

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

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PRESS RELEASE

**Income Tax Department conducts searches on a Pharmaceutical Group in
Bengaluru**

Income Tax Department carried out search and seizure operations on 06.07.2022 on a major Bengaluru-based pharmaceutical group, engaged in the business of manufacturing and marketing of pharmaceutical products and Active Pharmaceutical Ingredients (API). The group has presence in over 50 countries. The search action covered around 36 premises spread across 9 States.

During the course of the search operations, substantial incriminating evidence, in the form of documents and digital data, has been found and seized. The initial gleaning of the evidence has revealed that the group has been debiting in its books of account unallowable expenses on account of distribution of freebies to the medical professionals under the head "Sales and Promotion". These freebies included travel expenses, perquisites and gifts etc. to doctors and medical professionals for promoting the group's products under the heads "Promotion and Propaganda", "Seminars and Symposiums", "Medical Advisories" etc. The evidence indicates that the group has adopted unethical practices to promote its products/brands. The quantum of such freebies detected is estimated to be around Rs. 1000 crore.

The group is also found to have claimed artificially inflated deduction under special provisions in respect of certain incomes, by resorting to suppression of expenses and over-appropriation of revenue to the unit eligible for such deduction. Various other means of tax evasion, including inadequate allocation of research and development expenses to eligible units and inflated claim of weighted deduction under section 35 (2AB), have also been detected. The quantum of tax sought to be evaded through such means is estimated at over Rs. 300 crore.

Instances of violation of provisions of tax deduction at source under section 194C of the Income-tax Act, 1961 have also been detected in respect of transactions under contracts entered into with the third-party bulk drug manufacturers.

During the search action, unaccounted cash amounting to Rs. 1.20 crore and unaccounted gold and diamond jewellery worth more than Rs. 1.40 crore have also been seized.

Further investigations are in progress.

(Rakesh Gupta)
Commissioner of Income Tax
(Media & Technical Policy)
Official Spokesperson, CBDT