



Major Achievements of CBDT in Current Financial Year 2016-17 so far include among others Enactment of The Benami Transactions (Prohibition) Amendment Act, 2016, Implementation of The Direct Tax Dispute Resolution Scheme, 2016 and of GAAR from Assessment Year 2018-19;

Signing of contract for implementation of Project Insight to develop a comprehensive platform for effective utilization of information to promote voluntary compliance and deter noncompliance, to impart confidence that all eligible persons pay appropriate tax and to promote fair and judicious tax administration

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Year End Review - 2016
CBDT, Department of Revenue, Ministry of Finance

Following are the Major Achievements of the Central Board of Direct Taxes (CBDT) during the Current Financial Year 2016-17 so far:

CENTRAL BOARD OF DIRECT TAXES (CBDT)

A. TAX REFORMS:

I. LEGISLATIVE AMENDMENTS

- Enabling provision made for implementation of various provisions of the Act in case of a foreign company held to be resident in India.
- Income of Foreign Company from storage and sale of crude oil stored as part of strategic reserves exempted.
- Exemption given in respect of certain activity related to diamond trading in "Special Notified Zone".
- Conditions of special taxation regime for off shore funds modified.
- Exemption from Dividend Distribution Tax (DDT) given on distribution made by an SPV to Business Trust.
- Section 115QA has been amended to provide that the provisions shall apply to any buy back of unlisted share undertaken by company in accordance with the provisions of the law relating to the Companies and not necessarily restricted to section 77A of the Companies Act, 1956.
- New Taxation Regime for securitization trust and its investors.
- Rationalization of tax deduction at source provisions relating to payments by Category-I and Category-II Alternate Investment Funds to its investors.
- BEPS action plan - Country-By-Country Report and Master file: a specific reporting regime in respect of CbC reporting and also the master file has been provided for.
- Rationalization of taxation of income by way of dividend
- In case of shares of unlisted companies period of holding shall be 24 months instead of 36 months for them to be treated as long term capital assets.
- Tax incentives for start-ups
- Incentives for Promoting Housing for All

- Tax incentive for employment generation
- Provision for Tax benefits to Sovereign Gold Bond Scheme, 2015.
- Provisions for tax benefits to Rupee Denominated Bond
- Consolidation of 'plans' within a 'scheme' of mutual fund
- Rationalization of limit of deduction allowable in respect of rents paid under Section 80GG
- Tax benefits extended to Gold Monetization Scheme, 2015
- Rationalization of section 56 of the Income-tax Act
- Rationalization of limit of rebate in income-tax allowable under Section 87A from existing two thousand rupees to five thousand rupees.

- Applicability of Minimum Alternate Tax (MAT) on foreign companies for the period prior to 01.04.2015 rationalized with a view to provide certainty in taxation of foreign companies.

- Tax Incentives given to International Financial Services Centre
- Definition of the term 'unlisted securities' for the purpose of Section 112 (1) (c) clarified.
- Rationalization of Section 50C in case sale consideration is fixed under agreement executed prior to the date of registration of immovable property

- Rationalization of conversion of a company into Limited Liability Partnership (LLP)

- Rationalisation of tax treatment of National Pension Scheme

- Equalisation Levy on Notified Digital services

- The Finance Minister in his Budget Speech, 2015 had indicated that the rate of corporate tax will be reduced from 30% to 25% over the next four years along with corresponding phasing out of exemptions and deductions. Accordingly, the Government implemented this decision in a phased manner based on certain guiding principles and proposed phasing out plan. Subsequently taking into account the response of the stakeholders on the proposed phasing out plan, incentives under the Income-tax Act are being phased out.

- Exemption of income of Foreign Company from storage and sale of crude oil stored as part of strategic reserves.

- In order to reduce the cash transactions in sale of goods and services, the Act 2016 has amended section 206C (1D) of the Income-tax Act to provide that the seller shall collect tax at the rate of one per cent from the purchaser on sale in cash of any goods (other than bullion and jewellery) or providing of any services (other than payment on which tax is deducted at source under chapter XVII-B) exceeding two lakh rupees. So far as sale of bullion and jewellery is concerned, the provisions of sub-section (1D) of section 206(C) prior to its amendment by the Act, 2016 shall continue to apply.

- Further, with a view to bring high value transactions within the tax net, it has been provided in sub-section (1F) of section 206C of the Income-tax Act that the seller who receives consideration for sale of a motor vehicle exceeding ten lakh rupees, shall collect one per cent of the sale consideration as tax from the buyer.

- It has also been further amended to provide that the sub-section (1D) relating to TCS in relation to sale of any goods (other than bullion and jewellery) or services shall not apply to certain class of buyers who fulfil such conditions as may be prescribed.

Moreover, the Board has issued Circular No 22/2016 dated 8th June, 2016 and Circular No 24/2016 dated 24th June, 2016 to clarify the scope, applicability and the procedure to be followed in case of the amended provisions of section 206C.

- Exemption given in respect of certain activity related to diamond trading in "Special Notified Zone".
- Benefit of initial additional depreciation under section 32(1) (iia) for power sector extended.
- Amortization of spectrum fee for purchase of spectrum allowed.

- In order to encourage indigenous research & development activities and to make India a global R & D hub, the Government has decided to put in place a concessional taxation regime for income from patents.

