HOW CAN ADDITIONAL TAX REVENUE BE MOBILIZED IN INDIA?

SUBMISSION TO THE OFFICE OF THE 14TH FINANCE COMMISSION

September 2014

Centre for Budget and Governance Accountability

(www.cbgaindia.org)

Contents

Introduction

Starting with an analysis of the tax base and extent of tax progressivity existing in India, we find that a narrow tax base, as evidenced by our low tax-GDP ratio, and a regressive tax structure owing to the low share of Direct taxes in total taxes, are two of the main weaknesses plaguing the Indian tax system.

Tax Base in India

India's Tax-GDP ratio at 17.22 %[1], is low compared with Tax-GDP ratios across various developed and developing countries (See Table 1 below). In addition to most of the developed countries, developing countries such as Brazil, Turkey, Russia, South Africa and China perform much better than India in terms of tax-GDP ratio.

Table 1

Tax-GDP ratios (in %) for developed and developing countries

Developed Countries		Developing Countries	
Sweden	50.1	Brazil	34.2
Denmark	49.1	Turkey	32.5
France	44.7	Russia	32.3
Netherlands	39.5	South Africa	31.2
UK	37.4	Ghana	22.4
USA	27.3	China, Hong Kong SAR	16.6

Source: IMF 2011

Tax Structure in India

With a direct tax share of approximately 33 % in total taxes, India's tax structure is not considered to be progressive. Even developing countries such as South Africa (57.5 %) and Russia (41.3 %) have more progressive tax structures (See Table 2). All developed countries that are part of the G20 have greater share of direct taxes in their total taxes than India, with figures as high as 75.8 % for USA.

[1] Revised Estimate for 2012-13, Indian Public Finance Statistics 2013-14.

Table 2

Direct Taxes revenue as percentage of Total Tax revenue

Country	Year	Direct Tax revenue as % of Total tax revenue
USA	2010	75.8
Canada	2010	68.8
Australia	2010	65.8
Japan	2010	61.2
UK	2010	60.9
South Africa	2010	57.5
OECD Avg.	2009	53.7
France	2010	53.7
Italy	2010	52.0
Germany	2010	51.4
Korea	2010	50.0
Russia	2010	41.3
India	2009-10	37.7

Source
Calculated from the data provided in:
Government Finance Statistics 2011, IMF
For Argentina, Revenue Statistics in Latin America, 2011.
OECD/ECLAC/CIAT
For India- India Public Finance Statistics 2011-12, Govt of India
For Mexico and OECD: Revenue Statistics 2011, OECD

Therefore, a narrow tax base and lack of progressive tax structure can be seen as two of the main weaknesses of the Indian tax system. Some possible reasons and suggested policy measures to address these weaknesses are discussed below.

1. Personal Income Tax

Though the Union Budget 2013-14 introduced a surcharge of 10 % on people with taxable income above Rs 1 crore per annum, this has increased the effective peak tax rate on super rich to 33.99 %, which was previously 30.9 %. However, even at 33.99 % India's peak tax rate falls below G20 headline peak tax rate average of 37 %. Developed countries within G20 have average peak tax rate far above India at 42.2 % (See Table 3 and 4 below). Another matter of concern is the high annual income level of Rs. 1 crore, above which the peak tax rate will apply. Instead, applying peak tax rate at income slab of Rs. 30 lakh per annum could have increased the tax base considerably.

Another limitation in personal income taxes in India is the low compliance level. Various reports by the Comptroller and Auditor General (CAG) of India have shown that India has compliance level way below 50 %. Low peak tax rates and low compliance level together have resulted in a miniscule share of personal taxes in total taxes at 12.2 % for India compared to G20 average of 26.7 %, with figure going as high as 46.2 % for USA.

