FM warns tax dodgers, rules out amnesty

In warning to tax dodgers, Finance Minister P Chidambaram said that a huge amount of data is being mined to go after them and ruled out any amnesty scheme for defaulters. “No. In income tax there is no case for amnesty. Because now almost all returns are online except a small category which was exempt. We have a huge amount of data which is being mined. Therefore, there is no case for amnesty today. “Just admit your income and pay tax and be a proud citizen,” he told PTI in an interview.

He was asked whether the government would consider giving an amnesty to tax defaulters to unearth an estimated huge amount of black money on the lines of amnesty given to service tax defaulters in the budget. Chidambaram pointed out that in a country with 125 crore people, after excluding 67% of the people under food security and elderly people and children, there would be 15 crore people with incomes in various segments. “The top 10% should have large income... I think the number must be several times 42,800 who have high income,” he said, adding they may not be earning Rs 1 crore but certainly Rs 75 lakh or Rs 50 lakh. The FM said that central processing centre in Ghaziabad will now be able to track every single TDS deduction and find out whether the deductor has remitted the money to the government and issued TDS certificate to the deductee.

A number of non-legislative decisions covering customs, excise, service tax, insurance and banking to promote growth will be announced before the passage of the Finance Bill. These decisions will involve customs, excise, service tax, insurance and banking, he said, adding “more announcements will be made and more decisions will be taken” during the reply to the debate in Parliament on the Finance Bill. During a comprehensive post-budget interview, Chidambaram told PTI that he was satisfied with what he had done in the budget with a view to restart the growth engine. “I am not not perturbed by the criticism. The media, as usual, magnifies certain things and ignores certain other things. So that is part education, part entertainment. It has been a mixed bag of emotions to see the reactions,” he said.

Laughing off a question about the absence of any ‘big bang’ announcements in the budget, the Finance Minister said, “big bang interests only the media. What the people want is small, critical steps that will restart the growth engine.” In his view, “the media likes frenzy, the media likes theatre” but people like orderly growth and orderly lives. Ruling out any “populist” measures between now and the Lok Sabha polls due before May, 2014, Chidambaram pointed out that a government can present only five budgets and the UPA had presented its fifth one. There will be a vote on account next February and then there will be elections.

He said the tax concession for investment of Rs 100 crore in plant and machinery was a step to promote manufacturing. “Manufacturing is the only way economic growth can be accelerated.

Illiquid stocks may move to hourly call auction system

Shift will hit 1,800 stocks

Stocks like ITDC, the hotel chain in which the Tata Group holds a sizeable stake, PilaniInvestment, the investment arm of BBKbirla Group, Westlife Development, which houses McDonald’s India franchisee, among others, may be taken out of the normal trading counter in stock exchanges, with a new regulatory rule kicking in from next month.

In a move to curb share price manipulation, capital market regulator Sebi will shift illiquid stocks from the normal trading platform to ‘call auctions’ - a system where deals happen on an hourly session. According to an ET analysis, this will impact 1,800 stocks out of around 5,100 listed companies. Compared to the continuous order matching system in the normal market, in call auction orders are aggregated every hour, of which 45 minutes will be for order entry, modification and cancella-
I-T returns may require disclosure of all assets

Many high-networth individuals (HNIs) have not been declaring all their assets to avoid paying wealth tax. That bliss is set to end soon, with the finance ministry planning to make it mandatory for individuals and Hindu undivided families (HUFs) to report assets and liabilities in income-tax (I-T) return forms. "Last year, reporting of assets and liabilities in Hindu undivided families (HUFs) was mandatory for individuals and liabilities was made mandatory for individuals with foreign assets. This year, it might be extended to Indian assets," said an official.

