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CBDT Clarification on Tax Scrutiny of Mergers and Acquisitions Cases

The Central Board of Direct Taxes (CBDT) has clarified that the Income Tax Department is currently scrutinizing only a handful of cases relating to takeovers, mergers and acquisitions; not 380 or 100 as reported in some sections of the media. Tax scrutiny is an ongoing process and the numbers vary from year to year. This has already been stated in replies to several Parliament Questions. The Income Tax Department reposes trust in taxpayers. It scrutinizes about 1 per cent of its total taxpayer base. Selection of cases for scrutiny is risk-based and non-intrusive. Besides, some cases are scrutinized following intensive tax investigation, such as surveys, search and seizure. Mere incidence of takeover, merger and acquisition does not qualify a case for tax-scrutiny. The overall scrutiny level by the Income Tax Department has never exceeded 1.5 per cent in the last decade