



**JULY  
2022**

## **Goods & Services Tax**

**WESTERN INDIA REGIONAL COUNCIL  
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
(Statutory Body under an Act of Parliament)

	<b>Cover Stories</b>	• ITC: Seamless flow endless restrictions	<i>CMA Anil Sharma</i>	6
		• Case Study -Taxability on HO common employee's cost	<i>CMA Rajendra Rathi</i>	10
		• GST @ 5 "HAPPY BIRTH DAY"!!!!!!	<i>CMA Vinod Shete</i>	12
		• GST-Biggest reform in Indirect Taxation	<i>CMA Santosh S. Korade</i>	14
		• GST Impact Analysis on Indian Economy	<i>CMA Dhananjay Kumar Vatsyayan</i>	17
		• GST: Version 2.2: Improvements forward post half a decade ....	<i>CMA N. Rajaraman</i>	21
		• 5 Interesting 'Definition – Decks' under GST	<i>CMA Kanchan Agarwal</i>	22
	<b>Articles</b>	• ITC Claims on Capital Goods	<i>CMA Jyoti Chaudhary</i>	24
		• New TDS Provision u/s 194R of Income Tax Act, 1961 ....	<i>CMA Ashok Nawal</i>	28
		• Scale Based Regulatory Framework	<i>CMA Vaidyanathan Iyer</i>	30
		• Decision on Ocean Freight & Co-operative Federalism	<i>CMA Ashok Nawal</i>	34
	<b>How to crack interview</b>		....	41
	<b>Students Glossary</b>		....	42
	<b>What New</b>		....	46
	<b>Chapter News</b>		....	60

## ANNUAL GENERAL MEETING

63rd Annual General Meeting of the Members of the Western India Regional Constituency of the Institute of Cost Accountants of India will be held on **Friday, 29th July 2022 at 5.00 p.m. at WIRC Hall, at Western India Regional Council of The Institute of Cost Accountants of India, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001.**

**Happy Retirement !**



**Shri D. G. Vanjari**, Sr. Officer Superannuated on 30th June 2022 after 35 years of service. Wishing all the very best on your retirement. May you have a healthy and happy life with your friends and family. It's time to enjoy your life.

Happy Retirement!



Dear Professional Colleagues,

*Namaste !!*

***Swami Vivekananda: “In a day, when you don’t come across any problems – you can be sure that you are travelling in a wrong path.”***

Within a very short span after increasing of repo rate by 40 basis points, in a bi-monthly review, RBI again hiked the repo rate on 8th June 2022. Inflation and RBI’s focus on the withdrawal of its accommodative policy are expected to lead to a further rise in interest rates in the banking system. Global uncertainty, high inflation, rising crude prices, increasing interest rate and Russia-Ukraine war, etc. are the main concern for the whole world. Continuous fall in the rupee has led to the dollar price reaching an all-time low of nearly Rs. 80. It is predicted that the rupee may continue to fall. The stock market is trying to hold its level with the support of domestic institutional investors and retail investors but FII selling pressure is bringing it down.

In between all these uncertainties, the Government has tried to rationalize the GST rate just before the 5th anniversary of GST i.e., 1st July 2022. The government has not only withdrawn the exemptions but has also increased the GST rate on many products and services. GST Council has clarified various controversial issues and has also advised the authorities to further clarify various issues through notifications to reduce the litigation. Council has also deliberated to set up a Tribunal under GST law. GST council is of the view that setting up of Tribunal will help taxpayers to file appeals in the Tribunal and reduce the burden of litigations at various high courts across India.

47th council meeting has taken various steps which will be taxpayer-friendly and reduce the litigations and give more clarity. As the GST is a five-year-old young baby it has to learn many things and it will have many changes to grow and mature before it reaches the desired level.

It is indeed my pleasure to address my last communique as a Chairman of the Western India Regional Council of the Institute, with great satisfaction I could do a few things for the betterment of the profession and Institute.

Conducting the Regional Cost Conference 2022 at Gandhinagar was a challenging opportunity for me and I could do it successfully with the full support of my Council Colleagues, which I think is a remarkable achievement during my tenure. We also made representations for the inclusion of Cost Accountants in the Co-operative Sector Audit in Gujarat. Required follow-up is going on.

I also express my gratitude to CMA Raju P. Iyer, President, ICAI & CMA Vijender Sharma, Vice President ICAI, and Central Council Members from WIRC, CMA Ashwin Dalwadi, CMA (Dr.) Ashish Thatte, CMA Debasish Mitra, CMA Neeraj Joshi, and also to CS Makrand Lele, Govt. Nominee for their guidance and also Regional Council colleagues for their support. I am thankful to the WIRC-ICAI staff for always being so committed to the job, their work has been so helpful, and I greatly appreciate it. Thanks!

I am thankful to our Co-opted committee members CMA Sanjay Mathur and CMA Hetal Shah for their support during my tenure. Special thanks to Shri K P Unnikrishnan, CMA Pradeep Tulsian and CMA Rajendra Rathi for always supporting me whole-heartedly, even on the most challenging days, you made my tasks at work better. I am also thankful to my family particularly my mother for giving me full support and confidence during my tenure as Chairman.

WIRC also achieved one of the best Student Enrolment during the year 2021-22, for which I acknowledge the contribution of CMA Arindam Goswami, Chairman Students & Members Co-ordination Committee.

**The 63rd Annual General Meeting of WIRC of ICAI is scheduled on Friday 29th July 2022 at 5.00 pm at WIRC Office. I sincerely request all the members to attend the same. Notice for the AGM along with the Annual Report and Accounts of WIRC were already circulated to members by email.**

**I would like to update you on other P.D. activities at WIRC during the month :**

- WIRC organised a Discussion Meeting on Challenges faced by Practicing Members on Tuesday 7th June 2022 at the WIRC office.
- WIRC jointly with IMC Chamber of Commerce and Industry organized the 12th Banking & Finance Conference on 16th June 2022 at BSE International Convention Hall, Mumbai.
- WIRC organized a Webinar on Opportunities for CMAs in the field of Corporate Social Responsibility (CSR) on 18th June 2022. Shri Satish P. Bhattu, a Certified CSR Professional was the speaker.
- WIRC jointly with Aurangabad Chapter organized Discussion Meeting on Challenges faced by Practicing Members on 24th June 2022 at Aurangabad Chapter.
- WIRC jointly with the Cost Auditing and Assurance Standards Board (CAASB) of The Institute of Cost Accountants of India organized a Discussion Meet on the Exposure Draft of the Revised Standards on Cost Auditing (SCAs) in Hybrid Mode on 2nd July 2022.

I wish happy Eid and Guru Purnima to all the Members, Students and their families in the coming month.

**Stay safe, Stay healthy.**

With Best Wishes,

**CMA Dinesh Kumar Birla**  
*Chairman, ICAI-WIRC*



Dear Members,

***If you light a lamp for somebody, it will also brighten your path***

— **Gautam Buddha**

On behalf of the Western India Regional Council of the Institute of Cost Accountants of India, I wish you a healthy and peaceful life.

With this, I am presenting e-Bulletin for the month of June 2022 with the topic” GST“

‘One Nation, One Market, One Tax’ – the driving motto behind the introduction of GST by our Hon’ble Prime Minister Shri Narendra Modi ji in the midnight of 30th June 2017, has brought 1.3 odd million taxpayers in to amalgamate Indirect Taxation System.

The tax reform measures along with the stabilization of GST technology achieved record GST collections. This not only increased the growth in economy but brought down the revenue leakage. In a nutshell, the tax base just doubled in the last five years simultaneously increasing the number of Tax payers.

The introduction of GST has no doubt simplified business processes, tax administration & compliances thus bringing the transparency in Indirect Tax regime.

As GST evolved and started gaining stability in the last 5 years, the Government, professionals, taxpayers and tax administrators have been proactively working to make the GST simpler, removing the hurdles and glitches and it is necessary for the massive transformative exercise.

Our suggestions for smooth going of GST for next five years are as follows :

- Simplify the compliance process - present compliance requirements require significant efforts and resources. Hence, there is a need to simplify the compliance process with special emphasis to reduce the burden of compliance processes for MSME and SMEs and service providers.
- Lay down uniformity in amongst state authorities in dealing with cases of registration amendments, suo moto blocking of ITC, refund claim, documentation requirements, etc.
- Set up a national appellate authority for advance rulings to deal with contradictory advance rulings.
- Issue guidance with regard to valuation of deemed supplies between various offices of a taxpayer.
- Initiate steps to simplify blocked credits, inverted duty rates and ITC blockage of certain impacted sectors.
- GST department should consider GSTR1 of the supplier rather than GSTR 3B while considering input tax credit availment by party as GSTR 3B filing of supplier is not in control of party.
- GST department should give some relaxation to government organization as these organizations are audited by CAG ,but due to incapability of government organisation to file returns on time or wrong filing by other organisation doesn’t means that Govt. organisation has utilised excessive input credit and department should consider such case in respect of govt. organisation which leads to unnecessary notices.
- Due to delay in refund processing, working capital of taxpayer used to get blocked ,so it is requested to process refund orders on early basis.
- In case of GST appeal, process related to notice and appeal for revocation after 3 months of cancellations are lengthy, GST department should reduce the process to reduce the number of pending cases.

Still, the awareness among remaining entrepreneurs for inclusion in the Taxpayer base is required and at the same time the Government need to further simplify the tax structure, inclusion of left out products and service like Petroleum, power, in the GST net, eradicate the technical glitches and reduction in the overall tax rates.

Our Institute has taken lots of initiatives to make GST business friendly by introducing GST Certificate Courses for the beginners as well as the Advance course, releasing fortnightly e-bulletin, creation of GST help desk, Webinars / seminars and workshops PAN India and releasing as many as 20 publications / handbooks for the stakeholders.

I hope, you will get enormous benefit with the support of our eminent resource contributors on the subject.

I am very much thankful to the Managing team WIRC, executives and the Resource persons, for their all-time support.

Truly Yours.

**CMA Arindam Goswami**  
*Chairman, Editorial Board*

# ITC: Seamless flow endless restrictions

**CMA Anil Sharma**

Mob.: 98720 73456

E-mail: anil\_sharma01us@yahoo.com



The Task Force on Implementation of the Fiscal Responsibility and Budget Management Act, 2003 observed that “high import tariffs, excises and turnover tax on domestic goods and services have enormous cascading effects, leading to a distorted structure of production, consumption and exports. This problem can be effectively addressed by shifting the tax burden from production and trade to final consumption, and from savings to consumption. Accordingly, the Task Force recommended that “a well-designed destination-based value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption.

Report of The Empowered Committee of State Finance Ministers: The first ever discussion paper on GST in India saw light of the day through the report of the Empowered Committee of State Finance Ministers which was submitted to the Government of India on 10th of November 2009. This report talked about GST and its benefits to trade, Industry, agriculture and consumer. Some of the extracts of the report are as under:

- If the Value Added Tax (VAT) is considered to be a major improvement over the pre-existing Central excise duty at the national level and the sales tax system at the State level, then the Goods and Services Tax (GST) will be a further significant breakthrough - the next logical step towards a comprehensive indirect tax reform in the country.
- In the GST, both the cascading effects of CENVAT and service tax are removed with set-off, and a continuous chain of set-off from the original producer’s point and service provider’s point up to the retailer’s level is established which reduces the burden of all cascading effects.
- The GST at the Central and at the State level will thus give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST.

The Empowered committee report was followed by 13th Finance Commission Report submitted on 15th December 2009 and the said report mentioned how GST will be regulated in India:

- The computation of the CGST and SGST liability should be based on the invoice credit method i.e., allow credit for tax paid on all intermediate goods or services on the basis of invoices issued by the supplier. This will facilitate elimination of the cascading effect at various stages of production and distribution. (Para-2.16).
- Full and immediate input credit should be allowed for

tax paid (both CGST and SGST) on all purchases of capital goods (including GST on capital goods) in the year in which the capital goods are acquired. (Para-2.18)

All three documents emphasis improvement over the pre-GST tax structure if GST is introduced in the country. Goods and Service Tax was introduced in the country wef 01.07.2017 after having numerous rounds of debates among all political parties across India. Late Sh. Atal Bihari Vajpai, the then Prime Minister first talk about GST in FY 2001-2002 and we took seventeen years to introduced it finally. We discussed GST politically but not technically hence we have numerous amendments since it was introduced. Today, perhaps there is no section in GST which has not been amended since it introduced.

Before GST and/or after GST, governments have been continuously claimed that it is industry and user friendly and is good and simple tax. No doubt it has increase the revenue of exchequer but at the same time has enhance the confusion, litigation and compliances. It has also increased the unemployment. MSMEs are worst effected as has increased their input cost and has blocked their working capital at various stages. Provisions are such that one can’t compliance within their frame work. Due to frequent amendments on one side, GSTN who is responsible for the smooth operations of GST Portal is unable to update the GST portal so frequently and on the other side professionals have wasted many working hours to study the provisions again and again.

All the above three reports on pre-GST tax structure talked about seamless flow of taxes and elimination of cascading effects of taxes in GST regime. Keeping major items i.e Petrol, Diesel, CNG, ATF and Liquor for human consumption out of GST purview has adversely effected the economy and the benefits of GST has not been derived fully. Apart, keeping Electricity, Education and Health in exemption list has further made dent to the economy. So in over all, by keeping more than 40% of the total economy out of the GST purview, has not derived much and rather put the stake holders in doll drum.

Further, if we go by the provisions of existing GST laws, we found that more and more restrictions have been imposed to claim Input Tax Credit (ITC). Provisions are so stringent and confusing that sometimes it seems that how one can compliance it under the law and under given frame work. In GST laws, many restrictions have been imposed on taxable persons to avail ITC and the basic purpose and spirit of law have been defeated.

Under CGST Act, 2017 many sections and rules have been framed to avail and not to avail ITC. Let us talk about these sections and rules one by one:

**Section 16: This section narrates the eligibility and conditions to avail the ITC and reproduced as under:**

- (1) Every registered person is entitled to take credit of input tax charged on any supply of goods or services or both made to him if are used or intended to be used in the course or furtherance of his business
- (2) No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—
  - (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act,
  - (b) the details of the invoice or debit note referred to in clause (a) above has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;(wef 01.01.2022)
  - (c) he has received the goods or services or both.
  - (d) the tax charged by supplier in respect of such supply has been actually paid to the Government,
  - (e) he has furnished the return under section 39:
- (3) In case registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.
- (4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September (30th November\*) following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.  
\*as per Budget-2022 passed by the Parliament but not yet notified.

**Our views on Section 16:**

This section made taxable person eligible for ITC. But it has imposed endless restrictions to avail the ITC. The basic and for most condition to avail ITC is that Outward supplies must be taxable. Clause-2, above of the section put practically five conditions which must be fulfilled in-Toto to avail ITC. If any condition out of five not met, ITC will be rejected. Having Invoices or Debit Notes in custody along with goods and or services is natural phenomena of any business. Filing of periodical returns also a regular exercise for any business entity. But clause (2)(d ) seems to be impractical and illogical. How a buyer can force or guide a supplier to file his return and pay taxes to government account if not paid. If government laws can't force supplier to compliance under the law, how an innocent buyer can get it done who has no power under the law or otherwise.

**Case Laws challenging the legality of Section 16:**

In a case of Arise India Ltd v/s Commissioner of Trade & Taxes, on 26th October 2017 Appeal Number: W.P.(C) 2106/2015 Date of Judgement/Order : 26.10.2017 before the Hon'ble Delhi high court, court held that:

This is violation of Article 14 of the Constitution in as much as it treats both the innocent purchasers and the

guilty purchasers alike. In other words, it is submitted that by treating unequal's equally the legislative measure is violation of Article 14 of the Constitution. There are other statutory avenues available to the State to collect tax from the defaulting dealer.

As purchaser has paid and compliance his part under the law how he can be denied for a fault of supplier not paying tax to government. Hence, grounds have not distinguished guilty buyer and innocent buyer and kept them at par which is unconstitutional. Shifting the incidence of tax from the supplier to the buyer, over whom buyer has no control whatsoever, is arbitrary and irrational & therefore violative of the Article 14, Article 19(1)(g) and Article 300A of the Constitution of India

Litigation to the facts is still going on which is just a wastage of time, money and energy of each stake holder. Better if policy makers can draft the provisions user-friendly and practical.

**Section 17: Banned ITC on some of the transactions/ businesses.**

Section 17 of CGST Act, 2017 banned some of the transactions where ITC can't be claimed. Such transactions are narrated under sub-clause (5) of Section 17. In other words, there is list of blocked credits. The same is as under:

- (a) motor vehicles for transportation of persons having approved seating capacity of less than thirteen persons (including the driver). But if the same are used for making the following taxable supplies, ITC is allowed.
  - (A) further supply of such motor vehicles; or
  - (B) transportation of passengers; or
  - (C) imparting training on driving such motor vehicles;
- (b) ITC not available on purchase of vessels and aircrafts. But if the same are purchased for following activities/ business, ITC is allowed:
  - (i) for making taxable supplies as under,
    - (A) further supply of such vessels or aircraft; or
    - (B) transportation of passengers; or
    - (C) imparting training on navigating such vessels; or
    - (D) imparting training on flying such aircraft;
  - (ii) for transportation of goods;
- (c) Taxes paid on input services of general insurance, servicing, repair and maintenance related to motor vehicles, vessels or aircraft referred to in clause (a) or clause (b) above ITC is not allowed.  
But the input tax credit in respect of such services is available if—
  - (i) motor vehicles, vessels or aircraft referred to in clause (a) or clause (b) are used for the purposes specified above;
  - (ii) such goods/services are received by a taxable person engaged—
    - I) in the manufacture of such motor vehicles, vessels or aircraft; or

- II) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him
- (d) ITC on the following supply of goods or services or both not allowed at all—
- i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (a) except when used for the purposes specified therein, life insurance and health insurance:  
But ITC is allowed if such goods or services or both are used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply
  - ii) membership of a club, health and fitness centre; and
  - iii) travel benefits extended to employees on vacation such as leave or home travel concession:  
But the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
- (e) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;
- (f) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.
- (g) goods or services or both on which tax has been paid under section 10;
- (h) goods or services or both received by a non-resident taxable person except on goods imported by him;
- (i) goods or services or both used for personal consumption;
- (j) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- (k) any tax paid in accordance with the provisions of sections 74, 129 and 130.

Note: For the purposes of ITC, the expression “plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but does not include— (i) land, building or any other civil structures; (ii) telecommunication towers; and (iii) pipelines laid outside the factory premises.

### Our Views on Section 17:

As per section 17 clause (5)(a), (aa), (ab) and (b) ITC on purchase/rent or lease of motor vehicles, vessels and aircraft if purchased for business purposes not available. However, if said vehicles purchased for following businesses/purposes ITC is allowed:

- i) for trading of motor vehicles, vessels and aircraft
- ii) for transportation of passengers by motor vehicle, vessels and aircraft;
- iii) for driving schools of such motor vehicles, vessels and aircraft
- iv) for transportation of goods;
- v) In case of Motor vehicles having seating capacity more than thirteen persons, including driver, ITC is available even if it is purchased for business other than above mentioned business.

Also GST taxes paid on insurance premium, repair and maintenance etc for above said vehicles, ITC not available. However, ITC is available if these vehicles are purchased for above mentioned businesses and or purposes.

So, if bus or any motor vehicle having seating capacity more than 13 persons, is purchased for official use, ITC is available. But if car or vehicle having seating capacity less than 13 persons is purchased for official purposes, ITC is not allowed.

In any business, without the use of motor vehicles, especially in administration, marketing and after sale services functions, business is not possible. So, we are of the view that some percentage of the taxes paid on such services, ITC must be allowed.

Also, in clause (b), ITC is available if made mandatory under any law for the time being in force. It creates confusion among stake holders as laws have their own interpretations. So, it's better if things can be made clear and specified the activities allowed for ITC.

In clause (c) and (d), ITC on taxes paid for the services of construction immovable property is not allowed. No business can be run in open space. Business need buildings for inventory, proper space for man power, and equipment etc. So, based upon some technical estimates, certain percentage of taxes paid for such construction activities must be allowed to hotels and manufacturing sector.

Explanation at the end of the section 17, does not include Land and building, pipelines laid down outside the factory premises, telecommunications towers as plant and machinery which is illogical view as in all such industries, operations are not possible.

### Cases challenging legality of Section 17: Block Credits

In a case of M/S Safari Retreats v/s Revenue Authorities before Hon'ble Orissa HC, where in petitioner has constructed a big mall and has invested huge money. Out of that investment petitioner has an accumulated ITC of Rs. 35.00 Cr in his account. But law of GST not allow ITC to the taxable person.

### Section 38: Newly drafted section in Budget-2022 imposed further restrictions on ITC:

Section 38 has been redrafted through Budget-2022. Though it is not notified yet, but has put more restrictions and conditions to vail ITC. Newly drafted section 38 is reproduced as under:

“38. (1) The details of outward supplies furnished by the



registered persons under sub-section (1) of section 37 and of such other supplies as may be prescribed, and an auto-generated statement containing the details of input tax credit shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.

(2) The auto-generated statement under sub-section (1) shall consist of—

- a) details of inward supplies in respect of which credit of input tax may be available to the recipient; and
- b) details of supplies in respect of which such credit cannot be availed, whether wholly or partly, by the recipient, on account of the details of the said supplies being furnished under sub-section (1) of section 37,—
  - i) by any registered person within such period of taking registration as may be prescribed; or
  - ii) by any registered person, who has defaulted in payment of tax and where such default has continued for such period as may be prescribed; or
  - iii) by any registered person, the output tax payable by whom in accordance with the statement of outward supplies furnished by him under the said sub-section during such period, as may be prescribed, exceeds the output tax paid by him during the said period by such limit as may be prescribed; or
  - iv) by any registered person who, during such period as may be prescribed, has availed credit of input tax of an amount that exceeds the credit that can be availed by him in accordance with clause (a), by such limit as may be prescribed; or
  - v) by any registered person, who has defaulted in discharging his tax liability in accordance with the provisions of sub-section (12) of section 49 subject to such conditions and restrictions as may be prescribed; or
  - vi) by such other class of persons as may be prescribed.”

### Our views for newly drafted Section-38:

Section 38 has been newly drafted and our understanding is that:

- GSTR-2B will be consisting of two parts i.e ITC available and ITC not available.
- The following may be the additional reasons for ITC 'Not available' as per GSTR-2B in the hands of the recipient:
  - a. Inward supply is received from a supplier having new registration –conditions applied
  - b. Supplier has defaulted in payment of tax and the default has continued for the prescribed time period – may be less than six/three months
  - c. Tax paid in GSTR-3B is lower than the output tax shown in GSTR-1
  - d. Inward supply is received from a supplier who has taken more ITC in GSTR-2B than in GSTR-3B by the prescribed limit
  - e. Supplier has paid higher proportion of taxes from his electronic credit ledger than what is allowed as per law.
  - f. Other Notified persons.

For clarity on Section 38, we need to wait for rules which are not notified yet.

### Section 49, 49A: These sections stop to utilise ITC lying in Credit ledgers

Section 49 read with rule 86A, empowered the officers to block ITC ledgers of taxable person if they have reason to believe that ITC if availed based on invalid documents/invoices, supplier is not existing and so on.

### Case LAW:

In case filed by MRS Realty Private Ltd in Kolkatta High Court, challenging the constitutional validity of rule 86A, Hon'ble court issued notices both to Centre and State governments.

Section 49 read with Rule 86B the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of ninety-nine per cent. of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds fifty lakh rupees. So, here taxable person is forced to pay cash even if has ITC in its credit ledgers.

Further, Section 49A, read with rule 88A emphasis to use and exhaust IGST first and only than CGST/SGST can be used against out ward tax liability. In net shell section 49A forced taxable person to pay out ward tax liability in cash though he has ITC in his ledgers.

Section 49(5) describe the order of adjustment of ITC available, but Section 49A forced to exhaust IGST -ITC first without using other ITC available. So by following the order described in section 45(5), one has to meet the liabilities. There are instances where ITC in CGST/SGST got accumulated and taxable person is forced to pay Taxes in cash. This can be understand with following example:

Taxes	Tax Lia	ITC Avl	ADJ/Setoff	ADJ2	BAL	CASH
IGST	500	700	500	-	200*	0
CGST	300	500	200*	100	400	0
SGST	400	250	250	-150	-150	150*

*\*To exhaust IGST first, CGST liability paid from IGST. Otherwise CGST liability could have been met from CGST-ITC and IGST-ITC could have been utilised for SGST where taxable person forced to pay cash.*

### Our views on Section 49 and rule drafted there in:

So much restrictions and overlapping of provisions causes unnecessary litigation, corruption, wastage of national resources and make the business unviable. On one side we talk about “Make in India” and on the other side making India tough to business. So we are of the strong views that if you really want to assist the industry to grow, we should give benefits gracefully. Because of very few evaders of the taxes, other honest and genuine tax payers should not be penalised rather systems should be in place to curb the evasion.

### Conclusion

It's what promised was seamless flow of credits, but now there are endless restrictions to avail the same.

\*\*\*\*\*

# Case Study -Taxability on HO common employee's cost



**CMA Rajendra Rathi**

Mob.: 99989 75889

E-mail: rajendrarathi162@gmail.com

To understand taxability on HO employees cost we have prepared article in three parts

1. Views based on Acts
2. Judicial pronouncement,
3. Global practices

## Relevant CGST Acts

**Sec. 22...** Separate GST registration in each state

**Sec. 25(4)...** A person registered in more than one state, each such registration shall be “distinct persons” for GST

**Entry 2** to Schedule I...says transaction even w/o consideration between distinct persons to be treated as “Supply”

**Entry 1** to Schedule III...says service by employee to employer in course of employment is not “Supply”

Name of Rulings	Pronouncements
Columbia Asia Hospitals Pvt. Ltd. (Karnataka AAAR)	<ul style="list-style-type: none"> <li>• Cost of employee is integral part of IMO services rendered to distinct units.</li> <li>• Outcome of HO, benefit all other unit</li> <li>• The concept of “Supply” is wider than the concepts of “Provision of service”</li> </ul>
BG Shirke Construction Technology Pvt. Ltd. (Maharashtra AAR)	<ul style="list-style-type: none"> <li>• Managerial and leadership services provided by corporate office to its BO will be covered under entry 2 to schedule I</li> <li>• Lumpsum amount charged would be liable to GST under Section 8 of CGST Act</li> </ul>
Cummins India Limited (Maharashtra AAAR)	<ul style="list-style-type: none"> <li>• HO providing the facilitation services, therefore, allocation and recovery of any amount including its employees salary cost from the branch offices will be subject to GST.</li> <li>• The transaction of facilitation services are not effected between the employees and the employer, but between the head office and branch offices. which are distinct units.</li> </ul>
Recent decision in case of Northern Operating Systems (P) Ltd (Supreme Court)	<ul style="list-style-type: none"> <li>• Seconded employee is under the control of the assessee, and works under its direction but they are on the pay rolls of their overseas employer</li> <li>• Control over performance of the seconded employees' work and the right to ask them to return is with the assessee</li> </ul>
	<ul style="list-style-type: none"> <li>• The quid pro quo for the secondment agreement is the benefit of experts for limited period</li> <li>• Assessee is liable to discharge service tax for the normal period</li> </ul>

## Relevant Judicial pronouncement.

I would like to summarised important judicial pronouncement of Columbia asia which is very popular case on cross charge under GST by AAAR i.e. Appellate Authority of Advance Ruling.

In Columbia Asia pvt ltd company is providing health care services having an international health care group operating chain of hospital across Asia.

Columbia Asia Pvt Ltd is Presently operating branch offices in six states and head office at Karnataka.

Columbia Asia gone to AAR for applicability of cross charge on HO employees cost to branch.

AAR & AAAR held that yes cross charge is applicable.

In this case all relevant query questions are answered in para 19 & 32 ,relevant portion summary is as under.

1 There are two set of supply as per para 19

Ho employees provides services to HO

**HO Employee can not be employee of BO in view of distinct unit U/S.25(4)**

HO to branch office

Employee of HO benefit to BO of Co. will be treated as supply

Means there is no employee employer relationship exist between HO employee and Branch offices which are distinct unit in terms of section 25 (4) hence entry 1 of schedule III will not apply.(Para 32)

**2 Cost of Employee work in HO is an integral part of cost of services rendered by HO to BO. means HO is providing services to BO.**

(a) Such HO activities to be treated as supply in terms of entry 2 of schedule 1 read with section 7.

