

TAX EDGE

Monthly Tax & Regulatory Updates



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Measures to combat COVID-19



Measures to combat COVID-19

Union Health Ministry eases COVID-19 guidelines for international travelers to India

The Union Health Ministry has further eased guidelines for international travellers in context of COVID-19. Vide these new guidelines, which come into effect from 20 July 2023, the earlier requirements for RT-PCR based testing of a random 2% subset of international travellers to India, now stand dropped.

However, the earlier advice for precautionary measures to be followed in context of COVID-19 by airlines as well as international travellers shall continue to apply.

Please [Click Here](#) to read Press Release dated 19 July 2023.

Please [Click Here](#) to read the updated guidelines dated 19 July 2023 available on website of Health Ministry.



Goods & Services Tax (‘GST’)

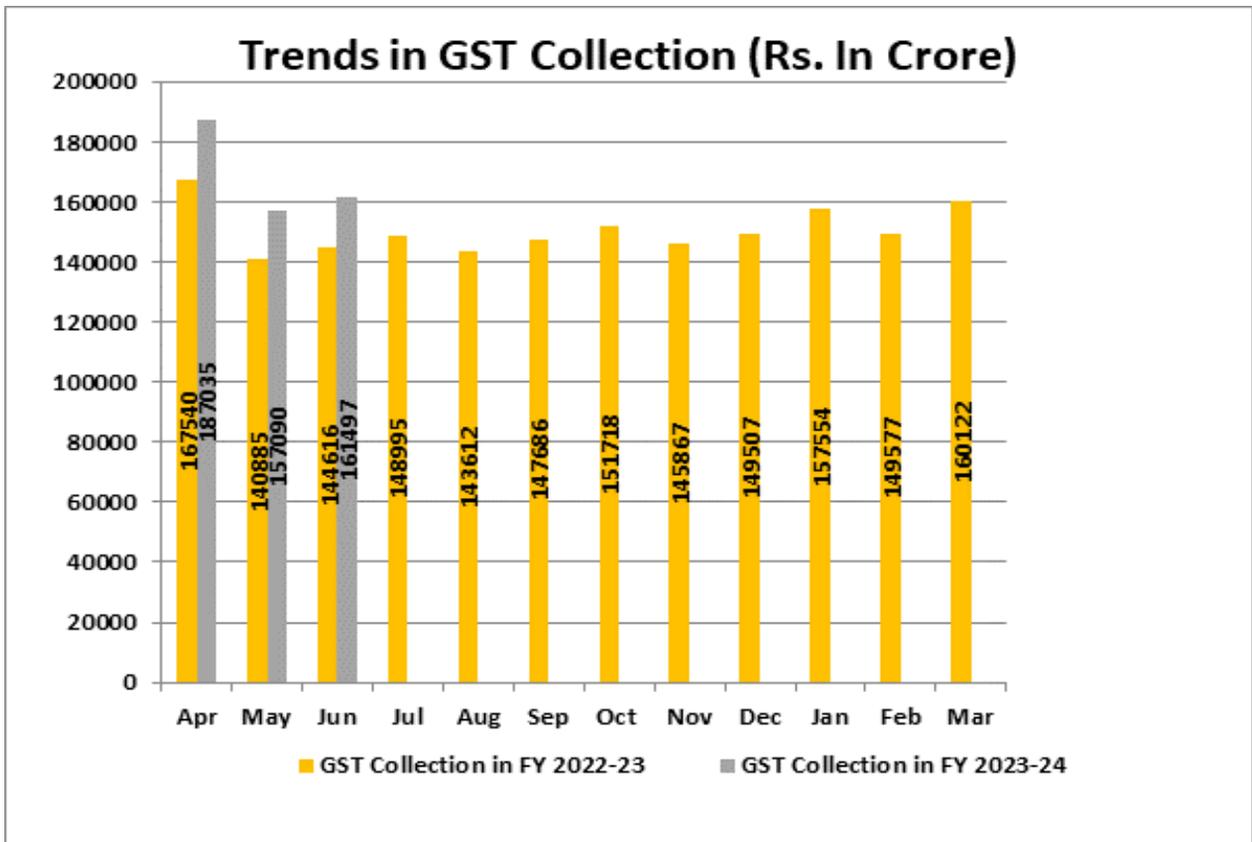


GST revenue collection for June 2023 Rs. 1,61,497 Crore (12% higher than GST revenue collection in June 2022)

The gross GST collected in the month of June 2023 is Rs. 1,61,497 Crore as below:

IGST (Integrated Goods and Services Tax)	Rs. 80,292 Crore
CGST (Central Goods and Services Tax)	Rs. 31,013 Crore
SGST (State Goods and Services Tax)	Rs. 38,292 Crore
Compensation cess	Rs. 11,900 Crore
Total	Rs. 1,61,497 Crore

The revenues for the month of June 2023 are 12% higher than the GST revenues in the same month last year. During the month, the revenues from domestic transactions (including import of services) are 18% higher than the revenues during the same month last year.



