

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO. 1121

TO BE ANSWERED ON MONDAY, DECEMBER 02, 2024/ AGRAHAYANA 11, 1946
(SAKA)

NEXUS BETWEEN BANK BORROWERS, ASSET RECONSTRUCTION COMPANIES
AND LENDERS

1121. DR. THIRUMAAVALAVAN THOLKAPPIYAN

Will the Minister of Finance be pleased to state:

- (a) whether the Income-Tax Authorities during raids have observed the nexus between the Bank borrowers and the Asset Reconstruction Companies (ARCs) in manipulating the Loan assets creating huge loss to the Public Sector Banks (PSBs);
- (b) if so, the details of losses incurred by the Banks and Asset Reconstruction Company due to such collusion;
- (c) whether the Government has taken any measures to prevent such unfair and fraudulent activities of the Bank borrowers, ARCs and the lenders; and
- (d) if so, the details thereof?

ANSWER
MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): There is no expression 'raid' in the Income Tax Act, 1961 (the 'Act'). However, the Income Tax Department (ITD) has recently carried out search operation on certain Asset Reconstruction Companies (ARCs). Evidence of tax evasion and other violations of the Act were detected during such actions. Disclosure of information in respect of specific assesseees is prohibited except as provided under section 138 of the Income-tax Act, 1961.

(c) & (d): RBI has issued Master Direction – Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024 dated April 24, 2024, applicable to Asset Reconstruction Companies (ARCs). The provisions of these Directions shall apply to every ARC registered with RBI under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The Master Direction is available on RBI website at the following link:

https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12669