3 Scope of Supply is very wide under GST in views of word includes which enlarge the meaning of words in statues accordingly authority held that

### PARA 32

IMO (HO) is providing services to its other distinct unit (BO) with the use of employees working at HO and outcome of which benefit all other BO and such activity to be treated taxable supply in terms of entry 2 of schedule 1 read with section 7. (PARA-32)

**One more advance ruling of B G shirke construction technology pvt ltd also support the taxability views.**

B G shirke Constn technology pvt ltd have registered

corporate office at pune. Shirke group is in business of civil construction, structural engineering

Corporate office of shirke group supplies Managerial and leadership services to its branch office and group companies which are distinct and related person and received fixed monthly charges from each of distinct and related persons.

#### In above case it is held that

It is held that Managerial and leadership services to its branch office and group companies which are distinct and related person is considered as supply of service in terms of section 7

It is also held that lump sum amount charged by Head office to its BO would be liable to GST under section 8 of CGST Act ie. Tax liability on composite supply.

So both advance rulling clearly held the employee cost of HO need to cross charge on BO (distinct person 25 (4)\_ as per entry 2 of schedule 1 read with section 7.

#### Reference to Circulars, FAQ, etc.

OECD's International VAT/GST guidelines issued in 2017 also emphasis on the rationale of VAT neutrality and it attempts to provide methodology for VAT regulator by way of cross-charge to achieve proper jurisdiction for taxing the final consumption

The Singapore GST guide issued on Reimbursement and Disbursement of expenses at para 6.23 to 6.26 dealing with

secondment of staff inter aila clarifies that employee cost needs to be cross charged

**Draft Circular under GST** in June 2019 on the taxability of transactions between Head office and Branch

There needs to be 'Joint Employment' agreement between HO and BO to pay pro-rata salary in terms of pre-determined ratio for non-taxability [Para B of CBIC draft circular dated 27.07.2012 issued dealing with livability of service tax on staff benefits & employment related transactions]

**Service Tax Education Guide** at para 5.3.4 dealing with Global Agreement vis-a-vis a Global Framework Agreement visualizes that, expenses related to common facilities are to be cross-charged

**The scope of expression 'supply'** is very wide under GST law and even inter-state self-supplies are also made taxable [FAQ Sr. No. 7 dated 31-12-2018].

CBIC vide FAQ dated 31-12-2018 at Sr. No. 9 clarified that each activity undertaken which is included in the definition for furtherance or promoting of a business would get covered within the meaning of 'in the course or furtherance of businesses.

#### Conclusion

HO Employee cost need to cross charge on Branch office in view of above legal provisions supported by latest judicial pronouncement i.e.AAAR decision/supreme court judgment and circulars/FAQ.

## WIRC Associate Members – June 2022

M.No.	NAME	CITY
52475	Pankaj Adhar Patil	Pune
52478	Vandana Tripathi	Bhilai
52479	Upadhyay Ranjan	Pimpri Chinchwad
52496	Naveen Goswami	Ahmedabad
52501	Purvesh Nikulkumar Khatri	Ahmedabad
52504	Deore Mahendra Sahebrao	Nashik
52514	Monika Anil Bhandari	Nashik
52516	Dhruvi Kantilal Badami	Surat
52518	Vishal Prabhakar Vanarase	Pune
52519	Sarwat Allaudin Dandekar	Mumbai
52522	Santosh Arun More	Badlapur (W)
52530	Pragnesh Harkisandas Shah	Mumbai
52532	V Jeyakumar Nadar	Mumbai

M.No.	NAME	CITY
52533	Subash Chandra Vishwakarma	Navi Mumbai
52537	Vikas Ghanshyam Kavade	Pune
52540	Bhairy Swati Ravindra	Solapur
52541	Krunal Prakash Patel	Nashik
52545	Sandeep Virendrakumar Mishra	Pune
52548	Shivam Singh	Singrauli
52550	Rony Sabu Puthiyampuram	Ahmednagar
52556	Neha Anil Kulkarni	Nashik
52559	Digendra Kumar Sahu	Bhilai Nagar
52560	Jeevan Kumar Chhaganlal Suthar	Mumbai
52580	Nidhi Rakesh Mody	Surat
52583	Bhurke Harshad Chintamani	Kolhapur
52589	Rajput Prakash Darbarsingh	Nashik

# GST @ 5 “HAPPY BIRTH DAY”!!!!!!!



**CMA Vinod Shete**

Mob.: 86980 76687

E-mail: Vinod\_shete@rediffmail.com

In a historic moment, Goods and Service Tax (GST) was implemented at Parliament's Central Hall on the intervening night of 30th June and 1st July. The launch event, being hailed as India's second tryst with destiny after Independence on August 15, 1947, saw speeches from Finance Minister the late Shri. Arun Jaitley, Prime Minister Shri. Narendra Modi, and President late Shri. Pranab Mukherjee. PM Shri. Narendra Modi, in the historic Parliament address, termed GST as Good and Simple Tax for the nation. Further, President late Shri. Mukherjee said that “GST will create a strong incentive for buyers to deal with honest and compliant sellers who pay their dues promptly,”

GST is basically an indirect tax that brings most of the taxes imposed on various goods and services at the point of manufacture, sale and consumption of goods and services under one umbrella at the National level. While in Pre GST Era, taxes were levied separately on Goods and Services.

Goods and Service Tax (GST) replaced all indirect taxes levied on goods and services by the Government, both Central and States. GST is one of the biggest Tax Reforms in India since its independence.

The initial period was very stressful for the trade and the government, but over a period of time it has stabilised to a large extent though many issues still remain unresolved. Till date there have been 47 GST Council Meetings to resolve the issues on the rate of tax, the amendments required in law, simplification of procedure etc.

Further, during the crucial period of COVID pandemic, an extension given to the filing of GST returns and many other relaxations given under the GST Act would be helpful to the Companies and individual Tax Payers to focus on resumption of business processes and to regain the business as before COVID -19.

## Key Hits:

i) Focus on Rate Rationalisation: There are four GST slabs currently in effect: 5%, 12%, 18%, and 28%. There are 480 goods in the 18 percent slab, which account for almost 70% of GST collections. Aside from that, there is a list of things that are exempt from the charge, such as unbranded and unpackaged food. There were 227 items in the 28 percent slab. Time-to-time discussion by the GST Council, with members of State Governments and Industry resulting in reducing the number of 227 items to less than fifty items under 28 per cent-slab.

Only luxury items are now only in the highest tax bracket. Further, the GST council is reviewing proposal to correct inverted duty structure. An inverted duty structure refers to a situation where the tax rate on inputs purchased is higher than that on finished goods.

- ii) Tax compliance digitization: The government's tax compliance automation has been a major success and has performed admirably, especially in comparison to the prior system. This has been made possible by the creation of GSTN, a “one-stop-shop” platform for all GST compliances. The epidemic, along with the implementation of the GST e-invoicing regime, has resulted in a steep learning curve, but firms, particularly SMEs, have been able to leverage this digital wave to boost growth and strengthen internal compliance processes as well.
- iii) Compliance Awareness: Compliance Awareness has increased in the Assesse which helps to identify the loopholes in revenue collection. Timely compliances boosting GST collection over the periods and the basic principle of Seamless Credit are achievable to the large extent as well.
- iv) Ease of doing business: More focus on Ease of doing business given by the Government, resultant into improving in the Ease of Doing Business rankings. The GST has played a significant role in this. Not only has GST reduced Inspector Raj, but it has also increased efficiency and more clarity in the tax system. More and more foreign businesses looking to invest in India can now have a clearer picture concerning taxes and administration.
- v) E –invoicing: By introducing E –invoicing in the system is a major reform under the GST. It helps to increase the transparency level in the Business environment and Tax systems. Availing the input credit is much easier than the earlier system, which is useful for calculating output tax liability.
- vi) Small Tax Payer: The GST Council has given more emphasis on the easing the compliance burden on the Small Tax Payer by introducing relaxations in the various compliance matters, encourage them to fully participate a compliant Assessee. CBIC has introduced Quarterly Return Filing and Monthly of Taxes ( QRMT) Scheme for Small Tax Payer whose annual turnover is less than Rs.5 Crores, allows filing 3B return Quarterly instead of monthly.

vii) **Business Intelligence Tools:** The primary skills required by taxpayers and authorities were built in the initial step using technology tools. The GSTN's next goal was to use the technology and data at its disposal to improve compliance, combat fraud, and support policymaking. GSTN developed a Business Intelligence and Fraud Analytics (BIFA) section in March 2019, and the BIFA tool, which has become one of the most successful GST initiatives in the last five years, was created using artificial intelligence and machine learning. GSTN also sends a flow of internal reports to tax officers on a regular basis to help them improve their tax administration.

GST has increased overall business transparency concerning taxation and governance; not only is this important from the standpoint of businesses, it is crucial for consumers as well. Consumers now have an exact idea of how much tax they are paying for the products and services they purchase. Since GST requires complete information from producers of goods and services at every step of the way and requires the complementary filing of details in the returns, tax compliance is very high now. This has presented growth opportunities for the government. Higher tax compliance means more tax revenues, so that those revenues could be used for better infrastructure, more spending for social services, etc.

### Key Focus Area:

- i) **Seamless Credit:** The purpose behind the implementation of GST was to ensure seamless tax credits across the entire value chain without any losses. However, the credit restrictions carried forward from the erstwhile regime add to the cost of businesses, blocking vital working capital for companies. The issue of the inverted duty structure also continues to be a hurdle as refund of input services is currently not allowed. As per Rule 88A of CGST Act - Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order. The main purpose of seamless credit flow is defeated due to change in order of utilisation of the Input Credit Tax. Due to piling up of the input tax credit, the burden on working capital increases and leads to increases in finance cost. Needless to say that, its impact on the bottom line of the business. The GST Council needs to review and make relaxations to the rules.
- ii) **Widening scope of GST tax network:** Petroleum products are currently exempt from GST. Hence, a significant section of the economy remains untaxed. If petroleum items were included in the GST net, companies would save cost, and the average person would pay less for petroleum products.
- iii) **Anti –profiteering:** Anti-profiteering provisions have been fraught with litigation as the current GST provisions do not prescribe any standard methodology/mechanism for taxpayers to determine the quantum of the benefits to be passed on to the consumers. Appropriate guidance from the government is awaited

on this area to reduce unnecessary disputes and litigation.

- iv) **Investigations:** Various companies and their top management are receiving notices/summons from the GST investigating authority. The goal is to prevent evasion. Genuine businesses have also been targeted by investigators, resulting in excessive hardship. In most situations, investigating agencies obtain concerns that are revenue neutral in nature or are backed up by state-by-state opposite advance judgements. There is also a gap.
- v) **SMEs:** Indian economy is majorly driven by small business unit's i.e SMEs. It will be unfair to expect small-scale business firms to make the transition to an online IT platform and expect no errors in return filing. It is an uphill task for the majority of their working staff which has little hands-on experience with IT solutions. The cost of SRP deployment is a major concern for micro-small-medium scale enterprises. This is a major challenge before GST Council, to develop an affordable IT platform for SMEs for smooth filing of the various returns and other compliances under the GST. It will help to increase in compliances by the number of small and medium taxpayer.
- vi) **Formation of Tribunal:** The Formation of The Tribunal is the need of the hour, mainly due to the huge number of appeals are pending. It will impact on Tax Payer by suffering long litigation, which creates uncertainty in Business. GST Council and CBIC need to take steps on priority for setting up The Tribunal being constituted with judicial and technical members.

### Conclusion:

During FIVE years journey, many changes are made in tax structure to make it more and simpler. Initiatives like introducing E invoice and new formats of returns will ease the filing process, more simplification brings more transparency in taxation system as well. Continuous efforts are being made to increase the registered dealer under GST and to widen the Tax Base.

Efforts like the implementation of e-invoicing and the integration of inward and outbound supply returns with the main GST reports, revenues in June 2022 reached INR 1.44 lakh crore is the second - highest collection after the April 2022 collection of INR 1.67 lakh crore. As of March 31, 2022, India's tax base had risen dramatically, with over 1.36 crore active GST registrations.

The GST Council and Central Board of Indirect Taxes and Customs (CBIC) have played an important role to sort out grievances raised by taxpayers/businesses brings more clarity about the Provisions and Rules of GST Act.

Compliances under GST needs to be simplified and made user-friendly, especially for small and medium sector enterprises, drive towards the government's agenda of 'Ease of Doing Business'.

# GST-Biggest reform in Indirect Taxation



**CMA Santosh S. Korade**

Mob.: 97305 77016, 93569 56185

E-mail : santoshkorde77@gmail.com

## Abstract

The idea of moving towards GST was mooted by the Union Finance Minister in his Budget speech for 2006-07. Initially, it was proposed that GST would be introduced from 1st April 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on the GST in November, 2009. This spelt out features of the proposed GST and has formed the basis for discussion between the Centre and the States so far.

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumer's point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. This article will explain brief road map of GST and its some aspect.

## Journey of GST

Month/Year	Progress of roadmap preparation for GST
2000	The idea of adopting GST was first suggested by the Vajpayee Government in 2000. The state finance ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing State VAT. The committee was headed by Asim Dasgupta, the finance minister of West Bengal. Dasgupta chaired the committee till 2011. Representatives from the Centre and states were requested to examine various aspects of the GST proposal and create reports on the thresholds, exemptions, taxation of inter-state supplies, and taxation of services.

2004	A task force that was headed by Vijay L. Kelkar, indicated that the existing tax structure had many issues that would be mitigated by the GST system.
Feb-2005	The union finance minister, P. Chidambaram, said that the medium-to-long term goal of the government was to implement a uniform GST structure across the country, covering the whole production-distribution chain. This was discussed in the budget session for the financial year 2005-06.
Feb-2006	The finance minister set 1 April 2010 as the GST introduction date
Feb-2007	The 1 April 2010 deadline for GST implementation was retained in the union budget for 2007-08
Feb-2008	At the union budget session for 2008-09, the finance minister confirmed that considerable progress was being made in the preparation of the roadmap for GST. The targeted timeline for the implementation was confirmed to be 1 April 2010
Jul-2009	Pranab Mukherjee, the new finance minister of India, announced the basic skeleton of the GST system. The 1 April 2010 deadline was being followed then as well.
Nov-2009	The EC that was headed by Asim Dasgupta put forth the First Discussion Paper (FDP), describing the proposed GST regime. The paper was expected to start a debate that would generate further inputs from stakeholders
Feb-2010	The government introduced the mission-mode project that laid the foundation for GST. This project, with a budgetary outlay of Rs.1,133 crore, computerised commercial taxes in states. Following this, the implementation of GST was pushed by one year
Mar-2011	The government led by the Congress party puts forth the Constitution (115th Amendment) Bill for the introduction of GST. Following protest by the opposition party, the Bill was sent to a standing committee for a detailed examination
Jun-2012	The standing committee starts discussion on the Bill. Opposition parties raise concerns over the 279B clause that offers additional powers to the Centre over the GST dispute authority.
Nov-2012	P. Chidambaram and the finance ministers of states hold meetings and set the deadline for resolution of issues as 31 December 2012

<b>Feb-2013</b>	The finance minister, during the budget session, announces that the government will provide Rs.9,000 crore as compensation to states. He also appeals to the state finance ministers to work in association with the government for the implementation of the indirect tax reform.
<b>Aug-2013</b>	The report created by the standing committee is submitted to the parliament. The panel approves the regulation with few amendments to the provisions for the tax structure and the mechanism of resolution
<b>Oct-2013</b>	The state of Gujarat opposes the Bill, as it would have to bear a loss of Rs.14,000 crore per annum, owing to the destination-based taxation rule
<b>May-2014</b>	The Constitution Amendment Bill lapses. This is the same year that Mr. Narendra Modi was voted into power at the Centre
<b>Dec-2014</b>	India's new finance minister, Arun Jaitley, submits the Constitution (122nd Amendment) Bill, 2014 in the parliament. The opposition demanded that the Bill be sent for discussion to the standing committee
<b>Feb-2015</b>	Mr. Jaitley, in his budget speech, indicated that the government is looking to implement the GST system by 1 April 2016
<b>May-2015</b>	The Lok Sabha passes the Constitution Amendment Bill. Jaitley also announced that petroleum would be kept out of the ambit of GST for the time being
<b>Aug-2015</b>	The Bill is not passed in the Rajya Sabha. Jaitley mentions that the disruption had no specific cause
<b>Mar-2016</b>	Mr. Jaitley says that he is in agreement with the Congress's demand for the GST rate not to be set above 18%. But he is not inclined to fix the rate at 18%. In the future if the Government, in an unforeseen emergency, is required to raise the tax rate, it would have to take the permission of the parliament. So, a fixed rate of tax is ruled out.
<b>Jun-2016</b>	The Ministry of Finance releases the draft model law on GST to the public, expecting suggestions and views
<b>Aug-2016</b>	The Congress-led opposition finally agrees to the Government's proposal on the four broad amendments to the Bill. The Bill was passed in the Rajya Sabha
<b>Sep-2016</b>	The Honourable President of India gives his consent for the Constitution Amendment Bill to become an Act.

After a decade-long journey, India's Goods and Services Tax (GST) finally has been implemented, effective July 1, 2017. The GST, which is essentially a destination/ consumption-based tax, replaces one of the world's most complicated origin-based indirect tax systems.

## Taxes Subsumed in GST



Figure: Taxes Subsumed in GST

## GST Law-Constitutional Perspective

Constitutional definition of GST-“Goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

Sr. No.	Term	Article	Definition
1	Goods	366(12)	Includes all materials, commodities, and articles
2	Services	366(26A)	Anything other than goods [Introduced vide 101st Constitutional Amendment Act]
3	State	366(2B)	With reference to articles 246A, 268, 269,269A and Article 279A includes a Union territory with Legislature. [Introduced vide 101st Constitutional Amendment Act]

## Constitutional Amendment

Bill passed by Rajya Sabha on 03.08.2016 & Lok Sabha on 08.08.2016. Notified as Constitution (101st Amendment ) Act, 2016 on 08.09.2016.

## Key Features:

**Article 246A** – Concurrent jurisdiction for levy & collection of GST by the Centre & the States

**Article 269A** – Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports

- Compensation for loss of revenue to States for five years on recommendation of GSTC – Clause 19.
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GSTC.

Benefits of GST – Advantage and Disadvantage

## Goods & Services Tax (GST) Council

GST Council is a constitutional body for making recommendations to the Union and State Government on issues related to Goods and Service Tax. The GST Council is chaired by the Union Finance Minister and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States. The Union Cabinet in its meeting held on 12th September, 2016 approved setting-up of GST Council and setting up its Secretariat. As per Article 279A of the amended Constitution, the GST Council which will be a joint forum of the Centre and the States, shall consist of the following members:

- 1) Chairperson – Union Finance Minister.
- 2) Vice Chairperson – to be chosen amongst the Ministers of State Government.
- 3) Members – MOS (Finance) and all Ministers of Finance / Taxation of each State.

## Quorum of GSTC

Quorum of GSTC is 50% of total members.

Decision by 75% majority. States – 2/3 weightage and Centre – 1/3 weightage.

Council to make recommendations on everything related to GST including laws, rules and rates etc.

## Advantages of GST

Every coin has two sides, so We can say that GST has some advantages and also some disadvantage's-

1. One Nation, One Tax, removal of multiple taxation system
2. The most important benefit is the removal of cascading effect, i.e. removal of tax on tax.
3. One Nation, One Tax, removal of multiple taxation system
4. Transparency in taxation procedure
5. Starting from registration to filing returns and payment of GST tax it's an online procedure.
6. Start-ups won't be running around tax offices for various registrations and procedures under excise, service tax and VAT.
7. Higher threshold for registration.
8. Composition scheme for small business. The purpose is to ease the burden of compliance which enables the small businesses to focus more on business and less on compliance.

## Disadvantage

- 1) The GST structure has been marketed well to portray it as a simple concept but in reality, the understanding is complicated and distortionary to fully exploit the expected benefits.
- 2) Multiple tax rates and many complexities will result into tax disputes and lead to more corruption.
- 3) High confusion regarding the product classification and

multiple rates is a major concern.

- 4) The food industry has criticized the levying of higher rates on value-added manufactured goods and has asked for a simpler regime.
- 5) Items like (i) Alcohol (ii) Real Estate and (iii) Electricity have been kept out of this regime defeating the purpose of one tax.
- 6) Enhance burden of GST Compliances

## GST –Simple but complex-

Taxpayers feel relax when GST taxation system design, they relieved from N numbers of indirect taxes. But after implementation of GST, Its come to know that GST is also not so simple as it presented before. This law has amended number of times to make it simple and clear. Government trying to make simple and user friendly GST return system but still it has lot of complexity; GST returns date has extended number of time. Separate registration is required in every state which results in increased of compliances burden.

Yes, We can say that even though this law is under developed stage, but one day it will give best result for all stakeholders. GST has lots of positive points like as online and transparent system, removal of transportation barriers, nullified cascading effects, Composition scheme for small business, avoiding tax evading and tax leakages etc. So We can concluded that GST is biggest reform in indirect taxation in India's history.

Dear CMA Colleagues,

WIRC is planning to send only E-copy of the WIRC Bulletin from January 2022 onwards. If any member requires the Hard Copy in future, please write to WIRC (wirc.admin@icmai.in) with Name, Membership Number and Address to enable us to send the same.

With regards,

**CMA Arindam Goswami,**  
Chief Editor - WIRC Bulletin



# GST Impact Analysis on Indian Economy



**CMA Lt. Dhananjay Kumar Vatsyayan (Ret.)**

Mob.: 95455 51752, 89990 70378

E-mail: dvatsyayan@yahoo.com

## A. Background GST

- a. The history of Tax reform is traced back to the regime of Prime Minister Rajiv Gandhi and subsequent central Government. GST Council consist of Finance Minister of India and state Government representatives, was formed as apex decision making body. GST council had many meetings and was able to evolve a consensus policy and GST frame work.
- b. It is implemented through 101st constitution amendment with effect from 1 July 2017. It was launched in an historic event at mid night by president of India and Government of India. It replaced all existing state and central Government indirect taxes.
- c. Though, the parliament session was attended by leaders from business and entertainment sector as special guest to mark it a historic event. The session of parliament was boycotted by members of major opposition political parties (Congress, Communist Party of India, Trinamool Congress and DMK)
- d. GST is an indirect tax on supply of Goods & Services in India and abroad. It is basically
  - i. Taxed on consumption and not on production
  - ii. Taxed on every stage of production and credit allowed on input tax.
  - iii. One tax and one rate are applicable throughout the nation
  - iv. Tax is divided in 5 slab rates (0%, 5%, 12%, 18% & 28%) in addition to 0.5% on rough precious & semi-precious stones and 3 % on gold.
  - v. Not applicable on Petroleum products, electricity and Alcohol.
- e. After its implementation, GST rates & regulation had many amendments. It was difficult for all concern to keep track of amendments, notification and clarification being issued by department & GST council from time to time.

## B. Background Indian Economy

- a. Indian economy is traced back since start of civilization and Indian merchant were very aggressive to explore the world. Agriculture, Mining, Metal work, Textile, Jewelry, deep sea fishing, trading etc. were important back bone sectors of Indian economy since ancient time.
- b. Education, Indian spices and textiles were very popular worldwide. Indian economy was best economy of the

world and contributed more than 50% of world GDP till 10 the century.

- c. Indian economy declined after Arab invader attacked India and ruled parts of India. However, it remains an economic driving force till British occupation of India.
- d. Independent India in 1947 were most backward economy of the world. It was growing at slow pace and the pace continued till 1990 as mixed economy based on socialist pattern (Permit Raj).
- e. Indian economy started roaring after liberalization of Indian economy and end of permit raj. Various policy and steps were taken to accelerate economic growth of India. Implementation of GST is one of the most important steps towards accelerating Indian growth.



*[Photo 1 – Picture depicting Indian economy, which is a mix of Industry, Infra Structure, Supply Chain, Mining, Service and Agriculture.]*

## C. Working methodology

To evaluate the impact of GST on Indian economy, we will follow the methodology as under.

- a. Evaluate the publish data (RBI, world bank etc.) pertaining to pre-GST and post GST regime.
- b. Take objective view based on analysis of actual data.
- c. Moderate the data with comparison to world economic data to nullify the impact of various political and economic events.

- d. Subjective opinion will be just indicated to have balance view.

#### D. Goods & Service Tax Objectives

- a. The major Objectives of implementing GST for nation were emphasize as under
- Increase in Government revenue through increase of Indirect Tax.
  - Increase in GDP of nation
  - Uniform tax law throughout the country– One nation, one tax
  - Improvement in Ease of Doing Business rating of India
  - Increase in FDI
  - Reduction in tax administration cost of Government
- b. The major objectives of GST for business houses were emphasized and its present impact are as under and
- Lower Indirect Tax rate applicable on Goods and Services. - It is partially achieved. Indirect tax of most item is lower than pre-GST period. However, India is still having higher Indirect tax rate in comparison to developed economy. Tax slab of some products like Fertilizer, Tractor etc. has increased in comparison to pre-GST regime.
  - Reduction in transportation time & cost having interstate movement of Goods. – The check posts across the country had been abolished, which resulted in faster transportation. It is claimed that Interstate transportation time has reduced by 20%. This claim is an estimate and not verified with data.
  - Reduction in Indirect Tax return, assessment, audit and record keeping cost. – It has largely benefitted to big and medium business houses. However small business houses feel it difficult and expensive to follow. However, e-way bill, e-invoicing and related software has helped business house to reduce duplication of work and data keeping (clerical work).
  - Transparency in Indirect tax administration (Input Tax Credit, RCM, GST payable, GST registration etc.) – It is achieved to large extent and reduced departmental interference.
  - Reduction in Indirect Tax litigation. – This objective may be achieved when system will mature and all concern will have complete understanding of GST Law, rules and regulation.
- c. The major objectives of GST for individual / consumer were emphasized and its status are as under
- Reduction in cascading effect of Indirect Tax on final product price to consumer (domestic and export market) - It is in order to make Indian product competitive (cheaper) in market. It has benefitted to the consumer to large extent. However, some of the business men had not passed the benefit to consumer in initial phase of implementation.
- d. The other objectives, which could not be addressed till

date can be summarized as under.

- There are five effective tax slabs against one tax slab emphasized initially. (Most of the countries implemented GST is having single slab rate)
- Various amendments to Rate Slab, regulation and notification may increase litigation.

#### E. Major economic & Political events worldwide -

The major economic and political events, which adversely impacted the world economy including Indian Economy. This needs to be kept in mind while analyzing the impact of GST on Indian Economy. The major events worth considering are as under.

- Covid 19 – A pandemic like Covid 19 has spread all around the world and its adverse impact has shattered the economic growth worldwide.
- War situation – Volatile situation in Afghanistan, Ukraine – Russia war, tension at LAC (Indo-China boarder) and volatile situation at South China Sea has adversely effected world economy.
- Economic Collapse - The economic situation of our neighbor Sri Lanka, Pakistan and Nepal is passing through worst phase.
- Inflation – The USA & European economy is major a contributor of world economy. So, the extremely high inflation rate in USA & Europe is having negative impact on all countries including India.

#### F. The Analysis of GST impact on Indian economy

Now it is the right time to analyses the impact of GST on Indian economy because five years data is now available for analysis. These data will help to analyses the situation with high confidence.

- Increase in Government revenue through increase in direct & Indirect Tax.
  - Govt revenue from direct tax and indirect tax has increased after GST implementation and it is expected to increase further in future too.
  - Monthly trend showing continuous improvement except abnormal situation. It is a clear indication of positive impact of GST.

