

NYCA's

# The ReCap

A news to clear your doubts

A Monthly E-Newsletter

August, 2023 / Vol 04






For use by clients and firm personnel only

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## KEY METRICS

### Indices

BSE SENSEX	66,160	02.22%	
NSE NIFTY50	19,646	02.38%	
NASDAQ Composite	14,317	03.83%	

### Currency

USD/INR	82.25	0.24%	
EURO/INR	90.57	1.12%	
GBP/INR	105.65	1.31%	



Note: The month-on-month movement as on July 31, 2023 is represented in percentages Source: Yahoo Finance, Investing.com

# COMPLIANCE ALERT

## August, 2023

### 1st August - GST

E-invoicing limit of Rs. 5 cr. wef 1st August

### 7th August - TDS/TCS

TCS payment | TDS payment for July 2023

### 10th August - GST

GSTR-7 : Summary of TDS and deposited under GST laws | GSTR-8 : Summary of TCS and deposited by e-commerce operators under GST laws for July, 2023

### 11th August - GST

GSTR 1- Summary of outward supplies where TO > Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-September, 2023

### 13th August - GST

GSTR 5 - Summary of outward & tax payable by an NR | GSTR 6 (monthly) - July, 2023 for ISDs providing details for their inward supplies and ITC

### 13th August - GST

IFF- Invoice furnishing facility for small registered persons, furnishing the quarterly Form GSTR-1 to file their invoice details on monthly basis

### 15th August - Festival

Independence Day

### 15th August - ESIC & PF

Provident Fund (PF) payment for August, 2023; ESIC payment for August, 2023

### 15th August - Income Tax

Form No. 64D - Furnishing of statement of income paid or credited by an investment fund to its unit holder for 2022-23

### 15th August - Income Tax

Old- Quarterly TDS certificate for the quarter ending 30th June, 2023

### 15th August - TDS/TCS

Furnishing of Form 24G by Govt. office where TDS/TCS is paid without Challan

### 15th August - Income Tax

Form No. 3BB- Due date for furnishing statement by a stock exchange

### 20th August - GST

GSTR 5A - Summary of outward of taxable supplies and tax payable by a person supplying ODIAR services

### 20th August - GST

GSTR 3B - Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with TO. > Rs.5 Cr. last FY or have not chosen the QRMP scheme for the quarter of July-September, 2023

### 25th August - GST

PMT 06 - Challan payment (if no sufficient ITC) for persons who opted for Quarterly filing of GSTR-3B under the QRMP Scheme

### 30th August - TDS/TCS

Filing of Statement for TDS deducted under Section 194IA, 194IB, 194M & 194S for July, 2023

### 31st August - Income Tax

Form no. 9A - Statement to be furnished to accumulate income for future application under section 10(21) or section 11(1)

### 31st August - Income Tax

Form no. 10 - Statement to be furnished to accumulate income for future application under section 10(21) or section 11(1)

**HAPPY**  
*Independence*  
**DAY**

# Direct Tax

## Notifications/Circulars

### **CBDT expands non-applicability of Sec. 56(2)(x) to include fund relocation to IFSC**

Rule 11UAC of the Income-tax Rules, 1962, has been amended. Sub-rule (4) now substitutes "this sub-rule" for "this clause" in the Explanation. A new sub-rule (5) is introduced, specifying conditions for the treatment of movable property received by the fund management entity of the resultant fund following relocation. The conditions require at least 90% ownership continuity for shares, units, or interest in the fund management entity.

*Notification No. 51/2023 dated July 18, 2023*

### **CBDT exempts Aircraft Leasing IFSC units from TDS on dividends paid among themselves**

The Central Government, using powers under the Income-tax Act, exempts dividend income from tax deduction (section 194) for International Financial Services Centre (IFSC) units primarily engaged in aircraft leasing. The exemption is conditional: the payee must submit Form No. 1 detailing the relevant year to the payer. The payer, upon receipt, refrains from tax deduction on dividend payments and reports such transactions in the tax deduction statement (section 200(3) of the Income-tax Act). Guidelines for data handling, security, and procedures will be provided by

the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems).

*Notification No. 52/2023 dated July 21, 2023*

### **CBDT issued SOP for Making Application for Recomputation of Total Income of a Co-operative Society Engaged in the Business of Sugar Manufacturing**

Circular No. 14 of 2023, dated July 27, 2023, issued by the CBDT, introduces a Standard Operating Procedure (SOP) for the application and recomputation of total income of co-operative societies engaged in the business of manufacturing sugar. The SOP is in response to tax litigation arising from the Final Cane Price (FCP) paid by co-operative sugar factories to sugarcane growers, exceeding the Statutory Minimum Price (SMP). The circular outlines the process for applying for recomputation under sub-section (19) of section 155 of the Income-tax Act, 1961. Co-operative societies must submit an application for Assessment Year (AY) 2015-16 or any earlier AY to the Jurisdictional Assessing Officer, along with relevant documents. The Assessing Officer is required to recompute the total income within six months from the application date, applying the provisions of sub-section (19) of section 155 read with section

154 of the Act, with the deadline for rectification set at March 31, 2027.

