



Western India Chartered Accountants Students Association (WICASA) of The Institute of Chartered Accountants of India.

Powered by Professionalism
Driven by Values



NEWSLETTER JANUARY, 2020.



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

NATIONAL CONFERENCE FOR CA STUDENTS

Path for Success – Learn, Adapt and Accelerate

7th-8th January, 2020 | Yogi Sabhagruh, Dadar East, Mumbai

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Chairperson:

CA. Priti Savla

Vice Chairman:

CA. Umesh Sharma

Secretary:

CA. Rakesh Alshi

Treasurer:

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WIRC CHAIRPERSON'S COMMUNICATION

Dear Students,

“Some people dream of accomplishing great things. Others stay awake and make it happen.”

To accomplish great things you need to imbibe, cultivate and nurture integrity. Integrity is the most critical part of being a Chartered Accountant. What is Integrity? It is your conscious decision to do the right thing at all times, without paying attention whether you are alone or in a group, whether you are working by yourself or under supervision. This choice of walking the straight & conscientious path - despite numerous challenges you might face - is called Integrity.

This quality is what enables you attain success in your professional and personal life. Chartered Accountants are considered the unbiased guardians of capital and finance and in this profession an ethical attitude will bring you more clients as well as top quality teachers & mentors who would want to be part of your career.

The 'Avtar Youth Festival' was a huge hit with all our students. Famous, celebrity judges like Pratik Kamble (Dancing & Singing), Venus Jain (Fashion show) and Abraam Pandey as Chief Guest enthused the students. Aimed at strengthening soft skills and bringing talent to the fore, the festival succeeded in its objective and we are pleased to observe the different talents that are present in students of WICASA.

To bring about an increased sense of awareness about the need of people less fortunate, WICASA organized numerous Blood Donation Camps across Mumbai. There was enthusiastic participation at all centres including the Sion Hostel - United Jain Students, the Diwan Kuldeep Singh CA Students Hostel, RVG Educational Foundation – Andheri and at Seth G.M. Jain Hostel, Prabhadevi. We commend all students who organized and took part in the blood donation camps.

The last month saw a number of One Day Students Seminars which covered important topics like GST Audit, GST Annual Return and GST in Tally; DeRisking the CA Profession; Practical Aspects of Tally and how to extract GST Return from Tally; Forensic Audit for CA Students and on Concurrent Audit of Banks for CA Students. These seminars saw good attendance by students and encouraged WICASA to plan further seminars like this.

For faster dissemination of information we also organized Half Day Seminars for our students. Topics addressed at these seminars included Overview of GST and New GST Returns; Excel and GST in Tally; GST Annual Return and GST Audit; Standards of Auditing, Internal Audit, TDS and effective use of tally for GST; Overview of TDS and Tally ERP; Next Generation Technologies & Interpersonal Skills and on Future of CA Profession – AI (Deep Learn, Automation, Blockchain Tech).



To increase the spread of education we also joined hands with Colleges and held relevant seminars jointly such as the Half Day Seminar on Intellectual Property Rights (IPR) with Burhani College of Commerce, Mumbai University; Students Workshop on Practical Compliances, jointly with T. S. Bafna Jr College (SNDT University) and with the Malad Chamber of Tax Consultants and WIRC of ICAI.

I am especially proud of the efforts taken to increase awareness about the CA profession amongst students of different colleges. These tremendous efforts saw Office Bearers and current CA students reach out and motivate students from 16 colleges to give them a higher career to aspire towards. These efforts took place at colleges across Mumbai in Santacruz, Chembur, Malad, Vile Parle, Govandi, Bhandup, Bandra, Andheri, Bhiwandi, Mumbra and Palghar.

We will continue to organize events and programmes but the most important thing to remember is 'You don't always get what you wish for; you get what you work for.'

Priti Savla

CA. Priti Savla

Chairperson, WIRC.



WICASA CHAIRMAN'S COMMUNICATION

Dear Students,

Good wishes!

