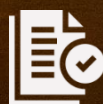


## TAX EDGE

Monthly Tax & Regulatory Updates



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# Measures to combat COVID-19



# Measures to combat COVID-19

**India's cumulative COVID-19 vaccination coverage exceeds 2.21 billion doses, over 0.95 billion 2nd dose & 0.23 billion precaution dose vaccines administered**

India's COVID-19 vaccination coverage has exceeded 2.21 billion doses. So far, more than 0.95 billion 2<sup>nd</sup> dose and 0.23 billion precaution doses have been administered. India's active caseload currently stands at 8,115. Active cases now constitute 0.02% of the country's total positive cases. India's recovery rate stands at 98.80%. Weekly positivity rate stands at 0.71%, daily positivity rate stands at 0.63%.

Please [Click Here](#) to read the Press Release dated 21 May 2023.



# Goods & Services Tax (‘GST’)



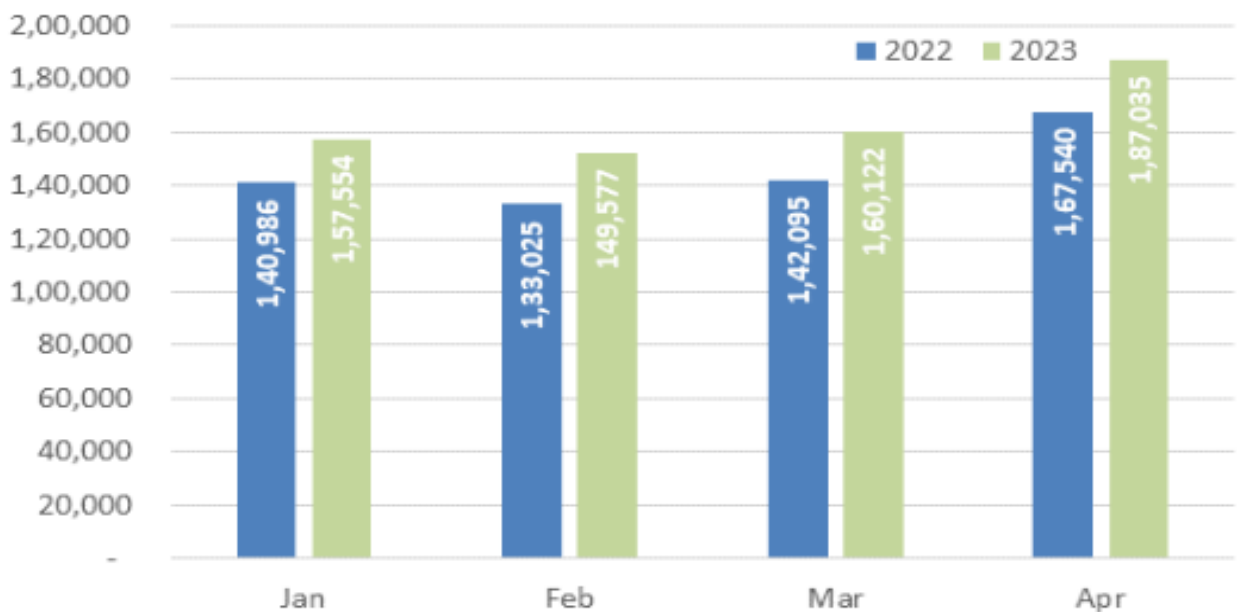
## GST revenue collection for April 2023 Rs. 187,035 Crore (12% higher than GST revenue collection in April 2022)

The gross GST collected in the month of April 2023 is Rs. 187,035 Crore as below:

IGST (Integrated Goods and Services Tax)	Rs. 89,158 Crore
CGST (Central Goods and Services Tax)	Rs. 38,440 Crore
SGST (State Goods and Services Tax)	Rs. 47,412 Crore
Compensation cess	Rs. 12,025 Crore
<b>Total</b>	<b>Rs. 187,035 Crore</b>

The revenues for the month of April 2023 are all time high and 12% higher than the GST revenues in April 2022. During the month, revenues from domestic transactions (including import of services) are 16% higher than the revenues from these sources during the same month last year. Month of April 2023 saw the highest ever tax collection Rs. 68,228 Crore on a single day on 20 April 2023.

Trends in GST Collection



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

## Central Board of Indirect Taxes & Customs (CBIC) rolls out Automated Return Scrutiny Module for GST returns in ACES-GST backend application for Central GST officers

### What is ACES-GST application?

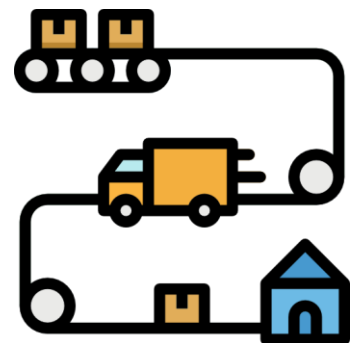
ACES-GST application is primarily meant for back-end processing of various GST functionalities like refund, investigation, adjudication, etc. by the GST officers.

### Rolling out of ACES-GST application

CBIC on directions of Finance Minister has rolled out the Automated Return Scrutiny Module for GST returns in the ACES-GST backend application for Central GST officers. This module will enable the officers to carry out scrutiny of GST returns of Centre Administered Taxpayers selected on the basis of data analytics and risks identified by the system. In the module, discrepancies on account of risks associated with a return are displayed to the GST officers. GST officers are provided with a workflow for interacting with the taxpayers through the GST Portal for communication of discrepancies, receipt of taxpayer's reply and subsequent action in form of issue of an order of acceptance of reply or show cause notice or initiation of audit or investigation.

Implementation of this Automated Return Scrutiny Module has commenced with the scrutiny of GST returns for FY 2019-20, and the requisite data for the purpose has already been made available on the GST officers' dashboard.

Please [Click Here](#) to read Press Release dated 11 May 2023.



## E-invoicing – CBIC reduces threshold criteria of annual turnover from Rs. 10 Crore to Rs. 5 Crore from 1 August 2023 onwards

### What is e-invoicing and its applicability?

E-Invoicing is a system in which invoices are authenticated electronically by Goods & Services Network (GSTN) for further use on the common GST portal. Under the electronic invoicing system, an identification number is issued against every invoice by the Invoice Registration Portal (IRP) to be managed by the GSTN.

Currently, e-invoicing is applicable to the taxpayers having *Annual Aggregate Turnover* (AATO) > Rs. 10 Crore in FY 2017-18 onwards.

### What is AATO?

AATO for this purpose means the aggregate value of all taxable supplies (excluding value of inward supplies on which tax is payable by a person under reverse charge), exempt supplies, export of goods or services or both and inter state supplies of persons having the same Permanent Account Number (PAN), to be computed on all India basis.

### Reduction in threshold limit of annual turnover to Rs. 5 Crore

The main objective of e-invoicing is aimed at resolving mismatch errors and to check tax evasion. To increase its coverage, CBIC has reduced the annual threshold criteria of AATO for applicability of e-invoicing from Rs. 10 Crore to Rs. 5 Crore with effect from 1 August 2023 onwards.

Please [Click Here](#) to read Notification no. 10/2023 – Central Tax dated 10 May 2023.



## Goods Transport Agency (GTA) - Extension of due date till 31 May 2023 for exercise of option for payment of tax under forward charge mechanism for Financial Year (FY) 2023-24

### Who is a GTA?

A taxpayer who provides services in relation to *transport of goods by road* and issues consignment note.

### Background

- Prior to July 2022, recipient of GTA service was liable to pay GST under reverse charge. CBIC vide Notification No. 03/2022 – Central Tax (Rate) dated 13 July 2022 provided an option for all GTAs to pay GST under forward charge subject to filing of declaration in Annexure-V.
- Accordingly, there are 2 options available for making payment of GTA services as below:

Option	Liability to pay GST	Compliance
Forward Charge	GTA	Declaration in Annexure V
Reverse Charge	Recipient of GTA Services	NA

### How to submit declaration in Annexure V?

Step 1 - Post Login, Navigate Services > User Services

The screenshot shows the GST Common Portal dashboard. The navigation menu includes: Dashboard, Services (highlighted with a red box), GST Law, Downloads, Search Taxpayer, and Help and Taxpayer Facilities. Below the navigation menu, there are links for Registration, Ledgers, Returns, Payments, User Services (highlighted with a red box), Refunds, e-Way Bill System, and Track Appl. The user is logged in on 29/05/2023 at 11:25. The dashboard displays a welcome message and a return filing preference of Monthly for April-June 2023. A Returns Calendar (Last 5 return periods) is shown with the following data:

	Dec - 2022	Jan - 2023	Feb - 2023	Mar - 2023	Apr - 2023
GSTR-1 / IFF	Filed	Filed	Filed	Filed	Filed
GSTR-3B	Filed	Filed	Filed	Filed	Filed

At the bottom of the dashboard, there is a text box stating: "You can navigate to your chosen page through navigation panel given below".

