

# TAXTIME

NEWSLETTER

## DIRECT TAX NEWS

### SIKKIM: TRADE ON MCX SEES HUGE DIP AS ED INITIATES PROBE

The speculative commodity trading volumes worth billions of dollars on the Multi Commodity Exchange (MCX) by Sikkim-based traders seem to have been wiped out on the back of a probe by the State government and Enforcement Directorate. The market share of Sikkim-based traders in the overall turnover on MCX declined to just 0.75 per cent in April from 5.5 per cent in February. The probe was ordered after a report by BusinessLine on April 4 revealed that Sikkim was being used as a tax haven by commodity speculators, who were possibly also indulging in a money laundering racket. Reacting to it, Sikkim Chief Minister Prem Singh Tamang said he suspected that traders from other States could be using Sikkim residents as a front and, hence, ordered the State vigilance department to dig deep into the scam.

Commodity speculation on the MCX attracts 30 per cent income tax but since Sikkim residents enjoy exemption from India's IT Act, they were being used by traders from other States. The 5.5 per cent share of Sikkim traders on MCX translated into volumes worth a massive \$6 billion in a single month, and such trading has been on a rise for nearly two years now. Probe-related documents now show that both the Sikkim government and the ED have demanded KYC and other data from the MCX with regard to those trading on the exchange. The papers show that two clients, including Valley Distributors LLP and JMVD Market Solutions, registered with Delhi and Kolkata based brokers, have emerged the key suspects, generating the majority of the volumes on MCX from Sikkim.



### GUIDELINES ISSUED FOR SELECTION OF COMPLETE SCRUTINY

The income tax department has issued guidelines for selection of I-T returns for complete scrutiny in the current fiscal and said such scrutiny would be applicable in cases where information about tax evasion is available from any other authority. The guidelines for selection for complete scrutiny have also added an additional limb of obtaining prior administrative approval of the Principal Commissioner/ Principal Director/ Commissioner / Director in certain cases, for selection of such cases for complete scrutiny. For instance, cases pertaining to survey, search and seizure and cases where charitable trusts have claimed exemption without a valid approval have been made subject to prior approval before transmission to the National Faceless Assessment Centre (NaFAC) for serving necessary scrutiny notices. Under complete scrutiny, a detailed scrutiny of the return of income is carried out by tax officers to confirm the genuineness of various claims, deductions, etc made by the taxpayer



### PAN MUST FOR CASH WITHDRAWAL, DEPOSIT OF ₹20 LAKH OR MORE A YEAR



In a notification issued on May 10, 2022, the government has come out with new rules especially pertaining to those making financial transactions without a Permanent Account Number (PAN) or Aadhaar. The Central Board of Direct Taxes has made new rules, called the Income-tax (Fifteenth Amendment) Rules, 2022.

As per the new rules, furnishing PAN or Aadhaar will be compulsory in the following transactions:

- Cash deposit or deposits aggregating to Rs 20 lakh or more in a financial year, in one or more account of a person with a banking company or a co-operative bank or a Post Office;
- cash withdrawal or withdrawals aggregating to Rs 20 lakh or more in a financial year, in one or more account of a person with a banking company or a co-operative bank or a Post Office;
- opening of a current account or cash credit account by a person with a banking company or a co-operative bank or a Post Office

In addition to the above, the government has now come up with the requirement of PAN in specified transactions. Further, the PAN or Aadhaar number along with demographic information or biometric information of an individual need to be submitted to the tax authorities by the banks.

### NON-COMMERCIAL CONSTRUCTION IN EDUCATION INSTITUTIONS TO DRAW LESS GST



Construction of buildings, such as hostels, principal's bungalow and staff quarters, in educational institutions is taxable at lower rate of goods and services tax (GST), if the structures are not used for commercial activities than those for normal business purposes, ruled Gujarat Authority for Advance Rulings (AAR).

The court ruled that such buildings would draw 12 per cent GST, and not 18 per cent levied for other construction activities. It should be noted that education draws zero GST, while construction work and the inputs used therein attract tax.

The applicant, Tirupati Construction, approached AAR to find out about the applicability of GST on these activities. The company was awarded a works contract for constructing a hostel and staff quarters at a village in Surat by the Road and Building Department of the Gujarat government.

While the company argued for a 12 percent GST rate, the revenue department opposed it on the ground that the company is silent on the use of these structures.

However, the AAR did not buy the argument of the revenue department, saying that the activity or transaction undertaken by the state government does not fall under the business activities

### US INTERNAL REVENUE SERVICE HAS MILLIONS OF UNFILED TAX RETURNS, PAYS BILLIONS IN INTEREST TO THOSE WAITING

When many investments are not earning much return, Americans can earn guaranteed 4% interest. The caveat is that your tax refund must be held by the IRS. Individual rates of 4% went into effect in April, up a percentage point from the previous quarter. The rate for large company refunds has increased from 0.5 percent to 1.5 percent. The Internal Revenue Service typically takes 45 days to process a tax return and issue a refund. Following that, interest begins to accrue in amounts tied to federal short-term interest rates, which are modified every quarter.

These interest payments come at a price for the general public: According to a Government Accountability Office analysis, the IRS paid \$3.3 billion in interest to tax filers in the fiscal year 2021, more than treble what it paid in 2015. According to the Treasury Department, refund interest payments through March are down 11% for the fiscal year that began in October but are still significantly above 2019 levels.



# TODAY'S QUOTE

*"Remember no one can make you feel inferior without your consent."*

*- Eleanor Roosevelt*

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