

The taxman at large

Don't issue service tax summons without reason

MOHAN R LAVI

The first version of the CGST Act, which was released on July 1, 2017, had a set of transitional provisions for taxpayers to move to the GST from the erstwhile regime. The provisions included migration of taxpayers, availing input tax credit that was not utilised, provisions related to job work and miscellaneous provisions that stated that the erstwhile law would still be used to complete pending assessments, refunds and appeals.

Though well-intentioned, the fact that these provisions have not gone exactly as per plan can be gauged from the fact that the form for claiming transitional credits was supposed to have been done and dusted in December 2017. Yet, even in January 2020, courts in India are ruling that taxpayer should be given time to file the transition forms as they were denied the opportunity to file the form easily. In hindsight, it appears that there was one glaring omission in the transition provisions — a proviso giving a sunset date to make roving enquiries under the erstwhile laws.

In what is turning out to be a mini-pandemic on its own, indirect taxpayers across the nation are receiving "summons" or "enquiries" even now from the Service Tax/VAT Departments. These missives usually ask the taxpayers to reconcile their turnover with the financial statements and the tax returns. Some ask them to produce details of their bank accounts and reconcile with the form that is gaining a lot of importance recently — 26AS.

Some ask the taxpayer very elementary questions: one issued to a paramedic (exempt by Notification) stated that it "appeared" to the Department that he had rendered taxable services but had still not obtained a registration, filed his returns and paid his taxes. Another issued to a consultant demanded a payment of ₹20 with interest and penalty, failing which "action as per

law would be taken against him". Yet another asked a nursing home to pay service tax on sponsorship amounts received for a conference (this liability is to be discharged by the sponsor on reverse charge).

At first glance, it would appear that these notices are fishing expeditions aimed to garner as much revenue as possible. But there is no doubt that the revenue that can be collected would not be very substantial. A detailed look at the reasons for these missives would make one lead to the conclusion that this is more a data-gathering mission. The GSTIN has been tuned to deal with vast amounts of data — more are being added through these notices.

Irrespective of the intent, the CBIC should instruct the field officers to stop issuing notices unless they have clear evidence that there has been a gross violation of the erstwhile tax laws. The GSTN has enough and more data on GST taxpayers. All tax laws empower the officers to issue notices and call for information if they have reason to believe that some income has escaped the tax net. Many experts are of the opinion that the tax department has misunderstood 'reason' to be 'reason to doubt'.

Another reason why the CBIC should give instructions to the field officers to stop issuing notices beyond say, September 30, 2020, is that these field officers have enough and more to do under the GST. Dealing with a law that keeps changing, a technology platform that one stills logs on to with some trepidation and a certain set of taxpayers who believe that the GST means "Generally Save Tax" by creating fake input invoices on their own, should keep them on their toes all the time. If this is not done, the Department would be perennially a couple of years behind in calling for information or issuing summons under the GST — a delay that it can ill-afford now.

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Powering sustainability in agriculture

Pro-rata pricing for electricity tariffs, tradeable water rights will ease States' subsidy burden and boost efficient farm practices

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The issue of free power to farmers has surfaced yet again, as the Central government put removal of power subsidy and introduction of direct benefit transfer as preconditions for the States to increase their borrowing limit. Will this help farmers? Are there alternatives to free power supply?

The removal of power subsidies or fixing of an electricity tariff for the agriculture sector has been one of the most contentious issues in India for the past two and a half decades. It has long been established that free power and tariff based on connected load (flat-rate) creates incentive for farmers to use groundwater excessively and inefficiently, as the marginal cost of pumping is almost zero. A major fallout of this has been resource over-exploitation.

On the other hand, the heavy subsidies being offered for the farm sector by the power utilities put a heavy burden on the States, with the total revenue loss touching \$6-7 billion annually. However, managing the political economy to raise the power tariff is not easy in most States.

With several million electric pump users serving as a strong vote bank and the dominant view that an increase in power tariff would adversely affect the viability of irrigated production, politicians were motivated to use 'free power' as a pro-poor policy.

