

However taking cognizance of concerns raised at various fora from time to time on increasing use of Virtual Currencies (VCs) and the regulatory challenges around Department of Economic Affairs has constituted a committee with representatives from Department of Economic Affairs, Department of Financial Services, Department of Revenue (CBDT), Ministry of Home Affairs, Ministry of Electronics and Information Technology, Reserve Bank of India, NITI Aayog and State Bank of India. The objectives of committee, *inter alia* is to take stock of the present status of Virtual currencies both in India and globally; examine the existing global regulatory and legal structures governing Virtual Currencies; suggest the frame work for regulation of Virtual Currencies if considered including issues relating to consumer protection, taxation, money laundering among others; any other matter related to Virtual Currencies which may be relevant. Based on the deliberations of this Committee, DEA in May, 2017 had also invited comments from members of public on Mygov.in platform. The committee has submitted its report on 25.07.2017 to Hon'ble Finance Minister.

The Reserve, Bank of India has also cautioned from time to time, *vide* their Press Releases dated December 24, 2013 and February 1, 2017, the users, holders and traders of Virtual Currencies about the potential financial, operational, legal, customer protection and security related risks.

#### **Action against shell companies**

†1826. SHRI SHIV PRATAP SHUKLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government has launched any drive against shell companies, if so, the details thereof; and

(b) the details of such restrictions, penalties and concerned judicial provisions which have been contemplated by Government under the said drive, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SANTOSH KUMAR GANGWAR): (a) and (b) Detection of tax evasion by persons including shell companies and consequent action is a continuous process. Such action under the Direct Taxes law includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable.

---

†Original notice of the question was received in Hindi.

In order to effectively tackle the menace of shell companies through a whole of Government approach, the Government constituted a 'Task Force on Shell Companies' under the Joint Chairmanship of Revenue Secretary and Secretary, Ministry of Corporate Affairs in February, 2017. Other members of the Task Force are from Department of Financial Services, Central Board of Direct Taxes, Central Board of Excise and Customs, Central Bureau of Investigation, Enforcement Directorate, Serious Fraud Investigation Office and Financial Intelligence Unit. The task Force has held five meetings so far. Decisions taken by the Task Force on effective and expeditious actions against shell companies and associated persons concerned have duly been taken forward by the member agencies.

Highlights of actions taken against shell companies in recent past include the following:—

- (i) The Serious Fraud Investigation Office, under the Ministry of Corporate Affairs, has undertaken the exercise of preparing a comprehensive digital database of shell companies and their associates identified by various law enforcement agencies.
- (ii) During last three financial years (2013-14 to 2015-16), investigations by the Income-tax Department have led to detection of more than 1155 shell companies/entities which were used as conduits by over 22,000 beneficiaries. The amount involved in non-genuine transactions of such beneficiaries was more than ₹ 13,300 crore.
- (iii) Criminal Prosecution complaints have been filed by the Income-tax Department against 47 persons.
- (iv) The Enforcement Directorate has conducted nationwide searches in 16 States on 01.04.2017 in respect of shell companies and related professionals involved in creation and operation of these Companies.
- (v) The CBI has registered 30 cases against 201 shell companies during the last 3 years viz. 2014, 2015, 2016 and the current year as on 28.2.2017. Out of these, charge-sheets have been filed in 17 cases.
- (vi) As on 12.07.2017, Ministry of Corporate Affairs has removed 1,62,618 Companies from the Register of Companies by following the due process under Section 248 of the Companies Act, 2013. Further, the exercise of

identification of the directors of the companies defaulting in filing of Financial Statements or Annual Returns for continuous period of three financial years has been undertaken as part of the ongoing process for disqualification for reappointment as director in that company or in other company for a period of five years u/s 164(2) of the Companies Act, 2013.

- (vii) FIU-India has also alerted its Reporting Entities on shell companies for conducting of enhanced due diligence.

Disclosure of information respecting specific persons, however, is prohibited except as provided under section 138 of the Income-tax Act, 1961.

#### **Compensation to States for revenue loss after GST**

1827. SHRI MAJEED MEMON: Will the Minister of FINANCE be pleased to state:

- (a) whether any time-limit has been given to the GST council which has been set up to decide crucial rate for the Goods and Services Tax (GST) with it;
- (b) whether it is a fact that Government might back 18-19 per cent standard GST rate but some States want to levy more than 20 per cent GST to ensure that State revenue collections are not impacted by the GST rollout; and
- (c) in that case, whether centre will compensate the States for any revenue loss and if so, upto what period, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SANTOSH KUMAR GANGWAR): (a) Based on the recommendations of the GST Council, notification No.1/2017-Central Tax (Rate) and notification No.2/2017-Central Tax (Rate), both dated 28.06.2017 were issued which notify the rate of central tax in respect of goods and list of exempted intra-State supplies of goods, respectively.

- (b) Does not arise in view of (a) above.

(c) A Goods and Services Tax Compensation Cess has been levied on specified goods vide notification No.1/2017-Compensation Cess (Rate), dated 28.06.2017 under the Goods and Services Tax (Compensation to States) Act, 2017 so as to provide for compensation to the States for the loss of revenue arising on