- Presumptive taxation scheme introduced for persons having income from profession
- Threshold limit for audit for persons having income from profession increased
- Threshold limit for presumptive taxation scheme for persons having income from business increased.
- Deduction in respect of provision for bad and doubtful debt allowed in the case of Non-Banking Financial companies.

- Scope of tax incentive under section 32AC rationalized.

- Exemption from requirement of furnishing PAN under section 206AA to certain non-resident.

- Exemption of Central Government subsidy or grant or cash assistance, etc. towards corpus of fund established for specific purposes from the definition of Income

- Extension of scope of section 43B to include certain payments made to Railways

- Clarification regarding set off losses against deemed undisclosed income introduced.

- The provisions of clause (va) of section 28 of the Income-tax Act have been amended so as to bring the non-compete fee received/receivable(which are recurring in nature) in relation to not carrying out any profession, within the scope of section 28 of the Income-tax Act i.e. the charging section of profits and gains of business or profession.

- The provision of section 55 has been amended so as to provide that the 'cost of acquisition' and 'cost of improvement' for working out "Capital gains" on capital receipts arising out of transfer of right to carry on any profession shall also be taken as 'nil'

- Rationalization of tax deduction at Source (TDS) provisions.

- In order to reduce compliance burden in such cases, the provisions of section 197A of the Income-tax Act have been amended so as to provide that the recipients of payments referred to in section 194-I shall also be eligible for filing self-declaration in Form no 15G/15H for non-deduction of tax at source in accordance with the provisions of

section 197A of the Income-tax Act.

In view of the fact that housing projects often take longer time for completion, the second proviso to clause (b) of section 24 has been amended to provide that the deduction under the said proviso on account of interest paid on capital borrowed for acquisition or construction of a self-occupied house property shall be available if the acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed.

Provisions relating to taxation of unrealized rent and arrears of rent simplified and rationalized.

Time limit provided for disposing applications made by assessee under section 273A, 273AA or 220(2A) Legal framework has been provided for automation of various processes and paperless assessment.

Time allowed for filing of returns, completion of proceedings, and realization of revenue rationalized to reduce compliance burden on the taxpayer, and to promote the culture of compliance.

Time limit for assessment, reassessment and re-computation rationalized.

Time limit for assessment in search cases rationalized.

Advance tax payment schedule under section 211 and charging of interest under section 234C rationalized.

It has been provided that where a refund arises out of appeal effect being delayed beyond the time prescribed under sub-section (5) of section 153, the assessee shall be entitled to receive, in addition to the interest payable under sub-section (1) of section 244A, an additional interest on such refund amount calculated at the rate of three per cent per annum.

Provisions relating to Appellate Tribunal rationalized.

In line with the decision of the Government to minimize litigation, sub-sections (2A) and (3A) of section 253 have been omitted in order to do away with the filing of appeal by the Assessing Officer against the order of the DRP. Consequent amendments have been made in sub-section (3A) and (4) of the said provision.

Penalty provisions rationalized. In order to rationalize the rate of penalty and to reduce discretion, clause (c) of sub-section (1) of section 271AAB has been amended to provide for levy of penalty on such undisclosed income at a flat rate of sixty per cent of such income.

It has been provided that the Assessing Officer shall revoke provisional attachment of property made under sub-section (1) of section 281B in a case where the assessee furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.

Legislative framework introduced to enable and expand the scope of electronic processing of information.

Immunity from penalty and prosecution in certain cases given by inserting new section 270AA.

II. Reforms:

Other initiatives for Tax

AGREEMENT BETWEEN INDIA AND MALDIVES

The Agreement between India and Maldives for avoidance of double taxation of income derived from International Air Transport was signed at Government level during the visit of Hon'ble President of Maldives to New Delhi on 11th April, 2016. The Agreement provides for relief from double taxation for airline enterprises of India and Maldives by way of exemption of income derived by the enterprise of India from the operation of aircraft in international traffic, from Maldivian tax and vice-versa.

ADVANCE PRICING AGREEMENT (APA)

In order to create a tax-friendly atmosphere by way of reducing such litigations arising out of transfer pricing and giving tax certainty on the profits arising out of international transactions, the Government of India introduced the APA programme in the year 2012. It gives tax certainty for the Indian taxpayers regarding their international transactions for a period of five future years without regular Transfer Pricing Audits. Further, the Rollback provisions in the APA program were introduced in the year 2014 to enable the taxpayer to roll back the provisions of the APA for four previous years from the first year of the APA period. This gives certainty of determination of Arm's Length Price (ALP) of the covered transactions for four past years and leads to withdrawal of appeals on transfer pricing litigations on such transactions, if any pending, by both sides.

The Central Board of Direct Taxes (CBDT) has entered into 115 APAs with the taxpayers so far, which includes 7 bilateral APAs and 108 unilateral APAs. Out of 115 APAs, a total of 47 unilateral APAs and 4 bilateral APAs have already been concluded in the first six months of the current Financial Year. The CBDT expects more APAs to be concluded and signed in the near future.

MUTUAL AGREEMENT PROCEDURE (MAP)

MAP is an alternative mechanism available to taxpayers through Double Tax Avoidance Agreements (DTAAs) for resolving disputes giving rise to double taxation. Multi National Enterprises (MNEs) seek to resolve transfer pricing disputes through this mechanism. In the last two years, CBDT has invigorated the MAP proceedings with many countries.

