

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

LOAN WAIVER NOT A BENEFIT, BANKS EXEMPT FROM 10% TDS FOR ONE-TIME SETTLEMENT



Banks will not be required to deduct 10% tax at source (TDS) on one-time settlement (OTS) or loan waivers, the Central Board of Direct Taxes said on Tuesday.

CBDT said in a detailed clarification that OTS or loan waiver by a bank will not be treated as a benefit or a perquisite and not face Tax Deducted at Source as they would have to bear the additional cost of tax deduction besides the haircut.

The exemption will be available to all public financial institutions, scheduled banks, cooperative banks, rural development banks, state financial corporations, and state industrial investment corporations.

It would also be available to deposit taking non-banking finance companies, systemically important non-deposit taking NBFCs, and public companies engaged in providing long-term finance for construction or purchase of houses in India for residential purposes and asset reconstruction companies.

Budget 2022-23 had introduced a new section, 194R, in the Income Tax Act, which required TDS at a rate of 10% by any person providing any benefit or perquisite exceeding ₹ 20,000 in a year to a resident, arising from his business or profession. Bankers felt the provision made them liable to TDS in case of OTS or loan waivers, which would be treated as benefits to customers and represented the issue to the CBDT seeking clarity.

CBDT also clarified that TDS would not be leviable on issuance of bonus or right shares by listed entities.

According to the clarification, in case a company conducts dealers' conferences to educate dealers about its products, it would not be considered a perquisite.

APP SCAM: ED SEIZES ₹46.67 CR BELONGING TO PAYTM, EASEBUZZ, RAZORPAY AND CASHFREE



The Enforcement Directorate has seized ₹46.67 crore from various bank and virtual accounts of four fintech firms during a money-laundering probe into a Nagaland-based app that promised large gains against investments in mining machines for cryptocurrencies.

In this case, too, the ED said it has found alleged linkages with Chinese entities, which were conning the people of Nagaland through apps offering loans.

Of the total seized amount, ₹33.36 crore was found with Pune-based Easebuzz Private Limited; ₹8.21 crore with Razorpay Software Private Limited of Bengaluru; ₹1.28 crore with Cashfree Payments India Private Limited, also of Bengaluru; and ₹1.11 crore with Paytm Payments Services Limited, New Delhi, said the ED in an official release.

On Wednesday, the agency officials carried out searches at six business and residential premises in Delhi, Ghaziabad, Mumbai, Lucknow and Gaya.

Besides, 16 other locations of banks and payment gateway branches and offices in Delhi, Gurgaon, Mumbai, Pune, Chennai, Hyderabad, Jaipur, Jodhpur and Bengaluru were also raided to investigate the charges, said the ED officials.

STEEL MINISTRY FOR PHASED REMOVAL OF EXPORT DUTY



The Steel Ministry, along with the Commerce Ministry, has reportedly initiated the process to review the export duty and is suggesting its phased removal, those aware of the development said. The Steel Ministry is said to be in favour of removal of duty on stainless steel in the first phase.

An internal document/presentation of the Steel Ministry pointed out, at a meeting on September 5, that stainless steel is an export-dependent item and its shipments would improve if the duty is removed.

However, HR coils and CR coils — two key items that have been driving steel export numbers — should not be immediately opened up as it might lead to increase in domestic prices,

A footnote to the presentation said that “Export duty of HS7222 (stainless steel bars and rods) and HS7219 (stainless steel flats) may be considered for removal” while adding that: “in view of this, reduction in duty may be considered after stabilisation of the volatile market condition. And cooling of inflationary pressures and the steel price trends in the next quarter (December-end).”

According to the Ministry document, nearly 80 per cent of the total production of stainless steel long (bars and rods) and 42 per cent of flats are sent overseas. Moreover, these items are seen to have a lower share in the total production of finished steel. Post the imposition of duty, stainless steel long (bars and rods) was the only category to see a growth in exports.

India imposed a stiff duty on exports of steel, iron ore and stainless steel from May 22. The duty levied was 15 per cent on flat-rolled products of stainless steel and 15 per cent on bars and rods, angles, shapes and sections of stainless-steel while a waiver of 2.5 per cent import duty was announced on ferro-nickel (a key stainless steel raw material).

TODAY'S QUOTE

“There are two primary choices in life: to accept conditions as they exist, or accept the responsibility for changing them.”

- Denis Waitley

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