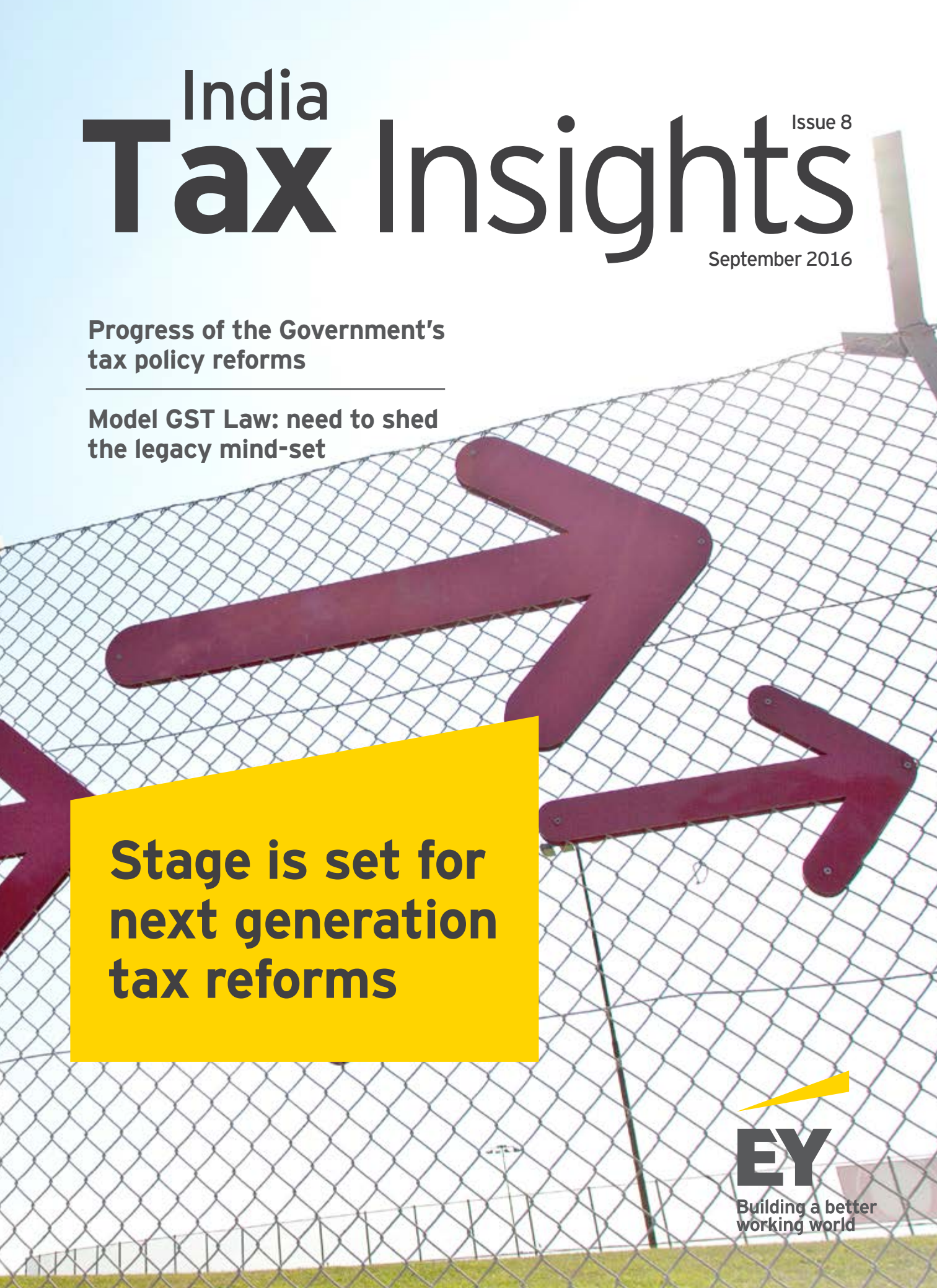
India Tax Insights

Issue 8

September 2016

Progress of the Government's tax policy reforms

Model GST Law: need to shed the legacy mind-set



Stage is set for next generation tax reforms

EY

Building a better working world

Team

Publisher:
Ernst & Young LLP
Golf View Corporate Tower B
Near DLF Golf Course, Sector 42
Gurgaon - 122002

Editorial Board:
Geeta Jani
Jayesh Sanghvi
Keyur Shah
Rajendra Nayak
Shalini Mathur
Sushant Nayak

Program Manager
Jerin Verghese

Program Support
Pushpanjali Singh, Tripti Panda

Creatives
Jasmeet Kaur Jaggi

Write to us with feedback/suggestions and contributions at Tax.Update@in.ey.com

Sudhir Kapadia
Partner and National
Tax Leader, EY India

Welcome

We are pleased to present the eighth edition of our magazine *India Tax Insights*.

It has been over two years since the current Government, under the leadership of Prime Minister Narendra Modi, assumed office. In an address to the joint session of the Parliament on 9 June 2014, the President of India spelt out the broad tax agenda of the new Government by stating, "My government will create a policy environment which is predictable, transparent and fair. It will embark on rationalization and simplification of the tax regime to make it non-adversarial and conducive to investment, enterprise and growth." The Government's movement in this direction is reflected in its Union Budgets in the initial two years, instructions and guidance aimed at reducing arbitrariness and litigation, and implementation of recommendations for simplification of the tax laws. Business leaders agree that a predictable tax regime is vital for the success of a number of the Government's initiatives, such as "Make in India" and "Start-up India." Therefore, this issue of Tax Insights surveys the measures taken by the Government so far in retrospect and what needs consideration in prospect.

We start with an article that outlines the progress toward a non-adversarial tax regime and a discussion on whether the Government has kept its promise. While the Government's approach has ensured that tax policy moves positively in the right direction, it also means that considerable hard work lies ahead for it in the effective implementation of some well-intended and well-designed policy measures.

Despite a number of positive steps in providing an effective tax regime has been taken, a lot more still needs to be done. Issues such as determination of place of effective management, general anti-avoidance rules and corporate tax rate reduction are still work in progress. In an insightful interview, Rohit Agarwal, Head of India Tax, Vodafone India Ltd. discusses some of these aspects.

Moving ahead, with the Parliament approving the Goods & Services Tax Constitution amendment, the path is set for implementing a tax reform that is arguably the most ambitious and the most significant since the country gained independence in 1947. Harishanker Subramaniam, Partner and National Leader – Indirect Tax, EY writes about the challenges in its implementation and what lies ahead.

After causing consternation in the international business community in 2012 with a retrospective amendment to tax indirect transfers, the current Government is committed to avoiding retrospective amendments. However, the absence of clarity on the application of the indirect transfer taxation provision in its prospective application was a concern. The Government has sought to address this concern by making the provisions more objective and by recently introducing rules for determining the tax liability in such cases. In her article, Geeta Jani, Partner – Tax & Regulatory Services, EY reviews the rules and comments on some challenges and concerns that may still remain.

Transfer pricing enforcement was another area that led to a lot of angst to the business community. Vishal Rai, Partner, Tax & Regulatory Services, EY examines the key changes in the transfer pricing regime over the last two years has enabled movement to a more predictable regime.

The India-Mauritius tax treaty has always been in the crosshairs of the Indian tax administration on grounds of its perceived abuse. The status of its re-negotiation often resulted in a degree of uncertainty to foreign investors. In a watershed development, India and Mauritius recently concluded the re-negotiation and notified investors of the new provisions. Keyur Shah, Tax Partner, EY discusses the implications of this development on foreign investors.

Articles by Rajan Vora, tax partner in a member firm of EY Global and Sunil Kapadia, Partner – Tax & Regulatory Services, EY provide insights into key issues relating to tax litigation and the impact of Ind AS on corporate India, respectively.

In addition, our regular features GlobalNews and EconoMeter present a snapshot of the key global tax developments and economic indicators, respectively.

We hope you find this publication timely and useful. We look forward for your feedback and suggestions.

In this issue

Articles

Regulars

Interview feature

Is the stage set for next generation tax reforms?

The better the question. The better the answer. The better the world works.

Elections in India tend to center around a number of noisy and boisterous issues, and it is rare for tax policy to find a meaningful place in the manifestos of political parties. However, in the 2014 elections, the current Government's political manifesto in particular made pointed references to the prevalence of what it called

"tax terrorism"

and the urgent need for tax certainty and a non-adversarial tax regime. The context of these manifesto points was of course the much-criticized slew of retrospective amendments brought about by the previous government in the 2012 Budget and the general prevailing atmosphere of suspicion and aggressiveness on the part of the tax administration in relation to assessments and collection of taxes.

Sudhir Kapadia

Partner and National Tax Leader, EY India

With more than two years of governance behind the Modi Government, it is the right time to analyze the progress of several aspects of its tax policy reforms. The scene was set by the maiden[1] Budget presented by the finance minister outlining the new Government's tax policy and vision; however, it was thought to be short of bold and decisive measures (for example, the retrospective provisions of taxation of indirect transfers were left untouched, and still continue on the statute book, though some other mitigating measures were introduced). However, since then the Government has shown remarkable resolve and progress toward its objectives of tax certainty and non-adversarial tax regime, as outlined below:

1

Tax simplification and certainty

The Central Board of Direct Taxes (CBDT) has issued a number of much-needed clarifications on quite a few simmering tax issues. Examples include providing certainty on the characterization of the investment portfolio of taxpayer as capital gains instead of business income (rather than leaving it to the discretion of the assessing officer)[2]; clarifying the non-applicability of the Association of Persons status in case of executing engineering, procurement and construction (EPC) contracts[3]; automatic stay of the tax demanded on assessment upon payment of 15% of the demand if the taxpayer prefers an appeal against the assessment[4]; substitution of low threshold for the selection of cases for transfer pricing scrutiny with a risk based evaluation with greater emphasis on qualitative rather than quantitative factors; rules for special taxation regime to facilitate the location of fund managers of offshore funds in India[5]; and notifying amendments to the GAAR rules clarifying the grandfathering of income from transfer of investments made before 1 April 2017 from the application of GAAR. In general, it is observed that there is a willingness and strong intent to provide clarity and certainty on a variety of contentious issues.

1 EY's E-Budget Analysis in Budget Connect + 2014 at http://www.ey.com/IN/en/Services/Tax/EY-budget-connect-2014
2 CBDT Circular 6 of 2016 dated 29 February 2016 and CBDT Clarification F.No. 225/12/2016/ITA.II dated 2 May 2016
3 CBDT Circular 7 of 2016 dated 7 March 2016 and EY Tax Alert dated 9 March 2016
4 CBDT (Office Memorandum) F.No. 404/72/93-ITCC dated 29 February 2016
5 EY Tax Alert on Key international tax proposals of India Budget 2016 (dated 1 March 2016) and of FB 2015 (dated 28 February 2015)
6 EY Tax Alert on Key international tax proposals of FB 2015 (dated 28 February 2015)
7 EY Global Tax Alert dated 15 October 2014

2

Non adversarial tax regime

The most notable feature of the current tax regime is that there has been no serious attempt to rake up fresh issues based on "creative interpretation," which was the order of the day in the past. However, a notable exception was an attempt to levy minimum alternate tax (MAT) on foreign institutional investors (FIIs), which created a great deal of anxiety and uncertainty but was very quickly resolved in a time-bound manner through legislative intervention in the Budget that followed[6]. Similarly, the Government took cabinet approval not to appeal against a favorable order passed by the Bombay High Court[7], ruling against the transfer pricing adjustments carried out by the tax administration in respect of fresh issue of shares by a subsidiary of a foreign company in India.