Dearest Students,

Wishing you a very **Happy New Year!**

The future belongs to those who believe in the beauty of their dreams, so always believe in yourself, even if the entire world is against you. I wish all my students best of luck for their results coming up soon.

I was really happy to see the overwhelming response by you at your Youth Festival, it was a hit! We are proud to have such talented students in our CA fraternity. Students from all the hostels who participated in the blood donation camps organised by WICASA have truly set an example for others.

As our President Sir, CA Prafulla Chajjed has rightly said, *"Excellence is not an act to be followed, but a habit to be inculcated."* We must all learn to master the art of being consistent in our efforts, the results surely follow.

By looking at the active participation of the students throughout the year in academic and non-academic activities, I expect a huge, healthy crowd at the National Conference to be held on the 7th and 8th of this month. I eagerly wait to see you all there!

Happy Reading.

Regards,

CA Jayesh Kala

Chairman, WICASA



UPCOMING EVENTS



**Western India Regional Council of
The Institute of Chartered Accountants of India**
(Set up by an Act of Parliament)

Early Bird
Discounted
Fees
₹ 200

Learning
Hours
12

NATIONAL CONFERENCE FOR CA STUDENTS

Path for Success— learn. Adapt and Accelerate

Dates: 7th-8th January, 2020 • **Venue:** Shanmukhananda Auditorium, Sion East, Mumbai
Organised by: Board of Studies, ICAI • **Hosted by:** WIRC of ICAI



Day 1 – 7th January 2020

Inaugural Session -
Chief Guest – Eminent Personality

CA Prafulla Chhajed President, ICAI	CA Atul Kumar Gupta Vice President, ICAI	CA Kemisha Soni Chairperson BOS,
CA Durgesh Kabra Vice Chairman, BOS	CA Priti Savla Chairperson, WIRC	CA Jayesh Kala Chairman, WICASA

Technical Session : I – Direct Tax - Presented by students
Topics: 1) Impact of New Ordinance, 2019 on Economy & Business
 2) Face Less Assessments – Boon or Curse
 3) Areas to Harmonies between IND AS & DT Provisions

Special Session: I – Presentation and Interaction with Board of Studies.
Special Session: II – “Role of Chartered Accountants in Transforming India” - How to Prepare for CA Exams by
Padma Shree CA T. N. Manoharan, Past President, ICAI

Technical Session : II – Accounting and Auditing Standards - Presented by students
Topics: 1) Accounting Standards vs. Ind-As: Historical Cost vs. Fair Value
 2) Revised Reporting Standards (SA 700, 705, 706)
 3) Analysis of SA 300-Planning an Audit of Financial Statements, SA 320-Materiality in Planning and Performing an Audit, SA 230 – Audit Documentation

Motivational Session : I - Importance of Ethics/ Ethical values in the Profession
Special Session : III – Open House Performance Session-Life Beyond Chartered Accountancy for Audience
Music – Special Guest - Smt Falguni Pathak, Indian Playback Singer

Day 2 – 8th January 2020

Technical Session : III – Indirect Tax - Presented by students
Topics: 1) GST 2.0- Expectations & Reality
 2) Input Tax Credit & Related Controversies
 3) GST Audit –Critical Issues

Motivational Session: II – Panel Discussions on Career Opportunities & Success Stories
CA Sampada Suresh Mehta, IAS, Managing Director, Haffkine Biopharmaceutical Corporation Limited, Mumbai.
CA Ashish Haliwal, IRS, Joint Commissioner of Income Tax
CA Kanu Doshi, Dean Finance, Welingkar Institute of Management

Technical Session : IV – Company Law - Presented by students
Topics: 1) Powers and Duties of Auditors
 2) Role and Responsibilities of Independent Directors.
 3) Loans and Investments by Companies

Technical Session: V – Information Technology - Presented by students
Topics: 1) Block Chain Technology – Is the Future of Accounting?
 2) Importance of Artificial Intelligence in Current Environment.
 3) Cyber Security - Cyber Threats & Frauds

