

A Monthly E-Newsletter

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The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	79,033	6.86%	▲
NSE NIFTY50	24,011	6.57%	▲
NASDAQ Composite	17,733	5.96%	▲
NIKKEI 225	39,583	2.85%	▲

Currency

USD/INR	83.36	0.08%	▲
Euro/INR	89.30	1.26%	▲
GBP/INR	105.38	0.84%	▲
JPY/INR	0.52	2.33%	▲

Note: The month-on-month movement as on June 28, 2024 is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com

DIRECT TAX

Notifications/Circulars

Electronic filing of specified Forms notified

In order to streamline processes and ensure compliance with prescribed rules, electronic filing of certain forms has been notified, including Form 3CEFB for opting of Safe Harbour rules in respect of Specified Domestic Transactions, Form 59 and Form 59A for application by a public company for seeking approval for eligible issue of capital / units of mutual funds, subscription to which shall be eligible for claiming deduction under section 80C.

Notification no. 01/2024-25 dated June 24, 2024

Judicial Rulings

Tribunal rules partially in favour of the Assessee in a complex case

The Tribunal confirms that imposition of a higher tax rate on the foreign companies under the India-France DTAA does not violate the non-discrimination clause under the DTAA. Additionally, payments made by Indian branch of a French bank to its Singapore branch for data processing were payment to self indeed and held not taxable as FTS under both the Income-tax Act, 1961 and the India-Singapore DTAA. Similarly, interest payments by the Indian branch of the French bank to its foreign head office were found non-taxable in India under the India-France DTAA. This decision was based on the fact that the loan arrangement between the head office and the branch

was connected to the Permanent Establishment in India.

BNP Paribas (Mumbai ITAT)

Administrative services do not constitute FTS under India-US DTAA

The Tribunal allowed the claim of the Assessee that payment for administrative services provided by the Associated Enterprise did not constitute FTS under the India-US DTAA as the services do not make available any technical knowledge, experience etc..

Herbalife International India Private Ltd (Bangalore ITAT)

Reimbursement of cost for generic software with limited use, not chargeable to tax

The Tribunal deleted the additions made to the income of the Switzerland-based company for receipts towards reimbursements from its Indian sister concerns for providing generic software akin to the offerings by Microsoft. Held that the receipts were not

Electronic filing of specified Forms notified

Administrative services do not constitute FTS under India-US DTAA

Reimbursement of cost for generic software with limited use, not chargeable to tax

taxable as royalty under the India-Switzerland DTAA. The decision hinged on the company's lack of rights to commercially exploit the software and the non-transferable, non-exclusive nature of the licenses provided. Additionally, the Tribunal found annual maintenance charges being integral part of sales of software license and not a separate service, partakes the taxability of sale of software license. Thus, cannot be brought to tax as FTS under Indian tax laws and the DTAA.

Temenos Headquarters SA (Chennai ITAT)



INDIRECT TAX

Circulars / Notifications / Press Releases

Monetary limits for filing appeals

With an intent to reduce the forthcoming litigation, limits have been fixed for filing appeals by the department. Limit for appeal before GST Tribunal is INR 2 million, before High Court is INR 10 million and before Supreme Court is INR 20 million.

Circular No. 207/1/2024-GST dated June 26, 2024

Valuation of supply of service between related parties where supplier is overseas

It has been clarified that where an overseas related party is supplying services to an Indian related party, then the valuation of such service shall be as follows, provided the Indian related party is entitled to full ITC in respect of tax paid on such services:

- i. Where invoice/debit note is raised by overseas supplier – the value shall be as stated in the invoice so raised and tax is to be paid by the Indian entity on such value on reverse charge basis
- ii. Where invoice/debit note is not raised by overseas supplier and no consideration is involved – the value shall be taken as NIL and no tax shall be payable on supply of such service.

Circular No. 210/4/2024-GST dated June 26, 2024

Availability of ITC based on date of self invoice raised where overseas supplier is unregistered

While the time limit provided for such claim of ITC based on self-invoice in cases of tax paid under

RCM is November 30th following the end of financial year to which such invoice relates, it has now been clarified that the relevant financial year shall be considered to the financial year in which such self invoice is raised towards supplies made by an unregistered overseas supplier. However, in case of delay in raising of such self invoice, interest shall be payable by the Indian party and penalty u/s 122 of the CGST Act, 2017 may also be applicable.