## Step 2 – Click on ‘Opting Forward Charge Payment by GTA (Annexure V)’

The screenshot shows the GST portal's 'Services' dropdown menu. The menu items are arranged in two columns. The item 'Opting Forward Charge Payment by GTA (Annexure V)' is highlighted with a red rectangular box. Below the menu, there are three buttons: 'RETURN DASHBOARD >', 'CREATE CHALLAN >', and 'VIEW NOTICE(S) AND ORDER(S) >'.

Dashboard	Services	GST Law	Downloads	Search Taxpayer	Help and Taxpayer Facilities	e-Invoice	
Registration	Ledgers	Returns	Payments	User Services	Refunds	e-Way Bill System	Track Application Status
My Saved Applications				My Applications			
View/Download Certificates				View Notices and Orders			
View My Submissions				Search HSN Code			
Holiday List				Feedback			
Furnish Letter of Undertaking (LUT)				View My Submitted LUTs			
Locate GST Practitioner (GSTP)				Engage / Disengage GST Practitioner (GSTP)			
ITC02-Pending for action				View Additional Notices/Orders			
Cause List				Communication Between Taxpayers			
My Masters				Search BoE			
Search Advance Ruling				View PMT-03A			
<b>Opting Forward Charge Payment by GTA (Annexure V)</b>				Verify RFN			

## Step 3 – Click on ‘Proceed’ and select FY. Click on ‘Go’

The screenshot shows a dialog box on the GST portal. The dialog box contains the following text: "If you are providing a Goods Transport Agencies (GTA) Services and wish to opt for payment of tax on forward charge mechanism, please click on 'Proceed' button or click on 'Go to Dashboard' button to redirect to the dashboard page." Below the text are two buttons: "PROCEED" (highlighted with a red box) and "GO TO DASHBOARD". Below the dialog box, there is a form with the following fields: "GSTIN:", "Legal Name:", and "Trade Name:". Below these fields is a "Select Financial Year" dropdown menu (highlighted with a red box) and a "GO" button (highlighted with a red box).

Step 4 – Tick the declarations. Click on ‘Proceed to file’

Select Financial Year

2024-25

GO

## Annexure V: Furnishing Declaration for Opting Forward Charge Payment by GTA

Form for exercising the option by a Goods Transport Agency (GTA) for payment of GST on the GTA services supplied by him under forward charge

To  
The Jurisdiction Authority,

I/We [REDACTED] authorized representative of M/s [REDACTED] have taken registration/have applied for registration and do hereby undertake to pay GST on the GTA services in relation to transportation of goods supplied by us during the financial year [REDACTED] under forward charge in accordance with section 9(1) of the Act, and to comply with all the provisions of the Act, as they apply to a person liable for paying the tax in relation to supply of any goods or services or both;

I understand that this option once exercised shall not be allowed to be changed within a period of one year from the date of exercising the option and will remain valid till the end of the financial year for which it is exercised.

PROCEED TO FILE

### Due date to submit Annexure V annually

In advance, by 15 March of preceding FY. Accordingly, for FY 2023-24, the due date to submit Annexure V was 15 March 2023. However, vide Notification no. 05/2023 – Central Tax (Rate) dated 9 May 2023, Government has extended the due date to submit Annexure V for FY 2023-24 till 31 May 2023.

A GTA who commences new business or crosses threshold for registration during a FY, may exercise the option to itself pay GST on the services supplied by it during that FY by making a declaration in Annexure V before the expiry of:

- 45 days from the date of applying for GST registration, or
- 1 month from the date of obtaining registration, whichever is later

Further, a GTA who commences business or crosses registration threshold on or after 1 April 2023 and wishes to opt for payment of tax under forward charge mechanism, is required to file its declaration in Annexure V for the FY 2023-24 *physically* before the concerned jurisdictional authority.

Please [Click Here](#) to read Notification no. 05/2023 – Central Tax (Rate) dated 9 May 2023.

Please [Click Here](#) to read the advisory dated 25 February 2023.

Please [Click Here](#) to read the advisory dated 30 May 2023.

## Time limit of 7 days for reporting of old invoices on the e-Invoice Registration Portals (IRPs) by taxpayers with Aggregate Annual Turnover $\geq$ INR 100 Crore – Date of enforcement deferred by 3 months

Last month, GSTN had imposed a time limit of 7 days for reporting of old invoices on the e-invoice IRP for taxpayers having AATO  $\geq$  INR 100 Crore. The date of enforcement of this regulation was 1 May 2023 onwards. Prior to the 1 May 2023, there was no time limit to report the old invoice on e-Invoice IRPs.

The date of enforcement has been deferred by 3 months or so, exact date to be intimated by the Government in future.

Please [Click Here](#) to read the advisory dated 6 May 2023.

## GST Network issues advisory for timely filing of GST Returns to avoid last minute hassle for taxpayers

GST department has observed that some taxpayers faced difficulty in filing Form GSTR-3B (Summary Return) for March 2023, for which due date was 20 April 2023. On analysing the reasons, it was observed that large number of taxpayers attempted to file GSTR-3B returns in the afternoon of last day, i.e, 20 April 2023. On that day alone, 20.05 lakh GSTR-3B returns were filed. This resulted in a waiting queue on GST system causing inconvenience to some taxpayers.

Around 45% of the returns filed on 20 April 2023 were either Nil returns or were such returns where no tax was paid. These returns could easily have been filed earlier. Further, GSTN has suggested that taxpayers may use SMS filing option to file Nil returns as it would be quicker and more convenient for taxpayers. Taxpayers have therefore been advised to file their Form GSTR- 3B well in advance to avoid last minute congestion.

GST department has also observed that some taxpayers are uploading large number of invoices (viz upto 27 lakh) of the past period in a single Form GSTR-1 (Statement of outward supplies) on the due date of filing. Taxpayers have been advised to inculcate a month-wise return filing discipline for all the business to business (B2B) invoices for the month and avoid reporting invoices of the past period in one-go, as such behaviour can adversely impact the waiting time / queue on the GST system.

With better planning of return filing, the difficulty faced by the taxpayers due to last minute rush can be avoided and it would be of help to fellow taxpayers as well. GSTN has claimed to have considerably upgraded its infrastructure over a period of time

Please [Click Here](#) to read the advisory dated 4 May 2023.

## CBIC issues guidelines for special All-India drive against fake GST registrations

### Background

Reportedly, GST authorities have found unethical persons misusing the identity of other persons to obtain fake GST registration and fraudently pass on Input Tax Credit (ITC) to other persons by issuing sales invoices without actual supply of goods or services. This activity has become a serious problem causing huge revenue loss to the tax department. GST officers have found fake electricity bills, property tax receipts, rent agreement etc. being used as proof of place of business to obtain GST registrations.

In a recent case, Gujarat GST officers have unearthed fraudsters who have obtained GST registrations on the basis of Permanent Account Number (PAN) and Aadhaar number of persons from economically weaker sections of the society without their knowledge. It was revealed that phone number on the Aadhaar cards of these persons were got fraudently modified at the nearest Aadhaar Seva Centre by taking these persons to the said centre by giving a nominal cash money and getting their Aadhaar Cards linked to a dummy mobile number by using their thumb impression.

### Special all-India drive against fake GST registrations

In the national co-ordination meeting of the state and central GST officers held on 24 April 2023, it was discussed that there is a need of coordinated action on a mission mode by GST department to tackle these activities in a systematic manner. It was decided to launch a special all-India drive to detect such fake GST registrations and to prevent any further revenue loss to the department. Accordingly, below guidelines have been issued:

Particulars	Advisory / Comments
Period of Special Drive	16 May 2023 to 15 July 2023
Identification of fraudulent GST registrations	<ul style="list-style-type: none"> <li>Based on detailed data analytics and risk parameters, GST Network will identify fraudulent GSTINs and share the relevant details with the concerned GST officers for initiating verification drive and conducting necessary actions</li> <li>Officers may also identify the persons by data analytics at their own end using analytical tools as well as human intelligence, Aadhaar database, other local learnings gained through past detection</li> </ul>
Information sharing mechanism	For maintaining a coordination amongst the state and central GST officers, a nodal officer shall be appointed immediately by each respective zone. The nodal officer will ensure that the data received from GST Network or other departments is made available to the concerned officer within couple of days.

