



A Monthly E-Newsletter

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# The Bottom Line

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## KEY METRICS

### Indices

BSE SENSEX	64,719	3.35% ▲
NSE NIFTY50	19,189	3.53% ▲
NASDAQ Composite	13,788	6.59% ▲
NIKKEI 225	33,189	7.45% ▲

### Currency

USD/INR	82.09	0.71% ▲
EURO/INR	89.56	-1.35% ▼
GBP/INR	104.29	-1.42% ▼
JPY/INR	0.57	4.22% ▲

Note: The month-on-month movement as on June 30, 2023 is represented in percentages  
Source: Yahoo Finance, Investing.com



# DIRECT TAX

## Notifications/Circulars

### Relief granted in implementation of new TCS on LRS payments

Finance Act 2023 had increased the rates of TCS on foreign remittances made under LRS from 5% to 20%, w.e.f. July 1, 2023 and also removed the threshold limit for deducting TCS. However, considering the difficulties faced by the stakeholders, it has been notified that:

- transactions through international credit cards will be kept out of the ambit of LRS and therefore not liable to TCS
- threshold of INR 0.7 million per FY shall be restored for levying TCS for all categories of remittances, regardless of mode of payment or the purpose
- the increased TCS rates to be effective from October 1, 2023 instead of July 1, 2023.

*Press release dated June 28, 2023*

### Due date for filing TDS / TCS statements of Q1 extended

To ease the compliance burden on the taxpayers, the due dates to file TDS and TCS returns for Q1 of FY 2023-23 have been extended to September 30, 2023.

*Circular No. 9 dated June 28, 2023*

### Tolerance range for arm's length price retained for AY 2023-24

The tolerance range for variation in the arm's length price as compared to the actual price of the transaction has been retained at 1% in case of wholesale trading and 3% in other cases for AY 2023-24.

*Notification No. 46 dated June 26, 2023*

### Rules amended pursuant to the default new tax regime

CBDT has notified amendments to rules pertaining to allowances and perquisites in light of the new individual tax regime by extending the restrictions on claiming certain exemptions and allowances to the new tax regime. Further, new form 10IEA has been introduced to opt for or withdraw from the new tax regime.

*Notification No. 43 dated June 21, 2023*

## Judicial Rulings

### LoB clause cannot be invoked where entire income is taxable in Singapore

The revenue disallowed capital gains tax exemption to a Singapore based FII under the India-Singapore DTAA by invoking the LoB clause, wherein exemption is limited to the extent of amount repatriated. In absence of proof of repatriation, such exemption was not allowed. The High Court held that based on the capital gains clause of the DTAA as well as the certificates issued by the Singapore tax authorities, it was evident that the capital gains was taxable in Singapore regardless of its remission or receipt and accordingly the provisions of LoB did not apply in this case and exemption was thus granted to the Assessee.

*Citicorp Investment Bank (Singapore) Ltd. (Bombay High Court)*

Relief granted in implementation of increased TCS on LRS payments

LoB clause cannot be invoked where entire income is taxable in Singapore

Reassessment proceedings considering FDI as escaped income, stayed

### Reassessment in the name of a non-existent entity after merger, not valid

The High Court quashed the reassessment proceedings initiated towards an entity not existent pursuant a merger considering the same as illegal and without jurisdiction. At the same time, the revenue was given an opportunity to initiate the reassessment proceedings in the correct name.

*Coffee Day Resorts (MSM) Pvt Ltd (Karnataka High Court)*



# INDIRECT TAX

## Circulars / Notifications / Press Releases

### E-Invoice verifier App developed by GSTN

The E-Invoice verifier App offers a convenient solution for verifying e-invoices and other related details of the supply made. Available on Google Play Store, the App allows users to scan the QR code on an e-invoice and authenticate the embedded value within the code.

*GSTN advisory dated June 08, 2023*

### Functionality to identify differences between GSTR-1 and GSTR-3B return

GSTN has developed a functionality to enable the taxpayers to explain the difference between the two returns online. Taxpayer will receive intimation of difference in the Form DRC-01B on monthly basis and reply can be filed in the Part-B of the said Form.