Circular No. 211/5/2024-GST dated June 26, 2024

Reversal of ITC on receipt of credit note post sale

Till the time a functionality/facility is made available on the common portal to enable the supplier as well as the tax officers to verify whether ITC attributable to such discounts offered post sale through tax credit notes has been reversed by the recipient or not, the supplier may procure a certificate issued by the recipient of supply that he has reversed the impugned ITC or a certificate issued by CA/CMA, where the amount of discount in a financial year exceeds INR 0.5 million.

Circular No. 212/6/2024-GST dated June 26, 2024

Reimbursement by domestic company to foreign company for ESOPS/ESPP/RSU issued to the employees of domestic company

Said reimbursements shall not qualify the definition of supply and shall not be subject to tax. However, in the cases where additional

Various notifications issued pursuant to recommendations made by GST Council, including:

- Monetary limits laid down for appeals by department
- Valuation of supply from overseas related party
- Limitation period of claim of ITC in specified cases of RCM
- Reversal of ITC in case of post sale discounts

amount over and above the cost of securities/shares is charged by the foreign company from the domestic company, GST will be leviable on such additional charges as consideration for facilitating / arranging the transaction in security. GST shall be payable on reverse charge basis by the domestic company.

Circular No. 213/07/2024-GST dated June 26, 2024

Judicial Rulings

Order basis grounds beyond SCN

The department cannot proceed with the issuance of Order incorporating grounds which were never part of SCN.

Vela Agencies (Madras High Court)

CORPORATE & ALLIED LAWS

Circulars / Notifications

Master Directions – Priority Sector Lending

Reserve Bank of India introduced amendments in the master direction for Priority Sector Lending, which refer to a process of lending by commercial banks to selected sectors identified by RBI for providing necessary thrust to their development. These include agriculture, MSMEs, education, export credit, education, housing, social infrastructure and renewable energy etc. As per the new amendments, various districts shall be ranked based on per capita credit flow to various sectors. The revised guidelines will encourage banks to provide small loans in economically disadvantaged districts with low average loan sizes. These amendments shall be effective from FY 2024-25 to FY 2026-27.

Starting from FY 2025, higher weight of 125% will be given to fresh priority sector loans in districts where the loan availability is less than INR 9,000 per person. In districts with high loan availability being more than INR 42,000 per person, the loans will have a weight of 90%. Except for outlier districts with low credit availability and those with high loan sizes, all other districts will continue to have the current importance level of 100%.

RBI/FIDD/2020-21/72 Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated June 21, 2024

Foreign Exchange Management (Overseas Investment) Directions, 2022 – Investments in Overseas Funds

RBI has issued directions addressing Category-I Authorised Dealer Banks regarding

amendments to the Foreign Exchange Management (Overseas Investment) Directions, 2022. These amendments clarify that investments in units or any other instruments issued by regulated overseas investment funds are considered Overseas Portfolio Investments. The changes permit listed Indian companies and resident individuals to invest in such funds and in International Financial Services Centres. Unlisted Indian entities are also allowed to invest under specified limits.

RBI Notification No. RBI/2024-25/41, Circular No. 09 dated June 07, 2024

Implementation of fresh set of Company Forms in V3 MCA 21 portal

MCA is launching third set of 9 Forms namely MSME, BEN-2, MGT-6, IEPF-1, IEPF-1A, IEPF-2, IEPF-4, IEPF-5, IEPF-5 e-verification report on July 15, 2024. Following guidelines have been issued to facilitate implementation:

- * e-filings on V2 portal will be disabled from July 4, 2024
- * SRN should not be in pending payment/ pending for investor details upload/resubmission status mode
- * Offline payments for the Forms in V2 portal using pay later option would be stopped from July 1, 2024 but online mode of payment vide credit/debit card and net banking will be allowed in V2 portal
- * V3 portal will not be available from July 13 to July 14, 2024
- * V2 portal will be available for all V2 forms excluding the above 9 Forms

MCA Update dated June 28, 2024

RBI revises Priority Sector Lending norms

Foreign Exchange Management Directions on Investments in Overseas Funds

Implementation of fresh set of Company Forms in V3 MCA 21 portal



CFO WATCH

SEBI mandates audio-visual disclosures in public issue offer

Import settlements permitted in INR through Special Rupee Vostro Account

Modified framework for Offer for Sale of shares to employees through stock exchange mechanism

SEBI mandates audio-visual disclosure for public issue documents

SEBI now mandates an Audio-Visual representation of key disclosures in offer documents for public issues. Issuers and lead managers must ensure factual, non-repetitive, and non-promotional content that adheres to the regulations. Audio-Visual should be bilingual and around 10 minutes each and will be publicly accessible via multiple platforms within 5 days of filing. Mandatory implementation starts October 2024, with voluntary adoption from July 2024.

