Government Makes Norms Stringent for Incorporation of Firms

In order to identify vanishing companies with public shareholding, the government has formed a committee to monitor such firms and has made the norms stringent for incorporation of companies. "A Coordination and Monitoring Committee (CMC) co-chaired by secretary Ministry of Corporate Affairs and chairman SEBI has been set up to identify and monitor the state of affairs of vanishing companies," Minister of State for Corporate Affairs RPN Singh said in a written reply to the Lok Sabha. The CMC will also take appropriate action against such companies in terms of the Companies Act and SEBI Act, he said. "...Norms for incorporation of companies have been made more stringent by introduction of Directors Identification Number (DIN), mandatory filing of all details of directors etc," he added further to a query whether norms for vanishing companies had been tightened in view of the multi-crore Satyam fraud and to protect the interest of small investors. He said, "As on date 86 prosecutions have been filed against companies presently identified as 'vanishing companies'," the minister said.

(***Source:*** *Press Trust of India)*

Direct Taxes Code Bill in Monsoon Session: Finance Minister

Finance Minister Pranab Mukherjee has said that he intends to introduce the revised Direct Taxes Code (DTC) Bill, which seeks to overhaul the 50 year-old income tax laws, in the monsoon session of Parliament. While moving the Finance Bill in Rajya Sabha for consideration and returning, Mukherjee also said that most of the recommendations of the Parliamentary standing committee headed by Yashwant Sinha would be accepted. The Finance Bill has already been approved by the Lok Sabha after incorporating several changes to the original proposal. Several contentious proposals such as the General Anti Avoidance Rules have been watered down and deferred, while other controversial issues such as excise duty on jewellery have been dropped.

Mukherjee said he had incorporated certain amendments such as removal of the cascading effect of the dividend distribution tax, allowing venture capital to invest in all sectors, introduction of Advance Pricing Agreements and raising the threshold limit for audit and presumptive taxation to ₹1 crore, which have been endorsed by the standing committee. The standing committee on DTC had given a number of recommendations, including raising income tax exemption limit to ₹3 lakh from ₹1.8 lakh now.

(***Source:*** *http://www.business-standard.com/india/)*

Activities Taxed by State Governments to be Exempted from Service Tax Levy

The government has agreed to make changes in the definition of services in the Negative List to address states concern on the levy of service tax on activities already taxed by states. The move can also be seen as a strategy to secure the support of states for introduction of the Goods & Services Tax (GST). "Some states, through the empowered committee of state finance ministers, have expressed concern. I have decided to address their concern by making changes in the definition of service, which would exclude activities specified in the Constitution as deemed sale of goods," Finance Minister Pranab Mukherjee said while initiating a discussion on the Finance Bill. The definition of works contract has been enlarged to include movable properties. Exemption for specified services relating to agriculture in the Negative List has been extended to agricultural produce, enlarging the scope of the entry. A negative list for taxation of services was announced in the Budget in March as a step towards the proposed GST. It contained a list of 17 services to be exempted from service tax, while everything else was proposed to be taxed. This was a shift from the current system, in which only 119 services are taxed. States had expressed concern that some activities listed under the States List in the Constitution were proposed to be taxed by the Centre under its residuary powers, and this could lead to double taxation. These had asked the government to include those items in the Negative List till the GST was introduced.

(***Source:*** *http://www.financialexpress.com/news)*

Finance Minister Scraps 'Draconian' Clause in Customs Law

The finance minister has scrapped a proposed tough amendment in the customs and central excise law that would have made granting of bail only after hearing the public prosecutor, bringing much needed relief for the business community, exporters and importers. Lawmakers had slammed the proposed changes in the Finance Bill and had termed the provisions as "draconian". The proposed amendment in the law had said that notwithstanding anything contained in the Code of Criminal Procedure, 1973, no person accused of an offence punishable for a term of imprisonment of three years or more under Section 135 shall be released on bail or on his own bond unless the public prosecutor has been given an opportunity to oppose the application for such release. Finance minister Pranab Mukherjee, while initiating the discussion on the Finance Bill in Lok Sabha, said he had taken note of the concerns expressed by members. "The House will recall that certain amendments were proposed in the customs and central excise law in respect of the classification of offences as cognizable and non-bailable. In response to concerns expressed by members that the proposal regarding grant of bail only after hearing the public prosecutor is too harsh, I propose to omit this provision entirely," Mukherjee said. He said only serious offences under the customs law involving prohibited goods or duty evasion exceeding ₹50 lakh shall be cognizable. "However, all these offences shall be bailable," Mukherjee said.

