# VISION 360

# JUNE 2024

## EDITION 44

## A TREASURY OF KEY TAX & REGULATORY DEVELOPMENTS!

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ONE-STOP DESTINATION FOR TAXMAN AND TAXPAYER

# EDITORIAL

## VISION 360: Navigating Complexity!

As we find ourselves in a world of constant change, one aspect remains to be constantly present: Taxes. Taxation is a critical element that fuels the functioning of our societies and economies. However, the evolving tax landscape, marked by complex regulations, loopholes, and disparities, calls for a renewed focus on clarity and fairness. As we enter the mid of the year, we mark a crucial juncture in the world of taxation. With the impact of the ongoing global economic recovery and recent legislative changes, this month presents both opportunities and challenges for taxpayers and tax professionals alike.

As we all know, Finance Minister Nirmala Sitharaman presented an Interim Budget on February 1, 2024, in anticipation of the Lok Sabha Elections. With the electoral dust now settled, a dedicated team of Finance Ministry officials in the North Block is gearing up to draft the new government's first full Union Budget for F.Y. 2024-25. This task is not merely a routine annual budget preparation; it marks a transition from the interim to the full budget, during a period that might witness a regime change. The budget is expected to be presented in the first two weeks of July after the new government has been sworn in. While the overall budget size may not differ drastically, the budget speech will be of paramount importance. It is expected to articulate the new government's commitments and priorities, unveiling new schemes, policies, and amendments to existing policies.

In this edition of our newsletter, we have curated a diverse range of articles and insights focusing on the previous month, including recent tax reforms, emerging trends in the industry, and updates from the global tax arena.

On the Direct Tax front, it would also be worth to note that the HC holds gift to be a consideration-less transaction, not liable for capital gains tax, rejects Trust's reassessment. Also, the CBDT releases 'Guidelines for compulsory selection of returns for complete scrutiny during the FY 2024-25'.

On the Indirect Tax front, the Punjab & Haryana HC stays the operation of circular clarifying taxability of corporate guarantee. In another important judgement, AAR has held that marketing, Recruitment, and Referral Consulting Services Rendered to Foreign Universities/Colleges do not classify as an Intermediary Service .

Further, we have penned down an article that discusses the OECD's BEPS 2.0 initiative, which aims to address tax avoidance by multinational corporations through a two-pillar solution. This initiative is seen as a significant step towards reducing the advantages of tax havens, promoting a fairer distribution of tax revenues globally by implementing a global minimum tax rate and reallocating taxing rights.

As these developments make their way to headlines and boardrooms, we at **TIOL**, in association with **Taxcraft Advisors LLP**, **GLS Corporate Advisors LLP** and **VMGG & Associates**, are glad to publish the **44th** edition of its exclusive monthly magazine '**VISION 360**'. We hope that, as always, you will find it an informative and interesting read. We look forward to receiving your inputs, thoughts and feedback, in order to help us improve and serve you better.

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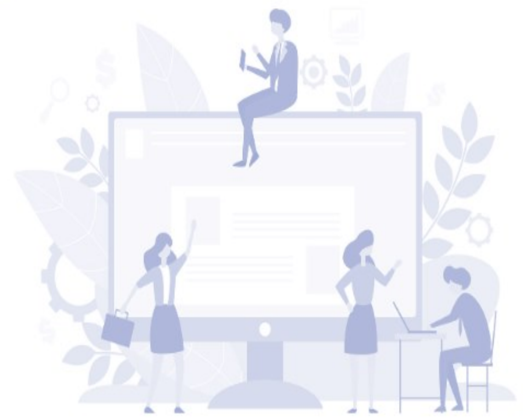


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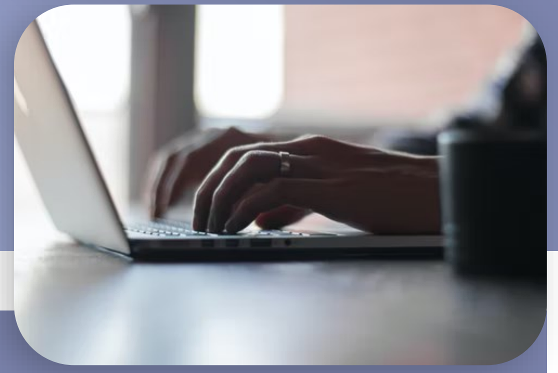
# ARTICLE



## BEPS 2.0: THE BEGINNING OF THE END FOR TAX HAVENS?

In today's interconnected world, the economy has gone beyond the national borders, creating a truly global marketplace. Businesses now operate across multiple jurisdictions, bringing significant benefits to local economies and themselves i.e. economies of scale, access to larger market base. This cross-border presence promotes job creation, social upliftment, and large-scale production advantages, fostering economic growth on both local and international levels. However, with these benefits come intricate challenges, particularly regarding the taxation of profits for organizations with a multinational footprint.

The rise of globalization has fundamentally altered the way businesses operate. No longer confined to their home countries, organizations have established extensive networks of subsidiaries, branches, and partnerships across the globe. This international reach not only boosts their competitive edge but also enhances the economic landscapes of the countries they operate in. Local economies benefit through increased employment opportunities, technology transfers, and improved infrastructure, while businesses gain access to diverse markets and resources, reducing operational costs and increasing efficiency.

The digital economy has further revolutionized global business operations. Companies can now reach customer bases worldwide without the necessity of a physical presence. For instance, software firms serve global clientele from remote locations, leveraging cloud computing and digital platforms. Similarly, businesses often establish offshore units to capitalize on lower labour costs, thus optimizing their profit margins. This digital transformation has blurred traditional geographical boundaries, posing significant questions about tax jurisdiction and revenue allocation. The expansion of multinational corporations (MNCs) into various jurisdictions has complicated the landscape of corporate taxation. Traditional tax systems, which rely on physical presence and residency principles, struggle to keep pace with the digital economy's fluid nature. Under these older rules, tax revenues primarily accrue to the country where a business is legally registered. This approach, however, often leaves the countries where the actual economic activities occur—and where the income is generated—without their fair share of tax revenue.

For example, if a tech giant headquartered in Country A generates substantial income from customers in Country B through online services, the existing tax framework allows Country A to claim most, if not all, of the tax revenue. Country B, despite being the source of the income, receives little to no tax benefits. This inequitable distribution raises fundamental questions about fairness and sustainability in global taxation.

Conversely, if tax rights were exclusively granted to the country of revenue origin, host countries, which provide essential infrastructure and regulatory environments, might lose out. This delicate situation calls for a rationalized approach to international taxation, ensuring fair revenue distribution while maintaining the effectiveness of countries as business hubs. The government of various countries have tried to bridge this gap by introducing bilateral treaties known as Double Tax Avoidance Agreements ("DTAA"), which sets the right to tax the income by the respective countries. These agreements primarily ensure that the same

income is not taxed twice and hence it fails to cover the escapement of income at lower or nil rate of tax.

Addressing these complexities requires coordinated international efforts. The Organisation for Economic Cooperation and Development (OECD), an intergovernmental organization founded in 1961 to promote economic growth and world trade, has stepped forward to tackle these challenges. The OECD, with its 38 member countries, is at the forefront of developing comprehensive solutions to the issues posed by globalization and the digital economy. The OECD's Base Erosion and Profit Shifting (BEPS) initiative highlights how MNCs exploit gaps in tax rules to shift profits to low or no-tax jurisdictions, thereby eroding the tax bases of higher-tax jurisdictions. Such practices, though often legal, are deemed unethical as they deprive countries of vital tax revenue needed to fund public services and infrastructure.

In response, the OECD has introduced the Two-Pillar solution, known as BEPS 2.0, to create a fairer and more stable international tax system. Pillar 1 of the OECD's plan focuses on reallocating taxing rights to ensure that countries where consumers and users are located can claim their fair share of tax revenue. This pillar comprises two main components: Amount A and Amount B.

Amount A seeks to shift part of the taxing rights from the country where a multinational is headquartered to the countries where its customers are based. This reallocation is particularly relevant for highly digitalized businesses and consumer-facing companies. Under Amount A, only MNCs with annual revenues of at least EUR 20 billion and profitability exceeding 10% are covered. These rules aim to tax 25% of the profit before tax that exceeds the 10% revenue threshold, ensuring that tax revenues reflect the economic activities conducted in market jurisdictions.

Amount B focuses on standardizing transfer pricing rules for routine marketing and distribution activities. This simplification is intended to reduce disputes and administrative burdens, offering a fixed return for baseline marketing and distribution functions. By setting predetermined rates of return, Amount B provides clarity and consistency, helping businesses comply with local tax laws more efficiently.

Pillar 2 introduces a global minimum tax to address concerns about profit shifting to low-tax jurisdictions. This pillar consists of four rules collectively known as the Global Anti-Base Erosion (GloBE) Rules: The Qualified Domestic Minimum Top-Up Tax (QDMTT), the Income Inclusion Rule (IIR), the Undertaxed Payments Rule (UTPR), and the Subject to Tax Rule (STTR). These rules are followed in the sequence as listed above. QDMTT rule allows countries to levy an additional tax on profits shifted to low-tax jurisdictions, ensuring that the effective tax rate meets a minimum threshold of 15%. If an MNC shifts profits to a low-tax country, QDMTT ensures that the country where the income is earned can impose a top-up tax to meet the minimum rate.

IIR deals with the scenario where the country from where the revenue is being earned has not adopted the OECD’s GloBE Rules and resultantly not applying QDMTT, the IIR allows the country where the MNC is headquartered to impose additional taxes to meet the 15% minimum rate on its global income. This rule prevents companies from escaping taxation by exploiting jurisdictions that have not implemented the OECD's measures. UTP Rule comes into play when transactions occur between entities of a MNC in low-tax jurisdictions, and neither jurisdiction imposes sufficient top-up taxes to ensure the required 15% of effective rate of tax. The UTPR gives the host country of the parent entity the authority to levy additional taxes, ensuring the minimum effective tax rate of 15% is achieved for cross-border transactions within the MNC.

STTR Rule ensures that certain cross-border payments, such as interest and royalties, are subject to a minimum level of tax through withholding taxes. This rule addresses the issue of tax base erosion through deductible payments to low-tax jurisdictions.

