J P Chawla & Co. LLP

2023

Fineprint

WHAT'S INSIDE

A MONTH THAT WAS

India's Economic Resilience

India's Chief Economic Adviser, V Anantha Nageswaran, is confident in India's economic resilience in the face of potential high US interest rates. He asserts that India's sustainable medium-term growth rate of approximately 6.5% remains intact, driven by visible signs of private capital formation. Nageswaran also highlights India's energy supply vulnerabilities due to climate change and the shift away from fossil fuels. He emphasizes the importance of diversifying the economy by focusing on both manufacturing and services sectors.

Additionally, he holds an optimistic outlook for India's fiscal health, expecting improvements in the country's debt and deficit ratios in the future. These insights underscore India's economic strength and adaptability amidst global economic challenges.

Reserve Bank of India (RBI) Enhances E-Rupee Features to Boost Adoption

The Reserve Bank of India (RBI) is collaborating with banks to enhance the popularity of its central bank digital currency (CBDC), known as the e-rupee. Currently, retail CBDC transactions are averaging around 18,000 per day, falling short of the RBI's goal of one million daily transactions by the end of 2023.

To boost adoption, the RBI is considering several new features. One notable feature is enabling digital rupee transactions even when customers are offline. Additionally, they plan to link the e-rupee with India's widely-used Unified Payments Interface (UPI). This move aligns with the RBI's push for interoperability between the e-rupee and UPI through QR codes.

While some major banks, including the State Bank of India, have already activated this facility, experts like Sharat Chandra, co-founder of India Blockchain Forum, emphasize that incentives for CBDC payments are crucial for driving adoption.

Reserve Bank of India Aims to Reduce Remittance Costs

The Reserve Bank of India (RBI) is actively working to lower the cost of cross-border remittances. Deputy Governor T Rabi Sankar revealed that the current average cost of such transactions stands at approximately 6.2% of the total amount, which is considered excessive considering the widespread availability of affordable data connectivity.

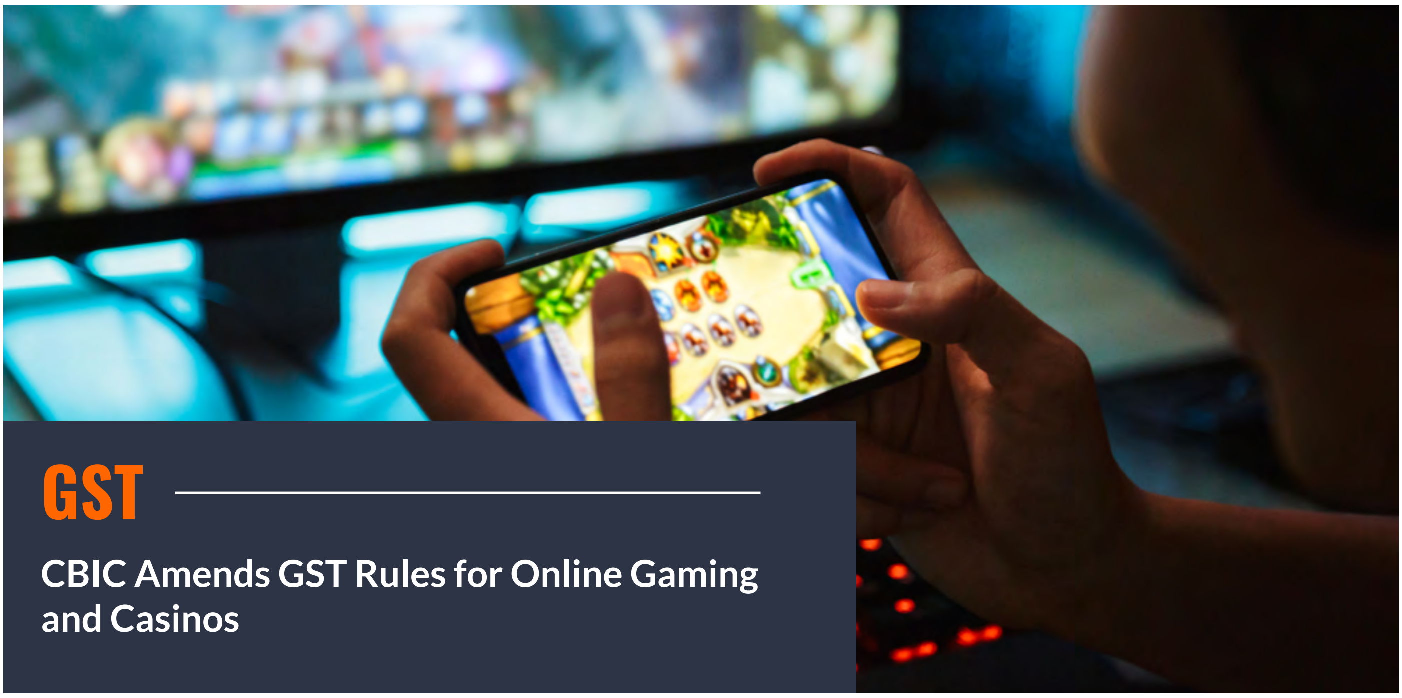
To address this issue, RBI is engaging with countries that host a substantial Indian diaspora. This effort is geared towards implementing measures to make remittances more cost-effective for the Indian community abroad. By doing so, the RBI aims to enhance the financial well-being of individuals involved in cross-border transactions.