(***Source:*** *http://www.thehindubusinessline.com/)*

Government Rolls Back 1% TDS on Property Sales

The government has rolled back the proposed 1% tax deduction at source (TDS) on transfer of immovable property. Initiating the debate on the Finance Bill for 2012-13 in the Lok Sabha, Finance Minister Pranab Mukherjee said the government had decided to roll back the levy after receiving various representations. "The Finance Bill proposes that every transferee of immovable property (other than agricultural land), at the time of making payment for transfer of the property, shall deduct tax at the rate of 1 % of such sum," Mukherjee said. "I have received a number of representations pointing out the additional compliance burden this measure would impose. I, therefore, propose to withdraw this provision for levy of TDS on transfer of immovable property," he added. In the budget for financial year 2012-13 presented 16th March, the finance minister had proposed to levy TDS on transfer of immovable property, in a bid to tighten screw on corruption and black money in the property markets. Bowing to pressure, Finance Minister Pranab Mukherjee announced a slew of measures to provide relief to the jewellery sector and postponed implementation of the general anti-avoidance rules (GAAR) by one year, but offered no concessions to Vodafone involved in tax dispute. Moving the Finance Bill, 2012 for consideration and passage in the Lok Sabha, Mukherjee halved the capital gains tax for private equity investors to 10%.

*(**Source:** www.financialexpress.com)*

Service Tax on Railway Freight from 1st July

Using the Railways to transport goods would become more expensive from 1st July, with the government bringing the sector under the service tax net. The move, while being inflationary, would further reduce competitive edge of the national transporter against the road sector. According to official sources, the finance ministry does not want to further defer the levy as it goes against its plan to complete the service tax chain by bringing all activities barring a few in the negative and exemption lists under the tax net. Moreover, the levy has the potential to provide additional revenue to the tune of ₹1,000 crore to the exchequer. A finance ministry official said that the proposed levy on the railways would only have marginal impact on prices as there would be an abatement of 70% on gross freight charged by railways. This would mean that service tax would be levied only on 30% of freight charges of the railways thereby bringing down the effective rate down from 12.3% (including education cess of 2% and higher education cess of 1%) to just about 3.6%.

*(**Source:** http://www.hindustantimes.com)*

Finance Ministry Examining CBDT Report on Black Money

Nearly 10 months after it was formed to examine ways to check the menace of black money, a committee under the chairmanship of Central Board of Direct Taxes (CBDT) chief has submitted its report to the finance ministry. The ministry, however, declined to share its details saying "action taken" on the basis of the report is to be laid in Parliament. The government had on 27th May, 2011 constituted the committee to examine ways to strengthen laws to curb the generation of black money in the country, its illegal transfer abroad and its recovery. It also declined to share the copy of the report as it is "exempted under Section 8(1)(c) and Section 8(1)(e) of the RTI Act, 2005". The Section 8(1)(c) bars "information, the disclosure of which would cause a breach of privilege of Parliament or the State Legislature". Earlier, replying to another RTI application, the Government has said there was "no authentic figures" about the amount of deposits held by Indian citizens in Swiss banks, which are exclusive of their lawful and legitimate deposit. The government has also commissioned a study to estimate quantum of black money in the country which is expected to complete its work by September this year. The Government has said negotiations of 16 new Tax Information Exchange Agreements (TIEAs) to keep a tab on flow of black money have been concluded with Bahamas, Bermuda, British Virgin Islands, Isle of Man, Cayman Islands, Jersey, Monaco, Saint Kitts and Nevis, Argentina, Costa Rica, Guernsey, Macau, Liberia, Marshall Islands, Congo and Gibraltar.

*(**Source:** http://www.ndtvprofit.com)*

Indirect Tax Collection Up 9%

In the current financial year, the indirect tax collection, which includes excise duty, customs duty, and service tax, has been at ₹91,035 crore, which is 9% higher than the previous year, while the service tax contributes ₹3,705 crore alone.

Mumbai tops the list in the zone in the collection of service tax with ₹580 crore, followed by Delhi with a collection of ₹377 crore, Chennai with a collection of ₹374 crore and Kolkata with a collection of ₹177 crore. Bangalore collected ₹114 crore and Ahmedabad ₹73 crore.

*(**Source:** http://www.economictimes.com)*

Net Direct Tax Collections Rise 7-fold in April

The net direct tax collections rose to a whopping ₹14,812 crore in April this year, a seven fold increase compared to the same period of last fiscal. Net direct tax collections, gross collections minus refunds, was at ₹1,992 crore in April 2011. The net collection was higher mainly due to lower refunds given by the revenue department in April 2012. The gross direct tax collection in April fell by over 7% to ₹24,631 crore, official sources said. The collection was ₹27,091 crore in April 2011. During April 2012, the net personal income tax collection went up by a huge 70% to ₹14,423 crore. The figure was ₹8,472 crore in the corresponding month last fiscal. The net collection in corporate taxes was ₹383 crore in April 2012. Besides, collection from wealth tax stood at ₹6 crore, down from ₹10 crore collected in April 2011. The government has fixed a direct tax collection target of ₹5.70 lakh crore for the current fiscal.

*(**Source:** News Agencies)*