A historical framework agreement was reached in January 2015 with USA, which has invoked the highest number of MAP requests relating to Transfer Pricing disputes. This resulted in more than 100 cases getting resolved in FY 2015-16, involving transfer pricing disputes amounting to approximately Rs.5000 crore, which was unprecedented. In FY 2016-17 also, the momentum of resolution of MAP cases continues and 66 MAP cases relating to Transfer Pricing issues and 42 cases relating to Treaty Interpretation were agreed to be resolved during the meeting held in October, 2016.

SHIPPING BUSINESS

A Circular bearing No 30 of 2016 has been issued by CBDT on 26/08/2016. The Circular lays down guidelines that are to be followed by the Assessing Officers at the time of issue of No Objection Certificate leading to the Port Clearance of Ships belonging to the foreign shipping companies and also assessment of voyage returns that are subsequently filed by foreign ships.

The Circular has done away with the administrative requirement of obtaining a voyage NOC for Foreign Shipping Companies that are entitled for 100% relief from payment of taxes in India on account of a Double Taxation Avoidance Agreement (DTAA) that India has with the other country. The Circular would improve ease of doing business in India for the Foreign Shipping Companies.

THE DIRECT TAX DISPUTE RESOLUTION SCHEME, 2016

In order to contain huge backlog of cases pending in appeals and reduce unnecessary litigation, the 'Direct Tax Dispute Resolution Scheme, 2016' (the Scheme), has been introduced. Under the Scheme, an applicant, subject to conditions specified therein, may seek resolution of appeals, pending with the Commissioner (Appeals) as on 29th February, 2016 in respect of disputed income and disputed wealth, and with any appellate authority in respect of tax arrears (specified tax) resulting out of retrospective amendment.

The Scheme came into effect on the 1st of June, 2016, and shall be open up to 31st day of December, 2016. The Direct Tax Dispute Resolution Rules have been notified vide Notification No.34 & 35, dated 26.05.2016. In order to resolve various issues raised by the stakeholders, a clarification in the form of Frequently Asked Questions (FAQs) has been issued vide Circular No. 33 dated 12th September, 2016. All efforts to publicize the Scheme and encourage taxpayers to avail of the opportunity are being made.

III.

E-GOVERNANCE INITIATIVES

e-payment of taxes

E-payment of taxes has been enabled through Net Banking and ATMs and more than 88.49% of tax is collected through this mode facilitating payment to taxes anytime from home/office without having to go to a bank branch. Companies and auditable cases (taxpayers where provisions of section 44AB of the Income-tax Act, 1961 are applicable) are mandatorily required to electronically pay taxes. The percentage of tax collected using electronic payment option has increased to 74.91% in count terms and 88.49% in value terms during FY 2015-16.

Refund Banker Scheme

With a view to eliminate the interface between the Department and the taxpayer on account of the manual issue and dispatch of refund cheques, the Department decided to streamline and automate the process of printing and sending of refund cheques the Department initiated a centralized system for printing and credit of refund cheques through the State Bank of India which was called the Refund Banker Scheme.

This ensures that taxpayer gets his refunds directly into his bank account or dispatch of the cheque by speed post from 18 different locations of SBI across the country without any intervention and avoiding delays in decentralized posting of cheques etc. The refunds despatched under this scheme now account for 99% of the refunds (in count) received by the taxpayer without any direct interaction with the Department.

Non-filers Monitoring System (NMS)

The Non-filers Monitoring System (NMS) has been rolled-out for pilot implementation to prioritize action on non-filers with potential tax liabilities. Data analysis was carried out to identify non-filers about whom specific information was available in the AIR, CIB and TDS/TCS Returns database. The number of non-filers with potential tax liabilities identified in various NMS cycles is as under:

NMS cycle 1 (2013): **12.19 lakh**

- NMS Cycle 2 (2014): **22.09 lakh**
- NMS Cycle 3 (2015): **44.07 lakh**
- NMS Cycle 4 (2015): **58.95 lakh**

Under this initiative, more than 94 lac returns have been filed and self-assessment tax of more than Rs. 16,500 crore has been paid by the target segment.

· **Project Insight**

The Income Tax Department signed contract for implementation of Project Insight in July 2016. Project Insight aims to develop a comprehensive platform for effective utilization of information to promote voluntary compliance and deter noncompliance; to impart confidence that all eligible persons pay appropriate tax; and to promote fair and judicious tax administration.

The Project would play a key role in data mining to track tax evaders and widening of the tax-base. The new technical infrastructure will also be leveraged for implementation of Foreign Account Tax Compliance Act Inter Governmental Agreement (FATCA IGA) and Common Reporting Standard (CRS).

The Project envisages the creation of two new centres, namely (i) a new Compliance Management Central Processing Centre (CMCPC) for handling PAN population, master data management, preliminary verification, generation of bulk letters/notices and follow-up for greater productivity and efficiency; and (ii) an Income Tax Transaction Analysis Centre (INTRAC) for data integration, data processing, data quality monitoring, data analytics, web and text mining, enterprise reporting, alert and compliance management and research support.

The Project will be rolled out in a phased manner during the period 2016-18.

