Monthly Update Capsule

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R R D AND ASSOCIATES

Chartered accountants

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INCOME TAX

Cost inflation index for FY25 higher than last fiscal’s

The income tax department has notified the cost inflation index (CII) for FY25, relevant to assessment year 2025-26, at 363, which is higher than 348 for FY24, and 331 for FY23. The CII is a tool used to measure inflation for computing long-term capital gains on the sale of assets, including immovable property, securities and jewellery.

The CII adjusts the purchase price of assets to reflect current inflation, ensuring that taxpayers are taxed on real gains rather than nominal gains inflated by general price increases. This adjustment is essential for maintaining a fair and reflective tax system. Without it, taxpayers could face disproportionate tax liabilities on gains that are primarily due to inflation rather than actual economic growth, experts say.

Read More At : Cost inflation index for FY25 higher than last fiscal’s

Transit rent not income, can't be taxed, says HC

In a landmark decision, Bombay HC has held that transit rent, which is paid by a developer to a flat owner / tenant on dispossession of the flat, is not a revenue receipt. It cannot be taxed in the hands of the recipient. Thus, the question of deduction of tax at source (TDS) by the developer from the amount payable to the flat owner/tenant does not arise, it said.

On a writ filed by Sarfaraz S Furniturewalla, the issue before HC was whether there should be a deduction of TDS on the amount payable to him as transit rent by the builder.

A tax expert attached to a developer company said the HC order provides clarity. It is beneficial not only to flat owners or tenants who receive transit fees but also developers.

Read More At : Transit rent not income, can't be taxed, says HC

GST & CUSTOMS

HC relief for holding companies facing GST notices over corporate guarantees

In a relief for India Inc, the Punjab & Haryana high court has stayed a circular that subjected corporate guarantees, given by holding companies for the benefit of their subsidiaries, to GST.

In an interim order, the HC has stayed the circular issued last Oct by the Central Board of Indirect Taxes and Customs (CBIC). This circular had held that a corporate guarantee given by a holding company to a bank or financial institution for sanction of credit facilities to its subsidiary would be a 'supply of service' subject to GST. It had added that the tax incidence would arise even if no consideration is involved. The matter, pending before the high court, includes a challenge to valuation of corporate guarantees as well.

With this stay, for now, India Inc - which is reeling under show cause notices and GST demand orders running into several hundred crores - can breathe easy. Companies that have received showcause notices based on this circular can approach an HC for quashing the same. Demands have been raised on the holding company, if it is in India. If the holding company is overseas, the Indian subsidiary (for whose benefit the corporate guarantee is given) is facing GST demands.

Read More At :

HC relief for holding companies facing GST notices over corporate guarantees

Major rejig of Customs duty, GST being planned

The government has identified a clutch of products where inverted duty structure is distorting trade and impacting manufacturing competitiveness and has initiated the process to address the issue, a senior official said.

Among the products that have been identified are washing machines, air purifiers, solar glass, paper, furniture, apparel and jewellery. Some of these products are on the list identified for special attention under Make in India initiative.

Inverted duty structure is a situation where inputs and raw materials attract higher tax than the finished products. In cross border trade it makes imports of finished products cheaper than raw material and disincentivises local manufacturing.

In domestic taxation like Goods and Services Tax (GST) inverted duty structure creates hurdles for manufacturers to claim credit for taxes paid on inputs.

“There are many commodities both on the GST side and customs side where inversion in the tax regime is still require to be corrected. We can’t have an inverted duty structure which has an impact on our competitiveness and affects our export capabilities,” an official had recently said.

The Ministry of Commerce and Industry has shared its list of products for addressing inverted duty structure with the Finance Ministry. The list was prepared after consultation with the industry associations and export promotion councils.

In the paper industry the import duty on raw pulp is 12% and on finished products it is 5%. This situation leads to higher imports of finished paper and its products. Total imports of paper. paper board and products was $ 3.6 billion in April-February of last year while imports of pulp and waste paper was $ 1.7 billion during the same period.

In washing machines basic customs duty on both parts and fully built units is 10% and with Integrated Goods and Services Tax (IGST) and cesses it comes to 41.1%. This takes away some of the incentive for local manufacturing.

Same situation exists in air purifiers and their parts with basic customs duty on both at 7.5%. In apparel and fabrics again the customs duty is the same

Solar glass attracts 15% import duty but the local industry is facing dumping from China and Vietnam. The Directorate General of Trade Remedies (DGTR) has started an investigation into the dumping early this year.

Some of the suggestions for addressing the inverted duty structure were made by the Commerce and Industry Ministry during the preparations of the interim budget but they were left untouched. They may come up again when the full budget for the year is presented by the new government.