Table 3: Peak Personal Income Tax Rates across G20 Countries for Year 2013

Rank	Country	Peak tax rate (%)	Rank	Country	Peak tax Rate (%)
1	Japan	50	11	Turkey	35
2	United Kingdom	50	12	United States	35
3	Australia	45	13	India	30
4	China	45	14	Indonesia	30
5	France	45	15	Mexico	30
6	Germany	45	16	Canada	29
7	Italy	43	17	Brazil	27.5
8	South Africa	40	18	Russia	13
9	Korea, Republic of	38	19	Saudi Arabia	-
10	Argentina	35		G-20 Avg.[2]	37.0

Source: KPMG (http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/individual-income-tax-rates-table.aspx)

[2] Excluding Saudi Arabia

Table 4

Marginal Personal Tax Rates for various Countries

Developed Countries		**Developing Countries**	
Sweden	56.50%	China	45
United Kingdom	50.00%	South Africa	40
Netherlands	49.20%	Croatia	40
Finland	48.20%	Chile	39.7
Denmark	48.10%	Thailand	37
Ireland	48.00%	Turkey	35.7
Germany	47.50%	Argentina	35
Japan	47.20%	Tunisia	35
Australia	46.50%	Vietnam	35
Canada	46.40%	Venezuala	34
Belgium	45.30%	Colombia	33
Israel	45.00%	Phillipines	32
Spain	45.00%	Mexico	30
Portugal	44.50%	Brazil	27.5
Iceland	44.40%	Russia	13
Austria	43.70%		
United States	41.70%		
Luxembourg	41.30%		
Italy	40.80%		
Norway	40.00%		
France	38.40%		
Greece	37.60%		
Switzerland	36.00%		
Hungary	35.60%		
Korea	35.20%		
New Zealand	33.00%		

*Source: OECD Tax Database, KPMG Tax Rate Survey 2011

2. Corporate Income Tax

There exists a huge gap in Headline corporate tax rate (33 %) and Effective rate of corporate tax (24 %)[3] in India due to various exemptions by the government and sophisticated tax planning by corporations. Despite a Statutory Tax Rate of 33 percent, companies that made a profit greater

[3] Revenue Forgone statement, Union Budget

than 500 crore paid an effective tax rate of only 20.97 percent. Companies that made a profit between 100 and 500 crore also paid an effective tax rate of only 21.86 percent. [4]

Also, during the past decade of unequal growth, tax collection from corporations has not been buoyant compared to their profits. Rate of increase in profits have been higher than revenue collection from corporations, resulting in increasing income inequality.[5] It has also been reported that around 50% of domestic firms engage in abusive transfer pricing[6], further highlighting the extent of tax dodging resorted to by domestic companies via intra firm transactions. In addition, companies that operate units in special economic zones (SEZs), park the majority of their profits in these SEZs to avail the tax incentives applicable.

3. Tax Exemptions

The total magnitude of tax revenue forgone due to exemptions/ deductions/ incentives in the Central Government tax system is estimated (by the Union Ministry of Finance) to be **Rs. 5,72,923 crore** in 2013-14, which is a staggering 5 % of GDP. Another disturbing fact is that revenue forgone as percent of total tax collection has been increasing over the years. Even if the government is able to collect half of the tax revenue forgone presently, it would generate additional tax revenue worth 3 % of GDP.

a) **Accelerated Depreciation** is one of the major tax expenditures on corporate tax payers. In this form of tax incentive, the capital cost is appreciated in order to lower the profit tax liability of business firms. This form of tax incentive is provided by the Government to business firms as a policy to sustain growth and was introduced in the early 1990s. This tax incentive is given across various sectors such as, production of mineral oil, power generation, transmission and distribution, infrastructure development, units located in SEZs

[4] Statement on Revenue Foregone under Central Tax System, Union Budget 2014-15, Ministry of Finance
[5] C.P. Chandrasekhar Hindu Businessline 2006 http://www.thehindubusinessline.com/todays-paper/tp-opinion/how-has-the-taxgdp-ratio-gone-up/article1727021.ece?ref=archive (viewed on 26 December 2012)
[6] Business Standard 2012, May 28. http://www.business-standard.com/india/news/transfer-pricing-revenue-to-rise-rs-3000-cr-in-2013-14/475552/ (viewed on 26 December 2012)

etc. Annual revenue forgone because of corporate tax incentives in the form of accelerated depreciation is given in the following,