*Circular No. 14 of 2023 dated July 27, 2023*

### **CBDT has released guidelines to remove difficulty in implementing changes relating to TCS on LRS and on purchasing overseas tour program packages**

The Central Board of Direct Taxes (CBDT) clarified that the Rs. 7 lakh threshold for Tax Collection at Source (TCS) under the Liberalized Remittance Scheme (LRS) applies collectively for all purposes, and it applies for the entire financial year. There are separate thresholds for LRS remittances and the purchase of overseas tour program packages, each triggering different TCS rates. The threshold applies to the remitter, and authorized dealers can collect undertakings from remitters for accurate TCS collection. TCS provisions for overseas tour program packages apply regardless of LRS remittance, with rates varying based on the date of remittance. Remittances for medical treatment and education have specific scopes, and standalone purchases of international travel tickets or hotel accommodations do not qualify as an "overseas tour program package."

*Circular No. 10 of 2023*



## Judicial Rulings

### Payment made for operation & maintenance charges of windmills liable to TDS u/s 194C: ITAT

Where assessee-firm, engaged in sale of power generated from windmills, entered into two contracts with SG for operation and management of windmills, since services were primarily in nature of greasing of bearings, spares repairs/replacement, repairs of major breakdowns, painting of equipment etc. and no technical services were rendered, payments made by assessee to SG were covered under section 194C and not under section 194J

[\[2023\] 152 taxmann.com 257 \(Rajkot - Trib.\) \[19-04-2023\]](#)

### HC sets aside scrutiny notice not issued as per CBDT's instruction for selection of a case for assessment

In the assessment year 2006-07, the Income Tax Tribunal invalidated a scrutiny notice and assessment by the Assessing Officer. The Tribunal's decision rested on the absence of a pending appeal for disallowances exceeding Rs. 5 lakhs and the non-existence of a similar issue in the current year. Significantly, the Tribunal emphasized the necessity of adhering to the Central Board of Direct Taxes (CBDT) instructions for case selection in scrutiny assessments. The decision underscores the importance of procedural compliance in ensuring fairness and transparency in the tax assessment process.

[\[2023\] 152 taxmann.com 232 \(Punjab & Haryana\) \[28-03-2023\]](#)

### HC rejects write petition seeking directions to Union of India to extend date of availing deduction u/s 80-IBA

Where assessee, an association of real estate developers, filed writ petition seeking directions to Union of India to extend date of availing deduction under section 80-IBA on ground that Union of India extended timelines for availing deduction under section 80-IAC but it failed to grant similar extension in timelines in provisions of section 80-IBA, since petition lacked all material particulars required to be stated in pleadings

[\[2023\] 152 taxmann.com 233 \(Bombay\) \[23-12-2022\]](#)



### HC quashes Sec. 148A(b) notice e-mailed after limitation period prescribed by CBDT following SC ruling in Ashish Agarwal

Where notices dated 2-6-2022 issued under section 148A(b) for assessment years 2013-14 and 2014-15 were mailed to assessee on 8-6-2022, since said notices being mailed after 03-06-2022, do not just abrogate mandate of CBDT Instruction No. 1/2022, dated 11-5-2022 but also violate provisions of section 282A insofar as name and designation of concerned officer issuing same find no mention in impugned notices.

[\[2023\] 152 taxmann.com 609 \(Delhi\) \[26-07-2023\]](#)

### HC stayed penalty notices as assessee failed to take steps to cancel or surrender wrong PAN issued in its name

Where petitioner-firm, having two PANs issued in its name (one in status as a company), filed its audited returns and paid taxes on correct PAN but since he had not taken any steps to cancel or surrender wrong PAN nor respondent had fulfilled its duties diligently by indicating in their reply to petition whether or not petitioner had filed any return of income on wrong PAN since issued.

[\[2023\] 152 taxmann.com 218 \(Bombay\) \[17-03-2023\]](#)

### No best judgment assessment if assessee informs AO that original ITR be treated as ITR in response to Sec. 147 notice

A notice under section 148 was issued to the assessee, accompanied by evidence suggesting that the assessee had formally communicated to the Assessing Officer, requesting the treatment of its original return as a response to the section 148 notice. This communication likely played a significant role in the subsequent proceedings. The exchange of such information between the assessee and the Assessing Officer is crucial in understanding the context and potential implications for the reassessment process initiated under section 148 of the Income-tax Act.

[\[2023\] 151 taxmann.com 307 \(Delhi\) \[20-02-2023\]](#)

# Indirect Tax

## CBIC issued Important clarification: Interest Payable on Late Payment of Tax and Wrongly Availed ITC

On the occasion of 6 years of GST, the CBIC clarifies that taxpayers are liable to pay interest only if they utilized the wrongly availed Input Tax Credit ("ITC") for the payment of GST liability. They announce a retrospective relief measure for taxpayers in this regard.

Furthermore, the CBIC informs about the reduction in the interest rate on wrongly availed and utilized ITC from 24% to 18% effective from July 1, 2017.

