

Direct tax code to come into force in April 2012: Pranab Mukherjee

Finance Minister Pranab Mukherjee on Wednesday expressed the hope that the Direct Taxes Code (DTC), which seeks to modernise tax laws in the country, will come into force from April 1, 2012.

"The proposed Direct Taxes Code brings together the policy initiatives on direct taxes. It is slated to come into force from the next financial year," he said while addressing an international conference on 'Tax and Equality'.

In a bid to modernise the tax system, the government has proposed to replace the Income Tax Act, 1961, with a new legislation.

With regard to indirect tax reforms, the minister said, "We are moving toward an economy-wide, generalised value-added tax system of Goods and Service Taxes (GST) at all levels in the country."

While giving details of the tax reforms being pursued by the Indian government, Mukherjee also called for greater international cooperation to deal with the menace of tax evasion and black money.

"Tax evasion undermines the intended benefits of a progressive tax policy," the minister said, adding, "Resolution of these issues requires international cooperation and alignment of tax systems for better cross-border compliance."

Quoting global financial integrity report, Mukherjee said annual illicit outflows from emerging economies and developing countries average between \$725 to \$810 billion.

The Indian government, Mukherjee said, has adopted a four-pronged strategy to deal with the issues of tax evasion and black money.

The strategy includes joining the global crusade against black money and creation of a legislative and institutional framework to deal with illicit money.

Although the strategy has started showing results, Mukherjee said, "The complexity of cross-border transactions is on the rise and presents a serious challenge to tax administrators in practicing and bringing equality."

"The opacity of tax systems in some of the jurisdictions is adding to the

challenges. There has been some movement on these issues in response to the initiative by the G-20. We need to pursue this to its logical end," he added.

Referring to tax reforms within the country, Mukherjee said India has been pursuing them in a gradual manner.

The tax reforms, he added, are aimed at rationalisation of tax rates, broadening of the tax base, special focus on sunrise areas like transfer pricing and international taxation, and strengthening of the tax information exchange network.

The government, he added, was also focusing on providing better taxpayer services, a reduction in the cost of compliance and focused enforcement in the case of high net worth individuals.

The progressive personal income tax policy, Mukherjee said, has resulted in a ten-fold increase in revenue collections, which went up from USD 8.62 billion in 1996-97 to USD 87 billion in 2010-11.

"More importantly, the composition of our tax revenues has altered significantly in favour of direct taxes, which now account for nearly 60 per cent of our tax revenues," he added.

(PTI)