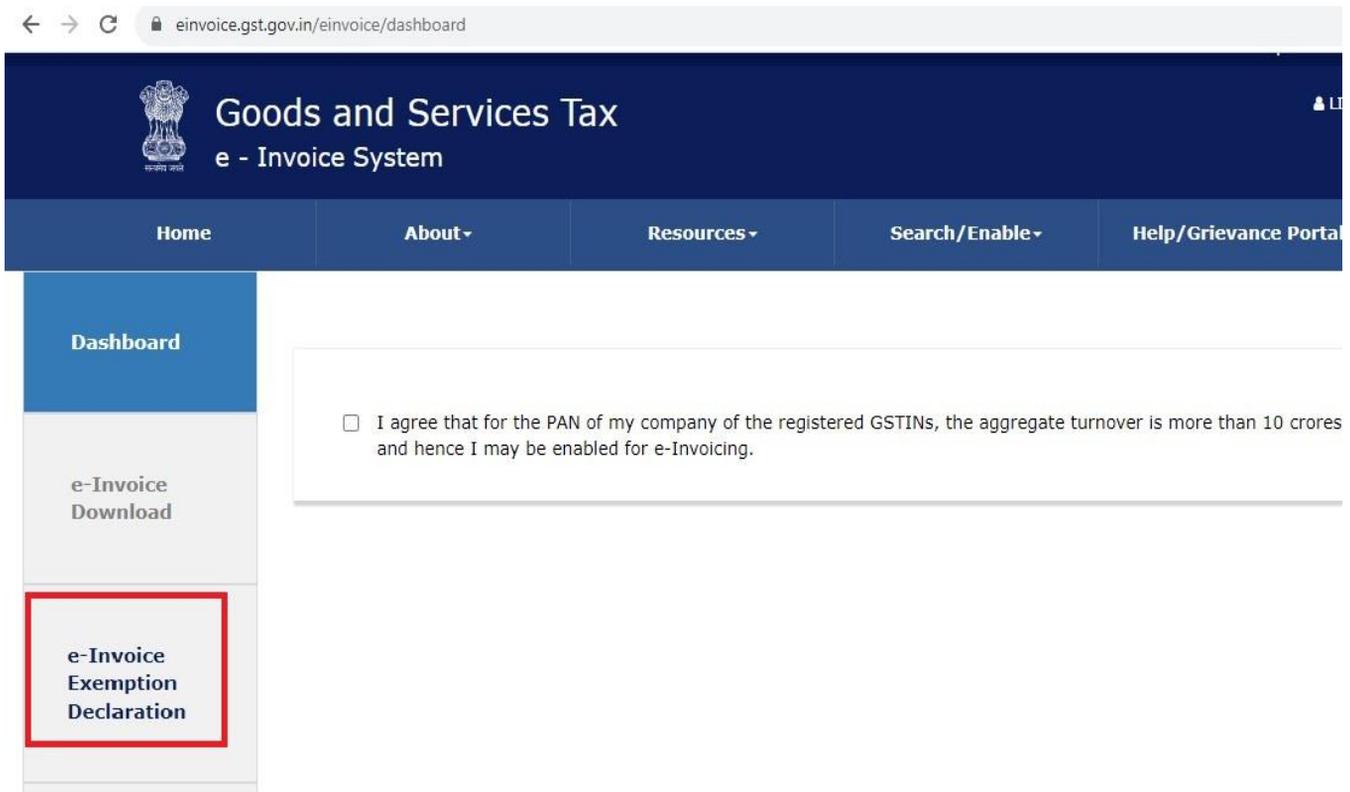
Please [Click Here](#) to read Press Release dated 1 July 2023.

E-invoice exemption declaration functionality now available on GST portal

The e-invoice exemption declaration functionality is now live on GST portal. The functionality is designed for taxpayers who are by default enabled for e-invoicing but are exempted from implementing it under the CGST Rules.

Salient features of the functionality are:

- It is voluntary and can be accessed at the e-Invoice portal (www.einvoice.gst.gov.in)
- Any declaration made using this functionality will not change the e-invoice enablement status of the taxpayer
- The facility to report exemption declaration is purely for business facilitation purposes

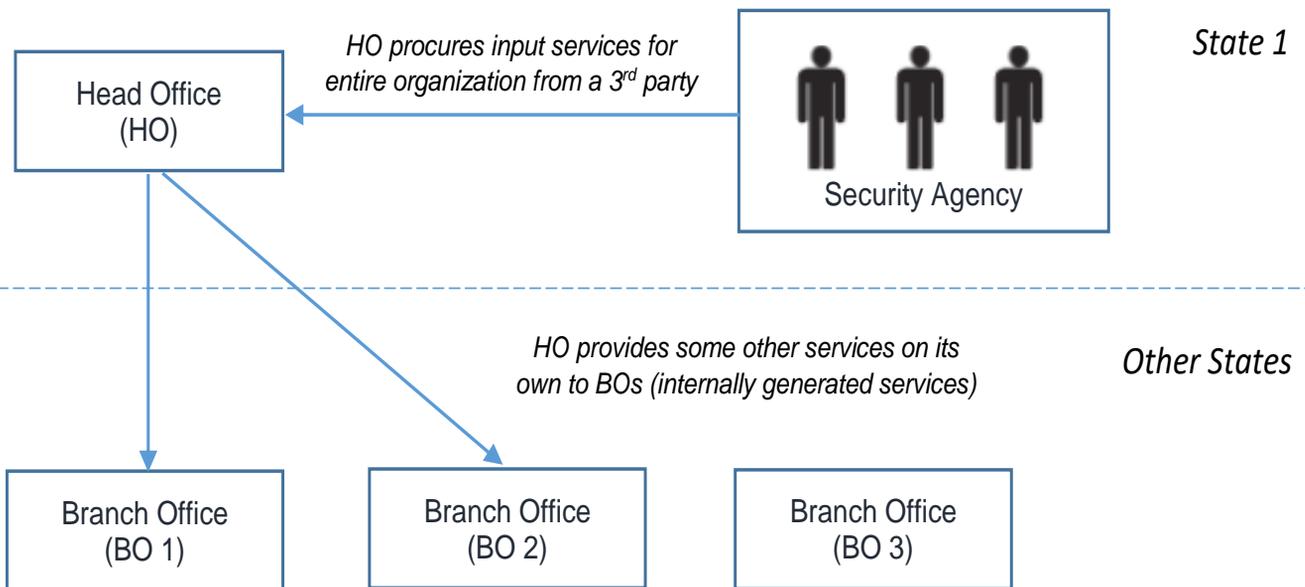


The screenshot shows the GST e-Invoice System dashboard. The browser address bar displays einvoice.gst.gov.in/einvoice/dashboard. The page header includes the Government of India emblem and the text "Goods and Services Tax e - Invoice System". The main navigation bar contains links for "Home", "About", "Resources", "Search/Enable", and "Help/Grievance Portal". The left sidebar menu lists "Dashboard", "e-Invoice Download", and "e-Invoice Exemption Declaration", with the latter highlighted by a red rectangular box. The main content area features a checkbox with the text: "I agree that for the PAN of my company of the registered GSTINs, the aggregate turnover is more than 10 crores and hence I may be enabled for e-Invoicing."

Please [Click Here](#) to read GST Network's advisory dated 24 July 2023.

Central Board of Indirect Taxes & Customs (CBIC) issues clarification regarding taxability of services provided by an office of a taxpayer in one state to an office of the taxpayer in another state, both being distinct persons

CBIC has issued a clarification vide Circular No. 199/11/2023-GST dated 17 July 2023 regarding taxability of services provided by one office to another office of the same organisation in different states, both being distinct persons.



