AKSHAY SHAH
22-01-2022

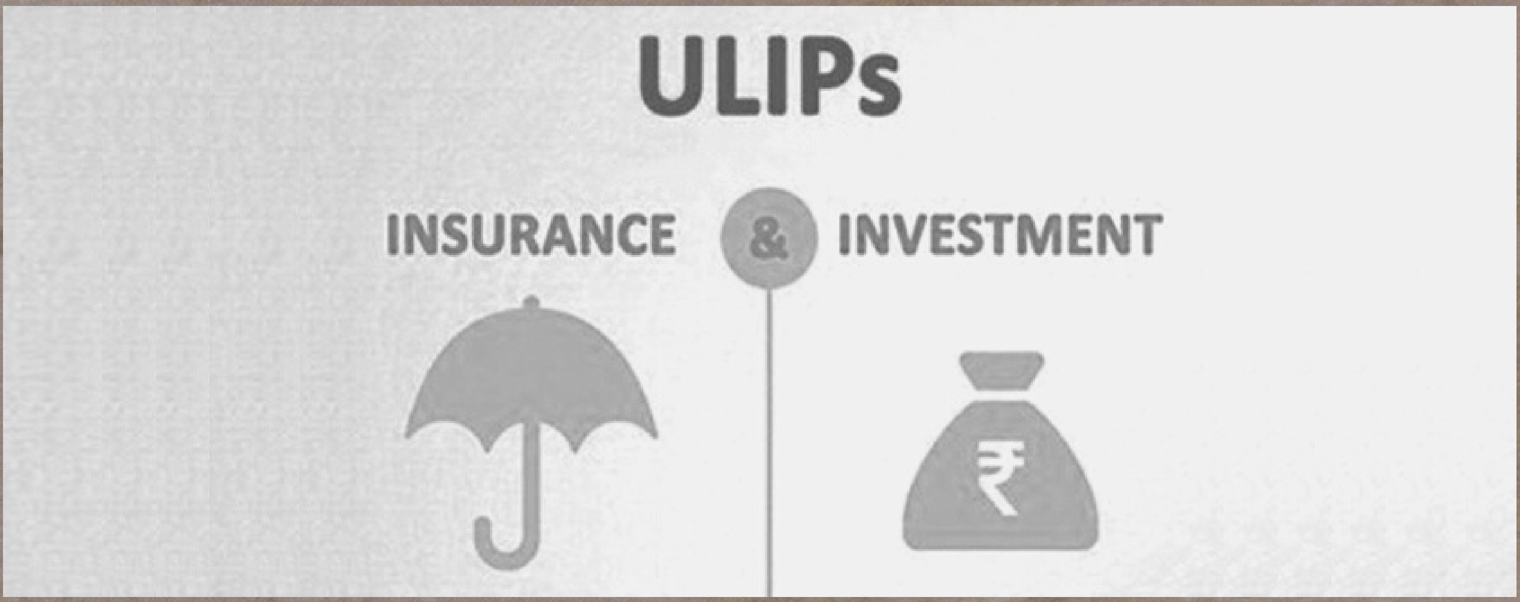
JAN 2022
ISSUE 28

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

COMPUTATION OF CAPITAL GAINS UNDER ULIP: IT DEPARTMENT NOTIFIES NORMS



The Income Tax Department has notified norms for computation of capital gains related to Unit Linked Insurance Policy (ULIP). Notification on capital gains aims to implement FY 22 Budget proposal on 'Rationalisation of taxation of ULIP.' It is proposed to allow tax exemption for maturity proceed of the ULIP having annual premium up to ₹2.5 lakh. However, the amount received on death shall remain exempt without limiting the annual premium.

The cap of ₹2.5 lakh on the yearly premium of ULIP shall be applicable only for the policies taken on or after February 1, 2021. Further, to provide parity, the non-exempt ULIP shall be provided with the same concessional capital gains tax regime as available to the mutual fund.

"The government through this notification has provided the mechanism for computation of capital gain, wherein the gain will be computed on the basis of amount received in excess of aggregate premium paid for the first time and so on," the expert said.

The notification has prescribed two situations for computation of capital gain – one when the amount is received for the first time and one when received after that.

On a first-time receipt, the difference between the amount of receipt and premiums paid till that date would be taxed. On a later receipt, the bonus taxed earlier and premiums considered earlier would be excluded and the gains shall be calculated accordingly.

