

TAXTIME

NEWSLETTER

DIRECT TAX NEWS

NIRMALA SITHARAMAN SETS OUT THREE PRINCIPLES FOR INCOME TAX OFFICIALS



Finance minister Nirmala Sitharaman on Tuesday urged the income tax department to assess tax returns and process tax refunds even faster and redress pending grievances of assesseees as she set a new three-point governing principle for the tax department. The minister acknowledged that with use of technology, tax returns are now assessed and refunds are issued quickly but further improvements in this will fetch more goodwill to the department. The minister also told officials to resolve pending grievances. "We are going to basics in some ways. I think there are three 'Rs' that are going to govern us..." the minister said at an event organised to give the finance minister's award in recognition of exceptional and significant contribution of officers.

The first R, she said, was about assessing and processing the tax returns in time quickly, efficiently and systematically. "Don't lose time on that because the assesseees feel, 'I am waiting for it why don't you process my return soon?' The second R would be speedy refund. You are doing very well, much better than what it was before. Even more attention will have to be given to very quickly disposing of the refunds. There should not be any excuse for holding back refunds," the minister said. Even more efficient way of processing refunds will have a lot more good will for the department, Sitharaman said.

"Finally the third R is redressal of grievance. Even today, there are some cases which are pending for ever. There may be complications. It may be cases riddled with too many ifs and buts. You are the final authority. Why would you not want to redress them in time or let know that this is going to take a lot of time or if it is not within your powers or it is not possible to untie all those knots and get relief," the minister said. Sitharaman suggested that if grievance redressal was possible, officials should deliver on it and where the issue involved greater participation from others or needed to go to courts, that should be done. But, it should not languish on officers' tables, the minister said.

The minister also said that direct tax revenue collections have now matched indirect tax receipts, indicating equity in tax receipts.

EXPORTERS CALL ON FM SITHARAMAN TO EXTEND GST EXEMPTION ON EXPORT FREIGHT



Led by the Federation of Indian Export Organizations (FIEO), India's worried exporters have written to Finance Minister Nirmala Sitharaman requesting an extension of the previously-granted exemption from the Goods and Services Tax (GST) on export freight.. They claimed that failure to grant the extension "will compound their liquidity challenges." Since its introduction in 2018, the government extended the exemption from GST on export freight twice. The most recent extension, which lasted for two years, concluded on September 30, 2022.

If the exemption is not extended for another term, exporters would be required to pay 18 per cent GST on export ocean freight, which will increase the logistical costs for Indian commodities on the international market.

In an email sent to FM Sitharaman on October 2, FIEO president Dr A Sakthivel informed her of the effects of withdrawing the exemption. He said in the email that the overseas freight has gone up by 300-350 per cent from pre-covid levels and though there is little correction in the freight rate recently, freights are still 200-250 per cent more than at 2019 levels.

He further explained in the email that it is therefore that the payment of GST on such high freight rates will affect the liquidity of the exporters to a large extent particularly as the interest rates have also increased with the recent hike by the Reserve Bank of India (RBI). The payment of GST on export freight and subsequent refund particularly through ITC mechanism comes with a time lag of 2-3 months or so, though refund through IGST mechanism is faster, he said.

"Such a move will affect our agriculture exports the most as in many cases of export of fruits and vegetables, the air freight, at times, is much higher than the freight on board (FOB) value of exports. Therefore, exporters would be required to pay a very high GST amount on such freight adversely impacting the cash flow," he stated.

FIEO president pointed out that exporters in India are trying their best despite the rupee being one of the most resilient currencies in the world. Thus, not providing less competitiveness to our exports as compared to our competitors as most currencies have depreciated at a much steeper pace, he added.

Sakthivel claimed that because exporters will pay the same amount and then receive a refund, the GST on export freight is "revenue neutral." While requesting the finance minister to extend the exemption for a further period to free the exporters from the hassle of securing additional funding, he stated, "This may augment the liquidity of the Government but at the cost of the exporters. Since the cost of credit for the exporters is much high, an exemption will help the export sector to have better liquidity, which is the need of the hour. An early decision will be very much appreciated by the exporting community which is passing through a difficult phase and is likely to become further difficult in months to come."