Read More At : Major rejig of Customs duty, GST being planned

Govt to integrate data repositories to curb GST evasion, fraud

The Central Board of Indirect Taxes and Customs (CBIC) is mulling to merge its existing database of DG (Systems) with that of Goods and Services Tax Network (GSTN) in order to expand its coverage of taxpayer activities, and curb tax evasion, a senior official told FE. “The CBIC is likely to adopt GSTN as the prime database, starting the first week of June,” the official said.

At present, the common GST Portal developed by GSTN, is currently functioning as the “front-end” of the overall GST-IT ecosystem; and DG (Systems) is functioning as “back-end” that handles tax administration functions, such as refund, investigation, and adjudication by the tax officers. “From June, GSTN will function as the back-end as well,” said the official.

The exercise of merger is taking place mainly because the CBIC intends to curb tax evasion. In FY24, the Directorate General of GST Intelligence (DGGI) detected over 6,074 cases involving evasion of duty of over Rs 2.01 trillion. It is approximately 10% of total GST collection in FY24 with a voluntary payment of Rs 26,598 crore, which contributed to about 1.4% of total GST collections for FY24. In FY23, as many as 4,872 cases of GST evasion were detected involving evasion of duty of Rs 1.01 trillion, with voluntary payment of Rs 20,713 crore, as per official data.

The GSTN has been established as a uniform IT interface between the taxpayer, Centre and states. It is responsible for maintaining the common GST electronic portal. Some of the functions of the GSTN include facilitating registration, filing of return, forwarding the returns to Central and state authorities, and computation and settlement of Integrated GST (IGST).

On the other hand, the Directorate General (Systems & Data Management), or DG (Systems) is set up to infuse technology in the departmental processes. It seeks to provide data support to the CBIC and field formations by compiling and disseminating data pertaining to tax collection and activities related to tax collection, such as adjudication, appeals, court cases etc.

Moreover, as DG (Systems) is also responsible for managing the IT systems for customs operations, including data management for import and export activities, and overseeing the systems related to central excise duties, the merger would enhance transparency with respect to cross border transactions (imports and exports), which will enable the authorities to identify tax evasion such as discrepancies in valuation or tax rates applied to imports vis-à-vis domestic supply.

Read More At : Govt to integrate data repositories to curb GST evasion, fraud

Advisory on launch of E-Way Bill 2 Portal

GSTN is pleased to inform that NIC is releasing the E-Way Bill 2 Portal (https://ewaybill2.gst.gov.in) on 1st June 2024. This portal ensures high availability and runs in parallel to the e-way Bill main portal (https://ewaybillgst.gov.in). The e-way bill 2 portal synchronises the e-way bill details with main portal within a few seconds. The highlights of the portal are as follows:

- Presently, E-Way Bill 2 Portal provides the critical services of E-Way Bill system, and gradually it will be extended with other services of e-way bill system.
- E-Way Bills can be generated and updated on the E-Way Bill 2 Portal independently.
- E-Way Bill 2 portal provides the web and API modes of operations for e-way bill services.
- The taxpayers and logistic operators can use the E-Way Bill 2 portal with the login credentials of the main portal.
- The taxpayers and logistic operators can use the E-Way Bill 2 portal during technical glitches in e-way bill main portal or any other exigencies.
- The Criss-Cross operations of printing and updating of Part-B of E-Way Bills can be carried out on these portals. That is, updating of Part-B of the E-Way bills of portal 1 can be done at portal 2 and vice versa.
- In case E-Way Bill main portal is non-operational because of technical reasons, the Part-B can be updated to the E-Way Bills, generated at Portal 1, at portal 2 and carry both the E-way Bill slips.
- For further details, please visit the e-way bill portals.

Read More At : Advisory on launch of E-Way Bill 2 Portal

SEBI

Sebi makes nomination optional for joint mutual fund portfolios

Capital markets regulator Sebi made the nomination optional for jointly-held mutual fund accounts in a bid to promote ease of doing business. Additionally, Sebi allowed fund houses to have a single fund manager to oversee commodity and foreign investments. This would reduce the cost of managing the fund.

Experts believe that the relaxation of nomination requirements for joint holders is beneficial as it simplifies the process of nomination by allowing the surviving member to become the nominee . This streamlines the transmission process and reduces hassle in such situations. Later, the last surviving member can assign a nominee. The regulator has set June 30, 2024, as the deadline for all existing individual mutual fund holders to nominate or opt out of nomination. If they fail to comply, their accounts will be frozen for withdrawals.

In a separate circular, the regulator has eased the current provision with respect to dedicated fund managers. Sebi said that for commodity-based funds such as Gold ETFs (exchange traded funds), Silver ETFs and other funds participating in the commodities market, the appointment of a dedicated fund manager would be optional.

Also, the appointment of a dedicated fund manager for making the overseas investments would be optional. The appointment of a single fund manager for domestic and overseas/commodity funds is intended to reduce the cost of managing the fund.