*GST Advisory dated June 29, 2023*

### Processing of application for GST registration

To address the problem of fake registration and fake input tax credit, guidelines have been issued for processing of application for GST registration. The key features are:

- (i) Officer should carefully scrutinize the document uploaded in the registration application to ensure that the documents are legible, complete and relevant.
- (ii) Risk rating as provided by Directorate General of Analytics and Risk Management should be checked before approval of application.

- (iii) If registration has been obtained on the same PAN earlier, then check the compliance status of the said registration.
- (iv) Issue notice under Form GST REG-03 for asking any clarifications within 7 working days of submission of application.
- (v) Application to be rejected for reasons to be recorded in writing in case proper documentation or clarifications are not provided.
- (vi) Physical verification of place of business to be conducted in doubtful circumstances or in case where the applicant failed to undergo Aadhar authentication.
- (vii) Strict view may be taken where any gross negligence is observed on part of the Officer.

*Instruction No. 03/2023-GST dated June 14, 2023*

## Judicial Rulings

### Refund of ocean freight

The Notification levying IGST on ocean freight charged by foreign vessel provider to overseas supplier for transportation of goods upto Customs Clearance Station in India, has been held unconstitutional and ultra vires. Thus, the IGST collected to this extent must be refunded along with applicable interest.

*M/s Krishak Bharati Co-operative Ltd (Gujarat High Court)*

### Search and seizure at SEZ unit

As per the provisions of SEZ Act, 2005 and IGST Act, 2017, State GST authorities are empowered

### E-invoice verifier App developed by GSTN

Functionality introduced to identify differences between GSTR-1 and GSTR-3B return

State authorities empowered to conduct search and seizure at SEZ unit

to conduct search and seizure proceedings against an assessee operating in an SEZ unit.

*M/s RHC Global Exports Pvt Ltd (Gujarat High Court)*

### Refund cannot be withheld

Refund allowed by the Appellate Authority cannot be withheld solely on the ground that respondent Commissioner had decided to file appeal against said Order.

*M/s G. S. Industries (Delhi High Court)*

### Blocking of ITC

Blocking of ITC, merely based on communication of another authority that the same was availed on strength of fake invoices without any tangible evidence to substantiate said claim, shall not be valid.

*M/s Parity Infotech Solutions Pvt Ltd (Delhi High Court)*

# CORPORATE & ALLIED LAWS

## Circulars / Notifications

### New Form No. 3 introduced for LLPs

Erstwhile Form No. 3 has been substituted with the new Form No. 3 for providing information on new LLPs and for reporting amendments in existing LLP agreements to the MCA.

*MCA Notification dated June 2, 2023*

### Relaxation in payment of additional fees in case of delay in filing Form DPT-3

Considering the transition from MCA portal Version 2 to Version 3, where there is any delay in filing of Form DPT-3 beyond the statutory deadline of June 30, 2023, but upto and including July 31, 2023, no additional fee will be charged.

*MCA General Circular No. 06/2023 dated June 21, 2023*

### Format of compliances and secretarial reports for InvITs and REITs released

SEBI has released detailed format for preparation and submission of compliance report on governance and on annual secretarial compliance for InvITs and REITs.

*Circular Nos. SEBI/HO/DDHS-PoD-2/P/CIR/2023/100, 101, 102 & 103 dated June 26, 2023*

### Amendments introduced in SEBI (Mutual Fund) Regulations, 1996

Key highlights of the amendments are

- Introduction of the definition of 'Liquid Net Worth' and 'Net Asset Value'
- Revised eligibility criteria for sponsors

- New eligibility criteria in case sponsors do not satisfy 'sound track record' criteria
- Sponsors permitted to disassociate from asset management company and the mutual fund
- Chairperson of the Board of Directors of trustee company has to be an independent director

*Notification No. SEBI/LAD-NRO/GN/2023/134, dated June 26, 2023*

### Financial benchmarks list updated

Financial benchmarks administered by FBIL have been updated in the light of the cessation of publication of USD LIBOR. Effective July 1, 2023, the list is.