Increased GST Collections Attributed to Higher Compliance

Sanjay Kumar Agarwal, the Chief of the Central Board of Indirect Taxes and Customs (CBIC), emphasized that the recent surge in monthly GST collections is primarily a result of improved compliance. He further highlighted that the GST Council's decision to strengthen return filing and registration processes will play a pivotal role in curbing fake Input Tax Credit (ITC) claims, particularly in sectors susceptible to tax evasion, such as iron and steel.

In response to the evolving situation, the CBIC has been actively considering suggestions to streamline tax rates in sectors prone to evasion. These discussions aim to create a more transparent and efficient tax system.

Notably, GST collections reached Rs 1.87 lakh crore in April, and for the first four months of the current fiscal year, collections have averaged Rs 1.67 lakh crore. This robust revenue performance, with a buoyancy of 1.43 concerning nominal GDP growth, underscores the significant impact of enhanced compliance on revenue generation.



GST

CBIC Amends GST Rules for Online Gaming and Casinos

The CBIC has revised the Central Goods and Services Tax Rules, 2017, concerning online gaming and casinos.

For online gaming, the value of supply will now be the total amount paid to the supplier, including virtual assets. In casinos, it will be the total paid for tokens, chips, tickets, or participation. Crucially, any refunds by the supplier won't reduce the value of supply.

This change will come into force upon Central Government notification in the Official Gazette. It aims to simplify taxation in the growing online gaming and casino sectors.

CBIC Amends GST Notifications to Reflect 50th GST Council Decisions

In a significant development, the Central Board of Indirect Taxes and Customs (CBIC) has issued three crucial amendments to the Integrated Tax (Rate) notifications. These amendments, dated September 26, 2023, aim to implement the decisions taken during the 50th GST Council meeting.

Key Amendments:

1. Notification No. 11/2023- Integrated Tax (Rate): This notification seeks to amend Notification No. 08/2017- Integrated Tax (Rate) dated June 28, 2017. The amendment reflects the decisions made by the 50th GST Council.

2. Notification No. 12/2023- Integrated Tax (Rate): This notification amends Notification No. 09/2017- Integrated Tax (Rate) dated June 28, 2017, to align with the decisions of the 50th GST Council.

3. Notification No. 13/2023- Integrated Tax (Rate): This notification modifies Notification No. 10/2017- Integrated Tax (Rate) dated June 28, 2017, to implement the decisions of the 50th GST Council.

Notable Points:

- One of the significant changes includes the removal of the category of supply of services related to the transportation of goods by vessel from a place outside India up to the customs station of clearance in India. This change impacts the GST on ocean freight.

- Additionally, the Entry relating to Goods transport services under Heading 9965 has been amended, omitting the clause "including services provided or agreed to be provided by a person located in a non-taxable territory to a person located in a non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India."

- It's worth noting that the CBIC had previously announced rate rationalization for goods, effective from July 27, 2023, following the 50th GST Council meeting.

- The decision comes in the wake of the landmark judgment by the Apex Court in the Mohit Minerals case [TS-246-SC-2022-GST], which had significant implications for the refund of Integrated Goods and Services Tax (IGST) paid on transportation of goods under the reverse charge mechanism. Several High Courts had also directed such refunds in cases like [TS-430-HC(HP)-2022-GST] and [TS-385-HC(GUJ)-2022-GST].

These amendments mark a crucial step in aligning the GST framework with recent legal developments and GST Council decisions.