The introduction of these comprehensive rules has significant implications for tax havens—jurisdictions that attract businesses with low or zero tax rates and high levels of confidentiality. Historically, tax havens have provided an attractive option for MNCs looking to minimize their tax liabilities. However, the OECD's Two-Pillar solution aims to reduce the advantages offered by these jurisdictions. By mandating a global minimum tax rate, these rules ensure that profits shifted to low-tax jurisdictions are subject to additional taxation, either by the country where the income is earned or by the country where the MNC is headquartered. This reduces the incentives for profit shifting and tax avoidance, compelling businesses to reconsider the benefits of operating in traditional tax havens.

Tax havens must now adapt to these changes. They may need to revise their tax policies to remain competitive while ensuring compliance with the new global standards. Although these jurisdictions will not disappear overnight, the OECD's measures represent a significant step towards levelling the playing field, reducing the disparity between high-tax and low-tax jurisdictions.

The OECD's Two-Pillar solution marks a pivotal moment in the evolution of international taxation. By addressing the complexities of taxing MNCs in a digital and globalized economy, these measures aim to create a fairer and more balanced tax system. Countries where economic activities occur will receive their rightful share of tax revenue, supporting public services and infrastructure development.

Implementing BEPS 2.0 doesn't come without any challenges. Firstly, achieving global consensus among diverse tax jurisdictions is daunting due to differing national interests and economic priorities. Countries may resist changes that could affect their tax revenues or compromise their competitive tax advantages. Although 139 countries have subscribed to the idea of bringing this framework, still it has a long way to go before it is implemented in its correct form. Secondly, the complexity of new rules, poses significant administrative and compliance burdens on both tax authorities and corporations. Additionally, the need for extensive data collection and advanced technological infrastructure may be a barrier for developing countries. Lastly, ensuring consistent and fair implementation across borders to prevent double taxation or loopholes remains a significant concern, requiring robust international cooperation and dispute resolution mechanisms. As these measures are implemented, businesses will need to navigate the new tax landscape, ensuring compliance while optimizing their operations. Governments, too, must adapt, enhancing their tax administration capabilities and cooperating with international partners to enforce the new rules effectively.

In conclusion, the globalization of the economy and the rise of the digital age have brought both opportunities and challenges. The OECD's efforts to rationalize international taxation through the BEPS 2.0 initiative is a crucial step towards addressing these challenges. By promoting a more equitable distribution of tax revenues and curbing profit shifting, these measures contribute to a more sustainable and just global economic system. As the world continues to evolve, so too must the frameworks that govern it, ensuring that the benefits of globalization are shared fairly and equitably across all nations.

## Tribunal holds notice u/s 143(2) of the IT Act by NaFAC to foreign company, valid. NaFAC covers international taxation charge cases

**BNP Paribas**

**ITA No.3416/Mum/2023**

The Assessee was a foreign commercial bank, having its head office in France and 8 branches in India. The Assessee was involved in normal banking activities including financing of foreign trade and foreign exchange transactions. The Assessee's case was selected for scrutiny and a notice under Section 143(2) of the IT Act was issued by the NaFAC. Aggrieved, the Assessee approached the Hon'ble Mumbai ITAT contending that NaFAC did not have the jurisdiction to issue notice u/s 143(2) of the IT Act as the assessment under central charge and international taxation charge cases were excluded from the faceless assessment scheme.

The Hon'ble ITAT observed that the notice was issued by the NaFAC in the capacity of the prescribed authority under Section 143 (2) of the IT Act read with Rule 12E of the IT Rules which was in accordance with Notification No. 25/2021 dated March 31, 2021, whereby the CBDT had authorized the NaFAC to act as the prescribed income-tax authority with effect from April 01, 2021. Moreover, Notification No. 79/2020 dated September 25, 2020, authorized the NaFAC to issue a notice under Section 143 (2) of the IT Act. Further, placing reliance on the judgment of the Hon'ble Karnataka HC in Adarsh Developers [Writ Petition No. 1109/2023], the Hon'ble ITAT observed that the issue of the notice by the NaFAC under Section 143(2) of the IT Act was valid as the NaFAC had the jurisdiction to issue the aforesaid notice under Section 143(2) of the IT Act as the prescribed authority, and therefore the assessments under the central as well as the international taxation charge cases came under the purview of the faceless assessment scheme.

## Supreme Court of Italy holds termination income taxable in recipient's state

**Livio Orlandi Contucci**

**Civile Sent. Sez. 5 Num. 994 Anno 2024**

The taxpayer was an Italian national that had been hired by an Italian Company (employer) to be seconded initially to Turkey and then to the UAE. The taxpayer registered himself to be a resident of the UAE and cancelled his residency status from the Italian registry. The taxpayer requested the Italian tax authorities for a refund of the taxes withheld by the employer on the sums paid to him for early termination. However, the Italian tax authorities refused to accede to the taxpayer's request. The said refusal was challenged before the judge who refused to grant the refund of the taxes withheld as the taxpayer failed to furnish the evidence of taxes paid on such sums in the UAE and the Tax Residency Certificate (TRC) as per Article 28(2) of the Italy-UAE DTAA which was sine-qua-non for claiming refund.

Aggrieved, the taxpayer preferred an appeal against the action of the tax authorities and got relief. Aggrieved, the tax authorities preferred an appeal before the Supreme Court of Italy. Before the Hon'ble Supreme Court of Italy, the issue, inter-alia, was whether the taxpayer was entitled to the DTAA benefits in the absence of the TRC as required under Articles 4 and 28 of the Italy-UAE DTAA and whether the incentive paid on early termination of the employment relationship would be taxable in Italy. The Hon'ble Supreme Court of Italy held that the TRC was not the only evidence to prove the tax residency by the taxpayer for accessing treaty benefits and the taxpayer could prove his actual residence by other pieces of evidence as well. Further, the incentive paid on early termination of the employment relationship was taxable where the recipient was a resident at the payment date, which was the UAE in this case. Accordingly, the taxes withheld on the incentive paid on early termination of the employment relationship by the Italian employer were directed by the Supreme Court of Italy to be refunded to the taxpayer according to Article 28 of the Italy-UAE DTAA.

## ITAT rejects taxability u/s 44BB of the IT Act sans PE in India, distinguishes SC judgment in ONGC

**Computer Modelling Group Ltd.**

**2024-TII-120-ITAT-DEL-INTL**

The Assessee was a foreign company and a tax resident of Canada who was engaged in the business of supply of reservoir simulation software to Indian oil companies along with related software maintenance support services and training services for acquainting with the operation of such software. The Revenue issued notice u/s 148 of the IT Act on the ground that the Assessee had not filed its return of income despite receipts from Indian companies on which TDS had been deducted and concluded that the Assessee was providing products and services which were being used to support exploratory activities in oil and gas exploration and production. Accordingly, the Revenue applied Section 44BB of the IT Act and computed the income of the Assessee and passed the assessment order. On appeal by the Assessee, the CIT (A) declined to admit any additional evidence and dismissed the appeal.

Aggrieved, the Assessee approached the Hon'ble ITAT, which observed that the existence of a PE was a condition precedent for the applicability of Section 44BB of the IT Act. As it was an admitted fact that the Assessee did not have a PE in India, was a tax resident of Canada, and no material was brought on record by the Revenue to prove the contrary, the receipts from the provision of software services to oil companies in India, being in the nature of business profits, were not taxable in India in the absence of a PE. Moreover, being a resident of Canada, the Assessee was governed by the more beneficial provisions under the India-Canada DTAA. While distinguishing the judgment of the Hon'ble SC in **ONGC [2015-TII-03-SC-INTL]** relied upon by the Revenue, the Hon'ble ITAT observed that the substantial question of law determined in the ONGC's case was not concerning the eligibility of taxpayers to the beneficial provisions of tax treaty but the taxability of income in the nature of FTS under the provisions of Section 44D or 44BB of the IT Act. Accordingly, directing the Revenue to grant TDS credit in respect of the tax deducted at source on the receipts and also grant interest under Section 244A of the IT Act to the Assessee, the Hon'ble ITAT allowed the Assessee's appeal.

## HC holds gift is a consideration-less transaction, not liable for capital gains tax, rejects Trust's reassessment

**Jai Trust**

**2024-TIOL-491-HC-MUM-IT**

The Assessee was a trust that filed a 'Nil' return of income, which was accepted and processed under Section 143(1) of the IT Act. In the year under consideration, the Assessee had transferred certain shares of public listed companies to one Nerka Chemicals Private Limited by way of a gift without any consideration. Thereafter, the Assessee received a reassessment notice under Section 148 of the IT Act for escapement of income and filed its objections against the reopening of assessment, which the AO rejected. Aggrieved, the Assessee filed a writ before the HC. The Hon'ble HC observed that when all the three conditions (i.e., there was a capital asset, transfer of such capital asset, and profit/gains arose on such transfer) of Section 45 of the IT Act were fulfilled, the profit or gain could be charged to income tax under the head "capital gains". However, Section 47(iii) of the IT Act excluded any transfer of a capital asset under a gift, will or irrevocable trust. It held that a gift is a voluntary transfer that does not require a consideration because of which its profit or gain could not be measured. The HC also refused to accept an afterthought by the AO that the assessee being a Trust, it can reasonably be presumed that the transfer was for a consideration because anything a Trust does is for the benefit of its beneficiaries. It held that one cannot proceed on hypothesis and deal with such presumptuous argument. Accordingly, holding that the income could not be said to have escaped assessment on transfer of shares as gift by a trust, the Hon'ble HC quashed the reassessment notice.

