

The Tax Administration as a Pillar of International relations: Its collaboration with other national administrations and regional and international organizations

52ND General Assembly of
the Inter-American Centre
of Tax Administrations at
Ottawa, Canada



सत्यमेव जयते

Subhash Jangala
Under Secretary,
Central Board of Direct Taxes
Government of India

International Relations and Tax Administrations

- ▶ Taxation – Role in global growth
 - Cross border economic activity
 - Domestic resource mobilisation

- ▶ Why Tax collaboration ?
 - Globalization and the “vanishing taxpayer”
 - Disruptive Technologies
 - Data revolution
 - Capacity Building

Spheres of Collaboration

- ▶ DTAA
- ▶ Bilateral APA
- ▶ MAP
- ▶ Exchange of Information
- ▶ Multilateral Cooperation mechanisms
- ▶ Capacity Building

DTAA – Indian Experience

- ▶ Wide network
 - DTAA with 94 jurisdictions
 - Various Amending Protocols to incorporate best practices
 - Further expansion with countries in Africa and South America
- Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
 - India signed MLI in the first round itself
 - At an advanced stage of implementing provisions of the MLI in many of its treaties.

Exchange of Information

- ▶ Wide EOI network
 - 94 DTAAAs,
 - 19 TIEAs,
 - The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) and
 - The SAARC Agreement.
- ▶ Member of The Global Forum on Transparency and Exchange of Information for Tax Purposes
- ▶ More than 500 requests sent annually to its various treaty partners.
- ▶ EOI Cooperation leading to detection of unaccounted income
 - over USD 298 Million (Approx. INR 19 Billion) in undisclosed foreign bank accounts (ICIJ, HSBC) and 171 prosecutions in 123 cases.

Automatic/Spontaneous Exchange of Information

- “Early adopter” of the AEOI standard
- First Exchange in September 2017
 - 41 exchanges so far
- Bilateral agreement to implement FATCA
- Exchange of Rulings under BEPS Action 5
 - More than 350 exchanges till date

India's APA Program

- ▶ Launched in 2012.
- ▶ Concluded 200 Unilateral APAs and 20 Bilateral APAs since inception of the programme.
- ▶ Time taken – 39 months on an average.
- ▶ Strengthens the Indian Government's resolve to
 - foster a non-adversarial tax regime.
 - Dispute resolution

India's MAP Programs

- ▶ A redressal mechanism in addition to remedies available under domestic courts
- ▶ With USA, Denmark, Sweden and Korea, MoU to suspend collection of taxes during MAP Proceedings.
- ▶ 371 Cases resolved in the last 3 years involving disputed amount of INR 122 Billion (Approx USD 2 Billion)

India and BEPS

- ▶ Member of The Steering Group of the Inclusive Framework.
- ▶ Treaty related provisions of BEPS
 - Signed MLI on 7 June 2017
- ▶ Action 1
 - Member of Task Force on Digital Economy (TFDE)
 - Considered approaches to address the tax challenges arising from digital economy
 - Nexus based on Significant Economic Presence (SEP),
 - Withholding tax on digital transactions and
 - Equalisation Levy.
 - Set in the above background, India introduced
 - Equalisation levy
 - Significant Economic Presence (SEP)
- ▶ Action 4
 - Thin Capitalization rules

India and BEPS

- ▶ Action 5
 - Review of India's tax regimes by the Forum on Harmful Tax Practices (FHTP) – concluded to be not harmful.
 - Established the Transparency Framework for exchange of eligible rulings
- ▶ Action 6
 - Introduced General Anti Avoidance Rules (GAAR)
- ▶ Action 13
 - One of the only 7 non-OECD G20 countries to have initiated introduction of master file and CbCR in the transfer pricing regulations

India and FTA

- ▶ Participating in the collaborative work program of FTA under three pillars:
 - supporting the international agenda;
 - improving compliance; and
 - future tax administration.
- ▶ India has opted to collaborate with FTA on its projects on
 - Improving the Understanding of Different Risk Assessments
 - Use and Assurance of CRS data;
 - Sharing/Gig Economy; and
 - Tax Debt Management.
 - Introduction of On-Line Cash Registers

