J P Chawla & Co. LLP

2024

Fineprint

WHAT'S INSIDE

A MONTH THAT WAS

Adani Group's Strategic Expansion: $4 Billion PVC Project Set for December 2026

The Adani Group is set to commission the first phase of its ambitious $4 billion PVC project by December 2026, marking a significant move into the petrochemicals sector. This project aims to bridge the substantial gap between India's annual PVC demand of 4 million tonnes and its domestic production capacity of just 1.5 million tonnes. Located in Mundra, Gujarat, the new petrochemical cluster will feature a state-of-the-art PVC plant with a total capacity of 2 million tonnes per annum, to be developed in phases. The initial phase, offering a capacity of 1 million tonnes per annum, is expected to be operational by the end of 2026. Backed by an SBI-led consortium, this project will utilize Acetylene and Carbide based production processes, with all necessary environmental clearances in place. This expansion reflects Adani Group's strategic focus on addressing domestic market needs and leveraging growth opportunities in the petrochemical sector.

CRED Launches Unified Financial Data Platform to Track Finance

Fintech major CRED has introduced CRED Money, a unified money management dashboard, enabling users to manage and track their bank accounts.

This innovative platform aggregates a customer's bank accounts, providing insights into spending, demat accounts, subscriptions, bill payments, insurance premiums, dividends, and tax refunds. Users can monitor transactions across multiple accounts and make payments through its inbuilt UPI feature. Built on the government's account aggregator framework, CRED Money collects and analyses financial data based on customer consent.

CRED Money aims to simplify financial management, reducing anxiety through a trusted, insightful experience. Rolling out in phases, this platform underscores the company's strategy to enhance engagement with premium customers, as CRED continues to expand its financial services portfolio.

JSW Neo Energy Secures Major Solar Power Projects

JSW Neo Energy Limited, a subsidiary of JSW Energy, has made significant strides in expanding its renewable energy portfolio. The company has received a prestigious letter of award from the Solar Energy Corporation of India Limited (SECI) to develop a 500 MW ISTS-connected Solar Power Project, which includes a 250 MW / 500 MWh Energy Storage System. Additionally, Karnataka Renewable Energy Development Limited (KREDL) has awarded JSW Neo Energy a contract for a 300 MW Solar Power Project in Karnataka.

These advancements boost JSW Neo Energy's total locked-in generation capacity to 16.0 GW and its energy storage capacity to 4.2 GWh. The company is on track to achieve an installed generation capacity of 10 GW by FY25, up from the current 7.5 GW.

Notification No. 12/2024-Central Tax

Amendment in GST Rules 2017

On the recommendation of the 53rd GST Council meeting being held on 22nd June 2024 the following changes are made in the GST rules 2017.

Rule 8: Application for Registration

"Provided further that every application made under sub-rule (4) by a person, other than a person notified under sub-section (6D) of section 25, who has not opted for authentication of Aadhaar number, shall be followed by taking photograph of the applicant where the applicant is an individual or of such individuals in relation to the applicant as notified under sub-section (6C) of section 25 where the applicant is not an individual, along with the verification of the original copy of the documents uploaded with the application in FORM GST REG-01 at one of the Facilitation Centers notified by the Commissioner for the purpose of this sub-rule and the application shall be deemed to be complete only after successful verification as laid down under this proviso."

Analysis

A new proviso is inserted to lay down the procedure for GST registration where the person not opted for Aadhaar authentication. The person is required to visit the nearest GST facilitation center along with the original copy of the uploaded documents for verification.

Rule 28(2): Value of supply of goods or services or both between distinct or related persons, other than through an agent.

"Notwithstanding anything contained in sub-rule (1), the value of supply of services by a supplier to a recipient who is a related person ***located in India,*** *by way of providing corporate guarantee to any banking company or financial institution on behalf of the said recipient, shall be deemed to be one per cent of the amount of such guarantee offered* ***per annum,*** *or the actual consideration, whichever is higher"*

Analysis

The amendment was made to make it clearer about the valuation of the corporate guarantee. Now the corporate guarantee given by the related person who is located in India will be valued under this rule. Also, it is to make clear that such a valuation should be made on an annual basis.

"Provided that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the value of said supply of services."

Analysis

A proviso has also been inserted to clarify that the value of corporate guarantee shall be equal to the value in invoice if the recipient of such corporate guarantee is eligible for full input tax credit.

Rule 39: Procedure for distribution of input tax credit by Input Service Distributor

A new set of rules has been substituted to streamline the procedure of distributing the ITC by the input service distributor.

