

## **Fast-track cases against shell firms: CBDT to taxmen**

*Serious Fraud Investigation Office has filed cases against 49 shell companies*

As the noose tightens around shell companies evading taxes, the CBDT Chairman has asked field officers to file prosecution cases against those entities which claimed bogus long-term capital gains.

In a letter to Principal Chief Commissioner of Income Tax, Central Board of Direct Taxes (CBDT) Chairman Sushil Chandra has called for fast track prosecution proceedings in cases where the Settlement Commission has rejected entry operators who have claimed advantages of long-term capital gains.

"Prosecution proceedings can be successfully initiated in several cases of entry operators, including those concerning bogus LTCG (Long Term Capital Gains) claims, cases rejected by Settlement Commission, etc," Chandra said.

The Prime Minister's Office last month has set up a task force under Revenue Secretary Hasmukh Adhia comprising members from central probe and enforcement agencies to monitor action against deviant shell companies.

According to the tax department, there are about 15 lakh registered companies in India of which only 6 lakh file annual returns. This means a large number of these companies could be indulging in financial irregularities.

While the Serious Fraud Investigation Office (SFIO) has filed cases against 49 shell companies, Rs 3,900 crore is believed to have been laundered by 559 persons with the help of 54 professionals. Also, Rs 1,238 crore cash has been deposited in shell or dormant companies, post-demonetisation.

The I-T department is taking steps to plug loopholes in the law and deter people from wrongly availing capital gains benefits.

With bogus capital gains of Rs 80,000 crore availed by shell companies last year coming to the notice of the I-T department, the Budget 2017-18 has proposed 10 per cent long-term capital gains tax on those who acquired shares in unlisted companies after October 1, 2004, if they had not paid securities transaction tax (STT) at the time of purchase.

"Since this is the last month of the current fiscal year, the CBDT chairman has stressed on a speedy filling of the prosecution and disposal of the pending compounding application. It is a very good move to expedite the momentum to book the defaulters under the law," Prakash Sachin & Co Partner Prakash Sinha said.

Shell companies are characterised by nominal paid-up capital, high reserves and surplus on account of receipt of high share premium, investment in unlisted companies, no dividend income and high cash in hand.

Also, private companies as majority shareholders, low turnover and operating income, nominal expenses, nominal statutory payments and stock in trade, minimum fixed asset are some of the other traits of shell companies.

The CBDT, which is the apex policy making body of the I-T department, had in the beginning of the current fiscal forwarded to field officers a list of cases in which prosecution could be filed.

Besides, a list of potential cases of prosecution for TDS default was uploaded on the Tax Deducted at Source (TDS) portal in October, 2016.

"The figures of prosecution are not being compiled from all the charges within your region and reported to the Board. Complete and correct reports in this regard should be submitted to the Board after taking into account data from Investigation Directorate, Central TDS, LTU, International Taxation," Chandra said in the letter.

*(Business Standard)*