· **Tax Deduction at Source**

1. Tax Deduction at Source (TDS) is one of the means of collection of direct taxes. TDS constitutes nearly 40% of the direct tax collections. Since the information submitted by the deductor in the TDS Statement, forms the basis on which the deductee is given the credit of taxes, therefore, there was a need to have a robust mechanism that ensures correct, reliable flow of data to the database of Income Tax Department and its collation on the basis of taxpayers' identifier (Permanent Account Number).

2. Centralized Processing Cell for TDS, **CPC(TDS)**, has been conceptualized to undertake end-to-end processing of TDS Statements through a Rule based Technology enabled system, leading to uniform results and faster turn-around-time, ensuring seamless flow of data for tax credits. CPC-TDS introduces transparency in the processes through online display of information and provides an integrated platform for tax deductors, taxpayers and the officers of the Department. Thus, it forms the backbone of overall TDS administration in the country.

3. CPC(TDS) is a technology driven transformation initiative for TDS administration that provides a comprehensive solution through **Tax Deduction, Reconciliation, Analysis and Correction Enabling System (TRACES)**, its core engine.

4. CPC(TDS) undertakes processing of TDS Statements to generate "Annul Tax Credit" statements for each taxpayer in form of 26AS, TDS Certificates in Form 16/16A and identifies TDS Defaults of Short Payment, Short Deduction, Interest etc.

5. CPC(TDS) reconciles and correlates information from various sources including Banks (tax payment), Deductors (reporting tax deduction), Assessing Officers (mapping of no/low tax deductions) and Tax Professionals (reporting International transactions).

6. With a robust tax reconciliation mechanism put in place through the CPC(TDS), the tax payer is given accurate and timely credit for the taxes paid/deducted. This has led to faster refunds and minimal grievances. The savings for the tax payers include: -

- o Cost of maintaining voluminous physical TDS certificates.
- o Cost involved in reconciliation of taxes with the deductors
- o Cost involved in submitting income tax returns in paper form with annexures.

7. Facility of sending SMS alerts to salaried taxpayers of TDS deposited by his deductor/ employer launched in October, 2016.

· **E-filing of Income Tax Returns**

E-filing of Income Tax Returns was introduced for the 1st time in 2006-07 for corporates. The No. of e-file returns has increased from around 4 lacs in F.Y. 2006-07 to 434 lacs in F.Y. 2015-16. Nearly 74% of the e-returns are voluntarily filed; this facility is free of cost to tax-payers. E-returns now constitute for nearly 85% of total returns filed with the Department. In F.Y. 2015-16 nearly 434 lacs e-returns have been filed in comparison to 341 lacs e-return filed during F.Y. 2014-15 representing a growth of around 27%. No of e-returns filed during F.Y. 2015-16 (upto 30.09.2015) stands at 245 lacs in comparison to 289 lacs e-returns filed for the corresponding period of F.Y. 2016-17(upto 30.09.2016) registering a growth of 17%.

E-filing project had won the National Silver E-Governance Award for Citizen Centric Service in 2007-08.

S. No.	Form			Growth (%)
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		FY2015-16 (From 01/04/2015 to 30/09/2015)	FY2016-17 (From 01/04/2016 to 30/09/2016)	
1	ITR-1	13503167	16347978	21.07%
2	ITR-2	1286984	1349594	4.86%
3	ITR-2A	695976	901286	29.50%
4	ITR-3	279439	283544	1.47%
5	ITR-4S	2841731	4056525	42.75%
6	ITR-4	4622050	5029157	8.81%
7	ITR-5	693413	562670	-18.85%
8	ITR-6	506278	300554	-40.63%
9	ITR-7	140829	129779	-7.85%
		24569867	28961087	17.87
Grand Total				

Other highlights of e-filing project are: -

- Around 53% returns are filed after office hours, indicating the convenience of the tax-payers of not having to stand in queues outside tax offices on last few days.
- The e-filing website also facilitates the filing of returns in response to issue of defective notice, filing of rectification request, filing of response to non-compliance letters, online grievance redressal etc. ensuring that this becomes a single electronic gateway for tax-payer interaction with the department.

· **Centralized Processing Centre (CPC-ITR) , Bengaluru**

In the F.Y. 2016-17 upto 30.09.2016, CPC has processed 2,69,83,690 e-file returns pertaining to various assessment years as compared to 1,87,21,380 returns processed during the corresponding period of the previous year. During the month of September, 2016 72, 53,681 returns were processed as compared to 35, 12,734 returns during the corresponding month of the previous year.

- CPC has achieved a peak processing capacity of 5.48 returns per day.
- Electronic Verification Code (EVC) process implemented in April, 2015 is successful and more than 15 lacs tax-payers have adopted this green initiative. CPC has already processed 44 lacs returns through EVC.
- Average processing time is reduced to 61 days which is less than the period specified in Citizen's Charter (6 months).

IV. GOOD GOVERNANCE INITIATIVES

Directorate of Income-tax (Tax Payer Services)

CBDT vide Order No. F.No.A-11011/02/2015-Ad.VII dated 26.02.2016 has created the Directorate of Income-tax (Tax Payer Services)-I. The dedicated TPS vertical has been created for streamlining the delivery and monitoring of taxpayer services. The Directorate is responsible for overseeing all matters relating to grievances. The initiative of the department is intended to provide effective resolution of grievances and thereby providing ease of compliance and better taxpayer services.