Important GST Update: E-invoicing for Government Supplies

The GST Policy Wing has provided clarity on the application of e-invoicing for supplies to Government departments and agencies through Circular No. 198/10/2023-GST, dated 17.07.2023.

According to the circular, Government departments, agencies, local authorities, and PSUs that are required to deduct tax at source under section 51 of the CGST/SGST Act must obtain compulsory registration under section 24(vi) of the CGST Act. Consequently, those registered solely for tax deduction under section 51 are considered registered persons under GST law as per clause (94) of section 2 of the CGST Act.

Therefore, registered persons whose turnover exceeds the prescribed threshold for e-invoicing are obligated to issue e-invoices for supplies to Government departments, agencies, local authorities, PSUs, etc., as per rule 48(4) of the CGST Rules.

It is advised that taxpayers notified for e-invoice generation and supplying goods or services to government entities must generate B2B e-invoices containing the GSTIN of the respective Government department or agency.

CBIC Streamlines Procedure for Release of Provisional Attachment

The Central Board of Indirect Taxes and Customs (CBIC) has recently issued guidelines regarding Section 83(2) of the CGST Act, focusing on the release of provisional property attachments. This move comes in response to instances where individuals have filed writ petitions, requesting the issuance of communication on the release of such provisional attachments, as required by banks and relevant authorities.

According to Section 83(2) and Rule 159 of the CGST Act, once an order (like GST DRC-22) is issued, the property is no longer liable for provisional attachment. However, to facilitate taxpayer convenience, CBIC now prescribes a procedure for the Commissioner to issue communication or intimation to concerned authorities and banks, referencing the Order/Form DRC-22 and Section 83(2). This communication indicates the release or restoration of the property or account in accordance with the law.

CBIC emphasizes the immediate implementation of this procedure for pending cases. This streamlined approach aims to enhance transparency and efficiency in the release of provisional attachments, ensuring smoother processes for taxpayers. For more details, refer to CBIC Advisory dated February 23, 2021 (CBEC-20/16/05/2021-GST).

New Tax Rates on Specified Actionable Claims Effective from October 1, 2023

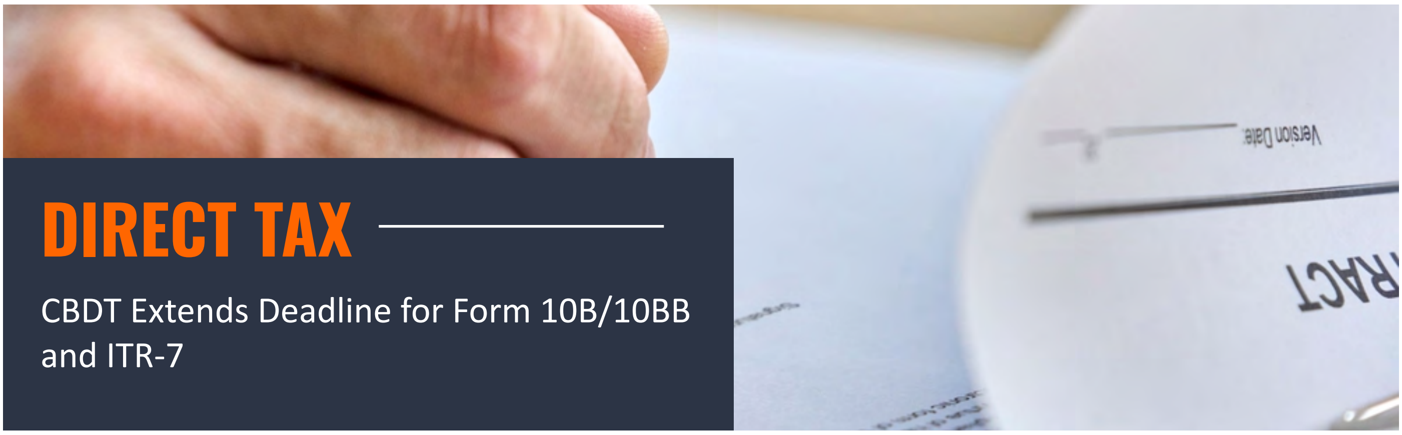
In a recent development, the Central Board of Indirect Taxes and Customs (CBIC) has issued notifications that will bring about significant changes in the taxation of certain activities. Starting from October 1, 2023, specified actionable claims, encompassing activities such as betting, casinos, gambling, horse racing, lottery, and online money gaming, will be subject to a uniform tax rate of 28%.

