Knowing the facts of VAT deduction at source

Md Abdur Rouf

VALUE-added tax deduction at source or VDS is an important component of any VAT management system. The mechanism has a big role to play in the success of a VAT regime.

Huge amount of revenue can be collected if the mechanism is properly applied which uses less effort and resources. All stakeholders need to know the correct way to apply it properly.

Generally, VAT is collected on the sales of any goods and services. But there are some sales when government thinks that tax needs to be deducted from the source of money. This is called VDS and this is not a variety of value-added tax rather it is a method of collection.

VAT is an all-pervasive tax. Everybody pays it. A purchaser of any goods and service is not allowed to pay it directly to the government exchequer.

So, the government has asked the seller to collect the tax from the purchaser along with the price of the goods sold and deposit it to the government treasury later. This is the official way of paying and collecting sales tax.

But in case of VDS, the government wants the following entities only to pay the tax directly to it, not the seller.

(a) government entity i.e. any ministry, division or attached department; semi-government entity or autonomous body; state-owned enterprise; local authority, council or similar organisation;

(b) non-governmental organisation approved by the NGO Affairs Bureau or Department of Social Services;

(c) bank, insurance company or any financial institution;

(d) post-secondary educational institution; and

(e) limited company.

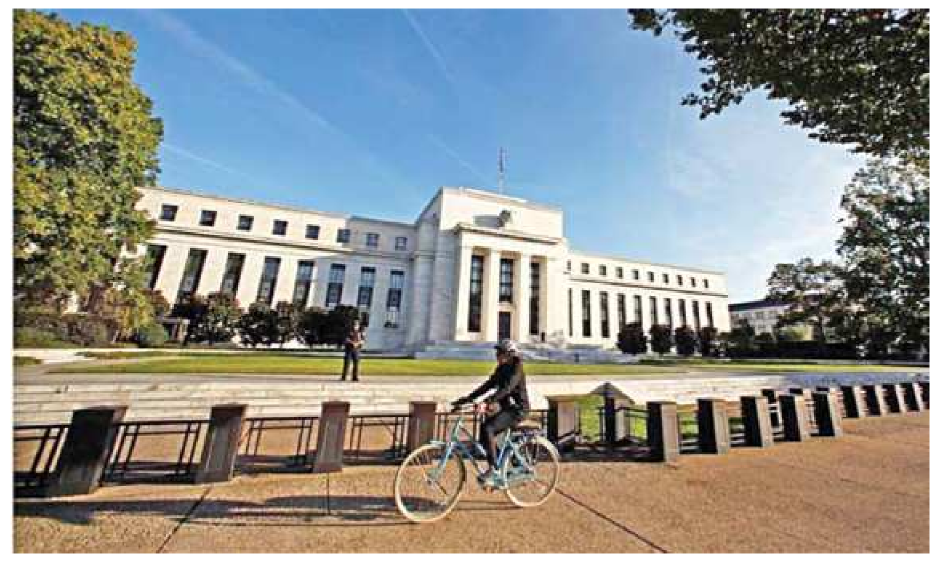
However, the government has not asked the entities to refrain from paying VAT to the seller against all of their purchases. The entities need to know when to send the tax straight to the government. This is primary VDS knowledge.

In our country, the standard rate of sales tax is 15 percent and it can also be as low as 10 percent, 7.5 percent, 5 percent, 4.5 percent and 2 percent.

The above entities pay the VAT at rates below 15 percent for the purchase of goods and services listed on the third schedule of the Value Added Tax and Supplementary Duty Act, 2012.

The writer is currently working as a specialist at a VAT related project financed by the World Bank. He can be reached at roufvat@gmail.com.

US Fed divided on policy amid trade war uncertainty



REUTERS/FILE

A cyclist passes the US Federal Reserve in Washington.

AFP, *Washington*

US central bankers appear increasingly divided on the best course to preserve economic expansion, without fueling dangerous speculative behavior on financial markets.

