

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4306

ANSWERED ON:22.03.2013

ILLEGAL FINANCIAL OUTFLOW

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Chitthan Shri N.S.V.;Gaikwad Shri Eknath Mahadeo;Paranjpe Shri Anand Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the study released by the Global Financial Integrity (GFI) wherein our country has been ranked quite high on the list of countries with illegal financial outflow;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) the details of such outflows from the country during the last three years and the current year, destination-wise;
- (d) whether the Government has identified the reasons for such a large outflow of illegal funds from the country;
- (e) if so, the details thereof; and
- (f) the steps taken/proposed to be taken by the Government to prevent this outflow?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) The Global Financial Integrity (GFI), a U.S. based non-profit organization, has released a report on 17th December, 2012 titled 'Illicit Financial Flows from developing countries: 2001-2010'. The illicit financial flows from developing countries including India, as mentioned in the GFI report, are only estimates based on various assumptions and presumptions. The Government has not made a formal analysis of the said report regarding its correctness.

(b) Does not arise in view of reply to part (a) above.

(c) There is no official estimate of the Government in this regard.

(d) The Government has commissioned a study, inter alia, on estimation of unaccounted income and wealth both inside and outside the country. The study is being conducted by three institutes - National Institute of Public Finance and Policy (NIPFP), National Council of Applied Economic Research (NCAER) and National Institute of Financial Management (NIFM) separately. The study reports are yet to be submitted by these institutes.

(e) Does not arise in view of reply to part (d) above.

(f) Does not arise in view of reply to parts (d) and (e) above. However, drive against tax evasion is an ongoing process and appropriate action under Direct Taxes laws including levy of penalty and launching of prosecution are taken on detection of cases of tax evasion- The Government has taken various steps 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. Legislative measures taken through the Finance Act, 2012 in this regard include introduction of provisions requiring reporting of assets (including bank accounts) held outside the country; reopening of assessments up-to 16 years for taxing undisclosed assets (including bank accounts) kept outside the country; strengthening of penal provisions in respect of search cases; expansion of the ambit of tax collection at source (TCS) to cover certain more vulnerable items / sectors, 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 effort to facilitate the exchange of information and to bring in tax transparency. It has also become a member of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in 2012. Various steps have also been taken to improve intelligence gathering mechanism of the Department. The above steps have equipped the Government better in tackling the menace of tax evasion.