

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

New Delhi, 14th December, 2021

PRESS RELEASE

Income Tax Department conducts searches in Karnataka

The Income Tax Department carried out search and seizure operations on 02.12.2021 on four Bangalore based Credit Cooperative Societies (CCS) and their associates.

These search actions have revealed gross irregularities in the operations of these CCS and involvement of their promoters in siphoning-off funds of depositors for personal usage. The promoters of these CCS took advantage of the relaxed KYC norms while operating the CCS and several accounts have been opened without obtaining PAN. The promoters have misused these institutions for their personal benefit. The investigations have also revealed systemic distortion of the legal framework by these CCS.

Apart from the general irregularities noticed in their functioning, various unfair practices adopted and modus-operandi of tax evasion have been noticed during the course of search operations of these CCS as under:-

- i)** One such CCS has been facilitating its clients to book bogus expense by returning the amount in cash, which had been received by cheque from its clients. The said CCS has also enabled laundering of unaccounted money by accepting cash deposits from its clients and returning the proceeds to them through RTGS. The said CCS has also been found to be engaged in providing short term loan at very high rates of interest to some of non-members of CCS. Needless to mention that the CCS does not have requisite approval for carrying out the business of lending.
- ii)** Certain instances of issuing fake Fixed Deposit (FD) certificates by another CCS to its clients in exchange of certain commission collected in cash have also been found. Such FD certificates have been used as collateral by its clients for obtaining loans from financial institutions/Commercial Banks.
- iii)** The promoters of one of the CCS have indulged in diverting the deposits made by genuine members by extending large loan amounts to the entities controlled by them or to their associates. Also, more than 100 benami accounts in the names of employees and others have been detected and such accounts have been placed under restraint.

iv) One of the clients of a CCS, who is engaged in the business of buying old gold from customers, has been found to be indulging in suppression of sales leading to escapement of income to the tune of Rs. 20 crore in these transactions. The books of account relating to such undisclosed transactions have been discovered by the search team in a secretly maintained web-based server.

Further, undisclosed investment in immovable properties aggregating to about Rs. 130 crore in the name of the chairman/ promoters of these CCSs, entities controlled by them and few benami persons have also been discovered.

The search action has resulted into seizure of unaccounted cash of more than Rs. 4 crore.

Further investigations are in progress.

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