SEPT - 2024

MONTHLY UPDATE CAPSULE

R R D AND ASSOCIATES

Chartered Accountants

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Contents

No benefit of lower tax rate under DTAA for taxpayers with foreign income if Form 67 is not filed by this date

If you're an Indian taxpayer with foreign income, such as dividends from foreign stocks or earnings from the sale of shares/ESOPs of foreign companies, you can benefit from a lower tax rate under section 90 or 91 of the Income Tax Act, 1961. This tax relief is provided through the Double Taxation Avoidance Agreement (DTAA) provisions. If you are eligible for tax relief, section 90 applies under the DTAA provisions. However, if your country of residence has not signed a DTAA with India, then you can seek relief under section 91 of the Indian Income tax law. To claim either bilateral relief under a DTAA (section 90) or unilateral relief under Section 91, taxpayers must file an Indian income tax return and provide a tax payment or deduction certificate from the relevant foreign tax authority.

Deadline to file Form 67

Taxpayer need to file Form 67 on or before March 31, 2025, for FY 2023-24 (AY 2024-25) if you want to claim DTAA benefits under section 90. In accordance with Rule 128 of the Income Tax Rules, 1962, Form 67 is to be furnished on or before the end of the assessment year relevant to the financial year in which the relevant income has been offered /assessed to tax in India as well as the return for such assessment year has been furnished within the time specified for original return u/s 139(1) and belated return u/s 139(4).

For instance, any person claiming foreign tax credit (FTC) for FY 2023-24 (AY 2024-25) would be required to furnish Form 67 on or before 31st March 2025.

Read more at: No benefit of lower tax rate under DTAA for taxpayers with foreign income if Form 67 is not filed by this date

Income Tax Department increases thresholds for filing appeals in tax disputes

The Income Tax Department has raised the minimum threshold for filing appeals in tax disputes, streamlining the process for cases brought before the Income Tax Appellate Tribunal (ITAT), High Courts, and the Supreme Court. According to a recent circular by the

Central Board of Direct Taxes (CBDT), appeals can now be filed only if the disputed tax amount exceeds Rs 60 lakh for ITAT, Rs 2 crores for high courts, and Rs 5 crores for the Supreme Court.

Previously, in 2019, the thresholds were set at Rs 50 lakh for ITAT, Rs 1 crore for high courts, and Rs 2 crore for the Supreme Court. The revised limits are applicable to all cases, including those related to Tax Deducted at Source (TDS) and Tax Collected at Source (TCS). Additionally, the CBDT has directed the withdrawal of pending appeals in the Supreme Court, high courts, and tribunals that fall below these new thresholds.

This decision is part of the government's ongoing efforts to manage litigation effectively. The CBDT emphasized that appeals should not be filed solely based on the tax amount involved; instead, they should be evaluated on the merit of each case. The objective is to reduce unnecessary litigation and offer taxpayers more certainty regarding their income tax assessments. This revision is expected to ease the burden on judicial bodies, allowing them to focus on more significant disputes. Highlighting that the policy maintains exceptions for certain cases below the revised thresholds, particularly those involving TDS/TCS, undisclosed foreign income or assets, and instances where courts have provided specific directions.

The CBDT circular also clarifies that the new monetary limits will not apply to cases where prosecution has been filed by the department and is either pending trial or has resulted in a conviction. With approximately 2.7 crore direct tax demands totalling around Rs 35 lakh crore currently in dispute, this move aims to reduce the number of cases in legal forums and expedite the resolution process.

Read more at: Income Tax Department increases thresholds for filing appeals in tax disputes

Vivad Se Vishwas direct tax Scheme: New window to settle pending tax demands & litigations opens on October 1, 2024

The Ministry of Finance has notified the Direct Tax Vivad Se Vishwas Scheme, 2024 which will come into effect from October 1, 2024. This scheme aims to reduce income tax litigation and allows taxpayers to settle income tax appeals, writs and petitions that are pending before various appellate authorities including the Supreme Court and High Courts as of July 22, 2024.

Direct Tax Vivad Se Vishwas Scheme, 2024 is proposed to introduce a new scheme for settlement of pending appeals. The scheme's operational date has been announced, but the final date for the scheme is still pending announcement.

Details of the Direct Tax Vivad Se Vishwas Scheme, 2024

You can only use the Direct Tax Vivad Se Vishwas Scheme, 2024, if your appeals, writs and petitions are pending as of July 22, 2024.

Who will benefit from this scheme?

As per the Finance Act, 2024 the Direct Tax Vivad Se Vishwas Scheme, 2024 can be used by the following appellants:

- A person in whose case an appeal or a writ petition or special leave petition has been filed either by him or by the income-tax authority or by both, before an appellate forum and such appeal or petition is pending as on the specified date; or
- A person who has filed his objections before the Dispute Resolution Panel under section 144C of the Income-tax Act and the Dispute Resolution Panel has not issued any direction on or before the specified date; or
- A person in whose case the Dispute Resolution Panel has issued direction under sub-section (5) of section 144C of the Income-tax Act and the Assessing Officer has not completed the assessment under sub-section (13) of that section on or before the specified date; or
- A person who has filed an application for revision under section 264 of the Income-tax Act and such application is pending as on the specified date;

How the Vivad Se Vishwas Scheme may help you

All pending cases as on July 22, 2024 (day before budget presented) will be eligible for the new Scheme and eligible persons can apply from October 1, 2024. Online process is likely to be in place by October 1, 2024, similar to the 2020 scheme with the same name. This scheme offers the taxpayers the opportunity to settle disputed tax, interest, or penalties at the rates lower than the actual total demand.

Read more at: [Vivad Se Vishwas direct tax Scheme: New window to settle pending tax demands & litigations opens on October 1, 2024]

New invoice management system to streamline GST compliance from Oct 1: What this means for taxpayers

Starting October 1, 2024, the Goods and Services Tax Network (GSTN) will roll out a new Invoice Management System (IMS) on the GST portal. This new feature aims to streamline how taxpayers manage invoices and claim Input Tax Credit (ITC). The IMS will enable taxpayers to accept, reject, or keep invoices pending directly through the portal.

How IMS will work:

Once a supplier saves an invoice in their GSTR-1, it will appear in the IMS dashboard of the recipient taxpayer. The recipient can then choose to accept, reject, or leave the invoice pending. Accepted invoices will automatically become part of the recipient's GSTR-2B as eligible ITC, which will then populate in their GSTR-3B for the respective tax period.

If no action is taken on an invoice, it will be considered "deemed accepted" and included in GSTR-2B. This system will ensure that only genuine and verified invoices contribute to ITC claims, reducing errors and discrepancies in tax filings.

Benefits for taxpayers: The IMS offers several advantages to taxpayers:

By reviewing each invoice before it becomes part of their ITC claims, taxpayers can ensure accuracy and avoid issues during audits. Taxpayers can take action on invoices any time before filing their GSTR-3B. Pending invoices can be addressed in future tax periods.

For those using the Quarterly Return Monthly Payment (QRMP) scheme, the IMS will integrate with their existing processes, generating GSTR-2B quarterly, in line with their filing schedule.

What this means for software companies and tax authorities

The introduction of IMS signifies a shift in the tax filing process, requiring software companies to adapt their systems to align with this new functionality. For tax authorities, the IMS provides a more transparent and reliable system for monitoring ITC claims, which could lead to future automation opportunities. Features like AI-driven analysis and automated dispute resolution could become possible. It emphasises that this move could pave the way for future advancements in the GST system, including AI integration and improved fraud detection. Draft manual is available on GST portal Draft Manual on Invoice Management System

Read more at: New invoice management system to streamline GST compliance from Oct 1: What this means for taxpayers

GST Council Meeting Key Takeaways: From medical insurance premium to rate rationalisation, here's what Sitharaman & Co decided

The 54th meeting of the Goods and Services Tax (GST) Council, chaired by union Finance Minister Nirmala Sitharaman, concluded at the Sushma Swaraj Bhawan, New Delhi on Monday.

Key takeaways

1. Status of GST on Online Gaming and Casinos

Finance Minister Nirmala Sitharaman announced that following the announcement of GST on online gaming, there has been a 412 per cent jump in revenue, as per a status report submitted to the fitment committee.

2. On medical insurance premium

The FM announced that the council has decided to form new Group of Ministers (GoM) on GST rate reduction on medical health insurance set up. It will be headed by the Deputy Chief Minister of Bihar but with newer members added for this limited purpose. It has been asked to submit its report by October-end. "The GST council which will meet in November will finalize based on this report which will come from the GoM," Sitharaman said.