Valedictory Session – CA Nilesh Shivji Vikamsey, Past President, ICAI

Registration fees	₹ 200/- per student Till 25th December 2019 ₹ 500/- per student after 25th December 2019
Payment Mode	Link on the Students Activity Portal for Online Registration https://bosactivities.icai.org/

For Registration Queries contact:
 E-mail wirc-events@icai.in Website www.wirc-icai.org | Phone 022-33671424/17

For online registration visit : <https://bosactivities.icai.org/>

CA. Kemisha Soni Conference Chairperson & Chairperson, Board of Studies, ICAI	CA. Durgesh Kabra Conference Co-Chairman & Vice-Chairman, Board of Studies, ICAI	CA. Priti Savla Conference Coordinator & Chairperson, WIRC of ICAI CA. Jayesh Kala Conference Coordinator & Chairman, Western India Chartered Accountant Students Association CA. Chandrashekhar Vasant Chitale, CA. Shrinivas Yeshwant Joshi, CA. Aniket Sunil Talati.
CA. Anil Satyanarayan Bhendari, CA. Tarun Jamnadas Ghia, CA. Nihar Niranjan Jambusaria,	CA. Jay Chhairs, CA. Nandkishore Chidamber Hedge, CA. Dheeraj Kumar Khandelwal Central Council Member & Conference Director	



Crash Course for CA Final (New Course) - May 20
ICAI Tower, BKC, Mumbai
17-02-2020 to 20-03-2020
9.00 am to 6.00 pm

Rs 17,000 for both Groups			
CA Final Group I		CA Final Group II *	
	Rs 10,000/-		Rs 10,000/-
Dates	17.02.2020 TO 8.03.2020	Dates	9.03.2020 TO 20.03.2020
Strategic Financial Management For CA Final Group I		Indirect Tax Laws For CA Final Group II	
Faculties	CA. Ankit Sarvaiya (17,18)	Faculties	CA Yashwant Mangal (9,11) (time 12.00 noon to 8.00 pm)
	CA Rahul Malkan (19,20)		CA Nihal Chand Jain (10)
Fees	Rs 3,000/-	Fees	Rs 4,000/-
Dates	17.02.2020 to 20.02.2020	Dates	9.03.2020 to 11.03.2020 (
	(4 days)		3 Days)
Corporate & Economic Law For CA Final Group I		Strategic Cost Management & Performance Evaluation For CA Final Group II	
Faculties	CA. Vanita Agarwal	Faculties	CA Anu Agrawal (12 th March),
			CA Sanjay Malpani (15 th March),
			CA Jinesh Shah (13 & 16 March)
Fees	Rs 2,500/-	Fees	Rs 3,000
Dates	21.02.2020 to 23.02.2020 (2 days)	Dates	12.03.2020 to 16.03.2020 (4 days)
	(22 nd Feb,2020 holiday)		(14 th March, 2020 holiday)
Financial Reporting For CA Final Group I		Direct Tax Laws & International Taxation For CA Final Group II	
Faculties	Prof. Israr Shaikh (24,25),	Faculties	CA Durgesh Singh
	Prof. Rahul Malkan (26,27).		
Fees	Rs 3,000/-	Fees	Rs 4,000/-
Dates	24.02.20 to 27.02.20 (4 Days)	Dates	17.03.2020 to 20.03.2020 (4 Days)



Advanced Auditing & Professional Ethics For CA Final Group I		Note:
Faculties	CA Chirag Mehta(6), CA. Khushboo Sanghavi (8)	All the batches will be held at WIRC premises at BKC, Mumbai. The class shall be from 9 am to 6 pm
Fees	Rs 2,500/-	Fees once paid will not be refunded back in any case after the commencement of the concerned course for which the student takes admission
Dates	06.03.2020 to 8.03.2020 (2 days)	1. For Online Registration Visit website www.wirc-icai.org under Students menu - Students Events Registration or click on link - https://www.wirc-icai.org/student/students-events-registration
	(7 th March, 2020 holiday)	for Enquiry 022-33671424/21
2. Fees will be payable either in cash (<i>for spot registration only</i>) or Cheque in favour of WIRC of ICAI , payable at Mumbai		
*The Fees does not include Crash Course for Elective Subjects The same can be organised as and if required by students.		