Year	Direct Tax		Indirect Tax		Total Tax	
	(Rs in Crore)	% Change	(Rs in Crore)	% Change	(Rs in Crore)	% Change
2013-14	7,26,773	11.60%	11,19,772	8.01%	18,46,545	9.40%
2014-15	8,03,440	10.55%	12,17,289	8.71%	20,20,728	9.43%
2015-16	8,30,121	3.32%	14,66,981	20.51%	22,97,101	13.68%
2016-17	9,59,627	15.60%	16,62,518	13.33%	26,22,145	14.15%
2017-18	11,21,189	16.84%	18,56,945	11.69%	29,78,134	13.58%
2018-19	12,46,083	11.14%	20,32,864	9.47%	32,78,947	10.10%
2019-20	13,86,652	11.28%	21,61,306	6.32%	35,47,958	8.20%
2020-21	15,10,287	8.92%	24,41,371	12.96%	39,51,657	11.38%

[Table 1 – Year wise direct & indirect tax of India in Rs. Crore Source- Finance Ministry data]

- Monthly GST collection after implementation of GST. Apr 22 is having highest monthly collection of indirect tax since independence of India.

Month	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
April	NA	₹ 1,03,459	₹ 1,13,865	₹ 32,294	₹ 1,39,708	₹ 1,67,540
May	NA	₹ 94,016	₹ 1,00,289	₹ 62,009	₹ 97,821	
June	NA	₹ 95,610	₹ 99,938	₹ 90,917	₹ 92,800	
July	₹ 21,572	₹ 96,483	₹ 1,02,083	₹ 87,422	₹ 1,16,393	
August	₹ 95,633	₹ 93,960	₹ 98,203	₹ 86,449	₹ 1,12,020	
September	₹ 94,064	₹ 94,442	₹ 91,917	₹ 95,480	₹ 1,17,010	
October	₹ 93,333	₹ 1,00,710	₹ 95,380	₹ 1,05,155	₹ 1,30,127	
November	₹ 83,780	₹ 97,637	₹ 1,03,491	₹ 1,04,963	₹ 1,31,526	
December	₹ 84,314	₹ 94,726	₹ 1,03,184	₹ 1,15,174	₹ 1,29,780	
January	₹ 89,825	₹ 1,02,503	₹ 1,10,818	₹ 1,19,875	₹ 1,40,986	
February	₹ 85,962	₹ 97,247	₹ 1,05,366	₹ 1,13,143	₹ 1,33,026	
March	₹ 92,167	₹ 1,06,577	₹ 97,597	₹ 1,23,902	₹ 1,42,095	
Annual Average	₹ 82,294	₹ 98,114	₹ 1,01,844	₹ 94,731.91	₹ 1,23,608	

[Table 2 – Monthly GST collection after implementation of GST; Source – Ministry of Finance data]

## b. Increase in GDP of nation

- GDP of India is growing very fast. Today it is fastest growing economy and expected to continue in future too.
- India is expected to be 5 trillion economies till 2026-27 and third largest economy of the world after that.

Sr.	Year	GDP Billion \$	% Increase	Period
1	2027	5,533.45	8.48%	EXPECTED GDP
2	2026	5,100.70	8.94%	
3	2025	4,681.95	9.63%	
4	2024	4,270.77	9.68%	
5	2023	3,893.67	10.15%	
6	2022	3,534.74	11.23%	
7	2021	3,177.92	19.13%	POST GST
8	2020	2,667.69	-5.79%	
9	2019	2,831.55	4.76%	
10	2018	2,702.93	1.94%	
11	2017	2,651.47	15.58%	PRE GST
12	2016	2,294.12	9.06%	
13	2015	2,103.59	3.16%	
14	2014	2,039.13	9.82%	
15	2013	1,856.72	1.59%	
16	2012	1,827.64	0.25%	
17	2011	1,823.05	6.71%	
18	2010	1,708.46	25.20%	

[Table 3 – GDP and its growth year over year  
Source - Internet]

- Uniform tax law throughout the country– One nation, one tax
  - Many indirect taxes like Excise duty, VAT, Octroi and local body tax have been subsumed under one tax GST. Business unit need not have to maintain various records and face various audit / verification by different Government agencies.
  - GST is applicable to all states of India and GST rates is uniform throughout the nation irrespective of its geography and location (Hilly region, sea front, desert etc.). There is no disparity of tax based on location. It provides fair chance to all business entity irrespective of its region and states.

iii. State Government can have fair competition among themselves to create business friendly environment and attract industrial houses for establishing business unit.

iv. The tax is consumption based, so the state having more population (Bigger market) will benefitted most. It will help to develop all parts of India.

## d. Improvement in Ease of Doing Business rating of India

i. EoDB - Ease of Doing Business index is a World Bank ranking system. EoDB index, 'higher rankings' (a lower numerical value) indicate better. Higher ranking is an indication of simpler regulations for businesses and stronger protections of property rights.

ii. The ranking system analyses presents data of 190 economies (countries) in 10 fields of business regulations and business friendly environment. The aggregate score of all 10 fields represents score of individual economy / country. Based on this score countries are arranged in descending order. Highest score will be place at number one position and minimum score will be placed at last position.

iii. The position of India was at 142nd in year 2014 and 63rd in year 2019. Thus, India jumped 79 positions from 142nd to 63rd in 'World Bank's Ease of Doing Business Ranking 2020. Implementation GST in India has helped India to improve its ranking in Ease of Doing Business.

## e. Increase in FDI

i. FDI is growing year after year in recent time

Sr.	Year	FDI Billion \$	% Growth
1	2016-17	36.317	- Ve
2	2017-18	37.366	2.89%
3	2018-19	38.744	3.69%
4	2019-20	42.629	10.03%
5	2020-21(Prov.)	52.545	23.26%

[Table 4 – Annual FDI in Billion USA \$ automatic and approval routes only; Source - RBI data May 27, 2021]

## f. Reduction in tax administration cost of Government

- Tax administration is largely system driven
- The business unit can down load its data in GST system related to sales of Goods & Service (invoice and e-way bill) on continuous mode. Purchase data are available on system based on invoice details filled up by sellers.
- The business unit files the returns (Tax & ITC) mainly based on data available in systems on time bound manner.
- Manual interreference by department is at lowest level and lean Government infrastructure is in position to handle the same.

**G. CONCLUSION**

- a. GST has stabilized after initial teething problem and people of India has adapted the system very fast. Thanks to tech savvy young generation and open-heart cooperation from Government side.
- b. Based on above data it is concluded that GST with system driven approach has proved a boon to Indian Economy, which is growing very fast to become third largest economy of the world in near future.
- c. India has become fastest growing economy of the world surpassing China after implementation of GST.
- d. FDI in India is also growing in spite of Covid 19 and tense situation at LOC and LAC. Other economic indicators are also positive.

- e. A bright and prosperous India arising on world horizon, which is confident, self sufficient and stable.
- f. My sincere thanks to all concern, who worked hard while conceptualizing and implementing GST.

**H. Bibliography**

- a. Budget data of Ministry of Finance, Government of India.
- b. Publish data of Reserve Bank of India
- c. Publish data of World Bank
- d. Published article in Business standard
- e. Data available on internet of macrotrends.net and statisticstimes.com/economy/country/india-quarterly-gdp-growth.php



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN,  
12, SUDDER STREET, KOLKATA 700 016.

Telephones : +91-33-2252-1031/1034/1035  
+91-33-2252-1602/1492/1619  
+91-33- 2252-7143/7373/2204  
Fax : +91-33-2252-7993  
+91-33-2252-1026  
+91-33-2252-1723  
Website : www.icmai.in

Ref. No.: G/128/07/2022

Date: July 7, 2022

**NOTIFICATION**

**Sub : Admission / Registration / Enrolment in Foundation / Intermediate / Final Course under CMA Syllabus 2022 to be commenced from 1st August, 2022 and onwards (June 2023 term of Examinations and onwards).**

This is to notify that the CMA Syllabus 2022 shall be effective from 1st August, 2022 and onwards (June 2023 term of Examinations and onwards). Hence, the admission / registration / enrolment in Foundation/ Intermediate/ Final Course under Syllabus 2016 shall be closed on 31st July, 2022 and there will be no extension of admission / registration / enrolment in Foundation / Intermediate / Final Course under Syllabus 2016 beyond the last date of 31st July 2022.

This is for information of all concerned.

**CMA Kaushik Banerjee**

Secretary

# GST: Version 2.2: Improvements forward post half a decade of rollout

**CMA N. Rajaraman**

Mob.: 75062 55388

E-mail: rajaraman.chandra@gmail.com



## Synopsis:

While GST had its successful half decade of its journey, but learning curves are to be taken for more initiative-taking responses to Industry requirements and that helps eventually for increased Revenue Generation & Voluntary compliance

## GST Journey So far

India completing in July 2022, five years since the implementation of the Goods and Service Tax Law. The journey of the first half decade of this landmark reform has undoubtedly witnessed a rollercoaster ride with a mixed bag of hits and misses.

During this time, India has undergone changes in effective tax rates and improved supply chain efficiencies. Efficient tax regime founded on a technology-based monitoring system through e-returns, e-invoices, and e-way bills has been one of the biggest achievements with a progressive way forward.

While the implementation of GST in India has been commendable, the time is ripe for the government to take note of some of the challenges which the business community at large has been facing, from blockage of working capital to duplicity of assessment proceedings.

Following five areas that could be reviewed for optimising GST efficiencies

### 1. Modernising the Input Tax Credit (ITC) system and unblocking working capital

Several Industry sectors are burdened with accumulated ITC owing to several factors including availability of credit attributable to input services to the traders, seasonal businesses, long gestation periods, inverted duty structure etc. One suggestion that could help avoid such precious working capital from getting blocked, could be for the Central GST (CGST) pool made fungible across States. Companies having central GST balance in one state should be able to utilize the balance in another State.

Another method that the government could consider is allowing conversion of the accumulated input tax credit into tradeable scrips in the market. This would help free up the working capital and mobilise unproductive assets in the financial statements of businesses.

Group companies having multiple registrations across states often face issue of accumulation of credit in one state and cash outflow in other states owing to their business structure. It would also help if credit across entities and cash outflow in other states owing to their business structure. It would also help if credit across entities in a group structure could be made fungible to help manage working capital and improve cash flows helping the Industry to achieve a faster turnaround time .

Above measure will help to overcome the interest on working capital block, especially when the interest rates in India is raising with a global inflation concern and a geopolitical crisis

### 2. Simplifying and rationalising of ITC provisions

GST continues to carry vestiges of the erstwhile regime in terms of credit restrictions. The GST laws have specific restriction on construction of immovable property, despite such expenses being incurred for a taxable output service. Companies incur huge commercial investments in warehousing and logistics, large factories across sectors. Denial of such credit adds to the cost of doing business. Hence, it is imperative that. the government considers permitting such construction related input tax credit.

### 3. Streamlining of audits, assessments, investigations etc

In recent times, there has been a surge in summons issued by GST authorities to top management of companies. While the intention is to plug evasion, genuine companies have also come under the radar of investigating authorities, causing undue hardship. In most cases, investigating authorities pick up issues that are revenue neutral in nature or based on contrary Advance rulings available across states. There is also lack of uniformity in the details and way information and documents are sought during audits and assessments. There is thus a need for issuance of detailed SOPs for processes to be followed during summons and investigations, manner by which details are sought during audits and cross empowerment of centre and state to ensure uniformity and ease of operations for taxpayers.

### 4. Dispute resolution

A National Bench of Advance Ruling was proposed to be set up to resolve conflicting rulings rendered by various states. However, this body is yet to be formed. In the interim, the GST Law Committee should consider proactively reviewing areas with such conflicting rulings and proactively clarify to avoid continued litigation and a pile-up of cases at various High Courts. After living half a decade with GST framework, need of the hour is to set up Appellate Tribunals but there seems to be no clear visibility on that till date.

### 5. Expansion of TAX network

With petroleum outside the ambit of GST, a large part of the economy is still outside the tax net. A lot is expected out of the exercise currently being undertaken by the Group of Ministers (GoM) set up by the Council and chaired by the Chief Minister of Karnataka.

## Closing Thoughts

With the GST journey on the move, the government has been proactively involved in resolving issues faced by the Indian taxpayers. While there are still gaps between expectation and actual implementation of the GST in terms of a simplified tax structure, ease of doing business and overall reduction in prices, but there has been an overall positive impact in terms of macro-economic growth and digitalization in the tax system.

# 5 Interesting ‘Definition – Decks’ under GST



**CMA Kanchan Agarwal**

Mob.: 75067 56295

E-mail: kanchan16081990@yahoo.in

GST is unarguably the biggest Indian Indirect tax reform which is witnessed to have creating a terrific blend of marvel, mystery and mess ever since its inception. The mega shift in the existing tax regime through the advent of GST has only left the trade and industry wondering as to how volatile and ever-evolving a law could be. This been said, GST has been successful to quite a considerable extent in justifying the objectives behind its implementation i.e. the ideology of ‘One Nation – One Tax’, mitigating cascading effects of taxes, automation and integration, reduced departmental interface, to name a few. GST has never been easy – be it comprehension or application, and the very complicatedness of this tax law makes it even more intriguing and challenging. No wonders as to why, GST has become kind of an ‘emotion’ for all the Indirect tax professionals out there.

As we celebrate the 5th glorious GST Day today, let us talk about 5 interesting sets of definitions under GST. These definitions when read in conjunction with each other lead to untold interpretations, at times leading to no uniform consensus as to what meaning should be appropriately derived. Readers are requested to note that the below selected definitions have been discussed only from the perspective of conjoint reading i.e. inter-relatedness and dependency on each other, and complete analysis or understanding of each definition is not a part of the discussion.

## 1. ‘Composite supply’, ‘taxable supply’ & ‘exempt supply’

•	“composite supply” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply
•	“taxable supply” means a supply of goods or services or both which is leviable to tax under this Act;
•	“exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.

A composite supply under GST is defined to comprise of two or more ‘taxable supplies’. Taxable supplies are ones which are leviable to tax. The question that instinctively emerges is do taxable supplies include exempt supplies? The answer to the question would lie in whether exempt supplies are leviable to tax. Yes, exempt supplies are leviable to tax, however not chargeable to tax. This clearly is understandable from the definition of exempt supplies which states supplies which ‘attract’ NIL rate of tax or

‘wholly exempt’ from tax under a notification and includes, a non-taxable supply. Thus, the definition of exempt supply is understood to comprise of below three elements:

- NIL-rated (Taxable)
- Exempt vide a notification (Taxable)
- Includes Non-taxable supplies (Not taxable)

Exempt supplies means and includes two specific kinds (NIL rated and exempt through a notification) of taxable supplies and all non-taxable supplies. In other words, all exempt supplies except non-taxable supplies are taxable supplies! Reference is made to the ruling pronounced by Authority for Advance Rulings, Karnataka in the application filed by M/S. COLUMBIA ASIA HOSPITALS PRIVATE LIMITED [2018 (12) TMI 474] wherein the principal supply of healthcare services was exempt from GST, and the applicant sought a ruling as to whether the bundled supply of which the principal supply is exempt and others are taxable can be treated as a composite supply. It was held that:

“The two or more supplies of goods or services or both which are naturally bundled in which the principal supply is exempt and others are taxable can be treated as a composite supply of the principal supply if such principal supply is not a non-taxable supply as per sub-section (78) of section 2 of the Central Goods and Service Tax Act, 2017 and such composite supply with the principal supply being exempt supply would be treated as an exempt composite supply.”

## 2. ‘Input’, ‘Input tax’ and ‘Input tax credit’

•	“input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business
•	“input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes – but does not include the tax paid under the composition levy;
•	“input tax credit” means the credit of input tax

Inputs means any goods other than capital goods procured by a supplier. Input tax means any tax charged on any supply of goods or services made to a registered person. There are interesting differences if observed between the two definitions.

- **Input is in relation to a supplier** – it could be an unregistered supplier too whereas **Input tax is in relation to a registered person** – ‘input tax’ in relation to an unregistered person is not defined Every supplier would certainly have inputs but

not every supplier would be able to register ‘input tax’, unless he himself is registered under GST!

– **Input means goods other than capital goods** –raw materials, consumables, etc. whereas

Input tax is however, not only in relation to ‘inputs’. Input tax would mean tax charged on any supply of goods or services or both.

Naturally, the third definition “input tax credit” is the crispiest one and says ‘credit of input tax’. Since ‘input tax’ is well-defined, reference to it makes the definition of ‘input tax credit’ clear and unambiguous. To further understand what exactly qualifies to be ‘input tax credit’, one would have to take course to Section 16 of the CGST Act which lays down the eligibility and conditions for taking input tax credit.

Though, it would seem not very important on the face of it, it is crucial to check while reading and interpreting the law as to where it uses the term ‘input’, ‘input tax’ and ‘input tax credit’ since these mean different and hence, there could be altogether different interpretations that may arise in view of faulty or negligent reading.

**3. ‘Place of business’ and ‘principal place of business’ –**

<ul style="list-style-type: none"> <li>• “place of business” includes —                      (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or                      (b) a place where a taxable person maintains his books of account; or                      (c) a place where a taxable person is engaged in business through an agent, by whatever name called</li> </ul>
<ul style="list-style-type: none"> <li>• “principal place of business” means the place of business specified as the principal place of business in the certificate of registration</li> </ul>

Here, it can be observed that the definition of ‘place of business’ is an inclusive definition. Thus, any place other than those narrated may also very well be an entity’s place of business. ‘Principal place of business’ is simply defined to be that particular ‘place of business’ as specified as principal place of business in the GST Registration Certificate issued in Form GST REG 06. Thus, there is no restraint whatsoever as to a particular place necessarily be treated as a principal place of business under GST and it is entirely the taxpayer’s call to furnish one amongst all his ‘places of business’.

**4. ‘Recipient’ and ‘consideration’**

<ul style="list-style-type: none"> <li>• “recipient” of supply of goods or services or both, means –                      (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;                      (b) where no consideration is payable -----</li> </ul>
<ul style="list-style-type: none"> <li>• “consideration” in relation to the supply of goods or services or both includes —                      (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the</li> </ul>

recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government; (b) the monetary value of -----
--

‘Recipient’ in relation to supplies where a consideration is payable, is the person who is liable to pay consideration. As per the definition of ‘consideration’, it includes any payment made or to be made whether by the recipient or by any other person. Thus, consideration may be paid by a third party, however recipient would be the one who is liable to pay consideration to the supplier. The question of importance is determination of ‘who is liable to pay consideration’. The definition nowhere says that the one to whom the goods are delivered or the one to whom the services are rendered is the recipient. Thus, it is very important that the ‘recipient’ is solely to be adjudged as the one who is liable to pay consideration and neither the actual receiver of goods or services nor the actual person making the payment would qualify as a recipient. This would be of relevance when the ‘recipient’ is other than the one receiving the supply or making the payment. Reference is made to the Education guide of the erstwhile Service Tax regime which clarified as under:

*Normally, the person who is legally entitled to receive a service and, therefore, obliged to make payment, is the receiver of a service, whether or not he actually makes the payment or someone else makes the payment on his behalf.*

**Illustration**  
*A lady leaves her car at a service station for the purpose of servicing. She asks her chauffer to collect the car from the service station later in the day, after the servicing is over. The chauffer makes the payment on behalf of the lady owner and collects the car. Here the lady is the ‘person obliged to make the payment’ towards servicing charges, and therefore, she is the receiver of the service.*

**5. ‘Return’ and ‘Valid return’ –**

<ul style="list-style-type: none"> <li>• “return” means any return prescribed or otherwise required to be furnished by or under this Act or the rules made thereunder</li> </ul>
<ul style="list-style-type: none"> <li>• “valid return” means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full</li> </ul>

Let’s be honest! We never really bothered that there is a definition for ‘valid return’ under GST. Well there is, and it only refers to a return filed under Section 39(1) of the CGST Act whereby a taxpayer makes the payment of his self-assessed liabilities. Further, on referring Section 39(1) of the CGST Act, it is understood that only periodic return in Form GSTR 3B (filed monthly or under QRMP scheme) is covered as per Section 39(1) and thus, is the only return which may be referred to as a ‘valid return’ under GST. It may be noted that even return filed under composition scheme is not a part of ‘valid return’ definition (furnished under Section 39(2) of the CGST Act).

On the other hand, ‘return’ is a broad definition and includes any and every return prescribed under the Act or otherwise required to be furnished as per the applicable rules made under the provisions of the Act.

# ITC Claims on Capital Goods



**CMA Jyoti Chaudhary**

Mob.: 82944 47729

E-mail : jyotijhachaudhary@gmail.com, 37067jyoti@icmaim.in

## ABSTRACTS:

1. What are Capital Goods?
2. Difference between Capital Goods and other inputs
3. Input Tax Credit on Capital Goods
4. What is Common Credit?
5. Why is Common Credit Important?
6. Reversal of Credit under certain circumstances
7. Useful Life duration for Capital Goods
8. Capital Goods Send on Job Works
9. Example of a landmark Case Judgment
10. Conclusion

## 1. WHAT ARE CAPITAL GOODS?

Capital goods are man-made, durable items used by businesses to produce goods and services. They include tools, buildings, vehicles, machinery, and equipment. Capital goods are assets such as buildings, machinery, equipment, vehicles and tools that an organization uses to produce goods or services. For example, a blast furnace used in the iron and steel industry is a capital asset for the steel manufacturer. Capital goods are one of the four factors of production. This means that businesses cannot run without them. The other three are:

- Natural resources, such as land, oil, and water
- Labour, such as workers
- Entrepreneurship, which is the drive to create new companies

As per provisions of section 2 (19) of the Act, “Capital goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.

## 2. DIFFERENCE BETWEEN CAPITAL GOODS & OTHER INPUTS

Input goods are goods used for making a final product. In other words, input goods are multiple products clubbed together to make a product complete. It can also be treated as materials used to produce the product. The cost involved in producing these input goods shall apply as a business cost. Capital goods are treated as products that help to complete as the final products and make ready for shipping. Many capital goods products take more a year to consume. Hence cost may not apply as business cost fro the

year and the deduction occurs at fixed usage lives of the product. Capital goods support the company or industry by producing goods. For example, assuming a vendor operates a juice stall. To prepare the juice, the vendor buys fruits, ice cubes, sugar, glasses, straws, furniture, and other required items. However, to make the juice, the vendor uses the blender. The final product is the juice and the blender shall apply as the capital good.

Let us take an example. If Mary is making a cake in her oven. She adds ingredients such as eggs, water, flour, butter etc. These are her inputs. The cake is her final product. The oven is the capital good which helps her to make the cake. Inputs are consumed while making the final product and are treated as business expenses as cost of production. Capital goods are not consumed in a single cycle of year while making final products. Therefore, they cannot be entirely deducted as business expenses in the year of their purchase. Instead, they are depreciated over the course of their useful lives. The business recognises part of the cost each year through accounting techniques as depreciation, amortization and depletion.

## 3. INPUT TAX CREDIT CALCULATION ON CAPITAL GOODS (Depreciation part discussed here) :

When a person purchases anything, he or she or is required to pay GST on it. Later, that can be claimed as input tax credit on the GST which was paid on purchases. Similarly, when a person is purchasing any machinery for a factory, he, she or it will pay the applicable GST rate. This GST paid can be claimed as credit in the same way as inputs. However, if one claims depreciation on the GST paid while purchasing the capital asset, he, she or it cannot claim input tax credit.

As per section 16(3), ITC is not available in respect of tax element of capital goods upon which depreciation is claimed under Income Tax Act 1961 as part of cost of asset. Hence, it is advisable not to claim the tax component of inward supply as part of cost of capital asset while claiming depreciation. As per Section 16(3) with respect to the capital goods which attracts GST as per Section 17 (1) and Section 17 (2) shall apply the below following mode of calculation even of goods partly used for other purposes or partly used for effecting taxable supplies, also including zero-rated supplies:

If the taxpayer uses or used the capital goods (with respect to the input tax credit) exclusively for non-business purposes should record in the transaction and should indicate in Form GSTR-2 and in Form GSTR-



3B. The amount shall not be credited in the electronic credit ledger. Any capital goods used by the taxpayer with respect to the input tax credit for effecting taxable supplies including zero-rated supplies should reflect in Form GSTR-2 and in Form GSTR-3B. The amount shall be credited in the electronic credit ledger. This shall apply as per Schedule II paragraph 5(b) of the same Act and as per rule 43(1)(b) of CGST Rules.

The life of the capital goods shall apply as five years for any goods not covered under clause (a) and (b) and denoted as A. The amount shall be credited to the electronic credit ledger. If the same capital goods covered under the clause (a) and also covered under (c), the taxpayer may calculate the value of 'A' by deducting the Input Tax at the rate of 5% for every quarter. After deducting the ITC, the value shall be added to the electronic credit ledger. If the capital goods as produced by the taxpayer covered under these clauses, then the requirement of reversal of ITC as per Section 18(4) of the CGST Act shall not apply. The reversal shall not apply because the ITC is already deducted.

Any amount related to 'A' credited to the electronic credit ledger, shall be denoted as 'Tc'. If the same capital goods used by the taxpayer covered under clause (b) and also covered under clause (d), can calculate the value of 'A' by deducting the Input Tax at the rate of 5% for every quarter and then added to the aggregate value of 'Tc'. This shall apply to goods initially used only for taxable supplies but later used for exempt supplies.

### 3(a) SUBSEQUENT SALE OF CAPITAL GOODS:

Where a registered taxable person purchases capital goods and claims the ITC with respect to such purchase but subsequently sells such capital goods, special provisions of section 18 (6) of the CGST Act shall apply. According to this provision, the registered taxable person shall pay the following amount:

Input Tax Credit paid on said capital goods

Less : Percentage point as may be specified in the CGST and SGST rules, 2017

Or,

Tax on the transaction value of such capital goods determined under section 15 of CGST Act, Whichever is higher.

As per rule 40(2) of CGST and SGST Rules, 2017, ITC on credit in the case of supply of capital goods and plant and machinery shall be reduced by the ITC at five percentage point for every quarter or part thereof, from the date of issue of invoice for such capital goods or plant and machinery.

Where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the registered taxable person may pay tax on the transaction value of such goods determined under section 15.

## 4. WHAT IS COMMON CREDIT?

Businesses often use the same assets and inputs for both business & personal use. For example if a freelance

designer and blogger has a personal laptop which she also uses for her freelance work. She can claim the input credit of GST paid on purchase of laptop only to the extent it pertains to her freelance business. She has also purchased a special designing software. Since this pertains only to her business, she can claim full ITC on this.

Steps to calculate common credit:

- Total Input Tax available in the tax period - (T)
- Input Tax for inputs exclusively for personal purpose -(T1)
- Input Tax for inputs exclusively for exempt supplies - (T2)
- Input Tax for inputs and services on which availing credit is not eligible (blocked credits) -(T3)
- Input Tax for inputs for taxable items -(T4)

## 5. WHY IS COMMON CREDIT IMPORTANT?

ITC is only available for business purposes. Many traders use the same inputs for both business & personal reasons. A taxpayer cannot claim any tax benefit of personal expenses. Again, goods exempted under GST already enjoy 0% GST. ITC cannot be claimed for inputs used in such exempted goods as it will lead to negative taxation. So, ITC on inputs for exempted goods will also be removed.

The following calculations is helpful to explain the common credit that is attributable to personal supplies & exempted supplies leaving behind only the portion that pertains to taxable sales. Only that amount can be claimed as ITC. The credit that is attributable to personal supplies & exempted supplies must be reversed while filing GSTR-3B.

Let us understand the calculations through an example. Details for transactions of Punita's shop for the month of May 2022 are as follows:

Total Input Tax available in the tax period – 1,00,000 (T)

Value of taxable items sold in her shop – 5,00,000

Value of vegetables sold (Agricultural activity) – 2,00,000

Input Tax for inputs (transporting charges) for taxable items – 10,000 (T4)

Input Tax for inputs exclusively for agricultural activity (purchasing seeds, soil, labour charges) – 20,000 (T2)

Input Tax for inputs exclusively for personal purpose (eating out) – 5,000 (T1)

Input Tax for inputs and services on which availing credit is not eligible (travelling by Ola to wholesalers)- 10,000 (T3)

So, Ms. Punita's total input tax will have 4 parts:

- a) Purely Personal Supplies ,
- b) Purely Exempted Supplies,
- c) Non-Eligible ITC,

#### d) Normal Taxable Sale,

Let us understand this via another example. Mr. Avinash bought a capital asset for use in exempt supplies only. He paid Rs 1,00,000/- along with GST of Rs 18,000 as input tax on 1st October 2017. On 15th November 2018, he wishes to use the capital asset commonly for both taxable and exempt supplies. Now the eligible common input tax credit will be calculated as follows = Input Tax – 5% of Input tax for every quarter or part thereof The no. of quarters from 1st October 2017 to 15th November 2018 = 5 = 18,000 – (5% of 18000) \* 5 quarters = 18,000 – 4,500 = 13,500 Now, this is the common credit available to Mr. Avinash.

