Chapter-VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter the investigator presents the major findings and suggestions emerging from the study. Findings emerging from the analysis of primary data are presented first followed by the findings based on secondary data. At the end, major suggestions are presented.

7.1 MAJOR FINDINGS BASED ON PRIMARY DATA:

Globalization Challenges and Government Support

- Globalized economic environment has significantly impacted the business of the corporates in India. This was confirmed by the respondent-corporates during the study and majority (77.4 per cent) of the participants agreed to the above point.
- In facing globalization challenges the corporate world still requires a significant support from the Indian Government. 89.4 per cent of the respondent-corporates still demand this. This is also endorsed by about 92 per cent of the respondent-tax experts.

Tax Factor and Business Decision

- Tax aspects are the key instruments to business and industry in facing challenges of globalization. In this context 94 per cent of the respondent-corporates and 90.6 per cent of the respondent-tax experts opined that taxation plays an important role in mitigating the hardship of global challenges faced by Indian business/industry.
- In general, business decisions are influenced by different factors. Taxation is one among those which play a crucial role in strategic decision making. The study found that, in the view of 96 per cent of the respondent-corporates and 93.3 per cent of the respondent-tax

experts, the business decisions are significantly impacted by the taxation aspects. This shows the degree of significance of taxation in any business/ industry.

New Tax Measures and Competitive Strength

- Government's new taxation measures are helpful in mustering competitive strength to business and industry in the globalised environment. This is the opinion of about 53 per cent of the respondent-corporates. But a significant number of the corporates (i.e. 38.6 per cent) did not agree to the point which indicates the higher expectations of the business community. Meanwhile, 58.7 per cent of the respondent-tax experts have agreed that the Government's new taxation measures, initiated during globalization period, helped Indian business and industry to compete in international economic environment.
- It was found that, 66.6 per cent of the respondent-corporate houses are not happy with the Government's effort in providing taxation support to business and industry in India during globalised economic environment. While, 60 per cent of the respondent-tax experts also support the corporate houses and say, the Government has not put enough effort in providing taxation support to the industries in facing global challenges.

Political Lobby in Tax Framework

- Majority (i.e. 74 per cent) of the respondent-corporates felt that political lobbying is more prevalent in framing tax policy at legislative level. At the same time, 70.7 per cent of the respondent-tax experts also support the opinion of the corporates.

Tax Structure and FDI

- It was found that, 92 per cent of the respondent-corporates feel that FDI of a country is significantly influenced by the tax structure of that country. This view is also supported by 88 per cent of the surveyed tax experts.
- A substantial number of respondent-corporates opine that, Indian tax structure is not suitable to attract FDI into India. This was also supported by 64 per cent of the respondent-tax experts by pointing out that 'Indian tax structure has many limitations in promoting FDI into India'.

Direct Taxes Code (DTC)

- It was found that, only about 46 per cent of the respondent-corporates feel that the Direct Taxes Code (DTC) may be beneficial for business/ industry. Whereas, the opinion of the respondent-tax experts about DTC's ability to make business/ industry more competitive has been divided. Only 38.7 per cent expert participants are positive and 40 per cent have negative view on DTC.

General Anti-Avoidance Rules (GAAR)

- Majority (i.e. 65.3 per cent) of the respondent-corporates opine that General Anti-Avoidance Rules (GAAR) significantly affect their business' competitiveness. Whereas, the opinion of the respondent-tax experts on GAAR provisions is sharply divided with 44 per cent positive views and the equal number of negative views.

Place of Effective Management (PoEM)

- About 53 per cent of the respondent-corporates opine that the provisions pertaining to residential status in DTC are helpful for their industry. At the same time 56 per cent of the respondent-tax experts support the opinion of the corporates by pointing out the Place of Effective Management (PoEM) as base for residential status for companies positively influences the business and industry in India. Further, by supporting to this point, 61.3 per cent and 58.7 per cent of the respondent-corporates and tax experts respectively view that, the PoEM as a base in determining the residential status will help in avoidance of double taxation.

