Summary Of Recommendations

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We recommend:

- a periodic reconciliation of aggregate data maintained by various government agencies that together should provide an oversight on forex transactions. Ministry of Finance could co-ordinate to institute a mechanism for such reconciliation;

- that a significant step towards transparency will be the submission of tax gap analysis to the Parliament. This will also provide an estimate on revenue leakages in forex remittances;

- that the ITD conduct a macro-analysis of remittances. This analysis can form the basis for a risk-based tracking of high risk transactions by ITD in co-ordination with the banking sector. The data can also be used to further fine tune selection of tax returns for scrutiny- for eg: remitters with high volume of forex transactions with OFCs can be selected;

- that a flat and lower tax rate applied to all payments regardless of their purpose or destination will be a more viable alternative to administer- for the ITD as well as the banking sector;

- an automated solution that sifts out error reports from e-filed undertakings. This would require that the purpose codes of RBI are adopted by the ITD and integrated into the automation. We are of the opinion that this will also facilitate reconciliation of data with RBI;

- that the e-TDS returns must also provide data on all remittances, even those with null value for TDS and must also capture the purpose codes;

- that adequate safeguards may be built into the system to protect revenue on account of thin capitalization. ITD needs to strengthen monitoring of non-filers among liaison offices;

- that sectoral studies may be conducted by ITD to identify the avenues of revenue leakage as well as flag ambiguities in emerging areas.