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NEWSLETTER

DIRECT TAX NEWS

CBDT URGES GAMERS TO PAY TAXES UNDER NEW SCHEME



Having identified huge tax evasion in the thriving online gaming industry, the tax department wants the winners in such games to use the updated income tax returns (ITR-U) scheme to disclose their incomes and pay the right amounts of taxes with applicable interest.

Central Board of Direct Taxes (CBDT) chairman Nitin Gupta said on Thursday that players associated with just one gaming portal have been found to have netted as much as Rs 58,000 crore in the three years through FY22 as the gross winning amount.

These persons will have the option to pay tax at a marginal rate of 30%, along with interest, without any rebate or deductions, and an additional 25-50% on both the tax and interest, under the scheme. If this window is not used, then the individuals could potentially face prosecution along with hefty penalties.

Talking about the ITR-U scheme, Gupta said so far about 0.1 million ITR-U's have been filed by taxpayers after the scheme was introduced in the 2022 Budget, by paying additional taxes to the tune of Rs 28 crore. He, however, said the scheme has huge potential, as there is a large segment of people who may have knowingly or unknowingly not paid taxes due on gains from various activities including gaming, betting, lottery, etc.

According to the changes to the I-T Act through the Finance Act 2022, which allows a taxpayer to revise his return/file return for the past two assessment years — 2020-21 and 2021-22 (the financial years 2019-20 and 2020-21). Accordingly, taxpayers updating returns for FY20 need to pay the tax due and interest along with an additional 50% of such tax and interest. For FY21, the additional amount will be 25% of the tax payable and interest. The gross gaming winning amount is chargeable at 30% tax without any rebate or deduction.

CLARIFICATORY CIRCULAR ON NEW TDS PROVISIONS FOR BANKS SOON, SAYS CBDT CHAIRMAN



The CBDT will soon come out with a circular for various stakeholders, especially banks, to "clarify" the procedures on the applicability of new TDS provisions regarding benefits or prerequisites received in a business or profession. CBDT Chairman Nitin Gupta said the board, which frames policies for the Income-Tax department, will issue an official explainer on the subject, including the "pressing" issue of one-time settlement (OTS) being faced by the banks.

"We will clarify the position that will be helpful to the stakeholders. We will be coming out with a clarificatory circular very soon," he said during an interaction on Thursday.

Gupta said all issues on the canvass of section 194R of the Income Tax Act will be addressed as part of the forthcoming circular.

While the CBDT had issued a set of guidelines in June with regard to the applicability of the newly introduced section 194R in the Income Tax Act, the banking sector had specific concerns with regard to their businesses and operations.

MEDICINE PURCHASES BY INPATIENTS EXEMPT FROM GST: TAMIL NADU AAR



Medicines and consumables used in the course of providing health care services to a patient admitted in the hospital will be exempt from the Goods and Services tax (GST), according to a recent ruling by Tamil Nadu's Authority for Advance Ruling (AAR).

On the other hand, an outpatient will be charged GST for medicines and consumables bought that were prescribed in the course of providing health care services, the AAR said.

There are different rates for different medicines. In the case of inpatients, room rent is exempt from GST only up to Rs 5,000 per day with effect from July 18. For availing the exemption for medicines and consumables, a composite bill has to be raised, the authority ruled. This is so because medicines and consumables to inpatients are a composite supply with treatment whereas those provided to outpatients are not, the AAR clarified. The ruling was delivered on a petition by Kumaran Medical Centre which sought to know from the AAR whether the supply of medicines, drugs and other surgical goods used in the course of providing health care services to outpatients by the pharmacy unit of the centre for diagnosis or treatment would be considered as composite supply of health care services under the GST and consequently eligible for exemption.

Until July 17, even room rent was exempt from GST. However, the GST Council decided to impose five per cent GST on room rent above Rs 5,000 per day from July 18. The tax will not be applicable to ICU, CCU wards.

The authority said supply of implants inserted into the body via a surgical procedure during the course of diagnosis and treatment for diseases, illness, injuries for inpatients are to be considered as composite supply of health care service and are GST exempt. However, the supply of prosthetics and mobility aids, being in the nature of independent supply, are to be considered as individual supplies and are to be taxed, the AAR ruled.

IN RELIEF TO TENANTS, AAR ALLOWS TAX CREDIT ON GST PAID ON UPFRONT LEASE PREMIUM



An Authority for Advance Ruling (AAR) judgement saying tax credit should be allowed on goods and services tax (GST) paid on upfront lease premium could give a breather to companies and even corporate individuals. Tax authorities have been disallowing the tax credit up until now. The AAR ruling means that many tenants would now be able to challenge the taxman's stance, experts said.

