

Govt May Increase Service Tax Threshold

The finance ministry is contemplating several reforms in the indirect tax space, even as the Goods and Services Tax (GST) has been caught in a political tussle. There is a possibility that the exemption threshold for payment of service tax will be hiked. This will be good news for many small independent service providers, ranging from consultants to interior designers. But the government is also considering a balancing act by lowering the exemption threshold limit for excise. At present, if the aggregate value of services does not exceed ₹10 lakh in a financial year, the service tax provider can claim exemption. Under excise laws, small-scale industries enjoy exemption if the goods cleared from their factories during a financial year are valued at ₹1.5 crore or less. While no final decision have been taken yet, the service tax exemption threshold limit could be hiked from ₹10 lakh to ₹25 lakh. "It will be very difficult to reduce the threshold limit under excise at one go to ₹25 lakh, but there will be some palatable adjustment," said a government source. This exercise is viewed by tax experts as a move towards GST. While the GST threshold will be decided by the GST Council only after the Act is introduced, there has been a thinking in the past that taxpayers with an annual turnover of ₹25 lakh or less will not fall within the GST ambit.

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

No Income Tax on Start-up Profits for First Three Years

Prime Minister Narendra Modi has announced a slew of measures for start-up companies, while unveiling the action plan for the sector recently. Start-ups will not be required to pay income tax on their profits for the first three years, and will also be exempt from capital gains tax. In order to simplify the process of registration, the PM proposed a system of self-certification on the part of such enterprises, with an additional provision of no inspection for three years. Modi had earlier stressed on the government giving a freer hand to enterprise in the country and had said, "Start-up is more about

what the government should not do, than what it has been doing."

(Source: www.financialexpress.com)

Companies Anticipate Tax Authorities to Turn Aggressive

Indian businesses are anticipating a "more aggressive" stance by tax authorities as their tax arrangements come under greater scrutiny, says a survey. The findings are part of leading consultancy's survey titled 'Anticipating BEPS India impact'. Indian businesses are anticipating a more aggressive stance by tax authorities in the future regarding hybrid instruments and interest deductions, it said. About 65 per cent of the respondents either "agree or strongly agree" that although the tax authorities have not been aggressive in tax examinations of hybrid instruments and interest deductions so far, they are likely to do so going forward. Retrospective amendments in India have significantly dented investor confidence in the past," it noted. Further, the survey said vast majority of the respondents believe that regulators should consider and protect the interests of Indian headquartered multinationals while implementing BEPS recommendations in India. The BEPS project is aimed at putting in place measures to prevent tax evasion and avoidance, including by multinational companies.

(Source: www.thehindubusinessline.com/)

FM Ups Verge for Appeals in Service Tax, Customs Cases

In a bid to reduce litigations related to indirect taxes, the government has raised the threshold limit for filing appeals before CESTAT and High Courts to ₹10 lakh and ₹15 lakh. The Finance Ministry said in a statement that the Central Board of Excise and Customs (CBEC) has taken a number of initiatives to facilitate trade and resolve disputes. "A slew of measures were taken to enable effective and speedy dispute resolution and to facilitate the trade and industry. The threshold limit below which appeals are not to be filed by the department in CESTAT (Tribunal) and High Courts has been raised to ₹10 lakhs and ₹15 lakhs respectively," it said. Besides, there will

National Update

be withdrawal of all cases in High Courts and CESTAT where there is precedent Supreme Court decision, against which no review contemplated, the Finance Ministry said. The Ministry further said that pre show cause notice consultation at the level of Principal Commissioner/ Commissioner has been made mandatory in all the cases where duty involved is above ₹50 lakh.

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

Tax on Seed Funding to be Scrapped

The government has decided to scrap a tax on seed funding provided to start-ups by Indian angel investors in the upcoming Union Budget, to help domestic financiers bankroll new entrepreneurial ventures under its Start Up India campaign. The tax provision in question treats infusion of funds by domestic angel investors as income in the hands of the start-up, making India the only country in the world to penalise local angel investors in such a manner. Senior government officials working on the Start Up India action plan said the tax is one of the key reasons that 90 per cent of Indian start-ups are financed by foreign venture capital and angel funds.

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

Tax Analytics to Help Centre in Catching Truants and Underpayers

In an attempt to bring more companies under the corporate tax net and zero in on areas where registered companies pay less tax through underreporting, the government is planning to run tax analytics on the sea of data it collects every year. Through analytics, the government will be able to tell income tax officers the specific areas where they can look at or the specific sectors where companies may be exploiting loopholes, a person with a direct knowledge of the matter told ET. The government would estimate the total tax gap and then try to zero in on areas and sectors where the tax liability is not paid. The government could announce this in the upcoming budget," he said. Tax gap is basically the difference between taxes owed and taxes paid. This is the first time when the government is considering using

analytics for arriving at such a conclusion. The government could conduct a "riskbased assessment" or the activity of zeroing in on the main areas where tax is not paid or underpaid every year. The top reasons or the risks where companies are not paying or underpaying could change every year.

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

Govt. Likely to Revamp Direct Taxes to Improve Ease of Doing Business

The Central Board of Direct Taxes (CBDT) has decided to extend period for receiving comments and suggestions of stakeholders and general public on the draft guiding principles for the determination of the Place of Effective Management (PoEM) of a company. The Central Board of Direct Taxes (CBDT) has decided to extend period for receiving comments and suggestions of stakeholders and general public on the draft guiding principles for the determination of the Place of Effective Management (PoEM) of a company. A CBDT media release said the last day for submitting comments and suggestions will now be January 9, 2016, as opposed to the previous date of January 2, 2016.

(Source: Press Information Bureau)

Central Board of Direct Taxes Extends Date for Public Response to PoEM

The government, which has pledged a predictable and non-adversarial tax regime, is likely to begin a sweeping revamp of direct taxes in the Budget that Finance Minister Arun Jaitley will present. Simplification and rationalisation will be the two themes driving the overhaul, which is aimed at improving ease of doing business and also creating a more positive perception of India's tax environment, long regarded as hostile and therefore inimical to them by investors. The government wants to change the perception about India's tax environment as it seeks to drum up private investment and bolster growth. "The attempt will be to remove the clutter and simplify the tax law," said a government official aware of the matter. The directive from top policymakers is clear—make tax laws less complex.

(Source: www.thehindubusinessline.com/)