

J P Chawla & Co. LLP

2024



Fineprint

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A MONTH THAT WAS

India: From Simple Regulations to Booming Business Hub

India's business landscape has undergone a seismic shift in recent years, evolving from a challenging environment plagued by bureaucracy and cumbersome regulations to one brimming with opportunities for entrepreneurs and investors alike. With the introduction of EoDB 2.0 and a slew of business-friendly reforms, India has propelled itself onto the global stage, enticing both domestic and international players to consume in its economic resurgence.

The World Bank's Doing Business Report paints a vivid picture of India's ascent, with the nation's Ease of Doing Business Ranking climbing from 142nd in 2014 to an impressive 63rd in 2020. This meteoric rise can be attributed to a series of initiatives aimed at streamlining processes, fostering innovation, and enhancing transparency across various sectors.

Key reforms have targeted simplification of procedures, rationalization of laws, promotion of digitization, and decriminalization of minor defaults. The introduction of common identifiers like PAN for regulatory clearances, along with significant reductions in compliance burdens, has catalysed India's journey towards a more conducive business environment.

Taxation reforms, particularly the implementation of GST, have further streamlined operations for businesses, reducing compliance costs and facilitating ease of transactions. The recent reduction in corporate tax rates has supported India's competitiveness on the global stage, attracting investments and fostering growth.

India's commitment to fostering innovation and entrepreneurship is evident in initiatives like Startup India, which offer a plethora of support mechanisms for budding businesses. From seed funding to tax exemptions, these schemes aim to nurture a vibrant startup ecosystem capable of driving India's economic growth.

On the global front, India's efforts have not gone unnoticed, with the nation emerging as a desirable destination for business and investment. Positive growth indicators coupled with business-friendly reforms have propelled India's rankings in various global indices, reaffirming its position as a promising market for enterprises worldwide.

In conclusion, India's transformation in ease of doing business underscores its commitment to fostering a conducive environment for economic growth and innovation. With continued reforms and investments, India is poised to unlock a world of opportunities, driving sustainable development and prosperity for its citizens and businesses alike.

India's Startup Ecosystem: Nurturing Innovation, Growth, and Global Leadership

India's startup ecosystem is rapidly evolving into a global powerhouse of innovation and entrepreneurship. With a record-breaking 1,23,900 DPIIT-recognised startups as of March 2024, India stands as the world's third-largest startup ecosystem, showcasing a remarkable blend of ambition, innovation, and government support.

Enabling Environment:

The Indian government has implemented a plethora of initiatives aimed at simplifying processes, reducing compliance burdens, and encourage innovation. From streamlined incorporation procedures to tax rebates and fast-track winding up processes, regulatory reforms have significantly eased the journey for startups.

Funding and Support:

Financial support schemes like the Startup India Seed Fund Scheme and NIDHI, coupled with initiatives like TIDE 2.0, are empowering startups to push the boundaries of technology and innovation. Furthermore, initiatives like the SIDBI Fund of Funds and Startup India Investor Connect are catalysing investment opportunities and fostering global partnerships.

Global Exposure and Capital Support:

Recent relaxations in FDI policies, tax exemptions, and schemes like RoDTEP are attracting foreign investments and promoting global trade. The Startup India portal, AIM, and annual exercises like the States' Startup Ranking are providing comprehensive support and recognition to budding entrepreneurs.

Thus, with this

There is an expanding unicorn count and a combined valuation of \$350 billion, India's startup ecosystem is witnessing unprecedented growth and success. As Indian startups continue to break barriers and explore new horizons, the nation's journey towards becoming a global leader in innovation is unstoppable. The future is bright, and the only way forward is up for India's vibrant startup ecosystem.





GST

[Advisory on GSTR-1/IFF: Introduction of New 14A and 15A tables](#)

Two new Table 14A and Table 15A have been introduced in GSTR-1 to capture the amendment details of the supplies made through e-commerce operators (ECO) on which e-commerce operators are liable to collect tax under section 52 or liable to pay tax u/s 9(5) of the CGST Act, 2017. These tables have now been made live on the GST common portal and will be available in GSTR-1/IFF from February 2024 tax period onwards. These amendment tables are relevant for those taxpayers who have reported the supplies in Table 14 or Table 15 in earlier tax periods.