"Generally, tax authorities are disallowing input credit on upfront lease premium on the ground that same is in relation to immovable property, hence restricted, or where tenants undertake some renovation or construction work before they use the property, the credit is denied on the logic of input service of lease being used for construction," said an expert.

Input tax credit is a mechanism under GST where part of the tax paid can be set off against future tax liability. Tamil Nadu AAR in a ruling on July 27 had said, "The upfront premium made is the lease rentals as per the allotment order/letter of Chennai Port Trusts and it is nothing but lease rentals paid for the services of 'renting of immovable property' for business purposes. The upfront premium paid is not related to construction activity of such covered space but against the rental value for the period of rent calculated for the period of lease and collected upfront." Hence, tax credit should be allowed on this upfront payment of rent, it said. Upfront lease premiums are essentially a non-refundable amount similar to a down payment paid by the tenant to the owner of a property. In most cases, the lease premium is part of the transaction value, especially in certain areas where there is a seller's market.

Till now, tax authorities have been mostly disallowing input tax credit on upfront lease premium, arguing that this transaction is similar to immovable property and since no input tax credit is allowed in any real estate deal the same principal should apply to lease premiums, experts said.

The AAR ruling will help open a new interpretation for many companies that have paid GST on such a premium and they may try to avail tax credit, tax experts said.

CENTRE MOVES APEX COURT, SEEKS 30 MORE DAYS TO OPEN WINDOW FOR FILING TRANSITIONAL TAX CREDIT



The Finance Ministry has approached the Supreme Court for extension of time to open a special window for filing transitional credit claim by 30 days, as it feels GSTN has limited time to make changes in the portal to facilitate filing. GSTN, the IT backbone of GST, operates a portal for filing all the returns and forms for claiming tax credit. Transitional credit refers to the use of tax credit accumulated up to June 30, 2017, which is the last day of the erstwhile central excise and service tax regime. After the introduction of the Goods and Services Tax (GST), a special provision was made for credit accumulated under VAT, excise duty or service tax to be transited to GST but within a certain deadline. The Centre filed a miscellaneous application for a limited purpose seeking extension of time to ensure that the web portal is ready in all respects for implementation of the order passed by the Apex Court dated July 22. "It is an endeavour to ensure that the directions of this Court get implemented in toto, free from errors and with the best efforts," the application said.

Earlier, the Court ordered that the portal be opened for 60 days, from September 1 to October 31. Now, the application seeks direction to GSTN to open window for 60 days between October 1 and December 31. It has submitted that various dates of every month are crucial for return filing and tax collection in the GST system. For example, 7-11 of every month is peak filing period for form GSTR-1 (reporting form for invoices). Similarly, 12-14 of every month is GSTR-2B (ITC statement of the taxpayer) generation period, which is the facility for the taxpayer to see how much credit is available to him/her.

Further, 15-20 of every month is the peak filing period for GSTR-3B; 90-95 lakh returns are filed, and during these days about 90 per cent of monthly revenue of around ₹1.1-lakh crore is deposited by taxpayers. In quarterly filing months (end of each quarter of the financial year for small taxpayers), this peak filing period extends up to 24th due to separate date of return filing for them. In view of the criticality of revenue collection, IT changes are avoided from 7-24 of every month. This leaves GSTN with a deployment window from the 25th of a month to the 6th of the next month in every cycle. With these arguments, the Centre has prayed for extension.

EXPORT DUTY TURNS INDIA INTO A NET STEEL IMPORTER IN JULY, THE FIRST TIME SINCE JAN 2021

India became a net importer of steel in July or the first time since January 2021 with exports slumping during the month. Around 444,000 tonnes of finished steel were imported, an 8 per cent increase year-on-year, Steel Ministry data shows. The import of total finished steel was valued at ₹19,068 crore (\$2,449 million), sources say.

However, if sales for April-July are considered, then India continues to remain a net exporter of steel. Imports during this period rose by over 3 per cent to 1.61 million tonnes (mt).

Some quantities booked at cheaper prices from countries like Russia are also expected to come in during the next few months, thereby the increasing import numbers.

July exports stood at 156,000 tonnes, which is the lowest since June 2019. Finished steel comprises alloy and non-alloy steel.

Trade sources say the levy of 15 per cent export duty on steel products from May 22 has hit exports. Moreover, weakening global demand because of recessionary pressures has also had an impact.

With the export duty, Indian steel remains costlier than Chinese offerings.

TODAY'S QUOTE

“Whatever you are, be a good one.”

- Abraham Lincoln

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