



# Parliamentarian

RNI No.: DELENG/2014/56253 / MONTHLY

PEOPLE | POWER | POLITICS

DECEMBER 2022 ■ ₹ 200

**MASS LAYOFFS**

## DOWNSIZING THE HOPES

The past two years have been swept  
away by the dreaded pandemic waves  
People barely recovered from it, this  
year recession has knocked at the door



2022 AWARDS  
ENRICHING TAX SPACE

**Exclusive Coverage**  
**TIOL Congress**  
**& Awards'22**





TIOL-PARLIAMENTARIAN PARTNERSHIP



**TAX CONGRESS**

# ARE WE READY FOR REVOLUTIONARY IDEAS IN TAXATION?

TIOL organised the 3rd edition of Tax Congress with noted experts to chart the way forward for India as an aspirational economy with better use of modern-day tools like Artificial intelligence for tax policies, implementation and tax compliances







## CHANDRANI BANERJEE

Chandrani Banerjee has studied at the Columbia Journalism School, and covered the US elections, 2016. She has also filed an experience report for UN office of Drug and Crime about the Indian migrant workers, and worked with Outlook



**THE TOTAL TAX COLLECTION FOR BOTH CENTRAL AND STATE- IMMEDIATELY AFTER INDEPENDENCE WERE CLOSE TO 500 CR. WE ARE PROJECTED TO COLLECT NEARLY 42 LAKH CRORE DURING 2022-23, MORE THAN 8000 TIMES OVER 75 YEARS. EVEN ADJUSTED FOR INFLATION THE INCREASE WOULD BE MORE THAN 200 TIMES. THIS REVENUE GROWTH HAS COME WITH ONE OF THE LOWEST TAX RATES IN A CENTURY**

### SNAPSHOTS

**INTERNATIONAL TRADE IS NOW MUCH MORE COMPLEX WITH COUNTRIES INCREASINGLY USING TRADE TOOLS AND CREATING TRADE WEAPONIZATION**

**01**

**WITH THE INCREASED INTERNATIONAL TRADE AFTER THE SECOND WORLD WAR, TAXATION OF CROSS-BORDER TRANSACTIONS BECAME A CHALLENGE**

**02**

**BLOCKCHAIN, DIGITAL CURRENCY, AI AND ALL WILL APPLY TO A LARGE NUMBER OF EXISTING PROBLEMS HELPING PREDICTIVE WORKING**

**03**

**THE 5TH WAVE, WHICH WILL START IN ANOTHER 25 YEARS OR SO, IS EXPECTED TO BRING FUSION POWER WHICH IS CALLED DIGITAL IMMORTALITY**

**04**

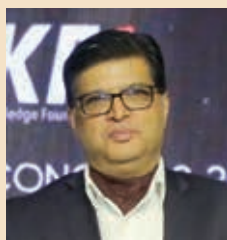
**T**AX CONGRESS had four Technical Sessions at the Congress - 'Beyond ABC of Digital Economy'; 'New Income Tax Code - Are we running behind the clock?'; 'Automated Tax Compliance - Managing Big Data - Revenue for the Government & Insight for big corporate decisions'; and 'GST2.0 - The Next Frontiers'. These sessions were addressed by speakers from the United Nations, UK and the World Bank besides the Governments of India and the States; senior CFOs, seasoned Advocates and other domain experts.

The TIOL fabulously brought in every stakeholder on one platform to share views and discuss the glitches while charting out the way forward.

Towards the evening of the day, the Finance Minister of Tamil Nadu, Dr P Thiaga Rajan, former Judge of the Supreme Court of India, Justice A K Patnaik and the former Member (GST) of CBIC, D P Nagendra Kumar, launched the Book authored by the trustee of TIOL Knowledge Foundation, Shailendra Kumar. The book is titled - 5 Years of The Cob(Web) on GST - Threading the Needle. On this occasion, noted advocate, Mukesh Patel, was presented with the TIOL Special Award for his

# Need To Change Interface of Taxation

**T**AX Congress had four Technical Sessions at the Congress - 'Beyond ABC of Digital Economy'; 'New Income Tax Code - Are we running behind the clock?'; 'Automated Tax Compliance - Managing Big Data - Revenue for the Government & Insight for big corporate decisions'; and 'GST2.0 - The Next Frontiers'. These sessions were addressed by speakers from the United Nations, UK and the World Bank besides the Governments of India and the States; senior CFOs, seasoned Advocates and other domain experts. Have a glance at its summary.



## Automated Tax Compliance - Managing Big Data

At the Tax Congress, while speaking at this technical session, the CEO of the GSTN, M K Sinha, urged the businesses to attune their thinking about compliance at the stage of taking business decision itself. The GSTN data is now triangulated with

the CBDT data and there is also a provision in the GST law for third party reporting. He added that there would be a lot more data going forward from various sources which would indicate likely turnover as well as likely ITC availability. He said that pre-filled form with a facility to edit the data are going to be the norm in the future. At present AI and ML are being used in the ITC flow process and there would be greater use of such tools in the future.



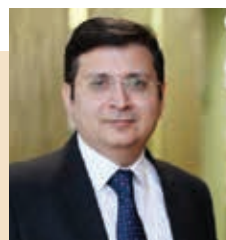
## New Income Tax Code - Are we running behind the clock?

In the technical session, one of the panellists, senior advocate Mukesh Patel said Information Technology has done wonders for the Income Tax regime. Post COVID period reported a 40% jump in I-T collections (about Rs 14,00,000

Crores) owed to a big change in the systems that influenced the mind of the taxpayers. AIS + Faceless Assessment Scheme have worked wonders. But there is a need for a new Direct Tax Code (DTC) for its simplicity. Another expert MS Vasan added that time is right for the new I-T Act, non-obstante clauses clearly link one section to another hence leeway for subjective interpretation and consequent litigation. Present regime is retrospectively making prospective amendments. Need to scrap non-obstante & linking provisions and there is a need to make I-T laws simple enough for laymen.