Particulars	Advisory / Comments
Action to be taken by field officers	<ul style="list-style-type: none"> <li>• Upon receipt of relevant data, a time-bound exercise regarding verification of suspicious GSTINs shall be undertaken by the field officer. After detailed verification, if he finds that the taxpayer is non-existent and fictitious, the officer may:               <ul style="list-style-type: none"> <li>✓ Initiate action for suspension and cancellation of GST registration immediately</li> <li>✓ Block ITC lying in Electronic Credit Ledger</li> <li>✓ initiate demand and recovery of ITC wrongly availed by the recipient on the basis of invoices issued by such non-existing taxpayer (if such recipient is covered under same jurisdiction) and may intimate the concerned GST officer if such recipient is covered under different jurisdiction (in the format prescribed at Annexure B of the Instruction)</li> </ul> </li> <li>• Actions like recovery of dues or provisional attachment of property / bank accounts etc. may also be initiated against the masterminds / beneficiaries behind such frauds</li> </ul>
Feedback and Reporting mechanism	<ul style="list-style-type: none"> <li>• An action report (in the format prescribed at Annexure A of the Instruction) will be submitted by each zone to GST council secretariat on weekly basis</li> <li>• On conclusion of drive, GSTIN-wise feedback on the result of verification of shared suspicious GSTINs will be provided by the field officer (in the format prescribed at Annexure C of the Instruction)</li> </ul>

A 'National Coordination Committee' (NCC) shall monitor the progress of this special drive, for which it will meet periodically. GST Council Secretariat will act as the secretariat of the NCC. The NCC will also be assisted by GST Network and Principal Commissioner, GST Policy Wing, CBIC.

The GST Council Secretariat will compile the reports received from various formations and make it available to the NCC immediately, after which it will be shared with central and state GST administrations across the country.

## Key takeaways for taxpayers

Given the above, taxpayers should follow the below requirements:

- Registered office with GST authorities must be a place where the taxpayer carries out his business activities. It should be a permanent location and not a temporary one. Further, it should be a physical location easily identifiable and traceable by tax authorities
- Taxpayer must be in a position to prove ownership or lease of the premises, such as by way of a rent agreement, sale deed, etc.
- Taxpayer must display the GST registration certificate prominently at the registered office. Within 15 days of any change in registered office, taxpayer must duly intimate the GST authorities

Please [Click Here](#) to read Instruction no. 1/2023 – GST dated 4 May 2023.

## GSTN launches facility to validate Document Reference Number (RFN) mentioned on offline communications issued by State GST officers

GST portal generates various notices / orders bearing a system-generated Document Identification Number (DIN) or Reference Number (RFN) which are communicated to the taxpayers, which can be used to verify on the GST portal. However, no such functionality was available to validate the notices / orders issued by *State GST officers* through offline mode. Now, GSTN has launched a facility to validate such RFN as below.

Particulars	Advisory / Comments
What is RFN?	A reference number generated by State GST officer
What is the facility provided?	The State GST Officer can generate a RFN for notices / orders and those can be validated by the taxpayer
How to validate?	Navigate to Services > User Services > Verify RFN <ul style="list-style-type: none"> <li>• In pre-login session, limited details will be provided for validation</li> <li>• Post login, all details will be provided</li> </ul>
Whether this facility can be used to validate the documents issued by Central GST Officers?	No. For documents issued by Central GST officers, CBIC DIN facility may be used

Please [Click Here](#) to read the advisory dated 28 April 2023.

# Direct Tax





# Direct Tax

## Income-tax Return (ITR) Forms 1, 2 & 4 for Assessment Year 2023-24 now available for filing

The Central Board of Direct Taxes (CBDT) has released utility for submission of following ITR forms for Assessment Year 2023-24 on the Income-tax portal.

ITR Form	Who can file	Who cannot file	Utility released by CBDT	Date of release of utility
ITR 1 Sahaj	Resident individuals (ordinarily residents – ROR) having: <ul style="list-style-type: none"><li>Total annual income ≤ Rs. 50 Lakh;</li><li>Income from salaries;</li><li>Income from 1 house Property</li><li>Income from other Sources</li><li>Agriculture income &lt; Rs.5,000</li></ul>	An individual who is either <ul style="list-style-type: none"><li>Director in a company, or</li><li>Has invested in unlisted equity shares, or</li><li>In cases where tax has been deducted at source u/s 194N (cash payments &gt; Rs. 1 crore by banking company / cooperative society), or</li><li>If income-tax is deferred on Employee Stock Ownership Plan (ESOP)</li></ul>	<ul style="list-style-type: none"><li>Excel utility / Offline version</li><li>Online version with prefilled data</li></ul>	<ul style="list-style-type: none"><li>25 April 2023</li><li>20 May 2023</li></ul>
ITR 2	Individuals and Hindu Undivided Families (HUFs) not having income from business or profession	-	Offline utility	11 May 2023
ITR 4 Sugam	Resident individuals / HUFs / firms (except limited liability partnerships) having total annual income ≤ Rs. 50 Lakh computed u/s 44AD, 44ADA, 44AE of the Income-tax Act, 1961 relating to presumptive taxation	An individual who is either <ul style="list-style-type: none"><li>Director in a company, or</li><li>Has invested in unlisted equity shares, or</li><li>If income-tax is deferred on ESOP</li><li>Has agricultural income &gt; Rs.5,000</li></ul>	Same as ITR 1	

## Leave encashment received from employer on retirement of non-Government employee - Tax exemption limit increased from Rs. 3 lakh to Rs. 25 lakh

Encashment of earned leave up to 10 months' average salary, at the time of retirement in case of an employee (other than Government-employee), is tax exempt u/s 10(10AA)(ii) of the Income-tax Act, to the extent notified. The existing limit notified by the Government for this purpose was Rs. 3 lakh, which was sought to be increased to Rs. 25 lakh by the Finance Minister vide Union Budget 2023. The existing limit was low and last fixed in the year 2002, when the highest basic pay in Government was Rs. 30,000 per month. CBDT has notified the increased limit of Rs. 25 lakh vide Notification no. 31 dated 24 May 2023.

Please [Click Here](#) to read Notification no. 31 dated 24 May 2023.

## Angel tax – Central Board of Direct Taxes (CBDT) notifies certain persons to be excluded from applicability of section 56(2)(viib) of Income-tax Act, 1961

- Prior to amendment by Finance Act 2023, section 56(2)(viib) of the Income-tax Act provided that where a closely held company received from a *Resident*, any consideration for issue of shares exceeding the face value of such shares, the consideration amount exceeding the fair market value of the shares, would be taxable as 'income from other sources' in the hands of the company
- The Finance Act 2023 has amended the above provision with effect from 1 April 2023, bringing even *Non-Resident Investors* within the ambit of angel tax as an anti-abuse provision. This created much hue and cry within the industry especially start-ups, since it is common for start-ups to receive premium money at a nascent stage from overseas investors
- Section 56(2)(viib) first proviso clause (ii) provides that the taxability shall not apply to certain companies as well as certain investors, as notified by Central Government in this behalf
- Consequently, CBDT has issued Notification nos. 29 and 30 on 24 May 2023 notifying following investors / investees to be exempt from the clutches of angel tax with effect from 1 April 2023 onwards.

