

**Direct Taxes Code Needs Fresh Look, I-T Department to Be Tough on Tax Evaders: FM**

Finance Minister P. Chidambaram has said that the Direct Taxes Code (DTC), initiated by him during his earlier tenure, needed a fresh look. After a meeting with top officials of Central Board of Excise and Customs (CBEC), he also said the tax department has to be firm with tax evaders for whom non-compliance is a business. "DTC has gone through various versions...I need time to look at DTC... It requires a fresh look", Chidambaram said in reply to a question at a press conference. Chidambaram said the department would have to be firm with the small number of non-compliant businesses. "Most people would like to be compliant with tax laws. It is only a very small number that wishes to be non-compliant. I have told the department that we have to be firm with the small number of those non-compliant people," he said. Chidambaram said he has asked CBEC officers to focus more on top 100 tax payers to achieve the indirect tax collection target of ₹5.05 lakh crore in the current fiscal. Referring to Service Tax, Chidambaram said that although 16 lakh people are registered for paying Service Tax, 10 lakh of them do not pay the levy. Chidambaram said that officials should not harass honest tax payers and make it taxpayer friendly.

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

**Goods and Service Tax One Step Closer to Final Approval**

The Goods and Service Tax (GST) Bill is nearing final approval after the Attorney General of India, Goolam E Vahanvati, answered the constitutional queries raised by former finance minister Yashwant Sinha in his capacity as the Chairman of the Parliamentary Standing Committee on Finance. The value-added tax, expected to be implemented by 2013 once the Committee has handed over its report, will replace all indirect taxes levied on goods and services, and is expected to integrate state economies and boost growth. While examining the bill, which is also a Constitutional Amendment Bill, Mr Sinha asked whether or not Parliament and State Legislative Assemblies have the option to not approve the proposal mooted by the Finance Minister of India who presides over the GST Council, which arrived at certain conclusions and tabled its proposals in Parliament. And if Parliament has the option to not approve, then the entire Council unravels. Mr Sinha also asked for clarifications on the role of State Legislative Assemblies in this case. In his

response, the Attorney General said it is certainly open to Parliament to approve any recommendations but it does not mean the Councils recommendations will have no value. The Council will make recommendations, but the ultimate prerogative lies with Parliament and Legislative Assemblies. The setting up of the Council does not adversely affect the root of the legislative powers over finance, which are sacrosanct, he added.

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

**Shome Committee's Recommendations, A Welcome Shift on GAAR**

The Shome Committee Report seeks to address a number of concerns on general anti-avoidance rules (GAAR) and, thereby, mitigate the negative publicity India had received on this count. GAAR, initially sought to be introduced vide the Direct Taxes Code, was introduced a year early - as a possible response to some of the observations of the Supreme Court in the Vodafone case - the implementation was then deferred by a year as a result of all the negative publicity it got. Then, the Shome Committee was set up to hear the stakeholders and the committee has now recommended pushing implementation back by three years. GAAR was introduced alongside the retrospective amendment of S9 seeking to tax overseas transfer of assets with underlying value in India. Together, they raised the fear that India has an aggressive tax administration that results in a proliferation of litigation; litigation is time-consuming; and, at the end of it if one succeeds, the law could be amended retrospectively. The Shome Committee Report should be viewed as a first, but very important, step in the bridging of the trust deficit. The report, prepared after an extensive round of consultations, addresses several key issues: It recognises the need for a consultative process and a buy-in of the key stakeholders, something that was absent when the provisions were introduced. Similar provisions introduced elsewhere in the world were after extensive deliberations. It addresses a key issue of a need for transition. The report recommends grandfathering of the income arising from investments made prior to the GAAR regime as being covered by the earlier regime. The three-year deferment should be viewed in this light. It provides a window of opportunity to taxpayers to prepare and brace themselves for the new regime and to the tax regime to get trained to implement it. It recognises the need to respect tax treaties; we have a right to review and renegotiate tax treaties but bypassing them through domestic

legislation is not an appropriate way forward. It brings out the important distinction between tax planning arising through legitimate choices available under the provisions of law and tax avoidance by resorting to circuitous transactions that have no commercial value and are only tax-driven.

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

### CBDT Scrutinising Firms Enjoying Tax Exemptions

Companies availing tax exemptions are being scanned by the income tax department. The Central Board of Direct Taxes has started a closer scrutiny of companies paying less corporate tax due to various exemptions. The finance ministry says it has found some of these companies are evading taxes by shifting profits of a non-eligible unit to one in the exempted category. Ministry officials said the tax department would identify the companies which have claimed exemptions when they were not eligible to do so and examine their books. Some companies misuse exemptions and take undue benefits. The tax officer may look into details such as cost of raw material for a unit, power consumption and operational efficiency. The costs incurred by a unit in the exempted area should be compared with the one in a non-exempted area, said one official, who did not wish to be identified. Earlier this month, Finance Minister P Chidambaram had asked the department to go after low tax-paying sectors to add an additional ₹30,000 crore to revenue. Although the applicable tax rate for corporations is 30%, he said some companies were paying even lower than the average of 24%, due to various tax exemptions and deductions.

(Source: <http://www.profit.ndtv.com>)

### CBDT Sets Up Technical Panel to Firm Up Legal Views on Major Cases

The Central Board of Direct Taxes (CBDT) has decided to set up a committee comprising senior officials of the Finance Ministry and the Income-Tax Department to look into the legal intricacies involved in some of the contentious and controversial cases of the likes of the Vodafone dispute that the taxmen are confronted with.

The objective of setting up a Central Technical Committee (CTC), according to an official note, is to usher in clarity on contentious legal issues and, thereby, reduce litigation through adoption of a consistent approach on similar matters of taxation.

(Source: [www.timesofindia.com](http://www.timesofindia.com))

### Central Board of Excise & Customs Makes e-Payment Mandatory for Importers

Central Board of Excise & Customs (CBEC) has advised Chief Commissioners of Customs to provide all assistance to enable importers, trade and industry to adopt the new procedure.

In order to further reduce transaction cost of the importers and as a trade facilitation measure, it has been decided to make e-payment mandatory for importers registered under Accredited Clients Programme and importers paying the duty of ₹1 lakh or more per Bill of Entry with effect from 17<sup>th</sup> September, 2012. Central Board of Excise & Customs (CBEC) has advised Chief Commissioners of Customs to provide all assistance to enable importers, trade and industry to adopt the new procedure. E-payment facility at Customs locations was introduced in 2007 and is available through more than one authorised bank at all major Customs locations having ICES facility.

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

### Government Working on Single Window Customs Clearance

After introducing round-the-clock customs clearance mechanism at major airports and seaports, the government is now working on a single window clearance scheme for reducing the time and cost involved in export and import of goods. As the country braces up for enhanced international trade, the customs department has started developing a single window that will integrate other agencies like drug controller or foods inspectors, thereby facilitating all transit related regulatory requirements. We are developing a system wherein there will be only a single common data form for traders to file, keeping in mind the requirements of all other agencies involved. This way, the trader will not have to obtain a no-objection certificate (NoC) from all the agencies involved but from only one nodal agency, a government source said.

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

### ₹86k Crore Indirect Tax Revenue Locked Up in Litigation: Government

The government has informed Parliament that ₹86,000 crore in indirect taxes is locked up in litigation. "An amount of ₹86,000 crore indirect tax revenue of Central Board of Excise and Customs has been locked up in litigation," Minister of State for Finance S. S. Palanimanickam said in a written reply in the Lok Sabha. He said the board continuously monitors recovery of tax arrears.

(Source: <http://www.profit.ndtv.com>)