## Beyond ABC of Digital Economy

Digital economy will increasingly become the economy itself, both of which will be hard to separate. Technology does not expand in a linear fashion and can expand in quantum jumps. Data generation & processing are now important factors of



production. On this topic one of the anchors, Rohinton Sidhwa, Partner, Deloitte Touché, pointed out that many countries are focussing on data localisation. Privacy laws also govern how the data is to be mirrored with a copy residing in India. India has tightest laws on net neutrality.

The CFO of Jio Digital Platforms, Saurabh Sancheti said, "Data is new oil, collection of data is of little value, however, value of data comes out when refined to generate value and apply in business models. The Govt and the department have been very proactive in adopting new technologies, have been at the forefront in harnessing new technology. This fixes loopholes and brings formalisation of the economy plus plugged tax leakages. India can be a digital leader - Better to be the disruptor than the disruptee."



## GST 2.0 - The Next Frontiers!

GST has been the most transformative tax change all have seen for a lifetime's worth. Need to let the existing systems and processes settle down. Let people understand them adequately. Reform process is very difficult to restart all over again. Whether it's GST 2.0 or GST 4.0, the next stage of reform in the GST process is inevitable to a large extent.

E-invoicing will become widespread at some point of time. B2C is also coming into the e-invoicing information systems. Audits may be phased out in future and investigative agencies under GST may change the way they do their work. There is a need to dream big enough to make the GST system in India a world class system quite like today's Fintech systems in India. While addressing the session Former Member (GST), CBIC, D P

Nagendra Kumar said, "India is getting only 50% of the potential revenue that can be generated from GST, largely due to the effect of 3 Es - Evasion, Exclusion & Exemption. There is a need to increase this coverage. This has to be done without also tweaking the rates or the processes & while also providing continuity for taxpayers to stabilise



business processes. Kendra Hann, Deloitte Global Leader, Indirect Tax said, "The European picture - All countries as still learning how to balance between tax collection and giving businesses the certainty & security over what they are doing - The pandemic erased a lot of revenue and tax rates are being tinkered with everywhere in order to make up for the lost revenue. Yet Governments in Europe do this with a certain sympathy since there are a lot of people facing costs of living crisis, so they cannot be taxed too much. Environmental taxes are an area of reform and are also a good way of raising revenue. These encourage the population to use less energy intensive products".





contribution to tax education for 45 years in India.

The two-day event was attended by top policy-makers and tax & trade officials from Govt of India and the States; honchos from Corporate India including PSUs, audit and legal firms; members of the judiciary, academia and also other services sectors.

Speaking at the inaugural session of the third TIOI Congress, the Founding Editor of TIOI Shailendra Kumar said, “We are living in the era of bail-out packages. However, I would like to raise one simple question—from where the government will get the money to announce such bail-out financial

packages? The answer is –from the taxpayers”.

He further said that, “In return, the taxpayers also need to know the tax policies, implementation and better usage of the modern-day tools for tax compliance like Artificial intelligence and other available options. The in-depth discussion will provide some new insights to chalk out a way forward for India as an aspiring economy and what more needs to be done while clearing out doubts about various aspects of taxation. This is also an occasion to examine the health of the fiscal relationship of citizens with states. We must have an understanding of states with the

taxpayers and see how states respond to the challenges of taxpayers”.

### CONCERNS OF ECONOMY

Opening the Tax Congress, with a special address, former IRS officer with Central Board of Direct Taxes (CBIC) and a tax professional V K Garg, “I would like to open the session with an example of Albert Einstein. In 1942, Einstein gave an exam to senior physics students. His assistant asked him, “Isn’t it the same paper you have given to the class last year? Einstein said, “Yes true, however, the answers have changed this time”.

So what was true in 1942 is far truer today. If we pay a look at the total tax collection for both Central and State—immediately after Independence were close to 500 cr. We are projected to collect nearly 42 lakh crore during 2022-23, more than 8000 times over 75 years. Even adjusted for inflation the increase would be more than 200 times. This revenue growth has come with one of the lowest tax rates in a century. The top marginal rate of income tax was close to 98 percent in 1973-74; the average customs tariff till 1990 was 4-5 times of present. There were no tax credits in Central Excise for the first half of the last 75 years and in sales tax till 2005. GST is still finding its teeth.

Meanwhile, the aggregate debt of Indian States has reached a 15-year high of close to 32 percent of GDP. Some States are hovering at a precarious level of 40% or even 45%. RBI has flagged 5 States that are at dangerous levels.

The recent economic crisis in our neighbourhood and some other countries is a stark reminder of the critical importance of keeping public debt within sustainable limits. One has to learn to optimise the trinity of how much borrowing, how much spending and how much to tax.

V K Garg said, “I also would like to draw attention towards the non-inclusion of electricity duty. Even though

**THE FIRST MAJOR INTERNATIONAL RESPONSE TO THE SHIFTING OF PROFITS CAME ON FEBRUARY 12, 2013, WHEN THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) INVOLVING THE G20 COUNTRIES PUBLISHED ITS REPORT ON BASE EROSION AND PROFIT SHARING (BEPS)**





## Bibek Debroy Advocates for Exemption-less System

*(EAC-PM) Chairman Bibek Debroy said that it was natural for people to expect Indian physical infrastructure to be of the same standard as one would see in developed countries. However, the Government requires resources to develop such infrastructure and such resources come through – Taxes*

**T**AX Congress witnessed many intellectual introspection and contribution in its various sessions. Speaking on the occasion, Economic Advisory Council to the Prime Minister (EAC-PM) Chairman Bibek Debroy said, “As citizens, we all want our roads, railway stations, airports and public services at par with countries abroad. We want the government to spend 6 percent of the total Gross Development Product (GDP) on education, while 4 percent on health. 10 percent we would like the government to spend on


infrastructure while 3 percent on defence. So all this adds up to 23 percent while the tax collection of the total GDP is 15 percent only. So the government has a kitty of 15 percent and our demands are 23 percent. And for all this the government needs resources. And the primary source for the government to create resources is taxes.