Table 5

Corporate Tax Revenue foregone in the form of Accelerated Depreciation since 2005-06

Heads\Year→ ↓	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (Prov.)
Accelerated Depreciation	641	927	12946	364	29308	569	681.4	38122.7	42225.8
Total Corporate Revenue foregone	34618	50075	62199	66901	72881	57912	61765.3	68720	76116.3
Total Rev. Foregone	242658	288959	341317	458516	482432	459705	533582.7	566234.7	572923.3
As a % of total corporate rev. foregone	1.9	1.9	20.8	0.5	40.2	1.0	1.1	55.5	55.5
As a % of total rev. foregone	0.3	0.3	3.8	0.1	6.1	0.1	0.1	6.7	7.4

Source: Statement of Revenue Foregone, Union Budget 2005-06 to 2014-15 and Statistics, Reserve Bank of India

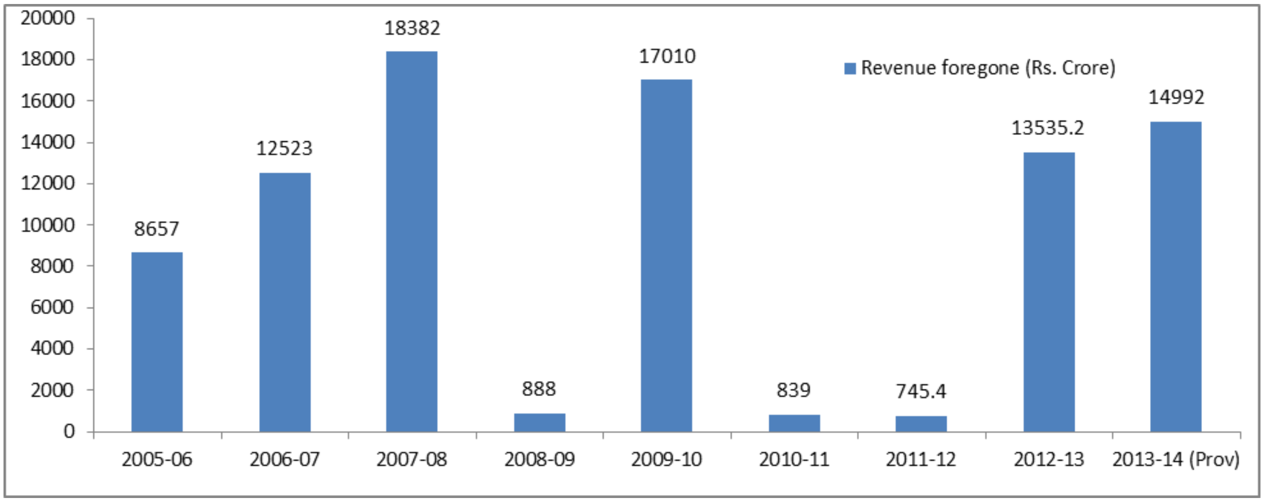
The estimates provided by the revenue foregone statement 2013-14 show that this relaxation amounts to Rs.38122 crore, constituting 55 percent of the total estimated revenue foregone through exemptions given to the corporate sector, in 2012-13. The rationale for the introduction for this form of tax incentive was to encourage firms in their initial stages of growth. After twenty three years of economic liberalization, the Rs.38122.7 crore tax incentive provided in the form of accelerated depreciation could be reviewed and only retained for firms currently venturing into new sectors (like renewable energy).

b) Deduction of export profits of firms in SEZ, EPZ,FTZ and profits of EOUs

Many corporate firms are getting huge benefits by setting up their firms in Special Economic Zones, Export Processing Zones, Free Trade Zones and registered as Export Oriented Units. Profit taxes are exempted from the firms in these zones. These zones were created under the regime of economic liberalisation and globalisation to provide a boost to the country's export sector. Annual revenue foregone because of deduction of export profits during 2005-06 to 2013-14 is given in the following.

