National Update

GST to be Launched on June 1 as Planned, Despite Calls for Delay: Revenue Secretary

India will launch the Goods and Services Tax (GST) as planned on July 1 to boost economic growth and state revenues, a finance ministry official said on Wednesday, despite calls from some businesses for a delay. The central and state governments were ready to roll out the GST, said Revenue Secretary Hasmukh Adhia, adding that firms should not count on a postponement of a tax more than a decade in the making. India's most ambitious tax reform since independence would transform its $2 trillion economy and market of 1.3 billion people into a single economic zone with common indirect taxes - something that neither the European Union nor the United States can boast. And, although the GST is designed to be revenue neutral, Adhia expects it to improve compliance by businesses as well as draw their owners into the income tax net, thus boosting overall tax revenues. "The entire parallel economy will vanish," Adhia told Reuters in an interview. "The benefit of avoiding tax which was accruing to the entrepreneur or to the trader - that will now come to the government. That is why we expect revenue buoyancy to go up." Tax checkpoints at state borders would be dismantled, Adhia said, adding that a GST panel was in talks with other departments to remove other posts that could hinder the movement of goods. This would "take some time". Work is also complete on setting up the GST Network, an IT system that will match invoices, making it possible for companies to claim input credits that will soften the impact of initially high GST rates.

***(Source:** Reuters)*

CBDT Signifies Achievements towards Eliminating Domestic Black Money

The Central Board of Direct Taxes recently signified the concerted and coordinated actions of Law Enforcement Agencies (LEAs) under the Department of Revenue who have achieved phenomenal success in fighting the menace of black money during the last three years. As per CBDT, the period has witnessed unprecedented enforcement actions in direct and indirect taxes. While 23064 searches and surveys have been conducted (Income Tax 17525; Customs 2509; Central Excise 1913; Service Tax 1120); more than ₹1.37 lakh crore of tax evasion has been detected (Income Tax 69434; Customs 11405; Central Excise 13952; Service Tax 42727). Simultaneously, criminal prosecutions were launched in 2814 cases (Income Tax 1966; Customs 526; Central Excise 293; Service Tax 29) and 3893 persons were placed under arrest. (Customs 3782; Central Excise 47; Service Tax 64) The Enforcement Directorate intensified its anti money laundering actions by registering 519 cases and conducting 396 searches. Arrests were made in 79 cases and properties worth ₹14,933 crore were attached. The Benami prohibition law which remained in-operative for last 28 years was made operational through a comprehensive amendment with effect from November, 2016. More than 245 benami transactions have already been identified. Provisional attachments of properties worth ₹55 crore have already been made in 124 cases.

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

India's February Factory Output Falls 1.2% on Slack Consumer Demand

India's industrial output fell 1.2% in February as compared to a 2.7% growth in January, as consumer demand remained subdued after the demonetisation drive and investment activity crawled. Economists have warned of a sharp decline in industrial activity especially those dependent on cash, which in turn may have led to income and job losses. Economic activity could not recover fast as RBI tapered the remonetisation pace since February. The increase in currency being circulated was 5.9% week-on-week in January 13. It slowed to 4.6% in February 10, and further to 4% on March 10. The demonetisation drive unleashed on November 8, crimped consumption and crippled economic activity in a cash dependent country. Analysts expect better days ahead as the government steps up spending in infrastructure. The purchasing managers index, a gauge for factory orders and output, jumped to a 5-month high. The impact of demonetisation on the economy could be gauged by the fall in capital goods output by 3.4% in February and consumer goods by 5.6%. Within the consumer goods, the durables were marginally down by 0.9% while non-durables fell 8.6%.

