A(5)                     |                                 |                                                                              |                                                               |                                                      |                                                               |                          |                                                               |                                                                  |                                                             |                                                                |

## Appendix 13

(Ref.: Para 7.3.2)

## Demand Difficult to Recover Categorised under 19 reasons for the years ended from March 2018 to March 2022

(₹ in crore)

| Sl. No. | For the Year ended                                                                                                                                     |      | March 18    | March 19    | March 20    | March 21    | March 22    |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------|-------------|-------------|-------------|-------------|
| 1       | Pending Write-off                                                                                                                                      | 9(a) | 3,141.31    | 3,431.76    | 4,269.36    | 2,788.76    | 3,411.93    |
| 2       | Assessee not traceable                                                                                                                                 | 9(b) | 85,337.15   | 89,421.79   | 1,77,938.44 | 1,63,880.00 | 2,26,019.26 |
| 3       | No assets/inadequate assets                                                                                                                            | 9(c) | 4,89,328.80 | 5,45,081.39 | 6,04,374.72 | 5,50,442.06 | 6,49,420.29 |
| 4       | protective demand                                                                                                                                      | 9(d) | 28,051.27   | 31,951.63   | 35,153.80   | 32,695.03   | 34,627.71   |
| 5       | Department lost in appeal but demand outstanding for other years or continuing to be raised to keep the issue alive as department is in further appeal | 9(e) | 55,703.34   | 67,180.71   | 38,587.24   | 39,685.44   | 36,192.91   |
| 6       | Notified persons under the Special Court (Trial of offences relating to Securities Act, 1992)                                                          | 9(f) | 28,997.81   | 30,801.24   | 28,324.99   | 34,702.17   | 34,433.46   |
| 7       | Cases pending before NCLT under IBC-2016                                                                                                               | 9(g) | 14,097.00   | 20,652.96   | 55,111.41   | 48,069.37   | 62,429.75   |
| 8       | Companies in Liquidation                                                                                                                               | 9(h) | 25,695.71   | 32,605.62   | 39,254.28   | 30,470.17   | 60,453.28   |
| 9       | Cases before Settlement Commission                                                                                                                     | 9(i) | 307.80      | 341.68      | 673.67      | 358.47      | 547.93      |
| 10      | Demand stayed by Courts/ITAT                                                                                                                           | 9(j) | 85,958.79   | 1,15,836.76 | 1,28,106.58 | 1,19,950.59 | 1,19,751.85 |
| 11      | Demand stayed by IT Authorities                                                                                                                        | 9(k) | 85,508.66   | 87,961.00   | 1,18,593.48 | 98,052.61   | 1,42,608.23 |
| 12      | Demand covered by installments (to the extent not recoverable)                                                                                         | 9(l) | 4,418.66    | 3,935.47    | 2,871.15    | 2,536.75    | 3,066.95    |
| 13      | Demand , the recovery of which is not being pursued on account of assessee's stay petition pending consideration by I.T. Authorities                   | 9(m) | 18,364.45   | 20,385.84   | 19,094.52   | 11,186.05   | 34,918.21   |
| 14      | TDS/Prepaid taxes mismatch                                                                                                                             | 9(n) | 40,555.36   | 47,917.54   | 64,093.82   | 65,569.86   | 99,658.33   |
| 15      | Demand not enforceable as Bank Guarantees obtained under MAP process                                                                                   | 9(o) | 11,500.61   | 18,395.74   | 8,600.91    | 7,271.49    | 6,600.01    |
| 16      | Rectification pending on account of duplication of entries                                                                                             | 9(p) | 4,843.56    | 15,133.88   | 15,086.38   | 13,632.14   | 20,603.90   |

**Report No. 14 of 2024 (Direct Taxes)**

| Sl. No. | For the Year ended                                      |      | March 18            | March 19            | March 20            | March 21            | March 22            |
|---------|---------------------------------------------------------|------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 17      | Assets jointly attached with other agencies except BIFR | 9(q) | 61,718.20           | 47,878.15           | 94,481.21           | 96,024.62           | 92,689.44           |
| 18      | Appeal pending against attachment of properties         | 9(r) | 1,279.31            | 1,906.06            | 870.94              | 870.69              | 805.53              |
| 19      | Any other reason (to be specified in separate annexure) | 9(s) | 48,569.57           | 38,665.18           | 55,788.94           | 44,894.63           | 1,14,818.16         |
| 20      | <b>Total Demand Difficult to Recover</b>                |      | <b>10,93,377.36</b> | <b>12,19,484.40</b> | <b>14,91,275.84</b> | <b>13,63,080.90</b> | <b>17,43,057.13</b> |

**Appendix 14**  
(Ref.: Para 7.3.3)

**Statement showing Outstanding Demand Pending at Various stages of Appeal - Region wise**

(₹ in crore)