Correct pricing of electricity

Research studies carried out in North Gujarat, East Uttar Pradesh and South Bihar showed that the energy prices at which the farmers start responding to tariff changes in terms of reducing the demand for these inputs would be socio-economically viable. This is because they are able to improve the efficiency of use of irrigation water and other farm inputs, as well as modify their farming systems, when confronted with positive

marginal cost of electricity and higher unit tariff.

As a result, they get not only higher water productivity, but also higher net income per unit area of land. Therefore, one should arrive at an ideal unit price for electricity, for different regions, which would be most efficient in terms of demand reduction, affordable for farmers and also improve the viability of the power sector.

The pro-rata tariff should be an inverse function of the depth to the groundwater table to make sure that the cost of electricity to abstract a unit volume of groundwater remains more or less the same across different geo-hydrological environments. However, the price for electricity would also have to be a function of what farmers would be willing to pay. The willingness to pay would be a function of the economic surplus generated from the use of water for irrigation.

This is a function of the cropping system that is feasible under the given climate, the wherewithal available with the farmers to adopt the technologies needed to raise the crops, and the market demand for the crop. These factors need to be considered while fixing the price for electricity.

Reducing metering cost

The State Electricity Boards and policy-makers recognise the importance of metering electricity in the farm sector. But they are also toying with the idea of carrying out metering in a way that makes it fool-proof as well as cost-effective. Today, technologies exist not only for metering but also for controlling energy consumption by farmers. Pre-paid electronic meters, which are operated through scratch cards and work on satellite and Internet technology, are ideal for remote areas to monitor energy use and control groundwater-use online, from a centralised station. Over the past 15 years, there has been a remarkable improvement in the quality of services provided by Internet and mo-



Free flowing Power subsidies tend to create incentive for farmers to use groundwater excessively and inefficiently

bile (satellite) phone services, especially in the rural areas.

Pre-paid meters prevent electricity pilferage through manipulation of pump capacity. They can be operated through tokens, scratch cards, magnetic cards or recharged digitally through the Internet and SMSes. It helps the electricity company restrict consumption. The company can decide on the "energy quota" for each farmer on the basis of reported connected load and total hours of power supply per unit of irrigated land. Farmers can pay and obtain an activation code through SMSes. Alternatively, automatic metering infrastructure used to meter electricity and, in many cases, water supply, can be used. All these will reduce costs and theft.

Functional water rights system

Researchers have long been arguing for tradeable water rights to ensure sustainability in water usage. Tradeable property rights for groundwater exist in many countries, including the US, Australia, Mexico and Chile. Analyses show that this can serve as a viable instrument for allocation of water to improve efficiency in water use.

There are legal, institutional and technological challenges in establishing and enforcing property

rights for groundwater, given the invisible nature of the resource, the pattern of its use and the legal status vis-à-vis its ownership. And newly introduced water rights, if designed to address concerns of the current inequity in access to the resource, can take away some of the existing rights.

Restricting farmers' energy use for pumping groundwater is analogous to rationing groundwater withdrawal for irrigation volumetrically. This can be done through pre-paid electricity meters. As studies have shown, when water allocation is volumetrically rationed, farmers would allocate the water to more economically efficient crops. Hence, restricting energy use will have positive impact on groundwater use efficiency.

But, in such cases, it is important that the consumers are informed about their energy quota, and the approximate number of hours for which they can pump water from their wells using this quota, well in advance. Such information would help them choose the crops to grow. The energy quota will have to be decided on the basis of the geo-hydrological environment prevailing in the area and the optimum irrigation requirements.

Free power to the farm sector and attractive procurement prices

for water-guzzling cereals has led to an intensive use of groundwater, with adverse impact on the resource-poor farmers. The lack of well-defined property rights in groundwater is another factor driving its over-exploitation and inefficient use. To improve the sustainability of groundwater use, two policy measures are needed. They are pro-rata pricing of electricity and a functional water rights system. Pre-paid energy meters or AMIs can be used to introduce pro-rata pricing system and monitor energy use of individual farmers. This can be combined with energy rationing. However, electricity prices that would affect efficient water use, but are also affordable to the farmers, need to be worked out.