The clarifications issued by CBIC are as below.

Distribution of ITC in respect of common input services procured from a 3rd party (attributable to both HO and BOs or exclusively to one or more BOs)

- Whether HO can avail ITC in respect of such common input services, issue tax invoice to the BOs for said input services and BOs can then avail ITC for the same?

OR

Whether is it mandatory for the HO to follow the Input Service Distributor ('ISD') mechanism for distribution of ITC in respect of such common input services?

- It has been clarified by CBIC that HO has *an option* to distribute ITC in respect of such common input services by following the ISD mechanism. However, as per the current CGST Act and CGST Rules, it is not mandatory for HO to distribute such ITC by ISD mechanism.

HO can also issue tax invoice to the concerned BOs in respect of common input services procured from a 3rd party. The BOs can then avail ITC on the same subject to the provisions of CGST Act.

In case HO distributes / wishes to distribute ITC to BOs through the ISD mechanism, HO is required to get itself mandatorily registered as an ISD in accordance with section 24(viii) of the CGST Act. Distribution of ITC to BOs can be made through ISD mechanism only if the said input services are attributable to the said BO or have actually been provided to the said BO. Similarly, HO can issue tax invoices to the BOs, only if the said services have actually been provided to the concerned BOs.

Computation of value of internally generated services provided by HO to BO when:

(a) Full ITC is available to BO

- There may be instances where HO may not be issuing invoice to the BOs with respect to such services, or the HO may not be including the cost of a particular component (such as salary cost of employees involved in providing said services) while issuing the invoice to BOs. Whether the HO is mandatorily required to issue invoice to BOs u/s 31 of CGST Act for such internally generated services, and / or whether the cost of all components (including salary cost of HO employees involved in providing said services) has to be included in the computation of value of services provided by HO to BOs *when full ITC is available to the concerned BOs*.
- In respect of services supplied by HO to BOs, the value of services declared in the invoice by HO is deemed to be open market value of such services (for the purpose of calculation of GST), if the recipient BO is eligible for full ITC. The value so declared in the invoice shall be considered to be the open market value, irrespective of the fact whether cost of any particular component of such services, like employee cost, etc. has been included or not in the value of services in the invoice. Further, *in such cases where full ITC is available to the recipient*, if HO has not issued an invoice to the BO, the value of such services may be deemed to be declared as Nil by HO to BO, and may be deemed as open market value as per CGST Rules.

(b) Full ITC is not available to BO

- Whether in such cases, the cost of salary of employees of HO involved in providing said services to the BOs, is mandatorily required to be included while computing the taxable value of the supply of services
- No

Please [Click Here](#) to read Circular No. 199/11/2023-GST dated 17 July 2023.

Recommendations made by the GST Council in its 50th Meeting held on 11 July 2023

The 50th Meeting of the GST Council was held on 11 July 2023 under the chairpersonship of the Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman. Key recommendations were made in the following areas:

- A. GST Rate changes
- B. Measures for facilitation of trade
- C. Measures for streamlining compliances in GST

Please [Click Here](#) to read our detailed Alert on the key recommendations.

Notifications to give effect to the recommendations of the 50th GST Council Meeting

Sl	Notification (Please click to read)	Particulars
1	Notification No. 26/2023-Central Tax dated 17 July 2023	Extend amnesty for GSTR-10 (Final Return upon cancellation / surrender of GST registration) for non-filers till 31 August 2023
2	Notification No. 25/2023-Central Tax dated 17 July 2023	Extend amnesty for GSTR-9 (GST Annual Return) for non-filers till 31 August 2023
3	Notification No. 24/2023-Central Tax dated 17 July 2023	Extend amnesty scheme for deemed withdrawal of assessment orders till 31 August 2023
4	Notification No. 23/2023-Central Tax dated 17 July 2023	Extend time limit for application for revocation of cancellation of registration till 31 August 2023
5	Notification No. 22/2023-Central Tax dated 17 July 2023	Extend amnesty for GSTR-4 (Return to be filed by Composition Dealer) for non-filers till 31 August 2023
6	Notification No. 21/2023-Central Tax dated 17 July 2023 Notification No. 20/2023-Central Tax dated 17 July 2023 Notification No. 19/2023-Central Tax dated 17 July 2023 Notification No. 18/2023-Central Tax dated 17 July 2023	Extend the due date for furnishing Form GSTR-7 (TDS Return), Form GSTR-3B (Summary Return) and Form GSTR-1 (Outward Supplies) for the period April – June 2023 for registered persons in Manipur

Circulars to give effect to the recommendations of the 50th GST Council Meeting

Sl	Circular	Particulars
1	Circular No. 198/10/2023-GST dated 17 July 2023	Taxpayers required to generate e-invoices should issue e-invoices for supplies made to Government authorities and Public Sector Undertakings (PSUs) registered solely for the purpose of Tax Deduction at Source (TDS)
2	Circular No. 197/10/2023-GST dated 17 July 2023	Clarification on refund-related issues
3	Circular No. 196/10/2023-GST dated 17 July 2023	Taxability of share capital held in subsidiary company by the parent company
4	Circular No. 195/10/2023-GST dated 17 July 2023	Availability of Input Tax Credit (ITC) in respect of warranty replacement of parts and repair services during warranty period
5	Circular No. 194/10/2023-GST dated 17 July 2023	Tax collected at Source (TCS) liability in case of multiple E-commerce Operators in 1 transaction
6	Circular No. 193/10/2023-GST dated 17 July 2023	Deals with difference in ITC availed in Form GSTR-3B as compared to that detailed in Form GSTR-2A for the period 1 April 2019 to 31 December 2021
7	Circular No. 192/10/2023-GST dated 17 July 2023	Charging of interest in cases of wrong availment of IGST credit and reversal thereof

6th year of introduction of GST celebrated at New Delhi

GST was introduced in India on 1 July 2017. The 6th GST Day was celebrated in New Delhi with Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman presiding over as the Chief Guest and Union Minister of State for Finance, Shri Pankaj Chaudhary as the Guest of Honour. Senior officials from the Ministry of Finance, CBIC and Central Board of Direct Taxes and other Government departments were present.



