

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a) and (b). The credit-worthiness enjoyed by India is evident from the increasingly finer terms obtained for borrowings in international money markets. All external commercial borrowings are made very selectively with a view to keep the debt service liability within prudent limits. Within these limits, the Government are always on the look out for the most attractive instruments of borrowings.

Import of Homeopathic Medicines

3830. SHRI ANADI CHARAN DAS : Will the Minister of COMMERCE be pleased to state the concessions that are being given to individual practitioners in Homeopathy to import medicines from foreign countries ?

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KHURSHID ALAM KHAN) : The import of Homeopathic medicines is allowed under OGL by all persons including individual practitioners. No licence is required for its import.

Proposal to Make Cost Audit Compulsory for Manufacturing Multi-National Companies

3831. SHRI SODE RAMAIAH : Will the Minister of FINANCE be pleased to state :

(a) whether Government are aware that the problem of loss to the National Exchequer by the mechanism of transfer pricing by Multinational Companies required immediate remedial measure;

(b) whether joint taxation by countries involved is practicable in this behalf;

(c) whether the transfer pricing should have a link up with the cost of production;

(d) whether making cost audit compulsory for manufacturing M.N.Cs. is under the consideration of Government; and

(e) if not, the reasons thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a) Government are aware of the phenomenon of 'transfer pricing' resorted to by some multinational companies in their intra-company transactions as well as in transactions with associated companies. While transfer pricing may not constitute an offence directly under any statute, the effect of each such practice will have to be seen with reference to various fiscal enactments, and, when in practice results in avoidance of taxes, appropriate action will be taken. Suitable instructions have already been issued to the various fiscal authorities to guard against such practice.

(b) Joint taxation by countries involved would not be practicable.

(c) It is not possible to examine the question in the light of cost of production only.

(d) No, Sir.

(e) Other factors like comparable open market prices in "arm's length" transactions, other costs like those on processing, distribution, advertisement etc. and information regarding practices and prices in the relevant industry are also significant factors. However, whenever Government enters into double taxation avoidance agreements with countries, such agreements provide for supply of information and other necessary cooperation between the tax Administrations, for prevention of tax avoidance through transfer pricing, among other things.

[Translation]

Loans to Farmers by Commercial Banks and Financial Institutions in Madhya Pradesh

3832. SHRI M. L. JHIKRAM : Will the Minister of FINANCE be pleased to state :

(a) whether directives have been issued to various commercial banks and financial institutions to grant loans to farmers for the development of agriculture in Madhya Pradesh; and

(b) the amount of loan advanced by different banks to farmers in Madhya