

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1513  
ANSWERED ON:04.03.2011  
TAX EVASION  
Mani Shri Jose K.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government proposes to impose sanctions against countries that refuse to share information on suspected tax evaders;
- (b) if so, the details thereof;
- (c) whether a panel set up by the Government in this direction has recommended a tool-box of measures to fight tax evasion;
- (d) if so, the details thereof and the reaction of the Government thereto;
- (e) whether the Government proposes any amendment in income tax law in this regard; and
- (f) if so, the details thereof and the steps taken by the Government in this direction?

**Answer**

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

(a) and (b) No sir the Government does not propose to impose sanction, however in the Finance Bill, 2011, recently introduced in the parliament, government has proposed anti-avoidance measures with a view to discourage transactions by a resident assessee, with persons located in any country or jurisdiction which does not effectively exchange information with India.

(c) Yes sir.

(d) The Report of the panel set up by the government was submitted on 11.01.2011. The recommendations of the Panel have been incorporated in form of the proposed section 94A, to be inserted in the Income-tax Act, 1961(Act). Clause 14 of the Finance Bill, 2011 provides for the same.

(e) Yes, the government has proposed a new section 94A in the Act in this regard.

(f) The proposed section provides –

1) an enabling power to the Central Government to notify any country or territory outside India, having regard to the lack of effective exchange of information by it with India, as a notified jurisdictional area;

2) that if an assessee enters into a transaction, where one of the parties to the transaction is a person located in a notified jurisdictional area, then all the parties to the transaction shall be deemed to be associated enterprises and the transaction shall be deemed to be an international transaction and accordingly, transfer pricing regulations shall apply to such transactions;

3) that no deduction in respect of any payment made to any financial institution shall be allowed unless the assessee furnishes an authorization, in the prescribed form, authorizing the Board or any other income-tax authority acting on its behalf, to seek relevant information from the said financial institution;

4) that no deduction in respect of any other expenditure or allowance (including depreciation) arising from the transaction with a person located in a notified jurisdictional area shall be allowed under any provision of the Act unless the assessee maintains such other documents and furnishes the information as may be prescribed;

5) that if any sum is received from a person located in the notified jurisdictional area, then, the onus is on the assessee to satisfactorily explain the source of such money in the hands of such person or in the hands of the beneficial owner, and in case of his failure to do so, the amount shall be deemed to be the income of the assessee;

6) that any payment made to a person located in the notified jurisdictional area shall be liable to deduction of tax at the higher of the rates specified in the relevant provision of the Act or rate or rates in force or a rate of 30 per cent.