The Union Finance Minister Smt. Nirmala Sitharaman, while addressing at GST Day 2023, said, “GST is the embroidery that stitches the diversity of Indian markets into the fabric of economic progress. The GST Council meetings have become the shining examples of cooperative federalism, where the Centre and States have deliberated, discussed, and decided on various complex issues to make GST more responsive and nuanced. Even today, and certainly in the future, the success of GST is predicated on the feedback loop between the taxpayer and the department.”

The Finance Minister recalled the fragmented state of Indirect Tax System in India where every state was effectively a distinct market. Multiple tax rates laws and procedures, cascading of taxes and check posts at every inter-state border were all burdens on taxpayer as well as common man. Smt. Sitharaman particularly emphasised the positive impact of GST on consumers by reducing their tax burden and recalled that on many common use items, tax incidence under GST has become lower as compared to pre-GST rates such as tea, milk powder, hair oil, toothpaste soap etc. Even after implementation of GST, rates have been pruned on common use items to reduce the burden on consumers, the Finance Minister said. These include goods such as common household items like kitchenware, furniture, electrical equipments, bathroom and toilet fittings, refrigerators, television, certain food items etc. Smt. Sitharaman also highlighted the sensitivity of GST Council in reducing rates even post introduction of GST.

The Finance Minister also highlighted benefits to Micro, Small & Medium Enterprises (MSME) under GST by easing their compliance burden through measures like composition scheme, quarterly return with monthly payment, optional annual return etc. The centre piece of the GST-Facilitation Revolution has been technology. GST is technology-enabled and technology-driven. GST has also shown an impressive and steady increase in revenue collection over the last 6 years due to higher economic activity and enhanced compliance. Appreciating efforts of officers of Central Board of Indirect Taxes & Customs, she said numerous officers across India have gone into making the grand vision of the GST project a reality. Officers have faced innumerable challenges during the journey: the teething problems, especially with regard to technology, communicating and resolving the queries of the taxpayers, and the COVID pandemic, among many other things.

The trade associations have also played a vital role in the formulation and implementation of GST. Not only were they proactive in bringing their issues to the forefront, they also helped in disseminating knowledge of GST through seminars and workshops. This consultative and collaborative approach is instrumental in making responsive and responsible policymaking.



Please [Click Here](#) to read Press Release dated 1 July 2023.

Direct Tax



Direct Tax

Direct tax collection for Financial Year (FY) 2023-24 (upto 9 July 2023) Rs. 5.17 Lakh Crore, 14.65 % higher than gross collection for corresponding period last year

The Central Board of Direct Taxes (CBDT) has released the following statistics on 10 July 2023.

For the period 1 April 2023 till 09 July 2023	Amount	Remarks
Gross direct tax collection	Rs. 5.17 lakh crore	14.65% higher than gross collection for corresponding period last year
Net direct tax collection (after adjustment of refunds)	Rs. 4.75 lakh crore	<ul style="list-style-type: none">15.87 % higher than net collection for corresponding period last yearThe collection represents 26.05% of the total direct tax budget estimate for FY 2023-24
Refunds issued	Rs. 42,000 crore	2.55% higher than refunds issued during corresponding period last year

Please [Click Here](#) to read Press Release dated 10 July 2023.



Condonation of delay in filing Income-tax Return (ITR) by Co-operative societies claiming tax deduction u/s 80P of the Income-tax Act, 1961

Section 80P of the Income-tax Act provides for tax deduction in respect of income of co-operative societies. On a conjoint reading of section 80P with section 80AC of the Income-tax Act, for the Assessment Year 2018-19 onwards, tax deduction is allowable for such taxpayers only if they file their ITRs timely within the prescribed time limit under the law.

Reportedly, Central Board of Direct Taxes has received applications from cooperative societies claiming deduction u/s 80P for AY 2018-19 to AY 2022-23, seeking condonation of delay in filing ITR caused by delays in getting their accounts audited under state laws. Their request is to treat the returns as filed within the due date.

To mitigate genuine hardship, CBDT has authorized the Chief Commissioners of Income-tax / Directors General of Income-tax to deal with such applications for condonation of delay pending before the CBDT, on merits in accordance with law where the taxpayer is required to get its accounts audited under the respective state law.

Please [Click Here](#) to read Circular No. 13 dated 26 July 2023.

Exemption from requirement to withhold tax at source u/s 194 from dividend paid by unit of an International Financial Services Centre (IFSC) engaged in business of leasing aircraft

Section 10(34B) is a newly inserted provision in the Income-tax Act, allowing tax exemption of dividend income earned by a unit in IFSC engaged in business of leasing of aircraft. The dividend income must have been earned from another unit in IFSC engaged in business of leasing of aircraft.

To align the withholding tax provision u/s 194 of the Act with the above exemption provision, CBDT has exempted the payer-unit in such case from requirement to withhold tax on payment of dividend to the payee-unit. The move is aimed at promoting growth in aviation finance sector in India.

Certain compliances need to be ensured, such as the below.

- The payee unit shall furnish a statement-cum-declaration in Form 1 (given below) to the payer giving details of the relevant year in which tax exemption u/s 10(34B) is available to the payee
- Payer shall duly report all such payments on which tax has not been deducted at source, while submitting its quarterly withholding tax returns, so that the Government can track it

Direct Tax

Form No. 1

To be furnished by a Unit engaged in the business of leasing of aircraft (deductee/payee) located in International Financial Services Centre to a Unit of International Financial Services Centre (deductor/payer)

1. Name of the assessee:
2. PAN:
3. Name and address of the unit located in International Financial Services Centre:

Statement-cum-Declaration

I.....son/daughter of.....in capacity....., do hereby declare that the above-mentioned Unit is primarily engaged in the business of leasing of aircraft and its dividend income is eligible for exemption under clause (34B) of section 10 of the Income-tax Act, 1961. I further declare that the abovementioned Unit continues to be a unit working in International Financial Services Centre and continues to be primarily engaged in the business of leasing of aircraft during the year..... (relevant to Assessment Year) in which this statement-cum-declaration is being submitted.

Verification

I.....son/daughter ofin capacity.....do hereby certify that all the particulars furnished above are correct and complete.

Signature of the declarant

The Notification is effective from 1 September 2023 onwards.

Please [Click Here](#) to read Notification No. 52 dated 20 July 2023.

