

# TAXTIME

## NEWSLETTER

### DIRECT TAX NEWS

## A CASH LOAN FROM HUSBAND TO BUY PROPERTY WON'T BE TAXED

If a woman has borrowed money from her husband to buy a property, it will not attract a tax penalty, the Income Tax Appellate Tribunal (ITAT) Jaipur has ruled. This is the second woman-friendly ruling by the tribunal, the first being the precedent set by ITAT, Agra that cash deposits up to ₹2.5 lakh made by housewives during demonetisation would not attract tax.

The assessee argued that the cash of husband and wife cannot be separated and treated as loan as it is in joint custody. In the case of husband and wife, the assessee submitted, repayment is not mandatory and there is no interest burden, so it is not justifiable to impose penalty.

However, the IT Department levied penalty under section 271D of the Income Tax Act which is the penalty clause for violation of Section 269SS pertaining to the mode of accepting certain loans or deposits.

The Jaipur Bench ruled that, "We find that such a practice of registering the property in the name of the wife is guided by various family and societal factors besides encouragement of the Government for such transactions entered into by female members in the family by way of reduced stamp duty," emphasising that there is no malafide intent as the sale process was duly documented and mentioned payment in combination of demand draft and cash.

"We, therefore, find that the assessee has offered reasonable explanation justifying the cash transactions," the bench said, ruling that she did not need to be penalised.



## IT RAIDS ON NASHIK TRADERS COOL ONION PRICES

A series of income tax (IT) raids on onion traders in Maharashtra's Nashik district has resulted in the prices of the bulk dropping by about ₹1,000 a quintal over the past two weeks in the agricultural produce marketing committee (APMC) yards in the region.

This is not for the first time the IT Department has raided onion traders. In October last year, wholesale onion price at Lasalgaon touched ₹5,000 per quintal as supply declined. The IT department had carried out a series of raids in Nashik which resulted in a decline in the onion prices. Then, traders threatened to boycott auctions alleging that the government was targeting them.

According to market players, the government wants to ensure stable onion prices during the Diwali festival and there is no backlash from the people.





## **MORE TAX RECEIPTS WITHOUT RAISING RATES**



The Financial Action Task Force's (FATF) reported removal of Mauritius from its so-called 'grey' list due to better tackling of money laundering is welcome. It would facilitate foreign investment and portfolio flows into India. Traditionally, many international investors have preferred Mauritius due to its tax advantages. However, both tax avoidance using legal loopholes and illegal tax dodging (through criminal acts) impose heavy costs on governments.

A recent paper by the International Monetary Fund (IMF) on 'Tackling Tax Havens' says that tax havens collectively cost governments an estimated \$500-600 billion a year in lost corporate tax revenue, through legal and not-so-legal means. Low-income countries suffer a larger hit as a proportion of GDP than advanced economies. The revenues loss robs governments of the capacity to spend on law enforcement, education and healthcare.

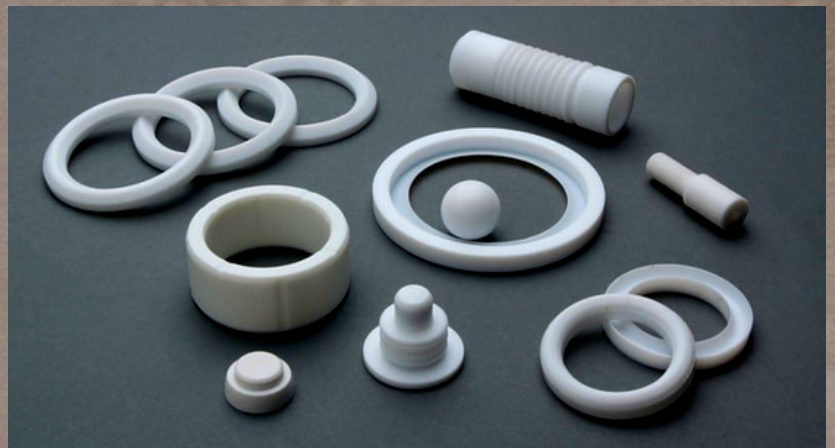
That is why the recent two-pillar tax pact championed by the Organisation for Economic Cooperation and Development (OECD) and endorsed by 136 countries is so important. Under this, small countries would be able to tax digital giants and any country would have a corporate tax rate of at least 15%. This would damage tax havens and end base erosion and profit shifting.



## **RIGHT OF GST REFUND, PROBE NOT INTERLINKED: KARNATAKA HC**

The right of GST refund would be independent to the process of investigation, ruled the Karnataka High Court in a petition filed by Bundl Technology, which operates e-commerce platform Swiggy. The Bench found Supreme Court's observations in Dabur India case as aptly applicable to the present case, where it was said: "Filing of return and payment of substantial taxes by the petitioner would clearly warrant for treating such tax payers with certain element of dignity who can only be construed to be bona fide tax payer." Accordingly, it has asked the GST Department to consider refund application.

## **FINMIN REVOKES ANTI-DUMPING DUTY ON POLYTETRAFLUOROETHYLENE**



The Finance Ministry has removed anti-dumping duty on polytetrafluoroethylene (PTFE) imports from South Korea and Russia. It has also revoked anti-dumping duty on phenol imports from the European Union, South Korea and Singapore. PTFE is primarily used in electrical, electronic, mechanical and chemical industries for its unique characteristics.



# OECD GLOBAL TAX DEAL: LARGE INDIAN COMPANIES RETHINK OVERSEAS INVESTMENT PLANS



Several large Indian companies exploring outbound investments have put their plans on hold following a global tax deal over concerns of additional taxes and compliance challenges related to the new framework adopted by the world's leading industrial bloc.

Large companies, especially in the information technology (IT) and information technology-enabled services (ITeS) sectors, were looking to expand in the Middle East, Africa and other Asian countries. To route these investments, the companies were looking to set up entities in tax havens and countries such as Dubai, Singapore, Ireland, Mauritius and the UK, as part of their global structuring and tax and compliance planning.

The Organisation for Economic Cooperation and Development's (OECD) global tax deal now means that the Indian companies could see their tax liability go up in the near future.



## NO GST ON CANTEEN MENU

Food at the office is now out of the tax net, thanks to a ruling by the Gujarat Authority for Advance Ruling (AAR), which has said that Goods and Services Tax (GST) does not apply to the amount collected from employees towards canteen charges, which is paid to the canteen service provider.

This ruling especially provides relief to large industrial and manufacturing units, which provide food at nominal charges to employees.

## GROUP OF STATE FINANCE MINISTERS FOR STEPS TO ELIMINATE FAKE INPUT TAX CREDIT CLAIMS



A group of state finance ministers (GoM) on IT issues within the goods and service tax (GST) system will likely suggest a mechanism to weed out fake registrants and plug input tax credit (ITC) leakages.

The GoM, headed by Maharashtra deputy chief minister Ajit Pawar, had its first meeting in a virtual mode on Thursday. "It was decided to put in place mechanisms for better verification at the time of registration and weed out fake registrants using artificial intelligence/machine learning-based analytics focused on network analysis and leads for fraud detection," an official from the Maharashtra government said



# TODAY'S QUOTE

*"It isn't where you came from,  
It's where you are going that  
Counts...!!"*

*- Ella Fitzgerald.*

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