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NEWSLETTER 🤞

DIRECT TAX NEWS

I-T DEPT ATTACHES ₹1,000 CR ASSETS ALLEGEDLY LINKED TO AJIT PAWAR



The Income Tax Department has attached assets worth ₹1,000 crore allegedly linked to Maharashtra Deputy Chief Minister Ajit Pawar and his family members as part of an ongoing investigation into the Minister's financial dealings.

The assets have been seized under the Benami Transactions (Prohibition) Act, 1988. This includes land in different parts of the country, a sugar factory, a residential property in South Delhi, an office in Mumbai's upmarket area and a resort in Goa. While there was no official statement from the tax department, BJP leader Kirit Somaiya tweeted that the assets include sugar factory at Jarandeshwar estimated to be worth ₹600 crore, a South Delhi flat for ₹20 crore, Nirmal office of Parth Pawar for ₹25 crore and a Goa Resort "Nilaya" worth ₹250 crore.

"These properties are owned by Ajit Pawar's son, his wife, his mother, his sister and son-in-law," Somaiya claimed.

CAIRN DROPS LITIGATIONS AGAINST GOVT TO GET ₹7,900-CR TAX REFUND

UK-based Cairn Energy PLC on Wednesday said it has agreed to drop litigations to seize Indian properties in countries ranging from France to the UK as it has accepted the Indian government's offer to settle tax dispute relating to the levy of taxes retrospectively.

Meeting the requirements of new legislation that scraps levy of retrospective taxation, the company has given required undertakings indemnifying the Indian government against future claims as well as agreeing to drop any legal proceedings anywhere in the world.

The government now has to accept this and issue Cairn Form-II, that will commit it to refund the tax collected to enforce the retrospective tax demand. After the issue of Form-II, Cairn will withdraw legal proceedings and will get a refund of ₹7,900 crore.



INTERNATIONAL TAX CORNER

INDIRECT TAX NEWS

UK ANNOUNCES TAX BREAKS FOR BUSINESSES IN 2022 BUDGET



With the UK corporate tax rate set to rise 25 percent from April 2023, the UK Government has announced various tax proposals that are intended to support businesses and the UK economy, in the newly released 2022 Budget.

Significant reliefs have been announced in the area of business rates, the UK's commercial property tax regime. The Government says it intends to reduce the burden of business rates in England by over GBP7bn over the next five years. Specifically, the Government has said it will freeze the business rates multiplier in 2022-23, cutting companies' tax bills by GBP4.6bn over the next five years.

Targetted relief worth GBP1.7bn will be provided next year to up to 400,000 retail, hospitality, and leisure properties, the Government said.

The Government has also said, from 2023, it will introduce exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a new 100 percent relief for eligible heat networks, to support the decarbonization of buildings.



'FRYUMS' IS PAPAD, WILL NOT ATTRACT GST: GUJARAT AAAR

Gujarat Appellate Authority for Advance Rulings (GAAAR) has held that teh ready-to-fry/roast snack 'fryums' are 'papad' and do not attract GST. This ruling overturns the order of the Gujarat Authority for Advance Ruling (GAAR) which had held that fryums are not papad.

"Fryums is a popular word for the snack which comes in different shapes and sizes like round, square, semi-circle, hollow circle with bars in between or square with bars in between intersecting each other or shape of any instrument, equipment, vehicle, aircraft, animal type papad. Similarly, calling a product in question of different shapes and sizes by fryums does not change the basic character of the product and the product in question remains papad," GAAAR said in its recent ruling on an appeal filed by Rajkotbased Jayant Food.

It acknowledged that traditionally, 'papad' is a round-shaped, ready-to-cook product that is consumed after roasting or frying as snacks or as an accompaniment with meals.

The product in question, although of different shapes and sizes, is similarly a ready-to-cook product and can be consumed after roasting or frying and consumed as a snack. Further, cereal flour is the ingredient in both products. "Both the products i.e. 'papad' and the product in question are the same except they are known by different names in general public i.e. as 'papad' and 'fryums'," it said.

GAAAR highlighted that in entry No. 96 of Notification No. 02/2017-CT (Rate) dated June 28, 2017, the description of the product is 'papad by whatever name called.' Further, it said that to understand the term 'whatever name called' the principle of 'Noscitur a sociis' is to be applied. As per the said principle, the meaning of an unclear word or phrase must be determined by the words that surround it. In other terms, the meaning of a word must be judged by the company that it keeps.



INDIRECT TAX NEWS



COMPANIES MAY HAVE TO PAY MORE TAXES ON INTANGIBLE ASSETS

Some conglomerates, banks, and companies may face additional taxes under the Goods and Services Tax (CST) on their intangibles, such as goodwill, brand, logo fees and even franchise fees paid by them, following a recent adjustment in tax rates. The government recently implemented rate parity between 'right to use' and 'transfer of right to use' under the CST framework, which will affect transactions where brand names are held in a separate business and subsidiaries are 'allowed' to use it for a fee, say tax experts.

Following the move, the tax authorities may begin investigating various groups and corporations about how much their brand names and trademarks are worth and whether or not they impose GST on the amount. The change could affect corporations like Tata group, Mahindra Group, ICICI Bank, and HSBC Bank, among others, who have multiple subsidiaries and group companies.

As a result, the indirect tax department may issue demands for brands and logos that are held by a holding company or conglomerate but are utilised without payment by subsidiaries and group entities. In 2019, the tax agency submitted written inquiry orders to a number of businesses and issued preliminary letters to a number of foreign banks. The investigations, however, yielded little because of the disparity in tax rates for right to use and transfer of right to use, which both drew GST rates of 12% and 18%, respectively. Under all circumstances, the government recently announced that the GST would now be 18%.

FINMIN INVITES SUGGESTIONS ON DIRECT, INDIRECT TAXES FOR BUDGET 2022-23



The Finance Ministry has invited suggestions from various trade and industry bodies for changes in direct and indirect taxes in the Union Budget. Suggestions can be submitted on or before November 15. In a letter to trade talking about direct taxes, the department said: "As can be seen, the government policy with reference to direct taxes in the medium term is to phase out tax incentives, deduction and exemptions while simultaneously rationalising the rates of tax."

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Accordingly, it said that it would also be desirable that while forwarding the suggestions/ recommendations, positive externalities arising out of the said recommendations and their quantifications are also indicated. "You may also like to give suggestions for reducing compliances, providing tax certainty and reducing litigation," the letter said.

Similarly for indirect taxes, in the 2020-21 Budget, 80 exemptions related to customs duty were withdrawn, while in 2021-22 Budget, it was proposed to review more than 400 old exemptions through extensive consultations from October 1.

In terms of indirect taxes, the department has clarified that GST-related requests are not examined as part of the Annual Budget.

👶 TODAY'S QUOTE 👶

"Jou have to kind what sparks a light

in you so that you in your own way can illuminate the world

- Oprah Winkrey



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