Figure 1

Annual Revenue foregone due to deduction of export profits of firms in SEZ, EPZ, FTZ and the EOUs- 2005-06 to 2013-14



Source: Statement of Revenue Foregone, Union Budget 2005-06 to 2014-15

Total amount of revenue foregone in the form of deduction of export profits in the year 2013-14 is Rs. 15000 Crore which accounts for 1.8 percent total tax revenue. This substantial amount is a direct benefit provided to the exporters. If a small percentage of the benefit accrued in the form of taxation, it would generate a big resource for the Government.

c) Customs duty exemptions on Gold, Diamond and Jewellery

Duty exemptions under the head of gold, diamond and jewellery imports constitute a major portion of revenue foregone under total customs duty exemption in the country i.e 24.03 percent in 2012-13. The annual revenue foregone under the head of customs duty exemptions on these products is given in the following table:

Table 6

Revenue foregone on Gold, Diamonds and Jewellery (in Rs. Crore) 2005-06 to 2013-14

Year	Gold, Diamond and Jewellery	%share of Customs duty exemptions	%share of total revenue foregone exemptions
2005-06	16935	13.3	7.0
2006-07	25672	20.8	8.9
2007-08	25586	16.7	7.5
2008-09	27649	12.2	6.0
2009-10	42440	21.7	8.8
2010-11	49164	28.5	10.7
2011-12	65975	27.9	12.4
2012-13	61676	24.3	10.9
2013-14 (Prov)	48635	18.7	8.5
Total	363732	20.8	9.2

Source: Statement of Revenue Foregone, Union Budget 2005-06 to 2014-15

The total amount of duty exemptions under the gold, diamond and jewellery category, from 2005-05 to 2013-14, amounts to Rs. 3.6 trillion. The duties waived in these products help big business firms to agglomerate resources and at the cost of government revenue. This practice creates and widens the inequality gap and thus a hurdle for economic development.

d) Low effective tariff rate for leasing companies

The excise duty exemptions given to certain financial services sectors may not be very effective in terms of their contribution to economic growth. The effective tax rates[7] for the leasing companies in the financial year 2012-13 is abysmally low i.e. 1.5 percent. However, the average effective tax rate for all the public and private sector companies is 22.44% in 2012-13.[8] It is

[7] Effective tax rate is the ratio of total taxes paid to the total profits before taxes and expressed as a percentage
[8] Statement of Revenue Foregone, Union Budget 2014-15

estimated that an average effective tariff rate (i.e. 22.44%) on profit of these companies would generate additional revenue of Rs. 330 crore for the Government.[9]

e) Excise duty exemptions for mining contractors

Effective tariff rate for the mining contractors for the year 2012-13 was 6.98 percent, whereas the flour and rice mills pay tariff at the rate of 26.11 percent[10]. It must be noted here that average effective rate in 2012-13 was 22.44 percent. With the lower effective tariff rate, these contractors are earning supernormal profit. Even if they are charged with the average tariff rate, that would generate Rs.2260 Crore for the Government.

4. Capital Gains Tax

Withdraw exemption of Long Term Capital Gains Tax (LTCG) on Securities. LTCG on securities could be taxed at 20%, in line with gains on other long-term assets which are taxed at the same rate (with the benefit of an inflation adjustment).

Short Term Capital Gains Tax on Securities to be taxed as regular income instead of a flat rate of 15% (gains on other short-term assets are taxed at normal tax rates)

Rationale

In 2004, the tax on long-term capital gains (LTCG) from transactions in securities was abolished and the tax on short-term gains was reduced from normal tax rates to a flat rate of 15%. This was replaced by a small 'Securities Transaction Tax' (STT) with the expectation that any potential revenue loss from the changes in the capital gains tax regime will be offset from the gains from STT.