Controlled Foreign Company (CFC)

- In the case of Controlled Foreign Company (CFC) provisions of DTC, only 33 per cent of the respondent-corporates and 43 per cent of the respondent-tax experts accept the provisions with positive view. On the other hand, about half (i.e. 50 per cent) of the respondent-corporates and more than 25 per cent of the respondent-tax experts are unable to give opinion on this. This indicates the demand from the stakeholders for clarifications and review of the CFC provisions by the Government.

Set-off and Carry-forward of losses

- More than $3/4^{th}$ of the respondent-corporates are happy about the provisions pertaining to set-ff and carry-forward of losses under the existing Income Tax Act, 1961. At the same time a majority (i.e. 84 per cent) of the respondent-tax experts also support the opinion of the corporates.

Minimum Alternate Tax (MAT)

- The existing Minimum Alternate Tax (MAT) structure is accepted by 30.6 per cent of the respondent-corporates and the majority did not accept it. Whereas, about 51 per cent of the respondent-tax experts also did not accept the MAT provisions with a view that, the MAT provisions are not helpful to business/ industry in India.

DTC – Capital Gains

- The provisions pertaining to Capital Gains Tax in the proposed DTC are accepted by only 47 per cent of the respondent-corporates. On the other hand, 64 per cent of the respondent-tax experts state that capital gains tax provisions in DTC are helpful for business and industry.

Transfer Pricing (TP)

- Existing Transfer Pricing (TP) provisions are not beneficial for domestic business/ industry was the opinion of the majority of respondent-corporates. Only 27.3 per cent of the corporates consider TP as beneficial. Whereas, more than half (i.e. 52 per cent) of the respondent-tax experts agreed that the existing TP provisions are beneficial to domestic business and industry. There is a difference of opinion between the corporates and tax experts in case of TP provisions.

Value Added Tax (VAT)

- Majority of the respondent-corporates accept that, the transition to VAT has helped the domestic business/ industry to be competitive at international level. This was largely supported by 78 per cent of the respondent-tax experts by appreciating the advantages of VAT.

Multiple Tax Rates

- More than 90 per cent of the respondent-corporates feel that, the multiplicity of tax rates is a major limitation of Indian indirect taxation. This was supported by more than 70 per cent of the respondent-tax experts.

Goods and Services Tax (GST)

- Majority (i.e. 78 per cent) of the respondent-corporates agreed that the proposed Goods and Services Tax (GST) would improve the competitiveness of their business/ industry. More than 86 per cent of the respondent-tax experts also support the opinion of the corporates and presume that GST would make Indian business and industry more competitive in the global market.
- More than 90 per cent of the respondent-corporates feel that implementation of GST leads to broad base the tax, fewer tax rates, simplification of procedures and computerization of tax administration. Among the respondent-tax experts, 88 per cent also support the opinion of the corporates.
- More than 85 per cent of the respondent-corporates accept that, the GST regime would lead to significant improvement in tax revenue as well as economic growth of India. The same opinion has come from 80 per cent of the respondent-tax experts. This indicates the promises and hopes of the GST which India is awaiting to implement in the near future.
- More than 75 per cent of the respondent-corporates believe that, the GST would also improve tax administration along with reducing litigations significantly. The same response came from 90 per cent of the respondent-tax experts.

Service Tax

- Majority (i.e. 78 per cent) of the respondent-corporates feel that the recent increase in Excise and Service Tax rates (in 2012) affects the competitiveness of business and industry in India. 72 per cent of the respondent-tax experts also opine the same.
- More than 73 per cent of the respondent-tax experts feel that switching over to comprehensive approach under service tax leads

to the benefits like clarity in provisions and resolution of interpretation problems.

