

Appendices

Appendix 2.1 (Reference: Paragraph 2.2.5)

State-wise incidence of errors in assessments						
State	Assessments completed in units selected for audit during 2018-19	Assessments checked in audit during 2018-19	Audit observations ¹⁰⁵ (Nos.)	Assessments with errors (Nos.)	Total revenue effect of the audit observations (₹ in crore)	Percentage of assessments with errors (Col. 5/ Col. 3x100)
1	2	3	4	5	6	7
Andhra Pradesh & Telangana	25,620	22,160	1,598	1548	1,412.91	6.99
Assam	3,618	3,540	290	275	47.31	7.77
Bihar	2,248	2,180	149	150	950.53	6.88
Chhattisgarh	6,724	3,747	258	253	96.49	6.75
Delhi	42,378	32,794	1,454	1,372	1,373.40	4.18
Goa	1,222	1,193	120	120	81.88	10.06
Gujarat	16,291	15,923	1,214	1,049	2,146.06	6.59
Haryana	13,061	9,748	1,019	915	635.99	9.39
Himachal Pradesh	1,710	1,212	122	117	49.77	9.65
UTs of Jammu & Kashmir; and Ladakh	843	597	40	39	0.44	6.53
Jharkhand	3,799	2,370	141	117	47.84	4.94
Karnataka	12,737	12,342	1,142	1,071	6,380.78	8.68
Kerala	11,080	10,770	744	725	251.16	6.73
Madhya Pradesh	25,626	20,091	1,512	1,512	4,750.27	7.53
Maharashtra	1,60,227	75,596	4,013	3,502	18,816.02	4.63
Odisha	4,680	4,404	528	496	477.39	11.26
Punjab	12,845	7,474	677	510	199.57	6.82
Rajasthan	15,530	14,988	678	665	170.26	4.44
Tamil Nadu	23,843	20,466	2,061	1,899	2,373.66	9.28
UT Chandigarh	4,927	3,844	297	243	1,164.31	6.32
Uttarakhand	916	911	37	35	65.09	3.84
Uttar Pradesh	26,617	26,257	946	884	1,127.25	3.37
West Bengal	42,078	39,632	2,493	2,271	2,313.85	5.73
Total	4,58,620	3,32,239	21,533	19,768	44,932.14	5.95

105 This includes all audit observations of under assessment as well as over assessment in Corporation Tax, Income Tax and other direct taxes.

Appendix 2.2 (Reference: Paragraph 2.2.7)

Category wise details of underassessment in respect of Corporation tax and Income tax detected during local audit		
	(₹ in crore)	
Sub category	No. of errors	Tax effect
A. Quality of assessments	7,504	9,768.64
a. Arithmetical errors in computation of income and tax	1,663	2,963.66
b. Incorrect application of rate of tax, surcharge etc.	695	218.51
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	4,874	4,669.98
d. Excess or irregular refunds / interest on refunds	120	319.08
e. Error in assessment while giving effect to appellate orders	152	1,597.41
B. Administration of tax concessions/exemptions/ deductions	6,407	18,533.62
a. Irregular exemptions/deductions/reliefs given to Corporates	287	1,244.86
b. Irregular exemptions/deductions/reliefs given to Trusts/Firms/Societies	618	1,576.28
c. Irregular exemptions/deduction/reliefs given to individuals	465	156.24
d. Incorrect allowance of Business Expenditure	4,255	11,575.09
e. Irregularities in allowing depreciation/business losses/Capital losses	745	3,064.33
f. Incorrect allowance of DTAT relief	37	916.82
C. Income escaping assessments due to errors	2,536	6,939.74
a. Under Special Provisions including MAT/Tonnage Tax etc.	250	498.74
b. Unexplained investments/ cash credits etc.	582	1,160.10
c. Incorrect classification and Computation of Capital Gains	666	240.70
d. Incorrect estimation of arm's length price	306	291.06
e. Error to club income of spouse, minor child etc.	144	237.00
f. Incorrect computation of Income from House Property	83	53.20
g. Incorrect computation of salary income	65	104.67
h. Errors in implementing provisions of TDS/ TCS	440	4,354.27
D. Others	4,426	8,926.64
Total	20,873	44,168.64

