

Remove Fear of Harassment Among Taxpayers, PM Tells CBDT, CBEC Officials

Prime Minister Narendra Modi has recently asked the CBDT and CBEC officials to remove fear of harassment from the minds of taxpayers and focus on five pillars of administration — revenue, accountability, probity, information and digitisation (RAPID). Inaugurating the two-day Rajasva Gyan Sangam, Prime Minister asked the officials to “move towards digitisation” in a bid to make tax administration better and efficient and work towards bridging the “trust deficit”. Modi also suggested that officials should endeavour to remove “fear of harassment” from the minds of assesses and emphasised that their behaviour should be “soft and sober”, Minister of State for Finance Jayant Sinha said while briefing reporters about the meeting.

(Source: *Economic Times*)

Draft GST Law Envisages Harsher Penalties for Tax Evaders

Tax evaders could be exposed to harsher penalties, including a lower threshold for arrest provisions, according to the draft model goods and services tax (GST) law. A tax evasion of ₹25 lakh could attract prison sentence of up to one year and a fine. The sentence could go up to three years if the evasion exceeds ₹50 lakh. Non-bailable arrest with imprisonment of up to five years could follow if the evasion value exceeds ₹2.5 crore, apart from fines, say the experts, who feel that in the initial years, when the GST provisions would be new, the government should tackle such issues with soft hands than through threats of arrest.

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

Amended India-Mauritius Tax Treaty Only Covers Investments in Shares

The revamped India-Mauritius tax treaty will apply to only investments in shares and not to other instruments, details of the agreement released by Port Louis showed. Investors in mutual funds, derivatives and debt will likely escape tax as these instruments aren't mentioned in the reworked double taxation avoidance agreement, said tax experts. The new protocol sets a lower tax rate on interest earned by taxpayers in Mauritius, when compared with India's treaties with other countries. It also plugs a significant loophole that foreign entities used to avoid paying

tax: sending staff to India via a Mauritius entity. GAAR, too, will kick in on April 1, 2017.

(Source: *www.financialexpress.com*)

CBDT to Look into High Value Transactions to Trace Tax Evaders

In order to identify tax evaders, the Income Tax department has said it will use 360 degree profiling and match the database of people filing returns with those of informations about high value transactions. The Central Board of Direct Taxes has received one crore information through the Non-Filers Management System (NMS), and more than 50 lakh tax payers were added and about ₹7,000 crore taxes were collected, CBDT Chairman Atulesh Jindal said.

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

Capital Gains Tax Payout to Go Up on Lower Indexation Benefit

Taxpayers claiming indexation benefits while computing long-term capital gains will have to shell out more to the taxman following the decision by the Central Board of Direct Taxes to tweak the cost inflation index (CII) for 2016-17. The higher tax outgo is, curiously, the downside of falling inflation rates in recent times.

The income-tax law allows long-term capital gains to be computed after adjusting for inflation. The cost of acquisition as well as the cost of improvement is adjusted for inflation between the date of purchase and date of sale (through the CII), and the long-term capital gains are then ascertained.

(Source: *www.economicstimes.com*)

FDI from Tax Havens Raises Concerns about Transfer Pricing

Experts have warned that foreign invested enterprises (FIEs) from tax havens may be conducting transfer pricing, and have urged state management agencies to investigate enterprises with ‘abnormal signs’. Enterprises, through contracts on goods supply signed with legal entities in tax havens, could wrongly declare production costs higher than the real costs. This allows them to reduce the tax they have to pay in Vietnam. Meanwhile, the real profit goes to the pocket of their holding companies in tax havens, where they don't have to pay tax or only pay low tax thanks to preferential tax policies applied in countries.

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