Read more at: Sebi makes nomination optional for joint mutual fund portfolios

MF Investors Get KYC Relief as Sebi Withdraws PAN-Aadhaar Link Norm

Investors who have been struggling to make fresh investments in mutual fund schemes due to non-compliance with the stricter Know Your Client (KYC) requirements have got some respite.

The Securities and Exchange Board of India (Sebi), in a circular on May 14, removed the requirement for investors to link the permanent account number (PAN) with Aadhaar to obtain the

‘KYC registered’ status for mutual fund transactions. This means all investors can continue putting money into mutual funds without putting up additional documents for the time being.

As per the tightened KYC norms that came into effect on April 1, many investors could not put money into mutual fund schemes afresh if their PAN and Aadhaar were not linked. This impacted non-resident Indians (NRIs) the most as they are not required to have an Aadhar card.

As per the revised circular by Sebi, investors could use documents such as passport and driving licence to complete their KYC requirements.

The regulator had asked KYC registration agencies to verify mutual fund unit-holders’ KYC based on PAN, name, address, mobile number, and email IDs. The exercise intended to match and validate investor records with official databrs such as the Income Tax (IT) database on PAN and Aadhaar cards. It was found that the records of several investors — who did the KYC through documents other than PAN or Aadhaar could not be validated. Such investors have been asked to redo their KYC.

To ease this, Sebi has clarified that either one of the attributes — email or mobile — will be considered necessary for verification and completing KYC.

Read more at: MF Investors Get KYC Relief as Sebi Withdraws PAN-Aadhaar Link Norm

RBI launches PRAVAAH, RBI Retail Direct mobile app, FinTech Repository

The Reserve Bank of India (RBI) on May 28 launched three major initiatives namely, PRAVAAH portal, RBI Retail Direct mobile application and FinTech Repository.

All these initiatives were announced by the central bank as part of its bi-monthly Statement on Development and Regulatory Policies in April 2023, December 2023, and April 2024, RBI said in a release.

The PRAVAAH portal will make it convenient for any individual or entity to apply online for various regulatory approvals and enhance the efficiency of various processes related to granting of regulatory approvals and clearances by the RBI, the release said.

At present, 60 application forms covering different regulatory and supervisory departments of RBI have been made available on the portal. This also includes a general purpose form for applicants to submit their requests which are not included in any other application form. Further, Retail Direct Mobile App will provide retail investors a seamless and convenient access to the retail direct platform and provide ease of transacting in government securities (G-Secs).

The central bank said Fintech Repository will contain information on rich repository of data on Indian FinTech firms for a better understanding of the sector from a regulatory perspective and facilitate in designing appropriate policy approaches. The FinTech Repository aims to capture essential information about FinTech entities, their activities, technology uses, etc, RBI said.

Further, the central bank said Simultaneously, a related repository for only RBI regulated entities (banks and NBFCs) on their adoption of emerging technologies (like AI, ML, Cloud Computing, DLT, Quantum, etc.), called EmTech Repository is also being launched.

The FinTech and EmTech Repositories are secure web-based applications and are managed by the Reserve Bank Innovation Hub (RBIH), a wholly owned subsidiary of RBI. The repository would enable availability of aggregate sectoral level data, trends, analytics, etc., that would be useful for both policymakers and participating industry members, release said.

Read More At: RBI launches PRAVAAH, RBI Retail Direct mobile app, FinTech Repository

RBI permits banks to open vostro accounts from 22 countries for trade in rupee

The Reserve Bank has permitted 20 banks operating in the country to open 92 Special Rupee Vostro Accounts (SRVAs) of partner banks from 22 countries as part of efforts to promote bilateral trade in local currencies. In a written reply to Lok Sabha, Minister of State for Commerce and Industry Som Parkash also informed that an MoU has been signed between the Reserve Bank of India (RBI) and the Central Bank of UAE on July 15.

This would enable exporters and importers to invoice and pay in their respective domestic currencies enabling the development of a bilateral foreign exchange market.

As on July 23, 20 banks in India have been permitted to open SRVAs of partner banks from 22 countries, including Bangladesh, Belarus, Botswana, Fiji, Germany, Guyana and Israel.

Other countries are Kazakhstan, Kenya, Malaysia, Maldives, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Sri Lanka, Tanzania, Uganda, and United Kingdom.

Meanwhile, Minister of State for Commerce and Industry Anupriya Patel said India's exports rose by 36.6 per cent during the last five years from USD 330.07 billion in 2018-19 to USD 450.95 billion in 2022-23.

India's imports rose by 38.8 per cent during the last five years from USD 514.07 billion in 2018-19 to USD 714.04 billion in 2022-23.

She also informed that most of the goods imported from China are capital goods, intermediate goods and raw materials and are used for meeting the demand of fast expanding sectors like electronics, telecom and power in India.