But research and evidence gathered on these changes shows that STT has garnered little resources in comparison to the revenue foregone as a result of the LTCG exemption and reduced STCG tax. In addition, incentives have been created to convert income into capital gains in lieu of this exemption and lower tax rate than on other forms of income, providing loopholes for tax avoidance.

[9] Estimated by the Author with the help of data given in the revenue foregone statement 2014-15

[10] Statement of Revenue Foregone, Union Budget 2014-15

Bagchi (2007) estimates that in the year 2005-06, the LTCG tax exemption resulted in a revenue loss of Rs. 14,000 crore and the reduced STCG tax resulted in a loss of Rs. 15,000 crore. The total revenue loss as a result of the changes to the capital gains tax regime was Rs. 29,000 crore in 2005-06 (0.78 percent of GDP). As against this, Bagchi further estimated that the revenue gain from STT in 2005-06 was only Rs. 2,500 crore. Chandrasekhar (2008) estimates that Rs. 7900 crore (approximately) was the revenue foregone due to abolishing LTCG in 2004 on data pertaining to just 28 Sensex companies.

Singh (2004) argues that while STT could act as an efficient instrument to collect taxes, it cannot be considered a substitute for capital gains tax. The main argument for the need for STT is beyond efficient collection of taxes and is required to curb the flow of speculative money as each transaction would be taxed. Bagchi (2007) and Datar (2004) have argued that in addition to raising substantial revenues, capital gains taxation also needs to be seen from the perspective of equity. The exclusion of capital gain from income base for taxation and subjecting capital gains to a lower rate of tax than normal income, leads to inequality and creates incentives for tax avoidance.

OECD (2006) observes that protection of tax revenues is a key policy consideration by OECD countries for comprehensively taxing capital gains. They further note that policy makers in OECD countries recognise that incentives to transform ordinary income into capital gains arise 'not only where capital gains are exempt, but also where effective tax rate on capital gains is significantly less than on other forms of income'.

5. Wealth Tax

Introduce a progressive wealth tax slab as indicated below, which was suggested by Moinul Hasan in the Parliamentary Standing Committee on Finance Report on The Direct Taxes Code Bill, 2010 (Dissent Note)

Net Wealth (in Rs. Crore)	Wealth Tax Rate
0-5	Nil
5-20	1%
20-50	3%
50 and above	5%

Rationale

India has a very narrowly defined and non-progressive wealth tax structure. Wealth inequality in India, according to the latest India Human Development Report (IHD) 2011 released by Planning Commission, presents a highly skewed distribution of assets in India, with the top 5 % of the households possessing 38 % of the total assets and the bottom 60 % of households owning a mere 13 %. The number of dollar billionaires in India as per the Forbes list has also risen from 13 in 2003 to 55 in 2013. The combined net worth of these 55 dollar billionaires stood at over $234.7 billion (Rs 14,19,935 crore) in 2013[11].

According to another estimate by WealthX and UBS World Ultra Wealth Report, India has at least 7850 ultra-high net worth individuals worth at least US$ 935 billion (Rs. 56,56,700 crore) in 2013 while the collection of Wealth Tax was just Rs 844.12 crore in 2012-13. In 2014-15, it is expected to rise to Rs 950 crore. If the wealth of these individuals is taxed at even the present level of just 1 %, approximately Rs 56,567 crore[12] can be realised annually.

Currently, the tax on wealth is levied at 1 percent above the threshold of Rs. 30 lakh on specified unproductive assets. The Direct Taxes Code (DTC) Bill proposes an exemption of tax on wealth up to Rs. 1 crore, a uniform levy of 1 percent above this ceiling and the introduction of some new categories of assets for levying Wealth Tax. In the year 2010-11, while the Wealth Tax collection was Rs. 682 crore, the total Personal Income Tax collection during this period was Rs. 1.45 lakh crore. It is thus evident that the extent of Wealth Tax collection, both in absolute terms and relative to personal income tax collection is rather meager. It is therefore pertinent to ask if the current rate of Wealth Tax at flat 1 percent on specified assets can at all be considered as equitable and whether it needs to be re-visited.