Crash Course for CA Intermediate May 20
ICAI Tower, BKC, Mumbai
17.02.2020 to 27.03.2020
9.00 am to 6.00 pm

Rs 16,500 for both Groups

CA Intermediate Group I		CA Intermediate Group II	
	Rs 10,000/-		Rs 9500/-
Dates	17.02.2020 To 12.03.2020	Dates	13.03.2020 To 27.03.2020
	Accounting For Group I		Financial Management & Economics for Finance For Group II
Faculties	Eminent Faculty	Faculties	Eminent Faculty
Fees	Rs 3,000/-	Fees	Rs 3,000/-
Dates	17.02.2020 to 20.02.2020 (4 DAYS)	Dates	13.03.2020 TO 16.03.2020 (3 days) (14 holiday)
	Cost & Management Accounting For Group I		Auditing & Assurance For Group II
Faculties	Eminent Faculty	Faculties	Eminent Faculty
Fees	Rs 3,000/-	Fees	Rs 2,000/-
Dates	21.02.2020 TO 24.02.2020 (3 Days) (22 holiday)	Dates	17.03.2020 TO 18.03.2020 (2 Days)
	Corporate & Other Laws For Group I		Advanced Accounting For Group II
Faculties	Eminent Faculty	Faculties	Eminent Faculty
Fees	Rs 2,000/-	Fees	Rs 3,000/-
Dates	25.02.2020 TO 26.02.2020 (2 Days)	Dates	19.03.2020 TO 23.03.2020 (4 Days) (21 th holiday)
	Direct Tax For Group I		Strategic Management For Group II
Faculties	Eminent Faculty	Faculties	Eminent Faculty
Fees	Rs 2500/-	Fees	Rs 1,500/-
Dates	06.03.2020 TO 09.03.2020 (3 days) (7 th march holiday)	Dates	24.03.2020 TO 25.03.2020 (2 Days)
	Indirect Tax For Group I		Enterprise Information Systems For Group II
Faculties	Eminent Faculty	Faculties	Eminent Faculty
Fees	Rs 2500/-	Fees	Rs 2000/-
Dates	11.03.2020 TO 12.03.2020 (2 DAYS)	Dates	26.03.2020 To 27.03.2020 (2 DAYS)



ARTICLES

Shivam Sharma
WRO0642202

“ASSET RECONSTRUCTION COMPANIES”-NEED FOR THE HOUR - INDIAN ECONOMY

To understand all about asset reconstruction companies, firstly it is important to understand that what exactly an asset for a bank is.

You all are aware that a bank is a financial institution which accepts deposit from the public at large and lends a portion of those deposits in the form of loan to the ones who require them. So what do you think might be an asset for bank? Loans granted and the interest earned on it right? Now imagine what happens when a bank isn't able to recover the loan granted (With interest)? It turns into a NPL, right?

A **non-performing loan (NPL)** is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms. As of march 2019, the NPL rate in India has tripped down from 11.5% to 9.3% and it is estimated that by the end of March 2020, the gross NPA% may fall down to 8%.

Ex: Suppose a bank named “A” gives a loan of Rs. 10 crores to a company (XYZ). Consider that they agreed upon for an interest rate of say 10% per annum. Now suppose that initially everything was good and the market forces were working in support to the industry in which the company falls, therefore, XYZ was able to service the interest amount. Later, due to administrative, technical or corporate reasons suppose the company is not able to pay the interest rates for 90 days. In that case, a loan given to the XYZ is a good case for the consideration as NPA.