| Sl. No. | Pr. CCIT                   | March 2018 |           |                           |                                                               |             | March 2019  |           |                           |                                                               |             |
|---------|----------------------------|------------|-----------|---------------------------|---------------------------------------------------------------|-------------|-------------|-----------|---------------------------|---------------------------------------------------------------|-------------|
|         |                            | CIT(A)     | ITAT      | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total       | CIT(A)      | ITAT      | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total       |
| 1       | Mumbai                     | 75,379.04  | 99,407.09 | 7,457.70                  | 5,014.10                                                      | 1,87,257.93 | 2,70,500.11 | 95,230.87 | 7,275.98                  | 5,714.65                                                      | 3,78,721.61 |
| 2       | AP & Telangana             | 10,099.96  | 5,634.98  | 2,457.78                  | 712.45                                                        | 18,905.17   | 11,611.51   | 5,931.56  | 2,549.91                  | 638.45                                                        | 20,731.43   |
| 3       | Rajasthan                  | 3,023.41   | 200.2     | 91.62                     | 128.96                                                        | 3,444.19    | 3,002.99    | 229.85    | 95.21                     | 84.22                                                         | 3,412.27    |
| 4       | Nagpur                     | 386.52     | 42.51     | 4.4                       | 200.22                                                        | 633.65      | 381.46      | 55.48     | 4.61                      | 371.7                                                         | 813.25      |
| 5       | Pune                       | 13,613.49  | 3,169.52  | 593.02                    | 3,947.24                                                      | 21,323.27   | 15,749.61   | 2,798.97  | 700.02                    | 4,393.90                                                      | 23,642.50   |
| 6       | UP West & Uttarakhand      | 1,951.66   | 1,265.38  | 11.59                     | 319.36                                                        | 3,547.99    | 2,470.49    | 1,336.92  | 13.49                     | 385.04                                                        | 4,205.94    |
| 7       | UP East (Lucknow)          | 17,151.23  | 639.73    | 214.56                    | 182.63                                                        | 18,188.15   | 21,100.62   | 759.92    | 242.88                    | 234.06                                                        | 22,337.48   |
| 8       | Bhopal (MP & Chhattisgarh) | 12,682.31  | 595.91    | 394.73                    | 380.03                                                        | 14,052.98   | 14,280.36   | 747.32    | 411.35                    | 312.46                                                        | 15,751.49   |
| 9       | Bengaluru                  | 15,134.71  | 5,039.20  | 767.59                    | 2,385.31                                                      | 23,326.81   | 18,198.18   | 10,382.26 | 2,264.54                  | 1,973.73                                                      | 32,818.71   |
| 10      | Tamil Nadu                 | 11,393.31  | 1,482.62  | 1,667.29                  | 1,593.65                                                      | 16,136.87   | 13,597.68   | 1,526.41  | 2,499.44                  | 1,192.24                                                      | 18,815.77   |
| 11      | Kerala                     | 3,670.72   | 589.57    | 476.78                    | 195.91                                                        | 4,932.98    | 4,145.47    | 630.82    | 1,463.43                  | 232.18                                                        | 6,471.90    |
| 12      | Bhubaneswar                | 2,745.83   | 139.54    | 588.47                    | 163.22                                                        | 3,637.06    | 1,594.19    | 379.07    | 94.19                     | 36.98                                                         | 2,104.43    |
| 13      | North-East Region          | 394.06     | 71.8      | 0.33                      | 146.34                                                        | 612.53      | 338.91      | 95.35     | 3.91                      | 120.5                                                         | 558.67      |
| 14      | West Bengal & Sikkim       | 43,182.32  | 3,370.45  | 285.57                    | 711.2                                                         | 47,549.54   | 44,936.18   | 5,051.85  | 295                       | 789.38                                                        | 51,072.41   |

**Report No. 14 of 2024 (Direct Taxes)**

| Sl. No. | Pr. CCIT              | March 2018         |                    |                           |                                                               |                    | March 2019         |                    |                           |                                                               |                    |
|---------|-----------------------|--------------------|--------------------|---------------------------|---------------------------------------------------------------|--------------------|--------------------|--------------------|---------------------------|---------------------------------------------------------------|--------------------|
|         |                       | CIT(A)             | ITAT               | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total              | CIT(A)             | ITAT               | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total              |
| 15      | Bihar & Jharkhand     | 4,508.28           | 381.11             | 50.96                     | 152.93                                                        | 5,093.28           | 4,704.57           | 423.55             | 220.31                    | 242.85                                                        | 5,591.28           |
| 16      | Delhi                 | 1,19,086.67        | 40,302.94          | 11,329.09                 | 5,075.72                                                      | 1,75,794.42        | 1,10,145.08        | 60,205.08          | 11,846.45                 | 7,806.80                                                      | 1,90,003.41        |
| 17      | North-West Region     | 8,104.74           | 2,765.47           | 664.29                    | 395.57                                                        | 11,930.07          | 9,776.00           | 2,428.71           | 375.33                    | 660.78                                                        | 13,240.82          |
| 18      | Pr. CCIT (Intl. Tax.) | 45,147.00          | 11,246.40          | 61,825.78                 | 1,830.66                                                      | 1,20,049.84        | 43,352.02          | 10,247.57          | 60,918.37                 | 10,352.56                                                     | 1,24,870.52        |
| 19      | Gujarat               | 20,462.37          | 1,280.08           | 226.11                    | 842.8                                                         | 22,811.36          | 34,841.55          | 1,224.76           | 356.37                    | 965.26                                                        | 37,387.94          |
|         | <b>Total</b>          | <b>4,08,117.63</b> | <b>1,77,624.50</b> | <b>89,107.66</b>          | <b>24,378.30</b>                                              | <b>6,99,228.09</b> | <b>6,24,726.98</b> | <b>1,99,686.32</b> | <b>91,630.79</b>          | <b>36,507.74</b>                                              | <b>9,52,551.83</b> |

## Appendix 14 (Contd..)

(Ref.: Para 7.3.3)

