

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4525
ANSWERED ON:20.08.2010
FUNDS INFLOWS FROM TAX HAVENS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has a monitoring mechanism to trace the origin of finance inflows from entities registered in Tax Havens;
- (b) if so, the details thereof alongwith achievements in regard thereto;
- (c) whether there are countries specific restrictions imposed on such inflows; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) & (b): Securities Exchange Board of India (SEBI) registers Foreign Institutional Investors (FIIs) under the SEBI (FII) Regulations, 1995 and monitors the investments made by them. Foreign Venture Capital Investors (FVCI) are registered with and regulated by SEBI under SEBI (Foreign Venture Capital Investors) Regulations 2000.

Under the extant reporting system under Foreign Exchange Management Act (FEMA), 1999, the data on Foreign Direct Investment (FDI) is captured on the basis of the country of incorporation/domicile of the investing entities/persons. However, the origin of the funds, in cases of routing of the investments through tax havens are not being captured.

Further as and when any request is received from the Income tax Department to obtain information in a specific case regarding finance inflows from entities registered in Tax Havens, with whom India has Double Taxation Avoidance Agreement (DTAA). the requisite information is requested under the Article concerning exchange of information under the said DTAA. The information so obtained is confidential in accordance with the provisions of the DTAA.

(c) & (d): There are no country specific restrictions imposed on such inflows.