And to convert these NPA's into performing assets, Banks always has the option of taking legal action on the defaulting borrowers, but it is not always economically feasible to do so. Sometimes, the bank, to just cut its losses, has to clean up its balance sheet and keep the business moving towards better avenues. This is where an asset reconstruction company comes in.



SO WHAT IS AN ASSET RECONSTRUCTION COMPANY?

An asset reconstruction company is a special type of financial institution, where in it buys the debtors of the bank at a mutually agreed value and attempts to recover the debts or associated securities by itself.

These companies are registered under RBI and are regulated by Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, (SARFAESI Act) 2002. Over here, The ARCs take a portion of the debts of the bank that qualifies as Non-Performing Assets. Long story short, the ARC's help the banks in internal reconstruction by getting the debts transferred in their name and to do so, Qualified Buyers are the ones who can be approached in order to raise funds for buying these debts.

Such companies can help us in reducing the NPA% to a good extent and can tremendously contribute towards the growth of economy.

An asset reconstruction company can commence its business only after obtaining a registration certificate under sec 3 of SARFAESI Act, 2002. The net owned funds of an ARC in this regard shall be more than Rs.100 Crores or above as per RBI Act.

Various ways of reconstructing an Asset.

The main intention of acquiring the bad debts/non performing assets is to realise the debts owed by them. However the process isn't as simple as it appears to be. The ARC's have a following opinion in this regard:

- 🎯 Change or takeover of the management of the business of the borrower
- 🎯 Sale or lease of such business
- 🎯 Rescheduling the payment of debts – offering alternative schemes, arrangements for the payment of the same.
- 🎯 Enforcing the security interest offered in accordance with the law
- 🎯 Taking possession of the assets offered as security
- 🎯 Converting a portion of the debt into shares

WHAT TYPES OF DEBTS CAN THE ARC TAKEOVER?

The ARC's can take over only those debts which are secured and are classified as NPA's. In case if the debentures/ bonds remain unpaid, the beneficiary of these debentures/bonds is required to give a notice of 90 days before it qualifies to be taken over.

So this was all about An Asset Reconstruction Company in a nutshell.

Thank you and wish you all a very happy and prosperous new year ahead. I hope all your hard work pays off in the upcoming CA Exams and every CA Student passes with flying colours.



ARTICLES

Divesh Harpalani

SRN: WRO0622753

Are high income tax rates counter productive?

Introduction

A “tax” is as a “compulsory financial contribution imposed by a government to raise revenue to fund various public expenditures.” In economic terms, taxation transfers wealth from households or businesses to the government. This can both increase and reduce economic growth and welfare. Death and taxes, both certainties of life have their downsides. Consequently, taxation is a highly debated topic.

Taxation in India

India is the second fastest growing economy in the world. It aims to be a 10 Trillion Dollar economy by 2030. Taxes, being an important fiscal tool, play a vital role in the growth of an economy, whether it be through its fiscal policy effects or through its direct effects on growth of businesses.

But the facts show an alarming picture. Only around 3% of the 1.3 Billion Indians file income tax returns while merely 1.5% actually pay tax. Approximately 90% of taxpayers contribute a mere 23% to the tax revenue. It is hard to believe a country like India with over 1.3 Billion population has got only 3% Return Filers, nor it can be believed that the rest are below the threshold limit and that’s why they don’t file IT Returns nor pay taxes.

Then the question comes “WHY?”.

The answers to this question could be plenty, ranging from ignorance of law, complex tax structure, black money, etc. But amongst all, a major reason is high tax rates. Hence, it becomes pertinent to talk about whether or not higher income tax rates result in growth of the economy as a whole.

Impact of Higher Tax Rates on the Economy

"Tax changes have very large effects: an exogenous tax increase of 1% of GDP lowers real GDP by roughly 2 to 3% ."

The simple correlation between taxation and economic activity shows that, when economic activity rises more rapidly, tax revenues also are rising more rapidly. But this correlation almost surely does not reflect a positive effect of tax increases on output.



