

India moving from.....

Tax Terrorism to Tax Transparency....



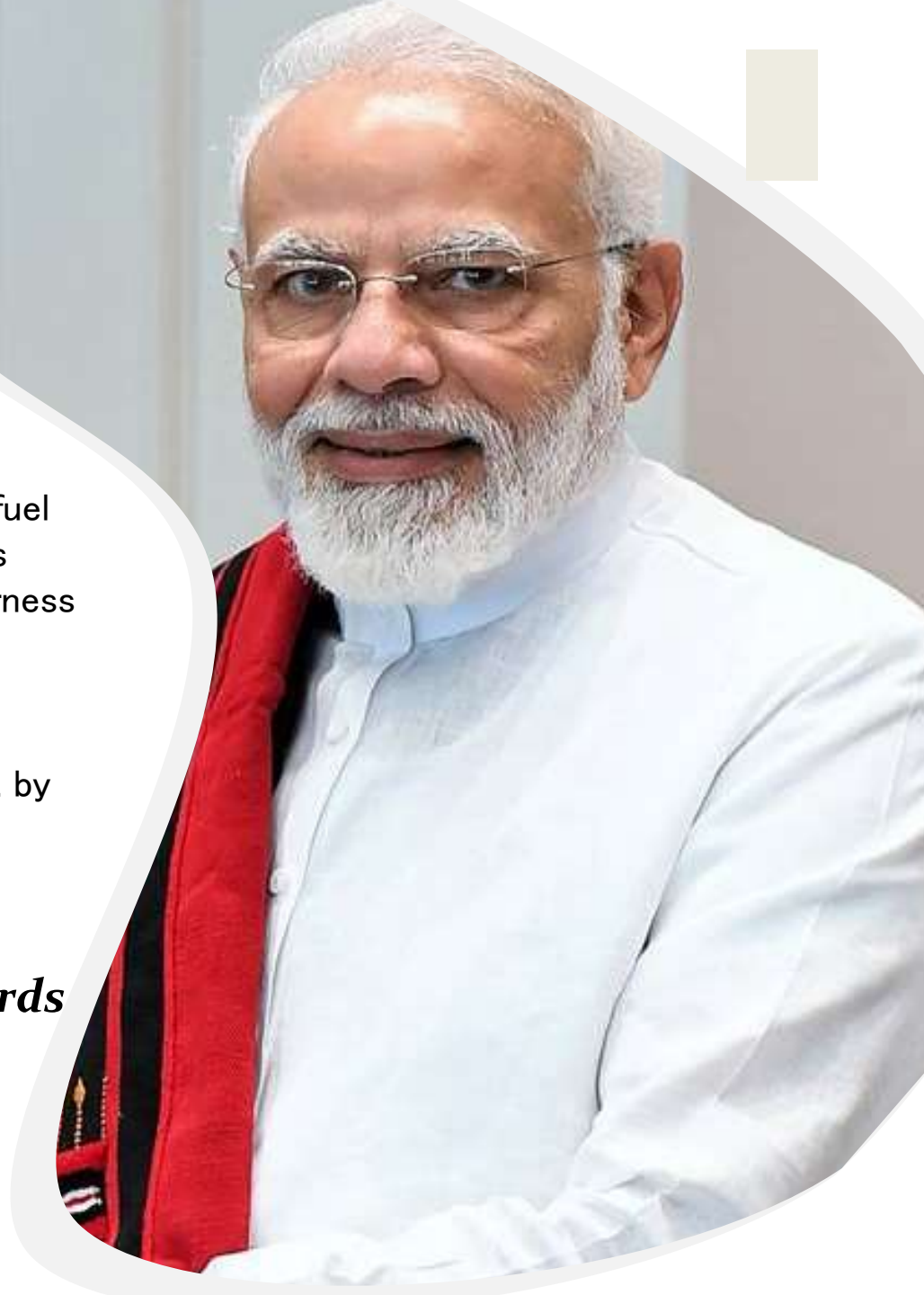


India moving towards Tax Transparency...

