

# **I-T finds tax evasion by NSEL borrowers**

The income-tax (I-T) department has found tax evasion by National Spot Exchange Ltd (NSEL) borrowers, following its search on them in August. The amount of tax on that is yet being finalised by the various income tax circles could be around Rs 100 crore or even more. The tax evasion has been found from a few the borrowers based in northern part of India, especially in Delhi and Ludhiana.

The I-T department had carried out surveys on the premises of the 24 borrowers across states on August 23, just three days after NSEL could cough up just a little over half of the Rs 174 crore due in the first weekly settlement, which led to exchange defaulting. Borrowers are facing charge of borrowing Rs 5,572 crore from the investors using platform of the NSEL and when the exchange suspended trading they could not pay back.

These borrowers were borrowing money from the NSEL platform as that had become a fund-raising platform and commodities trading took back seat. Interest paid by these borrowers on the amount borrowed is allowable as business expense under the I-Tax Act, as borrowing was also for business. However, during the survey, some of the borrowers were found to have diverted money for use other than their business. Hence, interest paid on such borrowing will not be allowed as business expense and they will have to pay income tax on that with interest and penalty, said an I-T official.

According to an affidavit filed by NSEL's former managing director Anjani Sinha last month, some of the borrowers with very high exposure were borrowing fresh money just to pay cost of interest and rolling over cost, which was running to 20-30 per cent of their borrowing and in absolute terms in the range of Rs 50-200 crore. Even part of these expenses not allowed as business expense there could be a huge tax recovery.

I-T has also wrote to 13,000 investors of NSEL to know if the money they had invested in NSEL-traded products was tax-paid money or not. Responses have started coming in and the investigation wing is passing on this information to the intelligence and criminal investigation wing (I&CI). This wing works to develop a robust database of financial information and aid the regular investigation wings of the I-T to undertake "specific and result-oriented" search and survey operations.

I & CI will maintain that as a data base for future investigation. According to an I-T official, from the data base of the NSEL investors, randomly some cases will be picked up and detailed inquiries will be done. One of the issues being raised not just that whether the tax was paid on the money invested in NSEL but also if they had such an income that allow them choice to put money in NSEL products that which are their other incomes and whether they pay proper tax on that.

(Business Standard)