"The intention behind bringing ULIPs to the tax net through capital gains for the policies issued on or after February 1, 2021, was to provide a level playing field for mutual funds and insurance companies selling ULIPs as investment product where premiums payable for any of the years during the term of the policy exceeds ₹2,50,000. The method to determine the taxability of such ULIPs was awaited, which is clarified now," the expert said

INTERNATIONAL TAX CORNER

EU'S PATH FORWARD ON GLOBAL MINIMUM TAX IS UNDER DEBATE

EU member states are at odds on various issues in connection with the directive to implement within the EU the global minimum tax portion of the OECD agreement, with several members expressing concerns about key aspects in an Economic and Financial Affairs Council public meeting on January 17.

In the debate, economic and finance ministers of EU member states disagreed with respect to how much the implementation of the global minimum tax (Pillar Two of the OECD agreement) should be legally intertwined with the other portion of the OECD deal relating to a reallocation of taxing rights between nations (Pillar One). The ministers also raised concerns about the implementation timeline and the rules for domestic application within the EU.

The French presidency of the Council of the European Union began this month and runs until June. Bruno Le Maire, French Minister for Economic Affairs, Finance, and Recovery, called for the adoption of the minimum tax directive within the EU in the first half of 2022 as a priority for the French presidency.

In opening the Council debate, Le Maire noted that all EU member states have already endorsed the OECD tax deal through the October 8 agreement. As such, he suggested it would be disingenuous for the states to not then agree to the proposed directive to implement the agreement within the EU, as the directive has been drafted to closely follow the OECD model rules, except for certain changes to comply with EU law.

Some EU member states would like to move forward with implementation in the EU of the Pillar Two minimum tax while the OECD continues to work out technical details on Pillar One, which would then require a multilateral convention.

INDIRECT TAX NEWS

GEM, JEWELLERY INDUSTRY URGES CENTRE TO CUT GST TO 1.25%

The gem and jewellery industry and allied businesses have been facing the brunt of the pandemic for about two years and continue to suffer.

The All India Gem and Jewellery Domestic Council has, therefore, urged the Union Finance Minister to reduce the GST rate to 1.25 per cent. GJC has also asked FM to raise PAN card limit from ₹2 lakh to ₹ 5 lakh citing that many households in rural India do not hold PAN cards and face difficulty in meeting the requirement especially during the pandemic, the domestic apex body said in its pre-Budget recommendations. The GJC has urged the government to issue suitable clarification on the maximum quantity of gold that an individual can deposit under the Gold Monetisation Scheme without being questioned by any departmental authorities. GJC has requested that for the EMI facility for purchase of 22K gold jewellery be allowed to gems and jewellery industry to boost sales

LUXURY CAR MAKERS SEEK 'BOOSTER SHOT' FOR GROWTH

Luxury car makers in India do not want much from the upcoming Budget. However, they have asked for a holistic and long-term growth perspective for the automotive industry. Luxury vehicles in the country attract GST rate of 28 per cent with an additional cess of 20 per cent on sedans and 22 per cent on SUVs currently, taking the total tax figures up to 50 per cent.

"Burdened under high duties, GST, cess and registration costs, we urge the government to rationalise the entire tax structure, which eventually will lead to higher volumes for the industry," Balbir Singh Dhillon, Head, Audi India told BusinessLine. Equally important is a stable policy regime for an uninterrupted business due to long lead times, which is specific to the luxury automotive industry, he said.

"We seek a holistic view towards the industry in light of the contributions made by the original equipment manufacturers (OEMs) in bringing new technologies to India and also long-term investments already made in India," Dhillon added.

TODAY'S QUOTE

You attract what you are, not what you want

DISCLAIMER

This publication contains information for general guidance only. The contents are solely for information and knowledge purpose. It does not constitute any professional advice or recommendation. The contents are gathered from different newspaper and websites as mentioned in 'Source of content'. We do not accept any responsibility and liabilities for any loss or damage of any kind arising out of any information in this publication nor for any actions taken in reliance thereon. This is a private circulation for clients and professionals only.

Source of Content

https://epaper.thehindubusinessline.com/
https://epaper.thehindu.com/
https://economictimes.indiatimes.com/epaper-print-edition/
https://www.gst.gov.in/newsandupdates/read/509
https://mnetax.com/eus-path-forward-on-global-minimum-tax-is-under-debate-46651

AKSHAY SHAH
Email: ca.akshah@gmail.com
Contact No.: 9958975768
Website: www.jainshah.com