Monitoring and Administration of Taxpayer Services through ASK Centres

As per the structure of the Tax Payer Services delivery and monitoring system, Aaykar Seva Kendra (ASK) has been made the smallest unit for Tax Payer Services. Aayakar Seva Kendra (ASK) is the mechanism used by CBDT for implementing the philosophy of 'Sevottam' initiated by the PMO. Aayakar Seva Kendra (ASK) is the single window system for implementation of Citizen's Charter of the Income Tax Department and a mechanism for achieving excellence in public service delivery. The procedure to be followed at the ASKs is provided in the Process Document of the Service Quality Manual(SQM).

There are approx. 300 ASKs functioning in the Income-tax Department. After an ASK achieves excellence in service delivery as per norms under the Sevottam Scheme, a certification under IS 15700:2005 is to be obtained from the Bureau of Indian Standards (BIS). In this regard, the BIS have certified 80 ASK Centres under the IS 15700: 2005. The work of certification of the other ASKs is under progress.

The continuous monitoring and visits to the ASK Centres by this Directorate has contributed to increased awareness amongst the officers regarding disposal of DAK using the Sevottam Software and has resulted in improved performance in the area of grievance redressal.

Revamped ASKs using e-Nivaran

Unified Grievance Handling Mechanism (e-Nivaran) is aimed at consolidating grievances received across all platforms viz. CPGRAMs, E-filing, CPC-ITR, CPC-TDS, ASK, NSDL, UTIISL and SBI-Refund Banker. Internal channelization of grievances between different department systems and workflow based grievance resolution mechanism in the ITBA for department users is aimed at centralized monitoring and speeding the grievance redressal mechanism. Out of 1.07 lakh grievances received on e-Nivaran platform, 0.78 lakh grievances (73%) have already been resolved.

B. ISSUES REGARDING BLACK MONEY

The Government has taken several steps to effectively tackle the issue of black money, particularly black money stashed away abroad. They include policy-level initiatives, more effective enforcement action on the ground, putting in place robust legislative and administrative frameworks, focus on capacity building and better capture and use of information through ICT and data mining. Recent major initiatives in this regard include:

- (i) Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court
- (ii) Enactment of a comprehensive law to tackle black money stashed away abroad - 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' which has come into force w.e.f. 01.07.2015
- (iii) Constitution of Multi-Agency Group (MAG) consisting of officers of Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU) for investigation of recent revelations in Panama paper leaks
- (iv) Proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Conventions
- (v) Participation in global efforts to combat tax evasion/black money by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI) and entering information sharing arrangement with USA under its Foreign Account Tax Compliance Act (FATCA)
- (vi) Renegotiation of DTAAs with other countries to bring the Article on Exchange of Information to International Standards and expanding India's treaty network by signing new DTAAs and TIEAs with many jurisdictions to facilitate the exchange of information and to bring transparency
- (vii) Amendment of the Prevention of Money-laundering Act, 2002 in 2015 enabling attachment and confiscation of property equivalent in value held within the country where the property/proceeds of crime has been taken or held outside the country
- (viii) Enactment of the Benami Transactions (Prohibition) Amendment Act, 2015 to amend the Benami Transactions (Prohibition) Act, 1988 with a view to enable confiscation of Benami property and provide for prosecution
- (ix) Initiation of 'Project Insight' by the Income Tax Department to enforce better tax compliance through effective use of available information. These measures and sustained and prompt action by the Income Tax Department have resulted in bringing to tax substantial amounts of undisclosed income, levy of concealment penalty and filing of criminal prosecution complaints for various offences in appropriate cases.

DETAILS OF ENFORCEMENT MEASURES IN LAST THREE YEARS:

1.1 Search & Seizure, Surveys & Prosecutions: Statistics on search & seizure, surveys & prosecutions conducted by the ITD in the last three years and preliminary outcome thereof are as under:

1.2

Search and seizure

Financial Year	Number of groups searched	Total assets seized (In Rs. crore)	Undisclosed income admitted u/s. 132(4) of the Income-tax Act, 1961 [in Rs. crore]
2013-14	569	807.84	10791.63
2014-15	545	761.70	10288.05
2015-16	445	712.68	11066.24
2016-17*	222	510.59	6304.71

***Provisional figures up-to 30th September 2016**

Surveys

Financial Year	No. of surveys conducted	Undisclosed income detected (in Rs. crore)
2013-14	5327	90390.71
2014-15	5035	12820.33
2015-16	4422	9654.80
2016-17*	977	1762.51

***Provisional figures up-to 31st August 2016**

1.3 Prosecutions & compounding: There is now a renewed focus on prosecution as a deterrent against tax evasion. There has been a substantial increase in prosecutions launched in the last three years as may be seen below:

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Financial Year	No. of cases in which prosecutions launched	No. of persons convicted	Cases compounded
2013-14	641	41	561
2014-15	669	34	900
2015-16	552	28	1019
2016-17*	229	13	257