Satisfaction Towards Tax Rates

- As regards to tax rates, except Corporate Income Tax, where 53 per cent of the respondent-corporates are happy, in all other taxes (Excise, VAT and Service Tax) corporates are not happy. In case of Customs opinion was sharply divided among the corporates. On the other side, majority of the respondent-tax experts are satisfied with the tax rates of Corporate Tax, Customs, Excise and VAT but not satisfied with the Service Tax rates.

Cess and Surcharge

- About 86 per cent of the surveyed corporate houses agreed that the cess and surcharges levied on tax make the Indian tax system inconsistent and unreliable. This was also supported by 45.4 per cent of the surveyed tax experts. But, a significant number (44 per cent) of experts did not agree to this.

Investment Incentives

- Only about 40 per cent of the respondent-corporates feel that the investment incentives provided under direct and indirect taxes are beneficial to their business/ industry. Whereas, in case of respondent-tax experts, 52 per cent opine that, the investment incentives are highly beneficial to domestic business and industry.

Double Taxation Avoidance Agreements (DTAAs)

- Half (50 per cent) of the respondent-corporates agree that the Double Taxation Avoidance Agreements (DTAAs) that India signed are beneficial for Indian business/ industry and they helped in protecting their interest. At the same time 49.4 per cent of respondent-tax experts also support the belief of the corporates and say that, the tax treaties India has with its counter parts are sound enough to protect the interest of domestic business/ industry.

Information Technology in Tax Administration

- Majority (i.e. 66 per cent) of the respondent-corporates opine that the use of Information Technology (IT) in tax administration is not very sound in India. In case of tax experts, 60 per cent of the respondents also did not accept that the use of IT in Indian tax administration is very sound.

E-Commerce

- Majority of the respondent-corporates are of the opinion that E-Commerce facilitates better compliance of tax requirements. Among the respondent-tax experts 82.6 per cent also support the concern of corporates.

Assessment

- A substantial number of the respondent-corporate houses are not happy with the process of assessment followed in Indian Tax System. Most of the tax experts participated in the study also not supportive of the assessment procedure and practice adopted in India.

Tax Administration

- A large number of corporate-respondents felt unhappy towards the administration of tax department in India. It is also found that the corporate houses are more unhappy with administration of state taxes than the central taxes. Majority of the respondent-tax experts also either marginally satisfied or not satisfied as regard to administration of tax departments of Central and State taxes.

7.2 MAJOR FINDINGS BASED ON SECONDARY DATA:

Tax GDP Ratio

- Tax revenue as a proportion of GDP in India is lower than the world average. As per the World Bank reports, the tax-GDP ratio of India is 10.4 per cent (for 2011-12) which is less than the world average of 14.6 per cent and much lower than 17.6 per cent in case of European zone.
- The share of direct tax revenue in total tax revenue of India has shown better performance in post-globalization period against pre-globalization period. Though the indirect taxes have been contributing a larger amount, as a percentage the share has decreased during post-globalization period.
- As a percent of GDP the share of direct taxes has significantly improved during post-liberalization period from 2.54 per cent in 1991-92 to 5.69 per cent in 2012-13. On the other hand the share of indirect taxes has decreased from 13.22 per cent in 1991-92 to 11.54 per cent in 2012-13.
- The total tax collection as a percentage of GDP of India has increased from 6.22 per cent in 1950-51 to 15.40 per cent in 1990-91. Whereas, the same was increased from 15.76 per cent in 1991-92 to 17.24 per cent in 2012-13. This shows a slowdown in the pace

of tax collection during post-globalised period as compared to pre-globalised period.

- India is lagging far behind in revenue mobilization through tax sources as compared to the EU zone countries. The key reason for lower tax collection is that the proportion of direct tax in total taxes is very low in India as compared to the European countries. In spite of reasonable efforts by the Indian government, revenue through direct taxes could not be mobilized in desired way.