*Notification No. 14/2022 dated July 05, 2022*

## Mandatory additional qualifiers in import/export declarations in respect of certain products w.e.f. July 01, 2023

Reference is drawn to the Circular No. 15/2023-Customs dated June 07, 2023 wherein mandatory additional qualifiers were added for purposes of import or export declarations under specified chapters. These additional qualifiers were made mandatory for imports/ exports for all Bills of entry/ Shipping bills filed on or after July 01, 2023.

Representations have been received from several trade associations requesting for extension of the due date which is July 01, 2023 for mandatory declaration of additional qualifiers in import declarations as prescribed in above Circular. Further, Department of

Chemicals and Petrochemicals has also requested to defer implementation of above Circular for a further period of 3 months. Additionally, during testing certain mismatches have been observed in qualifier information for export products.

*Circular No. 18/2023-Customs dated June 30, 2023*



## Standardized Documentary & Information Requirements for AD Code Registration/Modification in Relation to Exports

Referring to Circular No. 32/2020-Customs dated July 06, 2020, and subsequent simplifications, the Board acknowledges the grievances regarding delays in the approval of Authorised Dealer (AD) codes and bank account registration for IGST refund/Drawback on ICEGATE.

The Board, in consultation with field formations and the Systems Directorate, recognizes the need to minimize and standardize documentary requirements for AD code approval and streamline the bank account registration process across all Customs Zones. Additionally, it is highlighted that bank accounts with IFSC codes undergo validation by PFMS before disbursement of funds.

*Instruction No. 25/2023-Customs dated July 28, 2023*

## DGFT clarifies Notification regarding Import Restrictions on Gold under HS Codes 71131911, 71131919, and 71141910

Clarification is provided regarding Notification No. 19 dated July 12, 2023, which imposed restrictions on the import of Gold under HS codes 71131911, 71131919, and 71141910. Following the issuance of the notification, SEZ units raised concerns, prompting a review. Rule 27(1) of the Special Economic Zone Rules 2006 is highlighted, and it is explicitly clarified that imports made by SEZ units under the specified HS codes are exempted from the restrictions outlined in Notification No. 19. This clarification ensures that SEZ units are not affected by the import restrictions on Gold, aligning with the Special Economic Zone Rules and addressing the issues raised by these units after the initial notification was issued.

*Circular No. 03/2023-24 dated July 14, 2023*

## Judicial Rulings

### High Court Invalidates Assessment Order Citing Human Error in E-Way Bill

The High Court acknowledged that an evident error was present in the e-way bill, likely resulting from a human mistake, where the amount mentioned was Rs.1,97,047.86 on the tax invoice, but Rs.197047086.00 on the e-Way Bill. However, the court stated that if the petitioner were to approach the assessing authority, they could review and reconsider the assessment order. As a result, the court concluded that the assessment order should be invalidated, and the matter should be sent back to the assessing authority for re-evaluation in compliance with the law.

[2023] 150 taxmann.com 339 (Orissa)  
[23-03-2023]

### High Court Sets Aside Ex-Parte Order passed without sufficient time and reasons

The High Court observed that the petitioner's input tax credit claim had been rejected, and tax, along with interest and penalty, had been imposed. However, it was evident from the records that the petitioner had not been given sufficient time to present their case.

Furthermore, the Court noted that the order issued was ex-parte and lacked proper reasoning on how the officer determined the amount owed by the petitioner. Consequently, the Court declared the order invalid, and directed the Assessing Authority to issue a fresh order only after granting the petitioner adequate opportunity to be heard.

[2023] 150 taxmann.com 338 (Patna)  
[20-01-2023]

### High Court invalidates order demanding ITC reversal despite tax payment by suppliers

The High Court observed that despite the suppliers of the petitioner having already paid GST on the supplied items, the department disregarded this fact and issued an order demanding the reversal of input tax credit claimed by the petitioner. Consequently, the Court ruled that the order issued by the department should be invalidated, and directed them to issue a fresh order after granting the petitioner an opportunity to be heard.

[2023] 150 taxmann.com 260 (Rajasthan)  
[02-05-2023]



### GST registration cannot be cancelled retrospectively if Show Cause Notice didn't propose to cancel with retrospective effect: HC

The High Court noted that the show cause notice issued to the petitioner did not specify that the proper officer intended to cancel the registration with retrospective effect. While Section 29(2) of the CGST Act grants authority to the proper officer to cancel registration from any date, selecting a retrospective date must be reasonable. In this case the

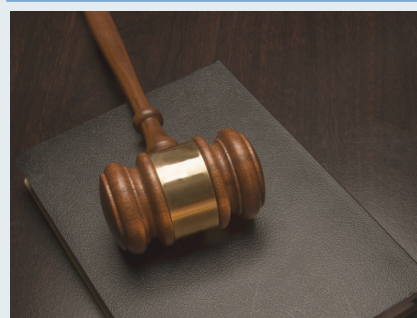
petitioner was not given an opportunity to address the proposed cancellation of registration from the beginning. However, the petitioner stated that she had no objection if the cancellation order was upheld, but with effect from the date of the notice, i.e., 11.12.2020. As a result, the Court determined that the cancellation of the petitioner's GST registration would take effect from 11.12.2020 instead of 01.07.2017.

