

Inflation cools, Indirect Tax Mop-up Rises

The economy has received a rare breather from the recent welter of bad news, with government figures showing an unexpected decline in inflation and robust indirect tax collections, although not enough to provide comfort that the worst was over and it would be all hunky dory from here on. Contrary to expectations of a rise, headline inflation eased to 6.87% in July from 7.25% in June, data released recently showed, triggering a rally in the stock markets, where the data was viewed as buttressing the case for a cut in interest rates. Separately, indirect tax collections for July rose 22.2% from a year ago, largely on the back of strong excise collections, seeding hopes that the industrial production figure for July would be better after the 1.8% contraction in June. But amid all this, a 14.8% decline in July exports - the steepest fall in three years - provided a sobering reality check for the economy, underlining the scale of the challenge the country faces in cranking up its growth engines at a time the global economy is in turmoil.

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

CBDT for New Laws, Strict Penalties on Black Money

ACBDT panel on black money has suggested enactment of new laws, strengthening of existing legislation and introduction of deterrent penalties for tax offences to deal with the menace. In its 66-page report on measures to tackle black money in India and abroad, the CBDT committee also recommended steps to prevent generation of illicit funds through transactions in property, bullion and equity market. Besides, the panel, headed by former Central Board of Direct Taxes (CBDT) Chairman Laxman Das, made a case for strengthening laws relating to investments by FIIs, Participatory Notes (PNs) and routing of funds from Mauritius. The Committee, however, did not provide any estimate of the black money, saying "it can be said that though black money exists to a substantial extent in our economy, its quantum cannot be determined exactly. It did provide estimates of various studies and said think-tanks like NIPFP, NIFM and NCAER which are looking into the matter would submit their reports by September to the government. The Committee, which was set up by the government in wake of public outcry over corruption and bringing back of funds stashed abroad, said while there was no dearth of laws to deal with the menace of black money, some new laws were needed to deal with specific issues.

(Source: <http://www.economicstimes.com>)

Centre Gives No Amnesty to Indian Accounts of HSBC

The Central Board of Direct Taxes (CBDT) has offered no tax amnesty scheme to Indian account-holders of HSBC, Switzerland, said the Central government. Replying in the negative to a written query if the CBDT, the apex direct taxes body, had offered any "amnesty scheme" to wealthy citizens who had evaded taxes by hiding funds in accounts of Swiss unit of HSBC, Minister of State for Finance SS Palanimanickam had made it clear in the Lok Sabha recently. The minister also made it clear that there was no plan to give amnesty to tackle the issue of black money. Palanimanickam said that there is "no verifiable information" as to estimate black money brought back to the country till date. Also, there is no verifiable information to estimate money deposited in foreign accounts by Indian, "which is exclusive of their legitimate foreign deposits," the minister said, and replying to another query, he added that Swiss National Bank, the liability of Swiss banks towards Indians as on 31st December, 2011, was \$2.245 billion. It may be noted that a-year-and-a-half ago, India had received a list of 700 Indians from the French government about their bank accounts in HSBC, Geneva.

(Source: www.timesofindia.com)

Government to Set Up 14 New Overseas Income Tax Offices

The government will set up 14 more Income Tax Overseas Units (ITOU) to deal with the menace of black money and keep a tab on illegal routing of funds from abroad and parking money in foreign countries. The Finance Ministry has recently sent a detailed proposal in this regard to the Ministry of External Affairs along with the names of the countries where these ITOUs would be made operational. India has already established ten ITOUs in its missions at Cyprus, France, Germany, Netherlands, Japan, UAE, UK, USA, Mauritius and Singapore, and the Finance Ministry and the investigation wing of I-T department has found the experiment successful as "good" information has been received by Indian financial sleuths in connection with their probes. "The proposal to establish 14 more ITOUs has been sent to the MEA. The proposal is under consideration and the MEA and the Finance Ministry have had a few rounds of talks on the subject," a top Finance Ministry official said. The countries where these new ITOUs would be set up include Switzerland, an important partner country with which India has revised its Double Taxation Avoidance Agreement (DTAA) and the tax exchange