"The main intention is to get information about those HNIs who had not been paying wealth tax," the official added. declaring all their assets to avoid paying wealth tax. This year, the main intention is to get information about those HNIs who had not been paying wealth tax wealth tax collections are likely to be Rs 866 crore - much less than the Budget estimate of Rs 1,244 crore. For 2013-14, the finance ministry has set a collection target of Rs 950 crore. While declaring the assets, the individual or HUF might have to provide the value of assets on the basis of acquisition cost. For instance, if a house or car was bought in 1999, the cost of the property or the vehicle at the time of purchase would have to be mentioned. Last year, the new disclosure for foreign assets was introduced in ITR2, ITR3 and ITR4, wherein the government asked whether the taxpayer had "any asset outside India or signing authority in any account located outside India". Individuals with foreign assets cannot file ITR1, which is used by individuals with income from salary/pension, one house and income from other houses. The disclosure provision for domestic assets might be made in all four ITR forms. This proposal is primarily aimed at checking tax evasion and boosting collections. In the Union Budget, the government has levied a surcharge of 10 per cent on annual taxable income above Rs 1 crore and imposed tax deducted at source on transfer of immovable property costing more than Rs 50 lakh.

GMR to sell 70% stake in S’pore power company for Rs 2,907 cr

 Infrastructure major GMR Group on Monday said it would divest its 70% stake in GMR Energy (Singapore) Pvt (GMRE) to FPM Power for SGD 660 million (Rs 2,907 cr). * GMR Group has entered into a share purchase agreement on March 4 to sell its 70 per cent interest in GMRE to FPM Power Holdings Ltd for a total equity value of SGD 660 million," the company said in a statement. The company said that the agreement was in line with its "Asset Light, Asset Right strategy" under which it followed the principle of developing, building, create, value and divest. Of the SGD 660 million, FPM Power will invest SGD 60 million in GMRE to FPM Power Holdings Ltd, bringing its 70 per cent interest in GMRE to FPM Power Holdings Ltd. The company said it would divest its 70% stake in GMR Energy (Singapore) Pvt (GMRE) to FPM Power for SGD 660 million (Rs 2,907 cr).

PFRDA gives NPS funds managers quiet nod to invest directly in stocks

India’s pension fund regulator has allowed fund managers of the National Pension System (NPS) to invest directly in stocks, in a move that seems to undermine the fundamental nature of a programme based on the principle of ensuring the safety of subscribers’ money. This was done, without a debate or a public notification, through a 14 January internal circular sent by the Pension Fund Regulatory and Development Authority (PFRDA) to the five pension fund managers (PFMs) of NPS. These private sector fund managers thus were free to invest in stocks directly, instead of via index funds. This dramatic shift was disclosed in a Mint investigation that was itself a follow-up to another change made by the regulator in February. PFRDA, in an emailed statement, defended the move on the grounds that it would allow fund managers to increase returns.

Failure to pay excise, service tax may lead to arrest: FinBill

Failure to pay excise duty and service tax could lead to arrest. As per the provisions proposed in the Finance Bill 2013 introduced by Finance Minister P Chidambaram in the Lok Sabha. Offences relating to excise and customs duty evasion of over Rs 50 lakh would be made punishable and non-bailable. In case of service tax, failure to deposit tax amount exceeding Rs 50 lakh with the government would result in imprisonment of up to seven years. The Finance Bill has proposed to introduce Sec-91 to provide for power to arrest a person for specified offences, particularly non-payment of collected service tax, by an officer not below the rank of Superintendent of Central Excise. It has also proposed to make at least four offences non-bailable under Section 135 of the Customs Act. This would include import or export of any goods which have not been declared in accordance with the provisions and the market price of which exceeds Rs 1 cr.

Government may slash withholding tax rate to 5%

The government is looking to cut withholding tax rate for foreign investments in all types of corporate bonds, as it eyes fresh measures to top up the budget proposals when finance minister PChidambaram replies to the debate in parliament. Under current norms, foreign investments in corporate bonds face 20% tax deduction. A lower withholding tax of 5% is available only in select infrastructure sectors. The high 20% withholding tax is adjustable against the final tax liability of the investor, but it is seen as an irritant by foreign investors. “There is a thinking that withholding tax rates should be cut to 5% for all segments...” a senior finance ministry official said.