[Case Study - Quashes assessment order for non-application of mind by Proper Officer](#)

TIM Delhi Airport Advertising Pvt Ltd vs. Sales Tax Officer [TS-160-HC(DEL)-2024-GST]

- Delhi HC in a matter concerning demand of over Rs. 2 crores hold that despite full disclosures under each of the heads in assessee's detailed reply to show cause notice merely rendering it as 'unsatisfactory' without even considering the same on merits depicts non-application of mind by the Proper Officer.
- Opine that the Proper Officer had to at least consider the reply on merits and then form an opinion whether the reply was incomplete, not duly supported by adequate documents and unsatisfactory thus, remands the matter for re-adjudication.
- Writ has been filed against order u/s 73 of the CGST Act confirming a demand of Rs. 2,18,73,860 against the Assessee, contending that a detailed reply was filed to the

SCN. However, the impugned order didn't take the same into consideration and is a cryptic order.

- On perusal of the record, HC observes that the Assessee has furnished a detailed reply giving full disclosures under each of the heads however, the impugned order records that Assessee's reply is not clear and unsatisfactory.
- HC envisages that if the Proper Officer was of the view that the reply is incomplete, not duly supported by adequate documents and unsatisfactory, if further any details were required, the same could have been specifically sought from the Assessee.
- Directs the Proper Officer to intimate the Assessee regarding furnishing of details/documents and after giving an opportunity of personal hearing, pass a fresh speaking order in accordance with law.



DIRECT TAX

Notification of TDS rates for Unit of International Financial Services Centre (IFSC).

The Central Government has notified that no deduction of tax shall be made under the provisions of the Income-tax Act in respect of the payments made by any 'payer' to a person being a Unit of International Financial Services Centre.

S. no.	International Financial Services Centre (IFSC Unit) (Payee)	Nature of receipt	Relevant TDS provisions as per Income tax Act, 1961
1	Banking Unit	Interest income on External Commercial Borrowings /Loans	Section 195
		Nature of receipt	Section 194J
		Referral fees	Section 194H
		Brokerage income	Section 194H
		Commission income on factoring and forfaiting services	Section 194H
2	IFSC Insurance Intermediary Office	Insurance commission	Section 194D
3	Finance Company	Interest income on External Commercial Borrowings /Loans	Section 195/194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
4	Finance Unit	Interest income on External Commercial Borrowings /Loans	Section 195/194A
		Dividend income	Section 194
		Commission income on factoring and forfaiting services	Section 194H
5	Fund Management Entity	Professional fee	Section 194J
6	Broker Dealer	Dividend	Section 194
7	Investment Advisor	Investment advisory fee	Section 194J
8	Registered Distributor	Distribution fee and Commission fee	Section 194H
9	Custodian	Professional fee	Section 194J
		Commission fee	Section 194H
10	Credit Rating Agency	Credit Rating Fee	Section 194J
11	Investment Banker	Investment Banker Fee	Section 194J

12	Debenture Trustee	Trusteeship Fee	Section 194J
13	International Trade Finance Service or "ITFS"	Commission fee	Section 194H
14	FinTech Entity	Technical fee/Professional fee	Section 194J
		Commission fee	Section 194H

- [Notification No. - 28/2024]

Notification of Change in Tax Rate for Royalties and Fees for Technical Services as mentioned in DTAA between India and Kingdom of Spain.

The Central Government has substituted the paragraph 2 of Article 13 of DTAA between India and Spain and the substituted text is as follows:

"2. However, such royalties and fees for technical services may also be taxed in the Contracting State in which they arise and according to the law of that State, but if the recipient is the beneficial owner of the royalties or fees for technical services, the tax so charged shall not exceed ten per cent of the gross amount of royalties or fees for technical services."

Accordingly, the revised tax rate for royalty and fees for technical services as per DTAA between India and Spain is 10%.

The above revision is applicable from AY 2024-25 i.e. FY 2023-24.

- [Notification No. - 33/2024]

Clarification regarding application of Income for donation made by one trust to another trust.

It has been clarified that eligible donations made by a trust/institution to another trust/institution shall be treated as application for charitable or religious purposes only to the extent of 85% of such donations. It means that when a trust/institution donates INR 100 to another trust/institution, it will be considered to have applied 85% (INR 85) for the purpose of charitable or religious activity. It is clarified that 15% (INR 15) of such donations by the donor trust/institution shall not be required to be invested in specified modes under section 11(5) of the Act as the entire amount of INR 100 has been donated to the other trust/institution and is accordingly eligible for exemption.

