

NEW TAX DEAL



1. Evasion: इ'वैश्न्

The act of avoiding something that you should do

किनाराकशी, करणीय से बचने का काम; अपवंचन

He has been sentenced to two years' imprisonment for tax evasion.

an evasion of responsibility

A statement that avoids dealing with a question or subject in a direct way

बहानों भरा बयान, टालमटोल वाला बयान

The President's reply was full of evasions.

2. Tax evasion

This can be **defined** as any criminal activity or any offence of dishonesty punishable by civil penalties that is intended to reduce the taxation incidence, and depends on economic and **tax** structures, types of income, and social attitudes.

Profit shifting

This is a technique used by multinational corporations to pay less tax than they should that involves a multinational corporation moving the **profit** it makes in the country where it manufactures products or sells good and services into to a tax haven.

3. Conducive: कन्'ड्यूसिव्

Helping or making something happen

सहायक या किसी का कारण बनना

This hot weather is not conducive to hard work.

Similar: favourable, beneficial, valuable, advantageous, opportune.

4. Base erosion and profit shifting (BEPS)

This refers to corporate tax planning strategies used by multinationals to "shift" profits from higher-tax jurisdictions to lower-tax jurisdictions, thus "**eroding**" the "tax-**base**" of the higher-tax jurisdictions.

5. Tax jurisdiction

A **jurisdiction** is the **taxation** authority that imposes the **tax**.

The **tax jurisdiction** code is a key, which together with the **tax** code and other parameters, determines the **tax** amount and the way in which payment of the entire **tax** amount is divided between different **tax** authorities.

6. Usher in

To serve to bring into being a discovery that **ushered** in a period of change.

To mark or observe the beginning of **ushered** in the new year with merrymaking.

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Careful deliberations are needed before accepting the formula for taxing digital MNEs

The commitment made by G7 finance ministers regarding corporate tax rates marks a big step forward in the fight against tax evasion and profit shifting. The agreement addresses two issues: tax competition among countries resulting in companies shifting their base to those that offer the lowest rates of taxation; and the problems that arise in taxing profits of digital multinational enterprises. The agreement to set the minimum global corporate tax rate at 15 per cent is an improvement on the original proposal of the US Treasury Secretary, Janet Yellen. The minimum rate of 21 per cent proposed earlier appeared to be specifically aimed at preventing further profit shifting from the US, due to the corporate tax rate hike proposed by the Biden administration. The higher rate would also have hindered structural corporate tax reforms in countries, including India. Corporate tax rate was slashed to 22 per cent in India in 2019 for companies willing to forego all tax incentives or deductions; the rate was set at 15 per cent for new manufacturing companies. With the new agreement fixing the global tax rate at 15 per cent, there will be sufficient room for India to move its tax rate lower, if deemed necessary. This proposal seems conducive to India as it will help prevent base erosion to low tax jurisdictions.

It is, however, too early to say whether the proposal on taxing digital MNEs will be beneficial to India. With the physical presence of multinational digital enterprises difficult to establish, countries which act as a market for the company have not been able to tax the related profits. The G-7 agreement proposes that such countries will have the right to tax at least 20 per cent of the profit exceeding the 10 per cent margin in these entities. Indian authorities will have to see how the revenue derived by using this formula compares with the revenue from the equalisation levy of 2 per cent, currently levied on the value of all goods and services supplied online by these companies. There are likely to be some difficulties in using the formula accepted by G-7. One, determining the profit made by digital MNEs in India will be more difficult than determining the value of turnover, which is used in equalisation levy. Two, digital companies earn very narrow margins and hence may not become liable to pay tax in India, or may end up paying very low tax, using the G-7 formula. That said, given the difficulty in making digital MNEs pay tax, and the complications arising out of any arbitration, a globally accepted process may be easier to implement.

The G-7 agreement proposes to remove all existing digital taxes to usher in the new system. Indian authorities need to consider whether the formula suggested is suitable. The issue can be discussed with G-20 countries in July to arrive at a formula that is acceptable to all.

