

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

RATE OF TDS ON VIRTUAL DIGITAL ASSETS SHALL BE 1 PER CENT



The government in a late evening circular, clarified that the rate of TDS on Virtual Digital Assets continues to be 1 per cent, debunking earlier media reports that rate of TDS on Virtual Digital Assets(VDA) has been reduced to 0.1%.

The 1% TDS is set to be applicable starting July 1 and has been the key reason for a drastic drop in volumes on Indian crypto exchanges, worsened by the global crypto crash.

Earlier in the day, media reports mentioned that the TDS rate for virtual digital assets has been dropped to 0.1% from 1% as announced earlier in the budget. However, after the change was noticed by many the website updated the document rectifying the error. "Some media reports have come to the notice of CBDT claiming that the rate of TDS on Virtual Digital Assets(VDA) has been reduced to 0.1%. It is hereby clarified that there is no change in the rate of TDS on VDA, which continues to be 1%, " read the official clarification

CLARITY LIKELY ON TAXING NFT AS VIRTUAL DIGITAL ASSET



Ahead of the first due date of advance tax payment on June 15, the government is likely to release guidelines on what will be covered within the ambit of virtual digital assets (VDA).

To remove any ambiguity in the recently established tax framework for asset holders, the Central Board of Direct Taxes (CBDT) is currently preparing guidelines, said government officials in the know.

The apex direct tax body will define non-fungible tokens (NFTs) and whether or not they fall within the purview of VDA.

It may also clarify the basis of NFT valuations, keeping in mind volatility in the space. An NFT is a digital asset that exists on a blockchain, allowing anyone to verify its authenticity and ownership.

The definition of VDA includes NFT, or any other token of a similar nature, by whatever name it is called.

Of late, NFT valuations had seen a sharp plunge due to uncertainties around them globally. Besides, it will also clarify whether or not credit card/loyalty points, which are awarded/redeemed digitally and have underlying value, should be recognised as virtual assets or be excluded. The current definition of digital assets is too spacious and could include such transactions, although it may not have the desired objective of a VDA regulation.

VOLUNTARY PAYMENT BY OUTGOING SOCIETY MEMBER SUBJECT TO GST, SAYS AAR



It is not uncommon for co-operative housing societies (CHS) in Mumbai to seek transfer fees on sale of a flat, exceeding the stipulated Rs 25,000. While some societies outright seek a higher transfer fee, others 'welcome' an additional payment, which is set aside for future use, such as for carrying out major repairs later.

The issue of applicability of goods and services tax (GST) on both the transfer fee and additional payment arises. GST applies on transfer fees at 18% if the CHS not otherwise exempt from GST registration. Recently, the Authority for Advance Rulings (AAR), Maharashtra, in the case of a south Mumbai housing society had to determine whether gratuitous payment from an outgoing member, would be subject to GST. Based on the facts of the case, the AAR held that the gratuitous payment, which ran into several lakhs, would be subject to GST

It should be noted that only societies whose annual turnover (including transfer fee) is in excess of Rs 20 lakh are required to register under GST and have to comply with the tax related obligations. The AAR bench, comprising members Rajiv Magoo and R R Ramnani, noted that in the case of Monalisa CHS, each and every outgoing member made a gratuitous payment to the society. In other words, there was a 'compulsion' for making such payments. "We have already mentioned that such voluntary payments cannot be accepted by the applicant CHS from the transferor or transferee (ie: outgoing member who is selling the flat or the incoming buyer) as per the Model Bylaws. We are of the opinion that the amounts are collected for the smooth transfer of the flats from the transferor to the transferee

INDONESIA'S PALM OIL TAX CUT TO BENEFIT CONSUMERS



Edible oil consumers can heave a sigh of relief as there are visible signs of palm oil prices easing. This, in turn, could drag prices of other oils such as soyabean, rapeseed and sunflower, according to industry experts.

In a first sign, Indonesia had brought down the combined taxes on palm oil export to \$488 a tonne from \$575.

On Tuesday, Indonesia Trade Minister Muhammad Lutfi said, while the maximum tax on crude palm oil export would be raised to \$288 a tonne, the maximum levy would be lowered to \$200 a tonne, thus totalling \$488 a tonne. He, however, did not say when the cut will come into force.

Jakarta uses the levy, based on how the market behaves for subsidising biodiesel and replantation of small farms. The levy gains with the rise in the market price.

On Wednesday, crude palm oil prices on Bursa Malaysia Derivatives (BMD) market dropped by over 1 per cent to 6,428 Malaysian ringgits (MYR) (\$1,463.57) a tonne for the August contract, while the September contract slipped by nearly 1 per cent to 6,269 MYR (\$1,427.37).

INCOME FROM PROPERTY RENTED OUT: GST AAR MAKES AN IMPORTANT RULING



In an advance ruling under GST, the Maharashtra AAR has ruled that the amount received under lease rental services for residential purposes will be outside the ambit of GST.

The ruling was made after M/S Kasturi and Sons Ltd approached the AAR that the Jurisdictional officer had ruled that giving properties on rent to LIC would not be residential in nature since, "LIC is not a natural person and LIC is profit making company. So, in order to increase profit, the facility of accommodation is given to employees, which is for commercial use and not for residential use."

Kasturi and Sons maintained that the properties were residential apartments and it proposed to let out on Leave and License basis to LIC of India specifically for the residential purpose of their staff members on fixed rentals / license fee basis

In its ruling, the AAR held that GST exemption is provided by the nature of the property and its usage and not by the status of the recipient. Only if a residential property was either used or let out for commercial purposes then it would be classified as a service provided and attract GST whereas, property let out for residential purposes will be exempt from the GST ambit, said the AAR.

The GST applicability is not decided by the nature of the property but by the purpose for which it is used i.e. it is not the nature of the property, but the nature of the end use that will determine whether it is a commercial rent or residential rent, it added.

The AAR held that Kasturi and Sons would be eligible for the exemption from payment of GST on the monthly license fee to be received on the proposed letting out on Leave and License basis of their residential building.

STEEL MILLS EYE NEW OFFERINGS OVERSEAS TO WORK AROUND EXPORT DUTY BURDEN

Hit by steep export duty, Indian steel mills are re-working their product offerings to cater to overseas buyers and protect their topline and bottomline. A supply glut, due to absence of major export orders for nearly two weeks, and poor domestic demand, have left mills stuck with one month of stock.

Steel companies are exploring offers from Vietnam and the Middle East for alloyed hot rolled coils (HRC) which are not under the duty ambit

India's monthly crude steel production is around 10 million tonne (mt), spread across private and PSU players. The country exported 13.5 mt of finished steel in FY22 posting a 25 per cent y-o-y rise. Mills, including PSU-major SAIL, are looking at exporting semi-finished products — where no taxes have been levied. Others are looking at speciality offerings like rail plates or rail-infra that have also escaped the export tax net.

Nearly 95 per cent of the offerings by steel majors have reportedly come under the export tax ambit.

Industry estimates that over 1.4 mt of export contracts hang in balance as these are not backed by letters of credit. Steel Ministry officials said these are orders where mills have either entered into contracts or have received advance payment against future delivery dates. There are no letters of credit against these orders.

Mills have the option of either exporting them at a loss (by paying the duty) or getting involved in a long litigious process because of forced cancellation.

TODAY'S QUOTE

“Be so happy that, when other people look at you, they become happy too”

- Unknown

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