PRESS INFORMATION BUREAU
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ACHIEVEMENTS AND INITIATIVES TAKEN BY THE CENTRAL BOARD OF DIRECT TAXES (CBDT) HELPING IN FACILITATING THE TAX PAYERS, IMPROVING THE EFFICIENCY AND EQUITY OF THE TAX SYSTEM AND PROMOTING VOLUNTARY COMPLIANCE

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Following are the major highlights/achievements made by the Central Board of Direct Taxes (CBDT), Department of Revenue, Ministry of Finance over a period of time especially during the last one year :

The Department of Revenue, Ministry of Finance, Government of India focuses on improving the efficiency and equity of the tax system and to promote voluntary compliance both in case of Direct and Indirect taxes. Here we discuss the achievements made in case of direct taxes. Overall objective is to achieve the moderate tax rates, on a broad tax base, which is not diluted by sector specific exemptions. The same is ensured by making all sectors contribute to direct taxes. Accordingly attempts have been made to weed-out exemptions (or allow them to sunset) from the legislation as well as to ensure a minimum level of tax contribution by all taxpayers through levy of Minimum Alternate Tax (MAT) on all companies and firms.

In case of non-residents, a balance has been made to allocate taxation rights between the source State and the State of residence of the non-residents on the basis of the provisions of the Income-Tax Act and the provisions of Double Taxation Avoidance Agreements (DTAAs). Advance Pricing Mechanism (APA) has been notified so as to assist taxpayers to obtain certainty on their transfer pricing matters.

Similarly, Safe Harbour Rules have been notified for the purpose of ensuring certainty in transfer price declared by the taxpayer in respect of eligible international transactions. Safe harbour means circumstances in which the Income-tax Authority shall accept the transfer price declared by the assessee. The rules have been drafted after taking inputs from stake holders.

The General Anti-Avoidance Rules (GAAR) have been incorporated to counter undesirable aggressive tax planning in a moderate tax regime and are to apply for income of the financial year 2015-16 and subsequent years.

Extensive use of technology is being made for collection of information without intrusive methods. 360 degree profiling of taxpayers and potential taxpayers is being done for gathering information regarding their sources of income and spending habits. Information technology tools are being developed for exhaustive collection of information and maintenance of database. Information collected from returns of income and other sources is collated so that specific targeted action can be taken against the tax evaders.

The scope of annual information returns has been expanded, e-payment facility through more banks has been extended, the refund banker system has been expanded and e-filing has been made mandatory for more categories of assessees. The Income-tax department is rapidly moving towards technology-based processing as would be evident from the Central Processing Cell (CPC) set-up at Bengaluru and the Central Processing Cell-TDS at Vaishali, Ghaziabad.

Following specific legislative measures have been taken over a period of time, namely:-

a. Transactions in immovable properties are usually undervalued and underreported. One-half of the transactions do not carry the PAN of the parties concerned. With a view to improve the reporting of such transactions and the taxation of capital gains, Tax Deduction at Source (TDS) at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds Rs.50 lakhs, has been introduced. However, agricultural land is exempt from this provision.

b. Closely held companies, which receive funds from shareholders, are required to prove the source of money in the hands of such shareholders for the sum to be accepted as genuine credit. Also, share premium received by a company, not being a company in which the public are substantially interested (subject to certain exceptions), from a resident person in excess of the fair market value may be liable to tax.

c. In order to curb the practice of introducing unaccounted money provision has been made in the Income-tax Act, 1961 to tax unexplained credits, money, investment, expenditure, etc., at the maximum marginal rate i.e., 30% plus surcharge and cess as applicable (rather than at the marginal tax rate of the individual after allowing basic exemption of Rs. 2 lakhs) and that no deduction in respect of any expenditure or allowance shall be allowed in computing deemed income under the said sections of the Income-tax Act.

d. It is now mandatory for every resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India to file a return of income giving details of the foreign assets, irrespective of the fact whether such resident taxpayer has taxable income or not.

e. Penalty provisions on undisclosed income found during the course of a search have been strengthened. Prosecution mechanism has also been strengthened under the Income-tax Act by – (i) providing for constitution of Special Courts for trial of offences; (ii) application of summons trial for some of the offences under the Act to expedite prosecution proceedings as the procedures in a summons trial are simpler and less time consuming; and (iii) providing for appointment of public prosecutors.

f. A new tax called commodities transaction tax (CTT) is levied on taxable commodities transactions entered into recognised commodity exchanges/associations. The new tax is levied @ 0.01 per cent on the seller on sale of commodity derivatives.

g. With a view to attract investment in long term infrastructure bonds in foreign currency, the rate of tax on interest paid to non-resident investors who invest in such bonds during the period 1.07.2012 to 30.06.2015 has been reduced from 20 percent to 5 percent. The rate of tax has also been reduced on interest paid during a two year period starting 1st June, 2013 to 31.05.2015 to a Foreign Institutional Investor (FII) or a Qualified Foreign Investor (QFI) in respect of investment in rupee denominated corporate bonds of an Indian company and Government securities.

h. In order to encourage repatriation of funds from overseas companies, a concessional rate of tax of 15 percent has been introduced for the period 01.04.2011 to 31.03.2014 on dividend received by an Indian company from its foreign subsidiary. Further, the Indian company shall not be liable to pay dividend distribution tax on the distribution to its shareholders of that portion of the income received from its foreign subsidiary subject to fulfilment of certain conditions.

i. In order to facilitate financial institutions to securitise their assets through a special purpose vehicle, Securitisation Trust has been exempted from income tax. Tax shall be levied only at the time of distribution of income by the Securitisation Trust at the rate of 30 percent in the case of companies and at the rate of 25 percent in the case of an individual or HUF. No further tax will be levied on the income received by the investors from the Securitisation Trust.

j. Considering the shortage of skilled manpower in the manufacturing sector and to generate employment, weighted deduction have been provided at the rate of 150 per cent of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines. Similarly weighted deduction of 150 per cent has also been provided on expenditure incurred for agri-extension project in order to facilitate growth in the agriculture sector.

While the Government has successfully implemented the above mentioned provisions as part of the taxation regime, in case of the following two legislative issues, the Government has already taken various steps and both are moving towards their finality:

(i) The Direct Taxes Code Bill, 2010

Direct Taxes Code Bill, 2010 was introduced in Lok Sabha on 30th August, 2010 during the Monsoon Session, 2010 of the Parliament. Lok Sabha had referred the Bill to the Standing Committee on Finance for its examination/consideration. The Standing Committee submitted its report (49th Report) to the Speaker, Lok Sabha on 9th March, 2012. Having considered the recommendations of the Committee, a note for the Cabinet for withdrawal of DTC Bill, 2010 and introduction of DTC Bill, 2013 was sent on 20th August, 2013 to the Cabinet Secretariat for placing it before the Cabinet. Approval of the Cabinet is awaited.

(ii) The Benami Transactions (Prohibition) Bill, 2011

The Government has introduced a new Bill, namely the Benami Transactions (Prohibition) Bill, 2011 (Bill No. 56 of 2011) in Parliament (Lok Sabha) on 18th August, 2011. This Bill proposes to replace the existing Benami Transactions (Prohibition) Act, 1988. The Bill was referred to the Standing Committee on Finance by Lok Sabha for examination. The Report has been submitted by the Standing Committee in June, 2012. The Report is being examined in the Ministry in light of the recommendations of the Standing Committee. Amendment(s), if any, will be placed before the Parliament for its consideration.

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