Scope of tax exemption available to a recipient of assets u/r 11UAC of Income-tax Rules extended to Fund Relocation to IFSC

Background

- Section 56(2)(x) of the Income-tax Act is in the nature of an anti-abuse provision which calls for levy of tax (on notional income) under the head 'income from other sources' in the hands of recipient in case the latter receives an asset at less than its fair value computed as per Income-tax Rules.

Rule 11UAC of the Income-tax Rules, 1962 prescribes certain transactions which are exempt from the clutches of section 56(2)(x).

- To promote establishment of entities in International Financial Services Centre (IFSC) and make relocation a tax-neutral transfer, the Finance Act 2021 has inserted clauses (viiac) and (viiad) to section 47 in the Income-tax Act. Accordingly, such transfers are not subject to capital gains tax. The Gujarat International Finance Tec (GIFT) City in Gujarat is the 1st IFSC in India.

Section 47(viiac) provides that any transfer of a capital asset by the 'original fund' to the 'resultant fund' at the time of 'relocation' of the entity to an IFSC shall not be considered as a taxable transfer. Similarly, section 47(viiad) provides that any transfer by a shareholder (or unitholder or interest holder) of a capital asset being a share (or unit or interest) held by him in the original fund in consideration for the share (or unit or interest) in the resultant fund at the time of relocation, shall not be considered as a transfer.

'Original Fund' for this purpose has been defined to mean a fund established outside India, which collects funds from its members for investing for their benefit and fulfils prescribed conditions.

'Resultant Fund' means a fund established in an IFSC in India and has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund as per Securities Exchange Board of India (SEBI) regulations.

'Relocation' means transfer of assets of the original fund to a resultant fund on or before 31 March 2025, where consideration for such transfer is discharged in the form of share (or unit or interest) in the resulting fund to;

- ✓ Shareholder (or unit holder or interest holder) of the original fund, in the same proportion in which the share (or unit or interest) was held by such shareholder (or unit holder or interest holder) in such original fund, in lieu of their shares or units or interests in the original fund; or
- ✓ The original fund, in the same proportion as referred to above, in respect of which the share (or unit or interest) is not issued by resultant fund to its shareholder (or unit holder or interest holder)

Direct Tax

Notification No. 51 issued by CBDT on 18 July 2023

CBDT has issued a notification amending Rule 11UAC to widen the scope of non-applicability of section 56(2)(x) to fund relocation to IFSC. Shares (or units or interest) received by the 'fund management entity' of the resultant fund, in lieu of shares (or units or interest) held by the 'investment manager entity' in the original fund, won't be taxable if the following conditions are met:

- Not less than 90% of shares (or units or interest) in the 'fund management entity' of the resultant fund are held by the same entities in the same proportion as held by them in the 'investment manager entity' of the original fund; and
- Not less than 90% of the aggregate of shares (or units or interest) in the 'investment manager entity' of the original fund was held by such entities.

'Fund management entity' for this purpose has been defined under the IFSC Authority (Fund Management) Regulations, 2022. 'Investment manager entity' means the fund manager of the original fund regulated by the respective regulation of the jurisdiction in which the original fund is located.

Please [Click Here](#) to read Notification No. 51 dated 18 July 2023.

Tax exemption to non-resident of income received on distribution of Offshore Derivative Instruments (ODI) entered into with an offshore banking unit in IFSC

Background

- Section 10(4E) of the Income-tax Act allows tax exemption on income of non-resident on transfer of ODI entered into with IFSC Banking Unit. The IFSC Banking Unit makes investments in permissible Indian securities, income on which is taxable as capital gains, interest, dividend u/s 115AD. Once the tax is paid, the IFSC Banking Unit passes on such income to the ODI holders
- Prior to amendment by Finance Act, 2023, tax exemption was available only on transfer of ODI and not on distribution of income to the non-resident ODI holder, leading to double taxation of such distributed income, i.e., 1st when received by the IFSC Banking Unit and 2nd, when the same income is distributed to the non-resident ODI holder
- Consequently, to remove incidence of double taxation, section 10(4E) was amended by Finance Act 2023 to say that tax exemption shall be available to the non-resident investor not only on transfer of ODI, but also *distribution of income on ODI*, entered into with an offshore banking unit of an IFSC. Such exempt income shall include only that amount which has been taxed in the hands of IFSC Banking Unit u/s 115AD

Direct Tax

Notification No. 50 issued by CBDT on 17 July 2023

Consequent to the above amendment by Finance Act 2023, CBDT has made the necessary amendment in Rule 21AK of the Income-tax Rules to align the same with section 10(4E) of the Income-tax Act. Rule 21AK was inserted in the Income-tax Rules in December 2021 and mentions the conditions to be fulfilled by the non-resident investor for being entitled to the tax exemption u/s 10(4E).

Please [Click Here](#) to read Notification No. 50 dated 17 July 2023.

Tax Collection at Source (TCS) – Central Board of Direct Taxes (CBDT) announces relief measures on TCS on Liberalized Remittance Scheme (LRS) & overseas tour program package

What is LRS?

A scheme of the Reserve Bank of India, wherein a resident individual can remit up to USD 250,000 per year for any permissible current / capital account transaction.

Background – Increase in rate of TCS vide Finance Act 2023

- Prior to the Finance Act 2023, TCS was applicable as below:
 - ✓ 5% on LRS remittances outside India in excess of Rs. 7 lakh (0.5% in case of remittance for education purposes financed by loans from qualifying financial institutions)
 - ✓ 5% on sale of overseas tour program package (without any threshold limit of Rs. 7 lakh)
- The Finance Act 2023 increased the TCS rate as below, in order to tax the luxury / wealthy segment of the society
 - ✓ 20% on LRS remittances (except in case of remittances for education and medical purposes) without the threshold limit of Rs. 7 lakh.
 - ✓ 20% on sale of overseas tour program package

The amendments were to come into force from 1 July 2023 onwards.

- Earlier, overseas use of international credit cards was not included within the said overall limit of LRS. However, with a slight modification in law in the month of May 2023, all international credit card transactions overseas have been brought under LRS, implying that TCS @ 20% will be applicable to all international credit card transactions by a person when he is abroad. This caused widespread concern in industry who made representations to the Government.

