

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4955

ANSWERED ON:02.09.2011

`TAX RELATED LITIGATION OF INDIAN COMPANIES`

Bajirao Shri Patil Padamsinha

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government of India monitors the antics of Indian companies abroad in relation to tax related litigation;
- (b) if so, the details thereof country-wise, company-wise; and
- (c) if not, the reasons therefor?

Answer

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

(a): Sir, Income Tax Department does not have any established mechanism to monitor the antics of Indian companies abroad in relation to tax related litigation on a continuous basis. However, since the Indian Companies file their Income Tax returns with their Assessing Officers in India these can be subjected to scrutiny as per the policy. In the course of scrutiny proceedings, if the Assessing Officer notices any fact which necessitates tax related enquiry abroad, then the Assessing Officer can send a reference to FT&TR division of Central Board of Direct Taxes for obtaining required information from abroad under Exchange of Information mechanism.

Moreover, Indian companies which have business activities abroad through their subsidiaries resident in those foreign countries would normally not be subjected to Indian tax laws (based on the principle of `residence`) other than `Transfer Pricing` legislation in respect of eligible transactions.

Thus, The Income Tax Department generally makes out only specific enquiries and investigations into antics of Indian companies abroad in relation to tax related litigation if the same are required for the purposes of domestic taxation.

(b): No such details are maintained Country-wise and Company-wise

(c): Not applicable in view of (a) above.