

Income Tax Department conducts searches on coaching institutes in Namakkal, Tamil Nadu

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The Income Tax Department, conducted a search action on 11th October, 2019 in the case of a business group based in Namakkal, Tamil Nadu. The group is mainly into running of educational institutions, and coaching institutes for competitive exams like NEET, etc. The group comprises several partnership firms and a trust controlled by a closely knit group of individuals. The search action covered 17 premises including residential premises of the group's promoters. The premises are located in Namakkal, Perundurai, Karur and Chennai in Tamil Nadu.

The search was undertaken on the basis of intelligence that the group was indulging in substantial tax evasion by suppression of fee receipts received from students. The modus operandi was to receive part of the fees in cash and such cash receipts were invariably not entered in the regular books of accounts. Instead, such receipts were maintained in separate set of accounts. Incriminating evidence of such suppression of receipts has been found during the search in the form of accounts maintained in diaries, in electronic storage devices and also in the form of huge sums of unaccounted cash. It was found that cash was kept in lockers in banks in the names of employees who acted as benami or name lenders.

Significant amount of cash was found in a safe inside an auditorium in the main school premises. Unaccounted cash of about Rs 30 crore has been found and seized. The unaccounted receipts are deployed for acquiring immovable properties as personal investments which are then leased for long term to the trust for expanding to other towns. It was also found that highly priced faculty are hired and employed in the coaching institutes and they are paid outside the books. Based on preliminary findings, the undisclosed income of the group is estimated at more than Rs 150 crore. The search is still in progress.

RM/KMN

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