New Trends in Tax Evasion under CBDT Lens

Tax authorities are planning to look more actively into suspicious transaction reports (STRs) that provide information on dubious funds as they step up efforts against the menace of black money. It has asked field formations to provide feedback on what kind of relevant information these reports should include to "to facilitate detection of new trends or modus operandi of tax evasion adopted in recent times". This is part of a larger exercise by the Central Board of Direct Taxes (CBDT) for feedback from its field offices on how to make these reports more efficient and targeted.

"STRs constitute a strategically important source of information for Income Tax department…The department has not been able to investigate all STRs promptly," the CBDT has said in a recent missive to field offices. Accordingly, it is planning to improve the management of such reports so that it is able to investigate them properly to look into sources of hawala funds. STRs are one of the sources of information with tax authorities on dubious transactions. Reporting agencies such as banks are mandated under law to provide information every month on such transactions that are worth over ₹10 lakh to the Financial Intelligence Unit.

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

Single Window Website for Paying Taxes

Taxpayers are now be able to perform their I-T related works like filing returns or applying for a PAN card from an enhanced single website launched by Finance Minister Arun Jaitley recently. An updated version of the existing website of the Income Tax department–www.incometaxindia.gov.in–now acts as a "single window" for all activities and online services offered by the I-T department. The website is more user-friendly and robust, so that it can handle many hits at a time. The website also allows taxpayers to know about the I-T Act, various notices and circulars being issued from time to time and regular developments in the department.

(***Source:*** *News Agencies)*

G20 Commits to Automatic Exchange of Tax Information by 2017

Committing to a global response to deal with cross border tax avoidance and evasion, the G20 has decided to put in place a mechanism for automatic exchange of tax information by 2017. "We endorse the finalised global Common Reporting Standard for automatic exchange of tax information on a reciprocal basis which will provide a step-change in our ability to tackle and deter cross-border tax evasion. We will begin exchanging information automatically between each other and with other countries by 2017 or end-2018," said the communique released after the two-day G20 meeting of Finance Ministers and central bank governors recently. The communique further said that the G20 leaders are strongly committed to a global response to cross-border tax avoidance and evasion so that the tax system supports growth-enhancing fiscal strategies and economic resilience. It said that action plan to tackle Base Erosion and Profit Shifting (BEPS) to make sure companies pay their fair share of tax would be finalised in 2015.

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

Govt to Tweak GST Bill, with Petro Products in Ambit

The government is planning to reintroduce the Constitution (115th Amendment) Bill for Goods and Services Tax (GST) in the winter session of Parliament with some significant changes from a previous version that lapsed: Petroleum products will be subjected to GST but they will be zero-rated initially; all entry taxes levied by states except octroi will be subsumed in the proposed comprehensive direct tax. By keeping petroleum products, a major source of revenue for the Centre and states, in the GST ambit, the government wants to ensure that the integrity of GST (and with that its ability to militate against cascading of taxes) is not compromised. Petroleum being the building material for many downstream industries, its inclusion in GST would keep the tax trail (and the facility of input tax credit) intact. But the Centre and states will, till the latter agree that all taxes on these products can be collapsed into GST, continue to tax these products outside the GST system.

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

National Update

Double Taxation in VAT and Service Tax under HC Scanner

The practice of charging value-added tax (VAT) and service tax on the entire bill amount by hotels and restaurants has come under the scanner of the Punjab and Haryana high court. On the basis of a public interest litigation (PIL), a division bench of the high court has issued a notice to the central government, UT administration, Punjab and Haryana, Chandigarh service tax commissioner, excise and taxation commissioner of Punjab and Haryana as well as Chandigarh Hotel and Restaurant Owners' Association. The PIL challenged the practice of charging both VAT and service tax on 100% of the bill amount. It accused hoteliers and restaurant owners in Chandigarh, Punjab and Haryana of "fleecing innocent customers and citizens". The petition pointed out that customers were being taxed twice on the same amount – for sale of goods and for provision of service.

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

Service Tax Might Push School Fees Up

School fees are likely to rise further if the institutions pass on the 12.36% service tax burden charged by third parties that provide content aids to schools. The Union Budget has brought such services under the ambit of service tax. Today, many schools engage with various providers who give content that enriches the overall learning experience. That is a key part which is still not exempt from service tax. Not only that. Even certain extracurricular activities conducted on the school premises during afterhours are expected to come under the ambit of service tax.

***(Source:** http://www.business-standard.com/)*
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Service Tax on Online Order for Eatables is Illegal

Service tax is supposed to be levied when someone uses the services while eating or drinking in a restaurant or hotel. But what if you order eatables online? Do you still have to pay the service tax? No, say tax experts, but most of the companies charge 4.94% service tax every time you order food or beverages online -- in violation of the rules. According to a tax lawyer, who has written to finance minister Arun Jaitley in this regard, the ministry of finance in 2012 had amended the Service Tax (Determination of Value) Rules, 2006, making charging of service tax where no service is involved unlawful.

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

Companies can Avail Tax Benefits for Expenditure on CSR

Firms spending money on corporate social responsibility (CSR), which has been made mandatory under the new Companies Act, have more reasons to cheer. Though CSR provisions do not offer any great tax savings, companies can claim deductions towards depreciation on assets created for CSR purposes and on expenditure for skill development projects. The Finance Minister has clarified that deductions specifically allowed under Sections 30 to 36 of the Income Tax (IT) Act, 1961 could be availed. In effect, Section 30 of the IT Act can be used for availing deductions against expenditure incurred on repairs and insurance in respect of machinery, plant and furniture used for CSR activities. Rent, rates, taxes and repairs incurred on buildings or other assets taken on lease earmarked for CSR activity would also qualify for deductions. Companies can also claim deduction towards depreciation on assets used for CSR purposes. Funds spent on skill development projects gives the assessee the benefit of claiming 150% deduction in their books. In fact, the CSR Rules issued by MCA (Ministry of Corporate Affairs) read with the MCA circular dated June this year clarifies that CSR activities should be undertaken by the companies in project/ programme mode.

***(Source:** www.profit.ndtv.com)*

I-T to Look into Credit History, Loan Repayment Pattern of Taxpayers

To recover maximum tax arrears with the optimum use of manpower, the income-tax department has decided to look into the credit history and loan repayment pattern of taxpayers and prioritise cases for recovery of past dues based on a defaulter's ability to pay. For this, the department would consult the Credit Information Bureau of India (Cibil) that assigns credit scores and maintains details of loans taken by individuals, partnerships and corporations, along with their PAN. Sources said tax officials would be able to get an idea of the assets and the financial health of an assessee against which a tax arrears recovery demand has to be pursued vigorously.

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