

PRESS INFORMATION BUREAU

GOVERNMENT OF INDIA

**INITIATIVES TAKEN BY THE GOVERNMENT FOR UNEARTHING AND
CURBING BLACK MONEY: A FACT SHEET**

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Initiatives taken by the Investigation Division of Central Board of Direct Taxes (CBDT) for unearthing black money :

I. The Government of India has commissioned a study on unaccounted income/ wealth both inside and outside the country bringing out the nature of activities engendering money laundering and its ramifications on national security. The study is being conducted by three national institutes viz. National Council of Applied Economic Research (NCAER), National Institute of Public Finance & Policy (NIPFP) and National Institute of Financial Management (NIFM), with inputs from various ministries/departments. The study will be completed by the **end of 2012**.

II. A **Directorate of Criminal Investigation (DCI)** has been created as an attached office of the Central Board of Direct Taxes (CBDT) to track financial transactions relating to illegal / criminal activities, including illicit cross-border transactions, from the direct tax angle and bring such activities to justice. Creation of DCI is also in line with FATF recommendations to exclusively deal with tax crimes, including direct taxes.

III. CBDT is coordinating with the Election Commission of India (ECI) for controlling political expenditure and verification of affidavits filed by candidates of political parties.

IV. In order to strengthen the existing laws relating to black money, the Government constituted a Committee under the Chairman, CBDT to examine the measures to strengthen the existing legal and administrative framework to

deal with the menace of generation of black money through illegal means including, inter alia,

- a) Declaring wealth generated illegally as national asset;
- b) Enacting / amending laws to confiscate and recover such assets; and
- c) Providing for exemplary punishment against its perpetrators.

The Committee submitted its report to the Government on **29th March 2012**. The report has been sent to different Ministries / Organisations and State Governments for necessary action.

V. **Information received under DTAA** – Information from Germany & France has been investigated. Tax evasion of more than Rs.600 crore detected and taxes of Rs.200 crore has already been realized. Prosecution proceedings have been launched in 17 cases pertaining to LGT Bank accounts. Assessment proceedings have been initiated in cases relating to HSBC accounts. Further information from outside the country is awaited in several cases. Information received from different countries under the automatic exchange of information arrangement is appropriately utilized for the purpose of investigation and assessment.

VI. **Search & Seizure, Surveys** – In the last three financial years, the Investigation wing of the CBDT has detected undisclosed income of over Rs.32,000 crore besides seizing undisclosed assets valued at over Rs.2,600 crore. The Income Tax Department (ITD) has further detected undisclosed income of Rs.17,325 crore in surveys conducted at business premises.

VII. **Tax Prosecutions** – Out of 1,548 prosecution cases disposed of during the last three financial years, the ITD has obtained conviction in 97 cases besides fiscal compounding in 771 cases of admitted tax evasion, leading to a success rate of 56.1 percent.

Beside above, the Government has also taken the following steps to deal with the problem of Black Money under a five pronged strategy in last 3 years:

1. Creating an appropriate Legislative Framework

- In 2009, we had 78 Double Taxation Avoidance Agreements (DTAAs) in force. 75 of these DTAAs did not have specific provisions for exchange of banking information and information without domestic interest. Renegotiation of these DTAAs was started to broaden the scope

of Article concerning Exchange of Information. Till date we have completed renegotiation in 29 cases; and renegotiation in remaining cases are under progress. In addition we have finalised negotiation of 19 new DTAAAs and 17 new Tax Information Exchange Agreements (TIEAs). **It may be clarified that as on today we have 84 DTAAAs.** TIEAs are concluded with countries with which we do not want to have DTAAAs at this stage. Further, FM has approved negotiations for TIEAs with 25 countries/jurisdictions on 31st December, 2011. Hence, as on date, we have completed negotiation with 65 countries/jurisdictions (29 existing DTAA, 19 new DTAAAs and 17 TIEAs). 33 treaties (21 DTAAAs/ 12 TIEAs) have been signed.

In addition to DTAAAs and TIEAs, the Government of India has also signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters on 26 January 2012. These Multilateral Conventions have been ratified which contain provisions for automatic exchange of information, exchange of past information and assistance in collection of tax claims. This has come into force on 1st June, 2012.