Tax Revenue in India

- The share of indirect taxes in total tax revenue during pre-liberalization period increased from 63.2 per cent in 1950-51 to 86 per cent in 1990-91. Whereas, the same was decreased during post-liberalization period from 83.9 per cent in 1991-92 to 64.6 percent in 2010-11. As a consequence, the share of direct taxes in total tax revenues declined during pre- liberalization period from 36.8 per cent in 1950-51 to around 14 per cent in 1990-91 and picked up during post- liberalization period from 16.1 per cent in 1991-92 and reached to 35.4 per cent in 2010-11. The post-liberalization picture shows that the share of direct taxes in the total tax revenue has been continuously increasing and the direct taxes are widened its base over indirect taxes.
- Direct taxes revenue growth rate has shown better performance in post-globalised period. Whereas, not much difference has been noticed in case of indirect taxes growth rate. Overall, a significant volatility has been seen in both direct as well as indirect taxes growth rates.
- The growth rate of personal income tax (PIT) was more volatile compared to other components among direct and indirect taxes in both pre and post-globalised period.

Tax Buoyancy Ratio

- Tax buoyancy is another key indicator of competency of revenue mobilization in response to the growth in GDP. During the pre-globalization, the direct tax revenue is not so buoyant as its values are equal to or less than one in most of the years and the indirect tax buoyancy ratio shows a little better performance when compared to the direct tax. During post-globalization, a significant improvement shown by the direct taxes except in the year 1993-94, 1996-97 and 1998-99. On the other hand the buoyancy of indirect tax during post-globalization period was shown mixed performance. The overall performance of tax revenue collection effort from both direct and indirect taxes remained unsatisfactory, especially during globalized era.

Assessee Base

- The analysis of the non-corporate assessee base finds a slow decline in the per cent share of assessees with less than Rs. 2 lakh income and as a consequent a slow rise in the per cent share of assessees belonging to higher income brackets. Further analysis is required to conclude whether assessees in higher income brackets are escaping tax net by declaring lesser income and hence the trend is slow.
- The analysis of the corporate assessee base finds, more than a half (50.43 per cent) of the total corporate assessees have been reporting the income below Rs. 50,000, 24.3 per cent reporting income between Rs. 50,000 and 10 lakh. While, only 11.85 per cent assessees reporting their income Rs. 10 lakh and above. A thorough analysis of why majority of the companies are struck in lower income brackets is further needed.

Assessment & Appeal

- Performance of the department in disposition of scrutiny assessments in direct taxes during the last ten years was not improved at expected level. The pendency percentage of assessments has increased to 52.3 per cent in 2011-12 from 49.2 per cent in 2003-04. On the other side the percentage of pendency cases for scrutiny in central excise has significantly increased in last five years from 51.4 per cent in 2007-08 to 73.9 per cent in 2011-12.
- It is found that, the disposal of appeal cases in direct taxes have increased significantly in past five years from 1.94 lakh in 2007-08 to 3.06 lakh in 2011-12. The performance in disposal rate of appeals has decreased to 24.7 per cent in 2011-12 from 32.8 per cent in 2007-08 and around 2.31 lakh cases are pending for disposal and settlement which locked Rs. 2,42,182 crores till 2011-12.

Dispute Resolution

- By initiating the following measures the Government has exhibited its commitment to resolve the tax disputes (in budget 2014):
  a) Constitution of high level committee (to be setup by CBDT) for scrutinizing fresh cases arising out of retrospective amendments (of 2012).
  b) Enlarging the scope of Income-Tax Settlement Commission.
  c) Constitution of additional benches of Authority for Advance Ruling.
  d) Roll back of Advance Pricing Agreement.

  This makes clear that the Government is willing to make structural reforms for speedy and effective resolution of disputes.

