## **Table of Contents**

Para No.	Contents	Pages
-	Preface	
-	Executive Summary	i-v
-	Summary of Recommendations	vi-vii
-	Chapter 1: Introduction	1-4
1.1	Introduction	1
1.2	Why we chose the topic	1-2
1.3	Audit Objectives	2
1.4	Legal Framework	2
1.5	Audit scope and Sample size	2
1.6	Audit Methodology	3
1.7	Non production of records	3-4
-	Chapter 2: Systemic issues including	5-26
	ambiguities/lacunae in the special provisions	
2.2	Nature of ambiguities/lacunae	5
2.3	Ambiguities in provisions of the Act	6
2.4	Incomes not considered for computation of book profit	6
	due to lack of specific provisions regarding their	
	treatment in accounts	
2.4.1	Incomes offered for tax under normal provision but not	6-8
	under MAT	
2.4.2	Extraordinary/exceptional items not offered for tax	8-9
	under MAT	0.44
2.4.3	Treatment of profit/loss on sale of long term	9-11
2.5	investment of amalgamating company	11 10
2.5	Treatment of items having element of both "Reserve" and "Provision for ascertained liability"	11-13
2.6	Effect of change in method of depreciation treated	13-14
	differently for the purpose of book profit	
2.7	Treatment of brought forward business	15
	loss/unabsorbed depreciation as per books in	
	computation of book profit under special provisions	
2.7.1	Apportioning the profit as per profit and loss account	15-16
	in the ratio of brought forward loss and unabsorbed	
	depreciation	
2.7.2	Previous year's brought forward loss/unabsorbed	16-17
	depreciation considered for reduction instead of their	_0 ±,
	cumulative position as on date	
2.7.3	Same amount of brought forward business	17-18
	loss/unabsorbed depreciation as per books was	
	claimed in successive years including current year	
2.8	Lacunae in the provisions of the Act	18

2.8.1	Abconco of provision to reduce had debts actually l	18-19
	Absence of provision to reduce bad debts actually written off in computation of book profit	
2.8.2	Additions made on account of bogus	20-21
	purchases/undisclosed income/unaccounted income	
	for taxation under normal provision not considered for	
	computation of book profit	
2.8.3	Non consideration of transfer pricing adjustments on	21
	items having direct bearing on the profit and loss	
	account under MAT	
2.8.4	Statutory dues not paid within due date of filing of	22
	return of income not considered for addition under	
	MAT	
2.8.5	Expenditure on Corporate Social Responsibility (CSR)	22-23
	not considered for disallowance under MAT	
2.8.6	Need for disallowance of MAT credit of the	23-24
	amalgamating company on discontinuance of their	
	business by the amalgamated company after	
	amalgamation.	
2.9	Uniform stand not adopted by ITD in set off of MAT	24
	credit in summary cases	
2.10	Conclusion	24-25
2.11	Recommendations	25-26
	Chapter 3: Extent of non-compliance of MAT	27-44
	provisions	
3.2	Items not added to net profit in computation of book	27
I		
	profit	
3.2.1	profit Income tax paid or payable and provision thereof not	27-29
3.2.1		27-29
3.2.1	Income tax paid or payable and provision thereof not	27-29 29-30
	Income tax paid or payable and provision thereof not considered for book profit	
	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not	
3.2.2	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit	29-30
3.2.2	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the	29-30
3.2.2	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of	29-30
3.2.2 3.2.3	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit	29-30 30-31
3.2.2 3.2.3	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back	29-30 30-31
3.2.2 3.2.3 3.2.4	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained	29-30 30-31 32
3.2.2 3.2.3 3.2.4	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of	29-30 30-31 32
3.2.2 3.2.3 3.2.4 3.3	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit	29-30 30-31 32 33
3.2.2 3.2.3 3.2.4 3.3	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to	29-30 30-31 32 33
3.2.2 3.2.3 3.2.4 3.3 3.3.1	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to subsequent amendment reduced incorrectly	29-30 30-31 32 33 33-34
3.2.2 3.2.3 3.2.4 3.3 3.3.1	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to subsequent amendment reduced incorrectly Incorrect claim of deduction of amounts credited to profit and loss account	29-30 30-31 32 33 33-34
3.2.2   3.2.3   3.2.4   3.3   3.3.1   3.3.2	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to subsequent amendment reduced incorrectly Incorrect claim of deduction of amounts credited to	29-30 30-31 32 33 33-34 34-35
3.2.2 3.2.3 3.2.3 3.2.4 3.3 3.3.1 3.3.1 3.3.2 3.4 3.4.1	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to subsequent amendment reduced incorrectly Incorrect claim of deduction of amounts credited to profit and loss account Irregular allowance of MAT credit	29-30 30-31 32 33 33-34 34-35 35-36 36-37
3.2.2 3.2.3 3.2.4 3.3 3.3 3.3.1 3.3.2 3.4	Income tax paid or payable and provision thereof not considered for book profit Expenditure relatable to any exempt income not considered for book profit Amount set aside as provision for diminution in the value of any asset not considered for computation of book profit Amount set aside as provision for unascertained liability not added back Incorrect deduction from net profit in computation of book profit Exempt income or income no longer exempt due to subsequent amendment reduced incorrectly Incorrect claim of deduction of amounts credited to profit and loss account Irregular allowance of MAT credit	29-30 30-31 32 33 33-34 34-35 35-36

3.6	Incorrect reduction of the amount withdrawn from the	39-40
	reserve	
3.7	Non-observance of procedure laid down for allowing	41
	exemption to sick industrial companies from	
	computation of book profit	
3.8	Non selection of case for scrutiny	41-42
3.9	Other instances of non-compliance of special	42-43
	provisions of MAT	
3.10	Conclusion	43
3.11	Recommendations	43-44
-	Chapter 4: Bringing Zero Tax Companies into the tax	45-48
	base	
4.2	Status of filing return of the income by the corporate	45
	assessees	
4.2.1	Action taken by ITD on corporate non filers	45-48
4.3	Mismatch in the details of scrutiny disposal	48
4.4	Conclusion	48
4.5	Recommendations	48
-	Chapter 5: Impact of MAT	49-53
5.2	Identification of zero tax companies	49
5.2.2	Examination of the companies paying nil tax under	49-50
	provisions relating to MAT	
5.3	Companies liable to pay tax under MAT escaping levy	51-52
	of MAT	
5.4	The objective of MAT scheme nullified due to	52-53
	provisions of MAT credit	
5.5	Conclusion	53
-	Appendices	55-104