



AN ANALYSIS OF THE STYGIAN WORLD OF SHELL COMPANIES AND THE WAY AHEAD

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ABSTRACT

Black's law dictionary defines a corporation as an association of shareholders which is created under law, and is regarded as an artificial person by the courts "having a legal entity entirely separate and distinct from the individuals who compose it, with the capacity of continuous existence or succession, and having the capacity of such legal entity, of taking, holding and conveying property, suing and being sued, and exercising such other powers as may be conferred on it by law, just as a natural person may." A corporation is regarded as a legal entity which is created by the laws of its state of incorporation, a corporation is treated as a "legal person", which can sue and can be sued distinct from the stockholders.

There has been a growth of the corporate sector, and many corporations are emerging in India, which is resulting in the economic development of the country. The corporations are contributing to the national income and generating government revenues, and results can be seen in the growth of the economy. Hence, the emergence of such corporations is a success. However, various illegal activities have been taking place in order to abstain from tax payments and responsibilities which a citizen must follow;

this has led to the problem of black money and people trying to launder it by switching to illegal activities. The result of these acts have caused several problems like loss of revenue of the government and has led to a parallel economy which runs in the country. It has been observed that shell companies play a major role in tax evasions, money laundering etc. and in order affect the economic system of the country. This paper focuses on understanding shell companies and it's functioning, differentiating shell companies from shelf companies, the working of shell companies, illegal activities carried out and the measures which can be taken in order to prevent illegal activities like money laundering and tax evasions from occurring through these shell companies. The objective would also be to discuss shell companies in detail and also highlight its impact in Indian politics and election campaigns.

KEYWORDS: Shell Companies, Black Money, Money Laundering, Indian Politics, Legislations.

INTRODUCTION

Shell corporations have not been defined in the Companies Act, however the Organisation for Economic Cooperation and Development (OECD) defines a "Shell Company" as "a company which is formally registered and legally organised in an economy but does not conduct any operation in that economy other than a pass through capacity."¹

A shell corporation is a corporation which runs without any active business operation taking place or any significant assets. Such

¹Rajya Sabha Unstarred Question number 359. Shell Companies after demonetisation, replied on Tuesday 6th February 2018.

http://www.mca.gov.in/Ministry/pdf/ru359_07022018.pdf



corporations may or may not be illegal, but most of the times they are used for illegal purposes such as, in order to disguise business ownership details from the law enforcement or the general public. Shell companies are often engaged in money laundering; converting black money into white or even financing terror outfits or even political parties for their election campaigns. Shell companies are mainly limited liability companies, and have no physical presence and they generate no independent economic value. Every company comes into existence and working after being incorporated and identified under the Companies Act, 2013, only then can it start the cycle of its business operations. Some shell companies instead of the ordinary business transactions, are made for illegitimate transactions, for instance, in order to evade taxes or in order to indulge in money laundering. A shell company may not have original business transactions or be involved in the operation, but such corporations may possess fake transactions to validate the existence of such company. The assets of a company may be shifted to another company which does not has any liability from a company which is facing losses and can be dissolved, under such circumstances assets from the company is shifted so that when the old company dissolves, the dues of the creditors concerned do not have to be paid as the assets of the old company are not in charge. Shell companies have become a vehicle of tax evasion and money laundering. These have resulted in serious implications on the economic system. The spread of black money has led to impacts on the economy as the government revenues are reduced, the money which could have been paid to the government in taxes is and would have benefitted the country, is now a separate economy running parallel to the Indian

economy, it leads to corrupt practises all over the country, illegal transactions are done in order to hide such money, bribes are provided to officials to get such transactions to the unaccounted books so that such transactions are submerged and do not come to surface, thus forming a vicious circle. It affects the National income of the country. The Indian government took steps in order to curb such illegal activities through various schemes and amendments, one of which is by taking actions against the existing shell companies. On the other hand, shelf companies are simply the companies which previously may have economic activity, but are dormant and without transactions as off now, and such companies may be sold to some other entity with an interest. Such companies may cease to operate and can acquire the status of a “dormant company” by making an application to the registrar. Such companies may not be involved in any fraudulent activities. Such companies are preferred by those individuals who do not want to go through the process of creating a new one. Such companies can be used to save time or when a company is needed right away. The shell as well as shelf companies are not illegal themselves, the “illegality” depends upon the purpose of the creation of the company, any mal motive may lead to the corporation being illegal. The vulnerability of shell and shelf companies are associated due to their complex formation structures, appearance of legitimacy, and lack of transparency of the purpose of the business. It becomes a challenge to identify shell companies and differentiate it from shelf companies. However, with relaxed incorporation laws, the trend of creation of shelf companies are at a decline.