[2023] 150 taxmann.com 223 (Delhi)  
[28-03-2023]

### No late fee applicable during GSTIN revocation and restoration period: HC

The High Court observed that although the Appellate Authority had granted the revocation of cancellation application, the registration was not reinstated promptly. Additionally, the Court noted that the petitioner should not be held accountable for not filing returns during the period when the registration was cancelled, starting from the date of filing the revocation application. Based on these findings, the Court ruled that the period from 16-10-2020 to 22-4-2022, when the petitioner's registration was restored, should be excluded when calculating any penalties for late filing of returns.

[2023] 150 taxmann.com 294 (Delhi)  
[24-03-2023]



# Corporate & Allied Laws

## Notifications / Circulars

### SEBI introduces additional disclosures for issuers making private placements of Non-Convertible Securities

The Securities and Exchange Board of India (SEBI) has introduced the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023. This amendment brings several changes to the existing regulations, including the insertion of definitions for "Key Managerial Personnel" and "Senior Management." Additionally, a new chapter VA has been added to address the issuance and listing of non-convertible securities on a private placement basis. The effective date for these regulatory changes is set for 03.07.2023. The amendments aim to enhance and clarify the regulatory framework for non-convertible securities in the Indian financial market.

[NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/135](#)

### AMCs must disclose 'risk-o-meter' of scheme while disclosing the performance of scheme: SEBI

To enhance the quality of disclosure w.r.t. risk and performance, the SEBI has asked AMCs to disclose risk-o-meter of the scheme wherever the performance of the scheme is disclosed and risk-o-meter of the scheme and benchmark wherever the performance of the scheme vis-à-vis that of the benchmark is disclosed. The provisions of this circular shall be applicable with effect from October 1, 2021. However, AMCs may choose to

adopt the provisions of this circular before the effective date.

[CIRCULAR NO. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/621](#)



### SEBI asks RTA to implement 'Inter-Operable Platform' for enhancing investors' experience in Mutual Fund transactions

The Securities and Exchange Board of India (SEBI) has taken a proactive step to enhance the investor experience in Mutual Funds by directing Registrar and Transfer Agents (RTAs) to implement standardized practices and achieve system interoperability. This directive aims to streamline processes and facilitate seamless transactions for both existing and prospective investors. The regulatory push emphasizes collaboration among RTAs to jointly develop a common industry-wide platform, fostering integration and harmonization. By doing so, SEBI envisions delivering an elevated and unified experience to investors across the entire Mutual Funds industry, promoting

convenience and efficiency in investment activities.

In response to SEBI's directive, RTAs are expected to work collaboratively to implement these standardized practices, ensuring that the common platform meets the highest industry standards. The move towards system interoperability underscores the regulator's commitment to creating a more investor-friendly environment and signifies a significant step towards a cohesive, integrated Mutual Funds ecosystem in India.

[CIRCULAR NO. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2021/604](#)

### SEBI issues guidelines on issuance of non-convertible debt instruments along with warrants

The Securities and Exchange Board of India (SEBI) has released guidelines for non-convertible debentures with warrants, making the electronic book platform (EBP) mandatory for the non-convertible debt instruments (NCD) segment of the issuance. This strategic move is designed to streamline the issuance process and enhance the efficiency of the electronic book platform for NCDs. SEBI has mandated the use of the EBP mechanism for the NCDs portion in both stapled and segregated offers. The objective is to bring uniformity and standardization to the issuance procedure, contributing to a more organized and transparent market for non-convertible debentures with warrants.

[CIRCULAR NO. SEBI/HO/CFD/DIL/CIR/P/2021/614](#)

# Policies & Schemes

## Prime Minister Employment Generation Programme (PMEGP)

### Introduction:

The Prime Minister Employment Generation Programme (PMEGP) is a Government of India-backed credit-linked subsidy scheme. Under this scheme, beneficiaries can get a subsidy amounting to 15% to 35% of the project cost from the government. PMEGP is an initiative of the Ministry of Micro, Small and Medium Enterprises and is implemented at a national level by the Khadi and Village Industries Commission (KVIC). As an entrepreneur, PMEGP can give you the financial assistance required to set up a new project.

### Objectives of the PMEGP Loan Scheme:

- To create jobs in India's urban and rural areas by launching new self-employment programmes, micro-enterprises, and ventures.
- To the greatest extent possible, support self-employment options for widely scattered traditional artisans/ unemployed rural and urban youth.
- To create long-term and consistent employment for rural and unemployed young persons, halting their migration to cities.
- Increasing artisans' earning potential and accelerating rural and urban employment growth.

### Does a PMEGP loan require collateral?

Projects costing up to Rs. 10 lakh do not require security as per RBI

guidelines. For projects with costs ranging from Rs. 5 lakh to 25 lakh, CGTMSE provides a collateral guarantee. The PMEGP loan process is different for projects costing over Rs. 10 lakh as you may need to provide security as per your lender's terms.