He will credit Rs 13,500 to Electronic Credit ledger. Now he will calculate the ITC attributable to exempt supplies as per the formula for exempt supplies. Common credit for one month =  $13,500 \div 60 = 225$  assuming his total turnover is Rs.160 lakhs and exempted sales is Rs.40 lakh-

### 6. REVERSAL OF CREDIT UNDER CERTAIN CIRCUMSTANCES :

Rule 42 and 43 of the CGST rules apply for claiming the input tax credit if the supply used partly for the purposes of business and partly for other purposes. To claim the input tax credit in such cases, the taxpayer should reverse the input tax credit claim if claiming the input tax credit stands nil. Sec 17(2) of the CGST Act, 2017 provides that where the goods or services are used partly for effecting taxable supplies (including zero rated) and partly for exempt/ non-business use then the amount of credit as attributable to exempt supplies or non-business use shall be reversed as per Rule 42/43 of the CGST Rules, 2017.

In the following circumstances the proportionate ITC will be reversed i.e. added to output tax liability in GSTR-3B:

- Where a normal taxpayer opts to pay tax under composition scheme or goods/services supplied by him become exempt,
- In case of supply of capital goods or plant and machinery, on which input tax credit has been taken
- Every registered person whose registration is cancelled.

### 7. USEFUL LIFE DURATION FOR CAPITAL GOODS (INPUT TAX CREDIT ON CAPITAL GOODS TO BE ATTRIBUTED IN REMAINING USEFUL LIFE CONSIDERING FIVE YEARS AS USEFUL LIFE): Input tax credit involved in the remaining useful life in months shall be computed on a pro-rata basis, taking the useful life as five years.

**Example:** Capital goods have been in use for 4 years, 6 month and 15 days. Therefore, the useful remaining life in months = 5 months ignoring a part of the month Input tax credit taken on such capital goods = C (say 10 lakhs) Input tax credit attributable to remaining useful life =  $C * 5 \div 60 = 10,00,000 * 5 \div 60 = 83,333$

The above calculation must be done separately for integrated tax and central tax. This amount must be reversed in (i.e. becomes part of output tax liability) and furnished in:

Where a normal taxpayer opts to pay tax under composition scheme or goods/services supplied by him become exempt- FORM GST ITC-03 Registration is cancelled- FORM GSTR-10. This must be accompanied by a certificate from a practicing chartered accountant or cost accountant. In case of sale of capital goods, if the amount determined above is greater than the tax on transaction value of such sale, then the amount determined as above will be added to output tax liability. The details must be furnished in FORM GSTR-1.

### 8. CAPITAL GOODS SENT ON JOB WORK :

ITC will be allowed to the principal manufacturer if a capital asset has been sent to a job worker for job work. Such goods must be received back within a period of 3 years of being sent out. If the goods are not sent back within 3 years, it shall be treated as a deemed supply from the date of sending the goods and tax would be payable along with interest for late payment of taxes. From the above calculations, it is clear that ITC Rules for Common Credit under GST have been meant to be followed strictly to avoid interest and other recovery mechanisms.

### 9. EXAMPLE OF A LANDMARK CASE JUDGEMENT :

Jay Bee Industries Vs. Union of India, (Himachal Pradesh High Court), Appeal Number : CWP No. 2169 of 2018, Order Dated – 16/11/2019

The GST Laws contemplate seamless flow of tax credits on all eligible inputs on every sale and purchase occasion and resulting in a progressive system of taxation at every occasion. Input tax credits (ITC) in TRAN-1 are the credits legitimately accrued in the GST transition. Due date contemplated under the laws to claim the transitional credit is procedural in nature.

As a result, it was held that

In view of the GST regime and the IT platform being new, it may not be justifiable to expect the users to back up digital evidences. Even, under the old taxation laws, it is a settled legal position that substantive input credits cannot be denied or altered on account of procedural grounds.

We have no reason to doubt the claim of the petitioner that it had made genuine efforts for filing the returns online, but such attempts failed because of technical glitch. We, however, make it clear that does this Court is not dealing with an issue whether the petitioner is entitled to input credit as claimed by it because that is a matter to be examined by the authorities. However, the issue is about the technical glitch in the system which either does not permit a rectification in a situation where a dealer may have, due to inadvertence, or a bonafide error, not correctly filled up a form or where the system, due to a limitation in the algorithm/

software programme, did not accept the entries sought to be made by the dealer.

It has been judicially recognized that GST system is still in a “trial and error phase”, as far as its implementation is concerned and because of this the Courts had been approached by the dealers facing genuine difficulties in filing returns, claiming input tax credit through the GST portal. As a matter of fact, the Court acknowledged the procedural difficulties in claiming input tax credit in the TRAN-1 Form and the Court permitted the respondents “either to open the portal so as enable the petitioner to file the TRAN-1 electronically for claiming the transitional credit or accept the manually filed TRAN-1 and to allow the input credit claimed after processing the same, if otherwise eligible in law”.

A majority of the High Courts of the Country, have taken a judicial notice of the technical glitch in uploading the Form TRAN-1 and afforded opportunities to the petitioner(s) before them for uploading these Forms by approaching Nodal Officers and some of the High Courts have also permitted the petitioner(s) to tender these forms manually.

Accordingly, the writ petition is allowed and the court directs the respondents to permit the petitioner to file TRAN-1 either electronically or manually statutory form(s) TRAN-1 on or before 31.12.2019. The respondents are at liberty to verify the genuineness of the claim of the petitioner and its claim shall not be

denied only on the ground that the same was not filed by 27.12.2017.

## 10. CONCLUSION:

ITC is also available for Capital Goods Transactions however rules are different than that of direct consumables. For Capital Goods ITC are distributed in 5 years so the useful life of the asset is considered to be 5 years. This is equally distributed month on month basis in electronic Ledger of the web portal of GST. The normal rule of allocations are applicable here too. E.g. Integrated GST Credits can be first set off against Output IGST dues and rest can be set off against SGST/UTGST or CGST at any proportion. SGST ITC and CGST ITC cannot be set off against any other Output Tax i.e. they can be set off only against SGST Output Tax and CGST Output Tax respectively. Again ideally depreciation should not be charged on GST portion of the cost of the assets. If it is done so then ITC on such GST would not be granted. This is very obvious as the main purpose of inception of GST is to minimize cascading effects and making taxation simple.

## Bibliography:

- 1) Cleartax.com
- 2) Finacialexpress.com
- 3) Various internet search results

## Membership Fees

### Members are requested to pay their Membership Fees.

Use Following methods while making the Membership Fee, on line. Please note that you have to include 18% GST while making the payment.

1. Make the payment directly through Online Payment through Institute website:-

Link-<https://eicmai.in/MMS/PublicPages/UserRegistration/Login-WP.aspx>

In case of any trouble while making the payment online, please try to avoid making double payment.

2. You can make the payment at WIRC by Cheque drawn in favour of ICAI-WIRC for the requisite amount.

(Cheque drawn in favour of WIRC of ICAI you can send by post to WIRC)

3. You can also make the payment in the nearest Chapter.

# New TDS Provision u/s 194R of Income Tax Act, 1961 - Ease of Doing Business ?



**CMA Ashok Nawal**

Mob.: +91 98901 65001

E-mail : nawal@bizsolindia.com

In view of expanding ambit of TDS, Union Budget 2022-23 proposed to insert new section 194R in the Income Tax Act, 1961 to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite. Honorable President have given assent and the said section has been enacted w.e.f 1st July 22.

## Following are the legal provisions:

### Quote :

#### Section 194R:

194R. (1) Any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite:

Provided that in a case where the benefit or perquisite, as the case may be, is wholly in kind or partly in cash and partly in kind but such part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such benefit or perquisite, the person responsible for providing such benefit or perquisite shall, before releasing the benefit or perquisite, ensure that tax required to be deducted has been paid in respect of the benefit or perquisite:

Provided further that the provisions of this section shall not apply in case of a resident where the value or aggregate of value of the benefit or perquisite provided or likely to be provided to such resident during the financial year does not exceed twenty thousand rupees:

Provided also that the provisions of this section shall not apply to a person being an individual or a Hindu undivided family, whose total sales, gross receipts or turnover does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession, during the financial year immediately preceding the financial year in which such benefit or perquisite, as the case may be, is provided by such person.

(2) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the previous approval

of the Central Government, issue guidelines for the purpose of removing the difficulty.

(3) Every guideline issued by the Board under sub-section (2) shall, as soon as may be after it is issued, be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person providing any such benefit or perquisite.

Explanation.—For the purposes of this section, the expression “person responsible for providing” means the person providing such benefit or perquisite, or in case of a company, the company itself including the principal officer thereof.]

### UNQUOTE :

#### Applicability:

1. To all persons other than Individual and HUF
2. To Individual and HUF having turnover / sales more than 1 crore or Rs. 50 Lacs in case of professional in F.Y. 2021-22

#### Rate:

TDS @ 10%, by any person, providing any benefit or perquisite, exceeding Rs. 20,000 in value, in a financial year, to a resident, arising from the business or profession of such resident and such benefit or perquisite is in the nature of income from profits and gains from Business or Profession.

Section 194R poses challenges for compliance team as there are various types of perquisites & benefits provided in the course of business to the partners with the objective of motivation for the growth of business.

While presenting the Union Budget, Hon. Finance Minister has mentioned in her Budget Speech

### Quote:

#### Rationalizing TDS Provisions

It has been noticed that as a business promotion strategy, there is a tendency on businesses to pass on benefits to their agents. Such benefits are taxable in the hands of the agents. In order to track such transactions, I propose to provide for tax deduction by the person giving benefits, if the aggregate value of such benefits exceeds Rs. 20,000 during the financial year.

### Unquote:

Further, Budget MEMORANDUM EXPLAINING THE

PROVISIONS IN THE FINANCE BILL, 2022 specifically provides clarifications that

**Quote:**

Accordingly, in order to widen and deepen the tax base, it is proposed to insert a new section 194R to the Act to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression ‘person responsible for providing’ has been proposed to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

**Unquote:**

As a matter of fact, in terms of existing provisions of Sec 28(iv) of the Income Tax Act, 1961, Income / Profit from Business includes the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of profession is to be charged as business income in the hands of the recipient of such benefit or perquisite, but most of the times it was not reported as Income even though such benefits have been received.

Though Government has notified the effective date of implementation which is 1st July, 2022 still Government is expected to release the exemption list as well as detailed clarifications in form of FAQ for the benefit of taxpayers.

There are number of challenges anticipated in complying the provisions otherwise there is a sword on the tax payers for disallowance of such expenditure, if TDS u/s 194R has not been deducted or proper records are not being maintained to demonstrate the beneficiary / recipient is below the limit of benefit / perquisite of Rs. 20,000/- p.a.

Further, it will have the accounting challenges. For Eg: Doctor receives the free samples of medicines from pharmaceutical manufacturer / supplier and such Pharmaceutical manufacturer / supplier deducts the tax u/s 194R, such doctor needs to maintain account for such medicines received and also account for the income received in kind / perquisites in the books of accounts and also maintain consumption records for booking of Expenditure and if such doctors provides such free samples to hospitals / any other person without any consideration, then such doctor also needs to deduct tax u/s 194R and the chain continues.....

Professionals will have the challenges for maintaining books of accounts of such recipients.

It is a practice in the trade and industry to provide offers like

- Quantity Discount on achieving certain turnover, certain quantities are supplied free as a part of scheme, which is permitted under GST law, but have to consider as Income by the recipient.
- Incentive / bonus
- “Buy One – Get One Free”
- Combo Offer
- Domestic / Foreign Tours including Air tickets, Hotel, etc.
- Gift Coupons
- Gold Coins etc etc...

The above list is illustrative and not exhaustive. All such practices / schemes will have to be analyzed thread bear keeping in mind the provisions of sec 194R of Income Tax Act, 1961.

Trade and Industry, which requires to make lot of expenditure for business growth and promotion or in the course of keeping the relations with number of stake holders, such expenditure may be for purchase of goods not for trading but for distribution or certain expenditure is accounted as and when it is incurred and Accounts Department may not know the real beneficiary at the time of booking such expenditure and concern department in Trade and Industry make the expenditure / distribution, now if proper quantitative records are not maintained / list of beneficiaries along with PAN is not maintained, then such expenditure will be disallowed treating this as not in the course / furtherance of business as non-business expenditure and will be offered to Income tax. Moreover, since it will be considered as non- business expenditure, Input Tax Credit u/s 16 of CGST Act, 2017 also will not be eligible. In case PAN is not available, TDS needs to be deducted @ 20%.

It will definitely have a severe adverse impact on ease of doing business on following negative impact:

1. It will be treated as income in the hands of beneficiary
2. It will not be allowed as business expenditure u/s 40(ai) of Income Tax Act, 1961 if proper accounts are not maintained for details of beneficiary.
3. No ITC under CGST law will be allowed in case of 2 above.
4. It will be very difficult to keep the inventory of receipt and distribution of goods, if goods procured for free distribution or expenditure is accounted for some other beneficiaries since at the time of accounting of such expenditure details of beneficiaries may not be known.

Let’s hope CBDT issues necessary clarification immediately providing exemption list and FAQs without the losing the focus of “Ease of Doing Business”



# Scale Based Regulatory Framework



**CMA Vaidyanathan Iyer**

Mob.: 98332 27768

E-mail: vaidy73@gmail.com

**These guidelines shall be effective from October 01, 2022. The instructions relating to ceiling on IPO funding shall come into effect from April 01, 2022. RBI Circular dated October 22, 2021**

The contribution of NBFCs towards supporting real economic activity and their role as a supplemental channel of credit intermediation alongside banks is well recognized. Over the years, the sector has undergone considerable evolution in terms of size, complexity, and interconnectedness within the financial sector. Many entities have grown and become systemically significant and hence there is a need to align the regulatory framework for NBFCs keeping in view their changing risk profile. As the SBR framework encompasses different facets of regulation of NBFCs covering capital requirements, governance standards, prudential regulation, etc., it has been decided to first issue an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived riskiness. NBFCs in the lowest layer shall be known as NBFC - Base Layer (NBFC-BL). NBFCs in middle layer and upper layer shall be known as NBFC - Middle Layer (NBFC-ML) and NBFC - Upper Layer (NBFC-UL) respectively. The Top Layer is ideally expected to be empty and will be known as NBFC - Top Layer (NBFC-TL).

**Base Layer-** The Base Layer shall comprise of (a) non-deposit taking NBFCs below the asset size of ₹1000 crore and (b) NBFCs undertaking the following activities- (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P), (ii) NBFC-Account Aggregator (NBFC-AA), (iii) Non-Operative Financial Holding Company (NOFHC) and (iv) NBFCs not availing public funds and not having any customer interface.

**Middle Layer-** The Middle Layer shall consist of (a) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size, (b) non-deposit taking NBFCs with asset size of ₹1000 crore and above and (c) NBFCs undertaking the following activities (i) Standalone Primary Dealers (SPDs), (ii) Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs), (iii) Core Investment Companies (CICs), (iv) Housing Finance Companies (HFCs) and (v) Infrastructure Finance Companies (NBFC-IFCs).

**Upper Layer-** The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.

**Top Layer -** The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer. As the regulatory structure envisages scale based as well as activity-based regulation, the following prescriptions shall apply in respect of the NBFCs

- NBFC-P2P, NBFC-AA, NOFHC and NBFCs without public funds and customer interface will always remain in the Base Layer of the regulatory structure.
- NBFC-D, CIC, IFC and HFC will be included in Middle Layer or the Upper Layer (and not in the Base layer), as the case may be. SPD and IDF-NBFC will always remain in the Middle Layer.
- The remaining NBFCs, viz., Investment and Credit Companies (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factors and Mortgage Guarantee Companies (NBFC-MGC) could lie in any of the layers of the regulatory structure depending on the parameters of the scale based regulatory framework.
- Government owned NBFCs shall be placed in the Base Layer or Middle Layer, as the case may be. They will not be placed in the Upper Layer till further notice.

From October 01, 2022, all references to NBFC-ND shall mean NBFC-BL and all references to NBFC-D and NBFC-ND-SI shall mean NBFC-ML or NBFC-UL, as the case may be. Regulatory revisions applicable to lower layers of NBFCs will automatically be applicable to NBFCs residing in higher layers, unless stated otherwise. Regulatory changes under SBR for all the layers in the regulatory structure

- a) Net Owned Fund –** Regulatory minimum Net Owned Fund (NOF) for NBFC-ICC, NBFC-MFI and NBFC-Factors shall be increased to ₹10 crore.

The following glide path is provided for the existing NBFCs to achieve the NOF of ₹10 crore:

NBFCs	Current NOF	By March 31, 2025	By March 31, 2027
NBFC-ICC	₹2 crore	₹5 crore	₹10 crore
NBFC-M			
FI	₹5 crore (₹2 crore in NE Region)	₹7 crore (₹5 crore in NE Region)	₹10 crore
NBFC-Factors	₹5 crore	₹7 crore	₹10 crore

However, for NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF shall continue to be ₹2 crore. It is clarified that there is no change in the existing regulatory minimum NOF for NBFCs - IDF, IFC, MGCs, HFC, and SPD

b) NPA Classification - The extant NPA classification norm stands changed to the overdue period of more than 90 days for all categories of NBFCs. A glide path is provided to NBFCs in Base Layer to adhere to the 90 days NPA norm as under

NPA Norms	Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
> 90 days	By March 31, 2026

The glide path will not be applicable to NBFCs which are already required to follow the 90-day NPA norm. Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC. Ceiling on IPO Funding – There shall be a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO). NBFCs can fix more conservative limits.

**Capital Guidelines –** Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

a) Internal Capital Adequacy Assessment Process (ICAAP) - NBFCs are required to make a thorough internal assessment of the need for capital, commensurate with the risks in their business & make a realistic assessment of risks factoring in credit risk, market risk, operational risk and all other residual risks as per methodology to be determined internally. The methodology for internal assessment of capital shall be proportionate to the scale and complexity of operations as per their Board approved policy. The objective of ICAAP is to ensure availability of adequate capital to support all risks in business as also to encourage NBFCs to develop and use better internal risk management techniques for monitoring and managing their risks. This will facilitate an active dialogue between the supervisors and NBFCs on the assessment of risks and monitoring as well as mitigation of the same.

Additional regulatory changes under SBR applicable to NBFC-UL

- b) **Common Equity Tier 1** – In order to enhance the quality of regulatory capital, NBFC-UL shall maintain Common Equity Tier 1 capital of at least 9 per cent of Risk Weighted Assets.
- c) **Leverage** - In addition to the CRAR, NBFC-UL will also be subjected to leverage requirement to ensure that their growth is supported by adequate capital, among other factors. A suitable ceiling for leverage will be prescribed subsequently for these entities as and when necessary.

d) Differential standard asset provisioning - NBFC-UL shall be required to hold differential provisioning towards different classes of standard assets.

A detailed circular will be issued by the Bank for guidelines at paras b, c, and d above.

### Prudential Guidelines –

Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

a) Concentration of credit/ investment - The extant credit concentration limits prescribed for NBFCs separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower/ party and 40% for single group of borrowers/ parties. Further, the concentration limits shall be determined with reference to the NBFC's Tier 1 capital instead of their Owned Fund. The revised norms are indicated in the table below

### Existing limit

	(as a percentage of Owned Fund) Revised limit			(as a percentage of Tier I Capital)	
	Lending	Investment	Total	Exposure	
Single borrower/ party	15	15	25	Single borrower/ party	25
Single group of borrowers/ parties	25	25	40	Single group of borrowers/ parties	40

NBFC-UL shall follow these norms till Large Exposure Framework is put in place for them. Extant instructions on concentration norms for different categories of NBFC, other than the changes indicated above, will continue to remain applicable.

- b) Sensitive Sector Exposure (SSE) - Exposure to capital market (direct and indirect) and commercial real estate shall be reckoned as sensitive exposure for NBFCs. NBFCs shall fix Board-approved internal limits for SSE separately for capital market and commercial real estate exposures. Dynamic vulnerability assessments of various sectors and their likely impact on business, as evaluated periodically, should help NBFCs determine such internal exposure limits. While the Board is free to determine various sub-limits within the overall SSE internal limits, the following are specifically prescribed - A sub-limit within the commercial real estate exposure ceiling shall be fixed internally for financing land acquisition & Ceiling on IPO Funding as mentioned above; Housing Finance Companies shall continue to follow specific regulation on sensitive sector exposure
- c) Regulatory restrictions on loans – NBFCs shall be subject to regulatory restrictions in respect of the following:
- Granting loans and advances to directors, their

relatives and to entities where directors or their relatives have major shareholding.

- Granting loans and advances to Senior Officers of the NBFC.

While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government / local governments / other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals could be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government authorities.

A detailed circular on the areas mentioned at para c above will be issued by the Reserve Bank in due course. In the meantime, extant norms shall prevail.

Additional regulatory changes under SBR applicable to NBFC-UL

- d) Large Exposure Framework – It has been decided to introduce Large Exposure Framework (LEF) for NBFCs placed in the Upper Layer. Accordingly, large exposure of an NBFC to all counterparties and groups of connected counterparties will be considered for exposure ceilings. Simplified and separate guidelines will be issued incorporating the definition of large exposure, regulatory reporting and large exposure limits.
- e) Internal Exposure Limits - In addition to the internal limits on SSE in respect of capital market and commercial real estate as indicated in para b) above, Board of NBFC-UL shall also determine internal exposure limits on other important sectors to which credit is extended. Further, NBFC-UL shall put in place an internal Board approved limit for exposure to the NBFC sector.

Governance Guidelines - Regulatory changes under SBR applicable to NBFC-BL

- a) Risk Management Committee – In order that the Board is able to focus on risk management, NBFCs shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and will report to the Board.
- b) Disclosures - Disclosure requirements shall be expanded, inter alia, to include types of exposure, related party transactions, loans to Directors/ Senior Officers and customer complaints.
- c) Loans to directors, senior officers and relatives of directors - NBFC-BL shall have a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.

A detailed circular on paras (b) & (c) will be issued by the Reserve Bank in due course.

Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

- d) Key Managerial Personnel - Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. It is clarified that they can assume directorship in NBFC-BLs.
- e) Independent Director – Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.
- f) Disclosures - NBFCs shall, in addition to the existing regulatory disclosures, disclose the following in their Annual Financial Statements, with effect from March 31, 2023:
- Corporate Governance report containing composition and category of directors, shareholding of non-executive directors, etc.
  - Disclosure on modified opinion, if any, expressed by auditors, its impact on various financial items and views of management on audit qualifications.
  - Items of income and expenditure of exceptional nature.
  - Breaches in terms of covenants in respect of loans availed by the NBFC or debt securities issued by the NBFC including incidence/s of default.
  - Divergence in asset classification and provisioning above a certain threshold to be decided by the Reserve Bank.
- g) Chief Compliance Officer – In order to ensure an effective compliance culture, it is necessary to have an independent compliance function and a strong compliance risk management framework in NBFCs. NBFCs are, therefore, required to appoint a Chief Compliance Officer (CCO), who should be sufficiently senior in the organization hierarchy. NBFCs shall put in place a Board approved policy laying down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the organization.
- h) Compensation guidelines - In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, it has been decided that NBFCs shall put in place a Board approved compensation policy. The guidelines shall at the minimum include, a) constitution of a Remuneration Committee, b) principles



for fixed/ variable pay structures, and c) malus/ claw back provisions. The Nomination and Remuneration Committee shall ensure that there is no conflict of interest.

- i) Other Governance matters - NBFCs shall comply with the following:

The Board shall delineate the role of various committees (Audit Committee, Nomination and Remuneration Committee, Risk Management Committee or any other Committee) and lay down a calendar of reviews.

NBFCs shall formulate a whistle blower mechanism for directors and employees to report genuine concerns.

The Board shall ensure good corporate governance practices in the subsidiaries of the NBFC.

- j) Core Banking Solution - NBFCs with 10 and more branches are mandated to adopt Core Banking Solution. A glide path of 3 years with effect from October 01, 2022 is being provided.

Detailed circulars will be issued in due course by the Reserve Bank on guidelines indicated at paras f, g, h, i and j above.

Additional regulatory changes under SBR applicable to NBFC-UL

- k) Qualification of Board Members - Board members shall be competent to manage the affairs of the NBFC. The composition of the Board should ensure mix of educational qualification and experience within the Board. Specific expertise of Board members will be a prerequisite depending on the type of business pursued by the NBFC.
- l) Listing & Disclosures - NBFC-UL shall be mandatorily listed within 3 years of identification as NBFC-UL. Disclosure requirements shall be put in place on the same lines as applicable to a listed company even before the actual listing, as per Board approved policy of the NBFC.

supervisors in case any Independent Director is removed/ resigns before completion of his normal tenure.

Regulatory guidelines for NBFCs under Top Layer – NBFCs falling in the Top Layer of the regulatory structure shall, inter alia, be subject to higher capital charge. Such higher requirements shall be specifically communicated to the NBFC at the time of its classification in the Top Layer. There will be enhanced and intensive supervisory engagement with these NBFCs. Transition Plan - Once a NBFC is identified for inclusion as NBFC-UL, the NBFC shall be advised about its classification by the Department of Regulation, Reserve Bank and it will be placed under regulation applicable to the Upper Layer.

For this purpose, the following timelines shall be adhered to:

Within 3 months of being advised by the RBI regarding its inclusion in the NBFC-UL, the NBFC shall put in place a Board approved policy for adoption of the enhanced regulatory framework and chart out an implementation plan for adhering to the new set of regulations.

The Board shall ensure that the stipulations prescribed for the NBFC-UL are adhered to within a maximum time-period of 24 months from the date of advice regarding classification as a NBFC-UL from the Reserve Bank. During the period of transition, calibrated increment to business may be allowed through supervisory engagement. The period of 3 months provided for charting out the plan for implementation shall be subsumed within the 24-months' time-period referred to above. The roadmap as approved by the Board towards implementation of the enhanced regulatory requirement shall be submitted to the Reserve Bank and shall be subject to supervisory review.

Transition of NBFCs to the Upper Layer - a) Once an NBFC is categorized as NBFC-UL, it shall be subject to enhanced regulatory requirement, at least for a period of five years from its classification in the layer, even in case it does not meet the parametric criteria in the subsequent year/s. In other words, it will be eligible to move out of the enhanced regulatory framework only if it does not meet the criteria for classification for five consecutive years.

- b) NBFC-UL may however move out of the enhanced regulatory framework before the period of five years if the movement is on account of voluntary strategic move to readjust operations as per a Board approved policy. This stipulation shall not apply if the scaling down of operations is on account of adverse situations specific to the NBFC and its deteriorating financial conditions. c) NBFCs which are close to meeting the parameters and benchmarks that would render PCA Framework

## Conclusion

The global economic recovery has been losing momentum in the second half of 2021 in the face of resurfacing COVID-19 infections, the new variant Omicron, supply disruptions and bottlenecks, elevated inflationary levels and shifts in monetary policy stances and actions across advanced economies and emerging market economies. On the domestic front, progress in vaccination has enabled the recovery to regain traction after the debilitating second wave of the pandemic, notwithstanding signs of slowing pace more recently; the corporate sector is gaining strength and bank credit growth is improving. The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) rose to a new peak of 16.6 per cent and their provisioning coverage ratio (PCR) stood at 68.1 per cent in September 2021.

# Decision on Ocean Freight & Co-operative Federalism



**CMA Ashok Nawal**

Mob.: +91 98901 65001

E-mail : nawal@bizsolindia.com

This article has been dealt independently while understanding Hon. Supreme Court decision on ocean freight in the case of M/s Mohit Minerals.

