

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6974

ANSWERED ON:08.05.2015

TAX EVASION BY COMPANIES

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Will the Minister of FINANCE be pleased to state:

- (a) Whether some companies, particularly in the field of oil and gas exploration have transferred their assets from overseas to subsidiaries in India prior to their listing and evaded tax payments:
- (b) If so, the details thereof;
- (c) The estimated tax liability of such companies in this regard along with the action taken by the Government against them; and
- (d) the other steps taken/being taken by the Government to prevent/check such tax evasion by the companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANTSINHA)

(a) Yes, Madam

(b) and (c) An instance has come to the notice of Income-tax Authorities, wherein a foreign company of a multinational group in the field of oil and gas exploration has transferred shares of another foreign company of the same group, which held substantial assets in India, to Indian group company. Proceedings under the relevant provisions of the Income-tax Act, 1961 have been initiated against the foreign company as well as the Indian group company, which have resulted in a tax demand of approximately Rs. 10,247 crores along with interest, in the case of Indian company. Proceedings in respect of the foreign company that transferred the shares are yet to be completed.

(d) Amendments in section 9 of the Income-tax Act, 1961 were made by the Finance Act, 2012 to clarify the intention of the legislature that transfer of an asset, directly or indirectly, deriving its value substantially from assets located in India is taxable in India. Further, the Finance Bill, 2015 proposes to amend section 9 to define the term 'substantially'; 'value of an asset' and the date on which such value of the asset has to be taken, etc.