It is largely believed that higher tax rates lead to lower disposable incomes, thereby disincentivising the desire to work. Moreover, they lead to lower savings and affect formation of capital. Taxes affect economy mainly through supply side. A higher income tax would cause a reduction in supply owing to reduction in supply of labour and capital (investment). Thus, higher taxes ultimately lead to inflation.

The very fact that the taxes function as a fiscal policy tool to tackle boom, are proof of the fact that higher taxes lead to a slowdown in the economic activities and may lead to a recession/depression.

Higher Tax rates : Justified?

On one side are those who believe higher tax rates are needed to bring in desperately needed revenue for the public welfare. On the other side are those who believe that raising taxes is a bad idea during a recession, and that lower rates will actually increase revenues by stimulating the economy.

Higher tax rates impact the economy negatively through below:

Reduction in purchasing power and savings

Higher Taxes drop the disposable income of an individual which consequently reduce the purchasing power, thereby reducing consumption and ultimately leading to a recession. Moreover, this means a capability of saving is reduced. Discourage Business When taxes increase, people pay more to the government from their income. This produces a disincentive to invest in business, as investors will receive a smaller return on their investment.

Lower Wages and Inflation

The high amount of "taxes" makes it the highest budget item on the ledger sheets of most businesses. These taxes take away some of the money otherwise used to pay wages. So employers can't pay good wages. Moreover, businesses have to raise prices to get money to pay these taxes.

Lost Jobs

Many businesses close down while others flee the country, to escape the high taxes. They remaining ones cut their payrolls to stay within their incomes. Each result in loss of jobs.

Chronic Recession

The high taxation takes so much away from the economy that it enters a permanent form of recession. If government tries to boost the economy with increased government spending, the result is stagflation instead of prosperity.

Low Real Tax Revenues

The permanent recession caused by the high taxes cause a drop in government revenue, as economic production drops. If government then raises tax rates to recoup the lost revenue,



production drops again, and the revenue drops even more. So high tax rates cause lower real tax revenue collection. Further, higher taxes lead to lower collection of indirect taxes since there is lower consumption.

From the above, it can be reasonably concluded that higher taxes are bad for the economy and may not be justified.

Other Implications of Higher Tax Rates

Black Money:

Black Money stands for money earned by illegal means and unaccounted for. One of the reasons for the problem of black money is the differences in perceived interests of taxpayers and the tax authority. A high burden of taxation, either actual or perceived, provides a strong temptation to evade taxes and generate black money. It goes without saying that no taxes are paid on such black money and the economy suffers to that extent owing to a problem of a parallel economy.

Tax Evasion:

Tax evasion is the term for the efforts by people or entities to evade taxes by illegal means. It is the deliberate misrepresentation to the tax authorities to reduce or to avoid the tax liability by declaring less incomes than actually earned. High tax rates usually make tax evasion more tempting. The higher the taxes are, the more the effort to avoid the tax. As Warren Buffet says, it is unfair that his secretary pays 30% in taxes while his accountants manage his taxes at 17%.

It is obvious that if the taxes are reduced, there is less likelihood of hiding and thereby increasing the tax revenue. This was demonstrated in 1993-94 when the maximum rate of income tax was lowered to 40% in India. Thus, higher tax rates ultimately reduce the tax revenue by giving an incentive to evade taxes.

Tax Havens:

The OECD defines tax havens as those countries, with low or nil taxation for foreigners, who wish to settle there. This makes them highly desirable locations for multinational entities wanting to reduce their taxes. These entities artificially transfer their income to these low tax regimes. Thereby, they try to avoid taxes in countries with high tax rates.

Once again, higher taxes prove a major loss for the countries having the same.

Tax Rates and Tax Revenue

Mr. Thomas Sowell once said, "Higher Taxes that people don't actually pay don't bring the government as much revenue as the lower tax rates that they do pay."