# Direct Tax

Notification no.	Exemption	Details
29	Certain investors excluded from ambit of section 56(2)(viib)	<ul style="list-style-type: none"> <li>Government and Government-related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies including entities controlled by the Government or where direct or indirect ownership of the Government <math>\geq 75\%</math></li> <li>Banks or entities involved in insurance business where such entity is subject to applicable regulations in the country where it is established or incorporated or is a resident;</li> <li>Any of the following entities, which is a resident of any of the 21 countries prescribed in the notification, and such entity is subject to applicable regulations in the country where it is established or incorporated or is a resident:               <ul style="list-style-type: none"> <li>✓ Entities registered with Securities and Exchange Board of India (SEBI) as Category-I Foreign Portfolio Investors</li> <li>✓ Endowment funds associated with a university, hospital or charity</li> <li>✓ Pension funds created or established under the law of the foreign country</li> <li>✓ Broad-based pooled investment vehicle or fund where the number of investors in such vehicle or fund <math>&gt; 50</math> and such fund is not a hedge fund or a fund which employs diverse or complex trading strategies</li> </ul> </li> </ul> <p>The 21 countries prescribed in the notification are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Iceland, Israel, Italy, Japan, Korea, New Zealand, Norway, Russia, Spain, Sweden, United Kingdom, United States</p>
30	Certain investee companies excluded from ambit of section 56(2)(viib)	Consideration received by a start-up company which fulfills the conditions specified in para 4 of the Notification no. G.S.R. 127(E), dated 19 February 2019 issued by the Department for Promotion of Industry and Internal Trade (DPIIT) and files the declaration in Form 2 referred to in para 5 of the said notification

The notifications issued by CBDT are a welcome move as they provide the much needed clarity on the exclusions from ambit of angel tax u/s 56(2)(viib).

Please [Click Here](#) to read Notification no. 29 dated 24 May 2023.

Please [Click Here](#) to read Notification no. 30 dated 24 May 2023.

Please [Click Here](#) to read Notification no. G.S.R. 127(E), dated 19 February 2019 issued by DPIIT.

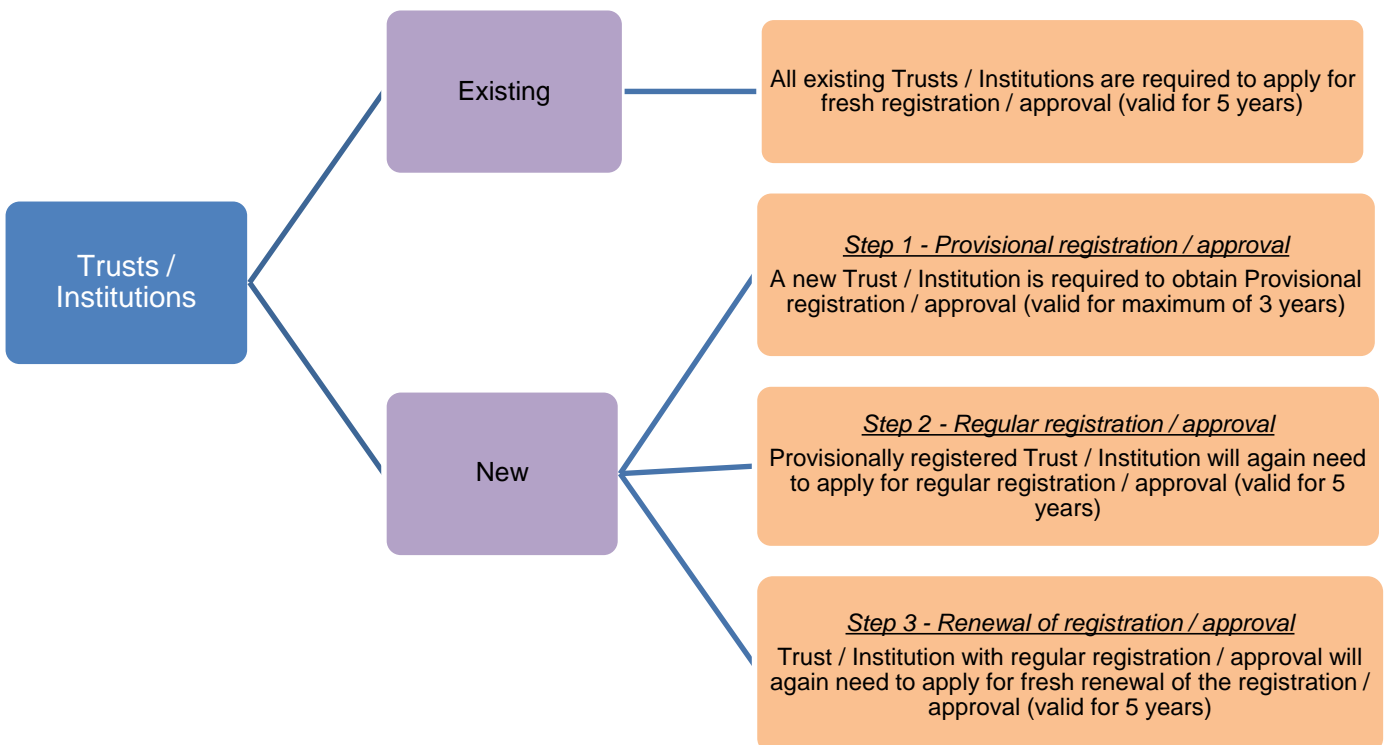
## Charitable & Religious trusts - CBDT clarifies various provisions consequential to amendments by Finance Act 2023

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

- 1<sup>st</sup> 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
- 2<sup>nd</sup> 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

The modality and timeline to be followed for the above procedure including extension in timeline granted by CBDT vide Circular no. 6 dated 24 May 2023, is given below.

Trust / Institution	Requirement to obtain:	Validity of the registration / approval	Application Form	Last date to apply		Reason for extension of due date
				Prior to Circular no. 6 dated 24 May 2023	After Circular no. 6 dated 24 May 2023	
Existing	Fresh registration / approval	5 years	Form 10A	25 November 2022	30 September 2023*	Several trusts / institutions have not been able to apply within the required time due to genuine hardship
New	Provisional registration/ approval	Maximum of 3 years		At least 1 month prior to commencement of previous year for which registration is sought		
	Regular registration/ approval	5 years	Form 10AB	30 September 2022		
	Renewal of fresh registration/ approval	5 years		At least 6 months prior to the expiry of 5 years	No change	

\* In case a trust / institution has missed the deadline of 25 November 2022 for making application in Form 10A, and has subsequently furnished Form 10A seeking provisional registration / approval, the relevant functionality on the e-filing portal may be used for surrendering the Form 10A seeking provisional registration / approval and such trusts can make a new application in Form 10A within the extended period up to 30 September 2023.

In cases where the trust / institution has already made an application in Form 10AB *after* 30 September 2022 *and* where the tax authority has not passed an order before 24 May 2023, the pending application in Form 10AB shall be treated as a valid application.

In cases where the trust had already made an application in Form 10AB *and* the tax authority has passed an order rejecting such application on or before 24 May 2023, solely on account of the fact that the application was furnished after the due date, the trust / institution may furnish a fresh application in Form 10AB within 30 September 2023.

# Direct Tax

Other changes introduced by Circular no.6 dated 24 May 2023 are as 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

- Tax-deduction u/s 80G in respect of donation made by a donor to a fund / institution is allowed to the donor, only if the donee makes following compliances on or before 31 May, immediately following the FY in which the donation is received
- ✓ Furnishing of statement of such donations in Form 10BD, and
- ✓ Issue of certificate for such donation in Form 10BE
- For the FY 2022-23, the due date of 31 May 2023 has been extended by a month to *30 June 2023*.

## Provisional registration / approval to be valid from the assessment year relevant to the previous year in which the application is made

- As per current situation, provisional registration / approval is valid from the assessment year immediately following the FY in which the application is made. However, the application for provisional registration / approval is required to be made at least 1 month prior to the commencement of the previous year relevant to the assessment year from which approval is sought
- To bring consistency, it has been clarified that provisional registration / approval shall be effective from the assessment year relevant to the previous year in which the application is made and shall be valid for a period of 3 assessment years

## Statement of accumulation of income in Form 10 / 9A allowed to be filed till due date of filing ITR

- If a trust / institution fails to utilize atleast 85% of non-corpus donation, it is required to furnish the following form annually, *atleast 2 months before the due date of filing ITR*, for reporting accumulation / set apart of donation:
  - ✓ Form 10 – For 1<sup>st</sup> regime
  - ✓ Form 9A - For 2<sup>nd</sup> regime
- Reportedly, representations have been received by CBDT that the trusts / institutions may not be able to furnish Form 10 / 9A before the finalisation of their computation of income. Since the computation of income is finalised at the time of furnishing ITR, therefore, trusts / institutions should be allowed to furnish Form 10 / 9A by the due date of furnishing their ITR
- CBDT has clarified that the accumulation / deemed application shall not be denied to a trust / institution as long as Form 10 / 9A is furnished on or before the due date of furnishing ITR (and not 2 months prior to the due date of filing ITR)

# Direct Tax

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

- Trusts / Institutions are required to get their accounts audited annually in order to be entitled for the tax exemption. The audit report is required to be submitted in Form 10B, where
  - ✓ The total income of Trust / Institution > Rs. 5 Crore during the year, or
  - ✓ Such Trust / Institution has received any foreign contribution during the year, or
  - ✓ Such Trust / Institution has applied any part of its income outside India during the year

In other cases, the audit report is required to be furnished in Form 10BB.