Direct Tax

Press Release dated 28 June 2023 issued by Finance Ministry

Consequent to the uproar by public, the Finance Ministry issued a Press Release on 28 June 2023 introducing following changes:

- Restoration of threshold of Rs. 7 lakh
- ✓ There will be no change in TCS rate for all purposes under LRS and for overseas tour program package, regardless of mode of payment, for amounts up to Rs. 7 lakh per individual per annum
- ✓ Accordingly, for 1st LRS up to Rs. 7 lakh, there shall be no TCS. Beyond this threshold, TCS shall apply as follows:
 - (a) 0.5% if remittance for education is financed by education loan
 - (b) 5% in case of remittance for education other than (a) above or medical treatment
 - (c) 20% for others
- ✓ However, for purchase of overseas tour program package, TCS shall continue to apply @ 5% for the 1st Rs. 7 lakh per annum and 20% rate will apply for expenditure above this limit.
- International credit card transactions would be excluded from LRS, implying such transactions would not be subject to TCS. This would give time to banks and credit card networks to implement requisite IT solutions
- Effective date for applicability of higher rate of TCS deferred from 1 July 2023 to 1 October 2023. Till 30 September 2023, earlier rates of TCS which prevailed prior to amendment by Finance Act 2023 shall continue to apply

To summarize;

Nature of Payment	Earlier rate of TCS (applicable till 30 September 2023)	New rate of TCS (applicable from 1 October 2023 onwards)
LRS for education financed by loan	<ul style="list-style-type: none">• Nil, upto Rs. 7 lakh• 0.5% above Rs. 7 lakh	<ul style="list-style-type: none">• Nil, upto Rs. 7 lakh• 0.5% above Rs. 7 lakh
LRS for medical treatment/ education (other than financed by loan)		
LRS for other purposes		<ul style="list-style-type: none">• Nil, upto Rs. 7 lakh• 20% above Rs. 7 lakh
Purchase of overseas tour program package	5% (without threshold)	<ul style="list-style-type: none">• 5% till Rs. 7 lakh• 20% above Rs. 7 lakh

Direct Tax

Circular no. 10 dated 30 June 2023 issued by CBDT

On 30 June 2023, CBDT issued a Circular providing various clarifications by way of responses to Frequently Asked Questions (FAQs) on the matter, including:

- Applicability of threshold limit of Rs. 7 lakh
- Process for monitor of threshold limit by obtaining undertaking from remitter
- Applicability of TCS on purchase of overseas tour program package from foreign tour operator
- Non-applicability of TCS on stand-alone travel and hotel bookings
- Inclusion of incidental expenses related to education and medical for TCS at lower rate

To summarize;

- No TCS shall be applicable on expenditure incurred through international credit card while being overseas, till further order
- The threshold limit of Rs. 7 lakh is a combined threshold for applicability of TCS on LRS irrespective of the purpose of remittance. Such was the position prior to amendment by Finance Act 2023, i.e., till 30 September 2023
- The threshold limit of Rs. 7 lakh is for the *whole of* FY 2023-24. If the threshold limit has already been exhausted, all subsequent remittances under LRS, whether in the 1st half or 2nd half of FY 2023-24, would be liable for TCS at applicable rate
- The threshold limit of Rs. 7 lakh is applicable;
 - ✓ Per remitter and not per Authorised Dealer, and
 - ✓ Independently for LRS and overseas tour program package
- In case of purchase of overseas tour program package from a foreign tour operator for which money is remitted under LRS, the TCS provision for purchase of overseas tour program package shall apply and not TCS provision for LRS remittance. Since the threshold limit of Rs. 7 lakh for Nil TCS does not apply for overseas tour program package, TCS is applicable
- Remittance for the purposes of medical treatment shall include:
 - ✓ Purchase of air tickets for the patient and his / her attendant
 - ✓ Medical expense
 - ✓ Other day to day expenses required for such purpose
- Remittance for the purposes of education shall include:
 - ✓ Purchase of air tickets for the person undertaking study overseas
 - ✓ Tuition and other fee to be paid to the educational institute
 - ✓ Other day to day expenses required for undertaking such study

Direct Tax

Conclusion

The issue of Press Release dated 28 June 2023 and CBDT's Circular dated 30 June 2023 are a welcome move, as it addresses number of ambiguities in the matter which was much required.

Please [Click Here](#) to read CBDT's Circular No. 10 dated 30 June 2023 as well as Press Release issued by the Finance Ministry on 28 June 2023.

Due date for submission of Tax Deducted at Source (TDS) & TCS returns for the period April to June 2023, extended till 30 September 2023 (except TDS return for salary payments)

CBDT has extended the due date for filing TDS and TCS returns for the period April to June 2023, as below.

Return	Existing due date	Extended due date
Form 26Q (TDS return for non-salary payments)	31 July 2023	30 September 2023
Form 27Q (TDS return for payments to non-residents)		
Form 27EQ (TCS return)	15 July 2023	

Due date for submission of Form 24Q (TDS return for salary payments) has not been extended and continues to remain 31 July 2023.

Please [Click Here](#) to read Circular No. 9 dated 28 June 2023.