There are instances both in direct and indirect tax administration where high-handed measures are still resorted to, including unreasonable demands and summoning of senior executives and directors of companies even if the issue is one of difference of interpretation of law rather than concealment or fraud. Similarly, timely grant of tax refunds is still an issue, with many tax officers attempting to make adjustments in subsequent years to offset the refunds due for prior years. Timely grant of lower or nil tax deduction at source (TDS) certificates is still a challenge, as is the case of timely grant of appeal effects in case of favorable rulings by higher authorities Dispute resolution mechanism: The Authority for Advance Rulings (AAR) was established way back in the 1990s to provide certainty in respect of proposed transactions to be carried out by foreign investors in India. The AAR has a checkered history and has seen periods when it has been quite inactive, resulting in pendency of several cases. The AAR has made tremendous progress in recent times under the chairmanship of the current justice. However, there is an urgent need to put in place a mechanism where unnecessary delays are avoided both by the tax administration as well as applicants of the rulings. In particular, it has been observed with unfailing regularity that the counsels for tax administration routinely request for adjournments on the basis of necessary paper work not being ready or provided to them. This attitude remains unchallenged despite specific counsel provided by the CBDT in a recent circular to help expedite cases at the AAR. There is also a dire need to grant continuity of tenure to the sitting judge to ensure seamless functioning of the AAR. It has often been seen that after the tenure of the sitting judge concludes, it takes several months for a new incumbent to be appointed and take charge, leading to more delays and pendency of applications. The announcement of additional benches of the AAR has also remained on paper as the necessary members have not yet been notified. In short, time has now come to further enhance the effectiveness of the AAR and encourage taxpayers to avail of this opportunity to seek advance rulings of proposed transactions, which will result in greater certainty and avoidance of litigation in future. Similarly, the Advance Pricing Authority (APA) has done a commendable job in concluding APA agreements on a variety of issues and providing certainty on transfer pricing issues. Here too, there is a need to have continuity in the team members comprising the APA and to ensure that future members have the right competencies and mind set toward helping conclude pricing arrangements rather than have a challenging revenue mind-set that scares away potential applicants from approaching the APA.

3

Simplification of tax laws

The finance minister has provided a clear roadmap for the rationalization of corporate tax rates from 30% to 25% in lieu of the gradual removal of various incentives in the next 3–4 years. However, legacy surcharges, which add 3%–4% to the tax burden, still continue. Similarly, the dividend distribution tax (DDT) has seen a gradual increase to nearly 20%, significantly enhancing the effective corporate tax rate for dividend paying companies. It may now be time to revisit the classical system of dividend taxation: taxing shareholders at applicable slab rates above the minimum threshold so as not to burden small shareholders. MAT has also increased to nearly 20% over the years. Therefore, a clear clarification of the phased removal of MAT, along with reduction of corporate tax rate to 25% and phasing out of incentives, is required to make the corporate tax system simpler, attractive and efficient.

4

Base Erosion and Profit Shifting measures

India has played a pivotal role in the development of Base Erosion and Profit Shifting (BEPS) action points at the OECD. India has already introduced minimum stands prescribed under BEPS by way of common CbCR and master filing documentation and an equalization levy for advertising revenues earned by foreign websites[8]. Going forward, there are a number of recommendations pertaining to interest cost disallowance, tax avoidance measures, transfer pricing–based on value contributions etc., which India would likely consider to incorporate in the Indian tax law. However, India would do well to avoid over-complicating an already complex law, which may in turn trigger an onset of future tax controversies even as the past controversies are being addressed. India should also consider balancing the need of attracting investments in the Indian economy versus introducing more detailed rules recommended by the BEPS action agenda.

8 EY Tax Alert on Key international tax proposals of India Budget 2016 (dated 1 March 2016)
9 EY Global Tax Alert dated 11 May 2016

5

Capital gains tax

Exemption of short term capital gains in the hands of foreign investors investing through Mauritius and availing of the Mauritius-India Treaty has been a contentious issue for more than two decades. No government in the past was willing to touch this issue for fear of spooking the capital markets. This Government has shown courage and vision to resolve this long-pending uncertainty by providing for a phased withdrawal of capital gains exemption and yet grandfathering past investments[9]. There are reports indicating similar re-visiting of capital gains tax exemption provision in some other treaties, including with Singapore and the Netherlands. By introducing these amendments, the Government has made its intent clear to provide a level playing field to all foreign investors, whichever country they come from, in respect of their capital gains taxation in India.

6

Goods and Services Tax (GST)

The passage of the Constitution (Amendment) Bill for GST implementation by the Rajya Sabha is a remarkable achievement and marks a new era of cooperative fiscal federalism in India. In the spirit that the Government has demonstrated earlier, it should now engage constructively with the stakeholders on the significant matters relating to the tax base and rates. The current draft of the proposed GST law does not inspire much confidence and has a plethora of issues that need to be immediately addressed. An open and regular dialogue with the industry would help in settling these issues.

The Chief Economic Advisor to the Government, Arvind Subramanian, has rightly stated that the Modi Government has successfully followed

"persistent, creative and encompassing incrementalism in its economic policy."

The same description could well apply to the Modi Government's tax policy. While this approach has ensured that tax policy is moved positively in the right direction, it also means that considerable hard work lies in the areas of effective implementation of some well- intended and well- designed policy measures.

EY
Building a better working world

Managing risks? ☐

Fueling growth? ☐

The new **EY CFO Agenda App** provides insights, on 8 key issues under 2 highly relevant themes core to your role as a finance leader, to help you make the right decisions.

More on **ey.com/cfoagenda**

The better the question. The better the answer. The better the world works.

How to get started

Step 1 **Download** the CFO Agenda app from the Google Playstore on your Android phone or from the Apple Appstore on your iPhone

Google Play

Get it on the iPhone App Store

Step 2 **Register** on the app

Step 3 **Access** the latest insights anytime, anywhere

Achieving a balance between providing a taxpayer-friendly environment and enhancing the tax base – a challenge for the Government

Rohit Agarwal
Head of India Tax, Vodafone India Ltd.

What are the top three initiatives of the Government in the last two years in the tax policy and ministration?

The Government has taken a number of initiatives, seemingly with the intent to bring more clarity and certainty on the tax front. One of the key initiatives is the measures taken by the Government to reduce tax litigation and improve the overall tax environment in the country by providing clarity and certainty regarding litigious tax issues – such as deductibility of bad debts, amendment to Rule 8D and stay of demand where appeal is pending before Commissioner (Appeals).

Another key initiative is the focus on increasing consultation with the stakeholders and calling for their participation before laying down rules/regulations. For example publication of draft PEOM guidelines and draft buy-back rules, and the constitution of committees to provide recommendations on different issues after consultation with the public are all positive steps toward increasing the participation of the stakeholders in formulation of the tax rules/ regulations.

The Government has also made visible efforts to widen the tax base and reduce the opportunity for tax arbitrage and tax leakage by increasing the scope of collecting online information about transactions. The Black Money Act, Income Declaration Scheme etc. are also significant initiatives of the Government to increase the tax revenues.

Which are the areas where the Government could have focused a little more?

The Government appears to be quite focused toward improving the overall tax environment and has taken positive initiatives toward this objective. However, there are a few areas where the Government can focus more in order to get better results. One such area would be to provide early resolution of tax disputes, preferably by providing a machinery for the resolution of disputes at early stages and disincentivizing repetitive litigation by tax officials on matters/ issues that have been held in favor of the taxpayers. There is substantial litigation still, across both direct and indirect taxes in India, where faster action would help and go a long way in reducing the tax litigation.

Another focus area could be to ensure a more pragmatic and holistic approach while undertaking tax audits, which will help to build confidence of the taxpayers.

Do you think the Government has kept its promise of moving toward a predictable and non-adversarial tax regime?

The Government has clearly taken many steps in the recent past to provide clarity and certainty and to avoid unwanted tax litigation. Various committees have been formed to understand the issues faced by the taxpayers and to come up with appropriate recommendations to the Government to resolve these issues, which is a clear step toward providing a stable, clear and more predictable tax regime. However, there is a lot to be done toward improving the overall tax environment in India, more particularly toward providing a non-adversarial tax regime. The first step could be to build safeguards to protect taxpayers in case of high-pitched tax assessments resulting in huge unwarranted tax demands and pressure for recovery thereof.

What are the key challenges that the Government faces in improving the tax climate in India?

There are many challenges – a long list indeed. However, I would like to highlight two main ones, which in my view, if addressed appropriately, will take us a long way. The first would be the actual implementation of the policy initiatives that the Government is undertaking, which would determine the real success of these policies. The second would be alignment of the positions taken at the tax administration level with the overall policy framework of the Government. The gap between the intent and objective of the policy and the actions taken at the administration level needs to be bridged.

How do you see the implementation of BEPS Actions in India as well as globally contributing to tax uncertainty for corporates?

BEPS, as it is commonly known, is an abbreviation for Base Erosion and Profit Shifting. The whole idea of the project undertaken by OECD at the behest of G-20 nations was primarily to ensure that taxes are paid where the economic activity is taking place. Last year, OECD released 15 Action Plans, which are primarily recommendatory in nature or establishing minimum standards.

The next step is for the governments across the world to initiate changes in their local laws to be in line with the OECD recommendations in the BEPS project. To bring about changes in various countries at the same time is a big challenge. Additionally, disparate tax rules and regulations in different countries could lead to uncertainty and possible double taxation.

BEPS is a significant change across he world and the existing tax environments. Corporates need to be aware of this change and start taking immediate proactive steps such as proactive evaluation of legal and contractual structures and ensuring that they are aligned to actual business operations in various jurisdictions. Further, documentation would be a key going forward as it is the only way to demonstrate that appropriate taxes have been paid in each country; therefore, there would be additional documentation requirements for corporates. There will also be increased reporting obligations, which would require corporates to ensure that reports from their accounting systems are generated in a timely and accurate manner. This would also increase the use of automated software and data analytics techniques to enhance the quality and usefulness of the reports.

While BEPS is a welcome initiative, the different ways in which various countries will implement these rules and recommendations may lead to enhanced and more complex litigation, particularly because the disputes would largely revolve around attribution of profits. The corporates would, therefore, need to reach out proactively to the tax authorities and engage with them to gain certainty and to avoid/ resolve potential disputes.

From your experience, are there any international best practices which the Government should consider introducing for a more tax payer-friendly environment?

Certainly there are many international tax practices from where we can take a cue, though not all would be relevant for India – we need to be very mindful of the overall tax environment in India. One important aspect that the Government should consider is the need for a drastic change in the traditional system of carrying tax audits. The move to a limited assessment procedure is a welcome step in this direction.

While on the one hand the Government seeks to introduce taxpayer-friendly measures, but on the other there is a need to strengthen tax enforcement. Are these twin objectives at conflict and do you see the need for a trade-off between the two?

I would agree that this is a big challenge for the Government. On the one side, the Government is committed to provide a tax payer–friendly environment and on the other side, the Government depends in a large way on the tax revenues collected by the tax administration. Considering that the Government wishes to do both, it is a big challenge to effectively maintain a balance between the two, but I do not see any conflict. Both these can be achieved together and a possible way would be definitely to broaden the tax base. Today, a very low percentage of the Indian population pays taxes (India has a 7.4 crore taxpayer base according to recent news reports), which can be broad-based further. Having said that, the Government is taking measures in this direction and, if executed effectively, these will not provide a friendlier tax environment, but also strengthen tax enforcement.

At a conference of tax administrators, the Prime Minister outlined a five-point agenda for the tax department called RAPID (Revenue, Accountability, Probity, Information and Digitization). Which of these points do you think should be the top priority for the tax department?

To my mind, all five are important. Accountability would be one agenda on priority as it can take us a long way in ensuring a better and friendly tax environment. If we get more reasoned orders, it will reduce the overall litigation and provide upfront certainty to taxpayers, build confidence in them and eventually help the Government in achieving its overall objective of increasing revenues from tax and broadening the tax base.

Digitization is another key aspect, be it for the Government or corporates. Digitization will help the tax administration reduce the load on the existing teams and enhance their deliverables. Through data analytics, tax officials can also objectively identify cases for scrutiny instead of picking up scrutiny cases year on year, on a repetitive basis.