- Form 10B / 10BB requires the auditor to bifurcate certain payments / application into electronic modes and non-electronic modes. Electronic modes for this purpose means various modes referred in Rule 6ABBA of Income-tax Rules, 1962, such as credit card, debit card, internet banking, etc.
- Reportedly, representations have been received by CBDT that the above description of electronic modes does not include account payee cheque or account payee bank draft or use of electronic clearing system through a bank account. Accordingly, CBDT has clarified that the above modes referred in Rule 6ABBA are in addition to the mainstream mode of account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

Please [Click Here](#) to read the Circular No. 6 dated 24 May 2023.



## CBDT issues guidelines for compulsory selection of ITRs for complete scrutiny during FY 2023-24

The CBDT has issued guidelines for compulsory selection of ITRs for complete scrutiny during FY 2023-24, including various situations such as surveys, search and seizure, non-filing of ITRs, additions in earlier years, etc. The guidelines provide instructions for administrative approval, transfer of cases and timelines for serving notices. These guidelines aim to ensure effective scrutiny and compliance with tax regulations.

The guidelines talk about parameter and procedure for compulsory selection of ITRs for complete scrutiny in following cases:

- Cases pertaining to survey u/s 133A of the Income-tax Act, 1961
- ✓ ITR filed for the year in which survey was conducted u/s 133A of the Act (subject to certain exclusions)
- Cases pertaining to search and seizure
- ✓ Search and seizure / requisition prior to 1 April 2021
- ✓ Search and seizure / requisition on or after 1 April 2021
- Cases in which notice u/s 142(1) has been issued but no ITR has been furnished
- Cases in which notice u/s 148 has been issued, and
- ✓ ITR is furnished
- ✓ ITR is not furnished
- Cases related to registration / approval of charitable trusts / institutions where taxpayer is found to be claiming tax exemption in the ITR, even though:
- ✓ Registration / approval has not been granted, or
- ✓ Registration / approval has been cancelled / withdrawn
- Cases involving addition in an earlier year on a recurring issue of law or fact
- Cases relating to specific information regarding tax evasion

Please [Click Here](#) to read the detailed guidelines dated 24 May 2023.



# Direct Tax

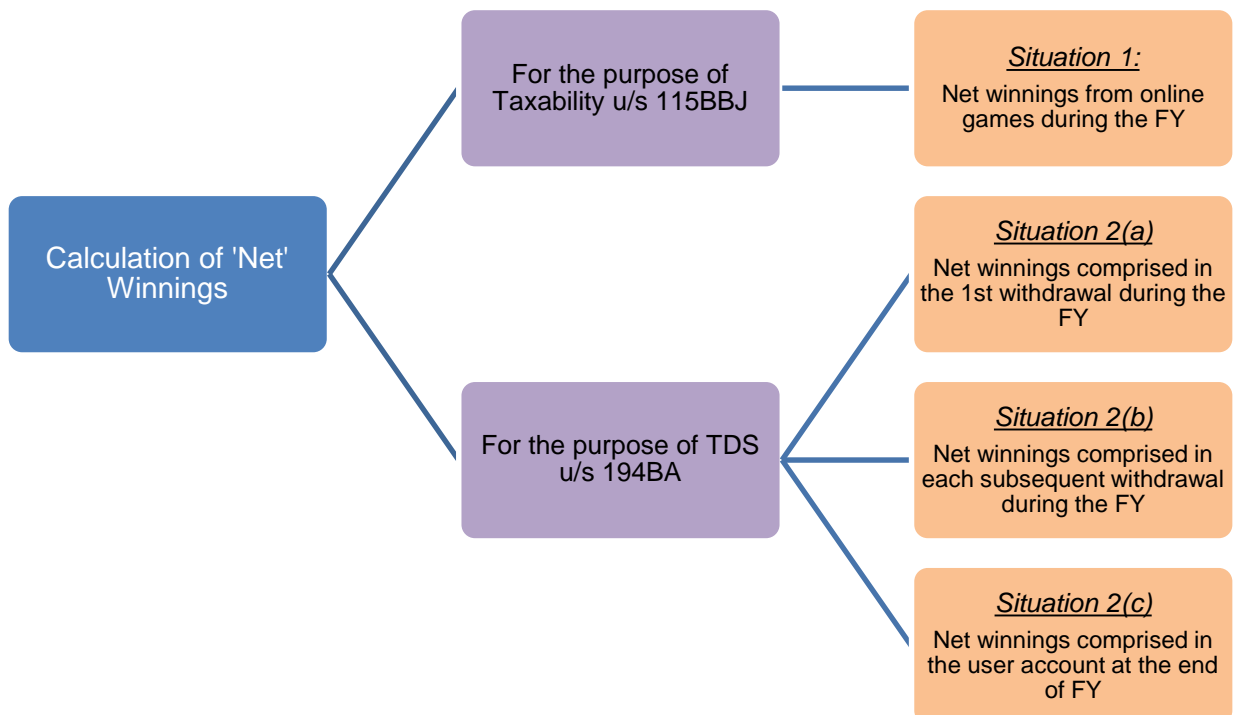
## Income-tax on winnings from online games (new provision inserted vide Union Budget 2023) - CBDT issues guidelines, prescribes manner for calculation of tax on 'Net' winnings

### Background

The Finance Act, 2023 had introduced new section 194BA in the Income-tax Act, for deduction of tax at source (TDS) on winnings from online games. Tax would be required to be deducted at source on 'Net' winnings in the user account at the end of FY. In case of withdrawal of winnings during the year, TDS would be required at the time of such withdrawal. Further, a new section 115BBJ has been inserted to tax winnings from online games at a flat rate of 30%. The manner of calculation of 'Net' winnings was yet to be prescribed.

The manner of calculation of 'Net' winnings has now been prescribed vide a new Rule 133 inserted in the Income-tax Rules 1962, vide Notification No. 28 dated 22 May 2023. Additionally, CBDT has issued certain guidelines in the form of Frequently Asked Questions (FAQs) vide Circular no. 5 dated 22 May 2023.

### New Rule 133 inserted in the Income-tax Rules 1962, vide Notification No. 28 dated 22 May 2023



# Direct Tax

## Situation 1: Net winnings from online games during the FY, for the purpose of taxability u/s 115BBJ

Aggregate amount withdrawn from the user account during the FY		xxx
Add: Closing balance of the user account at the end of the FY		xxx
Less: Aggregate amount of non-taxable deposit made in the user account by the taxpayer during the FY	xxx	
	xxx	xxx
Less: Opening balance of the user account at the beginning of the FY		
Net winnings from online games during the FY (subject to tax @ 30%)		xxx

## Situation 2(a): Net winnings comprised in the 1st withdrawal during the FY, for the purpose of TDS u/s 194BA

Aggregate amount withdrawn from the user account during the FY (A)		xxx
Less: Aggregate amount of non-taxable deposit made in the user account by the owner of such account during the FY, till the time of such withdrawal (B)	xxx	
	xxx	xxx
Less: Opening balance of the user account at the beginning of the FY (C)		
Net winnings comprised in the 1 <sup>st</sup> withdrawal during the FY (subject to TDS @ 30%)		xxx
If (B+C) is equal to or greater than A, then the above net winnings shall be zero.		

# Direct Tax

## Situation 2(b): Net winnings comprised in each subsequent withdrawal during the FY, for the purpose of TDS u/s 194BA

Aggregate amount withdrawn from the user account during the FY till the time of subsequent withdrawal including the amount of such subsequent withdrawal (A)		xxx
Less: Aggregate amount of non-taxable deposit made in the user account by the owner of such account during the FY, till the time of such subsequent withdrawal (B)	xxx	
Less: Opening balance of the user account at the beginning of the FY (C)	xxx	
Less: Net winnings comprised in the earlier withdrawal or withdrawals computed under situation (2), or this situation, during the FY till the time of subsequent withdrawal if tax has been deducted in accordance with section 194BA on winnings comprised in such withdrawal or withdrawals (E)	xxx	xxx
Net winnings comprised in each subsequent withdrawal during the FY (subject to TDS @ 30%)		xxx
If (B+C+E) is equal to or greater than A, then the above net winnings shall be zero.		

