

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

GIFT CITY EMERGING AS INDIA'S FIRST GREENFIELD CITY



Around seven km from Gandhinagar, on the banks of the Sabarmati and spread over 886 acres, once a barren land along the river is now emerging as the country's first greenfield integrated city — a dream project of Narendra Modi when he was Chief Minister of Gujarat.

Now operational with more than 200 entities, which have set up their offices where more than 12,000 people are working, the Gujarat International Finance Tec City (GIFT City) is India's first and only International Financial Services Centre (IFSC) where banks, stock exchanges and financial services firms have set up their global operations. As per the plans, 886 acres will be provided to develop nearly 62 million square feet built-up area constituting 67% commercial, 22% residential and 11% social space. Further, the entire city project has been divided into a multi-service Special Economic Zone (SEZ) spread over 261 acres and exclusive domestic tariff area (DTA) spread over 625 acres.

The Centre has announced a range of tax exemptions for those starting their international operations here. As a result, both the BSE and the NSE have set up their international stock exchanges; 17 banks, including 12 domestic and five international, issued licence to operate, 100-plus broking services, depository clearing operations and over 19 companies have begun operations for non-life reinsurance business.

The Centre's IFSC-related relief measures include tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors, tax incentive for re-locating foreign funds in IFSC and exemption to investment divisions of foreign banks.

Since it's a hub of international financial services, the Singapore Arbitration Centre has also been set up for dispute resolution while the International Bullion Exchange will become functional soon. The latest Global Financial Centers Index, London, dated September 2020 has placed the IFSC at GIFT City right at the top among 15 centres globally, which are likely to gain significance.

COCA-COLA DENIED RECONSIDERATION IN TRANSFER PRICING DISPUTE DUE TO 'FUTILE' ARGUMENTS



The US Tax Court will not reconsider its 2020 transfer pricing decision that increased Coca-Cola's US taxable income by about USD 9 billion in a case involving the pricing of cross-border intercompany royalties.

In an order dated October 26, the court denied Coca-Cola's motion for leave to file out of time a motion for reconsideration – stating that granting the motion for leave would be “futile” as the court would, in any event, ultimately deny the motion for reconsideration.

In the motion for reconsideration that Coca-Cola had filed in June, it argued that it had “reasonable reliance interests” in a 1996 closing agreement that it had completed with the Internal Revenue Service. Under the agreement, Coca-Cola had applied a “10-50-50” formulary apportionment transfer pricing method, and it continued to apply this method in years subsequent to the agreement. However, the court, in its 2020 decision, had found the agreement inapplicable to the years at issue (2007–2009).

The Tax Court has now effectively denied Coca-Cola's motion for reconsideration of the 2020 decision, noting that the motion was not filed within the normal 30-day deadline – rather, 196 days after the November 2020 opinion – and that the justifications for the delay were not compelling.

In denying the motion, the court also criticized Coca-Cola's underlying arguments, noting the “futility of the positions petitioner seeks to advance.”

PETROL GETS CHEAPER BY ₹8 PER LITRE IN DELHI AS GOVERNMENT CUTS VAT

The Delhi Government on Wednesday brought down the Value Added Tax (VAT) on petrol to 19.4% from 30%. As a result, petrol will be cheaper by ₹8 per litre in the city. The decision was taken at a Cabinet meeting chaired by Chief Minister Arvind Kejriwal.

CBIC INSTRUCTION NO. 26/2021- CUSTOMS

Gross Goods and Services Tax (GST) collections hit ₹1,31,526 crore in November, the second highest since it was implemented in July 2017, and the second month in a row that collections have crossed ₹1.3 lakh crore. The revenues for November were 25% higher than that in the corresponding month last year and 27% over the pre-pandemic levels of 2019-20.

Economists, however, said the November collections, reflecting transactions undertaken in October, were underwhelming in the context of the record generation of e-way bills in October. Tax collections from import of goods were 43% higher, while revenues from domestic transactions, including import of services, were 20% higher than the respective collections in November 2020.

GST ON NOTICE PAY, GROUP INSURANCE, PHONE BILL: AAR



GST will be applicable on employee recoveries such as notice pay, group insurance and telephone bill, an Advance Authority of Advance Ruling (AAR) has said.

The ruling said that as in the case of notice pay, the company is actually “providing a service” to an employee and hence GST should be applied on that. Under the GST framework, tax is levied on any activity that is viewed as supply of service—whether directly or deemed supply. This tax complication comes at a time when top companies are complaining of high attrition. The ruling in the case of Bharat Oman Refineries is set to result in scrutiny by the tax department in the coming months as there's already confusion over the issue.

TODAY'S QUOTE

"Your passion is waiting for your courage to catch up."

— Isabelle Lafleche

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