

Budget 2014: Government yet to decide on tax evasion rule GAAR's implementation

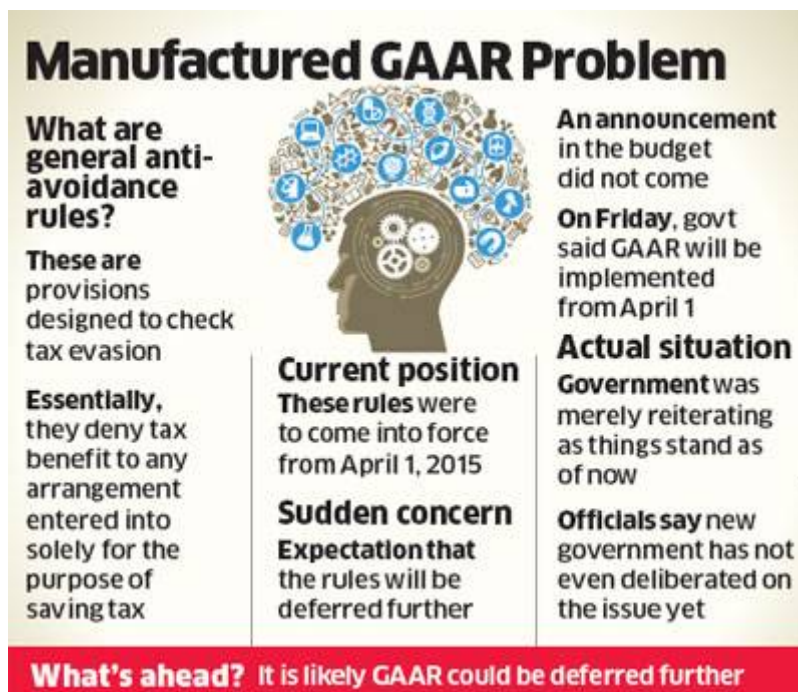
India is yet to decide on the implementation of the controversial tax avoidance rules known as GAAR from April 2015, a top finance ministry official said.

The stock markets were rattled on Friday on confusion over when the General Anti-Avoidance Rules (GAAR) would come into force.


"The issue of GAAR was not on the table for this budget. It was not an issue on which the government had to make an announcement... We are still about eight months away from that," revenue secretary Shaktikanta Das said at a session organised by the Confederation of Indian Industry.

The GAAR provisions were introduced in the 2012-13 budget by then finance minister Pranab Mukherjee to check tax avoidance and were originally planned to be implemented from April 1, 2014. Mukherjee, who is now President, deferred the implementation by a year after an outcry from foreign investors and domestic industry. It was further postponed by his successor, P Chidambaram, to the assessment year April 1, 2016.

A reply to a Parliament question on Friday spooked the stock markets and sent the benchmark BSE Sensex 348 points lower.



Manufactured GAAR Problem

What are general anti-avoidance rules? These are provisions designed to check tax evasion Essentially, they deny tax benefit to any arrangement entered into solely for the purpose of saving tax	 Current position These rules were to come into force from April 1, 2015 Sudden concern Expectation that the rules will be deferred further	An announcement in the budget did not come On Friday, govt said GAAR will be implemented from April 1 Actual situation Government was merely reiterating as things stand as of now Officials say new government has not even deliberated on the issue yet
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What's ahead? It is likely GAAR could be deferred further

Minister of state for finance Nirmala Sitharaman said in a written reply to the Lok Sabha on Friday that GAAR would become applicable from April 1, 2015.

Some brokers were hoping that GAAR would be deferred to 2017. On Saturday, Das said the minister was only clarifying the legal status of GAAR as it currently stands and the new government would shortly take a view on whether the controversial tax law should be implemented from the scheduled date of April 2015.

On Monday, Das said the budget has laid special emphasis on predictability, stability and transparency in the tax regime to allay the concerns of investors.

"Many steps announced in the budget such as extension of tax holiday to the power sector till 2017, removal of sunset clause from dividend repatriation, advance ruling provision for resident taxpayers and widening the scope of settlement commission, clarity in transfer pricing, etc, would give space to industry to plan for investment," Das said. He said the government has taken several measures to inject buoyancy in many sectors.

"Lowering of slab limit for investment allowance, correcting inverted duty structure, tax pass-through status to REITS (real estate investment trusts) and investment trusts, among others, would promote growth in the economy," he said. On the Goods and Services Tax (GST), Das said: "The government is committed to bringing about GST during this fiscal year and we are working towards that."

CII president Ajay Shriram said, "The budget has presented a pragmatic and extensive toolbox of instruments dedicated to boosting investor sentiments and reinvigorating the investment pipeline."

(Economic Times)