This change comes as a result of amendments made to two key notifications:

In a recent development, the Central Board of Indirect Taxes and Customs (CBIC) has issued notifications that will bring about significant changes in the taxation of certain activities. Starting from October 1, 2023, specified actionable claims, encompassing activities such as betting, casinos, gambling, horse racing, lottery, and online money gaming, will be subject to a uniform tax rate of 28%.

- Central Tax Notification No. 11/2023: This notification amends Notification No. 1/2017-Central Tax (Rate) dated June 28, 2017. It introduces a new Entry, namely Entry No. 227A, into Schedule IV of the said Notification. Entry 227A pertains to the taxation of specified actionable claims defined under Section 2(102A) of the CGST Act. The tax rate of 28% will be applicable to these claims.

- Integrated Tax Notification No. 14/2023: This notification amends Notification No. 1/2017-Integrated Tax (Rate) dated June 28, 2017. Like the Central Tax notification, it inserts Entry No. 227A into Schedule IV of the Integrated Tax Notification. This entry notifies a 28% IGST (Integrated Goods and Services Tax) rate for specified actionable claims, effective from October 1, 2023.)



DIRECT TAX

CBDT Extends Deadline for Form 10B/10BB and ITR-7

In response to difficulties faced by taxpayers and stakeholders, the Central Board of Direct Taxes (CBDT) has extended certain compliance deadlines. For the Financial Year 2022-23, the due date for filing Form 10B/10BB has been extended from 30th September 2023 to 31st October 2023. Form 10B/10BB is essential for funds, trusts, educational institutions, and medical facilities.

Additionally, the due date for furnishing Income Tax Return (ITR) in Form ITR-7 for the Assessment Year 2023-24 has been extended from 31st October 2023 to 30th November 2023. Form ITR-7 is applicable to entities like trusts, political parties, institutions, and colleges, falling under sub-sections 139(4A), 139(4B), 139(4C), or 139(4D).

This extension provides much-needed relief to taxpayers, allowing them more time to complete these crucial financial obligations. Stay updated and ensure you meet these revised deadlines.

Direct Tax Collections Surge by 23.51% in 2023-24

In a recent report by the Finance Ministry, direct tax collections for the fiscal year 2023-24 have reached an impressive Rs 8,65,117 crore as of September 16, marking a remarkable growth of 23.51% compared to the same period in 2022-23 when collections were at Rs 7,00,416 crore.

The comprehensive figures comprise corporate tax at Rs 4,16,217 crore (net of refunds) and personal income tax (including securities transaction tax) at Rs 4,47,291 crore (net of refunds).

The provisional data for gross direct tax collections (before refund adjustments) for 2023-24 stands at Rs 9,87,061 crore, showcasing an 18.29% growth from the previous fiscal year's Rs 8,34,469 crore during the same period.

Additionally, provisional figures for advance tax collections for 2023-24, as of September 16, have reached Rs 3,55,481 crore, witnessing a substantial growth of 20.73% compared to the corresponding period in 2022-23 when advance tax collections were at Rs 2,94,433 crore.

This impressive growth in direct tax collections reflects a positive trend in the nation's economic landscape for the current fiscal year.

New Valuation Methods

Amendments in the Finance Act, 2023 had brought significant changes to Section 56(2)(viib) of the Income-tax Act, 1961, particularly impacting unlisted company share transactions involving non-residents. Recent clarification

Besides the discounted cash flow (DCF) method for resident investors, the new rule prescribes five methods for non-resident investors, Key Highlights:

- **Expanded Valuation Methods:** Rule 11UA has been enriched with five additional valuation methods for non-residents. Now, apart from the traditional Discounted Cash Flow (DCF) and Net Asset Value (NAV) methods, they can utilize:

  1. Comparable Company Multiple
  2. Probability Weighted Expected Return
  3. Option Pricing
  4. Milestone Analysis
  5. Replacement Cost methods.

- **Special FMV Provisions:** For shares issued to Central Govt. notified entities, the share price can be considered as the Fair Market Value (FMV), given it doesn't exceed the total consideration from the notified entity and falls within a 90-day window surrounding the share issuance.

- **Venture Capital Alignment:** Price matching for resident and non-resident investors now aligns with investments from Venture Capital Funds.

- **Clearance on CCPS:** The rules now define valuation methodologies for Compulsorily Convertible Preference Shares (CCPS).

- **Safe Harbor Relief:** A 10% safe harbor variation has been introduced, granting flexibility in FMV determination.