## HC condones delay in revised returns filed post-NCLT order, finds CBDT's rejection unreasonable

**CG Power And Industrial Solutions Ltd.**

**WRIT PETITION (L) NO. 8766 OF 2024**

The Assessee's accounts and financial statements were re-casted and audited based on NCLT's order for five financial years. The NCLT's order was passed in disposal of MCA's application. Subsequently, the Assessee filed an application seeking condonation of delay in filing earlier period returns based on the re-casted accounts which came to be rejected by the CBDT. Aggrieved, the Assessee filed a writ before the HC. The Hon'ble HC observed that when the accounts were re-casted based on the NCLT's order and such accounts were accepted by the NCLT & MCA, the CBDT could not raise frivolous and unreasonable objections stating lack of genuine hardship without giving any reasons to hold the same view. Further, placing reliance on a plethora of coordinate bench judgments, the Hon'ble HC observed that the phrase "genuine hardship" should be considered liberally and the authorities should consider power to condone delay had been conferred to enable substantial justice to the parties by disposing the matters on merits. In the present case, only after returns based on re-casted accounts were allowed to be filed and taken on record, the assessment order could be passed and the Revenue could re-open assessment. Thus, quashing the CBDT's adverse order, the Hon'ble HC allowed Assessee's writ and directed the Revenue to allow the Assessee to file revised returns in physical form based on the re-casted books of accounts and financial statements for the five financial years and to carry out assessment/ appellate proceedings based on the same.

# DIRECT TAX
## From the Legislature

## NOTIFICATIONS

| Sr No | Notification | Summary |
|---|---|---|
| 1. | Notification No. 44/2024 dated May 24, 2024 | **CBDT notifies "363" as Cost Inflation Index for AY 2025-26**<br><br>The CBDT notifies "363" as the Cost Inflation Index in relation to the AY 2025-26 effective April 1, 2025.<br><br>The Cost Inflation Index is used to calculate the long-term capital gains from a capital asset transfer or sale. It is used to estimate the increase in the prices of goods and assets year-by-year due to inflation and match the prices to the inflation rate. Long-term capital assets are typically documented in books at their cost price. As a result, despite growing asset prices, these capital assets cannot be revalued. The application of the Cost Inflation Index for capital gains adjusts the purchase price of assets based on their sale price, resulting in smaller earnings and a lower tax amount. The previous Cost Inflation Index for AY 2024-25 was "348". |

## CIRCULARS/PRESS RELEASES

| Sr No | Notification | Summary |
|---|---|---|
| 1. | Circular No. F.No.225/72/2024/ITA-II dated May 03, 2024 | **CBDT releases 'Guidelines for compulsory selection of returns for complete scrutiny during the FY 2024-25'**<br><br>With a view to enhance the efficiency of tax administration and streamline the procedure for assessments, the CBDT has issued a comprehensive set of guidelines for compulsory selection of returns for complete scrutiny during the FY 2024-25. The guidelines outline the procedure for selection of cases with a view to ensure effective scrutiny assessments while maintaining the overall procedural integrity.<br><br>The guidelines, *inter-alia*, lay down detailed parameters for |

| Sr No | Notification | Summary |
|---|---|---|
| | | compulsory selection of cases involving surveys, search and seizure actions, instances of non-filing of return despite notice under Section 142(1) of the IT Act, cases where specific information relating to tax evasion is received, instances of recurring issues of fact or law leading to significant additions in earlier assessment years, etc.<br><br>In all such significant cases, it necessitates prior approval from appropriate authorities before making such selection. Once the relevant approvals are in place, certain cases like those relating to surveys, search and seizure, escaped assessments, etc. must be transferred to Central Charges within 15 days from the date of issuance of notice. The guidelines also specify situations when cases will be forwarded to the NaFAC and when notices in this regard shall be served.<br><br>While the guidelines are largely in line with the same issued in earlier years, this year the CBDT appears to have focused on cases of possible tax evasion based on information received from other law enforcement agencies. |
| 2 | Press Release dated May 13, 2024 | **CBDT releases new functionality in AIS for addressing taxpayers' feedback**<br><br>With a view to enhance taxpayer services and improve tax compliance, the Income Tax Department has brought about a new functionality in the AIS. AIS is a statement that provides details of large number of financial transactions having tax implications undertaken by taxpayers based on the financial data received from multiple sources. Under the existing facility, taxpayers are given the option to comment on the accuracy of every transaction displayed in the AIS. Where the taxpayer disagrees with any such information so reported, the same is taken up with the source for their confirmation, in an automated manner.<br><br>However, with a view to bring more transparency for taxpayers, the CBDT has provided a new functionality in the AIS to display the |

| Sr No | Notification | Summary |
|---|---|---|
| | | 'status of information confirmation' process. This new functionality will update the taxpayer as to whether thier disagreement with the information has been acted upon by the source, by either, partially or fully accepting or rejecting the same. Where there is partial or full acceptance by the source, it is required to file a correction statement in this regard.<br><br>It may be noted that this facility is currently made functional with regard to the information furnished by tax deductors/collectors and reporting entities. |

# TRANSFER PRICING
From the Judiciary

## ITAT remits TP-adjustment qua notional interest on realization of export sale proceeds

**Intas Pharmaceuticals Ltd.**

**2024-TII-83-ITAT-AHM-TP**

The Assessee was engaged in the business of manufacturing pharmaceutical products. The return of income of the Assessee was selected for scrutiny. As the Assessee had entered into international transactions, a reference was made to the TPO. The TPO made an upward adjustment for charging of notional interest for 19 days' excess credit period for realization of export sale proceeds of finished pharmaceutical products from AEs. Aggrieved, the Assessee approached the CIT(A) who confirmed the upward adjustment made by the TPO without accepting the arguments made by the Assessee. Against such order, the assessee approached the ITAT. Before the Hon'ble ITAT, the assessee argued that the CIT (A) erred in confirming the upward adjustment made for charging notional interest for a 19-day excess credit period for realization of export sale proceeds of finished pharmaceutical products from AEs (i.e., a 199-day average credit period for AEs as against 180 days for non-AEs).

The assessee also argued that the working capital adjustment was factored in while fixing the sale price and hence it took into account the impact of outstanding trade receivables on profitability. The Assessee further argued that the export transaction was benchmarked using TNMM using OP/ OC as PLI, which showed the Assessee's margin at 48.31% compared to comparables' margin at 17.71%. The Hon'ble ITAT observed that these submissions appeared to have not been verified by the AO/ TPO and accordingly, remanded the issue back to TPO for proper adjudication.

## ITAT deletes penalty under Section 271(1)(c) of the IT Act, acceptes assessee reasons for not charging interest on loan

**Air Works India (Engineering) Pvt Ltd.**

**2024-TII-78-ITAT-MUM-TP**

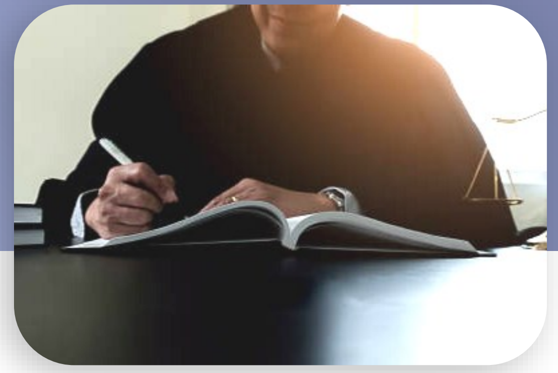
The assessee was engaged in the provision of aviation services to scheduled airlines, businesses and people who owned or operated aircraft and the country's defense services. During the relevant period, the assessee advanced an interest-free loan to its AE. The TPO made a TP-adjustment by imputing interest on the loan advanced to the AE and also imposed a penalty by invoking Explanation 7 to Section 271(1)(c) of the IT Act for furnishing inaccurate particulars of income and concealment of income, which was confirmed by the CIT(A).

Aggrieved, the Assessee approached the Hon'ble ITAT which noted that the Assessee had explained all reasons for not charging interest and one of the important explanations was that these investments were in the form of equity / quasi equity although the extent of the investment had not been elaborated.

Further, the Assessee had disclosed all particulars of income, including ALP of interest in the TP study report, by claiming that no interest was chargeable on the transaction and though the Assessee had given an explanation before the TPO, the same had not been accepted.

The Hon'ble ITAT, finding that the Assessee had given the capital loan partly out of its own funds and had also justified the reasons for not imputing interest, observed that there could not have been any issue of imputing any interest even under TP provisions. Further, as the explanation given by the Assessee did not lead to the inference that the Assessee had furnished inaccurate particulars, the Hon'ble ITAT, accordingly, deleted the penalty levied by the TPO under Section 271(1)(c) of the IT Act.

# GOODS & SERVICES TAX
From the Judiciary



## AAR: Marketing, Recruitment, and Referral Consulting Services Rendered to Foreign Universities/Colleges do not classify as an Intermediary Service

**Centre for International Admission and Visas (CIAV)**

**TSAAR Order No.09/2024**

The Applicant sought an advance ruling before the Telangana AAR to understand whether the activity of providing services of 'Marketing/Recruitment/ Referral Consultant' by the Applicant to foreign universities/ colleges on principal-to-principal basis would qualify as 'intermediary' as defined under Section 2 (13) of the IGST Act or as an independent service that qualifies as "export of services" under Section 2(6) of the IGST Act.

The AAR determined that the services provided by the Applicant were on a principal-to-principal basis, as evidenced by the terms of their agreements with the foreign institutions, which did not indicate an agency or brokerage relationship. Drawing on jurisprudence from the Service Tax regime, where similar services were not deemed intermediary, the AAR ruled that the Applicant's services did not meet the criteria for an intermediary, which involves facilitating a main service between two parties. Consequently, since the services provided were independent and payments were received in convertible foreign exchange, they qualify as 'export of services'. Thus, the AAR concluded that the Applicant's activities fall outside the ambit of intermediary services and are considered export of services under the IGST Act.

### *Authors' Notes*

> *The AAR order is in line with the pronouncement in **Genpact India Private Limited [2023 (68) GSTL 3 (P&H)],** wherein the Hon'ble Punjab and Haryana High Court outlined that an intermediary must: a. Have a principal agent relationship, b. facilitates services between the principal and a third party, c. not provide the main service themselves. Similarly, the Supreme Court in **SNQS International Socks Private Limited [Appeal 41587 of 2016]** established that intermediaries entail two supplies: one between the principal and a third party, and another for their own service to the principal. The CBIC Circular 159/15/2021-GST dated September 20, 2021 and above judgments confirm that Indian service providers offering marketing and referral services to foreign clients are not intermediaries under GST.*

## HC: GST payable on services received outside India by registered person

**Savio Jewellery**

**D.B. Civil Writ Petition No. 1910/2024**

The Petitioner was subjected an assessment order to pay tax on exhibition service received outside India. The Petitioner preferred a writ before the Rajasthan HC. The petitioner contended that as per the CGST Act

and the IGST Act, services received outside India cannot be taxed in India, especially in the case of exhibitions held outside India.

