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1. GOOGLE TAX: EXPECT GLOBAL PACT SOON, SAYS COMMERCE SECRETARY

The US announced a 25% tariff on annual imports of over $2 billion from six countries (India, Britain, Austria, Italy, Spain and Turkey) it intended to target. However, it immediately held back the punitive steps to allow time for global tax negotiations. A day after the US deferred its plan to slap punitive tariffs on six countries, including India, by six months for imposing a digital services tax (DST) on e-commerce companies, India's Commerce Secretary Anup Wadhawan expected a global understanding on the levy soon. Asked about the US move, Wadhawan told reporters that a global agreement on the taxation matter relating to e-commerce is important, as it "doesn't just concern India but many others". The OECD has already taken an initiative to hammer out an international agreement on such taxations, he added. In a report in January, the USTR office had claimed the DST imposed by India, Italy and Turkey discriminated against American companies and were inconsistent with international tax principles. India had strongly refuted the USTR claims and asserted that its equalisation levy or the so-called 'Google tax' was "non-discriminatory", had only prospective application and didn't specifically target American companies. In a statement, US Trade Representative (USTR) Katherine Tai said: "The United States remains committed to reaching a consensus on international tax issues through the OECD and G20 processes. Today's actions provide time for those negotiations to continue to make progress while maintaining the option of imposing tariffs under Section 301 if warranted in the future." The USTR had proposed additional tariffs of up to 25% ad valorem on 26 categories of Indian goods, expecting to match the duties that New Delhi would garner by imposing its equalisation levy. Given that the world is getting increasingly more digitalised and companies are generating revenue out of transactions undertaken abroad, several countries have begun to tax such transactions that originate from their territories. The US, which is home to several e-commerce giants, including Amazon, has opposed such a move. As for India, its levy is a sort of digital tax on non-resident e-tailers at 2% on the revenue they generate in India from e-commerce supply or services. It was introduced in the Finance Act 2020 (effective from April 1, 2020) by widening the scope of an existing equalisation levy to include e-commerce players and intermediaries. Earlier, the equalisation levy (at 6%) was rolled out in 2016 and slapped on the revenues generated on B2B digital advertisements and allied services of the resident service provider. Last year's change was brought in to nullify the advantage of foreign-commerce firms sans a physical presence in India over domestic competitors.
(Source: Financial Express)

2. ECLGS TENURE EXTENSION TO BENEFIT TEXTILE COMPANIES

Under ECLGS 1.0, the government extended loan for four years with repayment of only interest in the first 12 months The extension of tenure of loan availed under Emergency Credit Line Guarantee Scheme (ECLGS) has come as a major relief for the textile industry struggling to limp back to normalcy with demand in both the domestic and export market hit badly due to prevailing Covid conditions. Later, the principal and interest is repaid in 36 months. The government has now extended the tenure of this loan to five years. With this, borrowers have to repay only interest in the first 24 months and payback the principal and interest in the following 36 months. Manoj Patodia, Chairman, the Cotton Textiles Export Promotion Council, said “the increase in the period for repayment of loans to 5 years has come as a huge relief for MSMEs who are struggling hard to get back to business from the disruptions caused by the second wave of Covid pandemic.” This apart, the government has also extended an additional ECLGS assistance of up to 10 per cent of the outstanding as of February 29, 2020 to borrowers.
(Source: The Hindu Businessline)

