GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
STARRED QUESTION NO. 96
ANSWERED ON TUESDAY, JULY 26, 2022

EFFORTS TO CONTROL FRAUDULENT SHELL COMPANIES

QUESTION

96. SHRI SANDOSH KUMAR P:

Will the Minister of Corporate Affairs be pleased to state:

(a) whether the Government has taken any regulatory steps to control fraudulent 'shell companies' which do not conduct any real operations and are used mainly for money laundering and tax-evasion;

(b) the details of the regulatory measures that have been taken so far; and

(c) the name of such shell companies that have been identified during 2021-22?

ANSWER

THE MINISTER OF FINANCE
AND CORPORATE AFFAIRS (SHRIMATI NIRMALA SITHARAMAN)

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

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STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO 96* FOR ANSWER ON 26.07.2022 REGARDING EFFORTS TO CONTROL FRAUDULENT SHELL COMPANIES

(a) & (b): There is no definition of the term “Shell Company” and also “Fraudulent Shell Company” in the Companies Act,2013 (the Act). Shell Company normally refers to a company without active business operation or significant assets, which in some cases are used for illegal purpose such as tax evasion, money laundering, obscuring ownership, benami properties etc. However, there are provisions for removal of name of the company under Section 248 of the Act from the Register of companies, if it is not carrying on any business or operation for a period of 2 immediately preceding financial years (non operational Companies)and has not made any application within the said period for obtaining the status of a Dormant Company under section 455 of the Act. Registrar of Companies (ROC) removes the names of such companies from the Register of Companies after following the due process of law. Thus, the removal of the names of the companies from the Register of Companies is a continuous process.

The Government has undertaken Special Drives for identification and strike off of non-operational Companies under section 248 of the Act. 4,32,796 number of Companies have been struck off in these special Drives undertaken till 2021-22.

Further, section 164(2)(a) of the Act empowers the Ministry to disqualify the directors of those companies which have not filed financial statement or annual return for any continuous period of three financial years by not allowing them to be re-appointed as a director of that company or in other companies for a period of five years from the date on which the said company fails to do so. By invoking the said provision, the Ministry had also disqualified 5,68,755 directors.

Further, based on information received from various banks, the Central Government had ordered investigations into the true ownership of 68 such companies u/s 216 read with Section 210(1)(c) of the Companies Act, 2013, which had deposited Rs. 25 Crores or more in Bank Accounts and withdrew in an exceptional manner post demonetization.

(c): As stated at (a) there is no definition of term of Shell Company under the Act. However, a total of 49,921 number of non -operational companies have been struck off during 2021-22. The names of the companies may be perused from the website of the Ministry www.mca.gov.in under the heading “Data & Reports” under the link “RD/ROC Information” with the title “List of Companies Struck-off by RoCs (STK-7) under section 248(5) of the Act 2013”.

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