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Title:

Meta Description:

Tax Policy Council & Tax Policy Research Unit: Notes for UPSC

Government bodies are important for the UPSC civil services exam. Their functions, objectives, members, etc. are to be studied as part of the polity and governance sections of the UPSC syllabus. In this article, you can read all about the Tax Policy Council and the Tax Policy Research Unit, both of which were formed by the government in February 2016.

Background

The Tax Administration Reform Commission (TARC) suggested the formation of a tax council to be established for both direct and indirect taxes, for the purpose of bringing consistency, multidisciplinary inputs and having coherence in policy making. It recommended that the council be composed of tax administrators, economists, and specialists like operation research specialists, tax law experts and social researchers.

Tax Policy Council

Objectives of the Tax Policy Council (TPC)

1. To have a consistent and coherent approach to the issue of tax policy.
2. To have an interdisciplinary approach to tax matters.

Functions of the TPC

The TPC will look into the findings of the Tax Policy Research Unit and recommend broad policy measures in the taxation domain. The TPC will be advisory in nature, helping the government identify key decisions for taxation. The Tax Policy Research Unit will have economists, statisticians, operational researchers and legal experts.

TPC Members

The TPC will consist of the Union Finance Minister and nine other members. The members are listed below:

1. Finance Minister - Chairperson
2. Minister of State for Finance
3. Deputy Chairman, NITI Aayog
4. Minister of State for Commerce & Industry
5. Finance Secretary
6. Secretary, Department of Economic Affairs
7. Revenue Secretary
8. Secretary, Commerce
9. Secretary, DIPP
10. Chief Economic Advisor to the Finance Minister

The chairpersons of CBDT and CBEC shall be special invitees.

To know more about Taxation in India, visit the linked article.

Tax Policy Research Unit

The Tax Policy Research Unit (TPRU) is a multi-disciplinary body. TPRU will carry out studies on various topics of direct and indirect tax policies and prepare and disseminate papers on tax policy issues. It will also assist TPC, chaired by the finance minister, in taking appropriate tax policy decisions. The Unit will also liaise with state commercial tax departments. For every tax proposal, TPRU will prepare an analysis covering three broad areas - legislative intent behind the proposal; expected change in tax collection; and the likely economic impact through the proposal.

TPRU Objectives

1. Conduct studies on topics of tax and fiscal policies referred to it by CBDT and CBEC and offer independent analysis on these topics.
2. Prepare and distribute policy papers and background papers on different tax policy issues.
3. Assist the TPC in taking tax policy decisions.
4. Liaise with the commercial tax departments of the states.

The following three points would be taken into account by the TPRU while preparing analyses for every tax proposal:

1. Legislative intent - why is the proposal being framed and policy objective.
2. The expected decrease or increase in tax collection as a result of the proposal being implemented.

3. The expected economic impact of the proposal other than on tax collection.

TPRU Members

The TPRU comprises of officers from the CBDT and CBEC, statisticians, economists, legal experts and operational researchers.