India

Country Statement

Agenda 3: Strengthening regional tax cooperation in Asia and the Pacific

Thank you Mr Chair,

Ministers, Excellencies, Colleagues

On behalf of India, I would like to thank the Economic and Social Commission for Asia and the Pacific (ESCAP) for hosting the Second Session of the Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development.

I would also like to thank the UN experts and colleagues and other valued stakeholders working with ESCAP for their continued efforts to promote inclusive sustainable development across the Asia Pacific region.

As highlighted in the Note circulated by the Secretariat on the subject, addressing new challenges posed by the emergence of digital economy is the need of the hour. At the behest of G-20, the OECD is actively working on this front and has recently circulated a Public Consultation Document on the Unified Approach under Pillar 1. India is actively involved in providing inputs and feedback to the OECD on this matter at country level. I can also share that G-24 Working Group (India as Chair) has been constantly engaging with the OECD on this subject.

In order to tackle the tax challenges of digitalisation, the provisions of Equalization levy were brought in India, in line with BEPS Action Plan 1 Final report. The equalisation levy effective from 1 June 2016, works as a 6% charge deducted from the gross amount of consideration exceeding INR 1,00,000 in a year, paid by an Indian resident or Permanent Establishment of a non-resident in India for the provision of online advertisement services provided by non-residents. It is applicable only on B2B transactions. The levy is designed with minimal disruption for enterprises, without creating multiple or excessive taxation, and with minimal costs of compliance and administration.

Close collaboration amongst the countries of the Asia Pacific region through capacity building regimens is of prime importance. I may share that India has been continuously engaged in providing/organising various capacity building programmes, as briefly mentioned below:-
(a) Short training course for 25 Tax Officials of Bangladesh was organised at National Academy of Direct Taxes (NADT) in India in October, 2019.

(b) India has deputed tax officers in the recent past to Male, Maldives to provide capacity building support to tax administration of Maldives in the fields of International Taxation, Transfer Pricing and Investigation.

(c) Training events are hosted in National Academy of Direct Taxes (NADT) in India at regular intervals and OECD experts are invited to lead these events.

(d) A special workshop on Modern Techniques of Investigation in which 25 members from various developing countries who are members of Commonwealth Association of Tax Administrators (CATA), such as Kenya, Ghana, Lesotho, Malawi, Swaziland and others participated. In addition to the above, India has identified its regular capacity building programmes, having international relevance, being held for its own officers and offers nomination to developing countries on a course to course basis. So far, delegates from countries such as Malaysia, Mauritius have participated in such training programmes. In recognition of the contribution of India towards capacity building, a special award has been given to India by CATA.

(e) India has been designated as a partner jurisdiction to provide assistance to the Government of the Kingdom of Eswatini in Transfer Pricing matters under the Tax Inspectors Without Borders (TIWB) Programme, jointly launched by UNDP and OECD.

At the same time, each year, under the Global Relations Training Programme (GRTP) of OECD, India encourages participation of its tax officers in training events abroad, both in the capacity of participants, as well as, experts.

Experts from India have been nominated regularly on UN Committee of Experts on International Cooperation in Tax Matters who have contributed actively to Committee’s work and we re-iterate our support for upgrading this Committee to intergovernmental status.

Abuse of tax treaties is an important source of base erosion and profit shifting (BEPS). The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) helps the fight against BEPS by implementing the treaty related measures developed through G-20/OECD BEPS project in existing bilateral tax treaties in a synchronized and efficient manner. India is a signatory to the MLI, which has entered into force for India on 01st October, 2019. In pursuance of India’s commitment under BEPS Action 5, spontaneous exchange providing details of various rulings issued on Permanent Establishment and Unilateral Advance Pricing
Agreements are being regularly made to foreign jurisdictions. In keeping with India’s commitment to implement the recommendations under BEPS Action 13, relevant provisions were inserted into the Statute in 2016 providing for furnishing of Country-by-Country report in respect of an international group by its constituent or parent entity.

India has a very robust Exchange of Information relationship under tax treaties with over 150 countries enabled through DTAA/TIEA or Multilateral Convention which enable us to gather information from partner jurisdictions thereby providing vital support to the investigations related to Black Money being carried out in India. India took a leadership role along with other G-20 countries in the advent of Automatic Exchange of Information (AEOI), ushering in a new era of tax transparency. India being an early adopter has started AEOI under Common Reporting Standard (CRS) from 2017.

Mr Chair,

The concern expressed in the Note circulated by the Secretariat on reduction in tax rates and a race to the bottom, may not apply to India. India has reduced the corporate tax rate gradually by simultaneously removing exemptions/deductions and has thus, entered into an era of simplification in tax administration. This is expected to reduce litigation and encourage voluntary compliance, which in turn, will lead to an increase in tax collection in future.

India is committed to fostering a non-adversarial tax regime. This is demonstrated by the success of Advance Pricing Agreement (APA) programme which was introduced in 2012 in India. India has signed 300 APAs since the introduction of the programme. The Indian APA programme has been appreciated nationally and internationally for being able to address complex transfer pricing issues in a fair and transparent manner.

Mr Chair,

India strongly supports ESCAP’s viewpoint that the Asia Pacific countries need to work in close coordination to withstand various challenges posed by the ever evolving tax environment.

It can be a matter of consideration for the Committee to organise a cohesive response to the OECD on new challenges posed by the emergence of digital economy by organising assistance from interested countries amongst the Asia Pacific fraternity.
Apart from tax challenges posed by the emergence of digital economy, we may also engage to address some other challenges on the tax front which are common to most countries of the Asia Pacific region, mentioned as under:-

(a) Taxation issues concerning Informal Economy
(b) Taxation of transactions involving offshore indirect transfers
(c) Taxation issues concerning Extractive Industries

India looks forward to engaging from time to time in various capacities in tax matters with our counterparts in the Asia Pacific.

Thank you.