# National Update

## Finance Panel wants Three Tier GST Structure: Report

The Fifteenth Finance Commission (FFC) has recommended simplifying the GST structure into three slabs, according to a report in *Hindustan Times*. The Finance Commission has suggested a uniform rate of 17%. GST, introduced in July 2017, currently has four rates – 5%, 12%, 18% and 28%. Other suggestions by the panel include a lower merit rate for items of common consumption and a higher rate on luxury and sin goods, the report said. The Finance Commission has forwarded the suggestions to the GST Council, which makes the final decision on the rates. Some policymakers are in favour of rationalising the slabs to simplify the GST structure and boost revenue collections, which have recently seen a slump. GST collection had crossed the ₹ 1 lakh crore mark in November 2019 after three months of lower collections. In another report in *The Economic Times*, the government is considering allowing companies to clear current GST dues without first clearing past pending payments. Officials from the Ministry of Corporate Affairs (MCA) and Department of Revenue (DoR) have begun discussing the matter, the report said.

*(Source: https://www.moneycontrol.com/)*

## Government Asks Officials to Identify, Book Tax Evaders through Data Analytics

The meeting chaired by Revenue Secretary Ajay Bhushan Pandey deliberated on sharing information between GST and income tax departments about all such taxpayers who have taken high input tax credit (ITC) but the information does not match with their personal income tax return submitted to I-T department. In a bid to meet ambitious tax target amid economic slowdown, the Finance Ministry recently held a review meeting with tax officials and directed them to make special efforts to identify and book tax evaders through data analytics and information sharing. The meeting chaired by Revenue Secretary Ajay Bhushan Pandey deliberated on sharing information between GST and income tax departments about all such taxpayers who have taken high input tax credit (ITC) but the information does not match with their personal income tax return submitted to I-T department, sources said. Also, the GST information would be made available to income tax departments to identify the cases of suppression of personal income or tax evasion by showing lower GST turnover or taking refund from GST fraudulently. The officials were told to get into a campaign mode to recover past arrears, sources said.

In furtherance of its concerted efforts to augment tax collection in the coming four months, the Department of Revenue conducted the meeting with senior income tax officials including all its Principal Chief Commissioners and Chief Commissioners to strategise and achieve direct tax collection target of ₹13.5 lakh crore despite recently announced corporate tax relief of ₹ 1.45 lakh crore by the government. Directions were given to the taxmen to put forward special efforts to identify and book tax evaders through data analytics and information sharing and also share findings with GST officials to initiate stern actions against wilful tax evaders or those using fake invoices or inflated or fake e-way bills, source said.

However, officials were asked to ensure that the genuine taxpayers shall not be troubled but none of the tax evaders should go scot free. Officials were also told to communicate with taxpayers that they must genuinely file their taxes before the taxman/notice of the tax department reaches them, sources said. It may be noted that the government is taking all possible careful measures to curb tax evasion and leakages in its anti-evasion drive. The GST Council in its 38th meeting, held recently, decided to lower the limit of ITC outgo from 20% to 10% before invoices are loaded. To genuine taxpayers who have mistakenly missed out some information in their tax return, tax authorities have provided them an opportunity to submit their revised returns as well, sources said.

It may be recalled that earlier, the finance ministry put its GST tax collection targets to ₹ 4.45 lakh crore for the remaining period of this financial year with targeting of ₹ 1.1 lakh crore per month with ₹ 1.25 lakh crore for a single month.

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

## Fintech and Financial Inclusion

In Fintech and Financial Inclusion, Business Insider Intelligence explores the business opportunity for incumbent banks looking to tap the growing opportunity presented by the financially underserved, highlights through case studies how innovative players are utilising technology to capture share in this market, and outlines recommendations for how banks can enter the space as well. Some of the key takeaways from the report are that despite the US being one of the most developed financial ecosystems in the world, a quarter of households in the country make little or no use of mainstream banking products. Also, several barriers have stymied underserved consumers' adoption of mainstream banking products, both from the consumer and FI perspective. Further, innovation in digital banking channels has helped reduce some of these barriers to adoption, making financial products viable for consumers and FIs alike. The report also says banks planning to target consumers that are financially underserved need to consider a number of factors, including product fit, financial literacy, and how they measure metrics for assessing of a financial inclusion effort.

*(Source: https://www.businessinsider.in/)*

## Robots in Finance could Wipe Out Some of its Highest-paying Jobs

Robots have replaced thousands of routine jobs on Wall Street. Now, they are coming for higher-ups. That is the contention of Marcos Lopez de Prado, a Cornell University professor and the former head of machine learning at AQR Capital Management LLC, who recently testified in Washington about the impact of artificial intelligence on capital markets and jobs. The use of algorithms in electronic markets poses a challenge for regulators. The use of algorithms in electronic markets has automated the jobs of tens of thousands of execution traders worldwide, and it's also displaced people who model prices and risk or build investment portfolios, he said.

During the almost two-hour hearing, lawmakers asked experts about racial and gender bias in AI, competition for highly skilled technology workers, and the challenges of regulating increasingly complex, data-driven financial markets.

*(Source: https://www.bloomberg.com/)*

## RBI Caps Lending on P2P Platforms at ₹ 50 Lakh

As per the guidelines, the transfer of funds under P2P lending happens through an escrow account mechanism, which is operated by a bank promoted trustee. To protect the interest of consumers, RBI recently said that on a peer-to-peer lending (P2P) platform the permissible exposure of a lender to all borrowers should not exceed ₹ 50 lakh at any given point of time. The lender investing more than ₹ 10 lakh across P2P platforms will produce a certificate to P2P platforms from a practising Chartered Accountant certifying minimum net-worth of ₹ 50 lakh. As per the guidelines, the transfer of funds under P2P lending happens through an escrow account mechanism, which is operated by a bank promoted trustee. It requires at least two escrow accounts, one for funds received from lenders and pending disbursal, and the other for collections from borrowers, be maintained. It also mandates that all the transactions through bank accounts, and cash transaction are strictly prohibited.

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

## IFSC Banking Units Can Open Foreign Currency Current Accounts

The RBI recently said IFSC Banking Units can open foreign currency current accounts of entities operating in IFSC and of non-resident institutional investors to facilitate their investment transactions. However, IBUs are not allowed to open savings accounts. Issuing instructions regarding permissible activities of IBUs, the RBI further said it will not prescribe any limit for raising short-term liabilities from banks. IBUs can also open foreign currency current accounts (including escrow accounts) of their corporate borrowers subject to the provisions of FEMA 1999 and other applicable regulations. Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers.

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