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J P Chawla & Co. LLP

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Fineprint

WHAT'S INSIDE

A MONTH THAT WAS

Finance Ministry Approves Rs 60,000 Crore Incentive Program for Urban Housing

In a significant move towards promoting affordable housing in urban areas, the Finance Ministry has given its approval to a Rs 60,000 crore incentive program. The decision was made following the Expenditure Finance Committee's endorsement, a crucial arm of the Finance Ministry, reflecting the government's commitment to bolstering urban housing initiatives.

This initiative aligns with Prime Minister Narendra Modi's vision, as announced on the 15th of August, where he unveiled a plan to provide interest subsidies on bank loans for individuals living in urban slums, chawls, rented houses, and unauthorized colonies, with the aim of enabling them to own their own homes.

The program not only supports the dream of affordable housing but also empowers individuals from various segments of society to become homeowners, contributing to the growth and development of urban areas. It marks a significant step forward in addressing the housing needs of the urban population.

JPMorgan's Inclusion of Indian Government Bonds to Attract Potential $23 Billion in Annual Inflows

In a significant development for India's financial landscape, Finance Minister Nirmala Sitharaman announced that JPMorgan's decision to incorporate Indian government bonds into its emerging market debt index holds the potential to generate approximately $23 billion in annual inflows. This move underscores India's growing prominence on the global economic stage.

Sitharaman underscored the importance of factors such as political stability, consistent policy-making, and decisive reforms in propelling India's economic growth. She stressed the necessity for forward-looking and reform-oriented policies to nurture business expansion and sustain India's impressive economic trajectory.

These remarks arrive as India is poised to maintain its status as the world's fastest-growing economy in the 2023-24 fiscal year, with an estimated growth rate of 6.1%. The inclusion of Indian government bonds in JPMorgan's index further solidifies the country's position as an attractive destination for global investors and underscores its economic potential.

India Emerges as the Leading Project Funding Market for Asian Infrastructure Investment Bank (AIIB)

India has solidified its position as the primary project funding market for the Asian Infrastructure Investment Bank (AIIB), according to a senior official from the bank. Rajat Misra, AIIB's South Asia Director General, highlighted the substantial infrastructure development taking place in the country, making India the largest recipient of AIIB financing.

AIIB, established in December 2015, has funded sovereign Indian infrastructure projects worth USD 10 billion, accounting for over 20% of the bank's total infrastructure project funding. The bank has approved more than USD 1.3 billion for Indian projects this year, including investments in the Chennai Metro Rail Phase 2 Project and the Second Dam Rehabilitation and Improvement Project.

Misra emphasized the bank's diligent project evaluation process, ensuring the viability of each endeavor. Following India, AIIB has identified China, Turkey, Indonesia, and Bangladesh as its top borrowers, underscoring the bank's commitment to supporting infrastructure development across Asia.

India's Finance Minister Commits to Responsible Spending and Debt Reduction

Finance Minister Nirmala Sitharaman has underscored the Indian government's commitment to responsible financial management, with a focus on reducing the national debt burden and ensuring fiscal sustainability. The goal is to bring down the fiscal deficit to 4.5% of the Gross Domestic Product (GDP) by the fiscal year 2025-26, a measure aimed at preventing future generations from shouldering excessive financial burdens.

Sitharaman also stressed the importance of reforming multilateral institutions to effectively address global challenges. This approach reflects India's active participation in shaping global financial and economic systems.

Additionally, the Finance Minister acknowledged the role of the Jan-Dhan Yojana in promoting financial inclusion throughout the country. This initiative has been pivotal in expanding access to banking services and enhancing the economic well-being of millions of Indians.

India's commitment to responsible spending and debt reduction underscores its dedication to fiscal prudence and long-term economic stability.

GST

Key Highlights from the 52nd GST Council Meeting

The 52nd GST Council Meeting, held on October 7, 2023, brought about several significant recommendations and changes related to GST rates, goods, services, and trade facilitation. Here are the highlights:

GST Rate Changes:

- Reduced GST from 18% to 5% for pre-packed and labeled food preparation of millet flour with at least 70% millets, exempt when sold in loose form.
- GST rate set at 5% for imitation Zari yarn made from polyester film (HSN 5605).
- Recommended IGST exemption for foreign-going vessels converted to coastal run with reversion within six months.
- Services such as water supply, public health, sanitation, and more to government authorities are exempted.