## Statement showing Outstanding Demand Pending at Various stages of Appeal - Region wise

(₹ in crore)

| Sl. No. | Pr. CCIT                   | March 2020  |           |                           |                                                               |             | March 2021  |           |                           |                                                                |             |
|---------|----------------------------|-------------|-----------|---------------------------|---------------------------------------------------------------|-------------|-------------|-----------|---------------------------|----------------------------------------------------------------|-------------|
|         |                            | CIT(A)      | ITAT      | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total       | CIT(A)      | ITAT      | High Court/ Supreme Court | Rectification / revision/ waiver pending before IT Authorities | Total       |
| 1       | Mumbai                     | 2,84,809.04 | 71,375.09 | 9,120.60                  | 6,640.30                                                      | 3,71,945.03 | 2,83,154.58 | 70,162.08 | 8,172.91                  | 7,799.18                                                       | 3,69,288.75 |
| 2       | AP & Telangana             | 18,299.62   | 5,614.96  | 2,587.79                  | 590                                                           | 27,092.37   | 18,429.26   | 5,392.10  | 2,633.77                  | 579.05                                                         | 27,034.18   |
| 3       | Rajasthan                  | 4,639.22    | 215.56    | 112.5                     | 163.6                                                         | 5,130.88    | 6,403.78    | 228.79    | 252.78                    | 298.72                                                         | 7,184.07    |
| 4       | Nagpur                     | 488.36      | 44.71     | 4.61                      | 460.44                                                        | 998.12      | 477.75      | 33.16     | 1.66                      | 505.09                                                         | 1,017.66    |
| 5       | Pune                       | 17,536.08   | 2,277.69  | 580.55                    | 4,184.49                                                      | 24,578.81   | 18,422.12   | 4,022.03  | 638.55                    | 6,721.36                                                       | 29,804.06   |
| 6       | UP West & Uttarakhand      | 3,775.58    | 1,442.28  | 27.55                     | 410.15                                                        | 5,655.56    | 3,765.34    | 1,765.03  | 22.19                     | 400.28                                                         | 5,952.84    |
| 7       | UP East (Lucknow)          | 24,069.87   | 1,839.58  | 241.74                    | 346.96                                                        | 26,498.15   | 23,975.20   | 1,856.12  | 238.68                    | 349.47                                                         | 26,419.47   |
| 8       | Bhopal (MP & Chhattisgarh) | 16,876.47   | 759.52    | 393.09                    | 749.83                                                        | 18,778.91   | 17,340.62   | 875.56    | 2,971.33                  | 552.54                                                         | 21,740.05   |
| 9       | Bengaluru                  | 23,783.39   | 13,267.21 | 1,384.20                  | 2,693.50                                                      | 41,128.30   | 24,395.01   | 11,652.51 | 2,607.41                  | 2,689.16                                                       | 41,344.09   |
| 10      | Tamil Nadu                 | 17,256.13   | 1,677.77  | 2,713.27                  | 1,526.28                                                      | 23,173.45   | 21,762.82   | 1,559.41  | 4,608.62                  | 1,326.29                                                       | 29,257.14   |
| 11      | Kerala                     | 4,990.65    | 421.21    | 1,742.41                  | 412.91                                                        | 7,567.18    | 6,822.66    | 946.56    | 2,103.94                  | 937.44                                                         | 10,810.60   |
| 12      | Bhubaneswar                | 3,225.74    | 377.45    | 96.77                     | 28.93                                                         | 3,728.89    | 2,761.92    | 67        | 325.94                    | 76.81                                                          | 3,231.67    |
| 13      | North-East Region          | 1,198.55    | 122.7     | 0.9                       | 84.21                                                         | 1,406.36    | 1,139.45    | 109.23    | 79.29                     | 83                                                             | 1,410.97    |
| 14      | West Bengal & Sikkim       | 49,326.06   | 3,356.54  | 576.85                    | 821.08                                                        | 54,080.53   | 56,268.75   | 2,866.79  | 537.47                    | 2,309.86                                                       | 61,982.87   |
| 15      | Bihar & Jharkhand          | 5,744.48    | 501.21    | 244.4                     | 203.6                                                         | 6,693.69    | 5,901.34    | 543.95    | 249.05                    | 303.44                                                         | 6,997.78    |

**Report No. 14 of 2024 (Direct Taxes)**

| Sl. No. | Pr. CCIT              | March 2020         |                    |                           |                                                               |                    | March 2021        |                    |                           |                                                                |                     |
|---------|-----------------------|--------------------|--------------------|---------------------------|---------------------------------------------------------------|--------------------|-------------------|--------------------|---------------------------|----------------------------------------------------------------|---------------------|
|         |                       | CIT(A)             | ITAT               | High Court/ Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total              | CIT(A)            | ITAT               | High Court/ Supreme Court | Rectification / revision/ waiver pending before IT Authorities | Total               |
| 16      | Delhi                 | 73,510.68          | 46,630.46          | 5,798.37                  | 3,012.72                                                      | 1,28,952.23        | 112,874.12        | 62,596.70          | 7,009.63                  | 2,826.35                                                       | 1,85,306.80         |
| 17      | North-West Region     | 14,139.90          | 4,333.79           | 383.26                    | 816.96                                                        | 19,673.91          | 0.00              | 0                  | 0                         | 0                                                              | 0                   |
| 18      | Pr. CCIT (Intl. Tax.) | 47,732.95          | 11,964.71          | 59,832.40                 | 11,126.23                                                     | 1,30,656.29        | 45,854.48         | 11,892.80          | 59,047.36                 | 13,839.34                                                      | 1,30,633.98         |
| 19      | Gujarat               | 39,822.99          | 5,607.46           | 329.17                    | 963.34                                                        | 46,722.96          | 42,031.23         | 3,246.35           | 321.34                    | 1,356.07                                                       | 46,954.99           |
|         | <b>Total</b>          | <b>6,51,225.76</b> | <b>1,71,829.90</b> | <b>86,170.43</b>          | <b>35,235.53</b>                                              | <b>9,44,461.62</b> | <b>691,780.43</b> | <b>1,79,816.17</b> | <b>91,821.92</b>          | <b>42,953.45</b>                                               | <b>10,06,371.97</b> |