## Situation 2(c): Net winnings comprised in the user account at the end of FY, for the purpose of TDS u/s 194BA

Aggregate amount withdrawn from the user account during the FY (A)		xxx
Add: Closing balance of the user account at the end of the FY (D)		xxx
Less: Aggregate amount of non-taxable deposit made in the user account by the owner of such account during the FY (B)	xxx	
Less: Opening balance of the user account at the beginning of the FY (C)	xxx	
Less: Net winnings comprised in the earlier withdrawal or withdrawals computed under situation (2a & 2b), during the FY if tax has been deducted in accordance with section 194BA on winnings comprised in such withdrawal or withdrawals (E)	xxx	xxx
Net winnings comprised in the user account at the end of FY (subject to TDS @ 30%)		xxx
If (B+C+E) is equal to or greater than (A + D), then the above net winnings shall be zero.		

# Direct Tax

## Meaning of certain key terms

- Non-taxable deposit - Amount deposited by the user in user account and which is not taxable
- Taxable deposit - Amount deposited in the user account which is not a non-taxable deposit and includes any amount paid directly to the user not through the user account
- Withdrawal - Any amount withdrawn by the user from any user account

CBDT has also notified Form 16 which shall be applicable for Assessment Year 2024-25 onwards. Amendments have also been made in the formats of TDS returns with effect from 1 July 2023.

## Guidelines issued by CBDT vide Circular no. 5 dated 22 May 2023

Question 1: How 'Net' winnings is to be computed with respect to multiple wallets of a single user?

- User account shall include every account of user which is registered with online gaming intermediary and where any taxable deposit, non-taxable deposit or the winning of the user is credited and withdrawal by the user is debited. Thus, each wallet which qualifies as user account shall be considered as user account for the purposes of computing 'Net' winnings
- Whenever there are multiple user accounts of the same user, each user account shall be considered for the purposes of calculating 'Net' winnings. The deposit, withdrawal or balance in the user account shall mean aggregate of deposits, withdrawals or balances in all user accounts
- Transfer from one user account to another user account, maintained with the same online gaming intermediary, of the same user shall not be considered as withdrawal or deposit. However, if the deductor is deducting tax for each platform separately, transfer from one user account to another user account under same online gaming intermediary across platforms shall be considered as withdrawal or deposit for the purposes of calculation of 'Net' winnings.

Question 2: If a user borrows some money and deposits in his user account, will it be considered taxable deposit or non-taxable deposit?

- For non-taxable deposit it is necessary that the amount deposited by the user is not taxable i.e., it is from already taxed income or it is not chargeable to tax. In a case where user borrows the money and deposits in his user account, it shall be considered as non-taxable deposit.

# Direct Tax

Question 3: How will bonus, referral bonus, incentives etc. be treated?

- Bonus, referral bonus, incentives etc., given by the online game intermediary to the user, are to be considered as taxable deposit. They would form part of 'Net' winnings and TDS would be required at the time of withdrawal as well as at the end of the FY
- Some deposit could be money equivalent too like coins, coupons, vouchers, counters etc. The money equivalent of such deposit shall be considered as taxable deposit and would accordingly form part of balance in user account.
- However, some incentives / bonus is credited in user account only for the purposes of playing and they cannot be withdrawn or used for any other purposes. They shall be ignored for the purpose of calculation of 'Net' winnings. However, person liable to deduct tax at source must keep separate accounts of such deposits.
- Recharacterization - If and when these incentive / bonus are recharacterised and they are allowed to be withdrawn, they would be treated as taxable deposit at the time of recharacterization. Thus, they will become part of net winnings in the year of recharacterisation

Question 4: At what point can it be considered that the amount has been withdrawn?

- When the amount is withdrawn from one user account to another user account, it shall be considered as withdrawal. When in consideration of the amount in user account, some coupons etc. are issued for purchase of goods or services, or some item in kind is issued, that will also be considered as withdrawal

Question 5: Is there any relaxation to ease compliances for deductor if gamers play with very low / insignificant amounts?

- TDS on withdrawal is not required on satisfaction of all the following conditions:
  - ✓ If net winnings comprised in the amount withdrawn  $\leq$  Rs. 100 a month
  - ✓ Tax not deducted on account of this concession is deducted at a time when the net winnings comprised in withdrawal exceeds Rs 100 in the same month or subsequent month or if there is no such withdrawal, at the end of the FY; and
  - ✓ The deductor undertakes responsibility of paying the difference if the balance in the user account at the time of tax deduction is not sufficient to discharge the TDS liability

# Direct Tax

Question 6: How will TDS operate when the 'Net' winnings is in kind?

- Where the winning of a game is a prize in kind, section 194BA(2) will operate. In this situation, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the 'Net' winnings. The deductor will release the 'Net' winnings in kind after the deductee provides proof of payment of such tax (e.g. challan details etc.). This year TDS return in Form 26Q also includes provisions for reporting such transactions u/s 194BA of the Act (vide Notification no. 28 dated 22 May 2023)

Question 7: How will the valuation of winnings in kind required to be carried out?

- The valuation would be based on fair market value (FMV) of the winnings in kind except in following cases:
  - ✓ Where the online game intermediary has purchased the winnings before providing it to the user. In that case, the purchase price shall be the value for winnings
  - ✓ Where the online game intermediary manufactures such items given as winnings, the price that it charges to its customers for such items shall be the value for such winnings.

Question 8: These guidelines have been issued after 1 April 2023 while the law has come into effect from 1 April 2023. Will there be any relaxation on penal consequences in the intervening period i.e. between 1 April 2023 and the date on which the rules / guidelines are issued (i.e, 22 May 2023)?

- If there is a shortfall in deduction of tax for April 2023 due to time lag in issue of this Circular, that shortfall may be deposited with the tax deduction for the month of May 2023 by 7 June 2023. In that case there will not be any penal consequences.

Please [Click Here](#) to read Circular no. 5 dated 22 May 2023.

Please [Click Here](#) to read Notification no. 28 dated 22 May 2023.

## Tax Collection at Source (TCS) - International credit card spends outside India to attract 20% TCS

Under the Liberalised Remittance Scheme (LRS) of Reserve Bank of India, all resident individuals can remit up to USD 250,000 per year for any permissible current / capital account transaction. Earlier, overseas use of international credit cards was not included within the said overall limit of LRS. However, with a slight modification in law [i.e., omission of Rule 7 of Foreign Exchange Management (Current Account Transactions) Rules, 2000], 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. Post the omission, the Ministry of Finance has issued replies to various FAQs via twitter handle.

Please [Click Here](#) to read the Notification dated 16 May 2023.

## Tax exemption granted to income earned by (a) Food Safety & Standards Authority of India (FSSAI), (b) Pune Metropolitan Region Development Authority (PMRDA)

### Background

Section 10(46) of the Income-tax Act, 1961 allows tax exemption on income earned by certain authorities set up by the Government of India, with the object of regulating or administering any activity for the benefit of general public. The Government is allowed to notify such authorities time to time in its official gazette.

### Tax exemption granted to income earned by FSSAI

Pursuant to section 10(46), Government has notified that following income earned by FSSAI shall be tax exempt for FYs 2020-21 to 2024-25.

- Grants-in-aid received from Ministry of Health and Family Welfare
- Statutory fees such as licence fee, registration fee, analysis or testing of food samples fee
- Penalty as per the Food Safety Act, and
- Income earned on any of the above income

# Direct Tax

## Conditions for entitlement to tax exemption

- FSSAI shall not engage in any commercial activity
- Activities and nature of the above mentioned income shall remain unchanged throughout the FYs, and
- FSSAI shall file its ITR as per section 139(4C)(g) of the Income-tax Act, 1961

## Tax exemption granted to income earned by PMRDA

Similar tax exemption has been granted to PMRDA (an authority constituted by the state government of Maharashtra) in respect of the following income arising during FYs 2017-18 to 2021-22.