The Court observed that the exhibition services in question were provided outside India, and the recipient was located in a taxable territory. It noted the provisions of Section 13(5) of the IGST Act, 2017, which governs the place of supply for services, and the notification dated 28.06.2017 issued under Section 5(3) of the IGST Act, which mandates tax payment on a RCM basis by the recipient for certain categories of goods or services. The Court emphasized that the notification was not contested and clearly stated that the recipient, being in the taxable territory, must pay GST on a RCM basis. Therefore, the court concluded that the recipient, being a registered person in the taxable territory, is liable to pay GST on the exhibition services received outside India.

### *Authors' Notes*

> *The recent judgment is in contradiction with Section 13(5) of the IGST Act, which specifies that the place of supply for events like cultural, educational, or exhibitions is where the event is held. In this regard, reliance is placed on the CESTAT Ahmedabad in the case of* ***Aegis Limited [Service Tax Appeal No. 13528 of 2013-DB]*** *wherein it was held that the whole of service rendered and consumed outside India is beyond the taxable territory as per the Finance Act, 1994; hence, not exigible to Service tax. Accordingly, this discrepancy creates confusion qua taxability of services provided outside the taxable territory. It thus results in an urgent need for clarity to resolve these conflicting interpretations.*

## Purchasing dealer cannot be denied to avail benefit of ITC for default committed by the supplier

**Subhash Singh**

**SPECIAL APPEAL NO.100 OF 2024**

The Petitioner had filed an appeal against an order whereby it was disallowed from availing ITC on account of non-payment of tax made by the supplier.  The Appellant had purchased goods with proper invoices, and made proper payments through banking channels along with applicable GST.

The court examined Section 74 of the GST Act and emphasized that if a purchaser has followed due diligence, including proper invoicing and payment of GST, they cannot be held responsible for the supplier's defaults. Accordingly, the Court held that the purchasing dealer cannot be denied the benefit of ITC  due to the default committed by the supplier.

### *Authors' Notes*

> *In* ***RE: Suncraft Energy Private Limited [2023-VIL-99-SC], t****he Calcutta High Court, upheld by the Supreme Court, ruled that ITC cannot be denied solely due to a mismatch between GSTR-2A and GSTR -3B without investigating the supplier. The Court emphasized that recovery proceedings cannot be initiated against the buyer without a proper inquiry into the supplier's tax default. There should be no automatic ITC reversal unless there is collusion, a missing supplier, business closure, or insufficient supplier assets. Following this, in* ***RE: Lokenath Construction Private Limited [2024-VIL-432-CAL],*** *the*

*Calcutta High Court reaffirmed the necessity of investigating the supplier before penalizing the buyer. The Court held that buyers should not face recovery proceedings if they have paid the tax for transactions with the supplier, aligning with the Suncraft ruling. These decisions underscore the importance of fair inquiry into suppliers' actions before directing buyers to reverse ITC, ensuring that buyers are not unfairly penalized for suppliers' defaults.*

## Punjab & Haryana HC stays the operation of circular clarifying taxability of corporate guarantee

**Acme Cleantech Solutions Pvt Ltd Vs Union of India and Others**

**CWP-10249-2024**

An interim order has been passed staying the effect and operation of the Circular No. 204/16/2023-GST dated 27 October 2023 on taxability of corporate guarantee. The HC stayed the effect and operation of the impugned Circular with respect to the aforesaid clarification and directed the Appellate Authority to decide the case of the assessee without being influenced by the clarification.

## HC: Non-submission of a certified copy cannot be a ground for dismissal of appeal

**Enkay Polymers**

**WRIT TAX No. 1155 of 2023**

The Petitioner's appeal was dismissed due to the non-filing of a certified copy of the order within the prescribed time limit under Rule 108 of the CGST Rules. Despite the electronic filing of the appeal within the specified timeframe, the appeal was dismissed solely on the ground of the non-submission of the certified copy of the order within seven days. Aggrieved the Petitioner preferred a writ before the Allahabad HC.

The Court observed that various High Courts have treated the non-submission of a certified copy as a technical defect, not warranting dismissal. Consequently, the court quashed the dismissal order and directed the appellate authority to rehear the appeals filed by the petitioner on their merits. As a result, the writ petition was allowed.

## HC: Rectification of GSTR-1 permitted in case of no loss of revenue

**Railroad Logistics India Private Limited**

**Writ Petition (L) No. 2429 OF 2021**

The Petitioner made an inadvertent error in submitting the GST number of Mahindra & Mahindra (Rajasthan) in its Form GSTR-1 instead of correct GST number of Mahindra & Mahindra (Orissa). Due to this error, Mahindra & Mahindra (Orissa) received a show cause notice. Subsequently, the Petitioner, informed the GST authorities of the error and requested permission to amend its GSTR-1. Despite filing a reminder letter, no action was taken, aggrieved the Petitioner preferred a writ before the Bombay HC.

The Court agreed with the Petitioner's contentions, acknowledging the inadvertent nature of the error and the absence of any loss of revenue. The court in that case allowed rectification of GSTR-1, emphasizing that a bona fide and inadvertent error should be rectified, especially when there is no loss of revenue. Therefore, the Court directed that rectification should be permitted to the assessee, and the writ petition was disposed of by directing the department to permit petitioner to amend and rectify Form GSTR-1 for the period in question.

## Authors' Notes

> *The High Court exercised its discretionary power to allow rectification in this case. It is noteworthy that Courts are taking such liberal view even after the Supreme Court judgment in the case of* ***UOI v. Bharti Airtel Limited [2021-VIL-87-SC]*** *wherein the Apex Court denied rectification of GSTR-3B when not permissible under law.*

# GOODS & SERVICES TAX

## From the Legislature

| Sr No | Notification/ Circular | Summary |
|---|---|---|
| 1. | Press Release No. 499 dated May 18, 2024 | **Advisory on launch of E-Way Bill 2 Portal**<br>• NIC is releasing the E-Way Bill 2 Portal (https://ewaybill2.gst.gov.in) on 1st June 2024.<br>• E-Way Bill 2 Portal runs in parallel to the e-way Bill main portal (https://ewaybillgst.gov.in).<br>• Logistic operators can use the E-Way Bill 2 portal with the login credentials of the main portal.<br>• E-Way Bill 2 portal provides the web and API modes of operations for e-way bill services.<br>• Taxpayers and logistic operators can use the E-Way Bill 2 portal during technical glitches in e-way bill main portal or any other exigencies. |
| 2. | Instruction No. 01/2024 -GST dated May 30, 2024 | **Guidelines for initiation of recovery proceedings before three months from the date of service of demand order**<br>• As per section 78 & 79, standard time for initiation of recovery proceedings from taxpayer is 3 months from the date of service of demand order.<br>• However, in exceptional situations, approval for early initiation of recovery proceedings before the standard time of 3 months may be given but it should not be given by officers in a mechanical manner.<br>• Proper officer should clearly provide specific reasons for asking the taxpayer for early payment of the demand.<br>• Such reasons could include high risk to revenue e.g.<br>• Apprehension on taxpayer that he may close the business in near future,<br>• Possibility of default by taxpayer due to his declining financial conditions or impending insolvency, or likely initiation of proceedings under Insolvency and Bankruptcy Act, etc.<br>• Reasons to believe for the apprehension of risk to revenue should be based on credible evidence. |

| Sr No | Notification/ Circular | Summary |
|---|---|---|
| | | • Proper officer must duly consider the financial health, status of business operations, infrastructure, and credibility of the taxable person, and strike a balance between the interest of the revenue and ease of doing business.<br>• Proper officer for general recovery proceedings u/s 79 is the jurisdictional Deputy or Assistant Commissioner of Central Tax.<br>• Proper officer for giving approval for early initiation of recovery proceedings is the jurisdictional Principal Commissioner/ Commissioner of Central Tax. |

# CUSTOMS & FTP
## From the Judiciary

## SC overturns penalty for Non-Fulfillment of Export Obligations

**Embio Limited**

**2024-VIL-16-SC-CU**

This case revolves around the imposition of a penalty under Section 11(2) of the Foreign Trade (Development and Regulation) Act, 1992. The penalty was imposed due to the non-fulfillment of export obligations related to the import of capital goods under an Export Promotion Capital Goods License. The appellant, amalgamated with Karnataka Malladi Biotics Limited, and faced penalties for failing to fulfill export obligations after importing capital equipment at a concessional rate.

The appellant filed a Writ Petition challenging the penalty, which was initially dismissed. Upon amalgamation, Karnataka Biotics withdrew the Writ Petition, reserving the right to file a fresh one. Later, the appellant filed a fresh Writ Petition, contesting the penalty. However, the High Court dismissed the Writ Petition on the grounds that the earlier petition had been withdrawn without reserving the liberty to re-agitate the issues involved. The Hon'ble SC found errors in the dismissal of the appellant's Writ Petition. They noted that the Division Bench had explicitly granted liberty to file a fresh petition upon the withdrawal of the earlier one. Therefore, dismissing the subsequent Writ Petition on this ground was incorrect.

Regarding the penalty, the Apex examined the provisions of Section 11(2) of the FT Act, which applies when exports or imports are made in contravention of the Act, rules, or FTP. They found no allegation of contravening these provisions against the appellant or its predecessor. The penalty was solely based on the failure to fulfill export obligations, not on contravening export-import policies. As Section 11(2) is a penal provision, it must be strictly construed. Therefore, the demand for penalty was deemed unsustainable, and the Hon'ble SC set aside the impugned judgments, orders, and the penalty itself.

## CAAR rules Optical Line Terminals ineligible for concessional duty

**Nokia Solutions and Networks India Private Limited**

**CAAR/Mum/ARC/69/2024**

The Appellant, engaged in network equipment manufacturing and trading, imports Gigabit Passive Optical Network (GPON) OLTs, previously classified under a concessional BCD rate. However, Circular No. 08/2023 issued by the CBIC in consultation with the Department of Telecommunications clarified exclusion categories affecting OLT imports. This circular identified OLTs as part of the exclusion under "Combination of one or more of Packet Optical Transport Product or Switch.