## Appendix 14 (Contd..)

(Ref.: Para 7.3.3)

## Statement showing Outstanding Demand Pending at Various stages of Appeal - Region wise

(₹ in crore)

| Sl. No. | Pr. CCIT                   | March 2022         |                    |                          |                                                               |                     |
|---------|----------------------------|--------------------|--------------------|--------------------------|---------------------------------------------------------------|---------------------|
|         |                            | CIT(A)             | ITAT               | High Court/Supreme Court | Rectification/ revision/ waiver pending before IT Authorities | Total               |
| 1       | Mumbai                     | 3,06,921.50        | 71,908.50          | 8,428.72                 | 9,787.04                                                      | 3,97,045.76         |
| 2       | AP & Telangana             | 29,902.77          | 6,301.94           | 3,412.12                 | 2,893.60                                                      | 42,510.43           |
| 3       | Rajasthan                  | 7,519.26           | 412.17             | 300.92                   | 444.61                                                        | 8,676.96            |
| 4       | Nagpur                     | 1,067.85           | 32.96              | 1.73                     | 639.91                                                        | 1,742.45            |
| 5       | Pune                       | 19,120.99          | 1,627.74           | 703.14                   | 9,020.53                                                      | 30,472.40           |
| 6       | UP West & Uttarakhand      | 3,112.83           | 1,714.65           | 42.92                    | 357.68                                                        | 5,228.08            |
| 7       | UP East (Lucknow)          | 26,666.62          | 1,844.47           | 238.52                   | 297.73                                                        | 29,047.34           |
| 8       | Bhopal (MP & Chhattisgarh) | 20,657.06          | 700.77             | 5,748.88                 | 490.85                                                        | 27,597.56           |
| 9       | Bengaluru                  | 22,605.53          | 10,598.72          | 4,748.90                 | 6,950.33                                                      | 44,903.48           |
| 10      | Tamil Nadu                 | 30,981.56          | 2,194.61           | 7,472.56                 | 1,494.35                                                      | 42,143.08           |
| 11      | Kerala                     | 7,758.44           | 1,451.79           | 755.2                    | 421.92                                                        | 10,387.35           |
| 12      | Bhubaneswar                | 2,794.19           | 61.28              | 325.79                   | 57.63                                                         | 3,238.89            |
| 13      | North-East Region          | 1,136.06           | 94.82              | 169.49                   | 95.6                                                          | 1,495.97            |
| 14      | West Bengal & Sikkim       | 54,893.94          | 2,851.35           | 541.7                    | 2,518.27                                                      | 60,805.26           |
| 15      | Bihar & Jharkhand          | 6,483.47           | 613.95             | 249.19                   | 314.1                                                         | 7,660.71            |
| 16      | Delhi                      | 1,26,600.30        | 56,893.08          | 6,872.32                 | 2,687.57                                                      | 1,93,053.27         |
| 17      | North-West Region          | 0                  | 0                  | 0                        | 0                                                             | 0                   |
| 18      | Pr. CCIT (Intl. Tax.)      | 39,614.78          | 12,308.18          | 27,593.99                | 12,193.00                                                     | 91,709.95           |
| 19      | Gujarat                    | 45,540.48          | 7,665.85           | 346.6                    | 1,318.08                                                      | 54,871.01           |
|         | <b>Total</b>               | <b>7,53,377.63</b> | <b>1,79,276.83</b> | <b>67,952.69</b>         | <b>51,982.80</b>                                              | <b>10,52,589.95</b> |

## Appendix 15

(Ref.: Para 7.3.8)

Statement showing write off Proposals and Approvals by departmental committees in 16 Regions as per CAP-II statement for the year ended  
March 2018, 2019 & 2020

| Sl. No. | Name of the Pr. CCIT Region | Type of Committee  | As on 31 March 2018 |                    |                          | As on 31 March 2019 |                    |                          | As on 31 March 2020 |                    |                          |
|---------|-----------------------------|--------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|
|         |                             |                    | No. of proposals    | Amount (₹ In lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received |
| 1       | Tamil Nadu                  | Local Committee    | 62                  | 1                  | 62                       | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 3                   | 2,742              | 2,167                    | 3                   | 575                | 0                        | 2                   | 1,036              | 0                        |
| 2       | Lucknow, UP East            | Local Committee    | 7                   | 162                | 0                        | 7                   | 162                | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 2                   | 93                 | 0                        | 2                   | 93                 | 0                        | 0                   | 0                  | 0                        |
| 3       | UP West, Uttarakhand        | Local Committee    | 22                  | 2,53,703           | 0                        | 22                  | 2,53,793           | 0                        | 22                  | 2,53,793           | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 19                  | 66,679             | 0                        | 19                  | 66,679             | 0                        | 19                  | 66,679             | 0                        |
| 4       | Delhi                       | Local Committee    | 5                   | 2,506              | 970                      | 3                   | 2,085              | 0                        | 1                   | 452                | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |

| Sl. No. | Name of the Pr. CCIT Region | Type of Committee  | As on 31 March 2018 |                    |                          | As on 31 March 2019 |                    |                          | As on 31 March 2020 |                    |                          |
|---------|-----------------------------|--------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|
|         |                             |                    | No. of proposals    | Amount (₹ In lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received |
|         |                             | Zonal Committee    | 1                   | 28                 | 0                        | 1                   | 28                 | 0                        | 0                   | 0                  | 0                        |
| 5       | Andhra Pradesh & Telangana  | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 183                 | 0                  | 0                        | 1                   | 334                | 0                        | 0                   | 0                  | 0                        |
| 6       | Rajasthan                   | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 7                   | 1,820              | 0                        | 7                   | 1,734              | 0                        | 7                   | 1,734              | 0                        |
| 7       | Kerala                      | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 1                   | 32                 | 0                        | 1                   | 32                 | 0                        | 0                   | 0                  | 0                        |
| 8       | Bhopal (MP & CG Region)     | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |

**Report No. 14 of 2024 (Direct Taxes)**

| Sl. No. | Name of the Pr. CCIT Region | Type of Committee  | As on 31 March 2018 |                    |                          | As on 31 March 2019 |                    |                          | As on 31 March 2020 |                    |                          |
|---------|-----------------------------|--------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|
|         |                             |                    | No. of proposals    | Amount (₹ In lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received |
| 9       | Mumbai                      | Local Committee    | 1                   |                    | 39                       | 1                   | 0                  | 39                       | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 1                   | 0                  | 39                       |
|         |                             | Zonal Committee    | 5                   | 2,220              | 115                      | 5                   | 2,220              | 0                        | 7                   | 2,783              | 0                        |
| 10      | West Bengal & Sikkim        | Local Committee    | 90                  | 438                | 0                        | 94                  | 12                 | 95                       | 94                  | 11                 | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 4                   | 5,078              | 0                        | 2                   | 680                | 4,915                    | 2                   | 677                | 0                        |
| 11      | Bengaluru                   | Local Committee    | 216                 | 3                  | 0                        | 213                 | 2                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 1                   | 1                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 1                   | 3                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
| 12      | North East Region           | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                             | Zonal Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |

| Sl. No. | Name of the Pr. CCIT Region       | Type of Committee  | As on 31 March 2018 |                    |                          | As on 31 March 2019 |                    |                          | As on 31 March 2020 |                    |                          |
|---------|-----------------------------------|--------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|---------------------|--------------------|--------------------------|
|         |                                   |                    | No. of proposals    | Amount (₹ In lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received | No. of proposals    | Amount (₹ in lakh) | No. of Approval Received |
| 13      | Bhubaneswar                       | Local Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                                   | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                                   | Zonal Committee    | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
| 14      | North West Region                 | Local Committee    | 0                   | 0                  | 0                        | Not available       | Not available      | Not available            | 0                   | 0                  | 0                        |
|         |                                   | Regional Committee | 0                   | 0                  | 0                        | Not available       | Not available      | Not available            | 0                   | 0                  | 0                        |
|         |                                   | Zonal Committee    | 3                   | 107                | 0                        | Not available       | Not available      | Not available            | 2                   | 100                | 0                        |
| 15      | Gujarat                           | Local Committee    | 5                   | 319                | 1                        | 1                   | 313                | 1                        | 2                   | 633                | 1                        |
|         |                                   | Regional Committee | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        | 0                   | 0                  | 0                        |
|         |                                   | Zonal Committee    | 6                   | 1,693              | 1                        | 7                   | 1,252              | 0                        | 5                   | 918                | 0                        |
| 16      | International Taxation, New Delhi | Local Committee    | 0                   | 0                  | 0                        | Not available       | Not available      | Not available            | 0                   | 0                  | 0                        |
|         |                                   | Regional Committee | 0                   | 0                  | 0                        | Not available       | Not available      | Not available            | 0                   | 0                  | 0                        |
|         |                                   | Zonal Committee    | 0                   | 0                  | 0                        | Not available       | Not available      | Not available            | 0                   | 0                  | 0                        |

## Appendix 16

(Refer Para 7.4)

Age-wise analysis of 'Demand not under Dispute' for the years ended March 2018 to March 2022  
(Region Wise)

(₹ in crore)