NOTE: Status of DTAAAs/TIEAs negotiations as on 1st August 2012 is given at the end as Annexure-I.

- Enacted legislation incorporating counter measure against non-cooperative jurisdiction (Section 94 A in Finance Act 2011).
- PMLA was amended on 01.06.2009 to increase list of scheduled offenses.
- Commissioned study to estimate quantum of Black Money both inside and outside the country in March, 2011.
- 30 of our existing 84 DTAA also contain article for assistance in collection of taxes including taking measures of conservancy. Government is trying to have this Article in other treaties as well.

2. Setting-up institutions to deal with illicit funds:

- 8 more Income Tax Overseas Units are being set-up (In addition to existing two overseas units). Proposal has been sent to MEA for setting up 14 more such units.
- Computerized Exchange of Information unit (EOI Unit) has been set up.
- Directorate of criminal investigations has been set up.

3. Developing systems for implementation:

- New policy for deployment of manpower to Directorate of Transfer Pricing and International Taxation is implemented.
- Manpower of FT&TR Division is doubled.
- Directorate of Enforcement is strengthened by creating additional posts.

4. Imparting skills to the manpower for effective action:

- More than 100 officers were imparted specialized training abroad in field of International Taxation and Transfer Pricing in F.Y. 2010-11 and 2011-12.
- High level international seminar on transfer pricing was held in India in month of June 2011.

5. Joining the Global crusade against Black Money:

- Issues of tax evasion, end of banking secrecy, past banking information, automatic Exchange of Information have been raised by India in various G 20 meetings like in London, Paris, Washington, Cannes, etc.
- India is playing a key role in Global Forum on Transfer Pricing and Exchange of Information for tax purpose as Vice Chairman of Peer Review Group.
- In June 2010 India became the 34th member of Financial Action Task Force, responsible for enforcement of anti-money laundering (AML) and combating financing of terrorism (CFT) regime. In December 2010 it

became 9th member of Eurasia group. India has also jointed Task Force on financial integrity and Economic Development.

- India is actively participating in policy groups of OECD and UN on Exchange of Information, International Taxation and Transfer Pricing as observer and member respectively.
- ITD Global Conference was held in India in the month of December, 2011 to discuss ways to address growing inequality due to tax evasion and generation of black money

Result Achieved

- (a) Huge network of amended DTAA (84) and TIEA with tax havens (9).
- (b) Specific requests made by tax authorities have increased significantly
- (c) More than 12,500 pieces of Information regarding details of asset and payments received by Indian citizen in several countries have been obtained which are now under different stages of processing and investigation.
- (d) 30,765 pieces of domestic information about suspicious transactions has been obtained by FIU which are under investigation by respective agencies.
- (e) Directorate of Transfer Pricing has detected mispricing of Rs. 67,768 crore in last financial year and in the current financial year (Rs 43,531 crore in F.Y. 2011-12). This has prevented shifting of equivalent profit out of the country.
- (f) Directorate of International Taxation has collected taxes of Rs. 48,951 crore from cross broader transactions in last two financial years.
- (g) Investigation wing of CBDT has detected concealed income of Rs. 19,938 crore in last two financial years. Focused searches have been conducted in a number of cases in the current year on the basis of information received from foreign jurisdictions under the provisions of Double Taxation Avoidance Agreements.

(h) Under the EOI Article of DTAA with France, India has received information regarding Indians having bank accounts in this financial year. In 219 cases, the department has detected undisclosed income totalling Rs 565 crore and taxes amounting to Rs 181 crore has already been realized so far.

6. Appraisal of Indian Efforts by International Organizations:

(a) Mr. Jeffrey Owens, head CTPA, OECD said on 12th December, 2011 that India has made remarkable progress in tackling the issues of tax evasion and illicit money in the last two years by negotiating TIEAs and it should be patient to see their effective implementation. He added that India is playing a major role in G20 deliberations for combating tax evasion, black money and money laundering, which are all correlated, and for better cooperation in tax information exchange. It is also urging other countries to share past information, which is a technical and legal issue.

(b) Mr. Pascal saint Amans, Head of the Global Forum on Tax Transparency, In December, 2011, rated India among the first three, if not the first, in terms of promoting the global standards on transparency, fighting tax evasion and having the international community lining up.

