

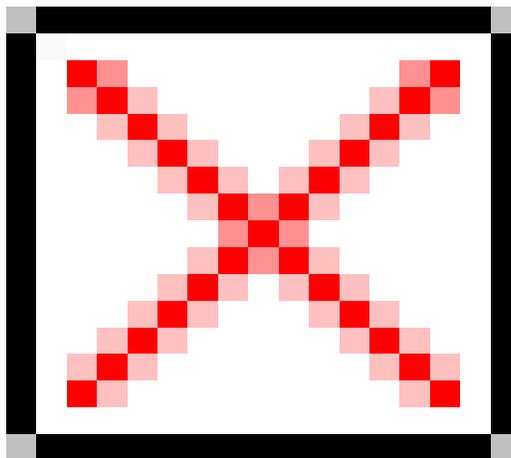
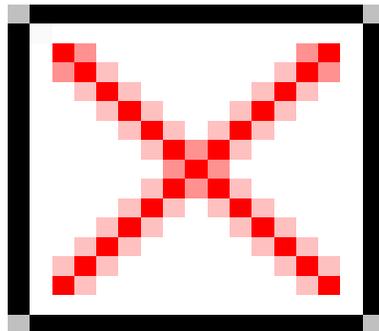
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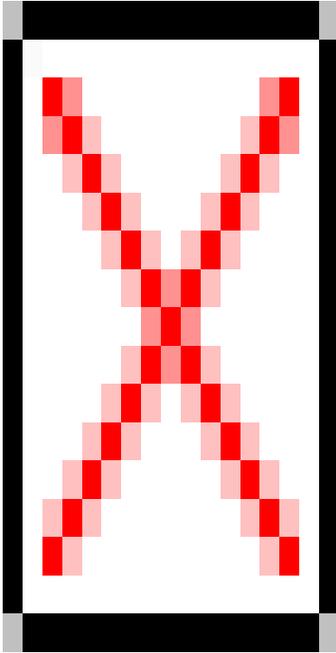
IT was with tremendous trepidation that I started DDT on 1st December 2004.

***"Where will you get material to write on tax matters on a daily basis?"***

, my friends asked. I had no answer. Many of them were sure that DDT will fold up within a few days. On Day 1 or Day 3000, I never had a bank balance of ideas to draw from. The only one who supported, encouraged and believed that DDT can continue was my Managing Editor Shailendra Kumar. Within a month I was tired and found that writing a daily column is an impossible task far beyond my capabilities. But by that time DDT had become so popular that Shailendra would not allow me to stop. Given a choice, I would have given up latest by January 2005. But encouragement and support from the Netizens were so overwhelming that we had to continue. DDT had become essential and a daily addictive dose. After 12 years and 3000 editions, Shailendra has allowed me to call the curtains down, understanding the huge efforts that went into all these DDTs.

A former Chief Economic Adviser once asked me what exactly I do. I told him I make a living out of translating the Government notifications and laws into English! We started DDT with a mission to bridge(now bridges are no more in fashion; you need complicated fly-overs) the gap between the tax administrators and the stakeholders.Over a period of time it took different shapes and dimensions and I came to be accused of being a merciless critic of the Revenue Departments' law making machinery - especially by some senior officers. One of them even called me Mr.English.com. Though my English itself is below average, I found the language used by our babus in drafting the laws abominably poor. And when I started pointing out their silly mistakes, the **concerned** officers became furious.

True criticism is only against somebody or something that you love. By real criticism what you mean is, here is a great thing which has great value, but there is a lapse here which you are pointing out so that the laws, the departments and the officers whom you love are made better. The basic requirement to criticise a work of art (our laws) even irresponsibly is to prove that you love the work and you want it to be better.



In Chennai, there is a famous classic 180 year old statue of Lord Thomas Munro. This is supposed to be a great statue by a great sculptor Francis Chantrey and was installed with great fanfare in 1839. It seems at the grand installation function, a child remarked, **"what a stupid statue this is!"**

. People were flabbergasted, what is this child calling a great work of art imported all the way from England stupid. The child explained, **"the man is on a majestic horse about to take off and there are no stirrups; how can he ride this horse without stirrups?"** It seems due to an oversight, the sculptor did not put stirrups and the statue came to be called as the 'stirrupless majesty'.

