AKSHAY SHAH
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TAXTIME

NEWSLETTER

DIRECT TAX NEWS

CAG SPOTS MAJOR ERRORS IN OVER 350 CASES

The Comptroller and Auditor General of India (CAG) has pointed out significant errors in the assessment of over 350 cases related to corporate tax. It also advised the Central Board of Direct Taxes (CBDT) to put in place a foolproof IT system and internal control mechanism to avoid such recurrences.

In a report tabled in Parliament, the apex auditor of government accounts highlighted 356 high-value cases pertaining to corporation tax with tax effect of over ₹12,400 crore. These cases mainly pertained to arithmetical errors in computation of income and tax, errors in levy of interest, irregularities in allowing depreciation/business losses/capital losses, irregular exemptions/ deductions/ rebates/ relief/MAT credit, incorrect allowance of business expenditure, income not assessed/under-assessed under normal provisions, etc.

Out of these cases, CAG has illustrated 38 instances of significant errors/irregularities in corporation tax assessments involving tax effect of around ₹4,000 crore. It said application of incorrect rates of tax and surcharge, errors in levy of interest, excess or irregular refunds “point to weaknesses” in the internal controls in the Income Tax Department (ITD), which need to be addressed.

It said that the Finance Ministry has taken action to initiate correction in the cases pointed out by the audit. It may be mentioned that these are only a few illustrative cases, test-checked in the audit. In the entire universe of all assessments, including non-scrutiny assessments, such errors of omission or commission cannot be ruled out.

I-T SEARCH AT NEYVELI EXPOSES ₹12 CRORE IN UNACCOUNTED CASH

An Income Tax (I-T) search and seizure operation last week against a Neyveli-based group, engaged in the business of chit funds, finance and real estate, has fetched more than ₹12 crore in unaccounted cash.

The tax officials have also found unaccounted cash transactions in immovable properties to the tune of ₹250 crore.

This particular group also runs educational institutions through its trusts. The search covered around 30 premises located at various places such as Neyveli, Chennai, Coimbatore and the Nilgiris.

INTERNATIONAL TAX CORNER

EU LOOKS TO PULL REVENUE FROM SHARE OF OECD TAX DEAL, ENVIRONMENTAL MEASURES

The European Commission on December 22 proposed three “own resources” for the EU budget, including taking a share of the taxing rights to be reallocated to EU member states under Pillar One of the OECD Inclusive Framework tax deal reached in October.

The two other proposed resources would be based on the EU’s recently proposed carbon border adjustment mechanism and on a share of revenues from EU’s emissions trading system.

The Commission’s original plans to introduce a digital levy as an own resource were set aside over the summer and eventually abandoned in favor of supporting the OECD tax deal – from which the Commission now proposes a new own resource to replace the planned digital levy.

Pillar One of the OECD deal would reallocate taxing rights between nations, shifting the taxing rights for a share of the largest multinational groups’ residual profits to market countries. The Commission proposes that the EU take 15% off the top of such taxing rights that would pass to EU member states under the agreement.

The carbon border adjustment mechanism, proposed in July, would put a carbon price on imports of certain products to correspond to the carbon price that would have been paid had the goods been produced under the EU’s carbon pricing rules. The Commission proposes to take for the EU’s budget 75% of the revenues from the measure.

Under the EU’s emissions trading system, member states currently receive most the revenues from the auctioning of emission allowances. Under the proposal, the EU would take a 25% share for its own budget.

INDIRECT TAX NEWS

NEW GST RATES ON TEXTILE LIKELY FROM JANUARY

Despite concerns expressed by the industry, the government is unlikely to defer implementation of higher Goods and Services Tax (GST) on certain textile products, as the decision was taken by the GST Council. The new GST rates will kick in from January 1. The sector had opposed the increase citing higher compliance costs, especially for the unorganised sector and micro, small and medium enterprises (MSMEs), besides making clothing more expensive for the poor.

The finance ministry is expected to take up with the GST Council the concerns raised by the industry over the latter's decision to increase the rates on several textile products to 12%.

IMPORT DUTY ON REFINED PALM OIL CUT

The Centre has slashed the basic customs duty (BCD) on refined palm oil to 12.5 per cent from 17.5 per cent until till March next year and also allowed continuation of import without any quantitative restrictions until December 31, 2022.

The Central Board of Indirect Taxes and Customs (CBIC) on Monday issued the notification, effective from Tuesday, which reduced “BCD on refined palm oil and its fractions from 17.5 per cent to 12.5 per cent till March 31, 2022.” The Directorate General of Foreign Trade also issued a notification on Monday allowing importers to bring in refined palm oil without permit for one more year as the “free” provision was to expire on December 31.

TODAY'S QUOTE

"You get what you give."

– Jennifer Lopez

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