Ibn Khaldun, a 14th-century philosopher, wrote: "It should be known that at the beginning of the dynasty, taxation yields a large revenue from small assessments. At the end of the dynasty, taxation yields a small revenue from large assessments."



Though this doesn't seem to be practical but probably it is real as was explained by economist Mr. Arthur Laffer through his Laffer Curve.

Laffer Curve

The fact that higher income tax disincentives working more and incentivizes working less at the same time, is illustrated by the Laffer Curve.

The Laffer Curve shows the relationship between tax rates and the tax revenue. It is based on the economic idea that people will adjust their behavior in the face of the incentives created by income tax rates. Higher income tax rates decrease the incentive to work and invest compared to lower rates. It means that at some tax rate, and further increase in the rate will actually lead to decrease in total tax revenue. At a 0% tax rate, tax revenue would obviously be zero. If tax rates reached 100%, people would choose not to work because everything they earned would go to the government.

Therefore, at some point in the range where tax revenue is positive, it must reach a maximum point. This maximum point till which taxes can be raised is represented by T^* . Increasing rates beyond T^* would cause people not to work as much or not at all, thereby reducing total tax revenue.

One implication is that reducing or increasing tax rates beyond a certain point is counter-productive for raising further tax revenue. This theory became a cornerstone of President Reagan's economic policy, which resulted in one of the biggest tax cuts in history. During his term, annual federal government current tax receipts increased from \$344 billion in 1980 to \$550 billion in 1988, and the economy boomed.

The Indian Tax Scenario

From an eye-watering 97.5% to 30% as the highest rate, India has come a long way. Around 1970s the highest tax rate, 97.5%, including wealth tax etc., resulted in negative growth of one's wealth and was strong disincentive to earn after a limit. In 1997-98, the then Finance Minister proposed to slash tax rates with a view of increasing compliances and this budget was known as the "Dream Budget". The dream budget did, in the long run, have a positive impact on the Indian economy. The income tax collections grew from Rs.18,700 crore in 1997 to over Rs.200,000 crore in 2013.

Recently, in the Finance (No.2) Act, 2019, considering the need for lower income taxes on small companies for their growth, the government, increased the threshold limit of turnover to Rs.400 crores whereby such companies could pay tax at the rate of 25% instead of 30%.

Further, in the Finance (No.2) Act, 2019, an enhanced surcharge was brought on certain High Net Worth Individuals. This move led to a crash down of the stock market owing to selling off of investments by the Foreign Portfolio Investors(FPIs) and the Foreign Institutional Investors(FIIs). The FPIs and the FIIs sold more than \$1.2 billion worth of Indian Equity shares after the said surcharge was brought in. Thus, higher tax rates once again proved to be counter productive. Resultantly, the



government, on 20 September 2019, through the Taxation Laws (Amendment) Ordinance, 2019, had to withdraw this enhanced surcharge on the FPIs and the FIIIs as well as the surcharge on the capital gains tax on sale of equity shares liable for Securities Transaction Tax (STT).

Further, to boost the economy, the government, through the Taxation Laws (Amendment) Ordinance, 2019, introduced 2 new sections to the Act, viz. Section 115BAA and Section 115BAB. According to Section 115BAA, companies not opting for certain tax exemptions/deductions as specified therein, could pay tax at the reduced rate of 22% plus Surcharge at 10% and education cess. While, as per Section 115BAB, new manufacturing companies incorporated on or after 1 October 2019, could pay tax at a reduced rate of 15% plus surcharge and education cess as above. Moreover, the companies opting to pay tax under the aforementioned Sections were not to pay tax under Section 115JB, i.e. MAT. As a result of the said slash in corporate tax rates through the ordinance, Sensex rose 5.3%, the biggest gain in a decade.

It is pertinent to note that the aforementioned provisions of The Taxation Laws (Amendment) Ordinance, 2019 have also been incorporated in The Taxation Laws (Amendment) Bill, 2019 which was passed by the Rajya Sabha on 05 December 2019.