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

Bitcoin, Virtual Currencies under Scanner of Indian Regulators to Curb Money Laundering

Concerned over the adverse impact of virtual currencies such as bitcoin on the consumer, the government has set up a committee to look into ways

of regulating the fast-growing segment to curb money laundering. The move comes amid apprehension that black money hoarders may have resorted to virtual currencies and bitcoins to launder their cash Prime Minister Narendra Modi initiated the demonetisation drive on November 8, 2016. Bitcoins have been banned in several countries, including Russia, on grounds that the virtual currency could be used for money laundering or financing terrorism. The panel has been asked to suggest measures for dealing with virtual currencies including issues relating to consumer protection and money laundering, the finance ministry said in a release. "The circulation of virtual currencies which are also known as digital and crypto currencies has been a cause of concern," it said. Since December 2013, the Reserve Bank of India had also cautioned users, holders and traders of virtual currencies, such as Bitcoins, about the potential financial, operational, legal, customer protection and security related risks that they are exposing themselves to. To examine the existing framework, the department of economic affairs under the finance ministry has constituted an inter-disciplinary committee chaired by special secretary (economic affairs) and representatives from DEA, department of financial services, department of revenue (CBDT), home ministry, ministry of electronics and information technology, RBI, NITI Aayog and State Bank of India. The Committee will take stock of the present status of Virtual Currencies both in India and globally, examine the existing global regulatory and legal structures governing virtual currencies, suggest measures for dealing with such virtual currencies including issues relating to consumer protection and money laundering. The committee has been tasked to submit its report within three months.

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

Central Board of Direct Taxes Clarifies on Cash Curb, Aadhaar

While a regular business is required to maintain books of account, the small taxpayers under the presumptive taxation scheme are exempt from the same, and are taxed on a declared income at a prescribed rate. Among several changes made in the Finance Bill, 2017 to discourage cash transactions, the government has cut the presumptive taxation rate to 6% from 8% for the amount of turnover realised through cheque and digital mode, the Central Board of Direct Taxes (CBDT) said in a statement. Additionally, the Finance Bill prohibits businesses from claiming depreciation allowance or investment-linked deduction if the capital expenditure in cash exceeds ₹10,000, while halving the limit for revenue expenditure in cash to ₹10,000. Further, CBDT reiterated that a person cannot receive more than `2 lakh in cash and a contravention will attract penalty of a sum equal to the amount of such receipt. However, it clarified that the restriction was not applicable to any receipt by government, banking company, post office savings bank or co-operative bank. The restrictions will also not apply to withdrawal of cash from a bank, cooperative bank or a post office savings bank. The CBDT will issue necessary notification for the same.

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

Centre Introduces Provision of Taxation on NPS in Income Tax Act

The provision that the withdrawal from the National Pension Scheme is taxed to the extent of 60 per cent has been introduced into the Income Tax Act, 1961 ('Act') vide Finance Act, 2016 by inserting clause (12A) in Section 10 of the Act. Prior to the Finance Act, 2016, the National Pension Scheme (NPS), referred to in section 80CCD was under Exempt, Exempt and Tax (EET) regime, i.e., the monthly/periodic contributions during the pension accumulation phase were allowed as deduction from income for tax purposes. The returns generated on these contributions during the accumulation phase were also exempt from tax but the terminal benefits on exit or superannuation, in the form of lump sum withdrawals, were taxable in the hands of the individual subscribed or his nominee in the year of receipt of such amounts unlike PPF and EPF which have been enjoying the EEE regime, i.e. Exempt, Exempt, Exempt. In order to rationalise the taxability of receipts from pension plans, vide Finance Act, 2016, section 10 of the Act was amended to provide that any payment from the National Pension Scheme to an employee on account of closure or his opting out of the NPS shall also be exempt from tax, to the extent it does not exceed 40 percent of the total amount payable to him at the time of closure or his opting out of the scheme. Further, Finance Act, 2017 has amended section 10 of the Income-tax Act to exempt partial withdrawals by employees (to the extent of 25% of the employee's contribution) from their NPS accounts in accordance with the guidelines prescribed under Pension Fund Regulatory and Development Authority Act, 2013.

***(Source:** economictimes.indiatimes.com)*