***Provisional figures upto 31st August 2016**

2. The Special Investigation Team (SIT) on Black Money:

The SIT on Black Money was constituted by the Government in May 2014 in compliance with the directions of Hon'ble Supreme Court. The Chairman and Vice-Chairman of SIT are Hon'ble Justices Shri M.B. Shah & Shri Arijit Pasayat respectively. Members include – Secretary(Revenue); Dy. Governor, RBI; Chairman, CBDT; Director, Cabinet Secretariat; Director, ED; DG, NCB; DG, DRI; Director, FIU and JS(FT&TR-I), CBDT. Monitoring of investigations into cases involving black money /undisclosed income, ensuring better coordination between enforcement agencies and review of legal and administrative framework to prevent generation of black money are some of the functions being undertaken by the SIT. **It has so far submitted 5 reports to the Hon'ble Supreme Court.**

3. Enactment of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' (BMA):

3.1 Recognizing limitations of the existing legislations in bringing back black money held by Indian entities abroad, the Government enacted a stringent new law to specifically deal with the issue. The new law – **'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015'** came into force **w.e.f. 01.07.2015**. Its features include (i) Separate taxation of undisclosed foreign income and assets (ii) stringent penalty for concealment (iii) stringent prosecutions provisions allowing rigorous imprisonment up-to 10 years with fine (iv) tax evasion a non-compoundable offence (v) **wilful attempt to evade tax in relation to undisclosed foreign income/assets a Scheduled Offence under the Prevention of Money-laundering Act, 2002 (PMLA).**

3.2 One-time compliance window for declaration of Undisclosed foreign assets/income:

A one-time compliance window of 3 months was extended to taxpayers as an opportunity to make declarations of their undisclosed foreign assets before being subjected to the stringent provisions of the BMA. A total of **648 taxpayers** filed declarations up-to 30.09.2015 leading to disclosure of foreign assets worth **Rs.4164 crore.**

4. Amendment of the Benami Transactions (Prohibition) Act, 1988:

The Benami Transactions (Prohibition) Amendment Act, 2016 has been enacted w.e.f. August 2016 by the Government to deal with domestic black money. The Act enables confiscation and management of Benami property and provides for prosecution, to enable prevention of generation and holding of black money as Benami property.

5. Other anti-evasion legislative measures:

i. Scope of **TDS on interest on bank deposits** extended by bringing the interest on recurring deposits within its ambit and TDS on interest to be made bankwise. **[Finance Act, 2015]**

ii. TCS at the rate of 1% on payment for **sale of goods or provision of services** exceeding two lakh rupees **in cash.** **[Finance Act, 2016]**

iii. General Anti-Avoidance Rules (**GAAR**), to enable the tax authorities to neutralize the tax advantage obtained through shell companies/companies in tax havens introduced in **Finance Act, 2013**. Government reiterated its commitment for implementing GAAR from Assessment Year 2018-19.

iv. Sections 269SS, Section 269T, Section 271D and Section 271E of the Act were amended to prohibit acceptance of any payment, repayment of advance of Rs.20,000 or more, otherwise than by an account payee cheque or account payee bank draft or by banking clearing system in relation to transfer of an immovable property by providing penalty of an equivalent amount. **[Finance Act, 2015]**

v. Amendment in Rule 114B of the Income Tax Rules (the Rules) in 2015 whereby quoting of **PAN has been made mandatory for sale or purchase of goods or services above Rs. 2 Lakh.** **[2015]**

vi. Amendment of Rule 114E of the IT Rules to strengthen third party reporting mechanism to allow annual aggregate of the transaction values **to trigger reporting** of transactions. **[2015]**

vii. Amendment of section 6 of IT Act, to enable determination of residence of a company incorporated in a foreign jurisdiction on the basis of **"place of effective management"** (**POEM**) **[Finance Act, 2016]**

viii. **Country-by-country reporting** requirements for MNCs have been introduced to address Base Erosion and Profit Shifting. **[Finance Act, 2016]**

6. Streamlining of information collection system:

AIR reporting regime has been replaced with the Statement of Financial Transaction (SFT) and has been expanded to cover a larger segment of transactions including personal consumption expenditure. The new rule 114E regarding furnishing of SFT has come into effect from 1.4.2016. This new regime will enable capture of high value cash transactions in select sectors, lead to widening of tax base through identification of new tax payers, non-filers and stop filers, curb tax evasion in a non-intrusive manner and encourage use of plastic money.

7. Investigation in HSBC foreign bank accounts cases:

Investigations based on information received from French Government on Indians holding bank accounts in HSBC bank in Switzerland has resulted into detection of considerable amount of undisclosed income. Concealment penalty of about Rs.1282 crores has also been levied in 159 cases **and 164 prosecution complaints have been filed in 75 cases.**

8. Investigation in cases revealed by International Consortium of Investigative Journalists (ICIJ):

In 2013, the ICIJ, a Washington based organization, put out in public information pertaining to offshore entities based in no tax or low tax jurisdictions, including many Indian entities. Investigations of these cases by the Income Tax Department have led to **detection of substantial amounts of deposits in these undisclosed foreign accounts.** Investigations have led to filing of **55 prosecution complaints in 24 such cases.** Investigations are also on in cases revealed in **'Panama Papers leaks'** by ICIJ in 2016. A **high level Multi-Agency Group (MAG)** has been constituted for the purpose. **So far, the MAG has submitted 5 reports to the Government.**

9. The Income Declaration Scheme, 2016:

The Income Declaration Scheme, 2016 (the Scheme) came into effect from 1st June, 2016. It provided an opportunity to persons who had not paid full taxes in the past to come forward and declare their domestic undisclosed income and assets. Declarations could be made online as well as in printed copies of the prescribed Form up to midnight on 30th September, 2016.