Direct Tax

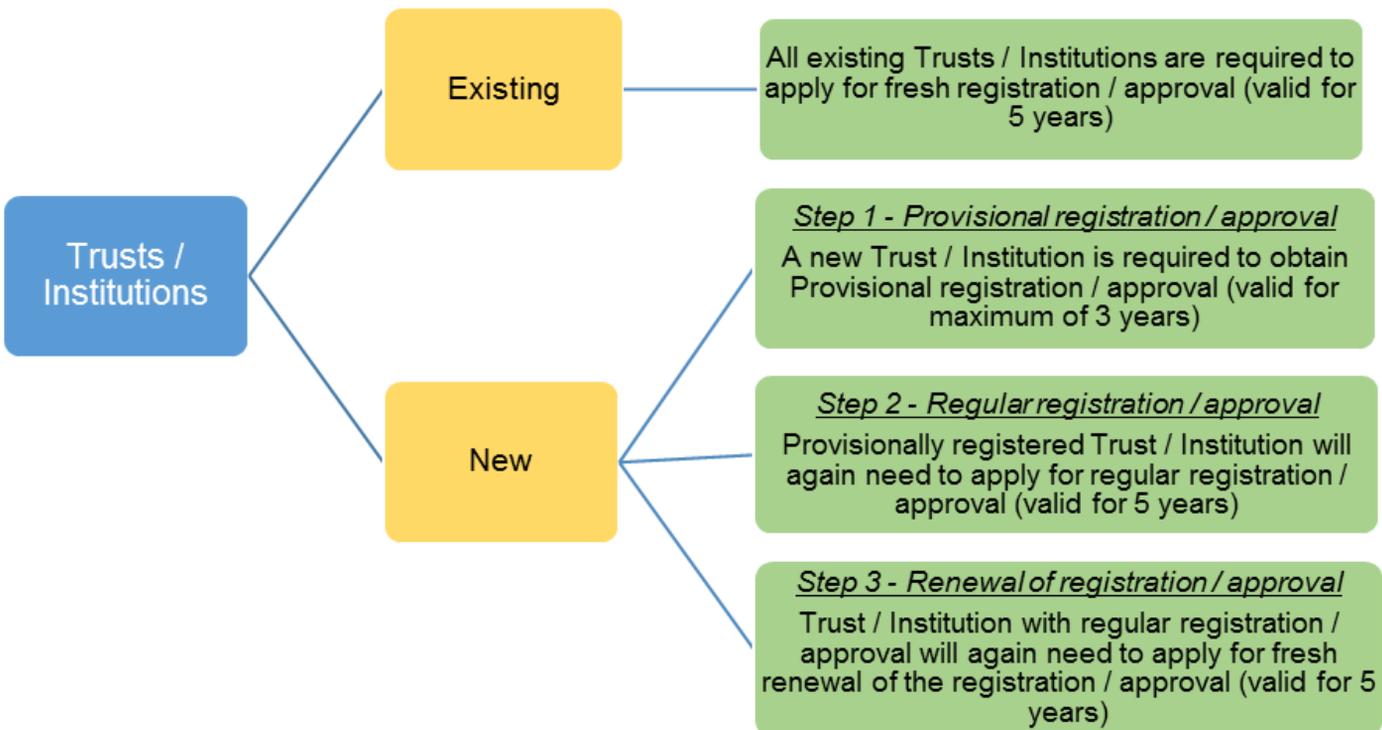
Charitable & Religious trusts - CBDT notifies changes in process of approval consequential to amendments by Finance Act 2023

Trusts / Institutions are eligible to claim tax exemption under 2 regimes:

- 1st Regime - Fund / Institution / Trust / University / Educational Institution / Hospital / Medical Institution referred u/s 10(23C)(iv) or (v) or (vi) or (via) of the Income-tax Act, and
- 2nd Regime – Trust registered u/s 12AA / 12AB of the Income-tax Act

The Finance Act, 2023 made various amendments in law to rationalize provisions related to both the above regimes (please [Click Here](#) to read our detailed presentation on Union Budget 2023, pages 68 to 78).

The requirement as it stands today for entitlement of tax exemption to Trusts / Institutions is as below:



Direct Tax

Circular no. 6 issued by CBDT in May 2023

On 24 May 2023, CBDT issued Circular No. 6 explaining in details the modality and timeline to be followed for the above procedure including extension in timeline.

Other changes introduced by CBDT included the below:

- Extension of due date for FY 2022-23 till 30 June 2023, for furnishing statement of donation in Form 10BD and issue of certificate of donation in Form 10BE
- Provisional registration / approval to be valid from the assessment year relevant to the previous year in which the application is made
- Statement of accumulation of income in Form 10 / 9A allowed to be filed till due date of filing ITR
- Payment through account payee cheque or account payee bank draft or use of electronic clearing system through a bank account is included in electronic modes of payment for the purpose of reporting by auditor in Form 10B / 10BB

Notification no. 45 issued by CBDT on 23 June 2023

On 23 June 2023, CBDT has issued Notification No. 45 making certain amendments to the requisite rules and forms to introduce the essential changes in the process of approval for Trusts / Institutions.

The amendments have the effect of aligning the changes introduced vide Finance Act 2023 with the approval process, including relief and clarity to newly established Trusts / Institutions and making it easy for them to obtain approval. Trusts / Institutions that have already started their activities, can directly apply for regular approval without the need to reapply immediately.

Please [Click Here](#) to read Notification No. 45 dated 23 June 2023.



International Tax



Transfer Pricing - CBDT notifies tolerance limit for computing arm's length price for Assessment Year (AY) 2023-24

The Income-tax Act 1961 allows the Government to prescribe the 'tolerance limit' every year for variation between the arm's length price computed u/s 92C of the Act and the actual price at which an international transaction or specified domestic transaction between associated enterprises takes place. The tolerance limit is prescribed as a factor of percentage of actual price and if the actual price falls within the said limit, then the actual price is considered acceptable for transfer pricing purposes.

For AY 2023-24, Government has prescribed following tolerance limit:

- 1% of the actual transaction price in respect of wholesale trading*, and
- 3% of the actual transaction price in all other cases

In other words, if for AY 2023-24 the variation between the arm's length price computed under the Income-tax Act and the actual price at which transaction occurs, does not exceed the above variation, the actual price will be acceptable for transfer pricing cases. It is worthwhile to note that for the last 4 years (AY 2019-20, 2020-21, 2021- 22 and 2022-23), Government has prescribed the same tolerance limit for transfer pricing purposes.

** "Wholesale trading' for this purpose has been defined to mean an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely*

- *Purchase cost of finished goods is 80% or more of the total cost pertaining to such trading activities, and*
- *Average monthly closing inventory of such goods is 10% or less of sales pertaining to such trading activities*

Please [Click Here](#) to read Notification No. 46 dated 26 June 2023.

Company Law



Indian Institute of Corporate Affairs (IICA) conducts workshop with top Environmental, Social & Governance (ESG) impact leaders

IICA is an autonomous institution under the Ministry of Corporate Affairs, focusing on niche areas such as policy advocacy, research and capacity building support to Government, corporates and other stakeholders to drive corporate growth, reforms and regulations.

