Government Committed to Moderate Tax Rates: Chidambaram

Finance minister P Chidambaram has said the government is committed to moderate tax rates and is working towards modernising administration to minimise transaction cost and maximise taxpayer convenience. The tax administration, he said, is faced with new challenges that include allocation of taxing rights and sharing of taxable income between countries from cross-border deals, besides increasing tax revenues and providing quality service to tax payers. Chidambaram was addressing the heads of the Revenue Department of BRICS nations -Brazil, Russia, India, China and South Africa. India holds the chair of the grouping. "India has been modernising its tax administration in a way that will minimise transaction costs and maximise taxpayer convenience, without compromising the deterrence factor," he said. Chidambaram, who is scheduled to unveil the Union Budget for 2013-14 on 28th February, said the government is committed to a stable tax regime, moderate tax rates, non-adversarial tax administration and a fair mechanism for dispute resolution.

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

File Your Income Tax Returns Online Till 28th February

Here's some good news for those who are yet to file their income tax (I-T) returns electronically. The I-T department has said the time limit for filing ITR-Vs (income tax returns filed electronically without digital signature certificate) for assessment year 2010-11 (filed during FY 2011-12) and for ITRs of assessment year 2011-12 (filed on or after 1st April, 2011) has been extended till February 28. For returns filed for assessment year 2012-13 for which ITR-V forms are yet to be received at the central processing centre and where the 120-day period has also lapsed, the date for filing ITR-Vs has been extended till 31st March or 120 days from the date of uploading the electronic return data, whichever is later.

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

GAAR Deferred as FM Sets the Stage for Roadshows

Finance minister P. Chidambaram has deferred the implementation of the general anti-avoidance rules (GAAR) by another two years, a move that could encourage foreign investors to consider India a safe destination for their money after being spooked last year when first proposed. Coming as it does in the backdrop of the decision to raise rail fares after a gap of 10 years and its intent to push through greater fiscal consolidation by tweaking diesel prices, this sets the perfect stage for Chidambaram to launch his global roadshows to woo foreign investment next week in Hong Kong and Singapore. The amendments proposed by the finance minister to the controversial tax provision in the Income-tax Act, 1961, seek to walk a fine line between creating an investor-friendly environment by providing clarity in tax-avoidance rules and preventing their abuse. He will move the amendments in Parliament's budget session to bring them into effect.

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

Indian IT Companies will Continue to Get Tax Benefits: Finance Ministry

The finance ministry has said software development at client locations and deployment of personnel abroad by India's IT firms such as Infosys, BSE -0.18 %, WiproBSE -5.06 %, and TCSBSE -0.37 % will continue to get tax exemptions, drawing cheer from the $100 billion sector. The Central Board of Direct Taxes said 'onsite' work at client locations by software firms would be treated as deemed exports, making them eligible for tax benefits. It also said deployment of manpower abroad and transfer of a software unit from one special economic zone to another would not impact these concessions. "We hope that these clarifications will set the disputes to rest," CBDT chairperson Poonam Kishore Saxena told reporters. The clarifications are based on the recommendations of a panel headed by former CBDT Chairman N Rangachary, set up by Prime Minister Manmohan Singh following representations from industry. The clarifications address key concerns of the software sector over the stability of tax exemptions enjoyed by them under various schemes, after tax authorities started issuing notices and raising tax demands.

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

Large Chunk of Parallel Economy Out of Tax Net: Think Tanks

The finance ministry is set to be ready with the official figures of Indian unaccounted money by the end of this month. The three think tanks entrusted with the job of estimating black money have given their reports. The ministry is studying the reports of the National Institute of Public Finance and Policy

(NIPFP), the National Council of Applied Economic Research and the National Institute of Financial Management. An official said a critical finding in the study was that large chunk of the parallel economy in India was black but it might not be evading taxes. "They are just out of the tax net," he said, adding the latter needed to be widened and deepening it through steps like taxing the rich might not help in garnering any significant additional revenue. The official said various estimates of black money had been projected by the think tanks, taking into consideration different parameters.

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

CBEC Makes Paying of Indirect Taxes Mandatory for Companies In Spite of Pending Stay Plea

The Central Board of Excise and Customs (CBEC) has issued an order making it mandatory for companies to pay indirect taxes even if a stay plea is pending before an appellate body, a move some industry representatives describe as 'draconian'. The circular, issued on 1st January, has come at a time when complaints of what industry officials describe as "rampant reopening of past tax cases" are rising as the finance ministry searches for ways to raise revenues to meet the fiscal deficit target. The circular issued by the Central Board of Excise and Customs, an arm of the finance ministry, is based on a 20-year-old Supreme Court decision and annuls all previous directives on this issue. Based on the premise that "mere filing of an appeal does not operate as a stay or suspension of the order appealed against", the directive says recovery can be initiated immediately in cases where a tax demand has been confirmed by a commissioner appeals and a stay has not been granted within 30 days by the CESTAT (the Central Customs, Excise and Service Tax Appellate Tribunal).

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

CBDT Grants Exemption from TDS on the Payments of Certain Categories

To mitigate compliance burden on businesses held by individuals, firms or corporate, etc. who are using the financial services offered by banks, the Central Board of Direct Taxes (CBDT) has issued a notification under Section 197A(1F) granting exemption from tax deduction at source (TDS) on the payments of certain categories. Payment towards bank guarantee commission, cash management service charges, depository charges on maintenance of Demat accounts, charges for warehousing services for commodities and underwriting service charges made to the banks which are listed in the Second Schedule of the Reserve Bank of India Act, 1934 (excluding Foreign Banks) can be made without TDS with effect from 1st January, 2013. The notification also facilitates payment without TDS of credit/debit card commission on transaction between the merchant establishment and acquirer banks. This will also positively impact the use of plastic money in the economy.

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

Government Contemplates Imposing Higher Tax Slabs on Super-rich

The need for higher taxes on the super-rich has become a debating point ever since C. Rangarajan, the chairman of the prime minister's economic advisory council, argued for examining the case for introducing a higher income tax slab to augment government revenues. This is in line with current thinking in the United States and France which have raised tax rates. In India, though, reducing tax rates and expanding the tax base has reaped rich dividends in recent times. Though peak income tax rates have been sharply reduced from 56% in the early 1990s to 30.9% in recent years, income tax collections have gone up from ₹5,371 crore (1990-91) to ₹1,66,679 crore (2011-12). More importantly, the share of income tax in total tax collections of the central government has doubled from around 9% to about 18% now.

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

Mergers and Acquisitions Activity Expected to See Sharp Jump in 2013

Although global uncertainties and domestic factors impacted mergers and acquisitions (M&As) in India in 2012, they are expected to see a sharp jump in 2013, to be driven mainly by cross-border activity, a global consultancy firm has said. "Deal activity declined by 8.1% as global uncertainties and domestic factors left an impact on Indian M&A in 2012. However, the momentum temporarily picked up in the third quarter of 2012 and expected to continue in 2013. The third quarter of the year witnessed a strong surge in the M&A activity and may be an indicator of the return of the market's appetite for deal making. This momentum in M&A is expected to continue in 2013, it said.

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