International Trade Settlement in Indian Rupees

Authorised Dealer Category-I banks maintaining Special Rupee Vostro Account on international trade settlement in Indian Rupees were already permitted to open an additional special current account for its constituents exclusively for settlement of export transactions. Now, for greater operational flexibility, this facility has been extended for import transactions as well.

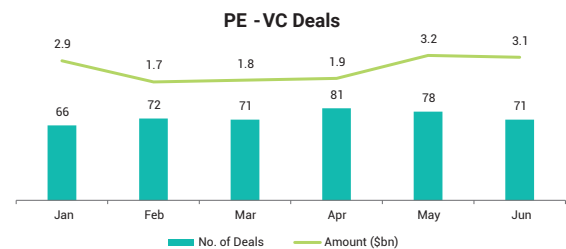
Modified framework for Offer for Sale of shares to employees through stock exchange mechanism

Amendments have been made in the earlier framework to the extent that employees shall now be able to place bids at cut-off price of T Day instead of cut-off price of T+1 day. While the offer for sale to employees shall be on T+1 day and the allotment price shall be based on the cut-off of the T Day subject to any discount.

MERGERS & ACQUISITIONS

PE-VC funding slowed down in first half of 2024

PE-VC investments in India witnessed a decline from \$3.2 billion from 78 deals in May 2024 to \$3.1 billion from 71 deals in June 2024.



The first half of 2024 witnessed \$14.6 billion of PE-VC deals which is 24 per cent lower compared to \$19.2 billion in the same period in 2023. Even after a decline in PE-VC investments, India remained at a bright spot in Asia-Pacific. India's share of APAC PE-VC investment increased from 15 percent in 2018 to 20 percent in 2023.

Q2 witnessed 22 mega deals (\$100 M+ rounds) worth \$5.8 billion, compared to 23 such investments (worth \$10.3 billion) in Q2'23 and 10 such deals (worth \$4.0 billion) in the immediate previous quarter.

- The largest PE-VC investment in Q2'24 was the \$900 million majority stake acquisition in an IT Services firm Altimetrik by TPG Capital.
- KKR's \$840 million acquisition of the Bengaluru-based medical devices maker HealthiumMedtech was the second biggest deal of the quarter.
- This was followed by \$665 million investment in Quick-Commerce unicorn Zepto by DST Global, Avenir Growth, StepStone Group, Lightspeed Ventures, Nexus Venture Partners and others.
- Next was \$554 million acquisition of Chennai-headquartered Shriram Housing Finance Ltd (SHFL) by Warburg Pincus.

2024 Outlook

PE-VC deal-making is predicted to stay restrained in 2024. Despite that, India's favorable policy environment interests investors in current scenario. Traditional sectors such as healthcare and manufacturing are expected to see strong activity. Also, startup valuations are expected to be corrected in near future as the companies make an effort to reduce their cash burn.



IN THE NEWS

Baker Tilly APAC Regional Conference in Seoul

May 29, 2024

Ajay Sethi and Nitin Arora, ASA participated in the Baker Tilly APAC Regional Conference in Seoul, where 80 delegates from over 20 countries shared information, insights, and provided updates on regional strategies.

Ajay Sethi was also the panellist for "Full Speed Ahead, South Asia: Charting a Course to Resilient Growth" at the conference sharing his thoughts on the accelerated economic growth of India, the opportunities it creates in Asia and benefit flow down to professional services firms like ours.

Masterclass on The Importance of Collaboration for Effective Internal Audit - June 5, 2024

Gaurav Bhatia, ASA conducted a masterclass on 'The Importance of Collaboration for Effective Internal Audit' for Mikuni India as an initiative in International Internal Audit Awareness Month.

Reverse Flipping of Start-Ups - Trend of the future?