- [Circular No. - 3/2024]

Ex-post facto extension of due date for filing Form No. 26QE

The Central Board of Direct Taxes has decided to ex-post facto, extend the due date of filing of Form No. 26QE for specified persons who deducted tax under section 194S but failed to file Form No. 26QE. The due date is hereby extended to 30.05.2023 in those cases where the tax was deducted by specified persons under section 194S of the Act during the period from 01 .07.2022 to 28.02.2023. The fee levied under section 234E and/or interest charged under section 201(1A) (ii) of the Act in such cases for the period up to 30.05.2023, shall be waived.

- [Circular No. - 4/2024]

REGULATORY

Securities and Exchange Board of India (SEBI)

SEBI vide notification dated March 20, 2024, issued safeguards to address the concerns of the investors on transfer of securities in dematerialized mode.

To harmonize the classification of inactive/dormant accounts across Stock Exchanges & Depositories and to strengthen the measures to prevent fraud / misappropriation for inoperative demat accounts, SEBI has amended Para 1.12 of its Master circular for Depositories dated October 06, 2023. The amendment prescribed the safeguards to address the concerns of the investors on transfer of securities in dematerialized mode. The provisions, inter alia, provide that the depositories shall give more emphasis on investor education particularly with regard to careful preservation of Delivery Instruction Slip (DIS) by the Beneficial Owners. The provisions of this circular shall come into effect from April 1, 2024.

SEBI vide notification dated March 11, 2024, prescribed measures to instil trust in securities market – Expanding the framework of Qualified Stockbrokers (QSBs) to more stockbrokers

To protect the interest of investors and for building trust in securities market, SEBI has revised framework with regard to the parameters for designating a stockbroker as QSB. Henceforth, the revised list of QSBs shall be calculated by considering the following parameters: 1. the total number of active clients of the stock broker; 2. the available total assets of clients with the stock broker; 3. the trading volumes of the stock broker (excluding the proprietary trading volume of the stock broker); 4. the end of day margin obligations of all clients of a stock broker (excluding the proprietary margin obligation of the stock broker in all segments) 5. the proprietary trading volumes of the stockbroker; 6. compliance score of the stockbroker; and 7. grievance redressal score of the stockbroker.

Ministry of Corporate Affairs

The Ministry vide notice dated March 14, 2024, invited comments from various stakeholders on draft for refund process from IEPF Authority Investor Education and protection Fund Authority to simplify and expedite the process of claim refund from IEPF Authority under Companies Act 2013. The comments may be suggested via email iepfa.consultation@mca.gov.in by 15th April 2024. Comments can also be suggested through e-Consultation module of MCA.

Reserve Bank of India

- Satellites & Launch Vehicles: Both can now have 100% FDI, with automatic approval for up to 74% and 49% respectively.
- Space Infrastructure:
 1. Satellite Data Products & Ground/User Segments: 100% FDI allowed, automatic approval for up to 74%.
 2. Spaceports: 100% FDI with automatic approval for up to 49%.
- Component Manufacturing:
 1. Up to 100% FDI allowed through automatic route.





AUDIT AND ACCOUNTING

Audit and Assurance

Revised Applicability of Peer Review Mandate (Phase II & III)

Peer Review Board (PRB) of the Institute of Chartered Accountants of India (ICAI) has extended the applicability of the Peer Review Mandate for the Practice Units covered under Phase II and III. Following are the details:

Phase	Category of firms covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
II	<p>Practice Units which propose to undertake Statutory Audit of unlisted public companies having paid-up capital of not less than rupees five hundred crores or having annual turnover of not less than rupees one thousand crores or having, in aggregate, outstanding loans, debentures and deposits of not less than rupees five hundred crores as on the 31st March of immediately preceding financial year: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.</p> <p>OR</p> <p>Practice Units rendering attestation services and having 5 or more partners: For these Practice Units, there is a prerequisite of having Peer Review Certificate before accepting any Statutory audit.</p>	01.07.2024 (Grace period allowed up to 30.06.2024)
III	<p>Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review or of any body corporate including trusts which are covered under public interest entities: For these Practice Units, there is a pre-requisite of having Peer Review Certificate.</p> <p>OR</p> <p>Practice Units rendering attestation services and having 4 or more partners: For these Practice Units, there is a prerequisite of having Peer Review Certificate before accepting any Statutory audit.</p>	01.01.2025



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.jpc.co.in
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: +91-11-23261010

Noida Office

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

Tel: +91 120 4573207