When GST was announced there was an estimate that was widely quoted that GST would lead an increment of 1 and a half percent to 2 percent to GDP growth. What was not widely quoted was that this estimate was done by the National Council of Applied Economics Research and based on the fact that all goods and services will be part of GST. And there would be a single GST rate.

“As a polity, we need to take a call on whether there should be a single GST rate or not. My submission is that there should be a single rate. I don’t think we will ever get it, but that is what we should want,” he added.

Advocating for an exemption-less system, Debroy suggested that India must move towards a completely exemption-less tax system, pointing out that exemptions are making the system complex. “We must structure a system that will offer no exemption,” he added. The revenue foregone by the government because of exemptions is currently 55.5 percent of GDP, he added, referring to the figures in the Budget document.

Debroy has suggested that Indians should now get into a mental frame to pay higher taxes. And if they are resistant to that then they should settle for reduced delivery of public goods and services, given the wide gap between the total Tax-GDP ratio and the demand for resources by the government to meet physical, social infrastructure, education, and health requirements.

“Even today, there are items outside the GST net,” he pointed out. He highlighted that the estimate of the GST Revenue Neutral Rate (RNR) by the Department of Economic Affairs before the GST rollout was 17 percent, but the average GST rate at present is 11.5 percent. 

Electricity is a part of GST, it is presently fully exempted allowing States alone to levy Electricity Duty. Its exclusion from GST adds to considerable cascading denting India’s global competitiveness. India needs and should see a GST regime to include environmentally-friendly electricity in GST supplementing taxes

lost on fossil fuels from alternative sources of energy.”

Another concern is the growing trend of putting political and economic demands while allowing trade to flourish. International trade is now much more complex with countries increasingly using trade tools to force rival countries

to accept their political or economic demands. This is known as trade weaponization.

### CENTURY-OLD DIRECT TAXATION

Taking forward the tax Congress, the judge of Delhi High Court, Justice Manmohan delivered the inaugural





## IT IS A FUNDAMENTAL RULE OF INTERNATIONAL TAXATION THAT EVERY NATION HAS A SOVEREIGN RIGHT TO IMPOSE A TAX ON THE GLOBAL INCOME OF ITS RESIDENTS AND ON INCOME THAT ACCRUES OR ARISES WITHIN ITS TERRITORIAL LIMITS. THESE TWIN RIGHTS ARE REFERRED TO AS RESIDENCE-BASED OR SOURCE-BASED TAXATION

speech. Focusing on the Century of direct taxation, Justice Manmohan said, “The completion of a century of direct taxes 1922 to 2022 is perhaps a good time to pause and reflect on the years gone by and to examine whether there are critical lessons that one must learn for the future.

“Our generation has seen technological changes at a very fast pace. In just three decades, computers, mobile phones and the internet have transformed almost every facet of our daily life. It is, but, inevitable that our legal system, including the administration and adjudication of taxation, must adapt itself to meet the challenges of the increasingly digital and electronic world” he added.

Stressing on the historical background of the Indian Income-tax Act of 1922, he said, “It was in operation for 40 years before it was replaced by the Income-tax Act, 1961. In fact, the levy of income-tax in British India was made for the first time in 1860 to meet the financial difficulties that arose out of the mutiny of 1857. These were different taxes, but a regular income tax was first imposed in 1867. It was, however, short-lived for five years.

A proper levy of income tax was made in 1886 which was then replaced in 1918, when, for the first time, six heads of taxation were introduced. An All-India Income-Tax Committee was formed and, on its recommendations, the Indian

Income-tax Act of 1922 was enacted. The working of this Act was examined in detail in the 12th Report of the Law Commission (1958). Another committee called the Direct Taxes Administration and Enquiry Committee also submitted its report in 1959”.

Further explaining the background, the Delhi High Court Judge said, “Based on these recommendations and to streamline numerous amendments that had been made in the 1922 Act, the present Income-Tax Act, 1961 came into force.”

Keeping in mind the numerous amendments that have been and continue to be made in the 1961 Act, it is perhaps impossible to expect any tax law that is simple. In the Introduction to the first edition of Kanga & Palkhivala’s Law and Practice of Income-tax, it was stated that “in the law of income-tax, the main principles are fairly simple, but the whole difficulty arises in their application.” What was stated in 1950 continues to be true to this day?

Over the last century, the important issues that have arisen for consideration before the legislature and the judiciary have changed considerably.

For instance, in 1947, a levy was made on capital gains for the first time, and this led to a substantial amount of litigation as to what amounted to a transfer of property. Immediately after the introduction of the 1961 Act, the litigation was primarily focused on what constituted income, the difference between a revenue and capital receipt, and expenditures that were allowable as deductions.

It is significant to note that now several other branches of law have developed through judicial rulings on income tax. In fact, in the *Madras Bar Association 1 vs Union of India* (2014-TIOL-82-SC-MISC-CB) International Taxation case of 2014, the



## Manmohan Singh's Indebted Contribution To Indian Economy

*Former PM Manmohan Singh said economic growth, social change and political empowerment have brought in their wake the new aspirations of an entirely new generation of Indians*



**T** IOL Fiscal Heritage Award 2022 was conferred on Dr Manmohan Singh, for his Lifetime contribution to economic and fiscal space. The Award was conferred by the Union Cabinet Minister, Nitin Gadkari.

