

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1862
ANSWERED ON:08.03.2013
TAX LEAKAGE IN CROSS BORDER TRANSACTION
Deo Shri Kalikesh Narayan Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of the tax leakages in cross-border transactions and if so, the details thereof and reaction thereto;
- (b) the current procedures followed in tapping tax leakages and problems of such nature; and
- (c) whether the Government is making any efforts to help tax authorities to detect tax leakages in cross-border transactions and if so, the details thereof and if not, the reasons therefor?

Answer

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

- (a) The Income Tax Department is continuously in the process of scrutinizing all the cases of cross border transactions, including mergers or acquisition of companies and appropriate action is taken as per the provisions of law, wherever required.
- (b) The Income-tax Act, 1961, contains sufficient provisions and safeguards to tax all types of incomes arising out of cross border transactions, including capital gains, royalty, fee for technical services, interest and business income. International transactions involving Associate Enterprises are subjected to Transfer Pricing Regulations. Such transactions are examined by Transfer Pricing Officers. Also, cross border transactions requiring withholding of tax at source are subjected to provisions related to tax deduction at source under the Income-tax Act, 1961, which are being monitored on regular basis.
- (c) The Government has taken various steps in this direction under a multi-pronged strategy which includes creating an appropriate legislative framework; setting up institutions to deal with illicit funds; developing systems for implementation; imparting skills to the manpower for effective action; and joining the Global crusade against black money. Various legislative measures have also been taken by the Finance Act, 2012, in this regard which include reporting of assets (including bank accounts) held outside the country; reopening of assessments upto 16 years for taxing undisclosed assets (including bank accounts) kept outside the country and strengthening of penal provisions in respect of search cases; expansions of the ambit of tax collection at source (TCS) to cover certain more vulnerable items/sectors.

Further, India has been renegotiating its Double Taxation Avoidance Agreements (DTAAs) with other countries to bring the Article on Exchange of Information to international standards, and has also been expanding its treaty network by signing new DTAAs with many other countries and by entering into Tax Information Exchange Agreements (TIEAs) with many tax jurisdictions in its efforts to facilitate the exchange of information and to bring in tax transparency. India has also become a member of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in 2012.