There is no doubt that the tax revenue is the fuel for economic development of a nation. But this development is ensured only when there is fairness & transparency in the taxation system.

In this regard, the Prime Minister of India Sh. Narendra Modi has recently assured the Indian citizens of the fairness of the taxation system, by quoting —

***The country is now moving towards
Tax Transparency from Tax
Terrorism.***



To this, Modi ji has added that this positive change has been brought about only after the adopting the mantra of –

Reform, Perform & Transform

According to him, the rules and procedures are under the process of reform through technological means. In his words –

“We are performing with a clear intention. At the same time, we are transforming the mindsets of the officials of tax administration.”



Reforming, Performing & Transforming the Tax Administration at ITAT Cuttack Bench



Recently, the Prime Minister Shri Modi had inaugurated an Office-cum-Residential Complex for the Income Tax Appellate Tribunal, Cuttack Bench via video conferencing on 11th November 2020. In his speech during this event, the PM Modi has stated about the technological reforms in the taxation system.

He has announced that the ITAT Cuttack bench would be providing modern facilities based on upgraded technology. Such facilities shall be accessible not only to the State of Odisha, but also to millions of taxpayers from North-East and Eastern states of India. The techno-savvy facilities shall be devoted for disposing off all the pending tax-related cases in all these states.

(Source: PIB)

How an Ideal taxation system should look like?

In order to explain how a desirable tax administration system should be like, the Prime Minister Modi has quoted a *doha* by Goswami Tulsidas —

“ **बरसत हरसत सब लखें, करसत लखे न कोय,
तुलसी प्रजा सुभाग से, भूप भानु सो होय ।** ”

This means that whenever clouds give rain, its benefit is seen by everyone; however, when clouds are formed with evaporation, the sun absorbs some of the water in rivers but this doesn't cause trouble to anyone.

Similarly, the PM Modi explained that the tax governance should be as such that it doesn't cause any inconvenience to taxpayers while tax collection. When this money returns to the citizens as various growth avenues, taxpayers should really feel the advantages in their lives.

Moving towards Transparency in Tax administration.....

Over the past few years, many noteworthy measures have been taken towards making tax administration more transparent. In the words of Modi Ji, a taxpayer now witnesses remarkable reforms and more transparency in the whole taxation system. In this regard, Prime Minister has referred to various tremendous reforms in the tax administration of India.

We shall now discuss all those tax-friendly reforms.

1

Fast-track Refund Mechanism

As a matter of fact, the taxpayers these days don't wait for months to receive a tax refund. Due to the fast-track refund system, the taxpayers now get refund within a few weeks.



2

Dispute resolution mechanism simplified!

The Income Tax Department has so far worked on simplification of the dispute resolution mechanism, so as to make it more transparent for the taxpayer. This is something that has made dispute resolution smoother and easier for the taxpayer.



3

Faceless Appeal mechanism



Among the most notable reforms that have recently been brought about in the taxation system is of the faceless appeal mechanism, something that has further enhanced tax transparency. The faceless appeal mechanism has been made effective from 25th September 2020. As per this scheme, a tax assessee can now file an appeal for reassessment of his income.

There shall be 3 centres of
appellation as per this scheme:

- National Faceless Appeal Centre ('NFAC')
- Regional Faceless Appeal Centre ('RFAC')
- Appeal Units ('AU')

The scheme provides for various simplified
online modes for the —

- *Allocation of appeals,*
- *Communication of notices and questionnaires,*
- *Enquiry of the details,*
- *Admission of additional grounds and evidences,*
- *Final communication of the appellate order,*
- *Review of order and its rectification,*



Faceless
Appeal
Mechanism

Hence, now there shall be no need for any physical interaction between an appellant (tax-assessee) and the Tax Department.

This mechanism will indeed enhance the process of grievance redressal of the taxpayers.