II. ILLEGITIMATE OPERATIONS OF SHELL COMPANIES

Shell companies are companies registered under the Companies Act, 2013. They follow all the due process of registration and are registered. However, from there on they don't perform any significant business activity. Transaction of money takes place without presence of any apparent legitimate business activity. In most of the cases these companies exist only on papers and are not present physically. These companies don't have any substantial assets. These companies are often created for purposes of tax evasions and money laundering. One of the most important function of Shell Company is to convert black money into white. Through the process of money laundering, black money is often converted into white money. The laundered money is often injected into politics and the black money arising out of politics is also made white by the process of money laundering through shell companies. Money laundering is also utilized for several other criminal activities including terror funding and in all this process shell companies play an important role. Shell companies also have a tendency to involve in Ponzi schemes and defraud the people and the investors. Often shell companies are created to involve in Ponzi schemes so that the identity of the original entity remains anonymous. Shell companies are utilized by billionaires and renowned companies for tax evasions by placing their assets in tax havens by owning bogus shell companies. Shell companies if involved in illegitimate

operations, become a threat to the economy of the country.

II (a). TAX EVASION

Shell companies are profoundly known for their impeccable skill in evading taxes. It has often been seen that leading companies or billionaires park their assets by creating shell companies in places which are known as tax havens to avoid taxes. Tax havens are places where laws are lenient and there exist very low or no corporate tax which makes it easy and beneficial to incorporate shell companies. They also have very limited disclosure policy which maintain the secrecy of the original owner of a shell company. By some estimates, about 10 percent of the total output of all the economies in the world is parked in offshore financial centres, held by shell companies that exist only on paper. The cost to governments, in lost revenue, is estimated to exceed \$800 billion a year.² It is very easy to create a shell company in Panama, Virginia Islands, Bahamas and to name a few places. They layer the ownership and stakeholder details and maintain its anonymity which makes it very difficult to identify the real investor or the creator of the shell company.³ Shell companies in tax havens very efficiently help in parking the assets without generating any tax to be paid by the owner and also keeps the identity of the investors anonymous or hidden.

On April 3rd 2016, Süddeutsche Zeitung, a German media house was contacted by an anonymous source which handed over 11.5

²Will Fitzgibbon and Ben Hallman, What is a Tax Haven? Offshore Finance Explained, International Consortium of Investigative Journalists (6th April, 2020). <https://www.icij.org/investigations/panama-papers/what-is-a-tax-haven-offshore-finance-explained/>

³Noah Friedman, Alana Kakoyiannis, Lamar Salter, How the Super-Wealthy Hide Billions Using Tax Havens and Shell Companies, Business Insider India (28th February, 2018).

<https://www.businessinsider.in/finance/how-the-super-wealthy-hide-billions-using-tax-havens-and-shell-companies/articleshow/63116510.cms>



million encrypted confidential documents which was then jointly investigated by International Consortium of Investigative Journalists (ICIJ) and Süddeutsche Zeitung. This was a major leak from the database of a law firm in Panama named Mossack Fonseca.⁴ Mossack Fonseca was a Panama based law firm which functioned globally in more than 40 countries and employed around 600 people. It created low cost shell companies for its clients. It functioned almost as a promoter for those shell companies. They created those companies then incorporated them and then sold them to their clients.⁵ Company promoter is an individual of dubious repute whose profession is to form bogus companies and foist them on gullible public.⁶ The description of a promoter detailed by Lord McNaghten more than a century back seems to have explained the position of Mossack Fonseca. The firm holds a dubious repute and used to create bogus companies and used to sell them to their clients so that they could park their assets or invest in these companies and evade taxes. The firm provided a shell company at a cost of as low as USD 1000, however at this price it's just a shell. If an extra price is paid then they provided a whole structure with sham director to hide all the details of the shareholders. They provided shell companies

