

## BBC Tax Survey [UPSC Current Affairs]

The Income Tax (IT) agency, in February 2023, initiated an Income Tax Search (IT Search) operation, following which the computers and financial records at the BBC offices were examined on the allegation of a “deliberate non-compliance with Indian laws including **transfer pricing rules** and diversion of profits illegally”. There are many potential questions for the UPSC exam that can be asked related to this development. It is important to know what is an IT search, what are the transfer pricing rules, etc. In this article, you can learn more about these concepts from a [UPSC exam](#) perspective.

### BBC Tax Survey

After the three-day survey, the IT Department claimed that it had found irregularities related to taxes. The department was specifically looking into the “manipulation of prices for unauthorized benefits, including tax advantages”. However, some people and the opposition are calling it an IT search/raid while the Income Tax department itself called it an IT survey.

For more on this development and the differences between an IT search and an IT survey, check the video below.

### What is IT Search and IT Survey?

- The Income-tax Act, of 1961 has the provision for IT search in Section 132 and IT survey in section 133. However, both are being conducted when there is an allegation of illegal evasion of taxes i.e either not paying or underpaying the taxes.
- **Section 133 (IT Survey):** A survey, conducted under Section 133A of the I-T Act, is usually a precursor to a search and seizure operation and takes place only at business premises. I-T officials look into the books of accounts, bank accounts, cash, stock, and non-valuable documents during a survey.
- **Section 132 (IT Search):** A “search” typically refers to what is called a “raid” — although the word ‘raid’ has not been defined anywhere in the Income-Tax Act. However, “search” has been defined under Section 132 of the Act. As per it, IT officials can also search into the taxpayer's houses or residents and not just offices. IT officials can even seize any such books of account, other documents, money, bullion, jewellery, or other valuable articles or things found as a result of such search.

### What is 'transfer pricing' for which BBC is accused of?

- Transfer pricing is the pricing rules and methods followed for transactions by the different business divisions under common ownership. It basically refers to the pricing rules set for the different subsidiary companies or different branches or business divisions within a single corporation.

- For instance, when a subsidiary company sells some goods or services to its parent company, the transfer price is the cost of the goods or services the parent pays to the subsidiary company.

### What is the arm's length price in this case?

- IT Act **Section 92** discusses the Arm's Length Price.
- It is the price at which a willing buyer and a willing unrelated seller would freely agree to transact or trade between related parties that is conducted as if they were unrelated so that there is no conflict of interest in the transaction.
- Here, in BBC's case, it is accused that the transaction happened between two related subsidiaries of BBC and hence it can't be termed as an arm's length price and may be a possible case of tax evasion.

### *Tax Evasion and Tax Avoidance*

**Tax evasion:** It is the willful and illegal evasion of taxes by individuals, trusts, and corporations. In this case, taxpayers misrepresent their financial state of affairs deliberately to the tax authorities. This includes fraudulent practices such as dishonest tax reporting, declaration of less income or profits than the amount actually earned, and also overstating their deductions.

**Tax avoidance:** It is the legal use of the country's tax regime in order to reduce tax liability by legal means. This includes investing funds in any investment/insurance so that the net amount earned is less and the taxpayer has to pay only a reduced amount as tax. Tax avoidance is completely legal.

### Conclusion

The right things should be done even in the right way. Also, justice should not only be done, but it should also seem to have been done. Here, the timing of the IT survey has raised the question that government agencies are being used to intimidate and harass press organizations that are critical of government policies or the ruling establishment. Also, the timing of the search after the release of the documentary "India: The Modi Question" can be questionable.

However, it is also true that institutions working in India, especially the press, which is often called the 'lighthouse for justice' should comply with the law of the land.