

## **ABSTRACT**

### **ISSUES ARISING DUE TO LACK OF A LEGISLATION TO REGULATE SHELL COMPANIES IN INDIA-A STUDY OF EVASION, MONEY-LAUNDERING AND TERRORISM**

**\*PURU ROHATGI**

Money laundering, tax evasion and terrorist attacks have increased exorbitantly in the last decade in our country. The PNB fraud and the Kingfisher Airlines scandal are the two infamous events that disturbed the Indian economy significantly. The root of the laundering methods of these two scams was similar, i.e. via shell companies. The wealthy businessmen often tend to launder huge sums of money or evade taxes by setting up anonymous shell companies. The biggest challenge that the law enforcement agencies face in such situations is to track down who the real owner of such companies is, since most of them are incorporated in offshore jurisdiction where the tax obligation and requirement for registration is minimal or nil. This paper throws light on the three illicit activities for which a shell company is incorporated. The focus has been laid down specifically on the Indian context, where, as of mid-2018, no legislation has been framed to regulate such companies. In a developing economy, like India, where there is an advancement of in every possible sector of business every day, the possibility of laundering money increases with the increase in the incentive for the businessmen to spend mere ten-thousand to a maximum of one lakh rupees, in the absence of a legislation, to set up shell companies. Apart from the corporate-related money laundering activities, shell companies have also been used for funding activities of terrorism, because of their legitimate feature of privacy. Since the events of September 11, 2001, the political and legal responses to terrorism have changed unlike after any other such event in past. The growth of al-Qaeda has not stopped because of the non-regulation of offshore anonymous companies, which in fact function as a back door for any nation's financial system.

This paper, hence, puts major focus of the laundering activities that not just benefit the businessmen illegally, but also facilitate the terrorist organisations like the al-Qaeda to expand their immoral territory over the world.

Keywords: anonymous company, terrorism, laundering, evasion, offshore jurisdictions, privacy