6. Inheritance Tax

Re-introduce the Inheritance Tax or Estate Duty

Over the years, the argument of double taxation has been raised against Inheritance Tax. But it does not tax the same person twice; it comes with a change of ownership. Nicholas Kaldor also agreed that the true incidence of the inheritance Tax falls on recipient of inheritance and not on

[11]Forbes.com (accessed on September 1st, 2014). $ billion converted to Rs crore at $1=Rs 60.5

[12] Ignoring categorization between productive and non-productive assets.

the deceased. He opined that there is no justification in the difference of treatment between gift in vivos and receipt of legacies or bequests (Government of India 1956, Gulati 1957).

If the High net worth families in India are taxed an Inheritance Tax equal to USA's highest rate of 55 percent, then Rs 7,65,600 crore can be realised over a spread of 45.4 years[13,] giving an annual revenue of Rs 16,863 crore[14]. Research by Piketty and Saez (2013), using micro-data for France and the United States, suggests that the optimal inheritance tax might be as large as 50%-60%[15].

7. Tax Arrears

Tax amount raised but not realized was Rs 4,92,637 crore at the end of financial year 2012-13.[16] Out of these, 82,360 were not under dispute while 4,10,277 were under dispute. Tax arrears referring to corporate taxes amounted to Rs 1,52,456 crore and other income taxes to Rs 2,61,430 crore. Taking a strict view on tax arrears, the Supreme Court of India slammed government for laxity in tax arrears collection, especially when it involves rich and influential persons.[17]

8. Excise Duty on Diesel cars/SUVs[18]

Diesel is subsidised in India and its price is regulated because of its inflationary potential. However, from 4 % in 2000 the share of diesel cars in new car sales has increased to nearly 40 % of new car sales (CSE 2012). According to Kirith Parikh Paper (2010) private cars consumes around 15 % of total diesel consumption in India.

---

[13] Assuming billionaires are all adults above 18 years of age and have average life expectancy of 63.4 years i.e. average of life expectancy of 62.6 years for Males and 64.2 years for Female for 2010-11 (Source: Registrar General of India and Economic Survey Appendix). Also assuming that age of billionaires is spread uniformly across 18 to 63.4 years

[14] This is highly conservative estimate as it assumes, wealth of these individuals will remain constant over next 45.4 years and considers only top 55 billionaires and not all high net worth individuals, which include millionaires also.

[15] Piketty and Saez (2013), A theory of optimal inheritance taxation, Econometrica, Vol 81, No. 5 (September).

[16] Annex 11, Receipts Budget 2014-15

[17] DNA, 17 September 2012, as viewed on 26 December 2012 (http://www.dnaindia.com/india/paper_rs58636-crore-tax-arrears-sc-slams-govt-for-laxity_1741775)

[18] Unless mentioned, analysis is papered for petrol and diesel prices before 13/14 September 2012 midnight change.

The total excise duty on petrol is seven times higher than diesel (see Table 7 and 8 below). Hence, with each litre of petrol replaced by diesel to run a car, the excise earnings of the government drop by 7 times. In addition to tax difference, under-recovery of actual price of diesel also results in losses to oil marketing companies. Diesel price accounts for around 58 % of under-recovery of Oil Marketing Companies (OMC). If new diesel cars were taxed at same excise rate as that of petrol cars, potential revenue of Rs 28,333 crore annually can be realized for period 2009-15[19].