In the last couple of years, the tax department has taken a number of steps in e-governance by moving toward online tax return filing and processing as well as launching a pilot for online assessment. What other e-initiatives do you think the tax department should consider?

The Government is moving in the right direction in using the online platform. It needs to be ensured that the existing e-initiatives stabilize well, the glitches are completely removed and the online portals are made more user-friendly. Based on the success of the pilot project, the scope of online assessment may be enlarged as it will take away unwarranted efforts and energy put in by both the Government and corporates in recurring tax audits and would help them focus on bigger and important matters.

Another area would be to provide an online mechanism for the transfer of tax credits relatable to the amalgamating/de-merged company to the amalgamated/resulting company and electronic verification thereof by the tax administration. This would save the efforts and time wasted by corporates in claiming these credits in case of merger/de-merger transactions.

Harishanker Subramaniam

Partner and National Leader,
Indirect Tax, EY India

Model GST Law: need to shed the legacy mind-set

With the passage of the Constitution Amendment Bill (CAB) in the Parliament's Monsoon Session, there are renewed hopes of a GST rollout in 2017. The recent release of the Model GST Law (the Law) for stakeholder consultation is important milestone in the GST journey. The draft law provides a ringside view of the GST contours and gives an opportunity to the industry to critique and advocate changes. The industry hopes that an open consultation will result in a law that is efficient, certain and easy to comply with.

The Law is a 190-page document, raising questions around its complexity to interpret. It has some positives but also carries a legacy mind-set. Since it is still work in progress, it should attempt to move away from this mind-set and be forward-looking for the GST to be effective.

GST complexity

It is now evident that all supplies of goods and services will be subject to Central GST (CGST) and State GST (SGST) on intra-state supplies or Integrated GST (IGST) on inter-state supplies. The Law also envisages GST on self-supplies without consideration between taxable persons. It is indeed a relief that the earlier proposed non-creditable 1% origin tax on inter-state supplies of goods, it is expected to be dropped in view of both political and industry objections. The GST framework may, however, have complexities of dual administration, multiple registrations/assessments, and multiple credit pool tracking and reporting at the transaction level.

The services sector, which till date was subject to service tax levied by the Center, will now have to deal with states with multiple registrations. This may be particularly onerous for sectors such as telecom and financial services.

The services sector, which till date was subject to service tax levied by the Center, will now have to deal with states with multiple registrations. This may be particularly onerous for sectors such as telecom and financial services. The industry has highlighted the issues of the services sector in various forums, but the law has not come forth with any solution at this stage. While states rightly want their share of the revenue pie from this sector, it is important that they do not compromise the existing ease of compliance. It would be worthwhile to explore options of centralized registration using the existing Large Taxpayer Unit (LTU) structure for these sectors. The mechanism of revenue allocation on the basis of the place of supply rules can then be explored through an IGST settlement mechanism. This will require serious engagement with states for a viable solution to evolve.

Valuation principles

The concept of Maximum Retail Price (MRP) Valuation under excise and customs rules, prevalent across several sectors, will not feature under GST.

Supplies of goods and services will now be subject to "transaction value" with attendant valuation rules. This shift may create its own interpretative challenges and can be litigative similar to the pre-MRP-based valuation system where transaction value was used as the base.

The fact that supplies without consideration from one taxable person to another taxable person – i.e., between two registrations within the same company – will be subject to GST will add another dimension. Branch transfers will therefore attract GST and will be subject to valuation provisions for both goods and services, though the embedded GST will be pass through. The concept of transaction value, with its sequential methodology for arriving at the taxable base, is used for goods, but its application for services could pose a serious challenge.

It will be important to enact these valuation provisions with caution, especially for intra-company transactions, to avoid unnecessary disputes.

E-commerce transactions

The taxation of digital e-commerce transactions merits a special mention, given the growing importance of this sector. However, the provisions of the Law suggest a myopic understanding of the dynamic business models of the sector.

Service aggregators providing services under their brand name on a digital platform are liable to pay tax, while e-commerce operators facilitating the supply of goods and services on their digital platform (marketplace models) will have to collect an amount of tax and deposit it with the Government.

Fundamentally, the idea is to establish a trail of transactions, which is fraught with compliance burden and needs a rethink. Equally important are issues around multiple registrations and treatment of their bundled supplies under the proposed place of supply rules.

> This sunrise sector needs to seriously engage with the Government and ensure th at it does not lose its edge under GST.

GST's objective: removal of cascading

GST's main objective is to provide an efficient indirect tax regime that removes the cascading of taxes under the current regime that renders Indian manufacturing uncompetitive. GST's credit provisions become critical in achieving this objective.

A perusal of the definitions of "input tax" and "input tax credit" suggests that the intention is to broad-base the credit mechanism with minimal cascading. This is indeed a welcome step and we hope this intention carries through in the final law with no

The industry is looking forward to a law that brings clarity, minimizes the scope of disputes and provides an effective mechanism to deal with any disputes that may still arise.

ambiguity. Appropriate tweaks may be needed in certain other definitions.

Transition provisions

The transition provisions will be critical to minimize trapped taxes and duties during the switch over to GST. The Law states that credits of taxes and duties available under the current laws will be allowed a carry forward and be available in the future GST law.

The treatment of embedded taxes/ duties on both input and distribution side inventories during the transition is still ambiguous. It will be important to bring absolute clarity in the transition provisions to avoid additional costs to businesses.

Dispute resolution

An important pillar in any law is the dispute-resolution mechanism. The Law has several areas of concern.

For instance, the provision for the extension of the limitation period for the recovery of short levies to three years may result in assessments technically being "open" for a longer time, creating uncertainty. Another critical provision is allowing revenue officers to file appeals against advance rulings to the appellate authority. This channel of appeal against advance ruling negates the very principle of certainty.

The industry is looking forward to a law that brings clarity, minimizes the scope of disputes and provides an effective mechanism to deal with any disputes that may still arise.

The Law is a reaffirmation of the Government's determination to implement GST in the coming year. It is no small achievement to put together a legislation that harmonizes the views of the Center and the states on the new tax. Like any other new law, it has its share of glitches that need to be ironed out. The industry must use the window provided by the Government to understand the nuances of the Law and provide its candid views. A meaningful engagement with the Government will help in having a law that meets the objectives of certainty, efficiency and ease of compliance.

Curbing tax litigation is vital

The Income-tax Act provides for a four-tier appellate hierarchy for resolving disputes arising out of assessment orders issued by the revenue department.

In this article, we will analyze the recent actions of the Government on the functioning of the Dispute Resolution Panel (DRP), Income-Tax Appellate Tribunal (ITAT), Authority of Advance Ruling (AAR), Supreme Court and High Courts.

Rajan Vohra

Tax partner in a member firm of EY Global

Functioning of DRP

Changes welcomed by taxpayers

With effect from 1 January 2015, the Central Board of Direct-taxes (CBDT) set up permanent DRP benches with dedicated members. As a result, the DRP has been functioning smoothly and the members have started passing speaking orders (reasoned orders) after considering the facts of the case and judicial precedence.

Mixed reactions from taxpayers

In order to reduce litigation, it was a call from taxpayers that the tax department's right to appeal against the DRP direction be withdrawn, which has been acceded by the Government in the Finance Act, 2016, by way of an amendment in the provisions of Section 253 of the Act. However, this amendment could affect the judicious functioning of the DRP: instead of functioning as an appellate authority, it will function as an approving authority, as it was doing for appeals up to AY2009–10.

Imperative changes required

In order to make DRP effective, the number of permanent benches for DRP needs to be increased from the current six, considering the number of pending cases. The scope of DRP should be expanded to Indian corporates and other taxpayers in cases where additions and adjustments (other than transfer pricing adjustment) exceed a particular amount, say INR25 crore.

Functioning of AAR

Changes welcomed by taxpayers

The CBDT has issued circulars to commissioners handling matters before AAR (equally applicable for ITAT) to speed up the dispute resolution process by not seeking undue adjournments. As a result, the number of matters being disposed of at AAR has increased and the number of applications pending for admission has also reduced to significantly.

Mixed reactions from taxpayers

In December 2014, the CBDT extended the scope of AAR to resident taxpayers where the tax liability arising out of one or more transactions valued at INR100 crore or more (in aggregate). However, the fees payable for availing the ruling were also revised. On account of the high fees and high transaction value limit for approaching AAR by resident taxpayers, it has not been able attract a large number of applications. Both these limits need to be revisited to attract more resident taxpayer to approach AAR for ruling.

Further, in February 2015, the Cabinet approved two additional benches of AAR – one in New Delhi and one in Mumbai – to dispose of cases related to income tax. However, the benches have not been set up yet.

Imperative changes required

It is imperative to set up these benches at the earliest to reduce pendency and attract taxpayers to approach AAR. It is also imperative to notify that the rulings of AAR would be appealable directly to the Supreme Court considering the confusion around the jurisdiction in which appeals against AAR orders lie.

Functioning of ITAT

More than 1 lakh cases are pending across all the benches of ITAT in India.

Changes welcomed by taxpayers

During the last two years, the Government has filled more than 35 vacancies at ITAT. As a result, most of the benches of ITAT have started functioning regularly and the number of matters being heard and disposed of by ITAT has increased.

The CBDT, vide circular no 21/2015 dated 10 December 2015, increased the monetary limit for filing of appeal before the ITAT to INR10 lakh from INR4 lakh. The limit of the matter that can be disposed of by a Single Member Bench (SMC) has also been increased to INR50 lakhs with effect from 1 June 2016. These limit are applicable for all new as well as pending appeals filed by the department. As a result, a significant number of appeals are being/likely to be disposed of by the ITAT. Going forward, the tax department will not be able to file appeals where the tax effect is less than INR10 lakhs, resulting in a decrease in the number of appeals it files.

Imperative changes required

It is imperative that with an increased number of litigation around transfer pricing and international taxation issues, the members should be required to update their knowledge on the subject at regular intervals. It is also imperative to provide appropriate assistance to the ITAT members and departmental representatives to function appropriately.

Matters before the Supreme Court and High Courts

The current Government has issued a number of benevolent circulars and issued clarifications in order to settle certain litigious issues (instructing the tax department to withdraw the appeal wherever it may have been filed), resulting in a number of matters being disposed of by the Supreme Court/ High Court and the ITAT. The monetary limits for filing an appeal before a High Court have been increased to INR20 lakh (from INR10 lakh), on account of which a number of appeals have been disposed of and pendency is likely to decrease.

The actions being taken by the Government, such as making amendments to the Act and issuing circulars and clarifications, are expected to reduce the pendency of litigation.

(Pranay Gandhi, senior tax professional, EY also contributed to the article)

India–Mauritius tax treaty: the end for a new beginning!

Keyur Shah

Tax Partner, EY India

Addressing Base Erosion and Profit Shifting (BEPS) is a key priority of governments around the globe. In 2013, OECD and G20 countries, working together on an equal footing, adopted a 15-point Action Plan to address BEPS. Beyond securing revenues by realigning taxation with economic activities and value creation, the OECD/G20 BEPS Project aims to create a single set of consensus-based international tax rules to address BEPS, and hence to protect tax bases while offering increased certainty and predictability to taxpayers. A key focus of this work is to eliminate double non-taxation. On 5 October 2015, the OECD released final reports on all 15 focus areas identified in its BEPS Action Plan. India has time and again shown support to the BEPS program and is fully committed to implementing a number of BEPS recommendations.

In line with this, over the past few years India has been re-negotiating tax treaties with various nations by introducing an anti-abuse or Limitation of Benefits (LOB) clause and providing for exchange of information between India and the other countries. Approximately 40 of India's treaties with various countries (such as the UK, Finland, Norway, Mexico, Sri Lanka, Iceland and Switzerland) contain anti-abuse provisions.

