



Ministry of Finance

Task Force on Shell Companies takes pro-active and coordinated steps to check the menace of shell companies

- Compilation of a database of shell companies by SFIO
- During Financial Year 2017-18 ROCs identified and removed from the register of companies the names of 2,26,166 companies; 3,09,619 directors disqualified
- A total of 13,993 companies benefitted from Condonation of Delay Scheme, 2018
- 2nd drive to be launched during the current Financial Year 2018-19 ; a total of 2,25,910 companies identified for being struck-off under section 248 of the Companies Act

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The Task Force on Shell Companies has met 8 times since its constitution and has taken pro-active and coordinated steps to check the menace of shell companies. The 'Task Force' was set up in February, 2017 by the Prime Minister's Office under the joint Chairmanship of the Revenue Secretary and Secretary, MCA with a mandate to check in a systematic way, through a coordinated multi-agency approach, the menace of companies indulging in illegal activities including facilitation of tax evasion and commonly referred to as 'Shell Companies'. Department of Financial Services, CBDT, CBEC, CBI, ED, SFIO, FIU-IND, RBI, SEBI, DG GSTI and DG-CEIB are its Members.

The major achievements of the Task Force include the compilation of a database of shell companies by SFIO. This database, as on date, comprises of 3 lists, viz the **Confirmed List, Derived List and Suspect List.** The **Confirmed List** has a total of 16,537 confirmed shell companies on the basis of the information received from the various Law Enforcement Agencies of the companies found to be involved in illegal activities. The **Derived List** has 16,739 companies identified on the basis of 100% common directorships with the confirmed shell companies. The **Suspect List** has 80,670 suspected shell companies and has been drawn up by SFIO using certain Red Flag Indicators. The Task Force has identified certain Red Flag Indicators, which will be used to identify more shell companies.

In a drive carried out under the supervision of the Ministry of Corporate Affairs in the Financial Year 2017-18 the Registrars of Companies (ROCs) identified and removed from the register of companies under Section 248 of the Companies Act, 2013 the names of 2,26,166 companies, which had not filed their Financial Statements or Annual Returns for a continuous period of two or more financial years. **As many as 3,09,619 directors were also disqualified u/s.164(2)(a) read with Section 167(1) of the Companies Act, 2013** for non-filing of Financial Statements or Annual Returns for a continuous period of immediately preceding 3 financial years (2013-14, 2014-15 & 2015-16).

With the concerted efforts of the Ministry of Corporate Affairs, Department of Financial Services and Indian Banks Association the ex- directors / authorized signatories of the struck-off companies have been restricted from operating the bank accounts of these companies and they cannot withdraw any amount from these bank accounts, other than for specified purposes, till the company is restored u/s 252 of the Companies Act.

To help the genuine corporates in regularizing their pending returns, the Condonation of Delay Scheme, 2018 was brought in. It was effective from 1.01.2018 to 1.05.2018. **A total of 13,993 companies benefitted from the scheme.**

For the 2nd drive to be launched during the current Financial Year 2018-19 a total of 2,25,910 companies have been further identified for being struck-off under section 248 of the Companies Act, 2013 along with 7191 LLPs for action under section 75 of the LLP Act, 2008 due to non-filing of financial statements for the years 2015-16 and 2016-17. An opportunity of being heard will be given to these identified companies and LLPs by way of notices regarding their default and the proposed action. Appropriate action will be taken after considering their response.

The Ministry of Corporate affairs will also be launching a public awareness campaign soon to make the public aware of the need to get the registrations of their defunct companies cancelled themselves.

The mechanism for sharing of documents and information amongst all the Law Enforcement Agencies has been put in place. Standard Operating Procedure regarding 'Sharing of Documents' has been finalised and circulated amongst all the Law Enforcement Agencies for compliance. The Task Force is the appellate

authority for this purpose. The Standard Operating Procedure for sharing of information amongst the various Law Enforcement Agencies has also been finalized and circulated by Central Economic Intelligence Bureau, which is the Nodal Agency for this purpose.

The Task Force has directed all member Law Enforcement Agencies to send to Institute of Chartered Accountants of India, the details of action taken against Chartered Accountants by them. Establishment of an independent regulator for the auditing profession, i.e., the National Financial Reporting Authority, one of the key changes brought in by the Companies Act, 2013, was approved by the Union Cabinet on 1st of March 2018 and has been notified on 21.03.2018. Fraud as defined in section 447 of the Companies Act, 2013 has been made a predicate offence under Prevention of Money Laundering Act, 2002.

The Government expects that its efforts to clean up the registry will create a transparent and compliant corporate ecosystem in India, promote the cause of 'ease of doing business' and enhance the trust of the public.

Background

The existence of black money creates imbalances in the economy, finances terror and crimes like money laundering etc., puts the honest at a disadvantage, deprives the State of the much needed revenues and ultimately adversely affects the poor of the country.

The Government has launched a sustained campaign in the last 4 years against black money and has taken several bold steps including constitution of the 'Special Investigation Team on Black Money', enactment of the 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015', Income Declaration Scheme, 2016, Benami Transactions (Prohibition) Amendment Act, 2016 and the demonetization scheme. One such measure was the setting up of a 'Task Force' in February, 2017 by the Prime Minister's Office under the joint Chairmanship of the Revenue Secretary and Secretary, MCA with a mandate to check in a systematic way, through a coordinated multi-agency approach, the menace of companies indulging in illegal activities including facilitation of tax evasion and commonly referred to as 'Shell Companies'. Department of Financial Services, CBDT, CBEC, CBI, ED, SFIO, FIU-IND, RBI, SEBI, DG GSTI and DG-CEIB are its Members.

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