

Central Board of Direct Taxes raises questions on CAG's 2G scandal loss estimates

Tax authorities have informed a parliamentary panel that the concept of "presumptive loss" that the national auditor used to calculate the 2G spectrum losses at Rs 1.76 lakh crore does not appear in any statutory provision of the income-tax laws.

Further, the field offices of the Income-Tax Department do not calculate losses on a presumptive basis, the Central Board of Direct Taxes (CBDT) has written to the Joint Parliamentary Panel (JPC) investigating the 2G scandal in a letter dated November 21, 2011.

Comptroller and Auditor General (CAG) Vinod Rai told the JPC on November 15 that the idea of "presumptive loss" had statutory backing in the Income-Tax Act, 1961. The JPC approached the CBDT soon after to check if this was correct. There are provisions for computing only profits of businesses on a presumptive basis, CBDT said in the letter, a copy of which ET has reviewed.

Presumptive profits are used to calculate profits from businesses on the basis of a fixed percentage of turnover, it added. The 2G scam in which jailed former telecom minister A Raja is accused of rigging the allocation of licences is billed as independent India's biggest corruption scandal due to the CAG's calculation of losses to the exchequer.

The scandal has severely embarrassed the government, which has accused Rai of exceeding his brief. Prime Minister Manmohan Singh chided Rai for "commenting on policy issues". Communications minister Kapil Sibal said Rai had erred in his calculations on 2G losses.

Rai had earlier told the JPC that the idea of presumptive losses has been proposed in the Direct Taxes Code Bill, a legislation that seeks to overhaul India's tax laws, which is pending with parliament. But the CBDT said only the terms presumptive profits have been included in the DTC Bill, 2010.

A JPC member told ET that Rai, who is due to appear before the panel on December 19, will find it difficult to answer the panel's questions after the assertion by tax authorities. "He will be defensive just as he was last time," the member said, asking not to be named.

A CAG spokesman said Rai cannot reply to a set of questions posed by ET as he was traveling abroad and will arrive only on December 19. RP Singh, a key auditor of the 2G spectrum report and now retired, last month told the JPC the presumptive loss of Rs 1.76 lakh crore was a "mathematical guess".

