

Paying Tax Soon to be a Fundamental Duty

Pay tax not just to relax, as the Income Tax department says, but also to contribute to nation building as part of our soon-to-be fundamental duty.

The finance ministry plans to propose that paying tax be made a fundamental duty, hoping the move will increase compliance in a country where less than 3% pay tax. A cabinet note could be moved soon. "There are various fundamental duties laid down for citizens in the constitution...We are looking at including paying taxes the list in the same way," a finance ministry official said. India's tax-to-GDP ratio, already one of the lowest among its peers, fell to 10.1% in 2011-12 from a high of 11.9% in 2007-08. This is largely blamed on the low tax base perforated by multiple tax exemptions. Tax experts say this is a symbolic gesture aimed at increasing awareness about why paying taxes is necessary, like so many other fundamental duties.

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

Ministry of Corporate Affairs' Steps for XBRL Filings

MCA has released final version of the MCA XBRL Validation Tool and XBRL Filing Manual V2.0. Final Validation Tool and subsequent XBRL filings of financial statements for F.Y. 2011-12 have been enabled on MCA website with effect from 14-10-2012. Based on the feedback received from various stakeholders, the C&I taxonomy has been updated. The business rules have also been revised based on the updated taxonomy. For details visit <http://www.mca.gov.in/XBRL/index.html>.

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

Retrospective Tax Issues Could be Resolved before Budget: FM

In what may provide a further boost to investor sentiments at home and abroad, the Central Government, recently maintained that there was no reason why addressing issues pertaining to retrospective amendment of income-tax laws should wait till the budget session in February next year. To a query at the Economic Editors Conference in New Delhi on whether a decision on the retrospective tax issue would have to wait till the budget for the next fiscal, Finance Minister P. Chidambaram said: *Once we take a view [on the Shome Committee report], I see no reason why we should wait for the budget session. We should move whatever changes have to be brought about in Parliament*

as early as possible. The Parthasarathi Shome committee was asked to recommend measures to deal with retrospective amendment of income-tax laws and suggest ways of treating taxation cases which involve indirect transfer of Indian assets, of the likes of the Vodafone-Hutchison deal in 2007. Among other things, the Shome panel was also told to examine taxation of non-resident transfer of assets where the underlying asset is located within the country in the context of FIIs (foreign institutional investors) operating in India purely for portfolio investment and all non-resident investors. The committee submitted its final report to the Finance Minister recently.

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

Government Taking Steps to Revisit Direct Taxes Code, says Shome

The Government has initiated a process of taking the direct taxes code (DTC) back to the drawing board again.

Parthasarathi Shome, economist and expert on the issue of taxation has said that a detailed consultation process had begun recently. At an interactive session at the MCC Chamber of Commerce and Industry, Shome said: *The world has changed since the DTC was first mooted. I have suggested to the Finance Minister that we need to go back to the drawing board. The changed dynamics had made it obligatory for the Government to re-consider the whole range of tax and related issues.* The consultations with lawyers, industry and academia have begun. It would require effort, manpower and time, he said without going into the specifics. In August, Union Finance Minister P. Chidambaram had indicated that the DTC required a fresh look.

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

Nearly 29,000 Tax Defaulters Owe ₹3,770 Crore to Government

Tax defaults by nearly 29,000 taxpayers aggregate to ₹3,770 crore, according to a tax department's analysis of e>Returns filed in 2012-13.

Asking these tax-payers to voluntarily come forward and pay their dues immediately, the Central Board of Direct Taxes (CBDT) said the failure to comply with the advice will attract penal action. "Analysis of e-filed returns filed in the current financial year reveals that nearly 29,000 taxpayers, where committed tax payable was in excess of ₹50,000, have defaulted on the payments aggregating to approximately ₹3,770

crore," CBDT said in a statement. The tax department further said, "It is also brought to the notice of such taxpayers that default in payment of self assessment tax may invite penal consequences". The government has made it mandatory for individuals with income of over Rs 10 lakh to file their tax returns for 2011-12 electronically. Also, most of the companies are required to furnish the returns electronically. The Income Tax Department had received 1.64 crore e>Returns in 2011-12 financial year. As on 31st March, 2012, there were 19,684,592 tax payers who had registered for e-filing.

(Source: www.timesofindia.com)

India's Overall Mergers and Acquisitions' Activity Slows Down

India's overall mergers and acquisitions' activity slowed down in the first nine months this year. The value of mergers & acquisition (M&A) deals involving India reached \$26.4 billion, a 24% decline from the first nine months of 2011, due to the absence of mega transactions. Third quarter volume this year totalled \$8.3 billion, up 57% from second quarter of 2012, and a 17% increase from third quarter of 2011, says an analysis by Thomson Reuters. The average M&A deal size for disclosed deals declined to \$74.5 million year-to-date, as compared to \$85.6 million in the same period last year, as majority of India's M&A transactions fell below \$1 billion. Domestic M&A stood at \$9.7 billion, up 50.9% compared to the first nine months of 2011, the highest year-to-date volume since 2010 (\$10.9 billion). The bulk of domestic activity focussed on the financial sector (23%) with \$2.2 billion, up 18% from the first nine months of 2011. Domestic acquisitions in the materials sector reached \$1.9 billion, up 123% from the same period last year.

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

Government Hopeful of Meeting Tax Targets

The Centre has said it was hopeful of achieving the tax collection targets despite the global economic slowdown and its impact on the domestic economy. The government has fixed direct tax target of ₹ 5.70 lakh crore for the current fiscal, the indirect taxes, comprising customs, excise and service tax collection target at ₹ 5.05 lakh crore. We are hopeful of meeting both, the direct and indirect tax collection targets for the current year, Revenue Secretary Sumit Bose said. Tax

officials are concerned it may not be easy to achieve growth in taxes at a time when manufacturing sector growth has slipped below one per cent and farm sector is also not showing any encouraging signs impacting overall economic activity.

(Source: *Press Trust of India*)

Exempt QFIs from Filing I-T Returns: SEBI to Government

When New Delhi opened the doors some months ago to allow foreign individuals and institutions to directly trade in Indian stocks, it was widely felt that money would rush in with rich investors around the globe waiting in the wings to step in. But it did not happen that way. Now, capital market regulator SEBI has proposed that laws should be tweaked to make it easier for offshore individual investors to put money in listed stocks. After discussing the matter with experts in security market regulations and custodian banks, the regulator has, in a note to the finance ministry, suggested, among other things, that 'qualified foreign investors' - better known as QFIs - should be assured of tax certainty and exempted from filing income-tax returns. "If it's clearly spelt out that the money QFIs make from trading is capital gain and not business income, custodians may be encouraged to withhold tax," said a person familiar with the proposal. For the QFI regime to take off, custodians will have to take the responsibility of deducting 15% tax on short-term capital gains on investments made by QFIs. Custodians do not want to find themselves in a position where the Income Tax department claims 30% tax well after funds have been remitted to a foreign investor who has let the custodian withhold 15% tax.

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

India Better than China and Russia in Economic Freedom among BRICS

Among BRIC Peers, India ranks better than China and Russia in economic freedom as computed through the Economic Freedom Index or EFI. This index from Heritage Foundation is a measure of how far an economy has gone in the direction of free markets and small government. However, while India has improved its relative competitiveness in education, primary healthcare and infra, it still has a long way to go to improve its institutions and goods market efficiency. But the recent reforms measures freeing foreign investment in retail and aviation could change India's score for the better.

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