

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

KEY INCOME TAX CHANGES FROM FY22-23

Income tax rules keep changing and taxpayers need to be aware of them to be on the right side of law. For income tax purposes, a financial year (FY) begins in April and ends on March 31 of the following year. Currently, we are in the financial year 2022-23 and there have been certain amendments in tax rules that will be applicable from this FY onwards. Let's see some of them:



NPS contribution: For the central government employees, the government was already contributing 14% of employee's wages towards employee's NPS account. Starting this FY, state government employees will receive a 14% contribution into their NPS account from their respective state governments. Deduction for employer contribution to NPS has been increased from 10% to 14% for state government employees on par with central government employees. However, it has not been extended to non-govt employees.

EPF contribution: In EPF, 12% of wages is contributed by the employee but rules allow the employee to contribute a higher amount as a voluntary provident fund. Till now, the entire contribution earned tax-free interest income. Going forward, if your contribution towards EPF is more than Rs 2.5 lakh a year, the interest earned on the amount exceeding the threshold limit will be taxable. For the government employees, the limit will stand at Rs 5 lakh.

File an updated IT return: A new provision permitting taxpayers to file an updated return on payment of additional tax has been introduced. This updated return can be filed within two years from the end of the relevant assessment year. This new system of filing revised ITR will help taxpayers voluntarily declare any missed income and reduce litigation.

Virtual Digital Assets Tax: Virtual Digital Assets will include cryptos such as Bitcoin, Ethereum, etc., and other digital assets such as Non-fungible tokens (NFTs) and will be subject to taxation. Income from transfer of any virtual digital asset is to be taxed at the rate of 30% applicable from April 1, 2022; TDS of 1% to be charged on payments made for transfer of virtual assets applicable from July 1, 2022 and the gift of virtual digital assets will also be taxed in the hands of the recipient.

Post office schemes: The government has made it mandatory for the use of savings account for credit of monthly, quarterly, yearly interest in case of post office MIS, SCSS, time deposit accounts. If you are withdrawing interest income earned on post office MIS, SCSS and time deposit accounts in the form of cash, you may not be able to do so from April 1, 2022.

INFOSYS URGED TO WORK ON WAYS TO ACCESS TAXPAYERS' DATA ACCURATELY



The finance ministry (FinMin) has asked Infosys to work on ways to extract and access taxpayers' real-time data faster and accurately as it is crucial for taking decisions on policy changes.

While reviewing progress of the income tax portal 2.0, which had faced glitches, the officials also told the Infosys team to increase the scope of pre-filled data in the ITR forms.

Senior officials in the ministry held a review meeting last month with the Infosys team and officials of the Central Processing Centre (CPC).

They took up a host of key issues concerning the new portal and other tax return-related matters, said people in the know. Tax return filing is processed by the CPC.

The ministry is learnt to have also inquired about the availability of data of interest on deposit with companies, government securities, gold bonds, insurance, equity/intraday trading data, EPF and also GST data for use in pre-fill. The new portal would be integrating data from all the concerned departments so that all transactions by the assessee would get pre-filled. The integrated system will look at discrepancies between the data disclosed by an assessee and match it with the data fetched from stock exchanges, using artificial intelligence, said officials in the know.

GST REQUIRES ADMINISTRATIVE REFORMS

A mere tweaking of tax rates will not be of much help. A mechanism to redress systemic irregularities is needed. The GST (Good & Services Tax) is an indirect tax that was introduced subsuming various indirect taxes in India, including VAT, service tax, excise duty, etc. Despite the government's intention to simplify the indirect tax system with GST, things have become complex for taxpayers. Therefore, in the upcoming meeting of the GST Council, it is expected that the Council will focus on simplifying and rationalising the rate structure under GST.

To further smoothen this process, one of the key decisions taken by the GST Council is the constitution of a Group of Ministers (GoM) headed by BS Bommai, Chief Minister of Karnataka, which is expected to give its report recommending changes in the GST.