Hon Supreme Court have not only dealt on the above issues, but it has gone in depth on each argument of Union Govt, who had issued the Notification No. 8/2017-Integrated Tax (Rate) dtd 28th June 2017 & rational behind that as well as arguments of number of Senior Counsels on behalf of respondents and the grounds taken by them including but not limiting to taxability on extra territorial issues, binding impact of recommendations of GST Council, issues of recipient, issues of consideration, issues of taxable event and notifications issued under different sections / sub-sections etc. etc. and hence, understanding of Supreme Court decision needs to be done in three parts with the background of the circulation and interpretation in print and social media.

A. Background and preamble.

B. Whether this judgement will imbalance the basic foundation of One Nation, One Tax considering all the decisions of GST Council are not binding on State & Central.

C. Impact on Trade and Industry on reverse charge mechanism on account of ocean freight

## A. Background and Preamble:

Hon. Gujarat High Court allowed petition filed by M/s Mohit Minerals Pvt. Ltd under Article 226 challenging the Constitutionality of two notifications namely Notification No. 8/2017- Integrated Tax (Rate) dtd 28th June 2017 and Notification No. 10/2017 Integrated Tax (Rate) dtd 28th June, 2017.

**The Division Bench of the Gujarat High Court held that the impugned notifications are unconstitutional for exceeding the powers conferred by the IGST Act and the CGST Act. The High Court held:**

- i. The importer of goods on a CIF basis is not the recipient of the transport services as Section 2(93) of the CGST Act defines a recipient of services to mean someone who pays consideration for the service, which is the foreign exporter in this case;
- ii. Section 5(3) of the IGST Act enables the Government to stipulate categories of supply, not specify a third-party as a recipient of such supply;
- iii. There is no territorial nexus for taxation since the supply of service of transportation of goods is by a person in a non-taxable territory to another person in

a non-taxable territory from a place outside India up to the Indian customs clearance station and this is neither an inter-state nor an intra-state supply;

- iv. Section 2(11) of the IGST Act defines “import of service” to mean the supply of service where the supplier of service is located outside India, the recipient of service is located in India and the place of supply of service is in India;
- v. In this case, since the goods are transported on a CIF basis, the recipient of service is the foreign exporter who is outside India;
- vi. Section 7(5)(c) of the IGST Act dealing with intra-state supply cannot be read so extensively that it conflates the “supply of goods or services or both in the taxable territory” to “place of supply”;
- vii. Sections 12 and 13 of the IGST Act deal with determining the place of supply. Neither of them will apply if both the supplier and recipient of service are based outside India. The mere fact that the service terminates at India does not make the service of supply of transportation to be taking place in India;
- viii. The provisions regarding time of supply, as contemplated in Section 20 of the IGST Act and applicable to Section 13 of the IGST Act dealing with supply of services, are applicable only vis-à-vis the actual recipient of the supply of service, which is the foreign exporter in this case;
- ix. Section 15(1) of the CGST Act enables the determination of the value of the supply, only between the actual supplier and actual recipient of the service;
- x. Since the importer is not the “recipient” of the service under Section 2(93) of the CGST Act, it will not be in a position to avail ITC under Section 16(1) of the CGST Act; and
- xi. Since the importer pays customs duties on the goods, which include the value of ocean freight, the impugned notifications impose double taxation through a delegated legislation, which is impermissible.

## Provisions Deliberated:

### 1. Article 286(2) of Constitution of India:

Parliament is empowered to formulate inter alia the principles for determining when a supply of goods or services takes place in any of the ways mentioned in Article 286(1), which includes imports;

### 2. Article 269A of Constitution of India

Enables the Union Government to levy GST on interstate supplies. The explanation to Article 269A(1) creates a deeming fiction that a supply of goods or services in the course of imports is to be considered as a supply of goods or services or both in the course of interstate trade;

### 3. Article 269A(5) of Constitution of India

Enables Parliament to formulate the principles for determining the place of supply and when a supply of goods and services or both takes place in the course of inter-State trade or commerce. This constitutional mandate finds legislative effect in the IGST Act; The Union of India has challenged the same.

- Section 5(1) Levy & Collection of IGST :
- Section 5(3) & (4) Levy & Collection of IGST :
  - (3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
  - (4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.
- Section 2(5) of IGST Act 2017: Definition of Export of Goods
- Section 2(6) of IGST Act 2017: Definition of Export of Services
- Section 2(1) of IGST Act 2017: Definition of “Import of Goods”
- Section 2(11) of IGST Act 2017: Definition of Import of Services
- Section 2(14) of IGST Act 2017: Definition of Location of recipient of services
- Section 2(15) of IGST Act 2017 : Definition of Location of supplier of services
- Section 7 of IGST Act 2017: Determination of Nature of inter-State supply.
- Section 9 of IGST Act 2017: Supplies in Territorial Waters.
- Section 11 of IGST Act 2017: Place of supply of goods imported into or exported out of India.
- Section 12 of IGST Act 2017: Place of supply of services where the location of supplier and recipient is in India.

- Section 13 of IGST Act 2017: Place of supply of services where the location of supplier and recipient is outside India
- Section 2(98) of the CGST Act : Definition of Reverse Charge.
- Section 9(3) & (4) of CGST Act 2017:
  - (3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
  - (4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.
- Section 24(iii) of CGST Act 2017: Compulsory registration in certain cases
- Section 13 of CGST Act 2017: Time of Supply of Services
- Section 2(30) of CGST 2017: Definition of composite supply
- Section 2(93)(c) of CGST Act 2017: Definition of recipient of supply of goods or services or both
- Section 2(31) of CGST Act 2017: Definition of consideration
- Section 2(107) of CGST Act 2017: Definition of taxable person
- Sections 3(7) and 3(8) of Customs Tariff Act 1975 : provision for charging IGST on import of goods and manner of calculation of IGST

The said decision is not only applicable for chargeability of reverse charge on ocean freight when imported on CIF basis or otherwise but will be always referred as a landmark judgement when other issues w.r.t. Powers & Role of GST Council, Powers of Central Govt & State Govt to make the provisions in the act & rules, Parliamentary / Legislative Powers as against recommendations of GST Council and contradiction therein between Central Govt & State Govt w.r.t. GST provisions. This judgement will have far reaching impact and almost will eliminate number of disputes which otherwise might have been arisen.

This judgement has to be understood by the depth, analysis & interpretation of all the provisions of the law starting with expert committee report, The Constitution (One Hundred and Fifteenth Amendment) 2011, Parliamentary Standing Committee, Report on the Constitution (One

Hundred and Twenty Second Amendment) Bill, 2014, The Constitution (One Hundred and First Amendment Act) 2016, Parliamentary Debate and various decisions of Hon Apex Court on importance of legislative history and spirit of the law rather than only strict wording while drafting the law. Therefore, it is important to understand various ratios laid down in different decisions and the same were the basis for deciding issue by the Hon Supreme Court.

B. Whether this judgement will imbalance the basic foundation of One Nation, One Tax considering all the decisions of GST Council are not binding on State & Central.

1) Constitutional Architecture w.r.t. GST:

- Article 246A stipulates that both the Parliament and the State legislatures have the power to legislate on GST.
- Article 279A constitutes the GST Council which shall make recommendations to the Union and the States on a wide range of subjects relating to GST
- Both the articles are independent and doesn't have abstaining clause or overriding clause over each other.
- Article 269A provides that GST on supplies in the course of inter-state trade or commerce shall be levied and collected by the Union Government. The manner of apportionment between the Union and the States has to be provided by Parliament on the recommendations of the GST Council. The explanation to Article 269A(1) states that supply of goods or services in the course of import shall be deemed to be supply in the course of inter-State trade or commerce. Clause (5) provides that Parliament may by law formulate principles for determining the place of supply and when the supply of goods or services takes place in the course of inter-state trade or commerce.
- Article 286 (1) stipulates that the State shall not levy tax when the supply of goods or services takes place outside the State or in the course of import or export of goods or services from the territory of India. Clause (2) of Article 286 states that Parliament may by law formulate principles for determining when there is a supply of goods or services as prescribed by clause (1).

2) Legislative History of the Constitution Amendment Act 2016:

The Statement of Objects and Reasons and the debates and speeches in the legislature indicate the intent behind the introduction of the Bill as held in the case of *Abhiram Singh v. CD Commachen*, (2017) 2 SCC 629. The legislative history, the statement of objects and reasons of the Bill and the speech made when the bill was introduced indicate the mischief that Articles 246A and 279A to the Constitution sought to remedy, which is to simplify the indirect tax regime to prevent the complexities inherent in and the cascading effect of a multiplicity of taxes.

3) Simultaneous Legislative Distribution & Repugnancy Issues & Disputes :

The distribution of legislative power between federating units- the Union and the States, is among the paramount features of a federal Constitution as referred in H.M Seervai, *Constitutional Law of India*, (NM Tripathi Private Limited, 4th Edition, vol 1) 289; *SR Bommai v. Union of India*, (1994) 3 SCC 1.

The Court noted that the special power introduced by Article 246A allows Parliament and the State legislatures to 'simultaneously' make laws. Subsequently, while explaining the 'simultaneous' nature of power held by Parliament and State legislature, it was observed that the power under Article 246A can be exercised simultaneously by the State legislature and Parliament and none hold any 'unilateral or exclusive legislative power in the decision of *Union of India v. Mohit Mineral Pvt. Ltd* [H.M Seervai, *Constitutional Law of India*, (NM Tripathi Private Limited, 4th Edition, vol 1) 289; *SR Bommai v. Union of India*, (1994) 3 SCC 1] and *Baiku v. State Tax Officer, GST* [2019 SCC OnLine Ker 5362].

Hon. Supreme Court observe in the case of and *VKC Footsteps* (supra) that

#### Quote

"52. Article 246-A has brought about several changes in the constitutional scheme:

52.1. Firstly, Article 246-A defines the source of power as well as the field of legislation (with respect to goods and services tax) obviating the need to travel to the Seventh Schedule.

52.2. Secondly, the provisions of Article 246-A are available both to Parliament and the State Legislatures, save and except for the exclusive power of Parliament to enact GST legislation where the supply of goods or services takes place in the course of inter-State trade or commerce.

52.3. Thirdly, Article 246-A embodies the constitutional principle of simultaneous levy as distinct from the principle of concurrence. Concurrence, which operated within the fold of the Concurrent List, was regulated by Article 254."

#### Un-Quote

Further, Article 246-A needs to be appreciated differently from the Articles 254, 248, and 353, since these articles provides larger share of power to the central government as against state govt. whereas, Article 246-A provides simultaneous right to make the provisions in the law and share the equal power and that is the reason Constitution does not envisage a repugnancy provision to resolve inconsistencies between the Central and State laws on GST, the GST Council must ideally function, as provided by Article 279A(6), in a harmonised manner to reach a workable fiscal model through cooperation and collaboration.

Further, Hon Supreme Court has implicitly explained difference between un-cooperative federalism, competitive federalism, Dual Federalism, cooperative federalism

(marble cake federalism) and also made observations derived from State (NCT of Delhi) v. Union of India<sup>75</sup> [(2018) 8 SCC 501] :

India follows the model of cooperative federalism where the Union and the State Governments need to iron out the differences that arise in the course of the path of development. Chief Justice Dipak Mishra elucidated on the concept of cooperative federalism:

#### Quote

119. Thus, the idea behind the concept of collaborative federalism is negotiation and coordination so as to iron out the differences which may arise between the Union and the State Governments in their respective pursuits of development. The Union Government and the State Governments should endeavour to address the common problems with the intention to arrive at a solution by showing statesmanship, combined action and sincere cooperation. In collaborative federalism, the Union and the State Governments should express their readiness to achieve the common objective and work together for achieving it. In a functional Constitution, the authorities should exhibit sincere concern to avoid any conflict. This concept has to be borne in mind when both intend to rely on the constitutional provision as the source of authority. We are absolutely unequivocal that both the Centre and the States must work within their spheres and not think of any encroachment. But in the context of exercise of authority within their spheres, there should be perception of mature statesmanship so that the constitutionally bestowed responsibilities are shared by them. Such an approach requires continuous and seamless interaction between the Union and the State Governments.

#### Un-Quote

On the issues of conflict between state and central govt, the mechanism of resolving the disputes has been provided to consultative and collaborative approach in Article 279-A by way of providing constitutional status to GST council and therefore Hon Supreme Court observed in the aforesaid judgement that:

The States can use various forms of contestation if they disagree with the decision of the Centre. Such forms of contestation are also within the framework of Indian federalism. The GST Council is not merely a constitutional body restricted to the indirect tax system in India but is also an important focal point to foster federalism and democracy.

One of the important features of Indian federalism is ‘fiscal federalism’. A reading of the Statement of Objects and Reasons of the 2014 Amendment Bill, the Parliamentary reports and speeches indicate that Articles 246A and 279A were introduced with the objective of enhancing cooperative federalism and harmony between the States and the Centre. However, the Centre has a one-third vote share in the GST Council. This coupled with the absence of the repugnancy provision in Article 246A indicates that recommendations of the GST Council cannot be binding. Such an interpretation would be contrary to the objective of introducing the GST regime and would also dislodge the

fine balance on which Indian federalism rests. Therefore, the argument that if the recommendations of the GST Council are not binding, then the entire structure of GST would crumble does not hold water. Such a reading of the provisions of the Constitution will not diminish the role of the GST Council as a constitutional body formed to arrive at decisions by collaboration and contestation of ideas.

#### 4) Parliamentary Debates & Indian Federalism: Dialogue of Cooperative Federalism

It is wrongly interpreted this decision by some of the authors, broadcasters and esteemed lawyers that GST council will have supremacy over state and central. The question was raised w.r.t. binding effect of recommendations of GST Council for making the rule and therefore, issue of supremacy of parliamentary / legislative over GST Council is well-dealt in this decision by Hon Supreme Court giving references of parliamentary debates, recommendation of standing committee, recommendation of select committee, reply by Hon Finance Minister Late Arun Jaitley and reference to Constitutional Amendment Bills. Some of the paras are very relevant and reproduced below:

“The Constitution confers autonomy on the Parliament and the State Legislatures to legislate within the respective fields assigned to them and the fact that a statute enacted by a competent Legislative body can be called into question on grounds of deviations from the recommendations of an essentially executive body, albeit Constitutional, is being construed as undermining the supremacy of the Legislature. Keeping in view the concerns expressed by the States, and the fact that the proposed provision of GST Dispute Settlement Authority will affect the fiscal autonomy of the Parliament and the State Legislatures, the proposed Article 279B providing for GST Dispute Settlement Authority may be omitted. However, any dispensation involving multiple partners does require a mechanism to resolve disputes. A provision can be made in Article 279A itself empowering the GST Council to decide about the mechanism to resolve the disputes arising out of its recommendations.

Once you get into the GST pipeline, the States and the Centre will have to interact together; and once they interact together, the State of Tamil Nadu will be involved in determining and taking decisions relating to the States. So, none of us is going to be surrendering his or her authority or autonomy. We are both going to be pooling our sovereignty together so that we are able to create a new taxation mechanism.

Article 246A vests Parliament and the State Legislatures with a unique, simultaneous law-making power on GST. It is in this context that the role of the GST Council gains significance. The recommendations of the GST Council are not based on a unanimous decision but on a three-fourth majority of the members present and voting, where the Union’s vote counts as one-third, while the States’ votes have a weightage of two-thirds of the total votes cast. There are two significant attributions of the voting system in the GST

Council. First, the GST Council has an unequal voting structure, where the States collectively have a two-third voting share and the Union has a one-third voting share; and second, since India has a multi-party system, it is possible that the party in power at the Centre may or may not be in power in various States. Therefore, the GST Council is not only an avenue for the exercise of cooperative federalism but also for political contestation across party lines. Thus, the discussions in the GST Council impact both federalism and democracy. The constitutional design of the Constitution Amendment Act 2016 is sui generis since it introduces unique features of federalism. Article 246A treats the Centre and States as equal units by conferring a simultaneous power of enacting law on GST. Article 279A in constituting the GST Council envisions that neither the Centre nor the States can act independent of the other.”

Even Hon Supreme Court have dealt with different meaning of recommendations and thereafter, it has been held all the recommendations of GST Council will not have binding effect on State or Central Govt. However, both the govt have simultaneous power to make the provisions in law or enactment. Therefore, the foundation of existing GST structure has been made more stronger by this judgement, which will be appreciated from the various paragraphs of this order, when dealing with Parliamentary Debates & Indian Federalism: Dialogue of Cooperative Federalism, Dispute Resolution, Recommendation etc. etc.

### 5) Role of the GST Council:

GST Council is the constitutional authority having Chairman as Union Finance Minister and members consisting of Finance Ministers of all the States and Union Territories. Role of GST Council has been well clarified as follows :

- a. Taxes, Cesses & Surcharges levied by Union, State, Local Bodies to be subsumed in the GST
- b. Goods and services that may be taxable or exempted
- c. Model GST Laws, principles of levy, apportionment of IGST and the principles that govern the place of supply
- d. Threshold limit of turnover for exemption
- e. Rates including floor rates with bands of GST
- f. Special rate(s) for a specified period, to raise additional resources during any natural calamity or disaster
- g. Special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur; Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
- h. Any other matter relating to the goods and services tax, as the Council may decide.

Voting Pattern has also been well designed so that there will be no supremacy either of States on Central or Central on States. Therefore, 1/3rd voting right has been given to the Central Govt and 2/3rd voting right

has been given to the State Govt. Resolution needs to be passed unanimously or min 3/4th majority on any recommendations given by GST Council. Further, in terms of CGST Act 2017 there are specific provisions in the CGST Act & SGST Act w.r.t. Administration, Levy & Collection, Exemption, Scope of Supply, Valuation of Supply, Registration, Returns, Input Tax Credit, Apportionment formula of IGST between Central & State and other provisions of GST as stipulated in Section 4, 5, 6, 17, 22 & 25 of IGST Act 2017 and Sections 6, 7, 9, 11, 15, 22, 23, 24, 25, 31A, 39, 44, 49B, 50, 51, 52, 54, 55, 56, 109, 110, 120, 128, 146, 147, 148, 150, 164, 168A, 172 of CGST Act 2017. No provision under the said sections and rules made thereunder can be made without recommendations of GST council. However, any recommendations other than as specified above will not be binding. It doesn't mean that it affects foundation of GST structure of One Nation, One Tax.

### 6) Statutory Provisions and Scheme of the IGST Act 84:

This judgement has opened the eyes of all the students of GST to appreciate rational and pillars of GST, which are amendments made in The Constitution (One Hundred and First Amendment Act) 2016 read with aforesaid provisions of GST Act (CGST & IGST Act 2017).

The Pillars of GST can be elaborated as follows:

- Taxable event : There shall be levied a tax called integrated goods and services tax on all inter-State supplies of goods or services or both except on the supply of alcoholic liquor for human consumption.
- Taxable value : On the value determined under Section 15 of the CGST Act
- Taxable rate : At such rates not exceeding 40% as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed
- Taxable person : Shall be paid by the taxable person Hon Supreme Court have dealt in detail on “reverse charge” as well as recipient.

### C. Impact on Trade and Industry on reverse charge mechanism on account of ocean freight:

Let's understand what recipient means -

Section 2(93) of the CGST Act defines the ‘recipient’ of supply of goods or services or both and provides:

(93) “recipient” of supply of goods or services or both, means—

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
- (c) where no consideration is payable for the supply of a

service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied;”

Thus, the language employed in Section 2(93)(a) of the CGST Act clearly stipulates that when a consideration is payable for the supply of services, the recipient would mean the person who is liable to pay that consideration. However, when no consideration is payable for the supply of a service, Section 2(93)(c) states that the recipient shall be the person to whom the service is rendered. Further, Section 2(93) provides that “any reference to a person to whom supply is made shall be construed as a reference to the recipient”. Hence, where the statute refers to a person to whom a supply is made, it has to be construed as a reference to the recipient of service.

While referring to the definition of “Consideration” as well as provisions of Section 16, consideration can be paid / received on behalf of any person to the supplier. In the present case, even though import in CIF contract is made by the exporter to foreign shipping line, importer pays the consideration, which is built up in the valuation of goods in terms of provisions of Customs Act also.

Section 13(9) of the IGST Act appears to create a deeming fiction, where in case of supply of services of transportation of goods by a supplier located outside India, the place of supply would be the place of destination of such goods. The supplier, the foreign shipping line, in this case would be a non-taxable person. However, its services in a CIF contract for transport of goods would enter Indian taxable territory as the destination of such goods. The place of supply of shipping service by a foreign shipping line, would thus be India.

Hon Supreme Court also arrives to the conclusion based on the Act that place of supply of transportation of goods by ocean when imported is the final destination of the goods i.e. India and the beneficiary of such import is the importer and therefore, importer can be notified as person liable to pay the tax under reverse charge as recipient. Interpreting the term “by the recipient” vis-à-vis the categories of goods and services identified in Section 5(3) of the IGST Act should necessarily be governed by the principles governing the definition of “recipient” under Section 2(93) of the CGST Act.

In such a scenario, when the place of supply of services is deemed to be the destination of goods under Section 13(9) of the IGST Act, the supply of services would necessarily be “made” to the Indian importer, who would then be considered as a “recipient” under the definition of Section 2(93)(c) of the CGST Act. The supply can thus be construed as being “made” to the Indian importer who becomes the recipient under Section 2(93)(c) of the CGST Act.

Hon Supreme Court also clarified on the argument that

in terms of Section 9 (3) of CGST Act 2017, Govt can specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both and in terms of Section 9(4) of CGST act 2017, Govt can specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

It is settled law that non-reference of the source of power may not vitiate its exercise and application in given facts and circumstances of a case. In *Union of India v. Tulsi Ram Patel* [1985 3 SCC 398], a Constitution Bench held that when a source of power legally exists, a non-reference or an incorrect reference during its exercise does not vitiate the action.

Therefore, it has been held that as long as a source of power to legislate or issue a notification is available, the lack of a mention, an incorrect reference or mistake does not vitiate the exercise of such power.

However, Hon Supreme Court while accepting the powers of issuing notifications for notifying transportation of goods by ocean as category of service and recipient was required to pay the reverse charge and importer is notified as recipient in the aforesaid impugned notifications as stated above. However, Supreme Court emphasis in case of contract of importation of goods on CIF basis is in the nature of composite supply and principal supply is the goods and hence importer imports the goods on CIF basis and pay the custom duty on importation on the value which includes freight and insurance and therefore, it is the composite supply and therefore, no GST is payable on reverse charge basis when goods are imported on CIF basis.

Following points needs to be considered as aftermath of this decision on account of applicability of GST on reverse charge basis on transportation of goods by way of through sea or ocean.

- 1) Those taxpayers, who has discharged the GST liability even if goods are imported on CIF basis and availed the ITC thereon need not to bother much, since such persons are recipient of such service and hence no ITC will be disallowed. There may be possibility that department will take the stand seeking the reversal of ITC availed, since service has not been availed on composite supply of imported goods, when imported on CIF basis considering tax paid is “deposit”. In such case, there will be necessity to apply for the refund of such amount deposited in terms of Article 265 of Constitution of India, but interest will be required to be paid on the ITC availed and reversed subsequently.

- 2) Those taxpayers, who have paid the GST on reverse charge basis on ocean freight when goods are imported on CIF basis and they are supplying exempted goods and non-taxable goods, they are advised to file refund claim of such amount paid within the period of limitation subject to fulfilment of condition of unjust enrichment.
- 3) Henceforth, no GST is payable on reverse charge basis, when goods are imported on CIF, C&F or door delivery basis, but in other cases like Ex-Works, FAS, C&I, FOB etc in such case, GST is required to be paid on reverse charge basis.
- 4) There is a need to issue the clarificatory circular for field formation as well as trade and industries on following transactions
- a. When goods are imported and sold on High Sea Sale basis:  
In this case, in terms of definition of importer as per Section 2 (26) of Customs Act 1962 :  
(26) “importer”, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes 22 [any owner, beneficial owner] or any person holding himself out to be the importer.  
And in such case, department may demand GST on reverse charge basis, if such imports are not on CIF basis. It is advisable, while drafting the High Sea Sale Agreement, there should be separate clause to mention on the terms of pricing as far as ocean freight, who is liable to pay and GST thereon, otherwise there is a possibility to collect the tax from the person who has availed the services from freight forwarder outside territory of India as well as importer on high sea sale basis.
- b. When goods are imported and kept in warehouse

and thereafter supplied to another person from warehouse itself:

As stated above, the definition of “importer” who is filing the bill of entry for home consumption and in this scenario also the purchaser will be filing the bill of entry when goods are purchased from warehouse. In this scenario also, importer may be liable to pay GST on reverse charge basis if there is no clarity on the terms of purchase. It will be interesting to appreciate following definitions:

#### Notification No. 10 of IGST Rate

Sr	Category of Supply of Services:	Supplier of service	Recipient of Service
10	Services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.	A person located in non-taxable territory	Importer, as defined in clause (26) of section 2 of the Customs Act, 1962(52 of 1962), located in the taxable territory

In the aforesaid case, category of service is transportation of goods by a vessel from a place outside India up to the customs station of clearance in India. However, “Custom Station” means any customs port, customs airport, international courier terminal, foreign post office or land customs station; whereas “Warehouse” means a public warehouse licensed under section 57 or a private warehouse licensed under Section 58 or a special warehouse licensed under section 58A and therefore, it is very important to draft agreement properly w.r.t. the terms of payment of ocean freight and applicability of GST thereof. In such scenario, it is preferable to mention CIF on the Bill of Entries to avoid any disputes in future. ■

## Advanced to Fellow Membership (WIRC) June 2022

SR NO	MEMBERNO	NAME	CITY
1	33377	Kedar Bhanu Joshi	KOLHAPUR
2	38698	Rajnish Mansukhlal Tarpara	AHMEDABAD
3	39848	Mayur Subhash Nikam	NASIK
4	42114	Jignesh Shamajibhai Tarbundiya	MORBI
5	42171	Sudeep Kumar Sinha	THANE
6	42389	Dheerendra Kumar Gupta	JABALPUR



**STUDENTS CORNER****How To Crack An Interview****- Anjali Deshmukh***Final - 23rd Rank  
Indian Oil Corporation Ltd.*

Cracking interview always seems difficult until its done. But getting a job becomes an easy process once you know how to crack the interview.

On the basis of my interview experience I found out 2 important keys for successful interviews, which are preparation and confidence. And confidence comes only if you're well prepared. So here are some key points which help you preparing your interview:

**Before the interview:**

- **Research about company:** Before appearing for any interview you should have basic knowledge about the company like what company do, places where it operates, name of top management officials, its current or upcoming projects etc.

If you don't know about the company then it can be assumed that you are not interested in that company or you're not well prepared.

- **Subject Knowledge:** It is very obvious that interviewee should have good subject knowledge. It is not possible to go through 100 percent of the subject but there is always some basic concepts & the concepts which are practically applied in the organisation which you can go through.

Most of the times scenario based questions are asked, so you have to listen carefully & think which concept can be applied to or what can be done in that scenario.

- **Preparation of resume:** It is the most important feature of an interview. Resume is your introduction before the interview. So it is important to select a simple & clear resume format. Fabricating resume is the most common mistake people do, consequently not able to explain their own resume which creates a very bad impression in front of interviewers.

So be honest while making your resume so that you'll be able to explain whatever written on your resume rather than just reading it out.

- **Review job description:** It becomes easy to prepare if you know your domain of work & what the company is looking for in candidates, so interviewee should go through the job description and should know the roles & responsibilities which are going to be assigned. You should match your strength and capabilities with those required in the job description.
- **Dressing:** As you walk in through the door, first impression is created by your dressing and since first impression is the last impression, professional dressing

is necessary. It doesn't means only clothing but from top to bottom, so groom yourself well.

**During the interview:**

- **Confidence:** Confidence matters a lot in interview because at the end your preparation will work only if you're confident during the interview.

There is always some nervousness at the beginning of the interview but it can be removed in few minutes. It depends on how you start the conversation & give answers at the beginning. If your starting few minutes goes well, your confidence will automatically boost up & you become more comfortable with interviewers with no more nervousness.

- **Mind the body language:** Non verbal communication during an interview is equally important as verbal communication. Your facial expression, body posture, behaviour, everything is noticed.

So walk straight, greet them with smile, sit straight, make an eye contact with interviewer and answer politely. Your body language should reflect a positive attitude.

