

CBDT opposes Shome Committee proposal to defer GAAR by 3 years

The country's apex tax body, the Central Board Of Direct Taxes (CBDT), has opposed Shome Panel's proposal to defer the implementation of the General Anti-Avoidance Rules (GAAR) for three years. The CBDT has submitted a report to the finance ministry on the subject , ET NOW was told by two sources who were familiar with the report.

"A committee constituted by the CBDT has written to the finance ministry and raised several objections on the proposed deferral. The report argues that since the Parliament had approved a one-year deferral of GAAR, a three-year deferral might invite Parliamentary conflict. The CBDT is of the opinion that if tax avoidance has to be addressed immediately, then a delayed implementation of GAAR may not help. The report also urges that the Shome Panel recommendations should be vetted by the Standing Committee on Finance," said one of the individuals familiar with the report. M Govinda Rao, a member of the PM's Economic Advisory Council, has a similar view.

"GAAR has to come in. It is an essential part of dealing with international taxation. In my personal view, postponement of GAAR by three years is not appropriate," he said. Dinesh Kanabar, deputy CEO and chairman , (tax), KPMG India said, "There is a macro-perspective which the prime minister provided when he briefly held the finance portfolio which is now being carried forward by the finance minister. There seems to be an apparent conflict between the macro-perspective which requires tax to be a part of the overall business environment and a micro-view which may look at tax as an end in itself."

The Shome Panel's final report on GAAR was submitted to the finance ministry on October 1 and came as a sentiment boost to foreign investors and corporates who were pushing the government to delay implementation of the rules.

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