The aforementioned steps taken by the Government are a proof of the fact that there was a need to lower the tax rates so as to boost the economy and increase the investments.

Concluding Remarks

Whatever you tax, you get less of. If you tax income, people will have less incentive to earn a lot. If you tax capital gains, people will have less incentive to invest in productive assets and we'll all end up poorer in the long run. When you tax capital, you will get less productivity. That is why these types of taxes will hurt the economy.

Well, it is now well established that taxes are very important for the growth of an economy and are inevitable. But all of the above arguments prove the fact that more often than not, higher income tax rates are counter productive.

In December 2017, the US enacted a Tax Cuts and Jobs Act, lowering the corporate tax rate from 35% to 21%. A month later, Apple Inc. said it would invest \$30 billion to expand US operations. Thus, globally governments are racing to boost economy by offering lower corporate tax rates.

In India, though the number of taxpayers has increased significantly in the past decade, our tax to GDP ratio continues to be range bound. As was recognized by the Kelkar Task Force, economies have increased their tax revenue-to-GDP ratio not by increasing tax rates but by simplifying tax structures, widening the tax base and improving tax administration.

A much needed move was rightly taken by lowering corporate tax rates for the growth of businesses and FDIs in line with the government's policy of "Ease of Doing Business" and "Make in India".



When more people pay their due taxes which the Government as its policy has reduced the tax rates, naturally it will lead to more tax collections through broader participation of population.

More contributors getting enticed and encouraged by lower tax rates leads to higher collection!!

Taxes are required and should be levied but they need to be below a certain limit and should be based on the ability to pay.

Chanakya, in Arthashastra, says, “taxes should be collected from citizens in a way how bee collects honey from the flowers – right amount and without inflicting pain.”

Thank You !



DECEMBER 2019 SNAPSHOTS





अवतार – Youth Festival, 15th December, 2019

The Youth Festival was an ideal platform for the CA Students to improve the finer instincts and their personality that made these future torch bearers of the profession, national and professional leaders and fulfilling their Social Responsibilities.

Mr. Pratik Kamble, Ms Venus Jain were present to judge the outstanding performances by students, **Mr. Pushapraj Sharma** and **Ms. Dania Supariwala**, Members, WICASA under the guidance of **CA Priti Savla**, Chairperson, WIRC and **CA. Jayesh Kala**, Chairman, WICASA, **CA. Drushti Desai**, **CA. Arpit Kabra RCM**, WIRC addressed the Chartered Accountant Students from across the city on current topics with group discussions.



Blood Donation at GM Jain Hostel, Prabhadevi, 8th December, 2019



Blood Donation at GM Deewan Kuldeep Singh Hostel, Vasai, 8th December, 2019



RVG Educational Foundation, Andheri, 8th December, 2019





Glimpses from various One Day and Half Day Seminars on GST Audit and Annual Return, IPR, Forensic Audit, Artificial Intelligence, Concurrent Audit of Banks, TDS, Standards on Auditing, DeRisking of CA Profession, Tally, Internal Audit and other topics conducted in December, 2019.

Branches: • Ahmedabad • Ahmednagar • Akola • Amravati • Anand • Aurangabad • Ichalkaranji • Jamnagar • Kalyan-Dombivali • Kolhapur • Latur • Nagpur • Nanded • Baroda • Bharuch • Bhavnagar • Bhuj • Dhule • Gandhidham • Goa • Jalgaon • Nashik • Navi Mumbai • Navsari • Pimpri Chinchwad • Pune • Rajkot • Ratnagiri • Sangli • Satara • Solapur • Surat • Thane • Vapi • Vasai

Address : ICAI Tower, Plot No. C-40, G Block, Opp. MCA Academy, Next to Standard Chartered Bank, Bandra Kurla Complex, Bandra East, Mumbai-400051.

WIRC Website: <https://www.wirc-icai.org>