Double Taxation Avoidance Agreements (DTAAs) and Tax Information Exchange Agreements (TIEAs)

- There is a sharp increase in the number of DTAAs signed by India during globalised era (18 agreements in pre-globalization and 70 agreements in post-globalization period) and all the TIEAs India signed (with more than 30 countries) have taken place during post-globalization period.
- DTAAs (equipped with EOI provision) and TIEAs help in unearthing black money stashed in foreign countries. They also facilitate in ascertaining financial information of tax payers and collection of tax.
- The scheme of Tax Residency Certificate helps to avoid misuse and abuse of treaties and ensures treaty benefits reach deserving residents.

Transfer Pricing (TP)

- Increased international transactions due to economic globalization and emergence of MNEs as main players in international business have caused the creation of TP provisions in the tax code. The TP provisions are under continuous reform even after 14 years of introduction (in India).
- TP provisions have helped in gathering the revenue which would have been lost forever in the absence of such provisions. A significant increase in numbers of TP adjustment cases from 23 per cent in 2005-06 to 53 per cent in 2013-14 and an increase in the amount adjusted from Rs. 1,220 crore in 2005-06 to Rs. 59,602 crore in 2013-14 show the relevance of transfer pricing provisions in global environment.

- Tax litigations have increased because of application of TP provisions. The TP audits have revealed that the transfer pricing officers are aggressive and adventurous. As in majority of cases the appellate authorities have ruled against the department, the assessing officers are responsible for emergence of litigations and consequently, for locking up of exchequer's revenue.
- TP provisions have made the documentation a complex job. The latest 5 year data of revenue from international transactions and the figures of TP adjusted amounts gives the hint for the same.
- Inspite of the presence of Rule 10TE(13) there is a possibility of TP officers considering SH margins as threshold when carrying normal audit process.
- Switch over to the concept of range as against the concept of mean and adopting multiple years data as against the current year data is a welcome change and it is in line with the international practices.

Domestic TP

- Introduction of transfer pricing provisions for domestic transactions checks the manipulation of prices in case of domestic intra-group transactions. However, the proposed amendment (in Budget 2015) to section 92BA to increase the limit of Rs.5 crore to Rs.20 crore for specified domestic transaction is a welcome change.

Advance Pricing Agreements (APAs)

- The APA, being a solution to overcome the complex documentation requirement and unknown result of TP audit, is fairly successful, as a good number of agreements have been signed within a short span of time.

- The rollback of APA (permitted by the amendment to APA provisions) is a welcome step. This is in line with the international practice and helps resolve many pending disputes by avoiding further delay and litigation costs.

Safe Harbour Rules (SHRs)

- SHRs notified by India are a step in positive direction vis-à-vis the taxpayers in international transactions.
- Indian safe harbour margins seem to be on higher side when compared to international standards.
- Safe harbour margins for ITeS and KPO being different, it may be difficult, in certain cases, to identify to which group the activity falls. Conflicts may arise in such cases.
- Under SHRs assessee cannot apply MAP under any DTAA. If an overseas tax authority treats an international transaction in a manner which leads to double taxation, assessee has to suffer the burden.
- Even when an assessee opts for SHRs based assessment, Rule 10TD(5) requires the assessee to maintain the documents specified u/s 92D and submit transfer pricing report u/s 92E. This burden nullifies the advantage offered by SHRs.

E-Commerce

- The tax system has been challenged by the growth and development of digital economy and the domestic tax laws are handicapped in bringing to tax net the new dimensions of trade and commerce.

7.3 MAJOR SUGGESTIONS

On the basis of the findings of the present research and observation from the study, the following measures have been suggested for the improvement of the Indian tax system.

7.3.1 GENERAL SUGGESTIONS

Government Subsidies

- In India, huge money is being spent for various subsidy schemes. New measures to control these subsidies to be implemented at all levels of administration for effective utilization of tax money.

Measures to control Black Money

- The Government should make an effort to identify the sectors where more black money is being pumped. For instance, the real estate sector in India is getting untaxed effectively, where turnover of black money is much higher. Hence, strict measures should be implemented to monitor such transactions.