Seeds and fruits: On Mamata's call for a non-NDA platform

A mechanism for CMs to cooperate on issues of Centre-State relations is welcome

West Bengal Chief Minister **Mamata Banerjee's call for cooperation among non-NDA counterparts** in other States to support farmers agitating against **three controversial laws** made in June 2020 seems part of a larger political project. It is meant to go beyond aiding the farmers, who fear that these laws could make them more vulnerable to market fluctuations. But the focus on farm laws, which the Government says would make farming more competitive and remunerative, is an important start. While the Government reiterated this week that **MSP for various crops** would continue, the fact remains that regardless of the merits of these laws, they were made without adequate consultations with parties, States and the stakeholders. After a meeting with farmer leaders from Uttar Pradesh, Ms. Banerjee said she accepted their request to speak to other Chief Ministers who are not in the NDA. While reiterating her demand to repeal the three laws, she has proposed a virtual conference of CMs with the farmers and a joint letter to the Centre on the issue. Many CMs are likely to agree with her, despite political rivalries among them. At least two other CMs who were elected along with her in the recent Assembly elections share her position on the farm laws — Kerala's Pinarayi Vijayan and Tamil Nadu's M.K. Stalin. In Kerala, the previous Assembly had in December 2020 **passed a unanimous resolution** seeking the repeal of these laws.

That said, all non-NDA CMs may not be willing to be part of a joint platform because of their individual calculations and expediency, and the fear of retribution by the Centre. Delhi's Arvind Kejriwal, for instance, had sought the support of other CMs against unilateral actions by the Centre that curtailed the powers of his government. Ms. Banerjee had vociferously supported him, but Mr. Kejriwal was not reciprocative when she raised concerns of overreach by the Centre. The recent joint efforts by some CMs to persuade the Centre to withdraw its previous vaccination policy did not get wholehearted support from others. The CMs of Odisha and Andhra Pradesh, Naveen Patnaik and Y.S. Jagan Mohan Reddy, have sought to keep the Centre in good humour. Nevertheless, the joint efforts by CMs did lead to a change in the vaccination policy. Joint strategy on farm laws could be more difficult as their impact is uneven across States. But a broader point raised by Ms. Banerjee, about the Centre's tendency to ignore the States while formulating policy, is salient. She has also called for a continuing mechanism for CMs to cooperate on issues of Centre-State relations. Turning this into a combative platform could do more harm than good, but it is a suggestion worth pursuing. Cooperative federalism, a concept that Prime Minister Narendra Modi advocates, can be pursued more meaningfully through continuous and harmonious communication with CMs. A conversation on farm laws could be a good beginning.

Terror in the Sahel: On growing Islamist violence in Africa

Global powers should not stay away from the growing threat posed by Islamists in Africa

The **massacre** of at least 160 people in a border village in Burkina Faso over the weekend is a grim reminder of the threat the Sahel region faces from Islamist terrorism. Nobody has claimed responsibility, but Burkinabe authorities have named the Islamic State in the Greater Sahara (ISGS), which has carried out hundreds of terror strikes in recent years. The security situation in Burkina Faso, which saw its first major Islamist terrorist attack in 2015, has deteriorated steadily, especially along the borders with Niger and Mali. This has been the case with much of the Sahel region, a 5,900-km-long semi-arid territory. It has seen terrorist groups expanding their networks and stepping up attacks on civilians and soldiers. The Burkina Faso attack occurred after 137 people were killed by jihadists in Niger, in March. In Nigeria, Islamists control swathes of territories and have carried out abductions and attacks, including gunning down 27 people in a village on Sunday. Mali has been fighting terror groups since 2013.

Four main terror outfits operate in the region — the ISGS, the Islamic State West Africa Province (ISWAP), the Jama'at Nasr al-Islam wal Muslimin, the local al-Qaeda branch in Mali, and Boko Haram. Of these, the ISGS and Jama'at Nasr are reportedly in alliance to expand their influence in the Burkina-Mali-Niger border region, where they shoot down anyone who does not declare their loyalty to the jihadists. Boko Haram and the ISWAP are fighting each other but control territories in northeastern Nigeria. France has deployed troops in the region for counter-insurgency operations and is helped by the U.S., which has a drone base in Niger. The regime change policies of the U.S. and France are partly to be blamed for the problems the Sahel countries are facing today. When a NATO invasion removed Muammar Gaddafi from power in Libya in 2011, the region lost a stable bulwark against militias and jihadists. Libya, having fallen into anarchy and civil war, became a jihadist breeding ground. When trouble spread to Mali, France made a military intervention in 2013. But it did not defeat the insurgency, which spread beyond Mali's borders. Now, jihadists find safe havens in the lawless deserts of the Sahel. When the IS-militant infrastructure was destroyed in Iraq and Syria, their foot soldiers fled to Africa, regrouping themselves in the region. The recent attacks should serve as a warning to all stakeholders. Major global powers, which worked together with regional players to defeat the IS in West Asia, should not stay away from the growing threat from Africa. They should, along with the UN, help the Sahel countries build capacity and institutions, offer stable governance and adopt sustainable counter-insurgency strategies.