which engaged in tax evasion and money laundering.⁷

It was one of the biggest leak and the company had to dissolve in 2018. However, in the list of big guns whose names came under investigation after their names featured in the Panama Papers, there were 500 Indians including names like Amitabh Bachchan (Megastar), Aishwarya Rai (actress), KP Singh (promoter DLF group) etc.⁸ These Indians have been alleged owning shell companies or being their shareholders and in order evading taxes. The list of Indians grew in number when more papers were leaked later. It was claimed by the government after investigation that 352 cases of the original lot were found non-actionable.⁹ It is astonishing that after their names featured in the Panama Papers and these Indians were found to have invested or owned shell companies, they escaped without any action. This is where shell companies are so dangerous and affect the economy adversely. It becomes very hard to trace down the unaccounted wealth by the investigating authorities and the records of the companies are dubious and the process of layering makes it very difficult to reach the original culprit. The Panama Papers have enabled the world to witness the menace of shell companies. The Panama leaks have shown that creating or investing in shell

⁴ The Panama Papers: Exposing the Rogue Offshore Finance Industry, International Consortium of Investigative Journalists.

⁵ Jason Fernando, Mossack Fonseca, Investopedia, <https://www.investopedia.com/terms/m/mossack-fonseca.asp>

⁶ Lord McNaghten in *Gluckstein v Barnes* [1900] A.C. 240 at 248, HL; Gower and Davies, *Principles of Modern Company Law*, 9th Edition.

⁷ Frederik Obermaier, Bastian Obermayer, Vanessa Wormer and Wolfgang Jaschensky, *About The Panama Papers*, Süddeutsche Zeitung,

<https://panamapapers.sueddeutsche.de/articles/56febff0a1bb8d3c3495adf4/>

⁸ Ritu Sarin, P Vaidyanathan Iyer, Jay Mazoomdaar, *Indians in Panama Papers List*, *The Indian Express* (4th April 2016),

<https://indianexpress.com/article/india/india-news-india/panama-papers-list-amitabh-bachchan-kp-singh-aishwarya-rai-iqbal-mirchi-adani-brother/>

⁹ Remya Nair, *Panama Papers Leak: Government vows Time Bound Probe*, *Livemint* (21st June 2018) <https://www.livemint.com/Politics/UjRtxijl8gJlbo2rziIcHN/Panama-Papers-leak-Government-vows-timebound-probe.html>



companies in tax havens is a very easy way to evade tax and it has a detrimental impact on the economy of the country. Thereby it becomes very important to control the menace of shell companies.

II (b). MONEY LAUNDERING

Money laundering remains as one of the most infamous function of the shell companies. Black money is converted into white money through the help of shell companies. Money is injected to terror outfits to promote terrorism through shell companies. Generally money generated from criminal or illegal activity is considered dirty and has to be cleaned. It simply means that money arising out of an illegal source has to be shown in a way that it seems to be legal. This is the process of converting black money into white money and shell companies play a key role in this process.

The whole process of money laundering could be distinguished into three major steps:

1. Placement
2. Layering
3. Integration¹⁰

Initially the money is placed in a legitimate and legal financial system through the process of placement. Then it is layered through various transactions to make it anonymous or to make it very complex. Finally it is taken out of the system as white money. The whole process is undertaken through shell companies. Money is placed in a shell company and then layered successfully through various transactions and then taken out of the system.

For example, an established technology company 'A' gives a pay cheque to a shell

company 'B' and accounts it in its account. The shell company 'B' then transfers that amount through different shell companies 'C', 'D' and 'E' just to layer the transaction and make it difficult to trace the flow of money. Then the amount is taken from company 'E' by company 'A'. The black money which was transferred to company 'B' by company 'A' is now white money as it has been registered in the accounts and has become a part of the economy and no longer remain unaccounted. Generally bulk amounts are generally split into small tokens of money and then transferred to shell companies so that it does not come into the attention of authorities. This is how basically shell companies engage in money laundering.

It is observed that money laundering has been effectively used to fund several criminal activities all over the globe. Funding of terrorist organization do take place through shell companies. In October 2013, the Financial Action Task Force (FATF), released a study on diamond trades being used to fund terrorist activities all over the globe. It states that there exists no all-inclusive monopoly in the diamond market. More and more numbers of diamond dealers have entered the market and the channels have become more diverse. Multiple new trade centres have evolved with millions and millions of transaction taking place daily. These daily transactions more often take place through ancillary institutions. The diversification of the diamond trade has resulted in creation of various small sectors,

¹⁰Anti-Money Laundering: What It Is and Why It Matters, SAS Insights,

https://www.sas.com/en_in/insights/fraud/anti-money-laundering.html



institutions and ancillary units.¹¹ This now stands very clear that in the whole process, shell companies do play a major role. The advent of more and more ancillary units and small scale companies in the trade makes it clear that money is laundered through the diamond trade with the help of shell companies. This was just an example of money being laundered to facilitate the funding of terror organizations.