Recently, India re-negotiated its tax treaty with Mauritius and Cyprus. The re-negotiated tax treaties inter-alia provide India the right to tax capital gains arising to a Mauritian/Cypriot resident (the text of the amendment to the India–Cyprus treaty has not been released by the Government). The amended India–Mauritius treaty also provides for an updated Exchange of Information clause as per international standards, which should aid in improving transparency in tax matters. The re-negotiation of the India–Mauritius tax treaty has had an impact on the India–Singapore treaty, which news reports indicate is also in the process of being re-negotiated. There have also been talks about re-negotiation of the India–Netherlands tax treaty.

The re-negotiated tax treaties with Mauritius and Cyprus will take effect from 1 April 2017

The re-negotiated tax treaties with Mauritius and Cyprus will take effect from 1 April 2017– the date when the domestic General Anti Avoidance Rules (GAAR) become effective, thereby providing some relief to foreign investors from the impact of GAAR provisions going forward.
Talks about the re-negotiation of the India–Mauritius treaty have been going on since several years, specifically to address the use of Mauritius by companies as an investor friendly jurisdiction and for round-tripping of funds. The amendment to the India–Mauritius treaty cannot be said to be completely unanticipated, specifically given the fact that globally too there was widespread resentment against companies failing to pay their fair share of taxes.

Mauritius is the highest contributor of foreign direct inflows (FDI) into India, with a **33%** share cumulatively from April 2000 to March 2016.

The next in line is Singapore, with a 16% share during the same period. FDI inflows from Mauritius have grown over the last three years, from US$4,859 million in FY2013–14 to US$8,355

million in FY2015-16[1]. The reason for the significant share of Mauritius and Singapore in FDI inflows into the country may be their use as investment jurisdictions. To cushion the impact of the amended India-Mauritius tax treaty on the investor community and the capital flows into India, the Government has provided sufficient notice of one year to enable foreign investors to go back to their drawing board and re-examine their structures. Also, the protection offered to investments made up to 31 March 2017 and the taxation of gains earned during 1 April 2017-31 March 2019 at 50% of the domestic tax rate, subject to the taxpayer meeting the LOB condition, would provide relief to the investors.

Though the amended tax treaty with Mauritius does put to rest several issues such as preventing double non-taxation (given that Mauritius did not tax the gains arising to a Mauritius tax resident), checking loss of revenue, and stimulating the flow of exchange of information between India and Mauritius, there continue to exist certain operational and compliance aspects on which immediate clarity is needed to be provided by the Government to ensure a smooth functioning of the capital markets when the new treaty becomes applicable.

One of the crucial operational aspects on which clarification is required is the impact of the amendment on shares allotted on group reorganizations, convertible instruments and bonus shares. A question may arise on the availability of capital gains exemptions under the India–Mauritius tax treaty on the transfer of shares allotted pursuant to group reorganizations, conversion of convertible instruments (preference shares/debentures) and bonus shares where the original shares/instruments are issued/acquired prior to 31 March 2017.

While it is not clear from the amended tax treaty, situations where shares are allotted pursuant to investments already made prior to 31 March 2017 should ideally be grandfathered. However, it is imperative that this is clarified by the Government at the earliest.

To address this issue, the Government has constituted a working group comprising of tax authorities, representatives of the Securities and Exchange Board of India, custodians, brokerage firms and fund managers. The working group has to submit its report to the Central Board of Direct Taxes within a period of three months. This step by the Government is in line with its approach to have consultations with various stakeholders in bringing about the much-needed clarity and certainty to the tax environment in the country.

Subsequent to the amendment of the Mauritius and Cyprus treaties and discussions being held to re-negotiate the Singapore and Netherlands treaties, it needs to be seen as to how the Government will approach several other treaties signed by India (particularly with a few European nations such as France, Belgium and Spain) that provide an exemption from capital gains on transfer of shares provided that the investor holds up to 10% of the Indian company. The full impact of the amended India-Mauritius tax treaty will be seen only on investments made on or after 1 April 2019. With short-term capital gains being subject to tax at full tax rates, the return on investment for foreign investors may decline. It will only be then that the attractiveness of India as an investment destination can be judged, particularly because several countries across the globe (including Denmark, Germany, France, Italy, Brazil, Canada, Hong Kong and Singapore) exempt capital gains arising on portfolio investments.

(Anahita Kodia, Senior Tax Professional, EY also contributed to the article)

1 All statistics are based on the data available in the fact sheet on FDI published on the website of the Department of Industrial Policy and Promotion
http://dipp.nic.in/English/Publications/FDI_Statistics/2016/FDI_FactSheet_JanuaryFebruaryMarch2016.pdf


10
9
8
7
5
6
4
3
2
1
start

India issues rules for taxing indirect transfers – a move toward greater clarity?

Geeta Jani

Partner,
Tax & Regulatory Services, EY India

As a sequel to the Indian Supreme Court's judgment in the case of Vodafone International BV[1], indirect transfer provisions were introduced in the Income Tax Laws (ITL) in 2012, with retrospective effect from 1 April 1962, to tax gains arising from the transfer of shares/interest in foreign companies/entities (FCos/FEs) that substantially derive, either directly or indirectly, their value from assets in India.

Acknowledging the concerns of various stakeholders, the 2015 Budget's proposals clarified that the fair market value (FMV) of assets located in India should represent 50% of the FMV of all the assets of an FCo/FE to constitute substantial value derived from India. Under a complex mechanism, FMV is determined with reference to a defined specified date (SD) by including the tangible and intangible assets of entities, but ignoring their liabilities. Taxation is contemplated on a proportionate basis, as is reasonably attributable to assets located in India, unless relieved by the tax treaty.

The 2015 amendments also provide certain exemptions in respect of overseas corporate reorganizations, small shareholders, etc. Additionally, for the purpose of determining income arising from indirect transfers, there is a mandatory reporting obligation on Indian concerns in which or through which an FCo/FE holds substantial assets. Failure to report attracts penal consequences.

Recently, the Central Board of Direct Taxes (CBDT) of India issued the much-awaited[2] Rules and forms as required under the ITL (the Rules). The Rules provide for valuation mechanisms, forms for reporting compliance by Indian concerns and details of documents to be maintained by such Indian concerns.

The Rules provide much-needed clarity around certain significant aspects. It permits the adoption of market capitalization value based on the actual transfer price between non-connected persons[3] as the basis for determining the FMV of share or interest in an FCo/FE. In case of listed entities, it permits valuation based on market interest in an FCo/FE. In case of listed entities, it permits valuation based on market capitalization. Other assets are directed to be valued by an expert in accordance with any internationally accepted valuation methodology.

1 (2012) 341 ITR 1 (SC)
2 Notification No. 55/2016 dated 28 June 2016
3 Defined as per Indian General Anti-avoidance Rules (GAAR)

For facilitating the calculation of chargeable gain, the Rules require the transferor to furnish a certificate from an accountant to the tax authority. Additionally, they permit one of the designated Indian concerns to undertake reporting compliance in lieu of all the Indian concerns through or in which an FCo/ FE derives its substantial value.

However, the Rules do still fail to address certain challenges and recommendations of the stakeholders. For example, the Rules continue to require that the FMV of assets should be determined by adding back the liabilities. This creates inconsistency with the commercial valuation. To illustrate, two companies A and B with equal net worth of 1m get valued at 1m and 10m, respectively, if A is debt-free while B has operating liabilities of 9m.

The determination of market capitalization (enterprise value) based on the transfer price between non-connected persons may not reflect a valid basis for the valuation of the interest of other stakeholders if the subject matter of transfer is shares with or without differential voting rights.

Another major challenge in respect of the Rules is with regard to their centricity around SD. According to the Rules, the chargeable income is determined based on the proportion of Indian assets vis-à-vis global assets of an FCo/ FE as on the SD, which may not always coincide with the date of transfer and may relate to the preceding accounting year end. Thus, if the FMV of Indian assets as of the SD is 80%, the taxpayer may, as per the Rules, need to pay tax on 80% of the income even though commercially the India contribution as on date of transfer is lower. There can also be ambiguity on the scope of chargeability if the value contribution of the India assets as of the date of transfer is 45% but as of the SD is 55%.

The Rules impose onerous reporting obligation on Indian concerns. Apart from information relating to the corporate structure, the Rules also require Indian concerns to maintain valuation reports and information relating to the implementation process of the overall arrangement of transfer, business operation, personnel, properties of the FCo/FE and its subsidiaries that hold Indian concerns, etc. Such information/ documents are required to be furnished within the prescribed timeframe. The requirement is far too detailed and may create near impossibility of performance in certain cases for the Indian concern. Notably, while a number of countries do tax indirect transfer, there is either no disclosure obligation at all or the obligation is far more limited (for instance, in countries such as Peru, Chile). The Rules appear to have followed the precedent in China where the context appears to be materially different. First, Chinese indirect transfer provisions apply to tax avoidant transactions alone. Second, compliance can be by the transferor, transferee or Chinese concern. Third, the compliance is voluntary and there is no penalty for non-compliance.

Since indirect transfer provisions have a material impact on foreign direct investment and corporate reorganization, they should be clear, simple and easy to implement. This is particularly so for the non-resident acquirer who triggers withholding obligation even in the absence of any presence in India.

Corporate India and Ind-AS implementation: a tax apprehension!

Sunil Kapadia

Partner,
Tax & Regulatory Services, EY India

Introduction

Transition from Indian GAAP (IGAAP) to Indian Accounting Standards (Ind-AS) is a historic and landmark change, pursuant to India's commitment to G20 in the 2009 summit. India is converging to International Financial Reporting Standards (IFRS) in a phased manner, beginning 1 April 2016/2017 (excluding scheduled commercial banks, insurance companies and non-banking financial companies)* as follows:

Phase I (from 1 April 2016)	Phase II (from 1 April 2017)
All listed and unlisted companies having net worth > INR500 crore Holding companies, subsidiaries and joint venture or associate companies of these companies	All listed companies not covered in Phase I and unlisted companies having net worth > INR250 crore Holding companies, subsidiaries and joint venture or associate companies of these companies

* Roadmap for the implementation of Ind-AS in a phased manner laid down with effect from 1 April 2018/2019.

Ind-AS: as an accounting concept

The adoption of Ind-AS would mean significant changes in the preparation and presentation of financial statements. Under Indian Generally Accepted Accounting Principles (IGAAP), companies prepare a single profit and loss (P&L) account, whereas under Ind-AS P&L is divided into two sections: P&L and other comprehensive income (OCI), which appears below P&L. The aggregate result of P&L and OCI is reflected as total comprehensive income (TCI), which is carried to the balance sheet.

The illustrative list of assets to be reported at fair value on transition to Ind-AS and annually after the transition is summarized in the table below:

Category of asset	On transition	Annually
Property, plant and equipment, and equity share of subsidiaries, associates and JVs	Optional	Optional
Equity shares (other than of subsidiaries, associates and JVs) held as investment/stock in trade	Mandatory	Mandatory

When a company adopts Ind-AS for the first time, it has to make changes to its policies used in its IGAAP financial statements. The transitional impact of such adjustments is recorded in retained earnings (or, if appropriate, another category of equity) except for certain adjustments such as acquired intangibles and impairment, which is adjusted against goodwill.

Under Ind-AS, certain fair valuation gains/losses reported in OCI are directly transferred to specific reserves in the balance sheet annually, without routing them through P&L. For example, fair valuation gain on property, plant and equipment (PPE) is credited to the revaluation reserve account and fair valuation of non-trading equity investments is credited to the fair valuation through other comprehensive income (FVOCI) reserve account. For certain items, the fair valuation difference captured on a year-on-year basis in the OCI account may subsequently get re-classified to the P&L account; for others, it may be transferred directly to retained earnings in the year of retirement or disposal of the revalued asset. For instance, the balance lying in the FVOCI reserve account on the disposal of a debt instrument is transferred to the P&L account, whereas the revaluation difference on PPE is not reclassified to the P&L account on disposal but transferred directly to the retained earnings account.

Forward-looking corporate houses and multinational companies have already started analyzing the accounting implications that may arise on the first-time adoption of Ind-AS; however, from a tax perspective, there is lack of qualitative guidance from the CBDT or the Government.

