

Regulators, agencies cast wider net to curb tax manipulation

SIT on black money seeks details of probe by Sebi; investigation into 100 entities underway

The crackdown on tax manipulation by listed entities using the stock exchange platform has picked up steam, as regulatory bodies and investigative agencies have intensified their scrutiny of the companies involved. According to sources, the Special Investigative Team (SIT) on unaccounted (black) money has sought a probe report from the Securities and Exchange Board of India (Sebi), which has so far been leading this probe.

“SIT has sought a probe report on these listed companies that are using the stock exchange platform to evade taxes by way of misusing longterm capital gains tax (LTCG) provision,” said a source.

Over the past six months, under whole-time member Rajeev Kumar Agarwal, Sebi passed orders related to around 10 companies; 36 companies involved in irregular trades were suspended and 900 entities were banned. According to estimates, the money involved in these orders adds to ? 20,000 crore.

The latest order was against four companies listed on the BSE’s small and medium enterprise (SME) platform. Sebi said the four companies collectively raised Rs.46.53 crore through their public offerings, out of which Rs.30.06 crore, or 64.60 per cent of total IPO proceeds, were transferred back to all the entities who had funded these IPOs either directly or through layering.

The funding entities had cumulatively financed the subscribers in the four companies to the tune of Rs.17.62 crore and received Rs.30.06 crore from them immediately after the IPOs. The tax department had started the probe much before, which has now become wider as it is being monitored at the highest level. “ We had sent a reference to Sebi about the violations by these listed entities, which kick- started the chain of regulatory action. We are probing close to 100 companies.

Fifty of them have received show- cause notices. So far, we have passed prohibitive orders against operators that facilitate transactions of converting black money to white in Kolkata and Delhi,” said an official.

According to sources, Sebi has sent a reference about violations by companies in the SME platform to the income tax department and the investigative agency has already started aprobe against these companies.

Sebi is currently examining 100 more companies where interim orders would be passed. These companies have been shortlisted through a combined action of the regulator and exchanges. The total illicit gains could be to the tune of Rs.50,000 crore, according to regulatory sources.

Sebi busts billion- dollar ‘ tax evasion shops’ in stock market

Suspecting tax evasion of Rs.5,000- 6,000 crore, the Securities and Exchange Board of India (Sebi) has clamped down on a large number of organised syndicates who had set up 'shops' to convert unaccounted money into legitimate- looking funds through the stock market platform. Sebi has also referred these cases to the income- tax department.

(Business Standard)