

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) As per provisions of the Income-tax Act, 1961 a foreign company is liable to tax on all income from whatever source derived which is received or deemed to be received in India or accrues or arise in India. However, the taxation of a foreign company under the Act is subject to the provisions of Double Taxation Avoidance Agreement, if any, between India and the country of which the foreign company is a resident.

Under Section 195 of the Income-tax Act, 1961, any person responsible for paying to a non-resident, not being a company, or to a foreign company, any interest (not being interest referred to in Section 194LB or Section 194LC) or Section 194LD or any other sum chargeable under the provisions of this Act (not being income chargeable under the head "Salaries") shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force. Hence any payment made to the foreign incorporated companies, is subject to TDS as per the provisions of Section 195 of the Income-tax Act, 1961.

(b) In view of the (a) above, it is submitted that Income-tax Act does not provide any relaxation with regard to deduction of tax at source, with regard to income chargeable under any provision of the Income-tax Act, 1961.

Status of merger of banks

2913. DR. K.V.P. RAMACHANDRA RAO: Will the Minister of FINANCE be pleased to state:

(a) the progress of the proposal to merge Bank of Baroda, Vijaya Bank and Dena Bank;

(b) whether more bank mergers are on the cards; and

(c) whether the planned merger will lead to consolidation amongst State owned banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (c) The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide that the Central Government, in consultation with the Reserve Bank of India (RBI), may make a scheme, *inter alia*, for the amalgamation of any nationalised bank with any other nationalised bank or any other banking institution.

Various Committees, including Narasimhan Committee (1998) constituted by RBI, Leeladhar Committee (2008) chaired by RBI Deputy Governor, and Nayak Committee (2014) constituted by RBI, have recommended consolidation of Public Sector Banks (PSBs) given underlying benefits/synergies. Taking note of this and potential benefits of consolidation, Government, with a view to facilitate consolidation among Public Sector Banks to create strong and competitive banks, that may serve as catalysts for growth with improved risk profile of the bank, approved an approval framework for proposals to amalgamate PSBs through an Alternative Mechanism (AM).

AM, after consulting RBI, in its meeting held on 17.9.2018, approved that Bank of Baroda (BoB), Vijaya Bank and Dena Bank may consider amalgamation of the three banks. As per information received from banks in this regard, after consideration of the amalgamation, the Boards of BoB and Vijaya Bank gave their in-principle approval and the Board of Dena Bank recommended for amalgamation. After considering banks and RBI's inputs, AM in its meeting held on 20.12.2018 gave in-principle approval for the amalgamation of BoB, Vijaya Bank and Dena Bank. After obtaining RBI inputs, Government has notified the scheme of amalgamation for amalgamating Bank of Baroda, Vijaya Bank and Dena Bank. Further, it may be noted that the resultant consolidation will help in harnessing scale and synergy benefits, leading to wider offering of products and services, enable easy access to credit along with benefits for public at large in terms of enhanced access to banking services through a stronger network, and give bank employees access to a wider pool of opportunities.

No proposal is presently before the AM for its consideration.

Interim dividend from RBI to meet fiscal deficit

2914. DR. T. SUBBARAMI REDDY:

SHRIMATI AMBIKA SONI:

Will the Minister of FINANCE be pleased to state:

(a) whether the report of the expert committee on the Economic Capital Framework has been finalised;

(b) if so, the details thereof;

(c) what is the amount that RBI proposed to transfer to the Centre from its surplus during the last two years and in the current year;

(d) whether Government is asking for interim dividend from Reserve Bank of India (RBI), to meet the fiscal deficit target of 3.3 per cent of GDP; and