

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2852

ANSWERED ON:13.03.2015

OUTFLOW OF ILLICIT MONEY

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that the cumulative illicit money moving out of the country from 2003 to 2012 has risen to USD 439.59 billion;
- (b) if so, the details thereof and the number of such cases identified by the Government;
- (c) whether the Government proposes to establish regulatory mechanisms to determine the attributes of these outbound overseas investment to prevent money laundering, corporate frauds etc., if so, the details thereof and if not reasons therefor;
- (d) whether Financial Action Task Force (FATF) has submitted report on money laundering, if so, the details thereof; and
- (e) the action taken by the Government thereon?

Answer

MINISTER OF STATE FOR FINANCE (SHRI JAYANT SINHA)

(a) The amount of USD 439.59 billion appears to be based upon a report on 'Illicit Financial Flows from Developing Countries: 2003-2012' released in December 2014 by Global Financial Integrity, a Washington DC based non-profit research and advisory organization. Varying estimations of the amount of illicit money moving out of the country have been reported by different persons/institutions. Such estimations are based upon different sets of facts, data, methods, assumptions, etc. leading to varying inferences. However, there is no official estimation of the amount of black money stashed abroad/illicit money moving out of the country.

The Government has commissioned a study, inter alia, on estimation of unaccounted income and wealth inside and outside the country, to be conducted by National Institute of Public Finance and Policy (NIPFP), National Council of Applied Economic Research (NCAER) and National Institute of Financial Management (NIFM). Reports received from these Institutes are under examination of the Government.

(b) Case specific details in respect of illicit money moving out of the country are not given in the above-mentioned report. However, appropriate action against evasion of taxes/duties, including through cross-border transactions, is an on-going process. Such actions include investigation, levy of taxes/duties, imposition of penalties/fines and prosecution of accused persons under relevant laws.

(c) The Government has put in place appropriate regulatory mechanism to check illicit movement of money out of the country. Such mechanism includes regulatory framework for making foreign remittances, taking appropriate action in cases involving misuse of the medium of trade for moving money out of the country illegally including through overvaluation in imports, undervaluation in exports, remitting foreign exchange on forged import documents, payments/remittances for non-genuine purchases of goods/services/technical know-how, etc.

The Government has taken effective measures to deal with the menace of black money within and outside the country. Such measures include (i) Constitution of a Special Investigation Team (SIT), in May 2014, Chaired and Vice-Chaired by two former judges of the Hon'ble Supreme Court, inter alia, to deal with issues relating to black money stashed abroad; (ii) Joining the global efforts to combat cross-border tax evasion and tax fraud and to promote international tax compliance, including supporting the implementation of a uniform global standard on Automatic Exchange of Information on a fully reciprocal basis facilitating exchange of information regarding persons hiding their money in offshore financial centres and tax havens through multilayered entities with non-transparent ownership; (iii) Proactively engaging with foreign governments for exchange of information under available instruments; (iv) Exploring non-governmental sources to obtain information regarding undisclosed foreign assets; (v) While focusing upon non-intrusive measures, due emphasis on enforcement measures in high impact cases with a view to prosecute the offenders at the earliest possible for credible deterrence against tax evasion; (vi) Strengthening and streamlining the information collection and enforcement mechanism, inter alia, through extensive use of information technology, capacity building, etc.

Further, the Government has announced in the Budget speech 2015 features of a comprehensive new law to be enacted specifically to deal with black money stashed abroad.

(d) and (e) The Mutual Evaluation Report of India, prepared and published by Financial Action Task Force (FATF), had made certain

recommendations in respect of Prevention of Money Laundering Act, 2002 (PMLA) to make the Act more compliant with the International Anti-Money Laundering standards. PMLA was amended in 2012, inter alia, to strengthen the regulatory and law enforcement system, improving compliance by regulatory entities and enabling them to handle evolving issues in a better manner. FATF recognized that India had made significant progress in addressing the issues identified in the Mutual Evaluation Report and decided to remove it from the regular follow-up process.