We all know this story:

A vain Emperor who cares about nothing except wearing and displaying clothes hires two weavers who promise him the finest, best suit of clothes from a fabric invisible to anyone who is unfit for his position or **"hopelessly stupid"**

. The Emperor's ministers cannot see the clothes themselves, but pretend that they can, for fear of appearing unfit for their positions and the Emperor does the same. Finally, the weavers report that the suit is finished, they mime dressing him and the Emperor marches in procession before his subjects. The townsfolk play along with the pretence, not wanting to appear unfit for their positions or stupid. Then a child in the crowd, too young to understand the desirability of keeping up the pretence, blurts out **"the emperor has no clothes!"**.

There is an Apocryphal story about Galileo.

It seems Galileo was made to kneel before the Pope and say that the earth does not move. As he got up, he is believed to have murmured, **"and yet it moves."**

I submit that DDT was only telling the government all these 3000 days that the horse has no stirrups; that the emperor has no clothes and that the Earth still moves.

Thank you for all the support all these 3000 days. I don't want to end DDT on the 3000th day; so we will have it for two more days.

### ***CBDT Issues Explanatory Notes on Pradhan Mantri Garib Kalyan Yojana***

**THE** Taxation Laws (Second Amendment) Act, 2016 has been enacted by Parliament on 15.12.2016. This Act has ***inter alia*** amended the provisions of Finance Act, 2016 and inserted a new Chapter on, 'The Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016 in the Finance Act, 2016.

The Scheme provides an opportunity to persons having undisclosed income in the form of cash or deposit in an account maintained with a specified entity (which includes banks, post office etc.) to declare such income and pay tax, surcharge and penalty totalling in all to 49.9 per cent. of such declared income.

Besides, the Scheme provides that a mandatory deposit of not less than 25% of such income shall be made in the Pradhan Mantri Garib Kalyan Deposit Scheme, 2016 ('the PMGKY Deposit Scheme') which has separately been notified by the Department of Economic Affairs. The Scheme has commenced on 17.12.2016 and shall remain open for declarations/deposit upto 31.03.2017.

A declaration under the Scheme may be made in respect of any income in the form of cash or deposit in an account maintained by the person with a specified entity, chargeable to tax under the Income-tax Act for any assessment year commencing on or before the 1st day of April, 2017. No deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed against the income in respect of which a valid declaration is made under the Scheme.

[CBDT Circular No. 43/2016, Dated: December 27, 2016](#)

### ***Acceptance of demonetized currency for making payments towards tax, penalty, surcharge and deposit under Pradhan Mantri Garib Kalyan Yojana***

**CBDT** had earlier clarified that up to 30.12.2016, payment towards tax, surcharge, penalty and deposit under the Pradhan Mantri Garib Kalyan Yojana (PMGKY) can be made in old Bank Notes of Rupees 500 and Rupees 1000 denomination issued by the RBI.

It is reported by Income Tax field formations that since the Reserve Bank of India (RBI) had not issued FAQs or directions to the banks to accept old demonetized notes for payments under PMGKY, some of the banks were not clear about the acceptability of the old notes for the purposes of PMGKY.

CBDT informs that RBI had yesterday revised the FAQ and incorporated the following clarification.

#### ***29. Can payments towards tax, penalty, surcharge and deposit under PMGKY be made in SBNs?***

***The Central Government has decided that up to 30.12.2016, the payment towards tax, surcharge, penalty and deposit under the Pradhan Mantri Garib Kalyan Yojana (PMGKY), can be made in Old Bank Notes of Rs. 500 and Rs. 1000 denomination issued by the RBI. The Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana (PMGKY), 2016 has commenced on 17th December, 2016 and is open for declarations upto 31st march, 2017. The payment of tax, surcharge and penalty under the Scheme is to be made through challan ITNS-287 and the deposits are to be made in the Pradhan Mantri Garib Kalyan Deposit Scheme, 2016. The notification relating to PMGKY are available on the website [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)***

CBDT requests the Principal Chief Commissioners that the clarification issued by RBI may be urgently brought to the notice of the taxpayers and the banks so that payments under PMGKY in old demonetized currencies are accepted by the banks without any difficulty to the taxpayers.