As per reports, the GoM is likely to recommend the merger of tax slabs (merging 12 per cent and 18 per cent GST rates into a single slab), review of the exemption list (reviewing GST exempt services), revision of tax rates and rationalisation of inverted duty structure (where GST rates imposed on inputs are higher than outward supplies). These recommendations will be considered by the GST Council in its upcoming meetings.

These amendments by the GST Council intend to raise more resources for the government and reduce classification and tax rate related disputes between the assessee (taxable person) and the Revenue Department.

It is unclear whether these disputes will be reduced with these changes, but they will certainly hinder the interest of customers, by increasing their tax burden.

Therefore, little could be achieved with mere changes in tax rates. The GST Council should instead focus on administrative reforms in GST which shall go a long way to establish an assessee friendly tax regime.

Just revising the tax rates and merging tax slabs cannot bring efficiency to the existing tax administration. To overcome the issues of dispute related to GST and increase efficiency in tax administration, there is a need for a robust dispute redressal mechanism.

GOVT MUST PAY 6% INTEREST IF THE DELAY IN GRANTING GST REFUND IS INORDINATE



The Supreme Court has held that in case of a delay in processing GST refund, a 6 per cent interest is also to be paid, provided the delay is 'inordinate'.

The ruling comes after the Centre filed an appeal against the verdict of the Gujarat High Court, which had asked the Tax Department to pay interest at the rate of 9 per cent in refund cases where delay was between 94-290 days. However, experts feel the rate needs to be revised as it is biased towards the department.

"Since the delay in the instant case was between 94 and 290 days and not so inordinate, the matter has to be seen purely in the light of the statutory provisions concerned. The High Court was in error in awarding interest at a rate exceeding 6 per cent in the instant matters," said a division bench of Justices UU Lalit, S Ravindra Bhat and PS Narasimha while disposing the appeal. An assessee, making exports of goods outside India, will be eligible to claim, refund of either unutilised input tax credit on export of goods under bond or letter of undertaking or refund of integrated tax paid on export of goods.

Norms for refund are prescribed under Sections 54 and 56. While Section 54 says refund application needs to be filed within two years from the relevant date, Section 56 says the interest would be awarded at the rate of 6 per cent. The award of interest at 9 per cent would be attracted only if the matter was covered by the proviso to the said Section 56. The proviso says where any claim of refund arises from an order passed by an adjudicating authority or Appellate Authority or Appellate Tribunal or court which has attained finality and the same is not refunded within 60 days from the date of receipt of application filed consequent to such order, interest at such rate not exceeding 9 per cent will be payable. The bench quoted a ruling by the same court in the matter where the delay was up to 17 years. In that matter, the court had said that the award of interest in refund and amount must be as per the statutory provisions of law and whenever a specific provision has been made under the statute such provision has to govern the field.

PREFERENTIAL LOCATION CHARGE FOR A FLAT WILL ATTRACT 18% GST



The Appellate Authority for Advance Rulings (AAAR) of Haryana has said preferential location service (PLS) component in property sale is different from construction and will attract GST at the rate of 18 per cent.

"PLS collected along with consideration for sale of properties attracts GST rate of 18 per cent where sale/transfer of constructed property has taken place before issuance of completion/occupation certificate (CC/OC)," the AAAR said while disposing an appeal application filed by realty major DLF. The appeal was filed after AAR rejected the application on the ground that company was requesting hearing beyond the limit of 90 days.

PLS helps buyers get a directional advantage or floor rise, and attracts a preferred location charge (PLC) that is levied for units that are better located — such as the ones facing a park, open area or even corner flats — as compared with other units. This levy is over and above the basic sales price (BSP).

PLS in a real-estate project cannot be treated as a part of construction service, the West Bengal Appellate Authority for Advance Ruling (AAAR-WB) had ruled earlier.

In 2019, the AAAR of West Bengal held that the very transaction mechanism of PLS is that the builder charges a separate consideration from the buyer for choosing a particular floor/location advantage. Thus, the abatement, which is allowed on construction service with respect to land on which construction is done, cannot be extended to PLS as it is altogether a separate service having no association with land. This ruling was quoted by AAAR of Haryana, though it differed on the exact classification.

TODAY'S QUOTE

*"The best things in life
aren't things"*

- Art Buchwald

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