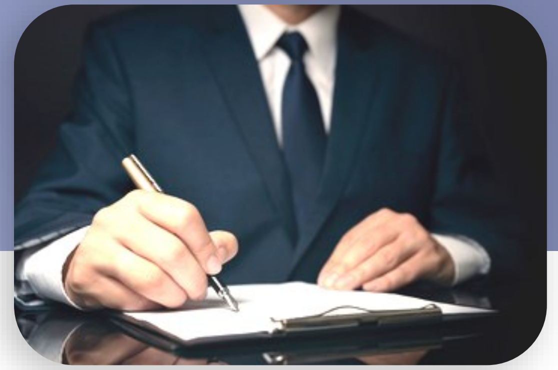
The Appellant contended that OLTs are distinct from POTPs/POTS in terms of functionality, bandwidth, and deployment, asserting their eligibility for the concessional rate. Despite the Appellant's technical arguments and prior classifications allowing the concessional rate, the recent circular directed otherwise. The CAAR noted that, under legal precedents and Section 151A of the Customs Act, circulars issued by CBIC

are binding on customs authorities but not on the courts. However, the CAAR does not possess the discretionary powers akin to appellate authorities to deviate from board-issued directives.

The ruling emphasized that OLTs, as clarified by Circular No. 08/2023, fall under the exclusions specified in Notification No. 57/2017-Cus. Thus, the CAAR concluded that OLTs do not qualify for the concessional BCD rate of 10%.

# CUSTOMS & FTP
## From the Legislature

| Sr No | Notification/ Circular | Summary |
|---|---|---|
| 1. | Circular No. 04/2024 dated 07th May, 2024 | **Enhancements and Clarifications in Duty Drawback Rates**<br><br>Vide this notification, CBIC has amended the All Industry Rates (AIRs) of Duty Drawback, effective from May 3, 2024. These amendments clarifies the unit of "counts" in Chapter 52 concerning cotton yarn, specifying it as "counts in New English (Ne)." Additionally, it highlights enhanced AIRs/caps for marine products, bags, handbags, trunks, articles of bed linen, radar apparatus, radio navigational aid apparatus, and unmanned aircraft. Rationalization of Duty Drawback caps is noted for specific items like "Golf Gloves made of leather in combination with textile materials." Moreover, new tariff items are introduced for better product differentiation, such as "Breaded shrimp/prawn" and "Sports gloves, other than Golf gloves, made of leather." Changes in descriptions and units for Golf Gloves are mentioned, alongside the introduction of AIRs for defense sector products. |
| 2. | Circular No. 05/2024 dated 22nd May, 2024 | **CBIC issues circular updating protocols for drone disposal and nodal officer communication**<br><br>CBIC has introduced amendments to the procedures governing the disposal of Unmanned Aircraft Systems, Unmanned Aerial Vehicles, Remotely Piloted Aircraft Systems, and drones. The changes are made regarding the designation and communication of nodal officers. The Ministry of Defence and Ministry of Home Affairs are now responsible for informing the Commissioner (Investigation-Customs), CBIC, about any changes in nodal officers, with updates to be communicated to inv-customs@gov.in. It is recommended that nodal officers hold the rank of Director or Deputy Secretary. Further, Annexure – C of the circular provides an updated list of nodal officers from various organizations involved in the disposal process. These officers, from entities like the Special Protection Group, Central Reserve Police Force, National Security Guard, and others, are designated to facilitate effective coordination and communication for the disposal of unmanned aircraft systems and associated equipment. |



## Hon’ble HC strikes down EPF Scheme provisions covering “international workers” as unconstitutional

**Stone Hill Education Foundation vs. The Union of India & Ors.**

**Writ Petition No. 18486/2012 (L-PF)**

The Petitioners were mainly employers and employees that had approached the Hon’ble HC challenging the vires of Para 83 introduced in the Employees’ Provident Fund Scheme, 1952 (EPF Scheme) and Para 43A in Employees’ Pension Scheme, 1995 (Pension Scheme) to cover international workers. Before the Hon’ble HC, the Petitioners argued that though the amendment mentioned “international workers”, only foreign nationals, who were drawing several lakhs of salary per month with high perks were brought under the Schemes, which was not only arbitrary, illegal, but also unconstitutional as it was opposed to the very intendment and the object of the EPF Act. Further, the EPF Act provided for a ceiling of INR 15,000, and any person who crossed the said limit, was an excluded employee, but in the case of an international worker, such limit was not prescribed, and the employer was required to pay a contribution on the gross salary of several lakhs of rupees per month, which was in total contravention of the Act. Perusing the salient features and requirements of the assailed provisions of the Schemes, as also the statement of objects and reasons for introducing the EPF Act, the Hon’ble HC noted that the aims and objects of introducing para 83 of the EPF Scheme was, to protect the Indian employees going abroad to work from being subjected to the social security and the retirement clause of their post-country which were prejudicial to their interest and to motivate these countries for entering into such agreements with India and provide reciprocal treatment to the nationals of these countries while they work in India.

Moreover, noting that Para 83 of the EPF Scheme was in the nature of subordinate legislation and therefore, the subordinate legislation could not travel beyond the scope of the parent act, the Hon’ble HC observed that keeping in view the aims and objects of the EPF Act, when a ceiling amount of INR 15,000 per month had been placed as a threshold for an employee to be a member to the scheme, para 83 of the EPF Scheme ought not to have an unlimited threshold for international workers while denying the same benefit to Indian workers. Further, the Hon’ble HC observed that there was discrimination between the Indian employees working in a foreign country (who were not international workers as per definition) and foreign employees working in India who were classified as international workers, and hence, in the absence of parity and reciprocity, there was no justification to demand a contribution on the entire pay of a foreign employee.

Thus, finding that the CG was unable to substantiate any nexus with the object sought to be achieved, the Hon’ble HC observed that Para 83 treated the international workers of Indian origin and foreign origin differently and the distinction in the amount of contribution between an Indian employee and an employee from a foreign country coming to India was clearly discriminatory and therefore violative of Article 14 of the Constitution.

## Hon'ble HC holds limitation period for offences under Companies Act cannot be extended alongside "continuing offence"

**Yogesh Chander Goyal & Ors. vs. The State & Anr.**

**CRL.M.C. 888/2022**

The Petitioner was the whole-time director of a company who had approached the Hon'ble HC challenging dismissal of his revision petition wherein he had disputed the citing of various offences under the Companies Act and the IPC that alleged that he had misappropriated the funds/assets/shares/stocks of the company by illegally transferring them to another company where he was the Chairman/MD. Before the Hon'ble HC, the Petitioner submitted that that cognizance of the offence under Section 447 of the Companies Act, which provided the punishment for fraud, could only be taken on a complaint made by the SFIO and not on a private complaint filed under Section 200 of the Cr.P.C. by an alleged shareholder of the Company. Moreover, for the offence under Section 185 of the Companies Act which related to loans to directors, the complaint filed in the year 2017 by the Complainant would clearly be barred by limitation under Section 468 of the Cr.P.C. Perusing various provisions of the Companies Act including Section 212 relating to the investigation into affairs of a Company by SFIO and relying on a catena of company law judgements, the Hon'ble HC observed that, a complaint under Section 200 of the Cr.P.C. by a private person/shareholder or even by the company itself, would therefore, not be maintainable and cognizance of such an offence could not be taken by a Court except on the complaint filed by the SFIO.

Further, since the Petitioner had allegedly also committed the offence of non-return of property (i.e. the loan to the directors in the present case) which constituted an offence under Section 452 of the Companies Act (Punishment for wrongful withholding of property), the offence under Section 185 of the Companies Act ( which also related to the loans to the directors), could be tried together in terms of the Cr.P.C. Although, merely because the offence under Section 185 of the Companies Act could be tried along with the offence under Section 452 of the Companies Act, the period of limitation would not be extended as far as the cognizance of an offence under Section 185 of the Companies Act was concerned. The effect of offence under Section 452, being a "continuing offence" would be that a fresh period of limitation would begin to run with each day that the accused wrongfully withheld the property of the company, however, the period of limitation for offence under section 185, would remain six months. Therefore, the complaint would still be barred by limitation as far as offence under Section 185 of the Companies Act was concerned.

## Hon'ble SC holds no prohibition on filing recovery-proceedings against sick industrial company, if it doesn't interfere with revival

**Fertilizer Corporation of India Ltd. & Ors. vs. Coromandal Sacks Pvt. Ltd.**

**Civil Appeal Nos. 5366-5367 of 2024**

The Appellant (FCIL) had become a sick industrial company in 1992, but its net worth subsequently turned positive, and hence the Board for Industrial and Financial Reconstruction declared that the company be de-registered from the purview of the Sick Industrial Companies Act, 1985. A dispute arose due to non-

acceptance of goods supplied by the Respondent to the Appellant (FCIL) as per FCIL's order, owing to which the Respondent instituted civil suit for the recovery of money from FCIL. Aggrieved, FCIL approached the Hon'ble SC before which its submissions were focused on jurisdictional bar on the civil court in deciding the suit instituted by the Respondent by virtue of Section 22(1) of the Sick Industrial Companies Act, 1985, and the legality & validity of the interest rate of 24% per annum awarded by the Hon'ble High Court in the Respondent's favor.

Examining whether the suspension of legal proceedings as envisaged under Section 22(1) of the Sick Industrial Companies Act, 1985, would extend to a civil suit for recovery of money even if the debt sought to be proved in the plaint had not been admitted by the sick industrial company and if so, whether the Hon'ble HC's decree in favor of the Respondent could be said to be without jurisdiction, the Hon'ble SC observed that the suit instituted by the Respondent before the trial court was not hit by the embargo envisaged under Section 22(1) of the Sick Industrial Companies Act, 1985, therefore, the decree awarded in favor of the Respondent by the trial court and modified by the Hon'ble High Court, could not be said to be without jurisdiction. Moreover, the object sought to be achieved by Sick Industrial Companies Act, 1985, was to shield the formulation and implementation of the revival scheme from any impediments, thereby maximizing the chances of revival of a sick company and since the recovery proceedings did not threaten the assets of the sick company or interfere with the revival scheme, there was no prohibition on filing such suits.