(c) Global Financial Integrity supported India's stand in G20 Summit in Cannes in November, 2011, on Automatic Exchange of Information becoming part of International Standards.

(d) The Task Force on Financial Integrity and Economic Development in a statement dated 17th October, 2011 stated that India is playing a major role in the global crusade against tax crimes and is rapidly expanding its tax agreement network.

7. Amendments made through the Finance Act, 2012 to deal with the Menace of Black Money:

Some of the amendments made through the Finance Act, 2012 to deal with the menace of Black Money and to deter the generation and use of unaccounted money are summarized as under:

- (a) Introduction of General Anti Avoidance Rules to counter Aggressive Tax Avoidance Schemes
- (b) Introduction of compulsory reporting requirement in case of assets held abroad.
- (c) Allowing for reopening of assessment upto 16 years in relation to assets held abroad.
- (d) Tax collection at source on purchase in cash of bullion or jewellery in certain cases.
- (e) Tax collection at source on trading in coal, lignite and iron ore.
- (f) Increasing the onus of proof on closely held companies for funds received from shareholders as well as taxing share premium in excess of fair market value.
- (g) Taxation of unexplained money, credits, investments, expenditures etc., at the highest rate of 30 per cent irrespective of the slab of income.
- (f) Introduction of a reporting mechanism for assets and bank accounts in a foreign country.

Annexure-I

Status of DTAA/TIEA negotiations as on 1st August 2012 is as follows:

1. Status of old DTAA's

No of countries with whom DTAA's were in force in 2009.	No of countries with whom we are negotiating article allowing for exchange of banking information along with names	No of countries with whom these renegotiations are finalised and signed along with names	No of the countries with which revised agreement signed and entered into force
Total 78 (see the list attached). Out of these, 3 DTAA's already had specific provision for exchange of banking information	Total 75 (In the list of 78 countries, three countries, i.e. Iceland, Tajikistan and Myanmar already have the specific provision and hence, remaining 75 countries were taken up for renegotiation	Negotiation finalized: 29 Armenia, Australia, Bangladesh, Brazil, Finland, France, Indonesia, Kenya, Luxembourg, Malaysia, Malta, Morocco, Nepal, Netherlands, Norway, Poland, Romania, Singapore, Sri Lanka, South Africa, Spain, Sweden, Switzerland, Tanzania, Thailand, UK, UAE, Uzbekistan, Zambia	Signed (11): Australia, Finland, Malaysia, Nepal, Netherlands, Norway, Singapore, Switzerland, Tanzania, UAE and Uzbekistan Entered into force(5): Finland, Luxembourg, Nepal, Singapore, Switzerland

Status of New DTAA's since 2009

No of countries with whom negotiation for new DTAA's have been completed	No of new DTAA's signed	No of new DTAA's entered into force
Total 19	Signed(9):	Entered into

Albania, Bhutan, Chile, Croatia, Colombia, Estonia, Ethiopia, Fiji Georgia, Hong Kong, Iran, Latvia, Lithuania, Mexico, Mozambique, Senegal, Taiwan, Uruguay, Venezuela,	Colombia, Estonia, Ethiopia, Georgia, Mexico, Mozambique, Lithuania, Taiwan, Uruguay	force(6): Estonia, Lithuania, Georgia, Mexico, Mozambique, Taiwan
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2. Total DTAA's in force as on today

It may be clarified that **as on today we have 84 DTAA's, 78 above plus six more new DTAA's (with Estonia, Georgia, Lithuania, Mexico, Mozambique and Taiwan)**

3. Status of New TIEAs since 2009

No of countries with whom negotiations for TIEAs commenced in 2009 with names	No of countries with whom TIEA negotiations are finalised along with names	No of countries with whom TIEA have been signed along with names
Total 22 (Argentina, Bahrain, Bermuda, Bahamas, British Virgin Islands, Cayman Islands, Congo, Costa Rica, Gibraltar, Guernsey, Isle of Man, Jersey, Liberia, Liechtenstein, Macau, Maldives, Marshall Islands, Monaco, Netherland Antilles, Panama, Saint Kitts & Nevis, Seychelles)	Total 17 (Argentina, Bahamas, Bahrain, Bermuda, British Virgin Islands, Cayman Islands, Congo, Costa Rica, Gibraltar, Guernsey, Isle of Man, Jersey, Liberia, Macau, Marshall Islands, Monaco, Saint Kitts & Nevis)	Signed (12): Argentina, Bahamas, Bahrain, Bermuda, British Virgin Islands, Cayman Islands Isle of Man, Guernsey, Jersey, Liberia, Macau and Monaco Entered into force(9): Bahamas,