II (c). PONZI SCHEMES

It has been witnessed on several occasions that shell companies involve in ponzi schemes and defraud the people. Companies come up with various schemes promising to double the money invested in a fixed period of time and people invest in their schemes and then those companies elope with their money. Ponzi schemes and large scale frauds have been frequent in various parts of India but the most recent and one of the largest scams has resulted in West Bengal. The Sharadha ponzi scheme scam mostly known as the Sharadha chit fund case has been one of the biggest scam of one of its kind. The Sharadha Group was incorporated in the year 2006. Sudipto Sen was the Chairman and Managing Director of the Sharadha Group and Debjani Mukherjee was one of the executive directors. The group worked through a consortium of 200 companies and worked through its agents who were arranged in a pyramidal structure. They began selling secured debentures and preferential bonds but did not conform to the guidelines of

SEBI¹². Like any other ponzy scheme they guaranteed exponential returns and hence people kept investing. When the authorities generated a doubt towards the functioning of the company and SEBI warned the Group against its malpractices, then it started operating through collective investment schemes. Finally in 2013, Sudipto Sen after posting a confessional letter to CBI eloped. However later on he was arrested. Various other high profile arrests took place in West Bengal including Member of Parliament and Ministers of West Bengal cabinet. It collected over 20-30 billion Rupees from the investors before it collapsed in 2013.¹³

It is very evident that to avoid the attention of the SEBI and other authorities, the Sharadha Group operated through 200 companies. This was merely done to launder the money and layer it through various accounts. It is very clear that those 200 companies were shell companies through which the Group operated. The whole scam did not happen in a single day rather kept on growing for years but it was able to operate successfully as it became very difficult for the SEBI to trace the accounts and transactions of the Group as 200 shell companies were involved.

The group was able to generate faith of the people by naming it after the wife of Ramakrishna Paramhans and for proper branding and promotion, the group recruited Shatabdi Roy (Actress and Trinamool Congress Member of Parliament) and Mithun

¹¹Money Laundering And Terrorist Financing Through Trade In Diamonds, FATF Report (October 2013) <https://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf>

¹²All About The Saradha Chit Fund Case That Triggered CBI-Mamata Row, Hindustan Times (9th February 2019)

<https://www.hindustantimes.com/india-news/all-about-saradha-chit-fund-case-that-triggered-cbi-mamata-row/story-RQ3f1nppbjT2n90wFZNtfl.html>

¹³Saradha Chit Fund Scam: All You Want to Know, Times of India (4th February 2019) <https://timesofindia.indiatimes.com/india/sardha-chit-fund-scam-all-you-want-to-know/articleshow/67831731.cms>



Chakraborty as brand ambassadors. High profile connections of the Group were established and many leading political figures came under scrutiny.

However, the concern remains the same that a bunch of shell companies operated successfully for years and was able to defraud people who invested in their ponzi schemes. This establishes that shell companies are involved in ponzi schemes to defraud people and it becomes very difficult to cut through the layers of the various companies involved and unearth the scam.

II (d). **POLITICAL FUNDING**

It is often being said that politics runs on money and muscle power. Political funding has been a matter of discussion for years without any substantial step being taken to restrict funding through shell companies. The current NDA government instead introduced donations through electoral bonds. It is alleged that it violates the concept of free and fair elections. The details of income tax returns and donations filed to the Election Commission by the recognized national parties clearly show that the majority of their funding are from unknown sources. 67% of the income of the seven national parties are from unknown sources. During financial year 2018-19, the BJP declared Rs 1612.04 crore as income from unknown sources. It is 1.5 times more than aggregate of income from unknown sources declared by other five national parties. Meanwhile the Congress declared Rs 728.88 crore as income from unknown sources. 29% of total income of