treaty to effectively combat illegal funds stashed abroad or routed from foreign countries. These ITOUs are manned by tax officers who are designated as First Secretaries to "maintain effective coordination and liaison between Indian tax authorities and the tax authorities of countries concerned". The then Finance Minister Pranab Mukherjee, in his Budget speech for 2012-13, had made a sizeable allocation for setting up these I-T overseas offices. While the initial budgetary allocation for these units was ₹2.41 crore in the last fiscal, it has been raised to ₹18.20 crore in the current year. The ITOUs would obtain information on tax and financial data of investments made by individuals and institutions in these countries and facilitate exchange of data on legal investment or routing of money in the country and vice-versa.

(Source: Press Information Bureau)

Free Samples to Doctors Now Taxable Income

Doctors getting free samples of medicines, gifts or foreign trips from pharmaceutical or healthcare companies should now be prepared to pay tax as such freebies will be calculated as taxable income. Similarly, drug makers and allied healthcare companies will also be no longer getting tax exemptions on expenses for such promotional activities, according to a Central Board of Direct Taxes (CBDT) notification recently. It has also asked its officials to take "necessary action" to implement the guidelines. There is a rampant practice of drug makers giving freebies to doctors in forms of gifts, sponsoring foreign trips and sightseeing in return for prescribing a particular company's brand of drug over its competitors. This expenditure is embedded in the cost of medicines and borne by consumers.

Last month, following a directive from the prime minister's office (PMO), department of pharmaceuticals held a meeting with representatives of the drug industry, Medical Council of India (MCI) and finance ministry to respond to allegations of violations of the guidelines by doctors. The rules are currently not applicable to pharmaceutical companies, but considered unethical. CBDT said it has to its notice about freebies being doled out illegally to doctors. According to Indian Income Tax Act, expenditure from the income is eligible for tax deduction if it is spend for promotion of business or profession. But since the amended guidelines of MCI of 2009 make such freebies and promotional activities illegal, this provision was no longer applicable in the pharmaceuticals and allied health care industry, the CBDT release said.

(Source: <http://www.thehindubusinessline.com/>)

Tax Saver Funds See Outflows

Tax saver mutual funds schemes are facing outflows for first four consecutive months in FY 2012-2013. According to monthly data captured by Association of Mutual Funds in India (AMFI), tax saver mutual fund schemes, technically known as equity linked saving schemes, have seen an outflow of ₹491 crore in the current financial year. Highest outflow in current financial year was seen in April 2012 to the tune of ₹160 crore followed by ₹145 crore in July 2012.

A point to note is this funds' category saw an inflow of ₹267 crore in March 2012, owing to last minute investments made by individuals to save tax under Section 80C of the income tax act.

(Source: Press Trust of India)

Consulates Do Not Come Under Consumer Courts

Foreign consulates do not come under the purview of Indian consumer courts and are not liable to pay compensation to an Indian citizen for errors in visas due to which an Indian is stopped from travelling abroad. The Goa state consumer disputes redressal commission consisting of commission president, Justice N A Britto, and member Jagdish G Prabhudesai, recently in its ruling said consulates are sovereign. The commission set aside the order of the North Goa district consumer forum which had awarded damages to a Goan man who could not travel to Portugal because the Portuguese consulate in Goa entered wrong dates in his visa.

(Source: <http://www.hindustantimes.com>)

E-courts to Reduce Pendency in a Big Way

The government is working on a project as part of computerisation of courtrooms where you will get certified copies of judgments online, putting an end to making inordinate rounds of courts. There will be additional facilities like e-payments and e-filing as well. A senior law ministry official said the computerisation of courtrooms are in progress and already more than 8,500 courts across the country have been networked and efforts are on to complete the process in the next few years. Law minister Salman Khurshid confirmed the ongoing drive to modernise courtrooms at a recent media interaction, saying the government has set a deadline for computerisation of 12,000 courts across the country by 2015. The minister said along with computerisation the government had initiated a drive last year to bring down pendency of cases. "Last year we started pendency reduction drive which brought down the number of pendency cases by six lakh nationwide," he added.

(Source: <http://www.financialexpress.com/news>)