Make-in-India Incentives

- Government should cautious about Make-in-India incentives as there are more environmental and ecological factors involved and affected.
- Make-in-India incentives may be offered to new industries which promote exports or reduce imports. The intention should be to create employment and infrastructure, earn foreign exchange and promote GDP growth.
- Under the Make-in-India scheme, direct and indirect taxes levied to industries may be reworked to make their work in India more rewarding. In this context the provisions of Section 80JJAA may be made simple and useful to smaller organizations.

Swatch Bharat – Incentives

In this context Section 80JJA may be revisited and its scope may be enlarged and length of the deduction period may be increased.

Base Erosion and Profit Shifting (BEPS)

- There must be coordinated efforts to meet the challenges of new dimensions of trade and commerce, like digital economy and growth and development of MNEs, in the globalised era. However, these efforts should not curb the progress of digital economy and e-commerce, since the e-commerce has its own advantages to offer to the ultimate consumers. In this respect BEPS project of OECD and G20 should be supported.

Banking Secrecy

- Banking secrecy aspect should be revisited at international level. Information of Bank account holders with content should be easily accessible to the Government of the country to which depositors belong. India's initiation and leadership in this matter is necessary because of economic, political and social reasons connected to it.

Effective Implementation

- Effective implementation of adopted policy is desired. Immediate implementation any desired policy will give an impression to world that, the India is serious in policy issues.

7.3.2 SPECIFIC SUGGESTIONS

Goods and Services Tax (GST)

- The introduction of GST has been a much awaited tax reform for the trade and industry in India. The results on GST demonstrated a unanimous consensus among the business community that GST would be beneficial to the Indian economy. The lack of significant progress for implementation of GST during last couple of years has created a sense of despondency amongst trade and industry. Hence, India has to implement the Goods and Services Tax (GST) regime immediately without any further delay since it would make business and industry more competitive due to following reasons:
  a) GST would eliminate to a large extent, the multiplicity of administrative mechanisms and tax rates across different states.
  b) It will reduce complexity in tax and increase compliance.
  c) It removes many of the cascading effects of indirect taxation.
  d) It will remove the documentary hassles, thereby saves huge administrative expenses and reduces litigations.
  e) Its positive impact on retail as a whole will make supply chain more cost effective.
  f) It is expected to address most of the complex issues in taxation like software, intangibles, composite contracts etc. and brings more clarity in the levy.
  g) It is expected to increase profitability of corporates and also increase accountability and transparency.
  h) Simplicity and uniformity in indirect taxation helps the industries in proper planning and implementation of their projects and making Indian products competitive and strengthening the economy.

i) Its nature of incremental and transparent levy leads to reduction in generation of black money and lowers corruption.

It is also worth to be considered that, while implementing the GST, the Government should consider the following cautions to derive the above stated benefits -

a) Center should take all the states in to confidence.

b) State level taxes like entertainment tax, octroi etc. are to be properly addressed.

c) Clarity of contentious issues and aspects is to be ensured.

d) Trade and industry expects sufficient time bound for preparation for migrating to new regime.

e) Well defined and clear roadmap of GST along with proper administrative mechanism should be in place.

Direct Taxes Code (DTC)

- In some cases DTC provisions do not meet international best practices. The corporate world considers DTC merely a ‘old wine in new bottle’. The concepts like GAAR, CFC, PoEM based residence, incentive changes etc. are capable of impacting Indian industry significantly. Hence, DTC key areas are to be relooked. Though the Government withdrawn the DTC bill in Budget 2015, it will not make much difference since most of the DTC provisions have been already adopted to the existing Income Tax Act. However the above mentioned key issues should be taken care.

Retrospective Amendments

- Retrospective amendments are putting off investors’ mindset. Uncertainty about tax laws, poor tax administration and frequent changes are discouraging foreign investors. Hence, the Government should restrain and stop retrospective amendments to the maximum extent.