REGULATORY

Important Update on AGMs and EGMs for Companies

In a recent development, the Ministry of corporate affairs has issued a significant circular regarding Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) for companies. Here's what you need to know:

- **AGMs via Virtual Mode:** Companies with AGMs scheduled for 2023 or 2024 are now allowed to conduct their AGMs through virtual means (VC or OAVM) until September 30, 2024. This decision aligns with the requirements outlined in General Circular No. 20/2020 dated 05.05.2020.

- **No Extension of Statutory Time:** It's essential to note that this circular does not extend the statutory timeframes for AGMs under the Companies Act, 2013. Companies that do not adhere to the statutory timelines may face legal action.

- **EGMs and Postal Ballots:** Additionally, companies are now permitted to hold EGMs via video conference or other audio-visual means and conduct postal ballots in line with the framework detailed in previous Circulars (e.g., General Circular No. 14/2020, General Circular No. 03/2022, and General Circular No. 17/2022) until September 30, 2024.

This update aims to provide companies with greater flexibility in conducting their meetings while maintaining compliance with regulatory requirements. Please ensure timely adherence to statutory timelines to avoid legal consequences.

SEBI's New Abridged Prospectus Format for Public Issues

In a recent development, the Securities and Exchange Board of India (SEBI) has taken a significant step to enhance transparency and clarity in the world of finance. In their circular dated September 4, 2023, SEBI introduced a revamped format for the Abridged Prospectus, applicable to public issues of Non-Convertible Debt Securities and Non-convertible Redeemable Preference Shares.

The primary objective behind this change is to simplify information, ensure consistency across documents, and provide investors with vital insights. This move aligns with SEBI's commitment to protect investor interests and foster a more informed market environment.

Introduction of Mediation Act, 2023: Promoting Dispute Resolution through Mediation

In a significant development, the Indian Parliament has passed the Mediation Act, 2023, aimed at enhancing dispute resolution mechanisms in the country. Here's a brief overview:

Scope and Applicability: The Act applies to the entire nation and seeks to encourage mediation, particularly institutional mediation, for resolving various disputes, including commercial ones. It also establishes a mediator registration body.

Effective Date: The Act will come into effect on a date specified by the Central Government, with different provisions potentially having different commencement dates.

Key Highlights:

- Institutional Mediation: The Act places a strong emphasis on institutional mediation, offering a structured approach to conflict resolution.

- Enforcement of Mediated Settlements: It ensures the enforceability of mediated settlement agreements, providing legal backing to the process.

- Mediator Registration: A dedicated body will oversee the registration of mediators, ensuring their competence and professionalism.

- Community Mediation: The Act encourages community mediation, promoting local dispute resolution.

- Online Mediation: Recognizing the importance of online mediation, the Act aims to make it more accessible and cost-effective.

With the Mediation Act, 2023, India takes a significant step towards promoting alternative dispute resolution methods, offering a more efficient and accessible way to resolve disputes, both in the commercial and community contexts. Stay tuned for updates on its implementation.

SEBI Update: Changes in Nomination Requirements

In a recent development, SEBI has revised its earlier mandate regarding the 'choice of nomination' for trading and demat accounts.

- Trading Accounts: SEBI, through a circular dated September 26, 2023, has made the submission of 'choice of nomination' for trading accounts voluntary, easing the compliance burden for investors.

- Demat Accounts: While trading accounts have this voluntary option, demat account holders still need to take note. The deadline for submitting the 'choice of nomination' for demat accounts has been extended to December 31, 2023.

For physical security holders, SEBI has extended the deadline for submitting PAN, Nomination, Contact details, Bank A/c details, and Specimen signature for their corresponding folio numbers to December 31, 2023.