Other Goods/Services Changes:

- Extra Neutral Alcohol (ENA) used for alcohol liquor production exempted from GST.
- GST rate on molasses reduced from 28% to 5%.
- New 8-digit HSN for rectified spirit used in industry.
- Clarified job work GST at 5% for processing barley into malt.
- Shifting GST liability for bus transportation services to Electronic Commerce Operators (ECOs).
- Exemption from GST for District Mineral Foundations Trust (DMFT).
- Taxation under Forward Charge for goods and services provided by IRCTC.

Facilitation of Trade and Other Procedures:

- Amnesty scheme for appeal against demand orders passed under CGST Act 2017.
- Clarification on the taxability of personal guarantees offered by directors.
- Rule 159 amendment for automatic restoration of provisionally attached property.
- Circulars on the place of services for advertising, transportation, and co-location services.
- Clarification on admissibility of export remittances in Special INR Vostro accounts.
- Amendment recommendations for GST Appellate Tribunals.
- Amendments in Central Tax notification 01/2023 for SEZ units/developers.
- Amendments to the CGST Act and Rules for Input Service Distributors.

Please note that these recommendations will come into force through relevant notifications, circulars, and law amendments. Stay informed for updates on these changes.

GSTN Introduces Enrollment for Unregistered E-commerce Suppliers

The Goods and Services Tax Network (GSTN) has introduced a new enrollment facility for unregistered suppliers who provide goods through e-commerce operators (ECOs). This development is in response to recent amendments in the Act, Rules, and Notification No. 34/2023 Central Tax, dated July 31, 2023.

As per the notification, individuals supplying goods through e-commerce operators are exempt from mandatory registration under the Act. However, certain restrictions apply:

- Unregistered persons can only supply goods within their State/ Union Territory.
- Inter-state supply is not permitted for unregistered individuals.
- Valid PAN is a prerequisite.
- Individuals must declare their PAN, address, and the name of their State/UT on the GST portal for validation before making supplies.
- An enrollment number is granted, allowing supplies through ECOs.

To enroll for supplying goods through an ECO in any State/UT, unregistered individuals can follow these steps on the GST portal:

1. Visit https://www.gst.gov.in and select the 'User Services' Tab.
2. Choose "Generate User Id for Unregistered Applicant."
3. Confirm your intention to continue.
4. Check the "To apply as a supplier to e-commerce operators" box.
5. Complete the form provided.
6. Upon successful PAN validation, the portal will generate an enrollment number.

This new facility simplifies the process for unregistered suppliers operating through e-commerce platforms, ensuring compliance with the latest regulations.

Important Advisory for Online Money Gaming Service Providers

Recent amendments to the CGST/SGST Act, the IGST Act, and the CGST/SGST Rules have implications for individuals or entities located outside the taxable territory supplying online money gaming services to persons in the taxable territory (India). Such providers are now obligated to register under GST and pay taxes on these services.

To comply with these changes, individuals or entities outside India offering online money gaming services to Indian consumers must register or amend their existing registration using Form GST REG-10. Additionally, they should provide information about these supplies in Form GSTR-5A.

While GSTN is working on implementing this functionality on the portal, a temporary solution has been suggested. Individuals or entities engaged in online money gaming can use the existing Form GST REG-10 to file their registration application. They should also upload a PDF copy of the information required in Row 2(iia) of the amended FORM GST REG-10.

For return filing, until the new tables are added, service providers should report these supplies in existing Tables 5 and 5A of Form GSTR-5A.

For detailed information, please refer to the advisory issued by GSTN [link](https://www.gst.gov.in/newsandupdates/read/609).

DGGI Cracks Down on Fake ITC Cases: Unearths ₹57,000 Crore GST Evasion

The Directorate General of GST Intelligence (DGGI) has been relentless in its fight against GST evasion. From April 2020 to September 2023, they uncovered over 6,000 fake Input Tax Credit (ITC) cases, revealing a staggering ₹57,000 crore in GST evasion. This effort led to the arrest of 500 individuals involved.

In recent months, DGGI intensified its pursuit of the masterminds behind these tax evasion schemes, using data analysis and advanced tools. Many of these fraudsters manipulated individuals into sharing their KYC documents unknowingly, creating fake or shell firms. In some instances, KYC details were used with the individuals' knowledge in exchange for small benefits.

In the current fiscal year (2023-24), DGGI has already detected 1,040 fake ITC cases, amounting to ₹14,000 crore, and apprehended 91 fraudsters. Overall, GST evasion, including fake ITC, amounted to ₹1.36 lakh crore, with voluntary payments of ₹14,108 crore to rectify the situation. DGGI remains committed to curbing tax evasion and safeguarding government revenue.

