



Global Tax Update

India

Deloitte Tohmatsu Tax Co.

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1. Indian Government decides not to challenge Vodafone transfer pricing verdict¹

[In December 2014 newsletter](#) we reported the decision of the Bombay High Court in the case of Vodafone wherein the Court held that premium on issue of equity shares by an Indian subsidiary company to its foreign parent company is a capital transaction. This share premium does not give rise to any taxable income in India.

The new Government of India has accepted the said order of the Bombay High Court and decided not to litigate this matter further. With this decision of the Indian Government the issue of taxability of share premium set to rest.

2. Constitutional Amendment Bill brought in for introduction of Goods and Services Tax (GST)²

The salient features of the Constitutional Amendment Bill as tabled before the lower house of the Indian Parliament are as below. This Bill, if approved, will enable the introduction of GST in India.

- Concurrent powers with the Central and the State Governments to make laws governing goods and services.
- Levy of integrated goods and services tax on interstate transactions of goods and services.
- GST on supplies of goods and services in the course of interstate trade or commerce (including imports from outside India) shall be levied and collected by the Central Government and apportioned between the Central and the State Governments.
- GST will be levied on all supply of goods and services except alcoholic liquor for human consumption.
- On petroleum products GST shall not be levied till a date notified on the recommendation of the GST Council.
- GST will eliminate the following indirect taxes levied by the Central and the State Governments:

1 Source: CBDT Instruction No. 2/2015 dated 29 January 2015

2 Source: The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 as tabled in Lok Sabha on 19 December 2014

Central Indirect Taxes	State Indirect Taxes
<ul style="list-style-type: none"> ➤ Central Excise Duty ➤ Service Tax ➤ Additional Excise Duties ➤ Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 ➤ Additional Duty and Special Additional Duty of Customs ➤ Central cesses and surcharges in so far as they relate to supply of goods and services 	<ul style="list-style-type: none"> ➤ Value Added Tax/ Sales Tax ➤ Entertainment Tax (other than the tax levied by the local bodies) ➤ Central Sales Tax ➤ Octroi and Entry Tax ➤ Purchase Tax ➤ Luxury Tax ➤ Taxes on lottery, betting and gambling ➤ State cesses and surcharges in so far as the relate to supply of goods and services

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