Meanwhile, amid concerns authorities were letting short-term interest rates slip out of control, the New York Federal Reserve Bank announced more aggressive steps to pump billions into the economy's financial plumping over the next three weeks to alleviate a cash crunch.

Federal Reserve Vice Chair Richard Clarida said Friday "the center of gravity" of the central bank favored the second cut in the benchmark lending rate this year, and the Fed will act on "a case-by-case basis" at the final two policy meetings of 2019.

Still, three of the 10 voting members of the Fed's policy-setting Federal Open Market Committee dissented from Wednesday's decision to cut the benchmark borrowing rate by a quarter-point to a range of 1.75-2.0 percent.

James Bullard, president of the St Louis Federal Reserve Bank, said Friday he wanted to see a bigger rate cut to protect against rising risks of a downturn in the American economy amid trade uncertainty.

A half-point cut "would provide insurance against further declines in expected inflation and a slowing economy subject to elevated downside risks." - Where in the world is inflation? - Bullard has long argued that inflation has been stuck too far below the Fed's two percent target, so the US central bank can afford to "cut the policy rate aggressively now" to boost the economy.

As the Fed's preferred inflation measure rose last year, the FOMC raised interest rates four times.

But price pressures have been softening since then and inflation remains well below the target. And amid rising uncertainties the central bank in late July cut the policy lending rate for the first time in more than a decade.

On the other side of the argument, Eric Rosengren of the Boston Fed and Esther George of Kansas City, both dissented, preferring to keep the key lending rate unchanged.

Rosengren said Friday that adding more stimulus to an economy that is already growing "risks further inflating the prices of risky assets and encouraging households and firms to take on too much leverage." In a speech later Friday, he put the spotlight on a particular area of risk: office sharing companies.

Although he did not mention WeWork, that company is a dominant player in commercial real estate in major cities like New York and London.

He worried that the contracts used in the office sharing model "may allow the co-working company to potentially walk away from unprofitable lease arrangements in an economic downturn." And that along with high debt levels "can be an amplifier that makes recessions more severe." - Cash shortage - Meanwhile, investors and analysts have become concerned about a cash shortage in the economy's financial plumbing. While it can be explained by technical reasons, the crunch has raised doubts as to whether something has gone wrong in the Fed's management.

The New York Fed -- which handles the levers that control the flow of money in the system -- has for the past four days had to pump billions into money markets after bank demand for cash pushed interest rates above the Fed's target.

After four days of "repo" operations, the New York Fed announced Friday it will provide up to $75 billion a day for the next three weeks, to ensure banks have the cash on hand they need, and kept the door open to doing more as needed.

Why Asia's biggest economies are backing hydrogen fuel cell cars

REUTERS, *Tokyo*

CHINA, Japan and South Korea have set ambitious targets to put millions of hydrogen-powered vehicles on their roads by the end of the next decade at a cost of billions of dollars.

But to date, hydrogen fuel cell vehicles (FCVs) have been upstaged by electric vehicles, which are increasingly becoming a mainstream option due to the success of Tesla Inc's luxury cars as well as sales and production quotas set by China.

Critics argue FCVs may never amount to more than a niche technology. But proponents counter hydrogen is the cleanest energy source for autos available and that with time and more refueling infrastructure, it will gain acceptance.

China, far and away the world's biggest auto market with some 28 million vehicles sold annually, is aiming for more than 1 million FCVs in service by 2030. That compares with just 1,500 or so now, most of which are buses.

Japan, a market of more than 5 million vehicles annually, wants to have 800,000 FCVs sold by that time from around 3,400 currently.

South Korea, which has a car market just one third the size of Japan, has set a target of 850,000 vehicles on the road by 2030. But as of end-2018, fewer than 900 have been sold.

Hydrogen's proponents point to how clean it is as an energy source as water and heat are the only byproducts and how it can be made from a number of sources, including methane, coal, water, even garbage. Resource-poor Japan sees hydrogen as a way to greater energy security.