3. TAX REFUND: GOVT LIKELY TO RAISE ALLOCATION FOR KEY EXPORT SCHEME

The government will likely raise the allocation for its flagship export tax refund scheme from the budgetted Rs 13,000 crore for FY 22, as the current outlay is expected to fall way short of the amount required to implement recommendations of the GK Pillai panel, an official source told FE. While the revenue department will take a final call on the hike, sources said total allocation for FY 22 may finally jump to about Rs 25,000-30,000 crore. The Pillai committee was tasked with the job of recommending rates for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. It is supposed to reimburse various embedded levies (not subsumed by the GST) paid on inputs consumed in exports. The suggestions are being vetted by both the revenue and commerce departments. The RoDTEP rates are expected to be announced in two weeks. However, the RoDTEP outlay is expected to be much lower than that for the Merchandise Exports from India Scheme (MEIS), which was replaced by this scheme. The government has approved Rs 39,097 crore for MEIS for FY20. Of course, both the schemes are not strictly comparable. While RoDTEP is an export levy refund scheme, MEIS was typically an incentive programme. In March, Pillai, who was formerly commerce secretary, had told FE that “low budget outlay” was unlikely to be a constraint for meaningful implementation of the scheme. “The finance minister has already indicated that enough funds would be made available…,” he had added. Since exporters themselves have no fool-proof data or even complete knowledge of all taxes embedded in the export products, the committee has had a difficult task of determining the RoDTEP rates for as many as 8,000 tariff lines. The exercise has been done in a manner as comprehensive as possible in keeping with principle that taxes are not meant to be exported, Pillai had said, but added the scheme could still take 2-3 years to stabilise. Sections of the exporters’ community, however, apprehend that the government could reduce the RoDTEP rates or the coverage of the scheme to limit the cost to the exchequer. Any such move, they have warned, will delay a recovery in exports, which have started to surge from March after maintaining a roller-coaster ride in the wake of the Covid-19 outbreak. The government, they said, should keep the RoDTEP outgo open-ended and not curtail the rates to limit refunds to a certain annual budgetary outlay, if the idea is to keep exports truly zero-rated in sync with global best practices. The RoDTEP replaced

the "WTO-incompatible" MEIS from January 2021 but the refund rates are yet to be declared. Under MEIS, most exporters were getting scrips amounting to 2-5% of the freight-on-board value of the shipment. Merchandise exports surged a record 196% year-on-years in April, driven mainly by a favourable base. However, even in absolute term, exports in April stood at $30.6 billion, up almost 18% from the same month in 2019 (before the pandemic struck), mainly on the back of improved order flow. The government has now set an ambitious target of $400 billion for FY22, against $291 billion last fiscal. For this to be achieved, the government should try and address the liquidity woes of exporters, who have been awaiting the release of tens of thousands of crores under the MEIS, exporters have said. For its part, the government, faced with a resource crunch and the urgent requirement of boosting healthcare spending to fight Covid-19, has already started processing the MEIS benefits, a senior official recently said.
(Source: Financial Express)

4. **NEW INCOME TAX E-FILING WEBSITE LIVE: ITR E-FILING 2.0 PORTAL LINK, FEATURES, BENEFITS TOP BE OPERATIONAL SOON**

New e-filing website (www.incometax.gov.in) launch: Along with the launch of the new e-filing portal, the Income Tax Department will also provide free of cost ITR preparation software for Forms ITR-1, ITR-2 this month. New e-filing website The Income Tax Department has launched its new e-filing portal www.incometax.gov.in (7th June, 2021). It will provide convenience and a "modern, seamless experience" to taxpayers. Along with the launch of the new e-filing portal, the Income Tax Department will also provide free of cost ITR preparation software for Forms ITR-1, ITR-2 and 4. In a statement earlier, the Ministry of Finance had said, "Free of cost ITR preparation software available with interactive questions to help taxpayers for ITRs 1, 4 (online and offline) and ITR 2 (offline) to begin with; Facility for preparation of ITRs 3, 5, 6, 7 will be made available shortly." You can access the new e-filing website at www.incometax.gov.in. New e-filing portal features and benefits. Immediate processing of Income Tax Returns (ITRs) to issue quick refunds to taxpayers. Single dashboard to display all interactions and uploads or pending actions for follow-up action by taxpayer. Taxpayers can proactively update their profile to provide details of income including salary, house property, business/profession which will be used in pre-filling their ITR. The detailed enablement of pre-filling with salary income, interest, dividend and capital gains will be available after TDS and SFT statements are uploaded (due date is June 30th, 2021) New call center for taxpayer assistance for promt response to taxpayer queries. Detailed FAQs, User Manuals, Videos and chatbot/live agent also provided; Functionalities for filing Income Tax Forms, Add tax professionals, Submit responses to Notices in Faceless Scrutiny or Appeals would be available.
(Source: Financial Express)