- **Listen & think carefully:** Do not distract yourself during interview, just focus on what interviewers are saying, mostly in virtual interviews it is a bit difficult to communicate properly.

And instead of trying to give answer fastly or in a rush, take a few seconds to think about it. Also if you do not know answer it is better to accept it rather than giving wrong answers.

**After the interview:**

- **Analysis & Learn from mistakes:** It is not certain that everything in the interview will go well. Analyze your interview process, try to find your mistakes and improve yourself for another interviews. No matter what happens use it as an experience to grow from.

During interviews you may feel peer pressure but remember do not overestimate your competitors & do not underestimate yourself. Do not panic just be positive and have confidence in yourself.

Many opportunities will come but you just need to be prepared to grab that opportunity. I really enjoyed my interview day because I was well prepared in advance. And with all these tips, I'm sure you too will ace your interviews.

Show your best to the interviewers.

***"Remember Confidence matters"*** ■

# Students Glossary

## Agent

An agent, in legal terminology, is a person who has been legally empowered to act on behalf of another person or an entity. An agent may be employed to represent a client in negotiations and other dealings with third parties. The agent may be given decision-making authority.

## Aggregate Demand

Aggregate demand is a measurement of the total amount of demand for all finished goods and services produced in an economy. Aggregate demand is expressed as the total amount of money exchanged for those goods and services at a specific price level and point in time.

## Aggregate Stop-Loss Insurance

Aggregate stop-loss insurance is a policy designed to limit claim coverage (losses) to a specific amount. This coverage ensures that a catastrophic claim (specific stop-loss) or numerous claims (aggregate stop-loss) do not drain the financial reserves of a self-funded plan. Aggregate stop-loss protects the employer against claims that are higher than expected. If total claims exceed the aggregate limit, the stop-loss insurer covers the claims or reimburses the employer.

## Aggregate Supply

Aggregate supply, also known as total output, is the total supply of goods and services produced within an economy at a given overall price in a given period. It is represented by the aggregate supply curve, which describes the relationship between price levels and the quantity of output that firms are willing to provide. Typically, there is a positive relationship between aggregate supply and the price level.

## Aggregation

Aggregation in the futures markets is a process that combines of all futures positions owned or controlled by a single trader or group of traders into one aggregate position. Aggregation in a financial planning sense, however, is a time-saving accounting method that consolidates an individual's financial data from various institutions.

## Aggressive Investment Strategy

An aggressive investment strategy typically refers to a style of portfolio management that attempts to maximize returns by taking a relatively higher degree of risk. Strategies for achieving higher than average returns typically emphasize capital appreciation as a primary investment objective, rather than income or safety of

principal. Such a strategy would therefore have an asset allocation with a substantial weighting in stocks and possibly little or no allocation to bonds or cash.

## Black Money

Black money includes all funds earned through illegal activity and otherwise legal income that is not recorded for tax purposes. Black money proceeds are usually received in cash from underground economic activity and, as such, are not taxed. Recipients of black money must hide it, spend it only in the underground economy, or attempt to give it the appearance of legitimacy through money laundering.

## Black Box Model

In science, computing, and engineering, a black box is a device, system, or object which produces useful information without revealing any information about its internal workings. The explanations for its conclusions remain opaque or “black.”

## Black Friday (Holiday Shopping)

Black Friday refers to the day after the U.S. Thanksgiving holiday, which has also traditionally been a holiday itself for many employees. It is typically a day full of special shopping deals and big discounts and is considered the beginning of the holiday shopping season.

## Black Market

A black market is an economic activity that takes place outside government-sanctioned channels. Illegal market transactions usually occur “under the table” to let participants avoid government price controls or taxes. The goods and services offered in a black market can be illegal, meaning their purchase and sale are prohibited by law, or they can be legal but transacted to avoid taxes.

## Black Monday

Black Monday occurred on Oct. 19, 1987, when the Dow Jones Industrial Average (DJIA) lost almost 22% in a single day. The event marked the beginning of a global stock market decline, and Black Monday became one of the most notorious days in financial history. By the end of the month, most of the major exchanges had dropped more than 20%.<sup>1</sup>

## Chartered Financial Analyst (CFA)

A chartered financial analyst (CFA) is a globally-recognized professional designation given by the CFA Institute, (formerly the AIMR (Association for Investment Management and Research)), that measures and certifies the competence and integrity of financial

analysts. Candidates are required to pass three levels of exams covering areas, such as accounting, economics, ethics, money management, and security analysis.

### **Chartered Retirement Planning Counselor (CRPC)**

A Chartered Retirement Planning Counselor (CRPC) is someone with a professional financial planning designation awarded by the College for Financial Planning. Individuals may earn the CRPC designation by completing a study program and passing a final multiple-choice examination. Successful applicants earn the right to use the CRPC designation with their names for two years, which can improve job opportunities, professional reputation, and pay. Every two years, CRPC professionals must complete 16 hours of continuing education and pay a small fee to continue using the designation.

### **Cheapest to Deliver (CTD)**

The term cheapest to deliver (CTD) refers to the cheapest security delivered in a futures contract to a long position to satisfy the contract specifications. It is relevant only for contracts that allow a variety of slightly different securities to be delivered. This is common in Treasury bond futures contracts, which typically specify that any treasury bond can be delivered so long as it is within a certain maturity range and has a certain coupon rate. The coupon rate is the rate of interest a bond issuer pays for the entire term of the security.

### **Checks and Balances**

Checks and balances are various procedures set in place to reduce mistakes, prevent improper behavior, or decrease the risk of centralization of power. Checks and balances usually ensure that no one person or department has absolute control over decisions, clearly define the assigned duties, and force cooperation in completing tasks. The term is most commonly used in the context of government but also refers to limiting power in businesses and organizations.

### **Dependency Ratio**

The dependency ratio is a measure of the number of dependents aged zero to 14 and over the age of 65, compared with the total population aged 15 to 64. This demographic indicator gives insight into the number of people of non-working age, compared with the number of those of working age. It is also used to understand the relative economic burden of the workforce and has ramifications for taxation. The dependency ratio is also referred to as the total or youth dependency ratio.

### **Dependent Care Benefits**

Dependent care benefits are provided by an employer to an employee for use in caring for dependents, such as young children or disabled family members. Dependent

care benefits may include flexible spending accounts (FSAs), paid leave, and certain tax credits and can be worth thousands of dollars to eligible participants.

### **Dependent**

A dependent is a person who relies on someone else for financial support and can include children or other relatives. Having a dependent entitles a taxpayer to claim a dependency exemption on their tax return, as long as the dependent meets the qualifying definition according to the Internal Revenue Service (IRS).

### **Depletion**

Depletion is an accrual accounting technique used to allocate the cost of extracting natural resources such as timber, minerals, and oil from the earth. .

### **Deposit**

A deposit is a financial term that means money held at a bank. A deposit is a transaction involving a transfer of money to another party for safekeeping. However, a deposit can refer to a portion of money used as security or collateral for the delivery of a good.

### **Electronic Check**

An electronic check, or e-check, is a form of payment made via the Internet, or another data network, designed to perform the same function as a conventional paper check. Since the check is in an electronic format, it can be processed in fewer steps.

### **Electronic Commerce (Ecommerce)**

The term electronic commerce (ecommerce) refers to a business model that allows companies and individuals to buy and sell goods and services over the Internet. Ecommerce operates in four major market segments and can be conducted over computers, tablets, smartphones, and other smart devices. Nearly every imaginable product and service is available through ecommerce transactions, including books, music, plane tickets, and financial services such as stock investing and online banking. As such, it is considered a very disruptive technology.

### **Electronic Communication Network**

An electronic communication network (ECN) is a computerized system that automatically matches buy and sell orders for securities in the market. ECN trading is especially helpful when investors in different geographic areas wish to complete a secure transaction without the use of a third party.

### **Electronic Data Gathering, Analysis and Retrieval (EDGAR)**

EDGAR—Electronic Data Gathering, Analysis, and Retrieval—is the electronic filing system created by

the Securities and Exchange Commission to increase the efficiency and accessibility of corporate filings. The system is used by all publicly traded companies when submitting required documents to the SEC. Corporate documents are time-sensitive, and the creation of EDGAR has greatly decreased the time it takes for corporate documents to become publicly available.

### **Electronic Federal Tax Payment System (EFTPS)**

The Electronic Federal Tax Payment System (EFTPS) is a service provided by the U.S. Department of the Treasury. The service allows taxpayers to make tax payments either by telephone or online. This system is accessible every day of the week, 24 hours a day.<sup>1</sup>

### **Federal Open Market Committee (FOMC)**

The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy specifically by directing open market operations (OMOs). The committee is made up of 12 members: the seven members of the Board of Governors; the president of the Federal Reserve Bank of New York; and four of the remaining 11 Reserve Bank presidents on a rotating basis.

### **Federal Reserve System**

The Federal Reserve System (FRS), often called simply the Fed, is the central bank of the United States and arguably the most powerful financial institution in the world. It was founded to provide the country with a safe, flexible, and stable monetary and financial system.

### **Federal Reserve Board (FRB)**

The Board of Governors of the Federal Reserve System, also known as the Federal Reserve Board (FRB), is the governing body of the Federal Reserve System. The FRB was established by the Banking Act of 1935.<sup>1</sup> The members are statutorily tasked with giving a “fair representation of the financial, agricultural, industrial, and commercial interests and geographical divisions of the country.”

### **Federal Trade Commission (FTC)**

The Federal Trade Commission (FTC) is an independent agency of the U.S. government tasked with protecting consumers and ensuring a strong competitive market. Lina Khan is the current Chair of the Federal Trade Commission (FTC).

### **Federal Unemployment Tax Act (FUTA)**

The Federal Unemployment Tax Act (FUTA) is a piece of legislation that imposes a payroll tax on any business with employees. The revenue it generates is allocated to state unemployment insurance agencies and used to fund unemployment benefits for people who are out of work.

### **Generally Accepted Accounting Principles (GAAP)**

Generally accepted accounting principles (GAAP) refer to a common set of accounting principles, standards, and procedures issued by the Financial Accounting Standards Board (FASB). Public companies in the U.S. must follow GAAP when their accountants compile their financial statements.

### **Generally Accepted Auditing Standards (GAAS)**

Generally accepted auditing standards (GAAS) are a set of systematic guidelines used by auditors when conducting audits on companies’ financial records. GAAS helps to ensure the accuracy, consistency, and verifiability of auditors’ actions and reports. The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) created GAAS.

### **Generally Accepted Principles And Practices (GAPP)**

The generally accepted principles and practices (GAPP), which are also known as the Santiago principles, are standardized business procedures related to the operation of sovereign wealth funds (SWFs), which have agreed to pursue financial rather than political agendas and maintain a stable global financial system.

### **Generation Gap**

A generation gap refers to the chasm that separates the beliefs and behaviors belonging to members of two different generations. More specifically, a generation gap can be used to describe the differences in thoughts, actions, and tastes exhibited by members of younger generations versus older ones.

### **Generation-Skipping Transfer Tax (GSTT)**

The generation-skipping transfer tax is a federal tax that results when there is a transfer of property by gift or inheritance to a beneficiary who is at least 37½ years younger than the donor. Generation-skipping transfer taxes serve the purpose of ensuring that taxes are paid when assets are placed in a trust and the beneficiary receives amounts in excess of the generation-skipping estate tax credit.

### **Hardship Withdrawal**

A hardship withdrawal is an emergency removal of funds from a retirement plan, sought in response to what the IRS terms “an immediate and heavy financial need.” This type of special distribution may be allowed without penalty from such plans as a traditional IRA or a 401k, provided the withdrawal meets certain criteria regarding the need for the funds and their amount.

### **Harmless Warrant**

The term harmless warrant refers to a provision that requires bondholders to surrender an existing bond if

they want to purchase the same type of bond from the issuer. Put simply, bond issuers put harmless warrants on their bonds, requiring investors to swap their existing bond if they want to purchase another one with similar features from the same issuer. Harmless warrants are a safety net for bond issuers as they help keep their debt levels in check.

### Harmonic Mean

The harmonic mean is a type of numerical average. It is calculated by dividing the number of observations by the reciprocal of each number in the series. Thus, the harmonic mean is the reciprocal of the arithmetic mean of the reciprocals.

### Canada's Harmonized Sales Tax (HST)

Canada's harmonized sales tax (HST) is a consumption tax paid by local consumers and businesses. As the name implies, it "harmonizes" (combines) the nation's federal goods and services tax and various provincial sales taxes. Five Canadian provinces use the HST.

### Harry Markowitz

Harry Markowitz (born 1927) is a Nobel Prize-winning American economist best known for developing Modern Portfolio Theory (MPT), a groundbreaking investment strategy based on his realization that the performance of an individual stock is not as important as the performance and composition of an investor's entire portfolio.

### Ichimoku Cloud Definition and Uses

The Ichimoku Cloud is a collection of technical indicators that show support and resistance levels, as well as momentum and trend direction. It does this by taking multiple averages and plotting them on a chart. It also uses these figures to compute a "cloud" that attempts to forecast where the price may find support or resistance in the future.

### Iceberg Order

What is an Iceberg Order

Iceberg orders are large single orders that have been divided into smaller limit orders, usually through the use of an automated program, for the purpose of hiding the actual order quantity. The term "iceberg" comes from the fact that the visible lots are just the "tip of the iceberg" given the greater number of limit orders ready to be placed. They are also sometimes referred to as reserve orders.

### Ichimoku Kinko Hyo

The Ichimoku Kinko Hyo, or Ichimoku for short, is a technical indicator that is used to gauge momentum along with future areas of support and resistance. The all-in-one technical indicator is comprised of five lines called the tenkan-sen, kijun-sen, senkou span A, senkou span B and chikou span.

### ICON

ICON is a platform that is intended to facilitate the interactions of independent blockchains, also referred to as communities. Within the ICON platform, a community is defined as a network of nodes that follow a single governance system. (A node is a computer that connects to a cryptocurrency network.)

### Ideation

Ideation refers to the process of developing and conveying prescriptive ideas to others, typically in a business setting. It describes the sequence of thoughts, from the original concept to implementation. Ideations can spring forth from past or present knowledge, external influences, opinions, convictions, or principles. Ideation can be expressed in graphical, written, or verbal terms.

### Identifiable Asset

An identifiable asset is an asset whose commercial or fair value can be measured at a given point in time, and which is expected to provide a future benefit to the company. These assets are an important consideration in the context of mergers and acquisitions.

### Identity Theft

Identity theft is the crime of obtaining the personal or financial information of another person to use their identity to commit fraud, such as making unauthorized transactions or purchases. Identity theft is committed in many different ways and its victims are typically left with damage to their credit, finances, and reputation.

### Idiosyncratic Risk

Idiosyncratic risk is a type of investment risk that is endemic to an individual asset (like a particular company's stock), a group of assets (like a particular sector), or in some cases a very specific asset class (like collateralized mortgage obligations). Idiosyncratic risk is also referred to as a specific risk or unsystematic risk. □



# What's New

## GST

- No interest is payable on delay in filing GSTR-8 for Electronic Commerce Operators who paid taxes within due date but failed to file return due to technical glitches. [**Notification No. 08/2022 – Central Tax dated 07.06.2022**]
- GST Compensation Cess levy extended till 31st March 2026 which was coming to an end on 30th June 2022. [**Notification No. 1/2022–Compensation Cess dated 24.06. 2022**]
- A module has been developed and tested in order to revoke cancelled GSTIN beyond 90 days. With the help of this module revocation after Appeal / Court Orders, GST Officers can revoke cancelled GSTINs of the Tax payers who have not applied for Revocation beyond 90 days and preferred the appeal [**Circular GST No. 01/2022-23 dated 02.06.2022**]
- Instructions are issued for manual processing of declarations filed by the co-noticees under Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 for early disposal of cases, where the concerned designated committees are unable to issue Form SVLDRS-4 due to technical glitches in otherwise eligible cases [**Instruction No.F.No.267/55/2020-CX.8/Pt-I dated 30.05.2022**]
- CBIC instructs GST officials to upload speaking order along with GST Refund sanction order in FORM GST RFD-06 and also specified that Post-Audit may be conducted within 3 months from issue of FORM GST RFD-06 order for GST Refund claims exceeding Rs. 1 Lakh. [**Instruction No. 03/2022-GST dt. 14.06. 2022**]
- In GSTR-1 table 12 for reporting of HSN wise summary, GST rate 6% category will be added shortly by GSTN till the time taxpayers are advised to report said transaction in GST rate 5% category. [**Press Release No. 543 dated 01.06.2022**]
- Following improvements made in MIS Reports of e-way bill at e-way bill portal.
  - 1) For the report on e-way bills about to expire, a download Excel option is provided.
  - 2) In the Outward Supplies report an additional column for mode of generation is provided. [**Release Notes: 01.06.2021**]
- Government of Karnataka has issued the Procedure for claiming reimbursement of SGST on Cinematographic shows of Cinema titled 77 Charlie. [**Government Order No. FD 41 CSL 2022, Bengaluru dated 18.06.2022**]

## GST Council Decision:

### 47th Meeting of GST Council held on 28th & 29th June 2022:

- GST Rates on printing inks, water pumps, LED Lamps, Writing instruments, Solar Water Heater and system etc has been increased to address the issue of Inverted Duty structure.
- Works contract for roads, bridges, railways, metro etc and other specified works contract, the GST Rate has been enhanced to address the issue of inverted duty structure.
- GST exemption set to be withdrawn on any prepacked and prelabelled specified food items, grains, Cheques, loose or in book form, Maps etc.
- GST exemption will be withdrawn on services like :
  - Air travel in Business Class from NE states / Bagdogra.
  - Storage or warehousing of commodities which attract tax (nuts, spices, copra, jaggery, cotton etc.)
  - Services by RBI, IRDA, SEBI, FSSAI, GSTN
  - Renting of residential dwelling to business entities (registered persons)
  - Hotel accommodation priced upto Rs.1000/day
  - Room rent (excluding ICU) exceeding Rs. 5,000 perday per patient charged by A hospital shall be taxed to the extent of amount charged for the room
- Other specified services.
- Scientific and technical instruments supplied to public funded research institutes will be taxed at applicable GST rates instead of existing GST @ 5%.
- GST Council has given in principal approval for, o No mandatory GST registration for sale through E-Commerce operator in case all supplies are intra-state and turnover within the exemption limit.
- Composition taxpayer now can sell goods through E-Commerce operators subject to condition that supplies are intra-state.
- Formula for refund of inverted duty structure under Rule 89 (5) to be revised in order to allow refund of input services as well.
- Mechanism will be provided on GST portal in specified format in order to allow re-credit of erroneous refund granted under Rule 96 (10) i.e. refund of GST paid on export of goods. This is welcome step to allow direct re-credit in electronic credit ledger and will help the exporter to correct the error made by them.

- Rules will be framed to bring clarity about the calculation of interest payable on account ITC wrongly utilised.
- Present exemption of IGST on imports by EOUs, imports under Advance Authorisation and EPCG to be continued further.
- No need for reversal of ITC on account of tax-free sale of MEIS / SEIS by exporter. Accordingly, Rule 43 to be amended.
- New form of GSTR-3B to be placed in public domain for comments.
- It is proposed to extend the time limit for issuance of

demand under Section 73 for the period 2017-18 upto 30th September 2023. In other words, the demands for the period 2017-18 can be issued up to 30th September 2023.

- Taxpayer having aggregate annual turnover upto Rs 2 Cr will be continued to be exempted from filing GSTR-9/9A.

#### Detailed note and impact of GST council decisions taken in its 47th meeting

- Tax rate rationalisation method and to avoid inverted duty structure GST rate on following goods & services has been enhanced.

S.No.	Description	From	To	Remarks
<b>GOODS</b>				
1.	Printing, writing or drawing ink	12%	18%	
2.	Knives with cutting blades, Paperknives, Pencil sharpeners and blades thereof, Spoons, forks, ladles, skimmers, cake-servers etc.	12%	18%	
3.	Power driven pumps primarily designed for handling water such as centrifugal pumps, deep tube-well turbine pumps, submersible pumps; Bicycle pumps	12%	18%	Though this is good move to address the issue at manufacturer level but the stock lying at retailer who sells it to consumer / farmers will be costlier.
4.	Machines for cleaning, sorting or grading, seed, grain pulses; Machinery used in milling industry or for the working of cereals etc; Pawan Chakki that is Air Based Atta Chakki; Wetgrinder;	5%	18%	
5.	Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce and its parts, Milking machines and dairy machinery	12%	18%	
6.	LED Lamps, lights and fixture, their metal printed circuits board;	12%	18%	Though this is good move to address the issue at manufacturer level but the stock lying at retailer who sells it to consumer will be costlier.
7.	Drawing and marking out instruments	12%	18%	
8.	Solar Water Heater and system;	5%	12%	Though this is good move to address the issue at manufacturer level but the stock lying at retailer who sells it to consumer will be costlier.
9.	Prepared/finished leather/chamois leather / composition leathers;	5%	12%	
10.	Refund of accumulated ITC not to be allowed on following goods: (i) Edibleoils (ii) Coal			

S.No.	Description	From	To	Remarks
<b>SERVICES</b>				
11.	Services supplied by foreman to chit fund	12%	18%	
12.	Job work in relation to processing of hides, skins and leather	5%	12%	
13.	Job-work in relation to manufacture of leather goods and footwear	5%	12%	
14.	Job-work in relation to manufacture of claybricks	5%	12%	

15.	Works contract for roads, bridges, railways, metro, effluent treatment plant, crematorium etc.	12%	18%	The contractors need to work out impact of the increased tax rate on ongoing contract and need to claim the same from their customers.
16.	Works contract supplied to central and state governments, local authorities for historical monuments, canals, dams, pipelines, plants for water supply, educational institutions, hospitals etc. & subcontractor thereof	12%	18%	The contractors need to work out impact of the increased tax rate on ongoing contract and need to claim the same from their customers.
17.	Works contract supplied to central and state governments, union territories & local authorities involving predominantly earthwork and subcontracts thereof	5%	12%	The contractors need to work out impact of the increased tax rate on ongoing contract and need to claim the same from their customers.

### GST Exemption for below goods and services will be withdrawn,

- GST exemption set to be withdrawn on any prepacked and prelabelled specified food items, grains etc. This proposed to avoid issue of branded (registered or otherwise) while deciding the taxability. In other words, food grains which are packed and labelled which with registered brand or otherwise will be subjected to GST.
- Other changes in exemption or tax rates

Sr. No.	Description of goods	Current Rate	New Rate after Notification	Remarks
1	Cheques, loose or in book form	Nil	18%	Exemption is withdrawn to promote electronic transfers
2	Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, Topographical plans and globes, printed	Nil	12%	
3	Parts of goods falling under HSN 8801 (Balloons And Dirigibles, Gliders, Hand Gliders And Other Non-Powered Aircraft)	Nil	18%	Exemption is withdrawn to maintain Level playing field
4	Petroleum / Coal bed methane	Nil	12%	Exemption is withdrawn to maintain Level playing field
5	Scientific and technical instruments supplied to public funded research institutes	5%	Applicable rate	Concessional rate to DSIR registered units is available now. This will impact majorly pharma & chemical industry.
6	E-waste	5%	18%	
7	Exemption on transport of passengers by air to and from North East states & Bagdogra is being restricted to economy class only.	Nil	12%	Exemption for business class travel is withdrawn to rationalise the tax
8	Transportation by rail or a vessel of rail way equipment and material	Nil	5%	Exemption is withdrawn to rationalise the tax
9	storage or warehousing of commodities which attract tax (nuts, spices, copra, jaggery, cotton etc.)	Nil	18%	Exemption is withdrawn to rationalise the tax
10	Fumigation in a warehouse of agricultural produce	Nil	18%	
11	Services by RBI, IRDA, SEBI, FSSAI, GSTN	Nil	18%	
12	Renting of residential dwelling to business entities (registered persons)	Nil	18%	Residential premises taken for employee / as guest house is being taxable now.
13	Services provided by the cord blood banks by way of preservation of stem cells	Nil	18%	
14	Like CETPs, common bio-medical waste treatment facilities for treatment or Disposal of biomedical waste	Nil	12%	ETP services are taxed so as to allow them ITC



15	Hotel accommodation priced upto Rs.1000/day	Nil	12%	
16	Room rent (excluding ICU) exceeding Rs5000 perday per patient charged by A hospital shall be taxed to the extent of amount charged for the room	Nil	5% Without ITC	It would be interesting see the wording of notification to see whether the tax will be levied on amount in excess of Rs 5000/- or full value.
17	Tax exemption on training or coaching in recreational activities relating to Arts or culture, or sports is being restricted to such services when supplied by an individual	Nil	18%	Exemption is withdrawn training, coaching services provided by Company, firm, Association

- GST Council has given in principal approval for, No mandatory GST registration for sale through E-Commerce operator in case all supplies are intra-state and turnover within the exemption limit.

- Composition taxpayer now can sell goods through E-Commerce operators subject to condition that supplies are intra-state.

The details rules and regulation for implementation of these will be released in due course. This is welcome step for sellers though E-commerce and encourage small suppliers to sell their products through E-commerce without taking hassles of GST compliances.

- Formula for refund of inverted duty structure under Rule 89 (5) to be revised in order to allow refund of input services as well.
- Mechanism will be provided on GST portal in specified format in order to allow re-credit of erroneous refund granted under Rule 96 (10) i.e. refund of GST paid on export of goods. This is welcome step to allow direct re-credit in electronic credit ledger and will help the exporter to correct the error made by them.
- Rules will be framed to bring clarity about the calculation of interest payable on account ITC wrongly utilised.
- Present exemption of IGST on imports by EOUs, imports under Advance Authorisation and EPCG to be continued further.
- Taxpayer having aggregate annual turnover upto Rs 2 Cr will be continued to be exempted from filing GSTR-9/9A.
- No need for reversal of ITC w.r.t capital goods on account

of tax-free sale of MEIS / SEIS by exporter. Accordingly, Rule 43 to be amended.

### Changes proposed in GST Compliances:

- New form of GSTR-3B to be placed in public domain for comments.
- It is once again clarified that time period of 01.03.2020 to 28.02.2022 to be excluded from calculation of the limitation period for filing refund claim by an applicant under section 54 and 55 of CGST Act, as well as for issuance of demand / order (by proper officer) in respect of erroneous refunds under section 73 of CGST Act. In spite of earlier clarification in the department circulars for exclusion of above time limit as per Hon'ble Supreme Court decisions, the departmental officers were rejecting the claims on account of delay in filing the refund claims considering the COVID lockdown restriction period.
- It is proposed to extend the time limit for issuance of demand under Section 73 for the period 2017-18 upto 30th September 2023. In other words, the demands for the period 2017-18 can be issued up to 30th September 2023.

### Customs:

- Central Government after considering the recommendation of the designated authority, orders that, all imports of the Saccharin from Thailand into India shall be subjected to provisional assessment. [Notification No.3/2022-Customs (CVD) dated 02.06.2022]
- Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver effective from 01.06.2022.