The key illustrative differences between IGAAP and Ind-AS are summarized in Annexure 1.

The adoption of Ind-AS would mean significant changes in the preparation and presentation of financial statements.

IND-AS application: impact on calculation of book profits and normal taxable income

It is widely expected that the transition to Ind-AS will raise certain questions and challenges while computing normal tax liability as also while determining book profit, not only in the year of first time adoption of Ind-AS, but also on an ongoing basis. Therefore, it is imperative for CBDT to step forth and provide comprehensive guidance on the treatment of various Ind-AS items both under the normal provisions of the act and for computing book profit.

As far as minimum alternate tax (MAT) implications are concerned, CBDT had constituted a committee in December 2010 (reconstituted in June 2015) to suggest a framework for computing book profit for the levy of MAT for companies adopting Ind-AS. The committee noted that the act provides for several upward and downward adjustments while computing book profit and it seeks to adopt distributable profits before tax as the base for computing MAT. The committee also consulted the Ministry of Corporate Affairs (MCA) to understand the scope of distributable profits under the Ind-AS regime, considering the implicit relationship between the base for distributable profits and book profit for MAT. After MCA's clarifications, the committee suggested a three-pronged approach for the levy of MAT on the basis of book profit as per the Ind-AS income statement, summarized as under:

- The starting point for the computation of book profit would be profit as reported in the P&L account – i.e., the P&L account under Ind-AS, excluding OCI. Such profit will be subjected to upward and downward adjustments as existing under the current MAT regime. If any adjustments are prescribed in the future for the computation of managerial remuneration/dividend by the MCA, similar adjustments would be made while computing book profit.
- Adjustments recorded in reserves/OCI/retained earnings to be dealt as under:

Adjustments recorded under	Taxed under MAT in the year of
Reserves but subsequently reclassified to P&L	Reclassification to P&L
OCI	Disposal/realization/retirement in case of PPE or on re-measurement in case of defined benefits
Retained earnings	First time adoption of Ind-AS

These suggested recommendations will require modifications in the law for practical implementation. The committee's recommendation for upfront levy of MAT on first-time adoption of Ind-AS for items recorded in retained earnings is harsh, unjust and unacceptable. It is also inconsistent with other recommendations to defer the levy of MAT on adjustments routed through OCI/reserves as explained above. Thus, it would be more appropriate to defer the levy of MAT to the year of realization.

While computing normal tax liability, regardless of the treatment under Ind-AS, items of revenue/expense will still need to be dealt with according to the specific provisions of the Income-tax Act, 1961. For example:

Tax depreciation will not be admissible on amounts representing fair valuation or revaluation. Intangible assets with indefinite useful life will be depreciated for tax purposes at 25% on WDV basis, even if under Ind-AS they are not depreciable but are tested for impairment qua each asset test.

Upward and downward fair valuation is of no consequence, and capital gain in respect of a capital asset will accrue when there is a transfer of a capital asset, and not before.

Regardless of the accounting treatment in the books, capital expenditure that is deductible according to specific sections – for example, 35(2AB): expenditure incurred on in-house research and development facility – will continue to be tax-deductible.

Interplay between Ind-AS and ICDS[1] (certain illustrative items)

Ind-AS requires the recognition of exchange fluctuation differences on an MTM basis for derivatives contracts. ICDS does not permit the recognition of MTM loss or expected loss unless permitted by other ICDS. Hence, MTM derivative losses or expected future losses on contracts may not be permitted to be recognized for tax purposes even if recognized under Ind-AS.

Under Ind-AS, the net present value (NPV) of the cost to be incurred at the end of the lease period for the restoration of premises is required to be capitalized to the cost of the equipment. However, ICDS V does not envisage such an amount to be part of the cost of equipment for the grant of depreciation or additional depreciation, etc.

Ind-AS requires revenue reduction for future obligations, expected returns etc. It also requires the deferment of recognition of revenue to that extent. ICDS IV does not envisage the recognition of expected sales returns after the balance sheet date or the treatment of loyalty points as deferred revenue income. Hence, issues will arise around whether the revenue for tax purpose will need to be increased to the extent of actual sales or amount received/receivable.

The impact of taxes can be substantial because of fair value basis accounting and substance over form principles enshrined under Ind-AS. Care should be taken to legislate provisions/clarifications that notional gains are not taxed till actually realized. Further, the recognition of unrealized gains on financial instruments, non-amortization of goodwill and recognition of actuarial losses on defined benefit obligations in other comprehensive income are some examples that might potentially increase Ind-AS-reported accounting profits and therefore the MAT liability.

In light of these uncertainties that may have to be faced by Ind-AS-compliant companies, CBDT will have to play a highly proactive role to provide clarity and minimize potential areas of tax litigation.

1 The Central Government vide a press release dated 6 July 2016 has deferred the applicability of ICDS provisions from FY2105-16 to FY2016-17 .

Annexure 1: illustrative differences between IGAAP and Ind-AS

Particulars	Under IGAAP	Under Ind-AS
Revenue recognition: sale of goods	▶ On transfer of risks and rewards. ▶ There was no guidance under AS 9 on composite contracts. However there was an expert advisory committee opinion, which provided some guidance for allocating revenue among various components.	Revenue is recognized once the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and the other criteria of Ind-AS 18 are met. Relatively more guidance is provided for accounting revenue from composite contracts. However, it is not comprehensive. In case of multiple element contracts, the total consideration is allocated on a fair value basis and the revenue recognition criteria is applied to each element. Ind-AS 115 (revenue from contracts with customers), which will apply in the future, contains more comprehensive guidance on such arrangements.

Mandatorily redeemable preference shares on which fixed dividend is mandatorily payable	They are treated as part of share capital, akin to equity.	They would be treated *as liability, and the dividend paid would be reflected as one of the components of finance cost.*
Intangible assets	There is no concept of indefinite useful life. IGAAP contains a rebuttable presumption that such assets have a useful life of 10 years.	An intangible asset *can have an indefinite useful life.* Accordingly, such assets are required to be tested only for impairment and not amortization.
PPE	▶ Pre-revised AS-10 provided no guidance on the accounting for cost of dismantling, removal, etc. However, companies placed reliance on the Guidance Note issued by ICAI for Oil & Gas Cos whereby such costs were to be included in the cost of asset. ▶ Revaluation is permitted but not required for all classes of assets. Companies may select assets for revaluation on a systematic basis. ▶ There is no guidance if assets were purchased on deferred settlement terms.	▶ The cost of assets would specifically include the costs of dismantling, removal or restoration. ▶ Revaluation, if opted for on a voluntary basis, will be required for the entire class of PPE and would need to be updated periodically. ▶ The difference between the purchase price under normal credit terms and the total amount payable on a deferred basis would be recognized as interest cost.
Major repairs and overhaul expenditure	Companies Act 2013 mandates componentization accounting from FY 2015-16 onward. However, because of lack of clear guidance on the issue, companies may have applied component accounting differently.	*They are capitalized* as replacement cost if the Ind-AS 16 criteria for capitalization are met.
Employee stock options	Cost is accounted either through the fair value method or the intrinsic value method. The intrinsic method does not factor in option and time value when determining compensation cost.	Accounting will have to be re-measured using the fair value method, generally resulting in increased charge for ESOP costs.
Determination of lease	It provides no guidance for such arrangements.	The substance of arrangements is important. For example, service contracts such as power purchase contracts, waste management contracts and outsourcing contracts may have to be accounted for as leases if the use of the specific asset is essential to the operations and certain prescribed conditions are satisfied.

Toward a more predictable Transfer Pricing environment

Vishal Rai

Partner,
Tax & Regulatory Services, EY India

India has had significant number of Transfer Pricing (TP) controversies since the past decade given the subjective nature of the regulation and an aggressive implementation.

Since the Union Budget in August 2014, the Government has gone to great lengths to implement a series of reforms at both the policy and the implementation level to improve the ecosystem around TP regulation. These reforms have been aimed at providing more certainty, incorporating global best practices and showcasing India's willingness to the world to be an open and "resolution"-oriented tax jurisdiction.

One of the key features of the new tax regime is the continued focus on the Advance Pricing Agreement (APA) program to make it more attractive to taxpayers. As a result, 103 APAs (including 4 bilateral APAs) have been closed in the three years of the program. APA rollback provisions have provided taxpayers with certainty for the four preceding years, greatly reducing the chances of protracted litigation.

However, there are two areas where further changes can be made. First, the rollback rules provide that in case of a merger/demerger, only the company that makes the APA application is entitled to claim rollback benefits (and not those that have merged into/demerged from the applicant). Given that the new entity after a merger continues to be responsible for taxes and assessments of the merging entity(s), the new entity should be allowed the opportunity to resolve its past open years by way of an APA rollback. Second, the Government can look to provide for a "fast track" APA – implying the closure of the APA in a time-bound manner (say a six-month period). With a fair amount of guidance related to Base Erosion and Profit Shifting (BEPS) released recently, investors are rightly concerned about how the Indian tax authorities would interpret it. As companies look to commit large investments in India, a fast track APA would help prospective investors make an informed investment decision with full TP certainty, compared to the current APA process, which typically takes a minimum of 18 months.

Another positive development has been the progress made on Mutual Agreement Procedure (MAP) discussions between India and the US.

Since India and US Competent Authorities talked to each other for the first time in several years in January 2015, more than 100 MAPs have been resolved largely in the IT/IT-enabled services sector. The US IRS has also started accepting bilateral APA applications with India since February 2016, giving a big fillip to India's APA program.

A significant roadblock that still remains in this area is India's stand of not accepting a bilateral APA or MAP on TP matters unless the relevant tax treaty does not specifically provide for a correlative relief on TP adjustment. This prevents companies resident in countries such as Germany, France, Singapore and South Korea from accessing the bilateral APA forum and MAP in India. A relaxation in this stand or amendments in relevant treaties will provide additional avenues to taxpayers in resolving TP disputes where they have transactions with companies in these countries.

In a landmark move, the Government decided in 2015 not to contest the Bombay High Court's verdict in the case of Vodafone and Shell, which upheld the non-applicability of TP provisions on the issue price of shares. It was very heartening to see the Government's response on a high-value, high-profile and high-impact issue such as this. The last few cycles of TP audits have also not seen any significant and unique TP adjustments being undertaken, and one just hopes that the Government and the tax administration will continue with their non-adversarial approach.

The Government also heeded to a long-standing demand of taxpayers and advisors of introducing the concept of range and allowing the use of multiple-year data. Aligning itself with global practices, the tax administration issued rules permitting the use of percentile range and median instead of arithmetic mean to arrive at the margins of comparables. These rules also prescribe conditions for the use of multiple-year data to enhance comparability analysis rather than leave it to subjective interpretation.

The Government also raised the threshold for the applicability of TP provisions on domestic related party transactions to INR20 crore (as against the existing threshold of INR5 crore) to relieve small businesses from onerous compliance requirements.

In another welcome move, the CBDT issued revised guidelines for referring cases for detailed TP assessment. According to the revised guidelines, a reference for detailed scrutiny would be made keeping risk-based parameters in mind (in line with international practices) and not basis ad-hoc thresholds such as turnover.

While the Government has clearly taken steady steps in the past two years toward making India a stable TP regime and an easier place to do business, it needs to look at some additional focus areas:

- The growing need to release more technical position papers, FAQs and standard positions on contentious issues such as financing transactions, taxation of intangibles, payment for royalty and intra-group services
- Further rationalization of the concept of percentile range by aligning it to the globally accepted interquartile range as against the 35th–65th percentile range, which is currently in place
- Relaxation in the requirements in domestic TP provisions to exclude tax-neutral dealings

All in all, there have been several promising developments in the last two years that may have a positive impact on the TP environment in India. Hopefully, these measures would be able to achieve the goal of minimal litigation and smooth controversy resolution.