In the context of renewed debate on electricity tariff policy, one should also wait and see how the farmers are going to respond to the PM-Kusum scheme, which provides heavy incentives to farmers to set up standalone solar pumps and grid-connected solar power generation capacity on fallow and barren land.

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SHORT TAKE

FB, Twitter step up fight against misinformation on US elections

KANISHKA SINGH

Social media platforms have stepped up their fight against misinformation on the US elections, with Facebook starting a hub to help users with poll-related resources and Twitter expanding rules against misinformation on mail-in ballots and early voting. The move comes as online social networks have been drawing flak for what has been called a 'lax approach' to fake news reports and misinformation campaigns, which many believe affected the outcome of the 2016 presidential election.

Twitter's move will involve coming up with new policies "that emphasise accurate information about all available options to vote, including by mail and early voting."

"We're focussed on empowering every eligible person to register and vote through partnerships, tools and new policies," Jessica Herrera-Flanigan, Twitter's Vice President for Public Policy in the Americas, told Reuters.

Facebook, meanwhile, launched a 'Voting Information Center' to help users with accurate and easy-to-find information about voting wherever they live.

The company said in a blog it was also speaking with officials about misinformation surrounding election results as an emerging threat.

Twitter said it would roll out measures on new tools, policies and voting resources in the next month. It is exploring how to expand its "civic integrity policies" to address mischaracterisations of mail-in voting and other procedures. The finer details of the step are still being finalised.

US President Donald Trump has repeatedly claimed without evidence that voting by mail, which is expected to increase dramatically due to the coronavirus outbreak, is susceptible to large-scale fraud.

The process is not new in the US; nearly one in four voters cast 2016 presidential ballots by mail.

Many experts have said that routine methods and the decentralised nature of US elections make it very hard to interfere with mailed ballots. REUTERS

A THOUSAND WORDS



Fire on the mountain Villagers watch the eruption of Mount Sinabung from Karo, North Sumatra on Thursday AFP

BusinessLine TWENTY YEARS AGO TODAY

AUGUST 14, 2000

Long-distance telephony opened to pvt parties

Keeping its promise of opening up national long-distance (NLD) telephony (popularly known as STD services) by August 15, the Government today announced unrestricted private participation by companies having a combined promoters' networth of Rs. 2,500 crores and proposing to invest minimum Rs. 250 crores as equity into the project. Networth of any partner having less than 10 per cent shareholding in the applicant company will not be counted while calculating the combined networth.

Listing of "collective investment" units allowed

The Government has permitted listing of the units or any other instrument of a collective investment scheme (CIS) on a recognised stock exchange. The Finance Ministry's decision to allow a collective investment management company (CIMC) to get its collective investment scheme listed on a stock exchange is aimed at providing liquidity to the unit holders of such schemes.

IBRD stops \$507-m coal sector loan

The World Bank has decided to stop disbursing a soft loan to help Coal India Ltd (CIL) undertake a coal sector rehabilitation project (CSR), under which 24 existing opencast projects were to be modernised and expanded to produce 112 million tonnes of coal per year. Available information suggests that the World Bank (also known as IBRD), in conformity with a mutually agreed formula, has terminated a loan of about \$507 millions out of the total sanctioned loan of \$1.06 billions. The entire loan was sanctioned directly to CIL in 1997 jointly with a co-financier, Export-Import Bank of Japan (JEXIM), with the understanding that the loan component will be utilised in two phases within a span of five years.

