

A new Income Tax Act

Why in news?

\n\n

The Indian government has constituted a task force for overhauling its existing 'Income Tax Act, 1961' to make it consonant with the present economic needs.

\n\n

What it the mandates for the task force?

\n\n

\n

- The country needs to widen its tax base, since the number of taxpayers is still low when compared to the overall population.

\n

- Hence, the task force has been mandated to prepare a suitable 'draft direct tax legislation' and submit its report to the government within six months.

\n

- It is expected to study direct tax systems prevalent in various countries, international best practices and the country's economic needs.

\n

- The broad idea till now is to establish moderate tax rates and also reduce the number of tax exemptions that are presently available.

\n

- The envisioned draft is also intended to ensure simplicity and clarity to reduce litigation and provide stability to local as well as global business.

\n

\n\n

What are the concerns?

\n\n

\n

- The government has already taken several steps in line with Direct Tax Code, 2010 (DTC) under the Income Tax Act.

\n

- Eliminating the Minimum Alternate Tax (MAT), which most countries have already done away with, is also being considered but there isn't consensus.

- \n
- The new law should be in sync with India's bilateral tax treaties and should be conducive for foreign investments.
- \n
- There are reservations against the 2017 update to the "OECD Model Tax Convention and Commentary" is not in line with international best practices.
- \n
- It would be challenging to draft an entirely new income tax law in such a short time of 6 months, as broad stakeholder consultations are required.
- \n

\n\n

How does the future look?

\n\n

- \n
- The new committee should involve all stakeholders and should give the rationale of each provision clearly before finalising its draft.
- \n
- As India wants to become a manufacturing hub, it important to critically analyse the effectiveness of corporate tax cuts on the fiscal and the economy.
- \n
- Also, to avoid long-drawn-out litigation, it should be ensured that the proposed law is legally compliant and its administration is smooth.
- \n

\n\n

\n\n

Source: Business Standard

\n