3. GST on cancer drugs slashed

The reduction in GST on cancer drugs from 12% to 5% is aimed at further reducing the overall cost of cancer treatment.

4. Namkeen snacks to get cheaper

The GST council has decided to slash tax on selected snacks from 18% to 12%.

5. Relief for foreign airlines

The Goods and Services Tax (GST) Council at its 54th meeting decided to exempt import of services by foreign airline companies.

6. Govt established Universities exempted

Universities and research centers established by central or state government laws, or those granted income tax exemptions, will now be exempt from paying Goods and Services Tax (GST) on research funding. Announcing the decision, the government clarified that these institutions can receive research funds from both public and private sources without being liable for GST.

7. GoM on cess

During the GST Council meeting, it was revealed that the total cess collection projected until March 2026 stands at Rs 8.66 lakh crore. After settling the loan payments, a projected surplus of around Rs 40,000 crore is expected. Sitharaman confirmed that the position on compensation cess was thoroughly discussed in the meeting. She said that a GoM will be formed to decide on purpose of the cess, way forward after March 2026, if the cess has to be collected after the said period as it cannot be called Compensation cess.

8. On IGST

The GST Council, led by Finance Minister Nirmala Sitharaman, discussed key issues related to the Integrated Goods and Services Tax (IGST) balance. The GST panel decided to set up a committee headed by the Additional Secretary of Revenue, who will address the negative IGST balance, focusing on retrieving excess IGST disbursed to states.

9. On rate rationalisation

The Group of Ministers (GoM) presented their status report on rate rationalisation during GST Council Meeting. The GoM is considering lowering the GST on certain goods from 12% to 5%. The next meeting is scheduled on October 20.

10. Renting of commercial property

The GST panel has also decided to bring renting of commercial property by unregistered person to a registered person under Reverse Charge Mechanism (RCM), in order to prevent revenue leakage.

11. Other decisions

The GST panel led by Nirmala Sitharaman also decided to introduce Business-to-Customer (B2C) GST invoicing. This new system for GST invoice management will take effect from October 1. It was also announced to surge GST on car seats from 18 per cent to 28 per cent. The GST panel also clarified that Roof Mounted Package Unit (RMPU) Air Conditioning Machines for Railways would be classified under HSN 8415 attracting a GST rate of 28 per cent.

Read more at: GST Council Meeting Key Takeaways: From medical insurance premium to rate rationalisation, here's what Sitharaman & Co decided

Archival of GST Returns data on GST portal

1. Section 39 (11) of the CGST Act, 2017, implemented w.e.f 01-10-2023 vide Notification No. 28/2023 – Central Tax dated 31th July, 2023, provides that the taxpayers shall not be allowed file their GST returns after the expiry of a period of three years from the due date of furnishing the said return.
2. Further, as per GST portal data policy, data for view of taxpayer to be retained for seven years only. Therefore, the same data policy is being implemented on the GST portal. Thus, return data will not be available to view beyond 7 years for taxpayers.
3. Accordingly, on 01st August 2024 return filed for July 2017 has been archived and on 01st September 2024, data for August 2017 has been archived. Further, this data archival is going to be a monthly activity hence on 01st October, 2024 data of September 2017 shall be taken down from the GST portal and so on so forth.
4. Hence, hereby the taxpayers are advised to download their relevant data from the GST portal for any future reference, if required.

Read more at: Archival of GST Returns data on GST portal

SEBI cuts time to credit bonus shares to two days from record date w.e.f 1st Oct,2024

In a bid to speed up the process of crediting and trading bonus shares, markets regulator Sebi introduced new guidelines, whereby investors will be able to trade bonus shares just two days after the record date starting October 1.

The current ICDR (Issue of Capital and Disclosure Requirements) rules prescribe overall timelines regarding the implementation of the bonus issue. However, there is no specific timeline for credit of bonus shares and trading of such shares, from the record date of the issue. Currently, after a bonus issue, existing shares continue to trade under the same ISIN, and the new bonus shares are credited and available for trading within 2-7 working days after the record date.

Under the guidelines, trading in bonus shares will now be enabled on the second working day (T+2) after the record date, boosting market efficiency and reducing delays. This will be applicable for all bonus issues announced on or after October 1, 2024. The move is expected to benefit both issuers and investors by reducing the time gap between bonus share allotment and trading.

