

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3245
ANSWERED ON:30.08.2013
TAX EVASION BY FOREIGN COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether foreign companies operating in India have reportedly transferred billions of dollars abroad;
- (b) if so, the details thereof for each of the last three years and the current year;
- (c) the details of the laws violated thereby; and
- (d) the action taken by the Government against the said companies so far?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI J.D. SEELAM)

(a) & (b) Madam, Such data on dollars transferred abroad by foreign companies operating in India is not centrally maintained by the Government. However, with a view to prevent shifting of profits out of India and consequent erosion of the Indian tax base, selected international transactions undertaken are analysed every year in accordance with the transfer pricing provisions contained in Chapter X of the Income-tax Act,1961.The total quantum of transfer pricing adjustments made in the last three years are as under:

Financial Year	Amount of adjustment (in Rs crores)
2010-11	23,237
2011-12	44,531
2012-13	70,016

(c) & (d) Chapter X, containing special provisions relating to avoidance of tax, was inserted in the Income-tax Act, 1961, vide the Finance Act, 2001. Section 92(1) of the Income-tax Act, 1961 stipulate that income from an international transaction shall be computed based on the arm's length principle. Further, income of foreign companies operating in India is taxed as per the extant provisions of Income-tax Act,1961 and the various Double Taxation Avoidance Agreements. Some of the relevant sections of the Income-tax Act in this regard are section 9, 44BB, 44BBA, 44BBB, 44DA, 115A etc.