

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6899
ANSWERED ON:08.05.2015
EVASION OF STT
Datta Shri Sankar Prasad

Will the Minister of FINANCE be pleased to state:

- (a) whether Income Tax Notices have been issued to Companies/traders/Foreign Institutional Investors (FIIs) in National Stock Exchange/Bombay Stock Exchange for tax evasion particularly evasion of Securities Transaction Tax (STT);
- (b) if so, the details thereof;
- (c) the estimated amount/penalty due against the Companies/traders/FIIs along with the amount recovered thereon; and
- (d) the action taken by Securities Exchange Board of India (SEBI)/ Government against the erring companies/ traders/FIIs along with the other steps taken to curb such practices in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a), (b) and (c): Appropriate action against evasion of taxes, including evasion of STT, is an on-going process. Such actions under direct tax laws include issuance of appropriate notices, enquiries, assessment, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable. In case of STT, recognised stock exchanges and mutual funds are mandated to collect STT from the transacting persons, remit the same to the Government and file STT returns with the Income-tax Department (ITD). For a default w.r.t. STT, the ITD is empowered to take appropriate action against the stock exchange/mutual fund concerned. Separate details regarding tax evasion by such companies /traders/FIIs are not maintained centrally.

(d): Preliminary enquiries conducted by Securities and Exchange Board of India (SEBI) in recent past, inter alia, indicate that certain persons/companies acting in concert with each other have misused the stock exchange system to generate fictitious Long Term Capital Gains. Prima-facie this has been done to evade tax on otherwise taxable income. Appropriate action in such cases has been taken. Besides, SEBI has advised the stock exchanges to keep constant and strict vigil on persons/companies which are involved in such misuse of the stock exchange mechanism for tax evasion and take immediate action. Accordingly, BSE vide notice dated 01.01.2015 has suspended the trading in 22 companies.