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TAXTIME

NEWSLETTER

DIRECT TAX NEWS

6 HIGH-VALUE CASH TRANSACTIONS THAT CAN GET YOU AN INCOME TAX NOTICE

Transacting in big-ticket or high-value cash transactions can land you in trouble with the Income Tax Department. There are various cash-related transactions that the tax man keeps a close watch on; entities like banks, mutual fund houses, brokerages and registrar of properties will have to inform the tax department if you transact via cash beyond the specified limit. Such as:

Cash deposit in FD:

The Central Board of Direct Taxes (CBDT) has said that banks have to report if a person deposits in one or more time deposits (other than a time deposit made through renewal of another time deposit) an amount aggregating to Rs 10 lakh or more in a financial year.

Cash deposits in bank accounts:

CBDT has made it mandatory for a bank or a cooperative bank to report cash deposits aggregating to Rs 10 lakh or more during a financial year , in one or more accounts (other than a current account and time deposit) of a person.

Credit card bill payments:

Payments made of an amount aggregating to Rs 1 lakh or more in cash towards credit card dues will have to be reported, says CBDT. Further, if one pays Rs 10 lakh or more to settle credit card dues in a financial year (via any mode), these transactions will also have to be reported to the tax department.

Property transactions:

Property registrar will have to report to tax authorities "purchase or sale by any person of immovable property for an amount of Rs 30 lakh or more."

Purchase of shares, mutual funds, debentures and bonds:

Companies or institutions issuing bonds or debentures will have to mandatorily report receipt from any person an amount aggregating to Rs 10 lakh or more in a financial year for acquiring bonds or debentures. A similar limit is set for reporting purchase of shares and mutual funds.

Purchase of foreign exchange:

Purchase of foreign exchange, which includes travellers cheque and forex cards, debit or credit cards, aggregating to Rs 10 lakh is reported to the tax department

INTERNATIONAL TAX NEWS

INDIA SEEKS CHANGES IN PACT ON TAXATION WITH AUSTRALIA

India has asked Australia to expedite amendments to regulations pertaining to the Double Taxation Avoidance Agreement (DTAA), in accordance with an understanding reached between the two sides in April, as Indian information technology (IT) companies that operate in that country continue to be forced to pay more taxes than they should.

Minister of state for commerce and industry Anupriya Patel has told visiting deputy premier of Western Australia province Roger Cook that the amendment should be done at the earliest to stop taxing the offshore income of Indian firms providing technical support there, the commerce ministry said on Thursday.

Both the sides also acknowledged the need for an early ratification of the interim trade deal, or the India Australia Economic Co-operation and Trade Agreement (ECTA), which was signed in April. Canberra's decision to tweak its domestic law to stop such taxation is a part of the India-Australia ECTA. Once implemented, the move will correct a costly anomaly in the 1991 DTAA between the two countries and enable IT and ITeS (IT-enabled Services) players to substantially scale up their operations in Australia. The anomaly is expected to have cost Indian IT companies about $1.3 billion since 2012, according to an industry estimate.

Using the provisions of the India-Australia DTAA, Canberra has been taxing income generated from offshore IT services rendered from India as royalty, even when the same income is being taxed in India as well.

INDIRECT TAX NEWS

CBIC TO ISSUE SOP FOR GST SUMMONS TO STOP HARASSMENT OF BUSINESSES

To protect businesses from harassment, the Central Board of Indirect Taxes and Customs (CBIC) will soon come out with an elaborate standard operating procedure (SOP) for serving summons and notices under the Goods and Services Tax (GST) regime, according to a report by The Economic Times.

The new SOP will permit the board to closely monitor the GST probe, the line of investigation adopted, and its progress. The officials will be more accountable and the entire process will become more transparent. The move comes after a significant increase in the number of complaints against the use of force and coercion by tax authorities for making recovery during the probe has been reported.

"We don't have any SOP under the GST for summons and notices, and these are two troublesome things," said one official, who did not wish to be identified. "Once there is an SOP in place, we can question any breach."

In the past few months, there has been a surge in the number of tax notices, which were served by the GST officials, summoning finance chiefs, CXOs, and even chief executives to be physically present. Several businesses also end up getting repeated summons.

The draft for SOP is almost final, the official said, adding that there have been elaborate discussions with field formations and stakeholders, including businesses.

The proposed SOP will also aim to ensure that there is no overlapping of notices between the central and state jurisdiction. Many businesses had complained that they received multiple notices for the same issue, thereby making compliance difficult for them.

In May, the board directed its field formulations that tax authorities would face action if a taxpayer is forced to make a voluntary payment of tax during a search and that recovery of dues should follow the due legal process after issuance of adjudication order, and not during searches.

CONSENSUS ELUDES GOM OVER GST ON ONLINE GAMING, CASINO AND HORSE RACING

A Group of Ministers (GoM) on online gaming, casinos and horse-racing, in its meeting on Tuesday remained inconclusive. It will meet one more time before giving its report next month.

Meanwhile, representatives from these sectors made their presentations before the GoM and are hopeful of getting positive recommendations from the GoM which will then be considered by GST Council, in its next meet in August to be held at Madurai.

Last month, the GST Council had asked the GoM to re-deliberate the tax issue and come back to the council. This cropped up as Goa wanted different treatment for casinos. However, the Council allowed all the three segments to present their views before GoM.

A statement issued by Turf Authorities of India said an online representation was made by race horse owner and senior Supreme Court advocate Aryama Sundaram and leading stud farm breeder Ameeta Mehra of Usha Stud. “We are grateful to have been given the opportunity to speak, and hope that the age long prestigious sport of horse-racing and breeding will be given its due status as a sport of skill,” it said. A team of Turf Authorities of India was represented by Zavaray Poonawala, Harimohan Naidu, Ramesh Rangarajan, apart from Mehra.

In its earlier report presented before the Council, the GoM — headed by Meghalaya Chief Minister Conrad Sangma — recommended a uniform 28 per cent GST rate on horse racing, online gaming and casinos. The panel also recommended the base on which this rate should apply. As on date, online gaming has a dual rate of taxation — 18 per cent on games of skill (not involving betting or gambling) and 28 per cent on games of chance (involving betting and gambling).

Most online gaming apps pay GST at the rate of 18 per cent. Both casinos and horse-racing attract 28 per cent GST.

At present, online gaming firms are paying 18 per cent GST on the basis that these are games of skill rather than betting or gambling. With the increase of rate to 28 per cent it would be interesting to see whether it will apply only prospectively or retrospectively as well. Any attempt by the revenue department to recover the differential GST for the past period would most likely result in litigation as the entities would not be able to now recover the said incremental tax amount from their customers

SALE OF ONLINE SPACE FOR ADVERTISEMENT TO ATTRACT 18% GST, SAYS AAR

Sale of advertisement space on internet would be liable to 18 per cent Goods and Services Tax, the Karnataka bench of Authority for Advance Ruling has said.

E-commerce portal Myntra Designs Pvt Ltd had approached the AAR seeking a ruling on whether providing advertisement space on its portal to foreign entity Lenzing Singapore Pte Ltd was liable to GST.

The AAR said Myntra is only leasing the advertisement space to its customer and the advertiser (Lenzing) is providing advertisement services to its customer.

The service provided by Myntra to Lenzing is that of rendering 'sale of internet advertising space (except on commission)' and is charging a fixed rate and not a commission for providing such space.

Hence, the same will be classified under 'other professional, technical and business services' under GST law and is liable to GST at 18 per cent.

TODAY'S QUOTE

Sometimes you find the way,
and Sometimes the way finds you.

- Unkown

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