Speaking at the TIOL Heritage Award Function Dr Manmohan Singh asserted that India will continue to rise and show to the world the way forward by blending tradition with modernity. On the role of the media in a democracy, the former Prime Minister said, it has a very important contribution to make in the process of nation-building. "We expect the media to be vigilant, to point out the shortcomings of the Government and thus help in improving the effectiveness of governance," Dr Singh said.


He further said economic growth, social change and political empowerment have brought in their wake the new aspirations of an entirely new generation of Indians. This has contributed to growing impatience and a desire for faster growth and a better quality of life. These aspirations and ambitions are exerting pressures on governments to deliver

more, perform better, and be more transparent and efficient.

Recalling his days as Finance Minister, Dr Singh said that he entered the world of politics in the midst of a crisis. In 1991, India was confronted by challenges on the external front. "Most of you will only recall the external payments crisis of 1990-91. But this payments crisis occurred in the backdrop of an even bigger challenge – the breakdown of the global bipolar order. As Finance Minister, I had to worry not only about reducing the fiscal deficit and reviving economic growth, but also about stabilising the rupee and ensuring access to adequate foreign exchange," he said.

At that critical time, I had said that the emergence of India as an economic powerhouse was an idea whose time had come," he said, adding that as the finance minister he defended the interest of the nation while remaining committed to the pursuit of equity and justice.

Under the leadership of Prime Minister Narasimha Rao, he said, "we took momentous decisions with respect to our economic policies as well as our foreign policy. Prime Minister Narasimha Rao launched what has come to be known as India's 'Look East Policy,' linking India to the new growth engines of Asia". He said, "India liberalised its trade and investment rules to help the country re-integrate with the global economy. The policies of those years had a far-reaching and enduring impact".

As the Prime Minister in 2004, Dr Manmohan Singh said, "I took on that responsibility with diligence as my tool, truth as my beacon, and a prayer that I might always do the right thing. As I have said on many occasions, my life and tenure in public office are an open book. Serving this nation has been my privilege. There is nothing more that I could ask for". The former Prime Minister also said that governments come and governments go, but this great nation of ours is the heir to one of the oldest civilizations known to humanity. Its history is marked by continuity and change, and a remarkable cultural plurality, he said, adding these are important strengths, he added. 



## **The country requires Dr Manmohan Singh's humility to take everybody along**

*The growing use of artificial intelligence and digitalization may result in joblessness. Once India thrived on outsourcing but the technical upgradation is cutting down human placements*


**F**ORMER Finance Minister of Punjab Manpreet Singh Badal while speaking about the former Prime Minister's contribution said, "Husne tadbeer se jaag utha hai kaumo ka naseeb, kabhi badlati nahin takdeer armano se".... this is famous line of Mohd Iqbal, a renowned poet of the subcontinent.

And this year is the 75th year of Indian Independence and Independence never comes easy. It has come with a lot of British bullets leaving their children and beautiful wives behind. They were hopeful that Independent India would offer a prosperous and cultural life with access to decent education and housing. Here I am standing in front of you 75 years late deeply aware and acutely embarrassed that some of the dreams of our freedom fighters are still unfulfilled. And I belong to Punjab and every family had to immigrate to India

from which is now called Pakistan, millions of people died. Millions of people from both sides had to cross the border. There is no one better than Dr Manmohan Singh who would know it better who left village Gah, which is in Jhelum District.

The land of five rivers, Punjab, has sent its finest sons to defend the freedom and dignity of its ancient land. It is on the foundation of courage that Punjab is built. There are three categories- have, have-nots and those who are indebted to the haves. The first two situations are many a time not in your control but the third category is one's personal choice. I think the greatest contribution of Dr Manmohan Singhji is that he decided that India will not be in the third category. Punjabi and defeatism, and pessimism cannot go into the same breadth. We hear about the rise of Indian unicorns, we hear about the rise of global CEOs, and we hear about the rise of global Indian politicians. This is the emergence of the new age India but this had happened out of a decision taken by Dr Manmohan Singhji and his colleagues in the 1990s.

Sometimes I wonder what if Dr Chandrashekhar has not convinced Dr Manmohan Singh to join as his economic advisor. What if Dr Narshima Rao has not appointed Dr Manmohan Singh as his Finance Minister? What if Dr Singh refused to join as finance minister in Dr Rao's cabinet? I think these are the questions best left to historians. But today India is again on the threshold of the rise of China, the war in Ukraine, the rise of radical forces all over the world and the fourth is industrial revolution upping the ante for us. What path does India adopt and what are corrective measures required to ensure that the historic forces do not overtake us?

The growing use of artificial intelligence and digitalization may result in joblessness. Once India thrived on outsourcing but the technical upgradation is cutting down human placements. I have a lot of questions but no answers. My worry is not that I haven't had the answers but many in prominent positions are oblivious to it. It requires someone of Dr Singh's intellect and wisdom to address these questions. The country also requires his humility to take everybody along. 

**THE BEGINNING OF THE PRESENT CENTURY SAW NUMEROUS MEASURES TO INCLUDE IN THE TAX NET, INCOME WHICH AROSE OUT OF BUSINESS ACTIVITIES, NOT NECESSARILY IN INDIA, BUT OUT OF ACTIVITIES THAT HAD AN ECONOMIC NEXUS WITH INDIA**

Supreme Court noted that as many as 12 branches of law had to be taken into account while deciding tax-related disputes. These included personal law, company law, contract law and laws relating to property, trusts, societies, and intellectual property.



## INTERNATIONAL TRADE PUZZLES

Justice Manmohan further said, “With the increased expansion of international trade and commerce after the Second World War, the taxation of cross-border transactions became a critical challenge for both Parliament and the Courts. It is a fundamental rule of international taxation that every nation has a sovereign right to impose a tax on the global

income of its residents and on income that accrues or arises within its territorial limits. These twin rights are referred to as residence-based or source-based taxation. Once again, there is little difficulty in deciding whether a particular income actually accrues or arises in the territory of India.

