

***IMF – JAPAN HIGH LEVEL TAX CONFERENCE FOR ASIAN
AND PACIFIC COUNTRIES***

***REVENUE MOBILIZATION MEASURES AND
CURRENT TAX ISSUES – INDIA***

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- **Taxation Powers in India's federal structure**

- ✓ *Central Government:*

- *Direct Taxes: (Income Tax, Corporation & Personal) Dividend Distribution Tax, Wealth Tax)*
- *Indirect Taxes: Central Excise, Customs, Service Tax*
- *Transaction Tax: Securities Transaction Tax*

- ✓ *State Government*

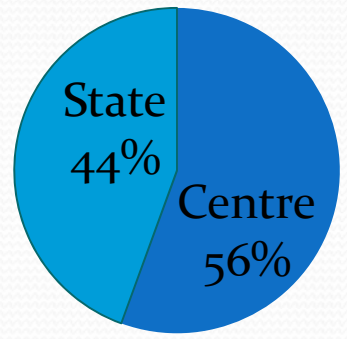
- *Value Added Tax*
- *Excise on alcoholic liquor, luxury tax, entry tax, electricity duty, entertainment tax, stamp duty, property tax, professional tax, agricultural income tax.*

- India's GDP per capita (Dec. 2010):
 - ✓ *US\$823*
 - ✓ *US\$3582 (in PPP terms)*
- Tax GDP ratio (2010-11)
 - ✓ *Total 17-18% (approx) out of which*
 - *Central Government 10% (approx)*
 - *State Governments 7-8% (approx)*
 - *Social security contribution not included in tax figures*

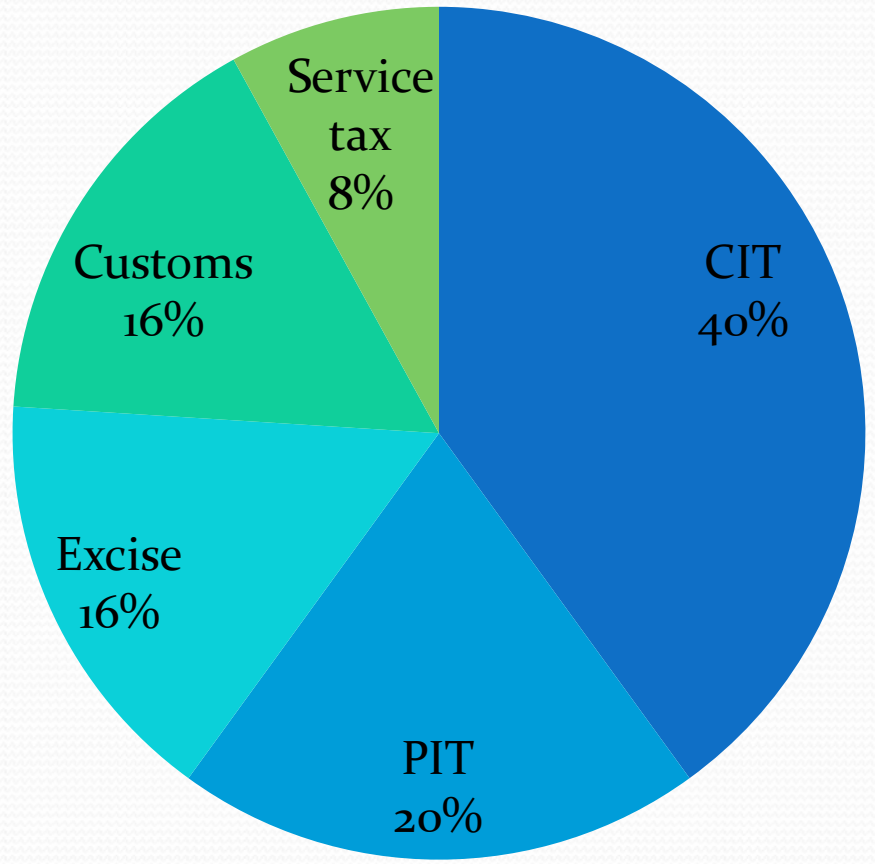
Centre's Tax Collections (approx) (as percentage of GDP)

<i>Direct</i>		<i>Indirect</i>		
6%		4%		
<i>Corporation Tax</i>	<i>Personal Income Tax</i>	<i>Excise</i>	<i>Customs</i>	<i>Service Tax</i>
4%	2%	1.6%	1.6%	0.8%

Central and State Taxes



Central Taxes





- **Revenue Mobilization Measures by Central Government (Direct Taxes)**

- *Revenue foregone analysis and Phasing out of profit linked (sectoral as well as area based) deductions*
- *Levy of Minimum Alternate Tax (MAT) on all companies*
- *Increase in MAT rate while gradually bringing down the overall corporate tax rate*
- *Levy of Alternate Minimum Tax (AMT) on Limited Liability Partnerships (LLP)*

<i>Financial Year</i>	<i>Corporate Tax Rate (%)</i>	<i>Rate of MAT (%)</i>	<i>of Effective Corporate Tax Rate</i>
2006-07	33.6	11.2	20.55
2007-08	33.9	11.3	22.24
2008-09	33.9	11.3	22.78
2009-10	33.9	17.0	23.53
2010-11	33.2	19.9	24.10
2011-12	32.4	20.0	N.A.



- **Revenue Mobilization Measures by Central Government (Direct Taxes) (Contd..)**

- *Strengthening Transfer Pricing Regulations*
- *Extending provisions of Tax Deduction at Source and Tax Collection at Source*
- *Presumptive sale price for real estate transactions*
- *Taxation of indirect transfers abroad where underlying asset is in India*



- **Direct Taxes Code Bill, 2010**

- ✓ *New provisions*

- *General Anti Avoidance Rule (GAAR)*
- *Companies residence to be based on place of effective management*
- *Controlled Foreign Company (CFC) Rules*
- *Branch Profit Tax (BPT) on Permanent Establishments*
- *Advance Pricing Agreements*



- **Other measures**

- ✓ *Proposed introduction of nation wide Goods and Services Tax (GST)*
- ✓ *Third party reporting of financial transactions*
- ✓ *Use of computerized database to track financial transactions*
- ✓ *Strengthening tax information exchange with other countries, specifically tax havens*



- **Challenges**

- ✓ *Low incomes*

- ✓ *Informal cash economy*

- ✓ *Low organized sector employment*

- ✓ *High mobility of residence and capital for large businesses, multinational corporations (MNCs) and high net worth individuals (HNIs)*



Thank You

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