

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

FACELESS ASSESSMENT SCHEME: COURTS PULL UP I-T DEPARTMENT FOR ORDERS PASSED WITHOUT APPLICATION

The Central government's faceless assessment scheme is finding itself on the wrong side of the law with unhappy assessee dragging the Income-Tax Department to the courts and multiple judicial pronouncements flaying it. For instance, recently, the Bombay High Court issued a warning to an Assessing Officer even as it set aside the IT notice and directed the order to be circulated "right from the Revenue Secretary to everybody in the Finance Ministry". The assessee prayed for time and a personal hearing but was slapped with an assessment order that was an exact replica of its earlier draft, without any consideration for his two responses. The HC set aside the order, noting that it was passed without any application of mind

GOVT. NOTIFIES SOVEREIGN GOLD BOND SCHEME 2021-22

The Government has notified Sovereign Gold Bond Scheme 2021-22. The Sovereign Gold Bonds will be issued in 4 tranches from November 2021 to March 2022. They will be sold through Scheduled Commercial banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL), the authorised stock exchanges, and Clearing Corporation of India Limited (CCIL) or any other entity as may be approved by RBI.



BENAMI TRANSACTION

Recently Hon'ble Rajasthan HC held that: Purchase of property by a company in its own name with share capital money cannot be said to be a benami transaction on the basis that it is a purchase of property in company's name with consideration provided by others (shareholders) since share capital contributions received by a company from its shareholders are company's own funds and assets; hence company cannot be treated as benamidar of its shareholders in respect of property held in its name



THE GLOBAL TAX REVOLUTION

136 countries have agreed to introduce a new global tax regime for taxing multinational corporations (MNCs) operating the globe over. For over a century now, the corporate tax system was based on the application of the twin principles of the source rule and the residence rule. All that a MNC had to do to avoid high tax in a country where they did business was to get registered in a tax haven. Globalisation allowed MNCs to replace fears of double taxation with the joys of double non-taxation by exploiting mismatches between the tax laws of various countries and by cutting taxable profits. A digitalised world made their task easier

As per the agreement, MNCs would no longer pay taxes in the country where they register their headquarters for tax purposes, but would pay in the country where they generate their sales. A minimum global tax of 15% on profits would be introduced in all countries. As per the agreement, countries where MNCs operate would get the right to tax at least 20% of the profits exceeding a 10% margin.

India, China, Russia, Germany and other countries have signed the agreement, which has to be implemented from 2023

AGENCIES MAY HAVE TO PAY GST ON SERVICE CHARGES COLLECTED ON GOVT'S BEHALF

Agencies, whether public sector or private sector, may have to pay goods and services tax on the charges they collect on behalf of the government from clients.

The authority for advance rulings (AAR), Telangana, has ruled that e-procurement transaction fee collected by an agency on behalf of the government is chargeable to GST. The AAR also ruled that neither services provided by the agency to the government, nor services provided on behalf of the government to the business entities are exempt from GST.

The AAR ruled that a careful reading of Entry 6 of the GST notification issued on June 28, 2017 which exempts services by the Centre, state governments from GST with some exceptions, reveals that this entry pertains to services provided by the Government and not services provided to the Government. It said that the applicant is providing services to the government. Therefore the services provided by the applicant to the government are not exempt under this notification.

INVERTED DUTY CORRECTION: SYNTHETIC TEXTILE PRICES WILL SURGE



The GST Council, at its Lucknow meeting on September 17, has decided to impose 12% GST on all textile products except cotton to correct inverted duty structure in the sector. The new rates will be effective from January 1, 2022. With the proposed uniform tax rates, the government's GST revenue wouldn't increase much but the end-users will end up paying more. The Gujarat-based textile industry fears that synthetic textile prices would surge by nearly three times and the overall cascading impact would finally be on the end users



GLOBAL TAX DEAL TO HURT INDIANS WHO MOVED TRUSTS TO THE UAE

Several rich Indians who moved family trusts and holding entities to Dubai and Abu Dhabi amid the Covid-19 pandemic are now reaching out to their advisers fearing additional taxes, following the new global tax deal of the Organisation for Economic Co-operation and Development (OECD) and UAE's plans to introduce more taxes. After all major countries including the UAE signed OECD's global tax deal, the fear is that the country will introduce corporate tax of at least 15% across the board that will even apply to income of holding trusts and entities.

The OECD deal that aims at targeting large companies such as Google, Facebook, Apple and Amazon for creating complex structures in tax havens including Ireland, the British Virgin Islands, Bermuda, the Cayman Islands and Mauritius. Governments want these large players to cough up at least 15% tax on their global profits irrespective of the complex structures.

UAE TAX: SERVICES PROVIDED BY ARTISTS, SOCIAL MEDIA INFLUENCERS SUBJECT TO VAT

The Federal Tax Authority (FTA) has clarified in a bulletin that services provided by artists and social media influencers (SMIs) for consideration are subject to Value Added Tax. The bulletin outlines that VAT applies to such services provided by artists and social media influencers that include, but are not limited to, any online promotional activities performed on behalf of other businesses for a consideration, such as promoting a product in a blog or a video or otherwise promoting a business on a social media post, any physical appearances; marketing and advertising related activities; providing access to any social media influencers' networks on social media, and any other services that the SMIs may provide for a consideration.

TESLA LOBBIES WITH PMO OFFICIALS TO SLASH IMPORT TAXES



Tesla wants to begin selling imported cars in India this year but says taxes in the country are among the highest in the world. Its request for tax cuts prompted objections from several local players, who say such a move will deter investment in domestic manufacturing.

India levies an import duty of 60 per cent on electric vehicles that cost \$40,000 or less, and 100 per cent on those priced over \$40,000

REAL ESTATE DEVELOPERS REACH OUT TO GOVERNMENT OVER GST ON REDEVELOPMENT

Several real estate developers have reached out to the government for clarity and concessions on the issue of double GST payment in redevelopment projects, a factor that has led to cost escalation at a time when margins are already under pressure.

"The GST is paid firstly on cost of construction without input tax credit, and secondly, when the area is delivered to existing residents at market price. Both GST payments are absorbed by a developer, which often becomes a huge cost," said Rohit Jain, partner at law firm ELP

TODAY'S QUOTE

"You don't have to see the whole staircase, just take the first step."

- Martin Luther King, Jr.

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