- Overnight Mumbai Interbank Outright Rate (MIBOR)
- USD/INR Reference Rate
- Treasury Bill Rates
- Valuation of Government Securities
- Valuation of State Development Loans (SDL)
- Modified Mumbai Interbank Forward Outright Rate (MMIFOR)

*RBI/2023-24/46 FMRD.*

*FMSD.03/03.07.25/2023-24 dated June 23, 2023*



Format of compliances and secretarial reports for InvITs and REITs released

Amendments introduced in SEBI (Mutual Fund) Regulations, 1996

Financial benchmarks list updated



## CFO WATCH

### SEBI unveils pivotal amendments to the SEBI LODR Regulations, 2023

### ISSB issues global sustainability disclosure standards IFRS S1 and IFRS S2

#### Significant amendments to SEBI LODR Regulations, 2023

SEBI has notified amendments to its LODR regulations which shall come into effect from July 14, 2023. The key amendments include:

- i. Materiality threshold for disclosure laid down based on turnover, net worth (if not negative) and average absolute value of profit of loss after tax for last three years. Further, any continuing event or information that becomes material due to this amendment must be disclosed by August 13, 2023.
- ii. Disclosure timelines made stringent, ranging from within 30 minutes to 24 hours from the occurrence of event / holding of meeting
- iii. Each listed company to confirm, deny, clarify any reported event/ rumour in the mainstream media within 24 hours from the reporting of the event or information. This is applicable to top 100 listed companies w.e.f. Oct 01, 2023, and top 250 listed entities w.e.f. Apr 01, 2024.
- iv. Disclose requirements now include regulatory communication received from any regulatory, statutory, enforcement or judicial authority and agreements affecting the management, control, restrictions, or liabilities, regardless of their direct involvement, including those entered by the shareholders, promoters, related parties, directors, KMP, and employees.
- v. Shareholder approval required once in every 5 years for continuing directors with effect from April 01, 2024.

#### Global Sustainability Reporting Standards issued by ISSB

ISSB has issued two global sustainability disclosure standards: IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2, Climate-related Disclosures. These standards aim to elevate sustainability reporting to the same level as financial reporting and promote the integration of sustainability-related financial information with financial statements and are designed to offer a clear framework for reporting that satisfies the needs of global capital markets.

## MERGERS & ACQUISITIONS

### Investors from 21 nations exempted from angel tax

Under the existing norms till March 2023, only investments by domestic investors or residents in closely held companies were taxed over and above the FMV which was commonly called as angel tax. The Finance Act, 2023, amended the provisions and extended the coverage irrespective of whether the investor is a resident or non-resident for taxing such investments over and above the FMV.

Now CBDT has exempted investors from 21 nations under angel tax exemption to boost the startup ecosystem in India. These measures aim to provide a favourable regulatory environment and encourage entrepreneurs and angel investors alike.

Residents of 21 nations including the US, UK, Australia, Germany, Spain, Austria, Canada, Czech Republic, Belgium, Denmark, Finland, Israel, Italy, Iceland, Japan, Korea, Russia, Norway, New Zealand and Sweden have been provided the exemption. Notably, the list of 21 nations excludes investment from countries like Singapore, Netherlands, and Mauritius, from where the majority of inbound FDI is channelised into India. Alongside the exemption of 21 nations, the other excluded entities include those registered with SEBI under FPI Category-I, Pension Funds, Endowment Funds, and broad-based pooled investment vehicles which contains more than or equal to 50 number of funds and vehicles.

CBDT is also expected to come out with valuation guidelines for valuation of non-resident investment in unlisted startups for the purpose of levying tax.

#### Impact on Indian Ecosystem

While the exemption will make it easier for startups to raise capital, helping them to grow and create jobs, it has also created uncertainty about the future of angel tax in India. It is not clear whether the government will continue to expand the angel tax exemption list or whether it will eventually scrap the tax altogether. Startups will need to monitor the situation closely to stay updated with any new rules that are introduced.



## Events/Webinars

### ASA becomes “Recognized Employer Partner” with CPA Australia

ASA is now a “Recognized Employer Partner” with CPA Australia. Ajay Sethi, Managing Partner, and Rajiv Arya National Head, Accounting and Business and Support, received the certificate from Leo Bremanis, Trade and Investment Commissioner in India at the Australian Trade and Investment Commission (Austrade) and Preeti Dang, Business Head, CPA Australia.