PFRDA, in a 14 January internal circular sent to five pension fund managers, allowed them to invest directly in stocks

"By allowing active management, PFRDA intends to give freedom to each of the PFMs to enhance their performance and to optimize returns for the subscribers," the statement said. The new investment guidelines allow PFMs to invest in shares of companies listed on BSE and the National Stock Exchange and on which derivatives are available or part of BSE Sensex or Nifty 50 index - a total of 149 stocks. When NPS was set up in 2009, one of the three investment options offered equity exposure. Under this option, half the money would be invested in an index fund that would be created by the fund managers and half in debt for a mix of growth and safety.

SOURCE: BUSINESS STANDARD

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SOURCE: ECONOMIC TIMES

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IRDA panel for cutting compulsory cession to 5%

General insurers have been clamouring for a complete phase-out of the decade-long practice of obligatory cession.

A key committee of the insurance regulator has suggested halving of the compulsory reinsurance that Indian companies place with public sector General Insurance Corporation of India (GIC). This will create a larger business space for private and foreign reinsurance firms in the country.

The Reinsurance Advisory Committee of IRDA has suggested that domestic general insurers will now need to park only 5 per cent of their reinsurance business with GIC Re. This is, however, still short of what the general insurers want. They are clamouring for a complete phase-out of the decade-long practice of obligatory cession to GIC.

The question that arises then is why does GIC want cession to continue? "We have been suffering losses from the obligatory segment in the past few years. So, when we have stood with the market in the bad years, why should we leave it when the market is turning around? Though we do want to come out of the obligatory segment gradually, we want to (first) recoup our accumulated losses," Roy argued. As general insurers were bleeding with underwriting losses, such 10 per cent obligatory business had become a liability for GIC in the previous year.

ICICI Bank gets $100 mn capital repatriation from UK subsidiary

The lender also plans to bring back a part of the capital from its arm in Canada.

ICICI Bank, this country's largest private sector lender, on Tuesday said its wholly-owned banking subsidiary in Britain had repatriated $100 million (Rs 549 crore) of capital. "This comprises redemption of $50 mn of preference share capital and return of $50 mn on equity capital, after receiving requisite approvals...Post the repatriation, the capital base of ICICI Bank UK is $495 mn and its capital adequacy ratio (CAR) continues to be strong," the bank said. ICICI Bank UK had a CAR of 31.5 per cent at end-Decem-

Sebi asks banks to deal ‘cautiously’ with 2 Sahara firms

Sebi had last month cautioned investors, general public against transacting with Sahara Group firms & their promoters including Subrata Roy.

After cautioning general public against dealing with two Sahara group firms and their top executives due to an order for attachment of their assets, Sebi has asked hundreds of institutions including banks, other financial services firms and even government departments to be cautious in their business with these Sahara entities.

Close on the heels of ordering attachment of bank accounts, investments and all other assets of two Sahara group firms and their promoters, including group chief Subrata Roy, market watchdog Securities and Exchange Board of India (Sebi) last month cautioned the investors and general public against transacting with these companies and persons.

Now, Sebi has advised banks, mutual funds, capital market entities and government departments dealing in property matters to stay cautious about the entities facing attachment orders, as any dealings involving the assets ordered to be frozen or attached could be tantamount to breach of regulatory directions issued as per the Supreme Court orders, a senior official said.

Sebi has also issued hundreds of such advisory sorts and many more are being sent to various entities, the official said, adding that the regulator is also seeking help of banks, RBI and other agencies with regard to recovery of over Rs 19,000 crore from the two Sahara companies towards refund to investors.