national parties from unknown sources. This clearly states the lack of transparency in political funding.¹⁴ Representation of the People Act, 1951, states that political parties are required to submit details to the Election Commission of only those donations received from a person or company that are more than Rupees 20,000.¹⁵ Taking advantage of this provision political parties don't register their incomes by splitting the funds below Rupees 20,000 so that its details are not to be submitted to the Election Commission. The bulk donations are split into several small amounts below Rupees 20,000 and are deposited through shell companies into the accounts of the political parties and hence are not accounted. The companies also invest their money through shell companies into the accounts of the political parties to convert black money into white. The lack of accountability and the staggering ratio of money received from unknown sources establishes this fact beyond reasonable doubt. Honourable Supreme Court also questioned the lack of accountability regarding the money spent in election campaigns and the money received as funds from unknown sources. The Supreme Court has raised concerns on the aspect of lack of questions being raised on the fact that millions of rupees are received by political parties and are spent in the name of elections and yet there exist no accountability and nobody discloses the source of the funds received by the parties. The Apex Court further stated that, in a democracy where rule of law prevails this type of naked display of black money, by violating the mandatory

¹⁴Vibha Sharma, ADR Report Says Bulk Of Political Funding From Unknown Sources; BJP Biggest Beneficiary, The Tribune

<https://www.tribuneindia.com/news/nation/adr-report-says-bulk-of-political-funding-from-unknown-sources-bjp-biggest-beneficiary-53373>

¹⁵Representation of the People Act, 1951. Section 29(c)



provisions of law, cannot be permitted.¹⁶ It stands very clear that black money is involved in the political sphere. The lack of accountability and non-disclosure of source of income proves this latent fact. It is also clear that this black money is injected into the system through shell companies and by layering it so that the identity remains anonymous. It is high time that the government take notice of this issue and take some strong steps in this regard. However, it is easy to understand the reluctance of the political parties in increasing accountability as this would result in drastic fall in their funding.

III. SHELL COMPANIES AND THE WAY AHEAD

The problems caused by shell companies are grave in nature. There are provisions dealing with this issue but the provisions are not enough to counter the menace caused by shell companies. Under the provision 248(1)(c)¹⁷ of the Companies Act, 2013 there exists the procedure of the removal of the name of a company from the register of the companies if it does not carry on any business or operation extending to a period of two immediately preceding financial years, or under section 455¹⁸ of the Companies Act, 2013 has not made any application within the period for obtaining the status of a dormant company. Based on these provisions 2.97 lakh companies were identified under such categories and after following a due process 2, 26, 166 companies were struck off from the register of the companies as on 31st march 2017. Moreover, around 3, 09,619¹⁹ directors

were disqualified under section 162(2) (a) read with section 167 of the Companies Act, 2013 for the non-filing of financial statements and annual returns for a continuous period of the immediately preceding 3 financial years. Out of these disqualified directors 2, 10, 116²⁰ number of directors were the directors on the board of struck off companies. The Companies Amendment Act 2019 was passed by the Parliament and received the assent of the President on 31st July 2019. This amendment states that the director of the company would have to file a declaration in a manner prescribed by the registrar, within 180 days of incorporation, assuring that every subscriber to the memorandum has paid their shares.²¹ If the director fails to file the declaration within 180 days of incorporation then this provides reasonable ground for the registrar to believe that the company has not started any business or financial operations. The registrar can then initiate the process of removal of the name of the company and cancel its incorporation. The registrar also have the power to have a physical verification of the registered office of the company on reasonable ground.²² The Act has also widened the power of Serious Fraud Investigation Office.²³ A special Task Force was set up by the government in 2017 which was assigned with the task to check in a systematic way through coordinated multi agency approach, the menace caused by shell companies. It was headed by Revenue Secretary and Secretary, Ministry of

¹⁶ Common Cause v Union of India, 1996 AIR 1619

¹⁹ Supra 1.

²⁰ Supra 1.

²¹ Companies Amendment Act, 2019. Section 10A

²² Companies Amendment Act, 2019. Section 12(9)

²³ Companies Amendment Act, 2019. Section 212(14A)



Corporate Affairs.²⁴ The task force has achieved a lot in the direction of identifying shell companies. Their achievements have been very encouraging. They have identified 2 lakh companies as shell companies and their names have been removed by the registrar of companies.²⁵ The government has been working in this direction but a lot is yet to be achieved.

