New Direct Taxes Code Aims for Lower Rates, Wider Base New Direct Taxes Code Aims for Lower Rates, Wider Base

Lower income tax rates, and more taxpayers—that's the overall aim of the new direct taxes code being put in place by a panel appointed by the Narendra Modi government, according to an official familiar with the matter. It is unlikely individual taxpayers will get to celebrate anytime soon, although the official, who asked not to be identified, mentioned a timeline of 2019. The committee, set up in November, has been given six months to submit its report, but the understanding in the government is that it could take longer, a senior finance ministry official had said in November on condition of anonymity. Still, it is significant that the government is thinking of lower tax rates because current tax rates and tax slabs are already more liberal than the ones suggested in an earlier draft direct taxes code prepared by a panel under the earlier United Progressive Alliance government. The official also added that the aim is to get more people to pay direct taxes (currently only 4.5% of India's 1.3 billion population does) and take the direct tax-to-GDP ratio to as close to 18% as possible, and explained the logic behind the 18% number. At present, about 20% of GDP is out of taxation on account of exemptions given to agricultural income, which will continue in the proposed new direct taxes code as well. Other tax exemptions, and varying slabs, account for another 20% of GDP from the direct tax base. A 30% tax on the remaining 60% of GDP should have brought in around 18% of GDP. The current direct tax-to-GDP ratio is 5.6%.

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

Customs Duty Raised on Electronic Goods

The government has recently raised customs duty on various electronic products including mobile phones, microwave ovens and cameras to boost local manufacturing and create jobs.The increase in customs duty will give local manufacturers a cost advantage over imports. The move will also help the government boost customs duty collection at a time when goods and services tax (GST) receipts have fallen below expectations. To be sure, the duty increase will not impact imports from countries such as Thailand and Malaysia, with which India has free trade agreements. Customs duty has been increased by up to 10 percentage points, as per a notification issued by the central board of excise and customs.

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

India Seen Posting Stronger Growth as Businesses Adjust to New Tax

India's economic growth pace likely picked up in the three months ending in September, halting a five-quarter slide as businesses started to overcome teething troubles after the bumpy launch of a national sales tax (Goods and Services Tax). The economy also has moved past the disruptions encountered after India's shock ban on high-value banknotes in November 2016, economists say. For July-September, the median in a Reuters poll of economists was for annual growth of 6.4 percent. Forecasts ranged from 5.9 percent to 6.8percent. If there was 6.4 percent growth, that would mark a sound acceleration from 5.7 percent in April-June, but still lag China's 6.8 percent and Philippines' 6.9 percent for the three months through September.

***(Source:** https://in.reuters.com)*

India signs Advance Pricing Agreements with the Netherlands

India has entered into its first bilateral Advance Pricing Agreements (APAs) with the Netherlands during November, an official statement said. "With the signing of these agreements, the total number of APAs entered into by the Central Board of Direct Taxes (CBDT) has gone up to 186. This includes 171 unilateral APAs and 15 bilateral ones," it said. The transactions covered in the agreements with the Netherlands include distribution, provision of marketing support Services, provision of business support services, among others, it added. The APA scheme endeavours to provide certainty to taxpayers in the domain of transfer pricing by specifying the methods of pricing and setting the prices of international transactions in advance.

***(Source:** Press Information Bureau)*

India Eases Bilateral Transfer Pricing Norms

In a move that could further improve India's ease of doing business rankings, the Income Tax Department has issued a clarification saying that it would allow mutual agreement procedures (MAPs) and advance pricing agreements (APAs) with all countries, abandoning a stance that disallowed such agreements with major trade partners like France, Germany, Italy, Singapore and South Korea. India's previously held stance was, if treaties with a particular country did not contain a 'corresponding adjustment' clause, then the Indian revenue department would not enter into bilateral advance pricing agreements or mutual agreement procedures with those countries. In other words, any transfer pricing disputes would be settled through domestic litigation instead of bilateral arbitration.

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