They have three more days.

### ***FTP - Export Policy of Potato - No Minimum Export Price (MEP)***

**GOVERNMENT** has amended Notification No. [15/2015-20](#) dated 26.07.2016 to stipulate that:

***Export of Potatoes, Fresh or Chilled at Serial Number 50A of Chapter 7 of Schedule 2 of ITC (HS) Classification of Export & Import Items shall be permitted without any Minimum Export Price (MEP).***

[DGFT Notification No. 32/2015-2020, Dated: December 27, 2016](#)

## *Customs - Exemption to Technitium Withdrawn*

### **GOVERNMENT**

has withdrawn the customs duty exemption to Technitium-99m. Serial number 163B in the table to Notification No.12/2012-Customs, dated the 17th March, 2012, is omitted.

[Notification No. 61/2016-Customs, Dated: December 27, 2016](#)

### *Why 'Digital'?*

**THE** case for digital payments can be made on the basis of four key factors, that make paperless payment instruments and systems more desirable -

First, cash is expensive. While there are several perceived benefits of transacting in cash (such as instantaneous settlement, relative anonymity, and the notion of security associated with holding physical value), there are several latent and implicit costs associated with cash.

Second, technology has been advancing at a rapid pace to deliver robust, secure and convenient payments solutions. This enables rapid delivery of payment services to large sections of the population. Third, digital payments allow for services to be delivered at lower costs, accord greater scal ability and greater ease of access. This in turn, helps in fostering economic growth and financial inclusion.

Lastly, recent Government initiatives have created a catalytic environment for the greater proliferation and growth of digital payments.

#### **High Cost of Cash**

India is a cash heavy economy, with almost 78% of all consumer payments being effected in cash.

India's preference for cash as a payment instrument is further reflected by India's significant cash to GDP ratio of (12.04%), which is substantially higher than comparable countries. India's dependency on cash imposes an estimated cost of approximately INR 21,000 Crores on account of various aspects of currency operations including cost of printing new currency, costs of currency chest, costs of maintaining supply to ATM networks, and interests accrued. This estimate does not reflect other external costs imposed by the use of cash, including the costs imposed by counterfeit currency and black money. Some estimates indicated that the net cost of cash (including cost of currency operations, as well as other costs borne by households, businesses and banks in handling cash) as 1.7% of India's real GDP in 2014-15. Similarly, estimates indicated that foregone tax revenues from the shadow economy constituting 19% of India's GDP, account for 3.2% of India's GDP.

Transitioning to digital payments is estimated to bring about a significant reduction in costs incurred on account of inefficiencies associated with cash and other paper based payments. For instance, by certain estimates, transitioning to an electronic platform for government payments itself could save approximately INR 100,000 Crores annually, with the cost of the transition being estimated at INR 60,000 to INR 70,000 Crores. Similarly, a recent report estimates that for a total investment of about INR 60,000 crores over 5 years towards creating a digital payments ecosystem, India could reduce its cost of cash from the present levels of 1.7% to 1.3% of GDP.

The benefits of using digital payments are neither understood by all equally, nor are they communicated efficiently. A sample survey conducted in 2014 across urban and rural neighbourhoods in Delhi and Meerut, shows that despite being keenly aware of the costs associated with transacting in cash, most consumers see three main benefits of cash, viz. freedom of negotiations, faster settlements, and ensuring exact payments.

*From the Report of the Watal Committee on Digital Payments*

Until Tomorrow with more **DDT**

**Have a nice day.**

Mail your comments to [vijaywrite@tiol.in](mailto:vijaywrite@tiol.in)