Global *News*

01

Israel issues circular on taxable presence by digital activity[1]

On 11 April 2016, the Israeli Tax Authority released an official circular (circular) on the online activities of foreign companies in Israel. The circular acknowledges the concept of "significant digital presence" and provides the Tax Authority's view on the implementation of the principles of permanent establishment (PE) in Israel in the context of a digital environment. It distinguishes between foreign companies resident in a treaty country and companies resident in a non-treaty country.

Treaty country residents

The circular discusses various circumstances of the formation of a PE where a foreign digital company is resident of a treaty country. Notably, the Tax Authority states that due to the distinct nature of the digital economy, a company that has significant digital presence (explained below) in Israel and conducts activity on the ground in Israel may, under certain circumstances, be considered to have a PE even if the activity is of a preparatory or auxiliary character only.

Non-treaty country residents

The activities of a company resident of a country with which there is no tax treaty in place may generally give rise to taxable presence in Israel under the domestic law if the income-generating business activity is conducted in Israel. The circular provides guidelines for implementing this rule in the context of the digital economy. Among others, if such a foreign company has significant digital presence in Israel, it could be considered as conducting taxable activity in Israel even without any physical presence in the country.

Significant digital presence

The circular provides the following criteria for a foreign company to be considered as having significant digital presence in Israel:

- Significant amount of contracts for internet services with Israeli residents
- A large number of Israeli customers utilizing the digital service
- Adjustment of the online service for Israeli users (e.g., use of Hebrew language and Israeli currency)
- High web traffic by Israeli users
- Close correlation between the consideration paid to the foreign company and the level of internet usage of Israeli users

The circular also provides guidance on information reporting to the Tax Authority and the application of value added tax on digital activities.

1 Refer the EY global alert titled "Italy issues additional clarifications on Patent Box regime" dated 8 April 2016

02

OECD releases additional guidance on the implementation of country-by-country reporting[2]

On 29 June 2016, the OECD released additional guidance aimed at swift and consistent implementation of country-by-country (CbC) reporting, a minimum standard under Action 13 of the Base Erosion and Profit Shifting (BEPS) Action Plan (the Guidance). The Guidance addresses four topics:

Transitional and voluntary filling

The majority of countries implementing CbC reporting have followed the OECD recommendations and would require CbC reporting with respect to MNEs' fiscal periods commencing on or from 1 January 2016. Some jurisdictions are in the process of implementing CbC reporting that would require reporting for periods beginning after 1 January 2016. Thus, there is a mismatch with respect to effective dates, which could potentially cause multiple filing requirements during this period of transition. To prevent this, the Guidance suggests that some jurisdictions may accommodate voluntary filing of CbC reports for periods commencing after 1 January 2016 by ultimate parent entities (UPE) resident in those jurisdictions (referred to as parent surrogate filing). In such case, no local filing would be required subject to the fulfilment of certain specified conditions. The Guidance states that Japan, Switzerland and the US have confirmed that they will have parent surrogate filing consistent with the Guidance.

Investment fund

The Guidance addresses how CbC rules apply to investment funds, and it states that the treatment of investment funds will closely depend on the accounting consolidation rules. If the accounting rules state that the investee company should not form part of a consolidated group, then it must be excluded. Conversely, if it states that it must be part of a group, then it must be consolidated.

Partnerships

Similar to the treatment of investment funds, the governing principle to determine whether a partnership is part of an MNE group is to follow the accounting consolidation rules.

CbC threshold and exchanges rates

If the jurisdiction of the UPE has implemented a reporting threshold that is a near equivalent to the threshold as recommended by OECD (i.e., EUR750 million), an MNE group that complies with this local threshold should not be exposed to local filing in any other jurisdiction that is using a threshold denominated in a different currency.

The CbC reporting is a minimum standard of OECD/G20's BEPS Project, and it is in the process of implementation by many countries across the globe (such as Australia, Singapore, Sweden, Norway and India).

2 Refer the EY global alert titled "OECD releases additional Guidance on implementation of Country-by-Country reporting" dated 29 June 2016

03

Italy issues clarifications on its Patent Box regime[3]

On 7 April 2016, the Italian Revenue Agency (IRA) issued Circular no. 11 (the Circular), which provides guidance on the Italian Patent Box regime. The Patent Box regime is an elective regime granting a 50% exemption from corporate income tax on income derived from the direct exploitation, licensing or disposal of qualifying intellectual property (IP). Taxpayers who perform research and development (R&D) activities are eligible for the regime. The Circular aims at clarifying some of the most controversial issues resulting from the implementation of the regime.

Qualifying IP

Know-how may be elected as qualifying IP under strict parameters. In particular, it must be supported by a specific self-declaration issued by the taxpayer certifying the essential features of the IP, including a detailed description of the know-how, its economic value and secrecy.

Customer lists (e.g., directories of customers and suppliers) as well as other IP – such as literary or scientific works, radio and TV formats, music or art works and in general copyrights (excluding software) – are expressly excluded from the Patent Box regime.

Benefit computation for direct use of IP

In the case of direct use of IP, the computation of the related income benefitting from the Patent Box should be made on the basis of the accounting data booked in the profit and loss statement and as adjusted for corporate income tax purposes.

Preferred valuation methodologies

The Comparable Uncontrolled Price and the Profit Split Method (PSM), with specific reference to the Residual PSM approach, are addressed as the preferred and more reliable methods to compute the IP related return qualifying for the Patent Box benefit.

For complex cases where the adoption of only one valuation method does not allow a reliable result, the use of multiple methods is suggested.

Tax losses

If the economic exploitation related to the IP results in a tax loss (e.g., the costs related to the IP exceed the corresponding revenues), the tax benefits granted by the Patent Box regime are postponed to the first year in which the qualifying IP generates a taxable income.

Mergers and acquisitions

Corporate reorganizations carried out for the sole purpose of simplifying the application of the Patent Box regime should not be considered as abusive provided that there are no other tax advantages involved. The Patent Box election is transferred to the company resulting from the reorganization together with the relevant R&D costs, which keep the same nature and timing that they had at the level of the transferor. Likewise, the relevant R&D costs are also transferred to the resulting company where the Patent Box election is directly made by it after the reorganization.

In addition to other clarifications, the Circular includes a final section with answers to specific questions on the Patent Box regime posed by businesses and professional associations.

3 Refer the EY global alert titled "Italy issues additional clarifications on Patent Box regime" dated 8 April 2016

04

Spanish Supreme Court confirms broad interpretation of PE concept in line with BEPS Action 7[4]

On 20 June 2016, the Spanish Supreme Court (SC) gave its ruling that a Spanish entity belonging to an international group constitutes a permanent establishment (PE) of an Irish entity of the group under both the "fixed place of business" and the "dependent agent" clauses of the Spain–Ireland tax treaty.

The case involves restructuring within a multinational group (MNG) between SpainCo (responsible for manufacturing products outside Spain) and IrelandCo (operating as the distributor for most of Europe). Prior to the restructuring, SpainCo operated as a full-fledged distributor. In the post-restructuring scenario, SpainCo serves medium- and large-sized customers of the group through a commissionaire agreement with IrelandCo. IrelandCo has no employees or facilities in Spain. Goods belonging to IrelandCo were stored on the premises of SpainCo within the framework of the logistic services rendered by SpainCo to IrelandCo. In many cases, large-sized customers require specialized attention and SpainCo's relationship personnel are available to serve them.

The SC ruled as follows:

SpainCo constitutes fixed place PE:

The SC interprets that having a place at the principal's disposal also includes the use of such premises through another entity that carries out the principal's activity under its supervision. In other words, it considers that having a place at IrelandCo's disposal is linked to the performance of its business activity therein, regardless of whether such activity is carried out by its own employees or by SpainCo through its own premises and personnel.

SpainCo constitutes dependent agent PE:

The SC concludes that the expression "acting on behalf of an enterprise" included in Article 5.5 of the Spain–Ireland tax treaty does not necessarily require a direct representation between the principal and the commissionaire. Rather, it refers to the authority of the commissionaire to bind the principal with the third party even when there is no legal agreement between the latter two. Further, SpainCo cannot be deemed as an independent agent since it operated exclusively for IrelandCo under comprehensive control and instructions it.

This SC ruling upholds the functional approach with regard to post-restructuring schemes of commissionaire dealings, and it is aligned with the reasoning contained on Action 7 of the BEPS Action Plan to prevent the artificial avoidance of PE status.

4 Refer the EY global alert titled "Spanish Supreme Court confirms broad interpretation of PE concept in line with BEPS Action 7" dated 30 June 2016

05

The UK votes for Brexit[5]

The voters in the UK have voted for a British Exit (Brexit) from the European Union (EU) – marking a significant change for the UK and for Europe. However, the European Council president has confirmed that all EU directives and regulations, as well as the treaties themselves, remain in force in respect of the UK until it formally leaves the EU. Therefore, on a legal level, nothing has changed and it is not expected to do so for the time being.

Apart from a socio-political standpoint, Brexit may be expected to have the following tax impacts:

EU tax initiatives:

Subject to the terms under which the UK leaves the EU, it is unlikely that the UK will be party to various tax initiatives currently underway such as the anti-tax avoidance directive, public CbCreporting and the common consolidated corporate tax base. However, where the UK has supported these initiatives, it is expected that the UK will continue to move forward with similar legislation. The UK will also continue to be part of the OECD's BEPS agenda.

UK tax reform delay:

It is possible (although there has been no government statement on this as yet) that major UK tax reforms such as implementation of interest restrictions under BEPS Action 4 and changes to the corporate loss rules may be delayed as a result of the need for stability and the Government concentrating on managing the UK's exit.

Withholding tax:

UK groups may no longer be able to benefit from the withholding tax exemptions in the Parent and Subsidiary Directive or the Interest and Royalties Directive once the UK leaves. Not all existing UK tax treaties provide for zero withholding tax, and taxpayers may wish to review where they can rely on EU directives to mitigate withholding tax.

VAT:

Taxpayers would no longer have a right of appeal to the European Court, and the UK Government would have additional flexibility on setting the rates and scope of VAT.

Customs and excise:

The current custom tariffs are managed by EU; therefore, if the UK wishes to continue charging tariffs on imports, it would need to legislate for a domestic tariff system.

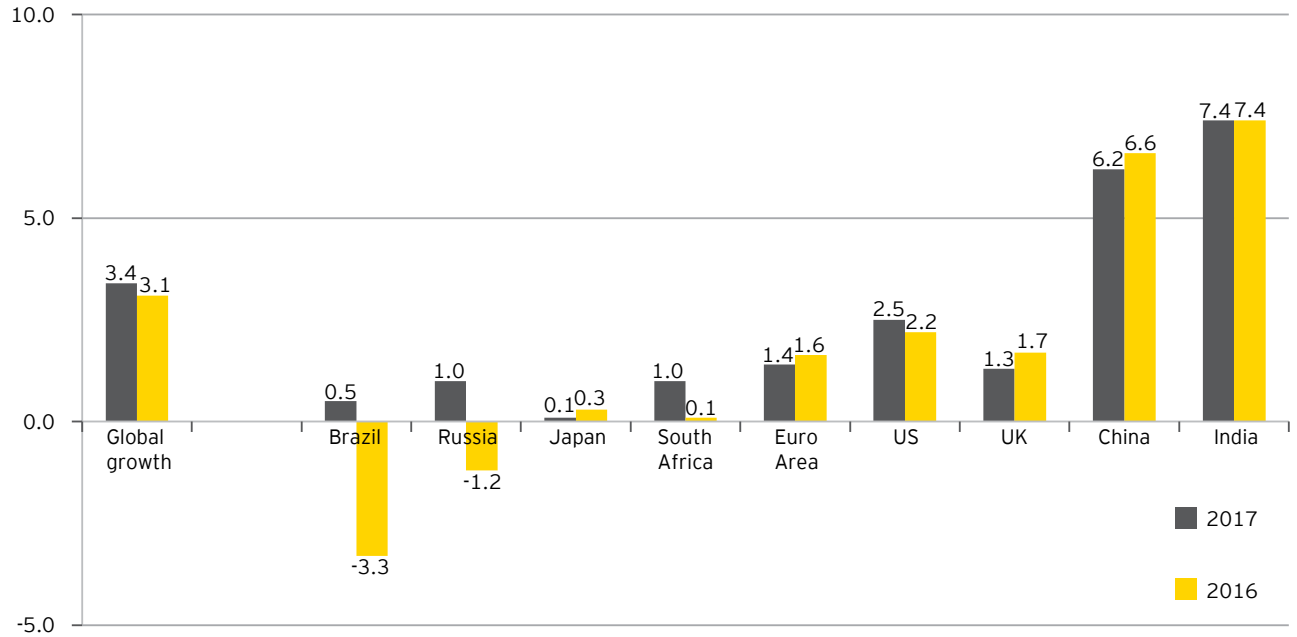
5 Refer the EY Global Alert dated 'The United Kingdom votes to leave the European Union' dated 24 June 2016

EconoMeter

1 India became a global growth leader in FY16, overtaking China

- India's real GDP growth rate has steadily improved over the last three years, from 6.6% in FY14 to 7.2% in FY15 and 7.6% in FY16.
- India became a global growth leader in FY16, overtaking China. According to the IMF as well as ADB, India will retain this position in FY17.
- IMF predicts global growth at 3.1% in 2016 and is projected to improve to 3.4% in 2017.