| Sl. No. | Pr.CCIT Region/Year ending | For the year ended March, 2022 |                     |                      |          |           |
|---------|----------------------------|--------------------------------|---------------------|----------------------|----------|-----------|
|         |                            | > 1Yr and <= 2 Yrs             | >2 Yrs and <= 5 Yrs | > 5 Yrs and <=10 Yrs | > 10 Yrs | Total     |
| 1       | MUMBAI                     |                                |                     |                      |          |           |
| (i)     | March 2018                 | 18,736.36                      | 7,254.85            | 501.33               | 451.05   | 26,943.59 |
| (ii)    | March 2019                 | 24,057.70                      | 10,476.93           | 397.99               | 448.52   | 35,381.14 |
| (iii)   | March 2020                 | 22,884.73                      | 15,881.31           | 1,088.12             | 412.57   | 40,266.73 |
| (iv)    | March 2021                 | 35,836.54                      | 14,867.50           | 277.26               | 249.82   | 51,231.12 |
| (v)     | March 2022                 | 33,460.97                      | 14,824.88           | 1,046.92             | 196.40   | 49,529.17 |
| 2       | Andhra Pradesh & Telangana |                                |                     |                      |          |           |
| (i)     | March 2018                 | 3,407.60                       | 2,451.23            | 453.92               | 104.42   | 6,417.17  |
| (ii)    | March 2019                 | 3,787.11                       | 2,874.48            | 558.58               | 94.62    | 7,314.79  |
| (iii)   | March 2020                 | 12,015.71                      | 3,468.66            | 760.35               | 91.07    | 16,335.79 |
| (iv)    | March 2021                 | 21,279.04                      | 4,079.52            | 1,270.86             | 134.36   | 26,763.78 |
| (v)     | March 2022                 | 12,799.96                      | 3,843.30            | 1,180.95             | 186.40   | 18,010.61 |
| 3       | Rajasthan                  |                                |                     |                      |          |           |
| (i)     | March 2018                 | 423.35                         | 115.76              | 42.11                | 20.06    | 601.28    |
| (ii)    | March 2019                 | 719.17                         | 171.88              | 42.07                | 18.70    | 951.82    |
| (iii)   | March 2020                 | 1,093.15                       | 277.73              | 41.99                | 22.52    | 1,435.39  |
| (iv)    | March 2021                 | 2,615.73                       | 756.46              | 92.29                | 23.88    | 3,488.36  |
| (v)     | March 2022                 | 1,922.31                       | 748.15              | 83.23                | 7.78     | 2,761.47  |
| 4       | Nagpur                     |                                |                     |                      |          |           |
| (i)     | March 2018                 | 214.30                         | 138.27              | 300.18               | 1.30     | 654.05    |
| (ii)    | March 2019                 | 224.51                         | 148.26              | 300.84               | 0.94     | 674.55    |
| (iii)   | March 2020                 | 259.30                         | 198.57              | 302.61               | 0.56     | 761.04    |
| (iv)    | March 2021                 | 1,302.67                       | 280.94              | 317.10               | 4.39     | 1,905.10  |
| (v)     | March 2022                 | 1,407.77                       | 358.95              | 323.36               | 9.42     | 2,099.50  |
| 5       | Pune                       |                                |                     |                      |          |           |
| (i)     | March 2018                 | 1,943.28                       | 717.62              | 117.99               | 34.65    | 2,813.54  |
| (ii)    | March 2019                 | 2,328.52                       | 1,561.75            | 192.18               | 95.31    | 4,177.76  |
| (iii)   | March 2020                 | 3,416.96                       | 2,079.35            | 252.91               | 128.94   | 5,878.16  |
| (iv)    | March 2021                 | 6,493.25                       | 3,386.76            | 477.38               | 1,649.33 | 12,006.72 |
| (v)     | March 2022                 | 6,063.30                       | 3,667.25            | 355.95               | 157.29   | 10,243.79 |
| 6       | UP West & Uttarakhand      |                                |                     |                      |          |           |
| (i)     | March 2018                 | 1437.89                        | 283.67              | 850.84               | 73.48    | 2645.88   |
| (ii)    | March 2019                 | 2192.52                        | 553.41              | 1110.36              | 79.85    | 3936.14   |

| Sl. No. | Pr.CCIT Region/Year ending | For the year ended March, 2022 |                     |                      |          |           |
|---------|----------------------------|--------------------------------|---------------------|----------------------|----------|-----------|
|         |                            | > 1Yr and <= 2 Yrs             | >2 Yrs and <= 5 Yrs | > 5 Yrs and <=10 Yrs | > 10 Yrs | Total     |
| (iii)   | March 2020                 | 3443.44                        | 1531.34             | 1146.43              | 88.55    | 6209.76   |
| (iv)    | March 2021                 | 8973.63                        | 2,440.02            | 1,565.07             | 85.78    | 13,064.50 |
| (v)     | March 2022                 | 8,782.75                       | 2,869.65            | 685.57               | 85.39    | 12,423.36 |
| 7       | Lucknow, UP East           |                                |                     |                      |          |           |
| (i)     | March 2018                 | 848.01                         | 252.54              | 86.60                | 54.21    | 1241.36   |
| (ii)    | March 2019                 | 1121.87                        | 374.50              | 93.54                | 49.38    | 1639.29   |
| (iii)   | March 2020                 | 4196.27                        | 330.85              | 91.82                | 53.00    | 4671.94   |
| (iv)    | March 2021                 | 8019.39                        | 989.27              | 241.97               | 39.62    | 9290.25   |
| (v)     | March 2022                 | 7643.59                        | 1526.32             | 180.90               | 44.78    | 9395.59   |
| 8       | MP & Chhattisgarh          |                                |                     |                      |          |           |
| (i)     | March 2018                 | 1,197.87                       | 587.36              | 317.26               | 83.54    | 2,186.03  |
| (ii)    | March 2019                 | 2,041.87                       | 848.69              | 315.27               | 80.66    | 3,286.49  |
| (iii)   | March 2020                 | 5,236.73                       | 991.65              | 337.24               | 75.70    | 6,641.32  |
| (iv)    | March 2021                 | 5,095.30                       | 1,756.70            | 426.47               | 76.97    | 7,355.44  |
| (v)     | March 2022                 | 4,680.03                       | 1,558.19            | 597.92               | 81.93    | 6,918.07  |
| 9       | Bengaluru                  |                                |                     |                      |          |           |
| (i)     | March 2018                 | 4,266.25                       | 1,093.67            | 117.21               | 46.66    | 5,523.79  |
| (ii)    | March 2019                 | 3,828.49                       | 1,031.20            | 358.84               | 58.01    | 5,276.54  |
| (iii)   | March 2020                 | 3,982.90                       | 3,702.08            | 850.51               | 65.43    | 8,600.92  |
| (iv)    | March 2021                 | 9,188.08                       | 3,769.84            | 463.86               | 53.66    | 13,475.44 |
| (v)     | March 2022                 | 10,643.96                      | 3,485.52            | 391.26               | 44.99    | 14,565.73 |
| 10      | Tamil Nadu                 |                                |                     |                      |          |           |
| (i)     | March 2018                 | 2,540.60                       | 2,498.10            | 104.38               | 236.33   | 5,379.41  |
| (ii)    | March 2019                 | 2,799.08                       | 2,140.07            | 119.62               | 80.50    | 5,139.27  |
| (iii)   | March 2020                 | 5,111.55                       | 2,209.09            | 132.87               | 39.44    | 7,492.95  |
| (iv)    | March 2021                 | 16,779.96                      | 4,571.33            | 312.99               | 36.29    | 21,700.57 |
| (v)     | March 2022                 | 13,665.30                      | 5,962.99            | 347.72               | 52.91    | 20,028.92 |
| 11      | Kerala                     |                                |                     |                      |          |           |
| (i)     | March 2018                 | 783.38                         | 279.58              | 52.59                | 10.04    | 1,125.59  |
| (ii)    | March 2019                 | 876.89                         | 732.63              | 138.65               | 32.22    | 1,780.39  |
| (iii)   | March 2020                 | 928.34                         | 848.25              | 153.86               | 30.62    | 1,961.07  |
| (iv)    | March 2021                 | 961.83                         | 1,187.68            | 202.42               | 22.17    | 2,374.10  |
| (v)     | March 2022                 | 1,115.88                       | 724.74              | 224.95               | 20.08    | 2,085.65  |
| 12      | Bhubaneswar                |                                |                     |                      |          |           |
| (i)     | March 2018                 | 600.71                         | 200.50              | 23.97                | 4.83     | 830.01    |
| (ii)    | March 2019                 | 1,025.64                       | 534.19              | 28.16                | 2.45     | 1,590.44  |
| (iii)   | March 2020                 | 1,356.27                       | 253.78              | 41.23                | 2.75     | 1,654.03  |
| (iv)    | March 2021                 | 2385.58                        | 440.88              | 48.56                | 3.25     | 2878.27   |
| (v)     | March 2022                 | 2,235.46                       | 331.81              | 39.07                | 3.56     | 2,609.90  |