They also argue that driving ranges and refueling times for FCVs are comparable to gasoline cars, whereas EVs require hours to recharge and provide only a few hundred kilometers of range.

Many backers in China and Japan see FCVs as complementing EVs rather than replacing them. In general, hydrogen is seen as the more efficient choice for heavier vehicles that drive longer distances, hence the current emphasis on city buses.

Only a handful of automakers have made fuel cell passenger cars commercially available.

Toyota Motor Corp launched the Mirai sedan at the end of 2014, but has sold fewer than 10,000 globally. Hyundai Motor Co has offered the Nexo crossover since March last year and has sold just under 2,900 worldwide. It had sales of around 900 for its previous FCV model, the Tucson.

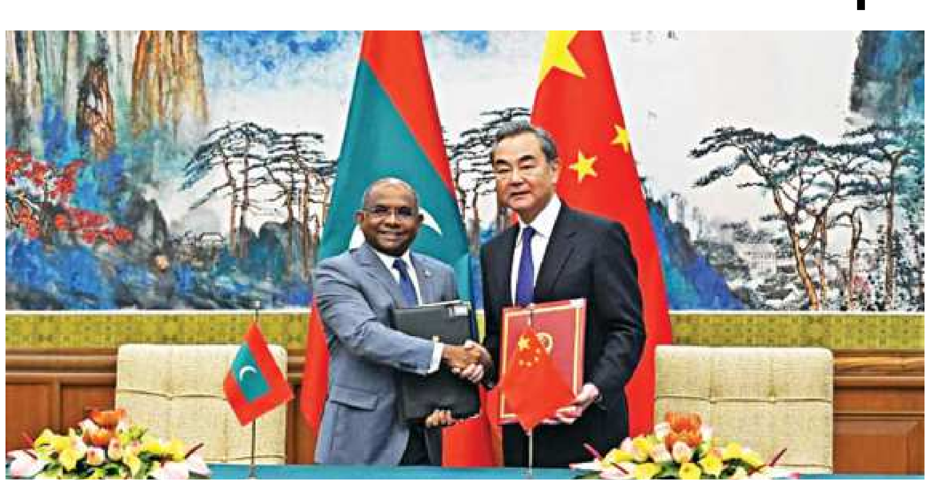
Honda Motor Co Ltd's Clarity Fuel Cell is available for lease, while Daimler AG's GLC F-CELL has been delivered to a handful of corporate and public sector clients.

Buses are seeing more demand. Both Toyota and Hyundai have offerings and have begun selling fuel cell components to bus makers, particularly in China.

Several Chinese manufacturers have developed their own buses, notably state-owned SAIC Motor, the nation's biggest automaker, and Geely Auto Group, which also owns the Volvo Cars and Lotus brands.

A lack of refueling stations, which are costly to build, is usually cited as the biggest obstacle to widespread adoption of FCVs. At the same time, the main reason cited for the lack of refueling infrastructure is that there are not enough FCVs to make them profitable.

China says Maldives is not 'mired in a Chinese debt trap'



REUTERS

Chinese Foreign Minister Wang Yi and Foreign Minister of Maldives Abdulla Shahid shake hands and hold the signed agreements during a signing ceremony in Beijing on September 20.

REUTERS, *Beijing*

THE Maldives are not "mired in a Chinese debt trap", the Chinese government's top diplomat told the visiting Maldivian foreign minister, amid fears in the Indian Ocean country of debts as high as $3 billion owing to Beijing.

The Indian Ocean island chain has been caught in a battle for influence between India and China, which invested millions of dollars during the rule of the pro-China former leader Abdulla Yameen as part of China's Belt and Road plan, designed to improve its global trade reach.

The ruling Maldivian Democratic Party, which won a landslide in the archipelago's parliamentary election in April, fears the debts to China could run as high as $3 billion and risk sinking the economy.

Meeting Maldivian Foreign Minister Abdulla Shahid in Beijing, Chinese State Councillor Wang Yi said China's cooperation with the Maldives would not be affected by the change of government, China's foreign ministry said in a statement late on Friday.