Foreign Direct Investment (FDI)

- Cascading effects of taxes leading to double taxation need to be taken care by taking adequate decision on key concerns of FDI mechanism without neglecting domestic investors, keeping in mind the assurance on stability of policies.
- Tax compliance is becoming difficult due to frequent amendments to tax laws. The Government should completely abolish the system of amendments by way of circulars and no new law should be introduced without carrying out a comprehensive study of its impact on FDI and market sentiment since we are still heavily depending upon foreign investment for our infrastructure needs.

Long-term Tax Policy

- The Government should provide long-term legal frame work along with adopting long-term fiscal policy and stable tax regime for the growth of the economy. Clear signal should go to domestic and foreign investors by simplifying the relevant taxation provisions and providing efficient single window mechanism.

General Anti-avoidance Rules (GAAR)

- As regards to GAAR provisions the following recommendations of Dr. Parthasarathi Shome need to be accepted.
    a) Only arrangements whose main purpose (not one of the main purposes) was obtaining tax benefit should be covered under GAAR.
    b) The term “Commercial substance” should be specifically defined.

c) Constitution of higher powered “Approving Panel” is necessary.

d) GAAR should be made applicable only in cases of abusive, contrived and artificial arrangements.

However, few measures have been taken during this year (in Budget 2015) and the GAAR has been deferred for another 2 years. As it was already postponed twice, since 2012 before this, such postponement should be avoided in any policy matters.

Domestic TP

- The enhancement of threshold limit for domestic transfer pricing transactions from Rs. 5 Crore to Rs.20 Crore during the Budget 2015 is a welcome measure. However, the domestic transfer pricing provisions need amendment to remove ambiguity. Transfer pricing adjustment requires corresponding adjustment in the books of associated enterprises.

Minimum Alternate Tax (MAT)

- MAT, in case of companies, needs to be revisited to make it acceptable by the tax payers. The restructure may cover the rate of MAT tax, method of computing book profits or carry-forward of credit.

Governance of Tax Department

- Administration of taxes by the Tax Department does not go hand in hand with tax policy initiatives of the Government. Rampant tax collection pressure hampers implementation of policy and leads to avoidable litigations. Therefore, there is an urgent need for the tax administration to practice Government’s tax policy initiatives and to fund the growth engine.

- To ensure transparency and smooth administration, implementation of e-governance in tax departments should be accelerated.
- Tax departments should be made assessee-centric and assessee-friendly by infusing relevant administrative reforms.
- To meet revenue targets the department should not defeat spirit behind policy reforms. Evaluation of tax administrator's performance based tax collection should be revisited.
- Appropriate dispute resolution mechanism should be set up to get rid of extreme aggression and lack of consistency. In this regard, dispute resolution mechanism spelt out in Budget 2014 should be fully implemented.
- Accountability of Revenue Officers is a must for a sound policy. Involvement of independent experts in complex provisions like Transfer Pricing, GAAR etc. should be enhanced so as to come to a fair conclusion of the matters.

Tobin Taxes and Climate Change Levy

- It is suggested to introduce 'Tobin Taxes' to minimize the volatility in Forex market and to control short-term speculations in exchange market which may bring stability in currency rates. Implementation of the concept of 'Climate Change Levy' can also help in protecting the green environment of our country.

Information Technology in Tax Administration

- Use of information technology in tax administration needs improvement. The enhanced 'Cloud Computing' may be used to upgrade IT infrastructure of the department for better provision of managed services.

DTAAs and TIEAs

- DTAAs and TIEAs should not be a hurdle in revealing the facts of the economic status (including bank account details) of the persons belonging to the contracting states. There must be freedom to deal with the information obtained under DTAAs and TIEAs from contracting states. In this direction India should try to mobilize the world opinion. Accordingly the relevant clauses of DTAAs and TIEAs should be restructured. In the era of globalization and IT revolution there is no room for hiding the fact which directly or indirectly works against the public policies of the Government or Governmental institutions.
- Mutual Agreement Procedure should be made efficient and effective by way of structural reforms, resource allocation and notifying proper guidelines.

