

Income Tax Department conducts searches in Tamil Nadu

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The Income Tax Department conducted searches on 27/11/2020 in the case of an IT SEZ developer, its ex-Director and a prominent stainless-steel supplier in Chennai. The search operation was carried out at 16 premises located in Chennai, Mumbai, Hyderabad and Cuddalore.

The evidences unearthed include unaccounted assets worth about Rs. 100 crore accumulated by the ex-Director and his family members in the past 3 years. The search further unearthed that the IT SEZ developer claimed bogus work-in-progress expenses of about Rs. 160 crore in an under-construction project. The entity had also claimed capital expenses of around Rs. 30 crore on account of bogus consultancy fees in an operational project and inadmissible interest expenses to the extent of Rs. 20 crore was also claimed by the entity.

The search further revealed certain share purchase transactions relating to the IT SEZ developer. The shares of this entity were sold by its erstwhile shareholders, a resident and a non-resident entity, which routed its investment through a Mauritius intermediary, for about Rs. 2300 crore in FY 2017-18 but capital gains out of this sale transaction were not disclosed to the department.

Investigation is in progress to determine the undisclosed capital gains in the hands of both the shareholders. Other land transactions involving cash payments and an issue relating to Compulsory Convertible Debentures are also under examination

The evidences found in the premises of the Stainless-steel supplier revealed that the supplier group has been conducting three sets of sales: accounted; unaccounted and partly-accounted. The unaccounted and partly-accounted sales amount to more than 25% of the total sales each year. Further, the assessee group has provided sales accommodation bills to various customers and received commission of more than 10% on these transactions. While the quantification of unaccounted income is being carried out currently, it is estimated to be around Rs. 100 crore. The related concerns of the assessee group are involved in financing, money lending and real estate development. The unaccounted transactions conducted by these entities and the unaccounted capital/loan infusion in these entities are estimated to be around Rs.50 crore.

The searches, so far, have resulted in the detection of undisclosed income of more than Rs. 450 crore.

Further investigations are in progress.

RM/KMN

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