Moreover, the government has raised the limit for filing appeal:

- From **₹3 lakh to ₹50 lakh** in case of filing appeal at ITAT; and
- To **₹2 crore** in case of filing appeal in the Supreme Court.

This step will increase the ease of doing business in the long run. The immediate benefit would be that this will reduce the burden of tax related disputes and will ultimately result in improvement of the tax mechanism.

A graphic with the text 'Faceless Appeal Mechanism' in white. The text is centered over three vertical bars of different colors: blue, green, and purple. The background of the entire slide is a blue-tinted image of a calculator keyboard.

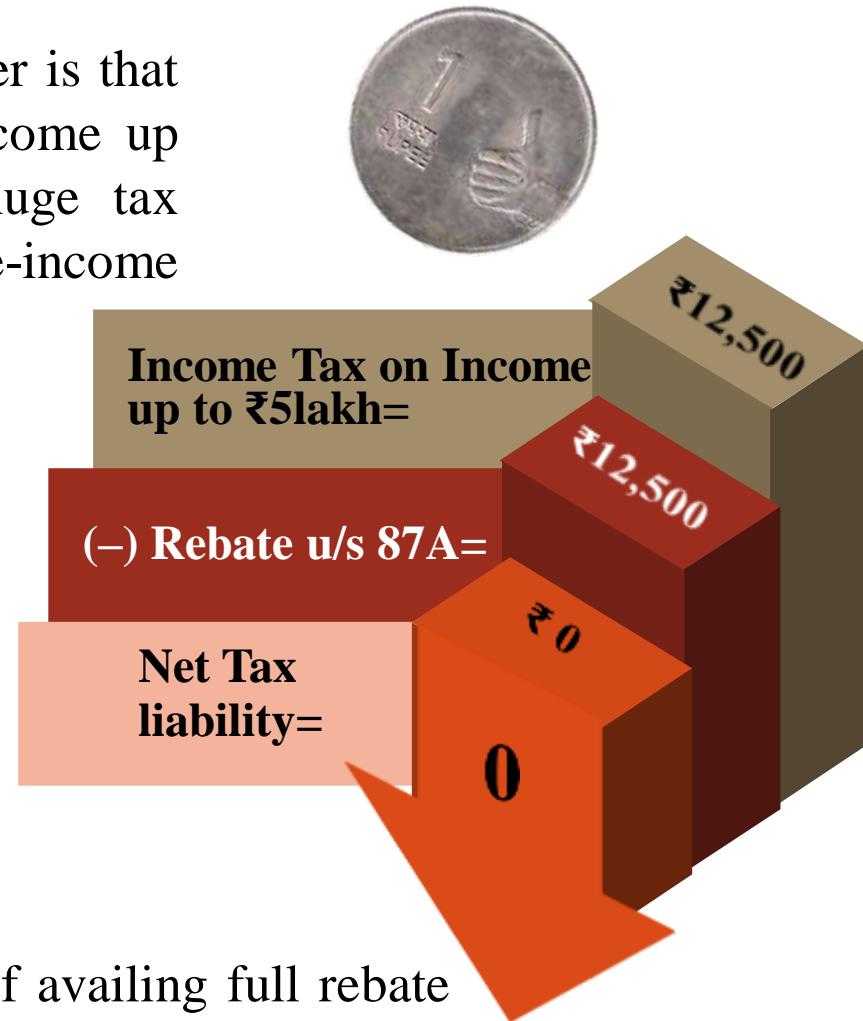
Faceless Appeal Mechanism

4 Zero Income Tax up to ₹5 Lakhs Income

The most visible tax reform to the taxpayer is that currently there is zero income tax on income up to ₹5 lakh. This is often seen as a huge tax relief being provided to the lower middle-income group.