The first major International response to the shifting of profits came on

February 12, 2013, when the Organization for Economic Co-operation and Development (OECD) involving the G20 countries published its report on Base Erosion and Profit Sharing (BEPS). In 2015, the OECD released 15 Action Plans, which came to be known as BEPS 1.0. These Action Plans were based on the premise that fundamental changes were needed to prevent double non-taxation,



## Nitin Gadkari Lauded Manmohan Singh for his Iconic Reforms


*The Public Private Partnership (PPP) framework introduced for Dr Singh spurred the expansion of the infrastructure sector at that time and even now for the projects like Sagarmala, major ports, waste water management etc under the PPP mode*

**W**HILE conferring the award on Dr Manmohan Singh, Nitin Gadkari reminisced on his fundraising success for various projects in the past and present and said that it was due to the liberal economic policies initiated by Dr Manmohan Singh during the prime ministership of P V Narasimha Rao that India has sufficient capital to fund infrastructure projects. “Our country is indeed indebted to Dr Manmohan Singh for initiating bold liberal economic policies during the height of debate between Marxist Socialism Vs Capitalism debate,” said Gadkari.

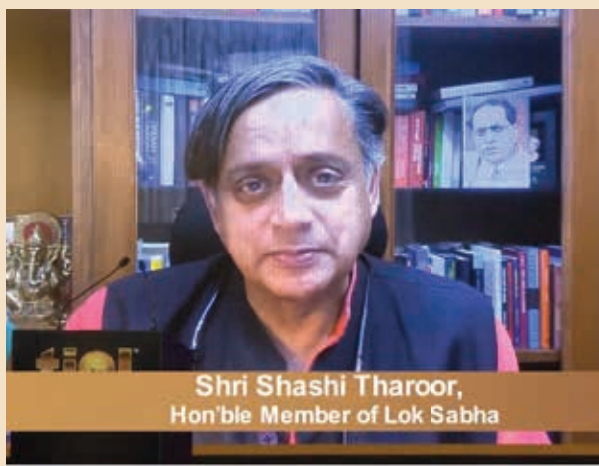
He gave Dr Manmohan Singh credit for being the brain behind the iconic LPG (Liberalisation, Privatisation & Globalisation) reforms of 1991, that not only saved India from a balance of payments crisis but also put India on the path to soon becoming an economic powerhouse.

He recalled his days as the Minister in the State of

Maharashtra and how the liberal economic policy introduced by Dr Manmohan Singh enabled him to mobilise a sum of Rs 1200 Crore through the capital market and create a network of 55 flyovers in Mumbai besides the Sea-Link.

He praised the Public Private Partnership (PPP) framework introduced for Dr Singh, which spurred the expansion of the infrastructure sector at that time and even now for the projects like Sagarmala, major ports, waste water management etc under the PPP mode. Liberal policies enabled the Government in reaching out to the economically and socially backward classes of the population. Thanks to the LPG reforms initiated by Dr Singh, capital investment as a source of funds helped to boost the growth rate, generate more employment and ultimately achieve the alleviation of poverty. Present-day development is owed to Dr Singh’s reformist policy and for which India is indebted to him. 

## "Manmohan Singh Took Indian Economy to Great Heights" -Shashi Tharoor



*During his Prime Ministership, he pulled out 10 million above the poverty line which is an unmatched benchmark till date*

CONNECTING digitally to the TIOL Congress, Shashi Tharoor, a member of Lok Sabha and former Union Minister Of State, Ministry of External Affairs, also heaped praises on Dr Manmohan Singh for visionary economic policy and statesmanship. Addressing the occasion, Tharoor said, "He took the underperforming Indian economy to great heights. He subsidized the non-performing private sector to make it productive. And put India into a position where India is stating its own terms to do trade and business. During his Prime Ministership, he pulled out 10 million above the poverty line which is an unmatched benchmark till date. He is the most heard voice when G-20 gathered to discuss the world's macro economy. It has been extraordinary to see that he has overcome some of the endemic challenges that the Indian economy faced during his time. Dr Singh is the worthy recipient of this lifetime achievement award". [P](#)

as well as cases of no or low taxation associated with practices that artificially segregated taxable income from the activities that generated it. For instance, to deal with treaty abuse, the G20 BEPS Project required countries to adopt at the minimum rules designed to ensure that only true residents qualify for treaty benefits.

These included various combinations of limitation on benefits (LOB) rules which were a specific type of anti-treaty abuse rule and or more general principle purpose test (PPT) rules and amendments to tax treaties to specifically state that their objective was to prevent double taxation and not facilitate treaty shopping. We must however not forget that there are certain universal and timeless principles that will always prevail. The famous dictum of Justice Rowlatt that there is no equity about a tax is not entirely true.

There may be no equitable consideration when a statutory provision is clear, but equity, fairness and justice

have vital roles to play in the implementation and administration of any tax system.

Emphasising on various aspects he said, "After all, taxation is only a means to the end of economic development of any nation. It cannot be an end in itself. Equally important is the role of the tax professionals who must shun artificial devices and any kind of planning that amounts to tax evasion. It is hoped that in the years ahead, the Citizens Charter is implemented in letter and spirit by the tax department and that assesseees and tax professionals are equally mindful of their duty of being honest taxpayers. Only then we will be able to thrive, with steady economic growth and good jobs".

### FACELESS ADJUDICATION

While the changes in international taxation will certainly have far-reaching consequences, the changes that have taken place in our tax administration have been of no less significance. For the first time, assessments are now completed

in a faceless manner and even the first appeal to the Commissioner is faceless. These statutory provisions seek to employ artificial intelligence in the hearing and disposal of assessments and appeals. It will be interesting to see how effective the new system is.

Information sharing arrangements between India & other countries have vastly improved and these arrangements ensure that the Indian tax authorities automatically receive information about Indian residents who have assets in foreign jurisdictions or information about MNEs allocating profits abroad.

