

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1334  
ANSWERED ON:30.11.2012  
STRENGTHENING OF LAWS ON CAPITAL GAINS IN INDIA  
Natarajan Shri P.R.

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

- (a) whether the Union Government has fixed any rules and regulations for strengthening India's Tax Laws to prevent Foreign Investors from avoiding paying taxes on capital gains in India;
- (b) if so, the details thereof; and
- (c) the details of expected tax revenue collected from Foreign Direct Investment (FDI) inflows into India during each year of the last three years and the current year?

**Answer**

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

(a) Yes Sir.

(b) Vide Finance Act, 2012:

(i) The General Anti-Avoidance Rule (GAAR) provisions have been introduced in the Income-tax Act by way of Chapter X-A to deal with aggressive tax planning arrangements; and

(ii) Clarificatory amendments with retrospective effect have been made in Sections 2, 9 and 195 of the Income-tax Act dealing with the source rule of taxation in order to deal with the avoidance of tax on capital gains arising from indirect transfer of capital assets situated in India.

(c) Foreign Direct Investment per se does not attract any tax liability under the Income Tax Act. Income accruing or arising or deemed to accrue or arise to the enterprises, through which FDI flows in, are taxed in accordance with the extant provisions of Law. However, the details of total revenue collected by the Directorate General of International Taxation and Transfer Pricing, dealing with non-residents, in the past 3 years and current year are as under:-

S.No.	F.Y.	Net Collection (Rs. in Cr.)
1.	2009-10	16197.82
2.	2010-11	22484.99
3.	2011-12	27442.50
4.	1.4.12 up to 31.10.12	13712.00