### Webinar – The Art of Successful Investment in India - June 22, 2023

*Speakers:* Luisa Munaretto, Founder, Tech IA, Nitin Arora, Director, Transaction Advisory Services

ASA organized the webinar with eminent speakers to share their views on India-specific challenges, effective strategies for dealing with Indian partners and inspiring success stories from this dynamic market.

### Webinar – Other Commercial Laws: IBC, Labor Laws, Banking Laws - June 15, 2023

*Speakers:* CA. T.R. Chandrasekhar, CA. I.P. Venkatakrisnan, Sivaraman V, Associate Director, Assurance

The webinar focused on 4 labor laws having applicability to almost all establishments together with the related accounting, disclosure, auditing considerations, observations of the reviewers and practical issues thereon

### The Aviation MRO Opportunity in India: What the future holds?

- June 7, 2023

*Author:* Kim Collaco, Executive Director, International Affairs

The article discusses the potential for growth in the Indian MRO sector due to increased air travel demand and government initiatives.

### GST - A Catalyst of Growth for the Indian MRO Sector - June 22, 2023

*Author:* Sundeep Gupta, Partner, Accounting and Business Support and Lakshay Chhabra, Deputy Manager, Accounting and Business Support

The article discusses the challenges faced by the MRO industry in India regarding tax rates and classification and highlights the need for a competitive tax regime and other measures to promote growth in the sector.

### Tax transformation: Non-resident royalty/FTS payments - June 8, 2023

*Authors:* Pankaj Aneja, Executive Partner, Taxation and Ameet Baid, Associate Director, Taxation

The article discusses the impact of increased taxation on non-resident taxpayers in India for royalty/fees for technical services income.

### International worker PF withdrawal: Demystifying challenges - June 27, 2023

*Author:* Pankaj Aneja, Executive Partner, Taxation.

The article provides a comprehensive guide for international workers on

the withdrawal of their PF from India, covering eligibility, compliance requirements, tax implications, and the importance of seeking guidance for a seamless process.

### Perceptions, comprehensions, and distinctions between forensic, internal, and statutory audits - June 30, 2023

*Author:* Parveen Kumar, National Head, Assurance

This article discusses the perceptions, comprehensions, and distinctions between forensic, internal, and statutory audits. It explores the widening “Expectation Gap” between public perception and the role of chartered accountants, focusing on the Indian jurisdiction. The article provides an overview of each type of audit, its objectives, scopes, and regulatory frameworks. It also highlights the increasing scrutiny faced by auditors from various regulators and law enforcement agencies.



# GLOSSARY



## AY

Assessment Year

## CBDT

Central Board of Direct Taxes

## DTAA

Double Taxation Avoidance Agreement

## FBIL

Financial Benchmarks India Pvt Ltd

## FMV

Fair Market Value

## FTS

Fee for Technical Services

## FY

Financial Year

## GST

Goods & Services Tax

## IGST

Integrated Goods & Services Tax

## InvIT

Infrastructure Investment Trust

## INR

Indian Rupee

## ISSB

International Sustainability Standards Board

## ITC

Input Tax Credit

## LIBOR

London Interbank Offered Rate

## LLP

Limited Liability Partnership

## LoB

Limitation of Benefit

## LODR

Listing Obligations & Disclosure Requirements

## LRS

Liberalised Remittance Scheme

## MCA

Ministry of Corporate Affairs

## MRO

Maintenance, Repair, and Overhaul

## PF

Provident Fund

## REIT

Real Estate Investment Trust

## SEBI

Securities and Exchange Board of India

## SEZ

Special Economic Zone

## TCS

Tax Collected at Source

## TDS

Tax Deducted at Source

## USD

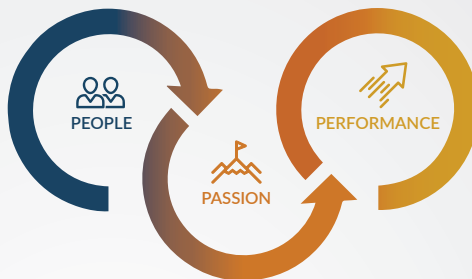
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