

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 5013
TO BE ANSWERED ON FRIDAY, THE 31ST MARCH, 2017
CHAITRA 10, 1939 (SAKA)**

COMMITTEE ON LEGITIMACY OF COMPANIES

5013: SHRI ADHALRAO PATIL SHIVAJIRAO:

SHRI DHARMENDRA YADAV:

SHRI SHRIRANG APPA BARNE:

SHRI ANANDRAO ADSUL:

DR. SHRIKANT EKNATH SHINDE:

SHRI VINAYAK BHAURAO RAUT:

SHRI RAHUL SHEWALE:

DR. PRITAM GOPINATH MUNDE:

Will the Minister of FINANCE be pleased to state:

(a) whether his Ministry investigating several dubious/shell companies in the website of Ministry of Corporate Affairs and if so, the details thereof;

(b) whether his Ministry has constituted a committee to check the legitimacy of such companies and if so, the details thereof;

(c) whether the aforesaid committee has submitted its report and if so, the details thereof; and

(d) the action taken/proposed to be taken by his Ministry against the shell companies?

**ANSWER
MINISTER OF STATE FOR FINANCE
(SHRI SANTOSH KUMAR GANGWAR)**

(a) : Investigations conducted by the Income Tax Department and other law enforcement agencies have revealed existence of a number of companies which exist and operate only in form and are used as conduits for non-genuine transactions such as bogus purchases, sales, expenses, donations, loans, advances, long term capital gains in shares, layering of transactions etc. Action against such companies and persons associated with them who are found in violation of laws (such as Income Tax Act, 1961, Companies Act, 2013, PMLA 2002) is a continuous process.

(b) & (c): A 'Task Force on Shell Companies' has been constituted in February, 2017 for effectively tackling the malpractices by such companies in a comprehensive manner. The Task Force has been set up under the Joint Chairmanship of Revenue Secretary and Secretary, Ministry of Corporate Affairs. The other members of the Task Force are from Department of

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Financial Services, Central Board of Direct Taxes, Central Board of Excise & Customs, Central Bureau of Investigation, Enforcement Directorate, Serious Fraud Investigation Office and Financial Intelligence Unit and has held two meetings so far.

(d): During last three financial years (2013-14 to 2015-16), investigations by the Income-tax Department have led to detection of more than 1155 shell companies/entities which were used as conduits by over 22,000 beneficiaries. The amount involved in non-genuine transactions of such beneficiaries was more than Rs 13,300 crore. Action against such companies, as also against the beneficiaries of non-genuine transactions under the Direct Taxes law is a continuous process and includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable.

The CBI has also registered 30 cases against 201 shell companies during the last 3 years viz 2014, 2015, 2016 and the current year as on 28.2.2017. Out of these charge-sheets have been filed in 17 cases.

Till 17.03.2017, show cause notices under section 248(1)(c) of the Companies Act, 2013 have been issued to 94713 companies which are prima-facie not carrying on any business or operation for a period of two immediately preceding financial years as they had failed to file financial statements for the said period and their directors as to why the name of the company be not removed from the register of companies by the Registrar of Companies.