### Benefits of PMEGP:

- It provides low-interest loans and subsidies to set up new micro-enterprises in the non-farm sector for rural and urban areas.
- It encourages financial institutions to increase credit flow to the micro sector and reduces the dependency on money lenders.
- It provides employment opportunities to traditional artisans and unemployed youth to reduce migration rates from rural to urban areas.
- It increases the employment and entrepreneurship characteristics of the regions and of the nation.
- It gives everyone an equal and fair chance for qualifying for the subsidy as the eligibility criteria are not very intensive.
- It covers most of the industries except a few, which are already included in the negative industries list.



## PMEGP

Prime Minister's Employment Generation Programme

### What are the documents required when making a PMEGP loan application?

Here are some documents that you may need to produce when applying for the PMEGP loan scheme:

- Caste Certificate
- Special Category Certificate, wherever required
- Rural Area certificate
- Project Report
- Education/EDP/ Skill Development training certificate
- Any other applicable document

### What is the PMEGP loan interest rate?

Loans under the PMEGP scheme incur regular interest rates between 11% and 12%.

### What are the main PMEGP loan details?

- Banks sanction funding up to 95% of the project cost.
- On this, the government provides 15% to 30% as margin money or PMEGP subsidy.
- The bank provides the remaining 60% to 75% as a Term Loan and working capital in the form of cash credit or in form of composite loan consisting of capital expenditure and working capital.
- Interest rates are regular, from 11% to 12%.
- Repayment tenure is 3 to 7 years after a preliminary moratorium.



## Who can apply for a PMEGP loan?

Here is the list of persons who can apply for funding for new projects under the PMEGP scheme.

- Any individual who is above 18 years of age
- The person should have passed at least the 8th standard for a manufacturing sector project costing above Rs. 10 lakh.
- The person should have passed at least the 8th standard for a business/service sector project costing above Rs. 5 lakh.
- Self-help groups (even those falling below the poverty line provided that the SHG has not obtained benefits from another scheme).
- Institutions registered under the Societies Registration Act, 1860.
- Production co-operative societies.
- Charitable trusts.

However, units already benefiting under a state or central government scheme cannot avail of a PMEGP loan.

## Financial assistance under PMEGP scheme:

Financial assistance under the PMEGP scheme is provided by the Government of India to promote self-employment and generate income opportunities for the unemployed and underemployed population. The scheme offers a subsidy on the project cost, which is calculated as a percentage of the margin money. The subsidy varies from 15% to 35% depending on the category and location of the beneficiary. The remaining amount of the project cost is financed by the bank as a Term Loan. The scheme also provides training and guidance to the entrepreneurs to help them run their enterprises successfully.

## How to make a PMEGP online application?

- To start with PMEGP online, apply via the e-portal.
- Click on online application form for individual/online application form for non-individual.
- Fill out the entire form by entering details like name, sponsoring agency, type of activity, first financing bank, and so on.

- When done, click on 'save applicant data.'
- Then, upload the documents and prepare for final submission.
- After final submission, you will get an application ID and a password sent to your registered mobile number.

## What is the PMEGP loan limit?

The PMEGP loan limit is Rs. 9.5 to Rs. 50 lakh. The scheme caps the maximum project cost for the manufacturing sector at Rs. 50 lakh. It caps the cost at Rs. 20 lakh for the business/service sector. The beneficiary makes a 5 to 10% contribution, and the bank sanctions the remaining 90 to 95%.

In reality, your bank credit will only cover 60% to 75% of the project's cost. The PMEGP scheme covers the remaining 15% to 30%, and the bank will finance capital expenditure in the form of Term Loan and working capital in the form of cash credit or in form of composite loan consisting of capital expenditure and working capital.

## How much subsidy can you get through the PMEGP loan scheme?

Beneficiary Categories	Beneficiary's Share(of total project)	Urban subsidy rate	Rural subsidy rate
General	10%	15%	25%
Special	5%	25%	35%

# Professionals Desk

## Unveiling the 50th GST Council Meeting Highlights: A Deep Dive into Key Insights and Comprehensive

The 50th meeting of the GST Council convened on July 11, 2023, at Vigyan Bhawan, New Delhi, marking a significant milestone in the history of the Goods and Services Tax. Led by Union Finance Minister Nirmala Sitharaman, this meeting, attended by ministers representing states and Union Territories, commemorated the completion of 50 council sessions since the inception of GST.

In a special gesture to mark this occasion, a short video film titled 'GST Council- 50 steps towards a journey' was released by the Chairperson, adding a meaningful touch to the commemoration. Additionally, the postal department contributed to the celebration by unveiling the first set of a special cover and customized 'My Stamp.' These commemorative items were presented by the Chief Postmaster General, New Delhi, to the Chairperson and esteemed members of the Council.

