

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:21

ANSWERED ON:20.11.2009

MONEY PARKED ABROAD

Lingam Shri P.;Wankhede Shri Subhash Bapurao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has been able to bring back money allegedly parked in the banks located abroad in violation of relevant laws of the country;
- (b) if so, the details thereof; and
- (c) the progress achieved so far in this regard?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (c): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No.21 for answer on November 20, 2009 regarding 'Money Parked Abroad'

There is no verifiable information available about money allegedly parked in the banks located abroad in violation of relevant laws of the country. However, the Central Board of Direct Taxes has alerted its investigation units to pursue on priority basis any information regarding any undisclosed money illegally parked in banks outside the country. Besides, whenever any specific case of suspected unauthorised maintenance/ operation of accounts abroad by persons resident in India comes to the notice of the Directorate of Enforcement, appropriate action, as warranted under Foreign Exchange Management Act (FEMA) and Regulations made thereunder, is taken. No roving enquiries can be made by the said Directorate.

2. Further, India's Double Taxation Avoidance Agreements with foreign countries (commonly referred to as tax treaties) contain provisions relating to exchange of information for tax purposes. Whenever any information in terms of such provisions, regarding money deposited in banks located abroad is received, appropriate action under the provisions of the Income-tax Act, 1961 and Wealth-tax Act, 1957, is initiated by the Income-tax Department to bring to tax the income and wealth not disclosed before the tax authorities.

3. Our tax treaty partners can also be requested to assist in collection of tax claim, if the tax treaty with that country contains specific provision for assistance in collection of taxes.

4. India has taken active part, through G 20, in building global consensus for ending bank secrecy and for taking action against those jurisdictions/countries that are not transparent or co-operative in exchanging information with other countries. This has given India an opportunity to broaden the scope for exchange of information for tax purposes with respect to tax treaties which do not contain specific obligations for exchange of bank related information.

Consequently, the Ministry of Finance has taken up the matter, directly or through diplomatic channels, requesting the existing treaty partner countries for renegotiation of article concerning exchange of information in the tax treaties for specifically including provisions for obtaining bank related information. Responses from some of these countries, along with their counter proposals, have also been received recently, first round of negotiation has already been held in one case. Besides, the treaty partner countries, with whom our treaties do not have provisions relating to assistance in collection of taxes, have been approached for inclusion of such a provision.

5. In accordance with currently prevailing international practice, tax treaties do not have provision for seeking repatriation of money deposited abroad in violation of the domestic laws of the country.

6. Many of the tax jurisdictions perceived to be tax havens are not sovereign countries. The Income-tax Act earlier did not allow entering into a tax agreement with non-sovereign jurisdictions. Section 90 of the Income-tax Act, 1961 has since been substituted through Finance (No.2) Act, 2009 with a new formulation which will enable the Central Government to enter into tax agreements with a non-sovereign jurisdiction.