Analysis

Earlier the government in Finance Act 2024 made it compulsory for the taxpayer who received the invoices on behalf of the branch offices, to distribute such ITC through ISD mechanism. To streamline the procedure, the new set of rules has been substituted vide this amendment. The rules are as follows:

i. The ITC shall be distributed in the same month in which it is available for distribution.
ii. Distributed credit shall not exceed the available credit.
iii. Credit shall be distributed to that recipient only to which such credit belongs
iv. Credit shall be distributed on a pro rata basis of the turnover.
v. Ineligible credit shall be distributed separately.
vi. ITC of IGST shall be distributed as IGST
vii. ITC of CGST and SGST shall be distributed as CGST and SGST to the recipient located in the same state in which ISD registered and as IGST where the recipient is located in different state.
viii. ISD shall issue a ISD invoice or IDS credit-note clearly indicating in such invoice that it is issued only for distribution of input tax credit

"(1A) For the distribution of credit in respect of input services, attributable to one or more distinct persons, subject to levy of tax under sub-section (3) or (4) of section 9, a registered person, having the same PAN and State code as an Input Service Distributor, may issue an invoice or, as the case may be, a credit or debit note as per the provisions of sub-rule(1A) of rule 54 to transfer the credit of such common input services to the Input Service Distributor, and such credit shall be distributed by the said Input Service Distributor in the manner as provided in sub-rule (1)"

Analysis

A proviso has been added to provide that where the invoice is liable to be taxed under reverse charge the distinct person in the same state of such input service distributor shall pay the tax under RCM and issue the invoice on the ISD and thereafter the ISD shall distribute the credit as per the above rules.

Rule 59: Form and manner of furnishing details of outward supplies

A new proviso has been inserted to provide the facility of amending the details of outward supplies.

Analysis

On recommendation of the GST council an additional facility has been provided by introducing a new form GSTR-1A wherein a taxpayer can make amendment or additional disclosure which is been missed out from reporting in GSTR-1. This form shall be filed after filing GSTR1 but before filing GSTR-3B.

Additionally, a taxpayer is now required to report invoice wise details of all interstate supplies having value of more than INR 1 Lacs or more separately in GSTR-1. Earlier this limit was INR 2.5 Lacs.

Rule 62: Form and manner of submission of statement and return

"Provided that the return in FORM GSTR-4 for a financial year from FY 2024-25 onwards shall be required to be furnished by the registered person till the thirtieth day of June following the end of such financial year."

Analysis

On the recommendation of the council the due date of filling GSTR-4 by a composite dealer shall be extended till 30th June following the end of the financial year. Earlier this date was 30th April.

Rule 88B: Manner of calculating interest on delayed payment of tax

"Provided that where any amount has been credited in the Electronic Cash Ledger as per provisions of sub-section (1) of section 49 on or before the due date of filing the said return, but is debited from the said ledger for payment of tax while filing the said return after the due date, the said amount shall not be taken into consideration while calculating such interest if the said amount is lying in the said ledger from the due date till the date of its debit at the time of filing return."

Analysis

A proviso has been inserted to provide relief from interest in case the cash has been deposited in electronic cash ledger before the due date of filling the GSTR-3B but adjusted in GSTR-3B after the due date.

Rule 96A: Export of goods or services under bond or Letter of Undertaking.

"(b) fifteen days after the expiry of one year, or the period as allowed under the Foreign Exchange Management Act, 1999 (42 of 1999) including any extension of such period as permitted by the Reserve Bank of India, whichever is later, from the date of issue of the invoice for export, or such further period as may be allowed by the Commissioner, if the payment of such services is not received by the exporter in convertible foreign exchange or in Indian rupees, wherever permitted by the Reserve Bank of India."

Analysis

Earlier the time of 15 days was allowed to pay tax from the end of the one year from date of invoice in case of non-receipt of foreign inward remittance against export of services under letter of undertaking. Here amendment was made to give effect of allowable time limit under Foreign Exchange Management Act, 1922 or the extended time as permitted by Reserve Bank of India.

Rule 110: Appeal to the Appellate Tribunal

A new set of rules has been substituted to streamline the procedure of filling Appeal to the tribunal.

Analysis

With the implementation of appeal to the tribunal, the streamlined procedure has been provided for filling of appeal application electronically on GST portal.