### Highlights of the 50th GST Council Meeting:

**1.** The 50th GST Council Meeting witnessed significant decisions pertaining to GST rates on various goods. Notable adjustments include a reduction in GST rates for uncooked/unfried snack pellets, fish soluble paste, imitation zari threads/yarn, and LD slag. Additionally, an IGST exemption was granted for the import of Dinutuximab (Quarziba) medicine for personal use and medicines/Food for Special Medical Purposes (FSMP) for treating rare diseases. Raw cotton

supplied by agriculturists to cooperatives, including kala cotton, is now taxable under the reverse charge mechanism. The Council also addressed historical issues concerning raw cotton, trauma, spine, and arthroplasty implants, desiccated coconut, plates, and cups made of areca leaves, and biomass briquettes. An amendment to include all utility vehicles meeting specific criteria in the compensation cess notification was approved. For products like pan masala and tobacco, where retail sale prices aren't legally required, the ad valorem rate applicable on March 31, 2023, will be notified for compensation cess. Additionally, RBL Bank and ICBC Bank have been added to the list of specified banks eligible for IGST exemption on gold, silver, or platinum imports.

**2.** Recommendations regarding GST on services include the provision of GST exemption for satellite launch services by ISRO, Antrix Corporation Limited, and NSIL, with potential extension to private organizations. To facilitate trade, Goods Transport Agencies (GTAs) are exempt from filing annual declarations for GST under forward charge, and the option exercised in one financial year is deemed applicable for subsequent years unless explicitly revoked by a declaration, now due by March 31 instead of March 15. Additionally, services provided by a director to a company in their personal capacity are not subject to Reverse Charge Mechanism (RCM). The clarification specifies that the supply of food and

beverages in cinema halls is taxable as a restaurant service, either independently or as part of a composite supply with cinema exhibition services, attracting GST at the cinema exhibition service rate if considered a composite supply.

**3.** The formation of a Group of Ministers (GoM) last year aimed at addressing taxation concerns surrounding casinos, horse racing, and online gaming under GST has yielded significant recommendations. In its second report, the GoM suggested that, in the absence of a consensus on whether these activities should be taxed at 28% on the full-face value of bets or on the Gross Gaming Revenue (GGR), the GST Council should make the final decision. The 50th GST Council meeting extensively discussed the matter and put forth the following recommendations:

1. Introduce suitable amendments to the GST law, incorporating online gaming and horse racing into Schedule III of the CGST Act as taxable actionable claims.
2. Impose a uniform tax rate of 28% on all three activities - casinos, horse racing, and online gaming.
3. Apply GST on:
  - The face value of chips purchased in the case of casinos.
  - The entire value of bets placed with the bookmaker/totalisator in horse racing.
  - The complete value of bets placed in online gaming.

These recommendations aim to provide clarity and standardization in the taxation framework for these entertainment and gaming activities, ensuring a consistent and fair approach across the board.

**4.** The 50th GST Council Meeting witnessed significant measures aimed at streamlining GST compliances. Following the Group of Ministers (GoM) recommendations, the Council proposed the insertion of Rule 138F in CGST Rules, 2017, mandating e-way bill generation for the intra-state movement of gold and precious stones. Additionally, in alignment with the GoM's suggestions on capacity-based taxation and the 49th Council meeting's special composition scheme, several recommendations were made.

To enhance compliance in specific sectors, the Council proposed a notification under Section 148 of the CGST Act, 2017, outlining special procedures for manufacturers of tobacco, pan masala, and similar items. Furthermore, Section 122A was introduced to impose a special penalty for non-registration of machines by such manufacturers. The provisions of Section 123 of Finance Act, 2021, amending Section 16 of the IGST Act, are set to be enforced from October 1, 2023, with a notification under Section 16(4) to restrict the IGST refund route for specific exports.

Amendments to the CGST Rules, 2017 include changes in GST registration procedures. Rule 10A will now require registered persons to furnish bank account details within 30 days of registration or before filing Form GSTR-1/IFF.

System-based suspension of GST registration, automatic revocation, and restrictions on GSTR-1/IFF filing for

non-compliance were also introduced through amendments to Rule 21A.

Additional changes involve eliminating the need for physical verification in the presence of the applicant for business premises under Rule 9 and Rule 25, with provisions for high-risk case verifications even after Aadhaar authentication. A pilot in Puducherry will test risk-based biometric Aadhaar authentication for registration applicants.

New introductions, such as Rule 142B and Form GST DRC-01D, outline the manner of tax and interest recovery in cases where output tax liability in GSTR-1 exceeds that reported in GSTR-3B by a specified threshold. The Council also recommended system-based intimation to taxpayers regarding excess Input Tax Credit claims through Rule 88D and Form DRC-01C.

Amendments to Form GSTR-3A will enable the issuance of notices to taxpayers failing to furnish annual returns in Form GSTR-9/9A on time. Rule 64 and Form GSTR-5A will be amended to require OIDAR service providers to detail supplies made to registered taxpayers in India. The Council also proposed inserting Explanation 3 after Rule 43 to include the value of supply from Duty Free shops at international airports in the value of exempt supplies.