- Grants received from Government / any other authority / agency
- Income such as fees, user charges or fines received in the capacity of Local Town Planning Authority
- Income such as land lease – rental received from monetization of Government Lands
- Stamp duty grant
- Other miscellaneous income such as penalty charges, sale of tender forms, RTI fees, registration charges from contractors, penalty levied on contractors for defective work, and
- Interest earned on any of the above income

The conditions for entitlement to tax exemption are similar to those applicable for FSSAI.

Please [Click Here](#) to read the Notification no. 26 dated 10 May 2023 (FSSAI)

Please [Click Here](#) to read the Notification no. 25 dated 10 May 2023 (PMRDA)



## Supreme Court's decision (in the case of US Technologies International) upholding non-levy of penalty for delayed remittance of withholding tax since it is subject to prosecution

As per Indian Income tax law, a taxpayer is required to withhold tax at source and pay it to the Indian Government within statutory due date on a monthly basis. Sec 271C of the Income-tax Act provides for levy of penalty in case of failure to withhold tax at source, or in certain cases, failure to pay (or ensure payment of) withholding tax to the Government authorities.

In a batch of appeals with lead case being that of US Technologies International, the issue before Supreme Court was whether the default of delayed remittance of withholding tax is liable to penalty u/s 271C of the Income-tax Act, in addition to other consequences like interest and prosecution.

In the said case, the taxpayer had deposited withholding tax from payment of salary and other contractual payments with a delay of 5 days to 10 months for Assessment Year 2003-04. The tax authority levied penalty u/s 271C for such default, in addition to interest. The taxpayer challenged the levy of penalty before Kerala High Court (HC), however, lost the appeal.

On further appeal by the taxpayer, the Supreme Court held that the instant case was of belated remittance of withholding tax, and not a case of failure to deduct / withhold the tax liability. The Supreme Court held that section 271C itself makes a distinction between 'fails to deduct' withholding tax and 'fails to pay' certain other tax liabilities. Since the default in the present case is not a failure to deduct / withhold tax, no penalty can be levied on the taxpayer. Penal provisions are required to be construed strictly and literally. Wherever the legislature intended to provide for consequences for delayed remittance, it has done so by way of interest and prosecution. The circumstance of failure to pay withholding tax on time cannot be read into section 271C deliberately.

The ruling settles the controversy as to whether penalty u/s 271C covers case of failure to pay withholding tax after deduction, in addition to case of failure to deduct / withhold tax, by holding that it does not cover circumstance of belated remittance of withholding tax which attracts interest and prosecution. This could be welcomed by taxpayers. It is worthwhile to note that the year under consideration was Assessment Year 2003-04. Both sections 271C and 276B have subsequently undergone amendments.

Please [Click here](#) to read the complete ruling dated 10 April 2023 pronounced by Supreme Court.

# International Tax



## CBDT notifies India's Double Taxation Avoidance Agreement (DTAA) with Chile

The DTAA between Governments of India and Chile was signed at Chile on 9 March 2020. The date of 'entry into force' of the DTAA was 19 October 2022, as per Article 30(1) of the DTAA. As per Article 30(2)(a) of the DTAA, the DTAA shall have effect in India in respect of income derived in any fiscal year beginning on or after 1<sup>st</sup> April next following the date of 'entry into force', i.e., FY 2023-24 in this case.

Accordingly, the Ministry of Finance has now notified the DTAA between India and Chile on 3 May 2023.

Article of DTAA	Provision
1 to 4	Persons Covered, Taxes Covered, Definitions & Residents
5 to 13	Nature of income earned through <ul style="list-style-type: none"><li>• Permanent Establishment</li><li>• Immovable Property</li><li>• Business Profits</li><li>• Shipping &amp; Air transport</li><li>• Dividends, Interest, Royalties &amp; Fees for Technical Services</li><li>• Capital Gain</li></ul>
14 to 17	Independent & Dependent Personal Services, Director's Fees, Artistes & Sportsman
18 to 21	Income earned by Pensioners, Government Employees & Students, Other Income
22 to 28	Methods for Elimination of Double Taxation, Non-discrimination, Mutual Agreement Procedure, Exchange of information, Assistance in the collection of taxes, Members of Diplomatic missions and Consular posts, Limitation of Benefits
29 to 31	Miscellaneous rules, Entry into force, Termination

Please [Click Here](#) to read the Notification no. 24 dated 3 May 2023.

# Company Law



## Mergers & amalgamations under fast track mode – Ministry of Corporate Affairs (MCA) prescribes timeline for taking action by Regional Director, Registrar of Companies (ROC) & Official Liquidator

### Background

Merger and Amalgamation are strategic tools used by companies to restructure their business operations and / or expand their business. In a merger, 1 or more existing companies combine their individual identities to form a new and distinct entity. This allows companies to pool their resources, expertise and market presence for enhanced growth and diversification.

### Fast track merger, a concept introduced by Companies Act, 2013

The Companies Act, 2013 introduced the concept of 'fast track merger' applicable for certain categories of companies (small companies, holding company and its wholly-owned subsidiary company), to simplify the process for merger / amalgamation. Fast track merger does not require approval from the National Company Law Tribunal (NCLT). Instead, it relies on the approval of jurisdictional Regional Director within MCA, based on reports provided by the ROC and Official Liquidator.

The process for fast track merger includes the following:

- Step 1 - Review the Articles of Association (AOA) of the merging companies to check if there is an enabling clause that allows business merger; if absent, amend the AOA accordingly.
- Step 2 - Drafting of scheme for merger / amalgamation
- Step 3 - Notice to be served to ROC and Official Liquidator inviting objections or suggestions if any, regarding the proposed scheme
- Step 3 - Hold meetings of shareholders / creditors to seek their approval on the proposed scheme
- Step 4 - Companies involved in the merger file a declaration of solvency
- Step 5 - In case of any objection from ROC, Official Liquidator or any person affected by the scheme, in such situation the merger scheme is required to be amended accordingly
- Step 6 - Send a notice of meeting to members and creditors along with approved scheme of merger / amalgamation.
- Step 7 - Hold meetings of shareholders / creditors to get the scheme approved
- Step 8 - Transferee company to file copy of the scheme before Regional Director, ROC and Official Liquidator
- Step 9 - In case of no objection from ROC and Official Liquidator, and Regional Director is satisfied that the scheme is in public interest, the Regional Director shall issue the conformation order of scheme of merger and amalgamation
- Step 10 - In case objection is received from ROC and Official Liquidator, and based on the same the Regional Director is of the opinion that the scheme is not in public interest, Regional Director will file application to NCLT stating the objections and opinion

# Company Law

## Issue being faced by applicants and steps taken by MCA to address the same

Step (refer above)	Problem statement	Step taken by MCA to address the issue
9	Currently, there is no time limit prescribed for the ROC / Official Liquidator/ Regional Director for issue the confirmation order of the scheme if no objection is received in regard to the proposed scheme. This led to a substantial delay in the approval process for scheme of merger / amalgamation	<p>MCA has prescribed a time limit of 30 days for the ROC / Official Liquidator to share his comments with the Regional Director. If no objection is received from the ROC / Official Liquidator and Regional Director is of opinion that scheme is in public interest, the Regional Director has 15 days (after the expiry of above mentioned 30 days) to issue the confirmation order of the scheme of merger and amalgamation.</p> <p>If Regional Director does not issue confirmation order of the scheme of merger and amalgamation within 60 days it shall be deemed that scheme is approved.</p>
10	Currently, there is no time limit prescribed for the ROC / Official Liquidator/ Regional Director for issue the confirmation order of the scheme if objection is received in regard to the proposed scheme. This led to a substantial delay in the approval process for scheme of merger / amalgamation	<p>MCA has prescribed a time limit of 30 days for the ROC / Official Liquidator to share his comments with the Regional Director. If objection is received from the ROC / Official Liquidator, then following situations might arise:</p> <p>Situation 1 - Regional Director is of the opinion that such objection is not sustainable and scheme is in public interest, Regional Director has 30 days (after the expiry of above mentioned 30 days) to issue the confirmation order of the scheme of merger and amalgamation.</p> <p>Situation 2 – Regional Director is of opinion that objection given by ROC and Official Liquidator is considerable and scheme is not in public interest, the Regional Directors has 60 days to file an application before the NCLT, stating their objection or opinion for consideration.</p> <p>Further, the application for fast track merger must be disposed off within 60 days from the date of filing with the Regional Director. Failure to dispose the application within the said timeframe will be deemed as having no objection to the scheme, and a confirmation order shall be issued accordingly.</p>