CBIC Circular on Export Remittance in Special INR Vostro Account

Following the recommendations of the 52nd GST Council meeting, the Central Board of Indirect Taxes and Customs (CBIC) issued Circular No. 202/14/2023-GST on October 27, 2023, to provide clarity on the admissibility of export remittances received in Special INR Vostro Accounts, as permitted by the Reserve Bank of India (RBI).

The circular emphasizes that authorized dealer (AD) banks must obtain prior approval from the RBI's Foreign Exchange Management Act (FEMA) department to open Special INR Vostro Accounts for remittance of trade transactions with any country. Exporters are expected to receive payments in INR through the designated Vostro Account of the correspondent bank in the partner country, meeting the conditions specified in the IGST Act 2017.

Additionally, the circular notes that general provisions of the Foreign Trade Policy (FTP 2023) apply, allowing for invoicing, payment, and settlement of exports and imports in INR, subject to compliance with RBI's directives, as specified in the A.P. (DIR Series) Circular No. 10 dated July 11, 2022. These transactions will occur through Special Rupee Vostro Accounts opened by AD banks in India, in accordance with the procedures defined. This clarification ensures a smoother process for trade transactions in INR.

DIRECT TAX

CBDT's Update: Rule Amendments Benefit Non-Residents and Foreign Entities in IFSC

In a recent move, the Central Board of Direct Taxes (CBDT) issued Notification 88/2023 dated October 10, 2023, bringing forth important changes to the Income Tax Rules, 1962. These amendments are designed to provide relaxation for non-residents and foreign entities operating within the International Financial Services Centre (IFSC).

Specifically, Rule 114B, which outlines the transactions requiring a Permanent Account Number (PAN) for documentation, has been revised. Now, companies or firms without a PAN can submit Form 60 for transactions specified in Rule 114B. This change streamlines processes for such entities.

Moreover, a new proviso within Rule 114B allows foreign companies to submit Form 60 when opening bank accounts or term deposits, provided they have no Permanent Establishment (PE) in India and no taxable income in the country. These adjustments simplify compliance for foreign entities operating in the IFSC.

Government Collects Rs 600 Crore from Online Gaming TDS and Rs 105 Crore from Cryptocurrencies

In a financial development update, the Central Board of Direct Taxes (CBDT) Chairman, Nitin Gupta, revealed that the Indian government has collected Rs 600 crore as Tax Deducted at Source (TDS) from online gaming companies and an additional Rs 105 crore from the burgeoning world of cryptocurrencies in the current fiscal year.

This financial windfall demonstrates the government's commitment to enhancing tax compliance and revenue collection. Mr. Gupta emphasized the simplification of tax rules in recent times, which has brought more clarity and uniformity to the tax landscape.

These streamlined rules are designed to benefit both taxpayers and companies, facilitating better compliance and understanding of their tax obligations.

The substantial collection from TDS in the online gaming industry and cryptocurrencies reflects the government's adaptability to evolving economic landscapes and its determination to ensure fair and efficient taxation in these emerging sectors.

REGULATORY

SEBI Updates: Changes in Nomination Rules

In a bid to streamline regulations and enhance the ease of doing business, SEBI, through a circular dated September 26, 2023, has introduced important updates regarding the nomination of trading and demat accounts.

Previously, SEBI had mandated that trading and demat accounts without a 'choice of nomination' should be frozen by September 30, 2023. However, in a recent development, SEBI has made the submission of 'choice of nomination' for trading accounts voluntary, alleviating the burden on investors.

For demat accounts, the deadline for submitting the 'choice of nomination' has been extended to December 31, 2023, granting investors more time to comply. This extension also applies to physical security holders who now have until December 31, 2023, to provide PAN, nomination details, contact information, bank account details, and specimen signatures for their respective folio numbers.

These changes aim to simplify processes and ensure investors have ample time to adhere to the new guidelines.

Ministry of Corporate Affairs (MCA) Streamlines Company and LLP Incorporation

In an effort to simplify and expedite the process of incorporating companies and Limited Liability Partnerships (LLPs), the Ministry of Corporate Affairs (MCA) is proud to announce a significant update as of October 23, 2023.

The MCA has seamlessly integrated with the National Single Window System (NSWS), offering a centralized platform for the incorporation of companies and LLPs. This integration empowers stakeholders with a more efficient and user-friendly channel for availing incorporation services.