India and OECD

- ▶ Important and Active Member in:
 - WP1 – Tax Conventions and Related Questions
 - WP2 – Tax Policy Analysis and Tax Statistics
 - WP 6 – Taxation of Multi National Enterprises
 - WP 10 – Exchange of Information and Tax Compliance
 - WP 11 – Aggressive Tax Planning

India and UN

- ▶ Voice of Developing and Emerging economies in setting International Tax rules
- ▶ Committee of Experts on International Co-operation in Tax Matters
 - Indian representation
 - Member in all the Committees so far
 - Continuous up-gradation of UN Model
 - Manual of Transfer Pricing and continuous up-gradation
 - Handbook on Dispute Resolution

Multilateral Institutions

- ▶ **CIAT** 
 - Only representative from Asia
 - Associate Member
 - Participation in all General Assemblies and Technical Conferences by way of presentations/Discussions etc.
 - Technical Assistance to other member countries
- ▶ **BRICS (Brazil – Russia – India – China – South Africa)**
 - Brainstorming of contemporary Tax matters in annual Tax Experts meeting leading to decisions in the annual Tax Heads meeting
 - Memorandum of Cooperation (MOC)
 - Coordination in International Forums
 - Capacity Building
 - Knowledge Sharing
 - Fast tracking MAP amongst BRICS countries



Multilateral Institutions

- ▶ CATA (Commonwealth Association of Tax Administrators) 
 - Participation in General Assemblies and Technical Conferences by way of presentations/discussions
 - Closely engaged in Capacity Building Activities
- ▶ SGATAR (Study Group on Asian Tax Administration and Research) 
 - Observer Country
 - Participation in Annual Meetings
- ▶ IBSA (India – Brazil – South Africa) 
 - Member country participation in meetings
 - Closely engaged in Capacity Building Activities
 - Part of the Revenue Administration Working Group

Capacity Building

- ▶ Training modules for tax administrators from various nations, e.g.,
 - Modern Techniques of Investigation and Intelligence Gathering (CATA)
 - Emerging Issues in Transfer Pricing" (IBSA)
 - Seminar on Direct Taxes for officers of SAARC countries
 - Training Programme for the Officers of Afghan Revenue Service and Bhutan
- ▶ Trainer's Training of IRS Officers in Singapore
- ▶ Frequent Trainings with collaboration of OECD GRTP in India and abroad
- ▶ Deputation of Officers of the Indian Revenue Service
 - Maldives Internal Revenue Authority (MIRA)
 - Tax Inspectors Without Borders (TIWB)
- ▶ Interaction of newly recruited IRS Officers with IBFD, Malaysia Tax Academy (MTA), South African Revenue Service (SARS).

The Future

- ▶ Genuine global tax co-operation between developed and developing economies that reflect the increasingly diverse needs of countries with an interest in international tax standards
- ▶ Continue to strengthen global co-operation so as to improve Domestic Resource Mobilization, avert harmful tax practices and enhance tax transparency mindful of country-specific circumstances.
- ▶ Encourage learning among developing countries and market economies through collaborative platforms and capacity building through enhanced technical assistance and regional co-operation.
- ▶ Enhance co-operation to modernize tax systems and provide strong domestic governance to unlock considerable domestic resources for development.

Credits

- ▶ **THE VANISHING TAXPAYER? GLOBALIZATION AND THE FUTURE OF STATE/LOCAL GOVERNMENT FINANCE**
- ▶ James R. Alm and Rebecca Neumann
- ▶ *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*
- ▶ Vol. 92 (1999), pp. 114–121
- ▶ Published by: [National Tax Association](#)

- ▶ Murthy, K. V. Bhanu and Bhasin, Niti, The Impact of Bilateral Tax Treaties on FDI Inflows: The Case of India (March 18, 2013). Available at SSRN: <https://ssrn.com/abstract=2234966> or <http://dx.doi.org/10.2139/ssrn.2234966>

Thank you!