Transfer Pricing (TP)

- Amendment and modification of TP provisions, APA provisions and SHRs should be considered to make them fall in line with OECD guidelines, which will integrate Indian tax provisions with global benchmarks and provide uniformity and simplicity.
- Complexities in documentation and adventurous audit practices are to be done away with and safe harbour margins should not be considered as a threshold while proceeding with TP audit.
- There is a need to have clear guidelines and a premier authority (Ombudsman) to deal with issues concerning Transfer Pricing, Advance Pricing Agreement and Safe Harbour Rules.

Safe Harbour Rules (SHRs)

- In the era of globalization expecting wide disparity in profits of domestic and foreign entities is not acceptable. The safe harbour margins in India being on higher side, they need to be aligned with the international standards.
- As regards to the cases under litigation, from a date prior to the issue of notification of Safe Harbour Rules, if the transactions fulfill the eligibility criteria (except that they have been transacted earlier to the date of effecting of SHRs) under SHRs, the assessees concerned may be given an opportunity to accept the safe harbour margin and close the cases. This will reduce the cost of litigation and wastage of time and leads to early redressal of grievance and recovery of revenue to the government.

Dispute Resolution

- The structural reforms announced by the Government for speedy dispute resolution will be helpful only when they are implemented with the same spirit. In this regard, it is desired that the Government provides necessary resources in the form of infrastructure and quality human resource to undertake the job efficiently and effectively.

Tax Payer First

- New policies should be drafted to change the mindset to 'Tax Payer First'. A comprehensive guidance note may be issued in respect of contentious issues.

Political Lobby

- It is to be convinced to the business and industry that it is not the political lobbies which will frame the tax schemes but the need and usefulness of schemes to the stake holders. This may be done by protecting the interest of unorganized enterprises, MSMEs etc. by suitable promotion schemes.

State Taxes

- Along with introduction of GST a Committee of experts may be set up at central level to look into the ills of State taxes and issue general guidelines to the States. Uniformity in State taxes may be of much help to the enterprises as most of the present day enterprises have inter-state transactions.

Cess and Surcharge

- Cesses and Surcharges are to be levied in exceptional situations. Also, they should be for a short duration, say less than three years.

Innovative Tax Measures

- Majority of Indian tax reforms were being replication of reforms undertaken by advanced countries. India has to think over on delivering new innovative tax mechanisms to the world.
- Innovative tax measures to handle the demands of emerging societal needs are to be thought of. These may include Environment protection, Traffic congestion, Swatch Bharat, Rural development, Abuse and misuse of urban land, Recognizing excellence etc. It is high time that certain ills of the society are to be cured by the society's effort, Government should only be a facilitator.

7.4 CONCLUSION

The research study has brought-out the feelings and anticipations of the two important stake-holders vis-à-vis tax system; corporates and tax-experts. In the present day economic order taxation plays a crucial role and in relation to taxation system, corporate sector is a significant stake-holder. The study is successful in exploring the demands of globalization in order to be successful in global environment. Based on the foundation of taxation reforms introduced till date a future course of action is drawn in the form of suggestions to the Government. The researcher is of the strong opinion that the suggestions made in the study, if not pigeonholed, will go a long way in rejuvenating the Indian tax system to serve the needs of corporate undertakings and making them competitive enough, from tax point of view, in the backdrop of growing and intensifying corporate competition at global level. The suggestions also help in making the Indian tax system a forward looking and globalization driven.

7.5 SCOPE FOR FURTHER RESEARCH

Though the present study adds a lot to the knowledge base still a lot of scope for further research vis-à-vis taxation exists. The areas include:

- Assessee based study.
- Tax based study.
- Period based study.
- Policy based study.

The studies can also be taken up on the basis of contemporary issues in relation to different tax aspects.