EASY

ACROSS

01. Book of maps (5)
04. Wanting to find out (7)
08. Electrical energy producer (9)
09. Bituminous substance (3)
10. Very small fishes (7)
12. Beech, oak fruit etc (4)
14. The gut (7)
17. Cuckoo-pint (4)
18. Small species of shark (7)
20. Same; type, kind (3)
21. Clothing supplier (9)
23. May be consumed (7)
24. Greek architectural order (5)

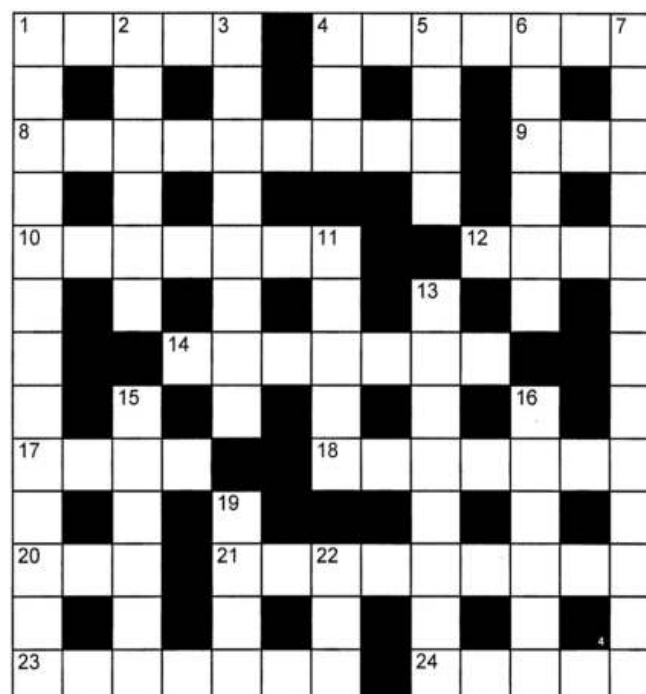
DOWN

01. Controversial, given to disputing (13)
02. Inner surface of garment (6)
03. Surpass, go over the top (8)
04. Sever (3)
05. Uncommon (4)
06. Expenditure (6)
07. Of atmospheric layer 5-30 miles up (13)
11. Spirited horse (5)
13. One of the Oscines (8)
15. Pail (6)
16. Catch impurities (6)
19. Tend hair (4)
22. Ligature (3)

SOLUTION: BL Two-way Crossword 1578

- ACROSS 02. Patch 05. Jump 07. Spud 08. Nolition 09. Hecatomb 11. Heed 12. Lepidopterist 15. Cran 17. Enjoying 19. Espalier 21. Flew 22. Knot 23. Gamut
DOWN 01. Supreme 02. Pod 03. Tango 04. Halibut 05. Jet 06. Moose 10. Alien 11. Hurry 13. Opening 14. Sincere 16. Resin 18. Jorum 20. Apt 21. Fat

BL TWO-WAY CROSSWORD 1579



NOT SO EASY

ACROSS

01. It shows the world between covers to the one who held it up (5)
04. Is it odd to be so inquisitive? (7)
08. Producer of power, or a regent thrown out of it (9)
09. Sailor would repeatedly prove to be an unmanageable person (3)
10. Little fishes may swim on around the end of the burn (7)
12. Fruit of tree used to carry sail (4)
14. The gut takes nothing in mixture made with rennet (7)
17. Kind of Lily to wake Robin on being hyphenated (4)
18. Small shark heard of in Barking? (7)
20. It's the type of liquid nourishment that hasn't got a top (3)
21. Clothier is dismissed by machine assembler (9)
23. Each half of the board is edible (7)
24. Order in Ancient Greece to cheat the unendingly wealthy (5)

DOWN

01. Likely to gainsay a gent: virtue of putting it about (13)
02. Inner material used for marking the roads (6)
03. Turn sum round, hold nothing and get the better of it (8)
04. Reduction in use of copper on table-top (3)
05. Very underdone: it is not often one will be so (4)
06. It is spent away from home by the non-clerical (6)
07. The sports car one takes out of a layer almost ten miles up (13)
11. A horse one won't start to pay attention to on the street (5)
13. It whistles a tune to a popular girl (8)
15. Sort of shop that may hold water (6)
16. Auxiliary traffic light one might trifle with (6)
19. Go minutely through a case of honey (4)
22. End of event that is a draw (3)