EGoM to adjust entry fee paid by Uninor for buying spectrum

A high-powered ministerial panel on Wednesday allowed Norwegian telecom firm Telenor's Indian arm to adjust Rs 1,658 crore licence fee it had paid in 2008 against the final price it has to pay for buying spectrum.

Uninor, formerly Unitech Wireless, had in 2008 paid an entry fee of Rs 1,658 crore for licence to operate in 22 telecom zones. However, all of its licences were among the 122 permits that Supreme Court cancelled last year.

Telenor participated in November 2012 spectrum auction through new entity Teleloungs Communications and won airwaves in six circles for Rs 4,018.28 crore. An Empowered Group of Minister (EGoM) decided that the company will have to pay only about Rs 2,960 crore after deducting Rs 1,658 crore it had already paid in 2008, sources said.

Sebi identifies some assets of Kingfisher for attachment

SBI, the lead banker in the 17-lender consortium to Kingfisher Airlines, has identified some properties for attachment. "Already certain properties have been identified towards attachment by the bank as against loans disbursed to the airline," a Krishnakumar, Managing Director and Group Executive (National Banking) said. Some lenders were planning to sell the carrier's two properties in Mumbai and Goa worth Rs 120 crore to recover a part of the loans worth over Rs 7,500 crore.

On Tuesday Kingfisher Airlines chief Vijay Mallya met Chidambaram after which he discussed the issue of Rs 800 crore outstanding subsidy for Mangalore Chemicals and Fertilizers.

Sahara entities.

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cies, a senior official said.

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Companies floating fraudulent investment deposits mobilizing schemes (also called 'ponzi schemes') under various guises are liable for action under the following laws:

(i) The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 administered by Ministry of Finance (Department of Financial Services) through the State Governments; and
(ii) Section 11AA of the Securities and Exchange Board of India (SEBI) Act, 1992 where such schemes are in violation of Collective Investment Schemes regulated by SEBI.

Giving this information in written reply to a question in the Rajya Sabha today, Shri Sachin Pilot, Minister of Corporate Affairs, said that the following actions have been initiated:

(i) Minister of Corporate Affairs has requested State Chief Ministers to issue instructions to State Police Authority for vigorous action under Prize Chits Act. The Minister has also written to the Finance Minister to increase the surveillance by RBI over unauthorized NBFCs.
(ii) Model rules under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 have been sent by the Ministry of Finance to State Governments for notification. This will enable initiation of action for ponzi schemes.
(iii) Stepped up surveillance by SEBI.
(iv) Campaigns by Ministry of Corporate Affairs, RBI and SEBI through advertisements and Investors Awareness Programmes.
(v) Investigation/Inspection in respect of 87 companies against whom complaints in such cases have been received.
(vi) The Market Research and Analysis Unit is in place in the Serious Fraud Investigation Office of the Ministry of Corporate Affairs for capacity building, coordination with other investigating agencies and for market surveillance.

The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the Royal Government of Bhutan for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on 4th March, 2013.

The Agreement was signed by P Chidambaram, Minister of Finance and by Lyonpo Wangdi Norbu, Bhutanese Finance Minister, on behalf of the Royal Government of Bhutan. This is the first ever DTAA for Bhutan with any country.

The DTAA provides that business profits constitute a permanent establishment in the source state. Profits derived by an enterprise from the operation of aircraft in international traffic shall be taxable in the country of place of effective management of the enterprise. Dividends, interest, royalty income and fees for technical or professional services will be taxed both in the country of residence and in the country of source. However, the maximum rate of tax to be charged in the country of source will not exceed 10% on such dividends, interest, royalties and fees for technical services. Capital gains from the sale of shares will be taxable in the country of source.

The Agreement further incorporates provisions for effective exchange of information and assistance in collection of taxes between tax authorities of the two countries including exchange of banking information and also incorporates anti-abuse provisions to ensure that the benefits of the Agreement are availed of by the genuine residents of the two countries.

Source: Ministry of Finance