TABLE-1

Sl.No.	Chapter/ heading/ sub-heading/ tariff item	Description of goods	Tariff value (US \$Per Metric Tonne)
[1]	[2]	[3]	[4]
1	1511 10 00	Crude Palm Oil	1401
2	1511 90 10	RBD Palm Oil	1482
3	1511 90 90	Others – Palm Oil	1442
4	1511 10 00	Crude Palmolein	1545
5	1511 90 20	RBD Palmolein	1548
6	1511 90 90	Others – Palmolein	1547

7	1507 10 00	Crude Soya bean Oil	1572
8	7404 00 22	Brass Scrap (all grades)	5329

TABLE-2

Sl.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US \$)
[1]	[2]	[3]	[4]
1.	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	597 per 10 grams
2.	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	721 per kilogram
3.	71	(i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92; (ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage. Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver.	721 per kilogram
4.	71	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units; (ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage. Explanation. - For the purposes of this entry, "gold findings" means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place.	597 per 10 grams

TABLE-3

Sl.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value(US \$)
[1]	[2]	[3]	[4]
1	80280	Areca nuts	5477(i.e., no change)

*[Notification No.46/2022-Customs (N.T.) dated 31.05.2022]*

- Payment of Customs Duty, Interest, Penalty etc. is not mandatory to be paid through electronic cash ledger effective from the 1st June, 2022 up to the 29th of November 2022. *[Notification No.47/2022-Customs (N.T.) dated 31.05.2022]*
- The CBIC has determined the rate of exchange for import and export of goods effective from 17.06.2022

**SCHEDULE-I**

Sl.No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees	
		(3)	
		(a)	(b)
(1)	(2)	(For Imported Goods)	(For Export Goods)
1	Australian Dollar	56.05	53.70
2	Bahraini Dinar	213.75	200.80
3	Canadian Dollar	61.70	59.60
4	Chinese Yuan	11.85	11.50
5	Danish Kroner	11.15	10.80
6	EURO	83.10	80.10
7	Hong Kong Dollar	10.15	9.75
8	Kuwaiti Dinar	262.35	246.45
9	New Zealand Dollar	50.50	48.20
10	Norwegian Kroner	8.00	7.75
11	Pound Sterling	96.70	93.35
12	Qatari Riyal	22.00	20.60
13	Saudi Arabian Riyal	21.50	20.20
14	Singapore Dollar	57.20	55.35
15	South African Rand	5.10	4.80
16	Swedish Kroner	7.80	7.55
17	Swiss Franc	79.95	77.00
18	Turkish Lira	4.65	4.40
19	UAE Dirham	21.95	20.60
20	US Dollar	78.95	77.25

**SCHEDULE-II**

Sl.No.	Foreign Currency	Rate of exchange of 100 units of foreign currency equivalent to Indian rupees	
		(3)	
		(a)	(b)
(1)	(2)	(For Imported Goods)	(For Export Goods)
1	Japanese Yen	59.10	57.15
2	Korean Won	6.30	5.90

*[Notification No. 51/2022-Custom (N.T.) dated 16.06.2022]*

- Updated Tariff value for specified goods:

**TABLE-1**

Sl.No.	Chapter/ heading/sub-heading/ tariff item	Description of goods	Tariff value (US \$Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	1401
2	1511 90 10	RBD Palm Oil	1482
3	1511 90 90	Others – Palm Oil	1442
4	1511 10 00	Crude Palmolein	1545
5	1511 90 20	RBD Palmolein	1548
6	1511 90 90	Others – Palmolein	1547
7	1507 10 00	Crude Soya bean Oil	1572
8	7404 00 22	Brass Scrap (all grades)	5329

**TABLE-2**

Sl.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US \$)
(1)	(2)	(3)	(4)
1.	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	585 per 10 grams
2.	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	686 per kilogram
3	71	(i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92; (ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage. Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver.	686 per kilogram
4	71	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units; (ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage. Explanation - For the purposes of this entry, "gold findings" means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place.	585 per 10 grams

**TABLE-3**

Sl.No.	[Notification No. 55/2022-Customs (NT) dated 30.06.2022].	Description of goods	Tariff value (US \$Per Metric Tonne)
(1)	(2)	(3)	(4)
1	080280	Areca Nuts	7065

[Notification No. 55/2022-Customs (NT) dated 30.06.2022].

- CBIC has made regulations to further amend the Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010. **[Notification No. 57/2022-Customs (NT) dated 30.06.2022]**.
  - Anti-dumping duty on import of Styrene Butadiene Rubber (1500 series and 1700 Series falling under sub-heading 4002 19 which is originating in or exported from European Union, Korea RP or Thailand has extended up to 31.10.2022 **[Notification No. 17/2022-Customs (ADD) dated 30.05.2022]**
  - Anti-dumping duty on import of “Jute products” namely, Jute Yarn/Twine (multiple folded/cabled and single), Hessian fabric, and Jute sacking bags falling under Tariff Headings 5307, 5310, 5607 or 6305, originating in or exported from Bangladesh and Nepal has extended up to 30.11.2022 **[Notification No. 18/2022-Customs (ADD) dated 31.05.2022]**
  - Anti-dumping duty on imports of Toluene Di-Isocyanate (TDI) falling under Tariff Item 2929 10 20, originating in or exported from China PR, Japan and Korea RP has extended up to 27.09.2022 **[Notification No. 19/2022-Customs (ADD) dated 03.06.2022]**
  - Anti-dumping duty has been revoked on ‘Hydrogen Peroxide’, falling under tariff item 2847 00 00, originating in or exported from Bangladesh, Taiwan, Korea RP, Indonesia, Pakistan and Thailand and imported into India. **[Notification No. 20/2022-Customs (ADD) dated 07.06.2022]**
  - Anti-dumping duty has been extended on pneumatic tyres of specific specifications imported from China PR upto 17th December, 2022. **[Notification No. 21/2022-Custom (ADD) dated 08.06.2022]**
  - Levy anti-dumping duty on Fluoro Backsheet excluding transparent backsheet under tariff headings 3920 and 3921 originating in or exported from China PR for a period of Five years. **[Notification No. 22/2022-Custom (ADD) dated 15.06.2022]**
  - Time period for furnishing the final Mega power project certificate extended from 120 months to 156 months and extended the period of validity of security in the form of Fixed deposit receipt or Bank guarantee from 126 months to 162 months in case of provisional Mega power projects. **[Notification No. 31/2022-Customs dated 07.06.2022]**
  - Imports of Petroleum Crude (2709) and Aviation Turbine Fuel (ATF) (2710) is exempted from whole of the additional duty of Customs leviable thereon under sub-section (1) of section 3 of the said Customs Tariff Act, as is equivalent to the Special Additional Excise Duty. **[Notification No. 32/2022-Customs dated. 30.06.2022]**
  - BCD rate on import of Gold is increased. **[Notification No. 33/2022-Customs dtd. 30.06.2022]**
  - Import of Gold falling under HSN 7108 is exempted from Social Welfare Surcharge. **[Notification No. 34/2022-Customs dtd. 30.06.2022]**
  - Rate applicable under BCD exemption on Gold imported under replenishment scheme is increased to 11.85%. **[Notification No. 35/2022-Customs dtd. 30.06.2022]**
  - BCD rate on Gold imported under TRQ of India-UAE CEPA has been increased. **[Notification No. 36/2022-Customs dtd. 30.06.2022]**
  - Goods imported under Advance Authorization /EPCG / EOU Schemes will continue to have exemption from Integrated Tax and Compensation Cess without specifying any time limit. **[Notification No. 37/2022-Customs dtd. 30.06.2022]**
  - Simplified regulatory framework for e commerce exports of jewellery through courier mode has been defined. It includes e-commerce business need, re-import process for returns of jewellery. SOP is made as follows:
    1. Electronic declaration on ECCS and uploading of documents
    2. Producing the goods at the ICT for exports
    3. Customs Assessment and examination
    4. Clearance for export
    5. Procedure for re-import of Jewellery items
    6. Provision of infrastructure at ICT for secure handling and movement
    7. Provision of enabling environment by Customs Field formalities**[Circular No. 09/2022-Customs dated 30.06.2022]**
  - Export policy of sugar (Raw, Refined and White Sugar) is restricted from 01.06.2022 and the same can be exported only upon production of specific permission by Department of Food and Public Distribution (DFPD) from 01.06.2022. **[Instruction No.07/2022-customs dated 31.05.2022]**
  - Instructions to Authorized Officers of FSSAI & Customs are issued not to undergo testing of UHT Whipping Cream at the time of import. **[Instruction No. 08/2022 dated 03.06.2022]**
  - Instructions has been issued to sensitize Customs Officers regarding the prohibition and restrictions w.r.t. import of items made of plastics. **[Instruction No. 09/2022-Customs dated 22.06.2022]**
  - Instructions has been issued w.r.t. FSSAI Imports related directions on rectifiable labeling information for imported food consignments and import of Clove Stem to sensitize the Customs Officers. **[Instruction No. 10/2022-Customs dated 28.06. 2022]**
  - AD code (Authorized Dealers Code) with associated bank account will now require to be registered in the System at only one port, and thereafter, the AD code would be available at all Customs locations.**[Advisory No : 10/2022 dated 14.06.2022]**
- ## DGFT:
- Consequent to Finance Act, 2022, certain changes in the Customs Tariff Schedule shall take effect from 1st May 2022, accordingly after alignment, new RoDTEP

schedule (Appendix 4R) is being notified. **[Notification No. 12/2015-2020-DGFT Dated: 01.06.2022]**

- Water Melon Seeds falling under ITC(HS) code 12077090 is made 'Free' till 30.09.2022. The imports shall be allowed from Kandla (INIXY1) and Mundra (INMUN1) Ports only. **[Notification No. 13/2015-2020-DGFT dated 21.06.2022]**
- Policy condition incorporated against export of items under HS Codes 27101241, 27101242, 27101243, 27101244, 27101249, 27101941, 27101944 and 27101949 of Chapter 27 of Schedule 2 of the ITC (HS) Export Policy. **[Notification No. 14/2015-2020 Dated 30.06. 2022]**
- The last date for submitting application under MEIS, for exports made in the 4 months period, Sept 2020 to Dec 2020 has been extended to 31.08.2022. **[Notification No. 15/2015-2020 Dated 01.07.2022]**
- The DGFT has directed Regional Authorities (RA) to physically verify all documents of applicants for export of wheat before issuing Registration Certificates (RCs). The order has been issued to ensure that the exporters are not issued RCs based on improper documents. **[Trade Notice No. 11/2022-23 Dated 30.05.2022]**
- All exporting firms, who have been issued scripts under ROSCTL for exports / shipping bills up to 31.12.2020, are required to get the relevant e-BRCs uploaded in the DGFT server by their AD banks by 15.07.2022, otherwise action of recovery of script amount as per para 4.96 of HBoP will be initiated. **[Trade Notice No. 12/2022-23 Dated 30.05.2022]**
- The existing eBRC module is being upgraded to new IT platform, earlier version (<http://dgftebrc.nic.in>) will be discontinued from end of July 2022 and AD Bank will have to migrate to new environment (<https://dgft.gov.in>). **[Public Notice No. 13/2015-2020-DGFT dated 30.06.2022]**
- DGFT reduces compliance burden for applying Export Obligation Discharge Certificate (EODC). **[Public Notice No. 11/2015-2020-DGFT dated 07.06.2022]**
- Baltic Testing India Private Limited and DD International Global are appointed as Pre-shipment Inspection Agency (PSIA). **[Public Notice No. 12/2015-2020-DGFT dated 09.06.2022]**
- Time limit for filing return under EPCG authorization scheme for the year 2021-22 is extended to 30.09.2022 and late fees of Rs. 5,000/- will be applicable for the returns from FY 2022-23. **[Public Notice No. 13/2015-2020-DGFT dated 09.06.2022]**
- DGFT has amended the procedure for issue of Global Authorization for Intra-Company Transfer (GAICT) of SCOMET items including software and technology. **[Public Notice No. 14/2015-20-DGFT dt. 13.06.2022]**
- DGFT has notified additional provisions for allocation of Tariff Rate Quota (TRQ) for 20 Lakh MT of Crude Soya bean oil and 20 Lakh MTs of Crude Sunflower oil for FY 2022-23 and 2023-24. **[Public Notice No. 15/2015-20-DGFT dated 14.06.2022]**

- One new Agency is notified by DGFT as Pre-shipment Inspection Agency (PSIA) along with their approved equipment's. **[Public Notice No. 16/2015-2020 Dated 24.06.2022]**
- Standard Operating Procedure for Export of Sugar is issued. As export of sugar is under restricted category vide notification 10/2015-20 dated 24.05.2022. **[Standing Order No. 04/2022 dated 10.06.2022]**
- DGFT has issued clarification on Chip Import Monitoring System (CHIMS) clarifying:
  1. Importer may include multiple products in one registration number. However, for each shipment a separate registration number is required
  2. The CHIMS is applicable for air/sea shipments also
  3. The microprocessors covered under ITC (HS) code 84733010 and memory modules under ITC (HS) code 84733099 are excluded from CHIMS**[Policy Circular No. 40/2015-2020 Dated 27.06.2022]**

## Company Law:

- In case of a compromise or an arrangement or merger or demerger between an Indian company and a company or body corporate which has been incorporated in a country which shares land border with India, a declaration in Form No. CAA-16 shall be required at the stage of submission of application under section 230 of the Act. **[Notification No. G.S.R. 401(E) dated 30.05.2022]**
- For the FY 2020-2021, Form CSR-2 shall be filed separately on or before 30th June 2022 and for the FY 2021-2022, Form CSR-2 shall be filed separately on or before 31st March, 2023 **[Notification No. G.S.R. 407(E) dated 31.05.2022]**
- MCA notifies Companies (Appointment and Qualification of Directors) Amendment Rules, 2022 to amend rules applicable to a person applying for Director Identification Number (DIN) is a national of a country which shares land border with India. **[Notification No. G.S.R. 410(E) dated 01.06.2022]**
- Procedure prescribed for Application by Company to ROC for removing its name from Register of Companies allowing resubmission of application two time along with period of 15 days for resubmission.
 

In addition to above STK-1(Notice by Registrar for removal of name of a company from the register of companies), STK-5(removal of the company's name from public record) & STK-5A (removal of the company's name by Registrar) have also been revised. **[Notification No. G.S.R. 436(E) dated 09.06.2022]**
- Independent Director whose name has been removed from the databank of directors may apply for restoration of his name on payment of fees of one thousand rupees. **[Notification No. G.S.R. 439(E) dated 09.06.2022]**
- The National Financial Reporting Authority Amendment Rules, 2022 has been notified so as to impose fine in case of the contravention of rules maximum fine of Rs. 5,000/- and where the contravention is a continuing

one, a further fine not exceeding Rs. 500/- for every day after the first during which the contravention continues. **[Notification No. G.S.R. 456(E)-MCA dated 17.06.2022]**

- Section 8 Companies cannot change object clause to add object to carry out Micro Finance/Micro Credit activities. **[General Circular No. 05/2022 dtd 30.05.2022]**
- Relaxation in paying additional fees in case of delay in filing all the event based e-forms by LLPs which are due on and after 25th February,2022 to 31st May,2022 if filed up to 30th June, 2022. **[General Circular No.6/2022 dated 31.05.2022]**
- Last date for filing of LLP Form 11 without paying additional fee has been extended upto 15th July, 2022 by MCA. **[General Circular No. 07/2022 dated 29.06.2022]**

## Other Laws:

- Ministry of Personnel, Public Grievances and Pensions has revised the pension/family pension in respect of the pensioners drawing compulsory retirement pension or compassion ate allowance after compulsorily retirement/dismissal/removal from service. **[Notification No.38/46/2017-P&PW(A)(4879) dated 14.06.2022]**
- EPF interest rate for FY 2021-22 reduced to 8.10% **[Circular No. INV-11/2/2021-INV/4670 dated 03.06.2022]**
- The Central Record Keeping Agencies (CRAs) appointed by PFRDA(Pension Fund Regulatory and Development Authority) has developed the system level functionalities as per the evolving needs of NPS/APY stakeholders. **[Circular no.: PFRDA/2022/12/SUP-CRA/3 dated 09.06.2022]**
- The Application under Rule 4, 6 or 7 of Insolvency & Bankruptcy (Application to Adjudication Authority) Rules, 2016 has been notified. According to it on receipt of application under rule 4, 6 or 7 the board will share it to Information Utility and further process will done by IU as specified. **[Circular No. No. IBBI/IU/51/2022 dated: 15.06.2022]**
- Insurance Regulatory and Development Authority of India (IRDA) Repeals 19 Old circulars **[Circular No. Ref No: IRDAI/HLT/CIR/MISC/131/6/2022 dated 29.06.22]**
- Government rescinds Footwear Made from Leather and other materials (Quality Control) Order, 2020. **[Order No. S.O. 2598(E) dated 03.06 2022]**
- Footwear Made from Leather and Other Materials (Quality Control) Order, 2022 has been issued. **[Order No. S.O. 2599(E) dated 03.06 2022]**
- Footwear made from all-Rubber and all Polymeric Material and its Components (Quality Control) Order, 2022 has been issued. **[Order No. S.O. 2600(E) dated 03.06 2022]**
- Extension of the validity of FCRA (Foreign contribution regulation Act) registration certificates till 30.09.2022.

**[Public Notice No.II/21022/23(22)/2020-FCRA-III dated 22.06.2022]**

- The Ministry of Ports, Shipping and Waterways (MoPSW) intends to develop RO-RO/RO-Pax ferry service along the coast of India connecting various Major Ports and non-Major Ports. In this regard, Ministry has formulated draft Guidelines and solicits comments / feedback from stakeholders/ public. **[Ref No.M-25021/15/ 2021-SM dated 16.06.2022]**
- An Advisory on Advertisements of Online Betting Platforms has been issued by The Ministry of Information and Broadcasting, advising to print and electronic media to refrain from publishing advertisements of online betting platforms. **[Advisory No. DM/15/2022-DM dated 13.06.2022]**

## SEBI:

- The Central Government has designated the Court of Sessions Judge and Court of Additional Special Judge, Leh and Kargil as the Special Courts under Section 26A of the Securities Contracts (Regulation) Act, 1956 and Section 22C of the Depositories Act, 1996 [Notification No. S.O. 2810 (E) dated 17.06.2022] **[Notification No. S.O. 2809 ( E ) dated 17.06.2022]**
- Circular introduced on Standard Operating Procedures (SOP) for dispute resolution under the Stock Exchange arbitration mechanism for disputes between a Listed Company and / or Registrars to an Issue and Share Transfer Agents (RTAs) and its Shareholders /Investors. **[Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/ CIR/2022/76 Dated: 30.05.2022]**
- SEBI has prescribed detailed arbitration mechanisms norms w.r.t. Standard Operating Procedure (SOP) for operationalizing the resolution of all disputes pertaining to investor services. **[Circular No. SEBI/HO/MIRSD/ MIRSD\_RTAMB /P /CIR /2022/76 Dated 31.05.2022]**
- SEBI has issued the procedure for seeking prior approval for change in control of Portfolio Managers. **[Circular No. SEBI/HO/IMD-1/ DOF1/P/CIR/2022/77 dated 02.06.2022]**
- SEBI amends Investor Grievance Redressal Mechanism. **[Circular No. SEBI/HO/MIRSD/ DOS3/P/CIR/2022/78 dated 03.06.2022]**
- Facility for conducting annual meeting and other meetings of unit holders of REITs and InvITs through Video Conferencing (VC) or through Other Audio-Visual means (OAVM) has extended till 31.12.2022 **[Circular No. SEBI/HO/DDHS/DDHS\_Div2/P/ CIR/2022/079 dated 03.06.2022]**
- SEBI has made the modifications in the Cyber Security and Cyber resilience framework specifying new reporting requirements. **[Circular No. SEBI/HO/ MIRSD /TPD/ P/CIR/2022/80 Dated 07.06.2022]**
- In order to bring uniformity in practices across all constituents in securities market, the following decisions have been made related to nomination for eligible Mutual Fund Unit Holders:

Investors subscribing to mutual fund units on or after August 1, 2022, shall have the choice of

- a. Providing nomination in the format specified in fourth schedule of SEBI (Mutual Funds) Regulations, 1996 (or)
- b. Opting out of nomination through a signed Declaration form as provided in Annexure – A to this circular.

All the AMCs are advised to set deadline as March 31, 2023 for nomination / opting out of nomination for all the existing individual unit holders. **[CIRCULAR No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/82 dated: 15.06.2022]**

- SEBI has prescribed that all demat accounts of stock brokers should be appropriately tagged by 30th June 2022 **[Circular No. SEBI/HO/MIRSD/ MIRSD\_ DPEA/P/ CIR/2022/83 dated 20.06.2022]**
- SEBI to facilitate faster confirmation of remittances by intermediaries **[Circular No. SEBI/HO/IMD/FPI&C/ CIR/P/2022/84 dated 21.06.2022]**
- SEBI has provided the facility to block funds via UPI in public issues of units of Real Estate Investment Trust (REITs) & Infrastructure Investment Trusts (InvITs). **[Circular No. SEBI/HO/DDHS/DDHS\_DIV3/P/ CIR/2022/085 AND 086 Dated 24.06.2022]**
- SEBI has reduced the timelines for listing of units of privately placed Infrastructure Investment Trust (InvIT) to 6 working days from the date of closure of the issue. **[Circular No. SEBI/HO/DDHS/DDHS\_DIV3/P/CIR/2022/087 Dated 24.06. 2022]**
- SEBI specified that all Alternate Investment Funds (AIFs) shall ensure that the Manager to AIF shall designate an employee or director as “Compliance Officer”. **[Circular No. SEBI/HO/AFD/RAC/CIR/ 2022/088 Dated 24.06.2022]**
- SEBI has extended the timeline for Validation of KYC ((Know Your client) records by Registered Intermediaries. **[Circular No. No. SEBI/HO/MIRSD /DoP/P/ CIR/2022/89 Dated 24.06. 2022]**
- SEBI has reviewed the framework for adjustment in derivative contracts for dividend announcements. **[Circular No. SEBI/HO/MRD2/ MRD2\_DCAP/ P/ CIR/2022/90 Dated 28.06.2022]**
- Shri Ashwani Bhatia takes charge as a Whole Time Member, SEBI **[Press Release No. 18/2022 dated 01.06.2022]**
- Surrender of certificate of registration by Principal Mutual Fund (PMF) and it ceases to exist as a mutual fund w.e.f.02.06.2022 **[Press Release No. 19/2022 dated 03.06.2022]**
- SEBI has issued the press release to caution the investors against dealing with unregulated platforms offering Algorithmic Trading and sharing any sensitive personal details with such platforms. **[Press Release No. 20/2022 dated 10.06.2022]**
- SEBI has decided to allows FPIs (Foreign Portfolio

Investments) to participate in the Exchange Traded Commodity Derivatives market to enhance liquidity & market depth. **[Press Release NO. 21/2022 Dated 29.06.2022]**

## Reserve Bank of India:

- Extended Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit will also be available to such beneficiaries for segments other than for which they have availed of Production Linked Incentive (PLI) scheme benefits. **[Notification No. RBI/2022-23/60 OR.STR.REC.39/04.02.001/2022-23 Dated 31.05. 2022]**
- RBI has issued the guidelines on provisioning to be held by NBFC-Upper Layer (NBFC-UL) towards different classes of standard assets.**[Notification No RBI/2022-23/61 DOR.STR.REC.40/21.04.048/2022-23 dated 06.06.2022]**
- Branches of Indian Banks operating in GIFT-IFSC to act as Professional Clearing Member (PCM) of India International Bullion Exchange IFSC Limited (IIBX). **[Notification No RBI/2022-23/62 DoR.AUT. REC.41/24.01.001/2022-23 dated 07.06. 2022]**
- RBI has extended the timeline for implementation of certain provisions of Master Direction on Credit Card and Debit Card **[Notification No. RBI/2022-23/74 DoR. AUT. REC. No. 48/24.01.041/2022-23 dated 21.06.2022]**
- RBI has issued the Master Circular-Housing Finance for Urban Co-operative banks.**[Notification No.RBI/2022-23/76 DOR.CRE.REC.No.49/09.22.010/2022-23 dated 23.06.2022]**
- RBI has extended the timeline for storing of Card-on-File (CoF) data by 3 months i.e. till September 30, 2022. **[Notification No. RBI/2022-23/77 CO.DPSS.POLC. No.S-567/02-14-003/2022-23 Dated 24.06.2022]**
- Master Direction – Reserve Bank of India (Variation Margin) Directions, 2022 is issued. **[Notification No. FMRD.DIRD.03/14.01.023/2022-23 dated 01.06.2022]**
- RBI permits 14 reporting entities to perform Aadhaar authentication **[Notification No. S.O. 2543(E) dated 02.06.2022]**
- The Monetary Policy Committee (MPC) of the RBI has announced the increase in the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 4.90 per cent with an immediate effect. **[Press Release: 2022-2023/333 dated 08.06.2022]**
- GOI in consultation with RBI has issued The Sovereign Gold Bond Scheme 2022-23 in tranches as per the calendar specified below:

Sl.No.	Tranche	Date of Subscription	Date of Issuance
1	2022-23- Series I	June 20-24, 2022	June 28, 2022
2	2022-23 Series II	August 22– 26, 2022	August 30, 2022

**[Press Release: 2022-2023/374,CircularNo.RBI/ 2022-23/72 IDMD.CDD. No. S789/14. 050/2022-23 dated 16.06.2022]**



- RBI has issued draft Master Directions on outsourcing of Information Technology (IT) Services [**Press Release: 2022-2023/413 Dated 23.06. 2022**]
- RBI has decided to allow financially sound and well managed (FSWM) Primary (Urban) Co-operative Banks (UCBs) to provide Doorstep Banking Services to their customers on a voluntary basis. [**Circular No. RBI/2022-23/66 DOR.REG.NO.45/19.51.052/2022-23 dated 08.06.2022**]
- RBI has decided to discontinue the return w.r.t Details of guarantee availed and invoked from non-resident entities under the Foreign Exchange Management Act, 1999 w.e.f. the quarter ending June 2022. [**Circular No. RBI/2022-23/69 A.P. (DIR SERIES) Circular No. 05 dated 09.06.2022**]
- RBI has issued the circular related to Provisioning on interbank exposure and valuation of Perpetual Non-Cumulative Preference Shares (PNCPS) and Equity Warrants which is applicable to all Primary (Urban) Co-operative Banks. [**Circular No.:RBI/2022-23/70 DOR.MRG.REC.46/00-00-011/2022-23 dated 10.06.2022**]
- RBI has instructed the banks to carry out a review related to bank finance made to government owned entities and place before their Boards, a comprehensive report on the status of compliance with the instructions within three months from the date of circular. [**Circular No.RBI/2022-23/71 DOR.CRE.REC. No.47/13.03.00/2022-23 dated 14.06.2022**]
- RBI has doubled the limit on home loans issued by Urban Cooperative Banks to eligible borrowers [**Circular No. RBI/2022-23/76 DOR.CRE.REC. NO. 49 / 09.22.010/2022-23 Dated 23.06. 2022**]
- The validity of the registration certificate issued under the Foreign Contribution (Regulation) Act, 2010 (FCRA) has been extended up to 30-09-2022 or till the date of disposal of the renewal application, whichever is earlier. [**Public Notice No. II/21022/23/(22)/2020-FCRA-III dated 22.06.2022**]
- On a review of implementation of the e-mandate framework and the protection available to customers, RBI has decided to increase the Additional Factor of Authentication (AFA) limit from ₹5,000/- to ₹15,000/-per transaction. [**RBI/2022-23/73 CO.DPSS.POLC.No.S-518/02.14.003/2022-23 dated 16.06.2022**]
- Advance Rulings, shall be the same as provided in the applicable procedure laid down by the jurisdictional High Court for filing an appeal. [**Notification No. 57/2022-Income Tax Dated: 31.05.2022**]
- Specified incomes of National Biodiversity Authority are exempted under Section 10(46) of Income Tax Act, 1961.Exemption shall be applicable for FY 21-22 to 25-26. [**Notification No. 58/2022-Income Tax Dated: 31.05.2022**]
- CBDT has modified the conditions applicable to become eligible investment fund. [**Notification No. 59/2022 dated 06.06.2022.**]
- To facilitate the conduct of Faceless Assessment proceedings CBDT has notify the Jurisdiction of Income tax Authorities. [**Notification No:61/2022 Income Tax dated 10.06.2022**]
- CBDT has notified Cost Inflation Index for Financial Year 2022-23. [**Notification No. 62/2022 Income Tax dated 14.06.2022**]
- CBDT has notified that Transfer of capital asset from NTPC Ltd. to NTPC Green Energy Ltd. shall not be treated as transfer u/s 47(Capital Gain) [**Notification No. 63/2022 Income Tax dated 15.06.2022**]
- CBDT has notified a new Rule 21AIA prescribing the “other conditions” required to be fulfilled by a specified fund referred to in section 10(4D) of the Income-tax Act, 1961 [**Notification No. 64/2022 -Income Tax dated 16.06.2022**]
- CBDT has exempted deduction of tax at source under section 194-I of the Income-tax Act, 1961 on payment of lease rent or supplemental lease rent made to a unit located in the International Financial Services Centre (IFSC) for the lease of an aircraft. [**Notification No.65/2022-Income Tax Dated 16.06.2022**]
- CBDT has amended the Rule 10TD of Income Tax Rules, 1962 and extended applicability of Safe Harbour Rule to AY 2022-23. The notification is effective dated 1 April 2022. [**Notification No. 66/2022-Income-Tax dated 17.06.2022**]
- CBDT has notified the Income Tax (19th Amendment) Rules 2022 in which the procedures related to the deduction and payment of TDS and issuance of TDS certificate under section 194S has been notified. [**Notification No. 67/2022 – Income Tax dated 21.06.2022**]
- CBDT has notified the ‘Seventy Second Investment Company LLC’, as sovereign wealth fund for the purpose of section 10(23FE) exemption. [**Notification No. 69/2022-Income Tax Dated 27.06. 2022**]
- CBDT has notified Tolerance range of one per cent for wholesale trading and three per cent in all other cases for assessment year 2022-2023 for determination of arm’s length price under Section 92C of Income Tax Act 1961. [**Notification No. 70/2022-Income Tax Dated 28.06.2022**]
- Compliance check functionality has been deployed on income tax portal (<https://report.insight.gov.in>) to

## Income Taxes:

- The Central Board of Direct Taxes authorizes the Assistant Commissioner of Income Tax/ Deputy Commissioner of Income Tax (International Taxation), Circle -1(1)(1), Delhi to act as the ‘Prescribed Income-tax Authority’ for the purpose of issuance of notice relating to discrepancies in return under section 143(2) of the Income Tax Act. [**Notification No. 56/2022-Income Tax Dated: 28.05.2022**]
- The form and manner of filing appeal to the High Court under section 245W of the Income Act, 1961 against a ruling pronounced or order passed by the Board for

facilitate tax deductor/ collector to check return filing status of specified persons for applicability of higher TDS /TCS.

