

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
LOK SABHA  
UNSTARRED QUESTION No. 5556  
TO BE ANSWERED ON FRIDAY, THE 7<sup>TH</sup> APRIL, 2017  
17, CHAITRA, 1939 (SAKA)**

**CAPITAL GAINS TAX**

**5556. SHRI P.C. MOHAN:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that Parthasarathy Shome Committee has recommended for doing away with the capital gains tax exemption or having a uniform rate for all and if so, the details thereof;
- (b) whether the Government has received any proposal or suggestion from Bombay Stock Exchange (BSE) for removal of capital gains arbitrage between listed and unlisted companies;
- (c) if so, the details thereof;
- (d) whether the BSE has conducted any study regarding this and informed the Government about the misuse of provisions and if so, the details thereof; and
- (e) the steps taken by the Government to prevent converting black money into white?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI SANTOSH KUMAR GANGWAR)**

(a) In the absence of specific details, about the Dr. Parthasarathy Shome Committee, the recent reports of the Dr. Parthasarathy Shome Committee i.e. (i) an Expert Committee on General Anti Avoidance Rules. (ii) Tax Administration Reform Commission (TARC) (iii) Expert Committee on Retrospective Amendments Relating to Indirect Transfer, have been examined and it has been noticed that these reports did not recommend doing away with the capital gains tax exemption or having a uniform rate for all.

(b) to (d) Yes. BSE has written to Ministry of Finance regarding suggestions to rationalize the differential capital gains tax structure vide its letters dated 16.7.15, 20.9.16 and 10.11.16. In letter dated 16.07.2015, it was suggested that in order to prevent / curb the market abuse that there should be a simple mechanism and the current differential capital gains treatment between listed and unlisted securities should be harmonized to prevent any tax arbitrage.

(e) The Government has taken various steps, both by way of policy initiatives as well as through more effective enforcement actions on the ground to check black money. These include putting in place robust legislative and administrative frame works, systems and processes with due focus on capacity building and integration of information and its mining through increasing use of information technology. Some of the recent measures are:

(I) Vide Finance Act, 2017, section 269ST has been inserted in the Income-tax Act, 1961 (the Act) which provides that no person (other than those specified therein) shall receive cash of Rs. 2 lakh or more from a person in aggregate in a day or in respect of a single transaction or transactions relating to one event or occasion. Further, a new section 271DA has been inserted to provide penalty of a sum equal to the amount of receipt, for contravening the provisions of section 269ST.

(II) Vide Taxation Laws (Second) Amendment Act, the provisions of section 115BBE has been amended to provide that unexplained income of the nature referred to in section 68, section 69, section 69A, section 69B, section 69C or section 69D of the Act shall be taxed @ 60%. Further penalty provisions under section 271AAC and 271AAB have been rationalised to provide higher rate of penalty on income unearthed as a result of search and seizure operation.

(III) Under section 270A of the Act a higher rate of penalty has been provided for misreporting of income, which shall be equal to two hundred per cent of the amount of tax payable on under-reported income.

(IV) With a view to prevent the misuse of exemption provided under section 10(38) by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions, section 10(38) has been amended vide Finance Act,2017 to provide that exemption under this section for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share(other than notified acquisitions) is chargeable to Securities Transactions Tax under Chapter VII of the Finance (No 2) Act, 2004

(V) Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court.

(VI) Enactment of a comprehensive law – ‘The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015’ to specifically deal with black money stashed away abroad.

(VII) Constitution of Multi-Agency Group (MAG) consisting of officers of Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU) for investigation of recent revelations in Panama paper leaks.

(VIII) Proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Conventions.

(IX) Proactively furthering global efforts to combat tax evasion/black money, inter alia, by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI) and having information sharing arrangement with USA under its Foreign Account Tax Compliance Act (FATCA).

(X) Renegotiation of DTAAs with other countries to bring the Article on Exchange of Information to International Standards and expanding India's treaty network by signing new DTAAs and TIEAs with many jurisdictions to facilitate the exchange of information and to bring transparency.

(XI) Enabling attachment and confiscation of property equivalent in value held within the country where the property/proceeds of crime is taken or held outside the country by amending the Prevention of Money-laundering Act, 2002 through the Finance Act, 2015.

(XII) Enactment of the Benami Transactions (Prohibition) Amendment Act, 2016 to amend the Benami Transactions (Prohibition) Act, 1988 with a view to, inter alia, enable confiscation of Benami property and prosecution of benamidar and the beneficial owner.

(XIII) Initiation of the information technology based 'Project Insight' for strengthening the non-intrusive, information driven approach for improving tax compliance, and (x) Launching of 'Operation Clean Money' on 31st January 2017 for collection, collation and analysis of information on cash transactions during demonetization period, extensive use of information technology and data analytics tools for identification of high risk cases, expeditious e-verification of suspect cases and enforcement actions in appropriate cases which include searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable.

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