

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3075
ANSWERED ON:19.08.2011
'ILLEGAL FINANCIAL ACTIVITIES'
Bhadana Shri Avtar Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether subsidiary companies floated in foreign countries by Indian Companies are involved in money market instruments and illegal financial activities and if so, the details thereof for the last three years and current year;
- (b) whether such activities are violating Foreign Exchange Management Act (FEMA) regulations and directives of the Reserve Bank of India (RBI); and
- (c) if so, the details thereof and the action taken against each such company by Enforcement Directorate (ED), RBI and Income-tax Department so far?

Answer

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

(a) to (c):- The opening of subsidiaries/offices abroad and remittance of funds to them by the Indian Companies are monitored by the Reserve Bank of India (RBI) and the Indian Companies are required to seek approval from RBI, wherever needed, for remitting funds to their overseas subsidiaries and to submit periodical returns/reports to the RBI containing details of remittances and/or other financial activities of their subsidiaries. Directorate of Enforcement takes appropriate action under Foreign Exchange Management Act (FEMA) as and when any contravention of the provisions of FEMA by any person/legal entity comes to its notice or is reported to the Directorate of Enforcement by the RBI. Based on the investigations conducted, one Show Cause Notice was issued for FEMA contraventions relating to transactions of overseas subsidiary of an Indian Company. The case was adjudicated and penalty of Rs. 14 crores was imposed. Further, appropriate action as per the provisions of the Direct Tax Laws is also taken whenever credible information with regard to tax evasion is received by the Income Tax Department.