Table 7

Diesel and Petrol price and subsidy

Price Build up of Petrol And Diesel at Delhi effective Dec 2011			
	Diesel (Rs/Ltr)	Petrol (Rs/Ltr)	Difference (Rs/Ltr)
Cost of Fuel to Oil Marketing Companies (Total Desired Price)	44.99	38.41	
Price excluding excise, VAT and dealer commission (Price after under recovery)	33.47	38.42	4.95
(+) Excise	2.06	14.78	12.72
(+) Dealer Commission	0.91	1.5	0.59
(+)VAT	4.46	10.94	6.48
Retail Price	40.91	65.64	24.73

Source: PPAC (Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, GoI)

Table 8

Price Build-up of Petrol And Diesel at Delhi effective 1 Nov 2012			
	Diesel (Rs/Ltr)	Petrol (Rs/Ltr)	Difference (Rs/Ltr)

[19] Calculated from CSE 2012

Cost of Fuel to Oil Marketing Companies (Total Desired Price)	46.85	40.77	
Price excluding excise, VAT and dealer commission (Price after under recovery)	37.01	45.98	8.97
(+) Excise	3.56	9.48	5.92
(+) Dealer Commission	1.09	1.79	0.7
(+)VAT	5.49	10.94	5.45
Retail Price	47.15	68.19	21.04

for diesel excise 3.46 + 3% edu cess

for petrol excise 9.20 + 3 % edu cess

Source: PPAC (Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, GoI)

9. Urban Local Body Tax Reforms

Property tax is an important source of local revenue in many countries (Lall and Deichmann 2006). However urban property tax levied by municipalities is an underused source of revenue in India. In a study done for Thirteenth Finance commission, the all-India collection of property tax yield, scaled up from the 36 city sample, was estimated to be between a low of Rs 6274 crore and a high of Rs 9424 crore. Even on the higher end, it amounted to just 6 % of gross rental value of urban dwellings as estimated in the National Accounts Statistics. Collection efficiency is also low, with only 63 % of assessed properties actually paying taxes in the “large city sample”.[20]

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) guidelines mandated the need to reform the property tax system by i) proper mapping of properties under a Geographical Information System (GIS) so as to expand the tax base; ii) making the system capable of self-assessment (with a formula that the taxpayer can use to calculate his liability); iii) improving collections to achieve at least 85 percent of demand.

National Institute of Urban Affairs documented some of the best practices in Municipal Property Reforms in their Peer Experiences and Reflective Learning (PEARL) Urban Initiatives under JNNURM. Even prior to the implementation of JNNURM, the Property Tax and

[20] Business Standard, 8 November 2012, as viewed on 26 December 2012 (http://www.business-standard.com/india/news/bnitin-desaib-taxingland/491992/)

Information System (PTIS)/Aasthi Programme under the National e-Governance Plan covered 213 ULBs in Karnataka. Hence, there are several documented cases of property tax revenue buoyancy due to the intervention of Information and Communication Technology in tax administration. Municipal Property tax revenues could increase to Rs. 22,000 crore - Rs 32,000 crore, merely by bringing all cities to an 85 % coverage level and 85 % collection efficiency, without changing any other variables (13th Finance Commission).

10. International Taxation

With the changing nature of global economy and countries getting increasingly interlinked with rising globalization, it becomes necessary to change or introduce new tax rules in line with changing reality of global economy. Some of these provisions with their revenue potential are discussed below.

a. Reviewing Double Tax Avoidance Agreements (DTAA)

Many of bilateral DTAA treaties are based on OECD model which is biased against developing countries and in favor of developed countries. India's DTAA with Mauritius and Singapore are two such examples which are used by speculators to invest in Indian market as capital gains on investment from these countries is non-taxable according to DTAA's with them. Sridhar (2003) has calculated revenue loss only on account of FII from Mauritius to be around Rs 28,139 crore for the decade 1990 to 2000. This figure turned out to be 10 % of the gross tax revenue of the union government for the year 2003-04, or approximately 1 % of Gross Tax revenue lost per year.

b. Transfer Pricing and Advance Pricing Agreement (APA)

Abusive transfer pricing is used by MNCs to transfer profits to their subsidiaries in low tax countries. In 2011-12, with around 3500 disputes, India had the third largest number of transfer pricing cases in the world after Japan and Canada.[21] According to Directorate of Transfer Pricing, there was mispricing of Rs. 67,768 crore in 2010-11 and Rs. 43,531 crore in 2011-12.