It has also been provided that the fees for filling the appeal to the tribunal shall be INR 1,000 for every one lakh rupees of tax or input tax credit involved or the difference in tax or input tax credit involved subject to maximum of INR 25,000 and minimum of INR 5,000.

Rule 138: Information to be furnished prior to commencement of movement of goods and generation of e-way bill

"Provided also that an unregistered person required to generate e-way bill in FORM GST EWB-01 in terms of the fourth proviso to sub-rule (1) or an unregistered person opting to generate e-way bill in Form GST EWB-01, on the common portal, shall submit the details electronically on the common portal in FORM GST ENR-03 either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details so furnished, a unique enrolment number shall be generated and communicated to the said person."

Analysis

A new proviso has been inserted to provide a mechanism for generating an e-way bill by an unregistered person under Form GST ENR-03.

Due to the introduction of GSTR-1A, consequential amendments were made in the rules wherever the reference of GSTR-1 appears. The list of such rules are as follows:

Rule 21	Cancellation of registration
Rule 21A	Suspension of Registration
Rule 36	Requirement of claiming ITC
Rule 37A	Reversal of ITC for non-payment [sec 16(4)]
Rule 40	Manner of claiming ITC in some special cases
Rule 48	Manner of issuing Invoices
Rule 60	Form and manner of ascertaining details of inward supplies
Rule 78	Matching of details furnished by the e-Commerce operator with the details furnished by the supplier
Rule 88C	Manner of dealing with difference in liability reported in statement of outward supplies and that reported in return
Rule 96	Refund of integrated tax paid on goods or services exported out of India.
Rule 163	Consent based sharing of information

Notification No. 13/2024-Central Tax

Notification No. 27/2022-CT was released on 26th December 2022 for exempting all States and Union Territories except Gujarat and, by subsequent amendment, Puduchchery from biometric based Aadhar-authentication and live photograph of applicant for registration applications.

This notification has been rescinded, meaning that the biometric based Aadhar-authentication and live photograph of applicant in case of new registration applications can be demanded by any State or Union Territory based on data analysis and risk profile.

Notification No. 14/2024-Central Tax

Exemption to the small taxpayer having aggregate turnover of less than INR 2 Crore from filing the annual return under form GSTR-9. Earlier this exemption is provided for FY 2022-23, now the same has been extended for FY 2023-24.

Notification No. 15/2024-Central Tax

The rate of TCS for E-commerce operators has been reduced from 0.5% to 0.25% under CGST & SGST head. Consequently, the rate under IGST head shall be reduced from 1.0% to 0.5% vide a sperate notification under IGST Act.

DIRECT TAX

Notification of Authority for Section 138 of Income Tax Act

The Central Board of Direct Taxes (CBDT) has notified the Agriculture Production Commissioner (APC) & Secretary to Government, Agriculture & Co-operation Department, Government of Telangana for the purpose of Section 138(1)(a)(ii) of Income Tax Act, 1961. The Section 138(1)(a)(ii) specifies the notification of the authorities which the Income Tax consider necessary for the collection of information or performance of the functions by the Income Tax authorities.

- [Notification No. – 52/2024]

Notification of Entities for the purposes of Section 10(46) of the Income Tax Act.

Section 10(46) of the Income Act, 1961 specifies the income of the body or authority or Board or Trust or Commission which is exempt subject to fulfillment of conditions.

The Central Government has notified the following entities:

a. Uttaranchal Board of Technical Education, Roorkee – This entity is notified for AY 2023-24.
b. Punjab Skill Development Mission Society, Chandigarh – This entity is notified for AY 2021-22 to AY 2025-26.
c. Himachal Pradesh State Load Dispatch Centre, Shimla – This entity is notified for AY 2021-22 to AY 2023-24.
d. Society for Applied Microwave Electronics Engineering & Research (SAMEER), Mumbai – This entity is notified for AY 2021-22 to AY 2025-26.

- [Notification No. – 54/2024, ,96/2024, 95/2024 and 96/2024]

Income Tax Judgement: Ahmedabad ITAT - Employee Contribution to National Pension Scheme (NPS) paid before the due date of Income Tax Return allowable since there is due date prescribed for payment of NPS.

Ahmedabad ITAT deletes the disallowance on account of employee contribution to National Pension Scheme (NPS) since there is no due date prescribed for the payment under the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013. Accordingly, the employee contribution to National Pension Scheme was allowable under Section 43B(b) of Income Tax Act, 1961 since the amount was paid before the due date of the Income Tax Return.

