

'BUDGET TO RESET TAX LAWS TO DECRIMINALISE SECTIONS IN I-T, GST'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Simpler to settle: Aim is to slash penalties so that compounding becomes a better or a first choice for a taxpayer, says official. PTIPTI

The Union Budget 2023-24 will include steps to decriminalise taxation laws, remove provisions in the Income Tax, Goods and Services Tax (GST) and Customs laws that are similar to sections that can be invoked under the Indian Penal Code (IPC), and reduce 'prohibitive' compounding charges under GST, a senior finance ministry official said.

The compounding provisions in GST, which entail penalties from 50% to 150% of the tax amount involved, make it "impossible for anybody to pay", said Vivek Aggarwal, Additional Secretary in the Department of Revenue. As a result, "there has been zero compounding in India till now for all cases filed under the GST Act," the official added.

'Becomes affordable'

"That is being relooked at so that it becomes affordable and compounding becomes a better or a first choice for a taxpayer," Mr. Aggarwal explained. "We are looking at raising the threshold limits (for deeming offences as criminal) in GST, and removing provisions that are overlapping with the IPC so that they become simpler as the GST gets streamlined," he said.

'Reviewing thresholds'

While the thresholds for considering tax evasion a criminal offence were also being reviewed under the Income Tax and Customs laws, sections of the IPC that deal with obstructing officers performing their duty and failing to respond to summons for documents, for instance, need not be replicated in tax laws, he indicated.

"As we come to the Finance Bill of 2023, you will see major changes for ease of doing business as well as decriminalisation of tax laws," Mr. Aggarwal said at an international tax conference hosted by Assocham on Wednesday, noting that this had been identified as a priority area by Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman.

'Aim to cut discretion'

While some criminal provisions in the tax laws were compoundable, the government was examining the level of compounding that was happening and the extent of discretion being exercised by officers so as to make the process more objective.

"After examining this, we have come to a conclusion that the compounding regime had to be made simpler and discretion had to be reduced. We can increase the thresholds for declaring a particular act as a crime and we can look at removing those sections in those Acts which are actually a duplication," Mr. Aggarwal said.

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