Paradise papers - II

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What are significant findings of the report?

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- Many companies across the world use offshore entities to avoid paying taxes.
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- It shows how 19 tax havens have been used by the global elite to trick tax officials in different countries.
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- There are several prominent names of personalities and firms that figure in the Paradise Papers, there are 714 Indian names.
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- Apart from tax evasion, details also point to possible conflicts of interest as well as incomplete disclosures.
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- The expose has brought back the focus on addressing the long-standing problem of domestic entities using international tax havens to store black money.
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- It comes at a time when the Indian government is patting its back for rooting out black money from the economy.
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Whatactions have been taken by India?

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- The government has reconstituted Multi agency group (MAG) led by the Central Board of Direct Taxes (CBDT), to investigate cases relating to the ‘Paradise Papers’ data disclosure.
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- India has already implemented the General Anti-Avoidance Rule (GAAR) provisions, which empower tax authorities to act against tax-avoidance

strategies.
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- As a signatory to the Base Erosion and Profit Shifting (BEPS) initiative of the OECD, India has signed a multilateral investment agreement to prevent the abuse of tax treaties.
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- India has also widened the scope of the “place of effective management” concept to allow the government to see through offshore entities created to evade taxes.
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What are the complications in addressing the issues?

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- In the wake of the Panama Papers expose a multi-agency group was announced, but there is little to show for results as yet.
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- Part of the problem is that the mere existence of foreign accounts is not illegal.
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- Indeed, many such accounts do not involve any illegality as they comply with domestic regulations.
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- As a result, the government will have to ensure that an express desire to show results should not lead to the probe transforming into tax terrorism where anyone with foreign investments is hounded.
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- It is also important to distinguish between outright tax avoidance as well as stashing of black money in foreign accounts and efficient tax planning done within the rules.
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- Rationalising tax rates and reducing the incentive to avoid them will help in this regard.
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Source: Business standard

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