By leveraging the NSWS portal, businesses and entrepreneurs can now access MCA's incorporation services with enhanced ease and convenience. This strategic alignment reflects the MCA's commitment to embracing technology and enhancing the user experience, making it more accessible and hassle-free for individuals and entities to initiate their business ventures.

This move heralds a new era of digital transformation and expeditious service for company and LLP incorporation processes in India.

MCA Circular: Dematerialization of Securities for Non-Small Private Companies

A significant development in the realm of corporate affairs has been unveiled by the Ministry of Corporate Affairs (MCA) through a general circular dated October 27, 2023.

Starting from September 30, 2024, non-small private companies will be mandated to issue their securities exclusively in dematerialized form. This essential change aims to modernize and streamline the securities issuance process, enhancing transparency and efficiency.

Furthermore, non-small private companies must ensure the dematerialization of all their existing securities. This move aligns with the broader national effort to foster digitalization, minimize paperwork, and facilitate easier access to ownership records.

These measures reflect the MCA's commitment to promoting a more secure and transparent corporate ecosystem, in line with global best practices. Companies falling under this category should take note of the deadline and begin preparations for this important transition.

ACCOUNTING AND AUDITING

ICAI Releases 'Manual on Concurrent Audit of Banks

The Institute of Chartered Accountants of India (ICAI), through its Board of Internal Audit & Management Accounting (BIAMA), has launched the 'Manual on Concurrent Audit of Banks (2023 Edition).' This comprehensive 511-page manual aims to serve a dual purpose.

Firstly, it is designed to assist ICAI members in gaining a deep understanding of the complexities involved in concurrent audits. This knowledge enhancement is expected to contribute to the improvement of the quality of concurrent audit reports.

Secondly, the manual serves as a valuable resource for those involved in the concurrent audit of banks. It provides insights, guidelines, and best practices to ensure effective and efficient concurrent audits, which are essential for maintaining the integrity and stability of banking operations.

With this updated edition, ICAI reinforces its commitment to supporting the banking sector's audit processes and enhancing the quality of audit reports.

RBI Notifies Master Direction on NBFC Regulation

The Reserve Bank of India (RBI) has issued the "Master Direction – RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023." This directive introduces key provisions impacting Non-Banking Financial Companies (NBFCs).

One significant provision is that when an NBFC's asset size reaches Rs. 1,000 crores or more, it becomes subject to regulatory requirements outlined in Section III of these Directions. This is applicable even if the NBFC did not have such assets on the date of its last balance sheet.

This measure aligns with RBI's ongoing efforts to strengthen and streamline regulatory oversight for NBFCs, ensuring robust supervision and compliance as these financial entities grow. These new regulations are a crucial step in maintaining the financial stability and integrity of the NBFC sector, safeguarding both investors and the broader financial system.

RBI's Updated Financial Statements and Disclosures Directions for Co-operative Banks

The Reserve Bank of India (RBI) has issued an update to the 'Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 (Master Direction).' The directive applies specifically to co-operative banks.

In this update, RBI advises that all co-operative banks are required to present unclaimed liabilities, where the amount due has been transferred to the Depositor Education and Awareness (DEA) Fund established under the DEA Fund Scheme, 2014, under the category of "Contingent Liabilities – Others."

This revision aims to ensure consistent and transparent financial reporting practices among co-operative banks. By categorizing unclaimed liabilities in this manner, it enhances clarity in financial statements and disclosures, providing a more accurate representation of a bank's financial health. Co-operative banks are encouraged to adhere to these updated guidelines for financial reporting.

ICAI Releases Exposure Draft on Accounting Standards for LLPs: Seek Stakeholder Feedback

The Institute of Chartered Accountants of India (ICAI) has published an exposure draft on accounting standards for Limited Liability Partnerships (LLPs). Stakeholders are encouraged to provide their input and comments on the draft by November 27, 2023.

The Accounting Standards Board of ICAI is seeking feedback on the exposure draft and welcomes comments that include clear rationales and, if applicable, suggestions.

To submit comments, stakeholders have the following options:

1. Online Submission (Preferred Method): Visit http://www.icai.org/comments/asb/ to submit comments electronically.

2. Email: Send comments to commentsasb@icai.in.

3. Postal Mail: Mail comments to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi 110 002.

Your feedback is vital in shaping the accounting standards for LLPs, ensuring their relevance and effectiveness.

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
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