June 1, 2024,

Author: Ashwath Pai, ASA

This article explores the emerging trend of "reverse flipping" among Indian start-ups. Amid declining funding in early 2024, mature improved start-ups are shifting

their holding structures back to India, driven by regulatory conditions, favourable tax incentives, and strong stock market valuations. Methods like share swaps and inbound mergers facilitate this transition, despite their complex tax and regulatory implications. The International Financial Services Centres Authority supports this trend, recommending reforms to make India, especially GIFT City, a more attractive base for start-ups.

Deciphering Broker-Dealer Revenue

June 5, 2024

Author: Sundeep Gupta, Manoj Sharma, Vidya Shreedhar & Aditya Jain, ASA

In the intricate world of finance, the financial audit serves as a vital pillar, providing assurance to stakeholders and regulators alike. For broker-dealers, scrutinizing the revenue of a broker-dealer client stands as a formidable task. Broker-dealers play a pivotal role in the financial markets, facilitating transactions, managing investments, and providing essential liquidity. However, their operations are often multifaceted, encompassing various revenue streams and complex financial instruments. Consequently, auditing these entities demands a comprehensive understanding

of regulatory requirements, accounting principles, and industry practices.

Online Gaming and The Game of Tax

June 17, 2024

Author: Sundeep Gupta, Subroto Bose & Lakshay Chhabra, ASA

With advancements in technology and internet infrastructure, digital gaming in India has surged. The online gaming industry, driven by faster chips and cloud technology, is reaching new heights. Projected to grow from USD 3.49 billion in 2024 to USD 7.24 billion by 2029, it's a booming market. This growth has drawn the attention of GST authorities, leading to new tax regulations on online gaming.

Navigating UK VAT Accounting: A Journey Through Jargon and Jollity

June 20, 2024

Author: Manoj Sharma, Chhavi Goyal, Simran Nayal, ASA

Understanding and managing VAT can sometimes feel like deciphering a complex puzzle. However, with the right knowledge and a dash of wit, you can make sense of this crucial aspect of business finance. This article takes us through the intricacies of UK VAT accounting, peppered with idioms and phrases to keep things lively and engaging.

GLOSSARY

DTAA

Double Taxation
Avoidance
Agreement

FTS

Fee for Technical
Services

FY

Financial Year

GST

Goods & Services
Tax

ITC

Input Tax Credit

ICDR

Issue of Capital
and Disclosure
Requirements

ITC

Input Tax Credit

MCA

Ministry of
Corporate Affairs

MSME

Micro, Small,
Medium Enterprise

PE

Private Equity

RBI

Reserve Bank of
India

RCM

Reverse Charge
Mechanism

SCN

Show Cause
Notice

SEBI

Securities and
Exchange Board
of India

VAT

Value Add Tax

VC

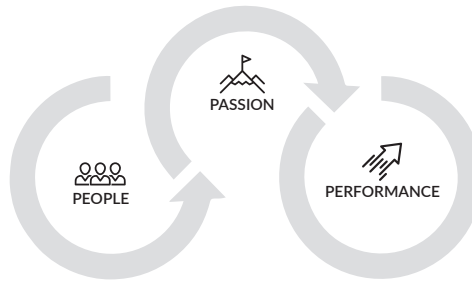
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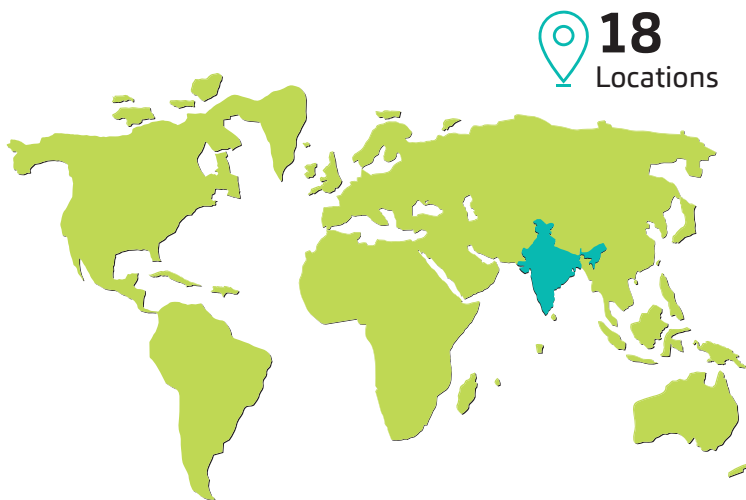
SERVICES

- Accounting and Business Support
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- Taxation
- Transaction Advisory

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\$5.2bn
Turnover



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Going The Extra Mile

bakertilly
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