Further, drawing strength from a catena of judgments and explaining the concept of Industrial Sickness and the Legislative Scheme of the Sick Industrial Companies Act, 1985, the Hon'ble SC found that a question arose as to whether the Hon'ble HC was correct in granting 24% compound interest on the principal decretal amount in favor of the Respondent, and observed that the Hon'ble HC committed no error in awarding 24% interest to the Respondent on its dues as per the provisions of the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993. However, the period during which FICL was a sick company as per the Sick Industrial Companies Act, 1985 should have been excluded for the purposes of calculation of interest. Thus, upholding the order of the Hon'ble HC, subject to the modification of the period for grant of interest, the Hon'ble SC disposed of the matter.

## Hon'ble HC quashes arbitral-award deriving 'loss of profit' sum on MoU breach, "from thin air"

**Divyam Real Estate Pvt. Ltd. vs. M2K Entertainment Pvt. Ltd.**

**O.M.P. (Comm) 162/2020**

In the instant case, disputes had emanated between the parties out of an MoU under which the Petitioner was to construct a mall in which the Respondent was to provide space for running a multiplex on lease basis. The bone of contention between the parties was that the Petitioner had breached the terms of the MoU by entering into a contract with a third-party, thereby invalidly and illegally terminating the Respondent's contract which impelled the Respondent to file a claim in arbitration, and by way of arbitral award, the Petitioner was directed to pay a sum of INR 20 Lakhs to the Respondent, towards "loss of profit".

Aggrieved, the Petitioner filed a petition under Section 34 of the Arbitration Act before the Hon'ble HC

challenging the arbitral award contending that the arbitrator came up with the figure of INR 20 Lakhs from thin air.

Perusing the averments made by the parties, the Hon'ble HC noted that the reasoning and discussion in the award, with reference to the "loss of profit" sum was sparse and cryptic, and there was a clear discordance whereby on the one hand, the arbitrator held that whether or not the Respondent would have made any profit was itself a matter of speculation, but on the other hand, proceeded to award "loss of profit", drawing the figure based on no evidence. Further, noting that the arbitrator did not proceed even on the basis of evidence on record that was available before him to arrive at the conclusion, the Hon'ble HC observed that it was a settled law that where an arbitrator had rendered no clear findings on a contentious issue and the conclusions drawn by an arbitrator were in disregard of the evidence on record, the award was liable to be set-aside, as being perverse and patently illegal.

Thus, finding that the award of INR 20 Lakhs to the Respondent towards "loss of profit" was based on no evidence on record, and in fact, the arbitrator failed to even decide whether the Respondent had incurred, or would have incurred, any loss of profit at all, the Hon'ble HC quashed the arbitral award and allowed the petition.

## SEBI penalizes entities associated with Allied Financial Services for running unregistered portfolio management services

**In the matter of Unregistered Portfolio Management Services**

**QJA/AA/IMD/IMD-SEC-1/30316/2024-25**

SEBI had conducted investigation into the dealings of securities by one Allied Financial Services Private Limited (AFSPL) and its associates. During the course of the investigation, SEBI found that AFSPL entities had entered into agreements with one Dalmia Group to manage the trading and demat account of Dalmia Group entities. Accordingly, SEBI initiated an investigation to examine whether the agreements entered into between the AFSPL entities, and the Dalmia Group entities were in the nature of portfolio management services and whether AFSPL had acted as an unregistered portfolio managers in violation of the provisions of the SEBI Act and SEBI (Portfolio Managers) Regulations, 1993.

On examination, SEBI found that the AFSPL entities managed funds and executed trades on behalf of Dalmia group entities without proper authorization or registration, and that SEBI encountered resistance and non-compliance during its investigation when the AFSPL entities failed to provide the requested information, signatory details and contact information, raising concerns regarding adherence to regulatory protocols. It was also found that the agreements entered into by the AFSPL entities with the Dalmia Group allegedly facilitated portfolio management services without proper authorization, thereby the AFSPL entities had violated various SEBI regulations. Further, SEBI emphasizing the seriousness of the violations, found that AFSPL had already faced regulatory action in the past, including debarment and penalties and had the entities complied with the summons and provided the factual information at the appropriate time, SEBI would have been in a better position to examine the role of the signatories to the agreement which could not be identified as the AFSPL entities did not provide the requisite information nor did they respond to the summons in any manner and this defiant conduct had certainly thwarted the

attempt by SEBI to gather further evidence for a timely conclusion of the investigation proceedings. Accordingly, SEBI imposed a total penalty of INR 30 Lakhs on the AFSPL entities restraining them from accessing the securities market for 3 years, for providing portfolio management services without obtaining a certificate of registration from SEBI, thereby violating Section 12(1) of the SEBI Act read with Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993.

## SEBI restrains ASERL, WOAL, DOL and their promoters from securities market for making false corporate announcements/ RPT irregularities

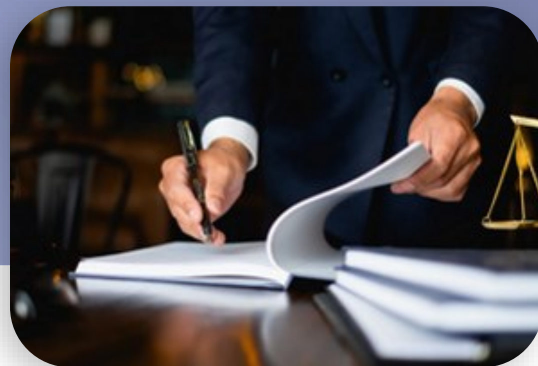
**In the matter of Add-Shop E-Retail Ltd. and White Organics Agro Ltd.**

**WTM/ASB/CFID/CFID-SEC6/30323/2024-25**

Pursuant to receipt of complaints against one Add-Shop E-Retail Ltd (ASERL) and one White Organics Agro Limited (WOAL) *inter-alia* alleging irregularities pertaining to related party transactions, fake announcements regarding supply orders etc., SEBI initiated an investigation into the affairs of ASERL and WOAL for the period April 01, 2020, to March 31, 2023 (Investigation period). The focus of the Investigation period was to ascertain possible violations, if any, of the provisions of the PFUTP Regulations, the LODR Regulations and the SEBI Act. During the investigation proceedings, SEBI observed that one Dada Organics Ltd. (DOL), was *prima facie* involved in fictitious transactions with ASERL and WOAL, thereby enabling ASERL and WOAL to book fictitious purchase and sale transactions in their books of account. Moreover, DOL had also booked fictitious sale and purchase transactions in their own book of accounts, and had filed DHRP in May 2023, with the stock exchange to raise money, however, the same was withdrawn later by the company, accordingly, the possibility of ASERL, WOAL, DOL, raising capital in the future could not be ruled out, unless stopped.

Further, SEBI noted that the promoters of ASERL, while busy making false and misleading announcements, artificially pumped up their sales to show healthy top-line and bottom-line, and they also did not participate in their own rights issue, showing that they had little confidence in the prospects of their own company, and the company in reality was not manufacturing or producing any product, but simply passing fictitious sales transactions between its related parties, and the promoters gave the impression of a healthy and well-run company and benefitted themselves through the falsehood which was a classic example of a pump and dump scheme and small investors needed to be cautious of such fraudulent activities in their own interest.

Therefore, finding that there was an urgent need to take remedial action so as to secure the market from the manipulative acts of these entities and their promoters, SEBI observed that the facts and circumstances of the case presented a strong likelihood that these entities, unless specifically prohibited, shall perpetuate their ill intent by indulging in such malpractices, which were *prima facie* injurious to the health of the securities market and accordingly restrained ASERL, WOAL and DOL and their promoters from buying, selling or dealing in the securities market, for irregularities pertaining to related party transactions/ false corporate announcements until further orders and directed ASERL and WOAL to constitute a new audit committee which shall have enhanced oversight of related party transactions.



## MCA extends last date for filing of LLP BEN-2 and LLP Form No. 4D

**General Circular No. 03/2024 dated May 07, 2024**

In view of the transition of MCA-21 from Version-2 to Version-3 and to promote compliance of reporting requirements by LLPs, the MCA through a Circular notifies its decision to extend the deadline for filing Form LLP BEN-2 and LLP Form No. 4D. The Circular is rooted in the prior notifications by the MCA, including Limited Liability Partnership (Significant Beneficial Owners) Rules, 2023, and Limited Liability Partnership (Third Amendment) Rules, 2023. These regulations introduced forms LLP BEN-2 and LLP Form No. 4D, crucial for declarations under the Companies Act, 2013.

As per the Circular, LLPs now have until July 1, 2024, to submit the aforementioned forms without incurring any further additional fees, thereby easing the financial burden on LLPs. This extension provides a reasonable timeframe for LLPs to ensure compliance with the regulatory requirements, fostering a smoother transition and operational continuity, signifying the government's commitment to supporting businesses, particularly LLPs, during transitional phases and regulatory compliance procedures. By extending the deadline and waiving additional fees for filing Form LLP BEN-2 and LLP Form No. 4D, the MCA prioritizes ease of doing business and encourages adherence to legal obligations. This proactive approach underscores the government's efforts to promote transparency, accountability, and efficiency within the corporate sector.

## SEBI amends stock exchanges & clearing corporation's norms, reduces timeline for payment of regulatory fee to 15 days

**Notification No. SEBI/LAD-NRO/GN/2024/174 dated May 10, 2024**

SEBI notifies the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2024, through which among others, an amendment has been made to Regulation 11 of the existing regulations, which pertains to the regulatory fee. According to the amendment, a recognized stock exchange must pay SEBI the regulatory fee on its annual turnover for the financial year within 15 days after the end of each month, after deducting any fees already paid for that financial year. The expression "annual turnover" means the aggregate value of the transactions, excluding turnover on agricultural commodity derivatives, which took place on the recognised stock exchange during the relevant financial year. A flat regulatory fee of INR 1 Lakh shall also be payable within fifteen days to SEBI by the recognised stock exchange on the aggregate value of the transactions on agricultural commodity derivatives.

