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NEWSLETTER

DIRECT TAX NEWS

OECD NORMS TO BRING CLARITY ON CRYPTO TAX

The Organization for Economic Co-operation and Development (OECD) has submitted a Crypto-Asset Reporting Framework (CARF) to the G20 to increase global transparency in the reporting of tax information on transactions in crypto-assets in a standardised manner. The mechanism will facilitate automatic exchange of information among jurisdictions on an annual basis.
Among others, G20 includes the US, UK, India, China, South Korea and Brazil. In April 2021, the G20 asked the OECD with developing a method for automating cryptocurrency tax reporting between nations.

"Regulators and tax authorities around the world have been grappling with the burning question of tracking, regulating and taxing crypto transactions given the proliferation and increasing dispersion of this form of exchange. While some forward-looking countries have spotted an opportunity to attract crypto entrepreneurs to set up a base by providing an enabling environment for crypto operations, other countries have been more concerned about the potential misuse of crypto assets to fuel money laundering and prohibited end uses," said an expert.

The virtual digital asset (VDA) industry has seen rapid growth in India despite ambiguities around regulations and various other challenges. In the Budget for FY23, the government has imposed a 1% tax deducted at source on all VDA transactions. Besides TDS, the government mandated tax on any income from the transfer of VDAs at 30%, with no deduction and set off of losses, which may adversely affect the sector.

The CARF consists of rules which set out the scope of crypto-assets to be covered, the entities and individuals subject to data collection and reporting requirements, the transactions subject to reporting, as well as the information to be reported in respect of such transactions. The due diligence procedures to identify crypto-asset users and controlling persons, and to determine the relevant tax jurisdictions for reporting and exchange purposes.

EMPLOYERS NO LONGER REQUIRE TO DEDUCT GST ON SUBSIDISED MEAL COST RECOVERED FROM EMPLOYEES: AAR

Employers will no longer require to deduct GST on the subsidised meal cost recovered from their employees, the Authority of Advance Ruling (AAR) said on Tuesday.

The Gujarat bench of the AAR gave the ruling after Zydus Lifesciences approached the authority to seek clarification on whether GST would be levied on the amount deducted from the salaries of its employees who avail food in the factory/corporate office.

Zydus Lifesciences has entered into an agreement with the canteen service provider according to which it pays full amount to the service provider for the food served during a prescribed period on behalf of the employees. A pre-determined percentage of the amount paid by Zydus Lifesciences is recovered from the employees and the balance amount is borne by the company.
In its ruling, the AAR said that the firm is not liable to pay GST on the amount deducted/recovered from the employees.

The firm collects the partial amount from the employees and is required to pay the gross amount inclusive of GST to the canteen service by adding residual amount in the employees' portion and is required to pay gross amount of bill inclusive GST to the canteen service provider.

Zydus Lifesciences has submitted that it does not retain with itself any profit margin in this activity, the AAR said, while ruling that GST would not be levied on the meal cost recovered from employees' salary.

"Subsidised deduction made by the applicant from the employees who are availing food in the factory/corporate office would not be considered a supply under the provisions of .... Goods and Service Tax Act, 2017...," the AAR said.
This particular issue has ambiguity since inception of GST legislation, certain ambiguities were removed by circulars issued in relation thereto though different pronouncements by advance ruling authorities has again created snags.

E-INVOICES MUST FOR BUSINESSES WITH OVER RS 5 CRORE TURNOVER A YEAR

Businesses with annual turnover of over Rs 5 crore will have to move to e-invoicing under goods and services tax (GST) from January 1. The GST Network has asked its technology providers to make the portal ready to handle the increased capacity by December, a government official privy to the development, told ET.

The official said the target is to bring all businesses with turnover above Rs 1 crore under this framework by next fiscal year, which will further plug revenue leakages and improve compliance.

The GST Council had decided to implement electronic invoice in a phased manner. The aim is to bring all the small businesses under the formal economy. "As per the GST Council recommendation, e-invoicing will become mandatory for businesses over Rs 5 crore turnover from January 1," the official said.

INDIA GETS 4TH SET OF SWISS BANK ACCOUNT DETAILS UNDER AUTOMATIC INFO EXCHANGE FRAMEWORK

India has received the fourth set of Swiss bank account details of its nationals and organisations as part of an annual automatic information exchange under which Switzerland has shared particulars of nearly 34 lakh financial accounts with 101 countries.

Officials said the new details shared with India pertain to “hundreds of financial accounts”, including many cases of multiple accounts associated with some individuals, corporates and trusts

They did not divulge specifics, citing the confidentiality clause of the information exchange and the adverse impact it may have on further investigations, but asserted that the data would be used extensively in probes of suspected tax evasion and other wrong doings including of money laundering and terror funding.

In a statement, the Federal Tax Administration (FTA) on Monday said that the exchange of information this year saw five new additions to the list — Albania, Brunei Darussalam, Nigeria, Peru and Turkey. The count of financial accounts increased by nearly one lakh.

While the exchange was reciprocal with 74 countries, Switzerland received information but did not provide any in the case of 27 countries, including Russia, either because those countries do not yet meet the international requirements on confidentiality and data security or because they chose not to receive data.

While the FTA did not disclose names and further details of all 101 countries, officials said India figured prominently among those having received the information for the fourth year in a row and the details shared with Indian authorities pertained to a large number of individuals and organisations having accounts in Swiss financial institutions.

TODAY'S QUOTE

“Take the risk or lose the chance.”

-Unkown

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