**Report No. 14 of 2024 (Direct Taxes)**

| Sl. No. | Pr.CCIT Region/Year ending       | For the year ended March, 2022 |                     |                      |          |            |
|---------|----------------------------------|--------------------------------|---------------------|----------------------|----------|------------|
|         |                                  | > 1Yr and <= 2 Yrs             | >2 Yrs and <= 5 Yrs | > 5 Yrs and <=10 Yrs | > 10 Yrs | Total      |
| 13      | North-East Region <sup>119</sup> |                                |                     |                      |          |            |
| (i)     | March 2018                       | 185.85                         | 152.84              | 32.69                | 34.06    | 405.44     |
| (ii)    | March 2019                       | 193.93                         | 140.86              | 20.95                | 33.34    | 389.08     |
| (iii)   | March 2020                       | 245.01                         | 176.58              | 48.69                | 9.86     | 480.14     |
| (iv)    | March 2021                       | 747.37                         | 222.49              | 39.99                | 8.49     | 1,018.34   |
| (v)     | March 2022                       | 529.74                         | 352.72              | 45.90                | 10.02    | 938.38     |
| 14      | West Bengal & Sikkim             |                                |                     |                      |          |            |
| (i)     | March 2018                       | 10,920.29                      | 5,043.10            | 448.10               | 782.47   | 17,193.96  |
| (ii)    | March 2019                       | 13,158.13                      | 6,179.59            | 360.74               | 781.72   | 20,480.18  |
| (iii)   | March 2020                       | 13,529.89                      | 8,294.82            | 425.51               | 764.85   | 23,015.07  |
| (iv)    | March 2021                       | 19,298.84                      | 12,553.53           | 432.51               | 127.55   | 32,412.43  |
| (v)     | March 2022                       | 19,159.97                      | 13,276.43           | 494.79               | 62.55    | 32,993.74  |
| 15      | Bihar & Jharkhand                |                                |                     |                      |          |            |
| (i)     | March 2018                       | 1,293.33                       | 821.59              | 237.46               | 83.58    | 2,435.96   |
| (ii)    | March 2019                       | 1,333.70                       | 752.82              | 269.64               | 74.85    | 2,431.01   |
| (iii)   | March 2020                       | 1,452.54                       | 783.77              | 304.66               | 98.41    | 2,639.38   |
| (iv)    | March 2021                       | 3,191.04                       | 857.36              | 359.77               | 117.21   | 4,525.38   |
| (v)     | March 2022                       | 2,760.98                       | 2,379.14            | 317.34               | 104.30   | 5,561.76   |
| 16      | Delhi                            |                                |                     |                      |          |            |
| (i)     | March 2018                       | 7,725.50                       | 3,227.19            | 975.70               | 302.92   | 12,231.31  |
| (ii)    | March 2019                       | 12,442.29                      | 5,220.69            | 774.84               | 122.49   | 18,560.31  |
| (iii)   | March 2020                       | 12,122.84                      | 56,006.86           | 1,058.25             | 119.82   | 69,307.77  |
| (iv)    | March 2021                       | 40,684.93                      | 56,405.88           | 730.84               | 4,114.55 | 101,936.20 |
| (v)     | March 2022                       | 40,604.90                      | 51,153.64           | 925.18               | 5,850.92 | 98,534.64  |
| 17      | North-West Region <sup>120</sup> |                                |                     |                      |          |            |
| (i)     | March 2018                       | 5,381.22                       | 1,106.63            | 203.56               | 89.69    | 6,781.10   |
| (ii)    | March 2019                       | 5,720.98                       | 1,635.04            | 230.91               | 172.72   | 7,759.65   |
| (iii)   | March 2020                       | 8,356.40                       | 2,034.37            | 559.01               | 162.20   | 11,111.98  |
| (iv)    | March 2021                       | 0.00                           | 0.00                | 0.00                 | 0.00     | 0.00       |
| (v)     | March 2022                       | -                              | -                   | -                    | -        | -          |
| 18      | Pr. CCIT (Intl. Tax.)            |                                |                     |                      |          |            |
| (i)     | March 2018                       | 1,177.27                       | 682.11              | 196.38               | 70.65    | 2,126.41   |
| (ii)    | March 2019                       | 2,103.21                       | 1,096.15            | 210.14               | 75.28    | 3,484.78   |
| (iii)   | March 2020                       | 1,646.49                       | 3,143.41            | 142.06               | 7.21     | 4,939.17   |
| (iv)    | March 2021                       | 1,543.82                       | 2,200.49            | 90.07                | 4.62     | 3,839.00   |
| (v)     | March 2022                       | 4,961.36                       | 4,932.53            | 194.36               | 13.16    | 10,101.41  |
| 19      | Gujarat                          |                                |                     |                      |          |            |
| (i)     | March 2018                       | 8,827.87                       | 1,623.74            | 313.95               | 254.95   | 11,020.51  |

