

Sitharaman flags serious issues related to taxation and digital economy companies

By : Editor Published On : 9 Jun, 2019 10:26 PM IST



INVC NEWS

Fukuoka,

Nirmala Sitharaman, Union Minister of Finance & Corporate Affairs, Government of India, participated in the G20 Finance Ministers and Central Bank Governors meeting and associated events during June 8-9, 2019 at Fukuoka, Japan. She was accompanied by Shri Subhash C. Garg, Finance Secretary & Secretary Economic Affairs, Dr. Viral Acharya, Deputy Governor of RBI and other officers.

Smt. Sitharaman noted the urgency to fix the issue of determining right nexus and profit allocation solution for taxing the profits made by digital economy companies. Appreciating the significant progress made under the taxation agenda including the Base Erosion and Profit Shifting (BEPS), tax challenges from digital economy and exchange of information under the aegis of G20, Smt. Sitharaman congratulated the Japanese Presidency for successfully carrying these tasks forward.

The Union Minister of Finance & Corporate Affairs noted that the work on tax challenges arising from the digitalisation of economy is entering a critical phase with an update to the G20, due next year. In this respect, Smt. Sitharaman strongly supported the potential solution based on the concept of 'significant economic presence' of businesses taking into account the evidence of their purposeful and sustained interaction with the economy of a country. This concept has been piloted by India and supported by large number of countries including the G-24. She expressed confidence that a consensus-based global solution, which should also be equitable and simple, would be reached by 2020.

Smt. Sitharaman welcomed the commencement of automatic exchange of financial account information (AEOI) on a global basis with almost 90 jurisdictions successfully exchanging information in 2018. This would ensure that tax evaders could no more hide their offshore financial accounts from the tax administration. She urged the G20/Global Forum to further expand the network of automatic exchanges by identifying jurisdictions including developing countries and financial centers that are relevant but have not yet committed to any timeline. Appropriate action needs to be taken against non-compliant jurisdictions. In this respect she called upon the international community to agree on a toolkit of defensive measures, which can be taken against such non-compliant jurisdictions.

Earlier, the Union Minister for Finance & Corporate Affairs participated in the Ministerial Symposium on International Taxation and spoke in the session on the ongoing global efforts to counter tax avoidance and evasion. During the session, she also spoke on the tax challenges for addressing digitalisation of the economy and emphasised that nexus was important.

Smt. Sitharaman also raised the need for international cooperation on dealing with fugitive economic offenders who flee their countries to escape from the consequences of law. She informed about the fugitive economic offenders law passed by India which provides for denial of access to courts until the fugitive returns to the country. This law also provides for confiscation of their properties and selling them off. She drew attention to the practice permitted by many jurisdictions, which allow economic offenders to use investment-based schemes to obtain residence or citizenship to escape from legal consequences and underlined the need to deal with such practices. She urged that closer collaboration and coordinated action were required to bring such economic offenders to face law.

Smt. Sitharaman highlighted the need for the G20 to keep a close watch on global current account imbalances to ensure that they do not result in excessive global volatility and tensions. The global imbalances left a detrimental impact on the growth of emerging markets. Unilateral actions taken by some advanced economies adversely affect the exports and the inward flow of investments in these economies. She wondered if the accumulation of cash reserves by large companies indicated the reluctance of these companies to increase investments. This reluctance could have adverse implications on growth and investments and possibly leading to concentration of market power. She also urged the G20 to remain cognizant of fluctuations in international oil market and study measures that can bring benefits to both the oil exporting and importing countries.

In another session on infrastructure investment, Smt. Sitharaman emphasised on the importance of making investments in cost-effective and disaster resilient infrastructure for growth and development. She suggested the G20 focus on identifying constraints to flow of resources into infrastructure sector in the developing world and solutions for overcoming them. She also took note of the close collaboration of India, Japan and other like-minded countries, aligned with the Sendai Framework, in developing a roadmap to create a global Coalition on Disaster Resilient Infrastructure.

The Japanese Presidency's priority issue of aging was also discussed. Smt. Sitharaman highlighted that closer collaboration between countries with high old age dependency ratio and those with low old age dependency ratio was necessary for dealing with the policy challenges posed by ageing. She suggested that if ageing countries with shrinking labour force allow calibrated mobility of labour with portable social security benefits, the recipient countries can not only take care of the aged but also have positive effect on global growth. Smt. Sitharaman said that India's demography presented a dual policy challenge since India's old age dependency ratio is lesser than Japan while at the same time India's aged population in absolute numbers exceeds that of Japan. She detailed the policy measures that Government of India is taking to address these challenges.

While speaking on the priority of Japanese Presidency on financing of universal health coverage (UHC) she emphasised the importance of a holistic approach which encompasses plurality of pathways to achieve UHC, including through traditional and complementary systems of medicine.

Smt. Sitharaman also held bilateral meeting with Mr Phillip Hammod, Chancellor of United Kingdom on the sidelines of the FMCBG meeting at Fukuoka and discussed efforts undertaken by both sides for closer collaboration between India and United Kingdom in several areas and enhance cooperation between the two countries in tax matters.

URL :

<https://www.internationalnewsandviews.com/sitharaman-flags-serious-issues-related-to-taxation-and-digital-economy-compa>

INTERNATIONAL NEWS AND VIEW CORPORATION



अंतरराष्ट्रीय समाचार एवं विचार निगम

12th year of news and views excellency

Committed to truth and impartiality

Copyright © 2009 - 2019 International News and Views Corporation. All rights reserved.

www.internationalnewsandviews.com