Appendix 2.3 (Reference: Paragraphs 2.4.4)

Category wise details of observations in respect of DPs sent to the Ministry		
Sub category	Cases	Tax Effect (₹ in crore)
A. Quality of assessments	80	1,496.65
a. Arithmetical errors in computation of income and tax	27	97.94
b. Incorrect application of rate of tax, surcharge etc.	34	213.06
c. Non/short levy of interest/penalty for delay in submission of returns, delay in payment of tax etc.	5	4.84
d. Excess or irregular refunds/interest on refunds	6	1,114.40
e. Errors in assessment while giving effect to appellate orders	8	66.41
B. Administration of tax concessions/exemptions/deductions	206	5,578.48
a. Irregular exemptions/deductions/reliefs given to Corporates	52	2,037.22
b. Irregular exemptions/deductions/reliefs given to Trusts/Firms/Societies	5	18.73
c. Irregular exemptions/deductions/reliefs given to individuals	1	0.26
d. Incorrect allowance of Business Expenditure	59	845.82
e. Irregularities in allowing depreciation/business losses/Capital losses	89	2,676.45
C. Income escaping assessment due to errors	94	1,069.68
a. Under special provisions including MAT/Tonnage Tax etc.	24	449.12
b. Incorrect classification and Computation of Capital Gains	11	15.97
c. Incorrect Computation of Income	35	253.11
d. Errors in implementing provisions of TDS/TCS	8	48.49
e. Unexplained investment/ cash credit	3	12.18
f. Incorrect estimation of Arm's Length Price	13	290.81
D. Others	13	235.98
Over charge of tax/interest	13	235.98
Total	393	8,380.79

Appendix 2.4 (Reference: Paragraph 2.7.2)

Cases where remedial action has become time barred in FY 2018-19		
State	Audit observations where remedial action became time barred	
	Cases	Tax effect (₹ in crore)
Andhra Pradesh & Telangana	0	0
Assam	0	0
Bihar	104	18.88
Chhattisgarh	19	140.06
Delhi	0	0
Goa	7	0.61
Gujarat	181	110.94
Haryana	173	68.17
Himachal Pradesh	28	2.32
UTs of Jammu & Kashmir; and Ladakh	18	4.12
Jharkhand	16	14.12
Karnataka	9	2.41
Kerala	15	12.98
Madhya Pradesh	49	25.13
Maharashtra	265	364.79
Odisha	144	646.81
Punjab	57	2.55
Rajasthan	21	2.23
Tamil Nadu	314	213.17
UT Chandigarh	15	0.95
Uttarakhand	0	0
Uttar Pradesh	50	18.71
West Bengal	476	588.09
Total	1,961	2,237.04

Appendix 2.5 (Reference Paragraph 2.9.2)