The Executive must ensure that there is trained manpower, sufficient systems, infrastructure and capabilities to analyse such information to reap the true benefits of this flow of information in a timely and focused manner. There is also a growing need for the Indian tax administration to balance its effort to collect taxes while at the same time recognizing the need for India to remain the favoured investment and FDI destination. [P](#)





# CANVAS OF TAXES BY 2047

The recent economic crisis in our neighbourhood and some other countries is a stark reminder of the critical importance of keeping public debt within sustainable limits. One has to learn to optimise the trinity of how much borrowing, how much spending and how much to tax. By VK GARG  
EX-IRS & TAX PROFESSIONAL



## SNAPSHOTS

RAPID ADOPTION OF AADHAR, UPI, JAN DHAN AND ELECTRONIC PLATFORMS IS FORCING A VAST INFORMAL CASH ECONOMY INTO FORMALIZATION

01

THOUGH ELECTRICITY IS A PART OF GST, IT IS PRESENTLY FULLY EXEMPTED ALLOWING STATES ALONE TO LEVY ELECTRICITY DUTY

02

THE WEALTH IN THE FIRST INDUSTRIAL REVOLUTION CAME FROM INVENTIONS IN THERMAL DYNAMICS THAT CREATED THE HEAT ENGINE

03

3RD WAVE BROUGHT COMPUTERS, INTERNET AND PRODUCED NEW WEALTH CREATORS. THE 4TH WAVE HAS JUST STARTED

04

**I**N 1942, Albert Einstein gave an exam to senior physics students at Oxford. His assistant asked him: “Isn’t it exactly the same exam which you had given to the same class one year ago?” “Yes!” said Einstein. “Well, the answers have changed.” What was true in 1942 is far truer today. The rate of change over time has become far steeper than ever before. When we change over shorter spans, we are constrained to think in boundaries, which may be constitutional, political, technological or economic. But when you think decades ahead, most of these do not remain boundaries.

Elon Musk is talking of placing 1 million people on Mars by 2060, Yuval Noha Harari, believes that humans may cease to exist in 100 years replaced by AI-enabled robots as new species - entirely being able to multiply on their own. Whatever be the credibility of such projections, it is widely believed that the next 25 years would see change somewhat equivalent in quantum to what we saw in the past 100 years. In order to fathom the extent of possible change, it might be helpful to have a quick glimpse at some aspects of taxes in the past:

If this talk was being held in 1950, or 1975, or even 1990, I doubt anyone would have made projections anywhere close to where we stand today. I thus approach this subject with great humility, attempting to touch very briefly on some key

trends. Clearly a 15 minute presentation can only touch the surface of the subject.

### **RIISING PUBLIC DEBT**

The aggregate debt of Indian States has reached a 15-year high of close to 32% of GDP. Some states are hovering at a precarious level of 40% or even 45%. RBI has flagged 5 States that are at dangerous levels.

GST compensation has not only dried up but the future cess is committed to repay the amount borrowed to pay the previous shortfall. The worst impacted States are facing a crunch in the range of 35-50% of assured revenues.

With freebies gaining centre stage, this is likely to place significant pressure on Centre to help States bridge the gaps. Recognizing limits to getting revenue only with improved compliance, Governments will face pressure for newer taxes or higher taxes, including allowing high-deficit States to impose higher GST. Many States have already raised fees and charges for the provision of many services levying such fees more like taxes.

### **DEMOGRAPHIC CHANGES**

It is estimated that the old-age dependency ratio, defined as the number of people aged 65+ as a percentage of the number of people in the 20-64 age category, will jump by more than 50% in

the next 25 years across major economies of the world. India presently enjoys a relatively better demographic dividend, but our number would double in the same period due to the low base.

It is well known that consumption tends to peak when people are middle-aged, while it is lower for older people as they consume far less durables which pay higher consumption taxes. Moreover the incomes of older people suffer far lesser income tax.

This creates pressure to raise tax rates on the rest of the population though it may not be advisable to meet the entire gap from higher taxes. It is usually tough to increase rates of personal income tax which has a far more serious effect on labour markets and investments. The burden thus falls elsewhere.

Japan, which has one of the highest populations above 65 years amongst major countries at 30%, has increased its VAT rate from 3% in 1989 when they embraced VAT, to 5% in 1997 to 8% in 2014 and 10% in Oct, 2019.

### **NET ZERO EMISSION TARGET**

We are aware that India has committed to net zero emissions by 2070 and achieve 50% of this target by 2030.

With the tapering off of fossil fuels, one of the major sources of taxes from petroleum and coal, constituting presently nearly 25% of State-taxes and

about 17% of all Central taxes, will start declining, gaining considerable momentum by the end of the next decade. That will create pressure to augment taxes from other sources.

Even though Electricity is a part of GST, it is presently fully exempted allowing States alone to levy Electricity Duty. Its exclusion from GST adds to considerable cascading denting India's global competitiveness. India needs and should see a GST regime to include environmentally-friendly electricity in GST supplementing taxes lost on fossils fuels from alternative sources of energy.

### **ELECTRONIC PLATFORM**

TDS and TCS in income tax have already made significant contributions in this area. In GST, tax credit can only be claimed if the particulars of suppliers are validated making it much tougher not only to evade GST but also to carry illicit transactions. The rapid adoption of Aadhar, UPI, Jan Dhan and electronic platforms is forcing a vast informal cash economy into formalization. These Electronic Operators are being subjected to TCS in GST establishing a trail that can help track persons who earlier remained under the radar.