**[DGIT(S) Notification No. 01/2022 dated 09.06.2022.]**

- CBDT has notified the Format, Procedure and Guidelines for submission of Form No. 1 (Return of Taxable Securities Transactions For recognized stock exchanges), Form No. 2 (Return of Taxable Securities Transactions for Mutual Funds), and Form No. 2A (Return of Taxable Securities Transactions for Insurance Company) for Securities Transaction Tax (STT). **[Notification No. 2 of 2022-Income Tax Dated 24.06. 2022]**
- Clarification regarding Form No 10AC relating to Order for Registration for Charitable & Religious Societies/ Trusts is issued. **[Circular No. 11 of 2022 dated 03.06.2022]**
- A new section 194R will be applicable from 01.07.2022 according to it if a person provides any benefit or perquisite to a resident whether it is monetary or non-monetary but it should be arise from business/profession than TDS has to be deducted @ 10% of the aggregate value of such benefit or perquisite. CBDT has issued the guideline & FAQs for removal of difficulties related to implementation of this section. **[Circular No. 12 of 2022 F.No.370142/27/2022-TPL dated 16.06.2022]**
- CBDT has issued guidelines for TDS under Sec. 194S where Virtual Digital Asset (VDAs) are transferred on or through an Exchange. **[Circular No. 13/2022 [F. NO. 370142/29/2022-TPL] (PART-1) dated 22.06.2022]**
- CBDT has issued Circular for TDS under Section 194S on transactions other than those taking place on or through an Exchange applicable to transactions pertaining to virtual digital asset. **[Circular no. 14 of 2022 F. No. 370142/29/2022-TPL (Part 1) Dated 28.06.2022]**
- Relaxation is given for submission of Bill of Export as an evidence for fulfillment of export obligation under Advance Authorization for the for all such supplies made prior to 01.04.2015. **[Policy Circular No. 39/2015-20 dated 07.06.2022]**
- Transfer/postings (Local changes) in Addl. CsIT/JCsIT Grade **[Order No. 112 of 2022 Dated: 03.06.2022. F. No. A-22012/1/2022-Ad-VI (Part) dated 03.06.2022]**
- CBDT directs that National Faceless Assessment Centre/ Assessment Unit/ Review Unit will be act as the National Faceless Penalty Centre /Penalty Unit/ Penalty Review Unit under the Faceless Penalty Scheme, 2021.**[Order F No. 187/4/2021-ITA-I dated 10.06.2022]**
- Revised Guidelines are issued for compulsory Income Tax returns scrutiny for the FY 22-23. **[Instruction No. F.No.225/ 81/2022/ITA-II dated 03.06.2022]**
- CBDT directs that for National Faceless Assessment Centre (NaFAC) Principal Commissioners of Income-tax

(Technical Unit) will act as a Principal Commissioners of Income-tax (ReFAC) (Technical Unit). **[(Office Order-1) F. No 187/3/2020 ITA-1 dated 10.06.2022]**

- CBDT has set up the units for faceless assessment. **[(Office Order-2) F. No 187/3/2020 ITA-1 dated 10.06.2022]**
- Roll out of first phase of changes in ITBA (Income Tax Business Application) functionalities for Faceless Assessment. **[Ref. No. NaFAC/Delhi/ CIT-I/2021-22/105 /49 dated 14.06.2022]**

## FEMA & Banking:

- Amendments and additions to IFSCA Banking Handbook have been made. **[F.No.110 /IFSCA/ Banking Regulation/2022-23/1 dated 06.06.2022]**

## IBBI

- IBBI (Engagement of Research Associates & Consultants) (Amendment) Regulations, 2022 issued to amend tenure and fees of Associates & Consultants. **[Notification No. IBBI/2022-23/GN/REG083 dated 01.06.2022]**
- Creditors need to file information of default with information utilities before filing the application to initiate the Corporate Insolvency Resolution Process (CIRP). **[Notification No. IBBI/2022-23/GN/REG085 dated 14.06.2022]**
- The mechanism of complaint/ grievance redressal and subsequent enforcement action has been amended to have expeditious redressal and also to avoid placing undue burden on the service providers. **[(Press Release No. IBBI/PR/2022/27) Notification No. IBBI/2022-23/GN/REG086 dated 14.06.2022]**
- IBBI has notify the Insolvency and Bankruptcy Board of India (Inspection and Investigation) (Amendment) Regulations, 2022 and also inserted the Chapter relating to Investigation during disposal of complaint or grievance, Interim order on material available on record. **[Notification No. IBBI/2022-23/GN/REG087 dated 14.06.2022]**
- Insolvency and Bankruptcy Board of India has changed the frequency of attempts in Limited Insolvency Exam/Valuation Exams to a maximum of six in a year **[Circular No. Exam-13016/1/2022-IBBI dated 03.06.2022]**
- IBBI has suspend the registration of IP for violating the procedure under IBC 2016 **[Order No. IBBI/ DC/104/2022 dated 03.06.2022]**
- Insolvency and Bankruptcy Board of India celebrates 'Azadi ka Amrit Mahotsav'. **[IBBI Press Release No. IBBI/PR/2022/24 dated 03.06.2022]**
- Operational Creditors must furnish copies of GSTR-1, GSTR-3B, and e-way bill along with the application under section 9 of the Insolvency and bankruptcy Code, 2016. **[(Press Release No. IBBI/PR/2022/28) Notification No. IBBI/2022-23/GN/REG084 dated 14.06.2022]**

## MAHARERA:

- MAHARERA is upgrading its IT System in the matter of application registration process relating to applications submitted for registration of real estate projects as well as for real estate agents. The new application registration process to go-live on 30.06.2022. **[Notification-cum-Advisory No. MahaRERA/Secy/143/2022 dated 13.06.2022]**

## OTHERS:

- Solvency margin for Pradhan Mantri Jeevan Jyoti Bima Yojana is revised from 0.01% to 0.05% **[Circular No. IRDAI/ACT/CIR/SLM/106/5/2022 dated 31.05.2022]**
- Insurance product approvals made easy for stepping towards Ease of doing business. **[Ref.No.: IRDAI/HLT/REG/CIR/108/06/2022 dated 01.06.2022]**
- IRDAI exempts Aditya Birla Health Insurance Co. Ltd from complying with limits of expenses of management. **[Order No. IRDAI/F&A/ORD/MISC/109/6/2022 dated 02.06.2022]**
- ICAI notifies Draft Chartered Accountants (2nd Amendment) Regulations, 2022 **[Notification No. 1-CA(7)/201/2022 dated 02.06.2022]**
- IRDA has launched self-deactivation facility over Insurance Information Bureau (IIB)'s ENVOY portal.

**[Order No. IRDAI/INT/MISC/CIR/113/6/2022 dated 06.06.2022]**

- FSSAI has notify Food Safety and Standards (Vegan Foods) Regulations, 2022 **[Notification No.F. No. Std/TF-Vegan Foods/Notif./FSSAI dated 10.06.2022]**
- FSSAI has notify Food Safety and Standards (Alcoholic Beverages) First Amendment Regulations, 2022 **[Notification No. F. No. Std /SP-21/T(Alcohol-5) dated 10.06.2022]**
- Solvency Margin requirement for crop insurance is relaxed by IRDAI. **[Ref. No: IRDAI/ACTL/CIR/SLM/122/06/2022 dated 13.06.2022]**
- IRDAI has issued the circular related to Accounting of Premium, claims and related expenses on estimation basis to bring the uniformity in the industry. **[Circular No.IRDA/F&A/CIR/MISC/123/6/2022 dated 15.6.2022]**
- International Financial Services Centres Authority has issued clarification on investment in Bullion Depository Receipts (BDR) in Indian International Bullion Exchange (IFSC) Limited (IIBX) through the Liberalised Remittance Scheme (LRS) route. **[Circular No. 329/IFSCA/DPM/TS/2022-23/1 dated:17.06.2022]**
- The International Arbitration Centre (Form of Annual Statement of Accounts) Rules, 2022 have been notified by Ministry of Law and Justice **[Notification No. G.S.R. 464(E) dated 21.06.2022]**

## Congratulations !!!



In The 21st National Para Swimming Championship which was held at Udaipur, Rajasthan, more than 500 competitors from 23 States participated in the competition. CMA Nagarjunrao Akula, (Manager-Finance and Accounts) from MAHATRANSCO (MSETCL) Aurangabad with 87% Physical Disability participated in S6 category in following Events.

1. 50 Mt. free style.
2. 100 Mt. backstroke.
3. 100 Mt. breast strokes.

He won a Silver Medal and a Bronze medal in both the 10 meters Events which was a proud moment worth admiration.

# CHAPTER NEWS

## AHMEDABAD

### CEP Workshop & Networking series on Forensic Audit

Chapter organized Workshop & Networking series on forensic Audit from 7th June 2022 to 11th June 2022. During the workshop topics such as Introduction & Basics, Fraud and Fraud detection, Forensic Audit Methodology and procedures, Forensic Documents examination and Legal Perspective & Conclusion were incorporated.

CMA Malhar Dalwadi, Chairman of Chapter welcome speakers Mr. Samir Chaudhary and Dr. Kapil Kumar and participant members. He also introduced both speakers.

Both the speakers brief their presentation in a very lucid manner. The entire sessions were very interactive and useful to members. Numbers of members were participated in the workshop.

### Investor Oath during the MCA iconic Day

On 7th June'2022 Chapter's committee members & members participated in Investor Oath during the MCA iconic day event under the 'Azadi ka Amrit Mahotsav' and take an Oath. Smt Nirmala Sitharaman, Finance Minister of India, has addressed the event.

### Participation in conference on the theme "Creating Wealth through Market"

To encourage and educate the existing as well as potential investors to benefit from the Capital Markets, conference was organized by Chapter on 10th June 2022 on the theme "Creating Wealth through Market". The Conference includes live Inaugural Address by Smt. Nirmala Sitharaman, Hon'ble Minister of Finance and Corporate Affairs in the august presence of Hon'ble MoS (Finance), Dr. Bhagwat Kishanrao Karad. CMA Malhar Dalwadi, Chairman of Chapter and CMA Mitesh Prajapati, Secretary of Chapter participated in the conference.

### A thread bear discussion on the 'Exposure Draft Cost Auditing Standards'

Chapter organized A thread bear discussion on the "Exposure Draft Cost Auditing Standard's" on 17th, 18th and 20th June 2022. CMA Ashwin Dalwadi, CCM and CMA Ashish Bhavsar, RCM have led the discussions.

### Celebration of International Yoga Day

International yoga day was celebrated by Chapter on 21st June 2022. CMA Malhar Dalwadi, Chairman welcomed Shri Kaushal Vyas-Yoga Trainer and felicitate by offering memento. Shri Kaushal Vyas gave his views on importance of Yoga and also demonstrated various asana of yoga during the program.

### CEP – Know the Nitty Gritty of Writing a will

Chapter jointly with Baroda Chapter organized webinar on "Know the Nitty Gritty of Writing a Will" on 25th June 2022. CMA Mihir Vyas, Chairman of Baroda Chapter welcomed speaker Mr. Prakash Lohana and participants. He introduced the speaker also. Mr. Prakash Lohana delivered the speech in a very lucid manner. The session

was very interesting CMA Malhar Dalwadi, Chairman of Ahmedabad Chapter proposed vote of thanks.

### Career Counseling Activity

During the month of June 2022, Chapter has done promotional activities for CMA course. As part of Career counseling activity, Oral Coaching Committee Team members met principals of different schools, Colleges, universities and owner of Private classes and distributed pamphlet of course content. Pamphlet of CMA course were also distributed with newspaper in major areas of Ahmedabad.

### Chapter Help Desk - CMA Examinations

Chapter has created help desk to resolve the issues of students appearing in June 22 term examination. Staff Members of Ahmedabad chapter Mr. Gulab Purohit and Ms. Yuga Vasavada made available for attending the issues faced by Students.

## BARODA

### Annual General Meeting

54th Annual General Meeting for Financial Year 2021-22 of the Chapter held on 31st May 2022 at Baroda Chapter office.

### Seminar on Managing Stress by Managing Our Body, Mind and Soul

Chapter organized webinar on "Managing Stress by Managing Our Body, Mind and Soul" on 11th June 2022. CMA Mihir Vyas Chairman welcome the Guest and Speaker. CMA Vandit Trivedi introduce the speaker Mr. Deepak Jain. Large number of Members attended the session.

### Celebration of International Yoga Day

Chapter organized Webinar on Yoga Session on the International Yoga Day on 21st June 2022.

### Seminar on "Know the Nitty Gritty of Writing Will"

Chapter jointly with Baroda & Ahmedabad Chapter, organized Seminar on "Know the Nitty Gritty of Writing Will" on 25th June 2022. CMA Mihir Vyas Chairman of Baroda Chapter welcome the Guest and Speaker. CMA Mohit Nagdev introduce the speaker Mr. Prakash Lohana, Certified Financial Planner. Large number of Members attended the session. CMA Garima Soni proposed vote of Thanks.

## NAVI MUMBAI

### CEP report of 29th May 2022 on ESG and BRS Reporting

Chapter conducted a Webinar on "ESG and BRS Reporting" on 29th May 2022. The speaker for this event was CS Deepak Jain. CMA Vivek Bhalerao, PD Committee Chairman of the Chapter welcomed the audience and introduced the speaker and emphasized on the importance of Environmental, Social and Governance (ESG) in the industry.

The speaker explained ESG and its Reporting covering the areas like Definition of ESG, Global Warming, Scams/Frauds, ESG Reporting BRSR etc. The speaker summarized all the points and underlined the role of CMAs in the various areas providing ample opportunities for CMAs. CMA L Prakash Past Chairman of the Chapter proposed vote of thanks.

## **PIMPRI-CHINCHWAD-AKURDI**

### **Webinar on ‘Activity Based Costing**

Chapter conducted webinar on ‘Activity Based Costing’ on 28th May 2022. CMA Ashish Deshmukh, Past Chairman of Chapter was welcomed and introduced the speaker CMA Chandrashekhar Adawadkar, Pune.

CMA C S Adawadkar in his speech said, Activity-based costing is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. Therefore this model assigns more indirect costs into direct costs compared to conventional costing. He further briefed on when ABC was started and how much it is beneficial for business activities.

### **Webinar on Cost Reduction is a Process**

Chapter conducted webinar on ‘Cost Reduction is a Process’ on 4th June 2022. CMA Dhananjay Kumar Vatsyayan, Chairman of PCA Chapter was welcomed and introduced the speaker CMA Kailash Sankhlecha, Practicing Cost Accountant & Partner – M/s M B Sharma & Associates.

CMA Sankhlecha in his speech said, talk on the topic Cost Control and Cost Reduction. He covered the topic during the session such as How Cost Gets built up - Michael Hammer, Methods and Techniques, Comprehensive cost reduction processes, Principle of lean manufacturing, Wastages in an organization, Over Production, Causes of Over Production, How to Eliminate Inventory, Over processing or incorrect processing, Excess inventory etc.

### **Webinar on Internal Auditing**

Chapter conducted webinar on ‘Internal Auditing’ on 18th June 2022. CMA Dhananjay Kumar Vatsyayan, Chairman of PCA Chapter was welcomed the speaker and audience and CMA Pratap Bhagwani introduced the speaker CMA C S Adawadkar, Practicing Cost Accountant & Partner by offering a memento.

CMA C S Adawadkar in his speech briefed on importance of Internal Auditing in various Government, Semi-Government, Public and Private sectors. Further he explained on Evolution of IFC/ICFR, COSO. Then he focused on objectives on the same such as Operations, Reporting, and Compliance etc. He further discussed on 5 Internal Control Components and 17 Principles.

## **PUNE**

### **CEP on “Outreach program on The Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2022”**

Chapter arranged Outreach program in association with MTPA & ACMA on the subject “The Maharashtra

Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2022” on 2nd June 2022 at CMA Bhawan.

Smt. Renuka Nandedkar Joint Commissioner of State Tax, Mr. Mukund Panhalkar, Dy. Commissioner of State Tax Large Tax Payer Unit-2, Pune, Smt. Anjali Dhamal - Dy. Commissioner of State Tax Large Tax Payer Unit-2, Pune, Mr. Ashwani Jotshi, from Automotive Component Manufacturers Association of India, CMA Manoj Chitalikar, President MTP were speakers for the programme.

The session was very lucid & knowledge sharing. Smt. Anjali Dhamal discussed about various schemes of Maharashtra State on The Maharashtra Settlement of Arrears of Tax, Interest, Penalty or Late Fee Act, 2022.

CMA Nilesh Kekan, Treasurer of Pune Chapter proposed vote of thanks

### **Investor Oath**

Ministry of Corporate Affairs (Govt. of India) organized Investor Oath programme under Azadi ka Amrit Mahotsav at Vigyan Bhawan, Delhi on 7th June 2022 in Hybrid mode in 75 locations all over India. CMA Nagesh Bhagane, Secretary of the Chapter, Staff members & students participated in this program.

### **Green India - Tree Plantation Drive**

The Government of India has embarked upon celebrating the 75 years of Independence through the 75 weeks commencing from 12 March 2021 to 15 August 2022.

Various programmes are organized under the theme Azadi ka Amrit Mahotsav all over India by our Institute of Cost Accountants of India. As a part of this Chapter arranged Tree plantation programme at CMA Bhawan, Karvenagar on Thursday, 9th June, 2022. Theme of the programme was “Green India – Tree Plantation Drive”.

CMA Neeraj Joshi, Central Council Member, ICAI, CMA Chaitanya Mohrir, RCM, WIRC, CMA Nagesh Bhagane, Secretary, CMA Meena Vaidya, Advisor, Dr. Rajendra Khedekar, Chairman, Dnyanyog Seva Kendra Trust, Mr. Vikas Mane, Co-ordinator Bhartiya Yuvak Kalyan and Vyayam Kendra, CMA Members, Staff members and Students of Pune Chapter were present on the occasion. Plantation of various types of useful plants held at the hands of guests at CMA Bhawan premises.

### **Awareness Programme on Insolvency Profession**

Chapter organized “Awareness Programme on Insolvency Profession” jointly with Indian Institute of Insolvency Professionals of ICAI, Institute of Insolvency Professionals ICSI & Insolvency Professional Agency of The Institute of Cost Accountants of India at CMA Bhawan, on 9th June, 2022.

The objective of the Program was to make our youth, pursuing their Degrees in the Finance/Accounts/Management/ Law/ Commerce Colleges, aware of Insolvency Profession and Career opportunities and give them the option to join the profession and contribute towards nation building through a great career.

CMA Neeraj Joshi, CCM, ICAI present for the programme. CMA Chandrashekhar Adawadkar was the speaker for the

program. CMA Shrikant Ippalpalli introduced the speaker to the participants. CMA Vishnu Sharma felicitated CMA Neeraj Joshi, CCM, ICAI.

### International Yoga Day

Chapter celebrated 8th International Yoga Day on 21st June 2022. CMA Prasad Joshi, Chairman- welcomed & felicitated the Yog guru CMA D V Patwardhan. He explained Asanas and Pranayam in detail with practical.

CMA (Dr.) N K Nimkar, Past Chairman, of the Chapter shared his experience about role of Yoga in health for all. CMA Nilesh Kekan, Treasurer proposed vote of thanks.

### Visit to Pune Municipal Corporation for felicitation of Joint Commissioner of Finance

Chapter Managing Committee visited Pune Municipal Corporation to felicitate CMA Ulka Kalaskar who promoted to Joint Commissioner of Finance of Pune Municipal Corporation.

CMA Prasad Joshi, Chairman felicitated CMA Ulka Kalaskar, Joint Commissioner of Finance of Pune Municipal Corporation. CMA Meena Vaidya, Advisor, Pune Chapter, CMA Nagesh Bhagane, Secretary, CMA Shrikant Ippalpalli and CMA Rahul Chincholkar Managing Committee member of Chapter were also present.

### CEP on “Internal Audit - A Practice”

Chapter organized CEP on “Internal Audit - A Practice” on 24th June 2022 at CMA Bhawan, Karvenagar. Mr. Anand Joshi was Speaker for the programme.

CMA Shrikant Ippalpalli, Member of Pune Chapter welcomed & introduced the Speaker to the participants. CMA Nilesh Kekan, Treasurer Pune Chapter felicitated the speaker Mr. Anand Joshi. The session was very educative & knowledge sharing. CMA Nilesh Kekan Treasurer-proposed vote of thanks.

## SURAT SOUTH GUJARAT

### Chapter Representation at Veer Narmad South Gujarat University

Chapter took the initiative to represent the Chapter at Vice Chancellor's office - Veer Narmad South Gujarat University, Surat. CMA Nanty Shah- Chairman along with CMA Brijesh Mali- Past Chairman and managing Committee Member met Dr. Kishor Sinh Chavda- Vice Chancellor – Veer Narmad South Gujarat University on 15th June, 2022. The purpose of the visit was to propose the inclusion of CMA at various areas like FRC committee in University and as faculties at VNSGU and to conduct various programs to spread awareness about CMA Course among the students.

### Career Counselling Program

Chapter organized Career Counseling Program at Chapter Office, on 13th June 2022. CMA Nanty Shah- Chairman, CMA Keval Shah- Vice Chairman, CMA K.C. Gupta-Secretary, CMA Kishor Vaghela- Treasurer and CMA Bharat Savani- Immediate Past Chairman conducted the session.

## VAPI SILVASSA DAMAN

AGM of the Chapter was held on 12th June 2022. Activities of the chapter were reviewed and accounts were adopted. AGM was followed by members meeting where managing committee for 2022-23 was elected.

A motivational programme on “What is happiness” was also conducted for members and their family. The speaker was CMA Vinita. The members and families enjoyed the programme. ■

## WIRC Chapters' Office Bearers - 2022-23

### NAGPUR

CMA Anil Varma	...	<i>Chairman</i>
CMA Anan Sahasrabuddhe	...	<i>Vice Chairman</i>
CMA S. Rajat Naidu	...	<i>Hon. Secretary</i>
CMA Sameer M Joshi	...	<i>Treasurer</i>

### PUNE

CMA Prasad Joshi	...	<i>Chairman</i>
CMA Smita Kulkarni	...	<i>Vice Chairman</i>
CMA Nagesh Bhagane	...	<i>Hon. Secretary</i>
CMA Nilesh Kekan	...	<i>Treasurer</i>

### SOLAPUR

CMA Murali Sampath Iyengar	...	<i>Chairman</i>
CMA Ambadas Laxminarayan B...	...	<i>Vice Chairman</i>
CMA Sunil G. Ingale	...	<i>Hon. Secretary</i>
CMA Nagraj K. Alwal	...	<i>Treasurer</i>

### SURAT SOUTH GUJARAT

CMA Nanty Shah	...	<i>Chairman</i>
CMA Keval Shah	...	<i>Vice Chairman</i>
CMA K. C. Gupta	...	<i>Hon. Secretary</i>
CMA Kishor Vaghela	...	<i>Treasurer</i>

### VAPI- SILVASSA- DAMAN

CMA Ajay Verma	...	<i>Chairman</i>
CMA Raja Dutta	...	<i>Vice Chairman</i>
CMA Hemal Zaveri	...	<i>Vice Chairman</i>
CMA Vaishali Modi	...	<i>Secretary</i>
CMA Hiren Katarmal	...	<i>Treasurer</i>



Committee members and members of Ahmedabad Chapter taking Investor Oath on 7th June 2022.



CMA Malhar Dalwadi, Chairman of Ahmedabad Chapter Felicitating Yoga Trainer Shri Kaushal Vyas during celebration of Yoga Day organized by Ahmedabad Chapter on 21st June 2022.



CMA Dhananjay Kumar Vatsyayan, Chairman-PCA Chapter felicitating CMA Chandrashekhar Adawadkar by offering memento



CMA Manoj Chitalikar, Smt. Renuka Nandedkar, Mr. Mukund Panhalkar, Smt. Anjali Dhamal., CMA (Dr.) Sanjay Bhargave, & Mr. Ashwani Jotshi, during Outreach program on The Maharashtra Settlement of Arrears of Tax organized by Pune Chapter on 2nd June 2022.



CMA Meena Vaidya, Advisor Pune Chapter, felicitating CMA Ulka Kalaskar, Joint Commissioner of Finance of Pune Municipal Corporation on 21st June 2022.



International Yoga Day organized by Pune Chapter on 21st June 2022 at CMA Bhawan, Karvenagar



CMA Brijesh Mali, Past Chairman, Surat South Gujarat Chapter felicitating Dr. Kishor Sinh Chavda- Vice Chancellor, VNSGU. Also seen CMA Nanty Shah, Chairman, Surat South Gujarat Chapter and Mr. Tarun Shah, Staff Member.



CMA Vinita talking to gathering during a motivational programme organised by Vapi Silvassa Daman Chapter of Cost Accountants on 12th June 2022



CMA Dushyant Dave felicitating CMA Harshad Deshpande, Chairman P.D. Committee, WIRC during 12th Banking & Finance Conference organised jointly by WIRC & IMC Chamber of Commerce and Industry on 16th June 2022 at BSE International Convention Hall, Mumbai.



CMA Ajay Verma, CMA Jignesh Parekh, CMA Satish Mehta, CMA Vaishali Modi, CMA R M Kandoi & CMA B F Modi, during GST Day celebrations organised by Vapi-Daman-Silvassa Chapter on 1st July 2022.

## Theme for August 2022

Theme for August 2022 is **Banking & Insurance**

Articles on the theme as well as other professional matters are invited along with scanned copies of their recent passport size photograph, email id, mobile no and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else.

Please send your articles by e-mail to [wirc.admin@icmai.in](mailto:wirc.admin@icmai.in) before 25th July 2022.

To,



If undelivered please return to:  
**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
**WESTERN INDIA REGIONAL COUNCIL,**  
Rohit Chambers, Janmabhoomi Marg, Fort,  
Mumbai 400 001.



Printed & Published by Arindam Goswami on behalf of the Western India Regional Council of the Institute of Cost Accountants of India, Printed at M/s. Surekha Press, A-20 Shalimar Industrial Estate, Matunga, Mumbai 400 019. Published at Western India Regional Council of the Institute of Cost Accountants of India, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Mumbai 400 001. Editor: Arindam Goswami.

### Disclaimer

1. WIRC does not take responsibility for returning unsolicited publication material. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage.
2. The views expressed by the authors are personal and do not necessarily represent the views of the WIRC and therefore should not be attributed to it.
3. WIRC is not in any way responsible for the result of any action taken on the basis of the articles and/or advertisements published in the bulletin. The material in this publication may not be reproduced, whether in part or in whole, without the consent of the Editor, WIRC.