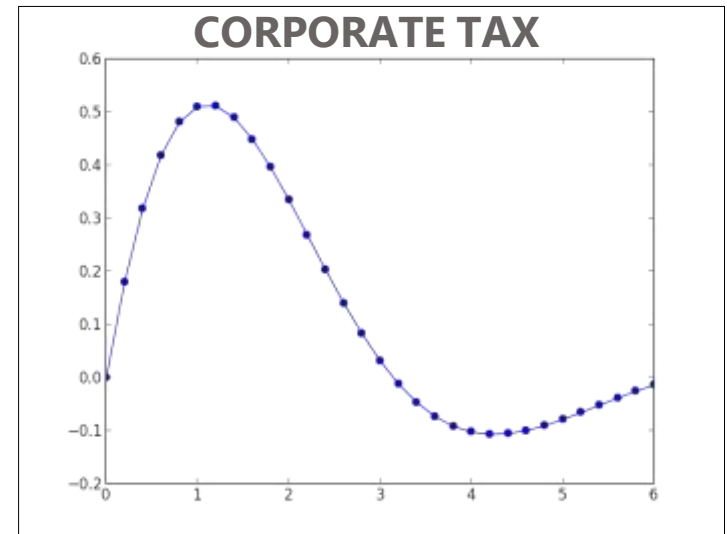
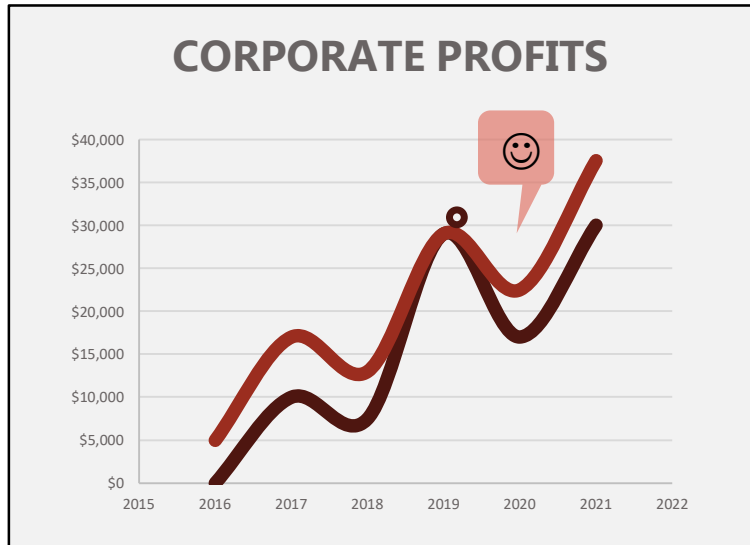
However, the benefit of Zero income tax on income up to ₹5 lakh is due to the raising of the rebate available u/s 87A of Income Tax Act to ₹12,500/-. The tax on income up to ₹5 lakh is still 5% (i.e., ₹12,500/-), to which 87A rebate can also be availed, bringing down net tax liability to ₹0.

In the words of Modi ji this new option of availing full rebate on income tax under the current budget, has simplified the lives of the taxpayers and has given them great relief.



5 Reducing Corporate Profit Tax

In a bid to pace up the economic growth and to make India more investment-friendly, a drastic reform has been brought about by reducing the corporate profit tax. The **rate of corporate profit tax** for the newly set up domestic manufacturing units has been set at **15%** for the native taxpayers of the country. This shall help them become more self-sufficient in manufacturing operations as they shall now get funds to invest in their production. In addition to that, the **Dividend Distribution Tax has also been abolished**. This shall bring in more investment in Indian equity market.





Reforms

As regards GST, the tax net and the tax rate has been reduced in case of many goods and services. This has largely resulting in bringing down the prices of these goods and services.



One Nation One Tax

Transparency in Tax administration: A Journey to continue...

These are some of the evident tax reforms that have been elaborated by our Prime Minister Sh. Narendra Modi as regards tax transparency. These reforms in tax administration are envisaged as a path to lead India towards fiscal consolidation.



Thank You!

Contact us –



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The logo for Enterslice, featuring a stylized blue 'E' with a white outline and a blue circle around it, followed by the word 'enterslice' in a bold, blue, sans-serif font.