When food platforms like Zomato were made accountable last year for payment of GST for food delivery by individual restaurants it brought massive

**WITH THE TAPERING OFF OF FOSSIL FUELS, ONE OF THE MAJOR SOURCES OF TAXES FROM PETROLEUM AND COAL, CONSTITUTING PRESENTLY NEARLY 25% OF STATE-TAXES AND ABOUT 17% OF ALL CENTRAL TAXES, WILL START DECLINING, GAINING CONSIDERABLE MOMENTUM BY THE END OF THE NEXT DECADE. THAT WILL CREATE PRESSURE TO AUGMENT TAXES FROM OTHER SOURCES**





## TAX COMPLIANCE IN THE FUTURE WILL BE LIKE SELF-DRIVING CARS, BASED ON ALGORITHMS AND DESIGN SYSTEMS, FREEING UP THE DRIVER'S ATTENTION TO CONCENTRATE ON BUSINESS. GOING FORWARD BILLIONS OF PACKAGES WILL BE SENT OUT FOR DELIVERY USING DRONES, ROBOTS, OR AUTONOMOUS VEHICLES



formalisation of such restaurants with accounted sale increasing up to 50 times in certain cases.

In many sectors profit margins are tax evasion. Such businesses are shutting down. As per Ministry of Corporate Affairs nearly 4.5 Lakh companies shut down during the first 3 years of GST, an unprecedented number. This is also evident in corporate taxes rising by close to 24% and GST by 33% in the first half of current FY.

Fewer and fewer entities are contributing a far bigger share to profits and taxes. In the United States the top 100 firms accounted for 84% share of the combined earnings of all listed companies. This figure was 49% in 1975 and 53% in 1995.

### DIGITALISATION

If India has to meet its ambition of reaching a 20-25 trillion dollar economy by 2047 we would need to be hyper-competitive and save on all costs that do not add intrinsic value to a product or a service.

Cost of tax compliance is one such cost.

Tax compliance in the future will be like self-driving cars, based on algorithms and design systems, freeing up the driver's attention to concentrate on business. Going forward billions of packages will be sent out for delivery using drones, robots, or autonomous vehicles. If anyone believes that E-way

bills, tax returns, searches and seizures will survive a lifetime, he may not be thinking even a decade ahead.

Automated tax systems, relying on advanced data analytics, will know so much about economic participants that evading taxes and hiding wealth would be next to impossible.

Block chain, digital currency, AI and Robotic- based solutions will apply to a large number of existing problems helping predictive working, including automated filings and verifications. Even though facing a robot judge sounds like science fiction at present, many envision this as a part of the next set of possibilities in administration of justice.

These technologies already facilitate justice-delivery in many countries like China, Singapore, the US and the UK. AI automatically screens out cases for the purpose of reference, recommends relevant laws and regulations, drafts legal documents and alters perceived human errors in a judgement. At least the problem of revenue biased show cause notices can be addressed through such AI techniques restricting demands unless the machine validates the proposed notice by a desired minimum rating.

### NEW WAVES


Where does all wealth come from? Some may say: Taxes. However If you tax Peter to pay Paul it is a zero-sum game.

All wealth comes from science and

technology. The wealth in the first Industrial revolution came from inventions in thermal dynamics that created the heat engine, the Industrial revolution and produced heroes like Rockefeller.

The next wave produced electronics and the new Rockefellers were the likes of General Electric. The 3rd wave brought computers and the Internet and produced new wealth creators like the FAANG companies. What are going to be the 4th and 5th waves? 4th wave has just started and concerns advancements in Artificial Intelligence, Nanotech and Biotech: Heroes of this area are not created yet.

The 5th Wave, which will start in another 25 years or so, is expected to bring Fusion Power that will bring machine-brain interface and what is called Digital Immortality. It is well impossible to project tax scenarios for these technologies.

While new technologies would bring lots of value it would not come without its own share of problems, some of which might need new taxes. World is already debating the Robot Tax, to be levied when you replace a human worker with a robot to incentivize human employment and creating resources for re-skilling or as means of livelihood for those replaced. If the future sounds like a science fiction movie you are probably wrong. But if it doesn't sound like science fiction you are certainly wrong. 

## 5 YEARS OF THE COB(WEB) ON GST

# THREADING THE NEEDLE


The book highlights some of the unique innovations of the Indian GST regime, such as a simultaneous power to levy tax by introducing Article 246A in the Constitution, the roles and functions of the GST Council

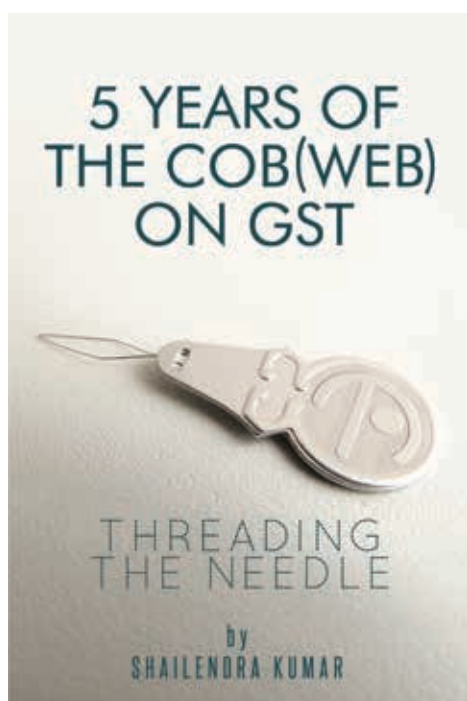
**I**N the Tax Congress a new book, 5 Years of The Cob(Web) on GST - Threading the Needle authored by the Trustee of TKF, Shailendra Kumar was also released by the Finance Minister of Tamil Nadu, Dr P Thiaga Rajan; Member of the Rajya Sabha, Sushil Modi, former Judge of Supreme Court of India, Justice A K Patnaik and the former Finance Minister of Punjab, Manpreet Singh Badal.