Details of non-production of records during FY 2016-17 to FY 2018-19					
States	Records requisitioned in FY 2018-19	Records not produced in FY 2018-19	Percentage of records not produced in FY 2018-19	Percentage of records not produced in FY 2017-18	Percentage of records not produced in FY 2016-17
Andhra Pradesh & Telangana	21,087	1,065	5.05	5.26	5.10
Assam	3,618	78	2.16	0.59	0.03
Bihar	2,376	120	5.05	6.81	8.26
Chhattisgarh	3,747	0	0.00	0.30	1.12
Delhi	39,722	3,702	9.32	21.45	18.60
Goa	1,223	29	2.37	2.46	6.01
Gujarat	16,291	368	2.26	2.40	4.14
Haryana	10,008	68	0.68	4.77	0.86
Himachal Pradesh	1,280	20	1.56	5.24	0.00
UTs of Jammu & Kashmir; and Ladakh	722	77	10.66	1.26	0.16
Jharkhand	2,405	35	1.46	2.03	1.45
Karnataka	13,662	397	2.91	5.64	7.10
Kerala	11,446	368	3.22	5.01	3.11
Madhya Pradesh	22,410	840	3.75	11.67	13.85
Maharashtra	89,283	4,335	4.86	8.59	6.80
Odisha	4,940	296	5.99	6.94	9.44
Punjab	7,793	183	2.35	5.08	0.12
Rajasthan	15,971	770	4.82	9.74	7.96
Tamil Nadu	22,337	2,750	12.31	11.38	16.18
UT Chandigarh	3,968	44	1.11	0.06	3.01
Uttarakhand	916	5	0.55	1.56	0.63
Uttar Pradesh	26,808	429	1.60	1.67	3.47
West Bengal	39,417	2,013	5.11	6.49	7.43
Total	3,61,430	17,992	4.98	8.27	8.29

Appendix 5.1
Legal Provisions
(Reference para 5.4)

Legal Provisions relating to interest under sections 234A, 234B and 234C and interest on refunds under section 244A are given below:

Section of the Act	Provisions prescribed in the Act
234A(1)	Section 234A of the Act provides for levy of interest on account of default in furnishing return of income at specified rates and for specified time period. As per this section, where the return of income for any assessment year under sub-section (1) or sub-section (4) of section 139 or, in response to notice under sub-section (1) of section 142, is furnished after the due date or, is not furnished, the assessee shall be liable to pay simple interest at the rate of one <i>per cent</i> for every month or part of a month comprised in the period commencing on the date immediately following the due date, and ending on the date of furnishing of the return or, where no return has been furnished, ending on the date of completion of the assessment under section 144 on the amount of tax on the total income determined under section 143(1) and where a regular assessment is made, on the amount of tax on the total income determined under regular assessment as reduced by the amount of advance tax, TDS/TCS, relief of tax allowed under sections 90, 90A and 91 and tax credit available under section 115JAA or 115JD.
234A(3)	Section 234A(3) of the Income Tax Act, 1961, provides that, where the return of income for any assessment year, required by a notice under section 148 or 153A issued after the determination of income under sub-section (1) of section 143 or after the completion of an assessment under sub-section (3) of section 143, is furnished after the expiry of the time allowed under such notice, the assessee shall be liable to pay simple interest at the rate of one <i>per cent</i> for every month or part of a month comprised in the period commencing on the day immediately following the expiry of the time allowed and ending on the date of completion of the reassessment under section 153A on the amount by which the tax on the total income determined on the basis of such reassessment or re-computation exceeds the tax on the total income determined under section 143(1) or on the basis of earlier assessment.
234A(1) read with explanation 3	<i>Explanation 3</i> under sub section 1 provides that where, in relation to an assessment year, an assessment is made for the first time under section 147 or 153A the assessment so made shall be regarded as a regular assessment for the purpose of this section.
234B(1)	Section 234B of the Act provides for levy of interest on account of default in payment of advance tax at specified rates and for specified time period. As per this section, where in any financial year, an assessee who is liable to pay advance tax, has failed to pay such tax or, where the advance tax paid by such assessee is less than ninety <i>per cent</i> of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one <i>per cent</i> for every month or part of a month comprised in the period from the 1 st day of April next following such financial year to the date of

determination of total income in regular assessment, on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid as aforesaid falls short of the assessed tax.