Issuing the operational procedure, Sebi said companies proposing a bonus issue is required to apply for in-principle approval from the stock exchange within 5 working days of the board meeting that approved the bonus. When the company sets the record date (T day) for the bonus issue, it needs to note the deemed date of allotment, which is the next working day (T+1 day). After receiving the record date and necessary documents, stock exchanges will issue a confirmation notice that includes the deemed allotment date and the number of shares being issued as bonuses. Issuers are required to submit all documents to the depositories by 12 pm on T+1 day to facilitate the quick credit of bonus shares.

Also, the regulator has eliminated the earlier requirement to use a temporary ISIN for bonus shares, permitting direct credit into the existing permanent ISIN of the company's shares.

Read more at : SEBI cuts time to credit bonus shares to two days from record date w.e.f 1st Oct,2024

MISCELLANEOUS

Health, life insurance policyholders' rights: Master circular issued by Irdai, know claim settlement time limit, other rules

The Insurance Regulatory and Development Authority of India (IRDAI) has released a master circular on Protection of Policyholders' Interests 2024 on September 5, 2024. If you have a life or health insurance policy, you must be aware of these rights.

1. All insurance policies must be issued in e-format

All insurance policies must be issued in electronic format. The e-insurance policies can be signed digitally by the customer. The customers can request the insurance company if they want policies to be issued in a physical format. Do keep in mind that if you want policy documents or brochures in a physical format, you must mention it in the proposal form.

2. Buying a life insurance policy? Key documents you should get

The insurer must issue the life insurance policy within 15 days of accepting the proposal form. Under the new rules, insurers are no longer allowed to collect the initial premium along with the proposal form unless the policy can be issued immediately based on a declaration of good health. With an insurance policy, a policyholder should get the following documents from the insurance company

i) Covering letter for the policy document informing the free look period of 30 days
ii) Policy document
iii) A copy of the proposal form submitted by the prospect
iv) Copy of benefit illustration
v) Customer Information Sheet
vi) Copy of need analysis document under suitability assessment, if any.
vii) Any other document as may be required by the specific product

3. CIS mandatory for all policyholders:

According to regulations, the CIS must be provided in the format specified in 'Schedule D' of the Insurance Act for life insurance policies. This ensures consistency and clarity for policyholders. Key details to check in a Customer Information Sheet (CIS) for a life insurance policy:

i) **Type of insurance:** Whether it's term life, whole life, or another type of coverage.
ii) **Sum assured:** The amount that will be paid to the beneficiary in case of a claim.

iii) **Benefits:** A detailed explanation of the coverage provided by the policy.

iv) **Exclusions:** A list of events or situations that are not covered by the policy.

v) **Important details:** Information about the free look period, policy renewal date, options like policy revival and loans, and other relevant details.

vi) **Claims procedure:** Instructions on how to file a claim.

vii) **Policy servicing:** Information about customer support and assistance.

viii) **Grievance redressal**: Details on how to file a complaint and the contact information of the Insurance Ombudsman.

4. How long does it take to settle a claim for a life insurance policy? Irdai sets timelines.

According to IRDAI, the death claims, except the cases where investigation is required, should be settled within 15 days of initiating the claim.

In death claims where investigation is required, the settlement should be done within 45 days of intimation of the claim. Surrender or partial withdrawal requests should be settled within 7 days of initiating the claims. The maturity benefits, survival benefits, annuity payouts and income benefits should be provided on the due date.

In case the claim is not settled within the specified timelines, then the claimant is entitled to interest at bank rate plus 2% from the date of receipt of intimation till the date of payment. Such interest shall be paid by the insurer suo-moto along with the claim amount.

5. Nomination must

While filling out the proposal form, the prospect is required to provide the details of the nominee. Do remember that nomination is mandatory to facilitate payment of the claim amount in case of death of life assured. The policyholder may nominate one or more persons and specify the percentage of claim amount payable to each nominee.

6. CIS for health insurance policies: What are the details you need to check?

A Customer Information Sheet is also mandatory for health insurance policyholders. It should include the details like Type of insurance, Sum insured, coverage provided, Summary of exclusions which policy does not cover, Sub-limits (a pre-defined limit above which the insurer will not pay), Deductibles (specified amount up to which an insurer will not pay any claim/which will be deducted from total claim if the claim amount is more than the specified amount), co-payment, waiting period(s) (period during which specified diseases/treatments are not covered), certain important things such as the free look period, policy renewal, migration, portability and Moratorium Period. CIS will also contain information regarding the claims procedure, policy servicing, etc. Keep in mind that for policies requiring medical checks, insurers will now review and accept the proposal before collecting the premium.