- [TS-550-ITAT-2024(Ahd)]

REGULATORY

MINISTRY OF CORPORATE AFFAIRS" (MCA")

Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Amendment Order, 2024

MCA, vide notification dated July 15, 2024, has issued "Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Amendment Order, 2024" thereby amending the "Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019" by inserting the following proviso in paragraph 3, namely:- "Provided that only those specified companies which are having payments pending to any micro or small enterprises for more than 45 days from the date of acceptance or the date of deemed acceptance of the goods or services under section 9 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) shall furnish the information in MSME Form-1."

With this order, a new version of e-form MSME has been introduced and the same has been transitioned from MCA V2 portal to MCA V3 portal.

Additional fields relating to mode of payments, the amount paid within and after 45 days, amount outstanding for 45 days or less along with reasons for delay in payment/amount outstanding has been introduced through new version of form.

The Companies (Significant Beneficial Owners) Amendment Rules, 2024

MCA vide notification dated July 15, 2024, has introduced the "Companies (Significant Beneficial Owners) Amendment Rules, 2024" to further amend the "Companies (Significant Beneficial Owners) Rules, 2018". Through this amendment, a new version of Form No. BEN-2 has been introduced on MCA V3 portal.

The Companies (Management and Administration) Amendment Rules, 2024

MCA vide notification dated July 15, 2024, has introduced the Companies (Management and Administration) Amendment Rules, 2024.Through this amendment, a new version of Form No. MGT-6 has been introduced on MCA V3 portal.

The Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2024

MCA vide notification dated July 16, 2024, notified the Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2024. As per the amendment, an individual desirous to update his personal mobile number or the e-mail address, as the case may be, he shall update the same by submitting e-form DIR-3 KYC only on or before 30th September of the financial year.

Further, if an individual intends to update his personal mobile number or the email address again at any time during the financial year in addition to the up-dation allowed above, he shall update the same by submitting e-form DIR-3 KYC on payment of fees of five hundred rupees. The amendment shall come into force from the 1st day of August 2024.

The Companies (Incorporation) Amendment Rules, 2024

MCA vide notification dated July 16, 2024, notified the Companies (Incorporation) Amendment Rules, 2024. As per the amended rules the word Nidhi shall be omitted from clause (p) of sub-rule (1) of rule 8A of Companies (Incorporation) Rules, 2014, which means that if the proposed name includes word Nidhi a declaration to be submitted by the applicant that the requirements mandated by the respective regulator have been complied with by the applicant is not mandatory.

Further, Clause (v) which states that the proposed name of a Nidhi company under the Act does not have the last words "Nidhi Limited" as a part of its name shall be omitted.

The Nidhi (Amendment) Rules, 2024

MCA vide notification dated July 16, 2024, has notified the Nidhi (Amendment) Rules, 2024. As per the Amendment, the following proviso shall be inserted in sub-rule (5) of rule 4 of the Nidhi Rules, 2014 namely "Provided that a company shall not use the words "Nidhi Limited" in its name unless it is declared as such under sub-section (1) of section 406 of the Act." Therefore, a Company shall not use the words "Nidhi Limited unless it is declared by the Central Government by notification in the Official Gazette as declared to be a Nidhi or Mutual Benefit Society, as the case may be.

FEMA

Remittances to International Financial Services Centers (IFSCs) under the Liberalized Remittance Scheme (LRS)

Vide notification dated July 10, 2024, it has been decided by Reserve Bank of India that Authorized Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:

i. Availing financial services or financial products as per the International Financial Services Centers Authority Act, 2019 within IFSCs; and

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i. Availing financial services or financial products as per the International Financial Services Centers Authority Act, 2019 within IFSCs; and

ii. All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through an FCA held in IFSCs.

For the above purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

Earlier remittances under LRS to IFSCs can be made only for:

i. Making investments in IFSCs in securities except those issued by entities/ Companies resident in India (outside IFSC); and

ii. Payment of fees for education to foreign universities or foreign institutions in IFSCs for pursuing courses mentioned in the gazette notification no. SO 2374(E) dated May 23, 2022, issued by the Central Government.

For the above purposes, resident individuals can open Foreign Currency Account (FCA) in IFSCs.

UNION BUDGET 2024

FDI RULES TO BE SIMPLIFIED

The Union budget 2024 proposed to simplify the rules and regulations for Foreign Direct Investment and Overseas Investments to facilitate foreign direct investment inflow and prioritize and promote the use of rupee for overseas investments.

