

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4382
ANSWERED ON:19.05.2006
TAX EVASION BY MNCS
Pathak Shri Brajesh

Will the Minister of FINANCE be pleased to state:

- (a) whether over Rs.2500 crore taxes are outstanding from Multi-National Companies(MNCs) some of them in Fortune 500;
- (b) if so, the total demand both direct and indirect tax raised against such MNCs during 2005 and the amount realized;
- (c) whether such MNCs who are evading taxes are on the rise;
- (d) if so, the total number of such companies in 2005 and 2006 so far and total recovery made therefrom;
- (e) the steps taken or being taken or criteria likely to be adopted by Government to ensure that MNCs do not evade taxes; and
- (f) the percentage of MNCs found to be indulged in tax evasion out of the total MNCs in India?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

- (a) Direct Taxes outstanding from Multi-National Companies as on 31.3.2006 are in excess of Rs.2500 crore. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.
 - (b) Insofar as Direct Taxes is concerned, demand of Rs.7640.32 crore has been raised during financial year 2005-06 against which collection of Rs.670.09 crore has been made. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.
 - (c) Insofar as Direct Taxes is concerned, the number of such companies, who are evading taxes, is on the rise. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.
 - (d) Insofar as Direct Taxes is concerned, in financial year 2004-05, demand has been raised in 326 cases while in financial year 2005-06, demand has been raised in 411 cases. The total tax recovered was Rs.442.20 crore and Rs.670.09 crore in financial year 2004-05 and 2005-06 respectively. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.
 - (e) Appropriate measures including scrutiny of returns, provided in the Income Tax Act, 1961, are taken every year for checking evasion of tax by such companies. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.
- Direct Tax evasion has been detected in respect of 411 such companies out of 1915 companies assessed during financial year 2005-06 which works out to 21.46%. Information in respect of Indirect Taxes is being collected and will be laid on the Table of the House.