

Need to define Shell Company in Indian law

SHRI KRISHNA PRASAD TENNETI (BAPATLA): Thank you, Madam Chairperson, for giving me the opportunity to speak on an important matter of shell companies in India.

Madam, in response to my Unstarred Question No. 183 in this august House, the hon. Minister of State in the Ministry of Corporate Affairs mentioned that there is no definition of a shell company. A shell company is defined by the US SEC as a registrant that has no or nominal operations, and no assets, or assets consisting solely of cash and cash equivalents. I fully believe that a definition along such lines is also essential in the Indian Company Law.

The introduction of such a definition is essential because there is evidence to show that shell companies can be used for financial crimes. According to a US Government advisory, money-laundering and financial crimes can be committed through shell companies because they are inexpensive to form and operate. In 2016, a leak of 11.5 million documents to newspapers revealed information about 2,14,000 shell companies administered by the law firm Mossack Fonseca in Panama. They were used by politicians, businesspersons, autocrats, and terrorists for the purpose of tax evasion, laundering, and other illegal activities. Madam Chairperson, by defining a shell company in the Indian law, we will be able to protect financial interests and enforce the laws of the land properly.

Finally, through you, I request the hon. Minister to begin the process of amendment for the introduction of the definition of a shell company in law and take such legal action against such companies engaged in illegal activities of tax evasion, money laundering, and hiding assets or cash by individuals.

I thank you Madam for giving me this opportunity to speak.