## SEBI issues updated Master Circular on 'REITs and InvITs'

**Master Circular No. SEBI/HO/DDHS-PoD-2/P/CIR/2024/43 & 44 dated May 15, 2024**

SEBI issues updated master circulars on 'REITs and InvITs'. These master circulars consolidate all existing circulars on REITs and InvITs issued till May 15, 2024. This is done to enable stakeholders to have access to all applicable circulars at one place. Pursuant to issuance of these master circulars, the entities which are required to ensure compliance with various provisions are required to submit necessary reports as envisaged in these master circulars on a periodic/ continuous basis.

The new master circulars supersede the previous master circulars for REITs and InvITs and any subsequent circulars on the subject.

## SEBI notifies SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024

**Notification No. SEBI/LAD-NRO/GN/2024/177 dated May 17, 2024**

SEBI introduces significant amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, through the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024,. These amendments aim to improve the accuracy of market capitalisation calculations, enhance the verification process for market rumours, ensure timely responses from key executives, provide extended timelines for filling key vacancies, and streamline compliance procedures. Through the amendment regulation, SEBI has, among other things, primarily changed how the market capitalisation is to be determined and revamped the existing regulations on rumour verification by listed companies by specifically linking the disclosure of events or information to material price movement as may be specified by the stock exchanges.

Additionally, to strengthen the framework around rumour verification and uniformity in its implementation throughout the industry, SEBI has also directed all listed companies for whom verification of market rumours is applicable to follow the industry standards formulated by Industry Standards Forum comprising of representatives from three industry associations—Associated Chambers of Commerce and Industry, Confederation of Indian Industry, and Federation of Indian Chambers of Commerce and Industry—under the aegis of the stock exchanges. The industry associations and stock exchanges will publish the standards' note on their websites. In addition, SEBI has also issued the framework for considering unaffected price for transactions impacted by material price movements.

Through these amendments, SEBI seeks to foster market integrity, investor confidence, and robust corporate governance.

## SEBI notifies SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2024

**Notification No. SEBI/LAD-NRO/GN/2024/179 dated May 17, 2024**

SEBI issues amendments to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. These amendments, effective upon publication in the Official Gazette, introduce changes related to the exclusion of the effect on the price of equity shares of a target company and listed equity shares offered as consideration due to material price movement and confirmation of reported events or information. As

per the amendment, the effect on the price of the target company's equity shares due to material price movements and confirmation of reported events or information may be excluded to determine the offer price of such equity shares. This exclusion aligns with the framework specified under sub-regulation (11) of Regulation 30 of the listing regulations. The amended norms are effective from May 17, 2024.

## SEBI issues Master Circular on Non-Convertible Securities, Debt Securities, and Commercial Paper

**Master Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2024/54 dated May 22, 2024**

SEBI through a notification dated August 9, 2021, had earlier notified SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. Thereafter, SEBI had issued multiple circulars covering procedural and operational aspects thereof. With a view to enable the stakeholders to have access to all the applicable circulars/ directions at one place, SEBI through this master circular, now consolidates the provisions of all of the circulars on non-convertible securities, debt securities, and commercial paper issued till May 21, 2024.

This master circular shall come into effect from May 22, 2024, i.e. the date of its issuance and the prior circulars to this master circular shall stand superseded with the issuance of this master circular. However, any directions or other guidance issued by SEBI, as specifically applicable for non-convertible securities, securitized debt instruments, security receipts, municipal debt securities and commercial paper, shall continue to remain in force in addition to the provisions of any other law for the time being in force and the terms not defined in this master circular shall have the same meaning as provided under the relevant Regulations.

# INTERNATIONAL DESK

## UAE: Introduction of new tax exemption regulations for free zone companies

The Federal Tax Authority has introduced new guidelines allowing UAE companies in free zones to qualify for a zero percent corporate income tax rate. To be recognized as a qualifying free zone person (QFZP), companies must maintain audited financial statements, demonstrate substantial business presence, and generate income from qualifying activities.

If a company generates more than Dh5 million or 5% of its total income from non-qualifying activities, it will lose its tax exemption for all income, except for permanent establishments. The guidelines also clarify that zero percent corporate tax applies to high sea sales, exports outside the UAE mainland, and cryptocurrency investments. Additionally, free zone holding companies without employees can meet the substance test through decisions made by directors.

It is recommended that businesses verify their location in a free zone or a designated zone for tax purposes. Goods traded from designated zones are considered qualifying activities even without entering the UAE. The broad definition of goods processing benefits sectors such as oil, gas, gold, and agriculture. Importantly, the investment of surplus cash by a free zone person is considered a related party financing activity. Moreover, a QFZP is not required to prepare separate financial statements for different types of income.

## Germany: New aviation taxes may affect Indian travellers and the air industry

Starting May 1, 2024, Germany has implemented new aviation taxes ranging from €15.53 to €70.83, depending on the route. This change is expected to affect tourists, students, and passengers using Frankfurt as a transshipment hub. In the December quarter, 214,000 passengers travelled from Germany to India, and 190,000 made the return journey.

The tax for domestic and EU flights has increased from €12.73 to €15.53 per ticket, while the fees for long-haul flights exceeding 6,000 km have risen to €70.83 per ticket. Further it was noted that the new taxes are causing passengers to reroute their travel plans through other regions. Consequently, the travel industry has urged German authorities to reconsider this tax policy.

The International Air Transport Association ('IATA') has criticized the tax increase, arguing that it weakens the German economy and hinders efforts to decarbonize aviation. IATA's has contended that the tax undermines Germany's competitiveness and economic growth, describing it as a short-term revenue measure detrimental to long-term economic health. Additionally, a survey revealed that 75% of German air travellers do not believe taxation is the solution for sustainable aviation.

## Germany: Introduces new Transfer Pricing regulations for intra-group financial transactions

Germany has introduced new transfer pricing regulations for intra-group financial transactions. These regulations establish specific guidelines within German tax law for applying the arm's length principle to inbound financial transactions, impacting both transfer pricing analysis and documentation requirements for taxpayers.

Key aspects include thorough justification for any deviations from the group's credit rating, ensuring that the borrower's credit rating analysis is aligned with the group rating. Additionally, conducting a debt capacity analysis is now mandatory, and cash pool leaders and financing companies earning a non-routine reward must provide a comprehensive factual and functional analysis.

## Philippines, Cambodia Finalize deal on Double Taxation

The Philippines and Cambodia finalized a double taxation agreement DTA to bolster trade and investment ties. The DOF spearheaded the conclusion of the draft DTA, prioritizing the protection of taxing rights and the enhancement of economic cooperation between the two nations. Finance Secretary Ralph Recto underscored the significance of this achievement, highlighting its role in fortifying bilateral relations.

The DTA aims to alleviate the burden of double taxation, streamline tax regulations, and provide clarity for citizens and residents of both countries engaged in cross-border economic activities. Negotiations for the agreement commenced in Manila in 2018 and continued in Siem Reap in 2019, reflecting the commitment of both parties to reach a mutually beneficial agreement.

With the conclusion of the draft, the Philippines looks forward to formalizing the DTA through a signing ceremony scheduled for October this year. This development is poised to facilitate smoother trade and investment flows, fostering a more conducive environment for economic cooperation between the Philippines and Cambodia.

## India and China Obstructing 'Pillar 1' tax deal, unwilling to engage

US striving to salvage a crucial aspect of the global corporate tax agreement focused on highly profitable multinational firms, despite facing resistance from India on key issues. It was noted that minimal involvement from China in finalizing "Pillar 1" of the OECD corporate tax deal, reached in principle in 2021 with 140 countries. However, Italian Finance Minister indicated on Friday that the Pillar 1 negotiations were likely to fail due to objections from the US, India, and China.

Pillar 1 negotiations aim to redistribute taxing rights for US-based digital giants, enabling approximately $200 billion of corporate profits to be taxed where the companies operate. Meanwhile, the implementation of a 15 percent global minimum tax on corporate profits, forming the second pillar of the tax deal, awaits ratification by the US Congress.

It was also highlighted that two "red line" issues for the US in the talks, relating to transfer pricing and the "Amount B" system for simplifying transfer pricing calculations. Despite most countries supporting the US

stance on these matters, Yellen expressed frustration with India's reluctance to engage, posing a challenge to reaching an agreement.

A collapse of the Pillar 1 negotiations could lead to the reintroduction of digital services taxes in certain countries and potentially reignite trade tensions. Before the initial 2021 deal, US trade authorities threatened 25 percent tariffs on over $2 billion worth of imports from Italy, Austria, Britain, France, Spain, and Turkey. These threats were suspended after the countries agreed to halt their digital taxes while finalizing the agreement's details. Additionally, Italy seeks to negotiate an agreement with Washington to halt these tariffs, temporarily frozen until June, while retaining its levy, according to an Italian official speaking to Reuters recently.

