

PM Seeks Simpler Rules to Raise Direct Tax Share

India is reviving attempts to overhaul its half-century-old direct tax laws as it looks to increase the share of collections from the lowest in a decade. Prime Minister Narendra Modi's government is working to ensure that tax payers don't need to submit multiple returns and have quicker options of redress should a dispute arise, said people familiar with the matter. A new bill will probably be ready by early 2018 for stakeholder comments, they said. About 10 trillion rupees (\$153 billion) -- some 63% of India's annual budgeted revenue or the size of Qatar's economy -- are locked in litigation due to byzantine tax rules and varying interpretations. Costly compliance and loopholes keep about 99% of the population outside the income tax net, making India one of the worst places in the world if you are a tax payer. India has attempted earlier to combine various laws into a simple tax code. The Income Tax Act dates back to 1961 and still holds echoes of the past where the economy was closed to the world, relying instead on high domestic tax rates and an invasive tax office to help fund health and education for the masses. Any inquiries from the tax office will be emailed rather than have the tax official show up at your door, and tax payers will be able to file disputes or appeals online instead of repeated rounds to the government, the people said. Clarity will also be provided on penalties for failing to furnish tax returns, comply with notices or concealment of income, they said.

(Source: www.economictimes.com)

GST Regime Brings New Cash Management System for Government Expenses

The new GST regime has brought with it a new cash management system for government expenditure and income with the home ministry directing all its 21 divisions to strictly follow it to avert any situation of temporary mismatch in cash outflows and inflows. In a circular, the home ministry said the revised cash management system, formulated by the ministry of finance, has to be followed in view of the changes in tax receipt under the GST regime. As per

the guidelines of the new system, the salary of the employees should be released on the last working day of each month and the bulk expenditure items of more than ₹2,000 crore should be timed in the last month of each quarter to utilise direct tax receipt inflows in June, September, December and March.

(Source: *Press Trust of India*)

RBI Panel Reveals Ad Hoc, Arbitrary Practices by Banks to Inflate Interest Rates

The Reserve Bank of India (RBI)'s study group, which recently submitted its report on an external benchmark rate for banks, has revealed several startling and "disconcerting" banking practices, including violation of the RBI guidelines, inflating of base rate and arbitrary adjustment of spreads. Such malpractices, in turn, aided banks in fixing interest rates on various loan products, including home, automobile and corporate loans, at inflated levels despite the sustained cut in the repo rate by the RBI. While the transmission to interest rates on fresh loans (mainly home loans) was significant, it was muted to outstanding loans (base rate and MCLR). The analysis said that banks deviated in an ad hoc manner from the specified methodologies for calculating the base rate and the MCLR to either "inflate the base rate or prevent the base rate from falling in line with the cost of funds". This led to an inappropriate calculation of the cost of funds and no change in the base rate even as the cost of deposits declined significantly.

In other words, even when the RBI has cut repo rate by 200 bps since December 2014, EMIs on home and other loans failed to come down for old customers. Between January 2015 and August 2017, the median base rate of banks declined by only 75 bps against 158 bps decline in the banks' median term deposit rate, and 195 bps decline in the weighted-average domestic term deposit rate. The study group, headed by Janak Raj, principal adviser, Monetary Policy Department, included four chief general managers from various departments of the RBI.

(Source: www.hindustantimes.com)

Taxman Tightens Reporting Norms for MNCs

The prolonged wait is finally over. Nearly 18 months after legislating the adoption of country-by-country reporting (CbCR) for multinationals, the CBDT has come up with draft rules in this regard, seeking to usher in a rigorous regime of compliance and disclosure for MNCs operating in India. The Central Board of Direct Taxes (CBDT) has, in line with global best practices, now sought public comments on the draft rules. The proposed rules spell out how and in which form the multinationals would have to comply with the maintaining and furnishing of transfer pricing documentation in the Master File (MF) and the country-by-country report. With the proposed new rules, both inbound and outbound entities operating in India will have a fair bit of information to maintain and disclose, say tax experts. The CbCR requirements are largely in line with BEPS Action Plan-13, with significant penalties in case of violations of the provisions, they added.

(Source: <http://www.incometaxindia.gov.in>)

Government Provides Clarity on Tax Rate

Leasing of vehicles purchased prior to July 1 will attract a tax equivalent to 65 per cent of the current applicable GST rate for a period of 3 years, the government has said. The GST Council, comprising Union Finance Minister Arun Jaitley and state finance ministers, has decided to levy concessional rate for leased vehicle. "Leasing of vehicles purchased and leased prior to July 1, 2017, would attract GST at a rate equal to 65 per cent of the applicable GST rate (including Compensation Cess)," the finance ministry said in a statement. Also such vehicles when sold will attract GST of 65 per cent of the applicable GST (Goods and Services Tax) rate, including compensation cess. Sale of vehicles by a registered person who had procured the vehicle prior to July 1, 2017 and has not availed any input tax credits of central excise duty, VAT or any other taxes paid on such motor vehicles, will also be subject to 65 per cent of applicable GST rate, it added. These rates would apply for a period

of three years with effect from 1st July, 2017. The effective GST rate on mid-size cars will be 45 per cent, and on large cars it would be 48 per cent. The rate will be 50 per cent on sports utility vehicles (SUVs), which include cars with length exceeding 4,000 mm and having a ground clearance of 170 mm and above.

(Source: www.thehindubusinessline.com)

Government Collects ₹3.86 Lakh Crore as Direct Tax Till September

The Central Board of Direct Taxes (CBDT) has revealed that the net direct tax collection up to September 2017 is ₹3.86 lakh crore. The amount is 15.8% higher than the net collection for a corresponding period of last year. The CBDT informed that the net direct tax collections represent 39.4% of total budget estimates of ₹9.8 lakh crore for the direct taxes for the financial year 2017-18. It has been reported that the gross collections (before adjusting the refunds) have increased by 10.3% to ₹4.66 lakh crore during April to September, 2017 while the refunds amounting to ₹79,660 crore have been issued during April to September, 2017. An amount of ₹1.77 lakh crore have been received as advance tax up to September 30, 2017, which reflects the growth of 11.5% over Advance Tax payments during the same period in 2016.

(Source: Press Information Bureau)

CBDT Signs 2 more APAs with Taxpayers

The Central Board of Direct Taxes (CBDT) has said it recently signed two more advance pricing agreements (APAs) in September with Indian taxpayers as it looks to reduce litigation by providing certainty in transfer pricing. The two APAs signed during September, 2017 pertain to automobile and healthcare consulting sectors. "With the signing of these two agreements, the total number of APAs entered into by CBDT till date has reached 177. This includes 164 unilateral APAs and 13 bilateral APAs. "In the current financial year, a total of 25 APAs (2 bilateral and 23 unilateral) have been signed till date," the CBDT said in a statement.

(Source: <http://www.incometaxindia.gov.in>)