## Closure of company under strike-off mode – MCA makes it legally mandatory to file overdue financial statements & annual returns in order to submit application for strike-off in Form STK-2

Strike-off Application shall now be made to 'Centre for Processing Accelerated Corporate Exit': MCA



### Background

Companies Act, 2013 read with Insolvency & Bankruptcy Code, 2016 (IBC), provides modes for closure of companies such as:

- Strike off u/s 248 of Companies Act, 2013
- Voluntary Winding up under IBC

Closure of company via Strike off mode is the most common and easiest process in cases where company has:

- Not done any business in the preceding 2 FYs; and
- Nil assets and Nil liabilities at the time of submission of application for company closure

Prior to 1 April 2023, application for strike off of a company was required to be submitted with the Registrar of Companies (RoC) in e-Form STK-2. To expedite the process of approval of strike off applications and in line with Finance Minister's proposal in Union Budget 2023, the Government earlier this year introduced a new authority C - PACE. The C – PACE is located at the Indian Institute of Corporate Affairs (IICA), Plot No. 6, 7, 8, Sector 5, IMT Manesar, Gurgaon, Haryana – 122050. With effect from 1 May 2023 onwards, the MCA has transferred the responsibility for strike – off from ROC to C-PACE. Further, changes have been introduced in the following forms:

- Form STK-2 (to be filed along with statutory fee of Rs.10,000)
- Form STK-6, new format introduced by MCA for public notice by C-PACE
- Form STK-7, new format introduced by MCA for order to be passed by C-PACE for strike-off

## **Filing of overdue financial statements and annual returns made a compulsory pre-requisite to submit Form STK-2**

Earlier, it was not legally mandatory for an applicant-company to complete its annual filings before proceeding to submit the application for strike-off with ROC. However, now, the MCA has made it legally mandatory for an applicant company to file its overdue financial statements and annual returns (in Form AOC 4 and MGT 7 respectively) up to the end of the FY in which the company ceased to carry out its business operations. This has been made a pre-requisite for an applicant to file form for strike off with C-PACE.

In case ROC has already initiated action to remove a company's name from the register of companies, the applicant-company can proceed to file the application in Form STK-2 with C-PACE *only after* filing its overdue financial statements and annual returns. However, in case ROC has already issued the public notice for strike off in Form STK-6, then the applicant company will no longer have the option to file an application for strike-off in Form STK-2.

Please [Click Here](#) to read Notification dated 10 May 2023.



# Reserve Bank of India (RBI)



## Withdrawal of currency notes of Rs.2000 from circulation, will continue as legal tender though

Pursuant to its 'Clean Note Policy, the RBI has announced withdrawal of Rs.2000 currency notes from circulation; they will continue to be legal tender though. People have been asked to deposit Rs.2000 currency notes into their bank accounts and / or exchange them into currency notes of other denominations at any branch. The said facility would be available till 30 September 2023. The Rs.2000 currency note was introduced in November 2016 to meet the immediate currency requirement of the economy after withdrawal of the legal tender status of all Rs.500 and Rs.1000 currency notes in circulation at that time.

Banks have been instructed to follow the below action plan meticulously.

- ***Handling of existing stock and receipts***
  - ✓ All banks to discontinue issue of Rs. 2000 currency notes with immediate effect. Automated Teller Machines (ATMs) / Cash Recyclers to be reconfigured accordingly
  - ✓ Banks holding Currency Chests (CCs) to ensure that no withdrawal of Rs. 2000 currency notes is allowed from the CCs. All balances held in the CCs to be classified as unfit and kept ready for dispatch to respective RBI offices
  - ✓ All Rs. 2000 currency notes received by the banks to be sorted immediately through Note Sorting Machines (NSMs) for accuracy and genuineness and deposited in the CCs under the Linkage Scheme or kept ready for dispatch to the nearest issue office of RBI
  - ✓ Instructions contained in Master Direction dated 3 April 2023 on detection, reporting and monitoring of counterfeit to be meticulously followed

- ***Facility for deposit and exchange***
- ✓ The facility for deposit and/or exchange of Rs. 2000 currency notes shall be available for public up to 30 September 2023
- ✓ Deposit of Rs. 2000 currency notes into bank accounts can be made in the usual manner, without restrictions and subject to compliance with extant Know Your Customer (KYC) norms and other applicable statutory requirements. The banks shall also be required to comply with Cash Transaction Reporting (CTR) and Suspicious Transaction Reporting (STR) requirements, where applicable
- ✓ The facility for exchange of Rs. 2000 currency notes shall be provided to public by all banks through their branches
- ✓ To minimise inconvenience to public, to ensure operational convenience and avoid disruption of the regular activities of bank branches, all banks may exchange Rs. 2000 currency notes upto a limit of Rs. 20,000 at a time
- ✓ Business Correspondents (BCs) may also be allowed to exchange Rs. 2000 currency notes upto a limit of Rs.4000 per day for an account holder. For this purpose, banks may, at their discretion, enhance the cash holding limits of BCs
- ✓ To give time to the banks for preparatory arrangements, public have been requested to approach the banks / branches from 23 May 2023 for availing exchange facility. Deposit of Rs. 2000 currency notes may continue as per the normal banking practice
- ✓ For providing deposit / exchange facility to people residing in remote / unbanked areas, banks may consider using mobile vans, if necessary
- ✓ While crediting the value of Rs. 2000 currency notes to Jan Dhan Yojna Accounts / Basic Savings Bank Deposit (BSBD) Accounts, the usual limits will apply with necessary changes
- ✓ The banks shall to the extent feasible make special arrangements to reduce inconvenience to senior citizens, persons with disabilities and women seeking to exchange / deposit Rs. 2000 currency notes

- ***Replenishment of stock of other denominations for exchange***
  - ✓ Branches / CCs should estimate their cash requirement and obtain currency notes of other denominations from the linked / nearby currency chest / RBI well in time
  - ✓ CC holding branches shall extend required support to the linked / non-linked branches in accepting Rs. 2000 currency notes and distribution of currency notes in other denominations. In case of any difficulty in obtaining cash, the banks may contact the concerned issue office of RBI
- ***Dissemination of Information***
  - ✓ The Rs. 2000 currency notes will continue to be legal tender
  - ✓ A document on FAQs in the matter has been prepared and given in the Annex. A copy of the same may be provided to the staff manning the exchange counters as well as displayed in the banking hall, ATM kiosks, etc.
  - ✓ A Press Release informing the public of the exercise and soliciting their co-operation is being issued separately
  - ✓ Banks may also consider advising their customers suitably in the matter

The above instructions are effective until 30 September 2023.

Please [Click Here](#) to read RBI's Circular dated 19 May 2023.

Please [Click Here](#) to read the FAQs.

Please [Click Here](#) to read RBI's Master Direction dated 3 April 2023 on detection, reporting and monitoring of counterfeit.

# Compliance Calendar

Compliance calendar for the month of June 2023

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
7 <sup>th</sup> June	May 2023	TDS/TCS deposit	Non-Government Deductors
		Equalization Levy deposit	All Deductors
10 <sup>th</sup> June		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 <sup>th</sup> June		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 <sup>th</sup> June		GSTR-6 [Return by input service distributor (ISD)]	Person registered as ISD
		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 <sup>th</sup> June		Deposit of PF & ESI contribution	All Deductors
	Jan-Mar 2023	Issue of TDS Certificate (other than salary)	Non-Government Deductors
	FY 2022-23	Issue of Annual TDS Certificate in Form 16 (salary)	
	Apr-Jun 2023	Deposit of 15% (1 <sup>st</sup> Instalment) of Advance Tax for FY 2023-24	Taxpayers liable to pay advance tax
20 <sup>th</sup> June	May 2023	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
		a) GSTR-5 (Return by Non-resident). b) GSTR-5A [Online Information Database Access and Retrieval (OIDAR) services return]	a) Non-resident taxable person (NRTP) b) OIDAR services provider
25 <sup>th</sup> June		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
30 <sup>th</sup> June	FY 2022-23	Filing of return of deposits / exempted deposits in form DPT-3	All Companies
		Modification of Importer-Exporter Code (IEC) details with Directorate General of Foreign Trade (DGFT).	All entities having Importer-Exporter Code (IEC) Certificate
		Furnishing of Form-1 (Equalization Levy Statement).	All Deductors.

# 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

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