

J P Chawla & Co. LLP

2024



Fineprint

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A MONTH THAT WAS

Boosting India's Manufacturing Sector for Economic Growth

India aims to become a \$35 trillion economy, with the manufacturing sector playing a crucial role in this ambition. A strong manufacturing base is essential for economic growth, infrastructure development, job creation, and increasing GDP. From 2006 to 2012, the sector grew by 9.5% annually but slowed to 7.4% in subsequent years due to regulatory challenges and a large informal sector. Launched in 2014, the Make in India initiative seeks to transform India into a global manufacturing hub by attracting investment, enhancing skill development, and improving infrastructure. Between 2014 and 2023, FDI in manufacturing increased by 55%, driven by liberalised policies and improved business conditions. Initiatives like the Production Linked Incentive (PLI) Scheme and state-level programs have further boosted investment and production. By 2023, manufacturing accounted for 17% of GDP and employed over 27 million people, with a target to reach 25% of the economy by 2025.

India Promotes Semiconductor and Electronics Manufacturing Opportunities

India is positioning itself as a global hub for semiconductors and electronics manufacturing. A recent event highlighted the nation's commitment to developing a sustainable semiconductor ecosystem, showcasing market opportunities and governmental schemes. The event emphasised India's plans to leverage learnings from Penang's established semiconductor ecosystem. Over 60 Malaysian companies, including Micron Malaysia and Vitrox Berhad, expressed interest in exploring India's burgeoning electronics and semiconductor sectors.





Advisory on launch of E-Way Bill 2 Portal

GSTN has informed that NIC is releasing the E-Way Bill 2 Portal (<https://ewaybill2.gst.gov.in>) on 1st June 2024. This portal ensures high availability and runs in parallel to the e-way Bill main portal (<https://ewaybillgst.gov.in>). The e-way bill 2 portal synchronises the e-way bill details with main portal within a few seconds. The highlights of the portal are as follows:

- Presently, E-Way Bill 2 Portal provides the critical services of E-Way Bill system, and gradually it will be extended with other services of e-way bill system.
- E-Way Bills can be generated and updated on the E-Way Bill 2 Portal independently.
- E-Way Bill 2 portal provides the web and API modes of operations for e-way bill services.
- The taxpayers and logistic operators can use the E-Way Bill 2 portal with the login credentials of the main portal.
- The taxpayers and logistic operators can use the E-Way Bill 2 portal during technical glitches in e-way bill main portal or any other exigencies.
- The Criss-Cross operations of printing and updating of Part-B of E-Way Bills can be carried out on these portals. That is, updating of Part-B of the E-Way bills of portal 1 can be done at portal 2 and vice versa.
- In case E-Way Bill main portal is non-operational because of technical reasons, the Part-B can be updated to the E-Way Bills, generated at Portal 1, at portal 2 and carry both the E-way Bill slips.
- For any further details, please visit the e-way bill portals.

Information from manufacturers of Pan Masala and Tobacco taxpayers

The government had issued a notification to seek information from taxpayers dealing in the goods mentioned therein vide Notification No. 04/2024 - Central Tax dated 05-01-2024. Two forms have been notified vide this notification namely GST SRM-I and GST SRM-II. The former pertains to registration and disposal of machines while the latter asks for information on inputs and outputs during a month.

To begin with, the facility to register the machines has been made available on the GST Portal to file the information on Form GST SRM-I. All taxpayers dealing in the items mentioned in the said notification may use the facility to file information about machines. Form GST SRM-II will also be made available on the portal shortly.

Kerala SGST Department ushers 'Review' and 'Legal' Cell to streamline Appellate Functions

Kerala SGST issues circular elucidating functions, roles and responsibilities of different verticals and divisions constituted upon the reorganisation of Department. Entrusts the functions of reviewing orders by the first adjudicating authority and orders of the first appellate authority to Review Cell constituted in the Headquarters. The department appoints the Additional Commissioner, TPS HQ as authority to file appeals under section 107 (3) and 112 (3). Directs that in case of appellate orders issued by the Additional Commissioner (Appeals) u/s 107 "the proposal shall be prepared by the review cell for the approval of the Commissioner and the Commissioner may authorise any officer subordinate to him to apply to the Appellate Tribunal". The Joint Commissioner, Law will be heading the 'Legal Cell' to examine the orders of Appellate Tribunal under section 113.

DIRECT TAX

Amendment in Section 206AB of Income Tax Act, 1961.

Section 206AB is a special provision for deduction of TDS at higher rate for non-filers of Income Tax Return. The Central Government has notified that the provision of this section is not applicable on the "Reserve Bank of India".

- [Notification No. - 45/2024]

Amendment in Section 206CCA of Income Tax Act, 1961.

Section 206CCA is a special provision in which TCS is collected at the higher rate for non-furnishing of PAN. The Central Government has notified that the provision of this section is not applicable on the "Reserve Bank of India".

- [Notification No. - 46/2024]

Notification of Cost Inflation Index for FY 2024-25

The Central Government had notified Cost Inflation Index - 363 for FY 2024-25.

- [Notification No. - 44/2024]

Amendment in Form 27Q

The Central Government has notified the alphabet "P" to be selected for "*lower deduction or no deduction is in view of notification issued under sub-section (1F) of section 197A*".

