

Income Tax Department conducts searches in Karnataka

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The Income Tax Department conducted search on 9th October 2019 on a prominent business group in Karnataka which runs multiple educational institutions. During the course of the search, the modus operandi of conversion of seats which were originally to be allotted by merit through counselling by MCC maliciously into institutional quota seats through dropout system has been unearthed.

Incriminating evidence has been found in the search, substantiating conversion of seats, commission payments to brokers and sale of seats in exchange of receipt of cash. Evidences of use of multiple agents for conversion of MBBS and PG seats have also been found. Diversion of funds in the form of payment of on-money for the purpose of purchase of immovable assets for the benefit of trustees has also been established including finding of cash in possession of seller, commission in the hands of broker and strong written and audio evidences found in possession of the concerned parties. Evidences of handling of such cash generated, diversion for construction of hotels have also been found. Hawala transactions relating to movement of such cash have also been established. A total of Rs.4.22 crore of unaccounted cash has so far been found including Rs.89 lakh in the house of the main trustee.

Certain students whose names were used in conversion of seats have made statements establishing the modus operandi. Agents have admitted to have aided in sale of seats, brokers have admitted to be witness and accomplice to diversion of such cash generated.

Modus operandi of making cash deposits in the accounts of certain employees & their families and diversion of them to fixed deposits which are used to services loans taken by trustees has been unearthed. Evidence has further brought to light the fact that trustees have opened bank accounts in the names of their employees to deposit some of the capitation fee received in cash. Fixed deposits amounting to Rs. 4.6 crore in the names of 8 employees made in the above manner have been seized. It was further found that the interest from such benami fixed deposits have been used to service the loans taken by the trustees in their personal capacity.

Evidences also reveal undisclosed investments in real estate. Overall the total undisclosed income detected so far is around Rs.100 crore considering the cash donations received for 185 seats averaging Rs.50 lakh to Rs.65 lakh per seat and total seizure of undisclosed assets of Rs. 8.82 crore. Further investigations are in progress.

RM/KMN

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