IRS DATA RETRIEVAL TOOL IN FAFSA

To help fill out the Free Application for Federal Student Aid (FAFSA) form, Internal Revenue Service (IRS) has come up with a mechanism to retrieve the data of taxpaying students and parents. Through the IRS DRT, it has become effortless to access and transfer the data directly to the FAFSA form.

It can securely transfer the authentic IRS tax return information. The benefit of using this tool is that you would not have to go through the hassle of providing your parent's income tax returns to your college. Additionally, during times of inflation, many families can easily avail of financial aid for their children.

According to a study, 70% of families finished the FAFSA last year, and about 72% are expected to do it this year. The eligibility criteria for financial aid are that you must either be a US citizen or show financial need for a requirement-based student aid scheme and must also be enrolled in an eligible course. Moreover, you would be eligible for the scheme if you are a non-citizen with a green card.

ADVISORY ON FILING TRAN-1/2 FORMS TO CLAIM TRANSITIONAL CREDIT



The Hon'ble Supreme Court of India has provided a one-time opportunity to all the aggrieved taxpayers to file Form TRAN-1/TRAN-2 and claim their transitional input tax credit in GST system. In compliance of the Hon'ble court's directive, the facility for filing TRAN-1/TRAN-2 or revising the earlier filed TRAN-1/TRAN-2 on the GST common portal by aggrieved taxpayers have been made available by GSTN from 01.10.2022, and as per the court's instruction shall be available to all aggrieved taxpayers till 30.11.2022.

The TRAN filing process has been enhanced and the user interface of the portal has been made more intuitive to make it simple and easy for the taxpayer to file their forms TRAN-1/2.

NO COERCIVE ACTION TILL NOVEMBER 17 AGAINST ANIL AMBANI: HC TO I-T DEPT



The Bombay High Court on Monday directed the Income Tax department not to take any coercive action against Reliance Group Chairman Anil Ambani till November 17 on a show cause notice issued to him seeking to prosecute him under the Black Money Act. The I-T department had issued the notice to Ambani on August 8, 2022, for allegedly evading ₹420 crore in taxes on undisclosed funds worth more than ₹814 crore held in two Swiss bank accounts. The department has charged Ambani (63) with "wilful" evasion, saying he "intentionally" did not disclose his foreign bank account details and financial interests to Indian tax authorities.

As per the department's notice, Ambani was liable to be prosecuted under Sections 50 and 51 of the Black Money (undisclosed foreign income and assets) Imposition of Tax Act of 2015, that stipulates a maximum punishment of 10 years imprisonment with a fine.

Ambani earlier this month approached the HC challenging the notice, claiming that the Black Money Act was enacted in 2015 and the alleged transactions are of assessment years 2006-2007 and 2010-2011. Senior counsel Rafique Dada, appearing for Ambani, said provisions of the Act cannot have a retrospective effect.

LAST DATE FOR FY22 GST ITC EXTENDED

In a relief to Goods and Services Tax payers during the festival season, the Central Board of Indirect Taxes and Customs (CBIC) has extended the last date for taking input tax credit (ITC) for FY22 from October 20 to November 30. The due date for issuance of credit notes and declaration in the returns for FY22 has also been extended to November 30. Businesses can now claim input tax credits for 2021-22 and can rectify any errors in respect of details of outward supplies up to November 30.

The government has notified an amendment to the central goods and services tax Act to provide for additional time for claiming input tax credit, issuance of credit notes, rectification of errors and extending the last date of September 30. The due date of issuance of credit notes and declaration in the returns has also been extended to November 30.

TODAY'S QUOTE

You make a choice: continue living your life feeling muddled in this abyss of self-misunderstanding, or you find your identity independent of it. You draw your own box

- Duchess Meghan

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