<sup>119</sup> Meghalaya, Arunachal Pradesh, Assam, Mizoram, Manipur, Nagaland and Tripura

<sup>120</sup> Punjab, J&K, Himachal Pradesh, Haryana



| Sl. No. | Pr.CCIT Region/Year ending | For the year ended March, 2022 |                     |                      |                  |                     |
|---------|----------------------------|--------------------------------|---------------------|----------------------|------------------|---------------------|
|         |                            | > 1Yr and <= 2 Yrs             | >2 Yrs and <= 5 Yrs | > 5 Yrs and <=10 Yrs | > 10 Yrs         | Total               |
| (ii)    | March 2019                 | 11,509.19                      | 2,068.14            | 404.83               | 235.37           | 14,217.53           |
| (iii)   | March 2020                 | 16,445.17                      | 3,770.82            | 479.66               | 262.12           | 20,957.77           |
| (iv)    | March 2021                 | 25,901.18                      | 11,160.91           | 1,968.16             | 292.17           | 39,322.42           |
| (v)     | March 2022                 | 21,838.58                      | 10,460.19           | 884.90               | 253.80           | 33,437.47           |
|         | <b>Total</b>               | <b>6,85,674.41</b>             | <b>4,17,438.88</b>  | <b>37,159.99</b>     | <b>21,941.23</b> | <b>11,62,214.51</b> |

Source: Col.12 of CAP-I statement of all regions for the period March 2022 (except North West Regions)



| Abbreviations  |                                                        |
|----------------|--------------------------------------------------------|
| ACIT           | Assistant Commissioner of Income Tax                   |
| Act            | The Income Tax Act, 1961                               |
| AI             | Assessed Income                                        |
| AIR            | Annual Information Return                              |
| ALP            | Arm's Length Price                                     |
| AO             | Assessing Officer                                      |
| AOP            | Association of Person                                  |
| AST            | Assessment Information System                          |
| AY             | Assessment Year                                        |
| CASS           | Computer Aided Scrutiny Selection                      |
| CBDT           | Central Board of Direct Taxes                          |
| CCIT           | Chief Commissioner of Income Tax                       |
| CIT            | Commissioner of Income Tax                             |
| CIT(A)         | Commissioner of Income Tax (Appeals)                   |
| CPC-ITR        | Centralized Processing Centre – Income Tax Return      |
| CPC-TDS        | Centralized Processing Centre – Tax Deducted at Source |
| CT             | Corporation Tax                                        |
| DCIT           | Deputy Commissioner of Income Tax                      |
| DGIT (Systems) | Director General of Income Tax (Systems)               |
| DOR            | Department of Revenue                                  |
| DT             | Direct Taxes                                           |
| FY             | Financial Year                                         |
| GDP            | Gross Domestic Product                                 |
| GTR            | Gross Tax Receipts                                     |
| IT             | Income Tax                                             |
| ITAT           | Income Tax Appellate Tribunal                          |
| ITBA           | Income Tax Business Application                        |
| ITD            | Income Tax Department                                  |
| ITO            | Income Tax Officer                                     |
| ITR/Return     | Income Tax Return                                      |
| JCIT           | Joint Commissioner of Income Tax                       |
| LTCG           | Long term capital Gain                                 |
| PAN            | Permanent Account Number                               |
| Pr. CCA        | Principal Chief Controller of Accounts                 |
| Pr. CCIT       | Principal Chief Commissioner of Income Tax             |
| MAT            | Minimum Alternate Tax                                  |
| MOP            | Manual of Office Procedure                             |
| NSDL           | National Securities Depository Limited                 |
| OLTAS          | Online Tax Accounting System                           |
| Pr. DGIT       | Principal Director General of Income Tax               |
| Rules          | The Income Tax Rules, 1962                             |
| STT            | Securities Transaction Tax                             |
| TCS            | Tax Collected at Source                                |
| TDS            | Tax Deducted at Source                                 |
| TP             | Transfer Pricing                                       |
| TPO            | Transfer Pricing Officer                               |





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