		Bermuda, British Virgin Islands, Cayman Islands, Isle of Man, Jersey, Guernsey, Liberia and Macau
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4. In 2012, negotiations for TIEAs commenced with 25 more countries/jurisdictions as under:

1. Andorra
2. Anguilla
3. Antigua and Barbuda
4. Aruba
5. Barbados
6. Belize
7. Brunei Darussalam
8. Cook Islands
9. Curacao
10. Dominica
11. Dominican Republic
12. Faroe Islands
13. Greenland
14. Grenada
15. Honduras
16. Jamaica
17. Montserrat
18. Peru
19. Saint Lucia
20. Saint Vincent and the Grenadines
21. Samoa
22. San Marino
23. Saint Maarten
24. Turks and Caicos
25. Vanuatu

5. In addition to DTAAAs and TIEAs, the Government of India has also signed the Multilateral Convention on Mutual Administrative

Assistance in Tax Matters on 26 January 2012 which has come into effect on 1st June, 2012.

6. List of DTAA countries as on 2009 (78)

Sr. No.	Country with which India has DTAA	Whether under renegotiation
1.	Armenia	Yes
2.	Australia	Yes
3.	Austria	Yes
4.	Bangladesh	Yes
5.	Belarus	Yes
6.	Belgium	Yes
7.	Botswana	Yes
8.	Brazil	Yes
9.	Bulgaria	Yes
10.	Canada	Yes
11.	China	Yes
12.	Cyprus	Yes
13.	Czech Republic	Yes
14.	Denmark	Yes
15.	Egypt	Yes
16.	Finland	Yes
17.	France	Yes
18.	Germany	Yes
19.	Greece	Yes
20.	Hungary	Yes
21.	Iceland	Already have provision for exchange of banking information
22.	Indonesia	Yes
23.	Ireland	Yes
24.	Israel	Yes
25.	Italy	Yes
26.	Japan	Yes
27.	Jordon	Yes
28.	Kazakstan	Yes
29.	Kenya	Yes,
30.	Korea	Yes
31.	Kuwait	Yes
32.	Kyrgyz Republic	Yes
33.	Libya	Yes

34.	Luxembourg	Yes
35.	Malaysia	Yes
36.	Malta	Yes
37.	Mauritius	Yes
38.	Mongolia	Yes
39.	Montenegro	Yes
40.	Morocco	Yes
41.	Myanmar	Already have provision for exchange of banking information
42.	Namibia	Yes
43.	Nepal	Yes
44.	Netherlands	Yes
45.	New Zealand	Yes
46.	Norway	Yes
47.	Oman	Yes
48.	Philippines	Yes
49.	Poland	Yes
50.	Portuguese Republic	Yes
51.	Qatar	Yes
52.	Romania	Yes
53.	Russia	Yes
54.	Saudi Arabia	Yes
55.	Serbia	Yes
56.	Singapore	Yes
57.	Slovenia	Yes
58.	South Africa	Yes
59.	Spain	Yes
60.	Sri Lanka	Yes
61.	Sudan	Yes
62.	Sweden	Yes
63.	Swiss Confederation	Yes
64.	Syria	Yes
65.	Tajikistan	Already have provision for exchange of banking information
66.	Tanzania	Yes
67.	Thailand	Yes
68.	Trinidad and Tobago	Yes
69.	Turkey	Yes
70.	Turkmenistan	Yes
71.	UAE	Yes

72.	Uganda	Yes
73.	UK	Yes
74.	Ukraine	Yes
75.	USA	Yes
76.	Uzbekistan	Yes
77.	Vietnam	Yes
78.	Zambia	Yes

Note 1: The three countries, i.e. Iceland, Tajikistan and Myanmar already have the specific provision and hence, remaining 75 countries were taken up for renegotiation.
