AKSHAY SHAH
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NEWSLETTER

DIRECT TAX NEWS

CLARIFY TAX RELIEF RULE FOR SEZ PROJECTS WITH WFH

The National Association of Software and Services Companies (Nasscom) has submitted recommendations for the upcoming Budget, including clarification on availability of income tax relief in projects for which staff Work-from-Home (WfH), reduction in compliance burden and certainty to taxpayers.

Nasscom said the industry had potential to grow twofold in revenue to $350 billion by FY26, and favourable consideration to the suggestions would help reach the goal. It sought clarification as to whether WfH by employees of units in Special Economic Zones (SEZs) would not affect eligibility for tax holiday available under to Sec. 10AA of the Income Tax Act (I-T Act).

Nasscom also pitched for lowering the compliance burden, urging amendments to allow depreciation on goodwill from transactions that took place before April 1, 2021

LTCG TAX: CII WANTS REITS/INVITS HOLDING PERIOD REDUCED TO ONE YEAR

The Confederation of Indian Industry (CII) has urged the government to make business trusts like REITs and InvITs even more attractive for both foreign and domestic investors.

This can be done by bringing down the period of holding for units in REITs and InvITs to be classified as long term to 12 months at par with listed securities, the CII recommended in its pre-budget memorandum submitted to the Finance Ministry.

Currently, investments in units of REITs and InvITs turn long-term only on holding the them for a minimum of 36 months as against 12 months prescribed for investment in the listed securities.

Such a long period disincentivises investors from considering investment through business trusts given the higher tax rate attracted when the gains are short-term in nature, the CII has said.CII has also suggested that the tax rates on dividends for residents should be brought down in line with the regime available for non-residents.

INTERNATIONAL TAX CORNER

MINIMUM GLOBAL TAX RATE SHOULD BE 25%, SAYS WORLD INEQUALITY REPORT

The World Inequality Report, released recently, has suggested raising the proposed global minimum tax rate on multinationals from the 15 per cent, which is agreed upon now. It said the 15 per cent rate would lead to a race among countries to reduce their corporation tax rates to that level, a risk that would reduce if the rate was raised to, say, 25 per cent.

It calculated a 15 per cent tax rate would result in a €500-million tax gain a year for India without a carve-out and €400-million tax gain a year with a carve-out.

On the other hand, a 25 per cent tax rate will lead to a €1.4-billion tax gain a year for India without a carve-out but a €1.2-billion tax gain a year with a carve-out. Carve-outs allow corporations with sufficient activity in low-tax countries to be exempt from the minimum tax.

The report, brought out by the France-based World Inequality Lab, said the agreement was flawed in several key aspects. It said the 15 per cent rate is lower than what working-class and middle class people typically pay in high-income countries. It is also lower than the average statutory rate that corporations face in those places.

INDIRECT TAX NEWS

GST COUNCIL MAY CLEAR AIR ON ICE CREAM PARLOUR LEVIES

The GST Council, expected to meet later this month, is likely to take up the issue of levy on ice cream parlours. Ice cream companies have urged for clarification on the applicability of GST at the rate of 18 per cent. The GST Council, in its meeting on September 17, made it clear that ice cream parlours sell already manufactured ice-cream which would attract GST at the rate of 18 per cent.

Following this, on October 6, the Finance Ministry issued a clarification saying where ice-cream parlours sell already manufactured ice-cream and do not cook or prepare ice-cream for consumption like a restaurant, ice cream is supplied as goods and not as a service even if the supply has certain ingredients of service. Accordingly, it clarified that ice cream sold by a parlour or any similar outlet would attract GST at the rate of 18 per cent.

In a representation, ice cream manufacturers have requested that, “Board (Central Board of Indirect Taxes & Custom) may kindly take steps either to clarify that the GST rate of 18 per cent on supply of ice cream by ice cream parlours would have only prospective effect, and if necessary, to suitably amend relevant notification to apply the rate of 5 per cent GST for the period from July 1, 2017 till the date of the present clarification i.e., October 6, 2021.”

UNBOUND KIDS’ PICTURE BOOKS TO FACE 5% GST

Given the Covid pandemic, home learning is the norm and picture books have become very popular in households with young kids. The Madhya Pradesh bench of the GST-Authority for Advance Rulings (AAR) had to decide whether a home-learning kit box’s books — largely meant for pre-schoolers to develop their linguistic, logical, sensory, cognitive, creativity and other skills — would attract a nil rate of GST. Children’s picture books under tariff heading 4903 are subject to a nil rate of GST. The kit box, called the ‘Class Monitor Home Learning Kit’ and manufactured & marketed by private company Riseom Solutions, consisted of cards, pamphlets and sheets containing images and pictures. After going through the learning kit, the AAR observed that it is not in a book or bound form.Thus, the learning kit would be classified under tariff heading 4901, which covers ‘pamphlets, booklets, brochures, leaflets and similar printed matter’. This would attract a GST rate of 5%

TODAY'S QUOTE

"Very often, a change of self is needed more than a change of scene."

– A.C. Benson

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