Exhibit 1: IMF World Economic Outlook Update July 2016



Source: IMF World Economic Outlook Update July 2016

2 This growth effort was led by the services sector

- Sectorally, growth was led by the Services sector, which grew by 8.9% in FY16.
- Despite excess capacity, growth in the manufacturing sector picked up sharply from 5.5% in FY15 to 9.3% in FY16.
- Agriculture suffered from deficient monsoon in both FY15 and FY16.

Exhibit 2: GVA: annual and quarterly growth rates (%, y-o-y)

Growth (%, y-o-y)	FY15	FY16 (PE)	1Q FY16	2Q FY16	3Q FY16	4Q FY16
Real GVA	7.1	7.2	7.2	7.3	6.9	7.4
Agriculture	-0.2	1.2	2.5	2.0	-1.0	2.3
Industry	5.9	7.4	6.7	6.3	8.6	7.9
Services	10.3	8.9	8.8	9.0	9.1	8.7

Source (Basic Data): MOSPI; PE: provisional estimates

3 But a critical facet of growth was relatively low nominal growth

- Nominal gross value added (GVA) growth has fallen below real GVA growth.
- There was a sharp increase in the inflation rate of taxes on products net of subsidies from 4.3% in FY15 to 14.0% in FY16. This was due to both an increase in indirect taxes and a reduction in subsidies.

Exhibit 3: Growth rates: recent experience (%)

Growth (%, y-o-y)	FY15	FY16 (PE)	1Q FY16	2Q FY16	3Q FY16	4Q FY16
Nominal GDP growth	10.8	8.7	8.8	6.4	9.1	10.4
Real GDP growth at market prices	7.2	7.6	7.5	7.6	7.2	7.9
Nominal GVA	10.5	7	7.1	5	7.5	8.5
Real GVA	7.1	7.2	7.2	7.3	6.9	7.4

Source (Basic Data): MOSPI; PE: provisional estimates

4 Private consumption is supporting growth, but investments and exports have fallen

- Private final consumption expenditure grew in excess of 8% in the second half of FY16.
- Growth in gross fixed capital formation (GFCF) decreased to 3.9% in FY16 from 4.9% in FY15.
- Export growth declined to (–) 5.2% in FY16 as compared to a positive growth of 1.7% in FY15.

Exhibit 4: Growth in components of aggregate demand with 2011–12 as base (%, y-o-y) at constant prices

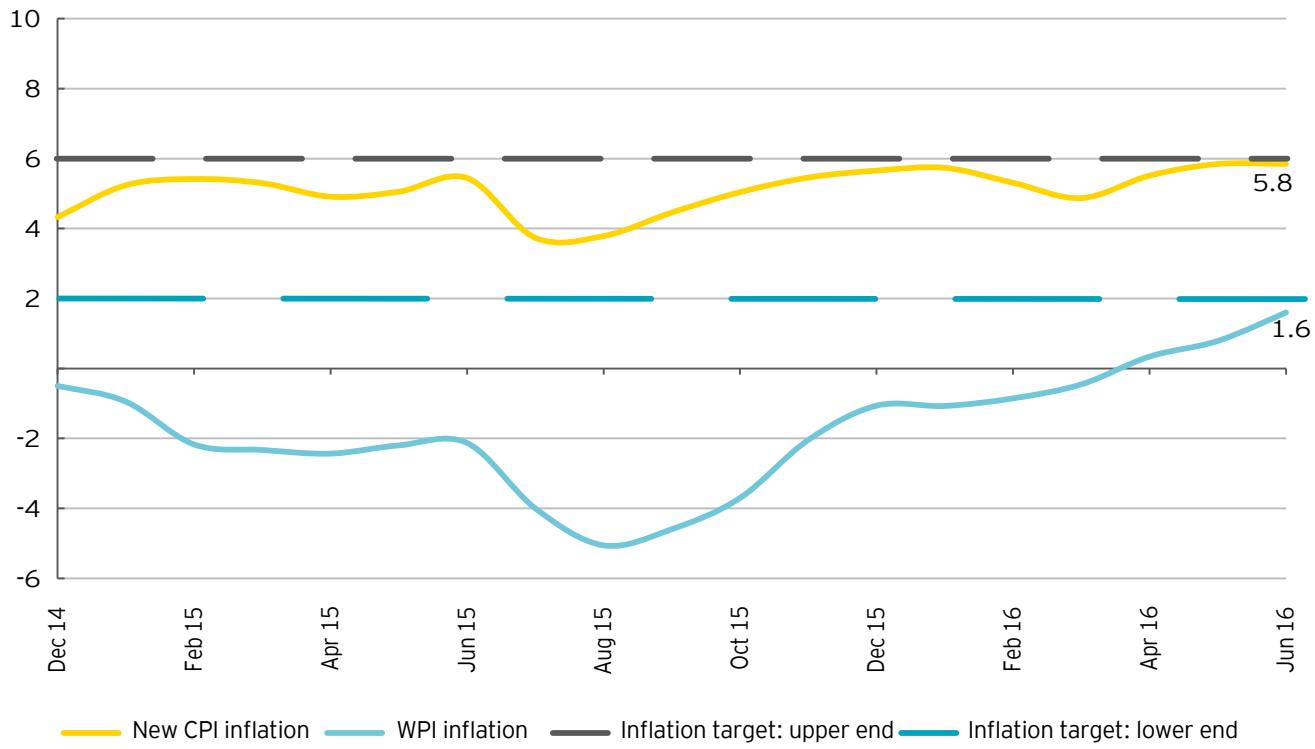
Period	PFCE	GCE	GFCF	EXP	IMP	GDPMP
FY13	5.3	0.5	4.9	6.7	6	5.6
FY14	6.8	0.4	3.4	7.8	-8.2	6.6
FY15 (RE)	6.2	12.8	4.9	1.7	0.8	7.2
FY16 (PE)	7.4	2.2	3.9	-5.2	-2.8	7.6
1Q FY16	6.9	-0.2	7.1	-5.7	-2.4	7.5
2Q FY16	6.3	3.3	9.7	-4.3	-0.6	7.6
3Q FY16	8.2	3	1.2	-8.9	-6.4	7.2
4Q FY16	8.3	2.9	-1.9	-1.9	-1.6	7.9

Source: CSO, MOSPI, Government of India
PFCE: private final consumption expenditure; GCE: government final consumption expenditure; GFCF: gross fixed capital formation; EXP: exports; IMP: imports; GDPMP: GDP at market prices

5 Inflation has reached the upper limit of tolerance, but good monsoon will contain its rise

- While the industry has been looking for further interest rate reduction, CPI inflation was at 5.8% both in May and June 2016. This is close to the upper tolerance limit of 6% under the monetary policy framework. As widely anticipated, the RBI has left the repo rate unchanged in its August 2016 review of the monetary policy.
- WPI-based inflation, which had been negative until recently, also increased for the third consecutive month in June 2016 (at 1.6% y-o-y) after contracting for 17 consecutive months.

Exhibit 5: Inflation (y-o-y, %)

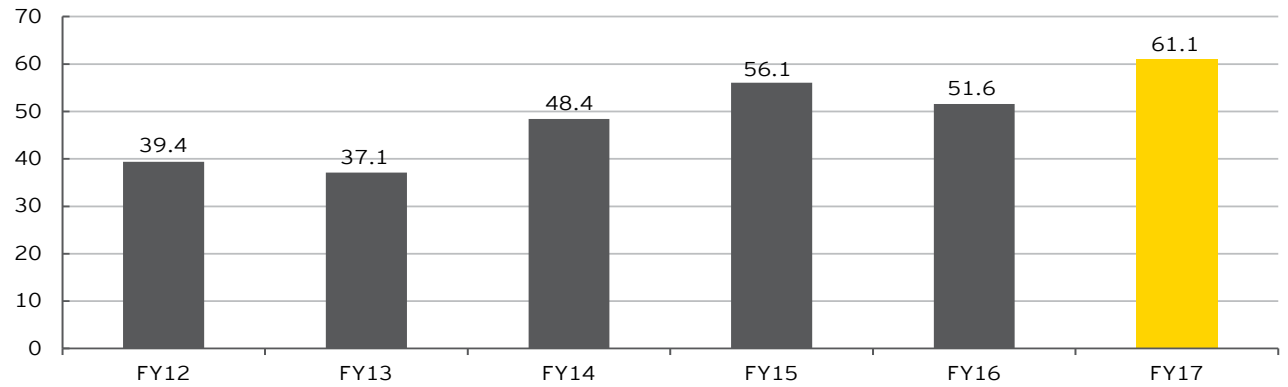


Source: MOSPI, Office of Economic Adviser

6 Center's fiscal deficit has crossed 61% in the first quarter of FY17

- Center's fiscal deficit stood at 61.1% of the annual budgeted target by the end of 1Q FY17.
- This is the highest share of the fiscal deficit in the annual budgeted target in the first quarter of a fiscal year since FY09.
- However, revenues are expected to do better in the second quarter with growth picking up.

Exhibit 6: Cumulated fiscal deficit up to June 2016 as a percentage of annual budgeted estimates for FY17

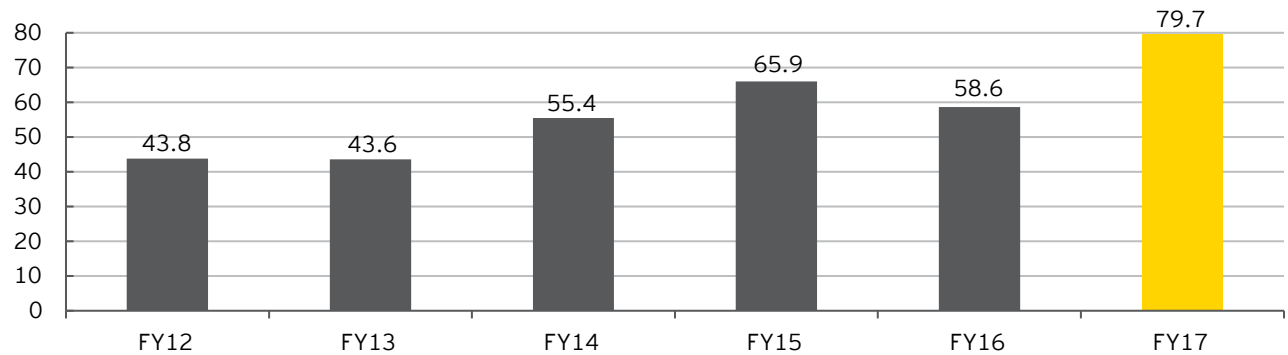


Source: Monthly Accounts, Controller General of Accounts, Government of India

7 Center's revenue deficit crossed 79.7% of the annual budgeted target in the first quarter of FY17

- Center's revenue deficit during April–June FY17 reached nearly 80% of the annual budgeted target as compared to 58.6% in FY16.
- This is the highest share of revenue deficit in the annual budgeted target in the first three months of a fiscal year since FY09.