The School of Business Environment, IICA, concluded a 2-day workshop with the ESG Impact Leaders represented from different parts of the country at its campus at IMT Manesar. Shri Amarjeet Sinha, Member, Public Enterprises Selection Board (PESB), Government of India, highlighted the relevance of ESG in changing global corporate landscape and the required leadership skills for becoming an Impact leader. He emphasised the need for Impact Leaders in the domain of ESG and motivated the delegates to be path-breaking in their diverse roles in the ESG ecosystem. He lauded IICA for successfully concluding the foundation batch of the Programme.

Please [Click Here](#) to read the Press Release dated 29 July 2023.

Ministry of Corporate Affairs (MCA) provides option for (a) merger of existing multiple user IDs in version 2 portal with new user ID in version 3, & (b) deactivation of old user ID in version 2 portal

In view of the transition of MCA 21 portal from Version 2 to Version 3, MCA has released a circular offering following options for convenience of users:

- Merger of existing multiple user IDs in Version 2 with user ID created in V3 portal
- Deactivation of old user ID in Version 2, allowing users to create a new user ID in Version 3

MCA has allowed Chartered Accountants, Cost Accountants and Company Secretaries to approach their respective Institutes with their credentials, so that the Institutes can make recommendations through their President / Vice President to the MCA at the email id ddegov@mca.gov.in.

Please [Click Here](#) to read Circular No. 7 dated 12 July 2023.

National Financial Reporting Authority (NFRA) reiterates / emphasizes responsibility of statutory auditor on reporting fraud in a company

NFRA is a body established in October 2018 to keep a watch on the profession of audit. Reportedly, NFRA has noticed that auditors are not fulfilling their statutory responsibilities properly relating to reporting of fraud as mandated under the Companies Act 2013 and the applicable Standards on Auditing, which place mandatory reporting obligations on auditors to report fraud and / or suspected fraud to the Central Government and the Board / Audit Committee.

There is a misconception amongst some auditors that resigning from an audit engagement absolves them of their reporting obligations relating to fraud and the consequences under Companies Act 2013 for non-reporting of fraud, which is not true. Resignation does not absolve the auditor of his responsibility to report suspected fraud or fraud as mandated by the law.

Statutory auditors are under a mandatory obligation to report fraud or suspected fraud if they observe suspicious activities, transactions or operating circumstances in a company that indicate reasons to believe that an offence of fraud is being or has been committed against the company by its officers or employees. In such an event, the statutory auditor is required to initiate the steps prescribed under Rule 13 of Companies (Audit and Auditors) Rules 2014 which begins with reporting the matter to the Board / Audit Committee within 2 days of his / her knowledge of the fraud.

In the case of reporting of a fraud involving or expected to involve individually an amount of Rs. 1 crore or above, if the statutory auditor fails to get any reply / observations from the Board / Audit Committee within 45 days, the auditor is supposed to forward a report in the specified Form ADT-4 to Secretary, Ministry of Corporate Affairs, Government of India.

The statutory auditor is required to exercise his / her own professional skepticism while evaluating fraud, and need not be influenced by legal opinion provided by the company or its management.

Please [Click Here](#) to read Circular issued by NFRA on 26 June 2023.

Labor Law



Amendment in Haryana Labor Welfare Fund (LWF) effective from 1 January 2023 onwards

The Haryana Labor Welfare Board, under the Government of Haryana, has revised the contribution amount relating to the LWF effective from 1 January 2023 onwards. Each employee is now required to contribute 0.2% of his / her gross salary or wages, subject to a maximum limit of Rs. 31. Simultaneously, the employer is also obligated to contribute twice the amount of the employee's contribution to the LWF every month.

The previous contribution rates were applicable till 31 December 2022, where employees were required to contribute 0.2% of their gross salary or wages, subject to a maximum limit of Rs. 25 and twice the amount was to be contributed by the employer.

Please [Click Here](#) to read the circular dated 27 June 2023 issued by the Government of Haryana.



Compliance Calendar

Compliance calendar for the month of August 2023

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
7 th August	July 2023	TDS / TCS deposit	Non-Government Deductors
		Equalization Levy deposit	All Deductors
10 th August		a) GSTR-7 (TDS return under GST)	a) Person required to deduct TDS under GST
		b) GSTR-8 (TCS return under GST)	b) Person required to collect TCS under GST
11 th August		GSTR-1 (Outward supply return)	a) Taxable persons having annual turnover > Rs. 5 crore in FY 2022-23 b) Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2022-23 and not opted for Quarterly Return Monthly Payment (QRMP) Scheme
13 th August		GSTR-6 [Return by input service distributor (ISD)]	Person registered as ISD
		GSTR-5 (Return by Non-resident)	Non-resident taxable person (NRTP)
		Invoice Furnishing Facility (IFF) (Details of outward supplies of goods or services)	Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2022-23 and opted for QRMP scheme
15 th August		Deposit of PF & ESI contribution	All Deductors
20 th August		GSTR-3B (Summary return)	a) Taxable persons having annual turnover > Rs. 5 crore in FY 2022-23 b) Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2022-23 and not opted for QRMP scheme
		GSTR-5A [Online Information Database Access and Retrieval (OIDAR) services return]	OIDAR services provider
25 th August		Form GST PMT-06 (payment of tax for QRMP filers)	Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2022-23 and opted for QRMP scheme

About KrayMan

KrayMan Consultants LLP is an Accounting and multi-disciplinary Advisory Firm founded in 2012 by professionals with Big-4 Consulting and Industry experience. Our forte lies in handholding foreign companies establishing presence in India by demystifying the complex Indian regulatory environment making it easy for them to do business in India. Since inception, we have been delivering value to a mix of multinational Clients from across the globe

The Leadership team comes with rich experience and is supported by a capable & efficient team of professionals including Chartered Accountants, Company Secretaries, Cost Accountants, Advocates and MBAs who are committed in providing timely, professional and quality services to our Clients

We believe that in today's dynamic and ever changing business environment, it is important for accounting, tax & legal professionals to operate with a global approach and mind set. In pursuit of extending global footprints, we have a Japan Desk and an EU Desk to support investments from these countries into India.

In addition, we are members of various associations and forums both at national as well as international levels viz. JCCII, IICCI, IFCCI, CBA, PAN and CII

Contact Us



India Office

1170 A, 11th Floor, Tower B1
Spaze i-Tech Park
Sector 49, Sohna Road
Gurugram – 122018 (India)
T +91 (124) 4309418

For any assistance, please write to us at:
communications@krayman.com

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