Read more at: [Health, life insurance policyholders' rights: Master circular issued by Irdai, know claim settlement time limit, other rules]

New PPF rules 2024: 3 changes from October 1 that Public Provident Fund account holders should be aware of

Public Provident Fund or PPF is a popular investment option, especially since it comes with government guarantee, making it risk-free with assured returns. The Ministry of Finance's Department of Economic Affairs has recently released updated guidelines for Public Provident Fund accounts opened under the name of minors, individuals holding multiple PPF accounts, and NRIs extending their PPF accounts through post offices under the National Small Savings (NSS) schemes. The circular announcing these changes was issued on August 21, 2024, with the new regulations set to take effect from October 1, 2024.

New PPF Rules 2024

1. **PPF account for minor:**

In the case of PPF accounts opened under the name of a minor, the interest rate applicable to Post Office Savings Account (POSA) will be paid for such irregular accounts until the minor reaches the age of 18, at which point they become eligible to open their own account. From that point onwards, the standard PPF interest rate will be applied. The maturity period for these accounts will be calculated starting from the date the minor attains adulthood, i.e., the date from which they become eligible to open the account.

2. **More than one PPF Account:**

The scheme rate of interest will be earned on the primary account as long as the deposit remains within the yearly limit. The investor chooses two accounts from any Post Office or agency bank, and after regularisation, the primary account is the one they wish to maintain. If the primary account stays below the applicable investment limit each year, the balance in the second account will be combined with it. The primary account will continue to earn the prevailing scheme rate of interest after the merger. The second account's excess balance will be returned without interest.

It's important to note that apart from the primary and second accounts, all other accounts will not earn any interest from the date of opening.

3. Extension of PPF account by NRI:

For NRI PPF accounts that are active and opened under the Public Provident Fund Scheme, 1968, where Form H did not explicitly inquire about the account holder's residency status, the account holder (Indian citizen who became an NRI during the currency of the account) will receive a POSA rate of interest until September 30, 2024. After that date, the aforementioned account will earn no interest.

Read more at: New PPF rules 2024: 3 changes from October 1 that Public Provident Fund account holders should be aware of

CONTACT DETAILS & ALLIANCE WITH ABV & COMPANY

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SPECIALIZED INTO

- ✓ Audit & Assurance (incl. Tax Audit, Statutory Audit etc)
- ✓ Internal audit / Management audit
- ✓ ESOP Valuation SBP (Share based payment) under Ind AS
- ✓ Valuations under various laws including Companies Act and IBBI
- ✓ Implementation of IFC, Drafting SOPs, Testing controls
- ✓ Company formation and assisting clients with Regulatory compliance for setting up business in India
- ✓ Setting up of Vigil and whistle-blower mechanism
- ✓ Developing, implementing and operationalizing Business Ethics and Code of Conduct for Employees and Directors
- ✓ Tax, Regulatory and Advisory
- ✓ Accounting advisory, Book Keeping and MIS services
- ✓ Project Financing for Term Loan & Working Capital Loan
- ✓ ECB Compliances, Returns, Hedge Accounting and Certification
- ✓ Tax effective Portfolio Management / Reshuffling advisory
- ✓ Regular Attest function
- ✓ Talent pool of proficient resources to our network firms and clients

OTHER SPECIALIZED SERVICES:

Assurance

- Concurrent Audit
- Statutory Audit
- Stock Audit
- Forensic Audit
- Due Diligence
- Tax Audit

Operations & Risk Consultancy

- Internal Audit
- Review of Internal Financial Control
- Drafting and assistance in SOP’s
- Fraud Investigations

Tax, Regulatory & Advisory

- Consultancy under Direct and Indirect taxation
- GST Implementation Services
- Assessment and Litigation Support
- Filling of Returns under direct and indirect taxes
- ROC Fillings Regulatory
- compliances
- RBI and SEBI fillings
- Supporting in 15CA and 15CB filing

Accounting Advisory

- Assistance in drafting and preparations of Financial statement with respect to Ind-AS, IFRS, US GAAPs
- Accounts receivables / payable reconciliations
- Bank Reconciliations
- Inventory Management support
- Fixed Asset & Inventory verification
- MIS, Budgeting

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