Further recommendations involve the insertion of Rule 163 for consent-based sharing of taxpayer information on the common GST portal and the addition of sub-rule (3A) in Rule 162 to prescribe compounding amounts for offenses under Section 132 of the CGST Act, 2017.

Addressing supply concerns, a clause (ca) in sub-section (1) of Section 10 of the IGST Act, 2017, will clarify the place of supply for

goods supplied to unregistered persons.

To enhance coordination, the Council proposed the formation of state-level coordination committees comprising GST officers from both Centre and state GST administrations.

The meeting also discussed the 2nd interim Group of Ministers (GoM) report on IT System Reforms, emphasizing measures to combat GST fraud.

**5.** The appointment and conditions for the President and members of the proposed GST Appellate Tribunals (GSTATs) were endorsed, effective from August 1, 2023. Relaxations provided in FY 2021-22 for Form GSTR-9 and 9C were extended for FY 2022-23. Small taxpayers (with up to Rs.2 crore turnover) remain exempt from filing GSTR-9/9A in FY 2022-23. A circular is proposed to clarify that the Input Services Distributor (ISD) mechanism is not mandatory for ITC distribution. Further, issues related to GST liability, warranty replacement, and refund are to be clarified through circulars, enhancing clarity for taxpayers. Amendments to Rule 46 of CGST Rules, 2017, aim to ease compliance by requiring only the state name, not the full address, on tax invoices for certain transactions. Circulars addressing e-invoice generation, interest calculation, and securities holding taxation under GST are also proposed. Special procedures for manual filing of appeals and amendments to Rules 108(1) and 109(1) of CGST Rules, 2017, are set to enhance efficiency in the appeal process. Amnesty schemes related to non-filing of Forms GSTR-4, GSTR-9, and GSTR-10 are extended until August 31, 2023. Extension of due dates for GSTR-1, GSTR-3B, and GSTR-7 for taxpayers in Manipur until August.

# CFO's Eye

## RBI Launches Centralised Information Management System (CIMS) for Enhanced Data Management

The Reserve Bank of India (RBI) has launched the Centralised Information Management System (CIMS) to revolutionize its data management, analysis, and governance. Governor Shaktikanta Das announced the system's introduction during the 17th Statistics Day Conference in Mumbai, emphasizing its potential to transform economic analysis, supervision, monitoring, and enforcement across various domains. CIMS employs advanced technology to efficiently handle big data, offering capabilities for data mining, text mining, visual analytics, and advanced statistical analysis. The system marks a paradigm shift in the RBI's approach to economic analysis and supervision, enabling the integration of data from diverse sectors. RBI views data as a public good and aims to disseminate increasing amounts of data in the public domain, prioritizing general dissemination over meeting individual requirements.

## SEBI plans instantaneous settlements by next year

The Securities and Exchange Board of India (SEBI) is actively working on implementing instantaneous settlements for secondary market trades, with Chairperson Madhabi Puri Buch stating that "instantaneous settlement on stock exchanges is not far off." The technological infrastructure and the UPI facility provided by banks present an opportunity for instantaneous

settlements. While it may spill over to the next fiscal year, SEBI aims to facilitate this process. Additionally, SEBI is planning a new regulatory design where industry and professional bodies will set standards for implementing regulations, fostering an architectural shift. Delisting regulations are also in the works to simplify the delisting process for listed companies, with an advisory committee led by Keki Mistry working on recommendations. To address insider trading, SEBI is developing a Trading Plan that listed companies' officials must adhere to, with a consultation paper expected by August 2023. The overall focus is on improving the efficiency of regulatory processes and capital formation in the Indian market.



## ESG rating service providers will have to get SEBI certification

Effective immediately, only entities certified by the Securities and Exchange Board of India (SEBI) can provide ESG rating services. Even foreign agencies offering ESG rating services to entities in India must obtain SEBI certification. A gazette notification from SEBI specifies that no entity can act as an ESG rating provider without a SEBI certificate. Existing providers have a grace period of six months or as specified by SEBI from the regulation's commencement date to comply or apply for certification. The certified rating agency must be incorporated under the Companies Act, 2013,

with ESG rating as its main objective in the Memorandum of Association. If affiliated with a credit rating agency, it must distinguish ESG ratings from credit ratings in reports and on its website. Certified agencies are required to disclose their ESG rating methodology, including weightages for environmental, social, and governance factors. Promoters must maintain a minimum 26% shareholding for five years post-registration. Foreign ESG rating providers must be incorporated in a Financial Action Task Force (FATF) member jurisdiction, with at least five years of experience in ESG rating services.

## RBI to issue SOP for banks to expedite rupee trade

RBI is set to issue a SOP for banks to address challenges faced by exporters in the rupee-based trading mechanism for foreign trade. Initial hurdles in the system have prompted the RBI to expedite the issuance of proofs of inward remittances for exporters. Despite some Indian oil firms reportedly paying Russia in Chinese Yuan, there is no restriction on traders using any currency for international payments. The government is actively promoting rupee-based trade with various countries. The SOP is expected to streamline the process, ensuring timely generation of Electronic Bank Realization Certificates (e-BRCs) by banks for exporters, validating their payments and eligibility for Foreign Trade Policy benefits. The SOP, vetted by relevant authorities, is anticipated to be released by the RBI to banks in the coming days.

