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DIRECT TAX NEWS

INDIA, US REACH COMPROMISE ON DIGITAL TAX

India and the US have reached a compromise on the 2 per cent equalisation levy or digital tax on e-commerce supply of services charged by the country and the US' proposed retaliatory action against it.

"The two countries agree on the terms of Unilateral Measures Compromise on Oct 21, 2021 agreed upon by the US with the UK, Austria, France, Italy and Spain," according to an official release issued by the Finance Ministry on Wednesday.

The US had announced in January this year that India's equalisation levy was discriminatory and actionable, and in March, proposed 25 per cent retaliatory tariffs on about 40 products including shrimps, wooden furniture, gold, silver and jewellery items and basmati rice. However, in June, the US suspended retaliatory tariff imposition on six countries, including India, for a period up to 180 days to provide time for negotiations at the OECD and G20 on international taxation. With the two countries now reaching a compromise on the matter, the US is now expected to give up its intention to retaliate.

CBDT CIRCULAR NO. 20/2021 DATED 25 NOVEMBER 2021

Sub-section (4) of section 194-0, sub-section (3) of section 194Q and sub-section (I-I) of section 206C of the Act empowers the Board (with the approval of the Central Government) to issue guidelines for the purpose of removing difficulties.

In this regard, vide circular no. 17 of2020 dated 29.09.2020, guidelines were issued by the Board (with the approval of the Central Government) in relation to the provisions of section 194-0 and section 206C(1 H) of the Act in certain cases to remove difficulties and provide clarity for certain transactions.

Further, vide circular no. 13 of 202 1 dated 30.06.2021, guidelines were issued by the Board in relation to the provisions of section 194Q of the Act through which the difficulties arising from the applicability of the provisions of section 194Q in certain cases were removed. Furthermore, guidelines with respect to the cross application of the provisions of sections 194-0, 194Q and 206C (I H) of the Act were also issued through the said circular. In continuation of the above, to further remove the difficulties, the Board, with the approval of the Central Government, hereby issues the following guidelines under sub-section (4) of section 194-0, subsection (3) of section 194Q and sub-section (I-I) of section 206C of the Act.

Guidelines are issued on following:

- E-auction services carried out through electronic portal;
- Adjustment of various state levies and taxes other than GST;
- Applicability of section 194Q of the Act in cases where exemption has been provided under section 206C (1A) of the Act
- Applicability of the provisions of section 194Q in case of department of Government not being a public sector undertaking or corporation

SWISS FEDERAL ACT ON IMPLEMENTATION OF INTERNATIONAL TAX AGREEMENTS

On 10 November, the Federal Council introduced within the Swiss legal framework a new law, the federal act on the implementation of international tax agreements (ITAIA), as well as a related ordinance. These new rules will apply from 1 January 2022.

As the title emphasizes, this legislation aims to update the basis for the execution of international treaties and, moreover, double taxation conventions.
Currently, a federal law dated 22 June 1951 applies to such conventions: the federal act on the implementation of international federal conventions on the avoidance of double taxation. This law is made up of just four articles, which only grant the Federal Council the power to enact all the ordinances required to implement international agreements.

The new rules reprise some policies already in practice and further define policy in other areas. In particular, the legislation aims to provide clear rules to follow in mutual agreement procedures, particularly where the applicable convention keeps silent. Secondly, it clarifies withholding tax relief based on international agreements. Thirdly, it sets out criminal provisions related to relief from withholding taxes on investment income

