

**FinMin
Worried over
Tax Mop-Up**

After getting some comfort on the current account deficit with a rise in exports, the finance ministry is now worried about revenue, crucial for containing the fiscal deficit at 4.8% of gross domestic product, its outer target. As tax collections were subdued in the first half of the financial year, it has planned to issue instructions to field officers to take all possible measures to meet their Budget target. The revenue department's worry is that in many cases taxpayers have taken credit for the tax already paid by them on inputs, thus reducing their net cash outgo. The Central Board of Excise and Customs (CBEC) might ask field officers to do a special audit in such cases. Finance Minister P Chidambaram is set to have a brainstorming session with top revenue officials on what to do. The CBEC brass met recently in this regard. Besides special audits, other measures could include notices to non-filers and stop-filers, recovery of arrears and fast settlement of disputes, among others. "This time, the tax credit has been more than cash payment. It could be because of expansion by companies, particularly in capital-intensive sectors, but this might not be true in all the cases. We are trying to figure out why this happened," said a ministry official who did not wish to be identified.

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

**Another 10
Lakh Income
Tax Defaulters
Identified**

The Income Tax (I-T) department has identified 10 lakh more high-risk individuals, who have made significant cash transactions through their credit cards or investments but the same had not been reflecting in their I-T returns. High-risk individuals also include those who have consistently not been filing I-T returns. Altogether, there are over 22 lakh I-T defaulters since the data-mining exercise started two years ago. Notices are to be issued to these entities soon, said an I-T official. Last year about 12 lakh individuals were identified, where their transactions didn't match with their returns, raising suspicion. More than 2.45 lakh such individuals had already been served notices for suspected tax evasion till September.

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

**Government Plans to
Shift Taxation from
Direct to Indirect**

On 1st October, the Finance Ministry formally submitted to the European Commission an Economic Partnership Programme (EPP), together with a Report

on Effective Action, which outline the Government's plan to close 2013 with a general government deficit below 3%. In its report, the government speaks of plans to continue shifting taxation from direct to indirect over the medium term. The report says that further to the revisions in the income tax regime in recent years, the 2013 Budget provided for the widening of the income tax bands for single and joint tax computations, and for parents supporting minors who are not gainfully employed. However, this will be implemented gradually in a manner that will limit the expansionary impact on public finances which will amount to 0.17 per cent of GDP in 2014. For the period 2013 to 2016, the gradual losses from the revision in the income tax regime affecting direct taxation will be offset by similar gradual revisions in indirect taxation planned in the context of the budgetary exercise for the upcoming year. Moreover, revisions to the VAT legislation are currently ongoing, the report says. These will empower the minister responsible for finance to revise as necessary the penalties and interest payable on taxation due in order to increase tax compliance and ease the recovery of amounts due.

(Source: www.thehindubusinessline.com/)

**CBEC to Plead
SC for Relook at
Verdict on Bailable
Offences**

The Central Board of Excise and Customs will make a last-ditch effort to convince the Supreme Court to reconsider its judgement which held that offences under the Customs Act are bailable and an accused cannot be arrested without a warrant. A review petition filed by the Department of Revenue, under which the Board functions, in August this year was rejected by the apex court which said there was no reason to interfere with the impugned order. Sources said the revenue department has now decided to file a curative petition before the Supreme Court with the plea that its judgement is "not in consonance" with the provisions of the Customs Act and the Central Excise Act. The department feels that if the September 2011 judgement of the apex court is not reviewed, it will affect a large number of cases where show cause notices have been issued. It believes that the offences under the Customs Act cannot be said to be bailable as a customs officer has the power to arrest a person without a warrant. The apex court had held that offences under the two Acts are bailable. It also said that if a person seeks bail, he will be released on bail in accordance with Section 104 (3) of the Customs Act if he is not wanted in any other case.

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

IT Returns As A Status Symbol

In what is just the latest bout of a decades-old carrot and stick approach, the tax department has launched a new campaign to get people to pay up taxes. This time, it's all about making people see the tax return as a status symbol. To this end, minister of state for finance JD Seelam is planning to visit all the 35 cities that house zonal tax offices in a bid to bridge the gap between taxmen and big taxpayers. Seelam has already visited cities such as Hyderabad, Ahmedabad, Bhopal and Jaipur. "We would like to create a non-adversarial tax environment. The trust deficit between taxmen and industry needs to be removed. Our target is to make people feel that paying tax is a status symbol. That should increase our collection," he says.

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

Government Faces Yet another Blow to Retrospective Tax Laws

At a time when the government has made little progress over the settlement of its multi-billion dollar tax dispute with British telecom giant Vodafone and uncertainty persists over the taxation of cross-border deals, it has been stung with yet another challenge to its controversial retrospective tax laws announced in Budget 2012. IHC Mauritius Corporation, a wholly owned subsidiary of Cayman Islands based India Hospitality Corporation, has filed a writ petition at the Bombay High Court challenging the constitutional validity of the retrospective amendments to tax laws, three sources familiar with the development told ET NOW. "This fresh development shows that there is a case for reconsideration of the retrospective amendments to tax laws based on the recommendations of the Shome Panel. The government can consider issuing operational guidelines to field officers for not disturbing closed assessments", says Tax Partner, Khaitan & Co. "This case is likely to have an impact on the Vodafone tax spat with the government. IHC Mauritius has relied on the Supreme Court verdict in the Vodafone tax case for relief and wants a bar on the revenue authorities from recovering the tax demand of Rs 150 crores or taking any coercive action for the same. IHC also wants protection from the penalty proceedings initiated earlier by the income tax department," said one of the three sources mentioned above.

(Source: ET Now)

Service Tax Applicable on Food, Beverages Served at Pool Side

Food and beverages served at swimming pool side in a hotel will attract

service tax, the Finance Ministry has said. "Services provided by specified restaurant in other areas of the hotel are liable for service tax," said the Central Board of Excise and Customs (CBEC) while clarifying doubts regarding the applicability of the levy on restaurant service. In a hotel, if services are provided by a restaurant in other areas like swimming pool or an open area attached to the restaurant will attract the service tax, it said. The CBEC, responsible for administration of indirect taxes, further said that service tax is not applicable on goods sold on MRP (maximum retail price), like water bottles, in restaurants. "If goods are sold on MRP basis...they have to be excluded from total amount for the determination of value of service portion," it said. It further clarified that services provided in relation to serving of food or beverages by a restaurant, eating joint or mess, having the facility of air conditioning or central air heating, attracts service tax. However, services provided in non-air conditioned restaurants are treated as "exempted service". In restaurants, service tax is charged at the rate of 12 per cent plus cess on 40 per cent of the food bill. However, services provided in non-air conditioned restaurants are treated as "exempted service". In restaurants, service tax is charged at the rate of 12 per cent plus cess on 40 per cent of the food bill.

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

Six New Appellate Tribunal Benches for Faster Disposal of Indirect Tax Cases

The government will set up six new benches of the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) to expedite disposal of indirect tax cases. Chandigarh, Hyderabad and Allahabad will get a CESTAT bench each for the first time, while New Delhi, Mumbai and Chennai will get an additional bench. The decision, approved by the Cabinet, will facilitate the cause of the government as well as litigants, by reducing travel time and expenditure, an official statement said. "With the creation of six additional benches of CESTAT, disposal of cases will increase and pendency will decrease benefitting government and tax payers," the statement noted. In all, the posts of 12 tribunal members (six technical and six judicial) in the higher administrative grade and 98 posts of supporting staff, including deputy.registrar and assistant registrar, will be created.

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