"China's cooperation with the Maldives aims to promote the well-being of the Maldivian people, without political intentions and without seeking geopolitical interests," the ministry cited Wang as saying.

China provides what help it can to the Maldives without attaching political preconditions, and does not interfere in the its internal affairs, Wang added.

"It is totally without basis to say that 'the Maldives is mired in a Chinese debt trap'," he said.

The Chinese statement quoted Shahid as saying no country in the world had been as generous to helping the Maldives, pointing to the building of infrastructure and "provision of a large amount of aid and loans".

"In this regard, there is absolutely no so-called 'debt trap'. To say that is complete nonsense."

China has been stung by criticism, mostly from Western countries, that it loads up poor, developing nations with unsustainable debt they have no hope of

India cuts corporate taxes to boost manufacturing

REUTERS, *Panaji, India*

INDIA cut corporate tax rates on Friday in a surprise move designed to woo manufacturers, revive private investment and lift growth from a six-year low that has led to major job losses and fueled discontent in the countryside.

Prime Minister Narendra Modi, under pressure to make good on a promise to deliver growth and tens of thousands of jobs, said the lower tax rates would spur new investment and drive his "Make In India" plan to boost domestic manufacturing.

"The step to cut corporate tax is historic. It will give a great stimulus to #MakeInIndia, attract private investment from across the globe, improve competitiveness of our private sector, create more jobs and result in a win-win for 1.3 billion Indians," Modi said on Twitter.

The cut in the headline corporate tax rate to 22 percent from 30 percent was widely cheered by Indian equity markets. The benchmark index posted its biggest intraday gain in more than a decade to end more than 5 percent higher.

"The measures announced by the finance minister this morning can be described as a 'New Deal' for the Indian economy," said VK Vijayakumar, chief investment strategist at Geojit Financial Services. "The psychological stimulus from this ... will be higher than the fiscal stimulus."

Modi is headed to the United States this weekend where he will showcase India as an attractive destination for investment at a rally organized by Indian-Americans which US President Donald Trump is set to attend.

Modi is also due to discuss investment opportunities with executives from US bank JPMorgan Chase, aerospace company Lockheed Martin Mastercard and the world's biggest retailer Walmart.

The new corporate tax rate for domestic companies, excluding surcharges, makes India more competitive than neighboring Bangladesh and puts it almost on par with Vietnam and

REUTERS/FILE

India's Finance Minister Nirmala Sitharaman and the Reserve Bank of India (RBI) Governor Shaktikanta Das arrive to attend the RBI's central board meeting in New Delhi.

Thailand, countries that have wooed businesses affected by the US-China trade dispute.

"The move will make Indian companies globally competitive, and allow global companies a good option for growing their manufacturing base in-country," said Mukesh Aghi, president of the US-India Strategic Partnership Forum.

Finance Minister Nirmala Sitharaman said India's effective corporate tax rate would be lowered to about 25 percent.

She said that would put India on a par with Asian peers and the rate would be as low as 22 percent if companies did not seek any other special tax incentives.

Any manufacturing companies incorporated on or after Oct. 1 would be eligible for a 17 percent tax rate, with the condition that they start production by March 2023, said Sitharaman, speaking from the coastal state of Goa.

Foreign firms that have Indian subsidiaries or joint ventures with Indian companies would also enjoy the lower corporate tax rates, Sitharaman said.

Reserve Bank of India Governor Shaktikanta Das said the moves augur "extremely well" for the economy.

"These are definitely very bold and welcome measures," he said at a forum. "These tax rates take us closer to the tax rates which prevail in this part of the world."

The broad NSE index nd the benchmark BSE index closed 5.3 percent higher. The rupee INR=D4 rose as much as 0.9 percent to 70.68 against the dollar, its strongest since Aug. 9.

Separately, India's goods and services tax (GST) council made tweaks to taxes on Friday, but avoided slashing taxes on automobiles despite lobbying by industry executives in one of the industry's worst downturns.