5. **INDIA LIKELY TO BENEFIT FROM GLOBAL MINIMUM 15% CORPORATE TAX PACT**

India is likely to benefit from the global minimum 15 per cent corporate tax rate pact inked by the world's richest nations as the effective domestic tax rate is above the threshold, and the country would continue to attract investment, tax experts said. The

Finance Ministers of G-7 countries, comprising US, UK, Germany, France, Canada, Italy and Japan, reached a landmark deal on taxing multinational companies as per which the minimum global tax rate would be at least 15 per cent. They also agreed to put in place measures to ensure businesses pay taxes in the countries where they operate, a move aimed at plugging loopholes in cross-border taxation. Nangia Andersen India Chairman Rakesh Nangia said the G7 commitment to global minimum tax rate of 15 per cent works well for the US government and most other countries in Western Europe. However, some low-tax European jurisdictions such as the Netherlands, Ireland and Luxembourg and some in the Caribbean rely largely on tax rate arbitrage to attract MNCs. "The global pact would face the challenge of getting other major nations on the same page, since this impinges on the right of the sovereign to decide a nation's tax policy," Nangia added. India had in September 2019 slashed corporate taxes for domestic companies to 22 per cent and to 15 per cent for new domestic manufacturing units. The concessional tax rate was extended to the existing domestic companies as well, subject to certain conditions. Consulting firm AKM Global Tax Partner Amit Maheshwari said India is expected to benefit as it is a big market for a large number of tech companies. "It remains to be seen how the allocation would be between market countries. Also, the global minimum tax of at least 15 per cent means that in all probability the concessional Indian tax regime would still work, and India would continue to attract investment," Maheshwari added. EY India National Tax Leader Sudhir Kapadia said the global corporate tax pact is a path breaking one, especially for large and developing countries like India which would always find it very difficult to keep corporate tax rates artificially lower in a bid to increase much needed foreign direct investments in the country. "Even the recently announced lower rate of 15 per cent for new manufacturing units in India just about meets this new threshold, thus, not affecting this much needed boost to manufacturing in India. Equally important is the explicit granting of taxing rights to "market countries" for a share of global profits of multinational corporations, thus aligning right to taxation with place of economic contribution," Kapadia added. The decision of the Group of seven (G-7) advanced economies would be placed before the G-20 countries, a group of developing and developed nations, in a meeting scheduled for July in Venice. Nangia said since India's effective tax rate is still above the global minimum tax rate, it would not impact companies doing business in India. "The global minimum rate impacts companies using low-tax jurisdiction to achieve low global tax cost. Moreover, India attracts foreign investment owing to its large internal market, quality labour at competitive rates, strategic location for exports, and a thriving private sector," he added. Maheshwari said that the G-7 agreement will have a lot of weight in the G20/OECD discussions, but is still a lot of work to reach global consensus. "Countries like Ireland are expected to have a challenging time and may oppose this minimum tax rate. However, a minimum tax of 15 per cent may not raise substantial revenues and there is a possibility that other countries may want a higher minimum global tax rate," he added. In a statement issued on Saturday, OECD Secretary-General Mathias Cormann said the consensus among the G7 Finance Ministers, including on a minimum level of global taxation, is a landmark step toward the global consensus necessary to reform the international tax system. "There is important work left to do. But this decision adds important momentum to the coming discussions among the 139 member countries and jurisdictions of the OECD/G20 Inclusive Framework on BEPS, where we continue to seek a final agreement ensuring that multinational companies pay their fair share everywhere," Cormann added. Deloitte India Partner Rohinton Sidhwa said the benefit of the minimum tax rate should accrue by first giving a right to tax a slice of profit of the large global digital MNEs. Secondly, it will put an end to the various digital taxes that have proliferated around the

world similar to the equalization levy in India, he said adding that thirdly, it paves the way for changes in global tax treaties pursuant to the consensus being reached.
(Source: Business Standard)