On the occasion, Dr Rajan praised the author Shailendra Kumar for the objectivity of his new book and how it avoided any political or philosophical bias and the expert handling of complex issues involving GST. He hailed the book as a breath of fresh air, considering how much information is already available on this subject. Former Member (GST), CBIC, D P Nagendra Kumar hailed the book for giving an accurate picture of the journey of GST across the past five years, since it was implemented in July 2017.


Not only that, he praised the book for depicting the inception of GST in India, beginning from the year 2000 and how it became a concrete policy in 2006 and then underwent a turmoil

## THE BUGGY CHUGS ON

**A** compendium on 5 years of GST in India titled '5 Years of GST – The Buggy Chugs On' has been prepared by the TIOL Knowledge Foundation. The book was also released by Hon'ble Justice Manmohan of Delhi High Court, Dr Bibek Debroy, Chairman, Prime Minister's Economic Advisory Council and V K Garg, a widely respected tax expert in the presence of Shailendra Kumar, Trustee, TKF and R Sreedhar of TKF. About 40 chosen experts of indirect taxes have contributed their perspective and insights on the journey of GST. The experts were selected from all spheres - politics, policy-making, law, accounting, corporate, management and also fiscal journalists. 



of deliberations that lasted one full decade, before ultimately culminating in the 101st Amendment of the Constitution of India. He said that the book also outlines how the fledgling tax subsumed a large number of Central and State taxes and that this experiment was not without its flaws. He highlighted some of the unique innovations of the Indian GST regime, such as a simultaneous power to levy tax by introducing Article 246A in the Constitution, the roles and functions of the GST Council and the electronically administered tax administration, which involves a GST portal for both back end and front end processes.

He gave credit to the political leadership at the Centre and at the States for their altruism in adopting the GST regime, which entailed both having to forgo a certain amount of income, in exchange for a stable and uniform tax system. He praised the book for its deep insights and constructive criticisms of some very crucial issues, some of which culminated in corrective steps being taken by those in power. Before this Shailendra Kumar has also authored two more books in the past - "COVID-19 - Genocide Without Parallel" and 'It's Raining Black' on the issue of black money and tax havens. 






## “GST AFFECTS EVERYONE IRRESPECTIVE OF INCOME” - P THIAGA RAJAN

It is rare to find a country where the first slab of direct taxation starts as 2-5 times the per capita income – in most other countries, the first taxable bracket starts at some fraction of the per capita GDP

**D**RAWING a difference between direct and indirect taxes, Dr P Thiaga Rajan, Finance Minister of Tamil Nadu stated that direct taxes were progressive, since the tax administration knows from whom the tax is collected and can be given some sort of benefit to the taxpayer in the form of rate rationalisation or anything else. However, in indirect taxation, the administration cannot see from whom the tax is

### DIGITIZATION PLAYED GREAT ROLE IN GST


**D**USHYANT Chautala, Deputy Chief Minister, Haryana, admired the rapid growth that India has witnessed in the past two decades and also the role played by digitization in increasing the pace of growth. He gave credit to the GST regime as being an important driver of this transformation and applauded the Centre and the States for their synergy in making the GST regime work smoothly and the role played by the Tax Department officers who ensured a fair implementation of tax and fiscal policy.

Chautala expressed his pride in mentioning how Haryana was emerging as a major producer state and having the largest per capita receivables. He mentions how the tax collections hovered around Rs 26000 crores annually. He also gave credit to the British High Commission for its program of training the tax officers in Haryana, which enables them to incorporate the best. 

### HARBINGER OF ECONOMIC CHANGE

**D**R MANMOHAN SINGH was the harbinger of an economic turnaround of mythical proportions in 1991. He referred to leadership as being the art of the impossible and politics as the art of the possible, and that

Dr Manmohan Singh very adeptly balanced both. About Dr Singh's rather trademark reticence, he described the same as a 'tactical reticence', as behind the quiet persona was a strong personality and that Dr Singh took very bold and courageous decisions where the need arose for them. He recalled how the term 'disinvestment' was nearly taboo in the Government circles and how Dr Singh implemented his disinvestment plans by smartly skirting around them, by calling the process to be 'bundling of shares';

Dr Singh drew attention to the challenges faced by the incumbent Government, such as high inflation, wars, etc., the combined effect of which is a certain difficulty being faced in curbing inflation and ensuring economic growth. 


raised and also that the bulk of revenue collected from the poorer sections of society is spent in ways that may not directly benefit them. Hence he termed indirect taxes to be regressive.

The Minister mentioned it to be rare to find a country where the first slab of direct taxation starts as 2-5 times the per capita income – in most other countries, the first taxable bracket starts at some fraction of the per capita GDP, not multiples of the per capita GDP – this must be kept in mind when talking about how small the tax base is in India – that's because it has been designed to be that way.

GST affected everyone irrespective of income, since everyone paid GST on some or the other product or service. He said that so far as reform is concerned, it is not in human nature to desire a change as it upsets the context that one has developed or is exposed to.

Change is more difficult in governments as processes get entrenched and then there are very few formal training programmes. Once something is broken, very few people are keen on its repair – in a sense, reform is a complicated action.

Nonetheless, he said his government has, after seven years of fiscal deficit, reduced the deficit by one percentage point in one year. In three years, he intends to be revenue-neutral.

Major bottleneck of performance by governments across India is the lack of administrative bandwidth of management and execution capability. On the GST issue, he said that the GST Council is supposed to meet every quarter but is it really happening? Similarly, GoMs are not sticking to the timelines given. GoMs also do not meet because conveners change fast because of change in their political roles. 



# The pride beyond 7 wonders, beyond 7 continents!

As per Hostinger, **27,42,100 users** across the globe have chosen .IN as their favourite domain, making us the 7<sup>th</sup> Most Popular Top-Level Domain in the world.

**Join one of the most popular family of domain owners now!**

**BOOK YOUR .IN DOMAIN NOW**



nixi.in

निक्सी.भारत

registry.in

SCAN TO BOOK

