

ABOLISH ARCHAIC ACTS & REGULATIONS AND SIMPLIFY & RATIONALIZE TAXES TO PROMOTE 'EASE OF DOING BUSINESS'

Government of India is committed to 'Ease of doing business' and thereby promote India as an attractive and fast growing nation in the world. Although India ranks at 130 out of 190 countries in the last World Bank's annual Doing Business report, it aims to be in the top 50 and is undertaking series of reforms to improve this ranking and thereby promote 'Ease of doing business'.

The Indian taxation system works on the objective of revenue collection rather than compensation against government services as is the current case. The Indian taxation system faces two most critical issues viz. tax evasion and double taxation. Tax evasion may be observed in approx. 60% due to complex nature of taxes and fear of double taxation at various levels. Further, the direct and indirect taxes have no points of intersection even in case of Goods and Services Tax (GST).

Government's fiscal expenditure is supported by tax revenue, trade and returns on investments in viable projects. The industry is eagerly waiting for clarity on the implementation of Goods and Service Tax ('GST'), which could result in credit / cost efficiency for the sector.

Archaic acts and rules

The GST proposes to take into its ambit 70% of the indirect taxes. However, there are about 73 known number of taxes and at the same time there are number of many other taxes which may be still unknown to higher administrative concerns and are levied on taxes. Additionally, India has several archaic acts that the businesses need to follow. The comprehensive list is mentioned in Annexure 1.

Central taxes that The GST will replace

1. Central Excise Duty
2. Duties of Excise (medicinal and toilet preparations)
3. Additional Duties of Excise (goods of special importance)
4. Additional Duties of Excise (textiles and textile products)
5. Additional Duties of Customs (commonly known as CVD)
6. Special Additional Duty of Customs (SAD)
7. Service Tax
8. Cess and surcharges in so far as they relate to supply of goods or services

State taxes that The GST will subsume

1. State VAT
2. Central Sales Tax
3. Purchase Tax
4. Luxury Tax
5. Entry Tax (all forms)
6. Entertainment Tax (not levied by local bodies)
7. Taxes on advertisements
8. Taxes on lotteries, betting and gambling
9. State cess and surcharges

Taxes to be paid to Central Government

1. Central Excise Duty
2. Special Excise Duty
3. Auxiliary Excise Duty
4. Central Sales Tax
5. Air Travel Tax
6. Estate duty/inherent property tax
7. Electricity Tax
8. Foreign Travel Tax
9. Income Tax-other than agricultural income
10. Gift Tax -Direct tax
11. Surcharge on Income Tax-Direct Tax
12. Paper Reading Tax
13. Stamp Duty
14. Medical Assistance Tax
15. Legal assistance tax like permits, licences, passport, identity card reservation charges, affidavits, etc.
16. Customs Duty
17. Special Additional Customs duty in lieu of sales tax (SAD)
18. Countervailing duty in lieu of Central Excise (CVD)
19. Maximum Additional Tax (MAT)
20. Estate Duty - Direct Tax
21. Corporate Tax - Direct Tax
22. Taxation other than Agricultural Tax
23. Corporate Tax
24. Service Tax
25. Tax deduction at Source (TDS)

Taxes to be paid to Local Government

1. Cess on Property
2. Property Tax

3. Toll Tax
4. Education Cess
5. Passenger Tax on Tourist Buses
6. Birth Tax **(No Tax but in the form of fees levied for issuing Birth Cert.)**
7. Death Tax **(No Tax but in the form of fees levied for issuing Death Cert.)**
8. Water Tax + Water Benefit Tax @ 12.5% (levied by MCGB)
9. Air Pollution Prevention Tax
10. Water Pollution Prevention Tax
11. Assessment Tax
12. Garbage removal Tax
13. Sewage Tax + Sewage Benefit Tax @ 6.25%
14. Octroi
15. Entry Tax
16. Vehicle Parking Tax
17. Sanitation Tax
18. Additional Property Tax
19. Parking Tax
20. Local Body Tax (LBT)
21. Panchayat Tax
22. MCGB also levies Theatre Tax, Motor Repair Tax and Building Tax
23. Local Body Taxes (LBS)
24. Professional Tax
25. Surcharge on Sales Tax

Various Licenses required for Industry & Trade

Registration Certificates – annual renewable yearly

1. Shops & Establishments under Act of 1888
2. Work Permit under BMC Act 1888
3. Essential Commodity Licence
4. Prevention of Food Adulteration Act
5. Indian Cosmetics and drugs Act. 1940

Compulsory Registration

6. Registration under Central Sales Tax
7. Registration under Import/Export policy
8. Registration with Reserve Bank of India
9. Registration with employees profession tax 1975
10. Registration under enrolment of professional tax 1975

Registration under Factory Act 1948 – Year Renewable

11. Registration under collection of TDS (Tax deduction at source)
12. Registration under Employees Provident Fund Scheme Act. 1948
13. Registration under Employees Provident Fund Scheme Act, 1948
14. Maharashtra State Pollution Board Act 1986
15. Registration under Weight & Measures Act 1987
16. Registration under Workers Welfare Board
17. Registration under Non-Agricultural Act
18. Registration under Central Excise Act
19. Registration under State Excise Act
20. Registration as tiny/cottage/KVIC/SSI
21. Registration under NSIC
22. Registraton with Defence, Railways, ONGC, Air , Naval
23. DG S & D as vendor
24. Registration with Corporate Sector as vendor.

No registration applicable to hawker street vendor, advocate, doctor, chartered accountant, builders, workers, farmers, consultant: politician and Bureaucrat for the profession, occupation guaranteed under article 19(1) (f) of per Indian constitution.

Today, corporate India is looking forward to the convergence of taxes and acts under one realm so as to avoid double taxation and over-regularisation. Complete abolition of the earlier taxation system and archaic acts is the only solution to have a healthy beginning to new India. The Initiatives like MAKE in INDIA have failed to make a deep impact due to India's protectionist and conservative and rigid Tax infrastructure. In the past tax revenue was very weak and even today it is not strong enough to be an asset. Complexities in taxes have often lead to decrease in tax revenue collection which have led to litigations and disputes which have not been beneficial to any of the parties.

The corporate sector is currently saddled by multiplicity of taxes and cascading effect of such taxes and archaic acts. This defeats the purpose of 'Ease of doing business' with least taxation. Single (and lower) tax with simplified rules/acts with better credit flow is the expectation of the industry from the Government.