



Indian entities and individuals named in the ‘Paradise Papers’

Nearly a year and half after the release of the ‘Panama Papers’, the International Consortium of Investigative Journalists (‘ICIJ’) has now obtained over 13.4 million leaked files from certain offshore service providers and company registries. Named the ‘*Paradise Papers*’, these contain details of offshore structures and holdings of several prominent individuals, including political figures as well as large multinational corporations from all around the world.

These documents are sourced largely from the Bermuda headquartered law firm, Appleby and another trust company, Asiaciti. Over 700 Indians as well as several Indian corporate groups are said to be named in these documents. Although the ICIJ has not yet released a full list of all persons named in these documents, this is expected to be put up on their website shortly.

The Government of India reacted promptly to the news of this release and announced an investigation by a Multi-Agency Group, headed by the Chairman of the Central Board of Direct Taxes (‘CBDT’) with representatives from the Enforcement Directorate, the Reserve Bank of India and the Financial Intelligence Unit. The CBDT Chairman has also stated that immediate action will be initiated once full details of the named individuals and companies become available.

What happens next?

As with the Panama Papers, one can expect a time-bound investigative process to be initiated with respect to the individuals and companies named in the Paradise Papers. The mere fact that an individual or a company is named in the Papers is, of course, by itself not indicative of any wrongdoing in law. This is in fact acknowledged by the ICIJ also, which notes that offshore companies and trusts have legitimate uses, and that the release is not intended to suggest or imply that the persons named have broken the law or otherwise acted improperly.

Nonetheless, one can expect a detailed scrutiny of such overseas assets and holdings by the Government in the coming days. Specifically, the investigative process in India is expected to initially focus on whether these offshore holdings and structures have been appropriately



disclosed in tax returns as well as other filings with the Reserve Bank of India. Disclosure of overseas income and assets is mandatory under the Income-tax Act, 1961, and stringent penalties are set out for non-compliance. Punitive provisions in this regard are also set out in the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. Information requests may also be sent by the CBDT to various countries where offshore holdings are found to be located. Omissions in the returns and unexplained mismatches between disclosures in the tax returns and information obtained by the Government may potentially warrant initiation of civil as well as criminal proceedings under the law.

Investigations into persons named in the Panama Papers last year have also progressed rapidly, and the Government is reported to have recently initiated the prosecution of some of the named individuals for alleged evasion of taxes and non-declaration of offshore assets. More such proceedings are said to be in the pipeline.



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