[21] The Economic Times, 20 August 2012, viewed on 26 December 2012 (http://articles.economictimes.indiatimes.com/2012-08-20/news/33288009_1_transfer-prices-e-y-partner-inter-company-transactions)

REFERENCE

ADB (Asian Development Bank) 2012: "Tobacco Taxes: A win win measure for fiscal space and Health 2012"

Bagchi Amaresh 2007: Rethinking Tax Treatment of Capital Gains from Securities, *Economic and Political Weekly*, January 27

CBGA (Centre for Budget and Governance Accountability) 2012: *Response to Union Budget 2012*

CSE (Centre for Science and Environment) 2012: Proposal for Additional Excise Duty on Diesel Cars to Reduce Public Revenue Losses and Public Health Costs, January.

Gandhi Aditi and Michael Walton 2012: "Where do India's Billionaires Get Their Wealth?", *Economic and Political Weekly*, October 6.

Government of India .2002. *Report of the Taskforce on Direct Taxes.* Ministry of Finance

———.2009.*Report of the Thirteenth Finance Commission.*

———.2010: *Report of the Expert Group on a viable and Sustainable System of Pricing of Petroleum Products,* New Delhi. 2 Feb 2010

———.2012a: *Report on General Anti Avoidance Rules (GAAR) in Income Tax Act 1961, September 1*

———.2012b: *Report of The Committee on Roadmap for Fiscal Consolidation, September 28*

———.2012c: *Draft Report of the Expert Committee on retrospective amendments made by Finance Act, 2012 to Income-tax Act, 1961 relating to taxation of non-residents on indirect transfer, October 9*

———.(Various Years a): *IPFS (Indian Public Finance Statistics)*, Ministry of Finance.

———.(Various Years b): *Union Budget*.

———.(Various Years c): *Economic Survey*

———.(Various Years d) *: National Accounts Statistics, MOSPI*

Green Duncan (2012): *The Rising Middle Class in Developing Countries and possible implications for Oxfam*

IMF (International Monetary Fund) 2001: *Government Finance Statistics (GFS) 2001 Manual*

———.2011: *Revenue Mobilization in Developing Countries*, FAD

———. (Various Years): *Government Finance Statistics (GFS)*

Jha et al. 2011: A Rational Taxation System of Bidis and Cigarettes to Reduce Smoking Deaths in India, *Economic and Political Weekly*, October 15

Jha, P (2009): "Avoidance of Worldwide Cancer Mortality and Total Mortality from Smoking", *NatRev Cancer*, 9: 655-64.

John, R M et al (2010): *"The Economics of Tobacco and Tobacco Taxation in India"* (Paris: International Union against Tuberculosis and Lung Disease).

Lall Somik.V and Deichmann Uwe (2006): 'Fiscal and Distributional Implications of Property Tax Reforms in Indian Cities', *Economic and Political Weekly*, July 22.

OECD 2011: *Revenue Statistics 1965-2010*

OECD/ECLAC/CIAT 2011 : *Revenue Statistics in Latin America 1990-2009*

Parliament Standing Committee on Finance (2012): *'Forty Ninth Report, The Direct Taxes Code Bill, 2010'*, Ministry of Finance.

Sengupta, D.P and R KavitaRao (2012): 'Direct Taxes Code and Taxation of Agricultural Income: A Missed Opportunity', *Economic and Political Weekly*, April 14.

Sridhar V 2003: Mauritius as Tax Haven, Frontline November 8-21 http://www.frontlineonnet.com/fl2023/stories/20031121002108900.htm (As viewed on 26 December 2012)

WHO (World Health Organization). 2010 : *"WHO Technical Manual on Tobacco Tax Administration"* (Geneva: World Health Organisation).