Tax evasions through shell companies in tax havens still continue to be a problem. It has been very easy for the offenders to bypass the provisions of FEMA. It has therefore become the need of the hour to stringent the provisions of FEMA and keep a close eye on transactions which take place in tax havens like Panama, Bahamas, British Virgin Islands etc. In India the Benami Transaction Prohibition Amendment Act, 2016 has been enacted to prohibits owning any property under fake name to avoid taxes. Money laundering through shell companies still remains a concern. In 1989, the Financial Action Task Force was formulated to fight the menace of money laundering on international level.²⁶ In India Prevention of Money Laundering Act, 2002 was enacted to control the menace of money laundering through shell companies. It prescribes imprisonment of 3 years which may extend to 7-10 years and shall be also liable to fine.²⁷ After all these measures, shell companies still continue to thrive and involve in illegitimate operations. Major area of their function being

the field of politics. Donations to political parties are received from unknown sources and there exist no accountability. Every government refrain from making laws in this regard, however it the need of the hour to act against such transactions. Many measures have been taken but much is to be done to ensure that money is not extracted from the economic system of the country and injected into the parallel economy.

IV. CONCLUSION

It is a matter of fact that shell companies are not necessarily involved in illegitimate operations. However, in today's perspective it is evident that shell companies do involve in illegitimate operations and radiate a hugely negative impact on the economy of the country. A look at the bigger picture suggests the operations undertaken by shell companies also impact the global economy. Involvement of shell companies in tax evasion, money laundering etc. has had a significant impact on global economy. Money laundering through shell companies globally has resulted in involvement of around USD 800 billion to USD 2 trillion annually or 2 to 5% of global GDP.²⁸ The countries should have proper mechanisms in place to deal with these operations.

India have worked significantly in the direction of restricting shell companies. The Task Force created by the government in 2017 has delivered encouraging results.

²⁴ Government of India Press Release, <https://pib.gov.in/newsite/PrintRelease.aspx?relid=179863>

²⁵Ashima Obhan and Nishtha Jaisingh, Shell Companies in India, Mondaq (29th August 2019) <https://www.mondaq.com/india/corporate-and-company-law/841132/shell-companies-in-india>

²⁶James Chen, Money Laundering, Investopedia. <https://www.investopedia.com/terms/m/moneylaundering.asp>

²⁷Prevention of Money Laundering Act, 2002. Section 4

²⁸Money Laundering and Globalization, United Nations Office on Drugs and Crime, United Nations <https://www.unodc.org/unodc/en/money-laundering/globalization.html>



Amendments in various laws have also aided to this cause. Yet the problem still remains intact.

There are certain measures which could be taken to ensure that the menace caused by shell companies is restricted or reduced:

1. It is highly essential to have a fixed legal definition for shell companies. Currently there is no fixed definition for shell companies. Having a proper definition for shell companies would help the law enforcing authorities to mark companies as shell companies.
2. There is an urgent need to have laws in place which would declare investing in shell companies or involving in any such transactions a criminal offence and the offender must be made to pay hefty fine and may also be imprisoned. There has to be proper sanctions to restrict people from involving in such operations.
3. The directors of companies identified as shell companies must be prosecuted and proper penal provisions should be enacted.
4. The Chartered Accountants aiding transactions through shell companies and involved in laundering money should be penalised.
5. Foreign investments should be monitored closely. There are countries known as tax havens, therefore any transactions from India to any of those countries should be closely monitored.
6. The registrar should be given with more powers to conduct random visits to registered companies and check their accounts on reasonable suspicion. A team of professionals could be created to conduct such investigations.
7. Accountability in political funding should be increased. It should be made compulsory to

disclose the sources of donations. A yearly audit of all the national political parties should be submitted to the Election Commission. The yearly report must consist the details of every donations received by the party. It could help hugely in restricting political funding through shell companies and the involvement of black money in politics. It would also reduce the yearly earnings of the political parties which would lead to a reduction in expenditure during election campaigns.

8. The Task Force has delivered significant results. It should be regularized and monthly reports should be submitted by the organization and powers must be given to the Task Force to take actions with the help of ancillary institutions.
9. It is highly essential to have proper penal provisions in place to punish those involved in operations of shell companies. A proper period of rigorous imprisonment with hefty fine is recommended.

India is combating well against the menace of shell companies. Many significant decisions have been taken by the government. However, the complexity of the corporate structure in India makes it tough to identify transactions in relation to shell companies. Controlling the menace of shell companies would have a severe blow in the growth of black money and would also restrict tax evasion, money laundering, terror funding etc. It is essential to check shell companies for the betterment and growth of the economy.