In order to facilitate the taxpayers and to spread awareness about the Scheme, the CBDT issued a number of FAQs to address various queries received. Major issues clarified included manner of declaration of fictitious liability, allowance of cost indexation and holding period benefit for registered immovable property, sanctity of valuation report etc. Difficulties with respect to payment of taxes in a short span were removed by permitting payment of tax in 3 instalments, the last being in September 2017. Absolute confidentiality was promised under the scheme in respect of the declarations made to reassure the declarants. Innovative publicity methods like Talkathons, Walkathons, Nukkad Nataks, etc. were used to spread awareness about the Scheme. The Department's strategic use of taxpayer information and data mining techniques further spurred the declarations.

These steps resulted in a tremendous response, especially in the last two months. As a consequence, 71,726 declarations were filed up to the midnight of 30th September, 2016 with an aggregate of Rs. 67,382 Crore worth of hitherto undeclared incomes in the form of cash and other assets being declared.

10. Indo-Swiss Exchange of Information

India and Switzerland have an exchange of information relationship under the Indo-Swiss Double Taxation Avoidance Agreement (DTAA) and the Indian Competent Authority regularly pursues all the outstanding cases with Switzerland.

As fighting the menace of Black Money stashed in offshore accounts has been a key priority area for this Government, to further this goal, the Indian Prime Minister met with the Swiss President at Geneva on 6th June 2016 and discussed the need for expeditious exchange of information for combatting tax evasion together with an early start to negotiations on the Agreement for Automatic Exchange of Information. As a follow up, India's Revenue Secretary and Switzerland's State Secretary for International Financial Matters met in New Delhi on 15.06.2016 and agreed to move towards an early agreement for the implementation of AEOI between the two countries. It was also decided that experts of both the countries will meet to further discuss the modalities for the reciprocal bilateral implementation of AEOI between India and Switzerland with a view to reaching an agreement at the earliest, possibly by the end of the year. This meeting was conducted on 5-6th September 2016. The experts from both the sides agreed for the early implementation of AEOI.

11. Automatic Exchange of Information (AEOI)

Automatic Exchange of Information is systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country, which is possible under most of the DTAA's and Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

On 3rd June 2015, India joined the Multilateral Competent Authority Agreement (MCAA) on Automatic Exchange of Financial Account Information (AEOI) under the Common Reporting Standard (CRS) based on the provisions of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (Multilateral

Convention). The AEOI standards are very wide in scope and oblige the treaty partners to exchange wide range of financial information after collecting the same from financial institutions in their country/jurisdictions including information about the ultimate controlling persons and beneficial owners of entities. Till now, 84 countries have signed MCAA for AEOI. 101 countries have committed for AEOI. From 2017 onwards, 54 countries will start exchanging information automatically. And from 2018 onwards, it is expected that another 47 countries will start exchanging information automatically.

12. Foreign Account Tax Compliance Act (FATCA)

On 9th July, 2015, India and USA signed an Inter-Governmental Agreement ("IGA") to implement the Foreign Account Tax Compliance Act ("FATCA") of the USA to promote transparency between the two nations on tax matters. The Union Cabinet in its meeting on 17th March, 2015 approved the signing and ratification of the IGA under the provisions of the Double Taxation Avoidance Agreement ("DTAA") between India and USA. Under the IGA, the USA will provide certain information to India, which includes the name, address and Indian TIN of any person that is resident of India and holds a reportable financial account in USA, along with the account number and gross amount of interest, US source dividends or other income paid or credited, depending on the nature of the financial account. On the similar lines, India will also provide the information to USA.

Reporting of information under the IGA with USA began from 30th September, 2015 and information pertaining to the calendar year 2014 & 2015 has already been exchanged between the two countries.

13. Implementation of AEOI under CRS and FATCA

For implementation of AEOI and FATCA, amendment was carried out in the Income Tax Act, 1961 through Finance Act, 2014. Vide Notification No. 62 of 2015 dated 7th August, 2015, the Income-tax Rules, 1962 have been amended by inserting Rules 114F to 114H and Form 61B. To provide guidance to the Financial Institutions and other stake holders for ensuring compliance with the reporting requirements provided in Rules 114F to 114H and Form 61B of the Income-tax Rules, 1962, a Guidance Note was issued on 31.08.2015. On this Guidance Note, feedback and comments were received from many financial institutions. Meetings were held with financial institutions, regulators and other stake holders for providing guidance for implementation. Thereafter, an updated version of the Guidance Note was released on 31.12.2015 and the latest version has been released on 31.05.2016. The new account due-diligence procedures have started from the 01.01.2016 and first reporting will be done in September 2017 for the year 2016.

Signing of the IGA with USA and India joining the MCAA are important milestones in India's fight against the menace of black money as it would enable the Indian tax authorities to receive financial account information of Indians from foreign countries on an automatic basis. This will also enable the Government of India to receive information about taxpayers hiding their money in offshore financial centres and tax havens through multi-layered entities with non-transparent ownership from the jurisdictions that are signatories to the MCAA and committed to the international AEOI standards.

