



Harsh punitive actions to be taken against the deviant Shell Companies including freezing of Bank Accounts, striking off the names of dormant companies, invocation of Benami Transactions (Prohibition) Amendment Act, 2016; A Task Force set-up under the Co-chairmanship of the Revenue Secretary and Corporate Affairs Secretary with members from various regulatory Ministries and Enforcement Agencies to monitor the actions taken against deviant shell companies by various agencies.

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A Meeting was held today in Prime Minister's Office (PMO) along with the Senior Officers of various Departments to review the functioning of 'Shell Companies' (companies which does not conduct any operations and indulge in money laundering) in India, so as to prevent their misuse for money laundering and tax-evasion, especially in the context of unearthing black money post demonetization. There are about 15 lakh registered companies in India; and only 6 lakh companies file their Annual Return. This means that large number of these companies may be indulging in financial irregularities.

In the initial analysis, it has been found that 'Shell Companies' are characterized by nominal paid-up capital, high reserves & surplus on account of receipt of high share premium, investment in unlisted companies, no dividend income, high cash in hand, private companies as majority shareholders, low turnover & operating income, nominal expenses, nominal statutory payments & stock in trade, minimum Fixed Asset.

In a small sample analysis of such companies, it has been found that Rs.1,238 crore cash has been deposited in these entities during November-December period. Serious Fraud Investigation Office (SFIO) has filed criminal prosecution for cheating National Exchequer after investigation of entry operators running a group of 49 Shell Companies and other proprietorship concerns. It has been found that 559 beneficiaries have laundered money to the extent of Rs.3900 Crore with the help of 54 Professionals who have been identified. These information has been shared with SIT, Income Tax Department, Enforcement Directorate, SEBI and The Institute of Chartered Accountants of India (ICAI). Income Tax Department has reopened completed assessment in these cases and Enforcement Directorate has initiated action under Prevention of Money Laundering Act (PMLA), 2002. ICAI has also initiated disciplinary proceedings against its members. Winding up process has been initiated in respect of 49 Shell Companies.

In order to create a credible deterrence a "Whole of Government Approach" will be adopted through coordinated efforts and by leveraging technology. It has also been decided that appropriate red flag indicators would be used for identifying shell companies, and a data base of such companies and their Directors would be built by pulling in information from various agencies. The data base will also capture Aadhar number of individual Directors in the companies.

Harsh punitive actions will be taken against the deviant shell companies which will include freezing of Bank Accounts, striking off the names of dormant companies, invocation of Benami Transactions (Prohibition) Amendment Act, 2016.

A Task Force with members from various regulatory Ministries and Enforcement Agencies has been set-up under the Co-chairmanship of the Revenue Secretary and Corporate Affairs Secretary to monitor the actions taken against deviant shell companies by various agencies. The concerned regulatory Ministry will ensure that disciplinary actions are initiated against the professionals indulging in mal practices and abetting the entry operators of the shell companies.

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