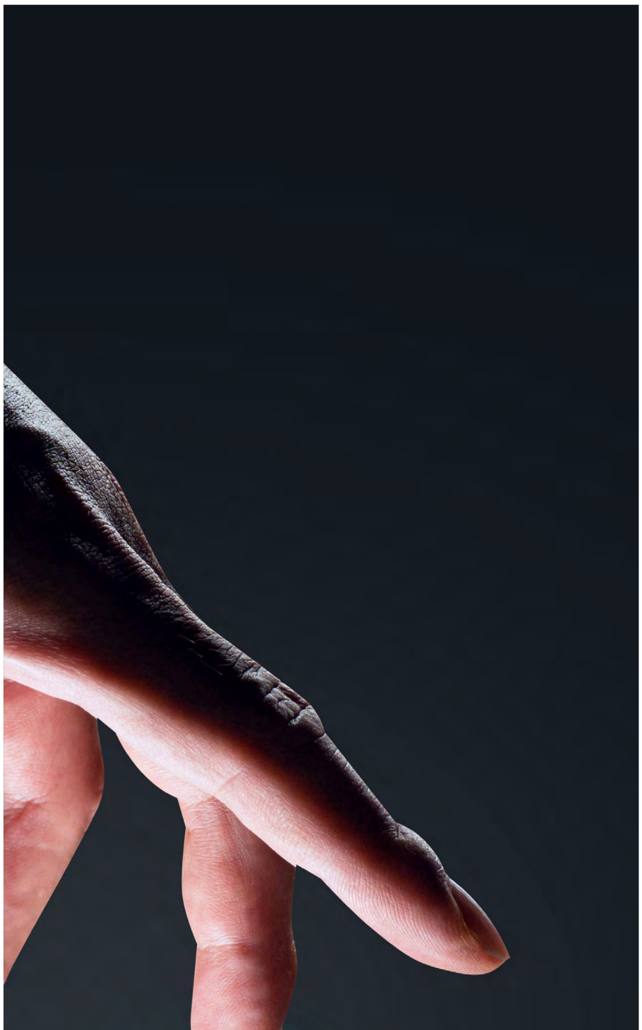
These changes aim to simplify processes and ensure compliance, while giving investors more flexibility in managing their accounts. Stay informed and act accordingly to avoid any inconvenience.

SEBI Introduces Revised Reporting Format for AIFs

In a significant move toward standardizing compliance in the Alternative Investment Funds (AIF) industry, the Securities and Exchange Board of India (SEBI) has conducted a comprehensive review of the existing quarterly reporting format. A revised format has been unveiled to enhance industry-wide consistency, simplify reporting, and facilitate regulatory and developmental goals.

Under the new framework, AIF associations are required to promptly host the revised reporting format on their websites within 2 working days of SEBI's circular issuance. AIFs are expected to submit their reports within 15 calendar days following the end of each quarter.

This initiative aims to promote transparency and efficiency within the AIF sector, making compliance procedures more accessible and uniform. Industry stakeholders are encouraged to embrace this regulatory update, ensuring timely and accurate submissions.



ACCOUNTING AND AUDITING

IASB has published proposed narrow-scope amendments to IFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the Accounting Standards

The proposed amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.

Key Update on Investment Operations of Commercial Banks

The Reserve Bank of India (RBI) has recently released its Master Direction - Classification, Valuation, and Operation of Investment Portfolio of Commercial Banks (Directions), 2023. This development is pivotal and comes in the backdrop of:

- Substantial evolutions in the global standards concerning the classification, measurement, and valuation of investments.
- The intricacies associated with the capital adequacy framework.
- Notable advancements in our domestic financial markets.

These new directions emphasize refining and updating the operational standards for commercial banks' investment portfolios, ensuring they remain in line with both international norms and the dynamism of our local markets.

ICAI's Multipurpose Empanelment Form (MEF) 2023-24 Release

The Professional Development Committee of ICAI has unveiled the Multipurpose Empanelment Form (MEF) for the year 2023-24. This form is an essential step for practitioners, ensuring their alignment with the latest standards and guidelines set by the ICAI.

Before you proceed to fill out the form, the committee emphasizes the importance of going through the accompanying Advisory. This will ensure that all details are accurately captured and that you are well-informed of the requirements and procedures.

For easy access, the MEF for 2023-24 is available online at https://meficai.org/. We encourage all members to prioritize this and ensure timely and accurate submissions.

We are a team of distinguished Business Advisors, Chartered Accountants, Tax Consultants, Company Secretaries, Management Accountants, Corporate Financial Advisors, Management consultants, Technology consultants and Forensic experts. We provide services in area of Business Intelligence Services, Taxation Services, Audit, Risk and Assurance Services, Outsourcing Services, Regulatory Services, Transaction Advisory Services, Doing Business in India and Start Up Services.

For further insights and updates, we invite you to explore our website at www.jpchawla.com
If you have any inquiries or require assistance, please don't hesitate to reach out to us
contact@jpc.co.in

Delhi Office

43, 1st Floor, Daryaganj, New Delhi,
110002, India

Tel: +91 120 4573207

Noida Office

B-151, 3rd & 4th Floor, Sector-6,
Noida, 201301

Tel: +91-11-23261010