# GLOSSARY

| Abbreviation | Meaning |
|---|---|
| AA | Adjudicating Authority |
| AAAR | Appellate Authority for Advance Ruling |
| AAR | Authority for Advance Ruling |
| ACU | Asian Clearing Union |
| ADD | Anti-Dumping Duty |
| ADG | Additional Director General |
| AE | Associated Enterprises |
| AFA | Additional Factor of Authentication |
| AGM | Annual General Meeting |
| AICD | Agriculture Infrastructure and Development Cess |
| AIF | Alternative investment Fund |
| AIFs | Alternative Investment Funds |
| ALP | Arm's length price |
| AMCs | Assets Management Companies |
| AMP | Advertising, Marketing and Promotion |
| AMT | Alternate Minimum Tax |
| AO | Assessing Officer |
| AOP | Association of Persons |
| APA | Advanced Pricing Agreement |
| ARE | Alternate Reporting Entity |
| ASBA | Application Supported by Blocked Amount |
| AU | Assessment Unit |
| AY | Assessment Year |
| B2B | Business to Business |
| B2C | Business to Customer |
| BBT | Buy-Back Tax |
| BCD | Basic Customs Duty |
| BED | Basic Excise Duty |
| BEPS | Base Erosion and Profit Shift |
| BEPS | Base Erosion and Profit Shifting |
| BOI | Body of Individuals |
| BPSL | Bhushan Power Steel Limited |
| CA | Chartered Accountant |
| CAG | Comptroller and Auditor General of India |
| CASS | Computer Assisted Scrutiny Selection |
| CAT | Common Aptitude Test |
| CAVR 2023 | Customs (Assistance in Value Declaration of Identified Imported Goods) Rules, 2023 |
| CBCR | Country By Country Reporting |
| CBDT | Central Board of Direct Taxes |
| CBI | Central Board of Indirect Tax |
| CBIC | The Central Board of Indirect Taxes and Customs |
| CBLR | Custom Broker Licensing Regulations |
| CCI | Chief Commissioner of Income-tax |
| CCIT | Chief Commissioner of Income tax |
| CG | Central Government |
| CGST Act | Central Goods and Services Act, 2017 |
| CIMS | Centralized Information Management System |
| CIT | Commissioners of Income Tax |
| CIT(A) | Commissioner of Income-tax (Appeals) |
| CIT(J) | Commissioner of Income-tax (Judicial) |
| CJI | Chief Justice of India |
| CLB | Company Law Board |
| CoC | Committee of Creditors |
| CPC | Centralized Processing Centre |
| CrPC | The Code of Criminal Procedure, 1973 |
| CRS | Common Reporting Standard |
| CS | Company Secretary |

| Abbreviation | Meaning |
|---|---|
| Cus | Customs Act, 1962 |
| CVD | Countervailing Duty |
| DCIT | Deputy Commissioner of Income Tax |
| DDT | Dividend Distribution Tax |
| DGIT | Director General of Income Tax |
| DIT | Directorate of Income Tax |
| DRC | Dispute Resolution Committee |
| DRI | Directorate of Revenue Intelligence |
| DRP | Dispute Resolution Panel |
| DTAA | Double Taxation Avoidance Agreement |
| DTCP | Director General, Department of Town and Country Planning |
| ED | Enforcement Directorate |
| EDC | External Development Charges |
| EOI | Expression of Interest |
| EP | Engagement Partner |
| EP | Engagement Partner |
| EPSEPS | Employees' Pension Scheme |
| Evidence Act | Indian Evidence Act, 1872 |
| FATCA | Foreign Account Tax Compliance Act, 2010 |
| FATF | Financial Action Task Force |
| FDI | Foreign Direct Investment |
| FEMA | Foreign Exchange Management Act, 1999 |
| FHTP | Forum on Harmful Tax Practices |
| FHTP | Forum on Harmful Tax Practices |
| Fin | Finance Bill Finance Bill, 2023 |
| FIR | First Information Report |
| FIRMS | Foreign Investment Reporting and Management System |
| FM | Finance Minister |
| FMV | Fair Market Value |
| FY | Financial Year |
| G2B | Government to Business |
| GST | Goods and Services Tax |
| H&EC | Health and Education Cess |
| HC | High Court |
| HFC | Housing Finance Company |
| HNI | High Net Worth Individual |
| HSVP | Haryana Shahari Vikas Pradhikaran |
| HUF | Hindu Undivided Family |
| IBBI | Insolvency and Bankruptcy Board of India |
| IBC | Insolvency and Bankruptcy Code |
| ICAI | Institute of Chartered Accountants of India |
| ICDR | Issue of Capital and Disclosure Requirements Regulations, 2009 |
| ICFR | Internal Controls Over Financial Reporting |
| IFSC | International Financial Services Centres |
| IFSC | International Financial System Code |
| IFSCA | International Financial Services Centres Authority Act, 2019 |
| IGST | Integrated Goods and Services Tax |

# GLOSSARY

| Abbreviation | Meaning |
|---|---|
| IIM | Indian Institute of Management |
| IMC | Indian Medical Council Act, 1956 |
| Ind AS | Indian Accounting Standards |
| InvITs | Infrastructure Investment Trusts |
| InvITs | Infrastructure Investment Trusts |
| IRP | Interim Resolution Professional |
| IT Act/ Act | The Income-tax Act, 1961 |
| ITBA | Income Tax Business Application |
| JAO | Jurisdictional Assessing Officer |
| KYC | Know Your Customers |
| LIC | Life Insurance Corporation |
| LLP | Limited Liability Partnership |
| LODR Regulations | Listing Obligations and Disclosure Requirements Regulations, 2015 |
| LRS | Liberalized Remittance Scheme |
| LTC | Long-Term Capital Gains |
| MAT | Minimum Alternate Tax |
| MII | Market Infrastructure Institution |
| MoF | Ministry of Finance |
| MoU | Memorandum of Understanding |
| MSEFC | Micro, and Small Enterprises Facilitation Council |
| MSME | Micro Small and Medium Enterprises |
| MSMED Act | Micro, Small and Medium Enterprises Development Act, 2006 |
| NaFAC | National Faceless Assessment Centre |
| NBFC | Non-Banking Finance Company |
| NCCD | National Calamity Contingent Duty |
| NCD | Non-Convertible Debentures |
| NCLT | National Company Law Tribunal |
| NCS | Non-Convertible Securities |
| NCS Regulations | SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 |
| NDFC | Net Distributable Cash Flows |
| NELP | New Exploration Licensing Policy |
| NFRA | National Financial Reporting Authority |
| NFT | Non-Fungible Tokens |
| NHB | National Housing Bank |
| NI Act | Negotiable Instruments Act, 1881 |
| NPA | Non-Performing Assets |
| NPS | National Pension System |
| NSWS | National Single Window System |
| OBU | Offshore Banking Unit |
| ODC | Online Dispute Resolution |
| OEC | Organization for Economic Co-operation and Development |
| OECD | Organization for Economic Co-operation and Development |
| OFS | Offer for Sale |
| OPC | One Person Company |
| PAN | Permanent Account Number |
| PAN | Permanent Account Number |
| PBPT | Prohibition of Benami Property Act, 1988 |
| PCCI | Principal Chief Commissioner of Income-tax |

| Abbreviation | Meaning |
|---|---|
| PCCIT | Principal Chief Commissioner of Income-tax |
| PCIT | Principal Commissioners of Income Tax |
| PFUTP | Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market Regulations, 2003 |
| PIV | Pooled Investment Vehicle |
| PLR | Prime Lending Rate |
| REITs | Real Estate Investment Trusts |
| RoC | Registrar of Companies |
| ROMM | Risk of Material Misstatements |
| RP | Resolution Professional |
| RPT | Related Party Transactions |
| RTGS | Real Time Gross Settlement |
| RU | Review Unit |
| SAD | Special Additional Duty |
| SAED | Special Additional Excise Duty |
| SARFAESI Act | The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 |
| SC | Supreme Court |
| SCAORA | Supreme Court Advocates-on-Record Association |
| SCBA | Supreme Court Bar Association |
| SCN | Show Cause Notice |
| SCRA | Securities Contracts (Regulation) Act, 1956 |
| SEBI | Securities and Exchange Board of India |
| SFIO | Serious Fraud Investigation Office |
| SFIO | Serious Fraud Investigation Office |
| SFT | Statement of Financial Transaction |
| SGST | State Goods and Services Tax |
| SIAC | Singapore International Arbitration Centre |
| SLP | Special Leave Petition |
| SLP | Special Leave Petition |
| SMF | Single Master Form |
| SPF | Specific Pathogen Free |
| STT | Security Transaction Tax |
| SWS | Social Welfare Surcharge |
| TAN | Tax Deduction Account Number |
| TCS | Tax Collected at Source |
| TDS | Tax Deducted at Source |
| TNMM | Transactional Net Margin Method |
| TPO | Transfer Pricing Officer |
| TPS | Tax performing system |
| UAPA | Unlawful Activities (Prevention) Act, 1967 |
| UCB | Urban Co-operative Bank |
| UK | United Kingdom |
| UPI | Unified Payments Interface |
| UPSI | Unpublished Price Sensitive Information |
| USA | United States of America |
| UTGST | Union Territory Goods and Services Tax |
| VDA | Virtual Digital Assets |
| VsV | Vivad se Vishwas |
| VU | Verification Unit |
| WMD Act | Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 |
| WTO | World trade Organization |
| XBRL | eXtensible Business Reporting Langauge |

# FIRM INTRODUCTION

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**Taxcraft Advisors LLP ('TCA')** is a multidisciplinary advisory, tax and litigation firm having multi-jurisdictional presence. TCA team comprises of professionals with diverse expertise, including chartered accountants, lawyers and company secretaries. TCA offers wide-ranging services across the entire spectrum of transaction and business advisory, litigation, compliance and regulatory requirements in the domain of taxation, corporate & allied laws and financial reporting.

TCA's tax practice offers comprehensive services across both direct taxes (including transfer pricing and international tax) and indirect taxes (including GST, Customs, Trade Laws, Foreign Trade Policy and Central/States Incentive Schemes) covering the whole gamut of transactional, advisory and litigation work. TCA actively works in trade space entailing matters ranging from SCOMET advisory, BIS certifications, FSSAI regulations and the like. TCA (through its Partners) has also successfully represented umpteen industry associations/trade bodies before the Ministry of Finance, Ministry of Commerce and other Governmental bodies on numerous tax and trade policy matters affecting business operations, across sectors.

TCA & **VMGG & Associates ('VMGG')** are group firms providing consulting and audit services. While TCA is a multidisciplinary advisory, tax and litigation firm, VMGG is a firm registered with the Institute of Chartered Accountants of India. VMGG is therefore primarily into audit and attestation services (including risk advisory and financial reporting).

With a team of experienced and seasoned professionals and multiple offices across India, TCA & VMGG as a combination offer a committed, trusted and long cherished professional relationship through cutting-edge ideas and solutions to its clients, across sectors.

Website: **www.taxcraftadvisors.com**

**GLS Coporate Advisors LLP ('GLS')** is a consortium of professionals offering services with seamless cross practice areas and top of the line expertise to its clients/business partners. Instituted in 2011 by eminent professionals from diverse elds, GLS has constantly evolved and adapted itself to the changing dynamics of business and clients requirements to offer comprehensive services across the entire spectrum of advisory, litigation, compliance and government advocacy (representation) requirements in the field of Goods and Service Tax, Customs Act, Foreign Trade, Income Tax, Transfer Pricing and Assurance Services.

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