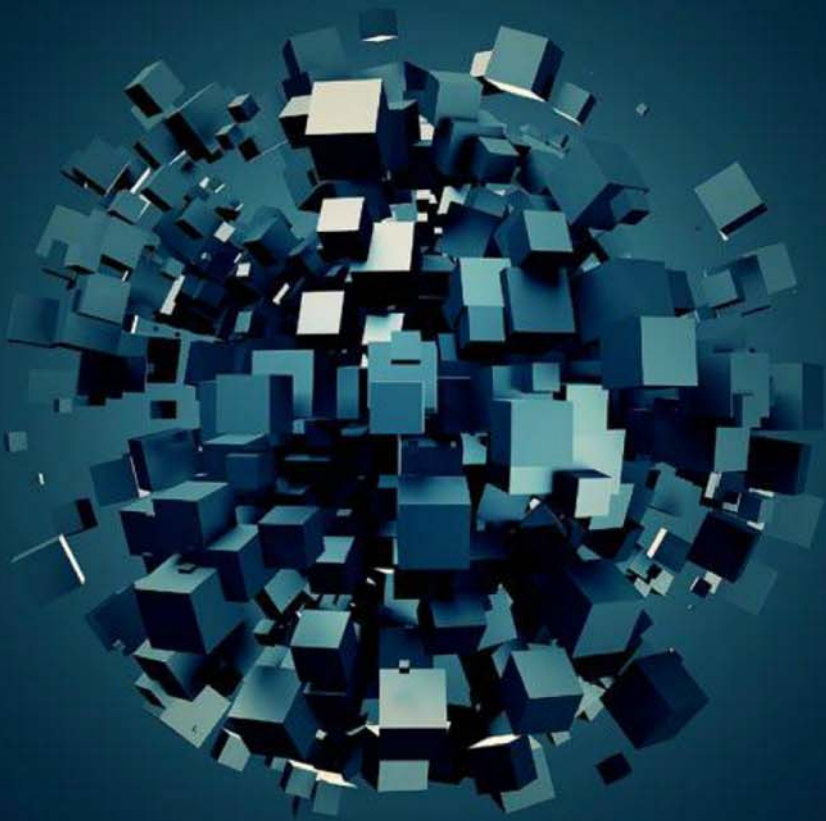




Indirect  
Taxes  
**NEWS**

Newsletter  
No. 04 | Spring 2017

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# GST and its implication for the Indian economy

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# USA: New President. New Direction? New (In?)direct Tax?

By J. Pablo Garciga

Under President Trump's new administration, some major changes to the US taxation system have been proposed – including a border adjustment. In a major departure from the current US taxation system, the proposed border adjustment would introduce a tax

based on the destination of the goods. Practically speaking, this means that goods manufactured in the US but sold abroad would not be subject to income tax in the US; conversely, those manufactured abroad and sold into US markets would be subject to US income tax.

Border adjustments are widely

used around the world. Some argue that these will level the playing field for US products. Essentially, this proposal would exempt US exports from tax and the taxes would be paid only in the country where sold. This would eliminate the incentive to move production offshore and sell back into US

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markets (“offshoring” is often blamed in certain circles for creating domestic unemployment).

Supporters believe the tax will accelerate the US economy’s growth and in the process strengthen the dollar; however, critics suggest the strengthening will be insufficient and that global markets will rapidly adjust, so whatever beneficial effects this measure produces will be short-lived.

The World Trade Organization’s General Agreement on Tariffs and Trade permits border adjustments under the indirect taxes regimes (e.g. VAT), but not for direct taxes (e.g., income taxes). Since the proposed border adjustment would be administered as an income tax, its legality is uncertain.

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**Funaro & Co. PC** provide a wide range of services, including accounting and auditing, tax reporting and compliance, tax advisory, management consulting, and transaction advisory.

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# Indirect Taxes NEWS

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