14. Base Erosion and Profit Shifting

Base Erosion and Profit Shifting refers to strategies adopted by taxpayers having cross-border operations to exploit gaps and mismatches in tax rules of different jurisdictions which enable them to shift profits outside the jurisdiction where the economic activities giving rise to profits are performed and where value is created. BEPS has been a cause of concern for developing and emerging economies for long as it erodes their tax base depriving them of much needed resources for developmental activities. It is also unfair to general taxpaying public and further provides an unfair competitive advantage to Multinational Enterprises (MNEs) vis-à-vis domestic companies having no opportunities for the BEPS strategies.

India participated in the BEPS Project engaging constructively and extensively by direct participation in CFA, Working Parties and Focus Groups set up under CFA in finalizing the deliverables of BEPS Package with the twin objectives of (a) collaborating with other countries in development of recommendations to prevent base erosion and profit shifting and (b) safeguarding the interests of India and other developing countries in development of new standards.

The major package of recommendations of Base Erosion and Profit Shifting (BEPS) Project, were endorsed by the G20-Leaders at Antalya, Turkey in November, 2015. However some elements of the BEPS Action Plan have yet to be finalised in 2016 and 2017 and the main tasks ahead relate to the implementation of the agreed package. India being a G-20 member country, and having played a very active role in the BEPS Project so far, is fully committed to conclusion of pending design of rules in certain Action Items and to ensure the successful implementation of the recommendations of BEPS Project in 2016, 2017.

Recently, the G-20/OECD Inclusive Framework has been constituted to monitor and review the implementation of the BEPS Package of recommendations on a global basis, with participation from all the relevant jurisdictions on an equal footing. As a follow up to the call of the G-20 Finance Ministers meeting in April 2016, the first plenary meeting of the G-20/OECD Inclusive Framework was held at Kyoto from 30th June to 1st July 2016 and the 1st meeting of the Steering Group of the Inclusive Framework held on 18-19th October, 2016.

Further, for implementation of BEPS at the local level, the Central Board of Direct Taxes in the Ministry of Finance has constituted a committee of officers to examine all the 15 reports and chalk out a clear-cut roadmap for implementing the recommendations contained in these reports. Implementation would be through amendments to the Income-tax Act, 1961 or through framing of Rules and Guidelines. Amendments based on some actions points in the BEPS Reports such as equalization levy and country-by-country reporting have already been introduced in the statute through the Finance Act, 2016.

15. AGREEMENTS SIGNED AT THE GOVERNMENT LEVEL

A Protocol for amendment of the Convention for the avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains between India and Mauritius was signed between both countries on 10th May, 2016 and entered into force in India on 19th July, 2016. The Protocol has amended the existing DTAC to provide for source based taxation of capital gains in shares. India has been trying to amend the Mauritius DTAC since 1990s and signing of Protocol is culmination of such efforts. The Protocol will tackle treaty abuse and round tripping of funds attributed to the India-Mauritius Treaty, curb revenue loss, prevent non-taxation, streamline flow of investment and streamline the flow of exchange of information between India and Mauritius.

Working Group to examine consequential issues arising out of amendment to the India - Mauritius DTAC has been constituted by CBDT with representatives from banks, custodians, brokerage firms and fund managers. The Working Group will submit its report this year after examining the relevant issues raised by stakeholders.

The revised DTAA between India and Korea signed at government level during the visit of the Prime Minister of India, to Seoul, Korea on 18th May, 2015 has entered into force. The revised DTAA, aims to avoid the burden of double taxation on tax payers in two countries in order to promote and thereby stimulate flow of investment, technology and services from Korea to India and vice versa and to provide tax certainty to the residents of India and Korea. Besides, it would facilitate Mutual Agreement Procedure (MAPs) in transfer pricing cases and bilateral Advance Pricing Agreements (APAs)

The amending Protocol to the Double Taxation Avoidance Convention (DTAC) for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income between India and Japan signed on 11.12.2015 has come into force from 29.10.2016. The Protocol provides for internationally accepted standards for effective exchange of information on tax matters including bank information and information without domestic tax interest. The Protocol also provides that both India and Japan shall lend assistance to each other in the collection of revenue claims.

India entered into Agreements with Seychelles and Maldives for exchange of information with respect to taxes during the year. The Agreements will stimulate exchange of information between India and the said countries for tax purposes which will help curb tax evasion and tax avoidance.

16. OTHER INTERNATIONAL TAX INITIATIVES

A Zero Draft on Tax Cooperation was included in the Goa Declaration of the BRICS Summit. The Goa Declaration highlighted that aggressive tax planning and tax practices hurt equitable development and economic growth. Base Erosion and Profit Shifting must be effectively tackled. The BRICS countries declared that profit should be taxed in the jurisdiction where the economic activity is performed and the value is created. The BRICS Countries affirmed their commitment to support international cooperation in this regard including the Common Reporting Standard for Automatic Exchange of Tax Information (AEOI).

Meeting of BRICS Heads of Tax Authorities and Experts is scheduled to be held on 5-6th December, 2016 in Mumbai. The preparations for the Meeting of BRICS Heads of Tax Authorities and Experts have been started and confirmation has been received from the BRICS member countries. The meeting proposes to discuss the implementation of the Goa declaration on tax cooperation and also other tax issues affecting the member countries.

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