- [Notification No. - 44/2024]

Categorical finding of 'mis-reporting' or under-reporting' essential to sustain penalty u/Sec.270A

Delhi High Court quashes show cause notice in case of assessee issued by Revenue initiating penalty proceedings under Section

270A and consequently quashes order dismissing immunity claimed by the assessee under Section 270AA.

The High Court observes that misreporting and under-reporting to be separate and distinct violations and accordingly drops the penalty proceedings under Section 270A due to failure of Revenue Authorities to allude to specific charge of misreporting or under-reporting in show cause notice.

- [TS-381-HC-2024(DEL)]



REGULATORY

Ministry of Corporate Affairs ('the Ministry') Ministry tightens scrutiny of beneficial ownership norms for foreign-owned companies

Legal experts have warned that this could have repercussions for compliance practices as the Ministry of Corporate Affairs has increased its inspection of beneficial ownership criteria for businesses owned and controlled by outside investors. The Registrar of Companies has sent letters to a number of foreign-owned and controlled businesses, including LinkedIn, for apparent violations of beneficial ownership disclosure standards.

Security Exchange Board of India (SEBI)

Self-Regulatory Organisations for Social Impact Assessors in the context of Social Stock Exchange ("SSE")

In terms of Regulation 292A(f) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, a Social Impact Assessor means an individual registered with self-regulatory organisation under the Institute of Chartered Accountants of India or such other agency, as may be specified by SEBI, who has qualified a certification program conducted by National Institute of Securities Market. In this regard, SEBI, vide this circular, has added the ICAI Social Auditors Organisation (ICMAI SAO), under the Institute of Cost Accountants of India and ICSI Institute of Social Auditors (ICSI ISA), under the Institute of Company Secretaries of India, to the list of Self-Regulatory Organisations for Social Impact Assessors in the context of Social Stock Exchange.

SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2024

SEBI vide its circular dated May 27, 2024, has notified the SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2024, which shall come into force on the date of their notification in the Official Gazette. The amendments in SEBI (Infrastructure Investment Trusts) Regulations, 2014 have been made and a new Chapter IVA has been inserted to provide a framework for issuance of subordinate units. Under the framework it is provided that the subordinate units shall only be issued by a privately placed InvITs upon acquisition of an infrastructure project. The subordinate units shall be issued only to the sponsor, its associates and the sponsor group and shall be deemed to be a part of the consideration for acquisition of the infrastructure project from such sponsor, its associates and the sponsor group. The objective of the framework for issuance of subordinate units is to enable usage of subordinate units to bridge the valuation gaps that may arise as a result of difference in the valuation of an asset assessed by the Sponsor (in its capacity of the asset seller) and the InvIT (in capacity of the asset buyer). The framework is designed to also include risk mitigation measures in respect of such units.

Reserve Bank of India

Foreign Exchange Management (Deposit) (Fourth Amendment) Regulations, 2024

In consultation with pilot Standard Setting Forum for AIFs (SFA), SEBI has prepared a standard format in relation to PPM Audit Report applicable to various categories of AIF in order to have ease of compliance reporting and uniform compliance standards. The said reporting format shall be hosted on the websites of the AIF Associations which are part of SFA. To ensure timely and accurate reporting, the associations shall assist all AIFs in understanding the reporting requirements and in resolving any issues in connection with reporting. The reporting requirement shall be applicable for PPM audit reports for the Financial Year ending March 31, 2024 onwards.





AUDIT AND ACCOUNTING

Audit and Assurance

Guidance on Non-Compliances Observed by Quality Review Board During Quality Reviews (Volume 1)

Volume 1 of this guidance note is available in 2 parts on:

Quality Review Board (QRB) has conducted quality review of audit services of audit firms which are covered under its domain. QRB was constituted under the provisions of the Chartered Accountants Act, 1949 and plays an important role in review of the quality of audit services performed by audit firms and for improvement in audit quality.

Based on observations noticed during these quality reviews, QRB issues necessary advisories to concerned audit firms. On the matter, QRB requested the Council of ICAI to bring out necessary guidance for the members of ICAI based on common non-compliances observed. Auditing & Assurance Standards Board (AASB) decided to engage various experts to prepare suggested guidance for the members on the matter. AASB also decided to constitute a consolidating group to review guidance prepared by these experts. It was also decided by AASB to bring out the guidance in separate volumes since this task is quite voluminous.

For this AASB has issued "Guidance on Non-Compliances Observed by Quality Review Board During Quality Reviews (Volume 1)" brought out by AASB. The publication is a compilation of some common non-compliances of auditing requirements observed by QRB while conducting quality reviews. The publication also contains suggested guidance by AASB for the members on these common non-compliances. The publication is in two parts i.e. Part 1 and Part 2. Part 1 contains the observations related to Engagement and Quality Control Standards. Part 2 contains the observations related to CARO and internal financial controls.

| Part | Document details | Link |
|------|--|---|
| 1 | Observations related to Engagement and Quality Control Standards | https://resource.cdn.icai.org/80181aasb64322a.pdf |
| 2 | Observations related to CARO and IFC | https://resource.cdn.icai.org/80183aasb64322b.pdf |





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
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