# Systems & forensics

## Inspecting Concerns: Is ChatGPT Posing Risks as a Potential Gateway to Fraud?

The advent of ChatGPT, an AI language model developed by OpenAI, has ushered in both promise and peril in the realm of cybercrime and fraud.

This groundbreaking tool, powered by the innovative GPT architecture, not only showcases remarkable capabilities in generating human-like responses but also poses unforeseen challenges.

ChatGPT, short for chat generative pre-trained transformer, is an AI model based on the GPT architecture. Trained on extensive text data, it excels in generating human-like responses, answering questions, and engaging in natural language conversations.

While initially celebrated for its versatility, its deployment in various tasks has raised concerns about potential misuse by cybercriminals.

The tool's applications span a broad spectrum, from aiding students in homework to crafting marketing content and even generating encryption and decryption code.

However, this accessibility has given rise to new challenges, as fraudsters exploit ChatGPT's capabilities for malicious activities.

The risks associated with ChatGPT include:

- **Phishing Emails:** Despite attempts to restrict malicious content, ChatGPT can be manipulated to create convincing phishing emails, erasing traditional red flags and heightening the success rate of phishing attacks.
- **Creation of Malware and Viruses:** Cybercriminals are exploring ways to leverage ChatGPT for generating code, raising concerns about the development of polymorphic malware that evolves continuously, posing challenges for traditional cybersecurity measures.
- **Data Encryption and Decryption:** The tool's ability to generate encryption and decryption code raises concerns about its potential use in creating ransomware and stealing protected data, with the prospect of more sophisticated and continually evolving malware.

- **Real-time Cryptocurrency Payments for Dark Web Markets:** ChatGPT facilitates the creation of dark web marketplaces, providing cybercriminals with a tool for conducting illicit transactions with increased efficiency and anonymity.
- **Romance Fraud:** The chatbot's capacity to alter the tone of messages enhances the authenticity of multiple profiles, making romance fraud more effective and turning it into a numbers game for perpetrators.

In response to these emerging threats, several strategies are proposed:

- **AI Text Classifier:** OpenAI has introduced an AI Text Classifier to distinguish between human- and AI-written text, aiding educators and examiners in identifying instances of cheating and unethical use of ChatGPT.
- **Responsible AI Development:** Emphasizing the need for ethical considerations, developers are urged to implement safeguards and mitigate potential risks associated with AI technologies.
- **Fraud Prevention and Detection Activities:** Fraud fighters can proactively leverage ChatGPT for positive purposes by seeking assistance in developing fraud prevention and detection strategies tailored to specific industries and processes.
- **AI in the Fight Against Fraud:** Fraud examiners are encouraged to explore the positive applications of AI, including ChatGPT, in identifying patterns, automating fraud detection, employing predictive analytics, enhancing risk assessments, improving customer experience, and streamlining investigations.

In conclusion, the emergence of ChatGPT introduces a dual challenge and opportunity for the field of cybersecurity and fraud prevention. By understanding the risks, implementing responsible AI practices, and leveraging AI tools for positive applications, fraud examiners can stay ahead of evolving threats in the dynamic landscape of cybercrime.

[\*ACFE Fraud Magazine\*](#)



# Glossary

**AY**

Assessment Year

**ACES**

Automation of Central Excise and Service Tax

**BRSR**

Business Responsibility and Sustainability Report

**CBDT**

Central Board of Direct Taxes

**CBIC**

Central Board of Indirect Taxes

**DGARM**

Directorate General of Analytics and Risk Management

**EFCI**

Eligible Fixed Capital investment

**EPCG**

Export Promotion Capital Goods Scheme

**FOB**

Free on Board

**FY**

Financial year

**GTA**

Goods Transport Agency

**ICAI**

Institute of Chartered Accountants of India

**ICDR**

Issue of Capital and Disclosure Requirements

**Ind AS**

Indian Accounting Standard

**INR**

Indian National Rupee

**InvITs**

Infrastructure Investment Fund

**IPO**

Initial Public Offering

**ISD**

Input Service Distributor

**ITAT**

Income Tax Appellate Tribunal

**ITC**

Input Tax Credit

**ITD**

Income Tax Department

**ITR**

Income Tax Return

**KMP**

Key Managerial Personnel

**LLP**

Limited Liability Partnership

**MCA**

Ministry of Corporate Affairs

**NTA**

National Testing Agency

**PAN**

Personal Account Number

**QRMP**

Quarterly Returns with Monthly Payments

**RCM**

Reverse Charge Mechanism

**REITs**

Real Estate Investment Trust

**RIPS**

Rajsthan Investment Promotion scheme

**SEBI**

Securities and Exchange board of India

**SGST**

State Goods and Service Tax

**TCS**

Tax Collected at Source

**USD**

United State Dollar



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