234B(3)	Section 234B(3) of the Income Tax Act, 1961 provides that, where as a result of an order of reassessment under section 147 or 153A, the amount on which interest was payable in respect of shortfall in payment of advance tax for any financial year under sub-section (1) is increased, the assessee shall be liable to pay simple interest at the rate of one <i>per cent</i> for every month or part of a month comprised in the period commencing on the day 1 st day of April next following such financial year and ending on the date of the reassessment u/s 147 or 153A (as the case may be), on the amount by which the tax on the total income determined on the basis of the reassessment exceeds the tax on total income determined under regular assessment.
234B(1) read with explanation 2	Explanation 2 under sub section 1 provides that where, in relation to an assessment year, an assessment is made for the first time under section 153A, the assessment so made shall be regarded as a regular assessment for the purpose of this section.
234C	Section 234C of the Act provides for levy of interest on account of default in payment of instalments of advance tax at specified rates and for specified time period. As per this section, where in any financial year, the assessee who is liable to pay advance tax under section 208 of the Act, has failed to pay such tax or, where the instalments of advance tax paid by such assessee is less than the percentage fixed for specified months, then the company shall be liable to pay simple interest at the rate of one <i>per cent</i> for three months on the amount of shortfall.
Interest on refunds under section 244A:	<p>Section 244A of the Act provides for payment of interest on refunds arising due to excess payment of advance tax, Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) at specified rates and for specified time period. Where refund of any amount becomes due to the assessee under this Act, he shall, subject to the provisions of this section, be entitled to receive, in addition to the said amount, simple interest thereon calculated in the following manner:</p> <p>(i) where the refund is out of any tax paid by way of advance tax or treated as paid under section 199, during the financial year immediately preceding the assessment year, such interest shall be calculated at the rate of one-half <i>per cent</i> for every month or part of a month comprised in the period from the 1st day of April of the assessment year to the date on which the refund is granted. Provided that no interest shall be payable if the amount of refund is less than 10 <i>per cent</i> of the tax as determined on regular assessment.</p> <p>(ii) in any other case, such interest shall be calculated at the rate of one-half <i>per cent</i> for every month or part of a month comprised in the period or periods from the date or, as the case may be, dates of payment of the tax or penalty to the date on which the refund is granted.</p>

Appendix 5.2
State wise Sample Selection¹⁰⁶
(Reference: paragraph 5.6)

State/Region	FY 2016-17 (No. of cases)	FY 2017-18 (No. of cases)	FY 2018-19 (No. of cases)	Total (No. of cases)
1	2	3	4	5
Andhra Pradesh & Telangana	226	92	17	335
Bihar	41	20	18	79
Delhi	518	224	79	821
Gujarat	219	142	59	420
Karnataka	470	285	108	863
Kerala	182	92	30	304
Maharashtra	804	572	41	1417
Madhya Pradesh & Chhattisgarh	110	54	55	219
NER ¹⁰⁷	119	33	4	156
Odisha	16	19	10	45
NWR ¹⁰⁸	238	281	33	552
Rajasthan	108	117	17	242
Tamil Nadu	497	440	21	958
Uttar Pradesh	103	81	4	188
West Bengal	263	178		441
Total	3,914	2630	496	7,040

106 For FY 2016-17 & FY 2017-18, the cases processed/completed through AST was selected. For FY 2018-19, the cases processed/completed through ITBA was selected.

107 North Eastern Region

108 North Western Region (comprises Punjab, Haryana, UT-Chandigarh, Jammu & Kashmir & Himachal Pradesh)

Abbreviations

ACIT	Assistant Commissioner of Income Tax
Act	Income Tax Act, 1961
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	Centralized Processing Centre
CPGRAMS	Centralized Public Grievance Redress and Monitoring System
CSO	Central Statistical Office
CT	Corporation Tax
CVC	Central Vigilance Commission
DGIT (Systems)	Director General of Income Tax (Systems)
DOR	Department of Revenue
DSIR	Department of Scientific and Industrial Research
DT	Direct Taxes
FIR	First Information Report
FY	Financial Year
GDP	Gross Domestic Product
GTR	Gross Tax Receipts
IRLA	Individual Running Ledger Account
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
LTCL	Long term capital loss
PAC	Public Accounts Committee
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
NMS	Non-filers Monitoring System
ROC	Registrar of Companies
Rules	Income Tax Rules, 1962
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer

