

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1053

ANSWERED ON:04.12.2015

Tax Revenue Loss

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Will the Minister of FINANCE be pleased to state:

- (a) whether the tax revenue loss as a result of avoidance and tax planning by the companies has increased in the recent past;
- (b) if so, the extent of tax revenue loss due to avoidance as compared to International data on tax avoidance in the last three years and the current year;
- (c) the measures taken or proposed to be taken to counter tax avoidance including the implementation of GAAR and a review of DTAA's;
- (d) whether the Government is aware about foreign investors routing funds through countries having DTAA with India for availing exemption from paying short term capital gain tax; and
- (e) if so, the details thereof and action taken by the Government in this regard?

Answer

(a) and (b): Quantification of tax revenue loss as a result of avoidance and tax planning by the companies is not undertaken as the data required for such an exercise is not readily available. However, the Government of India is aware of the potential loss of revenue from such tax avoidance, and has been taking all necessary measures for preventing it.

(c): As part of these measures, India has actively participated in the Base Erosion & Profit Shifting (BEPS) project undertaken by the OECD and G-20 countries, which is aimed at aligning taxation of income with the place where economic activity is performed and value is created, including by ensuring that Double Taxation Avoidance Agreements (DTAAs) are not used for tax avoidance. These measures also include the implementation of General Anti-Avoidance Rules (GAAR), which have already been provided in the Income-tax Act, 1961 in Chapter X-A. The GAAR provisions shall apply for the Assessment Year 2018-19 and subsequent assessment years.

(d) and (e): Some of the DTAA's entered into by India with other countries provide for taxation of capital gains on equity shares only in the country of which the taxpayer is a resident. The Government is aware that some of the investments coming from such countries may be influenced by this provision. The Government has already initiated the process of negotiation with such countries for amending the provisions on capital gains taxation in DTAA's with such countries.