TYRE SECTOR SEEKS DUTY-FREE IMPORT OF NATURAL RUBBER

A severe crunch in the availability of natural rubber is disrupting the production processes in tyre manufacturing units even as its demand for tyres is peaking, Automotive Tyre Manufacturers' Association (ATMA) said in a communication to the Union Minister of Commerce & Industry.
The scarcity of rubber at the height of peak production season in Kerala is unprecedented and does not augur well for the tyre industry value chain. Domestic production during October and November is estimated to be 45,000-50,000 tonnes each, much lower than the usual 75,000 tonnes.
The scarcity comes at a time when domestic production of Commercial Vehicles (CVs) is looking up after a prolonged downturn. Truck and Bus (T&B) tyres have relatively a higher NR content. Demand is, therefore, expected to firm up further but the availability crisis is likely to throw a spanner in the works.
With a view to ensuring that tyre production and exports take place in an uninterrupted manner, duty free imports of rubber should to be allowed to the extent of projected demand supply gap in the country, i.e. 4.4 lakh tonnes. The duty free import volumes can be reviewed every year, as Tariff Rate Quota (TRQ) quantity, in accordance with Production, Consumption estimates put up by the Rubber Board. Moreover, port restrictions on NR import need to be removed, since import is imperative and critical for bridging the demand-supply gap. The restriction is only adding to the cost and affecting competitiveness of the industry.

NO NEW TAXES PROPOSED IN NORTH CORPORATION BUDGET

The North Delhi Municipal Corporation on Thursday presented its budget estimates for the financial year 2022-2023 with the estimated income standing at ₹5,811.72 crore. The civic body also presented the revised budget estimates for the financial year 2021-2022 with the estimated income standing at ₹7,330.81 crore — the previous estimate for the current financial year stood at ₹7,728.29 crore. The liabilities of the North Corporation increased to ₹8,803.25 crore from last year's total of ₹7,523.97.
No new taxes were proposed in the budget, however, North body Commissioner Sanjay Goel requested the civic body leaders to consider an increase in property taxes by 2% and decrease of rebate from 15% to 10% for commercial and residential areas.

GOLD MAY LOSE SHEEN ON GOVT'S PLAN TO HIKE BULLION GST RATES

The government's reported proposal to hike GST on gold jewellery to five per cent from three per cent is likely to affect the bullion industry that is rebounding after a series of disturbances including Covid-induced lockdowns and mandatory hallmarking putting jewellers in a tizzy.

After lying low for long, jewellery sales have picked up in the last two months with the fall in gold prices boosting wedding purchases and pent-up demand.

Vaibhav Saraf, Director, Aisshpra Gems and Jewels, said the hike in duty will lead to increase in the black marketing of gold and ultimately incentivise gold smuggling.

Aditya Pethe, Director, WHP Jewellers, said the tax on gold should not be increased as it is used not only for ornamental purposes but also as a form of savings to build assets.

BMW TO ROLL OUT 3 NEW EVS IN INDIA, FAVOURS IMPORT DUTY CUTS

Amid strong debate in the auto sector on whether India should cut import duty on electric vehicles, German luxury car maker BMW, on Thursday voiced support for duty cuts, even as it announced plans to unveil three new electric cars in India in the next six months.

While EV makers including Tesla and Hyundai have sought duty cuts, Indian firms such as Maruti Suzuki, and Tata Motors have opposed it, saying local manufacturing should be incentivised instead.

"We're not asking for a blanket exemption... these could be either time-limited exemptions or quantity-limited. Then it is a clear path, there's a clear sunset date," Mr. Pawah explained.

He said BMW would unveil three electric mobility products in the next 180 days. The first car would be the BMW iX next month.

BRING IN THREE-RATE GST STRUCTURE

The Government can rationalise the GST rate structure without losing revenues by rejigging the four major rates of 5%, 12%, 18% and 28% with a three-rate framework of 8%, 15% and 30%, as per a National Institute of Public Finance and Policy (NIPFP) study.

Multiple rate changes since the introduction of the GST regime in July 2017 have brought the effective GST rate to 11.6% from the original revenue neutral rate of 15.5%, Finance Minister Nirmala Sitharaman pointed out at the last Council meeting in September.

The nature of rate changes has also meant that over 40% of taxable turnover value now falls in the 18% tax slab, thus any move to dovetail that slab with a lower rate will trigger losses to the tax kitty that need to be offset by marginal hikes in other remaining major rates — 5% and 28%.

TODAY'S QUOTE

"Never let the fear of striking out keep you from playing the game."

– Babe Ruth

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