

## **Income tax department orders special audit of MCX-SX, NSEL**

In a bid to curb potential revenue leakages in the Rs 5600 crore NSEL payment crisis, the income tax department has ordered a special audit of MCX-SX and NSEL, three sources familiar with the development told ET NOW. ET NOW was the first to report the development.

"The income tax department wants to verify related party transactions between FT( Financial Technologies) group entities and probe if the transactions were conducted at arms length or not. If the pacts were not struck at arms length, then they are likely to attract scrutiny under transfer pricing norms. Another aspect which will be examined is whether the expenses incurred by MCX-SX and NSEL are in relation to the businesses which they have carried out. This would help the department establish if any expenses can be disallowed for tax purposes," said one of the individuals cited above.

Mumbai-based firm Singrodia Goyal & Co has been appointed for the special audit by the income tax department. A 60 day timeline has been given to the firm which can be extended if required. " Singrodia Goyal & Co has already conducted a preliminary meeting with MCX-SX in this regard," sources added.

"Under the new Companies Act and the amended listing agreements of Sebi, there is an increased scrutiny by all regulators on related party transactions. Special audits focused on these transactions could now be more frequently used as a tool by the income tax department, " says Sai Venkateshwaran, Head of Accounting and Advisory Services, KPMG.

"Special audits have been mostly used by the income tax department in the cases of real estate players, infrastructure companies and jewellers due to the specialized nature of the business activities and complexity of the accounts," says Pankaj Jain, Managing Partner, Khandelwal Jain & Co.

In response to a query from ET NOW, an MCX-SX spokesperson said, " IT has sent a query to us. However there are no transactions between MCX-SX and NSEL. They have appointed an auditor and we have updated them that the exchange is audited by CAG and SEBI every year ensuring transparency and robustness of processes and operations." ET NOW was awaiting email responses from Financial Technologies and NSEL at the time of going to press.

Under section 142 (2a) of the Income Tax Act, if the assessing officer is convinced that it is necessary to call for a special audit due to the complexity of the accounts of the assessee and in the interests of the revenue, he may do so with sufficient justification and the prior approval of the Chief Commissioner of Income Tax.

Transfer price refers to the actual price at which a transaction takes place between two related parties, usually belonging to the same group. Multinational and transnational firms usually use transfer pricing to allocate revenue between different divisions.

*(Economic Times)*