TAXTIME

NEWSLETTER

INDIRECT TAX NEWS

FOOD DELIVERY APPS NOT ELIGIBLE FOR ITC UNDER NEW GST REGIME

E-commerce Operators (ECOs) in food delivery space like Swiggy and Zomato will not get input tax credit (ITC) under the new GST mechanism coming into effect from January 1. This will be included in the frequently asked questions (FAQs) expected to be released soon.

The GST Council, in its meeting on September 17, recommended that ECOs in food delivery would be responsible for paying taxes. At present, it is the restaurants which are paying the taxes. The government has already clarified this is not a new tax and there will be no implications on customers. The rate of tax will continue to be 5 per cent with the Finance Ministry having notified the change. However, this will not be applicable in case of restaurant services supplied from luxury hotels that declare tariff of any unit of accommodation not less than ₹7,500 a day.

The GST Council recommended for change on the basis of a suggestion by an e-commerce sectoral study of suppliers/ECOs dealing in food delivery. Under the existing system, these apps are registered as tax collectors at source (TCS). According to the officials, one of the reasons for such a change is the committee's observation that there is no mandatory GST registration check by these food-tech companies and there were unregistered restaurants supplying through them. As a result of the new mechanism, the restaurants will also have to mandatorily register themselves as is done by e-commerce sellers. Restaurants will have to bear additional compliance burden and they will have to account for not only their routine business but also now separate books of accounts for the business done through platforms like Swiggy, Zomato. For the aggregators, this will also increase the burden of compliance towards collecting and accounting for the taxes on behalf of the restaurants, said an expert.

BABY WIPES UNDER 18% GST SLAB: AAR

Karnataka Authority for Advance Ruling (KAAR) has maintained that child wipes will appeal to 18 per cent Items & Providers Tax (GST). "Child wipes are neither designed to soak up and retailer fluids nor are formed to suit human physique," KAAR mentioned whereas disposing an utility by Xtracare Merchandise Personal Restricted. Additional, it mentioned that the mentioned merchandise that can't be labeled underneath tariff headings 9619 will probably be taxed on the price of 18 per cent. The tariff headings point out what would be the tax charges on the products/providers talked about with it. Traiff headings 9619 embrace sanitary towels (pads) and tampons, napkins and serviette liner for infants and related article of any materials.

INTERNATIONAL TAX CORNER

OECD COUNTRIES' TAX REVENUES FELL IN 2020, BUT LESS THAN THEIR GDPS

The ratio of tax revenues to GDP in OECD countries rose slightly in 2020 amid the Covid-19 pandemic, as nominal tax revenues generally fell but did so at a lower rate than countries' GDPs, according to the OECD's 2021 annual revenue statistics released December 6. Corporate income tax revenues saw the largest decreases in 2020, although they took less of a hit than during the global financial crisis of 2007–2009, the report notes. Out of 38 OECD countries, 26 reported drops in corporate tax revenues in 2020, with an average decrease of 0.37 percentage points.

Norway saw the largest drop in corporate tax revenues – 3.5 percentage points – attributed to petroleum tax act changes and some other measures. There was also a marked drop in corporate tax revenue in the Czech Republic – 1.3 percentage points – attributed to various business tax incentives.

On the other hand, personal income tax revenues actually increased in most OECD countries (28 of 38) in 2020. The OECD attributes this to the broad support measures enacted by governments during the pandemic. On the whole, corporate income taxes counted for a relatively small share of tax revenues (9.6%). Personal income taxes in combination with social security contributions contributed on average about half of OECD countries' tax revenues.

Overall, the ratios of tax revenues to GDP varied widely among OECD countries last year, from 17.9% in Mexico to 46.5% in Denmark. The OECD average was 33.5% in 2020 – up 0.1 percentage points from 2019. In the US, the revenue-to-GDP ratio was on the lower end of the scale at 25.5.

DIRECT TAX NEWS

USE GST DATA TO RAISE DIRECT TAX REVENUE

The spurt in both goods and services tax (GST) collections and issuance of e-way bills in November reaffirm economic recovery. GST revenues stood at over Rs 1.3 lakh crore, about 24% higher than those for November 2020, but trailed the April collections of Rs 1.40 lakh crore. A record 7.35 crore e-way bills were generated. However, the government is a long way from achieving the full potential of GST to raise taxes, in particular, direct taxes.This requires completing the GST chain, diligently following up the audit trails and deploying robust data analytics to track income escaping tax. With greater formalisation of the economy, more companies will report transactions transparently, pay tax, report their workers and pay their statutory dues.

Data released by the Comptroller and Auditor General of Accounts show that net direct tax collections grew by about 70% to touch Rs 6.4 lakh crore till October this year, better than the pre-pandemic level of 2019-20. But nearly two-thirds of the revenues come from indirect taxes that are regressive, underscoring the need to raise the share of direct taxes in total tax revenues. The way GST is structured, it is a tax on the value added by an enterprise.ax paid divided by the rate of tax yields the value added. This value added necessarily breaks down into two components: gross profits and employee compensation. Gross profits are very different from taxable profits, of course. But once you have a fix on gross profits, there is only so much that can be done to reduce taxable profits.

Similarly, transparency as to employee compensation leads to better taxation of employee incomes. The more complete the GST chain, the better eventual realisations of both direct and indirect taxes.

VALIDITY OF NOTICE ISSUED U/S 148 AFTER 31.03.21: HIGH COURT OF RAJASTHAN

While deciding a bunch of writ petitions challenging notices issued u/s 148, the Hon'ble Rajasthan High Court, Jaipur Bench in a landmark decision quashed all such notices issued u/s 148 on/after 01.04.2021 relating to earlier years without complying with the amended provisions brought by the Finance Act, 2021 made effective from 01.04.2021.

The Hon'ble Court concurred the decision of Hon'ble Allahabad High Court in the case of 'Ashok Kumar Agarwal vs. Union of India'. However, it is left open to the assessing authority to initiate re-assessment proceedings in accordance with the provisions of the Act, as amended by Finance Act 2021 after making due compliance as required under the law.

TODAY'S QUOTE

"Work hard in silence, let your success be the noise."

— Frank Ocean

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