Read More At: [RBI permits banks to open vostro accounts from 22 countries for trade in rupee]

MISCELLANEOUS

Trai makes '140' series numbers for commercial calls must from July

The Telecom Regulatory Authority of India (Trai) has given time till July to principal entities such as banks, insurance companies, other brands, etc, and their telemarketers to switch to the '140' series of phone numbers to make promotional calls.

For shifting service and transactional calls to the '160' series, the companies have been given time till August, according to officials. The same assumes significance as amid the ongoing menace of spam calls from 10-digit numbers, with many leading to financial frauds, the consumers now will be able to identify and trust the service calls or transactional calls from 140 and 160 series, officials said.

This comes as Trai on Tuesday held a meeting of the Joint Committee of Regulators (JCoR) on the issue of Unsolicited Commercial Communication (UCC). The meeting was attended by the representatives of Reserve Bank of India (RBI), Securities & Exchange Board of India (Sebi), Ministry of Consumer Affairs (MoCA) and Trai as members of JCoR and representatives from the Department of Telecommunications (DoT) and Ministry of Home Affairs (MHA) as special invitees.

As part of the meeting, the joint committee of regulators discussed issues such as menace of spam calls from 10-digit numbers by unregistered entities, role of principal entities, particularly in BFSI (Banking, Finance, Services & Insurance) sector in prevention of UCC calls and messages, acquisition of digital consents by the principal entities through Digital Consent Acquisition (DCA) system to receive commercial communication, whitelisting of Urls/Apks/OTT links/call back numbers in the message content templates.

Besides, the regulators discussed further strengthening the know your customer (KYC) norms for control of frauds using telecom resources.

"UCC is a major source of inconvenience to the public and impinges on the privacy of individuals. Various possible collaborative approaches and measures to deal with UCC and frauds through telecom resources were discussed in the meeting," Trai said in a statement.

Officials said, Trai will keep a tab on calling patterns of users if they are making bulk calls using 10-digit numbers. The regulator will use artificial intelligence and machine learning to detect the pattern of calls, and from which locations they are being made. The plan is to also restrict the call centres from using 10-digit numbers for communications going forward, according to officials.

Lately, the department of consumer affairs is working to release draft guidelines to control unwanted spam calls and messages. Once the new guidelines are issued and implemented, it would be the first time that banks, fintech companies, real estate developers, and others, will be directly held liable for such spam communication as these entities outsource their promotional sales to third-party agencies.

According to a recent survey by community social media platform Local Circles, 60% of mobile subscribers get three or more spam calls on an average every day. Most unwanted calls are related to financial services and real estate.

The survey said 54% of respondents are receiving pesky calls from companies such as Bajaj Finance, HDFC Bank,HDFC Life Insurance, IDFC First Bank, among others, while 22% are getting calls from companies selling real estate.

Read More At : Trai makes ‘140’ series numbers for commercial calls must from July

Irdai sets 3-hour limit to settle health claims

Insurance regulator Irdai has brought in several reforms in health covers aimed at improving service standards for policyholders. The new norms will require insurers to approve cashless claims within an hour and provide final authorisation for discharge from a hospital within three hours.

Insurers will also need to provide a one-month grace period for annual renewal of health policies and protect benefits under policies renewed within that period.

Irdai has issued a master circular on health insurance products that comes into effect immediately (with certain exceptions). The new circular, which repeals 55 previous circulars, consolidates entitlements in a health insurance policy.

Under the new norms, insurers have to ensure that hospitals release mortal remains immediately in the event of a death during treatment. Companies cannot repudiate a claim without the approval of a Claims Review Committee. For settlement of claims, insurers and TPAs (third party administrators) must collect documents from hospitals and not call for them from the insured. Policyholders with multiple health insurance policies can select the policy under which they claim the admissible amount. The primary insurer will coordinate the settlement of the balance amount from other insurers. The new rules allow insurers to reward policyholders with no claims during the policy period by offering either an increased sum insured or discounted premium amounts.

Policyholders, who want to cancel their policies, can receive a refund of the premium for the unexpired policy period. All individual health insurance policies are renewable and cannot be denied on the basis of previous claims, except in cases of fraud, non-disclosure, or misrepresentation. No fresh underwriting is required unless there is an increase in the sum insured.

Under the new norms, insurers have been asked to move toward 100% cashless claim settlements and have been directed to empanel all categories of hospitals and healthcare providers, considering the affordability for different population segments. Stricter timelines are imposed on portability requests via the Insurance Information Bureau of India (IIB) portal.

Read More At : Irdai sets 3-hour limit to settle health claims

R R D AND ASSOCIATES

<u>CONTACT DETAILS & ALLIANCE WITH ABV & COMPANY</u>

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