VOLUNTARY CLOSURE OF LIMITED LIABILITY PARTNERSHIP(LLPs)

Finance Minister, through Union Budget 2024 has proposed to extend the services of the Centre for Processing Accelerated Corporate Exit (C-PACE) for voluntary closure of LLP's. This expansion aims to simplify the exit process for LLPs, making it more straightforward and less time-consuming for business owners looking to wind up their operations.

STRENGTHENING THE IBC ECO-SYSTEM

The finance minister proposed an Integrated Technology Platform to be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC), thereby ensuring the consistency, transparency, timely processing and better oversight for all stakeholders.

Additionally, the Union Minister suggested creating more tribunals, some of which would be designated to hear matters solely under the Companies Act.

DEBT RECOVERY

The Union budget 2024 proposed to strengthen the existing debt recovery tribunals and the establishment of additional tribunals. This move is designed to address the backlog of cases and ensure timely resolution, providing relief to financial institutions and expediting the recovery process.

AUDIT AND ACCOUNTING

Audit and Assurance

Guidance on Non-Compliances Observed by Quality Review Board During Quality Reviews (Volume 2)

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 2)" 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.

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

Part	Document details	Link
1	Observations related to Engagement and Quality Control Standards	https://resource.cdn.icai.org/81003aasb65207a.pdf
2	Observations related to CARO and IFC	https://resource.cdn.icai.org/81004aasb65207b.pdf

Volume 1 of above was issued in the month of May-2024.

Exposure Draft of Standard on Auditing for Audits of Financial Statements of Less Complex Entities (SA for LCE)

The Auditing and Assurance Standards Board (AASB) of ICAI has issued the Exposure Draft of SA for LCE. This standard (i.e., the SA for LCE) has been designed to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, for audits of financial statements of less complex entities (LCEs).

The standard has been developed to reflect the nature and circumstances of an audit of the financial statements of an LCE and result in the consistent performance of a quality audit engagement. This standard is premised on the basis that the firm is subject to Standard on Quality Management (SQM) 1, Quality Management for Firms that Perform Audits or Reviews for Financial Statements, or Other Assurance or Related Services Engagements.

A quality audit engagement is achieved by planning and performing the engagement and reporting on it in accordance with professional standards and applicable legal and regulatory requirements. Achieving the objective of this standard involves exercising professional judgment and maintaining professional skepticism.

Less Complex Entity'(LCE) means, an entity which satisfies all the following conditions:

i. whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India at any point of time;
ii. which is not a bank, financial institution, or an insurance company at any point of time;
iii. whose turnover (excluding other income) does not exceed rupees two hundred and fifty crore in the immediately preceding accounting year;
iv. which does not have borrowings (including public deposits) in excess of rupees fifty crore at any time during the immediately preceding accounting year;
v. which does not have cumulative grants/ donations in excess of rupees fifty crore at any time during the immediately preceding accounting year; and
vi. which is not a holding or subsidiary entity of an entity which is not a less complex entity at any point of time.

Qualification for exemption or relaxation in respect of LCE—

An existing entity, which was previously not a Less Complex Entity (LCE) and subsequently becomes an LCE, shall not be eligible to apply SA for LCE until the entity remains an LCE for two consecutive accounting periods.

Accounting Standards

Amendments to AS 22, Accounting for Taxes on Income issued by the ICAI (For non-company entities)

The Pillar Two Model Rules, released on 20 December 2021, are part of the Two-Pillar Solution to address the tax challenges of the digitalisation of the economy that was agreed by 137 member jurisdictions of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting's Statement (BEPS) and endorsed by the G20 Finance Ministers and Leaders in October 2021. The Pillar Two Model Rules are designed to ensure large multinational enterprises (MNEs) pay a minimum level of tax on the income arising in each jurisdiction where they operate.

Considering that entities may need time to determine how to apply the principles and requirements in AS 22, Accounting for Taxes on Income (issued by the ICAI) to account for deferred taxes related to top-up tax, the Council of the ICAI decided to introduce a temporary exception to the requirements in AS 22 (issued by the ICAI) to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes because once the Pillar Two Model Rules are enacted in India, these amendments would be relevant to the non-company entities applying Accounting Standards issued by the ICAI and to whom Pillar Two Model Rules will be applicable.

The amendments introduce:

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
- targeted disclosure requirements for affected entities.

Amendments to AS 22, Accounting for Taxes on Income issued by the ICAI for non-company entities are effective for annual reporting periods beginning on or after April 1, 2024.

The document related to amendment is available on:

https://resource.cdn.icai.org/81275asb65510.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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