Exhibit 7: Cumulated revenue deficit up to June 2016 as a percentage of annual budgeted estimates for FY17



Source: Monthly Accounts, Controller General of Accounts, Government of India

8 Tax revenues showed significant growth in April–June FY17, but non-tax revenues dipped

- Cumulated gross tax revenues showed a strong growth of 30.6% during April–June FY17, compared to 17.5% during the same period of FY16. Direct taxes grew by 26.9% and indirect taxes by 33.6% during the first quarter of FY17.
- Non-tax revenues sharply contracted by 40.6% during April–May FY17.

Exhibit 8: Gross tax and non-tax revenues (annual and cumulated quarterly growth rates, y-o-y)

Tax/non-tax revenue	FY14	FY15	FY16 (RE)	FY17 (BE)	1Q FY17
Gross tax revenue	9.8	9.3	17.2	11.7	30.6
Non-tax revenue	44.6	-1.1	31.3	24.9	-40.6

Source: Monthly Accounts, Controller General of Accounts, Government of India
RE: revised estimates; BE: budget estimates

9 Except for corporation tax, other major central taxes have done exceptionally well

- Income tax revenues grew by 53.4% during April–June FY17, driven by a change in the calendar of advance tax payment requiring payments of additional instalments of advance tax in the month of June.
- Corporation tax revenues grew only by 3.9% in 1QFY17 compared to 3.2% in FY16.
- Union excise duties grew by 60.5% during April–June FY17, lower than the growth of 104% in the corresponding period of FY16.
- Growth in service tax revenues increased to 28.5% during April–June FY17 reflecting the effect of the recently introduced Krishi Kalyan Cess.

Exhibit 9: Tax revenues (annual and cumulated quarterly growth rates, y-o-y)

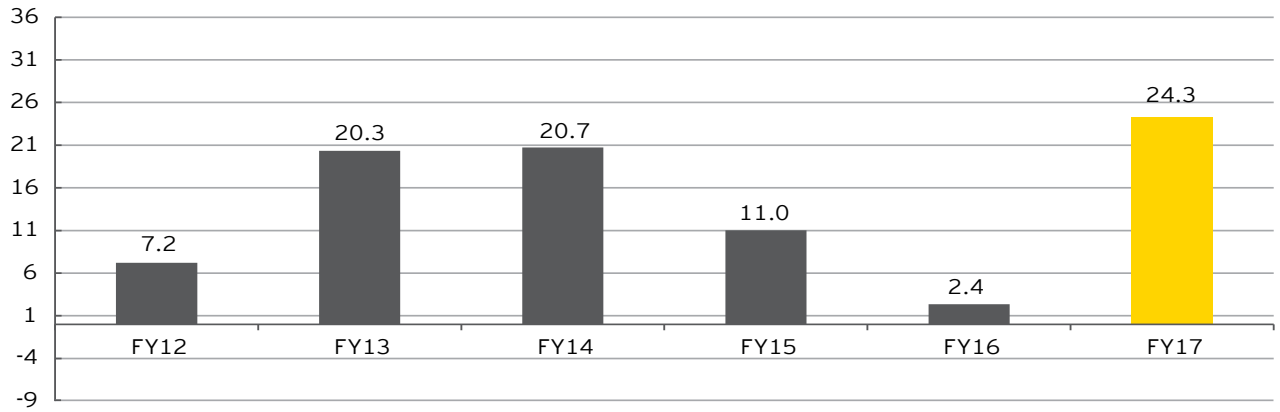
Tax revenues	FY14	FY15	FY16 (RE)	FY17 (BE)	1QFY17
Corporation tax	10.8	8.7	5.6	9.0	3.9
Income tax	20.8	8.7	12.9	18.6	53.4
Custom duty	3.8	9.2	11.4	9.8	17.8
Excise duty	-3.6	11.6	49.6	12.2	60.5
Service tax	16.7	8.6	25.0	10.0	28.5

Source: Monthly Accounts, Controller General of Accounts, Government of India

10 Center's revenue expenditure has increased sharply

- Total expenditures grew by 18.8% in 1QFY17 as compared to 4.2% in the corresponding period of FY16.
- Growth in revenue expenditure increased sharply to 24.3% during April–June FY17 from 2.4% during the same period in FY16.

Exhibit 10: Growth in cumulated revenue expenditure up to June 2016

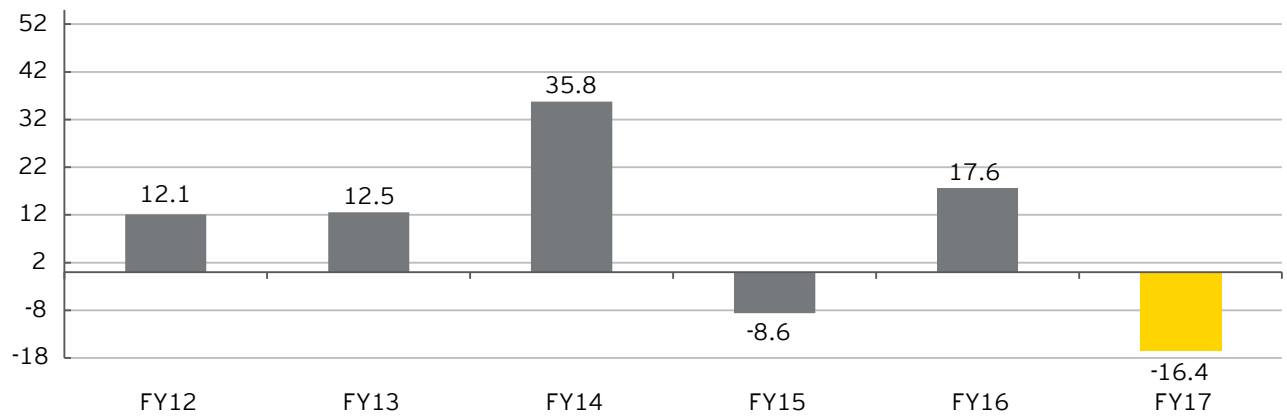


Source: Monthly Accounts, Controller General of Accounts, Government of India

11 However, center's capital expenditure has contracted

- Center's capital expenditure contracted further by 16.4% during April–June FY17.
- This is in contrast with the 17.6% growth in capital expenditure in 1QFY16, when capital expenditure was front-loaded to stimulate demand.

Exhibit 11: Growth in Cumulated Capital expenditure up to June 2016



Source: Monthly Accounts, Controller General of Accounts, Government of India

Thoughts

"To collect taxes from citizens the way a bee collects honey from the flowers - quietly without inflicting pain"

- Chanakya

"All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment?"

– Lawrence Summers

"Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver"

– Ayn Rand

"Beware of little expenses; a small leak will sink a great ship"

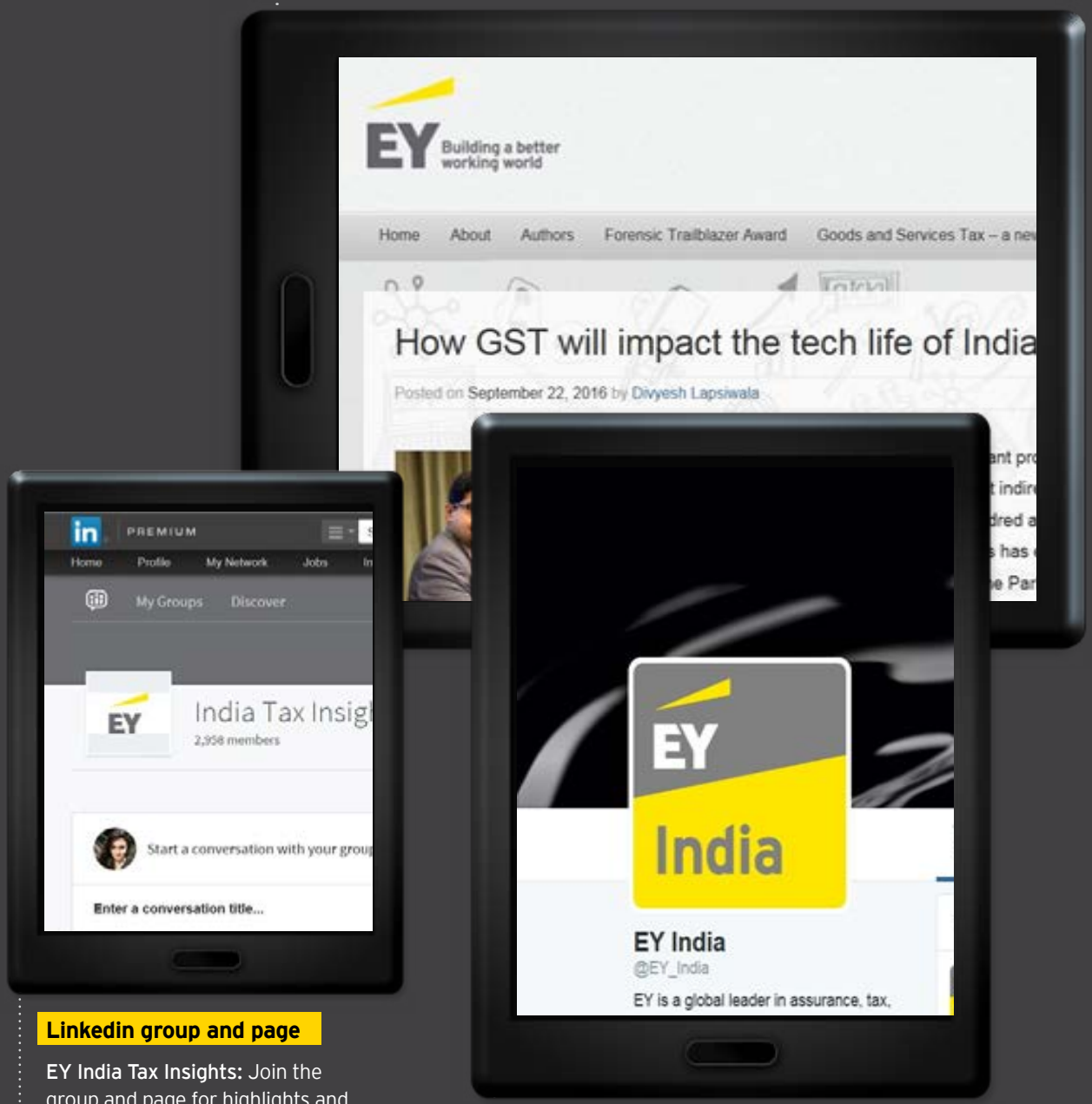
– Benjamin Franklin

"We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle"

- Winston S. Churchill

EY India Tax Insights blog

Subscribe to our blog for topical reads on the Indian tax and policy landscape.
Link: www.indiataxinsightsblog.ey.com



Linkedin group and page

EY India Tax Insights: Join the group and page for highlights and discussions on the latest tax and regulatory developments in India.
Group: www.linkd.in/1tI6W9W
Page: www.linkd.in/1qYJ9zh

EY Twitter page

Follow us on @EY_India #EYTax for latest tax updates and insights

EY India GST webpage

Access our GST webpage for the latest updates and views
www.ey.com/in/GST

Catch us online

Magazine on the web

Find articles from every issue of India Tax Insights Magazine at the click of a mouse
www.ey.com/indiataxinsights

Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 22 Camac Street, 3rd Floor, Block C, Kolkata - 700016

EYIN1609-092
ED None

JJ

100+ years of excellence in professional services

EY refers to the global organization, and/or one or more of the independent member firms of Ernst & Young Global Limited